

Saimaa University of Applied Sciences
Business Administration, Lappeenranta
Degree Programme in International Business Management

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The affect of loyal customer concentration benefits when choosing banking and insurance service provider
Case: Etelä-Karjalan Osuuspankki

Master's Thesis 2013

Abstract

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Case: Etelä-Karjalan Osuuspankki, 60 pages, 6 appendices

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The objective of this thesis was to examine how the loyal customer concentration benefits affect when a customer is choosing a banking and insurance service provider. The loyal customer concentration benefits are used in OP-Pohjola Group but this research only concerns Etelä-Karjalan Osuuspankki's loyal customer concentration benefits. The purpose of the research was also to gain information about what clients think about these benefits: what benefits are important and how these benefits can be improved?

The research for this case study was carried out by using a quantitative research method. Respondents for this research were chosen from Etelä-Karjalan Osuuspankki's loyal customer database (Profi) by using random sample with some predetermined criteria's. These clients were sent a questionnaire on their opinions and experiences of loyal customer concentration benefits to their online bank service. The results were analysed with the help of the Digium Enterprise program, which is OP-Pohjola Group's internal data collection program.

The results of the study show that the loyal customer concentration benefits affect the customer's decision when choosing banking and insurance service provider, but the benefits are not the most important issue. These benefits give extra monetary value and they commit customers more tightly. The findings of the study also show how the loyal customer concentration benefits can be developed and the thesis created a good basis for further examination of the subject.

Keywords: Customer Relationship Marketing, Customer Segmentation, Loyal Customer Ship, Customer Loyalty Programmes

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1 Introduction

1.1 Background information for the study

In today's business life companies and their competitiveness depends highly on customers. Customers have a diversified range of products and services available and they know that they can also demand something extra when shopping and making the final decision of which product or service to choose. And that "something" is called private customer service. Consumers also value easiness: they would like to get all they need in one place, use as little time as possible and even run errands at any time they want. These changes in customers' buying habits and decision making process sets service sector companies in a new sort of competitive situation. To get more profit, make customers satisfied and even turn them to long-term customers, companies have to use lots of energy and resources to succeed in business. Companies know that it is always more profitable (in every aspect) to try to maintain old and productive customer relationships than to seek and establish new ones. Every customer relationship requires a whole lot of work and a long-term, well-planned strategy before it starts to give profits to company.

Banks and insurance companies have also noticed their customers changing needs and want to stay competitive in every possible way. The banking and insurance service sector has faced massive changes during the last decades and now almost every operator in these fields has joined together with another operator to strengthen their position in the markets. The business model where banking and insurance services are sold together by one operator, has reached a significant position in the markets. These financial actors now concentrate on reaching total customer relationships by providing a diversified range of services in one place. To be able to support the growing development, financial actors have launched different kinds of loyalty programmes to attract customers and to make them concentrate their financial services to one service provider. After that, the survival in the markets depends on how the company is able to reward and show consideration to its most loyal customers so that they stay

loyal to the chosen financial service provider. Table 1 underneath describes the situation in the Finnish financial markets at this moment. The actual financial group is on the left column, partners are marked with the orange colour, the rest are other parts of these financial groups.

Group	Banking	Life Insurance	Non-Life Insurance	Employee Pension Insurance
OP-Pohjola Group	OP-Pohjola Group	OP Life Assurance Company Ltd	Pohjola Insurance Ltd	Ilmarinen Mutual Pension Insurance Comp.
Nordea Bank Finland plc	Nordea Bank Finland plc	Nordea Life Assurance Finland Ltd	Tryg	Varma Mutual Pension Insurance Comp.
Sampo plc	Danske Bank	Mandatum Life Insurance Company Ltd	IF P&C Insurance	Varma Mutual Pension Insurance Comp.
LocalTapiola Group	Tapiola Bank Ltd	LocalTapiola Mutual Life Insurance Comp.	LocalTapiola Mutual Insurance Company	LocalTapiola Mutual Pension Insurance Comp.
Fennia Group	Handelsbanken	Fennia Life	Fennia	Pension Fennia Mutual Insurance Company
Savings Banks Group	Savings Bank Group	Duo Life Insurance Company Ltd		Pension Fennia Mutual Insurance Comp
Aktia plc	Aktia plc	Aktia Life Insurance Ltd	Aktia Non-Life Insurance	Veritas Pension Insurance

Table 1. The structure of financial service sector (Federation of Finnish Financial Services, April 2013)

OP-Pohjola Group is the largest financial services group in Finland and it provides diversified range of banking, investment and insurance services to its customers. By providing all those necessary services the group wants to reward customers for their desire to concentrate all their banking and insurance services in one place. OP-Pohjola Group has a customer promise: “*We provide the best package of solutions and loyalty benefits*”. That means that the OP-Pohjola Group will offer best loyal customer benefits as for customer service, product range and pricing. Etelä-Karjalan Osuuspankki is one of the 196 independent member cooperative banks of OP-Pohjola Group and it wants to fulfil group’s customer promise here in South Karelia as well as possible. The customer promise of Op-Pohjola Group is a competitive weapon also for Etelä-Karjalan Osuuspankki and with that promise it tries to differ from its competitors. By following the customer promise Etelä-Karjalan Osuuspankki makes customers committed to the company and aims at keeping them as long term customers. This thesis is completed to find out if Etelä-Karjalan Osuuspankki has kept its promise about loyal customer benefits from the customers’ point of view and what do they think about loyalty benefits in general.

1.2 The aim of the research and research limitations

The objective of the thesis is to find out if and how the loyal customer concentration benefits affect when customers are choosing their banking and insurance service provider. The intention of the research is also to get some answers of how the loyal customer concentration benefits can be improved so that they would attract new and potential customers in future and also keep existing loyal customers satisfied.

The research is limited only to cover the loyal customers of Etelä-Karjalan Osuuspankki who are entitled to get loyalty benefits based on the services they have. This research concentrates more on banking service sector customers than insurance service sector customers. The survey tries to gather loyal customers’ opinions about the loyal customer concentration benefits in general and more deeply in some questions.

1.3 Research questions

The main questions in the thesis are:

- What do the loyal customers think about loyal customer concentration benefits?

The aim is to find out what these chosen customers think about loyalty benefits in general.

- How the loyal customer concentration benefits affect when the customer is choosing his or her banking and insurance service provider?

With this question I want to know if these loyal customer concentration benefits are the main reason for starting up a customership or are they just additional benefits to customers.

- What loyalty benefits are most useful for loyal customers and what loyalty benefits are most useless?

This question will tell which loyal customer concentration benefits are most popular and which benefits should be more attractive.

- How has the promotion of loyal customer concentration benefits been done?

With this question I want to find out if these loyal customer concentration benefits are marketed visibly enough.

1.4 Theoretical framework and study structure

The thesis consists of introduction part, literature review, empirical data, research results and conclusions.

The introduction part will tell about the basis of this research and why it is worth examining. The literature review will cover issues that are relevant to this thesis and the topics also support the empirical study. The literature review will handle topics such as customer relationship marketing, loyal customer ship, long-term

customer relationships and customer loyalty programs. In the empirical part there will be more about the case company Etelä-Karjalan Osuuspankki and their loyal customer concentration benefits are explained in more detail. The last section of the thesis consists of the findings of the study which are analysed on the basis of loyal customers' opinions about loyalty benefits. Some development ideas are given for Etelä-Karjalan Osuuspankki based on the survey as a conclusion.

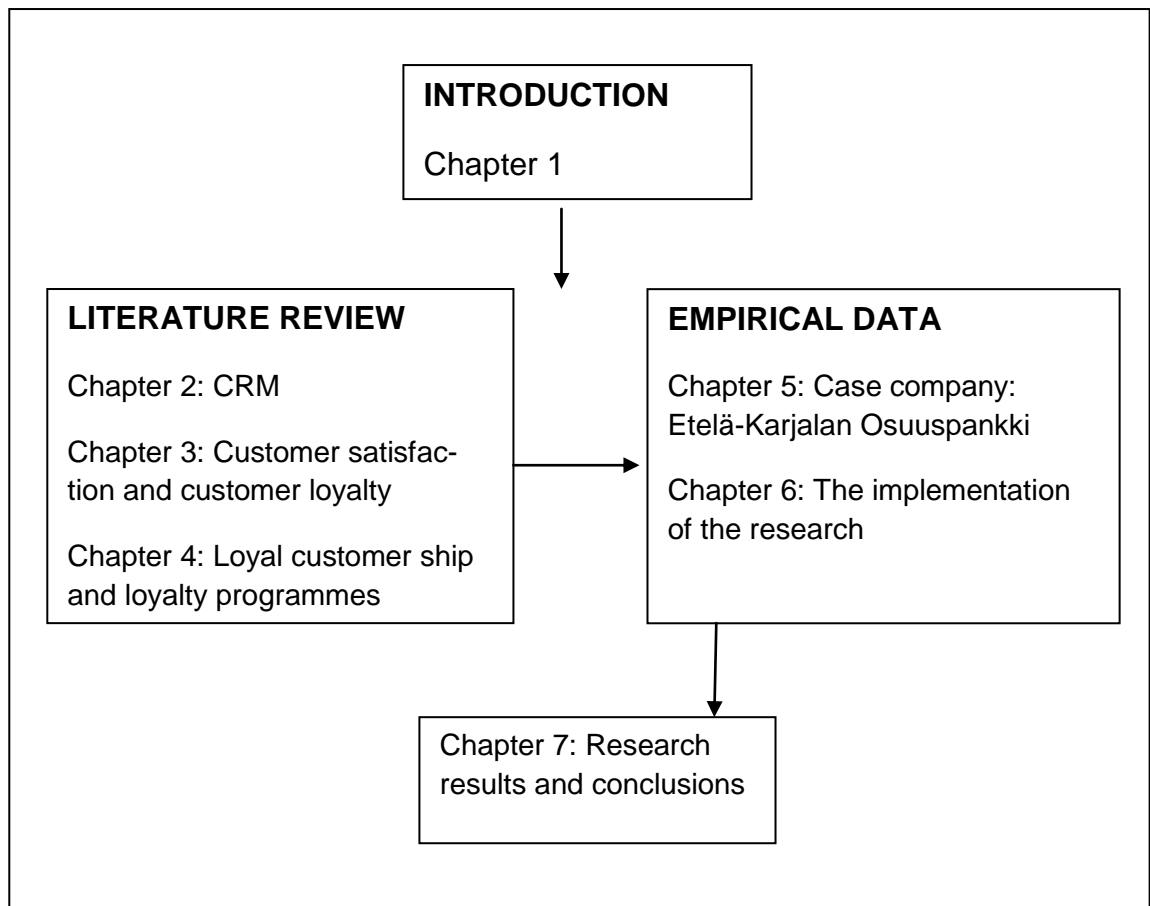


Chart 1: Study structure

1.5 Method of research

The research method of the empirical research is quantitative. The empirical research is implemented by a questionnaire which is sent to the internet bank of a chosen group of loyal customers of Etelä-Karjalan Osuuspankki.

2 Customer relationship marketing

Customers are the most important resources of companies. They bring money to the company and also act a significant role in the company's everyday operations. This is why companies should make a good effort to long and profitable customer relationships by familiarizing customers more deeply. It is worth figuring out what customers think during their customer life span, what things affect to their buying habits, what kind of marketing acts are effective and what to do to passive customers. This chapter goes into customer relationships marketing in detail by telling what it requires for a company to maintain. Segmentation of customers and strategies are described in this chapter and issues affecting to customers' buying habits are also covered.

2.1 Factors drifting companies to CRM

The old but still true fact is that a customer is the core of every business and without customers there are no companies or even markets. Every business is based on customerships, which can be described as interaction between the company and the customer: the company offers a solution for customers' need by providing a product or service to him and the trade between them is started. The company is satisfied because of the deal that brings money to them and the customer is satisfied because his/hers need was fulfilled. There are different kinds of customers and customerships, even inside one company, but companies' priority number one is to treat these customers as individuals and satisfy their personal needs. To be able to provide value and respond to customers' needs, the customer gets something concrete that can be appreciated. As a reward for that, the customer probably ties a long term relationship to the company and may even recommend its products or services to other people. In this kind of relationship the company and the customer has mutual interaction and they both get something extra from the relationship.

In today's markets the customers are very demanding and it is not enough that a company sells a product or service to a customer. Customers are determined about their buying plans and want to make shopping an experience. Customers

expect that they get value for money and the company should show that they want to have the customer as a long term buyer by providing an experience to the customer. It is easy to say it like this but it is not so easy in practise. The markets are full of different kinds of products and services and that enables customers to change their opinions and buying plans frequently. This creates a lot of pressure to companies: how to make a customer satisfied because today he/she might think a product or service is very useful and important to him/her and the next day he/she might feel just the opposite.

It is a seller's problem to handle the situation and figure out ways how to maintain the existent customers and how to attract new ones. The company has to be able to provide at least similar products and services as competitors and preferably add something extra to the service process: that something should be proficient service personnel. It is easier for the customer to make a buying decision if someone can tell more about the product or service that he/she is thinking to buy and provide the solution for the customer with personal recommendations (based on own experiences). People are even ready to pay a little bit extra for a product or service which includes more personal selling and this is one thing that enables companies to differentiate from competitors.

(Korkeamäki, Lindström, Ryhänen, Saukkonen & Selinheimo 2002, pp.125 – 126, Lahtinen & Isoviita 2004, pp.1 – 9.)

Because the competition in markets gets tighter all the time and customers come and go, companies have realized that a big market share or few great deals do not guarantee the company's success in markets. Companies have to direct attention far away to the future and concentrate on long term planning. And the factor that makes companies to survive in markets is profitable and long term customer relationships, which are carefully developed and maintained. Customer relationship management can be explained in many ways but all the definitions include the same content. Jukka Lahtinen and Antti Isoviita write in their book *Asiakaspalvelun ja markkinoinnin perusteet* (2001, p.79) that "customer service management creates permanent and profitable customer relationships that satisfy both parties; the company and the customer". Some other author's say that customer relationship management comprises well-

planned and goal-oriented actions where new, hard-earned customerships are tried to modify to long term customer relationships. (Korkeamäki et al. 2002, p.126.)

Anyhow, the main idea in customer relationship marketing is that the company and the customer can create and maintain a relationship that is useful and rewarding for both of them. From the marketing point of view this means that companies do not use so many resources to mass marketing, they concentrate on customers as individuals and try to contact and care of them constantly.

2.1.1 Steps of Customer Relationship marketing

In the beginning of the customer relationship when the company is trying to attract a new customer, it has to awaken the customer's interest in the company and its products or services and make customers familiar with them. These are the customer relationship management actions in this first step and creation in customer relationships. After that the customer relationship management takes care of that the customer uses company's products and services and is satisfied. When the situation has stabilized and the customer uses company's products or services regularly, the company aims for customer loyalty and long term customer relationship with developed marketing actions. This whole process where the customer relationship has to be built up first and then maintained and finally turned it into profitable relationship, requires a lot from company's personnel. They have to be motivated and committed to the process to be able to serve customers in a way they expect.

Good customer relationship management also requires effective and allocated marketing actions. The process mentioned above, includes many kinds of marketing methods. In the creation point, when the company is just trying to tempt new customers, it has to use a lot of *external marketing*. The marketing actions are targeted to possible new customer and the marketing is directed totally outside the company. Now, when the customer is interested in the company's products or services, all the marketing actions have to be allocated to the moment when the customer is in interaction with sales people. The customer service personnel have to win the customer over and assure him/her that the buy-

ing decision is right and the company is better than its competitors. This is called *interaction marketing*. After sales marketing is the final mode, where customer relationships are developed and turned into long term ones. The success of this process is mostly dependent on sales personnel and their motivation and capability to win customer meetings. The company has to take care of *internal marketing*, where the personnel is motivated and trained. (Lahtinen et al. 2001, pp.77 – 78, Lahtinen et al. 2004, pp.8 – 9, Kotler.)

2.1.2 Benefits of Customer Relationship Marketing

Customer relationship marketing (CRM) or nowadays more used term relationship marketing (RM) means that companies must take good care of all the internal and external partners which it has in cooperation and which can affect the company's operations, not forgetting customer relationships at the same time. Customer service may have been diminished earlier as one of the company's so called competitive weapons but without active and effective customer service personnel the company cannot have satisfied and long term customers. Companies have also noticed that if they want to carry out a comprehensive CRM strategy, the traditional marketing competitive weapons (also called as 4 Ps) are not enough. The 4 Ps (product, price, place and promotion) are kept more like self-evidences the company must have determined before it can even start to operate and do business. The 4 Ps are important at the beginning of the customer relationship but are not enough to fulfil different kinds of customers' needs and wishes in the long run. (Lahtinen, Isoviita & Hytönen 1994, p.42, p.47, Bergström & Leppänen 1999, p. 318.)

The new, more customer oriented perspective of customer relationship marketing consists of the company's own product or service, price, place, promotion, people, process and physical evidence (called as extended marketing mix where 4 P's are complement with new competitive weapons). Customers are still eager to get the product or service they need in a right time, in a right place and in a right price but the role of customer service is more in customers' buying experiences. Customer service and personnel willingness provide superior extra value for customers and in the last moment the know-how of the personnel de-

finishes the success of the company's marketing activities. The more the customer gets positive buying experiences from a company, the more committed he/she is towards the company and may even recommend the company's products or services to family and friends. This is good for the company because this kind of recognisability makes it easier for them to get and earn new customers and utilize existing customer relationships. (Lahtinen et al. 1994, pp.,43 – 58, Lahtinen et al. 2001, p.12.)

The main objectives of customer relationship marketing are that the customer comes back to the company again and again and commits to the company strongly. Companies invest more and more in the benefits that can be achieved from product and service sales and these benefits are aimed at being shared between the company and the customer. All business is planned in customers' perspective and customer service is the main element of the company's marketing. With these actions the company tries to provide best possible extra value and quality to its customers and at the same time invest in the customer lifetime value. (Lahtinen et al. 2001, p.79.)

2.2 Customer segmentation

Consumers search and buy services that respond to their individual needs and desires. Buyers want to highlight their personality and independence and that has a huge impact on their buying habits all the time: unlimited buying opportunities and their knowledge about products and services become more and more complicated and society encourages people to use the internet, compare and put companies and services out to competitive tender. Customers think and act in their own, individual way and this is something that companies must also recognise in their marketing actions. If all the customers would have same kind of values and buying habits and they would buy as much and be as profitable as the others, companies can treat all the customers similarly and use mass marketing as an effective and also cost-effective way to reach them. But because consumers differentiate significantly from each other and want developed service solutions, homogeneous services and products and mass marketing are

not “the thing” nowadays. (Järvinen & Heino 2004, p.1, Storbacka, Blomqvist, Dahl & Haeger 2003, p.39.)

To be able to respond to the different kinds of customers’ demands, companies must recognise their needs and dissimilarity by planning products and services to different kinds of customer groups. This is called a customer segmentation, which means that the basic idea of marketing is to divide customers in smaller groups (segments) and provide products and services differentiated to each of these groups. It is much more profitable and successful for a company to decentralize and direct marketing measures to certain customer groups, which have same kind of buying and consumption patterns.

The company can use its own methods and criteria for the segmentation process and decide which segments they want to concentrate on because there is no point to market products or services in the same way to all customers, because habits, needs and expectations vary a lot. The most essential fact in segmentation is that it supports all the other actions in the company’s operations: products and services and the whole business of the company are designed in a customer oriented way and each of the chosen segments has different kinds of marketing plans. The most difficult part of the segmentation is to find customer groups that differentiate from each other based on what is bought and by which criteria. How to choose the most profitable groups in the eyes of the company is the essential and final decision? The company cannot choose too many segmented groups because the company has not resources to serve several segments effectively and properly. (Ylikoski 1999, pp.46 – 47, Bergström et al. 2003, pp.130 - 132.)

2.2.1 Steps of the segmentation process

The segmentation process is much more than just dividing customers into target groups by some predestined criteria. It is a process that has to have clear goals and the result must improve the company’s profitability and build long term customer relationships. The segmentation process includes all the actions from market research and exploration of customers buying habits and continues with

defining chosen customer groups and planning a targeted marketing campaign to them. The process can be divided into five steps:

- setting up the targets and identifying potential customers
- determining the segmentation criteria's which help to divide markets into different segments
- forming the different target markets
- deciding the marketing activities for each of the chosen segments
- implementing the marketing strategy and analysing the achieved results (Lahtinen & Isoviita 1994, pp.42 – 43.)

The most important thing in the segmentation process is that the company seeks and finds different customer groups that differentiate from each other based on buying habits and patterns. The company has to take risks in the segmentation process and it never knows if the risk will be worth taking. But the marketing cannot be customer oriented if the company cannot select between different segments and prioritize them. The decentralized segmentation and “we want to serve all the customer segments as well as possible” thinking only causes the company much more expenses than profits and the marketing resources are not enough to handle the situation. The segmentation process requires a lot of courage from the company because selecting “the right” customers from a large group of potential customers is not easy. But only giving up some prospective segments guarantees that the company has the necessary resources that are needed to serve the right customers and to enable the company to operate in its markets as long as possible. (Ylikoski 1999, pp.48 - 49, Bergström et al. 2003, pp.130 – 133.)

2.2.2 Marketing to segmented groups

After finishing the segmentation process and deciding which customer groups to concentrate on, the company must take a closer look at these customers and their buying behaviour history. The company should put customers with same

kind of buying habits, needs and expectations in the same segments because that makes it possible for the company to plan and implement an own special service combination for that group. Each segmented group gets its own marketing actions that should be adjusted to respond to customers' expectations but also they should be profitable for a company. The criteria for the segmentation process depend mostly on the requirements of the chosen customer group and that is one reason the customer groups should be large enough. The differentiation of products and services to only some segments will not be productive for the company. (Korkeamäki et al. 2002, pp.127 – 130.)

One alternative to segment customers can be to observe customer history, i.e. facts that tell about the past and are recorded to the company's electronic database. Basic aspects like how often the customer comes to the store, how much money the customer usually spends in the company's products or services (in one shopping trip or during one year etc.) and what kinds of products or services the customer usually buys, tells a lot to a company and also makes it easier for the company to divide customers into smaller segments. These facts about buying behaviour enable the company to use more personalized marketing measures; active customers can be rewarded for their profitability and loyalty (significant discounts, special prices) and less active customers can be attracted with targeted discounts. It is vital for a company to take a good care of profitable and long term customer relationships but unprofitable customer relationships should not be changed to profitable forcibly. That might only require extra resources that should be used to customers that matter more to company. That is why it is good to remember that segmentation and marketing activities should be done wisely because it is impossible to serve all the customers comprehensively. (Storbacka 2003, pp. 39 – 41, Ylikoski 1999, pp. 46 – 49.)

Banks also segment their clients and the main criterion for the segmentation is customers' life situation. Banks are more service oriented operators than product oriented although they sell products and solutions to customers. That is why the buying volume or clients property are not the main factor that categorize him/her in a certain segment, but banks try to serve customers in a way that best fits to customers' prevailing life situation. During the customer relationship

in the bank the client can belong to many different segments, of course to one at the time. It's obvious that when a customer is in a situation when he/she is moving to live on his/her own and starting to study in a university, the bank offers services that matter to customers in that moment (study loan, living in their own apartment) and when he/she graduates and starts to build a family, the customer is given guidance on a house loan, saving money for the future, children insurance etc. Customers are usually divided or segmented in "customer portfolios" and customers inside the same portfolio have the same kind of life situation. Personnel in banks have specialized into different services (loans, savings, insurance, real estate business etc.) and customer portfolios are divided to them based on their expertise. This is the reason why one customer might have a few different people who serve him/her during the customer relationship in the bank. This enables the bank to use its personnel resources effectively and guarantees the best possible service experience to the customer.

2.3 Factors behind consumers' buying behaviour

Consumers' desire to buy becomes apparent as demand in the markets. Companies are of course interested in satisfying this demand by selling as many products or services as possible. To be able to understand consumers' buying behaviour is the first step to customer centred marketing. Consumers make buying decisions every day and companies are eager to find answers to questions: what do consumers buy? where do they buy? how and how much do they buy and when and why do they buy? It is impossible for a company to get answers to all these questions and the most difficult question is why. The reasons why customers buy a certain product or service as found somewhere deep in consumers' mind and the same kind of buying behaviour will not necessarily happen again although the product or service would be the same than earlier: buying situations are always psychological situations too and people's minds can change. That is why it is so important for companies to know their customers properly (how they live, what they appreciate, what they need and how they buy) so that the company can choose its target groups and most profitable segments and plan marketing activities to them. (Kotler & Armstrong 2008, pp.130 – 131, Bergström et al. 2003, pp.97 – 98, Ylikoski 1999, p.76.)

Consumers' purchasing behaviour is based on emotional and physical needs, which must be fulfilled and which affect when the consumer is buying and using different kinds of products and services. Consumers' buying decision process consists of five stages: the consumer perceives the need, searches necessary information related to the need, evaluates possible alternatives, makes the choice and final purchasing decision. The buying process starts then long before the actual purchase and continues long after. After the purchasing decision the consumer learns about the decision process, feels uncertainty, satisfaction or dissatisfaction about the decision and gets motivated to repeat buying. Generally speaking, the consumers purchase and choice behaviour is the same regardless of which kind of product or service the consumer is buying. The only difference is the evaluation process of the service because the level of the service is evaluated the whole time during the purchasing process but the purchasing process of a product is evaluated soon after the buying. After using the product or service for longer time, the consumer makes the overall evaluation: was the product or service useful and did it fulfill the expectations the consumer had. (Kotler et al. 2008, pp.147 – 149, Järvinen & Heino 2004, pp.15 – 16.)

2.3.1 Psychological factors

Consumers' psychological factors are individual, personal needs, habits and capabilities that affect purchasing behaviour. These factors are needs, attitudes, motives and lifestyles and consumers differ from each other by these psychological factors.

Needs are the basis of all the purchasing processes and people can mostly recognize these needs that drive their behaviour in to different kind of decision making situations. But not all the needs are recognized and from marketers point of view the unrecognized needs are the most challenging but profitable for them. It is good if the company can fulfil customers' needs that exist but which no other company is fulfilling.

Attitudes can be described as people's tendency to behave in a certain, similar way in similar kinds of situations. Attitude is usually the main selection criterion why a consumer ends up to buy a certain product and brand, in selection situa-

tion the consumer utilizes well-trying pattern. Attitude also affects people's way of different brands, companies competing in particular markets and consumption habits overall. A good experience about a company's product or service definitely spreads positive corporate image between customers but a negative experience has a lot more faster impact on customers' attitudes.

Motives are usually the reason why consumers act in a certain way and the strongest motive determines the behaviour. Different kinds of buying motives can be divided into rational and emotional buying motives, which exist all the time when the consumer is making buying decisions. The rational reasons of why the consumer is buying some product or service can be, for example, its price-quality relationship, practicality or good investment target. Just a desire to buy something, the trendiness of a product or service or desire to accentuate individuality can be described as emotional motives. Sometimes the consumer makes the buying decision based on rational motives, sometimes based on emotional feelings and that makes it hard for companies to know what kind of marketing campaigns should be used. Usually the buying decision is made by emotional motives but the consumer justifies it by rational reasons.

Lifestyle reflects from one's own personality and it defines how consumers buy, what things they appreciate in purchasing situations and which kinds of products or services don't attract them at all. Personality and lifestyles describes and anticipates consumers consumption pattern better than, for example, age or gender and in many companies these are important factors in segmentation process. (Bergström et al. 2003, pp.101 – 109, Lahtinen et al. 2001, pp.22 – 25, Lahtinen et al. 1994, pp.64 – 68.)

2.3.2 Demographical factors

Consumers' buying habits can be influenced by demographical features: age, gender, occupation, place of residence, family matters, incomes etc. These are quite stable factors in our life and that is why these demographical factors are also easy and reliable facts companies can gather and utilize in marketing actions. Different features, for example, age, gender and family matters explain partly consumers' different needs and motives to buy products or services but it

cannot be justified with demographical factors that consumers ends up to a certain product or service from all alternatives. It is a fact that a young, unemployed consumer has to do a closer examination about their shopping than a middle-income consumer because there is such a huge difference in their income level. The stage of life and the income the consumer can use for purchases per month has a straight impact on what kinds of needs the consumer has in every moment. (Bergström et al. 2003, pp.100 – 101, Ylikoski 1999, pp.80 – 82.)

2.3.3 Social factors

Social factors form when people interact with each other and these are the only external factors that influence consumer behaviour. All the consumers belong to some social groups and these groups have some kind of impact on consumer behaviour and decision making process. Social factors can be divided into four categories: family, reference groups, social glass and culture. These all affect consumers' consumption habits when buying products and services.

Family is probably one of the most significant factors in the consumer's consumption and purchasing process during life. Children adopt certain norms, habits and values that are important in their family and these reflect to their buying habits when they are older and have their own family. Parents usually teach their children what products are bought and used and where these products are bought. Inside the family, there are also so called "unwritten rules" of who is responsible for different kind of shopping decisions (mother usually makes food related decision and father concentrates on technical equipment shopping).

Reference groups are groups that a consumer belongs to or wants to belong to or identify with. Usually people in a same reference group want to act in a same way and of course this group has an impact on to consumer's purchasing decision. Reference group can also be some well known person or team from public a consumer wants to identify with and these kinds of reference groups are excellent in sales promotion activities.

Social glasses are quite permanent groups which form the basis for individuals or family's status in society. These social glasses can be predetermined by oc-

cupational status or property (or some other demographical factor) and people in a same class usually have the same kind of lifestyle and consumption patterns.

Culture is learned behaviour and a combination of values, attitudes and procedures which are passed on older generations to younger generations. Culture has a deep impact on consumer's consumption habits and people in different cultures appreciate different kinds of things, for example, quality of service. (Järvinen et al. 2004, pp.17 – 23, Bergström et al. 2003, pp.109 – 114, Lahtinen et al. 2001, pp.25 – 26, Ylikoski 1999, pp.82 – 83.)

3 Customer satisfaction and customer loyalty

After we have discussed how and why companies should choose customers properly and divide them into smaller, segmented customer groups and how the customer relationship marketing actions are vital to turn these customers into long term clients, it is time to take a closer look at customer satisfaction and customer loyalty. To be able to create, maintain and develop customer relationships the company has to use relationship marketing actions and understand that every part of the company (including the company's products or services, employees, marketing managers etc.) is responsible for making customers satisfied. Customer relationships form from individual service processes and customers may feel these processes either positively, neutral or negatively. The real affection for the company develops when the service process has been a positive experience and this affection shows as satisfaction and buying loyalty. This chapter handles customer satisfaction and loyalty and how they can be measured. We will also discuss the benefits of long term customer relationships.

3.1 How to get customers satisfied?

Customers use services mainly because they want to fulfill some of their needs. At the same time they also have expectations towards a company and its services and the possible satisfaction is based on experiences between the cus-

customer and the company. After using the service, the customer is either satisfied or dissatisfied. It is easy to be satisfied in good quality and customer service and each customer values different qualities in services and products. When the customer is making the buying decision, he / she has certain expectations for the commodity it must fulfill. In the buying moment the customer wants to get good customer service and the item itself has to have good quality and right kind of price-quality relation. When the service or product is bought and customer's expectations are fulfilled, the buying experience is succeeded and customer is satisfied. This shows that in many cases satisfaction and quality are used to mean the same (i.e. synonyms). But there are also other things in the service process that might provide or prevent satisfaction and the quality of the service is just one factor influencing customer satisfaction. Below is a table about factors that affect customer satisfaction. (Solomon, M 1996, 323 – 325.)

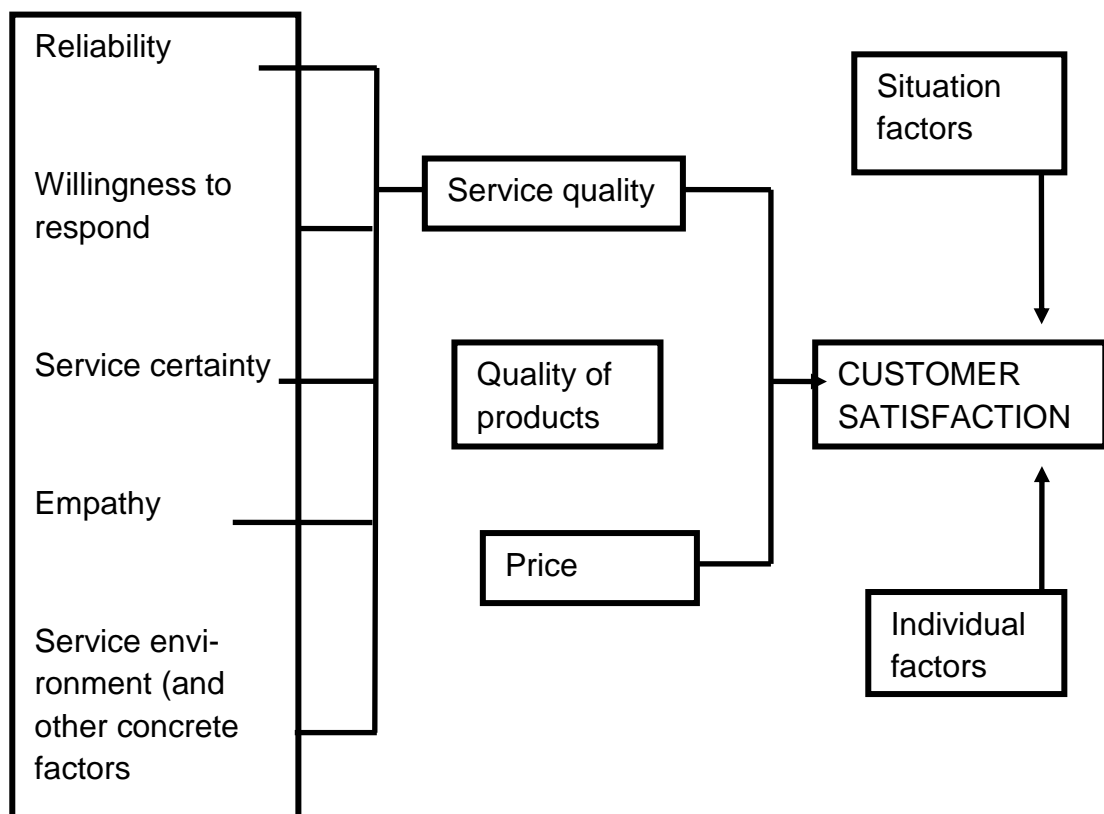


Table 2. Factors affecting to customer satisfaction (Ylikoski 1999, p.152; Zeithaml&Bitner 1996, p.123.)

In the buying situation, the customer aims at satisfying his / her needs and the satisfaction is based on qualities in the service process and also the experiences when using the commodity in practice. When the customer is dealing with a firm, he / she expect that his / her expectations are at least met, even better if exceeded. The customers want to gain some extra value to themselves and also expect to get that from the product and customer service. From the customer's point of view, the quality of the service consists of elements like reliability, empathy towards the customer and also seller's professional skills. The quality of the product is directly related to customer satisfaction which on the other hand is formed by situation (buying environment) and individual factors (customer's own expectations). The total value of the service experience is also dependent on customer's own effort: how much he / she is willing to invest in getting good service versus how satisfied he / she is with the final service (experienced extra value). In this way, the service experience consists of customer's perceived (extra) value, quality of the service process and customer satisfaction. (Ylikoski 1999, pp.151 – 155.)

3.1.1 Monitoring customer satisfaction

Companies have to know if their customers are satisfied and how satisfied they are and this is the main reason why companies must evaluate the satisfaction situation all the time. There are so many things that can make customers satisfied or unsatisfied and it is vital for companies to understand that customers feelings must be measured from the first moment they used the company's services or products. And the monitoring process should continue during the customer relationship, even then the customer plans to use other company's services or products or tells to switch to another company. To be able to maintain and develop customer relationships, companies have to do continuous monitoring on customer satisfaction to be able to see the satisfaction stage in the long run (this enables the company to react in time for possible changes) and also notice the critical points in company's operations (facts that irritate customers or things that drive customers to use competitors services or products). (Bergström 2003, pp.428 – 430.)

The best way to measure customer satisfaction is to do customer satisfaction surveys. These surveys are usually directed to existing customers and the main thing is to find out how customers' expectations about the company and its services or products are fulfilled (are they working like expected). It is also important to remember that these surveys should measure customers' expectations and the realization stage in one particular company, not compared to competitors. These surveys aim at calculating the total satisfaction and satisfaction in different sectors (customers' first impressions about the company, expertise of service, waiting time, flexibility, friendliness and of course the quality and price of the service).

Customer satisfaction is an important competitive weapon to companies and it is hard for other companies to reach another company's lead in the competition of customers. Empathy towards customers, good personal chemistry, helpfulness and real caring are things that are hard (or maybe impossible) for competitors to imitate. Customers appreciate caring and trust and the feeling they know they are safe: the company will not let them in trouble in difficult situations, even in situations that are caused by the company. Ability to make an apology and admit one's own mistakes and make those up to customers are things that tell that the company really cares for its customers. But finally, it has to be remembered that customer satisfaction is only a starting point for companies because only sufficient satisfied customers are loyal to companies. (Lahtinen et al. 2004, pp.11 – 12, Ylikoski 199, pp.158 – 160.)

Etelä-Karjalan Osuuspankki inquires about its clients' satisfaction with the bank and its services regularly, in every two or three years (this varies). The survey is directed to the private customers of the bank and it is implemented by phone interviews (the group consists of random sample of clients). Etelä-Karjalan Osuuspankki follows the recommendations of OP-Pohjola Group about how the survey should be done and at the beginning of next year (2014) OP-Pohjola Group launches a model of customer satisfaction surveys, which should be used in every single Osuuspankki in Finland. This new survey includes questions concerning customer experiences about how customer relationship is handled by the bank (whether the customer is taking care of his financial issues

on the spot or online), what kind of service customers get in different service channels, what customers think about loyal customer benefits and issues concerning possible recommendations. The main idea of standardizing the questionnaire is that in this way it is easier for the bank to compare the results of gathered surveys and this also enables to do comparison between banks inside OP-Pohjola Group.

3.2 What creates customer loyalty?

From that moment when the customer steps into a store for the first time is a long way to the point when the store can call him / her a loyal customer. The first impression is always a significant factor and customers' buying relationship does not make an exception in this. In their first visit to a store, the customers are always un-potential customers for the store but still the sales personnel should handle these situations as well as possible. The reason why people usually come back to do re-sale in one particular store, is based on the (positive) impression they got at the first time. That is why it is reasonable to say that customer satisfaction creates the basis for customer loyalty and that loyalty creates opportunities to develop long term customer relationships.

Satisfied customers usually tell to other people about good experiences and recommend them to use the same service provider that they do. There is no reason for a customer to switch the service provider if the service or product satisfies customers' needs and based on positive experiences it is natural to tell about them to family and friends. But it is a fact that this does not happen in one night and the companies have to work hard to first earn customers (to select between customers and choose the most potential ones by using CRM tools) and then find ways to make them loyal. And all the effort (financial and non-financial) that is done to keep loyal customers satisfied now and in the future is more profitable for the company than to use lots of resources to hunt new potential customers. It is a fact that the profitability of one individual customer grows constantly during the relationship with the company and like said earlier, true loyalty based on emotional bonds is hard to copy which is why it can be a competitive advantage for a company.

But what is customer loyalty and is there only one and right definition for the term? Customer loyalty is a multifaceted phenomenon and in every time a customer has a freedom of choice, there are different kinds of levels of loyalty. Banking and insurance services are one example of these kinds of services and customer loyalty can appear in different ways. Customers, who prefer only one particular company or brand the whole time, can be called *hard loyals*. In practice, this means that these clients have concentrated all their banking and insurance services to one service provider and usually this kind of long relationship has lasted since childhood (parents have started the banking relationship by opening an account and when the person has grown up, he / she has continued the loyal relationship). Then there are customers, who can be called as *shifting loyals*. These customers use several services or products at the same time and usually these services and products are offered by companies competing in the same business field. It is possible that a consumer might have a bank account in few banks and insurances can be taken from two insurance companies. There is also a group of customers called *switchers*. These consumers usually take the benefits from many companies and aren't loyal to any company or product. They might choose products or services based on best offer and they think it is unimportant where they shop (these customers aren't loyal in any way). In the banking service sector these kind of clients are rare because it is not possible to change the place for salary account or home loan once in a month.

Based on these definitions about different kinds of customer loyalty types, customers can be seen as loyal customers if they think that the company can satisfy their needs almost totally and they re-purchase at the same service provider during a certain time. (Arantola 2003, pp.26 – 27, Ylikoski 1999, pp.173 – 178, Bergström et al. 2003, pp.430 – 431.)

3.2.1 Monitoring customer loyalty

Customer loyalty is much more complicated to measure than customer satisfaction. Even the most satisfied customers can be indifferent and do not pay so much attention where they buy and can change their buying habits rapidly. Cus-

customer loyalty is mainly measured by examining customers' buying habits because it usually tells details about increasing loyalty. Companies are interested in how long and how often the customer has used their service or product and what kind of amounts the customer uses in one time etc.

Anyhow, customers differ from each other a lot and their loyalty can be seen in different forms. Some of the customers can be brand loyal (always purchasing or using the same product or service), some might be store loyal (always shopping in a same place) or some can be seller loyal (always doing business with some particular seller). They all see themselves as loyal customers and in reality it is hard to monitor which "one" customers are the most loyal ones. But there are clear indicators the companies can utilize when measuring customer loyalty and those are, for example,

- purchase density
- average purchase size (amount and money)
- purchase places
- purchase times (per month/year etc.)
- the time between purchases (last -> now)
- product groups (brands) that are bought

These indicators are easy for a company to gather because this kind of information is stored in customer database automatically every time the customer purchases something. Even the smallest companies and stores have some kind of customer database nowadays and the more detailed and versatile the data gathering system is, the more information the company can get about its customers and their loyalty. Of course there are many other things that have an effect to customers' final loyalty (buying habit, attitudes, needs, recommendations, marketing communications) but the indicators that were listed above, tell the facts which are based on customers' real purchase behavior. (Järvinen et al. 2004, pp.33 – 40.)

Changes that have happened in the banking and service sector operating field during the last decades have also modified the way how customers take care of their financial matters. Developments in technology have removed the usefulness on branch networks from power and wide selection of online banking services have made it easier for customers to take care of financial matters in any place or any time of day. These changes have also revised customers behavior and the term “customer loyalty” consists of different elements than, for example, fifty years ago.

In earlier times people went to bank offices to take care of all financial issues. It was possible to manage all the finances (bank card, home loan, investments) during the same visit and usually with the same person sitting behind the service desk. Customers got familiar with this kind of service style and they appreciated fluent and fast service with familiar faces of service personnel (it was common that bank employees knew all the customers and the other way round and meetings in a bank were also social occasions with exchange of news etc.). Today, customers are much more pro-active and want to manage their finances as easily as possible: the more can be done online at any time of day or night, the better. Life is so hectic nowadays and people spend more and more time in workplaces and in leisure time people do not have time or energy to familiarize with ordinary financial matters.

But this phenomenon drives banks to provide more and more expert services. Customers’ need to deliberate and talk to experts has increased in complicated products and customers lack of confidence to make good product choices without help. And many of the clients think that it is easier for them to talk straight to the service personnel in the bank than to try to familiarize with complicated financial products, at least in cases where the client has no inherent interest in financial services. In today’s banking service sector, the customer loyalty relies much on the banks capability to provide experts recommendations to customers’ current financial problem or case and if the bank can create a feeling of security and real caring, it has excellent chances to have loyal customers.

(Järvinen et al. 2004, pp.33 – 40.)

3.3 The affects of long term customer relationships

It might take several years before customer relationships start to bring money (not only expenses) to the company and continual marketing activities that try to attract new customers usually spend the company's resources a lot (mentally and monetary). A customer relationship that has lasted long provides continuous profits, extra sales and cost savings to a company and it also brings the feeling of permanence and security both to the company and also to the customer. In long term customer relationships, the advantages are mutual.

3.3.1 Benefits for the company

In companies, the customer permanence affects customer profitability and in that way long term customer relationships bring financial benefits to them. Firstly, there are many fields of business where the acquisition costs of customers are higher than average and in these fields it takes many years (approximately two to four years) before the customer relationship starts to yield a profit. For example, in the insurance business sector this is common and that is why insurance companies try to struggle for the most profitable customers. But these customers, luckily, bring continuous profits to the company, because insurances are products where the client usually commits for many years to a certain insurance provider.

This situation also leads to a situation where it is possible for the company to grow incomes by extra insurance contracts and cross sales. Usually people, who have home insurance, will also insure their cars, pets, children and themselves. Many of the insurance companies act so that they give customers discounts in proportion to how many insurances they take from the same company.

Another benefit for the company is that the costs of taking care of the customer relationship diminish when time goes by. The company knows the customer better and can offer more concentrated products and services. The customer is familiar to deal with well-known service personnel and conflicts occur rarely. Satisfied customers can also attract new customers with their recommendation

speeches and these customers are almost free marketers for the company. As it has been said earlier, many of the consumers buy products or services based on their friends' recommendations and experiences.

Last but not least, long term loyal customers adapt more positively the raises of prices and they are usually ready to pay a little bit higher price for good service that makes them feel secure. This gives an opportunity for the company to get better profit from these customers without the fear that these customers will change to another company. (Arantola 2003, pp.22 – 26, Ylikoski 1999, pp.180 – 185.)

One thing that might not actually influence the company's profit is that satisfied and loyal customers have also an impact on the company's personnel. It is much more pleasant for the service personnel to deal with satisfied and long term customers and this affects the permanence of personnel positively.

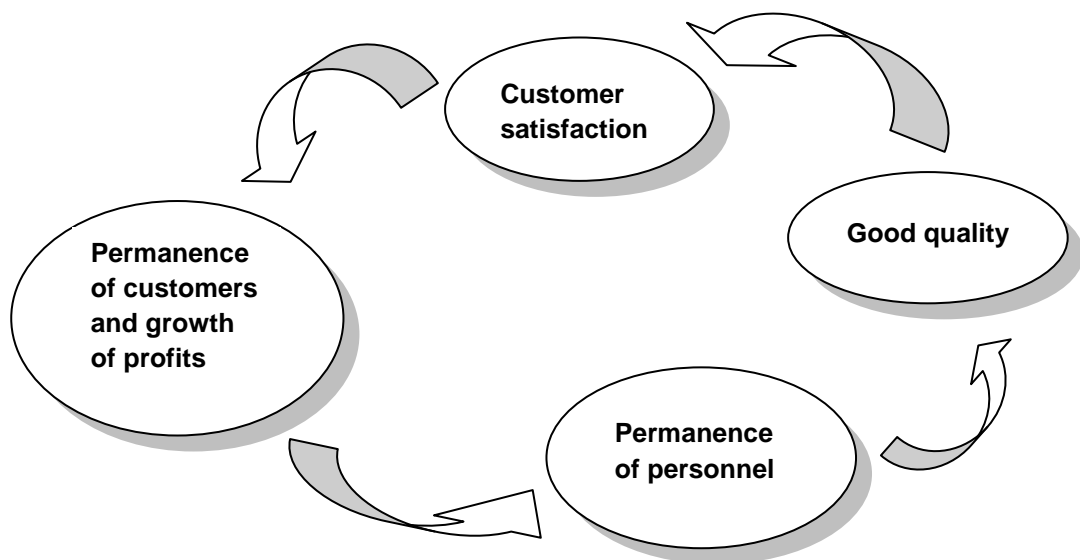


Table 3. Benefits of customer permanence in service organisation (Ylikoski 1999, 184; Zeithaml&Bitner 1996, p.176)

As a summary, above is a picture where the key elements that create and strengthen long term customer relationships in an organization are presented. When customers are satisfied, they usually stay loyal to the company and that increases the profits of the company. The company's employees are committed

and pleased to serve satisfied customers and that is a competitive advantage for the company against competitors. On top of everything else, the company can offer good quality to its customers in products and also in customer service. (Arantola 2003, pp.22 – 26, Ylikoski 1999, pp.180 – 185.)

3.3.2 Benefits for the customers

Customers can benefit from long term relationships psychologically, socially and economically. Psychological benefits are related to the customer's feelings of security and the feeling that he / she is served as well as possible. Psychological benefits can be seen strongly in services that are aimed straightly at customers (barber and services) and services that emphasize expertise (bank and doctor services). In these kinds of services the customer also complains if things are not going well or there is something the company can do better. This only tells that the customer is committed and wants to help the company to improve its service or products to better suit the customer. The company should not take this like "this customer is always complaining and it would be better if he /she would change to another company" but as a free development idea.

Social benefits are related to psychological benefits in many cases. Customers appreciate if they are well known by the sales or customer service personnel and if there is sincere interaction between them. Social benefits are also strongly based on customers' feelings and how they experience the social contacts.

Loyal and long term customers also earn special treatment by the company. They get loyal customer benefits and special prices regularly and this saves the customer's money. The customer also saves time because he / she does not have to use time to choose from which company he / she will purchase. These customers have shown by their behavior that they are committed and permanent and that is why it is easy for the company to give discounts and special treatment. (Arantola 2003, pp.22 – 26, Ylikoski 1999, pp.180 – 185.)

4 Loyal customership and loyalty programmes

In today's business world almost every company has some kind of loyalty program that supports the company's other business operations and tries to offer best loyal customer benefits in its own markets. Loyalty programs can be very conspicuous with enormous financial investments or they can be implemented with fewer investments: the main thing is that the company's customers know what does it takes to be a loyal customer in that particular company and what kind of benefits the program offers and if the company's aim is to provide something extra to these customers. In this third chapter we will discuss loyal customers and customer loyalty programs more deeply.

4.1 Who is a loyal customer?

It is hard for a consumer to avoid joining a loyal customer program or even harder not to notice companies' advertisements about loyal customer benefits. Trade, restaurant, hotel and cloth chains advertise loyalty programs all day long on TV and offer forms to customers who do not have the loyal customer card yet in the wallet. Every company has its own methods and criteria of how they define loyal customers and it is based on the segmentation process that was discussed earlier in chapter 1.

There is no one and only way to segment customers, the criteria differs according to the company's business field and the number of customers. The main idea is that the customers how are chosen to belong to loyal customer segment, fulfill the requirements the company itself has defined for loyal customer group. The requirements usually connect to larger segmentation strategy and are based on customers purchase loyalty and their purchase behavior. It is also important that the criteria are so clear and precise that the customers and the company itself know what the required qualifications for being a loyal customer are. If the criteria are not clear, too many customers can be added to the loyal customer segment and then it is impossible for the company to allocate marketing activities to right customers personally enough. A customer can be seen as a loyal customer when he / she can convince the company with his / her own

behavior that he / she deserves the loyal customer benefits: purchases regularly, uses a lot of money, is loyal to a company and belongs to most profitable group of customers. These criteria, which should always be fulfilled, form the basis for loyal customer marketing, which the company can implement in different ways. (Korkeamäki et al. 2002, pp.155 – 158, Pöllänen 1995, pp.17 – 19.)

4.2 The forms of loyal customer marketing

The marketing actions to loyal customers can follow the company's common principles of how they want to commit loyal customers to the company. The forms of loyal customer marketing can be discount based, public relations based and service system based. The company can choose which kind of marketing model it wants to use and it is possible (and also recommended) that the company uses all the models alternating them. It is also possible that the company starts with discount based marketing actions and later on expands to cover all the forms of loyal customer marketing.

Discount based loyal customer marketing uses price as the prior means of increasing the value the customer gets from the service or product. Most companies use this method because it is easy to implement: there is a certain limit of how much the customer has to spend money before he / she can achieve special discounts. The customer gets discounts and bonuses which can be seen as extra value on top of everything else. The disadvantage of discount based loyal customer marketing is the fact that it does not offer lasting competitive advantage because competitors can easily copy the marketing activities. It also gives customers a possibility to choose the service or product provider based on price and the level of commitment does not grow very high towards any company. That is why the company should monitor the total profitability of individual customer quite often.

Public relations based loyal customer marketing aims at giving extra value to customers by showing consideration more than to "ordinary" customers and giving personal respect. This kind of marketing model can be implemented by giving presents, noticing special days, inviting to special customers events and sending information about topical issues. With these marketing activities the

customer should feel confidence and these should deepen customer relationship compared to monetary advantages. But this requires a lot of planning and innovating from the company's marketing group and the customer data should be adequate and up to date. The company should be able to surprise customers positively regularly.

Service system based loyal customer marketing is the most committing form of loyal customer marketing and it tries to offer extra value by making it easier for the customer to do business in one particular company. The customer gets tailored, individual service which can be implemented by naming a person in charge (for example in the banking service sector this is a very common arrangement) inside the company. This kind of extra service definitely increases customers' commitment and this helps the company to differentiate from its competitors. In service system based loyal customer marketing the customer gets the feeling that he / she is very respected by the company and even his / hers daily businesses are handled with care. The critical point in this kind of marketing activity is that the company has to deal with loyal customer marketing so that it will not cause a lot of pain among other customers. For example, the company can let loyal customers to do advance shopping in sales rather than let them jump the queue when all the customers are shopping. (Korkeamäki et al. 2002, pp.158 - 161, Pöllänen 1995, pp.20 – 25.)

Like said earlier, the company can and should use all the forms of loyal customer marketing and the more it uses all those mixed, the more productive the company is. The most important thing is to produce extra value to most significant customers and it is of course better if the company can do that so that the competitors cannot copy the measures.

4.3 Basics of customer loyalty programmes

The company can reward its most profitable and important customers by given them extra attention with a tailored customer care program that is usually called a loyalty program. The main idea of these programs is to commit customers more tightly to the company and tell them that the company is interested in fulfilling the customer's needs in the best possible way. In today's business world

the customer loyalty programs have become more common and at least the biggest companies and operators have some kind of loyalty programs. The loyalty programs are built so that they are very attractive and get customers hooked even though the customers already have a purse full of loyal customer cards.

The most common motivator for customers in loyalty programs is money: loyal customers get discounts, special offers, bonus coupons etc. The latest trend in loyalty programs is that they are built between two or more companies and this kind of collaboration aims at fulfilling customers' needs at the same time. These bonus programs where companies have joined their forces to serve customers better, the partners try to catch a bigger part of the customer's wallet and it is also cost effective for them because the total costs are shared between all the companies involved. Customers' behavior has changed and they are more satisfied with total benefits than just the price of a product or service. Business partners that can offer products or services that complement each other create a concept that pleases customers. Usually these partners also operate in the same offices and that also makes it easier for customers to take care of businesses: you will get everything under the same roof. Behind this whole collaboration system is the idea that the customers get more loyal and the benefits the customer gets are straightly related to how loyal the customer is towards all the companies inside the collaboration group. (Storbacka et al. 2003, pp.93 – 95, Ylikoski 1999, pp.192 – 193.)

4.3.1 Customer database

To be able to target marketing activities right and reward the most loyal customers, the company has to have reliable information about the customer's buying habits. The company must have some kind of customer database, which gathers relevant information and which is easy to utilize in the customer segmentation process. These databases improve to take a better care of customer relationship and make it easy for the company to choose the right customers, for example, to loyal customer programs. But before the company plans to build up a customer database, it should think some critical points: what information is

needed and how it can be gathered, how the information is planned to be used and who has access to database (all employees/only few), how the database can be up to date and what are the costs of database. The database system is often built so that it is possible to gather basic information about all the customers and more detailed information about loyal customers.

The stored information usually consists of personal and contact information (name, gender, address, phone number), background information (household size, family affairs, education), buying habit information (what, when and where the customer has bought, the number of purchases/month) and marketing actions (how the company has approached the customer). Some of this information is automatically updated when the customer purchases and visits the store and some of the information can be updated when the employees meet customers face to face. The main idea is that all the employees in the company know that the company uses customer database and it is everyone's responsibility to make changes to customer information when the customer is met. This is much cheaper for the company when it takes care of the system by itself and the company can be sure that the information is relevant when needed in marketing actions and communication. (Bergström et al. 2003, pp.421 - 423, Ylikoski 1999, pp.192 – 193.)

4.3.2 Characteristics of customer loyalty programmes

Customer loyalty programs are very popular in consumer directed marketing because loyal customers concentrate their purchases to familiar companies and in that way cause less marketing costs to a company. Based on their experiences, the customers know what to expect from the company and its products and that also reduces the number of complaints and level of dissatisfaction. That is why it is profitable and desirable for companies to reward good customers by building up some kind of loyalty program.

There are many kinds of customer loyalty programs but Seija Bergström and Arja Leppänen list in their book *Markkinoinnin maailma* (2007, 263) few points that are characteristic of good customer loyalty programs:

- membership of the program must be earned
 - o not anybody can be a member
- benefits of the program are listed and staggered clearly
 - o tempts customers to increase their purchases and recommend the company and its products to friends
- benefits differ from competitors' ones and are hard to copy
- customers keep benefits useful and interesting
 - o benefits can differ between customer segments
- occasional surprise benefits
- benefits are developed and adjusted based on customer feedback

Based on these characteristics, the customer loyalty programs can be publicized (“produced”) or unpublicized (“unproduced”). The publicized program has clear rules and the customers know what the terms are to be able to belong to this group (sales per month etc.). The publicized program is commonly used in consumer marketing where the number of customers is big and products are bought regularly. The benefits of the program are usually advertised visibly to attract new, potential customers. The unpublicized program, like the name points out, can be kept in secret from customers. The customer will not probably know that they belong to this customer program and the unpublicized program is usually used in b-to-b -marketing. The main idea in this kind of program is that the customers can be surprised with benefits and competitors cannot “attack” these customers so easily.

4.4 Loyal customer benefits

The customer loyalty programs are designed so that the benefits that are given to chosen customers, are proportioned according to the customer’s buying hab-

its, profitability and loyalty. The benefits can be pecuniary (monetary) advantages (based on the customer's rational buying habit feelings) or public relations benefits (based on customer's emotional buying habit feelings). The Table 4 illustrates the role of benefits in loyal customer marketing.

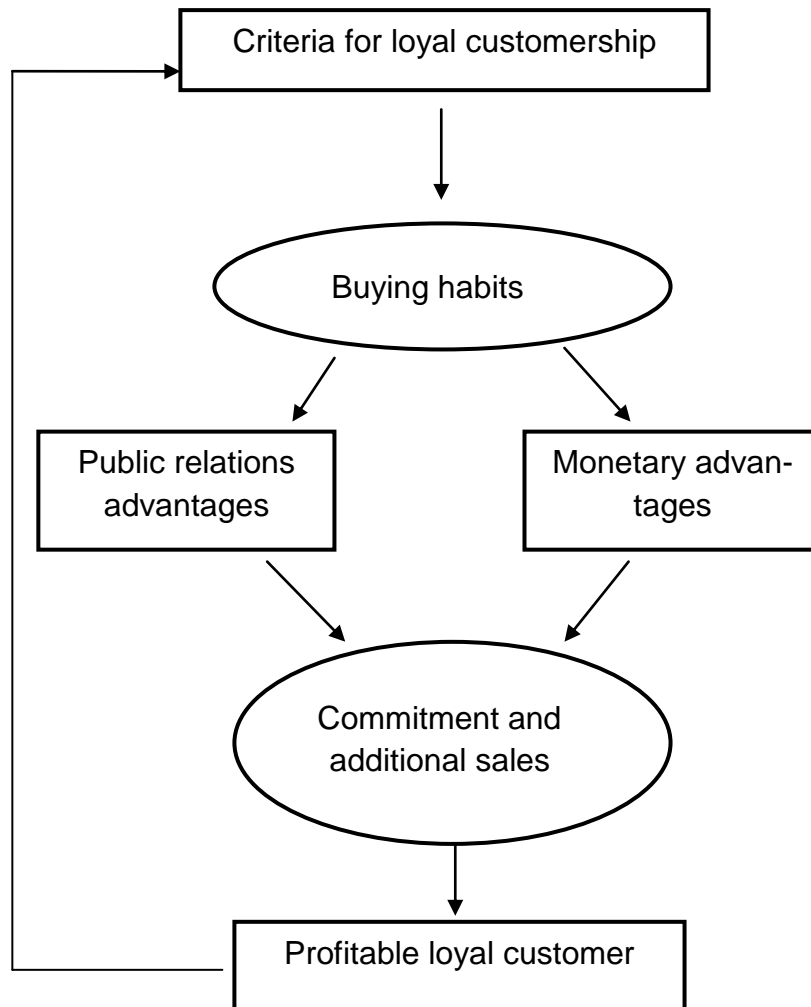


Table 4. The role of benefits in loyal customer marketing (Pöllänen 1995, p.66.)

To be able to provide benefits for the most loyal customers, the company should create a systematic benefit system (which starts from the segmentation process by defining criteria for loyal customership). This makes it easier for a company to measure customers' behaviour in a long run. The more the customer buys, the more he gets monetary and public relations advantages. The benefits must be interesting and they should fit to the company's image, the

product or service itself and to the customer. Good benefits are something that customers appreciate and at the same time are difficult for competitors to copy. Loyal customer benefits must also be so committed that it is hard for customer to give up from those but at the same time the benefits must change now and then so the customers do not get bored. The basic idea of loyal customer benefits is to reward the most profitable customers by giving them something extra (sometimes also surprise benefits) that makes them committed and satisfied.

The customer can get *monetary advantages* such as a discount, based on his purchase volume or possibility to purchase products at a lower price. The monetary benefits can be counted in percentages or bonus points, which can be converted into money. The system should work in a way that the more the customer buys; the more he gets monetary benefits. The loyal customers should also get some special offers, which can be advertised so that all the customers can see them. This is a very concrete way to attract new customers to join the loyal customer program. But it should also be reminded that monetary advantages alone are not probably enough to maintain the customer relationship. It is easy for a customer to change the purchase place or service provider if the monetary advantages are the only thing that commits the customer to a certain company. Monetary advantages can be implemented in many ways but here are two examples. Air plane companies use monetary benefits so that they give customers points based on their flights. The customer earns points when he / she uses the same air plane company constantly and the points gathers based on flight distance, travel destinations etc. In this way the customer can earn cheaper flights or even a free trip for his / her whole family. Another way of implementing monetary advantages can be the utilization of business partners: a travel agency can offer travel insurance at a special price along with a partner insurance company and they both utilize from the situation.

Public relations advantages depart from normal service to ordinary customers, they are something extra to chosen customers. The idea in public relations advantages is to make it easier for the customer to take care of business: these customers might have their own counter for payment in shops or a private service person in the company. Public relations benefits also include customer

events to where only the chosen customers get invitation or they might have shopping time after the store is closed from ordinary customers. By using public relations advantages, the company tries to make customers more committed towards the company than what monetary advantages can offer to customers. And it is also studied that public relations benefits commit customers more towards the company than monetary benefits: they provide that wanted extra value for customers they expect nowadays. (Pöllänen 1995, 66-, Bergström et al 2007, pp.263 – 265, Bergström et al. 2003, pp.424 – 427.)

Etelä-Karjalan Osuuspankki offers its loyal customers both monetary advantages and public relations advantages. Loyal customers earn bonuses based on their service volume (including loans and investments which are calculated together) and these bonuses can be used to pay bank charges (bank card, internet bank contract and all the other monthly payments) and insurance payments (including the Pohjola insurance company's payments). At the same time loyal customers have public relations advantages by having a private service person who takes care of the customers' bank issues. Loyal customers also get invitations to customer events where they can get professional advice on certain fields of bank services (investments, juridical issues, building up a house etc.).

4.5 Various sides of customer loyalty programmes

Products and services provide benefits and solutions to problems that customers and buyers face every day. These benefits can be functional, economic or psychological and they form the primary source of customer value. Based on these benefits, companies aim to provide an incomparable customer experience to most loyal and profitable customers and usually this experience is implemented by offering the chosen group of customers a differentiated loyalty program. Loyal customers are more profitable to a company because it is claimed that they reduce serving costs, they are less price sensitive, loyal customers spend more money and they recommend the company to other potential customers. It costs much more for a company to entice a new customer to do business with than to get a current customer to repeat purchase. The strategy of gaining and maintaining loyalty seems to be a source of sustainable competitive

advantage but do customers of loyalty programs also get something for themselves? Or are loyalty programs just one way for a company to get more personal information about their customers and utilize this information on their own purposes?

Many scientific articles discuss that firms are shifting resources away from non-participating customers and favour those customers who actively participate in their loyalty programs. When the firm does this visible and customers see what criteria it requires to become a member of customer loyalty programs, this may cause inequity and dissatisfaction among customers. Customers are very eager to observe how other customers are treated and interact regularly with other customers so it is easy to see the appreciation method of the company. It is obvious that firms want to invest in customerships which bring in money and usually it is the, so called, heavy users who gain the most of customer loyalty programs. They get special rewards, gifts and product or service offerings but it is obvious that these benefits do not come for free. These customers have to give a lot from themselves so that they and the companies can benefit from customer loyalty programs.

For customers who participate in loyalty programs, there is an increased concern about the misuse of personal information and loss of control over how information is being collected and used. It is not easy for customers to protect their privacy because technology develops all the time and a huge amount of information about the customer can be gathered even in one visit at the store. That is why it is important that the customer loyalty programs are organized so that both parties (the customer and the company) will exchange something of value and the benefits that are exchanged should be similar. When the customer agrees to join in a customer loyalty program, he / she gives the firm an approval to collect and use personal information in order to execute enhancement of products or services that may result from participating in the loyalty program. That is why it is good ethic if the firm tells customers openly how the information (data) is collected, used and shared.

In today's business life, the customer loyalty programs have developed so that it is not only the data gathering company which will utilize the personal information of customers. Since firms across different industries share many of the same customers, many customer loyalty programs have started to co-operate. In practise, this is implemented by adopting multiple branding schemes where customers are able to combine and transfer program benefits. Multiple customer loyalty programs can occur between firms or within corporate conglomerate. This benefits both partner companies because the data has to be gathered only once and customer database can be common. The companies do not have to invest so much in how to find new potential customers because they are already customers of the partner company. This kind of partnership also utilizes customers because they get versatile advantages with a high level of extra value. One example of this kind of co-operation in Finland is OP-Pohjola Group, which will be discussed in more detail in the next chapter.

5 Case company: Etelä-Karjalan Osuuspankki

This section starts the empirical part of the thesis and tells more about OP-Pohjola Group, case company Etelä-Karjalan Osuuspankki and loyal customer concentration benefits of OP-Pohjola Group.

5.1 OP-Pohjola Group

OP-Pohjola Group is the largest financial service group in Finland. It has 196 independent member cooperative banks and the Group's central institution is OP-Pohjola Group Central Cooperative. The biggest one of these is Pohjola Bank plc, which is a listed company. OP-Pohjola offers its customers a wide range of banking, investment, life assurance and non-life insurance services to households and corporate and institutional customers. OP-Pohjola Groups business activity is based on cooperativeness and that is why its mission is to promote prosperity, wellbeing and security of group's owner-members, customers and operating regions locally (appendix 4). OP-Pohjola Group's Finnish ownership, country's most extensive service network and group's customer-comes-first approach makes it a unique financial services group. OP-Pohjola

Groups long-term customer-centered approach also enables continuous renewal and the Group develops services and products to meet customers' changing needs. The Group has an extensive service network including local branch offices, telephone services and internet services. (OP-Pohjola ryhmän Intranet.)

OP-Pohjola Group offers the best and most versatile expertise in the financial sector and is Finland's third largest employer. The Group has total 13 000 employees of which 6 700 works in branch offices (a third of the employees are men). As being the leading financial services group in Finland, OP-Pohjola Group has 4,2 million customers (including 3,8 million private customers and 400 000 corporate customers) of which 1,4 million customers use both banking and insurance services. OP-Pohjola Group is Finland's largest provider of home and corporate of loans and the most trusted non-life insurer.

OP-Pohjola Group has a very challenging customer promise: "We provide the best package of solutions and loyalty benefits". That is why the group has built up a diversified and rewarding system of loyal customer benefits which is the best loyal customer program in the market (appendix 3). In OP-Pohjola Group the loyal customer program is based on bonuses: OP bonus customer is a customer who is an owner-member in his / her own bank or a customer of Helsingin OP of which the monthly service volume is over 5 000 Euros (can consist of loans, investments, savings and some insurance). To be a Pohjola loyal customer, the customer has to have insurances at least from three different product group (property insurance, motor insurance, car insurance, personal insurance etc.). And if the customer is a OP bonus customer and Pohjola loyal customer, he / she is justified to get loyal customer concentration benefits (as a reward of centralizing both banking and insurance services to OP-Pohjola Group). All the loyal customer concentration benefits can be seen from in appendix 6 but I will also come back to these benefits later on in the customer survey. (OP-Pohjola-ryhmän toimintakertomus ja tilinpäätös 2012.)

5.2 Etelä-Karjalan Osuuspankki

Etelä-Karjalan Osuuspankki is an independent and locally operating bank which is owned by its owner-members. The bank is a “full service bank” and it has five offices and approximately 160 employees in North Karelia. Etelä-Karjalan Osuuspankki is also one of the 196 independent member cooperative banks that operate under OP-Pohjola Group Central Cooperative. OP-Pohjola Group Central Cooperative supports and supervises the business of its member banks, prepares the common strategies for all member banks and controls the operations of OP-Pohjola Group. Etelä-Karjalan Osuuspankki is a leading retail bank in province and its domain stretches from Lappeenranta to Ruokolahti. Osuuspankki provides basic services for both private and corporate customers (including professional loan, investment and payment transfer services) and also insurance services, law services and real estate agency services. The bank has over 80 000 customers (over 41 000 owner-members and 17 000 loyal customers) and its customer share is 42 per cent in its territory.

The basic mission of Etelä-Karjalan Osuuspankki is to promote the financial security of people, corporate and non-profit organizations in its territory as customer-oriented way as possible. Osuuspankki is a local Finnish bank the owner-members of which are its customers who use its services. Osuuspankki's operations are based on commonly agreed core values (people-first approach, responsibility and prospering together), which can be seen in daily operations. Etelä-Karjalan Osuuspankki cares genuinely for its customers, operates as a responsible and exemplary company in its territory (banks capital adequacy is fourfold compared to what is must be based on law) and succeeds together with its customers. As being a cooperative bank, Etelä-Karjalan Osuuspankki does not apply to maximize the profits and last year it paid 4,1 million Euros of bonuses to owner-members as a return of banks financial result. (Etelä-Karjalan Osuuspankin Intranet.)

5.2.1 Etelä-Karjalan Osuuspankki's customership strategy and loyal customer concentration benefits

A common customership strategy of OP-Pohjola Group is to come up the leading financial group in Finland in all customer groups and in every business area. With this strategy OP-Pohjola Group aims at getting sustainable competitive advantage by providing extra value to customers and also to Group itself and another important aspect is the strengthening of banking and insurance integration.

Etelä-Karjalan Osuuspankki implements the customership strategy of OP-Pohjola Group in everyday actions: customers are divided into smaller segments so that the resources can be directed usefully in the eyes of customers but also considering the business point of view. Each of the segments has their own taking care of models which means that customers inside the same segment are treated in the same way (how many times per year they are connected, who is their contact person in the bank etc.). Customers are also segmented depending on their needs (or it could better be said that based on) their life situation. By these criteria, customers are divided in to five groups: self-employed persons, the young, family with children, adult households and seniors. The main idea behind this kind of segmentation is that customers in different kind of life situations are taken into consideration and their buying behavior is more predicable (usually people in the same life situation have similar needs and motives and they get much influence from their family and other reference groups). This is Etelä-Karjalan Osuuspankki's way of securing long-term, committed and satisfied customers.

Based on OP-Pohjola Group's customership strategy, also Etelä-Karjalan Osuuspankki provides loyal customer concentration benefits to its customers as a unique reward of centralizing both banking and insurance services to Etelä-Karjalan Osuuspankki. More and more customers get monetary benefits based on their services and gathered bonuses are utilized to cover monthly banking service fees and insurance invoices. In Etelä-Karjalan Osuuspankki, different services accumulate OP-bonuses and gathered bonuses can also be utilized to

cover some of these service fees. These services are monthly banking services (card, internet bank contract), loans, savings and investments, law services, Pohjola insurances, real estate agency services and other services (benefits offered by business partners, OP-Pohjola magazine). Loyal customer concentration benefits in 2013 can be seen in appendix 5 and they are also covered in the customer survey section. (Etelä-Karjalan Osuuspankin Intranet.)

6 The implementation of the research and research results

The aim of this research was to find out what Etelä-Karjalan Osuuspankki's loyal customers think about loyal customer concentration benefits in general. The customer survey examined what the most significant benefits for these customers are and if these loyal customer concentration benefits commit customers to Etelä-Karjalan Osuuspankki more deeply. The survey also gave an opportunity for customers to tell freely what they think about loyal customer concentration benefits. This was the first time this kind of survey was carried out in Etelä-Karjalan Osuuspankki and maybe in a near future the survey could be done again as a comparison to these results.

In this research, the target group consisted of adults who are owner-members and loyal customers in Etelä-Karjalan Osuuspankki (meaning that the customer has concentrated his banking and insurance services to Etelä-Karjalan Osuuspankki) and the number of these customers was 17 244 (6/2013). From this group, a certain number of customers were chosen to this research. The collection process was carried out with a random sample of customers with some criteria and limitations (the age of the customer had to be between 18 and 70, the customer had to be an owner-member and entitled to loyal customer concentration benefits, the customer had to use the Internet service quite regularly and could not have any credit problems) and the sample was implemented by Profi program in Etelä-Karjalan Osuuspankki. Finally, 1 000 customers from this limited group were chosen to this research and these customers were divided evenly to cover all the customer ship offices in Etelä-Karjalan Osuuspankki's domain.

The customer survey (appendix 2) was sent to a respondent's internet bank with a short message and introduction text (appendix 1) first to 1 000 customers in June 2013. The customers were given about a month of response time but by deadline, only 24 customers answered the questionnaire (with the total response rate of 2,4%). A new quantity of customer surveys were sent to another 1 000 customers in July 2013 and the final number of answers of these both quantities was 84 (giving the total response rate of 4,2%). Such a low response rate can be explained in many ways (summer time was not probably the best time of year to conduct this kind of survey because customers use Internet bank quite lazily and maybe the customers thought that even if they answer to this survey they cannot influence enough for the development process of these loyal customer concentration benefits) and I do not think there is no one reason to explain that. At the end of the questionnaire, the customers were given a possibility to participate in a draw of three Pentik products by leaving their contact information. With this action the customers were encouraged to answer the questionnaire so that the response rate would rise a little bit higher than expected (but that did not work).

The questionnaire was tried to be built in the way that it would take a minimum time for customers to answer it but the results would give an exhaustive picture of customers' opinions about loyal customer concentration benefits. The questionnaire mainly included arguments concerning loyal customer concentration benefits and the customer's role was to choose how these arguments come up with his ideas of the certain claim. The survey also included one open question where the respondent was able to tell freely his ideas and opinions about loyal customer concentration benefits. The survey was purely quantitative.

In the next section the customer survey and the questionnaire is covered in the same order as the questions were in the questionnaire that was sent to respondents. The questionnaire and the gathered results are divided into five parts: background information, customer ship, customers' opinions about concentrating banking and insurance services, benefits of loyal customer concentration benefits and the importance of these particular loyal customer concentration benefits.

Background information

In the first part of the research, customers' background information was gathered by asking their gender, age, occupational group and education. From the respondents, 38% (N=32) were women and 62% (N=52) men. In the diagram the respondents are divided in to different age groups.

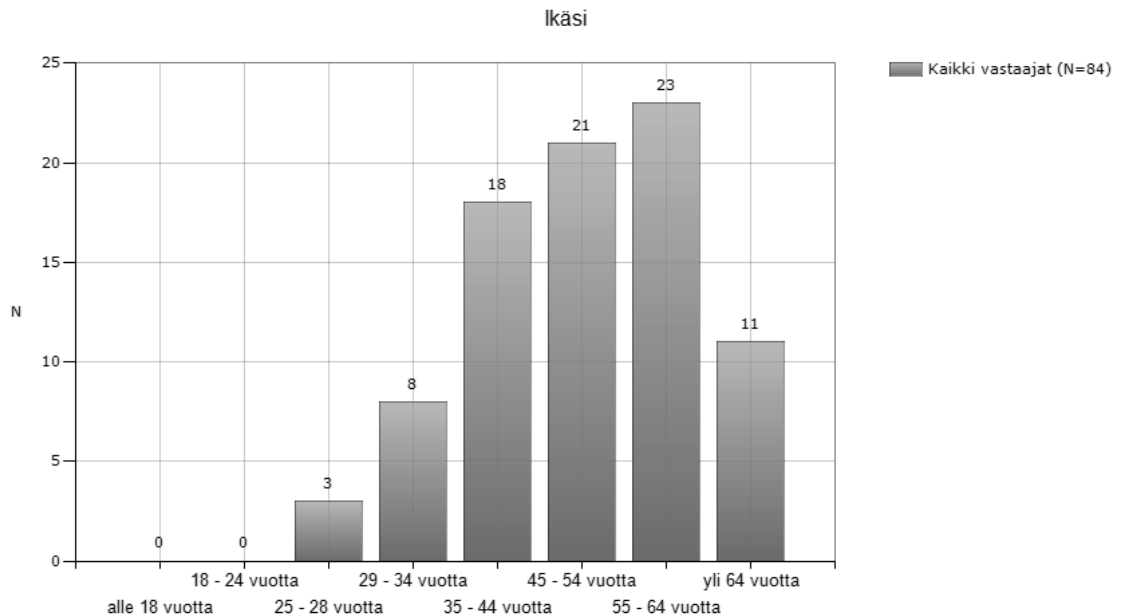


Diagram 1. Age

The largest respondent group in the survey were customers between 55 – 64 years and the smallest group were customers between 25 – 28 years. There were also respondents over 64 years but no respondents from the group 18 – 24 years.

Based on the occupational group, most of the respondents were either employees or clerical workers. The share of pensioners was about 15% and there were no students in the respondent group (which can also be seen in the age distribution). Most of the respondents had either comprehensive school or vocational school education.

Customership

The second part of the research handled respondents' customership and they were asked about their customership time in Etelä-Karjalan Osuuspankki and in Pohjola. The main idea behind these questions was to find out whether the customers had been long-time customers in Etelä-Karjalan Osuuspankki and then changed their insurances to Pohjola or the other way. Based on these facts, it is also possible to interpret whether the customers are ready to change their banking or insurance service provider easily based on the benefits they might get. But the results cannot be generalized too much.

From all the 84 respondents, 85% had been customers of Etelä-Karjalan Osuuspankki over 10 years. The rest of the respondents had been customers something between 10 years to under one year.

For the question how long the respondent had been a customer of Pohjola, the distribution was more regular. 31% of respondents had been a customer of Pohjola for 1 - 4 years, 31% over 10 years and 29% between 5 to 10 years. So in this research it can be said that the respondents had changed their insurance service provider rather than their banking service provider and most of the respondents had only a few year customership in Pohjola.

Customers' opinions about centralizing banking and insurance services

In the next question the customers were given some arguments concerning the centralization of banking and insurance services. The answer alternatives were *totally agree (green colour)*, *more or less agree (yellow colour)*, *more or less disagree (orange colour)*, *totally disagree (red colour)* and *can't say (grey colour)*. The arguments are explained in the above order below and the response rates can be seen in the picture.

Seuraavana on esitetty pankki – ja vakuutusasiointin keskittämistä koskevia väitteitä. Valitse mielestäsi sopivin vaihtoehto jokaisesta kysymyksestä.

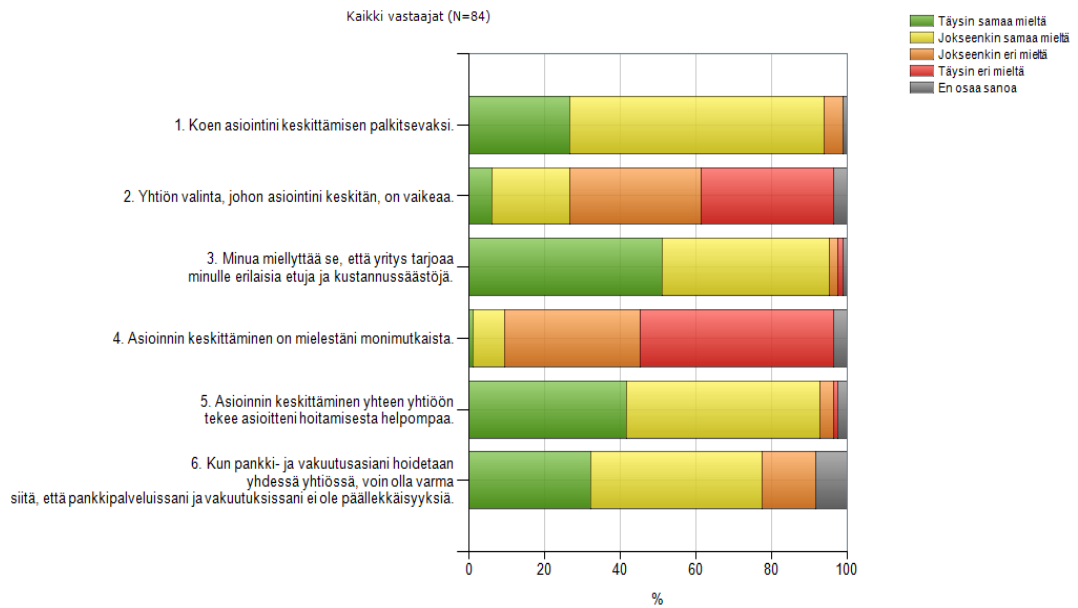


Diagram 2. Centralizing banking and insurance service

In argument number one (1) the customers were asked how rewarding they find it to centralize their banking and insurance services. Most of the customers (altogether 94%) totally agreed or more or less agreed about this one so it can be said that they feel it rewarding to centralize banking and insurance services.

The second argument (2) was that it is hard to choose the company to which the customer centralizes his / hers banking and insurance services. 69% of the respondents totally or more or less disagreed about this argument, but also 21% more or less agreed. For some of the customers it is hard to decide which banking and insurance provider to choose (the reason can be based on price or the content of services).

Argument number three (3) argued that it pleases the customer that the company offers him / her different kinds of benefits and cost savings. This was quite obvious, 95% thought that they totally or more or less agreed.

In the next argument (4) the customers were asked if they find it complicated to centralize their banking and insurance services. The responses emphasized

the option more or less disagree or totally disagree (altogether 87%) so the customers do not find it complicated.

In the last two arguments (5 and 6) the customers were given an argument that it makes it easier to take care of banking and insurance services if they are centralized and handled in the same place and the customer can be sure that there are no overlaps in those services. Almost all of the respondents either totally or more or less agreed with these arguments.

Benefits of loyal customer concentration benefits

In this question, the chosen customers were given 13 arguments handling issues related to the benefits that the loyal customers earn. The claims were limited only to concern Etelä-Karjalan Osuuspankki's loyal customer concentration benefits, not to cover OP-Pohjola Group's benefits in general.

Seuraavana on esitetty asiointiin keskittämistä sekä keskittämisen perusteella saatavia etuja koskevia väitteitä. Valitse mielestäsi sopivin vaihtoehto jokaisesta kysymyksestä.

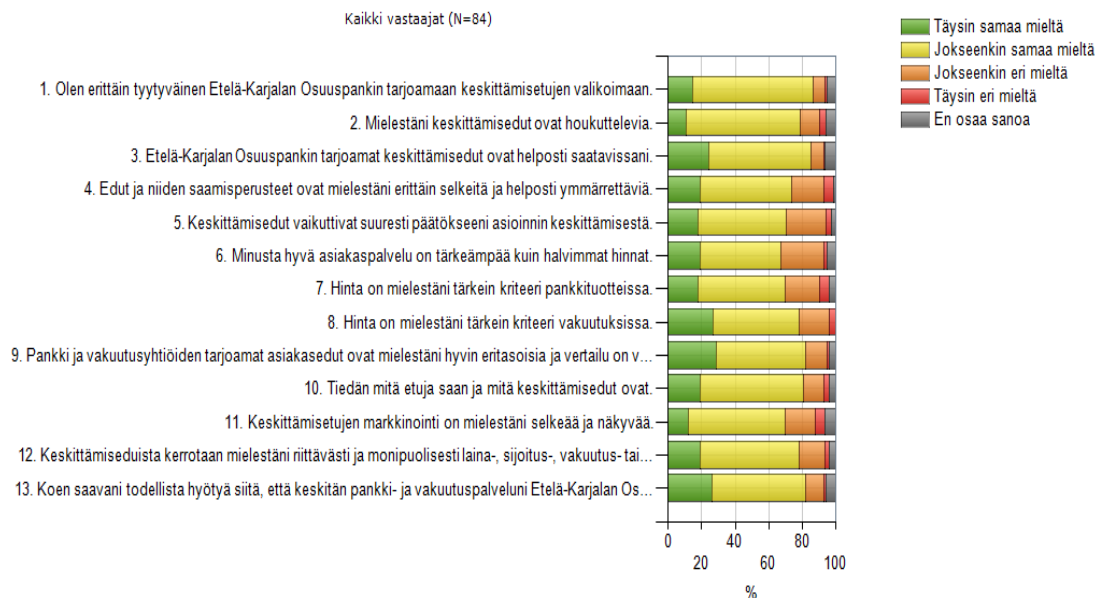


Diagram 3. Loyal customer concentration benefits

According to the table, in five arguments the response rate climbed up over 80 % and **the respondents chose either totally agree or more or less agree** as their opinion. The arguments were

- I'm extremely satisfied with the range of loyal customer concentration benefits that Etelä-Karjalan Osuuspankki offers (1)
- Etelä-Karjalan Osuuspankki's loyal customer concentration benefits are easy to get / earn (3)
- It's hard to compare the loyal customer benefits that banking and insurance providers offer and the benefits can be at different levels (=vary a lot) (9)
- I know what benefits I get and I know what the loyal customer concentration benefits are (10)
- I feel that I get real benefits because I have centralized my banking and insurance services to Etelä-Karjalan Osuuspankki (13)

Based on these claims (that were picked by the customers) it can be said that the customers are satisfied with loyal customer concentration benefits of Etelä-Karjalan Osuuspankki and they know what these benefits are and mean in practise.

Next I will list few arguments that **the respondents either totally disagree or more or less disagree.**

- The loyal customer concentration benefits affected a lot my decision to where to centralize my banking and insurance services (5)
- I think that good customer service is much more important than low prices (6)
- In my opinion, price is the most important criteria in banking services (7)
- The marketing of loyal customer concentration benefits is clear and visible (11)

These answers reveal that the loyal customer concentration benefits were not the most important criteria when the customer chose the banking and insurance service provider, it was probably the whole package of services that mattered. As for the price of banking services, the respondents thought that price is not so important criteria but they did not also see that customer service would go over low prices. A quarter of the customers felt that loyal customer concentration benefits are not marketed visibly enough. This is something that has to be improved together with Etelä-Karjalan Osuuspankki's marketing team because these benefits form the basis of our bank's customer promise: We offer the best loyal customer concentration benefits.

Importance of loyal customer concentration benefits

With this question, the aim was to find out which loyal customer concentration benefits are important and which are not important to customers. In the diagram, Etelä-Karjalan Osuuspankki's loyal customer concentration benefits are listed in occasional order and the answer alternatives were *very important* (green colour), *important* (yellow colour), *not important* (orange colour), *neutral* (red colour) and *can't say* (grey colour).

Miten tärkeiksi koet seuraavat Etelä-Karjalan Osuuspankin keskittämisedut? Valitse mielestäsi sopivin vaihtoehto jokaisesta väittämästä.

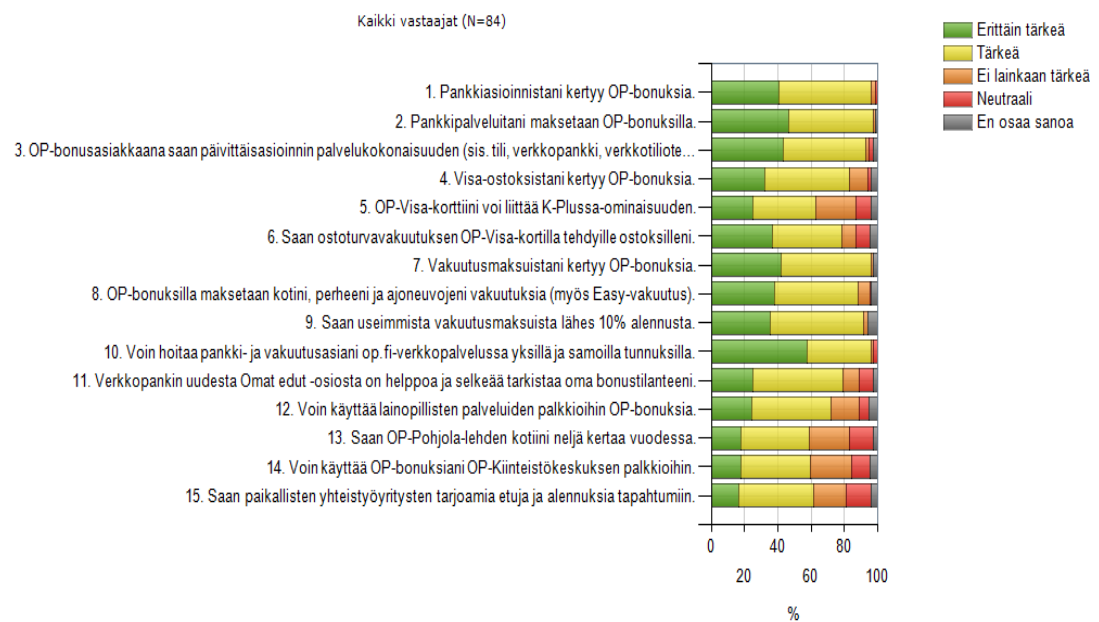


Diagram 4. Loyal customer concentration benefits

Almost half of the loyal customer concentration benefits were felt to be nearly 100% very important or important. These benefits were (the total per cent of very important and important is bracketed and after that is the number of the argument)

- Bank customer ship provides me OP-bonuses (97%) (1)
- My banking service charges are paid from my gathered bonuses, not from my account (98%) (2)
- As a OP-bonus customer, I get basic services (card, internet bank service) 40% cheaper than normal customers (93%) (3)
- Insurance payments provides me OP-bonuses (96%) (7)
- I get 10% discount from many insurance payments (92%) (9)
- I can take care of my banking and insurance services on the Internet with the same username (96%) (10)

From these arguments, the “orange” ones were considered “very important”. As a summary of these listed arguments, which the respondents experienced most significant, there is one common factor that connects them: money. These benefits provide concrete savings and monetary extra value to customers.

Arguments, that were experienced mostly not important, were

- I can link K-Plussa card to my OP-Visa card (24%) (5)
- I get OP-Pohjola magazine four times a year (24%) (13)
- I can utilize gathered bonuses to OP real estate agencies fees (25%) (14)
- Etelä-Karjalan Osuuspankki’s local business partners offer me benefits and discounts to some particular events (19) (15)

The results tell that the respondents do not appreciate OP-Pohjola Group's and K-Group's co-operation very much. Maybe if customers could get some discount from groceries it would provide some extra value to them. What was a little bit surprising, the customers do not care so much about local business partners' benefits and discounts. Before loyal customer concentration benefits were launched to the market (including all these concrete monetary benefits), the customers of Etelä-Karjalan Osuuspankki mostly appreciated these local business partner benefits. This only tells that customers' set of values has changed (and to be honest), it is money that talks!

Satisfaction with Etelä-Karjalan Osuuspankki's loyal customer concentration benefits

At the end of the survey, the respondents got a chance to evaluate how satisfied they are to Etelä-Karjalan Osuuspankki's loyal customer concentration benefits and tell freely what they think about these benefits. Below is the indicator about how satisfied the customers are. The indicator has counted all the responses together in percentage.

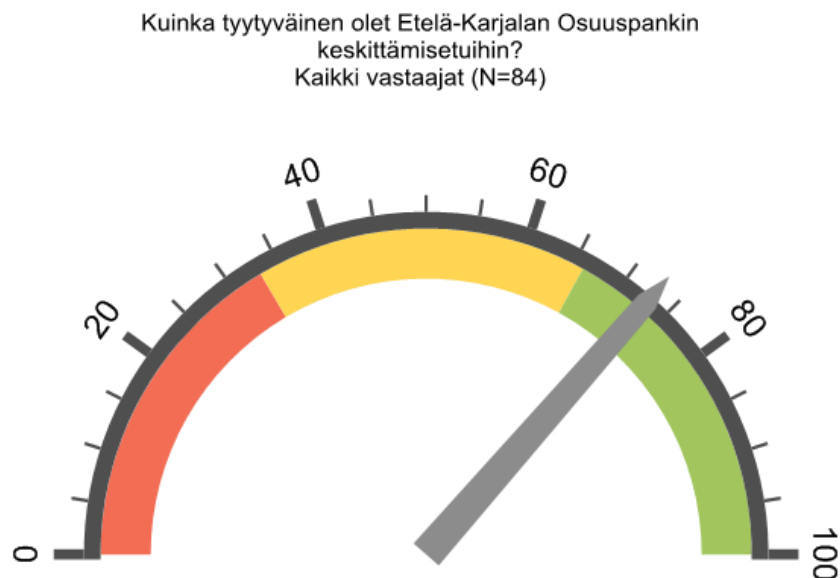


Diagram 5. Satisfaction to Etelä-Karjalan Osuuspankki

The total satisfaction level is 73% which is a good number and describes the respondents' satisfaction towards Etelä-Karjalan Osuuspankki's loyal customer concentration benefits.

Not many of the respondents gave free feedback about loyal customer concentration benefits, but the same comments were repeated in these given answers. The customers' comments were (here are comments that were given more than once):

“more is more!”

“by centralizing banking and insurance services we customers get clear and concrete benefits”

“you could market your loyal customer concentration benefits more impressively → what the benefits are for the customer in reality”

“ old customers don't gain as many benefits as new customers -> the bank wants to attract new customers with certain benefits but the old customers don't get special advantages/benefits”

“it's fantastic that banking and insurance services can be handled on the Internet bank with the same username”

“the bank should start co-operation with S-Group → the customers can get extra bonuses by paying groceries with OP-Visa card”.

All this feedback is, of course, precious to Etelä-Karjalan Osuuspankki and after I have finished the thesis and research, I will present these results to our marketing department but also to all the employees in our bank.

7 Conclusions

The main purpose of the research was to figure out what loyal customers of Etelä-Karjalan Osuuspankki think about loyal customer concentration benefits and what loyal customer concentration benefits these customers value most. With the research it was also possible to find out if the loyal customer concentration benefits play a significant role when the customer is choosing a banking and insurance service provider and are customers aware enough of Etelä-Karjalan Osuuspankki's loyal customer concentration benefits. Now, when the research has been finished, the results will be introduced to all employees of Etelä-Karjalan Osuuspankki at a joint morning meeting.

Based on the results, the customers of Etelä-Karjalan Osuuspankki are quite satisfied with loyal customer concentration benefits offered. The loyal customer concentration benefits are versatile and customers thought these benefits had an effect on their decision about where to centralize banking and insurance services. Customers appreciated mostly benefits that provide them concrete monetary advantages and benefits. Customers also thought that it makes it easier for them to take care of financial issues when banking and insurance services are handled in the same place and the customers only need one username to take care of these services online.

From the point of view of CRM, Etelä-Karjalan Osuuspankki has succeeded quite well because loyal customers are mainly satisfied. But like mentioned in the research results section, only 25% of the customers know well what the loyal customer concentration benefits are. This requires a lot of work from the marketing team to find ways how to inform and advertise loyal customer concentration benefits more visibly. If Etelä-Karjalan Osuuspankki promises that "we offer the best loyal customer benefits in the market" all the existing and also potential customers should at least know what these benefits are and finally the customer makes the decision where to centralize banking and insurance services based on the facts that are given.

Although the total response rate of this research was low, the results can be considered quite reliable and they can be utilized in Etelä-Karjalan Osuuspankki. The survey was sent only to Etelä-Karjalan Osuuspankki's loyal customers, so the results can be generalized to respond the opinions of this whole group of customers. But it has to be noted that the respondents' age was mostly from 35 to 64 years, so the results do not tell that much about younger customers' opinions (and cannot be generalized to this age group so much). The other important fact is that most of the respondents had a long customer relationship with Etelä-Karjalan Osuuspankki but not so long relationship with Pohjola. Based on this fact it seems that the respondents had changed rather their insurance service provider than banking service provider to earn loyal customer concentration benefits. Maybe the relationship with the bank is based more on emotional feelings and in insurance services the crucial factor is money and other benefits: that is why the customers have a higher threshold to change their banking service provider.

Finally, it can be said that this was quite a successful survey and Etelä-Karjalan Osuuspankki got valuable information of what their loyal customers think. Of course the total response rate could have been higher, so the results would have been easier to generalize. In that case, the respondent group would probably have been wider and there would have been younger customers whose opinions we did not get this time. But we have already planned that this survey could be implemented again maybe in two or three years and then it would be easier to see if loyal customers' opinions have changed. And next time it would be wiser to implement this research maybe in another moment, not in summertime.

Anyhow, this thesis process has been very interesting and time-consuming to the author. In the theory part, it was hard to find the essential material for this particular thesis from a large amount of information offered by books, articles and other sources. The author had to use judgement but that really taught how to find the relevant information in a short time of reading. As for the empirical part, the author found the topic of the survey interesting because this kind of survey was not implemented in Etelä-Karjalan Osuuspankki before. The results

were not that much surprising but gave a lot of extra information about what loyal customers of Etelä-Karjalan Osuuspankki appreciate and that is useful for the author in her daily work. By knowing what are the most vital and important loyal customer concentration benefits are for the customers, I can stress the importance of them when attracting new potential customers to change their banking and insurance service to Etelä-Karjalan Osuuspankki.

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APPENDIX 1

Verkkoviesti

Otsikko: Sinäkin olet saanut keskittämisetuja, kerro mielipiteesi ja voita!

Teksti: Vastaamalla oheiseen kyselyyn voit kertoa mielipiteesi keskittämiseduista ja pääset vaikuttamaan etujemme kehittämiseen. Samalla voit osallistua kolmen Pentikin tuotteen arvontaan.

Kyselylomakkeen alkuteksti

Hyvä Etelä-Karjalan Osuuspankin keskittäjäasiakas

Työskentelen Etelä-Karjalan Osuuspankissa rahoitusneuvojana ja viimeistelen työni ohessa ylempää korkeakoulututkintoa Saimaan ammattikorkeakoulussa. Tämä tutkimus on osa lopputyötäni, jossa pyrin selvittämään asiakkaiden suhtautumista pankki- ja vakuutusasiain keskittämiseen sekä Etelä-Karjalan Osuuspankin keskittämisetuihin.

Vastaamalla tähän kyselyyn mahdollistat tutkimukseni onnistumisen ja pääset vaikuttamaan Etelä-Karjalan Osuuspankin keskittämisetujen kehittämiseen.

Vastauksesi käsitellään luottamuksellisesti eikä yksittäistä vastaajaa voida tunnistaa. Halutessasi voit kuitenkin täyttää yhteystietosi varsinaisen kyselyn jälkeen aukeavassa toisessa kyselyssä. Silloin osallistut kolmen kesäisen Pentikin tuotteen arvontaan. Voittajille ilmoitetaan henkilökohtaisesti.

Suuri kiitos arvokkaista vastauksista ja tutkimusavusta!

Sari Suhonen
rahoitusneuvoja
Etelä-Karjalan Osuuspankki
etela-karjalan(a)op.fi

APPENDIX 2

KYSELYLOMAKE

1. Sukupuoli

nainen

mies

2. Ikä

alle 18 vuotta

18 - 24 vuotta

25 – 28 vuotta

29 – 34 vuotta

35 – 44 vuotta

45 – 54 vuotta

55 – 64 vuotta

yli 64 vuotta

3. Ammattiryhmä, johon katsot kuuluvasi

johtaja

ylempi toimihenkilö

toimihenkilö

yrittäjä

työntekijä

opiskelija

eläkeläinen

4. Koulutuksesi

peruskoulu

lukio

ylioppilas

ammattikoulu

opistotason tutkinto

ammattikorkeakoulututkinto

alempi korkeakoulututkinto

ylempi korkeakoulututkinto

jokin muu, mikä? *vastauslaatikko*

5. Kuinka kauan olet ollut Osuuspankin asiakas?

alle vuoden

1 – 4 vuotta

5 – 10 vuotta

yli 10 vuotta

en osaa sanoa

6. Kuinka kauan olet ollut Pohjolan asiakas?

alle vuoden

1 – 4 vuotta

5 - 10 vuotta

yli 10 vuotta

en osaa sanoa

7. Seuraavana on esitetty pankki – ja vakuutusasioinnin keskittämistä koskevia väitteitä.

Valitse mielestäsi sopivin vaihtoehto jokaisesta kysymyksestä.

Vastausvaihtoehdot:

Täysin samaa mieltä

Jokseenkin samaa mieltä

Jokseenkin eri mieltä

Täysin eri mieltä

En osaa sanoa

Koen asiointini keskittämisen palkitsevaksi.

Yhtiön valinta, johon asiointini keskitän, on vaikeaa.

Minua miellyttää se, että yritys tarjoaa minulle erilaisia etuja ja kustannussäästöjä.

Asiointini keskittäminen on mielestäni monimutkaista.

Asiointini keskittäminen yhteen yhtiöön tekee asioideni hoitamisesta helpompaa.

Kun pankki- ja vakuutusasiaini hoidetaan yhdessä yhtiössä, voin olla varma siitä, että pankkipalveluissani ja vakuutuksissani ei ole päällekkäisyyksiä.

**8. Seuraavana on esitetty asioiden keskittämistä sekä keskittämisen perusteella saatavia etuja koskevia väitteitä.
Valitse mielestäsi sopivin vaihtoehto jokaisesta kysymyksestä.**

Vastausvaihtoehdot:

*Täysin samaa mieltä
Jokseenkin samaa mieltä
Jokseenkin eri mieltä
Täysin eri mieltä
En osaa sanoa*

Olen erittäin tyytyväinen Etelä-Karjalan Osuuspankin tarjoamaan keskittämisedujen valikoimaan.

Mielestäni keskittämisedut ovat houkuttelevia.

Etelä-Karjalan Osuuspankin tarjoamat keskittämisedut ovat helposti saatavissani.

Edut ja niiden saamisperusteet ovat mielestäni erittäin selkeitä ja helposti ymmärrettäviä.

Keskittämisedut vaikuttivat suuresti päätökseeni asioiden keskittämisestä.

Minusta hyvä asiakaspalvelu on tärkeämpää kuin halvimmat hinnat.

Hinta on mielestäni tärkein kriteeri pankkituotteissa.

Hinta on mielestäni tärkein kriteeri vakuutuksissa.

Pankki ja vakuutusyhtiöiden tarjoamat asiakasedut ovat mielestäni hyvin eritasoisia ja vertailu on vaikeaa.

Tiedän mitä etuja saan ja mitä keskittämisedut ovat.

Keskittämisedujen markkinointi on mielestäni selkeää ja näkyvää.

Keskittämiseduista kerrotaan mielestäni riittävästi ja monipuolisesti laina-, sijoitus-, vakuutus- tai muun neuvottelun yhteydessä.

Koen saavani todellista hyötyä siitä, että keskitän pankki- ja vakuutuspalveluni Etelä-Karjalan Osuuspankkiin.

**9. Miten tärkeiksi koet seuraavat Etelä-Karjalan Osuuspankin keskittämisedut?
Valitse mielestäsi sopivin vaihtoehto jokaisesta väittämästä.**

Vastausvaihtoehdot:

*Erittäin tärkeä
Tärkeä
Ei lainkaan tärkeä
Neutraali
En osaa sanoa*

Pankkiasioinnistani kertyy OP-bonuksia.

Pankkipalveluitani maksetaan OP-bonuksilla.

OP-bonusasiakkaana saan päivittäisasiain palvelukokonaisuuden (sis. tili, verkkopankki, verkkotiliote, OP-Visa tuoteperheen kortti) yli 40% edullisemmin.

Visa-ostoksistani kertyy OP-bonuksia.

OP-Visa –korttiini voi liittää K-Plussa –ominaisuuden.

Saan ostoturvavakuutuksen OP-Visa –kortilla tehdyille ostoksilleni.

Vakuutusmaksuistani kertyy OP-bonuksia.

OP -bonuksilla maksetaan kotini, perheeni ja ajoneuvojeni vakuutuksia (myös Easy –vakuutus).

Saan useimmista vakuutusmaksuista lähes 10% alennusta.

Voin hoitaa pankki- ja vakuutusasiaini op.fi -verkkopalvelussa yksillä ja samoilla tunnuksilla.

Verkkopankin uudesta Omat edut –osiosta on helppoa ja selkeää tarkistaa oma bonustilanteeni.

Voin käyttää lainopillisten palveluiden palkkioihin OP –bonuksia.

Saan OP-Pohjola –lehden kotiini neljä kertaa vuodessa.

OP-Kiinteistökeskuksen palkkioihin käytetään OP –bonuksiani.

Paikallisten yhteistyöyritysten tarjoamat edut ja alennukset tapahtumiin.

10. Kuinka tyytyväinen olet Etelä-Karjalan Osuuspankin keskittämisetuihin?

erittäin tyytymätön erittäin tyytyväinen

->

11. Terveiseni keskittämisetuihin liittyen:

Kiitos osallistumisestasi!

Täytä yhteystietosi, jos haluat osallistua kolmen kesäisen Pentikin tuotteen arvontaan. Voittajille ilmoitetaan henkilökohtaisesti.

Nimi:
Osoite:
Puhelin:

Kokonaisvaltaista finanssipalvelua

Suomen johtavana finanssiryhmänä OP-Pohjola-ryhmä tarjoaa asiakkailleen pankki- ja vakuutuspalvelujen koko laajan palvelukirjon. Ryhmällä on myös poikkeuksellinen mahdollisuus yhdistää pankki- ja vahinkovakuutus tuotteita asiakkaille uudella tavalla lisäarvoa luoviksi kokonaisuuksiksi. Tämä lähtökohta näkyy myös tuote- ja palvelukehityksessämme.

Asiakaslupauksemme mukaisesti haluamme tarjota pankki- ja vakuutusasiointinsa ryhmäämme keskittävillä asiakkaille alan parhaat keskittämisedut.



Strategia



OP-Pohjola –ryhmän uudistettu liiketoimintastrategia, 2012.

KESKITTÄMISEDUT 2013

OP-bonusasiakkaille ja Pohjolan etuasiakkaille

Saat parhaat edut, kun keskität sekä pankki- että vakuutusasiointisi meille.

PÄIVITTÄISET RAHA-ASIAT

- Päivittäiset pankkipalvelut yli 40 % edullisemmin
- Pankkipalveluita maksetaan OP-bonuksilla
- OP-Visan Credit-ominaisuudella maksetuista ostoksista OP-bonuksia
- Ostoturva OP-Visalla tehtyihin hankintoihin
- K-Plussa-ominaisuus OP-Visa-tuoteperheen kortteihin

LAINAT

- Lainapäätökset paikallisesti ja nopeasti
- OP-bonuksia
 - asuntolainasta
 - autolainasta
 - osamaksurahoituksesta
 - opintolainasta
 - korttiluotosta
- Lainojen toimitusmaksuihin käytetään kertyneitä OP-bonuksia

SÄÄSTÖT JA SIOITUKSET

- OP-bonuksia
 - käyttö- yms. tileistä
 - OP-sijoitusrahastoista
 - OP-sijoitusvakuutuksista
- OP-bonuksia käytetään mm.
 - arvo-osuuksien ja arvopapereiden säilytyksiin
 - OP-sijoitusrahastojen konttorissa tehtäviin kertamerkintäpalkkioihin
 - tallelokerovuokriin
 - OP-Privaten yksilöllisen sijoitusvakuutuksen kuluihin ja nostoprovisioon
 - Pohjola Pankin Indeksilainojen merkintäpalkkioihin

LAINOPILLISET PALVELUT

- Perhe- ja perintöoikeudelliset sekä varallisuuden hoitoon liittyvät asiat ja niiden veroneuvonta ja suunnittelu hoituvat omassa pankissa
- Lainopillisten palveluiden palkkioiden maksamiseen käytetään kertyneitä OP-bonuksia

MUITA ETUJA

- OP-Pohjola-lehti
- op.fi/edut
- Alennuksia ja etuja yhteistyöyritystemme tuotteista ja palveluista
- Paikallisia etuja

POHJOLAN VAKUUTUKSET

- OP-bonuksia kodin, perheen ja ajoneuvojen vakuutusmaksuista
- Mittaturvan ja Autoturvan vakuutusmaksuihin käytetään OP-bonuksia
- Vakuutusasiakkaan etuja
 - 24 t hätäpalvelu auto-, koti- ja matkavahingoissa
 - alle 1-vuotiaan lapsen vanhemmille henkivakuutusturvaa maksutta vuodeksi
 - maksuton turvantarkistus
 - jäsenetuja useiden liittojen ja järjestöjen jäsenille
- Kodin irtaimistovakuutuksen yhteydessä
 - 20 % alennusta hevosvakuutuksista
 - 10 % alennusta metsävakuutuksesta
- Etuasiakkaana saat lisäksi
 - 7 % alennusta henkilövakuutuksista
 - 7 % alennusta koti- ja muista omaisuusvakuutuksista
 - 7 % alennusta jatkuvista matkavakuutuksista
 - 7 % alennusta liikenne- ja autovakuutuksesta sekä
 - 8 % lisäalennusta bonuksellisista Super-, Kevyt- tai Isokaskoista
 - henkivakuutuksen vakuutusmäärää korotetaan veloituksesta 30 %. Korotusprosentit vahvistetaan vuosittain ja ne ovat voimassa vuoden kerrallaan. (Vakuutuksen myöntää OP-Henkivakuutus Oy)
- Kun olet etuasiakas ja OP-bonusasiakas, saat lisäksi
 - 3 % lisäalennusta 7 %:n alennuksen lisäksi useimmista vakuutuksista
 - Omakoti-vakuutukseen 150 euron omavastuuedun tietyissä vahingoissa

KIINTEISTÖNVÄLITYS

- Käytössäsi on Suomen suurimman kiinteistönvälittäjän palvelut ja asuntokaupan ammattilaiset
- 250 euron alennus OP-Kiinteistökeskuksen välityspalkkiosta
- OP-Kiinteistökeskuksen palkkioiden maksamiseen käytetään kertyneitä OP-bonuksia

Lisätietoja op.fi/edut

Kirjautumalla OP-verkkopalveluun hoidat sekä pankki- että vakuutusasiiasi helposti ja kätevästi samalla kertaa!

Yhdessä hyvä tulee.



APPENDIX 6

Omistajajäsenen edut - yhteenveto

Omistajajäsen on Osuuspankin asiakas, joka on liittynyt oman pankkinsa omistajajäseneksi ja maksanut pankin osuusmaksun.

	Osuuspankin omistajajäsen
Edut pankkipalveluista	
Voit saada OP -bonuksia	X
Voit vaikuttaa oman Osuuspankkisi toimintaan	X
OP-Pohjola -lehti <ul style="list-style-type: none">• Ilmestyy 4 kertaa vuodessa	X
Etuja ja alennuksia yhteistyöyrityksiltämme <ul style="list-style-type: none">• Etuja julkaistaan OP-Pohjola -lehdessä sekä op.fi > Edut -osiossa	X
<ul style="list-style-type: none">• OP -bonuksia käytetään pankkipalveluihin ja vakuutusmaksuihin.	X
Alennusta OPKK:n kiinteistönvälityspalveluista <ul style="list-style-type: none">• 250 euron alennuksen OP-Kiinteistökeskuksen normaalista hinnaston mukaisesta myyntivälityspalkkiosta (ei vähimmäispalkkiosta)	X
Paikallisia etuja omasta Osuuspankista <ul style="list-style-type: none">• Asiakkaita voi palkita valtakunnallisten keskittämisetujen lisäksi myös paikallisesti	X
Päivittäisasiointin palvelukokonaisuus yli 40 % edullisemmin <ul style="list-style-type: none">• Päivittäisasiointin palvelukokonaisuuteen kuuluu verkkopankki, OP-Visa, OP-Visa Debit tai OP-Visa Electron kortti ja käyttötili, jolle	X

tulee toistuvaissuoritus sekä verkkotiliote	
K-Plussa -ominaisuus OP -Visaan, OP -Visa Electroniin tai OP-Visa Goldiin <ul style="list-style-type: none"> K-ryhmään kuuluvat ketjut tarjoavat etuja asiakkaille, joilla on OP-Visa -tuoteperheen kortti K-Plussa -ominaisuudella 	X
Ostoturva OP-Visa -kortilla tehdyille ostoksille <ul style="list-style-type: none"> 180 päivän ostoturvan hankinnoille, jotka on maksettu OP-Visan Credit -ominaisuudella 	X
Op.fi -verkkopalvelut <ul style="list-style-type: none"> Verkkopankkitoiminnot edellyttävät tunnistautumista. Tunnistautuminen OP -verkkopalveluihin on mahdollista ainoastaan henkilökohtaisella käyttäjätunnuksella ja salasanalla 	X

Omistajajäsenestä tulee OP -bonusasiakas, kun hänen pankki- ja/tai vakuutusasiointinsa on vähintään 5 000 euroa kuukaudessa.

Keskittämällä pankkiasioinnin Osuuspankkiin ja vakuutukset Pohjolaan saa asiakas parhaat edut.

Keskittämisedut - taulukko

OP -bonusasiakas + Pohjolan etuasiakas = KESKITTÄJÄ

	Keskittäjäasiakas
Edut pankkipalveluista	
Voit saada OP -bonuksia	X
Voit vaikuttaa oman Osuuspankkisi toimintaan	X

<p>OP-Pohjola-lehti</p> <ul style="list-style-type: none"> • Ilmestyy 4 kertaa vuodessa 	X
<p>Etuja ja alennuksia yhteistyöyrityksiltämme</p> <ul style="list-style-type: none"> • Etuja julkaistaan OP-Pohjola-lehdessä sekä op.fi > Edut -osiossa 	X
<p>Alennusta OPKK:n kiinteistönvälityspalveluista</p> <ul style="list-style-type: none"> • 250 euron alennuksen OP-Kiinteistökeskuksen normaalista hinnaston mukaisesta myyntivälityspalkkiosta (ei vähimmäispalkkiosta) 	X
<p>Paikallisia etuja omasta Osuuspankista</p> <ul style="list-style-type: none"> • Asiakkaita voi palkita valtakunnallisten keskittämisetujen lisäksi myös paikallisesti 	X
<p>Päivittäisasiointin palvelukokonaisuus yli 40 % edullisemmin</p> <ul style="list-style-type: none"> • Päivittäisasiointin palvelukokonaisuuteen kuuluu verkkopankki, OP -Visa, OP -Visa Debit tai OP -Visa Electron kortti ja käyttötili, jolle tulee toistuvaissuoritus sekä verkkotiliote 	X
<p>K-Plussa -ominaisuus OP -Visaan, OP -Visa Electroniin tai OP-Visa Goldiin</p>	X
<p>Ostoturva OP-Visa -kortilla tehdyille ostoksille</p> <ul style="list-style-type: none"> • Pohjolan Ostoturva 180 päiväksi ostoksille, jotka on maksettu OP-Visan Credit-ominaisuudella 	X
<p>Op.fi -verkkopalvelut</p> <ul style="list-style-type: none"> • Verkkopankkitoiminnot edellyttävät tunnistautumista. Tunnistautuminen OP -verkkopalveluihin on mahdollista ainoastaan henkilökohtaisella käyttäjätunnuksella ja salasanalla 	X
<p>OP -bonukset</p>	
<p>Saat OP -bonuksia</p>	X

<p>OP -bonuksilla maksetaan pankkipalveluita</p> <ul style="list-style-type: none"> Bonuksia käytetään esimerkiksi OP-Visa -kortin ja op.fi - verkkopankin kuukausimaksuun, lainan toimitusmaksuun, lainopillisten palveluiden maksamiseen 	X
Pohjolan vakuutuksia maksetaan OP -bonuksilla	X
<p>OPKK:n palkkioiden maksamiseen käytetään OP -bonuksia</p> <ul style="list-style-type: none"> Bonuksia käytetään välitys-, arviointi- sekä vuokra-asunnon toimeksiantopalkkioiden maksamiseen 	X
Edut vakuutuksista	
OP -bonuksia kodin, perheen ja ajoneuvojen vakuutusmaksuista (Auto- ja Mittaturvan vakuutukset)	X
Pohjolan vakuutuksia maksetaan kertyneillä OP -bonuksilla	X
<p>7 % alennus useimmista Pohjolan vakuutuksista.</p> <ul style="list-style-type: none"> Etu koskee liikenne- ja autovakuutuksia, koti- ja muita omaisuusvakuutuksia sekä henkilövakuutuksia 	X
<p>3 % lisäalennus useimmista Pohjolan vakuutuksista.</p> <ul style="list-style-type: none"> Etu koskee koti- ja omaisuusvakuutuksia, matka-, henkilö- sekä vapaaehtoisia autovakuutuksia 	X
8 % lisäalennus bonuksellisista Super-, Kevyt- tai Isokaskoista	X
<p>Omakoti -vakuutukseen 150 euron omavastuu.</p> <ul style="list-style-type: none"> Etu koskee palo-, luonnonilmiö- ja rikosvahinkoja, kun kyseisiin turviin on valittu 150 euron omavastuu ja vahingon määrä on yli 150 euroa 	X
Henkivakuutuksen vakuutusmäärän korotus maksutta	X

Metsävakuutukset edullisemmin koti-irtaimiston kotivakuutuksen yhteydessä	X
Alle 1-vuotiaan lapsen vanhemmille henkivakuutusturvaa maksutta vuodeksi	X
Maksuttomat turvan tarkistukset	X
24t/vrk päivystävät hätäpalvelut auto-, koti- ja matkavahinkojen varalta	X
Vahinkoasiat kätevästi puhelimitse tai netissä	X