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# The Impact of Corporate Social Responsibility Initiatives and Customer Centric Initiatives on Customers

A case study on Nordea Bank Customers

Business Economics and Tourism

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My sincere thanks to Nordea Bank.

I would like to thank my parents and the rest of my family members for their special support during my education and life.

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Thank you all.

Vaasa, December 2013

Roshan Gurung

VAASAN AMMATTIKORKEAKOULU  
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## TIIVISTELMÄ

Tekijä	Roshan Gurung
Opinnäytetyön nimi	Yhteiskuntavastuullisten ja asiakaskeskeisten aloitteiden vaikutus . Nordea pankin asiakkaat
Vuosi	2013
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Tutkimuksen tarkoituksena oli selvittää, arvostavatko asiakkaat enemmän asiakaskeskeisiä kuin yhteiskuntavastuullisia aloitteita. Lisäksi tutkittiin yhteiskuntavastuullisten ja asiakaskeskeisten aloitteiden vaikutusta asiakkaisiin sekä asiakastyytyväisyyttä. Teoria käsittelee yhteiskuntavastuuta, mutta myös osakeomistaja- ja asiakastyytyväisyyttä esitellään teoriaosuuden alussa.

Empiiristä osiota varten tietoa kerättiin lähettämällä kysely Vaasan ammattikorkeakoulun opiskelijoille. Tieto kerättiin lumipallomenetelmällä ja esittelytekstissä ilmoitettiin, että vain Nordea pankin asiakkaiden tulisi vastata kyselyyn. Vastauksia kyselyyn saatiin kaiken kaikkiaan 41, ja vastaukset analysoitiin käyttämällä Exceliä.

Tutkimuksen tulokset viittaavat siihen, että asiakkaat arvostavat enemmän asiakaskeskeisiä aloitteita, jotka hyödyttävät heitä, kuin yhteiskuntavastuullisia aloitteita, jotka hyödyttävät osakkeenomistajia. Lisäksi tutkimus osoitti, että asiakaskeskeisillä aloitteilla ja asiakastyytyväisyydellä on merkittävä suhde. Kaiken kaikkiaan, pankin tulisi olla asiakaskeskeisempi, jotta se saisi uusia asiakkaita ja samalla säilyttäisi jo olemassa olevat asiakkaat. Tämän seurauksena nettotuotto voisi kasvaa ja tärkeyttä voidaan antaa muille osakeomistajaryhmille

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Avainsanat: yhteiskuntavastuu, asiakas, asiakastyytyväisyys, Nordea pankki, osakeomistaj

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## ABSTRACT

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The aim of this study was to find out whether customers appreciate customer centric initiatives more highly than corporate social responsibility (CSR) initiatives or not. Furthermore, this study examined the impact of CSR initiatives on customers, the impact of customer centric initiatives on customer, and customer satisfaction. Theories relating to CSR, stakeholder and customer satisfaction was presented in the beginning of the theoretical study.

For the empirical part of the study data was collected by sending a questionnaire to students at Vaasa University of Applied Sciences. Snowball sampling method was also used to collect the data. A cover letter was written stating that only customers of Nordea bank are requested to fill the form. The total numbers of respondents was 41. The responses of the participants were analyzed using Excel.

The findings of this study indicate that customers appreciate customer centric initiatives more than benefits themselves in comparison to the CSR initiatives which benefit other stakeholder groups. In addition it was discovered that there is a significant relationship between customer centric initiatives and customer satisfaction. Finally, a bank should be more customers focused to get more customers and retain the existing ones. As a result, net profit could be increased and then importance can be given to other stakeholder groups.

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Keywords: corporate social responsibility, customer, customer satisfaction, Nordea bank, stakeholder

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# 1. INTRODUCTION

## 1.1 Background

In recent years the importance of Corporate Social Responsibility has risen, very often through public scandals and mismanagement. Demand from customers, employees, the general public, non-governmental organizations and government have made organization and corporate leaders aware of the importance of CSR practice. There is a misunderstanding about Corporate Social Responsibility (CSR) so that people think CSR is all about charity service that is done by the companies. CSR can be defined as having positive impact on the society by managing company business process in a right way.

Due to tough competition across the banking industry, it is very important for the banking industry to develop a well-working relationship with its customers. Since customers are very important assets for all businesses including bank, delivering superior service to the customer is very important. Today banks are spending millions of dollars on CSR activities to create a stronger relationship with their customers and enhance their reputation. This change may have been because of increased pressure from customers, increased customer expectations and for having a good relationship between bank and customer. Banking industry focuses on CSR activities such as education, health, environmental marketing etc. Some banks are also using electronic billing instead of paper billing as a means of environmental protection.

Banks are embracing CSR strategies because it increases profit, customer loyalty, trust and a positive brand attitude. Although banks are investing huge towards CSR activities they are experiencing that there is an increase in the number of dissatisfied customers and they are shifting banks. However, more emphasis has been given to CSR activities and huge amounts have been spending on CSR strategies. Still, there has been very little research on the reactions of banking customers to different CSR initiatives. Due to this limited investigation it is still not clear what customers think

about CSR initiatives that are carried out in the banking sector. This thesis deals with whether a bank should focus more towards CSR initiatives or alternative initiatives such as improved customer service, reduced fees or interest rates. The research on whether customers appreciate customer centric initiative more than CSR initiatives is very interesting and it provides me as well as business an important insight into customer preferences.

This thesis reviews the literature on CSR and customer satisfaction, what Nordea bank is doing in CSR in order to satisfy their customers. This will help the bank to best allocate its resources to increase CSR activities in order to satisfy customers. Banks are increasing CSR activities and the question to how Nordea Bank can achieve customer satisfaction may lie by focusing on customer need. Nordea Bank must examine customer wants and customer satisfaction in terms of CSR and customer service.

## **1.2 The Problem Statement**

Since there has been very few research studies made examining the effects of different CSR initiatives on customer satisfaction and the impact of customer centric initiatives on customer satisfaction, it is necessary to find out which initiatives customers prefer.

*“Do customers appreciate customer centric initiatives more than CSR initiatives?”*

## **1.3 Research questions**

The problem statement will be answered with the help of the following research questions:

- 1) How will customers react to different types of CSR?
- 2) What is the behavior of consumers like towards their bank?
- 3) Does CSR lead to customer satisfaction?
- 4) How do customer centric initiatives influence customer satisfaction?
- 5) What is the impact of corporate social responsibility initiatives on customers?

#### **1.4 Thesis Outline**

The first section of the thesis introduced the background of the thesis, the problem statement, research question and thesis outline. Finally, the limitation of the thesis is discussed.

The second chapter gives a brief background about the Nordea. It explores the history, fact & figures, formation of the Nordea Bank. This chapter explains what Nordea bank is doing in terms of Corporate Social Responsibility and what service is Nordea providing to its customer.

The third and fourth chapter reviews some literature on the subject of the thesis. The concept of CSR and customer satisfaction has received academic and public attention. So this chapter reviews some of the research work written on these concepts.

The fifth chapter provides details of the methodology applied in this research. It justifies why the research methodology was chosen, different types of data sources, the method of data collection and ends with discussion about validity and reliability.

The sixth chapter focuses on empirical finding and analysis of the findings. Finally a conclusion, summaries of the results and recommendation are presented in chapter seventh.

### **1.5 Limitation of the Study**

There are some limitations in the study. The whole study is focused only on one bank. Therefore, it is hard to generalize the outcome of the thesis. If more banks could be taken and covered for the study then the results would have been more accuracy and applicability. Due to the time limit many banks could not be taken into the research. However, the thesis is written for education purposes and there is no any intention of getting financial gain from Nordea Bank by choosing it only. The other limitation of the study relates to the sample. With only 41 respondents, this sample size might limit the external validity of the findings.

## 2. NORDEA

Nordau's family tree includes some 300 banks founded from 1820s onwards. Due to merge the number decreased to 80 banks in the 1970s and 30 banks in the 1980s. Nordbanken in Sweden, Merita Bank in Finland, Unibank in Denmark and Christiania Bank ogKreditkasse in Norway were not merged till 1990s. These entire banks merged and are operating under the brand name of Nordea since December 2001. Nowadays, Nordea Bank operates in 9 countries namely Finland, Denmark, Norway, Sweden, Estonia, Latvia, Lithuania, Poland and Russia. (Nordea, 2013)



Figure 1: The Logo of Nordea

Nordea has a market capitalization of approximately EUR 35bn which makes it the largest financial services group in Northern Europe and has the total assets of EUR 622bn. Nordea bank is in leading position compare to its competitor within corporate merchant banking, retail banking and private banking. It has around 900 branches, calls centers in every Nordic country and has a largest distribution network in Nordic and Baltic Sea region. It has total customers of around 11 million. Out of which 10 million are household customers and 0.6 million are corporate customers. According to the survey of Sustainable Brand Index Nordea is among the most sustainable bank in the Nordic countries. The Nordea share is listed on the NASDAQ OMX Nordic

Exchange in Stockholm, Helsinki and Copenhagen. Sustainable Brand Index results shows that Nordea is one of the most sustainable banks in the Nordic countries (Nordea, 2013).

Nordea Bank AB (publ), the parent company of the Nordea Group, is officially registered in Sweden with main offices in Stockholm. It has a total employee of 31,466 by the end of 2012. Nordea has proximately 475,000 shareholders. In 2012 it was recognized as one of the safest bank in the Nordic region by Global Finance Magazine. To keep information about the customer they annually do a customer satisfaction survey and compare it with their competitors. Nordea has a core value which is called "Great Customer Experiences". Nordea is providing service to the customer either through electronic means or by personal contact. Recently they have introduced 24/7 customer service. They also collect customer feedback to understand their customers and improve their services. In 2012 the amount of feedback increased by 28% compare to that of previous year due to fewer branches, increase in the use of digital solutions which cause problem in service. In 2012 they also receive complaint regarding breaching of customer privacy and losing customer personal data. For better customer service Nordea is planning to introduce a service through which customers could withdraw foreign currencies from ATMs as well as deposit money in ATMs. Customers can now withdraw money from supermarkets besides from ATMs and Nordea branches (Nordea CSR report, 2012).

Nordea is the largest financial institution in the Nordic region. Before granting loans they require that environmental, social, political, labor and other related issues are properly taken into account by their customers in their daily work. Nordea provides loan to those project that meets the standard of Equator Principle (EP). It is a global, voluntary standard for commercial lenders to identify and address social environmental risks in project financing based on the international Finance Corporations (IFC) guidelines for environmentally and socially responsible financing. As the first bank in the Nordic region, Nordea signed the UN Principles for responsible Investment in 2007. If a company is not willing to change its norm

behavior (environmental protection, human rights, labor standards and business ethics) than Nordea bank can decide not to grant loans to those companies. In 2012 Nordea bank excluded those companies that were involved in the development of nuclear weapons. (Nordea, CSR report 2012)

To achieve CSR ambitions Nordea has established formal and informal relationships with government and non-government organizations. Nordea follows the United Nations Universal Declaration of Human Rights, ILO- conventions and the OECD Guidelines for Multinational Enterprises in their business and operation.

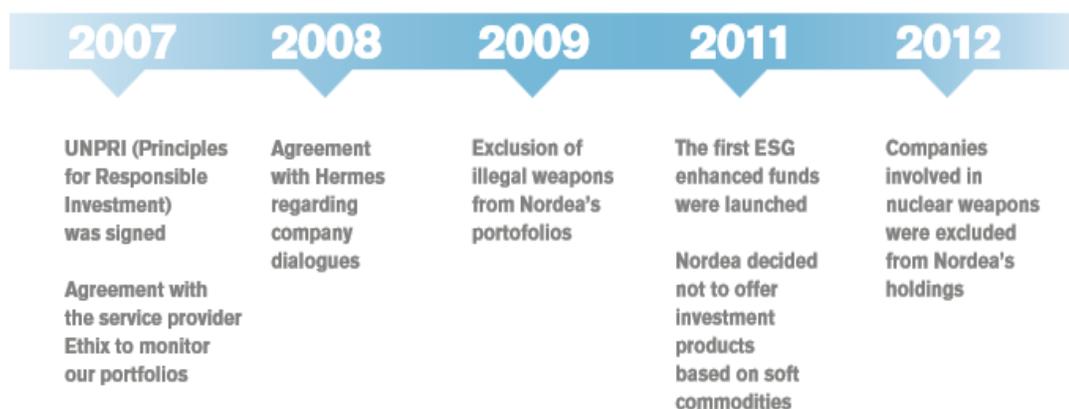


Figure 2: Nordea`s Way Toward Responsible Investment

Source: Nordea CSR Report 2012

Nordea has set a target to reduce the environmental impacts that are generated in their Nordic operations. Their target is to minimize the consumption of energy, reduce air travel for internal purposes, reduce paper consumption while working inside the office, try to communicate with customers electronically rather than by paper form i.e. letter. Using information technology in a sustainable way, recycling and less consumption of water are other areas of interests. Their greenhouse gas emission has decreased by 5.8% in 2012 compare to that of previous year. To reduce the carbon

footprint caused by air travel they have introduced conference call technology which has helped to reduce carbon footprint by 18.5 %. (Nordea, CSR report 2012)

To provide service to its Asian customers, Nordea has opened a Private Banking branch in Singapore. To actively participate with the society the Nordea bank provides basic economic understanding for the high school students to handle their own finance. The students are usually between 13-17 years old and include all schools in the Nordic countries (Nordea, 2013).

### 3. CORPORATE SOCIAL RESPONSIBILITY

In present days, one of the important issues for the company is its responsibility and the term Corporate Social Responsibility is widely used in day to day business. CSR has a long history. Bowen is considered to be the father of corporate social responsibility because his definition is considered to be the first definition of corporate social responsibility. According to Bowen, “*CSR refers “to the obligations of the businessman to pursue those policies, to make those decisions, or to follow those lines of action, which are desirable in terms of the objectives and values of our society”*”(Carroll 1999, 268-270)

Commission of the European Communities (2006; 2), defined Corporate Social Responsibility as a, “*concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*”.

The World Business Council for Sustainable Development (Baker 2004) defines CSR as “*Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.*”

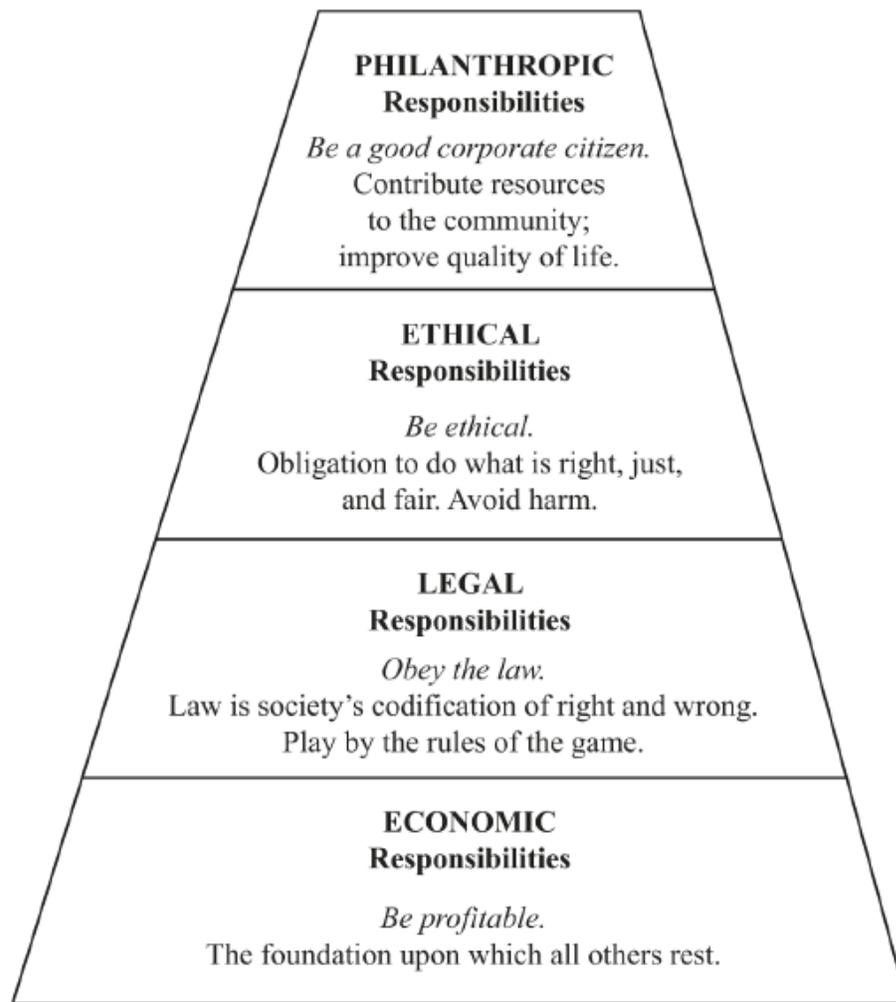
Both for the academics and practitioners Corporate Social responsibility (CSR) has been an important debate issue and they are trying to explain what does the CSR means, why should company adopt CSR and what are its advantages for the organizational effectiveness, yet there is no generally acceptable definition and clear meaning for this, how it should be implemented and similar other issues related to the concept. Past research have shown that stakeholders who can influence the organization are primarily concerned than other stakeholders. That is shareholders are most concerned than customers and employees and there is very little concerned

given to the society and the environment. Whereas, CSR implies all are of equal importance (Crowther&Capaldi2008, 3, 23).

Crowther and Rayman-Bacchus (2004:3) defined CSR in two ways firstly as “a relationship between a corporations and the local society in which it resides and operates” and secondly “as relationship between a corporation and its stakeholders”.

Carroll (1991) suggested four kinds of social responsibilities that constitute CSR. These are economic, legal, ethical and philanthropic.

- **Economic Responsibility:** The most common responsibility of business organizations is economic responsibility. Since the establishment of industries, business organizations were producing goods and satisfying customer wants. They were creating new job and paying for the worker. Profit was earned for the owner as well as service was given to the customer (Lantos 2001, 596-597).
- **Legal Responsibility:** Business organizations are not only expected to earn profit but they are also expected to run according to laws and regulations of the state and the local government. As a social responsibility business organization are expected to operate within the framework of the law (Carroll, 1991).
- **Ethical Responsibility:** Ethical responsibilities come after fulfilling the economic and legal responsibility which is obligatory. Ethical responsibilities are not obligatory and they are in practice because the owner or the company believes it is a positive thing to do. Being eco-friendly, paying fair wages to the workers are the example of ethical responsibilities. Business firms are pushed to operate their business according to the law by the ethical responsibility (Carroll, 1991).
- **Philanthropic Responsibility:** Society expects business organization to be good corporate citizens. This can be done by providing goodwill to the community. Goodwill may include doing charity, social welfare and supporting financially to the non-governmental organization. This responsibility is different from ethical responsibility. The difference is that philanthropic responsibility is not as important as ethical responsibility. It is just the desire of the society (Carroll, 1991).



**Source:** Carroll (1991, p. 42)

Figure 3: The pyramid of Corporate Social Responsibility

Non-governmental organizational and other activist were putting more pressure on Multinational Enterprises (MNEs) to implement CSR. However, practicing CSR in their business was very strong beforehand. Reducing risk, satisfying employee, staff retention and securing financially were the benefits for incorporating CSR principles. It also gives company a good public face among the stakeholders and help to increase organization reputation (Dalton& Croft 2003, 130-131).

The concept of CSR is based on stakeholder's expectation and for corporate marketing it is very important. There exist a network between the organization and the stakeholders, and stakeholder's action may influence organization directly or indirectly. Therefore, well-being of stakeholders is committed by company. The company has four different responsibilities to the stakeholders. They are economic, legal, ethical and discretionary (Podnar and Golob 2007, 327-329).

### 3.1 Types of CSR Initiatives

According to Kotler and Lee (2005) there are six different types of CSR initiatives. These six different types of CSR initiatives are explained below:

- **Cause Promotion:** In this initiative companies provides fund and try to increase awareness and concern for social causes by informing the people about a cause. It also tries to persuade people who voluntarily can contribute to the cause and participate in an event. Cause promotion differs from other CSR initiatives. It is different from cause-related marketing in a way that contributions are not tied to company sales of specified products. Cause Promotions includes building awareness about a cause by showing them statistics and figures, convincing people to find out more about the cause, donate their time, donate money and actively participate in an event. Manufacturers, service providers, retailers are some of the corporations participating in cause promotion (Kotler et al. 2005, 49-52).
- **Cause-Related Marketing:** “A corporation commits to making a contribution or donating a percentage of revenues to a specific cause based on product sales. Most commonly this offer is for an announced period of time and for a specific product and a specified charity” (Kotler et al. 2005, 81-82). This differs from other initiatives in a way that contribution made by corporation is dependent on consumer response. It

also involves more promotion which means more money has to be spent on advertising. Therefore, it is handled by marketing department (Kotler et al. 2005).

In 1980s when American Express was raising fund to renovate the Statute of liberty, from then the Cause-related marketing began. After that caused-based activity has become powerful brand builder. The positive side of cause-related marketing are it improves corporate image, helps in the increment of sales and increases profit, helps to attract new customers and retain the existing ones and also motivate employees and builds strong relationship with the stakeholders (Dalton et al. 2003, 146).

- **Corporate Social Marketing:** It is a tool used by corporation to develop or implement behavior change intended to improve public health, safety or community well-being. The focus of this initiative is always behavior change. It is mostly developed and implemented by state, local public sector and nonprofit organizations. Examples of corporate social marketing are prevention of using tobacco, early pregnancy, suicide prevention, use of pesticides etc. Benefits for the corporation is making brand position strong, creating brand preference, increasing sales etc. As it is related to behavior change results cannot be seen in one day so criticisms are always there. ( Kotler et al. 2005, 114-116,143)
- **Corporate Philanthropy:** In this initiative corporation make direct contribution to a charity or cause in form of cash, donations, service. Corporate Philanthropy is most traditional form of CSR initiatives. It is also known by other names such as community giving, community relations, and corporate citizenship and community affairs. Providing cash donations, providing technical expertise, offering to use the equipment are some of the typical programs of the Corporate Philanthropy. Parties receiving these contributions are mostly nonprofit organizations, public agencies like schools. The benefits of this initiative are it helps to build corporate reputation and goodwill among customers, motivate employee (Kotler et al. 2005, 144-147,174).

- **Community Volunteering:** In this initiative corporation encourage and motivate employees, retail partners to volunteer their time to support causes. Employees volunteering their talents, ideas, expertise, and physical labor come under volunteer efforts. Employees of the organization are only involved as volunteer to help for the cause. Typical programs of community volunteering include setting specific volunteer for specific events, for encouraging employee to do volunteer work pay them off time work. Of all the CSR initiatives community volunteering is viewed as genuine and satisfying. Volunteer programs help to build strong relationship with the local communities, motivate employees, improves corporate images as it is doing good for the community (Kotler et al. 2005, 175-177, 205).
- **Socially Responsible Business Practices:** In this initiative, “A corporation adopts and conducts discretionary business and investments that support social causes to improve community well-being and protect the environment” (Kotler et al. 2005, 208).It focuses on activities that are discretionary and are not mandated by law. Some of the activities that it includes are designing facilities to protect environment, stop to offer products that are harmful and illegal, developing programs to support employee well-being, etc. Benefits from this initiatives is financial benefits because of decreasing operating cost, employee productivity is increased, strengthen brand position, improves quality, and improves corporate image (Kotler et al. 2005, 208-211).

## 3.2 The stakeholder approach

### 3.2.1 Stakeholder:

The main subject in CSR is the question of “to whom a business is primarily responsible”. (Axinn, Blair, Heorhiadi & Thach 2004, 104) During the year 1950, Robert E. Wood identified four parties that are important for any business. They were listed as customers, employees, community and stockholders. Wood was also of opinion that if customers, employees and community needs and interests could be effectively managed then the stockholders would benefit for the longer time (Hummels 1998, 1406).

Corporate social responsibility is about identifying and managing relationship to key stakeholders. Stakeholders comprise individuals, or sometimes groups, with similar interests in a particular organization. The stakeholder concept was popularized by Edward Freeman in his landmark book, *Strategic Management: A Stakeholder Approach*, published in 1984 (Griseri & Seppala 2010, 25-27). According to Freeman, a stakeholder is defined as, “*any group or individual who can affect or is affected by the achievement of the organizations objectives*” (Freeman 1984, p. 25). Freeman categorized stockholders, lenders, customers, employees, suppliers and management as primary stakeholders who are very important for the survival and smooth running of an organization. On the other hand, he listed local community, the media, the court, the government, the general public and the society as secondary stakeholders (Hummels 1998, 1406-1407).

Stakeholder theory can be defined as company responsibility to shareholders as well as responsibility to the stakeholders such as employees, customers, even if the profit is reduced (Smith 2003). Stakeholder theory is about which groups are to be considered stakeholder and which groups are not to and who should the management pay attention. Stakeholders can be people, group, organizations as well as the environment. There is a narrow definition of stakeholders which states that

stakeholders are those groups without whom the organization cannot survive (Mitchell, Agle & Wood 1997, 855-856). Stakeholder theory is made to solve the problems such as problem of value creation and trade, problem of ethics of capitalism and problem of managerial mindset (Freeman, Harrison, Wicks, Parmar & Colle 2010, 29).

### 3.2.2 Customer as a key stakeholder:

There is of opinion that employees, customers, shareholders, and suppliers are key stakeholders of the firms. Customers are important stakeholders that help to build the image and reputation of the firms. For company to be successful they should know customer wants and satisfy those wants. Research has shown that customer are aware of the environmental issues, level of service quality, and similar other issues that influence the consumer purchasing decision and about the product (Ferrell 2004, 126-127). Mahatma Gandhi once said, *“A customer is the most important visitor on our premise. He is not dependent on us. We are dependent on him. He is not an interruption on our work. He is the purpose of it and not an outsider on our premises. He is part of it. We are not doing him a favor by serving him. He is doing us a favor by giving us the opportunity to do so”*. This statement was not said from marketing point of view but it has great wisdom (Nair 2009, 3).

According to George Orwell's, *“All Stakeholders are equal, but some stakeholders are more equal than others.”* Harari is of opinion that customers are the most important stakeholders because the existence of business is to serve customers. He also argues that if there would be no customers than there would be no business and there's is no need for employees, investors, suppliers, or any other stakeholders. When the customers perception is good towards the company then the investor are more likely to invest. While the customers have negative image about the company the investors are not willing to invest. Therefore, customers can be regarded as key stakeholders (Harari 2008, 1).

### 3.3 Customer centric approach

*"We all know that without customers there is no business. Some companies operate under a "customer first" philosophy: satisfy the customer and profits will follow"*(Lenskold2004, 27).It is not the producer it is the customer who determines what a business is and what it produces (Drucker 1954, 50).

*"Becoming customer centric means looking at an enterprise from the outside-in rather than the inside-out- that is, through the lens of the customer rather than the producer".* It means understanding what problems are faced by the customer and providing solutions to solve those problems (Gulati2010).

Customer centric means keeping customers at the centre while doing everything such as when designing the product looking from customer perspective, giving service to the customer that makes them easy, always thinking what makes customer satisfied (FeedBurner2011). Customer centric approach gives advantage to the organization, differentiates itself from other competitors and provides different experience to its customers. Companies are always aiming at making profit, and the success is determined by how they built their relationship with customer (Lenskold 2004, 29). Most companies are of the view that the most valuable asset for them is customer relationship. By customer relationship the companies can benefit itself. Customer relationship provides information to the company about deeper insight into customer needs, their willingness to buy and pay for the product and possible growth opportunities in the future (Day & Moorman 2010).

In the past firms were products centric because profit was primary motive. Hence, they were focusing more on manufacturing product than focusing on users of those products. Research has also shown that customer centric approach has positive impact on organization innovativeness (Shah, Rust, Parasuraman, Staelin & Day 2006, 114,121).The difference between product centric and customer centric is that, "*a product centric competitor focuses on one product at a time and tries to sell that*

*product to as many customers as possible whereas a customer centric competitor focuses on one customer at a time and tries to sell that customer as many product as possible”*(Peppers 2013). Although marketing mix 4P`s (product, place, price, promotion) are important. Centre focus should be the customer who buy your product and service because the 4P`s is nothing without the big C, i.e. Consumer. The key ingredient in the recipe of successful business is customer service (Ball, 2011).

Banks can earn customer trust and increase customer loyalty by offering innovative services for the self- directed customer. For example, introduce mobile banking services for the mobile customer (Voutsas & Heinrich 2011). Past research has shown that customer centric leads an organization to innovativeness and it also has positive impact on innovativeness in the technical and administrative areas of the company. Firms that have focused on customer centricity have good financial achievement and loyal customers. Customer centric has become a necessity in 21<sup>st</sup> century for firms to succeed (Shah et al. 2006, 121-122).The chart below shows that customer centricity has a positive impact on revenue and helps build long term relationship:

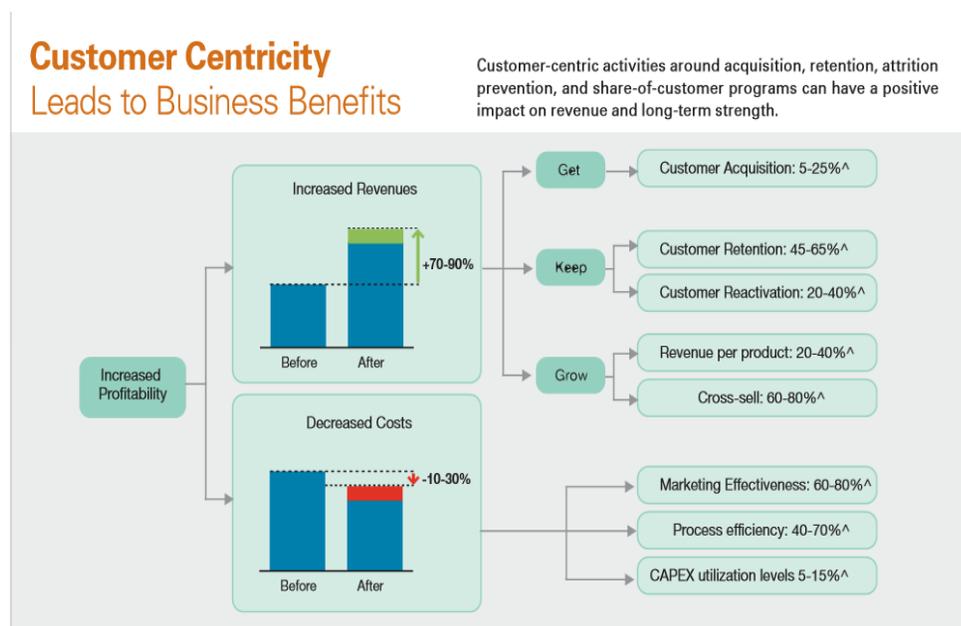


Figure 4: Customer centricity leads to business benefits  
Source: (Peppers & Rogers Group 2011)

### 3.3.1 Customer centric CSR

A research done by Pomeroy and Dolnicar (2006) shows that customer prefers customer centric initiatives that benefit themselves in comparison to CSR initiatives that benefit the whole society. In this research 8 different CSR scenarios were given to customer to choose namely ( bank opening new branches and adding staff, bank defending customer privacy, high employee satisfaction, CEO cuts own pay, bank tops CSR ranking, good environmental performance, committing 1% profit to community programs, launching and indigenous scholarship program). Among these initiative banks opening new branches and adding staff receive the most positive response. Whereas the other initiative that focused on the society (the indigenous scholarship program, 1% of pre-tax profit contributed to community programs) received very low positive response. From this result we can see that customer preferred initiatives which is beneficial to them rather than to the community. (p. 3-4)

Research shows that there is no relationship between CSR activities and customer buying intention. But they found that there is a significant relationship between customer centric initiative and customer satisfaction. Customer gave more attention to price, packaging design than CSR activities of the company. This also shows that customer prefer more customer centric initiative than CSR initiative. (Ali, Rehman, Yilmaz, Nazir & Ali 2010, 483). Customers have more preference towards the bank that emphasis on customer centric initiatives and less preference towards the bank that emphasis on environmental initiatives (McDonald & Lai 2010, 58). Auger, Devinney & Louviere (2006, 306) study of six different countries' (The USA, Germany, Spain, Turkey, India, Korea) shows that consumers humanistic CSR concerns were ranked higher than environmental concerns. Bank may not receive proper return on investment if their CSR strategies do not include Customer centric initiatives because customer centric initiatives are an incentive to influence customer's behavior, to encourage them to recommend the bank and improve their attitude towards the bank. As customers prefer customer centric initiatives banks can

use these initiative as a tools to attract new customers and retain the existing one and be financially benefited. (McDonald *et al.*2010, p.60)

### 3.4 Consumer perception of CSR

Consumers are one of the stakeholders that are influenced by company's CSR activities. Past research has shown that CSR can influence consumer's attitude, purchase intention, loyalty and satisfaction. Companies' active involvement in CSR initiatives also influences consumers buying decision (Oberseder, Schlegelmilch & Murphy 2013).Due to the positive link between the consumers and CSR; companies are investing huge capital to CSR initiatives. Consumer's response to CSR initiatives is heterogeneous; impact of CSR initiatives on invisible outcome (attitude, awareness) is higher than visible outcome (buying behavior, word-of-mouth). As customers are more aware of negative information of CSR than positive information company needs to take care and only give positive information about the CSR. Many consumers are not aware of CSR initiatives that are practiced by the company. Therefore, company need to make consumers aware of these initiatives (Bhattacharya & Sen 2004, 9-13, 23).Consumers all around the world do not have same conception of CSR and it varies (Jonhston & Beatson 2005, 3).

There has been no any research done to find the awareness of consumer regarding companies CSR. This may be because CSR is a broad subject and it is very difficult to measure. It is reflected that the consumers awareness is very low, however, because consumers are buying product from different companies and it is difficult to store information of all the companies that are actively participating in CSR (Mohr et al. 2001, 48).

A study on consumers' perception of CSR has found that to improve the company CSR reputation, company should spend less on advertising their green product and

pay more attention to safety and job creation. To judge the company's CSR reputation people first think about its employees then customers (Florian 2013).

For Consumers of developing countries CSR is not of much important and it does not affect their buying decision whereas for consumers of developed countries CSR does matter and they support companies that launched CSR (Arli & Losmono 2010, 49). Price and quality are very important for consumers of developing countries when making purchasing decisions. CSR still have positive effect on attitude towards the company and will increase financial efficiency (Arli et al. 2010, 47).

Study shows that there is difference in perception of CSR from gender point of view. Male group considered economic responsibilities as more important whereas female group considered philanthropic responsibilities as more important ( Arli, Bucic, Harris & Lasmono, 5). When making evaluation of the company CSR action consumers evaluate them to their own interests. They will evaluate CSR initiative to their own values and importance (Green& Pelozza 2011, 49).

Many companies follow CSR just because of legal obligation. It will not end until the consumers show the action that they are ready to buy product from companies who are socially responsible. Consumer should be the CSR focus because they are the important element of corporation. "Consumer Social Responsibility is the true corporate social responsibility" (Morrison & Bridwell, 6).

### **3.5 Consumer behavior towards bank**

Consumer behavior can be defined as, behavior that consumer display when obtaining, using and disposing of product and services. It focuses on how individuals make decisions to spend their available resources (time, money etc.) on consumption related items (Kumar 2008, 2). Consumer behavior can be predicted by intention, attitude and belief. In banking sector customer switching behavior means that

customers prefer other bank to take its services (Garland 2002). Research done in Pakistan shows that customers switching behavior in banking industry is influenced mainly by price, distance, switching cost, service quality and reputation respectively. Advertising is not of so much importance. (Khan, Ghouri, Siddqui, Shaikh & Alam 2010, 106).

Companies are not willing to engage in socially responsible activities because customers are not willing to pay extra money for the additional cost that is spent by the companies. (Coors & Winegarden 2005, 2). Company needs to understand what are consumers want and desires for the product or service and what influence their purchasing and consumption (Karbala, Wandebori & S.T. 2012, 81). According to the survey done by Ernst & Young, customers are being less faithful and switching the banks. There is an increase in the percentage of customer that switch bank from 7% to 12% since 2011. The major reasons for switching banks are excessive fees and charges. Customers are listening to each other more than financial advisor. 71% seek advice from their friends, families. Customers are looking for lower service charge and better service quality (Ernst & Young 2012, 3-4).

Customers now days are more aware, compare product and services between different providers through the help of direct channels, internet blogs, and social network. As a result customers have increased the number of their banking relationship. Banking customers are giving more priority to self-service and direct channels followed by more personalized service. By looking this customer behavior, banks needs to offer innovative and more personalized service to attract new customer and satisfy existing customer (Voutsas & Heinrich 2011, 6).

## 4. CUSTOMER SATISFACTION

In this study we will discuss about the impact of customer centric initiatives and CSR initiatives on customer satisfaction. Therefore, it is important to know the concept of customer satisfaction. Further discussion will be on relationship between CSR and customer satisfaction. .

Satisfaction can be interpreted in two ways satisfaction as an outcome and satisfaction as a process (Parker & Mathews 2001, 38-39). “Customer satisfaction is defined as a customer’s overall evaluation of the performance of an offering to date. This overall satisfaction has strong and positive effects on customer loyalty and intentions across a wide range of product and service categories” (Gustafsson, Johnson & Roos 2005, 210).When customers are satisfied there is an increase the number of customers and customers intend to stay, they do positive word-of-mouth advertising which is free and beneficial for the organizations, strong bonds exist between the organization and the customer and also leads to profitability of the business (Arasli, Mehtap- Smadi. & Katircioglu 2005, 42-43). Due to the globalization and increasing competition industries are giving more attention to customer satisfaction. To retain the customer satisfaction is very important (Johnson & Fornell 1991, 267).

Satisfied customers come back and dissatisfied customers go elsewhere where they think they will get good service. For any organization to survive customer retention is very important. When customers are satisfied they become loyal and loyal customers buy products and service often and also recommend other to buy. As a result long term profit is gained. Some of the techniques to measure customer satisfaction are survey method, focus group, phone interviews and computer software (Fecikova 2004, 57).

Customers are ready to switch to other competitors if they provide the same or greater customer value. Customer should be retained otherwise there is more expense in

gaining in new customers. Businesses who are customer focused are close with customer needs and satisfaction. Higher level of customer satisfaction means higher level of customer retention (Best 2004, 5-7). Customers are satisfied when the product is about their expectation and customers are dissatisfied when the product is below their expectation (Swan & Combs 1976, 25). Study shows that there is a positive relationship between customer satisfaction and shareholder value and customer satisfaction a tool to increase shareholder value (Matzler, Hinterhuber, Daxer & Huber 2005, 679).

The figure is about the cycle of how customer satisfaction can be continuously improved. The figure shows that cycle start with listening the voice of customer. Then analyzing what the customer say or think after that developing action to solve the problem. Finally, in the end implementing those actions that were developed and monitoring them. (Zairi 2000, 392). Figure is given below:

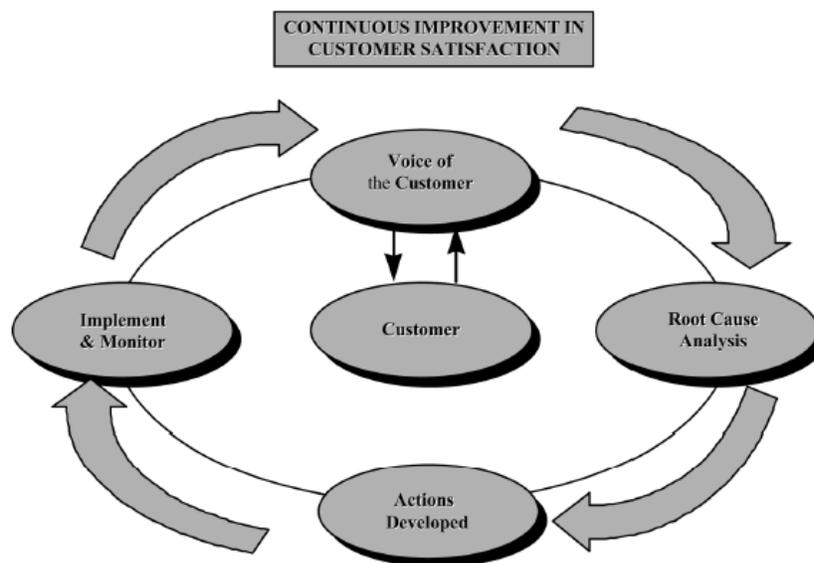


Figure 5: Customer Satisfaction Continuous Improvement  
Source: Zairi, 2000

#### 4.1 Customer centric initiatives improves satisfaction

For any service organization to be successful in the marketplace, they must be able to maintain long-term relationships between them and their customers so that motivates customers to buy again and again and leads to customer commitment. (Paul, Thureau, Gremler & Wiertz, 2008, 215). Loyal customer is key to business success and guaranteed increase of profit and reduces operating and marketing cost of the organization. (Lewis & Soureli, 2006, p.15)

Survey shows that customer switch bank because of high interest to be paid, low interest rates on saving account, ATM hours, response to customer feedback, reliability of staff etc. (Manrai & Manrai 2007,210-211). Bank nowadays are being customer oriented and giving more attention on customer loyalty. Through marketing bank are trying to improve customer perception. For customer acquisition and retention customer satisfaction is an important element. (Mylonakis 2009, p. 16). Consumers view each initiative differently, in relation to how it can add value to their own benefit. This also proves that consumers are looking for their own benefit rather than the benefit of the society (Green et al., 2011, 50).

#### 4.2The impact of CSR initiatives on customers

People who were aware of the company CSR initiative were ready to purchase the product, look for the employment opportunities and have positive attitude towards the company than the people who were unaware of the initiative. (Sen, Bhattacharya & Korschun, 2006, 164). When it is difficult for customers to evaluate which product/service is good, company involvement in CSR plays a positive role to attract customers. (Poolthong & Mandhachitara 2009, 422).

Pelozza & Shang (2011, 1) studies show that CSR initiatives leads to customer loyalty, customer willing to pay premium price, it also reduces its reputational risk in period

of crisis. As a result it increases the profit of the firm. CSR has been beneficial to the companies that involve in socially responsible activities. The benefits are consumers have positive impact about the product and brand, brand loyalty and commitment, brand recommendation and increase in companies' market value (Assiouras et al. 2011, 163). Since FedEx found out that customers are attracted towards the company that practices CSR it began to use the jet that consumes less fuel and currently they use hybrid vehicles and less energy consuming vehicles (Lamb, 2012).

Research conducted by MORI on British public opinion of corporate social responsibility shows that the majority of the respondents did not think that most companies listen and respond to public concerns on social and environmental matters although that was of high importance for the public. 38% of the respondent says that it is very important for them that the company is socially responsible when making a purchase decision (Dawkins 2004).

The positive influence of CSR are that it creates a feeling on customer that they are being part of society when consuming the service, it create a strong relationship between the customer and the organization, and consumers view those company as more valuable than those company who are not socially responsible. (Ochoti, Muathe, Ronoh, Maronga & Ochoti 2013, 167). In a survey done 83 percent of the respondents answered that they prefer to buy environmentally safe products and 79 percent said their purchasing decision depends on how is the firm's environmental reputation among the public (D'Souza 2004, 181).

Many studies have shown that CSR initiatives have a positive influence on consumer's response to products and services (Onlaor&Rotchanakitumnuai2010, 1560).CSR plays a vital role in creating image of the firm among customers. CSR have a positive impact on customer satisfaction and can help organization to build reputation and brand equity (Saeednia & Sohani 2013, 1143).

Though current benefits may be very few but as the customers become aware of the firms social and environmental effects the importance of CSR will increase. Firms

who implement CSR effectively will be able to make informed decision (Stawiski, Deal & Gentry 2010, 8). More customer satisfaction means more cash flows leading to high market value. CSR affects customer satisfaction which in turn affects market value (Luo & Bhattacharya 2006, 4). In a survey done ninety one percent of the American says they have positive image towards the company that supports a cause, compared to eighty four percent in 1993. 86% percent of American is likely to switch brand, price and quality being same if the company is supporting the cause (Cone 2004).

#### **4.3 Relationship between CSR and customer satisfaction**

Luo et al. (2006,15) studies show that CSR leads to customer satisfaction and satisfied customer come back to the business and gives financial return to CSR. However, their study also found out CSR reduces customer satisfaction for those firms with less innovativeness and hence affect the firm's financial performance. Although public opinions survey shows that consumers prefer to choose green product over the other product which is less environmentally friendly. Most consumers will not choose green product and sacrifice their needs. In order for consumers to choose green product the product must be convenient, affordable price, quality. Then only customers are satisfied. In order to attract the customers many companies are being socially responsible, every company is publishing CSR report on their websites.(Ginsberg & Bloom 2004).The consumers will support the firm that engages in CSR if only they will receive something in return (Green et al. 2011, 48).

Ochoti et al. (2013, 161) research shows that spending huge amount of money on CSR initiatives is expected to increase customer satisfaction and build competitive advantage. Whereas, Mylonakis (2009,17)survey shows that spending huge amount on CSR programs do not lead to customer satisfaction and bank are not getting

increased satisfied customer by investing in these programs. Besides making profit to shareholders CSR have positive influence on customer's satisfaction and loyalty. Organization that focuses on making profit for shareholders cannot lead to customer satisfaction. CSR initiatives affect customer satisfaction and loyalty. (Onlaor & Rotchanakitumnui 2010, 1563).Meijer and Schuyt (2005, 442) study shows that Dutch consumers consider CSR as a hygiene factor and from the research they found that corporate social performance of companies does not motivate Dutch consumers to buy a product.

## **5. RESEARCH METHODOLOGY**

Research can be defined as a scientific and systematic way of searching for information on a particular topic. In this chapter, the research methodology applied in this research will be explained. The research problem of this research is whether customers appreciate customer centric initiatives higher than CSR initiatives. There are commonly two research methods that are used by researchers, qualitative and quantitative methods.

### **5.1 Qualitative methods**

Qualitative method can be defined as a method which produce descriptive data and give people opinion in written or spoken words. It helps us to know people personally. By the use of qualitative method you can study the concept such as beauty, pain, suffering, and frustration as they are defined and experienced by the people. The qualitative researcher is not seeking truth and morality but understanding (Bogdan & Taylor 1975, 4-8).

### **5.2 Quantitative method**

Quantitative research can be defined as a method in which data is interpreted in graphs, charts and other statistical form. In quantitative research people are asked about their opinions in a structured way so that facts and statistics are produced to guide us in our research. To get reliable statistical results, it is important to survey people in fairly large numbers and to make sure they are a representative sample of our target market.

The fundamental difference between qualitative and quantitative research is procedure. In qualitative research results cannot be obtained by statistical methods or

similar ones. The other difference between quantitative and qualitative is that it is not only about quantification but also research objective. Also, a quantitative researcher uses measurement while qualitative researchers do not (Ghauri & Gronhaug 2005, 109).

Since the aim of this study is to find out whether customers appreciate customer centric initiative higher than CSR initiative, a quantitative research is the most suitable for conducting this study. The target was to get at least one hundred customers for survey. There were altogether sixteen questions with options provided. In order to assure the accuracy and consistency of the questionnaire it was sent to the supervisor and some customers of Nordea bank. The aim of this was to make sure that the questions were understandable and related to the research.

### **5.3 Customer Survey:**

Customer survey is conducted to examine the customer preference of customer centric initiative over CSR initiative of Nordea Bank in Finland. The respondents were customers of Nordea Bank. The sample size was 100. The survey was restricted to Vaasa only. As Nordea Bank refused to carry out the survey the basis of the choice was snowball sampling.

Snowball sampling is a non-probability sampling method. It is used when it is difficult to locate respondents. In snowball sampling the first person is asked to find another person with the same traits as the first person. This way of sampling is less expensive (Stat Pac Inc. 2013).

After the approval of the questionnaire by the supervisor it was sent to the respondents through e-mail and social networks (such as) Facebook and to the students from International Business Office via e-mail. The questions were made based on the objectives and the research question of the research.

To make responding easy and to let them know the purpose of this research a cover letter is attached to the survey form. The cover letter indicates that a respondent is limited to being a Nordea customer. We asked the respondents who did not fulfill these criteria or who did not wish to participate in this survey to transmit the questionnaire to any current customer of Nordea they knew. All of the respondents were students. The reason that all the respondents were a student is because Nordea Bank refused to carry out the survey and the survey was done by researcher own efforts. The personal contact information was provided to help the respondents if they have any difficulty in understanding the questions.

#### **5.4 Data Sources**

To find the right data or information data sources are needed because they are the carriers of data, i.e. the information. To use the data correctly differences should be made between primary and secondary data sources as otherwise, it may create problems in the research. Secondary data are the data that are collected by others for their own purposes and which may not answer the current research problem whereas, primary data is collected for the specific research to solve the research problem. However, primary data is only needed when the secondary data is not available or it does not solve the studied research problem. (Ghauri & Gronhaug 2005, 91). In this study primary data is collected by sending questionnaires to the customers of Nordea Bank. The advantage of primary data collection is that information gained is more coherent and equivalent with the research questions.

#### **5.5 Data Collection**

The unit of study in this research is the customers of Nordea Bank. Respondents' feedback for the survey was collected within two week. The data is calculated and

interpreted using an Excel file. The data calculated and interpreted is solely collected through the online survey.

## 5.6 Validity and Reliability

Validity means the ability of the research method to find out what it is supposed to find out, i.e. the truth. It is very important if researchers are seeking to obtain an in-depth insight into individuals, small groups or situations. If research is said to be valid, this means that it is really measuring what it is intended to measure and gives an accurate insight into the research area-that is, it `mirrors` reality. If the research lacks validity, this means that the researchers cannot guarantee that their findings reflect the truth (Churton & Brown 2010, 211).

In order to increase the validity of the research, the questionnaire was based on theoretical assumptions. The questions were also presented to the supervisor and tested among few customers to increase the validity of questions. As the objective of the thesis is achieved the result is valid.

Reliability is the extent to which a test produces similar results on repeated trials. If research is said to be reliable, this means that if it is replicated, identical results will be achieved. For example, a clock that runs five minutes fast some days and five minutes slow other days is unreliable. A factual question should always produce one answer if it produces one answer on one occasion and different on another then it is unreliable. Questions which ask for opinions may produce different answers for a whole range of reasons. The respondents may just have seen a television programme which affected opinions or may have had some experience which angered or pleased and so affected response. There are different devices for checking reliability in scales and tests. Some of them are test-retest (administering the same test sometime after the first), the alternate forms method (where equivalent versions of the same items are

given and results correlated) or the split-half method (where the items in the test are split into two matched halves and scores then correlated). Reliability is important if generalizations are to be made. If researchers can establish that their research is reliable there is less risk of their taking a chance pattern or trend exhibited by their sample and using it to make inferences or assumptions about the population as a whole. (Bell 1993, 64-65; Churton et al. 2010, 209).

Quantitative research is more reliable than qualitative research, since the stability of the results will mostly likely be the same if the same questionnaire was conducted again after a few years. Therefore, quantitative research method was chosen. To make the study even more reliable both the theoretical study and empirical findings are combined.

## 6. EMPIRICAL FINDINGS

This chapter deals with the questions that were asked to the respondents in study. The data collected are presented in figure and explained in words.

### 6.1 Basic Information of Respondents

There are altogether 42 respondents but one respondent is a customer of Danske bank so he is not included in the survey. Therefore, the total number of valid respondents is 41, out of which 23(56%) are female and 18 (44%) are male. This shows that more than 50% of the respondents are female. Gender distribution is shown in the Figure 6 which is given below:

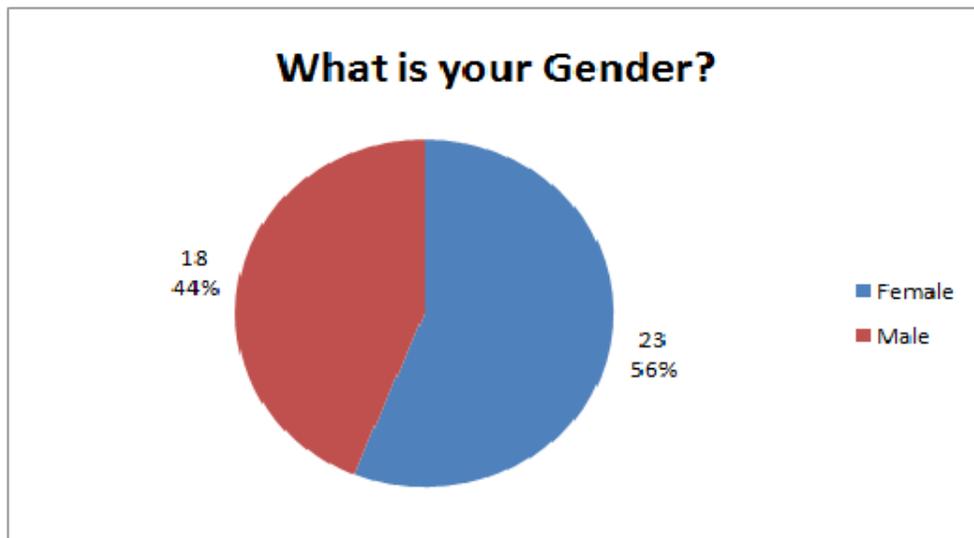


Figure 6: Respondents by gender

### Age distribution

Out of total 41 respondents, the maximum number of respondents which is 27 falls under the category of age group 18-24 years as shown in figure 7. Eight respondents fall under the category of age group 25-30 years followed by five respondents under the category of 36 and above. Only one respondent falls under the group of 31-35 years. There is not any respondent who falls under the age group of below 18. Figure 7 shows the age distribution.

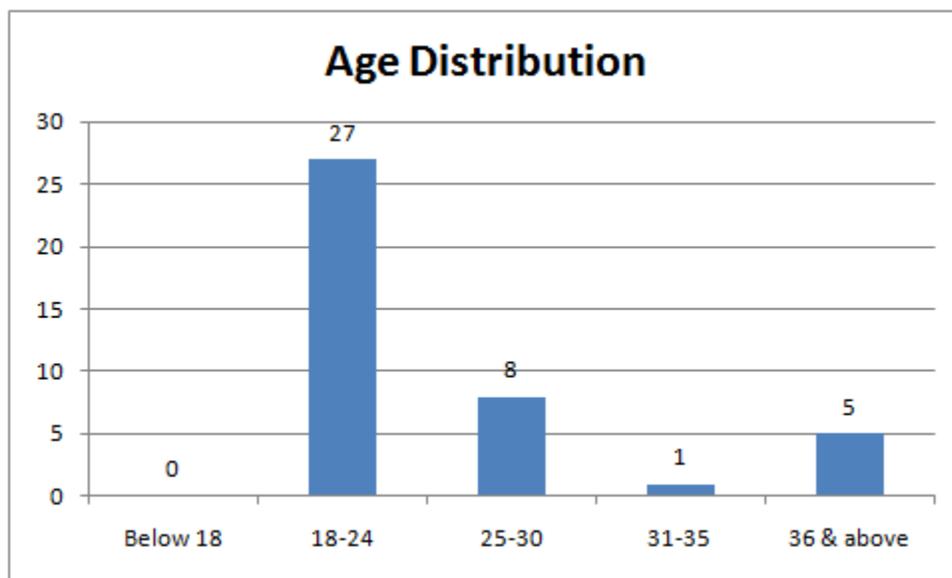


Figure 7: Respondents by age

### Respondents' service experience

In order to understand the customers experience with the banking service, the respondents were asked how long they have been the customers of Nordea Bank. It can be seen the figure 8, that fourteen of the respondents are in the group of one to two years. Six and nine respondents are in the group of three to five years, and less than six months respectively. Eleven of the respondents have experienced bank

service for more than five years. There is only one respondent who falls in the group of seven to twelve months.

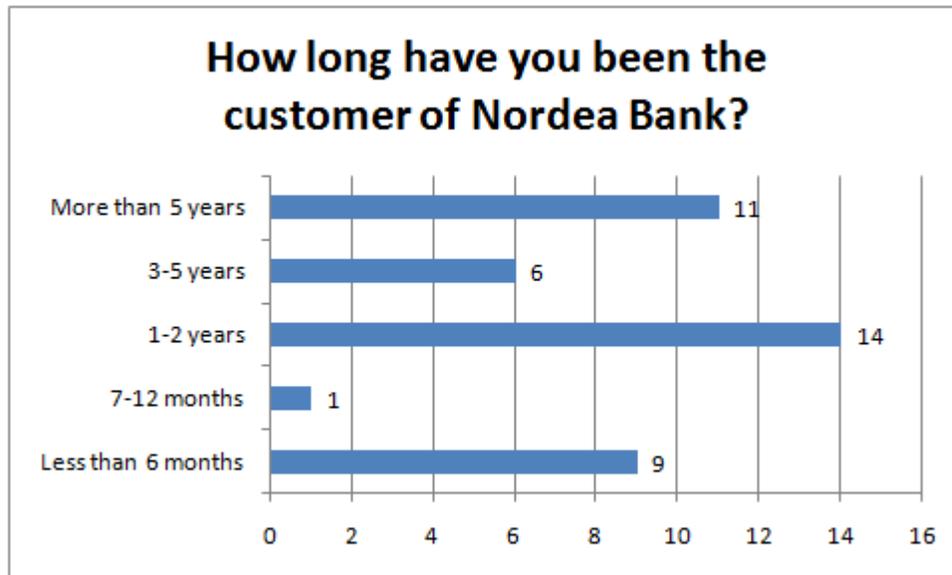


Figure 8: Respondents' of service experience

## 6.2 Familiar with the term CSR and responsible activities of bank

The respondents were asked how familiar they were with the term corporate social responsibility, and the results can be seen from figure 9. There were only sixteen respondents who were familiar with the term CSR. Eleven respondents have heard the term but they do not have a clear idea what it is. Fourteen respondents do not know what CSR is. This shows that most of the respondents are not familiar with the term CSR.

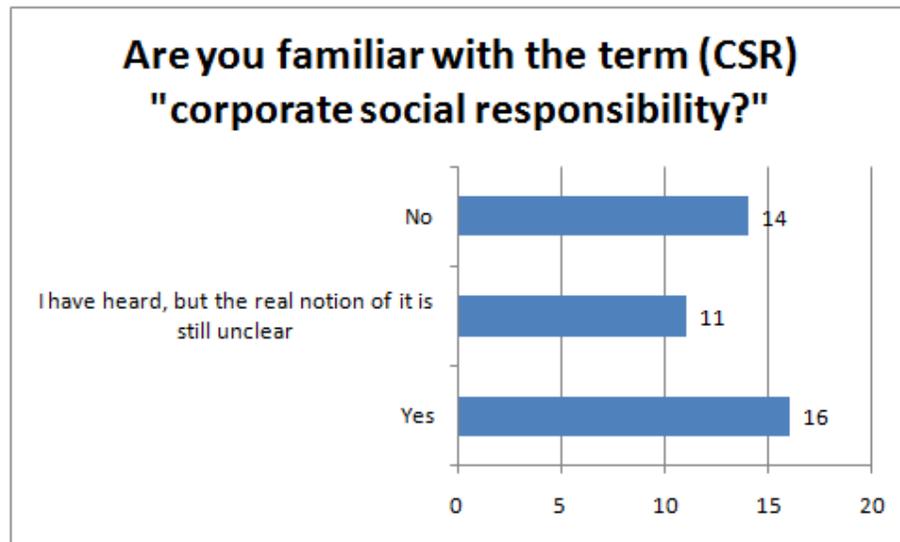


Figure 9: Familiarity with the term CSR

Twenty-two of the respondents are not so (very) familiar with the socially responsible activities of their bank. There are only fourteen respondents who said that they are familiar with the socially responsible activities of bank. Five respondents are totally unfamiliar with their bank's responsible activities. Surprisingly, there are no respondents who are very familiar with the responsible activities of their bank. Below figure 10 shows that the majority of the respondents do not know how their bank is contributing to the society.

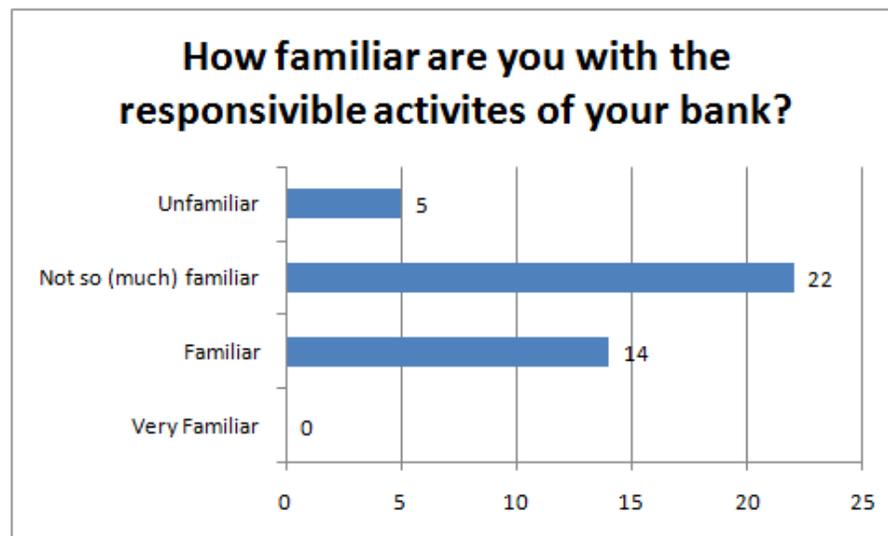


Figure 10: Familiar with the responsible activities of bank

### 6.3 Most important One

In figure 11 it's shown that thirty seven respondents think "online banking" is most important for them, while four respondents think that a "company should do charity". Surprisingly, there is no respondent who thinks that environmental protection is important. Therefore, from the data, it is clear that the customers appreciate customer centric initiatives higher than CSR initiatives.

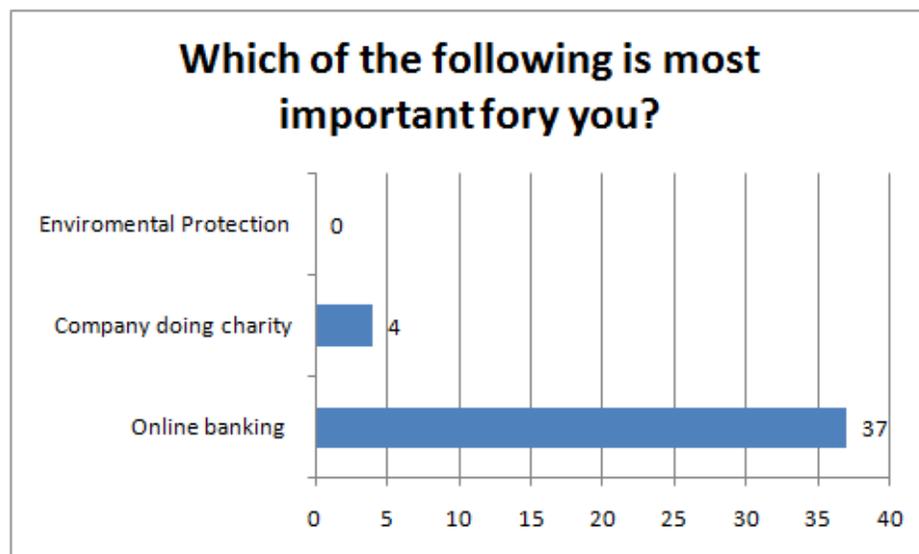


Figure 11: Most important for respondents

### 6.4 CSR report

Figure 12 shows that forty respondents have never read a bank CSR report before deciding to use their bank service. There is only one respondent who has read a CSR report before deciding to choose the bank. The majority of the respondents do not read CSR reports that are published by the company, which shows that consumers are not aware of the CSR activities that are run by the banking sector.

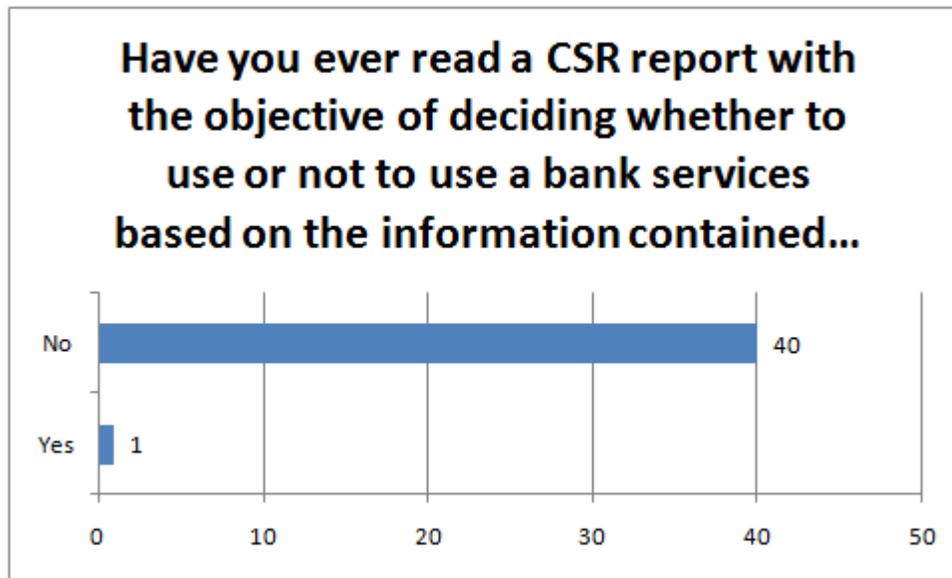


Figure 12: Respondents on reading CSR report to decide whether to use or not to use bank service

### 6.5 Most Important Initiative

More than 50% of the respondents (twenty four) think interest in a bank is low and that a bank nearby home is very important for them. At the same time, twelve respondents think that reduction of electricity and water consumption is very important for them. There are only five respondents who think that funding a concert is very important for them. From this data also, a conclusion can be drawn that customers appreciate customer centric initiatives more highly than CSR initiatives.

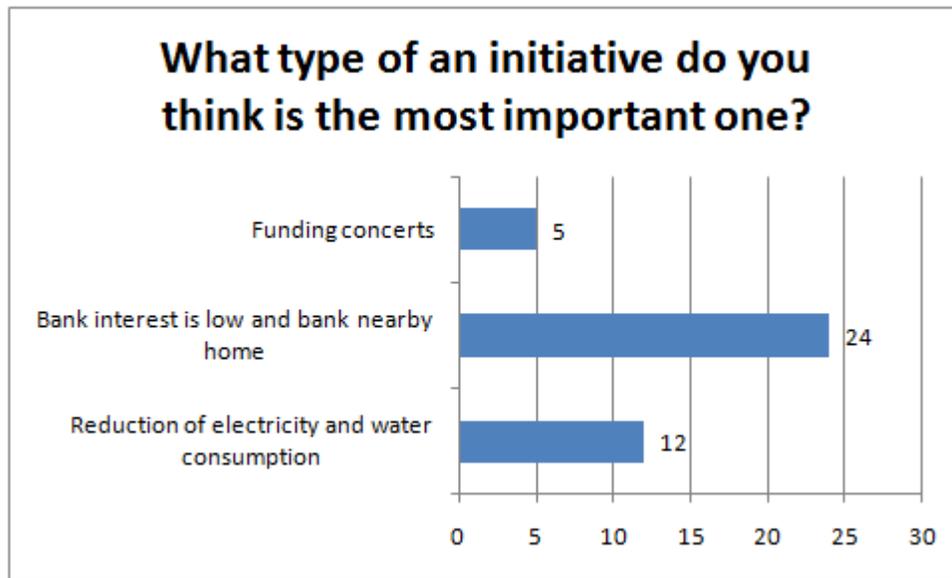


Figure 13: Most important initiative for the respondents:

The majority of the respondents (thirty three) think that a bank that has a staff which is good at handling customer's complaint is very important for them. Six and two respondents' think using carbon off-set programme and funding an art respectively is very important for them. Thus, from the data it can be seen that respondents prefer initiatives which are beneficial for them rather than the society.

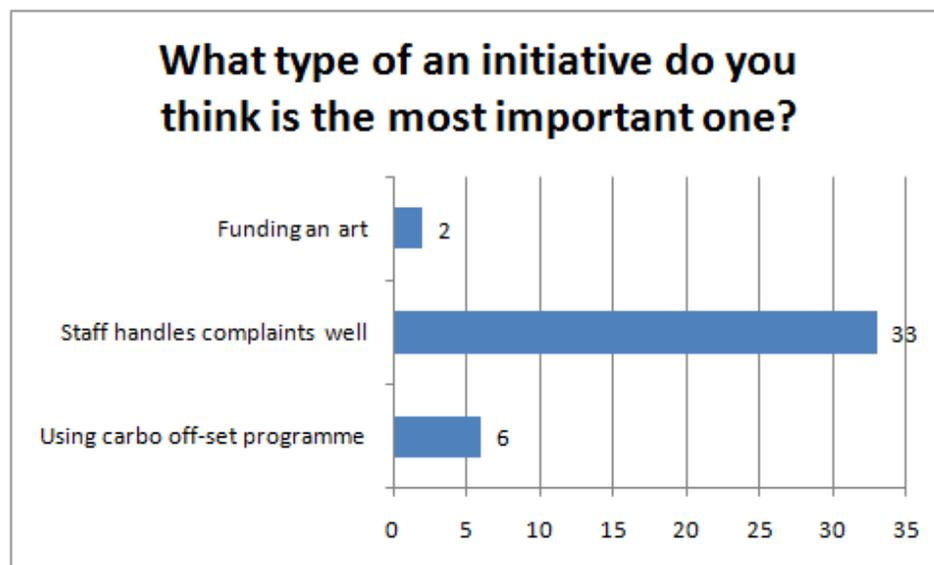


Figure 14: Most important initiative for the respondents

Twenty nine respondents think it is very important for them that the staff responds to customer feedback well. This was followed by using environmentally friendly products with seven, chosen by respondents. Five respondents think that providing sport sponsorship is very important for them. From this data we can analyze that customers appreciate customer centric initiatives more highly than CSR initiatives.

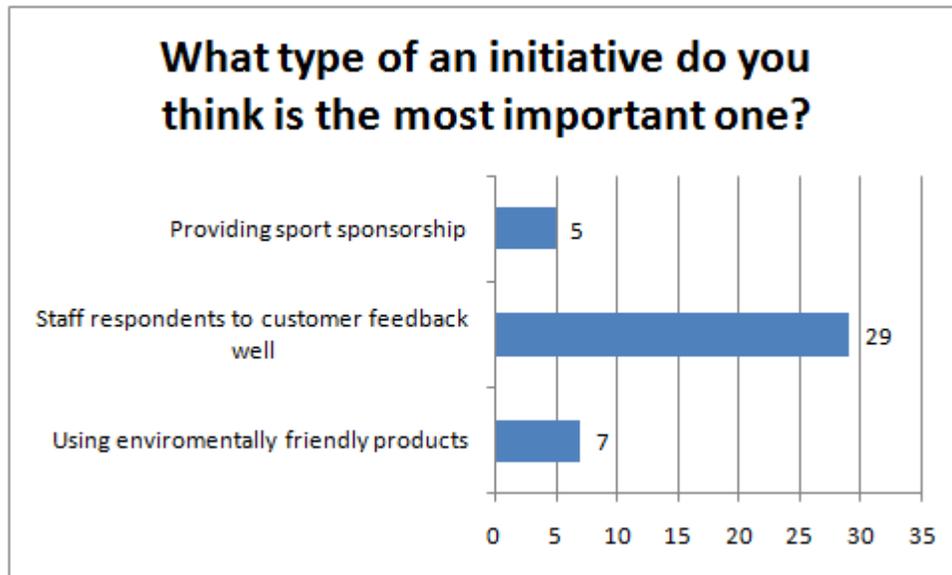


Figure 15: Most important initiative for the respondents

Twenty eight respondents think that banking staff showing a positive attitude and behavior towards the customers is very important. Nine respondents think that the use of recyclable materials is very important for them. Lastly, four respondents think that offering free financial camp is very important for them. From this data it can be concluded that customers appreciate customer centric initiatives more than CSR initiatives.

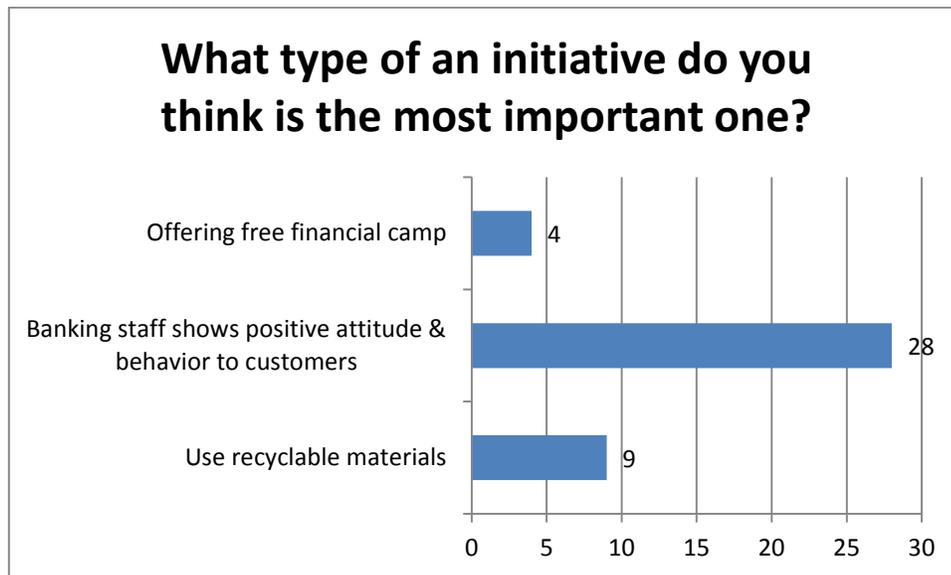


Figure 16: Most important initiative for the respondents

Eighteen respondents think that their bank opening new branches is very important for them. This is followed by providing education and nutritious food to children in remote areas with sixteen respondents. Seven respondents think that the bank should be praised for its good environmental performance. Also from this question it can be concluded that the customers are giving higher preference to customer centric initiatives.

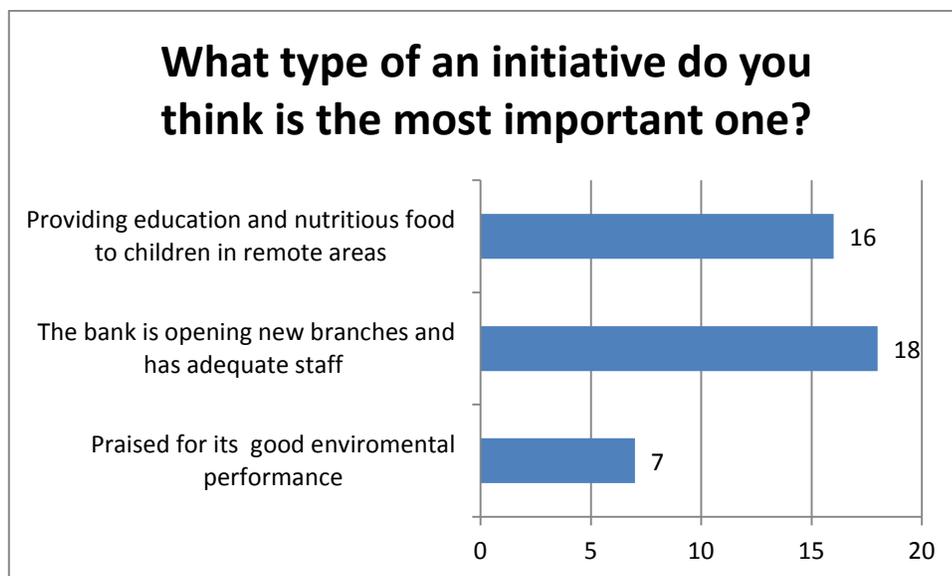


Figure 17: Most important initiative for the respondents

Twenty nine respondents think that it is important that the staff is competent and well- represented. Six respondents think that using pollution control (measures) is important. The remaining other six respondents think donating money regularly to orphanages is important. From this data also it can be analyzed that the customers appreciate customer centric initiatives more than CSR initiatives.

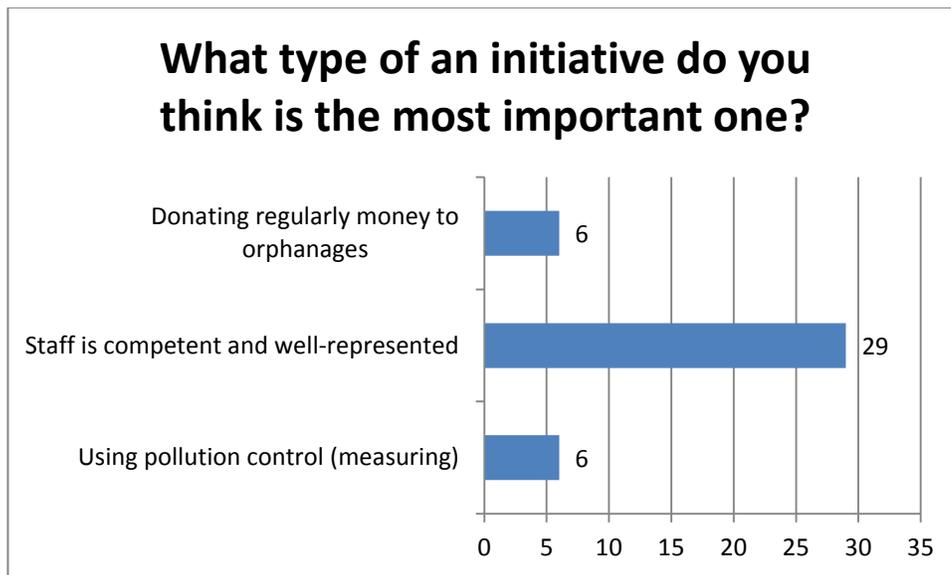


Figure 18: Most important initiative for the respondents

### 6.6 Focusing on customer centric initiatives

In response to the statement, " Is an organization that focuses on customer centric initiatives is acting with responsibility towards its stakeholders", fourteen of the respondents said they agree. The other fourteen respondents said they are neutral, whereas ten said they slightly agree. Three of the respondents are unsure about the statement. There is no respondent who slightly disagree and disagree with this opinion. This data also shows that customers prefer customer centric initiatives and are looking for their own benefit.

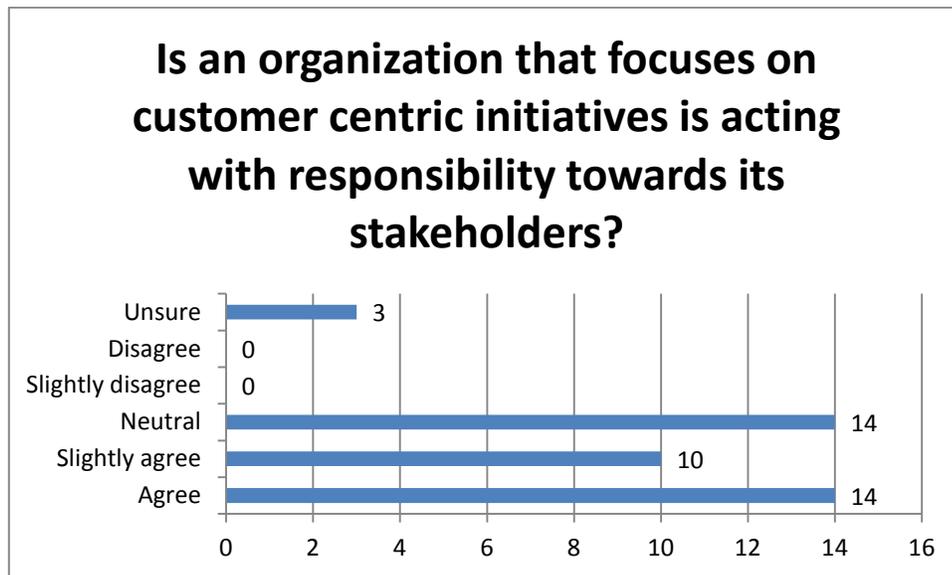


Figure 19: Respondents opinions of on organization focusing on customer centric initiatives

### 6.7 Most important Attribute

As can be seen in figure 20, twenty two of the respondents said developing solutions for (betterment of improving customer service) is very important. Eight and Seven respondents said developing practical solutions in the organization on the environmental management level and meeting legal obligations respectively is very important whereas, four of the respondents said actively participating in the community is very important. Also here customers are not giving more importance to CSR initiatives. They are giving importance to customer centric initiatives which means that the customers appreciate customer centric initiatives more than CSR initiatives.

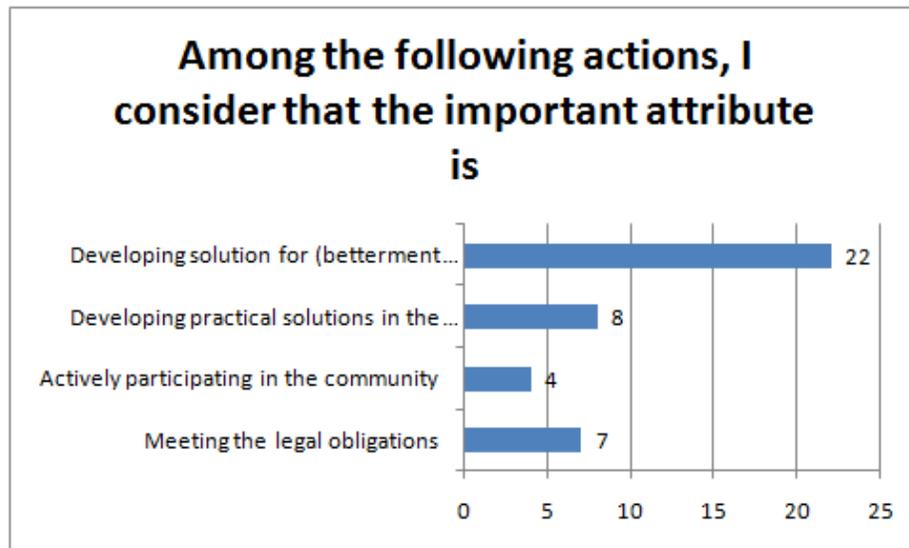


Figure 20: Respondents on most important attribute

### 6.8 Decision making

When it came to the question, “when making the decision to buy a service how important is it to you that it is from the bank committed to the environmental and social issues?”, only thirteen of the respondent gave the answer "Very important." Eleven of the respondents gave the answer “important” whereas other three of the respondents gave the answer not important at all. Three of the respondents think it is the most important thing and remaining eleven of the respondents gave the answer it does not make a difference to them. From this data, it can be analyzed that majority of the respondents decision is influenced by the bank involvement in CSR activities.

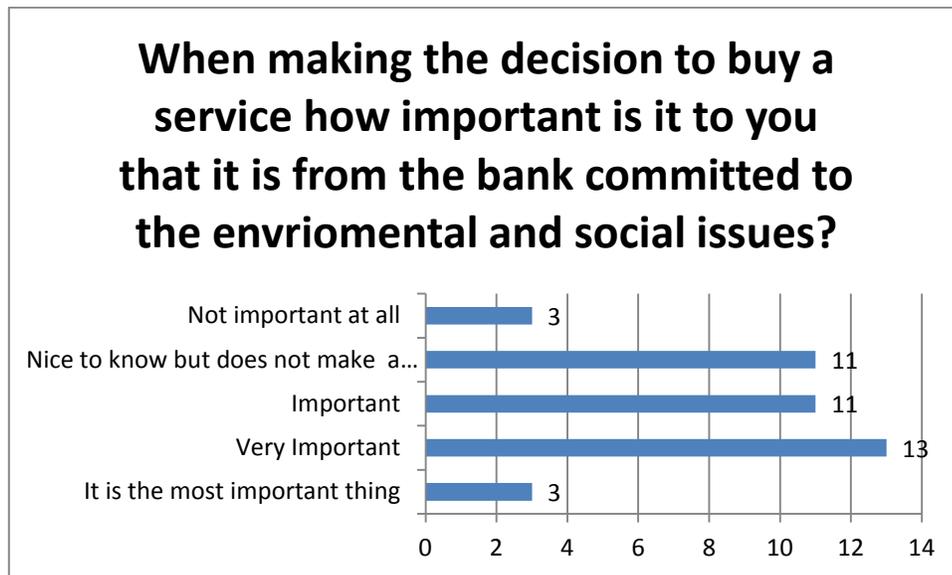


Figure 21: Importance that a company is committed to the environmental and social issues

### 6.9 Understand the satisfaction factor

Nineteen of the respondents think “to a major extent” it is important for the bank to understand the satisfaction factor and contribute positively to it. Seventeen of the respondents think “to some extent”, and two of the respondent “to a minor extent”. Surprisingly, there are three respondents who think that it is not important at all. As a whole, it is important for the bank to understand the satisfaction factor.

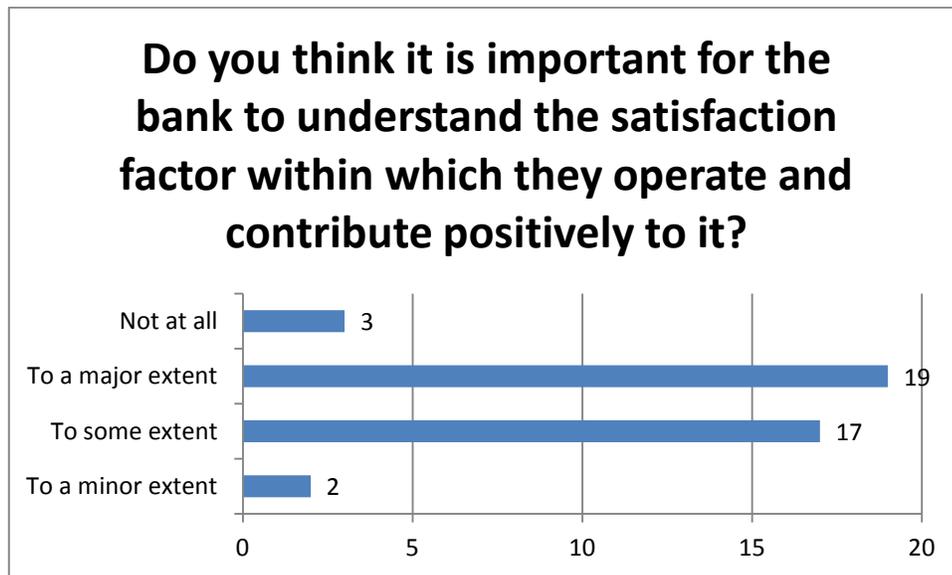


Figure 22: Importance of understanding the satisfaction factor for the bank

#### 6.10 CSR rating makes a positive impression

The survey results show that a high CSR (corporate social responsibility) rating will have positive impression on respondents. Twenty three of the respondents said “Yes” and fifteen of the respondents said “to a certain extent”. Three of the respondents are not sure. There is no any respondent who said that a CSR rating will not have a positive impression on them. The data shows customers are attracted to the bank that has a high CSR rating in comparison to the bank with low CSR rating.

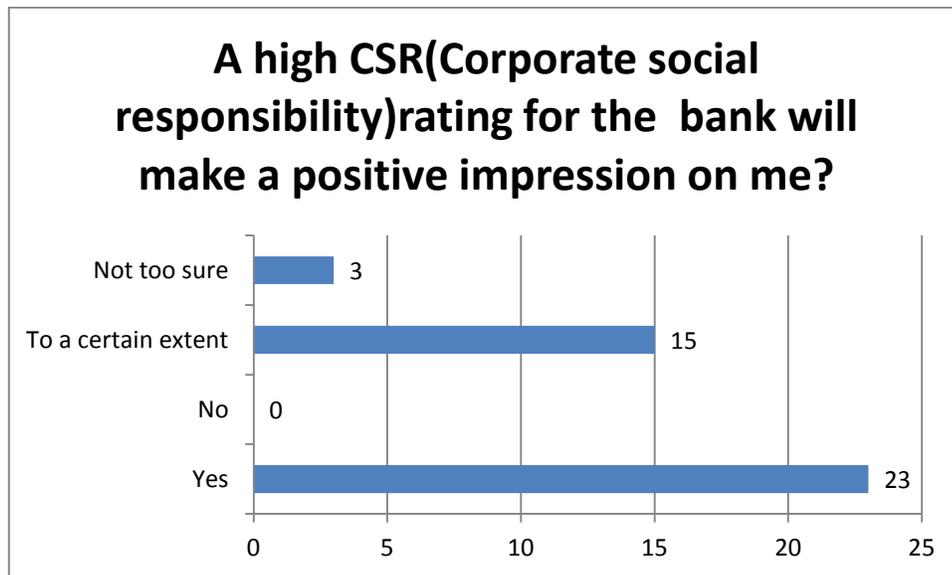


Figure 23: CSR rating makes a positive impression

### 6.11 Bank focus

As can be seen in the figure 24, majority of the respondents (thirty four) think that bank should mainly focus on Customer. Three and one of the respondents think that shareholders and employee respectively, should be focused by the bank. Remaining three of the respondents think that environment should be given attention. There were no any respondents who think that bank should focus on government. From the data, it can be analyzed that bank should mainly focus on customer, to attract new customer and retain the existing one. After that, they can focus on other stakeholder group.

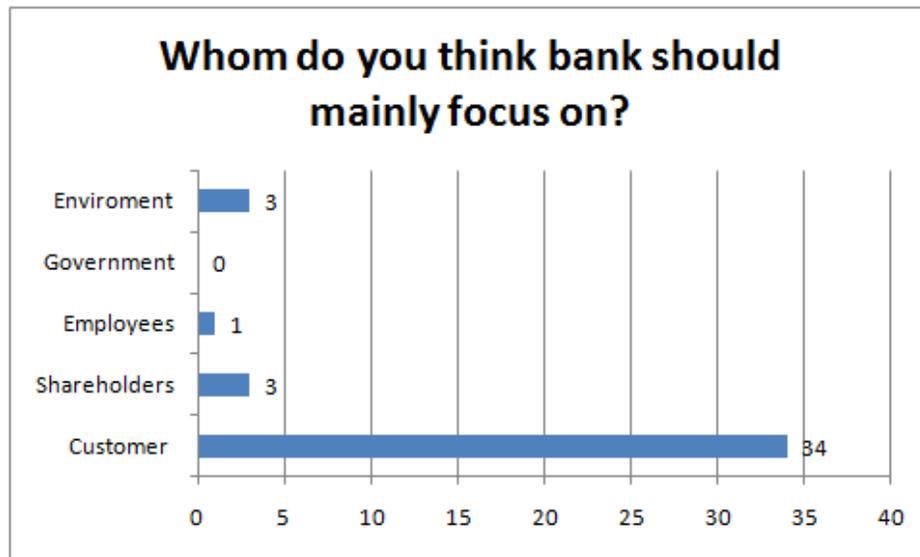


Figure 24: Bank Should Focus

### 6.12 Level of satisfaction

The respondents are asked how satisfied they are with the overall service of the bank, and what was interesting was the fact that seven of the respondents felt highly satisfied. Nineteen of respondents were somewhat satisfied. Eleven of the respondents felt neutral. Three of the respondents felt somewhat dissatisfied and one respondent felt highly dissatisfied with the received service and that is an issue the bank should focus on.

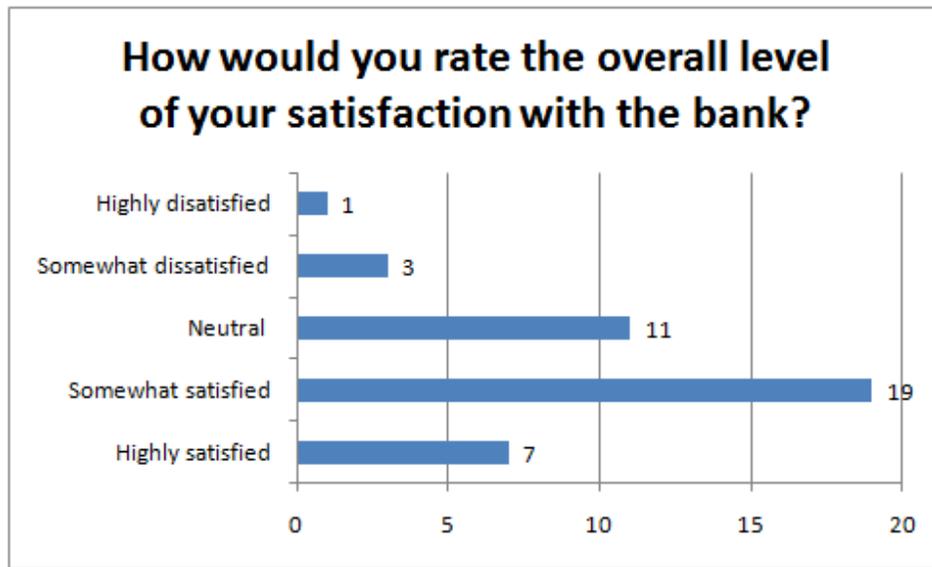


Figure 25: Level of satisfaction with the bank

The respondents were asked to comment in their own words. The answers were closely to customer centric initiatives, asked in the questionnaire like interest rate should be increased in fixed deposit. Most of the respondents did not answer this question. One respondent said that different branch has different rules so it annoys him whereas other respondent said that Nordea was doing a great job which means that he was satisfied with the Nordea Service.

## 7. CONCLUSION

In this chapter the results from the empirical study will be summarized. In addition, some recommendations are made for Nordea Bank.

### 7.1 Summary of the Results

Most of the respondents (27) were of age 18-24 because the questionnaire was mainly distributed among students of Vaasa University of Applied Sciences. Based on the results of the study it was found out that customers of the bank appreciate customer centric initiatives more than the CSR initiatives because they are directly beneficial to them in comparison to the CSR initiatives that benefit the whole society. Therefore, the bank should spend more money on finding a way to improve customer service and give customers as much benefit as they can instead of spending more money on CSR initiatives. From the study it is clear that 39% of the respondents were aware of the term CSR. 34% of respondents were familiar with their banks social activities. The majority of the respondents say that a high CSR rating will have a positive impression on them. 64% of the respondents say that they would like to buy a product from a company committed to environmental and social issues.

Customers gave more attention to the initiatives that benefits them than to other CSR initiatives which benefits other stakeholder groups. This also shows that customers appreciate customer centric initiatives more than CSR initiatives. More specifically, customers' preferred the initiatives, which provide them with online banking, high interest rate, a staff that responds to customer feedback well and a bank that has many branches. This suggests that banks which want to get new customers retain old customers and make customer satisfied may achieve better results by being customer focused.

When comparing CSR initiatives and customer centric initiatives, the young customers appreciate customer centric initiatives more than CSR initiative. This does not mean that the bank should neglect CSR initiatives altogether. Firstly, they should be customer focused, and then second priority can be given to CSR activities in order to get new customers and retain the existing ones. The research finding show that customer centric initiatives contribute positively to market value, suggests that managers can obtain competitive advantage and reap more financial benefits by investing into customer centric initiatives.

## **7.2 Recommendations**

Based on the findings, it is recommended that the Nordea Bank should focus more on customer centric initiative instead of CSR initiatives. It would help them to improve customer satisfaction and increase the number of customers. As a result, more profit can be earned. As the sample size is very small, the scope of the findings is also limited. Further research could be done by increasing the sample size and age distribution. Another area that could be worth examining is how CSR initiatives are viewed by other stakeholders. In future research, more banks should be taken and other service industries could also be examined.

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## APPENDIX 1

### INTRODUCTION LETTER

Dear IB students,

I am about to finish my degree and I need your help right now to answer an online consumer survey about Nordea Bank. Answering the question will only take 5-10 minutes and all responses will remain anonymous and confidential.

I request only those respondents to fill in this form who are currently customers of Nordea Bank. If you do not fulfill this criterion I really appreciate if you can forward this email to your friends and contacts who are currently customers of Nordea Bank.

Thank you!

With kind regards,

Roshan Gurung

## APPENDIX 2

### Questionnaires for Nordea Customers

1) What is your gender?

- a) Male            b) female

2) Which of the following categories best describe your age?

- a) Below 18
- b) 18-24
- c) 25-30
- d) 31-35
- e) 36 and above

3) How long have you been the customer of Nordea Bank?

- a) Less than 6months
- b) 7-12months
- c) 1-2 yrs
- d) 3-5 yrs.
- e) More than 5 yrs

4) Are you familiar with the term (CSR) “corporate social responsibility?”

- a) Yes
- b) I´ve heard, but the real notion of it is still unclear
- c) No

5) How familiar are you with the responsible activities of your bank?

- a) Very familiar
- b) Familiar
- c) Not so (much) familiar
- d) Unfamiliar

6) Which of the following one is the most important for you?

- a) Online banking
- b) Company doing charity
- c) Environmental protection

7) Have you ever read a CSR report with the objective of deciding whether to use or not to use banks service based on the information contained in it?

- a) Yes
- b) No

8. Which do you think is most important?

Environmental protection initiatives	Customer centric initiatives	Philanthropic Initiatives
Reduction of electricity and water consumption	Bank interest is low & bank nearby home	Funding concerts
Have Using carbon offset programme	Staff handles complaints well	Funding an art
Using environmentally friendly products	Staff responds to customer feedback well	Providing sport sponsorship
Using recyclable materials	Banking staff shows positive attitude & behavior to customers	Offering free financial camp

Praised for its good environmental performance	The bank is opening new branches and has adequate staff	Providing education and nutritious food to children in remote areas
Using pollution control (measuring)	Staff is competent and well-represented	Donating regularly money to orphanages

9) An organization that focuses on customer centric initiatives is acting with responsibility towards its stakeholders?

- a) Agree
- b) Slightly agree
- c) Neutral
- d) Slightly disagree
- e) Disagree
- f) Unsure

10) Among the following actions, I consider that the important attribute is

- a) Meeting the legal obligations
- b) Actively participating in the community
- c) Developing practical solutions in the organization, on the environment management level
- d) Developing solutions for (betterment of) improving customer service.

11) When making the decision to buy a service how important is it to you that it is from a company committed to the environmental and social issues?

- a) It is the most important thing
- b) Very important
- c) Important
- d) Nice to know but does not make a difference
- e) Not important at all

12) Do you think it is important for corporations to understand the satisfaction factor within which they operate and contribute positively to it?

- a) To a minor extent
- b) To some extent
- c) To a major extent
- d) Not at all

13) A high CSR rating for a corporation will make a positive impression on me?

- a) Yes
- b) No
- c) To a certain extent
- d) Not too sure

14) Whom do you think bank should mainly focus on?

- a) Customer
- b) Shareholders
- c) Employees
- d) Government
- e) Environment

15) How would you rate the overall level of your satisfaction with the bank?

- a) Highly satisfied
- b) Somewhat satisfied
- c) Neutral
- d) Somewhat dissatisfied
- e) Highly dissatisfied

16) Here you can write your own comments:

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