

SAVONIA UNIVERSITY OF APPLIED SCIENCES
Savonia Business

BANKING SERVICES – CASE VIEREMÄN OSUUSPANKKI

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Business Administration Bachelor's Thesis
International Business

September 2010

SAVONIA UNIVERSITY OF APPLIED SCIENCES

SAVONIA BUSINESS

Koulutusohjelma, suuntautumisvaihtoehto

International Business

Tekijä(t)

Hanna Lappeteläinen

Työn nimi

Banking services - Case Vieremän Osuuspankki

Työn laji

Päiväys

Sivumäärä

Opinnäytetyö

1.9.2010

50 + 26

Työn ohjaaja(t)

Toimeksiantaja

Anneli Juutilainen & Heikki Likitalo

Vieremän Osuuspankki

Tiivistelmä

Pankki on olennainen osa ihmisten raha-asioiden hoidossa. Vieremän Osuuspankki toimii pienessä kunnassa ja tarjoaa laajan tuotevalikoiman kortti- ja maksupalveluista säästämisen- ja sijoituspalveluihin. Valtaosa pankin asiakkaista asuu Vieremällä ja kunnan ikärakenne on kohtalaisen vanha. Asiakkaiden tarpeet ja mieltymykset muuttuvat ajan myötä, joten on tärkeää että pankki pystyy vastaamaan näihin tarpeisiin parhaalla mahdollisella tavalla

Opinnäytetyön tavoitteena oli tutkia millaisia palveluja Vieremän Osuuspankin asiakkaat tarvitsevat nyt ja tulevaisuudessa. Tarkastelin myös kuinka nuoret asiakkaat hoitavat pankkiasioitaan, verkkopankin vahvistuvaa asemaa ja pienen, paikallisen pankin asemaa suuriin pankkiryhmittymiin verrattuna.

Kysely lähetettiin 415 asiakkaalle, jotka poimittiin pankin tietokannasta satunnaispoiminnalla. Kysely koostui suurimmaksi osaksi suljetuista kysymyksistä, mutta joukossa oli myös muutama avoin kysymys. Kyselyn avulla arvioin asiakastyytyväisyyttä ja asiakkaiden pankkitarpeita. Kyselyjä palautui takaisin 174 kappaletta, mikä tarkoittaa 42 % vastausprosenttia.

Kyselyn tulokset vahvistivat oletuksen, että nuoret vastaajat hoitavat pankkiasiansa verkkopankin kautta eivätkä vieraile pankkikonttorissa, kun taas vanhemmat vastaajat käyvät pankissa aktiivisemmin. Verkkopankin asema vahvistuu entisestään, joten on mahdollista että asiakkaiden käynti pankkikonttorissa vähenee huomattavasti tulevaisuudessa. Tutkimus osoitti, että vastaajat arvostivat pienen, paikallisen pankin palveluita enemmän kuin suurten pankkiketjujen tarjontaa, koska paikallisessa pankissa asiakkaat tunnetaan perinpohjaisesti ja pankki tunnistaa heidän tarpeensa. Tämä osoittaa sen, että pitämällä yllä läheistä pankkisuhdetta asiakkaan kanssa ja ymmärtämällä asiakkaan todellisen arvon, paikallinen pankki voi selviytyä pienessä kunnassa ja jatkaa perinteistä, henkilökohtaista asiakaspalvelua.

Asiasanat

asiakaspalvelu, pankkipalvelujen käyttö, verkkopankki, kilpailukyky

Huomioitavaa

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|--|----------|------------------------|
| SAVONIA UNIVERSITY OF APPLIED SCIENCES SAVONIA BUSINESS Degree Programme, option International Business | | |
| Author(s) Hanna Lappeteläinen | | |
| Title of study Banking services - Case Vieremän Osuuspankki | | |
| Type of project | Date | Pages |
| Thesis | 1.9.2010 | 50 + 26 |
| Supervisor(s) of study | | Executive organisation |
| Anneli Juutilainen & Heikki Likitalo | | Vieremän Osuuspankki |
| Abstract <p>A bank is something that everyone needs. Vieremän Osuuspankki operates in a small municipality and offers a full range of banking services from electronic payments and electronic cards to financing, investment and saving services. However, the age structure of Vieremä is quite old and is getting older steadily over time. Therefore customers' needs and desires will change in the future.</p> <p>The aim of this study was to investigate what kind of services customers of Vieremän Osuuspankki need nowadays and what they will need in the future. In this research I try to answer to following questions: what banking services people will need in the future, how young people will handle their banking issues and can online banking replace bank offices. One of the aims was to investigate how customers do see a local bank compared to bigger bank chains.</p> <p>A questionnaire was sent to 415 customers who were randomly selected from the customer database. The questionnaire consisted mostly of closed-ended questions but it included a few open-ended questions as well. By means of the questionnaire I was able to evaluate customer satisfaction and customers' banking needs. 174 respondents returned the questionnaire, thus the response rate was 42 %.</p> <p>The results of the questionnaire showed that young respondents handled their banking issues online and did not visit the bank office, whereas older respondents visited bank office much more frequently. Considering the strengthening position of online banking and electronic operations, it is possible that the figure of customers visiting the bank office will decrease in the future. Altogether people appreciate the services of local bank more than services of big bank chains, because at the local bank employees really know their customers and recognize their needs. This suggests that with having a familiar relationship with the customers and understanding their real value, a local bank can survive in a small municipality and continue the old-fashioned face-to-face customer service.</p> | | |
| Keywords customer service, use of banking services, online banking, competitiveness | | |
| Note | | |

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1 INTRODUCTION

Banking industry is one of the most competitive and developing business industries in the world. In this industry different kinds of changes and developments happen all the time, thus the competition is hard. Banks have to respond to competition quickly by introducing new strategies to attract new customers and maintain old customers. In the 2000s one of the biggest challenges for banking industry has been the subprime mortgage crisis which started in the United States. The crisis expanded to a worldwide phenomenon leading to huge differences in profitability in different countries and also in different banks.

The bank crisis reached also Finland and its banking industry. The effects can not be seen clearly yet, because the results of Finnish banks are still reasonably good although credit losses have increased substantially. In 2009 the interest rate was historically low throughout the whole year and it led to fierce competition for customers. Even though many foreign banks are struggling with the crisis, Finnish banks are solvent and can tolerate the recession (Finanssialan Keskusliitto 2009, 2).

According to webpage of Finanssialan Keskusliitto (2009) banks can be divided into retail banks and investment banks. In the end of 2009 there were 325 banks in Finland and 15 of them were commercial banks, 220 credit unions of OP-group, 42 credit unions of Local Cooperative Bank Group, 35 savings bank and 13 branch offices of foreign credit institutions.

I had a chance to complete the second part of my internship at a bank in Vieremä. The particular bank is part of the Local Cooperative Bank Group, which is one of the two credit unions operating in Finland. According to the webpage of World Council of Credit Union, a credit union is a cooperative, not-for-profit financial institution owned and controlled by its member. Credit unions serve their member and communities by using excess earning to offer members more affordable loans, a higher return on savings and lower fees or new products and services. Many credit unions try to promote community development or sustainable international development on a local level.

As competition between banks increases, it is necessary to attract customers effectively. Being a small bank, Vieremän Osuuspankki does not have as many resources as bigger bank chains but it has to offer something special in order to stand out. A small bank can concentrate on the needs of the customers in a wider scale than a big bank does. In order to understand the needs of the customers of Vieremän Osuuspankki, I conducted a research which investigated what services customers of Vieremän Osuuspankki need nowadays and what services they will need in the future.

Vieremän Osuuspankki is a part of the Local Cooperative Bank Group. According to Local Cooperative Bank's webpage the Finnish Local Cooperative Bank Group consists of 42 independent cooperative banks each operating in it's own region. Banks are mainly located in rural areas, but they have also expanded their business in growth areas. The total number of offices is 142. The Local Cooperative Banks have been rewarded eight times for the best service in the Finnish banking industry since 2001. Their main customer groups are private individuals, farmers and small and medium sized companies. The group has about 312 000 customers and market share measured by the deposits is around 4 %.

Vieremän Osuuspankki joined The Local Cooperative Group in 1997. According to Annual Report of Vieremän Osuuspankki the number of customers amounted almost to 4000 in 2009. Vieremän Osuuspankki is a contemporary bank that offers versatile range of services: from electronic payments and cards to financing, investment and saving services. 1160 of customers of Vieremän Osuuspankki have an online bank connection. In 2009 the operating profit amounted to 911 000 € whereas in 2008 the figure was 852 000 €. The good development of operating profit resulted from the successful use of hedging instruments against declining interest rates, management of expenses and appropriate market pricing of credit and deposit. The amount of deposits was 42 722 000 € and amount of credits was 41 095 000 €. (Vieremän Osuuspankki 2009.)

Owner membership is very important in Vieremän Osuuspankki's locality. Members of Vieremän Osuuspankki actually own the bank and thus members can influence on the operations of the bank. Membership of Vieremän Osuuspankki costs 60 Euros and the price is paid at once. Later on one can invest in additional shares. Interest is paid yearly on the share capital according to general interest rate and profit of the bank.

There are no yearly charges and if a member wants to quit his membership, the joining fee and possible additional shares are returned to him later on. Membership of Vieremän Osuuspankki has lots of benefits, such as right to participate in decision making of the bank, 20% discount on payment service prices and online banking services, discounts for several services and products in local companies, special loans without the opening fee, Koivunlehti magazine and free tickets to local events. Presumably the biggest benefit is the POP Bonus, which is paid annually to members according to how much they have used the services of the bank.

Operating principles of Vieremän Osuuspankki arise from the needs of the members and customers. Customer of the bank can choose freely how and where he wants to manage his banking issues. Humane banking service pays attention to customers' life situation, whether the customer lives in Vieremä or in another municipality. Basic idea of the service of Vieremän Osuuspankki has been the same for over 100 years: taking care of financial issues of customers and members and the municipality with the best possible way. Together with other Local Cooperative Banks Vieremän Osuuspankki forms one of the most solvent banking groups in Finland.

The beginning of the thesis concentrates on changes and trends in banking industry. Second part tells about means of competing in banking industry and strengthening position of online banking in Finland. Then one moves on to research methods and the actual findings of the research. Last chapter concludes the main ideas of thesis and presents my own thoughts about the situation of Vieremän Osuuspankki.

2 BANKING INDUSTRY IN TRANSFORMATION

The banking industry is developing and changing all the time. Development in environment, competition, co-operation and globalization require new strategies to attract new customers and maintain old customers. Bikker and Bos (2005, 35) surveyed general trends in the European banking industry. They distinguished original causes and subsequent changes for the trends. These causes and changes have modified the operations of banks all over the Europe, also in Finland. These trends have had an effect on figures of personnel and bank offices, as well as on the nature of bank office services and mobile banking.

2.1 Original and subsequent causes

The foremost reason for transformation of banking services and products is the development in information and financial technologies. Software, databases and ways of communication have progressed and it has led to the internationalization of the money and capital markets. Moreover, Internet has created lots of possibilities and threats for banking services. Majority of the banks have expanded their operations to online banking, thus quickened exchange of information and therefore got new customers. (Bikker & Bos 2005, 36.)

Changes in legal environment of banks and other financial institutions are the other part of original causes. Liberalization and harmonization in the European Union and the establishment of Economic and Monetary Union (EMU) ten years ago changed the financial environment dramatically, resulting in increasing competition. EMU also increased the pressure for harmonization of regulation across EU countries. In the process, tax and accounting regimes progressed.

Internationalization in banking industry is caused by the development of integrated European financial markets. Banks are more involved in offering financial services to foreign businesses and individuals. Introduction of the Euro, integration of capital

markets and the merge of infrastructures have been fostering internationalization. According to Bikker and Bos (2005, 35) the most visible response has been consolidation either through mergers and acquisitions or through cross shareholdings. Other ways to internationalize are the development of foreign banking through direct provision of financial services and through foreign branches.

Another trend for non-financial sectors is to direct their savings and surplus funds away from banks towards new forms of financial intermediation, such as investment funds, insurance corporations and pension funds, as well as towards the capital markets, to invest in shares or debt instruments (Bikker & Bos 2005, 38). The importance of traditional banking activities (e.g. collecting deposits and extending loans) has decreased quite much, although banks are still playing the major role in the Euro area financial system. As a result of disintermediation, banks in Europe have changed their traditional bank lending activities with investment banking style activities, for example advising clients on the pricing and structuring of a merger or acquisition.

Concentration on certain services is detected in domestic mergers and acquisitions between banks. A lot of financial conglomerates have been created, involving banks, insurance companies and securities firms. Domestic mergers continue to dominate international mergers and Bikker and Bos (2005, 39) suggest that the reason for this is that domestic banking mergers might be more advantageous than international mergers. Reasons for advantages of domestic merger hide behind possible cultural and language problems, differences in many kind of national regulations on and taxation differences.

Finally, banking contestability is a major condition for competition in areas where the amount of banks is declining due to consolidation. The EU's single passport policy allows banks with a banking permit in one EU country to operate in all EU countries. Nowadays Internet allows banks to expand their activities no matter of geographical borders.

2.2 Personnel and bank offices

As a result of development of technology, the amount of banking personnel in Finland decreased significantly in the end of last century, what is seen in Figure 1 below. However, the expansion of banking operations in the new century caused the increase in the personnel and the amount of banking personnel increased a little (Finanssialan Keskusliitto 2006, 6). In 2005 the amount of personnel in Finnish banks was 23 256 and in 2009 it reached the limit of 30 000 (Statistics Finland 2010b). Personnel of The Local Cooperative Group amounted to 734 in the end of 2009 (Finanssialan Keskusliitto 2010).

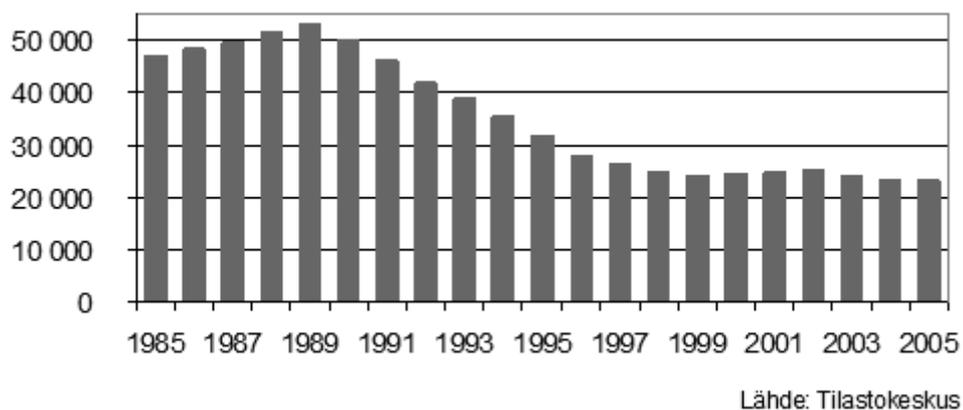


Figure 1. Amount of banking personnel in Finland during 1985-2005 (Statistics Finland 2010a).

Technology has also had an effect on amount of bank offices. Customers have started to use online banking effectively and some offices have vanished because of banks' integration (Finanssialan Keskusliitto 2006, 6). According to Statistics Finland, in 2005 domestic banks had 1730 offices in Finland and the figure amounted to 1538 in 2009. The Local Cooperative Group had 142 bank offices throughout Finland in 2009 (Finanssialan Keskusliitto 2010).

2.3 Bank office services

Use of bank office services is decreasing because of popularity of online banking. Discussion with Mervi Mähönen (2010), who is a service advisor in Vieremän Osuuspankki, revealed that majority of customers come to bank office to deposit money, empty piggy banks, buy gift checks, and change currency or to handle their electronic card and loan issues. According to Finanssialan Keskusliitto (2009, 17) paying invoices in the bank office has decreased dramatically. A reason for this is that online banking and payment terminals in business premises have become extremely popular worldwide. The difference in popularity between paying invoices manually and electronically can be seen in the following Figure 2 below. Nowadays 98% of invoices are handled electronically (Finanssialan Keskusliitto 2009). Online banking has also affected the amount of giro machines in bank offices. In the beginning of 2000 84 millions of bank transfers were made by using giro machines whereas in 2008 the number was only 24 million. In 2008 there were only 1500 giro machines in Finland (Savon Sanomat 2009).

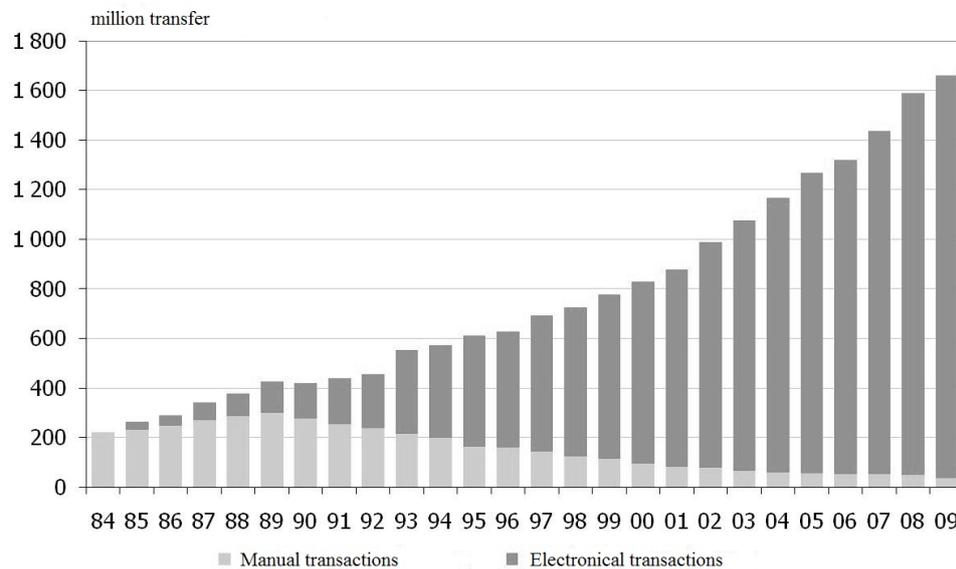


Figure 2. Growth of electronic payment service (Finanssialan Keskusliitto 2010).

2.4 Mobile banking

Mobile banking (also known as m-banking) is one of the newest innovations in banking industry. Anderson (2009, 18) writes that mobile banking means using of a

mobile phone or another mobile device to undertake financial transactions linked to a client's account. M-banking has not yet got a lot of users but because of the widespread adoption of mobile phones it might become very popular even in low income countries, for example in South Africa, the Philippines and Kenya.

Suoranta (2003) writes in her dissertation about mobile banking services. Because Finland is a trendsetter in technology, there are already some user segments for m-banking. Suoranta observed in her survey (2003, 64) that a person who uses m-banking is usually married, 25-34-year-old, has a vocational education, has average income and works in service sector. Young and middle-aged people are usually interested in the newest technology and have up-to-date mobile phones, which have wide data capabilities. As mobile phones develop even further, m-banking is believed to increase its popularity. A recent study, conducted by Berg Insight, predicted that the number of mobile banking users in Europe will grow from 7 million mobile banking users in 2009 to 115 million users in 2015 and in the United States the figure will be 86 million in 2015 (Berg Insight 2010).

2.5 Online banking

Nowadays technology is a part of business life. Technological innovations have enabled the concept of electronic banks and all the major banks offer various versions of online banks. Karjaluoto et al. (2002, 261) state that the concept of electronic banking often refers to online banking or Internet banking. However, electronic banking is an upper construct including also telephone banking, WAP- banking as well as iNet-television banking. The first Internet-based banking service system was launched in Finland in 1996 and from that on the growth of online banking has been tremendous. Thus the most significant trend in banking industry during the recent years has been the shift from traditional branch banking to electronic banking. Karjaluoto et al. (2002, 224) say that over 50% of the private banking customers have an online banking contract with their bank.

Online banking has a wide range of benefits. With the help of Internet, consumers all over the world have an easy access to their accounts whenever they want. Generally online bank sites are quick and transactions are easily executed. Online banking is also efficient: a customer can manage all of his bank accounts from one site by using

sophisticated and modern tools. For the banks online banking is a way to cut costs and increase efficiency. Branch office service for some routines, for example bill payment, is more expensive than handling the invoices online and therefore banks are eager to find strategies to get majority of their customers to use online banking (Laukkanen et al. 2008, 441).

From the customers' point of view online banking has also some minor disadvantages. When applying for online program, the customer must go to local bank and sign some forms. Learning to use online banking sites might be difficult at first. Some people are worried about security of online service. Although these problems are small, they might be too overwhelming for some people, for example for the older generation.

2.5.1 Attitude formation towards online banking in Finland

Common belief is that only certain kind of people use online banking. Karjaluoto et al. (2002, 262) write that a typical user of online banking can be classified as a highly educated, relatively young and wealthy person with good knowledge of computers and Internet. It has been globally recognized that demographic factors have a great impact on consumer attitudes and behavior regarding online banking (Daniel 1999, 74).

Karjaluoto et al (2002, 263) continue that personal banking experience refers to customer satisfaction or dissatisfaction of the delivery channel in use. Personal banking experience affects attitudes and behavior in several ways and therefore banks must pay attention to customer satisfaction before offering online banking connection to their customers. In order to receive more information about factors influencing on attitudes towards online banking, Karjaluoto and his colleagues conducted a large survey in 2000. The study showed that demographic variables and prior experience of computers affect banking behavior quite much. The results revealed that a typical online banking user is relatively young and well educated with interest in current events. The study also reported that whereas young customers show interest in online banking solutions, the more mature customers had more negative attitude towards online services.

Shortly said, majority of Finns have adopted online banking solutions quickly and easily. Nowadays 87% of Internet users in Finland use online banking (Statistics Finland 2009).

2.5.2 Future of online banking

As mentioned in the previous chapters, the use of online banking has increased significantly. Majority of banking issues can be handled online easily and quickly and thus it is will be interesting to see what kind of future online banking will have. Will it develop even further and attract all of the banks' customers or will the popularity decrease? Bissola (2003, 40) defined the projected evolution of online banking activities (see Figure 3 below). According to Bissola, the first phase in evolution of these activities is informational, where setting up accounts is the main issue. The second phase is a more developed phase, which involved transactional activities (e.g. fund transfers and bill payment). The last phase consists of a real relationship building activities between the customer and the bank. These kind of activities are, for example, personalized reporting, on-click transactions and one-to-one interactions. Bissola assumes that the European market has already reached the end of the second step and the market is trying to reach the first steps of the personalization of services. If we think about Finland in this situation, it has reached more than Europe. Banks in Finland are already offering services that belong to the last phase of evolution.

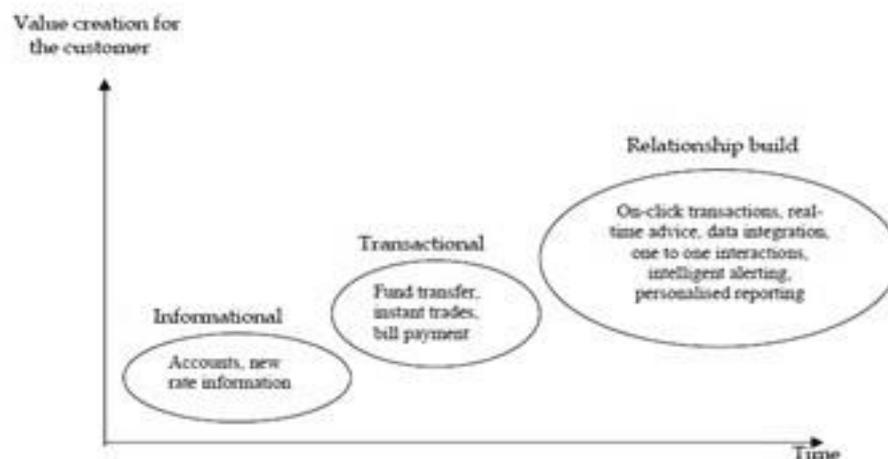


Figure 3. *The evolution of online banking activities (Bissola 2003).*

Online financing and investment services include all types of financial activities carried out over the cyberspace or other public networks, such as online banking, electronic trading, provision and delivery of various financial products and services such as insurance, mortgage and brokerage (Allen et al. 2002, 6). These kind of financial activities demand a lot of attention and consideration because of their

importance. Shahrokhi (2008, 393) claims that online business in the financial services industry has been slow to evolve because of complexity of inter-organizational relationships, regulations, security concerns, lack of standards, and conservative principles. Although Vieremän Osuuspankki has several online services available, it does not yet have any online financing and investment services. At the moment customers can use the following online services: bank statement, paying the invoice, inquiry about bank service, direct debiting, electronic invoice, drawing out a loan (flexible loan), opening an account, electronic card application, fund marking, share service, a message to the bank and information and links of the bank. Because of increased competition in banking industry, Vieremän Osuuspankki should consider whether the bank should start to offer online financing and investment services in the future.

3 MEANS OF COMPETING IN BANKING INDUSTRY

It is obvious that nowadays banks compete against each other also with deposit and credit interest rates and service charges. Banks try to sell different kind of bank services as effectively as possible, but several banks also sell services which are not in their own balance sheet, e.g. different kind of insurances and mutual fund shares (Koivuporras 2008, 118).

Vesala (2001, 52) states in his study that banks' strategies in Finland have changed significantly since 1980. In 1980's banks tried to compete with wide branch network and personnel but in the beginning of the 1990s banks started to internationalize. Customers' needs have changed and they handle banking issues via Internet instead of visiting bank offices. Expanding operations to financing and investment services is a one way to compete and one essential part of the competition is price competition. Nordea Bank, OP-Pohjola Group and Sampo Bank have been the biggest banks in Finland for last couple of years, thus the price competition between these banks is intense (Karttunen 2007). Smaller banks might not offer as good interest rates and services as these bigger banks, but they can compete with superior customer service. Smaller banks know their customers better and can offer a lot by adapting the principles of CRM, customer value and customer care.

3.1 Customer relationship management

Payne (2007, 15) says that because of a clear shift in business focus from transactional marketing to relationship marketing, many management approaches has taken place. Companies have realized that customers are not simply a commercial audience, they are an important business asset and therefore they have to be recognized. Because Vieremän Osuuspankki works in a small municipality, it has the opportunity to really know its customers. CRM is the strategic process of identifying desirable customer segments, micro-segments or individual customers on a one-to-one basis and

developing integrated programmes that maximize both value to the customer and the lifetime value of customers to the organization through targeted customer acquisition, profit enhancing activities and retention (Payne 2007, 18). CRM involves handling the customer relationship from every aspect. According to Cook (2008, 28) a CRM system can help a company to identify sales prospects, collect information about the customer, allocate resources and monitor customer-usage patterns. Cook continues that the four principles of CRM are: know your markets and your customers, target segments and individuals, sell, and service.

Payne (2007, 29) writes that there are five key cross-functional CRM processes that companies need to consider. These five processes are the strategy development process, the value creation process, the multi-channel integration process, the information management process and the performance assessment process. When a company considers all of the five processes of CRM it can identify and address those CRM issues which are preventing the company from achieving better performance. In the first phase a company must develop both a business and a customer strategy and make sure that both strategies are aligned with each other. Company also needs to decide how it will address its customer base and what kind of future position it has. In value creation process the company transforms the outputs of the strategy development process in CRM into programmes that both extract and deliver value. The multi-channel integration process focuses on decisions about the communication channels, channel participants and how to ensure a positive customer interaction. The fourth process, the information management process, concentrates on the collection, collation and usage of customer data and information from all customer contact points. Last process, the performance assessment process, ensures that the strategic aims in terms of CRM are being delivered in an appropriate way. The main actions include understanding the drivers of shareholder value, identifying the appropriate standards against which the various CRM activities can be measured, establishing an effective monitoring system to apply these measures and learning from those measures.

While the main idea of CRM is to build and maintain profitable customer relationships, there are also other reasons for its success. Anderson and Kerr (2002, 12) believe that CRM supports partnership all over the organization. Because employees at all levels and areas collect information for CRM process, they need to

co-operate and share information with each other. Gathering information about customers is a crucial project and employees should co-operate and show appreciation for co-worker contribution. CRM guides people to co-operation and builds strong internal partnerships.

3.2 Capturing value from customers

One of the most important things in competitive banking industry is to build sustainable customer relationships. This can be done by creating and delivering superior customer value. If a company understands the importance of customer value and manages to create and deliver it, it will have satisfied customers who will stay loyal and use more services of the company. Armstrong et al. (2008, 28) say that customer value consists of three pieces: customer loyalty and retention, share of market and share of customer and customer equity.

A successful customer relationship makes customers happy. Happy customers remain loyal and talk enthusiastically about the company and its services to their friends. If a customer experiences even a small disappointment in a relationship, it might lead to a huge drop in loyalty. Therefore it is essential to understand the concept of customer lifetime value and its management. Customer lifetime value is the value of the entire stream of purchases that a customer would make over a lifetime of patronage (Armstrong et al. 2008, 28). If a customer will stay within one company during his lifetime, the economic value might be enormous. Thus companies must put an emphasis on building sustainable customer relationships, because a happy and delighted customer will create an emotional relationship with the product or the service.

In addition to having a sustainable relationship with the customer, good customer relationship management can help companies to increase their share of customer. Share of customer is the share of the customer's purchasing that a company gets in its product and service categories (Armstrong et al. 2008, 28). Companies can offer wider range of services to customers in order to increase share of customer.

The last step of creating and developing customer value is to build customer equity. As Armstrong et al. (2008, 29) point out, companies want not only to create profitable customers, but to “own” them for life, capture their customer lifetime value and earn a greater share of their purchases. Therefore the aim of the company is to produce high customer equity – the total combined customer lifetime values of all of the company’s current and potential customers (Armstrong et al. 2008, 29). In order to do this, companies should build the right relationships with the right customers and classify customers according to their potential profitability and projected loyalty. Reinartz and Kumar (2002, 93) divide customers into four relationship groups: “butterflies, true friends, strangers and barnacles”. In the Figure 4 below these relationship groups are explained in detail. “Butterflies” are profitable but not loyal whereas “true friends” are both profitable and loyal. “Strangers” show low profitability and little loyalty and “barnacles” are very loyal but not so profitable. Dividing customers reminds companies about the most important thing: different kind of customers require different kind of services and the company’s aim is to build the right relationships with the right customers.

| | | |
|--------------------|---|---|
| High profitability | “Butterflies” Good fit between company’s offerings and customer’s needs; high profit potential | “True friends” Good fit between company’s offerings and customer’s needs; highest profit potential |
| Low profitability | “Strangers” Little fit between company’s offerings and customer’s needs; lowest profit potential | “Barnacles” Limited fit between company’s offerings and customer’s needs; low profit potential |
| | Short-term customers | Long-term customers |

Figure 4. *Customer relationship groups (Reinartz and Kumar 2002).*

3.3 Excellent customer service

Excellent customer service consists of two things: keeping customers happy and bringing them back later. Whenever a customer comes to a bank, he should be treated

with friendliness and respect. It is very important that the customer leaves the bank happy because he might pass positive feedback about the bank to his friends, who might be possible new customers. Word mouth travels fast and definitely affects bank selection criteria. Holstius and Kaynak (1995, 16) conducted a survey which purpose was to research the different factors affecting to bank selection criteria. Holstius and Kaynak (1995, 19) divided respondents into national bank customers and local bank customers. The most important bank selection factors for local bank customers were reception at the bank, friendliness of personnel, lower service charges for services, perceived confidentiality, fast and efficient service and confidence in the bank manager. Findings also suggested that local bank customers appreciated convenience, service facilities, savings and security and accounts held to be important factors when selecting a bank.

Vieremän Osuuspankki has adopted the principles of excellent customer service well. This is proved by the fact that Local Cooperative Banks have been rewarded eight times for the best service in the Finnish banking industry since 2001. The last reward was received in 2009 when Local Cooperative Banks held the first place in national customer service –survey conducted by Taloustutkimus Oy. Thousands Finns gave companies a grade within a scale from 4 to 10. Local Cooperative Banks received the best average grade, 8,59. The CEO of Local Cooperative Group, Heikki Suutala (Vieremän Osuuspankki 2010), believes that domestic and cooperative forms of businesses are behind the success. Local Cooperative banks are owned by their members who can influence on the operations of the bank. Members take part in the decision making and that is what makes Local Cooperative Banks truly humane banks. Local Cooperative Banks pay attention to customers' life situation, no matter where the customer lives.

Because the ownership of Local Cooperative Banks is in hands of the Finnish customers, the operating profit of the bank will be used to develop the local city or community. Suutala says that the solvency of Local Cooperative Banks is a result from spending the operating profit on the development of banks' operations. Developing the operations of the bank has led to growth of the bank, as well as to long-lasting relationships with customers.

4 RESEARCH METHODS

The aim of this study is to investigate what kind of services customers of Vieremän Osuuspankki needs nowadays and what services they will need in the future. Because the subject itself is very large and has lot of different aspects I needed to concentrate on some areas in order to find essential information. In this research I research how young people will handle their banking issues and can online banking replace bank offices. Previously people tended to come to the bank office to handle their banking issues but as online banking has become extremely popular, people have started to handle their banking issues via Internet. Therefore it is important to research if online banking is more popular than visiting the bank office and what kind of future the bank offices will have. The worldwide status of online banking is also worth to think about.

Although the research aims mentioned above already require a huge amount of information, I was also interested to study how services of older generation will develop and how customers do see a local bank compared to bigger bank chains. Competition in service sector is sharpening all the time and thus I want to investigate how a small bank operating in rural area has responded to competition and what it will do in the future.

Buckingham and Saunders (2004, 14) say that hypotheses are statements about what our theoretical propositions lead us to expect to find. Because my aim was to study what kind of services customers of Vieremän Osuuspankki need nowadays and what services they will need in the future, I was able to create quite many hypotheses. I tried to avoid over-generalizing and focus on statements which would give some ideas for the future of the bank. Therefore I created three main hypotheses which are:

- Young customers use mainly online banking and do not visit the bank office → will this reflect somehow on development of online services? Will every service be available online? Will actual bank office be needed in the future?
- Middle-aged (35-50-year-old) customers have an interest in possible online investment services → should investment services be available online?
- Respondents aged 18-35 will form the majority of customers using financing and investment and saving services within the next three and five years → how to market these services effectively?

4.1 Research approach and collection of secondary data

Because of the aims of the research, research problem and the research budget it was reasonable to choose a quantitative approach. I decided to conduct a survey because questionnaires are easy to construct, relatively cheap to use and they can provide a huge amount of information on people's attributes, attitudes and activities (Buckingham & Saunders 2004, 43).

Secondary data was mainly collected from academic and organizational journals and textbooks. I also found some good articles from the Internet and had a discussion with one of the bank clerks.

4.2 Collection of primary data

Primary data was collected by using a structured questionnaire which was sent to 415 customers of Vieremän Osuuspankki. The bank manager gave some guidelines for the questionnaire and after couple of meetings with him the questionnaire was ready. Majority of the questions were closed questions because I wanted to make answering easy for the respondents. Having closed questions also makes coding and categorization easier (Ghauri et al 1995, 61).

Designing the questionnaire was very difficult and time consuming. I had not conducted any questionnaires before, so I had to read some literature about it. Ghauri et al (1995, 61) recommend that the first step in the construction of a questionnaire is to specify what type of information is required. One has to think what the basis of the study is and what one's aims are. The second step is to consider how the questionnaire will be administered – through interviews, mail or e-mail. Third step is to think what questions are appropriate and how the questions are to be answered.

Ghauri et al (1995, 62) also provided 10 guidelines for the construction of questionnaires. I tried to follow the guidelines carefully in order to get a good questionnaire. To start with, the questions should be asked in a very simple and concise language. One should not make unrealistic demand on the respondent's know-how or memory. One should also ensure that everybody understands the question in

the same manner. Another essential thing to remember is that each question should deal with only one dimension, i.e. “double-barrelled” questions should be avoided. The questions should be formulated in such a way that there is no escape route in the questions. Questions should be specific and concise and not direct respondent towards an answer. (Ghauri et al 1995, 62-63.)

Moreover, questions should be formulated in a polite language. Words used in questions should be straightforward so everybody will answer the questions with a same understanding. Questions should be placed in a “right” order, i.e. more difficult questions should be left to the end of the questionnaire. Layout of the questionnaire should be appropriate and tidy. Finally, the questionnaire should be reviewed by someone else in order to get comments. The best way to do that is to do a pre-test on a few respondents. (Ghauri et al 1995, 64.)

When creating the questionnaire, I divided questions into certain categories. Giving headings in the questionnaire seemed to make the structure of the questionnaire clearer. The first section had questions about respondent’s background, because it was essential to know respondent’s demographic variables. Second section questioned respondent’s use of current bank services, the third section about online banking services and the last section about respondent’s use of bank services in the future. As a result of dividing the questionnaire into these small sections, the questionnaire was coherent and easy to read. All in all, the questionnaire consisted of 30 questions, of which 28 were closed questions and two were open-ended questions (Appendix 3 and 4).

The bank manager suggested that pre-testing could be done by sending the questionnaire to management board of the bank, which consists of 28 people, via e-mail. I sent the questionnaire to the management board and after two weeks about half of them had answered to the questionnaire and given comments on it. Everyone had understood the questions in the same way so therefore I did not need to modify the questions anymore.

4.3 Target group of the research

Target group of the research was the all the customers of Vieremän Osuuspankki, which meant over 4000 customers. After discussing with the bank manager, a sample size of approximately 400 customers seemed to be a reasonable one because it accounted to 10 % of all the customers. Some of the over 4000 customers were passive customers which meant that they do not use actively their accounts. Thus it was sensible to take only active customers to the sample and that became the first sampling criteria. After discussion with the bank manager we decided to divide customers into three groups according to their age: young customers (18-26-year-old), adults (27-55-year-old) and older people (56-70-year-old). This way it was convenient to pick the respondents from the database because customers had been grouped in the database by their age. We considered that it was important that the sample consisted of owner member and non-owner member customers so thus the final sample criteria were: an active customer who is aged from 18 to 70 and is/is not an owner member of Vieremän Osuuspankki.

The sample was drawn from the electronic customer database of Vieremän Osuuspankki. My colleague uses the database often in her work, so she advised me how to draw the sample. I selected the respondents randomly from different age groups and after the selection I had names of 415 customers to whom the questionnaires, covering letters (Appendix 1) and instructions (Appendix 2) were addressed to. This sampling method is called stratified random sampling (Buckingham & Saunders 2004, 103).

4.4 Hypotheses and data analysis

As said before, hypotheses are statements about what our theoretical propositions lead us to expect to find. I assumed that young customers use mainly online banking and do not visit the bank office, middle-aged (35-50-year-old) customers have an interest in possible online investment services and respondents aged 18-35 will form the majority of customers using financing and investment and saving services within the next three and five years. These hypotheses can be tested with different procedures and I tested my hypotheses by using SPSS.

Buckingham and Saunders (2004, 202) state that a convenient way to research possible associations between variables is to use cross-tabulation command in SPSS. Cross-tabulation is the process of producing a contingency table which cross-classifies the different values of the categories of an independent variable with those of a dependent variable. Cross-tabulation helps to find associations, but it does not measure if the association is strong or weak.

A simple way to measure strength of an association between categorical variables is called Chi Square. Buckingham and Saunders (2004, 288) define Chi Square as “a statistic summarizing the amount by which the expected frequencies in the cells of a contingency table differ from those observed.” Chi Square derives the value of *phi* and Cramer’s V, from which we can tell if there is a real association between variables. A rule of thumb for all statistics that measure association is that a value between 0 and +0.25 indicates a non-existent to weak association; a value between +0.26 and +0.50 suggests a weak to moderate association; a value between +0.51 and +0.75 suggests a moderate to strong association and a value between +0.76 and +1.00 suggests a strong to perfect association (Buckingham & Saunders 2004, 209).

I used SPSS Statistics 17.0 program, which is a computer program used for statistical analysis. After creating a data matrix in SPSS I carefully inputted information from the questionnaire forms and analysed the results with the help of frequency tables, cross tabulation, adjusted residuals and multiple response variables. Some of the respondents have not answered to all questions, but because they had answered to most of the questions, I did not need to disqualify any form. While I was checking the forms, I numbered the forms in ascending order. I noticed that I had to recode some of the questions, because in some questions there was a possibility to choose more than one option. Besides SPSS I also used Microsoft Office PowerPoint 2007 and Microsoft Office Word 2007 programs to analyze tables and graphs.

5 FINDINGS

There were 174 respondents in total, which is approximately a 42% response rate. In the first subchapter one studies the background information of respondents, second part concentrates on current use of bank services, third part handles online banking services and finally one takes a look at the use of services of Vieremän Osuuspankki in the future.

5.1 Background information of respondents

Background information is gathered to Table 1 below. 46 % of respondents were female and 54 % male. As one can see from Table 1, age distribution of respondents was quite equal.

The educational background of respondents varied more. Over half of respondents had studied in vocational school. 14% of respondents had a degree from university of applied sciences and only 8% of respondents had a degree from a university. About a tenth of respondents had had only a grammar school education. The reason for the variance might be caused by the age distribution. Young people might not have finished their studies yet and older people have not had a chance to educate in their youth.

Majority of respondents were married. Third of respondents were single and one fifth lived in a domestic partnership. About a tenth of respondents were divorced or widowed. This sounds reasonable, concerning the age distribution of respondents. The average number of adults in the household was two and if the household had children, the average was also two.

The percentage of owner members of Vieremän Osuuspankki was an honorable figure of 86%.

Table 1. *Background information of respondents (n=174)*

| | | |
|---------------------|--|------|
| Gender | Female respondents | 46 % |
| | Male respondents | 54 % |
| Age | 18-25 years | 21 % |
| | 26-35 years | 19 % |
| | 36-45 years | 17 % |
| | 46-55 years | 22 % |
| | 56-65 years | 9 % |
| | over 65 years | 12 % |
| Education | Grammar school | 12 % |
| | Comprehensive school | 7 % |
| | Upper secondary school | 8 % |
| | Vocational school | 51 % |
| | University of Applied Sciences | 14 % |
| | University | 8 % |
| Marital status | Single | 29 % |
| | Domestic partnership | 23 % |
| | Married | 40 % |
| | Divorced | 5 % |
| | Widowed | 3 % |
| Family | Average number of adults living in the same household | 2 |
| | Average number of children living in the same household | 2 |
| | | |
| Owner membership | Owner members of Vieremän Osuuspankki | 86 % |

5.2 Current use of bank services

In the second part of the questionnaire respondents were asked to mark all the services of Vieremän Osuuspankki they are using and evaluate their importance with a grade from 0 to 5. One can see from Figure 5 below that electronic card services was clearly the most used service as 89% of respondents used the service. Online service was the second most used service with 67% and 56% of respondents were running errands in the bank office. All in all payment transaction services were generally used whereas investment and saving services with financing services were not so commonly used.

Nobody of the respondents used ASP-account. On average respondents used four services.

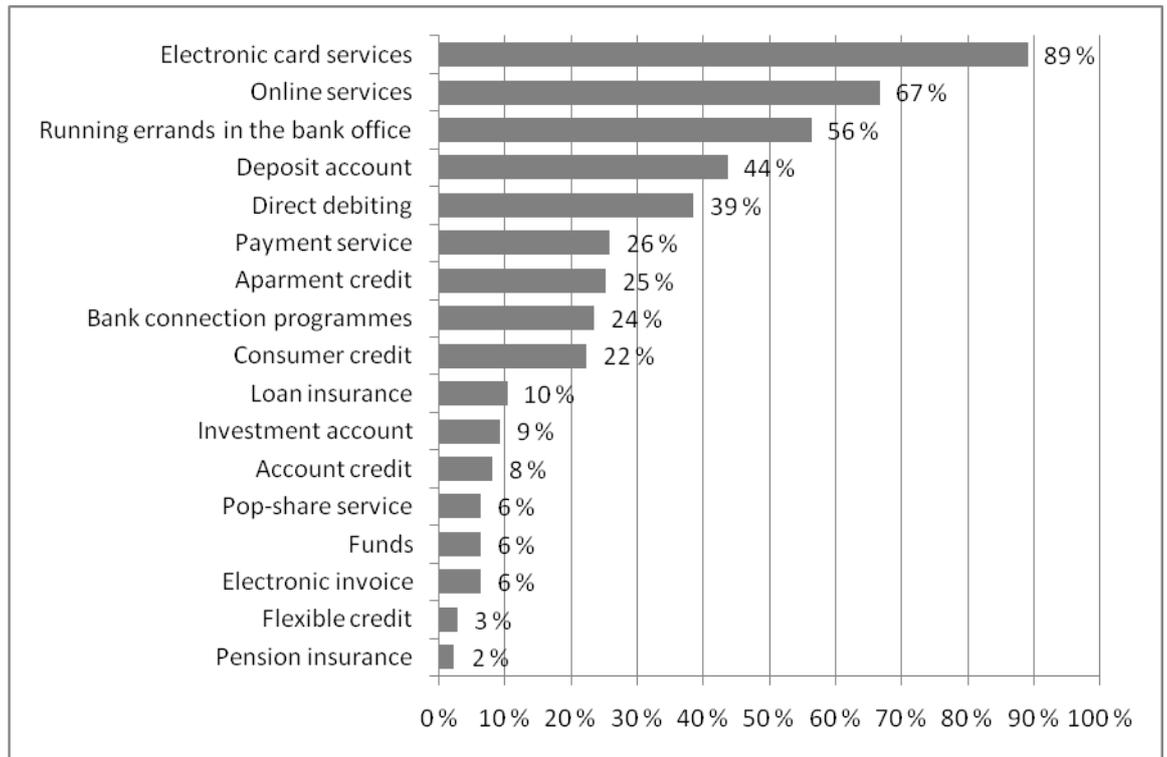


Figure 5. Use of services (n=174)

In question 8 respondents evaluated services of Vieremän Osuuspankki. One can see in the following Table 2 that payment transaction services and electronic card services were evaluated as important. About 29% of respondents did not use investment and saving services and 31% did not use any financing services. That sounds kind of confusing but one reason for that might be the amount of young respondents who have not yet familiarized themselves with these services. However, majority of respondents who used investment and saving services along with financing services found these services important.

Table 2. *Distributions (%) and measures (n= 174) of use of services.*

| | Opinion | | | | | Total | Mean | (Not using the service) |
|--------------------------------|----------------------|----------------|-------------------|----------------|---------------------|-------|------|-------------------------|
| | Not important at all | Less important | Somehow important | Very important | Extremely important | | | |
| Electronic card services | 1 | 2 | 10 | 33 | 45 | 100 | 4,3 | (9) |
| Payment transaction services | 1 | 2 | 11 | 35 | 42 | 100 | 4,3 | (9) |
| Financing services | 2 | 9 | 15 | 22 | 21 | 100 | 3,7 | (31) |
| Investment and saving services | 2 | 13 | 26 | 23 | 7 | 100 | 3,3 | (29) |

Respondents evaluated the functionality of banking services with a grade from 1 to 5 (1= extremely bad, 2= bad, 3= mediocre, 4= good, 5= excellent). If a respondent did not use the service, he had marked the option 0, "I do not use the service". According to respondents, all the services that Vieremän Osuuspankki offers are working in a good or excellent way (see Table 3). This tells that the bank can offer versatile and quality services.

Table 3. *Distributions (%) and measures (n= 174) of functionality of services.*

| | Opinion | | | | | Total | Mean | St.dev. |
|--------------------------------|---------------|-----|----------|------|-----------|-------|------|---------|
| | Extremely bad | Bad | Mediocre | Good | Excellent | | | |
| Payment transaction services | 1 | 0 | 1 | 49 | 49 | 100 | 4,5 | 0,6 |
| Electronic card services | 0 | 0 | 1 | 54 | 45 | 100 | 4,4 | 0,5 |
| Financing services | 3 | 0 | 11 | 49 | 37 | 100 | 4,1 | 0,9 |
| Investment and saving services | 0 | 0 | 17 | 59 | 24 | 100 | 4,1 | 0,6 |

Almost all (n= 174) of the respondents were satisfied with the services of Osuuspankki. Only one respondent said that he is not satisfied with the services, but he had not given any reasons for that. 98% of respondents said that all the services are sufficient, but 2% of respondents disagreed. Only one of those four respondents who disagreed had written down, that services would be sufficient if an extra loan amortization could be done via online bank.

One indicator of customer loyalty in Vieremän Osuuspankki can be seen in Figure 6 below. Majority of respondents (44%) have been using the services of the bank over 20 years and over one tenth over 40 years. By offering flexible services according to customers' needs Vieremän Osuuspankki has been able to create long-lasting customer relations.

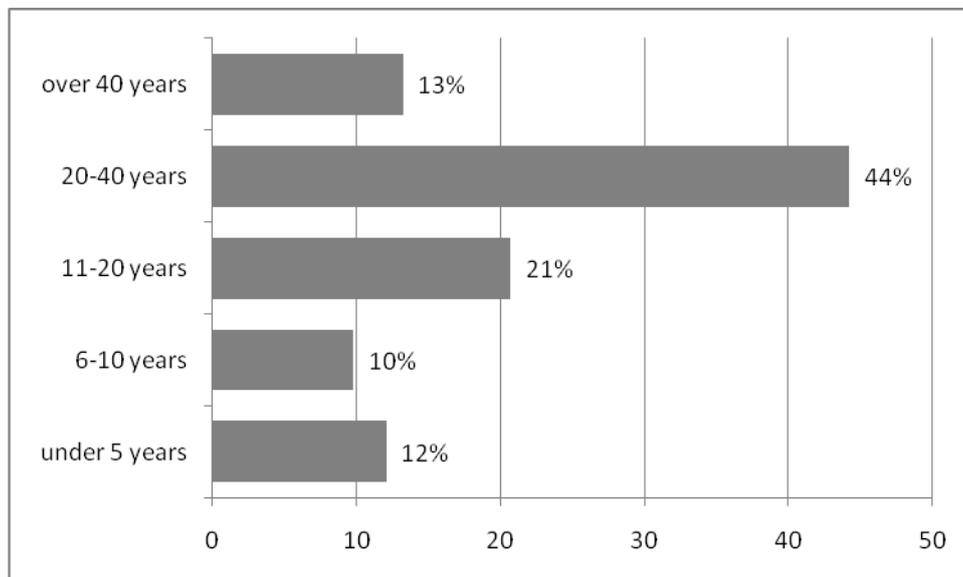


Figure 6. *Share of customers' years of use the bank services*

Over two third of the respondents visit the office rarely. This tells that majority handles their banking issues via online bank. About one third visits the office couple of times in a month (see Figure 7).

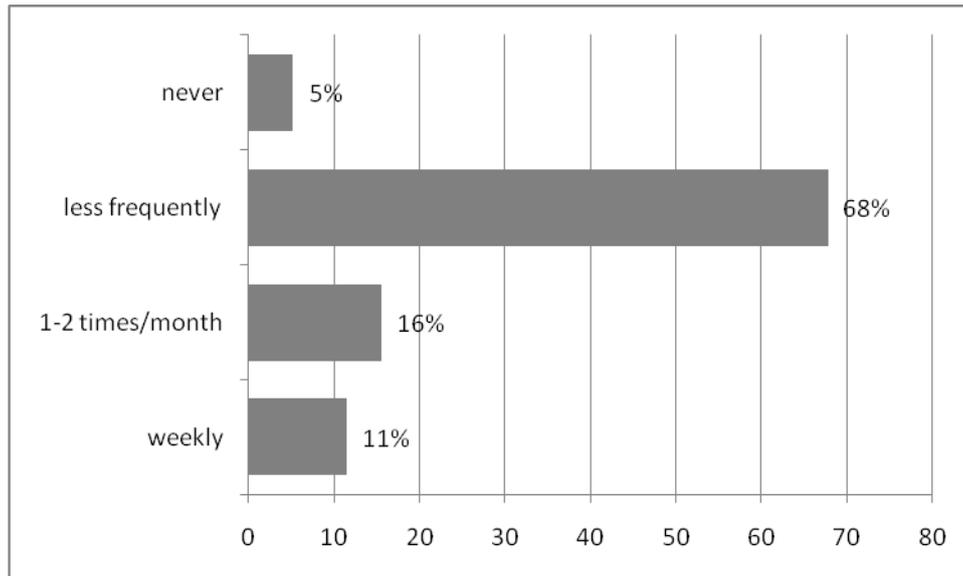


Figure 7. *Frequency of visiting the bank office*

In question 14 respondents answered why they visit the bank office. They had the possibility to choose more than one option. 9 respondents did not visit the bank office at all. However, out of 165 respondents about 55% visited the bank office in order to draw out or deposit money. Taking care of electronic card issues and loan issues were also the most popular reasons to visit the bank office (see Table 4 below). Respondents had the opportunity to write down some other reasons as well and two respondents said they visited the bank office in order to change currency, to empty their piggy banks or they were ordered to handle someone else's banking issues.

Table 4. *Reasons for visiting the bank office*

| Reason | Percent |
|---|---------|
| Draw out or depositing money | 55 % |
| Taking care of electronic card issues | 46 % |
| Drawing out a loan/needling help for loan issues | 35 % |
| Paying invoices | 25 % |
| Some other reason | 12 % |
| Using financing services/needling help for financing issues | 11 % |
| Needling juridical help | 11 % |

5.3 Online banking services

77% of respondents used the online bank of Vieremän Osuuspankki. 97% of those respondents using the online bank were satisfied with the online service. Those four respondents who were not satisfied with the online service explained that the reason for discontent is that loan printouts for the whole loan period can not be seen via online bank connection.

In question 17 respondents marked all the online services they were using. On average a respondent used three online services. One can see from Figure 8 below that paying invoices was clearly the most used service, as expected. 70% of respondents used bank statement and about one third used information and links of the bank. About one fifth contacted the bank by sending a message or inquiries about the services. Fund marking and opening an account were the less used services with only four respondents using them.

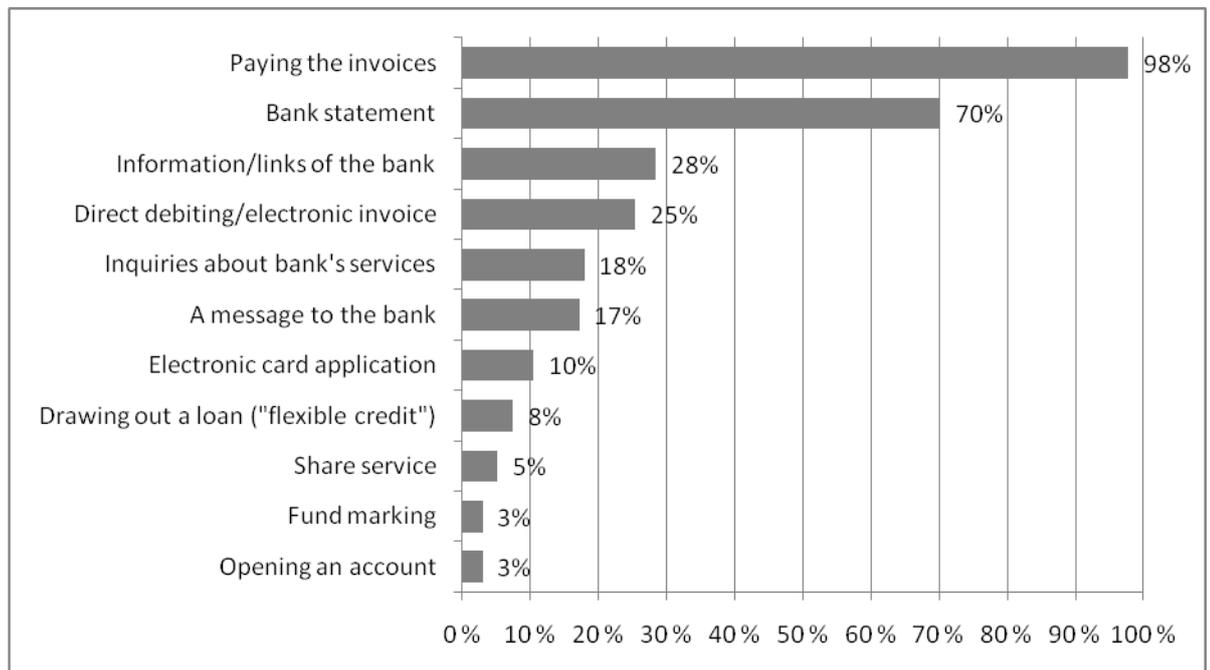


Figure 8. Use of online services

As Figure 8 shows, paying the invoices, bank statement, information and links of the bank and direct debiting were the most used services. Over 60% of respondents informed that they pay invoices via online bank couple of times in a month and one fourth pays invoices couple of times in a week. One third of respondents check their

bank statement once in a month and also use information and links of the bank. Electronic invoice and direct debiting are used monthly (see Appendix 5).

All the online services received positive feedback, what can be seen in the following Table 5 below. Respondents evaluated the functionality of online services from grade 1 to 5 (1= bad, 2= mediocre, 3= satisfactory, 4= good and 5= excellent).

Table 5. *Distributions (%) and measures of functionality of online services.*

| | Opinion | | | | | Total | Mean | St.dev. |
|---|---------|----------|--------------|------|-----------|-------|------|---------|
| | Bad | Mediocre | Satisfactory | Good | Excellent | | | |
| Paying invoices (n= 134) | 0 | 0 | 7 | 52 | 41 | 100 | 4,3 | 0,6 |
| Opening an account (n= 20) | 0 | 0 | 10 | 60 | 30 | 100 | 4,2 | 1,5 |
| Electronic card application (n= 28) | 0 | 0 | 4 | 75 | 21 | 100 | 4,2 | 1,7 |
| Bank statement (n= 107) | 0 | 1 | 10 | 69 | 20 | 100 | 4,1 | 1,7 |
| Drawing out a loan (n= 18) | 0 | 0 | 22 | 50 | 28 | 100 | 4,1 | 1,4 |
| Inquiry about bank services (n= 47) | 0 | 0 | 21 | 70 | 9 | 100 | 3,9 | 1,9 |
| Fund marking (n= 15) | 0 | 7 | 27 | 40 | 26 | 100 | 3,9 | 1,3 |
| A message to the bank (n= 43) | 0 | 5 | 14 | 62 | 19 | 100 | 3,9 | 1,9 |
| Information/ links of the bank (n= 63) | 0 | 2 | 16 | 70 | 12 | 100 | 3,9 | 2,0 |
| Share service (n= 18) | 0 | 6 | 28 | 50 | 16 | 100 | 3,8 | 1,3 |
| Direct debiting/ electronic invoice (n= 41) | 0 | 0 | 15 | 49 | 36 | 100 | 3,5 | 2,0 |

40 respondents did not use online bank. Out of those 40 respondents 58% said that they had not been offered online bank connection and 82% expressed that they would not like to have the connection.

Question 23 asked respondents to mark all the online services they would probably use, if they had online bank connection. Paying invoices and bank statement would be clearly the most used services (see Figure 9).

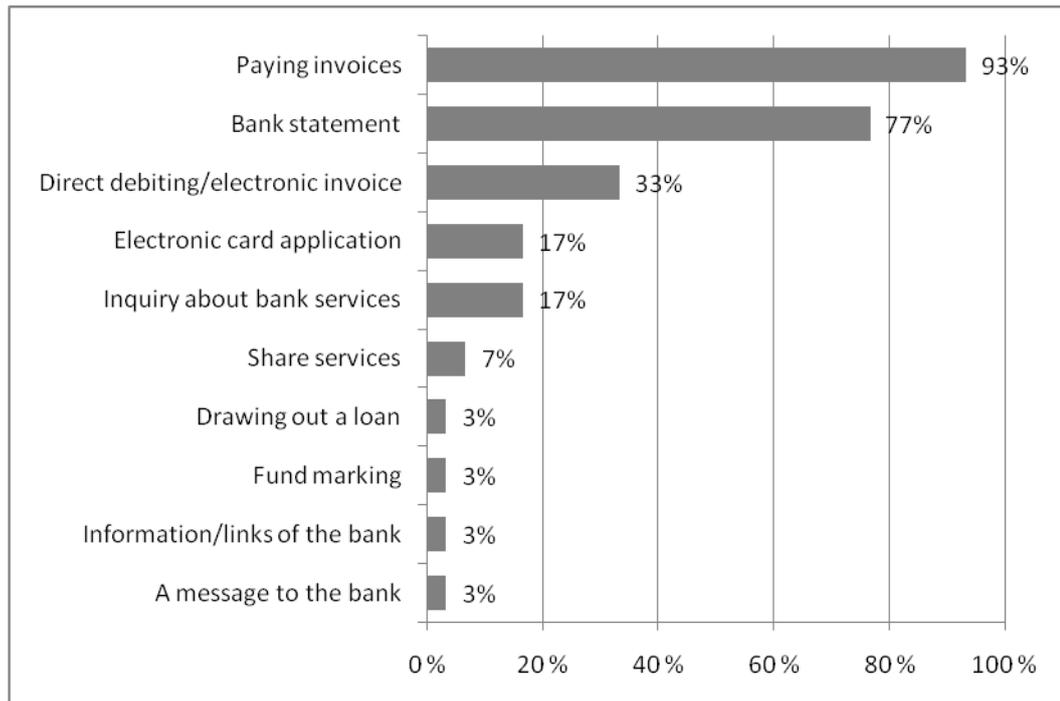


Figure 9. Share of customers who would use certain services if they had online bank connection

5.4 The use of services of Vieremän Osuuspankki in the future

Question 24 revealed what services the respondent will probably use within the next three and five years. Respondent had a chance to select all the possibilities that they thought they would use in the future. As we can see from Figures 10 and 11 below, electronic card services and payment transaction services will continue to be the most popular services, maybe because they are commonly known and do not require so much addressing as investment and saving services along with financing services. However, about 50% of respondents think that they will use investment and saving services within the next few years and about 40% will use financing services as well.

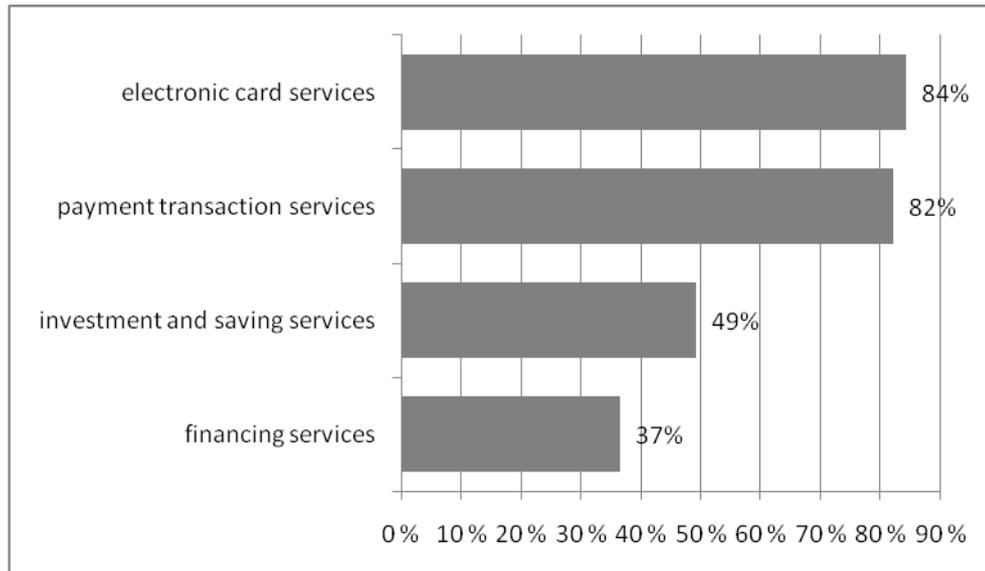


Figure 10. *Estimation of the use of services within the next three years*

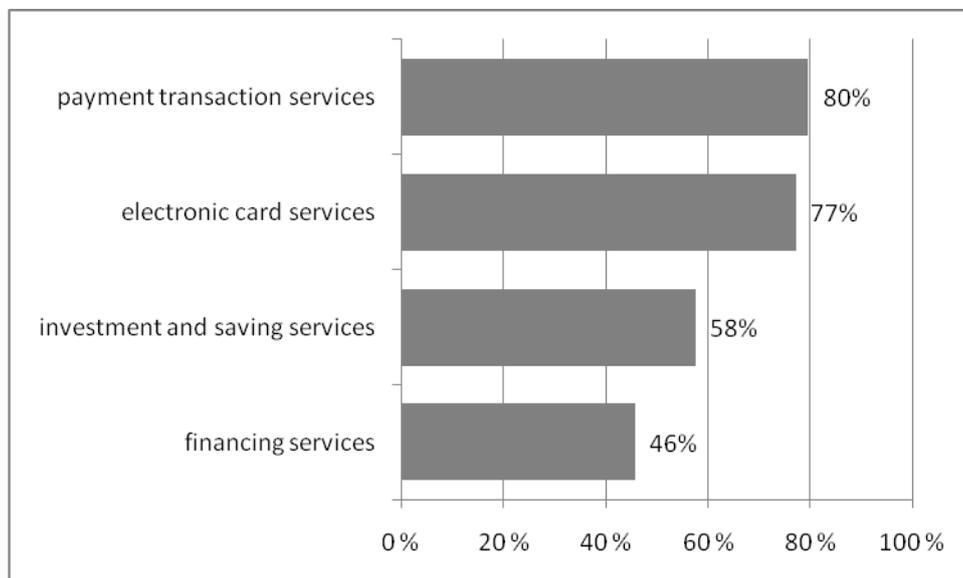


Figure 11. *Estimation of the use of services within the next five years*

Question 25 asked how important certain services will be to respondents within the next five years. Again, payment transaction and electronic card services will be very important or extremely important for customers (see Table 6). As Figures 10 and 11 stated, investment and saving services and financing services were not so popular when compared to payment transaction and electronic card services. Therefore these services received many “I will not use the service” responses in question 25.

Table 6. Distributions (%) and measures (n= 174) of importance of services within five years.

| | Opinion | | | | | | Total |
|------------------------------|--------------------------|----------------------|----------------|-------------------|----------------|---------------------|-------|
| | Will not use the service | Not important at all | Less important | Somehow important | Very important | Extremely important | |
| Payment transaction services | 8 | 2 | 5 | 10 | 30 | 45 | 100 |
| Electronic card services | 6 | 1 | 2 | 18 | 30 | 43 | 100 |
| Financing services | 33 | 5 | 13 | 18 | 17 | 14 | 100 |
| Saving services | 26 | 5 | 11 | 29 | 18 | 11 | 100 |
| Investment services | 31 | 9 | 23 | 19 | 12 | 6 | 100 |

Question 26 asked respondents if they were interested in possible online financing and investment services. One respondent had not answered to this question, but 44% of respondents were interested to use financing and investment services online. Figure 12 shows that respondents aged from 46 to 55 were the most interested in these possible services whereas almost none of the respondents aged 56 or older was not interested in the services.

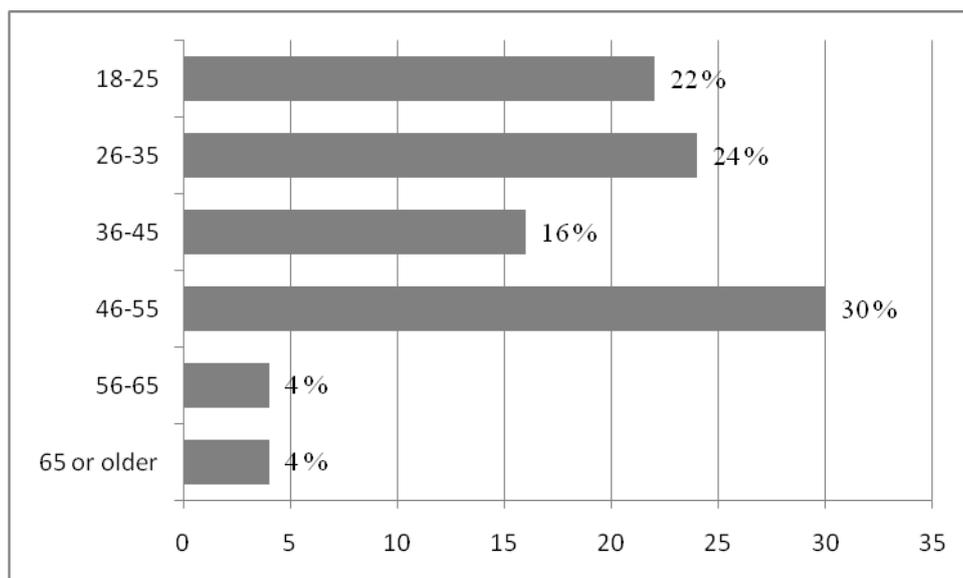


Figure 12. Interest in online financing and investment services according to age groups.

83% of respondents did not see bigger bank chains to be a threat for smaller bank chains, for example for The Local Cooperative Group. This shows that investing in good customer care and satisfaction a smaller bank can be a competitive bank even it can not offer so many options and services than bigger banks.

About two fifth of the respondents were currently using other banks' services along with services of Vieremän Osuuspankki. About 60% of respondents had centralized all their banking issues to Vieremän Osuuspankki and that is a very good figure.

On average respondents who used other banks' services used only services of one bank. Figure 13 below shows that S-Pankki was clearly the most used bank. I suspect this fact slightly, because the bank started its operations not until in 2007 and has started marketing its services properly only during the last year. I assume that some respondents might have confused the concept of S-Pankki with the bonus system of S-Ryhmä.

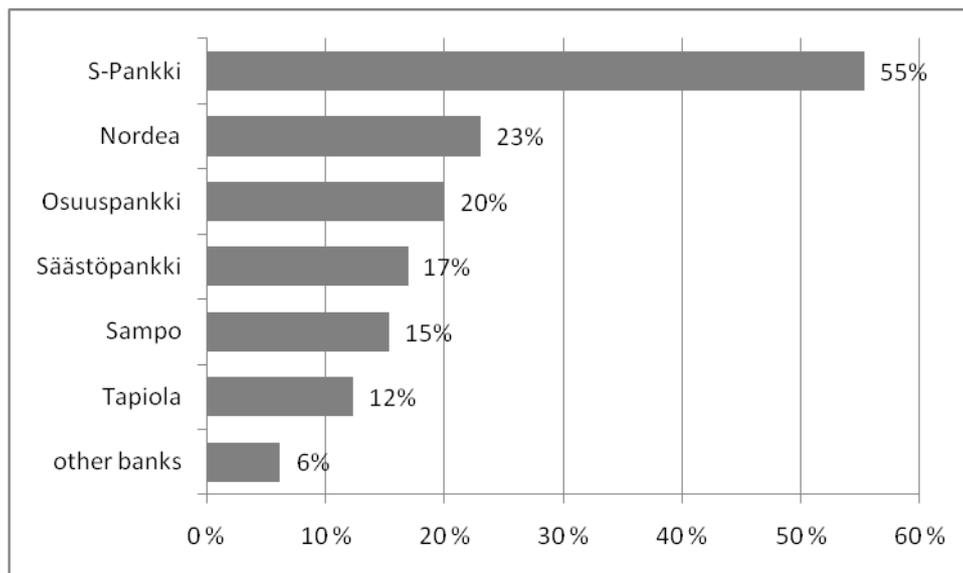


Figure 13. Use of other banks

5.5 Hypotheses

I tested my three hypotheses by using cross-tabulations and Chi Square commands in SPSS. As said before, I assumed that young customers use mainly online banking and do not visit the bank office, middle-aged (35-50-year-old) customers have an interest in possible online investment services and respondents aged 18-35 will form the

majority of customers using financing and investment and saving services within the next three and five years. These tested hypotheses are found below in the next three subchapters.

5.5.1 Popularity of online banking among young customers

First hypothesis was that instead of visiting the bank office, young customers handle their banking needs online. From Table 7 below one can see that customers aged from 18 to 25 have the biggest figure in “less frequently” cell. The second biggest group in the same category is customers aged from 26-35. Based on that, we can say that young customers visit the bank office rarely. The association can be interpreted as strong ($\phi = 0.514$). Also based on chi-square test of independence the association between variables is statistically significant ($p = 0.000$).

Table 7. Age versus visiting the bank office.

| Age | Visiting the bank office | | | |
|---------------------------|--------------------------|---------------------------|-----------------|-------|
| | weekly | 1-2 times/month | less frequently | never |
| 18-25 (n= 37) | 3% | 3% | 84% | 10% |
| 26-35 (n= 32) | 6% | 3% | 78% | 13% |
| 36-45 (n= 30) | 17% | 10% | 73% | 0% |
| 46-55 (n= 38) | 8% | 29% | 63% | 0% |
| 56-65 (n= 16) | 19% | 19% | 56% | 6% |
| 65 or older (n= 21) | 29% | 38% | 33% | 0% |
| Phi Value | ,514 | Pearson Chi Square | 45,918 | |
| Approx. Sig. | ,000 | A.Symp. Sig. (2-sided) | ,000 | |

One can note from Table 8 below that paying invoices via online bank was certainly the most used service within every age group. If we take a look at the differences between age groups, we notice that younger customers use online services more than older customers.

Table 8. Distributions (%) and measures of use of online bank services by age categories.

| | Paying invoices | Bank statement | Information/ links of the bank | Direct debiting/ electronic invoice | Inquiry about bank services |
|-----------------------|-----------------|----------------|--------------------------------|-------------------------------------|-----------------------------|
| 18-25 (n= 34) | 100 | 74 | 24 | 26 | 62 |
| 26-35 (n= 26) | 100 | 81 | 23 | 31 | 27 |
| 36-45 (n= 26) | 96 | 77 | 46 | 31 | 31 |
| 46-55 (n= 29) | 100 | 62 | 35 | 7 | 17 |
| 56-65 (n= 14) | 100 | 50 | 14 | 36 | 14 |
| 65 or older (n= 5) | 80 | 60 | 0 | 40 | 40 |

| | A message to the bank | Electronic card application | Drawing out a loan | Share service | Opening an account | Fund marking |
|-----------------------|-----------------------|-----------------------------|--------------------|---------------|--------------------|--------------|
| 18-25 (n= 34) | 18 | 9 | 6 | 3 | 6 | 0 |
| 26-35 (n= 26) | 23 | 12 | 0 | 4 | 4 | 12 |
| 36-45 (n= 26) | 23 | 15 | 27 | 4 | 4 | 4 |
| 46-55 (n= 29) | 10 | 7 | 3 | 7 | 0 | 0 |
| 56-65 (n= 14) | 14 | 7 | 0 | 7 | 0 | 0 |
| 65 or older (n= 5) | 0 | 20 | 0 | 20 | 0 | 0 |

5.5.2 Interest in online investment services among certain customers

Second hypothesis was that respondents aged from 35 to 50 have an interest in possible online investment services. This hypothesis can be studied by researching question 26 which asked if a respondent was interested in possible online investment services.

According to Table 9 below, 40% of respondents aged 36-45 and about 61% of respondents aged 46-55 are interested in possible online investment services. The figure for age group 46-55 is quite big, so there is definitely an interest towards possible online services. It is important to notice that also younger respondents are interested in these services, age group 18-25 with 46% and respondents aged from 26 to 35 with 56%. However, when one look at strength of association ($\phi = 0.317$) it is only a moderate association. Based on chi-square test of independence the association between variables is almost statistically significant ($p = 0.004$). To put it briefly, there is an association between certain age groups and interest in possible online services, but the association is not a strong one.

Table 9. Interest towards online funding and investment services by age categories.

| Age | Interest for online funding and investment services | | total | percentage |
|--------------|--|----|-------|------------|
| | yes | no | | |
| 18-25 | 17 | 20 | 37 | 46 % |
| 26-35 | 18 | 14 | 32 | 56 % |
| 36-45 | 12 | 18 | 30 | 40 % |
| 46-55 | 23 | 15 | 38 | 61 % |
| 56-65 | 3 | 13 | 16 | 19 % |
| 65 or older | 3 | 17 | 20 | 15 % |
| Total | 76 | 97 | 173 | |
| Phi Value | ,317 | | | |
| Approx. Sig. | ,004 | | | |

5.5.3 Young customers will use certain services more in the future

Third hypothesis was that respondents aged 18-35 will be the majority of customers using financing and investment and saving services within the next three and five years.

One can see from Table 10 below that 66 respondents stated to use investment and saving services within three years. For financing services the figure was 49. Respondents aged from 18 to 35 form the biggest user group for investment and saving services with 47%. For financing services the figure is a remarkable 53%. This reveals that respondents aged from 18 to 35 will pay more attention on services related to investment, saving and financing, for example, deposit and investment accounts, apartment credit and loan insurance. Therefore the bank must pay special attention to this age group and market its services effectively.

Table 10. Distributions and measures of use of bank services within three years by age categories.

| | 18-25 (n=35) | 26-35 (n= 29) | 36-45 (n= 27) | 46-55 (n= 24) | 56-65 (n= 9) | 65 or older (n= 10) | Total (n= 134) |
|--------------------------------|-----------------|------------------|------------------|------------------|-----------------|------------------------|-------------------|
| payment transaction services | 29 | 23 | 20 | 22 | 9 | 7 | 110 |
| electronic card services | 30 | 26 | 24 | 20 | 8 | 5 | 113 |
| investment and saving services | 17 | 14 | 15 | 8 | 4 | 8 | 66 |
| financing services | 13 | 13 | 11 | 10 | 2 | 0 | 49 |

When it comes to use of services within five years, respondents aged 18-35 form 37% of users of investment and saving services. Same age group forms about 43% of users of financing services (see Table 11).

Table 11. Distributions and measures of use of bank services within five years by age categories.

| | 18-25 (n=28) | 26-35 (n= 20) | 36-45 (n= 22) | 46-55 (n= 31) | 56-65 (n= 10) | 65 or older (n= 16) | Total (n= 127) |
|--------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------------|-------------------|
| payment transaction services | 21 | 12 | 17 | 28 | 9 | 14 | 101 |
| electronic card services | 23 | 13 | 16 | 28 | 6 | 12 | 98 |
| investment and saving services | 17 | 10 | 11 | 19 | 5 | 11 | 73 |
| financing services | 14 | 11 | 12 | 15 | 3 | 3 | 58 |

Although Tables 10 and 11 somehow suggest that respondents aged 18-35 will be the majority of customers using financing and investment and saving services within the following years, we can not confirm the fact yet. In order to get matter-of-fact confirmation for the hypothesis, we can test each response category by comparing the groups on the proportions responding in a certain category as opposed to any other category.

Buckingham and Saunders (2004, 270) say that a residual is the difference between observed value of the dependent variable and the value predicted by the equation. In SPSS we can use the command “adjusted residual”, which will give us the adjusted residuals for each response category. Adjusted residual provide the same information about the mis-fit of a model that assumes that two groups have equal proportions of responses in that category. If the absolute value of adjusted residual exceeds the critical value, 1,96, of 95% normal distribution, the difference in a certain cell is statistically significant. Therefore we have to check each service category and age category and take a look at the absolute value of adjusted residuals.

Tables with crosstabulation and adjusted residual can be found in the end of the thesis (Appendix 6). Findings suggest that within three years respondents aged 18-35 are more eager to use payment transaction and electronic card services than other respondents and within five years respondents aged 46-55 will certainly use more

payment transaction and electronic card services. Unfortunately there were no statistically significant findings among respondents aged 18-35 using investment and saving services and financing services within the following years. Therefore we can not confirm the hypothesis that respondents aged 18-35 will form the majority of customers using financing and investment and saving services within the next three and five years.

5.6 Summary of findings

Findings of the research showed that customers of Vieremän Osuuspankki are satisfied with the banking services. Electronic card and payment transaction services were the most used services whereas investment, saving and financing services had not so many users. A reason for this might be the age distribution of respondents because younger respondents have not familiarized themselves yet with these banking services. If Vieremän Osuuspankki had not marketed investment, saving and financing services enough for younger customers, now it would be a good time for active marketing. All of the young customers might not be interested in these kind of issues or do not understand how the services function, but I assume that, for example, ASP loan should be marketed actively to 25-year-old or older customers.

According to respondents all the services Vieremän Osuuspankki offers work in good or excellent way. This reveals that the bank offers versatile and good quality services to all customers. Superior banking services enable long-term customer relationships, even from generation to another.

77% of respondents used the online bank of Vieremän Osuuspankki. Paying invoices, bank statement, information and links of the bank and direct debiting were clearly the most used services. Over 60% of respondents pay invoices via online bank couple of times a month and a quarter of respondents couple of times in a week. About a third of respondents also checks the bank statement in online bank and uses information and links of the bank once in a month. All in all, all the online banking services received positive feedback. About a half of the respondents were interested in possible online financing and investment services. Therefore the bank should consider would it be reasonable to offer these services also online. Respondents who did not use online

bank were older people and they were not accustomed to use Internet as much as younger people, and therefore they were not willing to use online banking. However, we must remember that in the future also the elderly learn to use computer applications in a more effective way.

Over two third of respondents visits the bank office rarely. This fact reveals that many customers handle their banking issues at home via online bank. About a third of respondents visit the bank office couple times in a month. Reasons for visiting the bank office were depositing or drawing out money and taking care of electronic card and loan issues. As the results of the questionnaire showed, young respondents handled their banking issues online and did not visit the bank office, whereas older respondents visited bank office much more frequently. Considering the strengthening position of online banking and electronic operations, I assume that the figure of customers visiting the bank office will decrease in the future what might create some problems for the bank.

Within the next few years electronic card and payment transaction services will be popular, because they are part of everyday's life. Investment, saving and financing services will get users from younger generation, because starting a family and settling down will be topical for them in the future. Therefore Vieremän Osuuspankki needs to pay special attention to those services within the next few years.

All things considered, Vieremän Osuuspankki received very positive feedback (Appendix 7). Bank was described as humane and friendly and the services were flexible. Especially bank clerks, who were characterized as smart and kind, received many thanks from the respondents.

6 DISCUSSION

I was happy to discover that according to the research customers of Vieremän Osuuspankki are satisfied with the banking services. The study showed that respondents are content with all the services of Vieremän Osuuspankki offers, as services work in good or excellent way. This reveals that the bank offers versatile and good quality services to all customers. Superior banking services enable long-term customer relationships, even from generation to another. For some customers traditions might play an important role in life, even in banking decisions. Relation with familiar bank continues and people do not even think about changing to another bank.

Long-term relations between the bank and customers are quite rare in today's business world. Bigger bank chains gather as many customers as possible by offering versatile services, but the problem is that the relation with the customer might remain distant. This is not the case for Vieremän Osuuspankki. At the moment Vieremän Osuuspankki is a good challenger to bigger bank chains because of its excellent customer service and understanding of customer value. At a local bank employees really know their customers and recognize their needs. Long-term and close customer relations continue from a generation to other providing stability and credibility to the bank.

At Vieremän Osuuspankki turnover of personnel is very diminutive. Four of six bank clerks have worked at Vieremän Osuuspankki over 20 years (Vieremän Osuuspankki 2009). Therefore especially these four ladies know customers very well and understand their needs. As feedback from the research confirmed, bank clerks are really liked at the bank: they were characterized as smart, kind and helpful. This is a clear sign of how effectively the bank clerks of Vieremän Osuuspankki have adopted the operating principles of Local Cooperative Group. It is a fact that humanity, understanding the needs of customers, community and responsibility can increase customer loyalty. For the bank it is extremely important to educate bank clerks constantly, in order to offer up-to-date customer service and bank services to customers.

When one thinks about future of Vieremän Osuuspankki, one has to consider many issues. Agriculture and forestry are strengths of Vieremä and one third of residents in Vieremä earn their livelihood from these sectors. At the moment there are approximately 310 farms in Vieremä, thus Vieremä is the third biggest milk producer municipality in Finland (Vieremän Kunta 2010). Metal industry of a high standard (for example Ponsse, Finnritilä and Lujabetoni) has produced many work possibilities to this small municipality and at the same time new customers for the bank. If Ponsse and Finnritilä can improve their situation in domestic and foreign markets even further, it might lead to new employments and bring even more customers to Vieremän Osuuspankki. Therefore banks should concentrate on marketing its services effectively.

In my opinion Vieremän Osuuspankki should invest more in marketing. When one compares marketing of Local Bank Group with e.g. Nordea or Handelsbanken, Local Bank Group loses clearly. Handelsbanken and Nordea are constantly marketing their services on television, Internet and in magazines, but where are advertisements of Local Bank Group? Sometimes I have seen some advertisement on the local magazine called Miilu, but that is it. If I remember right, the ad in question was targeted to pensioners. When the bank organizes some events, pensioners are almost the only one attending the event. On the whole Vieremän Osuuspankki should revitalize its image because at the moment the image is quite old-fashioned.

Marketing is the process of placing a product or service in the hands of potential customers. Vieremän Osuuspankki does not have a marketing manager even though one would be needed. I am sure that there would be a lot of work for a marketing person in Vieremän Osuuspankki. If the bank can not afford to have a marketing manager, one chance would be a marketing manager who would be responsible for the whole Northern Savo region. ASP- service should be marketed to younger customers and investment and saving and financing services for all customers more actively. Vieremän Osuuspankki should try to stand out in the crowd, not to fade away.

The price development of milk and meat, as well as forest industry machines, affect on their own way to the future of Vieremän Osuuspankki. If the price of meat or milk continues to decline, one can assume that agriculture in Vieremä decreases and leads to many changes. Farmers might sell their farm properties and move to cities, for

example to Iisalmi. If these farmers have loans in Vieremän Osuuspankki, credit losses for the bank are possible. The bank has granted variety of loans for agriculture purposes and therefore one should hope that agriculture will stay strong in Vieremä.

During my internship in summer 2010 I noticed that majority of customers are pensioners aged over 65 years. These customers came to bank office to withdraw money by using old-fashioned bank books. Some of them had electronic cards but almost none had online bank connection. As the banking industry is continuing to move towards even more electronic procedures, it raises a question of what happens to the actual bank office in the future. If one thinks twenty years ahead, pensioners at that time will use online banking because they are used to it. Everything might be handled via Internet. Consequently the figure of customers visiting the bank office will decrease in the future. I assume that the number of personnel will also decrease to only two or three bank clerks and opening hours might change as well. Therefore Vieremän Osuuspankki should show their customers that they care about their customers so much that the bank wants to meet customers face-to-face and take good care of their needs. When the bank has familiar relations with customers, customers feel welcomed to come to the bank office and might prefer face-to-face contact to distant online banking.

Writing the final thesis was a challenging project for me. In the beginning I assumed that the project would be quite easy and straightforward but as soon as I started to create the questionnaire, I noticed how much effort and time a thesis demands. Creating appropriate questions was not as easy as I had thought and posting questionnaires was not pleasant at all. In the end SPSS was the most difficult challenge for me. I have never been interested in statistics and trying to learn to use a statistical programme and understanding the answers was very demanding. I spent hours and hours on computer struggling with SPSS and when I had finished analyzing the results, I was extremely pleased. Finding resources for frame of reference was easier than working with SPSS.

In my opinion the whole research was successful. I managed to research functionality of services, customer satisfaction and future aspects of the banks by the help of SPSS. I also learnt about current changes in banking industry and online banking and above all, excellent customer service. If I had a chance to do something differently, I would

change some questions in the questionnaire to be more exact and clearer. Competition in the banking industry evolves all the time, as well as needs of the customers, and therefore it would be important to conduct a follow-up survey after couple of years. The follow-up survey could be more accurate, maybe concentrating more on the development of services.

Vieremän Osuuspankki was founded over hundred years ago. During its history the bank has faced down and uphill. Although the competitive situation tightens all the time, I believe that strong banking traditions lead Vieremän Osuuspankki forward. At the moment Vieremän Osuuspankki is a good challenger to bigger bank chains because of its excellent customer service and understanding of customer value. Findings of the research showed that respondents appreciated the services of local bank more than services of big bank chains, because at the local bank employees really know their customers and recognize their needs. This suggests that having a familiar relationship with the customers and understanding their real value, a local bank can survive in a small municipality and continue the old-fashioned face-to-face customer service.

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APPENDIX 1 Covering letter



Arvoisa vastaanottaja

4.1.2010

Opiskelen Savonia-ammattikorkeakoulun liiketalouden Kuopion yksikössä International Business -linjalla. Teen tutkintooni kuuluvan opinnäytetyön Vieremän Osuuspankille sen asiakkaille tarjoamista palveluista.

Teidät on valittu satunnaisotannalla mukaan tutkimukseen. Toivon Teidän käyttävän hieman aikaanne tämän kyselyn täyttämiseen. Kyselyyn vastaaminen tapahtuu nimettömänä ja vastaukset käsitellään ehdottoman luottamuksellisesti.

Tutkimuksella pyritään saamaan tietoa mm. siitä, millaiset palvelut ovat suosittuja tietyissä ikäryhmissä ja vastaavatko pankin palvelut asiakkaiden tarpeita. Mielenpitoenne ja tarpeenne ovat tärkeitä pankin palvelujen kehittämisessä.

Toivon, että osallistutte tutkimukseen ja palautatte kyselylomakkeen oheisessa palautuskuoressa Vieremän Osuuspankkiin 20. tammikuuta 2010 mennessä. Postimaksu on maksettu puolestanne.

Kaikkien kyselyyn vastanneiden kesken arvotaan 200 euron arvoinen Holiday Club -kylpylälahjakortti. Osallistuaksenne arvontaan, täyttäkää ohessa oleva arvontalippu. Arvontalipukkeet ja kyselylomakkeet käsitellään erikseen, joten vastaukset säilyvät nimettöminä. Ilmoittamianne tietoja ei käytetä muuhun tarkoitukseen.

Voittajalle ilmoitetaan voitosta henkilökohtaisesti.

Mikäli teillä on jotain kysyttävää tutkimuksesta, voitte ottaa minuun yhteyttä joko sähköpostitse hanna.lappetelainen@student.savonia.fi tai puhelimitse 040-840 1305.

Tutkimusavustanne kiittäen,

Hanna Lappeteläinen

opiskelija

Savonia-ammattikorkeakoulu

Pekka Tiikkainen

toimitusjohtaja

Vieremän Osuuspankki

puh. (017) 7600 700
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VIEREMÄN OSUUSPANKKI

Petterintie 2
74200 VIEREMÄ

www.vieremanop.fi
email:asiakaspalvelu@vieremanop.fi

APPENDIX 2 Instructions

Vastausohjeet:

Lomakkeen tulisi täyttää henkilö, jolle se on osoitettu.

Valitkaa vain yksi vaihtoehto, jollei kysymyksessä toisin mainita.

Palautus 20.1.2010 mennessä Vieremän Osuuspankkiin.

Leikatkaa arvontalipuke tästä irti. Voittajalle ilmoitetaan voitosta henkilökohtaisesti.

Nimi _____

Osoite _____

Postinumero ja postitoimipaikka _____

Puhelinnumero _____

APPENDIX 3 Questionnaire in Finnish

Kysely Vieremän Osuuspankin tarjoamista palveluista**Taustatiedot**

1. Sukupuoli

- 1) nainen
- 2) mies

2. Ikä

- 1) 18-25 vuotta
- 2) 26-35 vuotta
- 3) 36-45 vuotta
- 4) 46-55 vuotta
- 5) 56-65 vuotta
- 6) yli 65 vuotta

3. Koulutus

peruskoulutus

- 1) kansa- tai kansalaiskoulu
- 2) peruskoulu

ammattillinen koulutus

- 3) lukio
- 4) ammatillinen tutkinto
- 5) alempi korkeakoulututkinto
- 6) ylempi korkeakoulututkinto

4. Siviilisäät

- 1) naimaton
- 2) avoliitossa
- 3) avioliitossa
- 4) eronnut
- 5) leski

5. Kuinka monta henkilöä talouteenne kuuluu?

___ aikuista ___ lasta

Nykyisten pankkipalvelujen käyttäminen

6. Oletteko Vieremän Osuuspankin jäsen?

- 1) kyllä
- 2) en

7. Mitä Vieremän Osuuspankin palveluja käytätte nykyisin? Ympyröikää kaikki palvelut, joita käytätte.

Maksuliikennepalvelut

- 1) konttorissa asiointi
- 2) maksupalvelu
- 3) suoraveloitus
- 4) verkkopalvelu
- 5) pankkiyhteysohjelmat
- 6) e-lasku

Sijoitus- ja säästämispalvelut

- 7) talletus-/tuottotili
- 8) sijoitustili
- 9) ASP-tili
- 10) rahastot
- 11) eläkevakuutus
- 12) pop-osakepalvelu

Rahoituspalvelut

- 13) asuntoluotto
- 14) kulutusluotto
- 15) joustoluotto
- 16) tililuotto
- 17) lainavakuutus

18) korttipalvelut

8. Arvioikaa Osuuspankin tarjoamia palveluja asteikolla 0 - 5. Ympyröikää sopivin mielipidettänne vastaava vaihtoehto.

| | En käytä palvelua | Ei lainkaan tärkeä | Vähemmän tärkeä | Jokseenkin tärkeä | Hyvin tärkeä | Erittäin tärkeä |
|--------------------------------|-------------------|--------------------|-----------------|-------------------|--------------|-----------------|
| Maksuliikennepalvelut | 0 | 1 | 2 | 3 | 4 | 5 |
| Korttipalvelut | 0 | 1 | 2 | 3 | 4 | 5 |
| Sijoitus- ja säästämispalvelut | 0 | 1 | 2 | 3 | 4 | 5 |
| Rahoituspalvelut | 0 | 1 | 2 | 3 | 4 | 5 |

9. Arvioikaa käyttämienne palveluiden toimivuutta asteikolla 0 - 5. Ympyröikää sopivin vaihtoehto.

| | En käytä palvelua | Erittäin huono | Huono | Kohtalainen | Hyvä | Erinomainen |
|-----------------------------------|----------------------|-------------------|-------|-------------|------|-------------|
| Maksuliikennepalvelut | 0 | 1 | 2 | 3 | 4 | 5 |
| Korttipalvelut | 0 | 1 | 2 | 3 | 4 | 5 |
| Sijoitus- ja säästämispalvelut | 0 | 1 | 2 | 3 | 4 | 5 |
| Rahoituspalvelut | 0 | 1 | 2 | 3 | 4 | 5 |

10. Oletteko tyytyväinen käyttämiinne palveluihin?

1) kyllä

2) en

Jos ette ole tyytyväinen käyttämiinne palveluihin, niin miksi ette?

11. Ovatko mielestänne Vieremän Osuuspankin tarjoamat palvelut riittäviä?

1) kyllä

2) ei

Jos vastasitte ei, niin millaisia palveluja toivoisitte lisää?

12. Kuinka kauan olette käyttänyt Osuuspankin palveluja?

1) 0-5 vuotta

4) 20-40 vuotta

2) 6-10 vuotta

5) yli 40 vuotta

3) 11-20 vuotta

13. Kuinka usein asioitte Vieremän Osuuspankin konttorissa?

- 1) päivittäin
- 2) viikoittain
- 3) 1-2 kertaa kuukaudessa
- 4) harvemmin
- 5) en lainkaan

Jos ette asioi pankkikonttorissa lainkaan, voitte siirtyä kysymykseen 15.

14. Jos käytte asioimassa pankissa, niin millä asioilla? (Voitte ympyröidä useita vaihtoehtoja)

- 1) nostan rahaa tai tallennan
- 2) maksan laskuja
- 3) käytän sijoituspalveluja/haluan neuvoja sijoitusasioissa
- 4) nostan lainaa/tarvitsen neuvoja laina-asioissa
- 5) tarvitsen lainopillisia palveluja
- 6) käyn korttiasioilla
- 7) käyn muun asian takia, minkä: _____

Internet-pankkipalvelut

15. Onko teillä käytössänne Vieremän Osuuspankin Internet-pankkiyhteys?

- 1) kyllä
- 2) ei

Jos vastasitte ei, voitte siirtyä suoraan kysymykseen numero 21.

16. Mikäli teillä on käytössänne Internet-pankkiyhteys, kuinka kauan olette käyttäneet sitä?

- 1) alle 12 kuukautta
- 2) 1-5 vuotta
- 3) 6-10 vuotta
- 4) yli 10 vuotta

17. Mitä seuraavia Vieremän Osuuspankin tarjoamia verkkopalveluja käytätte? Ympyröikää kaikki palvelut joita käytätte.

- | | |
|--------------------------------|-------------------------------|
| 1) tiliote | 7) korttihakemus |
| 2) laskunmaksu | 8) rahastomerkintä |
| 3) kyselyt pankkipalveluista | 9) osakepalvelu |
| 4) suoraveloitus/e-lasku | 10) viesti pankkiin |
| 5) lainan nosto (joustoluotto) | 11) pankin informaatio/linkit |
| 6) tilinavaus | |

18. Kuinka usein käytätte pankin tarjoamia verkkopalveluja? Ympyröikää sopivin vaihtoehto.

| | En käytä palvelua | Harvoin | Kerran kuukaudessa | 2-3 kertaa kuukaudessa | 2-3 kertaa viikossa | Päivittäin |
|--------------------------------|-------------------------|---------|-----------------------|------------------------------|---------------------------|------------|
| tiliote | 0 | 1 | 2 | 3 | 4 | 5 |
| laskunmaksu | 0 | 1 | 2 | 3 | 4 | 5 |
| kyselyt pankkipalveluista | 0 | 1 | 2 | 3 | 4 | 5 |
| suoraveloitus/e-lasku | 0 | 1 | 2 | 3 | 4 | 5 |
| lainan nosto (joustoluotto) | 0 | 1 | 2 | 3 | 4 | 5 |
| tilinavaus | 0 | 1 | 2 | 3 | 4 | 5 |
| korttihakemus | 0 | 1 | 2 | 3 | 4 | 5 |
| rahastomerkintä | 0 | 1 | 2 | 3 | 4 | 5 |
| osakepalvelu | 0 | 1 | 2 | 3 | 4 | 5 |
| viesti pankkiin | 0 | 1 | 2 | 3 | 4 | 5 |
| pankin informaatio/linkit | 0 | 1 | 2 | 3 | 4 | 5 |

19. Arvioikaa pankin tarjoamien verkkopalvelujen laatua asteikolla 0 - 5. Ympyröikää sopivin vaihtoehto.

| | En käytä palvelua | Huono | Välttävä | Tyydyttävä | Hyvä | Erinomainen |
|--------------------------------|-------------------------|-------|----------|------------|------|-------------|
| tiliote | 0 | 1 | 2 | 3 | 4 | 5 |
| laskunmaksu | 0 | 1 | 2 | 3 | 4 | 5 |
| kyselyt pankkipalveluista | 0 | 1 | 2 | 3 | 4 | 5 |
| suoraveloitus/e-lasku | 0 | 1 | 2 | 3 | 4 | 5 |
| lainan nosto (joustoluotto) | 0 | 1 | 2 | 3 | 4 | 5 |
| tilinavaus | 0 | 1 | 2 | 3 | 4 | 5 |
| korttihakemus | 0 | 1 | 2 | 3 | 4 | 5 |
| rahastomerkintä | 0 | 1 | 2 | 3 | 4 | 5 |
| osakepalvelu | 0 | 1 | 2 | 3 | 4 | 5 |
| viesti pankkiin | 0 | 1 | 2 | 3 | 4 | 5 |
| pankin informaatio/linkit | 0 | 1 | 2 | 3 | 4 | 5 |

20. Oletteko tyytyväinen käyttämäänne Internet-pankkiyhteyteen?

1) olen

2) en ole

Jos ette ole tyytyväinen Osuuspankin tarjoamaan Internet-pankkiyhteyspalveluun, niin miksi ette?

Tämän kysymyksen jälkeen voitte siirtyä kysymykseen numero 24.

21. Onko teille tarjottu Internet-pankkiyhteyttä?

1) kyllä

2) ei

22. Jos teille ei ole tarjottu Internet-pankkiyhteyttä, olisitteko halukas hankkimaan sellaisen?

- 1) kyllä
- 2) en

23. Jos käytössänne olisi Internet-pankkiyhteys, mitä verkkopalveluja arvelisitte käyttävänne? Ympyröikää kaikki palvelut, joita arvelisitte käyttävänne.

- 1) tiliote
- 2) laskunmaksu
- 3) kyselyt pankkipalveluista
- 4) suoraveloitus/e-lasku
- 5) lainan nosto (joustoluotto)
- 6) tilinavaus
- 7) korttihakemus
- 8) rahastomerkitä
- 9) osakepalvelu
- 10) viesti pankkiin
- 11) pankin informaatio/linkit

Vieremän Osuuspankin tarjoamien pankkipalveluiden käyttö tulevaisuudessa

24. Mitä Vieremän Osuuspankin pankkipalveluja arvioitte käyttävänne seuraavan

| | 3 vuoden aikana? | 5 vuoden aikana? |
|--------------------------------|--------------------------|--------------------------|
| maksuliikennepalvelut | <input type="checkbox"/> | <input type="checkbox"/> |
| korttipalvelut | <input type="checkbox"/> | <input type="checkbox"/> |
| sijoitus- ja säästämispalvelut | <input type="checkbox"/> | <input type="checkbox"/> |
| rahoituspalvelut | <input type="checkbox"/> | <input type="checkbox"/> |

25. Mitkä Osuuspankin tarjoamista palveluista arvioitte olevan teille seuraavien viiden vuoden aikana tärkeitä? Ympyröikää sopivin vaihtoehto.

| | En käytä palvelua | Ei lainkaan tärkeä | Vähemmän tärkeä | Melko tärkeä | Hyvin tärkeä | Erittäin tärkeä |
|-----------------------|-------------------|--------------------|-----------------|--------------|--------------|-----------------|
| Maksuliikennepalvelut | 0 | 1 | 2 | 3 | 4 | 5 |
| Korttipalvelut | 0 | 1 | 2 | 3 | 4 | 5 |
| Sijoituspalvelut | 0 | 1 | 2 | 3 | 4 | 5 |
| Säästämispalvelut | 0 | 1 | 2 | 3 | 4 | 5 |
| Rahoituspalvelut | 0 | 1 | 2 | 3 | 4 | 5 |

26. Jos rahoitus- ja sijoituspalvelut siirtyisivät saataville Internetiin, olisitteko halukkaita käyttämään kyseisiä palveluja?

1) kyllä

2) en

27. Koetteko suurien pankkiketjujen olevan ”uhka” pienemmälle pankkiketjulle, kuten Paikallisosuuspankki-ketjulle?

1) kyllä

2) en

28. Käytättekö tällä hetkellä muiden pankkien tarjoamia palveluja? (Halutessanne voitte jättää vastaamatta kysymyksen.)

1) kyllä

2) en

Jos vastasitte kyllä, niin minkä pankkien palveluja käytätte?

Osuuspankki

Säästöpankki

Sampo

Nordea

S-ryhmä

Tapiola

muut pankit

29. Mitä hyviä/huonoja puolia Vieremän Osuuspankilla on mielestänne verrattuna suurempiin pankkiryhmittymiin?

Hyvät puolet: _____

Huonot puolet: _____

30. Osa perinteisistä pankkipalveluista on siirtynyt viime vuosina verkkoon. Mitä hyviä ja huonoja puolia näette asiassa?

Hyvät puolet: _____

Huonot puolet: _____

Lopuksi voitte antaa ruusuja ja risuja Vieremän Osuuspankille.

Kiitos vaivannäöstänne!

APPENDIX 4 Questionnaire in English

A survey about services of Vieremän Osuuspankki**Background information**

1. Sex

- 1) female
- 2) male

2. Age

- 1) 18-25 years
- 2) 26-35 years
- 3) 36-45 years
- 4) 46-55 years
- 5) 56-65 years
- 6) over 65 years

3. Education

basic education

- 1) elementary school
- 2) comprehensive school

vocational education

- 3) upper secondary school
- 4) vocational school
- 5) Bachelor's degree
- 6) Master's degree

4. Marital status

- 1) single
- 2) domestic partnership
- 3) married
- 4) divorced
- 5) widow

5. How many persons belongs to Your household? ___ adult(s) ___ kid(s)

Use of current bank services

6. Are You a member of Vieremän Osuuspankki?

1) yes

2) no

7. What services of Vieremän Osuuspankki do you currently use? Please mark all the services You are using.

Payment transaction services

- 1) running errands in the bank office
- 2) payment service
- 3) direct debiting
- 4) online service
- 5) bank connection programmes
- 6) electronic invoice

Financing services

- 13) apartment credit
- 14) consumer credit
- 15) flexible credit
- 16) account credit
- 17) loan insurance

Investment and saving Services

- 7) deposit account
- 8) investment account
- 9) ASP-account
- 10) funds
- 11) pension insurance
- 12) pop-share service

- 18) electronic card services

8. Please evaluate the services of Vieremän Osuuspankki with a grade 1-5. Please mark the option which reflects your opinion the most clearly.

| | I don't use the service | Not important at all | Less important | Somehow important | Very important | Extremely important |
|--------------------------------|-------------------------------|----------------------------|-------------------|----------------------|-------------------|------------------------|
| Payment transaction services | 0 | 1 | 2 | 3 | 4 | 5 |
| Electronic card services | 0 | 1 | 2 | 3 | 4 | 5 |
| Investment and saving services | 0 | 1 | 2 | 3 | 4 | 5 |
| Financing services | 0 | 1 | 2 | 3 | 4 | 5 |

9. Please evaluate the functionality of the services that You are using. Please mark the option which reflects your opinion the most clearly.

| | I don't use the service | Extremely bad | Bad | Mediocre | Good | Excellent |
|-----------------------------------|-------------------------------|------------------|-----|----------|------|-----------|
| Payment transactions services | 0 | 1 | 2 | 3 | 4 | 5 |
| Electronic card services | 0 | 1 | 2 | 3 | 4 | 5 |
| Investment and saving services | 0 | 1 | 2 | 3 | 4 | 5 |
| Financing services | 0 | 1 | 2 | 3 | 4 | 5 |

10. Are You satisfied with the services that You are using?

1) yes

2) no

If You are not satisfied, please explain the reason for this.

11. Do You think that the services of Vieremän Osuuspankki are sufficient?

1) yes

2) no

If You answered "no", what kind of services would you like to have?

12. How long have You been using the services of Vieremän Osuuspankki?

1) 0-5 years

4) 20-40 years

2) 6-10 years

5) over 40 years

3) 11-19 years

13. How often do You visit the office of Vieremän Osuuspankki?

- 1) daily
- 2) weekly
- 3) 1-2 times in a month
- 4) less frequently
- 5) never

If You do not visit the office at all, please move to question number 15.

14. If you do visit the bank, what is the reason for that? (You can mark several options.)

- 1) I draw out or deposit money
- 2) I pay invoices
- 3) I use financing services or need help for financial issues
- 4) I draw out loan or need help for loan issues
- 5) I need juridical help
- 6) I take care of my electronic card issues
- 7) I have something else to do, what?: _____

Online banking services

15. Do you use the online bank of Vieremän Osuuspankki?

- 1) yes
- 2) no

If You answered "no", please move to question number 21.

16. If you do use the online bank, how long have You used it?

- 1) less than 12 months
- 2) 1-5 years
- 3) 6-10 years
- 4) over 10 years

17. Which of the following online services of Vieremän Osuuspankki do you use? Please mark all the services that You are using.

- | | |
|---|-----------------------------------|
| 1) bank statement | 7) electronic card application |
| 2) paying the invoice | 8) fund marking |
| 3) inquiry about bank services | 9) share service |
| 4) direct debiting/electronic invoice | 10) a message to the bank |
| 5) drawing out a loan (flexible credit) | 11) information/links of the bank |
| 6) opening an account | |

18. How often do You use the online services of Vieremän Osuuspankki? Please mark the option which reflects your opinion the most clearly.

| | I don't use the service | Less frequently | Once in a month | 2-3 times in a month | 2-3 times in a week | Daily |
|--|-------------------------------|--------------------|--------------------|-------------------------|---------------------------|-------|
| Bank statement | 0 | 1 | 2 | 3 | 4 | 5 |
| Paying the invoice | 0 | 1 | 2 | 3 | 4 | 5 |
| Inquiry about bank services | 0 | 1 | 2 | 3 | 4 | 5 |
| Direct debiting/electronic invoice | 0 | 1 | 2 | 3 | 4 | 5 |
| Drawing out a loan (flexible credit) | 0 | 1 | 2 | 3 | 4 | 5 |
| Opening an account | 0 | 1 | 2 | 3 | 4 | 5 |
| Electronic card application | 0 | 1 | 2 | 3 | 4 | 5 |
| Fund marking | 0 | 1 | 2 | 3 | 4 | 5 |
| Share service | 0 | 1 | 2 | 3 | 4 | 5 |
| A message to the bank | 0 | 1 | 2 | 3 | 4 | 5 |
| Information/links of the bank | 0 | 1 | 2 | 3 | 4 | 5 |

19. Please evaluate the functionality of the services that You are using. Please mark the option which reflects your opinion the most clearly.

| | I don't use the service | Bad | Mediocre | Satisfactory | Good | Excellent |
|--|-------------------------------|-----|----------|--------------|------|-----------|
| Bank statement | 0 | 1 | 2 | 3 | 4 | 5 |
| Paying the invoicec | 0 | 1 | 2 | 3 | 4 | 5 |
| Inquiry about bank services Direct | 0 | 1 | 2 | 3 | 4 | 5 |
| debiting/electronic invoice | 0 | 1 | 2 | 3 | 4 | 5 |
| Drawing out a loan (flexible loan) | 0 | 1 | 2 | 3 | 4 | 5 |
| Opening an account | 0 | 1 | 2 | 3 | 4 | 5 |
| Electronic card application | 0 | 1 | 2 | 3 | 4 | 5 |
| Fund marking | 0 | 1 | 2 | 3 | 4 | 5 |
| Share service | 0 | 1 | 2 | 3 | 4 | 5 |
| A message to the bank | 0 | 1 | 2 | 3 | 4 | 5 |
| Information/links of the bank | 0 | 1 | 2 | 3 | 4 | 5 |

20. Are You satisfied with the online banking connection?

1) yes

2) no

If You answered "no", what is the reason for this?

After this question You can move to question number 24.

21. Have You been offered an online bank connection?

1) yes

2) no

22. If You have not been offered an online bank connection, would you be willing to get one?

- 1) yes
- 2) no

23. If You would have an online bank connection, what online services would You be most likely to use? Please mark all the services that You might use.

- 1) bank statement
- 2) paying the invoice
- 3) inquiry about bank services
- 4) direct debiting/electronic invoice
- 5) drawing out a loan (flexible loan)
- 6) opening an account
- 7) electronic card application
- 8) fund marking
- 9) share service
- 10) a message to the bank
- 11) information/links of the bank

The use of the services of Vieremän Osuuspankki in the future

24. Which of the following services You are most probably going to use within the next...

| | 3 years? | 5 years? |
|--------------------------------|--------------------------|--------------------------|
| payment transaction services | <input type="checkbox"/> | <input type="checkbox"/> |
| electronic card services | <input type="checkbox"/> | <input type="checkbox"/> |
| investment and saving services | <input type="checkbox"/> | <input type="checkbox"/> |
| financing services | <input type="checkbox"/> | <input type="checkbox"/> |

25. Which of the following services are most likely going to be important to You within the next five years? Please mark the option which reflects your opinion the most clearly.

| | I don't use the service | Not important at all | Less important | Quite important | Very important | Extremely important |
|------------------------------|-------------------------------|----------------------------|-------------------|--------------------|-------------------|------------------------|
| Payment transaction services | 0 | 1 | 2 | 3 | 4 | 5 |
| Electronic card services | 0 | 1 | 2 | 3 | 4 | 5 |
| Investment services | 0 | 1 | 2 | 3 | 4 | 5 |
| Saving services | 0 | 1 | 2 | 3 | 4 | 5 |
| Financing services | 0 | 1 | 2 | 3 | 4 | 5 |

26. If financing and investment services would be available in the Internet, would You be willing to use those services?

1) yes

2) no

27. Do You see big bank chains to be "a threat" for smaller bank chains, e.g. for The Local Cooperative Group?

1) yes

2) no

28. Do You currently use other banks' services? (If you do not want to answer the question, it is ok.)

1) yes

2) no

If You answered "yes", which bank services do You use?

Osuuspankki

Säästöpankki

Sampo

Nordea

S-ryhmä

Tapiola

muut pankit

29. What pros and cons does Vieremän Osuuspankki have when comparing it to bigger chains?

Pros: _____

Cons: _____

30. Some of traditional bank services have been moved to the Internet during the last years. Which kind of pros and cons do You see in this?

Pros: _____

Cons: _____

Finally You can give comments and greetings to Vieremän Osuuspankki.

Thank You for Your time and effort!

APPENDIX 6 Cross-tabulations and residuals of services within the next years

APPENDIX 6 Cross-tabulations and residuals of services within the next years

Table 12. Payment transaction services use within three years*Age: Crosstabulation.

| | 18-25 (n=37) | 26-35 (n= 32) | 36-45 (n= 30) | 46-55 (n= 38) | 56-65 (n=16) | 65 or older (n= 21) |
|--------------------|-----------------|------------------|------------------|------------------|-----------------|------------------------|
| Count | 29 | 23 | 20 | 22 | 9 | 7 |
| Adjusted residual | 2,2 | 1,1 | ,4 | -,8 | -,6 | -3,0 |
| Pearson Chi Square | 13,705 | | | | | |
| Approx. Sig. | ,018 | | | | | |

Table 13. Electronic card services use within three years*Age: Crosstabulation.

| | 18-25 (n=37) | 26-35 (n= 32) | 36-45 (n= 30) | 46-55 (n= 38) | 56-65 (n= 16) | 65 or older (n= 21) |
|--------------------|-----------------|------------------|------------------|------------------|------------------|------------------------|
| Count | 30 | 26 | 24 | 20 | 8 | 5 |
| Adjusted residual | 2,3 | 2,1 | 1,9 | -1,8 | -1,3 | -4,2 |
| Pearson Chi Square | 30,663 | | | | | |
| Approx. Sig. | ,000 | | | | | |

Table 14. Investment and saving services use within three years*Age: Crosstabulation.

| | 18-25 (n=37) | 26-35 (n= 32) | 36-45 (n= 30) | 46-55 (n= 38) | 56-65 (n= 16) | 65 or older (n= 21) |
|--------------------|-----------------|------------------|------------------|------------------|------------------|------------------------|
| Count | 17 | 14 | 15 | 8 | 4 | 8 |
| Adjusted residual | 1,1 | ,8 | 1,5 | -2,4 | -1,1 | ,0 |
| Pearson Chi Square | 9,061 | | | | | |
| Approx. Sig. | ,107 | | | | | |

Table 15. Financing services use within three years*Age: Crosstabulation.

| | 18-25 (n=37) | 26-35 (n= 32) | 36-45 (n= 30) | 46-55 (n= 38) | 56-65 (n= 16) | 65 or older (n= 21) |
|--------------------|-----------------|------------------|------------------|------------------|------------------|------------------------|
| Count | 13 | 13 | 11 | 10 | 2 | 0 |
| Adjusted residual | 1,1 | 1,7 | 1,1 | -,3 | -1,3 | -3,1 |
| Pearson Chi Square | 14,655 | | | | | |
| Approx. Sig. | ,012 | | | | | |

Table 16. Payment transaction services use within five years*Age: Crosstabulation.

| | 18-25 (n=37) | 26-35 (n= 32) | 36-45 (n= 30) | 46-55 (n= 38) | 56-65 (n= 16) | 65 or older (n= 21) |
|--------------------|-----------------|------------------|------------------|------------------|------------------|------------------------|
| Count | 21 | 12 | 17 | 28 | 9 | 14 |
| Adjusted residual | -,2 | -2,6 | -,2 | 2,2 | -,2 | ,9 |
| Pearson Chi Square | 10,074 | | | | | |
| Approx. Sig. | ,073 | | | | | |

Table 17. Electronic card services use within five years*Age: Crosstabulation.

| | 18-25 (n=37) | 26-35 (n= 32) | 36-45 (n= 30) | 46-55 (n= 38) | 56-65 (n= 16) | 65 or older (n= 21) |
|--------------------|-----------------|------------------|------------------|------------------|------------------|------------------------|
| Count | 23 | 13 | 16 | 28 | 6 | 12 |
| Adjusted residual | ,8 | -2,0 | -,4 | 2,4 | -1,6 | ,1 |
| Pearson Chi Square | 10,793 | | | | | |
| Approx. Sig. | ,056 | | | | | |

Table 18. Investment and saving services use within five years*Age: Crosstabulation.

| | 18-25 (n=37) | 26-35 (n= 32) | 36-45 (n= 30) | 46-55 (n= 38) | 56-65 (n= 16) | 65 or older (n= 21) |
|--------------------|-----------------|------------------|------------------|------------------|------------------|------------------------|
| Count | 17 | 10 | 11 | 19 | 5 | 11 |
| Adjusted residual | ,6 | -1,4 | -,6 | 1,1 | -,9 | 1,0 |
| Pearson Chi Square | 4,793 | | | | | |
| Approx. Sig. | ,442 | | | | | |

Table 19. Financing services use within five years*Age: Crosstabulation.

| | 18-25 (n=37) | 26-35 (n= 32) | 36-45 (n= 30) | 46-55 (n= 38) | 56-65 (n= 16) | 65 or older (n= 21) |
|--------------------|-----------------|------------------|------------------|------------------|------------------|------------------------|
| Count | 14 | 11 | 12 | 15 | 3 | 3 |
| Adjusted residual | ,7 | ,1 | ,9 | ,9 | -1,3 | -2,0 |
| Pearson Chi Square | 6,558 | | | | | |
| Approx. Sig. | ,256 | | | | | |

APPENDIX 7 Feedback

Pros and cons of Vieremän Osuuspankki

- + solvency of the bank
- + peaceful, humane attitude to customers, traditional bank
- + everything happens in an effortless manner and very efficiently
- + familiarity and warm atmosphere
- + matter-of-fact treatment also to old people is a huge pro
- + spirit of countryside and friendliness, supports entrepreneurship, a friendly handshake
- + personnel is great
- + individual, recognizes the needs of the customer – a special hug for Ritva Suorsa, who is an excellent bank clerk
- + easy-going cooperation
- + there are no lines in the office
- + bank clerks recognize customers even in the telephone what is amazingly good
- + customers feel themselves welcomed
- + flexible, leisurely service
- + the bank manager is always in the office, so customers can discuss with him
- + service that one gets from Ritva Suorsa, is perfect
- + service and smiles earn a big thanks
- + Roses and thanks to Eija Nissinen

- people do not get large loans
- office hours are too short; should be extended to 17 or 18 o'clock
- investment services are not marketed efficiently; reliability suffers
- membership benefits are not satisfactory
- it would be necessary to have an extended office hours even once a week, because people who work in another municipality cannot visit the bank before 15:30 o'clock
- bank can not provide loans for big investments, e.g. for new cowhouses
- a small bank has not so much to offer when comparing to bigger banks
- running errands was easier before the Local Bank -chain
- bank should get more capital in order to secure needs of loan for companies of Vieremä

- in competition situation Vieremän Osuuspankki has lost customers (e.g. solvent farmers) to Iisalmen Osuuspankki
- there is too much personnel in the bank
- when everyone knows a customer, the customer can be rejected because of personal reasons (e.g. rumours)
- competitive saving accounts should be marketed more
- many online shops do not have a possibility to pay with POP-card
- more cooperation with the local companies, surveys about future should be done every other year with the customer, more negotiations