

# Value Creation in the Banking Industry

A comparative case study of how value is proposed by two Swedish banks from  
a S-D logic perspective



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## Abstract

This study examines how two banks with different digital strategies and customer interaction approaches propose value propositions. Digitalization is reshaping industrial fundamentals as well as leading to changes in the value proposition of companies' business models. This is forcing businesses to clearly articulate the value proposition to stay competitive in the market and to understand how the value proposition is used in the co-creation of value together with customers. Service innovation is further used by organizations to improve their current value proposition. In addition, previous studies have argued that more research is needed to clarify the value proposition structure and management of service innovation, as well as to apply the S-D logic perspective on the retail banking industry.

The purpose of this study has been to analyse how value is proposed by banks through the comparison of one Traditional bank and one Digital bank. The thesis examines what the main components are in the banks' respective value propositions, and identifies differences and similarities. Furthermore, the thesis also examines how the two banks manage service innovation in order to develop their value proposition. In this qualitative study, the chosen methodology was a multiple case study with a comparison between banks within the Swedish banking industry, from an organizational perspective. Primary data has been collected through seven semi-structured interviews with selected executives in the two case companies.

Conclusively, the main contribution is argued to consist of a clarification of how value propositions are structured in the banking industry, together with the insight that there is no uniform approach towards either the creation of a value propositions nor the management of service innovation. Thus, this result is argued to extend previous literature about the S-D logic view.

**Key words:** *Service Dominant Logic, Retail Banking, Value Proposition, Co-creation of Value, Service Innovation, Digitalization*

## Explanation of the Two Case Study Objects

The two banks participating in this paper are referred to as following:

**the Digital bank:** is an entirely online bank, emphasizing all of its customer interaction online through digital channels or via telephone

**the Traditional bank:** is categorized as a Savings bank, where customer interaction takes place through the physical meeting, telephone or digital channels

## Abbreviations

**Digitalization:** is more specifically defined as “*the process of moving to a digital business*” (Gartner, 2020)

**G-D logic:** Goods Dominant Logic

**Online bank:** referring to the process of delivering banking services and products through electronic channels such as telephone and internet (George & Kulmar, 2014)

**Savings bank:** one type of a traditional bank with limited local focus with an absence of shareholder, instead owned by a foundation, where the surplus of the business is reinvested locally with the purpose to develop the multiplication and the surrounding countryside as well as benefit the citizens. This is also defined as the *Saving Bank Concept* (Sparbankernas Riksförbund, 2020)

**S-D logic:** Service Dominant Logic

**Traditional bank:** categorized as a full service bank offering all banking related services and products, while usually built up of local offices and interacts with customer physically and through digital channels. Savings banks are one type of the traditional banks in Sweden (Swedish Bankers, 2019)

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# 1. Introduction

*The introducing chapter presents the background of the chosen topic, as well as, the problem discussion related to it. The purpose and research questions creating the structure of the thesis, guiding the methodological choices and applied literature are also outlined. Lastly, the delimitations of the thesis together with the disposition are presented.*

## 1.1 Background

Today, most industries are heavily affected by the ongoing digitalization, which is forcing various organizations to shift their business towards a digital one (Schmidt, Schirmer & Drews, 2017). Further, this change is transforming industries and challenge traditional business models, where especially the bank industry is argued to be massively affected by the digital transformation (ibid.). As a consequence of digitalization, consumer behaviour and expectations in retail banking are changing (Deloitte, 2019; Sachse, Alt & Puschmann, 2012). The evident reformation of the Swedish banking industry has also attracted new players into the market, namely, online banks such as Avanza Bank, Nordnet Bank and Collector Bank. These players only provide their banking services through digital channels, arguably adapting to the customers' digital demands. Moreover, since online banking was introduced to the market in the 1990s, service innovation within the field has resulted in an evolution from digital bill payment and digital checking, to contactless credit cards and online loan-applications (Tallon, 2010). According to Accenture (2017) an increasing amount of consumers are willing to use banking services from online players and likewise only to interact through automated online supports. With this in mind, traditional banks are struggling to overcome the challenges of digitalization to stay incumbent as the market leader. These banks need to change quickly and manage service innovation, in order to improve their digital services and meet customer expectations (Accenture, 2017). Thus the banking industry is argued to be among the leading businesses in offering opportunities for customers to access services and products online and through digital channels (Mainardes, Teixeira & Romano, 2017).

Moreover, a new marketing perspective called service dominant (S-D) logic was introduced by Vargo and Lusch in 2004, which radically changed the marketing prospect. S-D logic view was claimed to be more efficient in a fast-changing and dynamic world, in contrast to the goods dominant (G-D) logic (Ines, 2017). In this new perspective - the exchange of service is the fundamental focus, instead of the exchange of goods. Another difference between the two perspectives is how value is defined. S-D logic view proposes that firms cannot create value by themselves, but they can use their value proposition as a value-offering to customers (Vargo & Lusch, 2016) and through interaction, the businesses can explain their specific value proposition (Skålen, Gummerus, Koskull & Magnusson, 2015).

Researchers argue that digitalization has previously had, and will in the future have, a major impact on firms' value propositions (Rachinger et al., 2019). According to Mbama, Ezepue, Alboul and Beer (2018) banks continuously need to innovate and develop their value proposition, to ensure their competitiveness in the market and to meet customer demands. To

create a new or to develop an existing value proposition, service innovation should be employed. However, firms need to possess the right resources, as well as, the competence to apply different practices, and will then be able to integrate these resources and practices into the value proposition. It can be concluded that the co-creation of value in the bank industry is service-driven with resource-driven exchanges (Ines, 2017). But still, co-creation of value in the banking industry requires more in-depth research (Mainardes et al., 2017). The same authors argue that bank marketing is still a subject that lacks a deeper understanding from a S-D logic approach, for businesses to offer a value proposition that can enhance the co-creation of value between the business and its customers.

## 1.2 Problem Discussion

Digitalization is reshaping industrial fundamentals, as well as, leading to changes in the value proposition of companies' business models (Schmidt et al., 2017). Companies with different level of digitalization create and communicate different value to their customers while approaching the process of value co-creation differently (Tallon, 2010). In this study, the chosen methodology is a multiple case study with a comparison of two banks within the Swedish banking industry, from an organizational perspective. It was argued that there is a demand for a larger number and more diverse studies about the value proposition structure in different contexts (Skålén et al., 2015). Further, the researchers have found that the value proposition process has not yet been studied between two banks with different digital strategies and approaches to customer interaction. Thus, a twofold need has been identified: to clarify the value proposition structure, as well as, to apply the S-D logic perspective on the banking industry.

In addition, the result of this study can contribute with implication for managerial practices on what both traditional banks and digital banks can do better or differently to improve their value proposition, in order to conform their offerings to customer demands. The battle for market share is still intense in the banking industry, while the strong force of new disruptive technologies challenges the idea of how banking is done (Deloitte, 2019). Traditional banks struggle to keep their customers loyal and lose customers to online banks that can add extra value (Accenture, 2017). However, at the same time, the costs for digital banks are increasing and resulting in difficulties with profitability as the margins tend to be low (Bolanowski, 2016). Michel, Brown and Gallan (2008) argue that more research is needed from an organization perspective, in order to understand how firms can create competitive advantages by combining resources into new value propositions or develop existing ones.

Finally, continuous reconstruction and development of business models, and the value propositions, is argued to be critical in the era of digitalization (Nylén & Holmström, 2015). Due, the importance of controlling and managing digital innovation is increasing among businesses. Through clearly articulating the value proposition, service innovation can be used by a business to improve current value proposition, while at the same time the unique and often unmanageable properties of digital technologies can be controlled (Nylén &

Holmström, 2015). Hence, changing customer demands and increasing digitalization have highlighted the notion of importance for the banks to understand how service innovation can be successfully managed in order to develop their value proposition continuously and meet the shifting customers' demands. This can according to research be done through improving six organizational capabilities (Den Hertog, Van Der Aa & De Jong, 2010). In conclusion, most of the service innovation research has previously been examined based on a G-D logic perspective (Skålén et al., 2015), and it is therefore argued to be highly relevant and interesting to further apply the S-D logic view on this research.

### 1.3 Purpose and Research Questions

The purpose of this Master thesis is to analyse how value is proposed by banks through the comparison of one Traditional bank and one Digital bank. In order to fulfill the purpose, the thesis will examine what the main components are in the banks' respective value proposition, and identify eventual differences and similarities. Further, the thesis will also examine how the two banks manage service innovation in order to develop the value proposition continuously to meet the changing customer demands and maintain competitiveness in the evolving banking industry. The following research questions have been formulated to fulfill the purpose of the thesis:

How do the Traditional bank and the Digital bank propose value?

*What are the main components of their respective value propositions?*

*What are the differences and similarities in value propositions?*

*How is service innovation managed by the two banks in order to develop the value proposition?*

### 1.4 Delimitation

In order to narrow down the research, a few limitations have been made, affecting the scope of the thesis as well as findings related to the topic. The thesis only focuses on the proposed value to the banks' private customers, thus corporate customers are excluded from this research since corporate customers and private customers seek for a different value. Also, the participating banks are so-called full-service banks, where other types of niche banks, as well as person-to-person lending platforms, are excluded.

## 1.5 Disposition

The thesis is structured in accordance with figure 1.1, displayed below.



Figure 1.1 Disposition of thesis

## 2. Methodology

*In the upcoming sections, the methodology applied in this study is presented and motivated further. In order to fulfil the aim of the research and answer the research questions, a qualitative method has been applied to conduct a comparative case study of two Swedish banks, one Traditional and one Digital. The data is gathered by interviewing selected representants from the two organizations. Further, a detailed description is presented in this section, where the decisions of the qualitative methodological choices are argued for. Lastly, the quality of the research is elaborated upon.*

### 2.1 Research Strategy

In this study, an inductive strategy with a qualitative approach has been used. When conducting research, the choice of strategy should be based on the purpose and research questions (Bryman & Bell, 2011; Eriksson & Kovalainen, 2008). Therefore, the qualitative approach was argued to comprehensively contribute with an understanding of how two banks, one Traditional and one Digital propose value. The choices of strategy are motivated and discussed further in the following sections.

#### 2.1.1 Inductive and Exploratory Study

In order to fulfil the aims of this research and properly understand how value is proposed in the banking industry, an inductive and exploratory strategy was concluded to be most applicable. This is due to the ongoing digitalization where consumer behaviour and expectation in the banking industry are changing (Sachse et al., 2012), and forcing banks to provide value to customers in new ways (Deloitte, 2019). Eriksson and Kovalainen (2008) argue that an explorative approach should be applied to provide an understanding of unclear issues. How the approach towards proposing value during this industrial change differs, or resembles, between a Traditional bank and a Digital bank, is arguable to be labeled as an unclear issue by the thesis authors. Further, previous literature and research about value propositions and digitalization in the banking sector has been identified. But as previously argued, there is not much comparative research about these topics where two banks with different strategies are included. It is, therefore, suitable to apply an exploratory approach to understand the behaviour of the players in the fast-changing and digitalized environment faced by the banking industry. The exploratory approach is also appropriate in order to fulfil the aim of analysing how service innovation is managed in the two organizations, in order to develop their value proposition. It was further found by the authors that the chosen research purpose had no specific theories and no previous patterns to refer back to, which contributes to the argumentation around why an explorative approach should be chosen according to Bryman and Bell (2011).

#### 2.1.2 Qualitative Approach

To comprehensively answer the research questions and understand how banks propose value as well as the composition and development of value proposition, a qualitative approach was chosen and applied. As previously discussed, an inductive research strategy is mostly

associated with a qualitative approach, which aims towards generating a deeper understanding of a certain context (Bryman & Bell, 2011). In practice, this entails that through conducting interviews with selected respondents, primary data has been collected with the aim to generate new ideas and theoretical implications about value proposition and service innovation management in the banking industry. Through the use of a qualitative methodological approach, detailed knowledge and deep understanding of a research problem can be generated (Bryman & Bell, 2011). In addition, the chosen approach put more emphasis on words rather than numbers and implies an inductive view where research generates new theory. On the contrary, a quantitative approach is argued to be more static and aiming towards testing hypotheses that are based on existing theories (ibid.). As mentioned, due to the aim of this study to analyse the current situation and complement previous theory with new ideas and not to test existing hypotheses, an inductive approach with a qualitative design was applied throughout.

Moreover, according to Yin (2010), the main benefit of a qualitative method is the possibility to access and analyse in-depth knowledge of a chosen topic. Therefore, qualitative semi-structured interviews were conducted where the respondents were able to elaborate on their answers and share opinions about the topic, while the researchers were able to ask supplementary questions. Eriksson and Kovalainen (2008) encourage researchers to view reality as socially constructed where cultural meanings and words produce the experienced in reality. Bryman and Bell (2011) further argue that words have a key role in collecting and analysing data. In accordance, by focusing on the interviewees' own words and perceptions about the value proposed by the respective banks, a deeper understanding of the different situations and its complexity could be generated.

## 2.2 Research Design

The chosen research strategy affects the design of the research (Bryman & Bell, 2011). As concluded, the chosen inductive strategy is mostly associated with a qualitative research design, which has been used in this research. Further, an extensive multiple case study with a comparative design has been conducted, through the usage of semi-structured interviews. The research design choices are further motivated and discussed in the upcoming sections.

### 2.2.1 Multiple Case Study with Comparative Design

This research consists of an extensive multiple case study, where the focus is on mapping common patterns if they exist, and collect similar empirical data for each case (Eriksson & Kovalainen, 2008). One main objective of this study is to extend prior theory about value propositions in S-D logic view, with data from more than one case. Therefore, a multiple case study research was chosen in accordance with Eriksson and Kovalainen (2008). In addition, to answer the articulated research questions, the multiple case study design was considered to be an appropriate appellation, since it according to Eriksson and Kovalainen (2008) allows the researchers to analyse data both within each case and also across cases. In order to fulfill

the comparing purpose of this research, one Traditional bank and one Digital bank were selected to participate in the study. The two organizations were analysed with the aim to understand the unique contexts of each company but also to identify differences and similarities.

In addition, in the comparative case study design, the emphasis is put on using identical methods for the different cases (Bryman & Bell, 2011), which in this research implies that the interviews have been conducted with representatives from both the Traditional bank and the Digital bank. Since the research is aiming towards explaining how banks propose value, it was desirable to ask similar questions to the two companies in the interviews to compare and contrast the results. However, this was not fully possible due to the chosen semi-structured interview design, where the respondents got the possibility to highlight their own most important topics. All in all, the benefits of the semi-structured design and the flexibility of it was argued to be more important than asking the exact same questions, and the results are still argued to be comparable. Moreover, a comparing study further allowed the researchers to fill in the gap in the literature consisting of few similar studies with the chosen methodological approach. Finally, as with every different research design, advantages and disadvantages exist, as well as contradictory opinions about what approach generates the most adequate results. A multiple case study is generally argued to be more reliable than a single case study due to its inclusion of several empirical evidence (Baxter & Jack, 2008). Also, the chosen design also allows a wider exploration of the research questions and theoretical evolution (Eisenhardt & Graebner, 2007). However, a multiple case study does not give an as deep understanding as a single case study offers (Dyer, Wilking & Eisenhardt, 1991). Since the research aimed to compare and contrast cases, the multiple case design was ultimately chosen since a comparison in accordance with the research purpose and question was not possible within one single case. Further, it is not always guaranteed that a single case study will produce rich theoretical insight either (Dyer et al., 1991), therefore the advantages with a multiple case study are argued to outweigh the potential disadvantages.

### 2.2.2 Case Companies

The two organizations selected as cases for this study are both players in the Swedish banking market. They were mainly selected due to their differences in digital strategies and approach to customer interaction, based on the research's purpose. Further, the two banks offer similar services, namely house mortgages, personal loans and savings services. The Traditional bank is categorized as a Savings bank, where customer interaction takes place through the physical meeting, telephone or digital channels. The Digital bank on the contrary is an entirely online bank, emphasizing all of its customer interaction online through digital channels or via telephone. Furthermore, the choice of cases and research design allowed the researchers to understand and compare the result from two banks.

### 2.2.3 Data Collection

In a qualitative research approach, different methods of collecting data can be applied (Bryman & Bell, 2011; Eriksson & Kovalainen, 2008). The chosen approach together with the chosen research questions should be guiding this decision (Eriksson & Kovalainen, 2008). In this study, primary data has been collected through semi-structured interviews with selected employees at managerial level. The data was collected to provide the researchers with an understanding of the main components of the value propositions, and also to identify similarities and differences between the value proposition of the two cases. In addition, an understanding of how service innovation is managed was also strived towards. Further, to comprehensively understand these issues, an internal organizational perspective of the cases has been applied to emphasize the respondents experienced reality. Through applying an internal perspective, the specific processes and practices applied by each bank were highlighted in order to contextually understand the findings, and thereby fulfill the aim of comprehending how value propositions are managed.

### 2.2.4 Selection of Respondents

In order to understand how banks propose value in the banking industry from an organizational perspective, interview respondents were selected from two banking businesses. The sampling process is argued to be highly important since it directly affects the results of the empirical findings (Bryman & Bell, 2011). Further, a careful selection of suitable and appropriate respondents were argued to avoid biased results. Therefore, in this study, the participants were selected based on their organizational position and tenure of knowledge relevant to the research questions and topic.

In this research, the inclusion criteria when choosing interviewees, except being employed at either the Traditional bank or the Digital bank, were a possession of a holistic understanding and knowledge about the value offered by the bank. However, this criteria was not possible to check off in reality, but the managerial positions possessed by the respondents made it reasonable to assume that they had this specific level of knowledge. In addition, knowledge about change management and internal innovation processes were also requested among the respondents. Therefore, all of the selected respondents hold managerial positions, allowing them to comprehensively share the requested company-specific information. It was further considered important to include respondents involved in the strategic decision-making processes of the banks, as well as in the daily activities and interaction with customers. As a result, the CEOs' of the two banks were considered suitable as interviewees. In addition, in order to get a deeper and more diverse understanding of the value creation process, five additional respondents were also interviewed, namely, the Deputy CEO and Innovation & Marketing Manager from the Digital bank as well as two different Office Managers and the Private Market Manager from the Traditional bank. These respondents were assumed to be more involved in the daily business processes. Moreover, all of the managers offered different perspectives on how value is proposed and how the current management of



innovation practices takes place. In conclusion, the respondents were all selected to provide different perspectives from their position in the company, but also to provide a common internal business view of the company and its activities.

Furthermore, all of the respondents were selected beforehand based on the criteria presented above and then asked to participate in an interview. In the table below, an overview of the respondents is presented.

<b>Bank</b>	<b>Position</b>	<b>Place of interview</b>	<b>Duration</b>	<b>Date</b>
Digital	CEO	Distance, by telephone	40 min	2020-03-20
Digital	Deputy CEO	Distance, by telephone	35 min	2020-03-27
Digital	Innovation & Marketing Manager	Distance, by telephone	40 min	2020-04-15
Traditional	CEO	Head office, in person	30 min	2020-03-12
Traditional	Private Market Manager	Head office, in person	40 min	2020-03-12
Traditional	Office Manager	Head office, in person	45 min	2020-03-12
Traditional	Office Manager Telephone bank	Head office, in person	56 min	2020-03-12

Table 2.1 List of respondents

The process of selecting respondents described above can be referred to as convenience sampling. Convenience sampling is categorized as a non-probability sampling and is defined as a sample that is available to the researchers due to its accessibility (Saunders, Lewis & Thornhill, 2007). Further, Eriksson and Kovalainen (2008) put emphasis on the importance of participants suitability and highlights the benefits of using convenience sampling procedures in a familiar organization, to get access to the right persons. The same authors also argue that by knowing the organization, the possibility to develop detailed contextual knowledge about the specific setting is improved. Therefore, this sampling method was preferable since the researchers had personal contacts within both the Traditional and Digital bank, and could access the desired interviewees. In addition, time and resource constraints also contributed to the chosen sampling method.

Furthermore, in this research three respectively four managers, were selected to represent the internal perspective of two organizations with around 140 and 470 employees. The main benefit of the chosen sample in this research was the organizational and strategic insight that the managers and CEOs' were assumed to have. In addition, interviewing a total of seven respondents from two different organizations was seen as time-effective. But as Bryman and Bell (2011) argue, researchers have to be critical about relying on a few respondents to know everything about the organization, as well as being aware of their desire to favour the

organizational image. Another disadvantage with the chosen convenience sampling is the lack of representativity among the interviewees (ibid). Therefore, it should be highlighted that the findings of a convenience sampling cannot be generalized to the larger population, but the result can still have a high level of theoretical generalizability (Hillebrand, Kok & Biemans, 2001; Yin, 2014). As with all qualitative studies, the main purpose of this research is not to generalize the results for a larger population, but to provide a contextualized understanding of value creation in the banking industry through the investigation of two particular cases.

### 2.2.5 Interviews and Interview Guide

Primary data was as discussed collected through semi-structured interviews with managers at the two banks. Interviews are often used in marketing and consumer research according to Eriksson and Kovalainen (2008), and there are different ways to conduct them. Since perspectives might differ internally, it was considered to be important to capture the opinions of different managers in order to fully understand the value creation processes as well as the management of service innovation. Semi-structured interviews were argued to most comprehensively contribute to that understanding, which also supports the exploratory strategy as well as the qualitative approach of this research. The choice of conducting semi-structured interviews further implied flexibility that allowed the respondents to develop and elaborate on certain arguments with additional supplementary or follow up questions. This practice does according to Bryman and Bell (2011) result in a deeper understanding and insight into a topic since the respondents are encouraged to bring up new ideas and thoughts. The interviewees were able to influence the direction of the interview and highlight certain topics, giving the researchers a contextual understanding of the banks' value creation.

Moreover, all of the interviews were conducted in Swedish, since it was the native language of all respondents and therefore perceived as most convenient. The respondents were told to focus on the perspective of private customers during the interviews. Four of the interviews were further held in person at the Traditional bank's head office, and the remaining three interviews with the representatives from the Digital bank were held over the phone. Face-to-face interviews are according to Bryman and Bell (2011) preferable since they imply personal connection and interaction through body language and shared expressions, which can contribute with important insights to the data analysis. Therefore, in-person interviews were favoured by the researchers, but due to societal circumstances and distance, all of the interviews with the Digital bank were as mentioned held over the phone.

In addition, all of the respondents were consulted about anonymity and audio recording of the interviews, which importance is highlighted by Saunders et al. (2007). It was decided jointly with the banks to anonymize the banks' names and instead refer to them as the Traditional bank and the Digital bank. Also, the names of the interviewees were anonymized where only their positions were published in the thesis, since their positions were argued to bring enough credibility to the data collection process. Moreover, all of the respondents agreed to be audio

recorded, which in turn brings dependability and transparency to the research. The respondents were also informed beforehand that the data would only be used for this specific research. After the interviews were held, all of the recorded data was transcribed by the researchers and translated to English. Transcription of interviews is beneficial to give the researchers a deeper understanding of the data produced during the interview (Bryman & Bell, 2011). The researchers did also take notes during the interviews, to highlight specific statements that seemed important in real-time.

Moreover, when conducting semi-structured interviews, an interview guide is suggested to be used which should consist of a general guide of issues to be addressed during the interview or questions to be asked (Bryman & Bell, 2011). Further, the interview guide can contribute with enhanced flexibility as it allows changes in the questioning order as well as support a structure from which relevant data can emerge (Yin, 2003). Due to these benefits, an interview guide, presented in Appendix A, was prepared and used in all the interviews. Since it was important for the researchers to generate a rich and comprehensive understanding of the value creation process and its specific components from the interviews, the interview guide was sent out in advance allowing the respondents to prepare themselves and think about the specific topic beforehand. The guide also allowed the researchers to maintain a level of similarity between the different interviews, to further be able to analyse the collected data and answer the research questions.

However, one should be aware of the disadvantages of using an interview guide, namely the risk that respondents feel restricted and therefore not being able to openly discuss the topics (Bryman & Bell, 2011). In addition, there is a risk that the interviewers oversee what the respondent perceives as most important about the topic. Therefore, the interview guide was used by the researchers as a guidance rather than a fixed form as proposed by Saunders et al. (2007), which allowed the respondents to steer the conversation towards their perceived reality while the conversation was guided forward by the researchers when necessary. Another pressuring aspect was the interview time limitation of 60 minutes with each respondent, which forced the researchers to carefully select only the most relevant questions when designing the interview guide, in order to have time for all questions and topics articulated in the research's purpose. However, despite the disadvantages of using an interview guide, it allowed the researchers to control the interviews and collect desired data.

### 2.3 Data Analysis

The interviews were as mentioned recorded and later transcribed. The process of recording and transcribing provides credibility to the research (Bryman & Bell, 2011). Further, there is no uniform way of analysing qualitative data, thus it is a fundamental practice of every research, and a structured method is suggested to be used in order to bring validity to the research (ibid.). In this data analysis process, an iterative approach has been applied throughout, where the researchers have been going back and forth between the empirical data section, the theoretical findings and the analysis. This process was argued to be most suitable

due to its flexibility and since some topics needed to be further elaborated upon as the knowledge about the topics increased. Together with the continuous iterative approach, a thematic analysis was chosen as the main method and coding as the key tool. In the thematic analysis applied, the researchers emphasized to identify themes through the process of coding, in order to sort out useful information from the large amount of unstructured material collected from the interviews.

In this research the thematic analysis was done in two steps, first various phrases were highlighted in the transcribed interviews representing different first-order codes or concepts, where each of the different concepts describes an idea, practice or opinion. Keywords related to the research questions were used to categorize these codes, e.g. *value*, *communication*, *change management* etc. In the second step of the analysis, patterns were identified among the identified first order codes, which resulted in the final themes aligned with the aim of the research. Due to the use of an interview guide, the data processing was facilitated since the majority of the answers already were classified into the three different themes used in the guide. Further, the applied process of coding is argued to have brought consistency through the identification of themes in the collected data. In addition, the process of coding where mutual themes were identified in the two separate sets of data from the two banks simplified the comparison between the different companies in the research. Conclusively, in order to mitigate the risk of losing the situational context of the content and ensure that the information had been correctly understood by the respondents (Bryman & Bell, 2011), the data presented was approved by the respondents beforehand.

## 2.4 Research Quality

According to Eriksson and Kovalainen (2008), it is of great importance to highlight the strengths and limitations of the research. The research evaluation of this project has been an ongoing process. Since this research aims to build around practical problem solving, Eriksson and Kovalainen (2008) suggest evaluation criteria such as reliability and validity, which have been adopted to establish quality in this paper.

### 2.4.1 Reliability

Eriksson and Kovalainen (2008) define reliability as the degree of consistency in research and to what extent other researcher can replicate the study and get similar result. Bryman and Bell (2011) differ between external and internal reliability, and the concepts are elaborated upon in the following paragraphs.

The first one, external reliability is defined in accordance with Eriksson and Kovalainen (2008) as the degree to which a study can be replicated. Thus in qualitative research it is almost impossible to conduct an exact replication, since there are few standard procedures that can be followed (Bryman & Bell, 2011). However, the authors point out the importance of transparency and careful documentations of details of the study e.g. aim of the research

and detailed description of chosen methodological approach. In this project the researchers have tried to give a detailed examination of the data collection process such as criteria of participants, interview guide questions, analysis process of transcripts and code description. In addition, the interview guide has been included in Appendix A, which can be used to replicate the same cases.

The second concept, internal reliability refers to if there is more than one member of the research team, researchers need to be consistent in their observations, otherwise this can lead to lack of consistency (Bryman & Bell, 2011). Before the translation of collected data from Swedish to English, the themes and coding procedures were predefined to decrease the possibility of lack of consistency. Besides, to gain internal reliability the researchers have followed explicit details regarding theoretical perspectives and research design from accepted methodological sources.

#### 2.4.2 Validity

Validity refers to the degree to which findings can be generalized (Yin, 2014). One limitation of a qualitative study is that it cannot be generalized for a certain population (Johnston, Leach & Liu, 1999). Further, Yin (2014) argues that qualitative research is rather generalized to theory than to population. In accordance, Hillebrand et al. (2001) present theoretical generalizability as one type of generalization that can be used for case study research. Theoretical generalization is based on logical arguments to support the research's findings. In this article, the researchers aimed to present data in accordance to what Hillebrand et al. (2001) debate, which implies reasoning based on empirical facts, using logical arguments explaining the relationship between the variables analysed and include prior accepted theories. In addition, Eriksson and Kovalainen (2008) argue that in qualitative research generalization, selection of cases should be well-argued, which is aimed towards presenting it in previous sections.

Moreover, to increase validity, member check was interpreted in accordance with Eriksson and Kovalainen (2008), where participants of this research had the opportunity to check the interpretations of the researchers before publication. Further, to reduce subjectivity across data, the interviews were conducted in semi-structural settings allowing the respondents to underline important content. In conclusion, all of these actions have intentionally been made in order to strive towards a higher level of research validity.

#### 2.5 Ethical Guidelines

Prior to the interviews, the respondents were informed of the research's intentions and that there was no commercial purpose underlying this project. This thesis is not written for a certain organization and the authors did not receive any grants from the project. This is in line with the code of ethics written by the American Marketing Association (Feinberg, Kinnear & Taylor, 2013). In addition, companies had the opportunity to stay anonymized which was

respected. All respondents agreed to have their job titles published, and gave their consent to participate in the research, also in line with the code of ethics (Feinberg et al., 2013). Respondents have been informed in accordance with Eriksson and Kovalainen (2008) that the interviews and tape recordings will only be used for the aim of this research and not shared with third parties. Further, the information will be held in confidence by the two researchers.

### 3. Literature Review

*The theoretical framework presented below is the foundation of this study and will serve as a tool to analyze the two case companies. The literature review is structured based on the topics related to the research questions, and a majority of the sections apply a service dominant logic perspective followed by research around digitalization in the banking industry, combining the views from different authors and scholars. At the end of this section a conceptual framework is presented.*

#### 3.1 Service Dominant Logic

A new marketing perspective was introduced by Vargo and Lusch in 2004, moving from goods dominant (G-D) logic view to service dominant (S-D) logic view, an orientation shift from producer to consumer. Previously scholars have applied the S-D logic in the banking industry, where Ines (2017) explained how S-D logic can be applied in the financial service sector and clarified how co-creation of value is created in online banking. Furthermore, Malar, Arvidsson and Holmstrom (2019) used S-D logic from a consumer perspective to explain how the view can be used to analyse online services, focusing on the co-creation of value with customers. Therefore, it is argued to be relevant and interesting to further apply the S-D logic view in this research on the banking industry.

Since S-D logic was introduced, it has radically changed the marketing prospect of viewing goods as the unit of exchange, to the exchange of service as the central factor. Service is defined as *“the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself”* (Vargo & Lusch, 2004, p. 2). Further, G-D logic view is based on standardized goods, produced without consumer involvement and where value is created by the firm with no purpose to change customer needs. In S-D logic, on the other hand, the exchange of intangible resources is the key to co-creation of value and relationships between service providers and consumers (Vargo & Lusch, 2004), which applied to this research refers to the banks and their private customers. Another difference between the two perspectives is how value is defined. The G-D logic view defines value as value-in-exchange, while S-D logic perspective defines value as something only the customer can define based on value-in-use (ibid.). However, value-in-exchange is based on firms’ resources and fundamental to create value-in-use together with their customers (Grönroos, 2008; Michel et al., 2008). The S-D logic view is stated to be applicable to all marketing offerings, also those involving tangible output. Furthermore, there is no separation of services and goods in the marketing offer, since the value is defined by and co-created with the customer rather than embedded in output. The S-D logic view is mainly focused on understanding consumers’ needs and demands, where interaction between the players rather than the exchange of goods is the fundamental factor in marketing (Grönroos, 2008). In addition, in the S-D logic view, there is a shift in focus from operand resources such as manufacturing, inventory and distribution, to operant resources, including invisible and intangible resources such as knowledge, competence and relationships (Michel et al, 2008; Vargo & Lusch, 2004). Firms should use operant resources in order to be able to deliver a better value proposition than its competitors (Vargo & Lusch, 2004).

During the years, Vargo and Lusch (2004, 2006, 2008, 2016) have created eleven foundational premises (FP). One of these eleven FPs is FP7, which argues that firms cannot create value by themselves, but they can use their value proposition as a value-offering to customers (Vargo & Lusch, 2016). Further, FP7 creates the foundation of this study, in the aim of examining the value proposed by the two banks. Since the first publication of S-D logic, scholars have tried to explain more specifically the key aspects and criticized the concept of value co-creation. Moreover, Vargo and Lusch (2016, p. 8) defined value as “*value is co-created by multiple actors, always including the beneficiary*”. In addition, Saarijärvi, Kannan and Kuusela (2013) explore and illustrate different approaches to the value creation in the S-D logic view. The authors suggest that instead of only indicating that value is co-created, firms need to take it one step further and understand to whom value is co-created, what kind of value is co-created, what resources are used and how these are interconnected.

In summary, the goal of S-D logic is to customize offerings, recognize the customer as the co-creator of value (Grönroos, 2008) and strive towards maximizing customer involvement in the customization process (Vargo & Lusch, 2008). As research shows, this can be done in multiple ways. Firms should further focus on their core competencies and manage their network. Consumers will develop relationships with organizations that can provide them with an entire host of related services over an extended period. Due to this, the marketing perspective has shifted from the goods to the more intangibles resources such as skills, knowledge and ongoing relationships, as presented above. Companies within different industries are therefore challenged with this new way of approaching their customers, leading to new relationships and ways of managing these (Cziesla, 2014).

### 3.2 Value Proposition

As mentioned, the value proposition is one of the eleven FPs (FP7) which constitute the foundation of the S-D logic (Ballantyne, Frow, Varey & Payne, 2011; Vargo & Lusch, 2016). The definition of the value proposition is highly controversial among researchers, and there is no common definition that is agreed upon. The concept is mostly defined from a G-D logic view according to Skålén et al. (2015). Further, as previously argued, this research applies a comprehensive S-D logic perspective throughout, which is why the concept of the value proposition is defined from the pervasive S-D logic perspective, which follows accordingly: Chandler and Lusch (2015, p.8) define value proposition as “*invitations from actors to one another to engage in service*” meanwhile Skålén et al. (2015) define it as a configuration of several different practices and resources. Kuzgun and Asugman (2015) further add to the definition that value proposition could emerge as price, product attributes, signs, symbolic and utilitarian. In order to fulfill the aim of this research and comprehensively understand how the two banks propose a value for their customers, all of these three definitions will be combined to identify each of the two banks’ value propositions. Thus, all aspects of the value propositions will potentially be covered, resulting in deeper insights.



All firms offer a value proposition to their customers, and it is through interaction the business can explain their specific value proposition (Skålén et al., 2015). However, the value proposition can only be evaluated from the perspective of the customers, and if it is approved, there will be co-creation of value between the parties involved (Ballantyne et al., 2011; Gummesson, 2007; Vargo & Lusch, 2008). Moreover, in contrast to Vargo and Lusch (2004, 2006), Skålén et al. (2015), found that value propositions might be created in three different configurations. Value propositions are according to the authors either created solely by the firm in isolation, in co-creation with customers, or with other parties. This was added to the theories of Vargo and Lusch (2008) who stated that firms create value propositions, but it was not explained how they do it. Moreover, businesses offer value propositions where value is co-created during interactions and value is subjectively determined when the customer uses a product or service (Skålén et al., 2015; Vargo & Lusch, 2016). Consequently, the value depends both on the interaction and the customer context (Skålén et al., 2015), and different value propositions result as one can understand in the creation of different kinds of values.

In order to explain how the value proposition is used in the co-creation of value together with customers, Skålén et al. (2015) propose a detailed anatomy of value propositions. The authors have further concluded that value propositions consist of ten organizational practices that are grouped into three aggregates, and these practices integrate both operand and operand resources into value propositions. In addition, the practices enable the maximal utilization of a firm's knowledge and skills. The three main aggregates that create a value proposition are *provision practise*, *representational practice*, and *management and organizational practices* (Skålén et al., 2015). In the following section, the practices will be described as more in-depth ending with a summarizing table.

Firstly, the first aggregate is called *provision practices* which consist of three subgroups, and these are argued to make sure that the value proposition is fulfilled. *Operating practices* are the first subgroup that intends to directly support the customer's value creation, which is the heart and main component of the value proposition. Diagnosis schemes, work packages, information collection and documents are examples of activities in the *operating practices*. In addition, the second subgroup is the *problem-finding practice* which supports the identification of problems and new needs that the customer can experience in their creation of value. Activities conducted by firms are for example technical audits, customer surveys, brainstorming sessions, assessment and pilot studies. The last subgroup is called *problem-solving practice*, and it supports the solving of customers experienced problems. Integration of IT systems, removing bugs in the data coding and implementing new software solutions are activities within this practice. In conclusion, this first aggregate answers the question "How does the firm make sure that the value proposition can be used so that value-in-use emerges for the customer, according to the firm's promise?" (Skålén et al., 2015)

Secondly, the next aggregate is referred to as *representational practices*, and it facilitates communication between the firm and the customer. These practices further integrate available resources so the value proposition can be understood properly and communicated both internally and externally. This aggregate also consists of three subgroups of practices.

The first one is called *naming and labelling practices*, and describe activities within the value proposition, through activities such as standardized language, compiling lists, mapping, defining concepts, branding and producing presentations. Moreover, the next subgroup is *modelling practices*, which create the structure of the value proposition. Business model designs, maps, matrixes, schemes, designs, and concepts are activities within this practice. Lastly, *interaction practices* help the firm to communicate the value proposition to their customers. Example of activities within this subgroup is telephone calls with customers, dialogues with fellow employees and managers, offerings, and reports. This second aggregate answers the question “*How is the value proposition communicated, and what does it mean?*” (Skålén et al., 2015)

Thirdly, the last aggregate is *the management and organizational practices* that support the other two aggregates and complete the value promise through aligning, organizing and managing *provision practice* and *representational practices*, and the resources these practices integrate. Four subgroups are included in this aggregate, where the first one is called *organizing practices*. The main aim of these practices is to organize the activities of providing and representing the value proposition. Meetings, workshops, forming cross-disciplinary teams, budgeting, conferencing, and reference group meetings are examples of activities to be conducted within this practice. Second, *staffing and team-building practices* are used to hire employees and form teams that can provide and communicate service. Activities mentioned by the authors are e.g. creation of “dream teams”, competency mapping, teamwork, employee involvement, and recruiting. The third subgroup is called *networking practices*, and these are involving employees of the business and other members to create, deliver, or negotiate value propositions. The activities within this practice are similar to the ones in *organizing practices* (which is the first subgroup in this same aggregate), mainly meetings, committees, workshops that are shared via a network. Finally, the last subgroup is *knowledge-sharing practices*. These imply the spreading of knowledge and skills, important resources, between different groups and throughout the company. Activities are e.g. training, best practice sharing, establishing consensus across groups, and human interaction in order to realize the value proposition for the customer. This aggregate answers the question “*How does the firm fulfill its part of the proposed value?*” (Skålén et al., 2015)

In the table below, a summary of the different aggregates is included.

<b>Aggregates</b>	<b>Subgroups</b>	<b>Activities examples</b>
Provisional practices	Operating practices	Diagnosis schemes, work packages, information collection, documents
	Problem-finding practices	Technical audits, customer surveys, brainstorming sessions, assessment, pilot studies
	Problem-solving practices	Integration of IT systems, removing bugs in the data coding, implementing new software solutions
Representational practices	Naming and labeling practices	standardized language, compiling lists, mapping, defining concepts, branding, producing presentations
	Modeling practices	Business model designs, maps, matrixes, schemes, designs, concepts
	Interaction practices	telephone calls with customers, dialogues with fellow employees and managers, offerings, reports
Management and organizational practices	Organizing practices	Meetings, workshops, cross-disciplinary teams, budgeting, conferencing, reference group meetings
	Staffing and team-building practices	Dream teams, competency mapping, teamwork, employee involvement, recruiting
	Networking practices	Meetings, committees, workshops shared via networks
	Knowledge-sharing practices	Training, best practice sharing, establishing consensus across groups, human interaction in order to realize the value proposition

Table 3.2 Summary of aggregates

### 3.3 Service Innovation

The detailed anatomy of value propositions presented by Skålén et al. (2015) explained above offers a deep understanding of the components of an organization's value proposition. According to Nylén and Holmström (2015), when the value proposition is clearly articulated and understood, service innovation can be used to improve the current value proposition. Previous literature in service innovation has been distinguishing between two perspectives which Skålén et al. (2015) have integrated into one concept through the lens of a S-D logic perspective. Furthermore, service innovation from a S-D logic perspective takes place through developing existing or creating new practices, and/or resources (Michel et al., 2008). As a consequence, these actions result in new or redeveloped value propositions. Further, Skålén et al. (2015, p. 23) add that:

*“service innovation entails the development of existing, or the creation of new, provision practices, representational practices, and management and organizational practices, and/or the operant and operand resources that these integrate”.*

Moreover, service innovation must be conducted from the perspective of the customers, as well as, the value proposition. Firms, therefore, need to understand the components of the offered service, and how customers generate value from it. Service innovation can only be successful if the firm has the right operant and operand resources together with the ability to use the *provision practices, representational practices and management and organizational practices* presented previously, and is able to integrate these into the value proposition. In addition, Skålén et al. (2015) suggest that managers should interact and cooperate with customers in the innovation process, which can help customers understand the firm’s value proposition better. Also, by collaborating with consumers - problems or opportunities might be identified by the company (ibid.).

Furthermore, Skålén et al. (2015) identify four ways of how service innovation at a micro level can occur. This model is one of two models that will be used to analyse how service innovation is managed in the two banks. Following, the first service innovation described is called *adaptation*, which is where existing resources, both operant and operand resources, are integrated into new ways in existing practices. This is the modest level of modification but results in new or attractive value propositions e.g. development of a firm’s website. In the next type of innovation, which is *resource-based innovation*, new operant and/or operand resources are integrated into existing practices or slightly modified practices. As a result, a new value proposition is hence created or the existing one developed. The development of operant and operand resources can enable new forms of value creation for the customers. Further, *practice-based innovation* which is the third type uses existing or slightly modified resources that are integrated into new practices which could be a new type of *problem-finding practice* e.g. customer survey or brainstorming that did not exist before. Finally, *combinative innovation* involves new resources that are integrated into new practices. Therefore, this radically develops an existing value proposition or creates a new one. Due to this service innovation, a different value will be created together with customers, compared to the previous value that has been offered. Finally, using this model contributes to identifying what dimension and what resources have been innovated or developed (Skålén et al., 2015). However, it should be noted that service innovation processes are less formal than product innovation processes, and it was therefore argued to be difficult to apply a stage-gate process model to the service innovation process (Kelly & Storey, 2000).

### 3.3.1 Managing Service Innovation

Service innovation implies as mentioned the development of existing practices or the creation of new practices, and/or resources, which results in a new version of the value proposition (Michel et al., 2008). According to Mbama et al. (2018), it is highly important that banks continuously innovate and develop their value proposition, to ensure their competitiveness in

the market and to meet customer demands. To be successful in the long run, service innovation has to be conducted repeatedly and constantly, allowing companies to adapt to changing environments and stay competitive (Den Hertog et al., 2010). Through managing the process of service innovation, the value proposition offered by the company can be developed and adapted to the current market needs. Moreover, practical frameworks that are useful for the strategic management of service innovation within organizations, are scarce according to Möller, Rajala and Westerlund (2008). Nevertheless, Skålén et al. (2015) have in their research mainly focused on analysing, identifying and categorizing different dimensions of service innovations.

Furthermore, previous research on service innovation and its application has mainly argued that service providers, such as banks or other business, are solely responsible for the development of new services. In this process, they are advised to study the behavior of users and customers to understand their unarticulated service-needs. According to these findings, the companies are then tasked with innovation and testing new service intended to respond to the identified needs (Menor & Roth, 2008; Oliveira & von Hippel, 2011). Customers are in this view not considered to be potential service creators, and this assumption is challenged by more recent research. As argued by Grönroos and Voima (2013), indirect and direct interaction between service providers and customers result in co-creation of value. The same process is described in service innovation, where users are viewed as co-creator who should be invited to join service producers to work collaboratively on service development (Nambisan & Baron, 2009; Oliveira & von Hippel, 2011).

Through the application and use of new/existing resources and new/existing practices in new ways, service innovation as mentioned can be achieved. According to Edvardsson and Tronvoll (2013), service innovation can only be attained when the customers understand, access and use the existing resources available. In other words, service innovation highlights the usage of resources in specific contexts, which is then resulting in improved value and more attractive customer experiences. In order for companies to achieve service innovation, Den Hertog et al. (2010) present a framework with six organizational capabilities that firms should use in the creation and realization of innovations. This framework will be used to analyse how service innovation is managed in the two banks in order to develop their value proposition. Moreover, the use of these capabilities is argued to result in high-performing strategic management of service innovation. According to the authors, successful service innovators outperform their competitors in these dynamic capabilities, and by developing the missing capabilities, the service innovation performance of companies is argued to increase (ibid.). Moreover, service innovation capabilities entail specific capabilities, e.g. organizational competencies, routines and processes that companies have to manage the process of service innovation (Den Hertog et al., 2010), and these are presented in the upcoming section.

The first capability is *signaling user needs and technological options*, which implies the ability to systematically look for and interpret dominant trends in the market, both customer needs and technological trends. Since companies are dependent on customers in the co-

creation process of service development, the customers and their needs must be properly understood. Practices and processes used to acquire this knowledge are e.g. through dialogues with customers, by scanning the market, and by monitoring competitors. Moreover, the second capability is referred to as *conceptualizing*, which is mainly about the ability to transform a rough idea into a viable service offering. This requires an organizational culture that allows employees to “think outside the box”, to question current organizational processes, accepting change, and nurture corporate entrepreneurship. Third, the organizational *bundling/unbundling capability* is consisting of two basic varieties; either the creation of service combinations with the possibility to customize the service offer or the creation of highly specialized and standardized services. Moreover, the next capability is *co-producing and orchestrating*, which implies the ability to manage and engage in networks with other service providers or companies, to co-create new experiences. It can also imply the co-creation of value and services together with customers, creating temporary partnerships or alliances. (Den Hertog et al., 2010)

Furthermore, the fifth capability is *scaling and stretching* and implies the ability to diffuse a new service concept throughout the organization and to customers. It is achieved by creating a strong brand that customers value and associate with a certain set of services and service quality, allowing the company to use the existing brand name to stretch the core service offering. The next capability is named *learning and adapting* capability, which is important to obtain service innovation. It mirrors the ability to learn from previous service experiments and evaluate these by keeping track of failed and successful innovation efforts. In conclusion, when firms have these six different capabilities, they are according to researchers assumed to manage service innovation successfully. (Den Hertog et al., 2010)

### 3.4 Digitalization

Digitalization is playing an important role in today's society, where the implementation of digital technologies is resulting in restructured industries (Cziesla, 2014) and new ways of conducting product and service innovation (Nylén & Holmström, 2015). Worldwide industries and the business acting within are faced with both opportunities but also major challenges in this digital shift. The banking industry is among the most heavily affected ones as new customer preferences and expectations drive the need for adapting processes and digital strategies (Cziesla, 2014; Schmidt et al., 2017). The concept of digitalization is more specifically defined as “*the process of moving to a digital business*” (Gartner, 2020), which in this study implies the movement of banking activities online. It must further be reminded that the digital transformation is complex and is occurring over extended periods (Sebastian et al., 2017), putting continuous pressure on the companies to maintain their digital development and managing the service innovation process.

Banks among other organizations need to innovate to maintain their competitiveness, to meet customer demands, and to improve digital services (Mbama et al., 2018). Managing service innovation is therefore argued to be crucial in organizations, as discussed. In research

conducted by Schmidt et al. (2017), it was analysed how the internal organizational processes and IT systems of German banks are aligned with and supporting their digital strategies. The researchers found that in the majority of the banks the digital strategies were poorly supported by the internal organization and the IT systems, resulting in barriers when trying to integrate more efficient automated processes as well as developing digital and mobile banking services. Since the typical input of work in banking is highly unstructured and hard to standardize, it was concluded by the authors that the distribution of work orders to the correct internal department was hard to administrate automatically. For example, digital loan applications sometimes require manual examination and additional risk assessment by loan officers, implying that the application cannot automatically be granted. Due to the complexity of work input and products, the majority of work orders in banking have to be processed singularly by specialized employees (Schmidt et al., 2017). Also, the low integration of IT together with poorly trained employees resulted in failed attempts to increase the usage of digital technology and digitalization of the business processes. Further, traditional banks were argued by Schmidt et al. (2017) to have more shortcomings than more modern banks. They are therefore advised by the authors to highly prioritize and develop the digital business strategy in order to improve the alignment with the organizational- and IT processes, and in the long run, create a digital infrastructure that can handle the ongoing digitalization and new customer requirements.

### 3.4.1 The Role of Digitalization in Value Propositions

In addition to reshaping industrial fundamentals, digitalization also leads to changes in the value proposition of companies' business models (Schmidt et al., 2017). The process of creating and communicating value, and thereby the approach to value co-creation, is done differently depending on the level and kind of digitalization among companies (Tallon, 2010). Moreover, continuous reconstruction and development of business models, and the value propositions, is argued to be critical in the era of digitalization (Nylén & Holmström, 2015). Due to this, the importance of controlling and managing digital innovation is increasing among business. Through clearly articulating the value proposition, service innovation can be used by the company to improve current value propositions, while at the same time the unique and often unmanageable properties of digital technologies can be controlled (Nylén & Holmström, 2015).

As previously discussed, the procedure of different players such as organizations, consumers and other stakeholders working collaboratively together in the value creation process, is referred to as co-creation of value. In this research, the banks' process of value creation is highlighted throughout. In this process, the bank and the customers together manage and develop meaning for products and services, where the customers take an active role in creating value for themselves (Ind & Coates, 2013). Moreover, co-creation of value can happen in multiple ways. Prahalad and Ramaswamy (2004) present a widely used example of this mutual practice, namely the self-service process used in, for example, the delivery of banking services and ticket sales. Other examples of value co-creation through self-service



channels are the use of ATMs, online check-in for travel, and food machines in hotels (Ertimur, 2008). All of these practices mentioned require digital technologies and imply different levels of technological complexity. In order to include the customer in this process and ensure that value is being created, the customer must see the benefit of using self-services and thus be motivated to participate in the process according to Grönroos (2008). If the benefit is not understood, the customer will not be encouraged to participate in the process of co-creating value. Further, Mainardes et al. (2017) argue that stimulating the involvement of customers by value co-creation tends to make them experience a feeling of empowerment and freedom, allowing them to shape their consumption experience and reach a higher level of satisfaction.

Due to the continuous digitalization, consumers are demanding new ways of interacting with their banks; shifting from physical interaction to digital one (Martovoy & Santons, 2012). These changes in demand are pressuring banks to adapt quickly and fulfill the fast-changing needs of customers. Mainardes et al. (2017) propose in their research that when one bank offers a new or improved digital service, competing banks tend to copy the innovations and shortly offer the same advantages or even better ones. The authors, therefore, argue that co-creation of value is the best way to retain customers, by focusing on loyalty from the experience of participation. So instead of only putting emphasis on the features and characteristics of the services or products, the way the service or product is obtained by the customer, and the ease of obtaining it through the use of a digital channel, should instead be highlighted. Concluding, customers who are more engaged in digital interaction or service offerings tend to be more committed to their banks (Mainardes et al., 2017).

Nowadays, as discussed, banks offer a variety of self-service technologies such as digital banking which allow customers to produce services independently, without any direct involvement of their financial advisor or bank. Through this kind of technology, banks can together with customers co-create value. However, the process is not always running smoothly, and Arumugam et al. (2019) present multiple risks, such as lack of flexibility of the system, complexity and difficulties for customers to acquire the right information. The authors further conclude that these risks can lead to value co-destruction, and suggest that systems must be carefully tuned to customers' needs in order to mitigate the risks and instead ensure the creation of value. The authors also propose that all digital services should have flexible and user-friendly elements and interfaces. As previously mentioned, customers are co-creators of value according to Vargo and Lush (2006), and therefore will not experience any value until the service offering is being used. In accordance, this is why a user-friendly interface is highly recommended by Arumugam et al., (2019). Innovation and improvement in the service offer is another approach that will encourage customers to be more active in the co-creation process (Martovoy & Santons, 2012). To make sure that the customer can use the product or service and benefit from the value, companies have to consider the customer's level of knowledge and familiarity with digital services before introducing them. Banks which provide digital services are suggested to maintain call centres with qualified staff to provide guidance and support that non-proficient digital users require, and consequently ensure that customers benefit from the services correctly (Arumugam et al., 2019).



### 3.4.2 Digital Customer Interaction

As mentioned, the ongoing digitalization is affecting industries and challenge traditional business models. Banks are argued to be among the leading business in offering opportunities for customers to access services and products online and through digital channels (Mainardes et al. 2017). Since e-banking was introduced to the market in the 1990s, service innovation within the field has resulted in an evolution from digital bill payment and digital checking, to contactless credit cards, online loan-applications and full-service digital banking (Tallon, 2010). Banks are dependent on offering digital banking services such as internet banking, mobile banking and contactless cards to customers to bring benefits to them (Patsiotis, Hughes & Webber, 2012). Moreover, the relationship between banks and customers is as mentioned shifting from physical interaction to virtual interactive environments and applications (Martovoy & Santons, 2012). Customer interaction is as argued becoming more digital in the banking industry, and a well-functioning and user-oriented digital banking service are now seen as a crucial long-term competitive advantage for banks (Cziesla, 2014).

As digital technologies evolve, relationships between companies and customers are transforming, allowing the companies to approach the customers in more intimate ways (Cziesla, 2014). Through the adoption of digital technologies on the customer-side operations, companies can serve the customers with “what they want, the way they want it, and when they want it” (Walsh, 2007). Customer centricity through the use of digital channels becomes more important for financial service providers, to co-create value with customers in order to manage the changes in demands and behavior (Cziesla, 2014). A chosen business strategy is impacting the digital communication strategy and level of value co-creation. It is further proposed that smaller banks through their geographical focus tend to know their customers and banking needs more personally, enabling a strategy of customer intimacy. On the contrary, larger banks tend to emphasize an efficiency strategy instead, where productivity is prioritized over intimate customer interaction, and value co-creation is driven by IT (information technology), digital marketing channels and service automation. Smaller banks offer a unique service experience to each customer while larger banks focus more on transaction efficiency. In conclusion, a desire is found among all banks by Tallon (2010) to become more intimate with their customers, through moving from operational excellence to a higher level of customer intimacy. (ibid.) As argued above, digital technologies can be used to execute this shift in business behavior (Cziesla, 2014) and support banks in becoming more intimate with their customers.

In addition, even though the use of digital banking services is increasing and facilitating mobile relationships between banks and their customers, advisory services are still argued to be important among the customers (Cziesla, 2014; Sachse et al., 2012) and businesses need to consider this also. Moreover, as discussed, the banking industry is argued to face new challenges in the shift towards a more digital interaction. But in this, the opportunities should also be highlighted, and Mbama et al. (2018) argue that digital banking services offer functions that traditional banking channels do not offer. These are for example opportunities

for product scalability where a larger amount of customers can be reached, allowing multiple customers to perform services at the same time in a flexible way, and self-serve at multiple places and in multiple ways. Further, digital customer interaction and online relationships with customers is also argued to positively impact the bank’s financial performances (Medberg & Heinonen, 2014). This benefit is related to the reduction of operating costs and increased return on investments.

### 3.5 Conceptual Framework

In order to tie the different theories and models together, a conceptual framework has been created by the authors, which is presented below. The framework depicts how operand and operant resources according to the theory are combined into three aggregates, consisting of various organizational practices, which in turn constitutes the value proposition proposed by companies. The value proposition is also impacted by the invitation from players to engage in services, in turn emerging as different values. Further, as theory suggests, the possession of six organizational capabilities creates the opportunity to successfully manage service innovation within companies, thus resulting in new operand and operant resources, as well as, new combinations. Concluding, the conceptual framework constitutes the foundation of what the thesis will examine, and will be used in the upcoming discussion. Further, it will act as a theoretical overview in the process of answering the research questions and contribute to the understanding of how value is proposed in the banking industry.

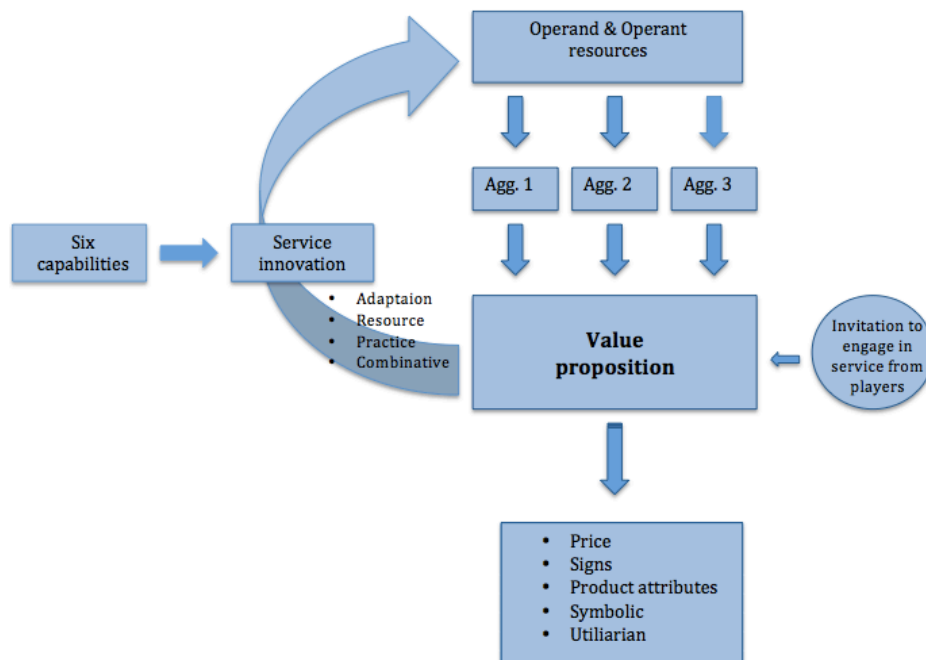


Figure 3.5 Conceptual Framework

## 4. Result

*The results from the interviews conducted are presented below. To facilitate the understanding and comparison between the two banks, the data from the Traditional bank is presented first, followed by the results from the Digital bank. The data is further divided into relevant categories derived from the literature review and research questions, starting with a presentation of the value offered by the banks, and ending with a description of the management of change and innovation. At the end of this section, a summarized table of activities of the two banks can be found.*

### 4.1 Traditional Bank

#### 4.1.1 Value Offered by the Bank

The Traditional bank is a Savings bank consisting of four physical bank offices located within the business area delimited by the geographical limits of the city, as well as a locally staffed telephone bank. The products and services provided can according to the Private Market Manager cater all private customers interests', from the regular banking customer with a house loan and savings, to the ones with smaller circumstances on one hand, and the private banking customers on the other hand. The offering consists of private savings, loans, transactions and payment services as well as cash supply. Further, the majority of customers live within the business area, while the rest is located in other parts of Sweden. Moreover, the customer base is mainly concentrated to one geographic area and the bank has a large market share within its area, approximately 60% according to the Telephone Bank Manager. This geographical customer segmentation is explained by the applied Savings Bank Concept, where the surplus is reinvested into the area, in order to support local associations, companies and projects. The CEO expresses the following:

*“That is a part of the basic idea - we are a bank for all types of customers.”*

*CEO, Traditional bank*

The fact that the Traditional bank is approaching all types of customers is crucial according to all of the respondents, and originates from the applied Savings Bank Concept. As the CEO expresses, the Savings Bank Concept is the main competitive advantage possessed by the bank and the main reason for customers to choose the bank over other competitors, and it consists of several dimensions. Apart from not having any shareholders and approaching all customer segments, the total surplus of the business is reinvested locally with the purpose to develop the municipality and the surrounding countryside. To exemplify, local companies are financed in order to create jobs as well as to boost the local economy. In addition, both smaller and larger local projects are continuously funded by the bank, reaching from donations of hockey equipment to the local girls' hockey team, to the financing of a multimillion cost skateboard park. Another ongoing project aiming towards benefiting the municipality, organized and funded by the bank, is a School Project. In this project, one full-time bank employee visits the local schools, both elementary schools, middle schools, as well as upper secondary schools, to conduct lectures and teach the children about private

economy. The aim to educate others is also directed towards the older generation and people experiencing a digital exclusion, where for example the project Digital Living provides training in digital devices to anyone interested within the city area. All of these projects are supporting the Traditional bank's attempt to give back to the society, while maintaining a personal relationship with all of the customers, according to the CEO.

*“The more people who understand the Savings Bank Concept and why we exist and how we work, the larger customer loyalty we will be able to create.”*

*CEO, Traditional bank*

According to all of the respondents at the Traditional bank, the active choice of becoming a customer of the bank is not mainly due to price, products or services offered. Instead, the CEO refers to the bank's goal of being the “natural choice”, if you live and act within the business area, through understanding how the bank has a great impact on the local society. Moreover, one main reason for being a customer of the bank is explained by inheritance according to the Telephone Bank Manager, where many younger customers are accustomed to the bank and inherit a relationship with a specific financial advisor from their parents. Nevertheless, the bank is actively trying to shift away from this position and apply a more proactive approach towards customers. The Office Manager highlights the usage of digital tools in this shift, where the digitalization of certain processes and customer matters can increase the value and customer satisfaction, as long as the employees are trained properly. The Telephone Bank Manager articulates the following about the topic:

*“This is a question that is more relevant than ever, because we have previously been able to stay reactive because the customers have approached us anyway, but now, because we want the digital options and some customers only demand these options, and we somehow have to meet half-way here. So even though you are only using us digitally, how can you understand what we stand for?”*

*Telephone Bank Manager, Traditional bank*

Being personal and building relationships with the customers are highly valued by all of the respondents, both in the physical meetings but also in the interaction through telephone and digital media. The traditional way of meeting customers, namely through booked office meetings is still demanded at the bank, where the number of this kind of meetings is not tending to decrease according to the Telephone Bank Manager. This is not the only way that the Traditional bank physically interacts with customers. The Private Market Manager mentions a Business Breakfast taking place around three to four times a year, where local businesses are invited and around 100 people attend. In addition, the bank is also present at local events and fairs, for example an yearly Senior Fair, as well as organizing a Pop-Up Bank in the local mall every Saturday. During all of these gatherings, the bank spends a couple of minutes to present the Savings Bank Concept and its contribution to the local society. The bank is also collaborating with other players such as a local real estate firm, with

the aim to meet customers at an early stage in real estate transactions. Further, the Private Market Manager emphasizes that it is important to seize these opportunities and to talk even more about the Savings Bank Concept in the future.

Besides, the digital interaction is mainly controlled by the Telephone Bank department, where the customers for example can contact the bank through a secured email-loop. This email-loop is accessed in the mobile banking app or web-based internet bank. According to the Telephone Bank Manager, this type of written communication is increasing and is considered to be an effective and safe option when the customers do not want to call the bank or visit one of the offices. In addition, a new chat feature will be implemented on the platform this year. She further clarifies the importance of maintaining the personal aspect of all digital communication. In addition, all of the digital matters from customers that require manual handling are also managed by the Telephone Bank department. The Telephone Bank Manager exemplifies, that there is no robotic function executing an order of a new Mastercard, instead this had to be handled manually by an employee. She concludes that:

*“Regarding pure technical matters: we are relatively far behind I would say, compared to other banks or niche banks above all.”*

*Telephone Bank Manager, Traditional bank*

All of the respondents talk warmly about the flexibility of offering both physical meetings with financial advisors, being present at local events, and the telephone bank availability together with the option to manage banking activities in a mobile app or online. They all agree that the customers appreciate the possibility of choosing from different options to contact the bank, which is resulting in close relationships with the customers, expresses the Telephone Bank Manager. According to the Private Market Manager, the main strength in the bank’s working procedures is to offer both a named financial advisor who the customers can reach out to, and even though any other advisor might solve the issue at hand, having a specific name in the internet bank together with a direct number to that assigned advisor is resulting in a feeling of security and trust among the customers. This is further something that is stated to be extra apparent when measuring customer satisfaction levels, where it is highly appraised. The Office Manager also talks about the importance of maintaining the personal aspect when interacting with customers, and agrees with the Private Market Manager that it is valuable for customers to be assigned a specific financial advisor who they can contact when needed as well as offering other options. The combination of being a relatively small bank together with the local and personal focus is according to the Telephone Bank Manager resulting in close relationships both with the customers, but also between the colleagues. For example, customers calling the telephone bank are often known by the employees and the employees are able to refer to each other by names.

However, not all customers demand the same kind of personal contact and level of service from the bank, which is agreed upon by all managers. The Telephone Bank Manager explains that customers easily on their own can apply for a first Mortgage Agreement in Principle

online through the internet bank, or choose to book a physical appointment with a financial advisor to guide through the process. Regardless of the choice, the bank is aiming towards teaching the customers as much as possible about their private economy and giving enough support to ensure that they feel safe and confident about all decisions regarding their private economy. The Telephone Bank Manager concludes that the demand service often is depending on the customer's own knowledge and interests. It is further exemplified:

*“Customer who are thinking ‘I want the lowest interest rate and the cheapest mortgage and I do not need any service or help’, then we might not be their first choice of bank.”*

*Telephone Bank Manager, Traditional bank*

The personal aspect is also highly present when the managers talk about the current digitalization of the banking industry. Even though there are a lot of different digital solutions available to apply to the physical meeting and the cost of personal staffing is high, compared to more digital options, the Office Manager points out that it is an active choice to maintain a high level of physical availability. Due to the strategy of maintaining the personal meeting and four physical offices in the area, the Traditional bank is according to the CEO highly efficient when it comes to digitalizing their customers. He also describes that the process is depending on interaction where the bank has to present new digital solutions to the customers and simultaneously explain how it will bring benefit. To embrace the digitalization further in this relationship, is according to the CEO important for the future, and he puts emphasis on the fact that there is no contradiction between digitalization and being personal. The Private Market Manager agrees on this statement, and expresses that it is important to highlight the fact that digitalization does not mean to anonymize, and that a relationship with the customers is prioritized, even though it is a digital one. E.g., there is an ongoing shift towards using the customers' mobile banking app or online bank more, even when the customers visit the bank or use their telephone bank. Through guiding and directing the customers in their own devices, the Office Manager believes that this new approach might educate the customers about the new digital environment. He further articulates that:

*“We want to keep the personal aspect but in combination with the digitalization. So when talking about the value for our customer, it is much about ‘we will add that personal touch on everything we do and you will always be welcome here and meet a bank clerk’. But despite this, we have to be very much aware of the digitalization and that we can do this journey together with the customers.”*

*Office Manager, Traditional bank*

#### 4.1.2 Managing Change and Innovation

During the past two years, the Traditional bank has recruited both a new CEO and a new Private Market Manager. In addition, the Office Manager was recruited in spring last year

with the aim to focus on change management within his team. The CEO explains that more recruitment for change management might be in question for the future. The Private Market Manager also believes that more employees will be working with change management and business development within the bank in the long run.

According to all of the respondents at the Traditional bank, more resources dedicated to change management are needed. The Telephone Bank Manager believes that much of the change currently depends on the manager's role, and depending on the person's individual interest and drive. In order to succeed faster and move forward in the change management, the Telephone Bank Manager suggests that the bank should recruit a business developer. The Office Manager further believes that the bank has been too comfortable because the business has run smoothly during past years and therefore not focused on resources such as staff for change management. The CEO concludes that the bank needs to allocate available resources in a different way, and explains that there are some organizational changes in progress that are going in that direction.

Regarding the supply of IT and technology, the Traditional bank has a collaboration with a larger contractor and vendor on the market, which according to the CEO implies that the bank does not fully own its technological agenda. The CEO also declares that the bank neither has the capacity nor competences to match it centrally with its contractor. However, the cooperation has not always been advantageous for the Traditional bank. The CEO explains that overall, the contractor has developed the IT-supply but often the products have not been adapted for what the Traditional bank and its customers demand. Instead of a situation where the Traditional bank is entering the technological development process in the middle of a phase, it has identified the need to enter in a much earlier stage of a project or process. Due to this, the bank will be able to present requirement specifications that meet its own needs. As a consequence, together with the Savings Bank National Federation, they will work towards becoming a more professional client towards the contractor. This larger involvement in the IT development process and supply will be more adapted to the strategy and development of the Traditional bank. Besides, this shift will result in a more professional relationship with the contractor, from having a partnership to creating a more business-based relationship, expresses the CEO.

The Traditional bank involves its customers in change management in several ways. According to the Private Market Manager, the bank empathizes the importance of listening to the customers, where their reflections and opinions are collected every month. The same manager claims that a new tool will be implemented this spring in the telephone bank where customers can provide feedback immediately after a call. Also, the Telephone Bank Manager gives an example of a situation where a customer wrote on the Facebook page of the bank about an improvement proposal in the customer service area. As a result, the Traditional bank could meet the customer's proposal already the next day and implement the suggested change.

The employees with the main responsibility to emphasize change management at the Traditional bank are the office managers. During the upcoming year, the bank will undergo changes. According to the Office Manager, the office space where they meet customers will be rebuilt in order to more efficiently meet a larger amount of customers and satisfy their service demands. The CEO explains that the current office space is not appropriate from either the employees' perspective or the customers' perspective, for example a lot of overhearing and customer flows. The Office Manager concludes:

*“Now we are building a room with flexible thinking and then we can meet customers throughout the team. There is a lot going on now - how can we change and meet the customer in a different way?”*

*Office Manager, Traditional bank*

Furthermore, the Office Manager explains that he previously recognized an absence of data and information about for example how the customers were moving in the room, what time they arrived and with what they actually needed help. Therefore, a new communication system in the office space was implemented to provide more statistical data. This system can also match customer with the advisor who has the most convenient knowledge and experience to properly help the customer, which had been problematic before. According to all of the respondents, the overall attitude towards change at the bank has not always been positive. In order to make these changes in the office space together with modifications in the way that the employees were working, the Office Manager explained that he needed to get the employees with him. It is further exemplified:

*“The first thing was to work with of the mental challenge and get the group to understand that it might be great fun to work with change”*

*Office Manager, Traditional bank*

Daily morning meetings were implemented together with the other changes in the local office, and the agenda for every meeting is now decided by the employees themselves. Also, to highlight feedback from customers and other employees, a picture wall was set up where employees could leave all kinds of feedback, which would be notified in the next morning meeting. Besides, the Office Manager explains that there was a lack of competence in the group, where only a few had the comprehensive financial licenses to service all customers. As a result, the employees were trained aiming to receive the required mortgage-, consulting- and insurance licenses.

Change management also includes a learning and adopting process states, the Private Market Manager. The Telephone Bank Manager explains that when new way of working styles are implemented, there will be an evaluation meetings consisting of rates, benefits and areas of improvements after a few weeks. The CEO concludes that it is easy to fall in love with projects, thus it is of great importance to be prepared to rethink and to be open minded if



things do not work as planned. Follow-ups and evaluation of released projects need to be fulfilled in a larger scale in the bank, emphasizes the Private Market Manager. She stresses that follow-ups are the key to do successful projects or new working styles in the long term because adversities are constantly encountered.

Moreover, there has been an absence of proper communication of the bank's values and the Savings Bank Concept, both internally and externally according to the interviewees at the Traditional bank. The Private Market Manager mentions that the bank has released a new project called Branding Platform. The aim of the project is to innovate new key values in the bank and develop new ways of how to communicate these internally and to the customers. She concludes that:

*“We are currently doing a project that we call Branding Platform, my experience is, I have been here for almost two years, that we have talked far too little about it.”*

*Private Market Manager, Traditional bank*

According to the Telephone Bank Manager this project started with a survey in which all employees had the opportunity to answer how they would describe the culture and values of the bank. The next step in the project was a conference together with all employees and the Board of Direction, where they together had different workshops and group discussions. During the upcoming year, there will be more workshops and group meetings to revives the new values to be able to implement them to customers. In addition, graphic material such as a handbook will be produced, firstly to inform employees about the Savings Bank Concept, the business concept, vision and mission of the bank, to simplify the transfer of knowledge to the customers, according to the Private Market Manager.

The communication done by the bank has to be improved, according to all of the respondents. The CEO exemplifies that digital channels such as Facebook, Instagram and Snapchat need to be updated regularly to reach the customers. As a consequence, the marketing team has got the mission to communicate more visibly on social media, to tell about the savings bank commitment, what they do and what the Savings Bank Concept means, emphasizes the Private Market Manager. She also highlights that communication of the bank's values is important already in the beginning of a recruitment process. It is of great importance to know what it means to be employed at the Savings bank, because it is not the same as working at any other commercial bank. Furthermore, the Office Manager highlights the problem for customers to differ the Traditional bank from its larger contractor and articulates the following about the topic:

*“You trust that the customers know what this bank is, but if you go out into the market I am convinced that you will get a different answer. 50% of them do not know the difference between the Traditional bank and its contractor.”*

*Office Manager, Traditional bank*

According to the Telephone Bank Manager, the Traditional bank emphasizes the importance of collaboration in the bank, understanding each other's professional roles and each other's problems and challenges. Since last year, with the aim to increase and exchange knowledge between the different business areas and units, the bank has established shadowing as mandatory for all employees. Also, there is an initiative where ambassadors from different units with assigned focus areas, such as savings or loans, have meetings together with others within the same area, to discuss news and exchange experience from their home offices or units.

## 4.2 Digital Bank

### 4.2.1 Value Offered by the Bank

The Digital bank is a Swedish online bank, with over one million customers, supplying all of their products and services online, with a large focus on savings. The main reason for being a customer of the bank is according to all of the respondents a personal interest for one's private economy. According to the CEO, customers have in general an interest in their pension and their savings, while striving towards taking responsibility over, it in order to influence it. Beyond this, the spectrum of customers is broad according to the Deputy CEO, from newborns to customers over the age of 100, with both small savings and larger savings. Regarding the geographical spread, the majority of the customers are located in the larger cities of Sweden, namely Stockholm, Gothenburg and Malmö. According to both the CEO and the Innovation & Marketing Manager, this has to do with the fact that the customers of the bank, on average, have a higher level of education than the overall population of the country, which is resulting in higher wages. Further, the customer base is a bit tilted towards younger people. The Deputy CEO expresses the following:

*“Our customers do not see themselves as customers but as members - 'I am a member of this digital bank, I am part of a group'.”*

*Deputy CEO, Digital bank*

It was emphasized by all respondents that the bank does not offer any advisory services, together with the importance of the exclusively digital interaction provided by the bank. The Innovation & Marketing manager states that they legally are a bank and have to be one, but that he rather would label the organization as a tech company that happens to deal with financial services. Previously, the bank has been a platform for trade intensive customers, but is now catering all types of savers. The Deputy CEO highlights the large inflow of new customers, while the CEO expresses that people who once have become a customer of the bank and appreciate what they do and they tend to not leave the bank. It is further stated that word of mouth (WOM) is one of the strongest marketing channels of the bank. Furthermore,

according to the CEO, in order to maintain a customer of the bank, one has to appreciate the digital experience while knowing that a digital relationship is required. He further articulates:

*“If you come to us and want to meet us physically and want to know what security to purchase, then the Digital bank is not the right place for you as a customer.”*

*CEO, Digital bank*

The Digital bank’s stated promise to its customers is “*more to you and less to the bank*”, which according to the CEO implies that being a customer of the bank should be inexpensive. If for example the operating margin gets too high, then the prices should be lowered in order to encourage more customer investments. The Innovation & Marketing Manager’s own translation of the promise is that the customers should get more out of their investments and savings at the Digital bank than at any other institution. Thus, tools and services are provided by the bank in order to fulfill this promise as well as making the experience fun and pleasurable, according to the same manager. Being transparent regarding the commissions and fees to the bank is also considered to be important, and all customers are according to the CEO advised to cater for the information about charges. All of the respondents conclusively stress the importance of putting the customer first and listen to them.

The Digital bank’s solely online presence is according to the CEO a result from of strategy of being cost effective, through customers only consuming the bank digitally, either through the mobile app or the internet bank platform. Customers can also interact with the bank through their telephone customer service, as well as through email. According to the Innovation & Marketing Manager, the main challenge of being a completely digital bank is the impossibility of cater for the needs of customers who still want to meet and talk to a financial advisor physically. Further, the customer support is highly appreciated due to its short queuing time, friendly reception and fast solution rate, according to the Deputy CEO. In addition, the bank is also active on social media, mainly Twitter and Facebook, where a social media team continuously communicates with customers and other players. In the communication through all of the different channels, the tonality is often humorous with tongue in cheek, according to the Deputy CEO, demonstrated in for instance in a small video which is emailed to each customer on their birthday. The personal aspect of the communication is according to all of the respondents important, which is demonstrated in additional ways. Another example, the online internet bank is adapted to each individual customer, where relevant information and articles are inserted to the news feed, based on the customers’ security holdings. This is made possible by the ownership of a media company.

The whole experience of purchasing and selling securities, and the ease of doing it, is stated to be highly valued by the customers according to the CEO and the Innovation & Marketing Manager. Simplicity is extremely important when managing your assets, the CEO explains further. The Deputy CEO agrees to this statement, and exemplifies that the tools provided are easy to work with and use. The brand that the bank possesses together with the award of having Sweden's most satisfied savings customers, is according to the CEO showing that the

Digital bank provides the best customer experience. A large part of this customer experience is the large supply of different products, in terms of a wide range of funds, securities, and shares.

*“If you are interested in securities and care about your private economy, then you want to find the department store where you can find everything you need, that you do not need to exit.”*

*CEO, Digital bank*

As mentioned, the Digital bank does not provide any advisory services to their customers, instead they put a lot of effort on inspiration and education through different digital media. According to all of the respondents, this is highly valued by the customers and one of the main reasons for choosing the Digital bank over other competitors. For instance, the bank produces its own podcast, as well as a large amount of blogs where they have collaboration with well known people. Further, the bank has multiple key individuals who are profiled in the market and have become prominent faces for the company. These persons communicate regularly from the company's social media accounts. The Deputy CEO expresses that there is a large amount of education in their blogs, as well as inspiration from how others are acting in the market.

In addition, an online educational platform is provided where customers can learn about how they should think when making decisions about their savings, explains the CEO. Even though many customers demand financial advisory services, that is not what the Digital bank wants to do. According to the Deputy CEO, the bank provides instead the tools necessary for customers to make their own wise decisions, through different types of training. According to the Innovation & Marketing Manager, a majority of the customers realise that they can manage their savings and financial duties on their own, sometimes even better than a banker would have done. The Deputy CEO articulates the following:

*“I would say that we offer the whole palette from start to finish, namely teach me how to do it, hold my hand while I do it, and then show me in a good way how it is going. I would say that we actually offer the whole savings process.”*

*Deputy CEO, Digital bank*

#### 4.2.2 Managing Changes and Innovation

According to the CEO, the Digital bank strives to employ co-workers who are passionate about doing the best for their customers. Further, he mentions that the employees tend to have a strong commitment and drive. The average age among the employees is 34, which is a low average age to be in the finance industry explains the CEO. In principle, the Digital bank

hires newly graduates from different universities, in most cases from technical universities according to the CEO. Further, the Innovation & Marketing Manager emphasizes that the Digital bank is not just a bank, it is also considered to be a tech company. Therefore, the Digital bank is not competing for job candidates and employees with commercial banks, instead they are in competition with for example Spotify as an employer. The same manager articulates the following about the topic:

*“We are not in the same category as the other banks, I would say [...]they have a different business idea and come from another world. Their data systems do that as well, they have other challenges than we do. We have much greater similarities with other tech companies than we do with banks.”*

*Innovation & Marketing Manager, Digital bank*

The Digital bank has an agile way of working according to the CEO. There are no IT-consultants, and as a result, all coding, developing and operating of IT-systems is done in-house which he explains as very unique. In addition, the bank has no business development department. Instead, all of the employees at the company are seen as developers, clarifies the Deputy CEO. This statement is in accordance with the CEO’s opinion, who states that everyone at the bank works with business development. The company has further divided the customer experience into 20 different units. Every unit has a selected team that only works with optimizing its assigned part of the customer experience. The CEO illustrates the 20 teams as 20 start-ups, and states that the teams have a great deal of freedom in optimizing their parts. Inspiration is further drawn from workshops, customers as well as notions and ideas from other companies such as Amazon, Netflix and Google, explains the CEO. He articulates the following about the topic:

*“We have no development budget, instead all our development is personnel costs.”*

*CEO, Digital bank*

According to the CEO, the Digital bank does not experience any problems in driving change. This is exemplified by the Innovation & Marketing Manager who states that the employees have understood that innovation and change are parts of their everyday life. In addition, the Innovation & Marketing Manager highlights the fact that the bank never really has gone through any large digitalization process, since its business always has been digital. Furthermore, employees are described as committed to move forward, and strive towards constantly growing and developing together, declares the CEO. For example, the internal communication is effective and all employees know what the organization is doing and what the company wants to achieve in the long run.

*“At this bank, we rejoice in what is today, but always think of making things better, better for customers. The propensity for change and the pace of change are great in our organization.”*

## *CEO, Digital bank*

Almost one third of the Digital bank's employees manage the IT or IT-development, and the organization put a lot of effort into capturing customer views, either through customer service or through other channels, according to the Deputy CEO. New ideas and innovation proposals are also captured in-house, for example by perceptions from employees about what they think that customers do not demand for the moment, but which could turn into a desirable proposition in the future. Innovation is according to the Innovation & Marketing Manager an important part of the business, in order to constantly improve the customer experience. Furthermore, the division of 20 units within the company consists of four to ten people in the teams that are responsible for different parts of the organizational development, mainly the customer journey and the customer flow, but also elements based on products, describes the Innovation & Marketing Manager. In addition, the teams are collaborating with each other in different constellations and meetings to devise. The change management and innovation involve a constantly on-going process according to the Deputy CEO. Furthermore, learning from previous service experiment and keep tracking of failed innovation is something that the Digital Bank adapts, says the CEO. He implies that the organization is self-critical in what they do and if they fail, they learn from it and strongly recover. The Deputy CEO describes a situation recently of a setback in the moment of successes when they had a lot of new customers and activity on the stock market. However this resulted in overloads of the organization and systems that were not prepared for the burden of activities. She concludes that it is part of the change process to constantly measure, follow up and adjust, in other words, a constant trimming of the machine.

Moreover, the CEO clarifies that the 20 different units work to optimize their own smaller unit, but on the whole a crucial part of the entire innovation process. As mentioned, the teams have an extensive mandate in deciding what to launch and not to launch on the digital banking platform. Every Thursday, the Digital bank closes down early in the morning and opens seven minutes later with improvements and news on the digital platform. According to the Deputy CEO, the digital banking platform is constantly updated with both smaller and larger changes where the customers sometimes hardly notice the adjustment or improvement. The Deputy CEO emphasizes the importance of having frequent releases in order to be able to correct and adjust smaller things that for some reason are unclear or have poor performance. According to the CEO, almost 3.000 improvements were implemented last year on the digital platform, thus many of them were performance issues which the customers might not have noticed, but all with the aim to improve the digital customer experience. The following is articulated by the Innovation & Marketing Manager:

*“What we do all the time is to simplify, both in terms of vision, what is our strategy and our offering towards customers. Simplify, simplify, simplify and we also do that in our user experience. It should not be so difficult.”*

*Innovation & Marketing Manager, Digital bank*

Furthermore, the Digital bank has a lot of interactions with customers and embraces all received feedback regarding for example releases of new features. The Deputy CEO exemplifies a situation when the bank redesigned the digital component called “my pages” on the platform a few months ago. This created a strong and partly negative reaction from some of the customers of the bank. However, customers who experienced the most negative reaction about that specific change returned shortly after and expressed that it actually was an excellent improvement after they spent some time using it. The Deputy CEO concludes the following:

*“I think it is about giving the customers some time, but at the same time we listen very carefully to the customers in what we do.”*

*Deputy CEO, Digital bank*

According to the Innovation & Marketing Manager, there are a lot of theoretical models about how to build a brand and a brand value, but the bank only strives towards keeping it as simple and understandable as possible, both internally and externally. For example, the main vision is to make products and services cheaper, better and easier than other players. Thus, the offering of the bank therefore consists of providing tools that make the customers succeed in their savings and investments, says the same manager. However, the Deputy CEO explains that the Digital bank could put more effort into communicating the value externally which is a challenge that they are constantly facing. For instance, the Innovation & Marketing Manager highlights the importance of not only talking about the value, but rather to show the value, whereas the customers get to experience it themselves, for example by using the services. Furthermore, due to the simple vision of making components cheaper, better and easier, the organizational structure is very flat where all of the 20 units own their agendas, striving towards the same vision. The following is articulated by the Innovation & Marketing Manager:

*“This is a living organization. We do not need a discussion about the value every month to make sure that the employees are on board, instead we do that continuously.”*

*Innovation & Marketing Manager, Digital bank*

Furthermore, to stress the innovative process in the company, the Digital bank has implemented a session called Brainy Days, which all of the respondents talk enthusiastically about. Twice a year, the bank closes down for three days where the employees are separated into a smaller constellation with the mission to come up with new innovations that can be realised. On the last day of the session, an audition takes place with usually around 20 different proposals. The CEO states that usually two to three proposals will be realised and implemented within four to six weeks. One example of a proposition that was fulfilled from the Brainy Days session last year, was the offer of the bank where a customer could invite a friend and, in return, the customer would get five free commissions. According to the Deputy

CEO, this type of event stresses the networking and knowledge sharing between different units within the company. She explains it further:

*"You gather a bunch from the organization that may not normally work with this kind of questions, create small teams of five to seven people, and then you get three days to develop completely freely and then present what you have done. It is also a way to give birth to something new. It is not uncommon for us that this kind of initiative reaches out to customers just a few weeks later after they were developed.  
It's awesome!"*

*Deputy CEO, Digital bank*

There are slightly shared opinions about change management resource availability in the Digital bank. All of the respondents agree upon that the Digital bank possesses a balance in terms of resources for change management. Admittedly, there is according to all of the respondents always a discussion about having sufficient resources allocated. Furthermore, the CEO declares that when the teams believe to need one more person, then they are optimally staffed, according to him. Also, he indicates that it is of great importance to force the organization to always prioritize among its available resources. According to the Deputy CEO, they have many ideas, thoughts and wishes about what they might want to do but the resources must always be handled gently.

Finally, the customers of the Digital bank are involved in the change management in several ways, whereas the customers' involvement is stated to be important to the company by all respondents. Before new services are launched the company invites customers to participate in different focus groups and interviews as well as answer surveys. The CEO underlines the importance of understanding how the customers behave, and expresses it to be a learning process that is constantly on-going. The customers' reaction are also argued to be valuable to the bank. The Deputy CEO explains that the Digital bank captures customers reaction in their customer service department and through social media. In addition, in-depth interviews and beta tests are implemented to seize customers' opinions. Customer recordings are used as inspiration to develop and improve services, and the Deputy CEO states that customer feedback, ideas and recommendations are able to be implemented in a short period of time.

Following, in the table below, key information about the two banks have been summarized.



<b>Activities</b>	<b>the Traditional Bank</b>	<b>the Digital Bank</b>
<b>Segment</b>	Concentrated to geographic area	Majority of customers are located in the larger cities of Sweden
<b>Customer interaction</b>	Physical, telephone and online	Telephone and online
<b>Financial advisory service</b>	Yes	No
<b>Structure</b>	Hierarchical	Flat
<b>Communication</b>	Physical meetings, sponsoring local projects and activities, social media	WOM, social media, blogs, podcast
<b>Drive innovation / changes</b>	Office managers	Everyone in the organization
<b>Attitude towards change</b>	Not so positive	Positive
<b>Supply of IT</b>	Collaboration with a contractor	In-house

Table 4.2.2 Summary of activities in the two banks

## 5. Discussion

*In the upcoming discussion, the results from the interviews are combined with the theoretical framework, with the aim to elaborate on the stated research questions while applying a S-D logic perspective throughout.*

### 5.1 Value Propositions by the Two Banks

As research suggest, from a S-D logic perspective, a shift in focus from operand resources to operant resources is occurring, where invisible and intangible resources such as knowledge, competence and relationships (Michel et al, 2008; Vargo & Lusch, 2004) are used in order to deliver a better value proposition than other competing actors in the market (Vargo & Lusch, 2004). This transformation is evident both in the Traditional bank through the applied Savings Bank Concept, as well as in the Digital bank with the aim of creating a better future for their customers in terms of savings. Both organizations are attempting to outperform their competitors with emphasized operant resources and thereby create value together with their customers, yet through applying two different approaches. In accordance with Saarijärvi et al. (2013), one should not only conclude that value is proposed, it is also crucial to understand to whom value is co-created, what kind of value is it, what resources that are used as well as how these are interconnected. Due, in the following sections, the value propositions are decomposed and analysed further, in order to fully understand and compare the process of value creation by the two banks.

It should conclusively be highlighted that value is highly dependent on the specific context (Skålén et al., 2015). With this in mind, a variety of customer values beyond the ones identified in this research is arguably created by the two banks. But in this research, the discussion is focused throughout on the pronounced value propositions and related emerged values presented in section 5.1.1, also implying that these are the two specific value propositions being decomposed in section 5.1.2.

#### 5.1.1 Identifying the Proposed Value

In the process of identifying the respective value propositions, it must be highlighted that the Traditional bank is categorized as a Savings bank, with the Savings Bank Concept permeating all of its business. Due to the applied concept, the bank is available for all types of customers, implying that all residents within the business area are approached as potential customers. In addition, the total surplus of the bank is reinvested locally in order to develop the society and benefit its inhabitants, contributing to societal activities and projects available to all, regardless of being a customer or not. In accordance with Chandler and Lusch's (2015) definition of a value proposition as an invitation from actors to engage in service, the Traditional bank's value proposition is therefore argued to consist of an invitation directed towards all people in the local community to engage in banking services, as well as, an invitation to all to benefit from the local investments made. On the contrary, the Digital bank is not limited to any specific business area but instead limiting their customer approach

towards digital users solely. Beyond this limitation is the bank available for all kinds of customers, with a current tilt towards younger people and larger cities, as well as, customers with a higher level of education and high wages. Their value proposition (Chandler & Lusch, 2015) is accordingly suggested to consist of an invitation directed towards digital users to take personal responsibility for their own savings through the use of their banking services and online platform. The objective of fulfilling their respective customer needs is emphasized throughout, nevertheless, it can be concluded that the Traditional bank and Digital bank are offering different value propositions, and thus resulting in different kinds of value created with the customers (Skålén et al., 2015).

As Kuzgun and Asugman (2015) further add, the value proposition may also emerge in terms of price or product attributes. However, the Traditional bank clearly states that the choice of being a customer of the bank is not due to the prices, products or services. Instead, the value is rather embedded in the role of being an important actor in the development of the local society. The Digital bank on the other hand expressively promises its customers to provide “*more to you and less to the bank*” whereas it should be inexpensive being a customer of the bank, putting a lot more weight on the price attribute in their value proposition. It was also stated that the solely digital presence is an active choice in order to be as cost-effective as possible, which can be compared to the Traditional bank’s decision to maintain four physical offices in combination with digital services. Physical offices and physical customer meetings provided to interact with customers is associated with higher operating costs, while a solely digital customer interaction is resulting in reduced operating costs and increased return on investments (Medberg & Heinonen, 2014). But even though the strategic decision of offering physical interaction is costly, the decision can further be seen as relevant in supporting the bank’s proposed value of being a local player inviting all types of customers, even those who are excluded from the digital environment.

Furthermore, symbolic meaning is suggested to be another component that might emerge from a value proposition according to Kuzgun and Asugman (2015). The Traditional bank further presents itself as an important actor in the local society, thus creating value through the symbolic meaning of this role. As previously noted, it was not the price nor the products attracting customers, but rather the local presence and the care for the common good. Thus, being of a customer of the bank is accordingly resulting in a personal contribution to the social good and benefit of others. According to Cziesla (2014) as well as Schmidt et al. (2017), the ongoing shift in customer preferences and expectations are heavily affecting the banking industry and forcing the banks to adapt their processes and digital strategies accordingly. In this, it is important to question how the Traditional bank will be able to survive the continuous pressure to supply digital services when the value proposition mainly consists of a local interaction? Considering this topic, the Traditional bank is highly conscious about the ongoing digital transition, and admit that they are behind other competitors regarding pure technical matters. However, the technical aspects and features of services do not automatically result in higher customer satisfaction and loyalty, instead, this is suggested to come from an experience of customer participation (Mainardes et al., 2017), where customers are being involved in the co-creation of value process. The Traditional bank

tends to invite all of their customers to participate in digital services, not only alone from a distance, but also when they visit or call the bank, through guidance in the customers' own devices. In addition, a project was devoted to training the older generation and people exposed to digital exclusion in digital devices. In this, the bank actively wants to explain the benefits of digital solutions, but simultaneously offer a physical presence and support to those customers who demand it. Conclusively, the digital transition in this aspect is appearing to be embraced by the Traditional bank in their own manner, despite their technical shortcomings. The aim to benefit and care about the inhabitants is maintained throughout, which is supporting their symbolic role of being an important societal actor and aligned with their value proposition.

A symbolic meaning, as well as utilitarian (Kuzgun & Asugman, 2015), was argued to also be a part of the Digital bank's value proposition. Compared to the symbolic meaning of being a societal actor of the Traditional bank, part of the value from the Digital bank instead seems to emerge as the experience of being part of a group or a community. As expressed by the bank, the customers are not referred to as customers, but as members. Also, since the Digital bank expressively is aiming towards supporting customers in taking responsibility for their own economy, being a customer of the bank is therefore arguably resulting in a valuable image in accordance with this promise, as for example a person who is responsible and knowledgeable about savings management. Further, the creation of a community was supported by the different media supplied by the bank, for example, the podcasts, blogs and the academy, resulting in the creation of an interactive digital platform. All of the services supplied by the bank can be categorized as self-service processes, where the customers actively participate in a mutual process of value-creation (Prahalad & Ramaswamy, 2004). Further, the self-service processes require customers to understand the benefit generated from it, in order to be motivated to use it (Grönroos, 2008). In accordance, utilitarian is an important component, and also something that was argued to be emerging from the value proposition proposed by the Digital bank. It was expressed to be easy for all customers to manage their own economy, regardless of knowledge level or previous experience. All digital tools and access to the knowledge supplied by the bank allows the customers to shape their experience, which is resulting in a higher level of customer satisfaction (Mainardes et al., 2017), which in turn might be evident in the award of Sweden's most satisfied savings customers possessed by the bank.

Conclusively, it is evident that the Traditional bank and Digital bank propose different values, mainly differing in whom they approach as customers. Also, the emerged value is different, where the Traditional bank offers the symbolic value of the societal contribution, whereas the value emerging from the Digital bank is a group affinity and image, as well as a emerged utility in private savings management.

## 5.1.2 Decomposing the Value Propositions

The identified and formulated value propositions will be decomposed further, in order to identify what resources are used by the who banks as well as how these are interconnected. A value proposition is consisting of a configuration of several different practices and resources, where three aggregates, in turn, is generated from ten organizational practices, enabling the maximal utilization of a company's resources in terms of knowledge and skills (Skålen et al., 2015). So, to understand how the Traditional bank and Digital bank transmit the value proposition to its customers, so value-in-use can emerge in accordance with the promise (Skålen et al., 2015), the practices within the three aggregates will further be distinguished and analysed.

### 5.1.2.1 Provision Practices Fulfilling the Value Proposition, Aggregate One

*Operating practices* are one type of provision practices used to integrate resources in order to support customers in their aim of creating value as stated in the value proposition (Skålen et al., 2015). As the Traditional bank's value proposition declare, the value proposed is an invitation to engage in banking services and simultaneously give back to the local community. The provision of local offices and a telephone bank with properly trained financial advisors who assist, inform and give advice to customers regarding banking services, is identified as operating practices used to support the customer's value creation. Furthermore, the Pop-Up Bank is a more flexible approach applied by the bank, where customers can be supported in their value creation even outside the bank's opening hours. In addition, customers have the possibility of being assigned a named financial advisor, who they personally can reach out to regarding their banking matters. These operating practices integrate different resources, such as operant resources in terms of employee knowledge and close relationship with customers, where customers are involved in the practices through participation and communication. Moreover, the value proposed by the Digital bank is to facilitate the customers' management of their own savings. Operating practices used to support the customer's value creation is, for example, the blogs, podcast, profiled key individuals and educational platform provided by the bank. In addition, the digital tools supplied such as sorting tools, is in practice sorting and suggesting the most suitable saving alternatives based on the customer demands and profile. The support to the customers generated from these media is argued to consist of knowledge, inspiration and information useful in the process of managing one's own private economy. Further, customers are highly involved in these practices, which are integrating both operant resources, e.g. technological expertise and relationship with customers, as well as more operand resources in terms of the digital media.

Moreover, *problem-finding practices* are used to identify problems with customers value creation as well as customers needs for new forms of creating value (Skålen et al., 2015). Both the Traditional bank and Digital bank are indicated to apply several different problem-finding practices, by combining the competence of the personnel and the technical resources,

and at the same time involving the customers in the process. Both of the two banks demonstrably have frequent communication with customers, through social media and different kinds of digital surveys. In addition, the Digital bank also conducts in-depth interviews with selected customers as well as beta-tests. All customer telephone conversations are recorded, whereas the customers of the Traditional bank soon will have the possibility of giving feedback after each call with the telephone bank. All of these problem-finding practices are argued to be aiming towards collecting customer opinions, ideas and recommendations, in order to improve the services and products supplied. In other words, through these practices, the two banks are able to identify eventual problems or demands expressed by the customers, and thus able to correct the disturbance or meet the demands. As theory suggests, customers take an active role in co-creating value for themselves (Ind & Coates, 2013), which highlights the importance of conducting these practices further. Regarding the Digital bank, technical issues in the digital banking platform were mentioned as an example of an occurring problem, which is argued to hinder customers in creating value from the activity of fully managing their savings, as promised by the bank. However, as a consequence of the applied problem-finding practices, the value creation of the customers can instead be supported.

Lastly, *problem-solving practices* are conducted by organizations to solve problems encountered by customers when trying to create value (Skålen et al., 2015). Due to the total online presence of the Digital bank, a large majority of their customer problems is assumed to be related to the digital banking services and online digital platform. All of the codings, developing and operating of IT-systems is done in-house, allowing the bank to quickly correct eventual customer problems or fixing appeared system bugs. The Traditional bank, on the contrary, buys all of its IT and technology from a larger contractor, which is limiting the bank and creating a barrier when it comes to rapidly solving customers problems in the technical area or digital banking services (Schmidt et al., 2017). However, when recalling the two banks' actual value propositions, the Traditional bank does not mainly promise to provide value through digital banking channels, which the Digital bank on the other hand expressively does. As previously concluded, the Traditional bank does not promise its customers value in terms of the latest technical tools but instead offers value through inviting all customers to engage in banking services as well as through the applied Savings Bank Concept. Therefore, problem-solving practices at the Traditional bank is argued to be more related to the activities of including all customers and support them in their interaction with the bank. To exemplify, the project Digital Living helps the older generation and people having a problem when trying to use the digital services provided by the bank, to make sure that the value proposition is fulfilled also by these two customer segments. The value will not be experienced by customers until the service offering is being used properly, where digital complexities might result in value co-destruction (Arumugam et al., 2019; Vargo & Lusch, 2006). Conclusively, by supporting all customer segments and helping them to solve their experienced customer problems, the promise of inviting all people in the local community to engage in banking services can arguably be fulfilled.

### 5.1.2.2 Representational Practices Enabling Communication Between Parties, Aggregate Two

The first two groups of representational practices, *naming and labeling practices* and *modeling practices*, describe the activities of the value proposition and their fulfillment, as well as create the structure of the value proposition (Skålen et al., 2015). Since the practices are similar and interconnected, they are further discussed together. As emphasized, the Traditional bank recognizes an absence of properly communicating the bank's values and the Savings Bank Concept, both internally and externally. For example, it was stated that approximately 50% of the customers in the market do not know the difference between the Traditional bank and its contractor. As a consequence, the societal contribution of the Savings Bank Concept might not be derived to the correct organization, causing the entire business model and value proposition to fall flat. However, the Traditional bank is expressing to actively working towards increasing the awareness of their values, brand and applied Savings Bank Concept both internally and externally, through the Branding Platform project. Through these practices, a sensemaking framework is argued to be created, where a common language according to research is suggested to bring the operant resources, e.g. the employees, together toward a common goal (Skålen et al., 2015). The Branding Platform project is not only directed internally, but also externally in order to include the customers in the process, where for example a handbook about the Savings Bank Concept will be produced and handed out. So in order to propose attractive customer value, it is important that the employees converge their vision and perception about the Traditional bank's business as well as illustrate it for the customers, which the bank demonstrably is working towards.

Moreover, regarding the Digital bank, their internal sensemaking framework contrastingly seems to consist of a common vision of behaving differently compared to other banks and acting as a tech company rather than a bank. This is evident based on how the managers talk about the organization in combination with the operant resources in terms of an innovative culture and digital awareness, as well as requirements in recruiting. One can thus reason that the proposed value has a clear structure internally, but do all of the customers understand this articulated separation from other banks? The Digital bank is not labelling the organization like a bank, but instead perceiving it as a tech company, which is argued to be a new value-creating approach by an actor in the banking industry and a result of the ongoing digitalization (Cziesla, 2014; Nylén & Holmström, 2015). Since the approach is new and the customer might not yet share the same perceived image of the bank, the external sensemaking framework might tentatively be clarified and extended, to involve the customers further in the bank's conceptualization and thus co-create value. Moreover, the Digital bank's digital platform is argued to be their main representational practice, since it informs and promotes the value proposition offered by the bank. Furthermore, the design of the website as well as the tools offered to communicate the value offered by the bank, in terms of the invitation to take responsibility for and manage one's own savings. In order to mediate the expressed image of being a tech-company and enable customers to attain the proposed value, it is highly important that the digital platform demonstrably can deliver the utility and high performance

(Arumugam et al., 2019) expected by a high-tech company, such as Amazon, Netflix and Google. The ability to show the value and let the customers experience it rather than to only talk about it is highly emphasized by the Digital bank. And if not, the value proposition might fall flat, and instead, result in value co-destruction (ibid.).

Lastly, *interaction practices* enable the communication of value propositions to customers or the co-creation of value propositions with customers (Skålen et al., 2015). As emphasized throughout, if the banks do not manage to properly explain and communicate the value proposition, then the customers will not be able to undertake the proposed value and co-creation of value will not occur (Ballantyne et al., 2011; Gummesson, 2007; Vargo & Lusch, 2008). The fact that customers actually understand the Traditional bank's societal involvement and comprehend its importance is highly important among the managers of the bank. It is further communicated when the bank is present at local fairs, in their projects and by organizing interaction practices in terms of different events at the bank offices, where presentations are made about the Savings Bank Concept. In this, the operant resources are identified as personal relations with local actors and customers, and knowledge about different topics brought up at the organized events. Furthermore, since the Traditional bank's value proposition is centred around the local contribution, the physical presence in such activities and events is argued to actively support the mediation of the bank's important role in the society. Consequently, the value proposition can be made sense of and understood (Skålen et al., 2015). But even though the Traditional bank is embracing these opportunities to talk to customers about the Savings Bank Concept and the value offered, it was emphasized by the organization that it can be done even more.

On the contrary, instead of physically interacting with its customers at different events, the Digital bank alternatively uses external profiled individuals and guest bloggers to explain and communicate the value proposed by the bank. Thus, the blogs and podcast produced are argued to be an important part of the bank's interaction practices, and as previously concluded also acting as operating practices, through which the customers value creation process can be supported. In this setting, it is questionable to mainly use external individuals only present online, and not for example employees as the Traditional bank, to represent the organization and communicate its proposed value externally. How does the Digital bank ensure that the value communicated by these external profiles is in line with the stated value proposition, in combination with the fact that no face-to-face interaction ever is taking place? Since the bank mainly offers digital self-service channels, it is above all crucial that the value is communicated correctly so customers understand the benefit of it using the services in order to actively participate in the value co-creation process (Grönroos, 2008).

Moreover, it is evident that the Digital bank and Traditional bank apply different types of interaction practices. But the solely digital interaction practices applied by the Digital bank is proven to be beneficial in creating close customers relationships (Cziesla, 2014). It is also argued to facilitate mobile relationships (Cziesla, 2014; Sachse et al., 2012), allowing the Digital bank to communicate with and serve customers all over Sweden, compared to the Traditional bank which is mainly limited to the specific business area. Furthermore, the



digital interaction practices provided by the Digital bank is constantly available for customers, which is enabling the organization to communicate its value proposition around the clock. The Traditional bank on the contrary, is more limited to communicate the proposed value to their customers by their applied interaction practices, even though it should be highlighted that they nevertheless also offer digital banking services where the proposed value also can be found. It can once again be concluded that the approach towards value creation is different between the two banks, where the applied practices in this case unfortunately is limiting the Traditional bank in the process of transferring and communicating its value proposition.

### 5.1.2.3 Practices that Align the Management and Organizational Practices, Aggregate Three

*Organizing practices* are argued to organize the work of providing and representing value propositions (Skålen et al., 2015). As emphasized by the Traditional bank, employee gatherings in different constellations are continuously organized, for example, the yearly mandatory shadowing, the ambassador groups with cross-disciplinary teams as well as workshops related to the Branding Platform project. These organizing practices consisting of internal cross-functional interactions are highly important in the process of integrating resources, provision practices and representational practices in order to offer an attractive value proposition to the customers. Regarding the Digital bank, their main organizing practice was identified to be the internal organizational structure of 20 different units working in different constellations and having different meetings to continuously innovate and develop the assigned business areas. By applying these organizing practices, both of the two banks can ensure that the value coherently is delivered to customers by all different departments. Further, the practices can also support other practices such as problem-finding and problem-solving ones, in terms of dividing work and clarifying internal processes to enhance the efficiency of the value creation process.

The above mentioned practices conducted by the Traditional bank are also categorized as *knowledge-sharing practices*, which are used to share knowledge and skills within the organization in order to realize the value proposition (Skålen et al., 2015). Through cross-functional interaction, employees are stated to exchange knowledge and get a deeper understanding of each other's work. Especially the mandatory shadowing is argued to be an important knowledge sharing practice enabling the realization of provision and representational practices, and the resources these integrate. In other words, the internal sharing of knowledge is argued to develop the competencies of each employee and thus reinforce the culture built around the value proposition offered to customers across the organization. Moreover, knowledge-sharing practices are also identified to be conducted by the Digital bank. For example, also the example presented above, where 20 units are working continuously to innovate and develop existing processes and products, through different meetings within and across the units. In this, knowledge is argued to be shared in order to better realize the value proposed by the organization.

Furthermore, *staffing and team-building practices* are used to hire staff and build teams that can provide and communicate service (Skålen et al., 2015). It is evident that the two banks value the recruitment process to attract the most suitable individuals. For the past three years, the Traditional bank has recruited a new CEO, Private Market Manager and Office Manager. Being employed at a Savings bank is stated to be different from working at any other commercial bank, presumably due to the profit reinvestment, which is why the importance of the bank's values are brought up early in the recruitment process. Through this specific staffing practice, the bank is argued to ensure what kind of service provision and attitude is expected by the employee, in the aim of delivering the value embedded in the Savings Bank Concept. Operant resources in terms of the individuals' knowledge and competencies are in this combined with the organizational culture and mindset about the Savings Bank Concept, thus communicating the value proposed. Moreover, the Digital bank also emphasizes the correct mindset and set of competencies when recruiting. Newly graduates are mostly employed from technical universities, which is argued to differ from other commercial banks assumed to require a degree in business administration. Accordingly, employees with a technical degree should be able to communicate the Digital banks value proposition more efficiently than someone with a degree in business administration, due to its innovative and technological focus. So, the Digital bank is not demanding the same competencies as other commercial banks. This staffing practice is therefore argued to result in a different set of operant human resources possessed by the bank, in terms of different competencies and experience among the employees, compared to the Traditional bank. Concluding, the Digital bank is argued to propose an attractive value proposition to its customers, through the integration of their operant human resources and operand resources such as the digital platform and related tools. This practice is also supporting the Digital bank's vision of being a tech-company rather than a bank.

Lastly, *networking practices* refers to how firms involve members of their network to create, deliver or negotiate value propositions (Skålen et al., 2015). These practices are further argued to be similar to those under organizing practices, but the networking practices differ due to being shared via a network (ibid.). With Traditional bank's value proposition and its aim to benefit the local community as well as inviting all people to participate in banking services, the bank is collaborating with a local real estate firm. For example, the bank can through this collaboration be a visible part of the customer's whole process of buying a new resident, from the first loan-application, to the searching process, and finally in the last stage of accessing the new accommodation. Through this networking practice, the bank is able to align its value proposition with another local actor, as well as strengthen the proposed value of being an important societal actor participating in customers resident buying process. On the contrary, the Digital bank does not include the same kind of actors in their network. Instead, as previously mentioned, the bank for example collaborates with profiled individual, argued to support the customers in their value creating process in accordance with the value proposition of managing one's own economy articulated by the bank. Conclusively, both the Traditional bank and Digital bank are argued to utilize operant resources in terms of close relations with actors in their network. However, the two networks are constructed in different

ways by the inclusion of various actors, such as a local real estate firm on the one hand, and by profiled individuals on the other hand. But consequently, the networking practices and the various actors included are all argued to support the two banks' respective customers in their value creation process, in accordance with their different value propositions.

## 5.2 Managing Service Innovation

According to Nylén and Holmström (2015), when the value proposition is clearly articulated and understood, service innovation can be used to improve the current value propositions. Firms, therefore, need to understand the components of the offered service, and how customers generate value from it. Furthermore, service innovation highlights the usage of resources in specific contexts, which is then resulting in improved value and more attractive customer experiences. According to Mbama et al. (2018), it is highly important that banks are continuously innovating and develop their value proposition, to ensure their competitiveness in the market and to meet customer demands. As concluded earlier, the two banks seemed to understand this. However, to be successful in the long run, service innovation has to be conducted repeatedly and constantly, allowing companies to adapt to changing environments and to stay competitive (Den Hertog et al., 2010).

Firstly, Skålén et al. (2015) model will be used to identify four ways of how service innovation at a micro level can occur based on the result from the Traditional bank and the Digital bank. Secondly, Den Hertog et al. (2010) framework with six organizational capabilities will further be applied on the result from the two banks.

### 5.2.1 Applying Service Innovation

In this section, Skålén et al. (2015) model of identifying four different ways of conducting service innovation will be applied to the Traditional bank and the Digital bank. Skålén et al., (2015) stress the importance for companies to understand what service the customers receive (resources), and how they receive it (practices). Using this model contributes to identifying the innovated or developed dimension and resources (Skålén et al., 2015) in the two banks.

The first innovation named *adaptation* consists mainly of the development of existing practices and resources within an organization (Skålén et al., 2015). This is the modest level of results in the modification of the value proposition. One example of adoption-based innovation identified at the Digital bank was the continuous development of the bank's digital platform, where the digital platform according to Skålén et al. (2015) is a self-service technology for customers. In this type of innovation, only incremental changes are needed (Skålén et al., 2015). The Digital bank's platform is constantly updated with both smaller and larger changes such as the redesigned component called "my pages". In this case, the website is developed of existing resources integrated to the same practice. Regarding the Traditional bank, no identified examples of adaptation-based innovation were found, though it is reasonable to believe that the Traditional bank also has regular updates on their digital

platform. Research suggests that digital transformation is putting continuous pressure on the companies to maintain their digital development (Sebastian et al., 2017) and the Traditional bank seems to have understood the importance of this. Even if this service innovation only results in a modest level of change, small changes over time might lead to extensive changes over time (Skålén et al., 2015).

Moreover, Skålén et al (2015) describe *resource-based innovation* where new operand and/or operand resources are integrated into existing practices or slightly modified practices. As a result, a new value proposition is hence created or the existing value proposition is developed (Skålén et al, 2015). Resource-based innovation was argued to happen in both the Traditional bank and the Digital Bank. The Traditional bank implemented a new communication system to collect data of its customers when entering the office space, which is argued to be an operand resource. This system could also match the customer with an advisor with the most suitable knowledge and experience to properly help the customer, which had been problematic before. Also, there was a lack of competence in the group in the bank, where only a few employees had comprehensive financial licenses to service all customers. As a result, the employees were trained aiming to receive the required mortgage-, consulting- and insurance licenses, concluded as operand resources. The development of the operand and operand resources will thus enable new forms of value creation for the customers (Skålén et al, 2015), in this case, for example, better personalized service. In addition, a new tool will be implemented at the Traditional bank where customers can provide feedback immediately after a call. Also, a chat feature will be implemented since it was considered to be an effective and safe option when the customers do not want to call the bank or visit one of the offices to give input. These two examples could also be considered as resource-based innovations, where new technical resources are integrated into existing practices. Moreover, the Digital bank's innovation days, called Brainy Days, is also argued to be categorized as a resource-based innovation. This type of event stresses the networking and knowledge sharing between different units within the company collaborating in different constellations, in other words, an operand resource. In this workshop, the company is able to identify new service innovations to implement, such as the offer where a customer could invite a friend and, in return, the customer would get five free commissions.

The *practice-based innovation* which is the third type of service innovation uses existing or slightly modified resources that are integrated into new practice (Skålén et al, 2015). To start with, the Traditional bank strives to become a more professional client towards the contractor and thus get a larger involvement in the IT development process and supply of technology. As a result, it will be more adapted to the strategy and development of the Traditional bank. This upcoming change might lead to practice-based innovation. The existing resource used by the Traditional bank, in terms of the current agreement with the contractor, will be modified into a new one with a larger amount of liability. This will result in involvement in the earlier development process, where the bank will be able to present requirements that satisfy its own needs, which also could result in new services including new ways how customers receive the service. So, through the modification of a current resource, new practice is assumed to occur in accordance with the practice-based innovation process. Moreover, no

practice-based innovation can clearly be distinguished at the Digital bank, which might be explained by the fact that the result from the Digital bank was less detailed compared to the Traditional bank. This in turn might depend on that the two Office Managers from the Traditional bank are more involved in the daily business processes and were therefore able to give more details about the daily business in contrast to the respondents at the Digital bank, who hold more strategic positions. Nevertheless, practice-based innovation might still take place in the organization, even though it was not identified in this research.

The fourth way of service innovation is *combinative innovation* which involves new resources that are integrated into new practices (Skálén et al., 2015). Therefore, the involvement of both new resources and new practices radically develops an existing value proposition or creates a new one. As a result, a new value will be created together with customers, compared to the previous value that has been offered (ibid.). However, no combinative innovation or equally extensive transformation can be identified either at the Traditional bank nor the Digital bank. On the contrary, this might still occur in the case companies, even though it was not recognized in this research. It is assumed to require a larger insight into the company or spending a longer time period within the organization to identify these major innovations, which was not possible in this thesis.

### 5.2.2 Possession of Organizational Capabilities

Hertog et al. (2010) present a framework with six organizational capabilities that firms should use in the creation and realization of innovations. Further, when firms possess these six different capabilities, they are according to researchers assumed to manage service innovation in a successful way (Den Hertog et al., 2010). In this section, identified organizational capabilities in the Traditional bank and the Digital bank will be presented. A summarized table of the analysis can be found in Appendix C.

The first capability *signalling user needs and technological options* have been identified in the two cases, but with different approaches towards it. This capability stresses companies to look for and interpret dominant trends in the market, both customer needs and technological trends (Den Hertog et al., 2010). The Traditional bank uses customers' reflections and opinions which are collected every month as one tool to intercept customer needs. In addition, the bank has implemented a new communication system as a result of technical development which for example can recognize customer needs. Further, the Digital bank takes notions and ideas from other tech companies to recognize technological trends. Trends are also captured in-house by the 20 different development teams. Similar to the Traditional bank, the Digital bank acquires customer feedback e.g. from focus groups and customer service department to capture trends in customer needs. Both banks have a continuous dialogue with their customers, as one example to acquire knowledge about trends. This is in line with Skálén et al. (2015), who suggests that managers should interact and cooperate with customers in the innovation process. Also, by collaborating with consumers - problems or opportunities might be identified by the company. However, when one bank offers a new or

improved service, competing banks tend to copy the innovations and shortly offer the same advantages or even better ones (Mainardes et al., 2017). As a consequence, co-creation of value is the best way to retain customers, by focusing on loyalty from the experience of participation (ibid.). Moreover, both banks are argued to possess this capability. By keeping an eye on how the market is changing, it is possible for companies to notice and meet the changing needs of customers and industry. In addition, this capability can help banks to determine future projects in digital development as well as new trends. However, banks are solely responsible for the development of new services and as this capability suggests, banks are advised to study the behaviour of users and customers to understand their unarticulated service-needs (Menor & Roth, 2008; Oliveira & von Hippel, 2011).

The second capability *conceptualizing* is about the ability to transform a rough idea into a viable service offering which requires an organizational culture that allows employees to “think outside the box” (Den Hertog et al., 2010). Examples of this can be captured in the Digital Bank. The 20 different teams in the organization have a great deal of freedom in optimizing and decide about their responsibilities. New ideas and innovation proposals are captured in-house where Brainy Days assist the organization to think outside the box. Also, the organization is self-critical in what they do where innovation and change is a part of employees everyday life. Since the changes in customer demand currently are pressuring banks to adapt quickly and fulfill the fast-changes needs of the customer (Martovoy & Santons, 2012), it can be argued that the Digital Bank has a high level of this capability due to its agile working style and the nature of accepting changes. At the Traditional bank on the contrary, the employees with the main responsibility of change management are the office managers. Also, the overall attitude towards change at the Traditional bank is appearing to be less positive than at the Digital bank. It is expressed that the Traditional bank has been too comfortable since the business has run smoothly during the years and therefore not focused on allocating resources, such as staff, for change management. However, the bank has undergone a change process and this will continue ahead. At the moment, this capability is therefore argued to be considered as low in the Traditional bank. The change management needs to be an ongoing process in order to meet the changing demands of the customers and adapt to current digitalization of the industry (Mbama et al., 2018). The Digital bank has an agile working style and the change management is integrated in the culture. As a consequence, this makes it easier for the bank to adapt faster and adjust to the outside world and to launch new service or products in accordance. While the Traditional bank is more indolent in their current service offerings. If they want to launch the same services as the Digital bank, it will probably take longer time and require more resources to launch it. Den Hertog et al. (2010) propose that successful service innovators outperform their competitors in these dynamic capabilities, and by developing the missing capabilities, the service innovation performance of companies is argued to increase. This suggests that the Traditional bank should strive to develop this capability more to stay competitive in the banking industry.

*Bundling/unbundling* is the third capability, described as the creation of service combinations with the possibility to customize the service offer or the creation of highly specialized and standardized services (Den Hertog et al., 2010). To start with, the Traditional bank caters all

private customers interests and the offering consists of private savings, loans, transactions and payment services as well as cash supply. The fact that the Traditional bank is approaching all types of customers is crucial in their value proposition. The customers of the bank have several options on how they want to interact with the bank e.g. physical meetings, on the digital platform or via phone customer service. Contrary to the Traditional bank, the Digital bank does not offer any advisory services and provides its service exclusively online, and customers can also interact with the bank through their phone customer service, as well as through email. The Digital bank has different products compared to the Traditional bank, in terms of a wide range of funds, securities, and shares, where the tools provided should make it easy for customers to manage their savings. Also, customers can mix and create their experience and service to make their own economic decisions. The two banks are argued to possess the capability of bundling and unbundling their offerings, which help them reach their target groups who in turn can customize their service. The Digital bank approach their target groups by offering a savings pod, blogs and learning platform that gives the customer better knowledge of savings. While the Traditional bank can offer sponsorship to local organizations or meet the customers by omni channel. The Digital bank's bundling is done digitally, while the Traditional bank's bundling is more firm in traditional service and physical service, such as consulting in offices. The process of creating and communicating value, and thereby the approach to value co-creation, is done differently depending on the level and kind of digitalization among companies (Tallon, 2010). Smaller banks through their geographical focus tend to know their customers and banking needs more personally, enabling a strategy of customer intimacy (ibid.) which can be associated with the Traditional bank.

Furthermore, the *co-producing and orchestrating* capability is about managing and engaging in networks with other service providers or companies, to co-create new experiences (Den Hertog et al., 2010). The Traditional bank demonstrates a range of examples of this capability. For instance, both smaller and larger local projects aiming towards benefiting the society are funded by the bank, such as sports clubs and local events. The bank has also a School Project, intending to conduct lectures and teach the children about private economy. Further, the bank is also collaborating with other players such as a local real estate firm. Also, to network with other service providers, the Traditional bank arranges a Business Breakfast which takes place around three to four times a year, where local businesses are invited and around 100 people attend. As their value proposition impose, the role of being an important actor in the society is strengthened through the many relationships with other local players. In contrast to the Traditional bank, the Digital bank manages and engage in networks with other service providers or companies in a different way. The Digital bank uses social media, mainly Twitter and Facebook, to communicate with other players. In addition, the bank produces its own podcast, as well as a large number of blogs where they have collaboration with well-known individuals and profiles. This capability improves the co-creation of value, where players such as organizations and other stakeholders working collaboratively together in the value creation process (Vargo & Lusch, 2004). In the Traditional bank, this is done locally where their service providers are located, while the Digital bank target service providers located in all of Sweden due to their digital approach.

The fifth capability is *scaling and stretching*, which includes the ability to diffuse a new service concept throughout the organization and to customers (Den Hertog et al., 2010). This is possible by having a strong brand. The Traditional bank is a well-known brand in the local area and has a large market share within this area, approximately 60%. In accordance, the scaling capability is argued to be strong. However, it should be mentioned that the Traditional bank's brand could be highlighted more throughout its business, both internally and externally. Even though the brand is argued to be strong within the geographical area, customers do not really seem to be aware of what the bank really does in terms of benefiting society. For example, many customers were stated to not know the difference between the bank and its contractor. Therefore, the capability is suggested to be improved further by the organization, with the aim towards making sure that each individual customer understand its value. Moreover, the Digital bank has over one million customers and the bank possesses the award of having Sweden's most satisfied savings customer. It is also argued that customers rarely leave the bank. Concluding, both banks are arguably considered to hold this capability due to their strong brands. This further allows the companies to use the existing brand name to stretch the core service offering and attain the ability to diffuse a new service concept (Den Hertog et al., 2010).

The last capability, *learning and adapting* is the ability to learn from previous service experiments and evaluate these by keeping track of failed and successful innovation efforts (Den Hertog et al., 2010). Both of the banks highlight the importance of tracking their progress and re-evaluate failed projects. The Traditional bank intimates that they have evolution meetings after that changes are made, thus it is stressed that the organization could prioritize follow-ups even more. Moreover, the Digital bank mentions that they learn from failures and that the change process includes constantly measure, follow up and adjustment. However, both the banks do not specifically express *how* they are keeping track of failed and successful innovation efforts. This capacity will save a lot of resources in terms of time and money for the banks, and will allow them to avoid making the same mistake twice. However, Den Hertog et al. (2010) stress the importance for companies to reflect on current service innovation management practices and how to improve these, which the two banks arguable do.

Summarizing, to further decomposing the components of how service innovation was managed in the two banks, the authors strived to identify each of the six organizational capabilities based on the result from the banks. Furthermore, it can be concluded that both the Traditional bank and Digital bank possess all of the capabilities, although the activities within the capabilities differ. Despite that all capabilities have been identified in the respective bank, it is hard to draw any general conclusions about how efficient service innovation they have, even though research proposes that firms which possess these six different capabilities can be assumed to manage service innovation successfully. However, as suggested improvements, we recommend that the Traditional bank should improve its second capability, *conceptualizing*, as well as, its fifth capability *scaling and stretching*. As research suggests, to be successful in the long run, service innovation has to be conducted repeatedly and



constantly, allowing companies to adapt to changing environments and to stay competitive (Den Hertog et al., 2010).

## 6. Conclusions

*In this section, the final outcome of the conducted research is presented and the stated research questions are answered. Further, the section presents implications and suggestions for future research*

The purpose of this research has been to analyse how value is proposed in the banking industry. To fulfill the purpose, the thesis has examined the main components of one Traditional bank and one Digital banks' value proposition. In this process, both differences and similarities have been identified. Further, the thesis has also examined how the two banks' manage service innovation in order to develop the value proposition, and thus conform to new circumstances in the evolving banking industry. The applied theoretical framework mainly consisting of a S-D logic perspective, together with a comparative case study design, jointly resulted in the following answers to the stated research questions.

### 6.1 Answering the Research Questions

The main research question guiding the work process and choices made has been the following:

*How do the Traditional bank and the Digital bank propose value?*

In short, value is proposed to customers through a value proposition. Based on the findings from this research, the Traditional bank's value proposition has been formulated to "*an invitation directed towards all people in the local community to engage in banking services, as well as, an invitation to all people to benefit from local investments made*", whereas the value proposition from the Digital bank is "*an invitation directed towards digital users to take personal responsibility for their savings through the use of their banking services and online platform*".

It is evident that the Traditional bank and Digital bank propose different values, mainly differing in whom they approach as customers. Further, both of the banks propose a symbolic value, where the Traditional bank offers value in terms of societal contribution through the role of being an important player in society. The symbolic value emerging from the Digital bank, on the contrary, is more related to a group affinity with an image of taking responsibility over one's economy, as well as, an emerged utility in private savings management.

*What are the main components of their respective value propositions?*

Decomposing these value propositions, the identified practices ensure that the propositions can be used by the customers, so the value-in-use emerge in accordance with the firm's promise. The Traditional bank's value creation approach is centred around practices related to physical and local interaction with customers and network members while outsourcing, for

example, IT-oriented practices, where internal resources are absent. It can be concluded that the main components of the Traditional bank's value proposition are operant resources in terms of employee knowledge, relationships with players in their network, and realization of the Savings Bank Concept. Moreover, the Digital bank, on the contrary, possesses operant resources in terms of technological expertise, an innovative culture, and also relationships with actors in their network. These resources are concluded to be the main components of the Digital bank's value proposition, resulting in the conduction of widely separated practices compared to the Traditional bank. Evidently, the identified components of the banks' value propositions are mostly different, which is as mentioned found to derive from the unique set of resources possessed by the two banks. The different resources are integrated and resulting in different practices, supporting the delivery of the respective value propositions. Conclusively, through this decomposition, it can be understood that there is no uniform way of proposing value in the banking industry.

*What are the differences and similarities in value propositions?*

The main components of the value propositions are found to consist of various practices, deriving from unique sets of organizational specific resources. Therefore, the main differences and similarities in identified organizational resources are presented in the table below.

Type of resource	Differences Traditional bank	Differences Digital bank	Similarities
Relational operant resources	Close physical relationship with customers	Digital relationship with customers	Close relationships with players in network
Human operant resources	Local knowledge Advisory service	Technological expertise	Employees Employee knowledge and expertise
Organizational operant resources	Culture built around the Savings Bank Concept	Innovative culture Digital awareness Division of 20 units	Organizational structure adapted to value proposition
Informational operant resources	Local presence and knowledge	Knowledge about IT development	Feedback from customers Market research
Operand resources	Local offices	Digital media (podcast, blogs) Digital platform and related tools	Banking products Digital banking platforms Telephone customer service

Table 6.1 Summary of main differences and similarities in resources

Based on the summarizing table, the Traditional bank and Digital bank have more differences than similarities in resources constructing their value propositions. Further, the shift from operand resources to operant resources suggested by the S-D logic perspective is also supported by the results of this research, where intangible resources such as relationships, skills and specific expertise are appearing to be the main ones used and combined to deliver value propositions. It is also evident that the Traditional bank does not possess as many technologically-oriented resources like the Digital bank, whereas technology seems to permeate all resources, resulting in larger barriers for the Traditional bank when it comes to supporting the value creation process in the industry's digital shift. In conclusion, the most important similarity is found to be the process of designing activities based on the unique set of available resources and its integration, which in turn supports the delivery of two unique value propositions.

*How is service innovation managed at the two banks in order to develop the value propositions?*

As a conclusion, both the Traditional bank and Digital bank use service innovation, although the activities related to service innovation differ. Digitalization is reshaping industrial fundamentals, as well as, leading to changes in the value proposition of companies' business models. Service innovation highlights the usage of resources in a specific context, which is then resulting in improving the value proposition and the co-creation of value. However, the Digital bank manages service innovation as an ongoing process through the use of existing resources and practices where incremental changes are made. The bank uses operand resources such as the digital platform but also operant resources in terms of IT knowledge of the employees. It is arguable to assume that the Digital bank's value proposition is developed by the use of adaptation-based innovation and resource-based innovation. Also, the Digital bank employs an agile way of working where innovation is integrated into the business culture and enhance the organizational attitude towards change. As a result, the Digital bank's value proposition is modified constantly to meet the changes in the industry, as well as, changes in customer demands. Service innovation is further co-created in-house together with the whole organization. Lastly, it was found that the Digital Bank aspires to be considered as a tech company rather than a bank which radically affects the approach towards its service innovation compared to more traditional banks. Moreover, service innovation in the Traditional bank has not been an ongoing process, neither has it been implemented in the strategy. However, this situation is about to change, where both new operant resources, e.g. knowledge and relationship with its contractor, and also operand resources, e.g. new technologies in the form of a communication system will be embedded in the service innovation process. As a result, this change will enable new forms of value creation as the value proposition is redeveloped or a new value proposition is offered. It was further found that the Traditional bank uses resource-based innovation where existing resources are integrated into a new practice. Furthermore, it can be said that the Traditional bank mimics the innovation of others' rather than innovating on their own because suitable resources and sufficient capabilities are concludingly appearing to be absent.

## 6.2 Implications and Suggestions for Future Research

The main purpose of this research has been to investigate how value is created in the banking industry. This is done by comparing the value propositions of two Swedish banks, and investigating how service innovation is managed in order for the organizations to develop their value propositions. Thus, the main contribution is argued to consist of a clarification of how value propositions are structured in the banking industry, together with the insight that there is no uniform approach towards either the creation of a value proposition nor the management of service innovation. Instead, value propositions and their development are found to be highly dependent on internal resources as previously suggested by Skålen et al. (2015), which in turn can both provide successful opportunities but also limit the value proposition process. Moreover, the identified value proposing practices, as well as, capabilities required to manage service innovation are implications of this study that can be used for further business application and research. Also, the notion from the comparison of how internal resources and their integration result in different value proposition practices and service innovation, provides a guideline for managers to focus on developing the internal organizational resources mostly aligned with the value they strive towards proposing.

By applying a S-D logic perspective on the banking industry, this research is argued to contribute to meeting the previously articulated demand for a larger number and more diverse studies about value propositions. The comparing research design of this study also fills the gap in literature where no previous study has been done including two banks with different digital strategies, whereas their respective approach towards value propositions are investigated. Demonstrably, the suggested shift from a G-D logic perspective is evident also in this study, supporting the previous research by Vargo and Lusch (2004) claiming that service and intangibles are the fundamental focus, instead of goods, now also highlighted in the digital shift of the banking industry. But since only two case companies have been investigated in this research, the findings are somewhat limited due to this aspect. Also since the two value propositions were found to differ widely, it would be valuable to conduct similar research on a larger number of banks, to further analyse what other types of values that are proposed in the banking industry. In addition, similar comparing research is suggested to be conducted on multiple companies acting in other industries than the banking industry, since the S-D logic shift, as well as, digitalization is argued to occur in most industries. The Conceptual Framework used in this research is a valuable tool and is recommended for future research to adapt when analyzing value proposition and service innovation in other industries. Moreover, in order to get a deeper understanding of the value creation process in the banking industry, it would be highly relevant to also include a customer perspective. For future research, a customer perspective is therefore suggested to be applied to provide the understanding of how the proposed value identified in this study actually is received by customers. In addition, since banks also have corporate customers assumed to value other components in the value proposition, it would be relevant to also investigate what kind of value is proposed to this segment, as well as, how it is received by the beneficiaries. Lastly, the finding that one of the two banks, does not want to be perceived

as a bank, but rather a tech-company, constitutes an incentive for further research comparing banks with other actors in different industries.

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## Appendix

### Appendix A: Interview Guide

Background	How would you describe your customers?
Value Proposition	<p>What do you offer your customers?</p> <p>How do you, as a bank, meet your customers?</p> <ul style="list-style-type: none"> <li>- What do you value in that relationship with customers?</li> <li>- What do customers value in their relationship with the bank?</li> </ul> <p>Why do customers choose your bank?</p> <ul style="list-style-type: none"> <li>- How do you talk about the value you offer customers internally (within the bank)?</li> <li>- How do you talk with customers about the value you offer, so they can absorb and understand the value?</li> </ul>
Digitalization & Change Management	<p>Could you describe the change management towards a more / better digital customer meeting?</p> <p>How do you come up with new projects and/or proposals for change to improve the customer experience?</p> <ul style="list-style-type: none"> <li>- How are customers involved in this?</li> </ul> <p>Are there enough resources within the bank to do change management?</p> <p>How do you handle any setbacks in the change work?</p> <p>Can your bank meet all customers digitally?</p> <ul style="list-style-type: none"> <li>- Why? / Why not?</li> </ul> <p>What are the difficulties in being completely digital?</p> <p>Anything else you would like to add?</p>

### Appendix B: Summarized Table of Identified Practices

Aggregate	Practice	Explanation of practice	Practice examples, the Traditional Bank	Practice examples, the Traditional Bank
Provision practices	Operating practices	<i>Aimed at supporting the core customer value creation as stated in the value proposition</i>	Physical offices Telephone bank Financial advisory services Pop-up Bank	Blogs Podcast Profiled key individuals Educational platform Digital tools
	Problem-finding practices	<i>Identify: (a) problems with the customer's value creation and (b) the customer's need for new forms of creating value</i>	Customer communication Surveys Social media Feedback after dialogue with telephone bank	Customer communication Surveys Social media Beta-tests In-depth interviews

				Customer recordings
	Problem-solving practices	<i>Help to solve customer problems</i>	Contractor Digital Living project	Inhouse IT development
Representational practices	Naming and labeling practices	<i>Describing the activities of the value proposition and their fulfillment</i>	Branding Platform project Handbook about concept	Vision of tech-company Behaving differently
	Modeling practices	<i>Create the structure of the value proposition, presenting the value proposition as a meaningful whole</i>	Branding Platform project	Website
	Interaction practices	<i>Enable the firm to communicate the value-proposition to its customers, or to co-create it with them</i>	Local fairs Projects Events Face-to-face	Website Profiled individuals Online / digital
Management and organizational practices	Organizing practices	<i>Organize the work of providing and representing value propositions</i>	Mandatory shadowing Ambassadors (cross-disciplinary teams) Workshops	20 units collaborating in different constellations
	Staffing and team - building practices	<i>Hire staff and form teams than can provide and communicate service: creating workgroups, allocating people, and recruiting them</i>	New CEO, Private Market Manager, and new office manager Highlighting values in beginning of recruitment	Hires graduates with technical degree
	Networking practices	<i>Involves members of its network in order to create, deliver or negotiate value propositions</i>	Real estate firm	Profiled individuals
	Knowledge-sharing practices	<i>Dissemination of knowledge and skills, important resources, through training</i>	Mandatory shadowing Ambassador meetings	20 work units

Appendix C: Summarized Table of the Analysis of Six Organizational Capabilities

<b>Capability</b>	<b>Explanation of capability</b>	<b>Activities examples, the Traditional Bank</b>	<b>Activities examples, the Digital Bank</b>
Signaling user needs and technological options	<i>Look for and interpret dominant trends in the market, both customer needs and technological trends, through dialogues with customers, by scanning the market, and by monitoring competitors</i>	Customers' reflections and opinions are collected every month Feedback from customers e.g. improvement suggestion from a customer Collecting data from the communication system	Notions and ideas from tech-companies Trends captured by 20 in-house teams Customer feedback from focus groups and customer service department
Conceptualizing	<i>Ability to transform a rough idea into a viable service offering. Requires an organizational culture that allows employees to "think outside the box", to question current organizational processes, accepting change, and nurture corporate entrepreneurship</i>	Office managers are responsible for changes Not so positive attitude towards change Change management has not been prioritised	Focus on change and innovation in the company culture and employees' mindset Agile working style Brainy Days
Bundling/unbundling capability	<i>Creation of service combinations with the possibility to customize the service offer or the creation of highly specialized and standardized services</i>	Cater all private customers interests Target all customers Variety of interaction options	Large supply of products: funds, securities, shares Tools provided are easy to use.
Co-producing and orchestrating	<i>To manage and engage in networks with other service providers or companies, to co-create new experiences</i>	School project Support local companies Support local projects Business breakfast Collaboration with a real estate firm	Active on social media Podcast and blogs Collaboration with profiled individuals
Scaling and stretching	<i>Ability to diffuse a new service concept throughout the organization and to customers. Achieved by creating a strong brand that customers value and associate with a certain set of services and service quality</i>	Strong brand in the geographical area Savings Bank Concept Problem to differ from its contractor	One million customers Strong brand Dedicated customers Having Sweden's most satisfied savings customers
Learning and adapting	<i>Ability to learn from previous service experiments and evaluate these by keeping track of failed and successful innovation efforts</i>	Evolution meetings Stresses evaluation ability	Self-critical organization Learn from failures