

Master Thesis



- Key Factors of Success

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Advisor: Niels Bjørn-Andersen, Center for Applied Information and Communication Technology

External examiner: _____

Student: _____
Kristian Søgaard

EXECUTIVE SUMMARY

In April 2001 SkandiaBanken, a fully owned subsidiary of Skandia Insurance Company Ltd., bought Din Bank in Denmark and started what today is the largest pure Internet bank in the country. All though Internet banking never got the revolutionary impact on the banking industry that had been predicted SkandiaBanken did, with their 107.000 customers and their first positive result in 2004, justify their existence on the market. But in this record breaking good period for the Danish banking sector, SkandiaBanken's modest result of approximately DKK 1 million seems to be too low.

The thesis is structured around three phases: a descriptive phase containing the problem identification, an analytical phase containing environmental scan and a concluding section where the strategic implications are outlined. The purpose of the thesis is to determine the strategic implications SkandiaBanken in Denmark will encounter in the near future. The environmental analysis combined with an analysis of SkandiaBanken's specific resources and capabilities is investigated in the third phase which recommends strategic and practical recommendations on how to improve their competitive situation.

The most important findings in the external environment are the impact that the Internet has had on the banking sector, primarily diminishing barriers of entry. Furthermore, the customer's mobility and their bargaining power have been increased significantly. The market for pure Internet banks is growing and with increased focus on price and transparency, SkandiaBanken seem to have a justification for their existence on the Danish market. Internally SkandiaBanken have been able to cut costs significantly in its first years of existence leaving it to be one of the most cost efficient banks in the country, when measured in cost per customer or per employee. But just as efficient as SkandiaBanken have been in lowering their costs equally poor have they been in generating a sufficient income. To generate a larger income SkandiaBanken has to shift focus from growth to customer relationships and loyalty. Training and empowering the front-line office will encourage this shift of focus. The management of the bank does not seem to recognize that the front-line office is the only connection they have with customers and the importance of this connection. Presently the bank does not segmentate their customers resulting in the bank not knowing the needs of their customers. In order to increase customer loyalty, customer satisfaction, share of customers' wallet and thereby increasing the income-per-customer the bank will need to implement a CRM system in the bank.

TABLE OF CONTENTS

FOREWORD	1
INTRODUCTION	2
Problem statement	3
METHODOLOGY	4
Phase 1: Problem Identification	5
Phase 2: Environmental Scan	5
Phase 3: Key Factors of Success	6
Data Collection	6
Ethics	8
<i>Employee of SkandiaBanken</i>	8
<i>Anonymous criticism</i>	9
CASE DESCRIPTION	10
Skandia Insurance Ltd.	10
<i>The Products offered</i>	11
<i>The Organisation</i>	12
<i>Market Performance</i>	14
SkandiaBanken AB	16
<i>The concept of SkandiaBanken AB</i>	17
<i>SkandiaBanken Denmark</i>	19
Key draw-in products for customers	19
ENVIRONMENTAL SCAN	28
The demand for online banking	28
PEST	30
<i>Political</i>	30
<i>Social</i>	32
<i>Economic</i>	35
<i>Technological</i>	36
Net-ID and Digital Signatur	38
<i>Net-ID</i>	38
<i>Digital Signatur</i>	40
Findings in the macro-environment	41
INDUSTRY ANALYSIS	42
Framework	42
Definition of the industry	43
Intensity of rivalry	45
Threat of substitute products	53
Bargaining power of buyers	54
Bargaining power of suppliers	55
Threat of new entrants	56
Findings in the industry analysis	57
SWOT analysis	59
Strengths	60
Weaknesses	63
Opportunities	67
Threats	68
Findings in the SWOT analysis	70
<i>Strengths</i>	70
<i>Weaknesses</i>	71

<i>Opportunities</i>	71
<i>Threats</i>	72
Strategic Implications	72
<i>S-O strategies</i>	73
<i>W-O strategies</i>	73
<i>S-T strategies</i>	74
<i>W-T strategies</i>	74
STRATEGIC RECCOMENDATIONS	75
Future strategic focus.....	75
List of priorities	75
Resolution	80
KEY FACTORS OF SUCCESS	82
<i>Profitability</i>	82
<i>Decreasing profitability</i>	82
<i>The economic impact of increasing income/customer ratio</i>	84
Tools for improvement.....	84
Customer communication	85
<i>Practical Implications</i>	88
<i>Control the communication</i>	88
<i>General templates</i>	89
Customer Loyalty	89
<i>Benefits of Customer Loyalty</i>	90
<i>Achieving higher customer loyalty</i>	91
Account opening activities	92
Cross-sell activities - Gain increased share of customer wallet.....	93
<i>Communication following the account opening</i>	94
<i>Customer profiling</i>	95
<i>Data storage</i>	96
Practical Changes	96
Which approach should be chosen?.....	100
<i>Introduce relationship banking</i>	101
<i>Further changes that should be made</i>	103
CONCLUSION	105
<i>The Macroenvironmental Perspective</i>	105
<i>The Banking Sector</i>	106
<i>SkandiaBanken</i>	106
<i>Strategic Issues</i>	106
<i>Key Factors of Success</i>	107
<i>Recommendation</i>	107
LIST OF APPENDICES	112

FOREWORD

In March 2005 I was ready to begin my master thesis, and I decided to write the thesis with my co-student Peter Ahn. We decided to write a thesis based on a case rather than a pure theoretical thesis. I have been interested in different ways of using the Internet and how the Internet would affect us. Peter Ahn had been working in SkandiaBanken and had observed that there was room for improvement in some of the processes.

We worked at the bank over the summer until Peter was accepted at the Danske Bank graduate trainee program at the beginning of September 2005. It was a requirement that Peter handed in his master thesis before the graduate program began and at that point it was decided that Peter and I could hand in separately.

My plan was to hand in this thesis later that year, but I received a job-offer that I could not turn down. At first I thought the project I was working on would only last for 6 months and that I could resume working on the thesis following that, however the project was prolonged many times.

I would like to thank my advisor Niels Bjørn Andersen for his guidance, for understanding the problem and for being so patient.

A large part of the thesis was written during the autumn of 2005 and the final part was written during the summer of 2009. During these years many things have changed especially in the banking sector. For instance in May 2007 the Faroese bank Eik Bank bought SkandiaBanken Danmark and by the end of 2007 the two banks merged and the name SkandiaBanken ceased to exist in Denmark. With these changes in mind and that the gathering of information ended in late 2005, the thesis should be seen in the light of the Danish retail banking market of early 2006.

INTRODUCTION

The economic literature is under constant development and the past decade has produced many new perspectives and maybe even new schools of thought. The emergence of the Internet can imply that in some industries the power is about to change and in others it has already. This new network economy poses new challenges for companies whose prime distribution channel is the Internet and the winner is the fastest learner. In academics, the network economy introduces new perspectives, approaches and new tools. Strategic marketing (Bjerre, 2003) is such a tool and have become a key objective for most companies. The focal point has shifted from the individual company to the company's supply chains.

With the emergence of the Internet and the gathering of vast amounts of information, marketing is now more personalized than it has even been. How can companies outsmart competitors, the industry is harder to define and the company will therefore have to change the perspective of the market in order to understand it.

The scope of this thesis is to give the Danish branch of SkandiaBanken a better understanding of the current situation of the Danish retail banking market. Our aim is to analyze if a change in strategy or a change in strategic point of view could help the bank's competitiveness.

We will start out by describing the company and rather fast move on to an analysis of the environment in which the bank operates. This will result in what we believe to be the strategic implications of the analysis and finally we will identify in which areas, if any, the bank can improve their competitiveness.

We aim to help SkandiaBanken in the development of a long term strategy that can ensure the profitability of the bank in the years to come.

Problem statement

What are SkandiaBanken's the key factors for success and how can SkandiaBanken influence these to gain a competitive advantage in the future.

To be able to answer the problem statement we have formulated the following sub-questions. These sub-questions will ensure both the correct comprehension and a thorough investigation of the main question.

1. What are the external and internal environmental factors that influence the Danish retail banking industry
2. What are SkandiaBanken's resources and capabilities and how can they be used to create a strategic fit with the external factors
3. What are the relative importance of the strategic issues that SkandiaBanken face in the years to come
4. How should SkandiaBanken adapt their business to generate a higher profit.

METHODOLOGY

This project is divided into three phases. Phase 1 gives an introduction to the company and describes the situation the company faces. A problem statement and research questions is then formulated.

In phase 2 an in-depth environmental scan of the Danish banking sector is carried out. This enables a formulation of the strengths, weaknesses, opportunities, and threats the company faces and the corresponding strategic fit between externalities and internal resources and capabilities. Finally a suggestion for improving the competitive advantage of the company is presented in the form of strategic issues and critical success factors.

Phase 3 evaluates strategic issues and results in a strategic recommendation and identification of how the critical success factors for the company. This is summarized into an implementation plan with an overhead. Last but not least, the results of the project will be concluded and reflected upon.

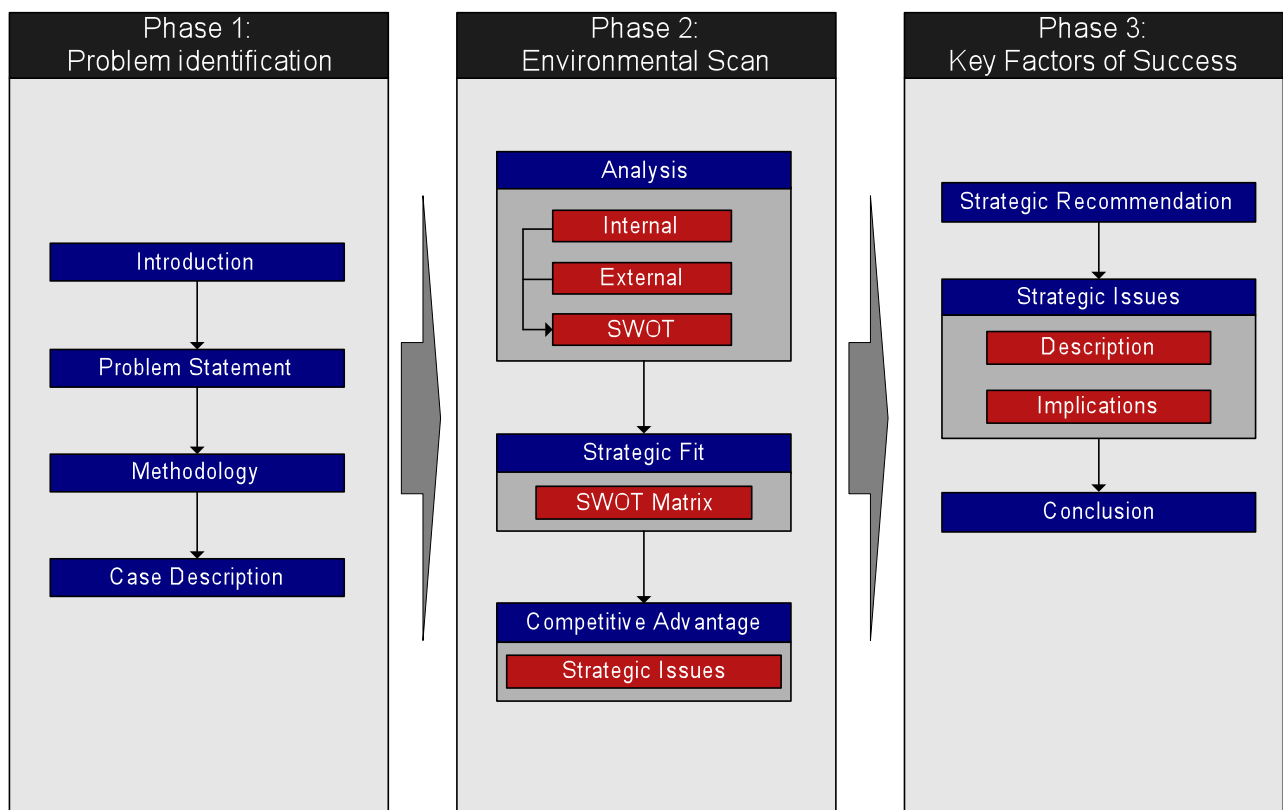


Figure 1 – Structure of the thesis

Phase 1: Problem Identification

First phase commences with an introduction containing our motivation and acknowledgements to the people that have been of great help to us throughout the process of writing this thesis. The project begins with a thorough case description that describes the organizational structure of Skandia AktieBolaget – the parent company of SkandiaBanken AktieBolaget. It will also describe the current business model, the organizational build-up of SkandiaBanken in Denmark and the strategy of the company. After this the problem statement followed by a methodology section that presents and explains our choice of the theoretical framework and how it will be used. This section also contains the scope and limitations of the thesis.

Phase 2: Environmental Scan

Second phase is the preliminary analysis phase containing a complete scan of the environment in which SkandiaBanken is operating. The scan is made up of an external macro- and microenvironment and an internal analysis. The figure below represents a graphical presentation of this phase of the project.

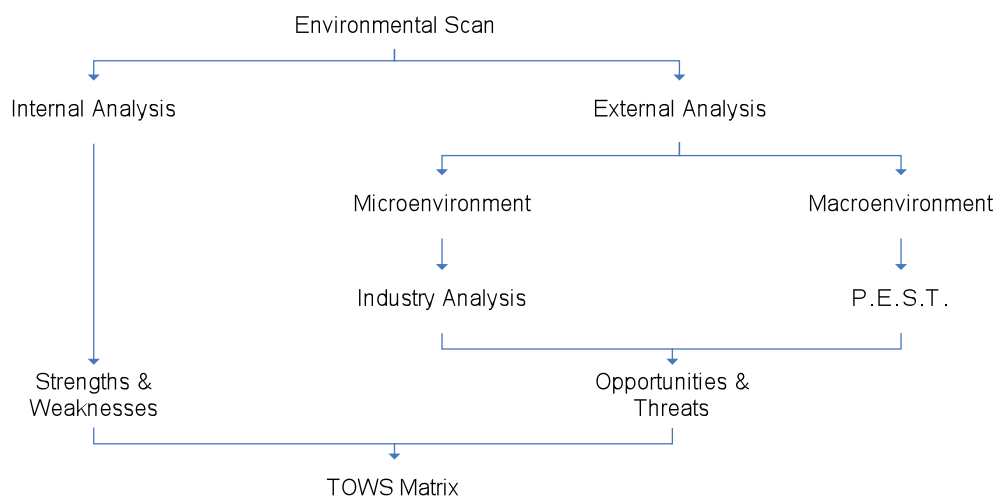


Figure 2 - Environmental scan

For the external macroenvironmental analysis we analyse the impact of external factors not originating from the industry but on a more societal level. The PEST model is applied as the framework for this analysis. The PEST model investigates the political, economic, social and technological forces that have relevance to the Danish banking industry and SkandiaBanken. The investigation by means of the PEST model reveals leads and trends for the industry, but does not give a precise image of the market changes. The industry's microenvironment is investigated in depth with the traditional Porter's five forces (Porter, 1980) model. This is done in order to assess the industry forces and the general market attractiveness of the banking sector. The five forces model can only provide an external view of the market and the company and in order for the environmental scan to cover all areas of interest to SkandiaBanken, an investigation of the internal resources and capabilities is initiated. The resources and capabilities are investigated from a resource-based perspective (Wernerfeldt, 1984) and the VRIO model (Barney, 1997) is applied to insure a full coverage of the sustainability of the results. Finally the findings are fitted into the SWOT model (Christiansen, 1982) to uncover the strategic implications for SkandiaBanken. The result of the SWOT analysis will be summarized in the TOWS-matrix (Wehrich, 1982) to pinpoint ways for SkandiaBanken to achieve a strategic fit and make suggestions as to what strategic direction SkandiaBanken should pursue to gain a competitive advantage.

Phase 3: Key Factors of Success

The third and final phase presents an analysis of the strategic implications uncovered through the environmental scan. It contains a list of the most imminent strategic issues that SkandiaBanken has to take action on as soon as possible and suggestions on how these issues should help SkandiaBanken in maintaining a competitive advantage in the future. The third phase will also give suggestions on how to solve these issues from a more practical point of view. Finally the thesis presents the findings and suggestions in the conclusion.

Data Collection

The research part of the project is divided into two phases. The objective of the first phase is to assemble an overview of the situation SkandiaBanken is currently facing, in regards to how

the company operates on the market and how the company utilizes its competencies. Because the aim of this phase is exploratory, a qualitative research method is applied (Hair, 2003 and Andersen, 1999). The second research phase is intended to validate the findings of the first phase, and continues to gather information to help define the strategic issues. The research method used in the second phase is both exploratory and descriptive, incorporating exploratory interviews, the Internet, and descriptive marketing surveys.

The primary empirical study method used in the paper is multiple semi-structured interviews conducted with key personnel members of SkandiaBanken. The reason behind the choice of this method has been to obtain SkandiaBanken's perspective of the market and the effectiveness of the internal processes. Interview guides have been used to keep the interviews on track. The interviews were carried out with open-ended exploratory questions. In the start-up phase of the project purely informal meetings were held, merely to gather information about the Skandia Group and SkandiaBanken. The interviews were conducted with employees of SkandiaBanken and represent the subjective opinion of the interviewees. The information gathered is considered highly valuable in the process of understanding the company.

The first part of the data collection consisted of face-to-face meetings with key personnel members from SkandiaBanken Denmark including: General Manager Henrik Vad, Marketing Manager Henrik Storck, Chief financial officer Poul Poulsen, Head of Bilfinans Bo Jakobsen, Head of Customer service Tine Kirk, IT relations manager Bente Koza, Head of Accounting Lone Wilson, Head of IT department Jørgen Christensen, Head of Funds department Niels Mogensen and Skandia's National HR manager Majbrit Krarup.

The advantage of these informal meetings was to extract more accurate and possibly more comprehensive answers than what would be collected through a telephone interview or an e-mail questionnaire. We performed one telephone interview with Søren Gade, Departmental Chief of the Danish Bankers Association.

Internet has been extensively applied in the second research phase. A validation of the findings in the first phase was necessary in order to remain as objective as possible. The findings were backed up by annual reports from relevant competitors, market information from industry associations and specific competition analysis from the Danish Financial Supervisory Authority. Marketing survey reports conducted for SkandiaBanken was delivered

and the data we received had not been analysed by the marketing department, why we received the raw data.

Both primary data, such as interviews, and secondary data, such as annual reports, has been used in the project. We regard the findings and the data as valid, but realise that our own subjectivity may have influenced the findings.

Ethics

We are obligated by SkandiaBanken not to disclose the content of this report to the public, since it includes confidential and competitor sensitive information about SkandiaBanken. That is why we cannot make the report accessible for others.

We have encountered a few other ethical issues while conducting our research. The most significant of these are:

- The issue that one of the authors was an employee of SkandiaBanken
- The interviewees' criticism and wish not to be quoted. The criticism mainly concerned SkandiaBanken's strategy and organizational structure

Employee of SkandiaBanken

The fact that one of the authors is a former employee of SkandiaBanken potentially has ethical consequences, since he might be able to direct the project in the direction that SkandiaBanken wanted. Since the author has direct organizational relation to the bank, SkandiaBanken could put pressure on the author to focus on specific factors and use certain means to change the outcome of the research thereby distorting the impartiality of the research. SkandiaBanken obviously has an interest in getting as high level of usable information from the project as possible. Therefore we were very aware of these facts and of maintaining an objective angle on the investigation. It should further be noted that both

authors agree that SkandiaBanken has been very helpful during the process and has in no significant way tried to influence the direction of project.

Anonymous criticism

Many of the interviewees have expressed dissatisfaction with the strategic management and organizational structure of SkandiaBanken and tried to influence our objectivity. These interviewees have all wanted not to be quoted for this criticism in order to maintain their positive work relations. We have considered the criticism and used it where we felt it was justified. We do not, however, feel that our objectivity has been jeopardized. We have been observant of the fact that the interviewees' opinions are influenced by their specific tasks and position in the bank and that their opinions do not necessarily represent the general attitude. It has been clear that some of the interviewees were more focused on protecting their own position and the specific department's power instead of working together within the bank as a coherent unit. This is of course a management problem that people try to protect their own position. It also reflects that not every part of the bank has an in depth understanding of the bank's strategy and the need for every business unit to execute this strategy rigorously.

All of our conclusions and findings are based upon our research and has not knowingly been influenced by the politicising opinions of the interviewees.

CASE DESCRIPTION

Skandia Insurance Ltd.

Skandia Insurance Company Ltd. is a large international long-term savings provider offering unit linked-, life- and health assurance, mutual funds and investment management, and banking services. The services are geographically divided into a United Kingdom, Asia Pacific and Offshore division; a Nordic division and a Europe and Latin America division. Skandia is active in 20 countries and has close to 5.800 employees worldwide.

In the financial year of 2005 Skandia reported:

- total sales of DKK 102,0 billion, up 30% from 2004 figures
- funds under management was DKK 452,8 billion, up 45% from 2004 figures
- operating result was DKK 5,8 billion, up 310% from 2004 figures

Skandia was founded in 1855 in Stockholm and was the first Swedish insurance company. During the first years of operations, Skandia became international and opened offices in Oslo, Copenhagen, St. Petersburg, Hamburg and Rotterdam. When the Stockholm Stock Exchange opened in 1863 Skandia was one of the seven companies to be listed and the only one, which still exists. The goal of the company is to give the customers' financial security and a freedom of choice.

Skandia continued the expansion and in 1900 the firm entered the US market as the first foreign non-British insurance company. 20 years later the product portfolio of insurance was expanded to include monthly income insurance, which is now called pension. In 1964 the Skandia group was founded through a merger of five Swedish insurance companies, which originally consisted of 53 companies. The umbrella logo was introduced to symbolise the federation of the many different companies. After years of expanding the geographical span of the business, Skandia recognized the need for a wider product portfolio. In 1979 the company began to offer unit linked pension insurance, which is now the primary source of

income for Skandia group. The product expansion continued with Skandia entering the Swedish banking market in 1994. The bank started out as a savings-deposit bank focused on telephone services, but with advisory in the local Skandia offices. As the Internet developed as a distribution channel throughout the 1990's, the bank also evolved by taking advantage of the possibilities introduced by this media.

The Products offered

In the first 150 years of business Skandia has evolved from a national company offering fire and life insurances to a worldwide company offering a wide portfolio of long-term saving solutions. Today **unit linked assurance** is the largest product area. Unit linked assurance is a pension or life assurance product, where the customer can choose how to allocate the premiums from/between a variety of fund-based investments as well as switching between these funds. Unit linked assurance accounted for 69% new sales in 2005¹. The product is offered in 17 countries.

The **mutual fund savings** product is offered in 12 countries and allows the customer to choose from a larger number of investment alternatives. The product allows the customer to deposit and withdraw capital whenever needed.

Skandia's oldest product, the traditional **life insurance**, is no longer the primary product of the company, but Skandia is still a market leader in the Nordic countries and Spain. The product is a traditional life insurance that covers critical illness or death and the customer has no freedom to choose where to invest the premium.

Skandia Protection is a product complementing the public health care system. The product enables companies to offer their employees a faster and better health care service than the public health care system can provide. The product is only sold in some European countries.

The latest business area Skandia has added to its business portfolio is **retail banking**. SkandiaBanken is a full-service retail bank offering services to customers in Sweden, Norway

¹ Skandia Annual report 2005

and Denmark. The bank is a pure Internet bank and services are only provided over the Internet or by telephone. The products offered are deposits and savings, loan, securities, and pension. The cornerstones of the bank are simplicity, accessibility, favourable terms, and a full range of services.²

Result of operations DKK Million	Q1 2005	Q1 2004
Unit link assurance	936	779
Mutual funds	-13	-25
Traditional life assurance	0	21
Banking	77	33
Protection	19	4

Table 1 – Skandia operating result
Source: Skandia Annual Report 2005

Skandia's offerings in selected countries	Australia	Austria	Chile	China	Colombia	Denmark	Finland	France	Germany	Ireland	Italy	Liechtenstein	Mexico	Norway	Poland	Portugal	Spain	Sweden	Switzerland	UK
Unit Linked Assurance		•		•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Mutual funds	•	•	•		•				•	•			•	•			•	•	•	•
Traditional life assurance						•	•										•	•		
Banking						•								•				•		
Protection						•	•		•					•				•		•

Figure 3 - Product portfolio in selected countries
Source: Skandia Annual Report 2005

The Organisation

Skandia is continuously trying to improve its organisation. Recent developments in product portfolio and the search for synergies resulted in the division Skandia Sweden being renamed to Skandia Nordic. There are three geographical divisions within Skandia: United Kingdom, Asia Pacific & Offshore; Nordic and finally Europe & Latin America. The Divisions are managed from the headquarters in Stockholm that also houses the Human Resource-,

² The products have been found on Skandia's website and in the annual reports

Corporate Law-, Communication- and Finance & Accounting departments. Skandia has been experiencing some difficult years, both in terms of the general market recession and in connection with the corporate scandal that inflicted extensive damage upon the old illustrious brand, particularly in Sweden. With the new structure Skandia aims to move from a federative to a more cohesive and uniformly governed group that takes full advantage of potential operating synergies.

Skandia's business units in the Nordic countries are in the process of introducing one country manager for unit linked assurance, mutual funds, life assurance, banking and protection. The collection of all business areas in each country under one manager is expected to create the possibility of identifying potential cost efficiencies and cross sales opportunities as each business unit will no longer specialise in any particular service and share HR-, Marketing-, Service centre and Economy functions. Hopefully, it will also improve sales, as each business unit will be able to offer the full range of products.

The IT departments for the Nordic and the Europe & Latin America divisions have been merged and are now situated in Berlin and Stockholm. The development of a common IT platform for the Nordic countries incorporating all customer information not only gives an opportunity to offer a wider range of products but also improves the ability to generate higher sales. Since financial products are fairly standardized even across borders it is easy to develop one common platform and then adapt it to the local markets. Skandia states that it is striving to take advantage of economies of scale in every aspect of its business, but not at the expense of the creative initiative in the local markets.

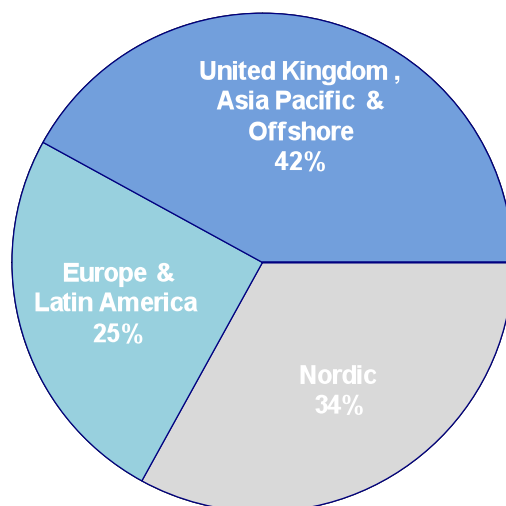


Figure 4 - Profit 1st quarter 2005
Source: Skandia Annual Report 2004

40 years ago Skandia merged with five other companies that originally consisted of 53 smaller companies. Ever since the merger occurred, Skandia has often been labelled a federation of companies with an entrepreneurial spirit. The ongoing re-shaping of the group is an attempt to turn the group into a cohesive whole. Skandia places a strong emphasis on long-term values like customer care rather than exercising short-term transaction mentality. Long-term focus is a clearly defined strategy that implies moving away from the business philosophy solely based on transaction costs and financial results. Some of the operations in Japan and a banking business in Switzerland were sold off in 2003 as they did not meet the specified requirements of the group. It is Skandia's strategy to sell off operations that underperform several years in a row or somehow fail to meet the set requirements.

Market Performance

Sweden is still Skandia's largest market but the UK is becoming more and more important for the firm. These two markets are the main markets for Skandia at the moment. Skandia has experienced a positive growth in the UK and its market share has reached 4,4 % of the total UK life insurance market. Skandia regards Europe, and especially the Nordic division, as the base of its overall operations as Skandia is embedding the company in the global economy.

Skandia entered the Danish market in 1997 and is therefore a relatively young firm on the market. The firm does, however, possess an extensive knowledge from the parent company concerning long-term savings and pensions. Skandia has evolved into being one of the larger players on the Danish market, and will try to continuously grow by capturing an even higher market share. Skandia will also introduce a wider product portfolio on the Danish market and thereby attempt to further brand their organisation as a full service financial firm. Transparency is a key factor on the Danish pensions market. Customers have begun to investigate the market and are more open to the possibility of switching pension funds than ever before. In the focal area of Unit linked insurance Skandia has successfully achieved a market share of 24,4% in 2004. The market share is decreasing but the absolute number of customers is increasing, the market for unit link insurance grew rapidly from the beginning of the millennium and from 2005 and forward the market slowed down. Skandia is seeking new distribution channels and their subsidiary bank, SkandiaBanken, is expected to act as one of these new distributors³.

Skandia's direct competitors are Danica, PFA, Nordea and SEB that offer similar products and have been on the market much longer than Skandia. Even though Skandia does not have a high market share in Denmark, it has been increasing or constant in the past five years.

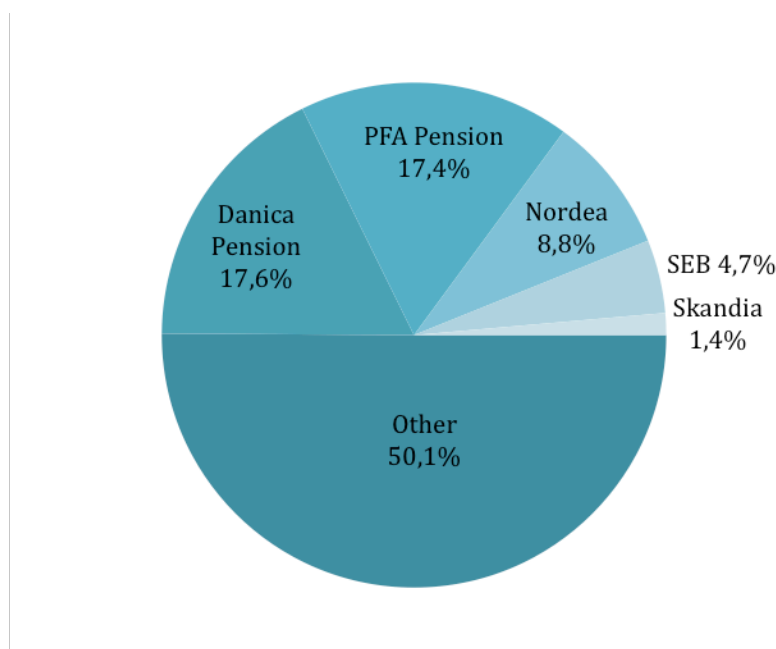


Figure 5 – Total market share of selected insurance companies in Denmark
Source: Forsikring og Pension 2005

³ The Danish Financial Supervisory Authority – Key performance indicators 2005

Skandia's business idea is to meet the customers' need for saving solutions and financial securities at all stages of their lives. The key concepts for developing and offering these solutions are to focus on the firm's core competences, which they define as *fund selection, concept development and market support and service*. Skandia is trying to apply these competencies on the Danish market in order to promote growth; SkandiaBanken is an important factor in this strategy⁴.

SkandiaBanken AB

SkandiaBanken AB is a subsidiary of Skandia Insurance Ltd. and offers their services in Sweden, Norway and Denmark. The bank offers retail banking services, i.e. deposit and savings accounts and credits such as mortgage loans. Furthermore, the bank offers security trading in both equities and mutual funds. The bank has approximately 850.000 customers and they are served by 335 employees⁵.

The goal is to become the preferred bank for customers that wish to do their banking services online or by telephone.

In the financial year of 2005 SkandiaBanken AB reported:

- a net interest income of DKK 763,6 million, up by 4% from 2004 figures
- lending amounted to DKK 33.035 million, up by 17% from 2004 figures
- deposits amounted to DKK 36.819 million, up by 17% from 2004 figures
- result of DKK 315,2 million, down by 6% from 2004 figures⁶

⁴ Skandia Annual Report 2005

⁵ SkandiaBanken Annual Report 2005

⁶ The result of DKK 315,2 million being less than the previous year, has to be seen in the light that SkandiaBanken has experienced an increase in the result of 643% in the last 4 years. Furthermore, it is caused by a change of financial reporting principles to the International Financial Reporting Standards (IFRS). SkandiaBanken Annual Report 2005

The long-term idea behind starting up SkandiaBanken AB was to provide a new distribution channel for Skandia's insurance products. It started as a telephone bank in 1994 in Sweden with the possibility to visit Skandia's offices if the need for extensive advisory services should arise. In 2000 the Norwegian branch opened and a year later the Danish branch was introduced. However, in Denmark and Norway all customer contact occurs through the Internet or by telephone and the bank can be labelled a pure Internet bank. In Sweden you can still receive some advisory services in the 50 Skandia offices, but the Internet is used as the primary communications channel and all transactions are performed online. The bank started out in each country as a separate business entity but with increasing demand for common IT development and corporate synergy effects, the bank is now organised in each country as a separate branch and SkandiaBanken AB is a corporate business group.

The overall business proposition of SkandiaBanken AB is to provide the most modern and competitive products that can enrich the everyday life of its customers⁷.

The concept of SkandiaBanken AB

The unique proposition of SkandiaBanken AB is that it is a pure Internet bank and with this profile the company can attain substantial cost savings. An Internet bank requires only one branch compared to traditional brick-and-mortar banks that need new branches to expand their business. A consequence of being an Internet bank is that customers have to enter most of the information themselves and thereby decrease the workload of the bank's back-office. The important thing is therefore to take advantage of these lower costs and offer tailor-made products at prices lower than those of the brick-and-mortar banks. The IT platforms used in each country are different and either developed by the branches themselves (Norway and Sweden) or outsourced to an external IT centre (Denmark)⁸. However, due to the fact that Skandia has been re-shaping and re-organising the group, a common IT platform is now under development. This development is in line with the overall strategy of the Skandia Group to exploit all possible synergies.

⁷ www.skandiabanken.dk and www.skandiabanken.se

⁸ Interview with Henrik Vad, Managing Director of SkandiaBanken

Further technological development will enhance the simplicity of using Internet banks. In Sweden they have introduced a digital signature, which makes it possible for the customer to sign documents over the Internet. The signature can also give the bank a power of attorney to collect the necessary information from the public databases and speed up the process of e.g. obtaining a loan. This development is also under way in other countries such as Denmark and will be further elaborated on in the section about Net-ID and Digital Signatur.

The concept of a full-service Internet bank entails that all communication is handled through digital channels or by telephone. The absence of a personal advisor is an area where Internet banks might encounter certain difficulties. It makes it necessary to explain to the customers that all the information is available online and that the self-service concept also includes a so-called self-advisory service. This is also why simplicity is paramount for SkandiaBanken. All the information has to be available online and the access to the information has to be straightforward. The concept of a pure Internet bank has, however, been somewhat diluted as SkandiaBanken in Sweden offer advisory services in some of the Skandia branch offices. All three Internet banks started out with an advisory service but it has been divested in Norway and Denmark. The goal is to establish a pure Internet bank in all three countries so the Swedish branch has recently divested their advisory services and is moving towards becoming a pure Internet bank⁹.

In Norway SkandiaBanken has for been named the best bank from 2002 till 2007¹⁰, in Denmark the bank was named the most or the second most affordable bank from 1999 till 2005¹¹ and in Sweden it has been awarded as the best Internet bank for the past two years. Customers have welcomed the affordable products the bank offered and the high degree of user-friendliness, especially in Sweden¹².

⁹ Skandia Annual Report 2005

¹⁰ From Norsk Kundebarometer and Bank NM

¹¹ Penge og Privatøkonomi's yearly survey of the bank expenses for a standard family

¹² www.skandiabanken.no, www.skandiabanken.se, www.skandiabanken.dk

SkandiaBanken Denmark

The Danish branch of SkandiaBanken¹³ offers a wide range of retail banking services to customers residing in Denmark. The product portfolio is similar to what is offered in Sweden and Norway. The Danish branch of SkandiaBanken was established on the 1st of April 2001, when SkandiaBanken AB bought Din Bank A/S which was owned by Kommunernes Pensionsforsikring. From the beginning the goal was to reach 100.000 customers by the end of 2003 and that the operation should be profitable by 2004. As earlier mentioned, Skandia places a strong emphasis on subsidiaries reaching the set goals within the defined timeframe. SkandiaBanken met the first goal of 100.000 customers in July 2003, five months ahead of schedule and by 2004 the bank was making progress and could show a positive growth in the annual report. In 2005 the strategy of SkandiaBanken paid off even better, here should be mentioned:

- a net interest income of DKK 142 million, up by 15 % from 2004 figures
- lending amounted to DKK 2.973 million, up by 25 % from 2004 figures
- deposits amounted to DKK 4.439 million, up by 17 % from 2004 figures
- result of DKK 3,2 million up from a negative result of DKK 1 million in 2004¹⁴

Key draw-in products for customers

SkandiaBanken functions as a full service retail bank, which aims to offer simple products that cover all the needs of their customers. The cost structure and function of the most important products will be the focus of this section. Here we stress the products that SkandiaBanken have marketed to attract customers. This product analysis is imperative to understand the cost- and income structure of SkandiaBanken.

¹³ SkandiaBanken Denmark will be denoted simply as SkandiaBanken unless otherwise stated

¹⁴ SkandiaBanken annual report 2005

- **Alt i Et-konto (All in One-account)**

Functions as the primary product related to most of the bank activities. This is the salary account, the budget account, the savings account etc. This is the entry product to the bank and is therefore of great importance. When you visit SkandiaBanken's website and want to become a customer, you establish such an account online. The product is free of charge and so are all transactions made from the account, e.g. taking out money from ATM's both nationally and abroad, payment of bills, account transfers etc. You can apply for a line of credit on the account which is also free of other charges than the interest. The interest rate for savings is currently 1,65 % and the interest rate for a line of credit is 7,3 %¹⁵. You can get a Visa card to the account for DKK 150/yearly.

The only income SkandiaBanken have from this product is the annual Visa card fee and the interest marginal – a very low one compared to any competitor on the Danish market. The product is meant as a way to attract customers to try out the bank and then make them buy some of the more profitability products. When a customer withdraws money from an ATM, or a convenience store card terminal, in Denmark it costs SkandiaBanken DKK 0,08 and whenever a customer withdraw from an ATM SkandiaBanken loses DKK 3,75. When a customer is outside Denmark, SkandiaBanken have a loss of DKK 24,40 every time a SkandiaBanken card is used at an ATM.¹⁶ Thus SkandiaBanken incur a loss if the customer within twelve months undertakes more than 6 withdraws in a foreign ATM or if a domestic ATM is used more than 40 times a year.¹⁷

Most other banks have fees for all these different transactions, but in line with the low-cost strategy for SkandiaBanken's customers these are all free of charge. Offering customers an account with a VISA card attached to it is therefore not a profitable business at best and it is meant only as a way of attracting new customers.

- **BoligPrioritet (Home Priority)**

¹⁵ www.mybanker.dk and from www.skandiabanken.dk – 01.11.2005

¹⁶ Information from Head of Accounting, Lone Wilson – number are from late 2005

¹⁷ The number is derived from a calculation made by the Danish Competitive Authority (Konkurrencestyrelsen) when investigating the fees charged by banks concerning the Dankort and VISA cards in Denmark. (Konkurrencestyrelsens undersøgelse af dankortgebyret – February 2005)

The historically low interest rate in Denmark has led to a wave of home loan conversions. SkandiaBanken have therefore used their home loan as one of the primary marketing criteria for the past 18 months – marketed as the cheapest home loan in Denmark. This product is a home loan with collateral in the property. SkandiaBanken lend up to 80 % of the value of the house. The interest rate is variable, currently 2,80 % with no fees or any other costs than the interest (other than the public registration fee of DKK 1.400 and 1,5 % in stamp duty) attached to it at any time¹⁸.

The income from this product is generated solely through the interest marginal – the idea is that it generates a small but steady income for an extensive period of time since home loans are not often changed. The expense for this product is the working hours it requires to establish it, which is considered to be 2,5 hours in average. SkandiaBanken expects to have 1.715 customers with a BoligPrioritet with an average debt of DKK 700.000 by end of 2005 thus generating an annual income of DKK 33,6 millions¹⁹.

- **Netbørs (Net exchange)**

Having Netbørs gives you the opportunity to deal with securities through a free deposit and an account for the yield from your securities. You can keep Danish securities in your deposit free of charge, while you pay 0,25 % of the value of foreign stocks kept in the deposit. When you buy or sell bonds and stocks traded on the Copenhagen Stock Exchange you pay a 0,10 % or 0,15 % respectively in brokerage fee or a minimum of DKK 60. For securities traded on foreign stock exchanges you pay 0,50 % or a minimum of DKK 260²⁰.

The Netbørs is one of SkandiaBanken's truly competitive products. Just like the BoligPrioritet it is considered among the best priced in the country and won The Danish Shareholders Association price for best broker bank every year, starting in 2004. The pricing system is quite complex and fees going back and forth between SkandiaBanken, VP Securities Services

¹⁸ www.mybanker.dk and www.skandiabanken.dk – 01.11.2005

¹⁹ According to the SkandiaBank's Head of Funds Department Niels Mogensen

²⁰ The price was gathered from the bank's website and from Head of Funds Department Niels Mogensen

and SkandiaBanken's business partner, Amagerbanken²¹. It has been calculated that every Netbørs agreement generates a net result of DKK 450 annually and the relative increase in the number of customers with Netbørs is faster than the growth in the total numbers of customers²².

▪ **Købekontrakt (car loan taken at the car dealer) and Leasing contracts**

This is a B2B product. SkandiaBanken's Bilfinans have made agreements with a number of auto dealers to offer their customer's financing through SkandiaBanken. The customer is offered a loan at the car dealer. The car dealer then performs the credit evaluation on the basis of some guidelines provided by SkandiaBanken. The customer signs the contract at the car dealer and the contract is then sent to SkandiaBanken. All the future contact concerning the loan goes directly through SkandiaBanken. This B2B agreement is mutually beneficial as it gives the car dealer a possibility of offering financing in his/her shop and it gives SkandiaBanken a larger customer base.

The Købekontrakt instantly makes an income for SkandiaBanken through the variable administration cost that is paid up front. The average amount is approximately DKK 1.900. For the remaining duration of the loan period SkandiaBanken earns the interest that is between 3,25 % and 3,75 % depending on the down payment, type and age of the car.

The Leasing contract instantly generates an income averaging DKK 3.000 in administration costs paid up front. For the remaining duration of the loan period the interest earned by SkandiaBanken is 4,25 %²³.

²¹ www.amagerbanken.dk

²² According to the SkandiaBank's Head of Funds Department Niels Mogensen

²³ According to Head of Bilfinans Bo Jakobsen

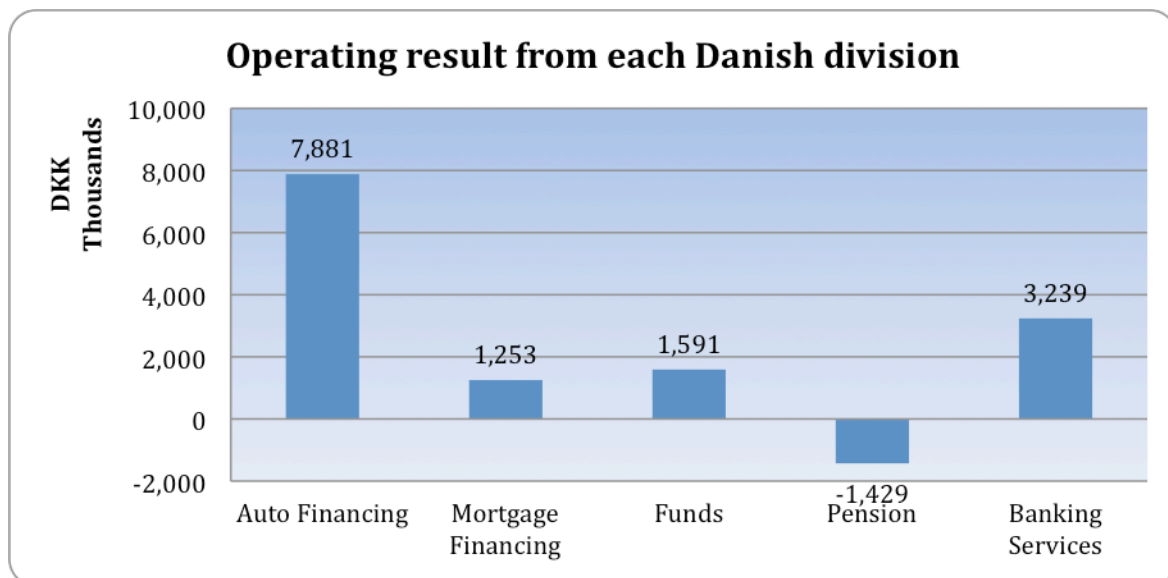


Figure 6 - Profit from business segments 2004

Source: SkandiaBanken's profit and loss account 2004

SkandiaBanken has successfully reached a critical customer mass in regards to cost per customer. The 74 employees²⁴ in the bank serve 107.000²⁵ customers. The very high customer-to-employee ratio gives the bank substantial savings on employee salaries and it is an important part of the bank's cost efficiency. Because of the high number of customers per employee the cost per customer is only DKK 754 per year²⁶. The average annual cost per customer in the Danish banking sector is DKK 6.111²⁷. This clearly shows that SkandiaBanken has successfully fitted the administration and the costs to the pure Internet bank business model. Actually, when the cost structure of the bank is examined it presents an image of a very lean structure, certainly one of the leanest in the sector. Despite being one of the best in the sector, SkandiaBanken can become even more efficient; the current IT system can handle 200.000 customers and according to the General Manager the increase in customers would require only a minor increase in the workforce. This would, of course, drive the cost per customer to an even lower level. The bank has been focusing on creating this very lean cost-structure and, as figure 6 shows, the bank is currently one of the most efficient

²⁴ Average full-time employees

²⁵ In 2004 the bank revised the customer-base and removed approximately 10.000 inactive customers

²⁶ SkandiaBanken Profit and Loss Account 2004

²⁷ www.finanstilsynet.dk

banks in Denmark, DKK 1.172 lower costs per customer than the nearest Internet bank competitor and DKK 2190 lower than the nearest brick-and-mortar bank²⁸.

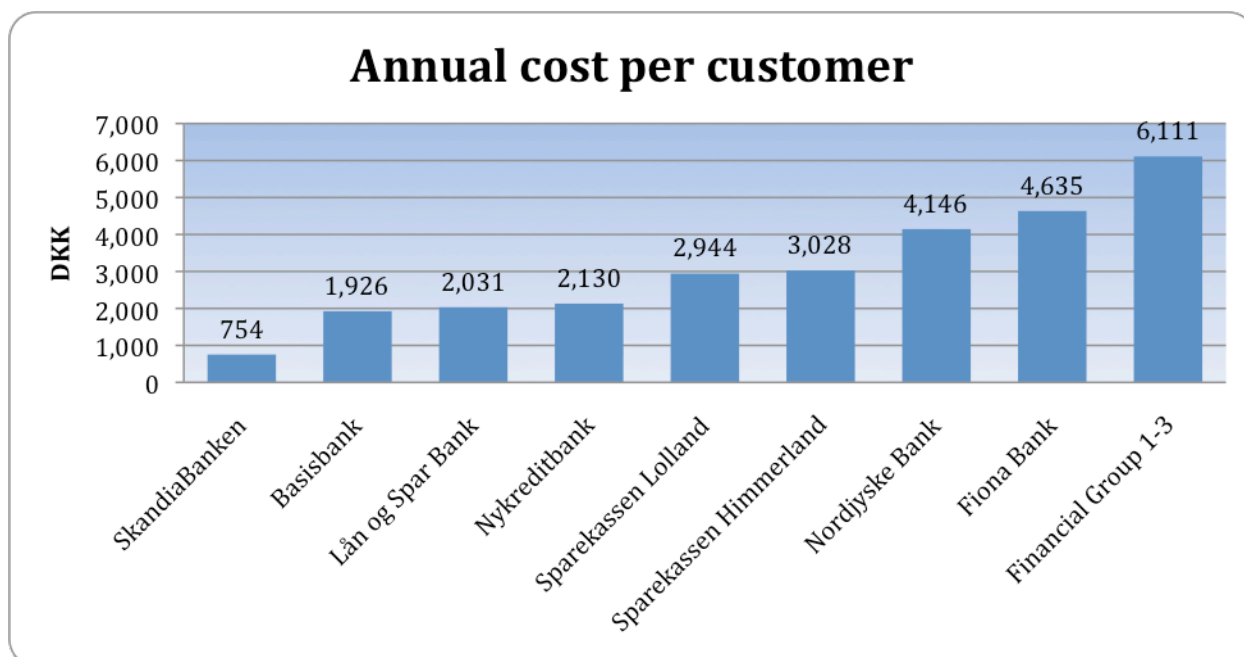


Figure 7 – Staff and administering cost per customer

Source: Finanstilsynet - Statistical report 2004, and each bank's website

The emphasis on the lean cost structure had some implications in 2004. The pension's area had for a long period of time not generated any profit and it was decided to divest the area from the bank. The bank can still provide pensions, but the area is now benefiting from Skandia's know-how within the area and uses Skandia's products instead of the remains of the "old" products from Din Bank.

Even though the bank has low costs, it does not generate the same profits as the rest of the sector. As already mentioned, SkandiaBanken is still in the start-up phase and is in the process of building a sufficiently large customer base and therefore focuses on creating value for the customer and not only on profit. As a subsidiary of Skandia, the bank will have to present higher earnings within the next few years, but at the present time the long term plan of the bank is to become a serious player on the market for not only self-service customers but also in time to become a real threat to the established brick-and-mortar banks. This strategy has been successful in Sweden where SkandiaBanken has 850.000 customers²⁹ and are well

²⁸ The banks represented in figure 6 are selected in regards to size, balance and number of customers.

²⁹ SkandiaBanken Annual Report 2005

established as a major bank. In Denmark SkandiaBanken face a dilemma; the area in which the most revenue is generated is the auto financing division. This product area lies the furthest away from the concept of SkandiaBanken as a pure self-service internet bank focusing only on retail customers. Auto loans require fees and are targeted at the auto dealerships instead of direct customer interaction. When applying for the auto-loan there is often no direct contact between SkandiaBanken and the customer. It is the auto salesman who relays the contact to the bank and then informs the customer of whether the loan is granted or not. The product is therefore primarily directed as a business-to-business product, there is no self-service for the customer, and the bank has little or no opportunity to exploit the relationship and sell more products to the customer. In many cases the customer does not even notice that the auto-loan is provided by SkandiaBanken. When all this is said, the auto finance division is generating the highest profit for the bank, much more than traditional banking services. The auto-loan product generated 63 % of the operating profit in 2004³⁰, but the bank will have to decide whether they are willing to accept the risk of diluting the SkandiaBanken brand with the mixed signals the auto finance division sends out. The combination of SkandiaBanken emphasize that they do not charge any fees and that they are a retail bank does not fit very well with the auto finance division that do charge fees and focus on business-to-business markets.

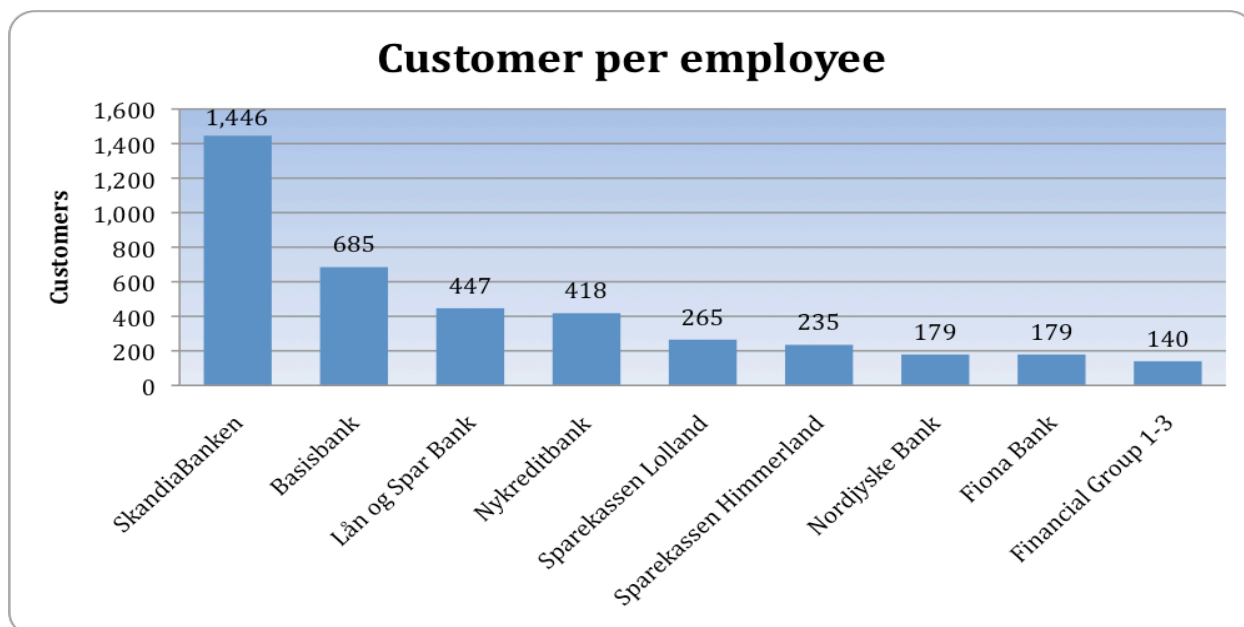


Figure 8 – Customer per employee

³⁰ SkandiaBanken Annual Report 2004

Source: Finanstilsynet - Statistical report 2004, and each bank's website

The employee per customer is another ratio where the low-cost structure displays how efficient SkandiaBanken's organization is. More than twice the number of customers per employee creates significant cost savings compared to competitors and, as already mentioned, the system is prepared to handle almost double the amount of the present customer base.

The very high number of customers could be dangerous if the perception of the bank would be that the level of support and services were unsatisfactory, but the figure below does not indicate this. In fact the customers seem to have a positive attitude towards the bank. The bank should continue the current strategy of lean operations as the customers either do not feel that the service is lower than in other banks or their expectations are lower than the expectations of the brick-and-mortar bank customers.

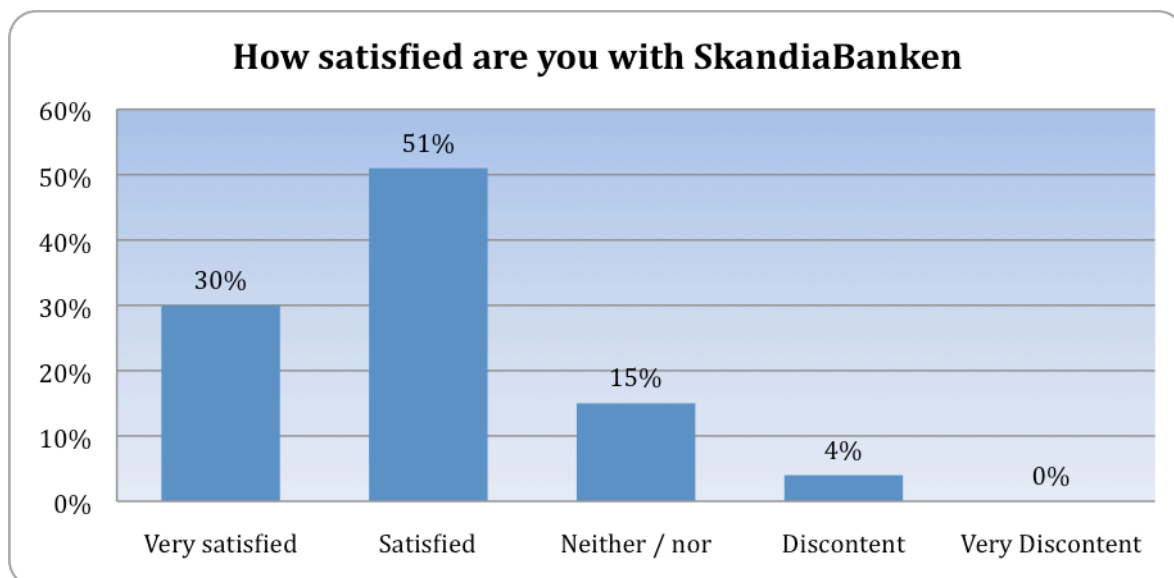


Figure 9 - Degree of customer satisfaction

Source: Webpol for SkandiaBanken 2004

The bank has successfully combined many different business areas and has created an organisation that can handle the 107.000 customers in a satisfactory manner. The key to success is the lean and very cost-efficient operations. The systems cannot be monitored and controlled without a clear definition of departments and areas of responsibility; these are stated in the organisational chart below.

SkandiaBanken has only been on the Danish market for a little more than four years, the bank has had the business proposition: *To offer the most modern and price valued products within*

banking and insurance that simplifies and enriches the customer. The bank has been targeting the price conscious self-service banking customers, and has been offering a full range of banking products to an increasing number of customers. More than 80 % of the customers are satisfied with the bank and many state that they choose SkandiaBanken because of the no-fee strategy and the affordable prices³¹. The bank will continue to offer these products and will attempt to live up to the vision of the bank: *To be the leading Internet bank and the self-service customer's first choice*³².

As the bank is in the start-up phase, the strategy expressed by the management is therefore to increase the number of customers and then at a later point start to earn above-normal profit on these customers. The Skandia Group does not hesitate to divest subsidiaries that do not fulfil the set requirements and SkandiaBanken will therefore need to present higher earnings within a relatively short timeframe. The question is how SkandiaBanken should approach this dilemma; this project is aimed to assist the bank by means of answering the following question.

³¹ See appendix B and C

³² www.skandiabanken.dk

ENVIRONMENTAL SCAN

The demand for online banking

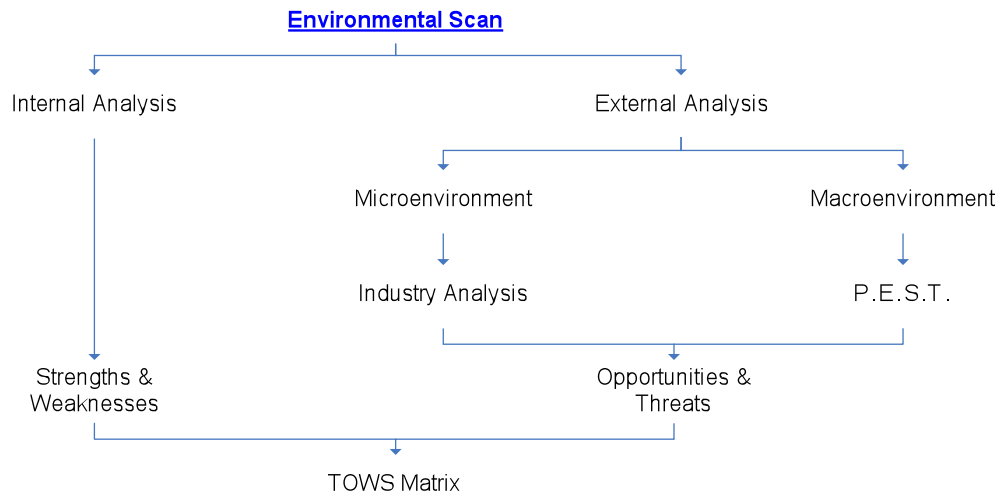


Figure 10 - Environmental Scan

To understand the current situation of the Danish banking sector it is helpful to look at the historical development. A development which has led to a demand for longer opening hours in shops, supermarkets, pharmacists, banks etc. The demand for flexible opening hours, increasing competition and the obvious fit between e-commerce and bank products has led to a general perception that the Internet can revolutionize the banking industry.

The last half a century has been marked by major changes in our societal structure. Fifty years ago men were the main providers in the families whereas today many two-income families have emerged. Today 75% of women in the age group 16-66 are working compared to 80% of the men in the same age group³³. With two adults working in most families, the majority of all personal errands have to be run in the evening hours or during weekends. Supermarkets and shops have therefore expanded their opening hours in order to cover the demand for early evening and weekend shopping. When Internet banking first appeared in the mid-1990s it was expected to have an almost revolutionary impact on the banking industry. Online banking was

³³ [Danmarks Statistik](http://www.dst.dk/OmDS/BagTal/Arkiv/06-03-2003-Koensforskelle.aspx), <http://www.dst.dk/OmDS/BagTal/Arkiv/06-03-2003-Koensforskelle.aspx>

a perfect solution for the busy people that allowed them to manage their financial matters at any time of the day. As no physical exchange is necessary for most banking services, banks can easily provide their services over the Internet. However, the impact of this new interactive media never resulted in the predicted revolution due to the structure of the Danish banking sector. A joint IT-infrastructure and strong combined efforts on improving business processes and self-service solutions in the past 30 years made e-commerce opportunities in the 1990s appear less revolutionary. The industry's combined effort to digitalize many business processes and improve the banking systems made the relative change from the pre-internet era to the post-internet era smaller than in most other countries (Bjørn-Andersen, 2004). Although the relative change was smaller than in other countries, the Danish banking sector remains among the most developed in the world and few countries use the Internet for banking purposes more than Denmark. Today it is apparent that the predicted revolution failed to materialize. Instead the Danish banking sector seems to be going through a slow and steady change with an increasing focus on online business. More than 2.7 million Danes make use of online-banking and the use of the Internet for banking purposes rises steadily³⁴.

The environmental scan assesses the macro-environmental factors that affect SkandiaBanken and the banking industry in general, then the industry is analysed in depth. Finally, the strategic implications of these findings are wrapped up. The analysis will begin with the PEST model for the macro-environmental scan, Porter's five forces is used to explore the micro-environment. Finally the findings from the internal and the external analysis are summarized in the SWOT model.

³⁴ [The Danish Bankers Association – Transaction of payments januar 2006](http://www.finansraadet.dk) (www.finansraadet.dk)

PEST

We start out by looking at the macro-environment. This enables us to get a more accurate idea of the factors, which will have a decisive impact on the industry in the years to come.

On a macro environmental level, the issues important to an industry can be categorised into Political, Economic, Social or Technological, known as the PEST-model. The model is used as a part of the environmental scan and fits in the environmental scan as can be seen from the figure below.

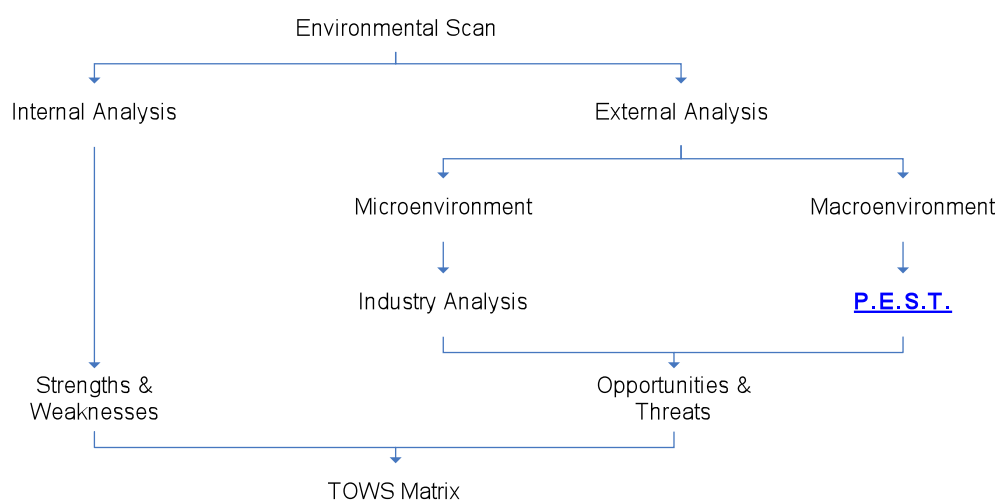


Figure 11 - The P.E.S.T. model in the overall environmental scan

Political

Years of political pressure for greater transparency in the financial sector has been followed by criticism from The Danish Consumer Council (Forbrugerrådet), did finally lead to the recommendation by the Danish Financial Supervisory Authority (Finanstilsynet) to make an online comparison database³⁵. An agreement has been reached between The Danish Bankers Association (Finansrådet) and The Danish Consumer Council to develop a database that enables consumers to compare the prices of bank products and services. According to sources

³⁵ Report from The Danish Financial Supervisory Authority, August 30th 2004 (Titel: Rapport fra arbejdsgruppen om mulighed for bedre prissammenligning i pengeinstitutsektoren)

in The Danish Bankers Association the recommendation is the result of political pressure³⁶, and there is great resistance towards the idea in the Danish Bankers Association. They do not feel that it is their task as an industrial organization to hold their members' prices and products up against each other³⁷. So far, only the principles for the content and structure of the system have been agreed upon. The solution, an online portal, is expected to be functional in the beginning of 2006³⁸. It is expected to have an impact on the competitive situation in the banking sector as it will make it easier for the consumers to compare financial products and services based on price-criteria. How profound the impact will be is hard to tell. Websites like www.mybanker.dk³⁹ has been offering a similar service since April 2000 without it having any dramatic effect on the competition.

In January 2005 the Minister of Economic and Business Affairs made an executive order concerning the rules for good practise⁴⁰ in the banking sector. The announcement has no direct legal effect but will function as guidelines as to how the courts should rule. Especially the announcements about transaction barriers and transparency are interesting to SkandiaBanken. The aim is to remove unreasonable fees for terminating and moving a customer's business to another bank – the fee should be fair with regards to the time it takes to provide this service and it is noted that the customers can often do it themselves. To achieve greater transparency it has been decided that from 2007 the banks are obliged to send out an annual statement of the fees the customers have paid in the past year and what the fees have covered.

The effects of these efforts are hard to tell but one thing seems certain. The increasing focus on price and transparency is more advantageous for the Internet banks than it is for the brick-and-mortar banks.

³⁶ Telephone interview with Søren Gade, Departmental Chief, The Danish Bankers Association, responsible for the development of the price comparison website

³⁷ Kapital Nyt, Principaftale om prissammenligning, nr. 1 – February 2005

³⁸ www.pengepriser.dk

³⁹ Mybanker.dk is a privately held independent company that offers financial products price comparison services online.

⁴⁰ [Executive order 1046 from 27/10/2004 \(Lovbekendtgørelse BEK nr 1046 af 27/10/2004\)](#)

Social

In the latter years there has been significant focus in the media on the growing fees for bank services. Meanwhile the banking sector is generating larger and larger profits.

YEAR	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
EARNINGS	10.688	10.712	11.542	11.900	11.818	14.371	14.465	15.115	20.667	22.914	27.067

Table 2 – The banking sectors earnings in DKK million

Source: The Danish Bankers Association, Annual Report 2005

Despite substantial negative publicity Danish consumers seem to accept the prices for the financial products and, as a result, the Danish bank products are relatively expensive. According to Lars Østergaard from the international consulting company, CapGemini, the high prices are partly a result of the consumers' resistance towards shifting banks⁴¹. He further criticises the banks in Denmark for trying to convince the consumers that buying financial products is a complex and difficult task. The Danish Bankers Association naturally denies the criticism. They further claim that the Danish consumers get exactly what they pay for. The cost of lower prices of financial products and services is seen in e.g. the Netherlands, where it is close to impossible to find a bank branch⁴². Whether or not the criticism is justified, it seems certain that price is only one of the many criteria important to Danish consumers when evaluating a bank.

⁴¹ Børsen May 11th 2005

⁴² The Danish Bankers Association, Fatal fornærmelse af Danske forbrugere, Ledere & Kommentarer, 12.5.2005

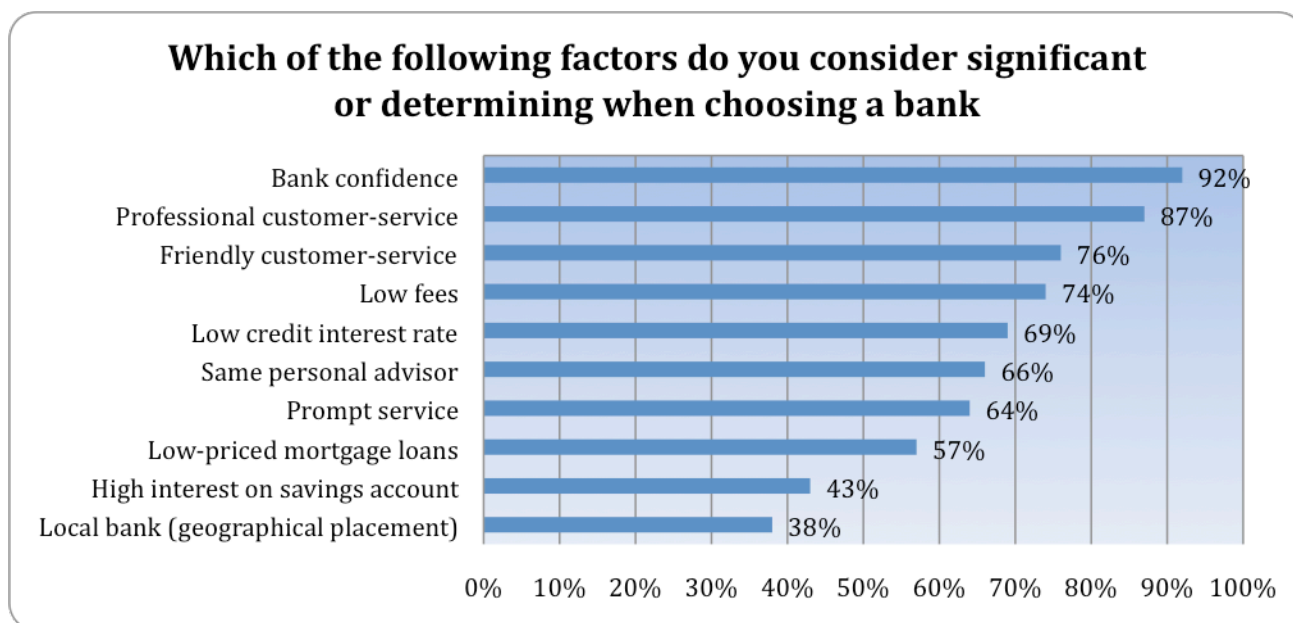


Figure 12 - Significant factors in the choice of bank

Source: WebPol – April 2005. Target population: 25-59 years. Annual income > 400.000 DKK Sample size: 1910

When consumers are searching for a new bank, many different factors are essential to their final choice of the bank that offers the specific products and the service level required. More people find that trustworthiness of the bank as well as professional and friendly service are more significant than fees and interest rates. In a society where most people are willing to go to another supermarket to save a few kroner in their daily shopping, it seems peculiar that the price of bank products is not considered to be of greater importance.

It is worth noticing that 38 % in the webpol are currently not potential clients of the Internet banks, since they consider the geographical location as a significant factor. The accuracy and relevance of this number, however, can be discussed. If the respondent were asked differently the result might have been different. Had the question e.g. been: *Which of the following factors do you consider determining in choosing a bank, given the knowledge that you can save 3.000 DKK annually by using an Internet bank?* The number would probably have been much lower than 38 %. The point we are stressing is simply that people can be influenced and they might have answered differently had they been confronted with additional information. The numbers should therefore just be used as guidelines and not as the absolute truth. Having a local branch is, of course, important to some customers. It does to some extent support The Danish Bankers Association's statement put forth in the comments to Lars Østergaard's criticism, that price is not always the most important factor and many customers are willing to

pay extra for having a local branch. In time, however, it is likely that this percentage will decrease, and the trend clearly shows that the number of bank branches in Denmark continues to decline.

You should also consider the point that the numbers in figure 12 might include some discrepancies. A webpol requires that you have access to the Internet and have a certain experience in using the World Wide Web. It is liable that people who have that experience are more confident in using the Internet as a commerce-media. The fraction of the respondents that would prefer having a local branch and personal service is therefore likely to be lower in a webpol than in a questionnaire among a more representative sample group e.g. In general it is likely that such an ordinary survey would have been more negative towards Internet banks.

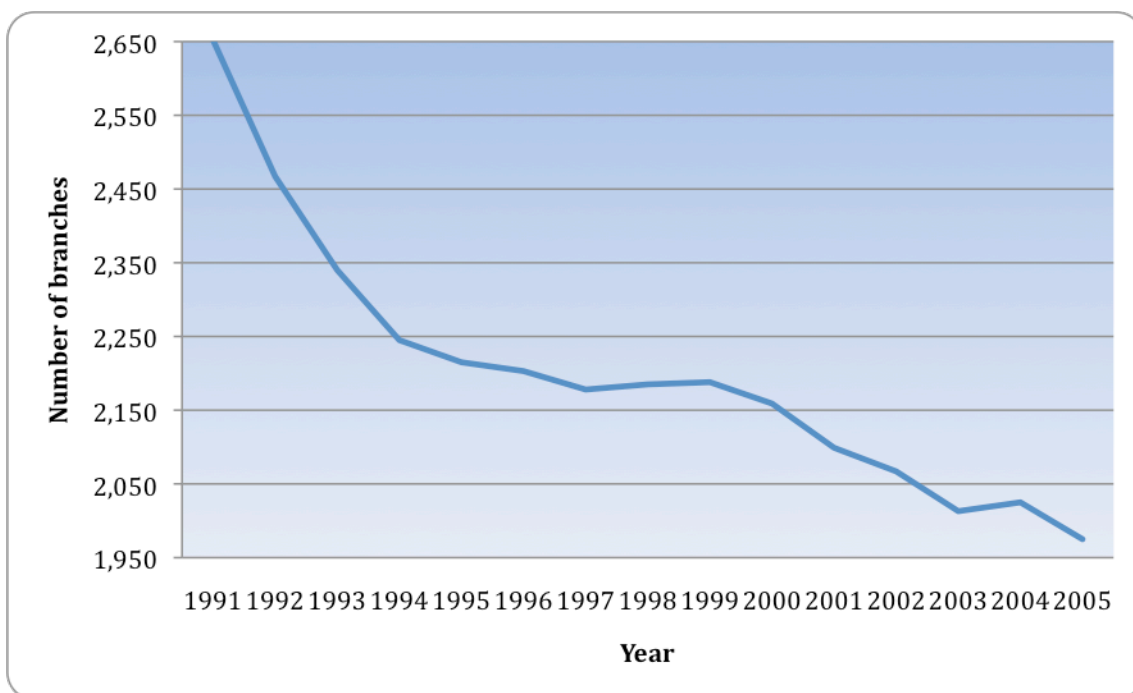


Figure 13 - Number of Danish commercial and savings branches
Source: The Danish Bankers Associations website

The development in number of branches shows a quite slow decline, however, there remains a demand from many consumers for teller branches. One of the reasons why people want a local branch is that they are reluctant to give up the opportunity of having a personal bank advisor. 66 % consider it of significant/determining importance to have a personal bank

advisor⁴³. The pure Internet banks are organized in a manner that focus on cost-saving processes and their employees are focused on specialization within a product-type rather than offering customers a personal advisor for all matters. Further details can be found in the section concerning the case description of Skandia and SkandiaBanken.

Economic

The past years have been characterized by uncertainty and recession in the global economy. The result has, among other things, been declining and currently historically low interest rates caused by a political inclination to avoid stagnation. At the same time the number of unemployed people has declined from 248.600 in 1996 to 141.100 today⁴⁴. These factors, among others, have led to an explosion-like increase in the home prices and the total sum of home loans. The low interest rate combined with rapidly increasing real estate prices makes it attractive for people to borrow money with security in their property as they can do so at a very low cost. The banking sector has shown a high product innovation level and has used their home loan products as a primary driver in the competitive game in the last couple of years. In 1996 the total loan portfolio of the mortgage banks was DKK 561 billion. In the beginning of 2006 the number had risen to DKK 1.284 billion⁴⁵. The total debt in the Danish households has grown significantly as well. From 1996 to the beginning of 2006 the total debt in the Danish households has increased by more than 120 % from 717 to DKK 1.599 billion⁴⁶. One of the reasons can be the development on the real estate market but it is also a consequence of a general change of saving habits in the society. From 1995 to 2005 the total pension assets increased by DKK 1.364 billion⁴⁷ and the total fortune in stocks increased by DKK 300 billion. The total net fortune has therefore only decreased by DKK 50 billion, and the increased debt in real estate mostly shows a change in the saving habits of the Danes caused by changes in the macroeconomic environment⁴⁸. In general it can be said that banks are very sensitive to the market's economic fluctuations. In times of prosperity they do well,

⁴³ **Figure 13 - Significant factors in the choice of bank, webpol for SkandiaBanken**

⁴⁴ Statistics Denmark, unemployment Januari 1996 to January 2006

⁴⁵ Statistics Denmark, lending of mortgage banks by sector (households)

⁴⁶ Danmarks Nationalbank - Balance and flow statistics of the consolidated MFI sector

⁴⁷ Danish Bankers Association – The Sector in Numbers

⁴⁸ Danske Bank Analyse, Det Danske Boligmarked, April 2005

product innovation is high and the battle is fought over who best allures the consumers to borrow money. During recessions the most profitable banks are likely to be those with the best risk management capabilities. The more conservative or stringent the credit policy is, the fewer losses the bank will face during recessions but at the cost of a smaller profit during prosperity.

Technological

In an assessment of the world's 60 largest economies' readiness for using and benefiting from e-business, Denmark came in first⁴⁹. The very extensive Internet and broadband coverage in Denmark creates a solid foundation for doing e-business as a large part of the population has access to a stable and fast Internet connection.

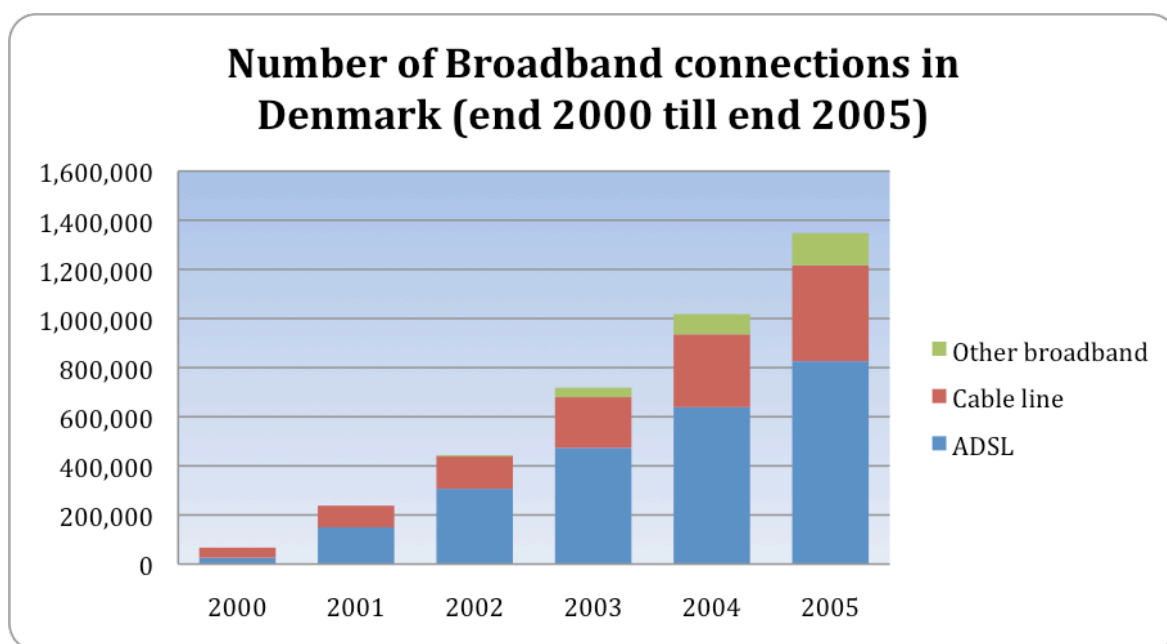


Figure 14 - Expansion of broadband connections in Denmark
Source: National IT and Telecom Agency – Annual Report 2004

In the OECD, Denmark has the highest penetration of broadband per person⁵⁰. This technological development highly influences the proliferation of e-commerce, because a fast and stable Internet connection makes it easier and more comfortable to use Internet for commercial purposes. Research has shown that online banking penetration should be linked to consumer readiness for e-commerce (Bughin, 2004).

⁴⁹ The Economist Intelligence Unit, Country Profile 2004 - Denmark, page 30

⁵⁰ OECD Communications Outlook 2007

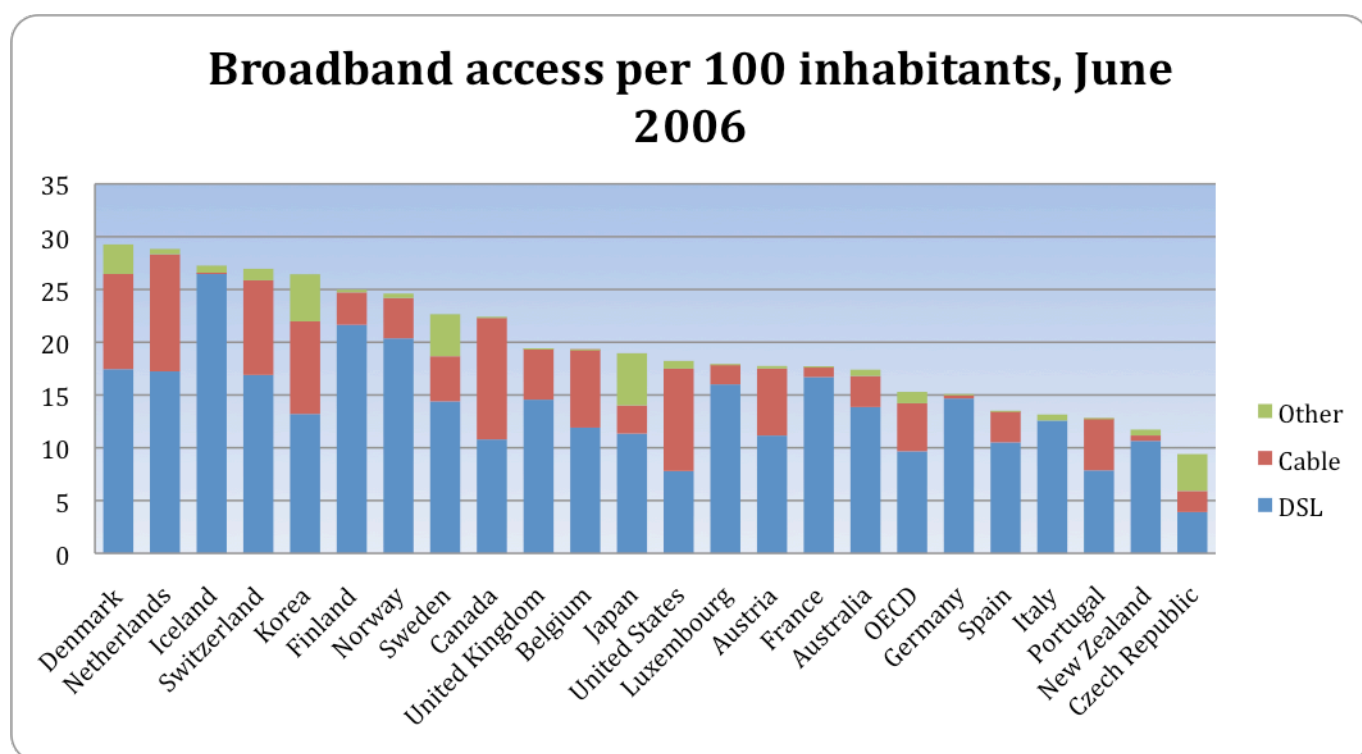


Figure 15 - Share of Broadband in the OECD
Source: OECD Communications Outlook 2007

There is little doubt that technologically Denmark is on the global forefront and e-commerce does not have as favourable conditions in many other places. Although Denmark is one of the most advanced countries in regards to e-business there seems to be some reluctance towards shifting to a pure Internet bank. This reluctance stems from different reservations, some of which can be seen in figure 16.

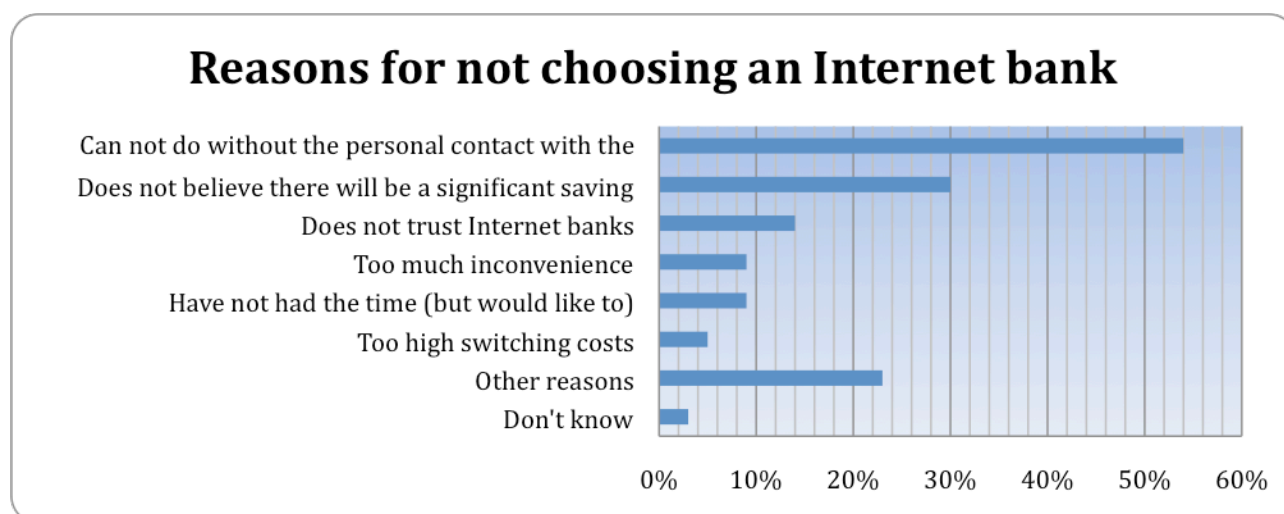


Figure 16 – WebPol by SkandiaBanken

Source: WebPol – April 2005. Target population: 25-55 years. Annual income > 400.000 DKK Sample size: 687

Net-ID and Digital Signatur

A much-debated technological development, which will enhance the commercial use of the Internet in Denmark, is the introduction of net-ID and Digital Signatur in 2004. While Net-ID is developed by the banks, Digital Signatur is offered by TDC. TDC won the public licensing from the Ministry of Science and Digital Signatur is expected to be the dominating system in the public sector. The success, security and usability of the different systems is heavily debated and while only 500.000 Danes have got Digital Signatur⁵¹ so far, more than 2,4 million already have access to net-ID via their web bank⁵².

Net-ID

Net-ID is a way for customers to identify themselves online to companies by using the access code from their web bank. The customers can then access their personal information through the company's website. Everyone who has a web bank agreement can get net-ID and use it at the companies that have made an agreement with PBS about receiving net-ID. On August 1st 2005 the companies that use net-ID are among others:

- Alm. Brand (Insurance, bank)
- ATP/Folkebørsen (Investment Portal where you can invest some of your pension funds)
- JØP Pension (The Pension Fund for Danish Lawyers and Economists)
- Lønmodtagernes Dyrtidsfond (Employees' Capital Pension Fund)
- Nykredit (Mortgage Bank, Insurance, Internet bank)

⁵¹ www.digitalsignatur.dk – news 04.11.2005. Another newflash from Digital Signatur on 14.06.2007 they announced that a million Danes now have Digital Signatur.

⁵² www.pbs.dk – news 21.10.2005. As of 26.04.2007 there are 2.8 million users of Net-ID.

- PensionDanmark (Administration Community for B&A Pension, HTS Pension and PKS Pension)
- Sygeforsikringen “danmark” (Health Insurance. A non-profit mutual insurance company)⁵³

You order your net-ID through your web bank and can use it instantly after a new log-on. The first time you wish to access personal information on a company's website you click on the net-ID logo. A new window pops up where you choose your bank connection. The logon window from your bank pops up and you can access with your web bank password. Net-ID functions like an online identity card. Once you have entered the company's website with your net-ID you get access to your personal information and other services that the company offers you. That could e.g. be to check your status on your bills at the company or sign new agreements.

The many advantages for the customers include; an easy and familiar system, no need to install further software and no need to remember further usernames and passwords. The advantages for the companies are cost savings on personal identification via the Internet, access to 2,4 million potential users and proven technological secure solution.

SkandiaBanken is currently a part of net-ID and is working to apply it to as many areas as possible.

⁵³ Companies are derived from PBS' website – click for [link](#)

Digital Signatur

In function Digital Signatur is very similar to net-ID. Most public authorities use Digital Signatur as a result of a collective effort to digitalize the public sector. The system is based on the OCES⁵⁴ standard, which is developed by The Ministry of Science, Technology and Development⁵⁵. SkandiaBanken currently uses Digital Signatur in the customer's loan application processes. With Digital Signatur the customers can allow the banks to get the information they require from the relevant public authorities such as the tax authorities (ToldSkat). Other than that, Digital Signatur has similar features to net-ID and is used by more than 420 companies and authorities on August 1st 2005, including⁵⁶:

- Municipalities and counties
- Public authorities and ministries
- The places mentioned under net-ID plus a large number of other private companies

Assuming that SkandiaBanken get the net-ID technology implemented shortly, the development is in favour of them and the other Internet banks. So far the Internet banks have been forced to require a signed photo-id from customers that want to open an account. The Director of SkandiaBanken⁵⁷ estimates that every fourth customer that wishes to open an account in SkandiaBanken decides not to do so anyway because of the trouble e.g. of mailing the photo-id. If every fourth customer decided not to move because of the inconvenience a rough estimate could be that the new technology could generate a net customer gain of 5-10 %⁵⁸.

⁵⁴ Offentlige Certifikater til Elektronisk Service (Translation: Public Certificate for Electronic Service)

⁵⁵ IT- og Telestyrelsen, Digital Signatur. OCES – en fælles offentlig certifikat-standard, December 2002

⁵⁶ A full list of places you can use Digital Signatur and what functions in the different places it can be used for, can be found in Appendix H

⁵⁷ Jyllands Posten, Meget lettere at skifte bank, May 27, 2005

⁵⁸ Estimate made by Henrik Vad, General Manager SkandiaBanken

Findings in the macro-environment

The general trend revealed through the macro-environmental scan is that time seems to be working for the pure Internet banks. Politically there is a will to create a more transparent and price-conscious sector and socially the reluctance towards e-commerce is decreasing. The technological development eases many processes and makes it easier and less costly for customers to shift between banks. What is interesting to know then is why and when customers change their bank connection.

INDUSTRY ANALYSIS

Framework

To comprehend the competitive situation of the industry in which SkandiaBanken operates we apply the framework of the Five Forces Model (Porter, 1980). The framework provides a simple yet efficient tool to determine the attractiveness of an industry; and will be supported by the framework and theories provided by Jenster & Hussey (2000). The analysis aims to provide an understanding of the industry and as such helps unravel some of the opportunities and threats facing SkandiaBanken from the industry point of view. As it is commonly accepted that e-commerce fundamentally changes the existing business models in banking (Brennand, 1999) and enables new rules of competition (Siaw, 2004) we will emphasize the impact of the Internet banking on each of the forces. The point of departure for the analysis is taken in the corporate level perspective of the industry, and the results can therefore be viewed on a strategic level rather than a directly applicable tactical or operational level. The purpose of the analysis is to provide a clear picture of the competitive environment in which SkandiaBanken operates. Combined with the PEST- and SWOT analysis, this analysis makes up the environmental scan. The environmental scan is inserted into at TOWS matrix that will define the strategic issues that should be focused on in the future.

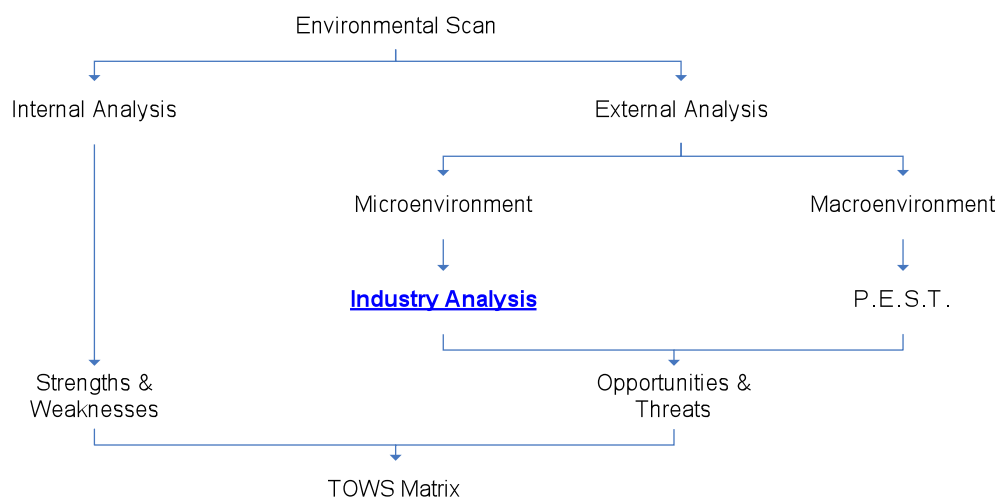


Figure 17 - Industry Analysis in the overall environmental scan

Definition of the industry

SkandiaBanken operates in a niche that could be labelled pure Internet banking industry, in which the players have one or less branches in Denmark. All transactions and advisory services are conveyed online or by telephone. The Internet banks that operate in Denmark with the focal point of private retail banking are SkandiaBanken, Basisbank, NykreditBank. However, for the purpose of this analysis we choose to include the entire Danish retail banking sector mainly due to the dominance of the largest nationwide banks like Danske Bank, Nordea and Jyske Bank. Together these three banks accounted for more than 78 % of the entire sectors balance in 2004 as it can be seen in figure 18 below.

DKK MILLION	WORKING CAPITAL	SAVINGS	LOANS	BALANCE
DANSKE BANK	757.225	485.828	505.971	1.375.913
NORDEA	241.245	212.344	190.516	470.213
JYSKE BANK	85.454	62.652	54.756	123.347
THE ENTIRE SECTOR	1.471.597	1.034.118	1.066.515	2.524.241

Table 3 –Key figures of the largest banks in Denmark 2004
Source: The Danish Bankers Association

SkandiaBanken's new customers primarily come from one of these three dominant players on the market. SkandiaBanken's new customers in the first quarter of 2005 also demonstrated in all clarity the importance of the large banks as customer providers, see figure 19 below. However, if the relative market share is taken into consideration smaller banks as Lån og Spar Bank, Basisbank and Forstædernes Bank generate higher customer conversion rates. SkandiaBanken should therefore consider targeting the marketing towards these smaller banks, as it seems that the larger banks have better customer retention systems or that customers are not interested in changing to a pure self-service bank.

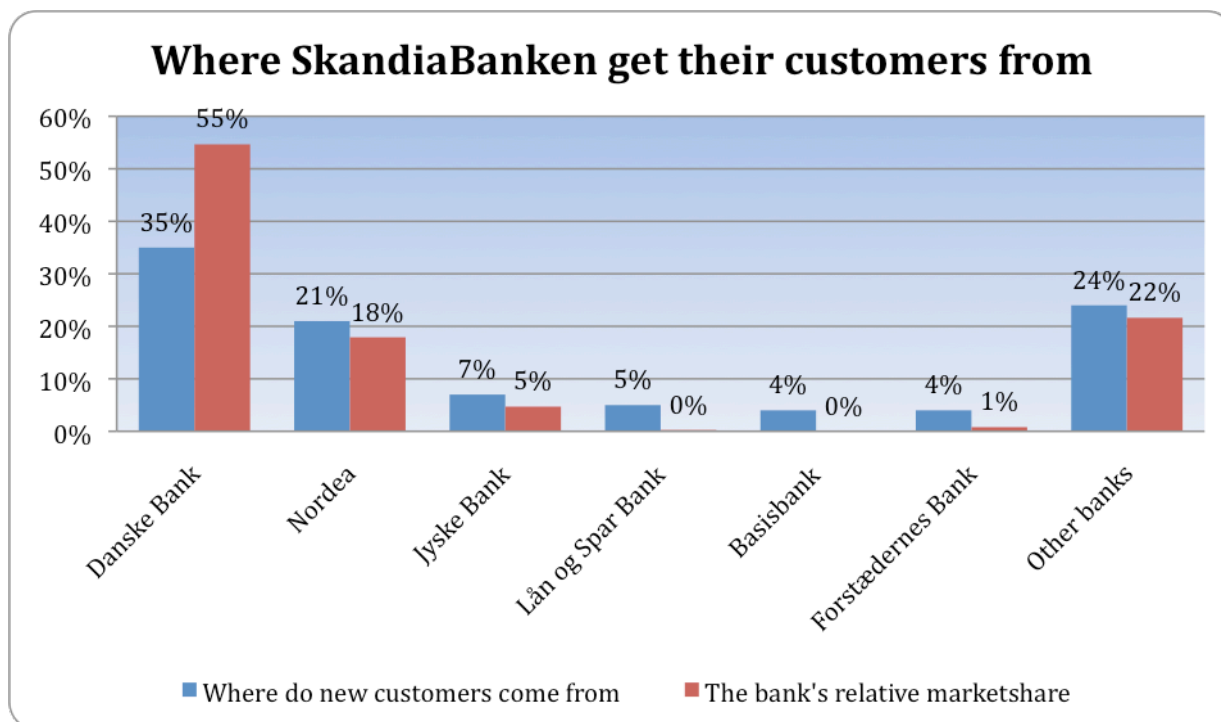


Figure 20 – Which banks new customers come from

Source: SkandiaBanken, The Danish Bankers Association and Børsen – February 8th 2006

The 10 largest banks (measured by their balance) account for nearly 90 % of the total balance. 177 banks share the remaining 10 % of a market with a total population of merely 5.4 million⁵⁹. This very large number of different banks is mainly possible due to the well-functioning common infrastructure and the existence of three large IT centres, i.e. BEC, Bankdata and SDC (Bjørn-Andersen, 2004). It provides a possibility for smaller banks to enter the market at a relatively low cost because they can buy the IT systems and make use of the services much cheaper than developing and operating their own IT centre. We will return to the infrastructure of the industry when analyzing the suppliers. The large number of banks will be touched upon in the analysis of entry barriers.

A final justification for including the entire retail banking sector is the fact that whether it being a pure Internet bank, Danske Bank or a small local bank, the products they sell are very similar. The difference is the price and the services that come with the product. A house loan in SkandiaBanken costs 3,1 ÅOP (Annual Costs in Percent) – and with that you hardly get

⁵⁹ <http://www.finansraadet.dk/danish/menu/faktaomsektoren/>

any or very little service/counselling. You fill out the loan application on the Internet and then receive a mail explaining what documents you have to send (electronically or by mail). Then you wait for SkandiaBanken to contact you with either an approval or a rejection of the loan. You cannot get a pre-approval of the loan, no bank guarantee or any help with the budget. In Danske Bank they offer a loan that is similar in structure but costs 3,7 ÅOP⁶⁰. In Danske Bank you can go to your personal advisor, sit down and discuss the loan and your budget while enjoying a cup of coffee. The personal advisor guides you through the process, which is a necessity for many house owners. This analysis will not touch upon specific products, as it is the general market attractiveness that is the centre of this investigation. The above-mentioned example was simply included to illustrate that all banks basically sell the same products but often wrap it differently.

Intensity of rivalry

The past several years on the banking market in the EU can be characterized by consolidation among the largest banks that have through mergers and acquisitions tried to preserve their high market share⁶¹. While the large banks were competing internally, the small banks got a chance to enter the market in many rural areas. A single small bank does not pose any substantial threat to the larger banks but many small banks can suddenly become a competitive factor on the market. The industry concentration (CR₅)⁶² in the Nordic region is for Denmark, Sweden and Norway 66⁶³, 84⁶⁴ and 49⁶⁵ respectively. The largest banks dominate the markets in Scandinavia and the intensity of rivalry in this region is therefore assessed to be moderate compared to most other European countries. The same thing has been the case on the Danish banking market, the progress of larger banks consolidating and smaller banks establishing their businesses in a specific region or rural area and focusing on organic growth⁶⁶. The emergence of the Internet has meant that an additional distribution channel is

⁶⁰ Both examples are taken from www.mybanker.dk

⁶¹ ECB – Financial stability review 2006

⁶² Concentration Ratio of the five largest firms, the market share of the five largest firms in percentage of total assets

⁶³ Danmarks Nationalbank – Nordic Banking Structures – Report 28.08.2006

⁶⁴ *ibid*

⁶⁵ *ibid*

⁶⁶ ECB – Structural analysis of the EU banking sector, November 2003

now available and consumers seem to embrace this new technology and consumption changes that come with it. The consequence of a new and easily accessible distribution channel has been that pure Internet banks have emerged, which should have resulted in an increased competition on the market. But despite the existence of Internet banks on the market for several years now, it does not seem that this extra distribution channel have had any real effect on the competition. The Danish bank market is still dominated by a few powerful players and the smaller banks focus on their niche-customers. The large banks dominate the Danish bankers Association and have loud voice when legislatures are trying to control the market.

The niche for pure Internet banks has existed in Denmark since 2000 and there are presently three aforementioned banks solely operating online; Basisbank, NykreditBank, and SkandiaBanken. The niche has an aggregate customer base of approximately 193.000⁶⁷ or 7,7% of the total online bank customers. Following a rapid initial growth, the intake of customers has been slowing down lately. Internal competition between the Internet banks is fierce, it is a market where competition is primarily based on price and intensive marketing efforts with a focus on the cheaper products.

Brick-and-mortar banks and Internet banks have collectively more than 2,5 million Internet customers⁶⁸ whereas the pure Internet banks only have 193.000 customers. For the pure Internet banks the market has not been growing as fast as initially expected. Their strategy so far has, first of all, been to offer lower prices and thereby persuade customers of the brick-and-mortar banks to switch to Internet banks, and secondly, to capture customers from other Internet banks. The main effort is aimed towards brick-and-mortar banks because of their very large market share and because the products Internet banks provide are substantially less expensive. New technology enabling additional services online can help Internet banks capture more customers but can at the same time help brick-and-mortar banks develop their Internet distribution channels leading to considerably intensified competition in the industry.

Pure Internet banks are threatened by brick-and-mortar banks because they offer similar products and target the same market. Internet banks have only one distribution channel and

⁶⁷ [Nykredit Bank](#) annual report 2006, [Skandiabanken](#) annual report 2005, [Børsen](#) – Feb. 8 2006

The 193.000 customers in the pure Internet banks was measured in the beginning of 2006.

⁶⁸ www.finansraadet.dk/danish/menu/faktaomsektoren/pengeinstitutterneisamfundet/Net+ID

are therefore dependent on how fast the technology develops, and how consumer perception of Internet banks evolves. Almost all brick-and-mortar banks take advantage of the Internet as a distribution channel, but still supplement it with the personal advisory service available through their branches.

The fact that Internet banks do not have advisory services facilitates the possibility of a very different cost structure. The customers have to enter much of the information online and can only reach an advisor online or by telephone. Thus, Internet banks do not have to employ the same amount of advisors as traditional brick-and-mortar banks. The cost per customer and the cost per employee are therefore significantly lower and enable Internet banks to offer their products at a very competitive price. As the figure below shows, the only brick-and-mortar bank that can present cost per customer ratio similar to the Internet banks is Lån og Spar bank. This bank has until recently owned a large Internet bank called Nextbank, but now all customers can receive services both through the web-bank and in the physical branches. SkandiaBanken does have a real problem with profit per customer, but it has from the beginning been the plan that from 2006 the bank should be able to provide positive numbers. It is therefore not alarming that the bank does not generate a profit even though it would surely not be frowned upon if the bank would reach its goal ahead of schedule.

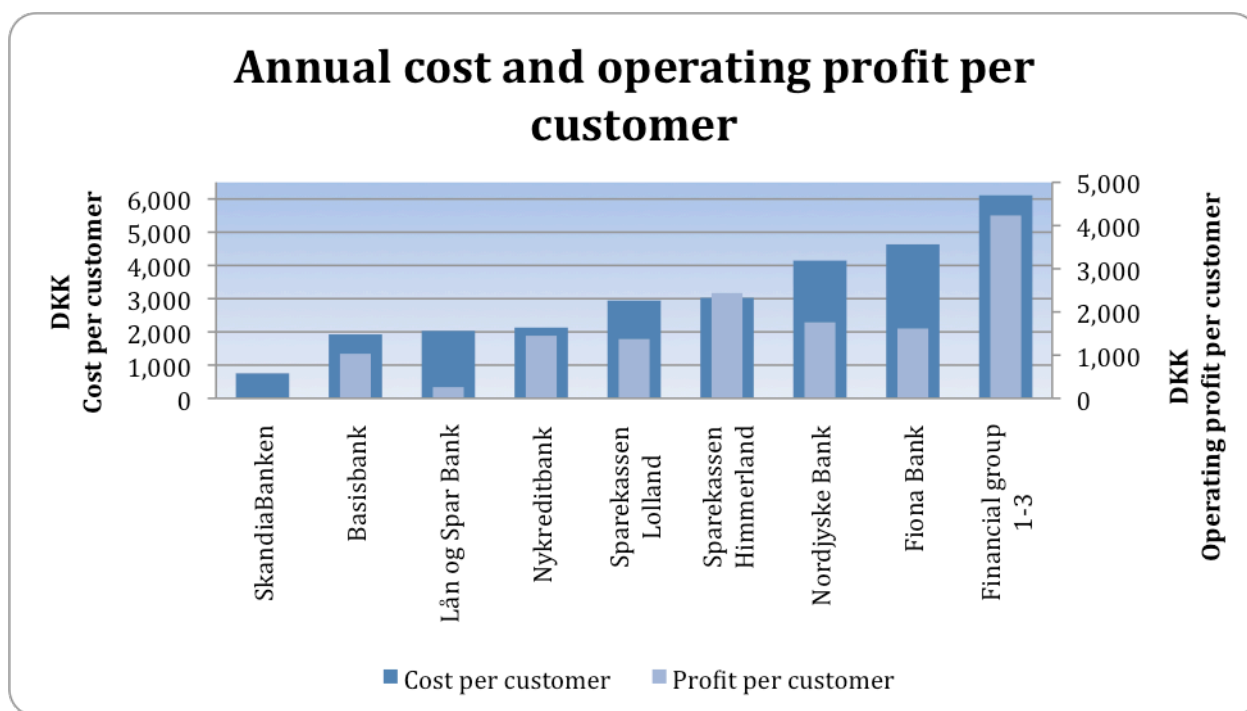


Figure 21 – Annual cost and operating profit per customer

Source: Finanstilsynet and each bank's website, numbers from SkandiaBanken are from 2004

Internet banks have a strong focus on price and on minimizing internal costs⁶⁹. The five pure Internet banks offer deposit interest rate ranging from 1,650 % to 2.015 %, while deposit interest rate in the four largest brick-and-mortar banks ranges from 0 % to 0,094 %⁷⁰. Similar gaps in the interest rates can be observed when looking at the mortgage interest rates and consumer loans. Basisbank and Nykreditbank are the only Internet banks that can present profit comparable to the brick-and-mortar banks. SkandiaBanken is still in the start-up phase and in 2004 presented a positive result for the first time. The result amounted to DKK 1,1 million and is not readable in the figure. Internet banks increase their operating results each year and if the trend continues they should soon be able to present results similar to the brick-and-mortar banks. If Internet banks begin to present above normal profit competition will increase as brick-and-mortar banks will have to respond to this increasing threat.

Clearly, the focus areas are very different. Internet banks are trying to compete on price and achieve their profit through volume whereas brick-and-mortar banks seem to profit maximize on each customer. The Internet banks have one substantial advantage; they do not have the costs of operating the many branches and the high ratio of employees per customer. Since brick-and-mortar banks have higher operating costs they have been forced to turn the customers' attention to their brand and away from price-competition while Internet banks are trying to make price the centre of attention⁷¹. Thus far brick-and-mortar banks have been winning the battle for the customers' attention and after seven years on the market Internet banks have only collectively 193.000 customers. It seems odd that even though they offer a similar product at a substantially lower price, the customers choose not to buy their services. The Internet banks have been aware of this problem and they do know that one of their many tasks are to explain to customers that banking product are not as hard to understand as many people fear. The Internet banks have been surprised that this has taken such a long time, but at least SkandiaBanken believe that it is only a matter of time before the message has been heard and understood by the general public⁷².

Is it because the market in Denmark is only 193.000 Internet bank customers at present time or is it because Internet banks have failed to convince the customers of the advantages of

⁶⁹ Interview with Henrik Vad and ROI statistic

⁷⁰ www.danskebank.dk, www.nordea.dk, www.jyskebank.dk, www.sydbank.dk, www.skandiabanken.dk, www.nykredit.dk, www.basisbank.dk

⁷¹ www.ks.dk

⁷² Interview with Henrik Vad, General Manager SkandiaBanken

switching to an Internet bank? Some of the Internet banks are newcomers on the Danish market; they have had some difficulties in creating a trustworthy brand, which is a paramount factor when marketing a bank. Instead of focusing on branding issues, Internet banks have devoted most of their time to promoting a no-fee policy and better priced products compared to brick-and-mortar banks.

Market growth in the EU has been relatively slow since the start of the new millennium, but is now more favourable because of the rising market expectations. This has been characterized by the banks' increasing focus on their core activities. Instead of enhancing their profit margin on the customers they have been focusing on minimizing the cost structure⁷³. After a period of slow growth the sector has in the last two years seen a more positive financial outlook; stock prices have increased; real estate prices are up and private consumption is increasing. It seems that the market and the battle for market share in the banking sector will begin to intensify after a few fairly calm years⁷⁴.

Brick-and-mortar banks have high operating costs associated with the branches and economies of scale are therefore of great importance. Larger banks can usually benefit from synergies that come with being present nationwide. Internet banks do not charge almost any fees and they promote this as one of the major reasons for choosing an Internet bank. The absence of fees is only possible because the customers are doing most of the manual work themselves and many of the processes are automated.

Internet banks have lower establishment costs compared to brick-and-mortar banks and once established on the market, the marginal cost of one new customer is substantially lower than in the brick-and-mortar banks. Economies of scale are also essential for Internet banks as they can only be profitable when they have a substantial customer base, e.g. SkandiaBanken broke even after three years on the Danish market with approximately 100.000 customers. The systems can handle more than double that amount of customers, and the marginal cost for the bank would be small with only a slight increase in the number of employees⁷⁵.

Brick-and-mortar banks charge fees for most of their services and the consumers are reluctant to switch banks as there are expenses associated with it. Switching from one Internet bank to

⁷³ ECB – Structural analysis of the EU banking sector, November 2003

⁷⁴ www.nationalbanken.dk – Financial Stability 2005

⁷⁵ Interview with Henrik Vad, General Manager SkandiaBanken

another is easy. The banks use similar systems and rely on the customer to enter most of the information online. Customers would therefore have all the information ready and could quickly switch banks. Brick-and-mortar banks have tried to maintain the grip of their customers by means of high switching costs. Furthermore customers have to personally contact the bank if they wish to switch banks and the advisor can try to persuade the customer to stay. The personal contact makes it harder for customers to switch between brick-and-mortar banks, as do the switching costs. Internet banks have lowered their fees to a minimum and, thus, the switching costs for these banks are very low. This will be elaborated on in the section on buyer power.

The market is characterised by low product differentiation. Much of the banks marketing is aimed at branding the bank, and not at price. For some Internet banks this can be a successful strategy, primarily the banks that are a part of a well-known financial group. Many of the financial groups have merged and are offering a wide range of financial products, such as; advisory services; insurance; pension and real estate services. The combination of all these financial products can create synergies allowing the company to lower the prices even further and thereby increase competition even more⁷⁶.

The banking sector is undergoing a constant evolution. Banks have for some time been outsourcing many processes, the principle of unbundling of the corporation has also affected the banking market. Taking the point of departure in Hagel & Singer article from 1999 we have decided to investigate three subjects: customer relationship management, product innovation and infrastructure. Many banks, especially smaller banks, have for a rather long time been outsourcing their infrastructure and IT systems to such companies as BEC (Bankernes EDB Central), SDC (Sparekassernes DataCentraler), and Bankdata. The larger banks have often their own IT departments in order to keep the relatively expensive development of infrastructure in-house. In regards to product innovation most banks, especially the smaller ones focus on scanning the market and copying the few new products that do emerge. Product innovation is instead replaced by product introduction (Foss, 2002) and banks do therefore focus on the wrapping of the product to fit the specific bank. Banks themselves therefore only focus on customer relationships and emphasise relationship management in their branding. The traditional brick-and-mortar banks place great emphasis

⁷⁶ ECB – Structural analysis of the EU banking sector, November 2003

on the personal relationship between the customer and the personal advisor, but, as previously mentioned, self-service Internet banks adopt a very different approach. Internet banks also outsource their infrastructure and product innovation and focus extensively on developing customer relationships. However, in the case of Internet banks, customer relationships are mainly based on low prices and not as much on personal relations.

The unbundling in banking increases flexibility and speed of re-organization in order to meet new needs and follow new trends on the market. In the figure below large and small Internet banks are mapped.

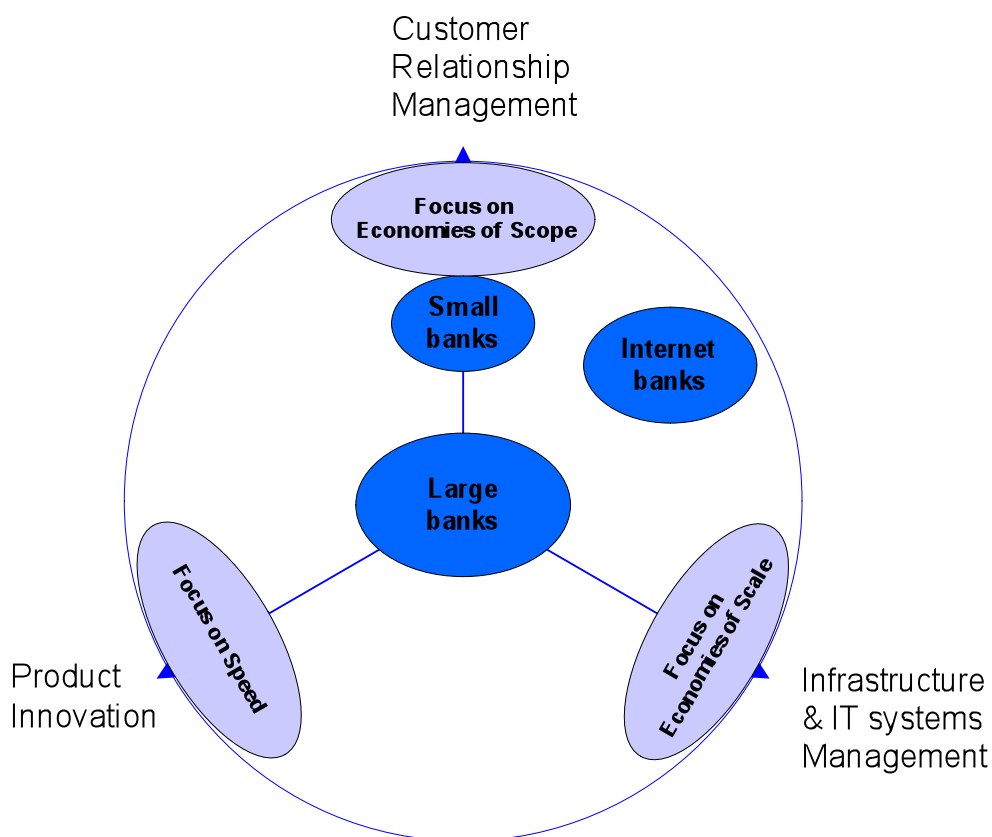


Figure 22 - Rethinking the traditional Organization
Source: Hagel & Singer (1999)

The optimal situation is to focus on only one of the three areas; customer relationship management, product innovation or infrastructure. The aim of customer relationship management is to gather and relay customer information and focus on economies of scope; product innovation should aim to create attractive products and commercialize them (speed of

innovation and products to market is a key issue); infrastructure management should build and manage facilities for repetitive operational tasks and strive for economies of scale.

None of the banks have been able to achieve the optimal situation. It is quite difficult for a company to reach the pure form of unbundling and only focus on one operational activity. All three processes are to some extent present in all companies. Small banks try to focus solely on customer relationship management but have not outsourced all the other activities and can therefore not fully benefit from the market specialists. Larger banks are in a sense stuck in the middle. There has been a tradition of bundling all activities, but now even the larger banks are unbundling activities and then re-shaping the organisation through re-bundling. They have not chosen to focus on only one area and still have different processes that require both speed, economies of scale and economies of scope. The different processes are contradictory by nature, which restrains flexibility in each area. Internet banks seek to focus on customer relationship management as well, but business models of Internet banks require internal infrastructure and IT systems management. For Internet banks it should be possible to unbundle all functions and only keep the core business process that generates the highest profit margin. Brick-and-mortar banks on the other hand have a more complex business structure and therefore have difficulties in turning their company into a purely focused business.

The theoretical impact of the Internet on the banking sector will briefly be summarized before we turn to the actual situation on the Danish market. The Internet has lowered the entry barriers because it is no longer a necessity to have a large branch network and thereby the capital requirements are diminished significantly. More newcomers will enter the industry while the products will remain relatively undifferentiated. As more products are standardized, switching costs are lowered and more bargaining power is thus yielded to the buyers. Another important change facilitated by the Internet is a shift from Gatekeeper to Gateway business model. In the Gateway model the banks function as liaison between the customers and different companies providing a wide range of financial services. The theoretical reasoning is that many of the new entrants on the Internet bank market will not be financial institutions but companies like Microsoft, AOL Time Warner and Amazon.com. These companies already have established credibility, have loyal customers and are financially strong and are therefore considered perfect mediators between customer and bank service (Siaw, 2004).

Intensity of rivalry within the banking sector is high and the Internet banks will help increase rivalry and in time change the rules of competition.

Threat of substitute products

To some extent the fast consumer-loan industry provides a substitute product to the normal bank loans. These types of loans are often offered where consumers buy costly products (TV, computer, durables, etc.) and the loans are processed while the customer waits in the store⁷⁷. These types of loans are typically more expensive than loans offered by banks, but the lender often takes on a higher risk by not demanding any collateral⁷⁸. The higher risk for consumer loans is directly displayed in the price. For example, the most expensive loan in an internet bank has an annual cost of 10,5% of the principal amount, while the typical loan from the consumer loan industry ranges from 9,4% to 21,4%⁷⁹.

The consumers are apparently willing to pay more for faster processing and the possibility for the 'here and now' loan in the store. The authors' own experience is further that the customers who choose to use this type of financing often are those with a low creditworthiness. The banks mostly have a low margin on their interest on both deposits and loans and thus they have to require collateral in most loans. Many consumers feel that the banks pry in their private economy and do not feel that they should bother the bank when borrowing DKK 40.000. They therefore choose a loan from the consumer loan industry⁸⁰. Firms offering consumer loans are increasing in numbers and an increasing number of large firms are now adding this type of financing to their product portfolio⁸¹. This type of loans should be considered a threat as they directly substitute the bank's products. Large corporations such as Citibank and GE Money Bank have also entered the market only offering different loans. This could be an indication that either the firms plan to enter the market as full scale banks at some point or they see a profitable market in the consumer loan niche. Either way the competition will increase. New financial products are developed almost everyday, most of these products

⁷⁷ www.vekofinans.dk, www.acceptcard.dk, www.gemoneybank.dk, www.citibank.dk

⁷⁸ www.mybanker.dk – DKK 40.000 for an unspecified purpose, must have a wage account in the bank

⁷⁹ www.mybanker.dk – DKK 40.000 for an unspecified purpose

⁸⁰ www.ks.dk

⁸¹ www.ikea.dk, www.ilva.dk, www.fona.dk, www.bauhaus.dk

are developed by the banks themselves and do not radically change the market. The vast majority of consumers use traditional financing and deposit products so the new products do not substitute the traditional ones.

With the exception of fast consumer loans, the threat of substitute products is considered to remain relatively low.

Bargaining power of buyers

If a consumer wishes to move his/her product portfolio to a new bank, the old bank naturally has a strong incentives to try and maintain the relationship with the customer, e.g. through offering rebates or higher deposit interests (we return to the idea of specific loyalty programs in the following section). The banks offer similar products and mainly differ in their marketing effort and their brand. So far, brick-and-mortar banks have successfully convinced their customers that the extensive advisory service is necessary and worth paying extra for. The risk for the brick-and-mortar banks is that with the emergence of Internet banks lower switching costs will become a market factor and the rational consumers will begin to switch banks (Cantoni, 2000). However, consumers only seem to be mildly interested in switching to Internet banks even though they can save a considerable amount of money each year. Banking is one of the last markets where demand-driven supply has yet to be applied. It is still the banks that push the new products to the consumers and not consumers that pull them. It does, however, seem plausible that the banking market will also change to a more demand-driven approach (Blackwell, 1999). As the use of online-banking continuously increases, brick-and-mortar- and pure Internet banks begin to compete on more equal conditions. Since more and more services can be provided online the switching costs steadily diminish. With the technology of Digital Signature and net-ID, banks are able to collect all public information from customers when they are applying for a mortgage loan or an account. The switching costs are becoming even lower for the consumers and the bargaining power of buyers thereby increases. The aforementioned technology is presently used in Denmark but is not sufficiently widespread to provide the buyers with a substantial bargaining power.

Internet banks only target the retail market and this market is very fragmented. It consists of many private customers with low bargaining power. Banks do have an incentive to maintain

the relationship with each customer but it is not exactly tangible if one customer switches to a new bank.

The overall conclusion with regards to the bargaining power of buyers is that it can be considered moderate to low with a tendency to increase in the years to come.

Bargaining power of suppliers

Most banks have only got a few suppliers. Most important ones for SkandiaBanken are PBS (Payment Business Service), VP (Securities Services Company) and BEC (Bankernes EDB Central).

PBS was established by the banks in the early 1970s to handle the transfer of funds between banks. Today they develop, sell and operate systems and services in the market for payment cards and payment services. They are considered a sub-supplier to the common infrastructure of the Danish banks⁸².

VP handles the transaction of shares, bonds and investment fund units listed in Denmark. They further handle the electronic storage of all securities listed in Denmark. When a security is traded, VP ensures the transfer of ownership to the buyers (often the banks) and simultaneously the payment to the seller.

Neither VP nor PBS can be considered to pose any significant threat in relation to the supplier power in bargaining situations. Both offer services to the entire Danish banking industry and are a part of the common infrastructure that historically has been working well. The relationship between these suppliers and the banks bears a character of a business partnership where the parties have mutual interests. We do not consider the bargaining power of PBS or VP to be considerable or pose any threat that makes the industry less favourable.

The relationship with BEC is somewhat different. Companies like BEC, SDC and Bankdata provide IT-solutions for financial institutions. BEC delivers the entire customer-related IT-system to SkandiaBanken, i.e. the web bank system and the system SkandiaBanken uses

⁸² http://www.pbs.dk/pbs/site/pbs_dk/en/menu_top/om_pbs/forretningsgrundlag (or: about PBS on their website: www.pbs.dk)

internally for everything that is related to the banking services provided to its customers. The relationship with BEC has a few interesting perspectives. Since BEC is owned by 78 finance houses and delivers services to its owners and hundreds of other financial businesses. There are many players in the market that have the exact same web bank surface with the exact same features. This means that the only place where SkandiaBanken can differentiate is on their web site that is the entrance gate to the web bank. Once the user has logged on, the interface and the layout are different from bank to bank but the main features are the same no matter whether it is SkandiaBanken, Forstædernes Bank, Amagerbanken or any other bank, which BEC supplies with their web bank system. SkandiaBanken is very content with BEC and does not believe that any other company can offer an equally sophisticated solution. In Sweden SkandiaBanken is in the process of developing their own web bank system. It would be beneficial to use that system in Denmark too but both quality and features are still inferior to the BEC's system⁸³. We believe that, as a supplier, BEC does not have any particular bargaining power, or at least it does not exert it. Thus, the supplier relationship with BEC does not make the industry less attractive. We will, however, return to the subject of web bank systems later in the thesis.

The overall bargaining power of suppliers is considered to be quite low at the moment with no obvious prospects of becoming higher in the nearest future.

Threat of new entrants

The threat of new entrants on the market is a combination of the existing barriers to entry and the expected reaction from the existing competitors. As previously mentioned, differentiation is low and products from foreign banks could relatively easily be adapted to the Danish market. Recently Swedbank⁸⁴ moved into the Danish market. This particular bank is already a major player on the Swedish market and is now trying to include Denmark into their activities. The Swedish financial group SEB is active on the Danish Internet bank market.

⁸³ Interview with Bente Koza, SkandiaBanken, Responsible for the contact and implementation of BEC's products

⁸⁴ Started in Denmark on May 2. 2005 – www.swedbank.dk

However, it has recently shifted focus from the retail customers to the corporate customers, which resulted in their Internet bank diminishing⁸⁵.

European banks pose the most evident threat, mostly because of the brand-value and the general knowledge of the market but banks from other parts of the world are also considered potential threats in the future⁸⁶. Established banks opening a pure Internet bank would already have the IT systems, much of the knowledge concerning the operation of a bank, educated personnel and so on. The costs of establishing an Internet bank would be much lower than opening a new bank with the traditional branch structure. The possible entrants would most likely be financial entities already known on the market with established goodwill and credibility. They would benefit from internal synergies and it would be less costly for them to create a brand and credibility.

As already mentioned the switching costs are low for the customers and will drop even further with the new technology being used on the market. In time this will most likely result in customers shopping for the lowest price for their banking products, which will place the Internet banks in the forefront. The access to the distribution channel is very easy and would not be a major obstacle for newcomers; this combined with the future growth on the market would make the threat of entry rather high.

Findings in the industry analysis

The products that banks provide are difficult to substitute. Every person working in Denmark needs to have a deposit account. Some of the products offered are substitutable, e.g. the normal consumer loans. These are offered to an ever-greater extent in many stores and can substitute a line of credit or bank loans without collateral. Some would argue that changes in saving habits, from deposits on bank accounts to placement of money in securities are substitutes. But the banks also control a large part of the trade with securities and make money either way. Buyer power is still considered relatively low but increasing. Increased focus on price and transparency and the impact of the Internet results in lower switching costs

⁸⁵ [SEB Annual Report 2004](#)

⁸⁶ Europeans banks are trying to be more and more paneuropean, mainly through merger or acquisitions – www.ecb.int

Financial Stability dec. 2005

thereby increasing the bargaining power of suppliers. The power of suppliers is fragmented depending on the nature of the bank, i.e. pure Internet banks, nationwide banks or small local banks. The large nationwide banks have their own IT centres and can exert power over suppliers due to their size while the smaller banks that share IT centres do not have that opportunity. To new entrants the possibility of shared IT centres and the Internet as distribution channel is favourable as it significantly decreases the capital requirements at entry. Since trust and brand are still important factors, the low entry barriers have not resulted in a flooding of the market by foreign conglomerates. Instead many small banks are serving local areas. The joint IT infrastructure explains the large number of banks on the Danish market but it does not seem to decrease the profit in the industry as a whole. The large banks are probably pleased to have so many competitors of insignificant size. They use the large number of banks as an argument for a healthy level of competition.

The overall finding derived from the industry analysis is that despite the market conditions of oligopoly, with the three largest banks having approx. 75 % of the market and many small players sharing the rest, it is still a profitable industry. The intensity of rivalry is for most competitors' part based on branding, service and trust while only a few of the smaller players really compete on price, SkandiaBanken being one of them. The niche of pure Internet banking is growing steadily without any dramatic changes likely to occur. It has so far been difficult for the pure Internet banks to create profit but SkandiaBanken succeeded in 2004. This indicates that a critical mass is necessary, and once that has been reached the marginal cost of a new customer decreases significantly.

SWOT analysis

Having mapped the macroenvironmental- and the competitive situation in the Danish banking industry, the next task is to achieve a strategic fit between opportunities and threats posed by the external environment and the specific resources and capabilities of SkandiaBanken.

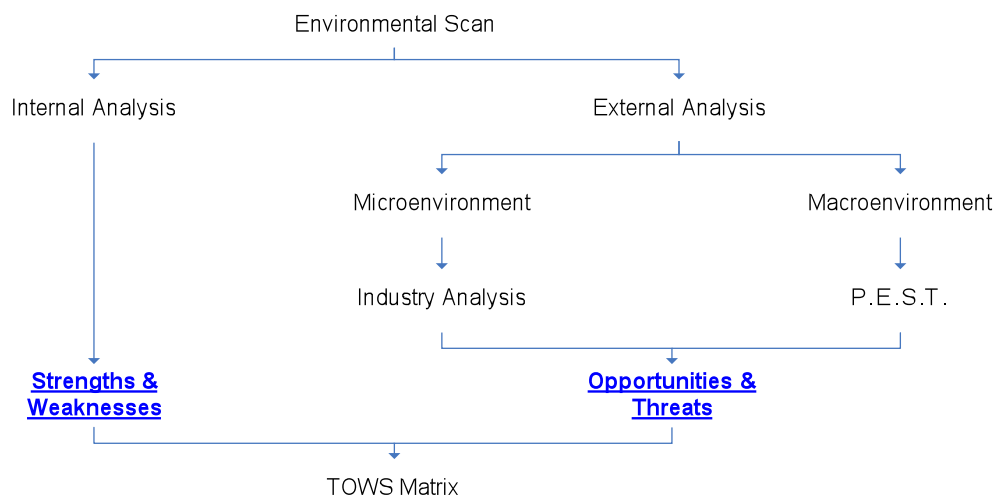


Figure 23 - The SWOT model in the overall environmental scan

In order for SkandiaBanken's resources and capabilities to be a source of competitive advantage they have to either add customer value or drive the costs down. The idea behind this reasoning is that customer value and costs are the two determinants of profit as profit is found as being the difference between the two (Valentin, 2001). Two things in particular bring customer value to SkandiaBanken's customers:

- **Skandia's strong brand in the financial sector and**
- **SkandiaBanken's inexpensive products**

Skandia has operations in more than 25 countries and has existed for over than 150 years. SkandiaBanken benefits from the goodwill that Skandia's brand earns because it reduces the clients' perceived risk. Furthermore, being the market's cost leader on many products SkandiaBanken create customer value for price conscious consumers.

Merely bringing customer value does not, however, mean that the resources and capabilities are sustainable. By asking four questions from the VRIO model (Valuable, Rare, Inimitable

and Organization - Barney, 1995), the sustainability of SkandiaBanken's strengths can be assessed:

- **Value.** Do SkandiaBanken's resources & capabilities enable them to respond to environmental threats or opportunities?
- **Rareness.** How many competing firms already possess similar valuable resources & capabilities?
- **Inimitable.** Do the firms without the specific resource or capability face a cost disadvantage in obtaining it compared to those that already possess it?
- **Organization.** Is SkandiaBanken's organization designed to take the full advantage of its resources & capabilities?

In the SWOT⁸⁷ analysis that follows the above-listed questions of the VRIO model will be asked each time to validate the sustainability of the presented strengths. Having worked through SkandiaBanken's SWOTs we conclude this section by gathering the results in a TOWS⁸⁸ matrix.

Strengths

SkandiaBanken's strengths are those resources and capabilities that can be used as a basis for developing a competitive advantage assuming that they live up to the requirements from the VRIO model.

Brand recognition

Skandia has a 150-year history as a Scandinavian provider of financial products and SkandiaBanken benefits from the goodwill that Skandia's brand has earned. This is a strong asset in the banking industry where confidence in the bank is of great significance (Foss,

⁸⁷ Valentin, 2001

⁸⁸ Weihrich, 1982

2002). A company that only operates online is often met with scepticism because it is hard to tell whether it is a safe and sound business or a financially unhealthy or even fraudulent one.

A strong brand is a resource that can provide a sustainable competitive advantage. It brings value to the business because it reduces the customers' perceived risk. There are other incumbent competitors that enjoy a similar or even stronger brand value but these are primarily brick-and-mortar banks. The pure Internet banks do not have such a strong brand and most new entrants are not likely to have it either. A strong brand is both a rare, inimitable and costly resource. It takes time to build a reliable brand, especially in the Danish bank sector where the consumers have proven to be quite reluctant towards shifting banks⁸⁹. Furthermore, SkandiaBanken has a solid organizational backup. Skandia has expanded across borders several times and has great experience in exploiting the brand to diminish the entry barriers on a new market. It applies the same organizational values on all new markets and sticks to areas related to their core business – insurance⁹⁰.

Low-cost structure

Compared to the strongest competitors on the Danish market, SkandiaBanken has an advantage of being a pure Internet bank. The overall cost per customer is much lower for Internet banks than for the traditional brick-and-mortar banks, which enables SkandiaBanken to compete much more efficiently on price. Fierce competition is in the classic economic theory characterized by price competition and under such circumstances SkandiaBanken benefit from their low-cost structure. Their cost structure also makes them less vulnerable to market fluctuations. In years of increasing interest rates many banks loose the substantial income from fees obtained through debt conversion while SkandiaBanken earn their profit on the interest marginal without being dependent on fees as a source of income.

Low costs bring value in two ways for SkandiaBanken. Customer value increases with lower priced products and at the same time SkandiaBanken earn greater profits the lower the costs are. It can be a self-reinforcing effect, which helps build barriers to entry and make it more costly for existing competitors to compete on price. There are a few incumbent players in the

⁸⁹ Interview with Henrik Vad, General Manager SkandiaBanken

⁹⁰ Skandia Annual report 2006

market with a similar low-cost structure and new entrants could have it as well. Thus, SkandiaBanken's low-cost structure is neither a rare nor an inimitable capability. It can, however, be quite costly and take years for competitors to create a similar cost structure. As price is SkandiaBanken's prime focus in the competition, they should consider ways to make their structure rarer and harder to imitate. On the other hand, Skandia might not have planned for SkandiaBanken to generate any extraordinary profits. When the bank was first opened in Sweden in 1994, Skandia announced that the primary reason for the establishment of the bank was to acquire a new distribution channel for their insurance products. If this is the case, SkandiaBanken can run with a minimum profit just to keep the cost leadership and attract more customers for the insurance business⁹¹.

Scale benefits

Serving more than 109.000 customers in Denmark and more than 1 million in total, SkandiaBanken is the largest pure Internet bank in Denmark and Scandinavia⁹². It offers scale advantages that other players do not have. They can get more statistical evidence to reduce their credit scoring models risk. They gain knowledge from experience and processes across borders and they can share IT development costs across countries. SkandiaBanken is still a minor bank compared to traditional brick-and-mortar banks, but has great potential if the scale benefits are exploited; such as incorporating the full variety of financial product that Skandia can offer. There is also another advantage of having reached the break-even size. SkandiaBanken can focus on customer loyalty and product per customer rate instead of growth. Higher customer loyalty and product per customer rate is directly linked to higher profits. (Kristensen, 2000)

The scale benefits bring value as they drive the costs down. SkandiaBanken can benefit from scale economies as all their business areas are related and they generally have an immense expertise in financial products. There are numerous players in the Danish market that have greater scale economies. Among the pure Internet banks it is still a rarity but new entrants could be large international companies that would enjoy similar scale benefits.

⁹¹ Skandia Annual report 2006 and SkandiaBanken Annual report 2006

⁹² Skandiabanken annual report 2006 and www.skandiabanken.se

SkandiaBanken's scale benefits are therefore not a rare or inimitable resource. Although the scale economies are a strength, it does not provide them with a sustainable competitive advantage since many other players have similar or larger scale benefits.

Financial Strength

SkandiaBanken's parent company has significant financial strength. According to General Manager Henrik Vad it is most unlikely that Skandia will use their strength to grow via acquisitions though, because they find the price to be too high in these years. Since all growth will be organic, Skandia's financial strength can be considered an asset to SkandiaBanken in financing their growth. Skandia have better credit ratings than most of SkandiaBanken's competitors on the Danish market (only Danske Bank⁹³ and Nordea⁹⁴ have better ratings). SkandiaBanken finances their growth through Skandia that can borrow cheaper on the capital market due to the high credit rating. Skandia Insurance Company Ltd. is rated "A" by Standard & Poor and "A3" by Moody's⁹⁵.

Weaknesses

Many of SkandiaBanken's weaknesses are the flip sides of their strengths. It is important to consider and be aware of the weaknesses as well as try to neutralise or diminish them on a strategic level.

Pure Internet bank

Even though the Internet is a very cost efficient distribution channel, it does have its shortages. The lack of personal contact and teller branches is a weakness compared to the brick-and-mortar competitors, because experiences has shown that personal contact is

⁹³ Danske bank has a Moody's rating of Aa1 and a Standard & Poor rating of AA- as of 01.01.2006

⁹⁴ Nordea has a Moody's rating of Aa1 and a Standard & Poor rating of AA- as of 01.01.2006

⁹⁵ www.skandia.com

paramount when building customer loyalty. As it was shown in figure 24, many people consider the personal contact and a physical branch decisive when choosing a bank. This means that there is a large part of the Danish retail banking market, which SkandiaBanken cannot reach. However, the share of the market that is reluctant towards using Internet banks is likely to decrease with time as people become more familiar with e-commerce.

The Internet has other shortages too. SkandiaBanken can lose some of the most profitable customers just because it is a pure Internet bank. Many people only seriously consider switching banks a few times in their lives, e.g. when buying a house, placing pension funds or winding up the estate in divorce situations. In these situations the need for professional advice and personal service is high and many people will therefore prefer a normal brick-and-mortar bank where it is possible to get a personal meeting and get someone to do the work for you. This means that capturing the really profitable customers that only are “available” a few times in a lifetime poses a greater challenge for the Internet banks than for the brick-and-mortar banks. This is a severe weakness and SkandiaBanken should take steps to neutralise it.

Low income per customer

As we saw from the section on SkandiaBanken’s cost structure, they have already achieved a place among the best when it comes to reducing costs per customer. This is one of the prerequisites for operating a successful Internet bank. One of the reasons they are still not generating great results is therefore the low income per customer. It is, of course, connected to the fact that SkandiaBanken is still in the growth phase and is yet to reap the full benefits of the investments they have made. We believe that SkandiaBanken have a weakness in the “quality” of the customers they have. The earning per customers is the lowest of all the banks we have compared them to (see table 4). The reason for this is partly explained by their business model. Since there are no “entry” fees for a new customer, the first year most customers simply incur the bank a loss⁹⁶. SkandiaBanken has furthermore tried to attract the price-conscious customers, which has been a success, but the problem is that these customers primarily use the bank’s push-products⁹⁷ and does not move all their banking products to

⁹⁶ Lone Wilson, Head of Accounting

⁹⁷ SkandiaBanken’s push-products are Alt i Et-konto, Boligprioritet, Netbørs and leasing contracts. Previously mentioned in the section *Key draw-in products*

SkandiaBanken. This means that many of the customers only uses the free-of-charge products resulting in the bank still does not generate any substantial income.

		Million DKK	Million DKK	DKK			
	Year	Net interest + fees (NIF)	NIF employee	NIF customer	Percentage of $\frac{\text{loan}}{\text{deposits}}$	Number of employees	Number of customers
BASISBANK	2005	45,8	1,3	3.055,9	72,9%	35	15.000
	2004	41,2	1,2	2.575,0	68,3%	36	16.000
	2003	33,0	1,1	2062,5	65,4%	29	16.000
SKANDIABANKEN	2005	80,8	1,2	741,3	67,0%	67	109.000
	2004	82,7	1,1	772,9	59,4%	74	107.000
	2003	78,2	0,9	789,9	56,8%	92	99.000
NYKREDIT BANK	2005	1.007,0	2,9	4.750,0	119,5%	346	212.000
	2004	790,0	2,2	3.950,0	118,6%	362	200.000
	2003	825,0	3,2	4.376,7	157,8%	259	188.500
LÅN OG SPAR BANK	2005	308,4	1,0	1.927,5	53,5%	316	160.000
	2004	302,1	1,0	2.014,0	53,1%	311	150.000
	2003	308,7	0,9	2.374,6	53,3%	325	130.000

Table 4 - Comparison of selected ratios

Source: Respective bank's annual reports and websites

The Lån og Spar Bank number of customers from 2005 has been estimated, statements from the bank have been taken into consideration when estimating this number.

Compared to Basisbank, another pure Internet bank, SkandiaBanken has 6-7 times as many customers but only generates two times the net interest and fee income. Lån & Spar Bank and Nykreditbank makes respectively 2,6 and 6,4 times as much per customer as SkandiaBanken. It seems as if SkandiaBanken focus too much on growth and too little on getting the right customers. According to the interviews we have conducted with SkandiaBanken's

management, the poor earnings per customer can be explained by their business model. As they charge no fees in connection with the establishment of a customer relationship and they do not earn anything on the customer in the first year of the establishment. This cannot be the only explanation though. If that were true, the earnings per customer should increase from year to year as a result of the previous year's customer growth; this is true as the number of new customers has been decreasing. We can therefore conclude that SkandiaBanken is too focused on growth leading to an inferior customer quality.

It is also interesting to compare the loan per deposit ratios. Nykredit Bank have the highest ratio because they have much more business clients than the other banks. In general it applies that the larger the percentage of business clients in a bank the higher the loan per deposit ratio. Basisbank's ratio is higher than that of SkandiaBanken but the difference between the banks decreases from 18,7% in 2002 to 5,9% in 2005. Lån & Spar Bank has only got retail banking customers, which can be seen from the low loan per deposit ratio⁹⁸. Lån & Spar Bank charge fees for most of their services and they therefore do not need as strong a focus on a high ratio as SkandiaBanken. To see how important it is for SkandiaBanken to lend out their excess capital we can make a simple calculation.

The excess capital is invested in the 14-days Copenhagen Interbank Offered Rate (CIBOR) in the National Bank of Denmark. The currently offered rate is 2,15%. That makes a difference of 0,65% from the BoligPrioritet and 5,15% on the cash credit. If SkandiaBanken could lend the money out to the lowest interest loan, BoligPrioritet, it would result in an extra income of DKK 9,75 million⁹⁹.

The dilemma of automation

To keep the costs at a minimum, most processes have to be automated. Screening of loan applications is done by computer programs and should ideally need no human contact. No matter how complex the program is, the automated screening process undoubtedly results in a loss of some profitable customers who are "outside the boxes" set up by the screening

⁹⁸ Table 4Error! Main Document Only.

⁹⁹ Interview with Niels Mogensen, Head of Funds department

The CIBOR interest of 2.15 was recorded 01.01.2006 at www.nationalbanken.dk

program. Brick-and-mortar banks use similar screening programs but have the possibility of personal interference when the customer does not fit into the boxes. Brick-and-mortar banks demand a higher interest rate to cover for these expenses and the higher interest rate also make up for the higher risk if a customer does not meet the set criteria. SkandiaBanken does not have that option. The criteria and interest rates are the same for everybody, which is a part of their business idea; simplicity and transparency are considered to be a hallmark for SkandiaBanken. Although dilemmas like these are a part of the strategy, SkandiaBanken should be aware of them. They should strive to make the programs as flexible as possible and keep improving the processes to capture the right customers.

Opportunities

Differentiation in web bank design

The branches of all three countries have a joint IT infrastructure and can share the product development costs. It is a normal procedure for SkandiaBanken Sweden to develop and introduce a product in one of its markets and then modify and adapt it to another market¹⁰⁰. While SkandiaBanken use the IT-system of BEC for the entire customer-related business, they also use programs, which are developed in Sweden and adapted to the Danish branch. They have an opportunity to use the web bank design from Sweden. It would give SkandiaBanken a chance to differentiate from their competitors on other areas than price. The downside of using BEC's system is that it is easy for customers to switch to another bank as they would already be familiar with the web bank system. It also prevents SkandiaBanken from introducing systems that are completely customized to their products. Instead SkandiaBanken have to adapt their products to BEC's systems to some extent. Those in SkandiaBanken who are responsible for the cooperation with BEC claim that BEC currently delivers a better and cheaper solution than SkandiaBanken Sweden. They say that Danish web bank customers are used to a very high standard, which is not the case with the Swedish customers. It would have to be of at least similar standard as BEC's system, should

¹⁰⁰ In SkandiaBanken Sweden and Norway the same system is incorporated, which facilitates a closer contact between

SkandiaBanken and Skandia's products.

SkandiaBanken start to use the system developed by the Swedish parent company. But if it could be done it would provide SkandiaBanken with a considerable competitive advantage¹⁰¹.

Synergies from other business areas

SkandiaBanken is currently pursuing the opportunity to further benefit from other business areas of Skandia, the group is in the process of re-shaping the organisation. If they could get the insurance and pension part of Skandia to refer their customers to SkandiaBanken, it would be an easy and very cost effective way to achieve organic growth. The ongoing organizational restructuring aims to gain such benefits but so far SkandiaBanken have not enjoyed any benefits from the merger of the business areas. Skandia have dealt with pension funds and insurance long before they started their banking business and still consider unit linked insurance to be the core business¹⁰². SkandiaBanken can take great advantage of the expertise and customer base of the other business areas. More importantly, they can get an integrated customer service and IT system that would automatically enable contact with potential customers. If the customer service at Skandia is trained in selling bank products, they could also help the business achieve growth and vice versa.

Threats

Loosing the price leadership

SkandiaBanken face a potential threat due to their price leader strategy. Customers who have chosen SkandiaBanken because of the price might be willing to shift to another bank as soon as they receive a better offer. If a substantial part of SkandiaBanken's customers are those that shop around for better prices, the cost of loosing price leadership can be very significant. It is not unlikely that new entrants on the market will compete hard on price and will be willing to operate with losses for a while in order to gain market share. The risk is that after the establishment period new entrants with similar strategies will start to emerge. Such a scenario

¹⁰¹ Bente Koza, IT relations manager

¹⁰² <http://www.skandia.com/en/about/ourconcept.shtml>

would incur constant pressure on SkandiaBanken to offer same or lower prices than competitors. There are already players on the market with the financial strength to follow a price dumping strategy. GE Money Bank¹⁰³ and Citibank¹⁰⁴, subsidiaries of the international conglomerates General Electrics and Citigroup respectively, pose a potential threat. So far they only operate on the Danish market as lenders rather than full service banks. If the pure Internet banks begin to earn substantial profits, however, GE Money Bank and Citibank might expand their business to include other bank services.

Increased competition from the brick-and-mortar banks

As we have shown, SkandiaBanken get the largest proportion of their customers from Danske Bank, Nordea and Jyske Bank. So far the loss of customers for these three banks has been insignificant but if it increases, they might enhance the efforts to keep their customers. As they have the personal contact with their customers, they are able to talk with those that wish to switch to another bank. If the customer is profitable, they might be willing to match the terms the customer is offered in SkandiaBanken. If that becomes the case, the profitability of new customers in SkandiaBanken might decrease. The large banks currently aim their marketing at features other than price such as advisory services, personal relationship and security. They make a great lobby work to ensure that financial products are considered complex and difficult for non-experts to understand – and they persistently claim that the consumers get exactly what they pay for¹⁰⁵.

Dilution of the brand

Because of the common brand, SkandiaBanken is dependent on Skandia's media coverage. The scandals in the recent years have diluted the brand and market value significantly, especially in Skandia's home market Sweden. This would affect the perceived risk of using SkandiaBanken and thereby diminish customer value. Skandia brand used to be one of the

¹⁰³ www.gemoney.dk and www.mybanker.dk

¹⁰⁴ www.citibank.dk and www.mybanker.dk

¹⁰⁵ Article from Børsen december 1st 2005 – Straarup afviser slap bank-konkurrence

strongest in Sweden. However, a few wrong steps were enough to completely dilute it. It will take years to restore the brand and the organization might never even fully recover from the scandals in 2002. The problem is that SkandiaBanken has no control of the events happening in the parent company and are therefore sitting ducks when scandals occur even though it has nothing to do with SkandiaBanken. In time SkandiaBanken should consider starting a new brand as a separate business entity in order to decrease the non-controllable risk associated with using Skandia's brand. (See Appendix A for Skandia's stock chart) But it should be noted that Skandia hopefully have learned something from the scandal and have implemented a new ethics for employees in order to prevent similar mistakes. The risk of Skandia creating a similar scandal is therefore low, and the benefits of the brand does outweigh the downsides of past mistakes.

Findings in the SWOT analysis

Strengths

- Low-cost structure. This is the greatest strength as SkandiaBanken seem to be good at keeping costs down even early from the start-up. A capability that should be used to achieve a competitive advantage.
- Brand recognition. As SkandiaBanken have been the largest Internet bank in Denmark for some years now, their brand recognition is growing. With the distinctions they regularly receive their brand value is increasing and it becomes a greater asset.
- Scale benefits. SkandiaBanken already have low costs but could strive for scale benefits from further integration between the countries.
- Financial strength. This relates to their parent company. Since we have been told that growth via acquisitions is most unlikely, the financial resource is not a highly beneficial strength. SkandiaBanken are currently able to finance their growth internally.

Weaknesses

- Low income per customer. SkandiaBanken can do something about this weakness and they should realise how poorly they are doing compared to their competitors. We will make suggestions on how to diminish this weakness in the following sections.
- Limitations of the Internet. Functioning as a pure Internet bank with no personal contact with customers, SkandiaBanken has a difficult time attracting customers at critical points of their lives. As their business model rests on a purely online concept, building branches is not an option so SkandiaBanken must invent other ways of dealing with this weakness.
- Automated processes vs. flexibility. To ensure that no good customers are lost SkandiaBanken must excel in balancing automation vs. flexibility. Cost-benefit analysis should be applied when new processes are automated and customers' reactions should be followed carefully.

Opportunities

- Synergies from other business areas. The multinational and multi-financial character of SkandiaBanken's parent company should be fully utilised to achieve synergies and attract customers, especially the ones who are in the process of making important decision in their lives.
- Differentiation in the web design. To get the maximum out of SkandiaBanken's multinational appearance SkandiaBanken should as a minimum seek the advantages of common IT development. Although it might not be cheaper in the short-term, the long-term effects could be a tailor-made and differentiated web-design.

Threats

- Dilution of the brand. SkandiaBanken suffers when Skandia's brand is diluted. SkandiaBanken should attempt to guard itself against negative publicity concerning Skandia and consider a branding strategy that is less related to their parent company.
- Loosing cost leadership. Lower entry barriers and higher mobility among customers is ominous of harder price competition from both incumbents and new entrants. Since price is currently SkandiaBanken's most competitive criterion and probably their only, they need to be aware of the fact that maintaining price leadership will become increasingly difficult.

Strategic Implications

To ensure that the strategic assessment takes the SWOT profile of SkandiaBanken into account we apply the framework of the TOWS matrix. The suggested strategy is examined to see how well it fulfils the demands put forth in the matrix. Since not all quadrants are equally important to SkandiaBanken at the moment, we will make a priority list to ensure that most eminent issues are emphasised.

	STRENGTHS	WEAKNESSES
OPPORTUNITIES	S-O strategies – pursue opportunities that are a good fit to SkandiaBanken's strengths	W-O strategies – overcome weaknesses to pursue opportunities
THREATS	S-T strategies – identify ways for SkandiaBanken to use its strengths in order to reduce its vulnerability towards external threats	W-T strategies – establish a preventive plan to prevent SkandiaBanken's weaknesses from making it highly susceptible to external threats

Table 5- The TOWS Matrix
Source: Weihrich, 1982

S-O strategies

Use the scale benefits to share IT development costs. Focus should be placed on making one common applicable web bank system that can compete on price and usability with the existing systems on the Danish market. Another advantage would be that SkandiaBanken Sweden and Norway and The Skandia Group are in the process of creating one common platform. Should the Danish branch of SkandiaBanken choose to apply this platform, there would be substantial benefits, such as a unique wrapping for the products and the opportunity for cross-selling activities. A substantial benefit of choosing the SkandiaBanken's own platform is that the Danish branch would only have to pay one-third of the cost of development costs. This would have several advantages both on the short-term and on the long-term perspective.

Seek the synergies from the collaboration of the business areas: banking, insurance and pension. To SkandiaBanken a well performed integration of the call-centres e.g. could provide a sales opportunity in some of the customer's decision points. A common call-centre could also provide for further cost reductions and thereby increase the bank's competitive advantage. For the reduced costs to offer a competitive advantage, a part of the cost reductions has to be returned to the customers, through e.g. loyalty programs. This strategy is not a part of the bank's current strategy but the bank needs to increase customer loyalty.

W-O strategies

Given SkandiaBanken's business model they cannot overcome the weakness and limitations of being a pure Internet bank. They can, however, overcome the low income per customer. This should be the main focus area in the near future as the bank is expected to generate profit within a short timeframe. The problem can be handled by attracting customers choosing to use SkandiaBanken as their only bank and by achieving higher degree of products per customer. We will return to the subject shortly.

S-T strategies

SkandiaBanken have been the largest Internet bank in Denmark for several years now and they are frequently awarded and accredited in magazines and papers, latest time in the September 2005 edition of Penge & Privatøkonomi, where they are voted the cheapest bank in two out of three categories of customers. They have built a strong brand in the Danish banking sector and should strive to become less dependent on their parent company in order to reduce the negative impact of such a dependency.

The threat of new entrants and increased price competition is also eminent so in order to prepare for the changing competitive environment the focus should constantly be on reducing costs.

W-T strategies

SkandiaBanken's currently low income per customer ratio can lead to the loss of price leadership. To prevent this from happening SkandiaBanken need to increase earnings per customer by means of introducing some sort of a loyalty program, e.g. a CRM system or a relationship marketing plan.

In the following section we intend to discuss the different options of where and how SkandiaBanken should place their future strategic focus.

STRATEGIC RECCOMENDATIONS

Future strategic focus

The SkandiaBank's current strengths lie in their cost-efficiency and their low-priced products while we have pointed out that one of their weaknesses lies in only being available online, thereby excluding a large and potentially profitable segment of customers that wants personal advisory service and a teller branch bank. These two strengths and weaknesses are thereby interdependent and contradictory by nature. What should lay the foundation for their long-term success? Should SkandiaBanken try to change their business model to include some sort of personal advisory services to capture a larger customer portfolio or should they increase focus on cost-efficiency and remain a pure Internet bank? Since the market for pure Internet banks is growing and evidence points towards a growing profitability with their current business model we believe that they should remain a niche bank and focus solely on customers that are willing to use a pure Internet bank. By focusing on what is currently a minor niche in the banking sector, i.e. the pure Internet banking niche, SkandiaBanken can leverage their strengths in operating the business at minimum costs and thereby continuously offer the cheapest financial solutions. The challenge facing SkandiaBanken is therefore how to increase the income per customer ratio and how to cope with the diminishing barriers to entry and increasing bargaining power of customers. In the following section we have presented our suggestion as to what the Critical Success Factors for SkandiaBanken are.

List of priorities

The environmental analysis has provided some insights into the challenges SkandiaBanken face in the future and has pointed to some internal strengths and weaknesses important to their strategic situation. To clarify the relative importance, we have made a priority list ensuring that most resources are spent on the most eminent areas.

In the list below we have listed the five most urgent strategic issues and have attempted to come up with different means of how to resolve these and in which order they should be resolved. The issues are derived from the analysis of the bank and current threats facing the bank. We have prioritized the issues with the most important first. All five issues need to be

resolved within a short timeframe and we recommend that SkandiaBanken performs an in-depth investigation of all the issues and possible solutions. We will focus on what we believe is the most paramount issue and the resulting synergies. The most important issue has to be solved before SkandiaBanken should try to resolve the other issues. With that in mind it does not imply that SkandiaBanken should forget about other organisational issues while focusing on the most prominent issues.

The risk of losing price leadership

The low income per customer ratio is a severe problem and it seems to be increasing. Not only is the ratio lower than in the other banks we have investigated but it has furthermore decreased every year for the past three years. It points in the direction that SkandiaBanken are getting the least profitable customers, the ones that the other banks are not worried about losing as customers. The problem is that the first customers that chose SkandiaBanken were at the same time the most price conscious customers. These are customers that only use the services that are free-of-fees such as SkandiaBanken VISA card and similar products. If the trend continues it could ultimately cost SkandiaBanken their price leadership in the market and at best their business proposition would be significantly diluted, the worst case scenario would be that the Skandia Group would choose to close down or sell off the bank.

To make sure that the trend turns and they start to generate a higher income per customer they must focus on account opening activities, cross-sell activities, customer retention and segmentation. As it is our opinion that the quality of SkandiaBanken's customers is the most eminent problem facing them at the moment, we suggest that this area is given highest priority as it is the existence of SkandiaBanken that is at stake.

Cost efficiency and strong focus on being a pure Internet bank

In the light of the environmental findings, a strong emphasis on being a pure Internet bank and the cost efficient business model should remain SkandiaBanken's greatest strength. It is our opinion that the future Danish bank market will favour banks that offer a business proposition like SkandiaBanken and they should thus remain focused on continuing their cost

cutting process and returning a share of the profit obtained in this process, back to their customers. Although shopping for retail banking products or groceries are obviously not the same. SkandiaBanken has to believe that people will think more about their banking products. In time they will be willing to choose their banking products as they do now choose their groceries. Price will in time become the paramount factor in retail banking as it is when choosing where to shop groceries or buy fuel.

Although it is not a critical area that needs improvement SkandiaBanken should be aware of their strength and stay loyal to the concept.

A business model that does not allow close personal contact

The business model of SkandiaBanken forces them to make a selection by rejection. They cannot compromise their business model by offering personal advisory service and must therefore allow a potentially profitable segment of bank customers to go. Instead their strong focus should be used as a force and as a parameter in the competition. It is important that they keep in mind that the customers at all times have to be reminded that financial products are not complex but can be simple and inexpensive. Some of the marketing effort should be aimed at convincing customers that it is possible to have a bank without having a personal advisor and the economic incentives are substantial. Furthermore SkandiaBanken should realize that a large part of the customers need a clear and thorough explanation of the products and insurance that what they are considering to do is the right thing. It is therefore important that the “here and now” cost saving can be calculated on the bank’s website. The website should also allow the less experienced customers to receive guidance on how to create an account and how to apply for a loan. A focal area would therefore be to make all information explicit, simple and clear on the website. SkandiaBanken has fought for more transparency in the retail-banking sector which is a clear advantage as the bank is one of the best priced for the retail customers in Denmark.

SkandiaBanken was announced to have the best bank web site in a survey made by Gallup for Berlingske Tidende in 2001¹⁰⁶. They constantly perform marketing research to keep their web site among the most trustworthy and keep simple to navigate. Every sentence that is placed on the web site passes through the marketing department that ensures that the language is clear and simple.

Personal contact cannot be achieved, but the communication with current and new customers should be explicit and always focus on simplicity, which is the cornerstone of SkandiaBanken's business concept.

The Internet diminishes the Barriers of Entry → More competitors and increased price competition

Increased competition on price is a threat to SkandiaBanken as it will dilute the value of their provocative image – the image of being the challenger to the larger players. If more banks imitate SkandiaBanken's strong marketing focus on very tangible things like interest rates and bank fees, the message from SkandiaBanken will have a harder time getting the same amount of attention as previously. A general lower price level will also decrease the relative value that SkandiaBanken bring to their customers. It is important that they remain focused on keeping costs low and keeps searching for new ways to decrease them even further. This could e.g. be through increased synergy effects between the different national branches and through shared IT development costs and as we have already mentioned the Skandia Group is in the process of developing a common IT-platform, this would create substantial synergies, not only for SkandiaBanken's core areas but also for the Skandia Group.

Since much of the increased competition is likely to come from new entrants, SkandiaBanken has an advantage of having a strong brand. Throughout the years they have achieved a high recognition and established a conscience in the mind of the consumers that price is a primary reason for choosing SkandiaBanken. Focus should remain on building the price leader brand.

¹⁰⁶ Won the award of having the best retail banking homepage in 2001. (*Bedste bankhjemmeside i Danmark 2001* - www.skandiabanken.dk/280.asp)

The issue of increased price competition is important but again SkandiaBanken's existing business model deal well with this challenge. No dramatic changes are necessary and it should therefore not be given high priority.

Declining Switching Costs → Increased Bargaining Power to Customers

Switching costs have traditionally been perceived to be high in the banking sector but especially due to the impact of the Internet they are now diminishing. This could turn out to SkandiaBanken's advantage, as a large part of the population would consider SkandiaBanken as a new bank if they were to change. An analysis showed that SkandiaBanken was the third most popular choice or that 11% of the Danish bank customers would consider SkandiaBanken if they were to change their bank connection¹⁰⁷. Another survey showed that SkandiaBanken are well equipped for the increased mobility of the customers. SkandiaBanken's have the most loyal customers and only 6% of them considered moving to another bank¹⁰⁸.

To benefit from the markets increased mobility SkandiaBanken should continue to stretch their marketing efforts over a full year and not just during campaign periods. By doing so they are constantly in the mind of the customers that are considering a new bank. To be the first choice of these customers SkandiaBanken focus on bringing value to their customers.

What really offers significant value to SkandiaBanken's customers is the absence of fees and attractive interest rates. Calculations have shown that an average family of four persons can save from DKK 4.871 to DKK 5.923 a year by switching from one of the three largest banks to SkandiaBanken¹⁰⁹. Furthermore, the strong focus on cost reductions in the past years has resulted in a very cost efficient bank. Measured in cost per customer it is the most efficient bank in the country. Future focus on low costs should be combined with efforts to return the cost savings to the customers by offering further economic incentives for them to stay in the bank.

¹⁰⁷ IUM, Danske forbrugeres syn på banker, May 2003

¹⁰⁸ Børsen – September 27th 2005

¹⁰⁹ Penge & Privatøkonomi, nr. 9, September 2005. In the calculations the family has two adults and two children. They have a house and a car and have both debt and savings in the bank.

SkandiaBanken is well prepared for a market with increasing bargaining power of customers and it does not pose a great problem for them, which is why it should be given a relatively low priority. Their current business model deals sufficiently well with the problem.

Resolution

In the light of these market trends we find that SkandiaBanken would benefit most from an overall strategic aim that builds on their current strategy. The business proposition today is: *To offer the most modern and price valued products within banking and insurance that simplifies and enriches the customer.* While the vision is: *To be the leading Internet bank and the self-service customer's first choice.*¹¹⁰

To adapt to the changing conditions we feel that it is necessary to slightly reformulate the business proposition. This is done to make SkandiaBanken's business proposition more palpable both to customers but indeed also to the employees. As we will show in the Key Factor of Success¹¹¹ part of the paper, the employees play a major role in the strategic initiatives SkandiaBanken has to take to ensure long-term success. In banking, products are copied by competitors almost instantly and we therefore find that offering "...the most modern...products..." is irrelevant and only removes focus away from their key strengths. It is determining for new customers that SkandiaBanken have all these *modern* products, but what makes the customers choose SkandiaBanken instead of competitors is the perception that you have access to the same products as most other banks offer, but at a much lower price. The bank should therefore focus on valuable and reasonably priced products instead of focusing on product innovation.

Changing the main perspective of the marketing effort would generate more customers and consolidate SkandiaBanken on the market. In 2001, when the Skandia Group chose to enter the Danish retail banking market, the main goal were to achieve zero result or, even better, a positive result within 2004. This result was met before time and in order to strengthen the

¹¹⁰ www.skandiabanken.dk

¹¹¹ Page 78 of the thesis

bank on the market it needs to improve the customer base and thereby increase the operating result.

We have already concluded in the *List of Priorities* section that the most imminent threat/challenge facing SkandiaBanken is the risk of losing price leadership, and thereby the risk of losing cost price leadership. The bank's primary focal area has been to increase the number of active customers, with little regard to the quality¹¹² of these new customers. The result of this strategy is that the quality of many customers has not always been satisfactory and too high a number of customers do not generate profit for the bank. This strategy has been necessary for the bank in order to establish them on the market, but if SkandiaBanken wish to continue to offer low prices and a high level of customer service, the bank needs to increase the overall quality of their customer base and thereby the income per customer ratio.

Furthermore, we see a possibility in the short perspective, that the bank can consolidate itself on the market, in the long perspective expand the product portfolio, and are expected to increase the income per customer ratio even more.

We propose that the most imminent threats/challenges facing SkandiaBanken are how to maintain price leadership and at the same time improve the quality of their customers. The focal area should therefore be how to increase the income per customer ratio and how to cope with the diminishing barriers to entry and finally the increasing bargaining power of customers.

¹¹² "quality" is meant as customers only using the free-of-fees services and using other banks as their primary banks.

The product per customer ratio is very low in the low quality customer segment, whereas high quality customers use the bank as their primary bank and does generate profit for the bank.

KEY FACTORS OF SUCCESS

The following section will focus on why we believe that the centre of attention should be on the income per customer ratio given SkandiaBanken's current situation. It is given that SkandiaBanken has several problems, but we believe that the following issues are the most imminent and should therefore be dealt with first.

Profitability

We have shown that SkandiaBanken have very low costs per customer, among the lowest if not the lowest of all banks in Denmark. A low cost structure alone, however, is not sufficient to ensure a profitable business – there has to be a gap between costs and revenues. So far SkandiaBanken has been in a start-up phase and the negative results have been expected and accepted by their owner. The goal of a positive result was reached in 2004 but only with a minimum of margin and partly because of the organizational restructuring. SkandiaBanken changed status from being a fully owned subsidiary of SkandiaBanken Ltd. in Sweden to being a branch of the Swedish company. The restructuring meant a change in accounting principles from Danish to Swedish standards that are less stringent especially with regards to the loss- and provision rules. SkandiaBanken therefore reduced the loss- and provision expense from DKK 17,6 million in 2003¹¹³ to DKK 1,6 million in 2004¹¹⁴ - a difference which is directly reflected in the result. The difference between the DKK 29 million loss in 2003 and the DKK 1,1 million positive result in 2004 for SkandiaBanken Denmark can therefore largely be explained by the change in accounting principles and does not accurately reflect the profitability of the business.

Decreasing profitability

Our analysis shows that income per customer is decreasing every year even after the 10.000 inactive customers were removed from the figures in 2004. Lone Wilson (Head of Accounting) states that decreasing income/customer ratio is a result of the fact that many

¹¹³ Skandiabanken annual report 2003

¹¹⁴ Skandiabanken annual report 2004

customers are not profitable in the establishment year but are first expected to become profitable the following year. This means, however, that customers that were established in 2002 should generate an increase in the income/customer ratio in 2003. The largest number of customers joined the bank in 2002 (see table 6 below) so the income/customer ratio should increase from 2003 and forth. This, however, is not the case so Lone Wilson's explanation cannot be exhaustive.

	Year	Net interest fees (NIF) +	NIF employee	NIF customer	Percentage of loan deposits	Number of employees	Number of customers
SkandiaBanken	2004	82,7	1,1	772,9	59,4%	74	107.000
	2003	78,2	0,9	789,9	56,8%	92	99.000
	2002	76,7	0,6	1036,5	45,8%	137	74.000

Table 7 – Income ratios

Source: SkandiaBanken, Annual Reports (2002-2004)

Most of SkandiaBanken's significant draw-in products generate a positive net result per customer already in the establishment year, i.e. Boligprioritet, Netbørs and Autofinancing¹¹⁵. Only those customers that establish nothing but an "Alt i Et" account with a visa card are not profitable from the beginning. These customers use the benefits like no fees upon cash withdrawal from ATM's, no fees for any web bank services etc. Unless these customers in time become full service customers, they will never become profitable. Since the income/customer ratio is decreasing, a larger proportion of customers are those that only use SkandiaBanken for the free benefits and that are not (yet) full service customers. One issue that SkandiaBanken must consider is therefore how to achieve a higher product rate per customer. We will return to this matter shortly.

¹¹⁵ Interview with Niels Mogensen, Head of Funds department

The economic impact of increasing income/customer ratio

The economic incentives for achieving a higher income per customer are evident. If SkandiaBanken could reach the same income/customer ratio as e.g. Basisbank, their income in 2005 would have been nearly DKK 252 million higher¹¹⁶. Because of their relatively large customer base and their efficient and low cost structure even a small increase in the income/customer ratio would have a great impact on the annual result.

To give a few examples consider that:

- With the current number of customers an extra income of DKK 92 per customer results in a DKK 10 million increase in total income¹¹⁷.
- If the number of customers that used SkandiaBanken's home financing product (BoligPrioritet) doubled from currently 1715 customers to 3430 customers it would result in an extra annual income of DKK 7,8 million. The 1715 people constitute only 1,6% of SkandiaBanken's customers¹¹⁸.
- If 5% of SkandiaBanken's customers get a line of credit of DKK 20.000 it would generate an extra annual income of DKK 2,8 million¹¹⁹.

The incentives for improving the income/customer ratio definitely exist and in order to keep the price leadership improvements are necessary. Price leadership is paramount in SkandiaBanken's business model so we believe that the income/customer ratio is the most critical success factor for SkandiaBanken. In the following section we will come with suggestions on how to improve it.

Tools for improvement

The following section will focus on what SkandiaBanken can do to increase the income/customer ratio. The first part of each suggestion contains a theoretical justification while the second part presents practical suggestions and implementation ideas.

¹¹⁶ Numbers from table 4

¹¹⁷ SkandiaBanken annual report 2005

¹¹⁸ Chief financial officer Poul Poulsen

¹¹⁹ Chief financial officer Poul Poulsen

Customer communication

The most important factor in customer relationships is communication. Regardless of the medium, communication is the basis for any further development of the relationship. If the bank wishes to increase the product per customer ratio they need to improve the communication with the customers. SkandiaBanken performs surveys every month, the survey for 2004 shows that there are many different reasons for why people leave the bank. In 2004 more than 20%¹²⁰ of the customers stated that they left the bank because of insufficient information or because they had been disappointed with the services and the business concept of the bank. This problem originates in the communication between the customers and the bank. If the communication were sufficient, the number of customers opting out would be lower. The rules of business to consumer communication have been changing in the last 5-10 years, mostly because of the emergence of new technology and the Internet. Consumers willingly register for the loyalty programs introduced by grocery stores thereby allowing the stores to track buying patterns. Consumers have realized that information concerning their behaviour is worth money for the companies and are no longer willing to give up this valuable information for free so they usually receive discounts from the stores in return. The Internet has enabled businesses to track consumers' preferences as they navigate the web. Cookies track and register preferences and whether advertising banners are clicked on. Spam is sent out to numerous consumers every day, even though very few customers react to them, as the cost of performing these marketing activities is relatively low, *"... it costs companies very little to send out junk mail and catalogs that are expected to generate response rate of no more than 2%. This implies that 98% of the marketing materials consumers receive is irrelevant to their needs and interests. ... Consumers, not marketers, bear the cost of the interruption."* (Hagel, 1999).

Not only do companies market their products much more than previously but the products are becoming more and more complex and require an increasing amount of information.

¹²⁰ Among these reason are: Discontent with services (8,3%), experiencing difficulties when contacting the bank (4,5%), discontent with the Internet bank (3,9%), personal advisory services (3,5%), the bank needs to be more flexible (0,7%), the bank needs to be more service oriented (0,6%), the bank needs to address customers properly (0,3).

21,8% were leaving the bank because of communication reasons – see appendix B and C for further details.

“Companies formerly introduced new products once every five years or so. Intensified competition and a faster pace of innovation now mean that products are modified or replaced on six-month cycles.” (Hagel, 1999). As product life cycles become shorter the new products have to be marketed extensively in order to inform the customer of the additional value that the new product can bring. This is another explanation for the increased communication between companies and customers.

Nowadays, consumers drown in information and SkandiaBanken's task is to break through all the noise and offer the most relevant information in a correct and timely manner.

In order to send out correct information the bank needs to gather extensive knowledge about their consumers. The approach of individualized marketing has been labelled relationship marketing and emerged because the technology made it possible to gather and systematize information in a cost efficient manner. The idea behind relationship marketing is to create a mutually beneficial cycle of information exchange between the companies and the customers. If the companies are capable of conveying information through the correct distribution channels and to the interested customers then the customers react to the information more often thereby lowering marketing costs for companies. This is called the “share of wallet” as both parties benefit from the actions (Hagel, 1999).

If much of the marketing material that is sent out is irrelevant, it is obvious that the concept is not working, at least not with marketers diluting it by sending countless spam mails every day. The gulf between customers and companies is widening. Customers realize that the value of their personal information is increasing. At the same time they realise that companies are better at collecting information than at bringing value back to the customers. If customers can be convinced that the information they pass on to companies is used to create value for them then they might be more willing to give up the information. The companies are therefore forced to create additional value for the customers if they want to receive the information.

Several businesses have created information databases so other companies can buy relevant information an example is Amazon.com. At Amazon.com consumers can among other things buy books. The customer has to fill in a rather comprehensive form in order to register on the web site. The form consists of fields where preferences and interests have to be stated. Amazon.com logs the navigation and if the customer performs a search on the web site it gets

registered too. The information is sorted in a large database and enables Amazon.com to send notifications to customers when new books that is possibly of interest to them become available. Companies that gather this kind of information are called *infomediaries* and are pure and very effective forms of conducting business according to Hagel & Singer 1999. Amazon.com characterise their business as pure Customer Relationship Management, as can be seen in figure 27.

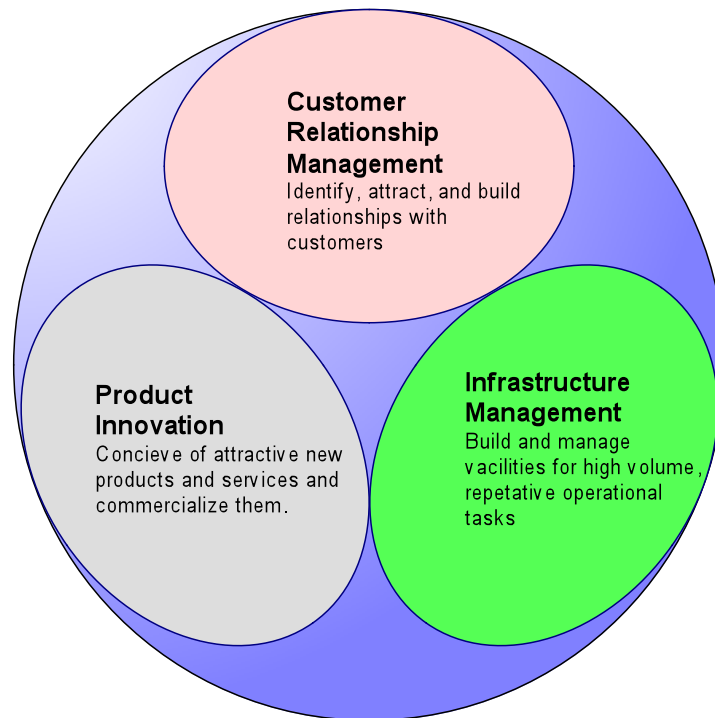


Figure 25 – Hagel & Singer

SkandiaBanken have to be aware of the fact that the message they want to convey to the existing and potential customers has to pass some substantial barriers and filters. In order for the bank to increase their customer base the message they send has to be unique and create value for potential consumers. For the existing customers the marketing effort has to confirm that SkandiaBanken is the most affordable bank on the Danish market and that the bank continuously wishes to create value and enrich their customers. The paramount goal of the marketing department should therefore be to convey a suitable amount of customised information to consumers while keeping the information level at a minimum so that the customers do not feel bothered and perceive SkandiaBanken as too persistent. SkandiaBanken

need to create an understanding towards how many of their customers are bothered by the daily marketing material and thereby create significant goodwill for them.

Practical Implications

The main hypothesis is that the marketing department should be very selective when starting a campaign or sending out information materials to customers. At a more practical level the bank can improve some of the more basic internal processes in the bank. As mentioned above, the bank conducts surveys among customers who leave the bank. The surveys reveal that more than 20% of the customers that chose to leave did so partly because of communications issues. Communication is definitely something the bank can control.

Control the communication

SkandiaBanken should re-evaluate their communication with the customers and modify the rules and guidelines applied by the customer service unit. The bank should create standard answers that stimulate further conversation about products and train customer service employees to inform the customers about the new products and the potential savings. This, of course, requires the bank to have a comprehensive database with customer information, which is a prerequisite for any successful bank-customer relationship and communication. The general guidelines should not only deal with customer service unit but the entire bank. A common standard for communication should also minimize the problems connected to the absence of personal advisors. If all employees in the bank “speak the same language” the customer might not find the absence of a personal advisor to be a major problem. It is also a problem for the bank that they have no branches and that they do not have one specific personal advisor linked to each specific customer; 22,5% of the customers leaving the bank say that this is partly why they left; another 15,7% say that they would have preferred one advisor linked to their account and 3,5% stated that they were discontent with the personal advisory that they received while they were customers at the bank. Most importantly, some of the customers feel that the bank’s call centre did not approach the customers in an appropriate

and polite manner. Only 0,3% of the customers feel that, but the number should be 0% (see appendix B for details)

A maximum hold-time before a call is answered is taken for granted but if there are stressful periods SkandiaBanken should establish collaboration with external call-centres. Customers should not be put on hold when they are trying to reach the bank by telephone. 4.5% of the customers that left the bank stated that they had experienced difficulties in reaching the bank.

General templates

All letters sent out to customers should be in accordance with the business proposition and the vision of the bank. Every piece of written communication with customers should be constructed from the especially designed templates. Just as oral communication, letters should stimulate the customers' need and curiosity and generate a pull rather than a push effect. The marketing department should also try to incorporate some personal information into the letters or e-mails so the customers feel that the letters have been tailor-made for them and that they are not just a name on a mailing list.

All communication should continuously be re-evaluated, a task group should once every quarter meet and discuss if any improvements could be made or if some new ideas could be beneficial for the bank. The task group should consist of members of the marketing department, the customer service front office, customer service pension & securities, customer service loan & credit, home mortgage, and company pension.

Customer Loyalty

In the banking sector customers tend to be loyal because they face high transaction costs when switching or shopping around (Hougaard, 2003). Furthermore, it requires a noteworthy effort from the customers to compare bank products across various banks because the bank market is far from being transparent. This obstacle could be partially eliminated if customers would be able to compare the products more easily with the help of websites like www.mybanker.dk. There have been great disputes and heavy objections from the brick-and-

mortar banks and from The Danish Bankers Association whenever someone has tried to compare products across banks. The critique has mostly focused on the complexity of bank products and the different level of service and advisory that comes with it. The strong focus on the area will eventually lead to a greater degree of transparency on the market. This only enhances the banks' need to focus on customer loyalty. If transaction costs of comparing bank products are reduced, the customers will tend to switch banks more often thus becoming less loyal. The kind of loyalty that exists between a customer and his or her bank is to a high degree dependent on transaction costs.

Benefits of Customer Loyalty

But why do organizations and managers actually want their customers to be loyal? Studies have shown a correlation between loyal customers and profitability. Among others this assumption builds upon studies in Danish retail banking from 2002 where a close correlation between loyal bank customers and the ROA was found. The studies show that a 1% increase in customer loyalty results in a 2% increase in ROA (Kristensen, 2002). As mentioned above, loyalty is to a large extent dependent on transaction costs. This means that loyalty can be increased by means of making it more difficult or costly for the customers to switch banks. One way of doing this is to increase the number of products per customer. This would make it more difficult and time-consuming for a customer to move to another bank and at the same time it would increase SkandiaBanken's poor income per customer ratio.

This, of course, is of great importance to the banks but a number of other reasons for trying to create loyal customers should be mentioned as well. Firstly, it is well known that the cost of acquiring new customers can be substantial. Studies reveal that loyal customers are more likely to introduce new customers to the company through word of mouth thus lowering the companies' costs during a growth stage. Another important finding in regards to loyal customers is that regular customers usually cost less to serve, as they tend to place frequent and consistent orders. This is a factor of paramount importance to SkandiaBanken since their business concept is built upon self-service. SkandiaBanken can only exist if their customers serve themselves. They intend only to be in contact with their customers by phone twice a

year. The rest of the time it is expected that customers fulfil their needs through their net bank thus releasing resources in the bank to focus on product development, support functions etc. Finally, it is believed that loyal customers can create substantial entry barriers to competing entrants on the market. This is because the new entrant has to spend more resources to convince potential customers to switch bank, the more loyal the customer is to his or her current bank connection. In brief, creating customer loyalty brings substantial benefits in many areas simultaneously.

Achieving higher customer loyalty

There are a number of ways for banks to increase customer loyalty. Nordea have successfully introduced a “quid pro quo” programme where the customers are awarded for gathering all their financial products in Nordea. The more products you have, the more favourable your terms become.¹²¹ Another financial company that has advertised heavily lately is Alm. Brand. They offer a 51% discount to the “double customers” – i.e. if you are customer in Alm. Brand Bank you can earn up to 51% discount on your private insurance in Alm. Brand insurance company. Nordea’s and Alm. Brand’s offers are both subject to several restrictions and in reality it is not as straightforward as they suggest in their advertisement.

It would be fairly simple for SkandiaBanken to implement a loyalty scheme with a structure similar to that of Nordea or Alm. Brand. The problem is that it is contradictory to SkandiaBanken’s entire business model. The main value proposition of SkandiaBanken is simplicity and transparency. To compromise that image would probably inflict more damage than good. We therefore do not recommend SkandiaBanken to take actions to introduce loyalty schemes like many other financial institutions. On the contrary, SkandiaBanken could in fact use the other banks loyalty schemes in their own marketing. The trick has been used by e.g. DK-Benzin in their TV adverts where they used the other petrol companies’ discount- and rebate schemes to promote themselves as the fair priced and transparent company. The

¹²¹ www.nordea.dk

adverts contained a rhyming song in the background that went: "*...we do not have rebates or bonus blather – but instead you get it to the net price...*"¹²².

To introduce rebate or loyalty schemes is too far from SkandiaBanken's business proposition and it would cannibalize their own business' value proposition. Customer loyalty should therefore be based on price leadership and value for money. To strive for customer loyalty is necessary but it is more of a general theme than an actual way of increasing the income per customer. Other, more palpable ways of increasing income per customer will be discussed below.

Account opening activities

Since the end of 2002 SkandiaBanken have acquired more than 33.000 new customers, of which approximately 20.000 have actively visited their website and opened an account (Alt i Et-Konto). The remaining customers originate primarily from the Bilfinans Department.¹²³ The customer inflow seems to continue at a slightly decreasing pace but still enough to provide SkandiaBanken with a unique possibility of establishing an "Account opening activity" program. By account opening activities we mean all activities where SkandiaBanken actively contact their customers after they have opened an account. It is essential that the account opening activities take place in the very beginning of the establishment. Studies in the banking sector have showed that 75% of the cross-sell that takes place within the first two years of the relationship occurs within the first three months (BAI, 2004). This indeed emphasizes the need for SkandiaBanken to proactively contact their customers in the beginning of the relationship. The research paper from BAI (2004) gives an idea of the activities and tools that are important in the early part of a customer relationship. Some of the results from a survey among banks in the USA are shown in figure 26 below:

¹²² <http://www.dk-benzin.dk/omdk.asp?mu=0>

The original text was: "...her er ingen rabatter og bonusfis - til gengæld får du den til nettoppris..."

¹²³ Bo Jakobsen, Head of Bilfinans

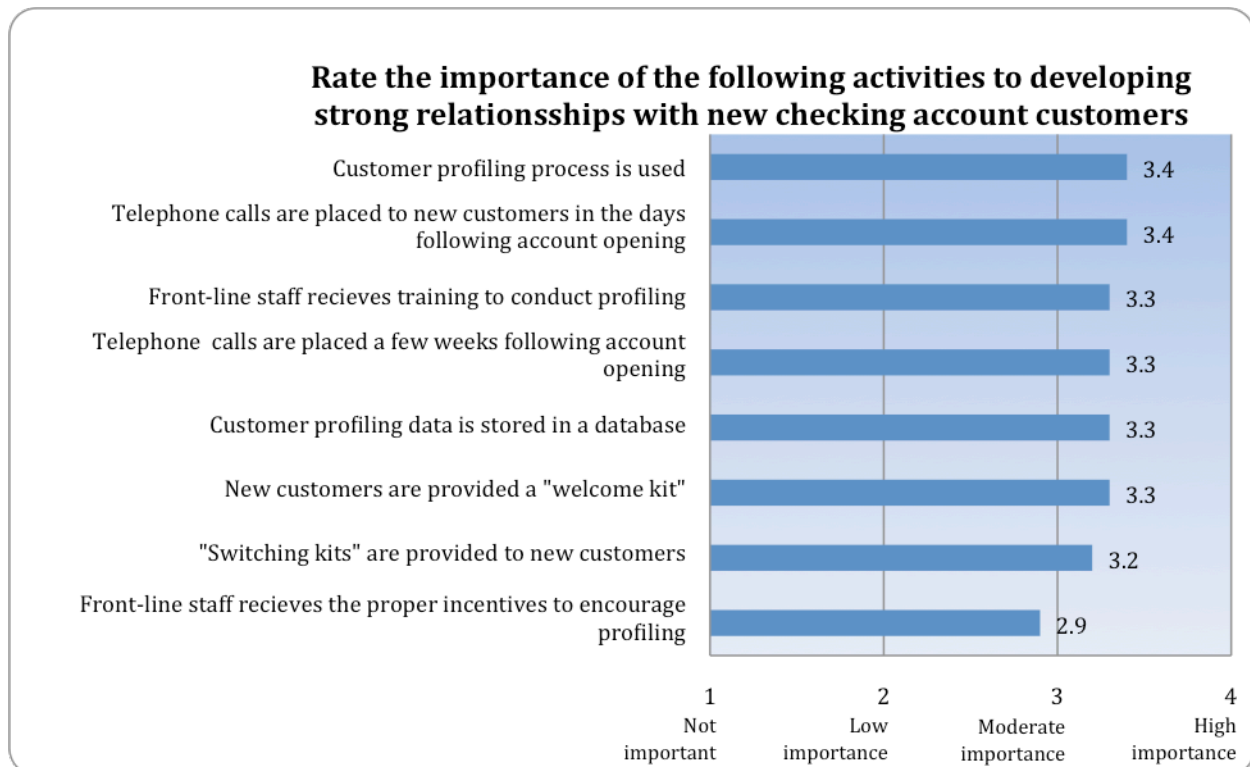


Figure 27 – Importance of activities for developing strong relationships with customers

Survey among banks, regarding actions bank's take towards new customers

Source: Bank Administration Institute (BAI), 2004

Cross-sell activities - Gain increased share of customer wallet

Since SkandiaBanken have severe problems in generating a high income per customer the obvious thing to aim for is to get a higher share of customer wallet. By carefully planned cross-sell activities SkandiaBanken achieve a golden opportunity to “*guide customers toward a profitability that is based on mutual value and respect*”¹²⁴. The importance of planning and systematization however cannot be stressed enough as it is these features that decides the success of a company's cross-selling programs. In fact research indicates that as much as 75% of cross-sell activities destroy value and drive the overall profitability down (See, 2004) because the activities are not customized properly. For the same reasons it should be noted that the benefits of cross-sell activities in many instances does not occur before years of practicing reliable service quality. This period should also be used to learn to understand and educate customers about the products available in their specific situation. Most of the customers purchase decisions are driven by a specific need arisen due to life stage changes,

¹²⁴ Allan See: The Diminishing Returns of Rational Ignorance, SAS – News, September 2004

such as moving out in your teens, moving together with your partner, being a parent, divorce, retirement and so on (McAdam, 2004)¹²⁵.

The responsibility of the cross-selling activities ultimately lies with the front-office staff. Given that SkandiaBanken does not have teller branches they are cut away from a very attractive cross-selling channel. They can of course use direct mail and outbound phone calls but their primary channel of contact will still come from the inbound phone calls. As previously mentioned there is necessarily a fine balance between acting like a professional advisor and acting like an eager sales person. If done properly it is possible to turn the call-centre into a revenue-centre without customers feeling annoyed and it can in fact increase customer satisfaction (Kuwahara, 2005)¹²⁶.

Although SkandiaBanken intend only to be in telephone contact with every customer approximately twice a year, they should be aware of the fact that the front-office staff should be granted time and resources to identify sales opportunities and capitalize on them. This means that SkandiaBanken must increase the resources spent in the call-centre so that customers are given the time it takes the personnel to explain, convince and persuade customers to increase their product ratio.

Communication following the account opening

The current strategy of SkandiaBanken is to use the e-mail to welcome their new customers. Several days after opening an account, the new customer receives a welcome mail containing practical information regarding SkandiaBanken, the different products and the Web bank¹²⁷. This approach seems to work well and matches the overall business model of being a pure Internet bank. "Switching kits" are provided in the welcome e-mail as well. It is a link to SkandiaBanken's website where the customer can print it out and send it to SkandiaBanken.

¹²⁵ McAdam, P. & Nagarkatte, A.: Front-Line Performance Gap, BAI, December 2004

¹²⁶ Kuwahara, R.: Sales: A Higher Form of Service, Convergys Corporation, June 2005

¹²⁷ SkandiaBanken's welcome mail can be seen in Appendix F

The next step to proactively reach the customers should be by telephone. The initial telephone contact with the customer should simply be a polite welcoming contact a few days after the account opening. Based on the extended profile the customer provides when opening the account, the front-office employee who makes the first phone contact can prepare for the conversation with the customer much better. The relevant products and examples of their value in terms of cost savings should be mentioned in the conversation and the customer should be offered a possibility to receive further information. It is, however, important that the customer does not feel annoyed by the phone call or pressured to purchase further products.

The second phone call should take place a few weeks after the account opening. This call can be disguised as a follow-up on how the new customer perceives the quality of the bank, the services and products etc. Again, the ultimate purpose is to generate cross sales but it has to be done discretely to avoid upsetting the customer.

Customer profiling

When you open an account through SkandiaBanken's website, SkandiaBanken does little to profile the new customer. All they get is the customer's name, age and address. We suggest that the first step of a continuous customer profiling is initiated already when the customers establish accounts. It would merely require one more screen shot asking the applicant to fill in a few more demographics like; education, marital status, income, residential status (rental, owner etc.), primary source of transportation, and maybe primary insurance company for house, car, family¹²⁸. By doing so the customers could already be segmented enough to make a personalized follow-up phone call more targeted at customer's specific needs. This would make it much easier for the personnel members to ask the right questions and diminish the annoyance of the customer.

¹²⁸ See appendix E – The screen shots

Conducting customer profiling would require training of the front office staff. This training should be done by the marketing department as they possess the best knowledge of the area. Henrik Stork and Tine Kirk (Head of Marketing and Customer service respectively) should collaborate to find the most appropriate employees that would be the first to receive training in customer profiling through the follow-up phone calls. Initially a small group of employees that are chosen to be making the follow-up calls should be trained but eventually everyone that is in contact with the customers should undergo thorough training in customer profiling.

As customer profiling is an extra “burden” for the front office staff it is important that the front-office personnel members are given the proper incentives to engage in customer profiling. It should be implemented in a way that encourages cross sales without appearing too eager or acting like sales personnel rather than banking advisors.

Data storage

This could potentially pose a problem. The IT department is often the bottleneck and currently there is no universal system for SkandiaBanken’s customers. Different departments use different programs and not all employees have access to the same programs. The temporary solution could be to use the I-Net program, which every employee in SkandiaBanken has access to. This program has storage function, which could be used until an integrated solution is developed. To ensure that the customer profiling system could be applied to future programs and across all departments, the IT development in Sweden should be involved in this part of the project. This would increase the costs at first but it would help ensure the usability and efficiency of a system that should be progressively improved and expanded.

Practical Changes

It is important to emphasise that focusing on customer loyalty and increasing the income per customer is merely the first step towards a more customer- and relationship-oriented business philosophy. True implementation of relationship marketing concept requires not only

effective segmentation and technical knowledge within CRM software but also a fundamental change in the mindset of both the management and employee. The call-centre employees are considered the lowest in the organizational hierarchy and it is also the department with the largest personnel turnover and most sick days¹²⁹. To prepare SkandiaBanken for the new mindset they should initiate a number of efforts at this early stage already. Some of the adjustments can be made straight away and without incurring any significant costs e.g:

- Increase inter-departmental collaboration

One of the many obstacles SkandiaBanken has to deal with is mutual respect within it's departments. Especially the call center and also the front-line department will experience the lack of respect being the lowest ranking department on the corporate totem pole. This situation has to be dealt with and rectified immediately!

Other departments could also view the call-centre merely as colleagues answering incoming phone calls from customers. They often fail to realize that the call-centre is the "face" of the business and bridge an important virtual gap by producing person-to-person contact a real life interaction and should be viewed as an opportunity to increase share of wallet.

Introducing new routines for all employees could solve this problem. Cross training staff by having them spend one day a month in the call-centre could easily tear down some of the ignorance and prejudices and hopefully restore the lack of internal respect. At the same time it would create personal relationships between departments, increase the cross-departmental cooperation and on the long term hopefully facilitate an increase in knowledge sharing across the organization.

- Internal education in the specialist areas

A natural progression of trying to tear down barriers between departments would be to require and encourage the front-line staff to gain further knowledge about the entire product portfolio that SkandiaBanken has to offer. As all employees should spend one day in the call-centre, the same rotation-principle should apply to the front-line staff. The front-line personnel should maintain their knowledge of all the specialist areas,

¹²⁹ Head of Customer Service – Tine Kirk.

e.g. Bilfinans (autofinance), Netbørs (stocks and bonds), Boligprioritet (mortgage financing).

Expectations to this initiative should also be to increase knowledge-sharing and collaboration.

- Increase resources in the call-centre

The call-centre is the closest personal contact SkandiaBanken has with their customers. It is therefore paramount that this specific department has the resources and expertise to answer questions and resolve any potential problems the customer might have. The call-centre is responsible for the majority of the customer-related inbound communication, receiving letters, mails and phone calls, and subsequently dealing with these. The department is struggling and does not have the resources they would like to correctly and timely deal with incoming calls, and one must assume that the customers feel the same¹³⁰.

- New bonus-deals and introduction of incentive pay

As mentioned previously the call-centre is the department with the fastest personnel turnover and with the most sick-days. It is especially the high personnel turnover that is the major problem. In order for an agent in the department to be able to understand all the financial needs of a customer the agent has to have a high level of specialisation within all products, a comprehension that only evolves over time. The value of each employee in the call-centre increases over time and at this point the bank has not rewarded the employees for this increase in competences. The bank should introduce incentive-pay that would reward employees that have spend a day with particular specialists in the organization; employees that have been in the department, thus, having gained an extensive experience; and finally employees utilising this knowledge into selling more products. The financial incentive should motivate employees to stay

¹³⁰ Head of Customer Service – Tine Kirk. This is a very subjective statement from Head of Customer Service, but in general the customer service group was very busy all the time, the entire time we were at the bank.

and on a longer perspective increase knowledge and competences within the department¹³¹.

- Monthly town hall-meetings

Top management of SkandiaBanken has to recognize that the organization needs to act like one organism. Employees on all levels of the organization need to work in the same direction in order for the bank to thrive. Currently it seems that it is only the managers that know what the strategy is and it is our opinion that not all managers distribute this information to their department and it seems that many employees did not know if their department was meeting goals or which areas they should focus on.

We believe that monthly town-hall meetings would help solve this rather serious problem. It is our experience that monthly meetings, with statements from the general manager, financial department, the human resource, and the marketing department would ensure the flow of information. At the same time it would be a good opportunity for a monthly evaluation of each division and honours for best progress or best performance each month.

The rather relaxed management style is not likely something you would suggest for a bank but SkandiaBanken is somewhat different. The bank consists of many young people and it would most likely motivate many of them. This would surely help pull the organization in one direction, and facilitate the changes in work processes that we will propose in the next section.

¹³¹ The bank does have a bonus system. The current bonus system in the Customer Service group is not based on individual performance but the overall performance of the bank.

Which approach should be chosen?

We have earlier stated that we do not believe SkandiaBanken has any major problems with their product portfolio. The products the bank offers should be enough to cover most private customers' need, however we do see problems within the marketing and the direct customer communications areas. Especially the direct communication with customers is a major problem. SkandiaBanken do exit interviews with customers that leave the bank, these interviews has revealed major problem within two areas¹³². The customers wanted a more personalized service from the bank and they wanted to talk to the same advisor every time they call the bank. Actually, what the customers are telling the bank is that they want the bank to start relationship-banking, and the bank should act on this as soon as possible.

Implementing some sort of relationship-marketing system would yield many advantages for the bank. First of all SkandiaBanken does not require their customers to fill out many forms when a customer chooses to open an account. The bank's intention is to make it as easy as possible for the customer to open the account and start using services the bank offers. It does however create problems for the bank from a relationship-banking perspective. If customers were required to fill in information and thereby enabling the bank to segmentate the customer as soon as they joined the bank, the bank would have a powerful tool when attempting to improve the relationship to the customer. Customer segmentation would be the first step the bank would have to take before even considering to improve other areas such as customer communication, loyalty and cross-selling. SkandiaBanken should improve all of these areas and then the bank could finally focus on an area that has been given little or no attention – customer retention.

As earlier mentioned SkandiaBanken is a subsidiary of SkandiaBanken AB and the Skandia Group. Being a member of SkandiaBanken AB does give the Danish branch the opportunity to investigate if the Scandinavian colleagues have the same problems with profiling customers and if possible, to come up with a solution that would work in all three countries. Problem areas as gaining a satisfactory share of wallet, level of customer loyalty, degree of customer retention and how satisfied their customers are with the bank's communication have all been discussed.¹³³ It seems like the different branches of SkandiaBanken does have similar

¹³² See appendix B

¹³³ General Manager – Henrik Vad

problems, but unfortunately the main office in Sweden has not yet shown any indications of solving this problem from a central point of view. One factor that might influence this laissez-faire attitude is that SkandiaBanken Denmark, Sweden and Norway use three different and locally produced back-office systems. The risk of not gaining any synergy effects from suddenly implementing one central solution might be what is holding back the main office in Stockholm.

SkandiaBanken Denmark is in a position where they can determine how they would react on the problems facing the bank. We suggest one solution to the problem, the bank can chose to only implement the first part of the solution but we do recommend the bank to apply the entire resolution.

Introduce relationship banking

As earlier mentioned, the mindset of the bank should change. The management should recognize that the front-line-office is the key to success in an Internet bank and it is the front-line-office that should create a relationship with each customer.

It all begins when a customer wants to open an account in the bank. This gives the bank the chance for being this particular customer's primary bank. SkandiaBanken should offer the basic products to this customer. In the process of offering the basic products, the bank should gather the background information needed to run an assessment of which needs particular customer have. It is within the first month that bank can achieve a high share of wallet, during the first month of the relationship the customer purchase 60% of all cross-sale products and within the first three months the number is 75%¹³⁴. The call-centre's primary function for the customer is to provide advice and make sure that the customer is satisfied with the products they receive. If the call-centre at the same time can convince the customer that SkandiaBanken's products are the best and the most reasonably priced on the market then it would of course be preferable. In order for the call-centre to improve the service, we suggest that the bank should split up the call-centre into groups. One group that specialises in new customers and gathering the information needed in order run an assessment of products that the bank should offer these customers. The first group should handle all communication with

¹³⁴ BAI, 2004

customers within the first three months. The second group should specialise in expansion of the customer relationship and at least as important, locate the customer's life stage changes and offer the products that could be of interest for the customer. The second group would handle the customers after the first three months. The third group would be responsible for the retention management. They should focus on problem resolution and convey problem to the rest of the organisation so that the bank would learn from very mistake being made.

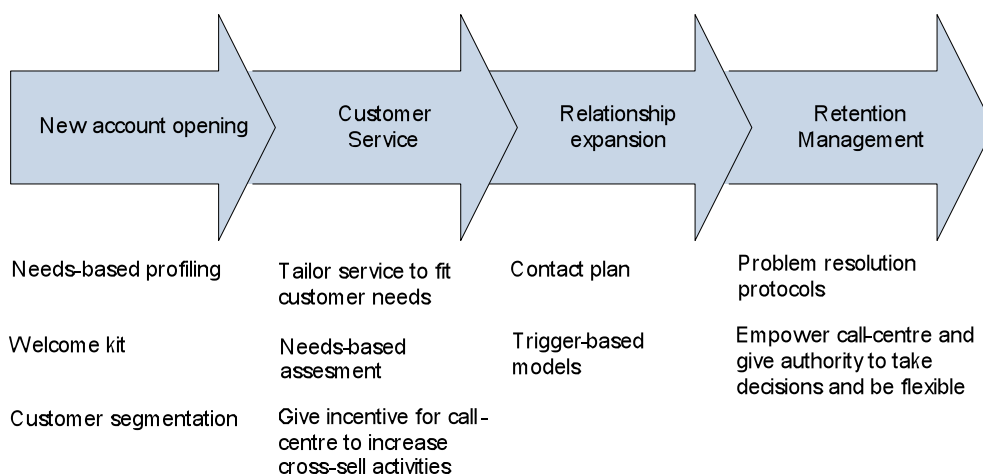


Figure 28 – Work flow in the re-organized customer service Groupcare
Adapted from BAI, 2004

The three groups should receive comprehensive training within their field of expertise, product knowledge, customer profiling, cross-sell opportunities and how to identify which customers that are at risk of leaving the bank. The internal software system used by SkandiaBanken is not well suited for a relationship banking system, but with some ingenuity you can use the current system. Management should also take steps to introduce trigger-based models that can predict customers' next likely need of products and/or service. Similar trigger-based models concerning which customers that are at risk of downgrading level of involvement with the bank or customers that might even close their account.

The better training of customer service personnel will result in higher customer satisfaction and increased share of wallet. The more competence, skill and experience that the customers service group attain, the higher level of empowerment this group should also achieve. One of the complaints from the Head of Customer Service was that sometimes the group felt slowed down by bureaucracy¹³⁵. This so called bureaucracy is of course in place because of safety

¹³⁵ Head of Customer Service – Tine Kirk

measures, but management should use this opportunity of change to look at all aspects of especially the customer service group.

Further changes that should be made

The gathering of information produces a new problem for bank. How should be bank make sure that the information flows to the advisor that really needs the information, and how should the bank ensure that the information is shared across the organisation.

The software that SkandiaBanken currently use is not produced with the intent of using relationship-banking. The software is made from a banker's perspective, and allows the employee to enter all the basic information e.g. addresses, income and relationship status. The current system does not allow the employees to enter more personalized information about the customer's expectations for the future, if the customer is planning to move to a new house, career changes or if the customer is expecting children. These major life stage changes in the customer's life should be taken advantage of by evaluating all the information about the customer and applying this information in trigger-based models. The bank should be ready to support the customer and help the customer chose the appropriate financial solution. A team examining which specifications that are relevant for SkandiaBanken should be created, in this working group personnel from both the front-office and back-office should be present.

The best choice would be to apply a system similar to what Danske Bank is using. The system that Danske Bank is using, allows for a quick view on all activities the customer has in the bank, from mortgage finance to MasterCard account. Beside the financial information in the system, advisors can also see personal information, update this information and thereby constantly ensure that the customer receive the correct products. Considering the size of Danske Bank and that Danske Bank has been called Denmark's largest IT corporation, SkandiaBanken should probably set the bar a little lower but it would something to strive towards.

Larger investments in IT are not something that the Danish division of SkandiaBanken can do without consulting the Swedish main office. Again it would therefore be appropriate to take into account if the same problems exist in Sweden and Norway, and if the other branches are interested in using a tool that is designed specially with relationship-banking in mind. Since

SkandiaBanken is a part of the Skandia Group AB it would seem that the corporate headquarter of Skandia Group should assess the possible synergies when including sales from all the financial services that the corporation offers. If the Skandia Group would chose to do so, SkandiaBanken Denmark would not have to carry the entire cost themselves.

CONCLUSION

The overall aim of this thesis has been to identify which key factors of success the Danish branch of SkandiaBanken have and how the management should react on this information in order to maintain and expand their position on the Danish retail banking market. We have performed an analysis of the external and internal factors that influence the performance of the bank and finally evaluated on the result.

SkandiaBanken is a pure Internet-bank that focus solely on price competition and does it very well. The outcome of our investigation of factors that influence the retail banking market has made us conclude that SkandiaBanken is on the right path. Price competition is a major unique selling point that the bank has and they should continue to give this highest priority. However, the bank also have areas that require changes if the bank does not want to loose their position as the largest pure-Internet bank in Denmark. The bank is in need of a CRM system and motivated personnel that can increase profitability for the bank. In the next sections that main findings of the thesis are presented.

The Macroenvironmental Perspective

The analysis of the macroenvironment reveals that if the bank can maintain their current position the outlook for Internet banking should be more favorable than it is now. The population in Denmark is a world leader when it comes to e-commerce, Internet connections are increasing and more and more people use the Internet to satisfy many of their banking needs. The introduction of new technology such as Net-Id and Digital Signatur will also pull more people toward Internet banking. Politicians are also motivated to create greater transparency in the banking sector and have proclaimed the launch of a site where you should be able to compare prices, this is good news for SkandiaBanken since price is their dominant competitive factor.

Pure Internet banks and SkandiaBanken should anticipate an increase of their customer-base in the years to come.

The Banking Sector

The Danish banking industry is very profitable would easily induce foreign banks to enter the market. To new entrants the possibility of shared IT and using the Internet as distribution channels will lead to a higher number of competitors for SkandiaBanken. However, the market is dominated by three large banks which account for 75% of the total balance in the Danish banking industry. The three large banks have been successful in maintaining their dominance for many years and will be strong competitors. The high number of small banks in Denmark has resulted in banks competing on many different parameters and this is advantageous for SkandiaBanken as their prices are some of the lowest in Denmark.

SkandiaBanken should expect an increase in competitors.

SkandiaBanken

The low-cost structure is SkandiaBanken's greatest strength and the bank seems to be able to keep cost at a minimum. The bank has some of the lowest cost-per-customer but also some of the lowest income-per-customer. The bank has been at a startup phase and should now focus on increasing the income-per-customer, it seems that the bank has achieved a customer-base that is sufficient for a profitable bank. Management has also stated that growth no longer should be a primary objective, and that a change of focus should be on its way.

Because of SkandiaBanken being a pure Internet bank, the bank has chosen to only use one distribution channel. Using only one distribution channel incurs significant reduced costs but is also a major weakness. Many customers feel that banking is a very specialized area and prefer to receive face-to-face service when facing major life stage changes. The most imminent weakness is that SkandiaBanken has not yet been able to segment their customers.

Strategic Issues

SkandiaBanken Denmark should continue to push the Swedish main office and call attention to the need for differentiation in the market. If the main office chooses to begin a process of developing a new online banking system for all three banks in Scandinavia, their brand would increase significantly and the bank in each country would only have to pay one third of the

development cost. In line with increased cooperation between the Scandinavian banks the Skandia Group should consider offering their full range of products in all of their branches. We know that at least the Danish division of SkandiaBanken needs to increase the income-per-customer, an introduction of a complete range of financial product would enable the bank to do exactly that.

Key Factors of Success

We have found that SkandiaBanken does have several problems areas that can be improved, some rather easy and some are more extensive.

Profitability is by far the biggest problem. The income-per-customer is one of the lowest in the industry and it seems to be declining. If SkandiaBanken does not act on this problem the end result could be as the Skandia Group has previously shown, they do not hesitate to sell off entities that do not perform satisfactory! Customer communication is another area where SkandiaBanken does not shine through. It does not seem that the bank has taken into consideration that consumers are willing to give up the exchange of personal information if the products received are precisely what they need. If SkandiaBanken would be able to offer the needed products at the right time then customer satisfaction would increase and so would customer loyalty. Surveys have shown that a 1% increase in customer loyalty results in a 2% increase in ROA¹³⁶. In order to increase the income-per-customer the bank needs to gain a higher share of customer wallet. A large proportion of SkandiaBanken's customers only use the free services but customer segmentation and increased resources in the front-line office would certainly increase the share of wallet.

Recommendation

The most imminent problem is profitability for the bank and since cost cannot be reduced the bank needs to increase the income-per-customer.

In order to do this SkandiaBanken should introduce several measures:

¹³⁶ Kristensen, 2002

- Increase inter-departmental collaboration
Demand that all employees should spend one day a month in the call-centre.
- Internal training in the specialist areas
Sharing of specialist knowledge, especially front-line office needs more training.
- Increase resources in the call-centre
The call-centre is understaffed and this affects customer communication.
- Introduce incentive pay
End the personnel turnover by rewarding experience and gained competences.

All these initiatives require a change of managerial mindset. The front-line office needs to be in focus and the department needs to receive more resources and more training.

The call centre should be divided into three groups. A group responsible for welcoming new customers and achieving the high share of wallet immediately when the customer opens an account. This group should also be trained in customer segmentation and information gathering. The second group's primary focus should be following customer's life stage changes and offer the products the customer need. The third group should focus on customer retention, be responsible for creating problem resolution systems and minimize the number of customers leaving the bank.

The bank should use this change of mind and the re-organization of the call-center to prepare for a CRM system. As we see it, a CRM system is needed and seems to be the most obvious solution for SkandiaBanken.

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LIST OF APPENDICES

Appendix A “Stock chart”

Appendix B “Reasons why customers left the bank”

Appendix C “Customer satisfaction”

Appendix D “Interview guide”

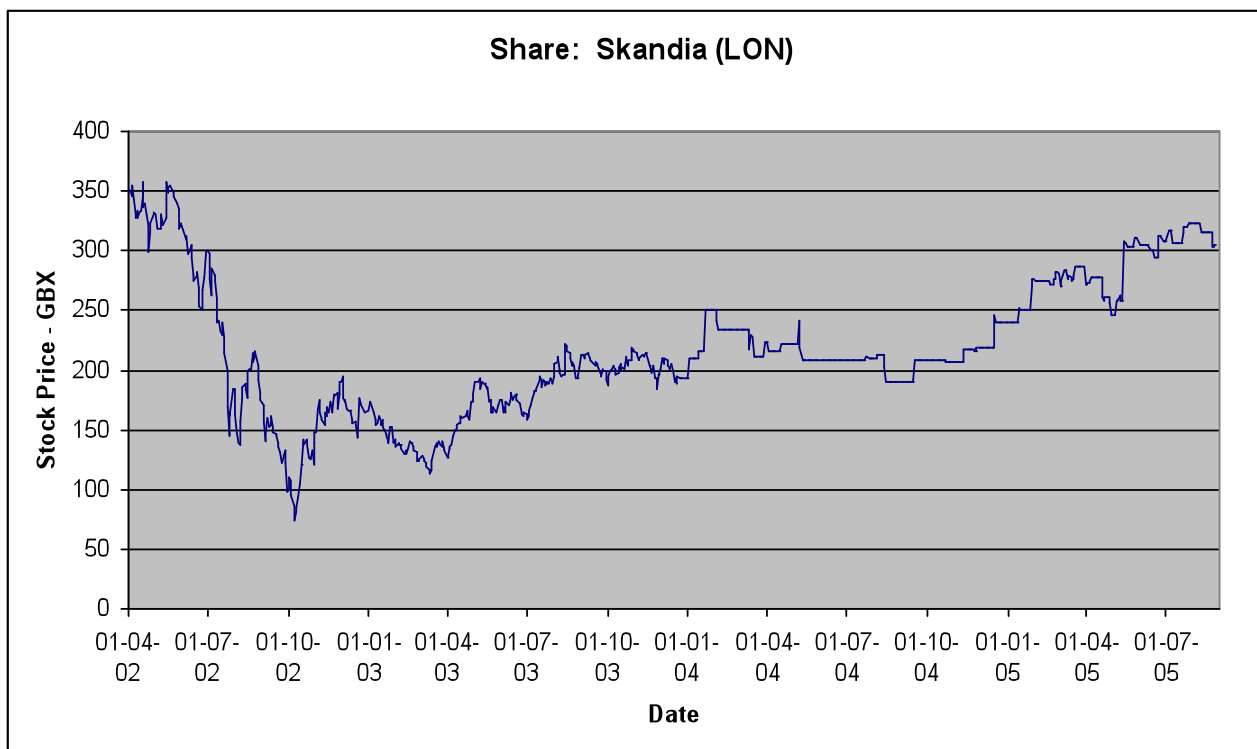
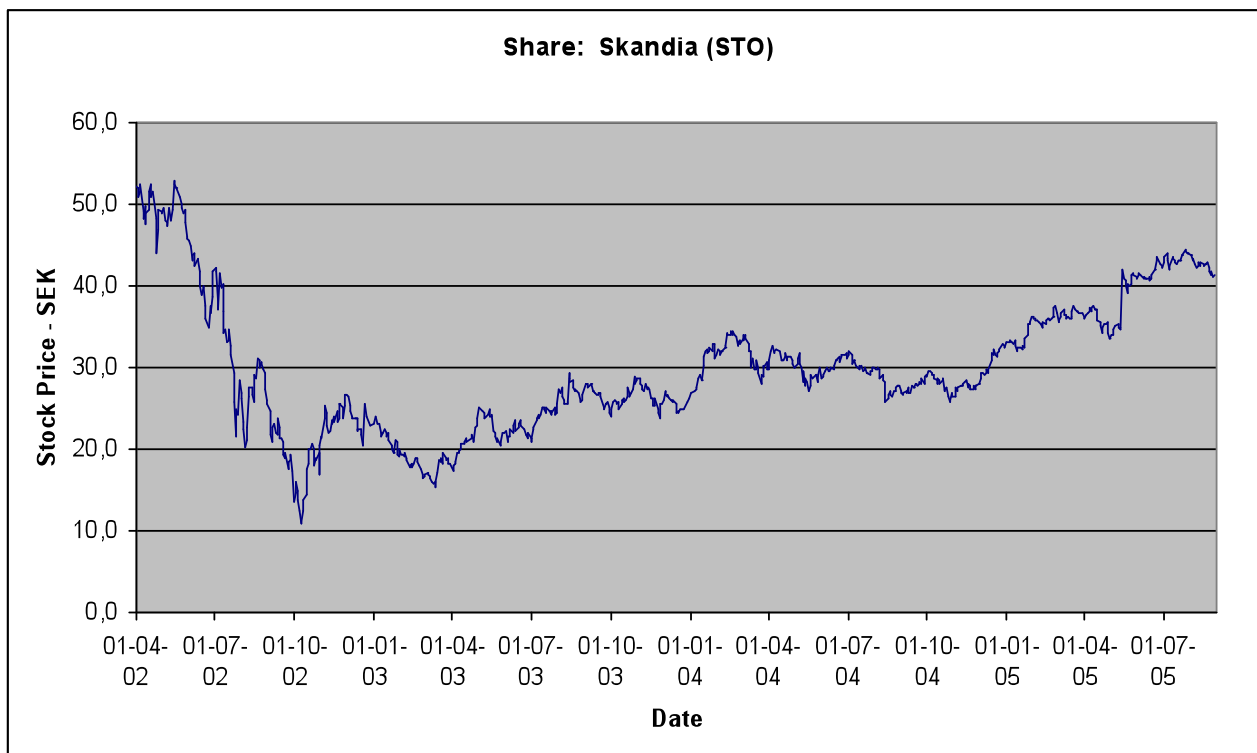
Appendix E “Account opening”

Appendix F “Welcome letter”

Appendix G “The Internet bank at SkandiaBanken”

Appendix A

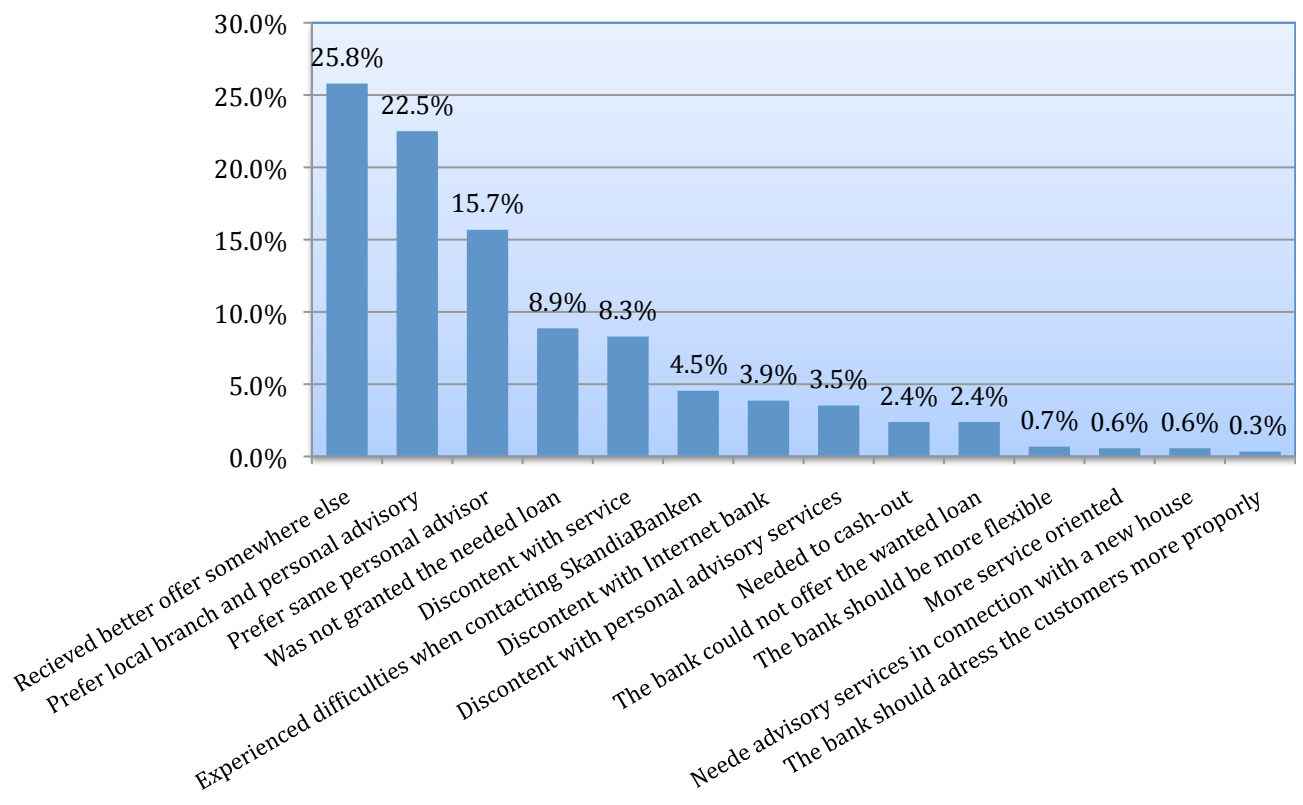
Skandia Group Stock Price



Appendix B

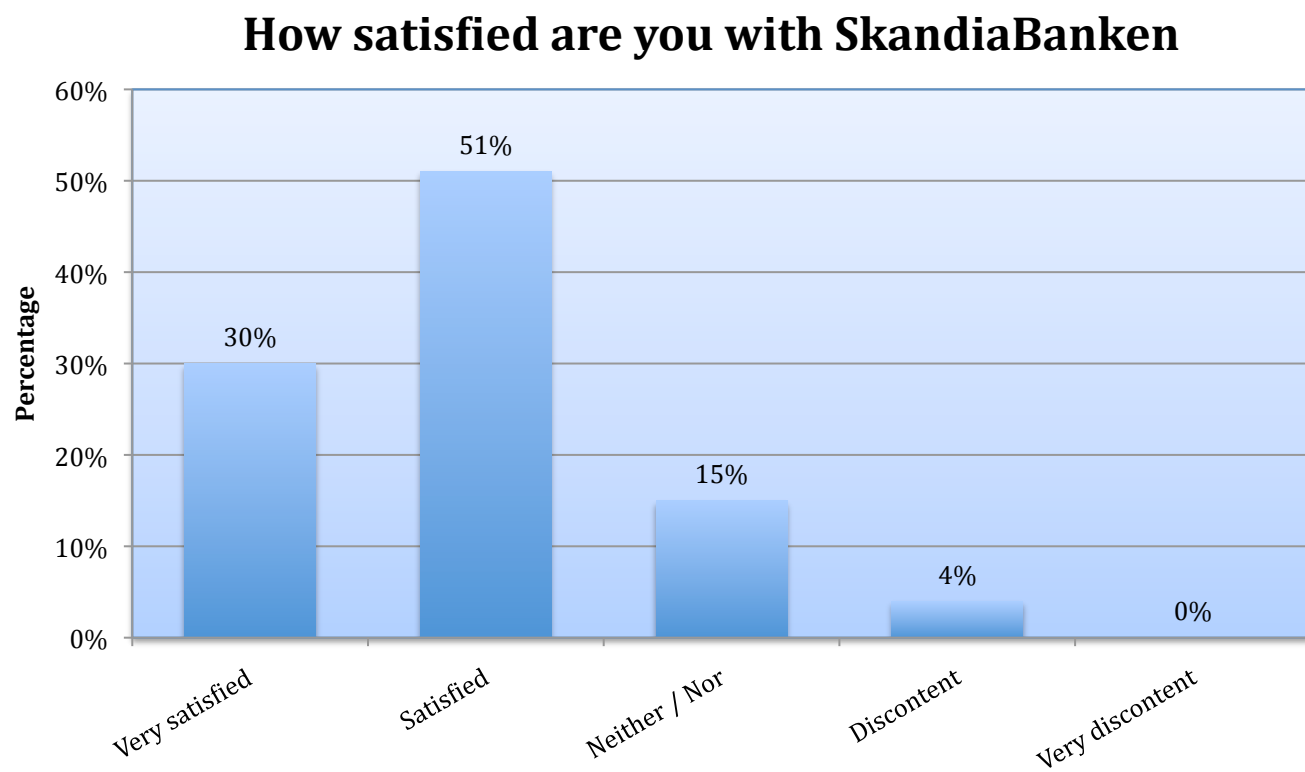
Reasons why customers left the bank

Reasons why customers left the bank



Appendix C

Customer satisfaction



Appendix D

Interview Guide

Interview Guidelines and Practice

We commenced all the interviews with a brief presentation of our project and of how the interviews would be conducted in an exploratory manner. We told all the interviewees that the information they gave us was confidential and simply served the purpose of giving us as broad a perspective of SkandiaBanken as possible.

We initiated each initial interview with some start-up questions followed by questions that required longer answers and more thinking of the interviewees. We did not record the interviews but one of the interviewers took extensive notes while the other conducted the interview.

The interviewees were asked introductory questions like:

1. What is your title and department
2. What are your main job responsibilities? Can you give a brief description of your job
3. What do you consider the biggest hinder for operational excellence in your department
4. How do you perceive SkandiaBanken's situation – what are the challenges lay ahead
5. If you were given the resources how would you change your department and perhaps the bank

From there we let the interviewee talk as much as possible and tried to ask follow-up questions to the things we found interesting. The interviews lasted anything from 10-15 minutes to more than one hour.

After each interview we discussed the important points and wrote down the key findings of the interview. The interviews were followed up by many informal and short meetings with some of the interviewees. As we had our base in an office in SkandiaBanken, this would occur every time we had specific questions to a department or a person. In general the employees were willing to share information and eager to suggest ways of improves.

Appendix E

Account opening



Oversigt	Værdipapirer	Kun for kunder	Om	Om	Om
Løn og opsparing	Pension	Kontakt os	Netbank	Demo	Bliv kunde
Lån		Spørgsmål og svar			



Spar penge.....
vælg SkandiaBanken og
undgå gebyrer

Klik og se vores attraktive
rentesatser

Klik og beregn, hvor meget
du sparer ved at skifte bank

Klik og se en demo af
Netbank



BoligPrioritet til kun 2,80%

SkandiaBankens BoligPrioritet er Danmarks
billigste alternativ til realkreditlån og lignende
lån i andre pengeinstitutter.

Klik og læs om vores billige boligfinansiering.

**Hos Danmarks største
Internetbank finder du alt
hvad din økonomi behøver:**

- Undgå gebyrer
- 1,65% i rente fra 1. krone
- Billige lån uden
oprettelsesgebyrer
- Online investering med
gratis adgang til Netbørs

**Klik og beregn hvad du kan
spare ved at skifte bank**

Hvad sparer jeg? [Din fortjeneste](#) > [Netbank](#) [Flash demo](#) > [Rådgivning](#) [Demo](#) > [Jeg vil være kunde](#) [Bliv kunde](#) >



**SkandiaBanken
kåret til
billigste bank**

**Slip for gebyrer.
Tag et Visa/Dankort
fra SkandiaBanken
med på ferien.**



**Klik her og
bliv kunde nu**



31-08-2005 02:13:49

© SkandiaBanken 2005

Appendix E

Account opening



Oversigt	Værdipapirer	Kun for kunde	Om	Om	Om
Løn og opsparing	Pension	Kontakt os	Netbank	Demo	Bliv kunde
Lån		Spørgsmål og svar			

Så enkelt bliver du kunde i SkandiaBanken

1. Opret Alt i Et-konto

Du **opretter** din Alt i Et-konto direkte via Internettet. Her bestiller du også dit eventuelle Visa/Dankort eller Dankort til din konto.

Når du har udfyldt dine personlige oplysninger, vil du indenfor 24 timer modtage en velkomstmål.

Erhverv og foreninger bliver kunde ved at oprette en **Likviditetskonto**



2. Ansøg om tillægsprodukter

Til din Alt i Et-konto kan du tilknytte en række tillægsprodukter som **kassekredit**, **boliglån**, **depot** og **pensionsopsparing** for at nævne de mest almindelige.

Dem kan du læse mere om på vores hjemmeside.

Beregn selv **her** hvad du kan spare ved at have dine lån i SkandiaBanken.



3. Indsæt løn, pension m.m.

Vi hjælper dig med at flytte din **løn**, **pension** eller andre ydelser til din Alt i Et-konto. Vær opmærksom på, at der altid skal være penge til disposition på din konto inden du hæver, da SkandiaBanken ikke accepterer overtræk.

Ønsker du at **flytte** dine konti og depoter til SkandiaBanken, skal du ikke bekymre dig om besværet. Vi sørger nemlig for alt det praktiske – også din BetalingsService (PBS).



Bliv kunde nu >

30-08-2005 21:01:59

© SkandiaBanken 2005

Kundeoprettelse

1 Bliv kunde

2 Bestil betalingskort

3 Information

Indtast personlige oplysninger Felter med * skal indtastes

CPR-nr.: *

Fornavn(e)/mellemnavn(e): *

Efternavn: *

Telefon privat:

Telefon arbejde:

Mobiltelefon:

Vejnavn: *

Nummer: *

Etage: *

Postnummer: *

By: *

E-mail: *

Gentage e-mail:

☐ Jeg har læst og godkender SkandiaBankens [Almindelige forretningsbetingelser](#), [Vilkår for Netbank](#) og [Vilkår for e-Boks](#).

Fortset >

31-08-2005 02:10:24

© SkandiaBanken 2005

Appendix E

Account opening

Kundeoprettelse

1 Bliv kunde

2 Bestil betalingskort

3 Information

Bestilling af betalingskort

Betalingskort:

☒ Jeg vil gerne bestille betalingskort* til min konto nu

☐ Jeg venter med at bestille betalingskort*. Og bestiller det selv, når jeg får adgang til Netbank.

* Der udstedes ikke kort til personer, der er registreret i RKI eller check- og hævekortmisbrugerregistret.

< Tilbage

Fortsæt >

30-08-2005 21:08:19

© SkandiaBanken 2005

Kundeoprettelse

1 Bliv kunde

2 Bestil betalingskort

3 Information

Afslutning

Tak fordi du har valgt at oprette en konto i SkandiaBanken

Du vil i løbet af 1-2 dage modtage en velkomstmail fra SkandiaBanken, hvoraf dit kontonummer og andre praktiske oplysninger fremgår.

Pinkoden til Netbank modtager du med posten 3-5 dage efter, du har modtaget velkomstmailen.

Du kan finde svar på de fleste spørgsmål på www.skandiabanken.dk i vores veludbyggede "Spørgsmål og svar". Du er også velkommen til at kontakte os på telefon, som holder åbent 24 timer i døgnet fra 20. juni 2005.

Vi ser frem til et godt samarbejde.

Med venlig hilsen
SkandiaBanken

Afslut >

30-08-2005 21:10:30

© SkandiaBanken 2005

Appendix F

SkandiaBanken's welcome letter

Fra: SkandiaBanken [post@skandiabanken.dk]
Sendt: 31. august 2005 11:29
Til: kristian.soegaard@gmail.com
Emne: Velkommen i SkandiaBanken

Velkommen i SkandiaBanken

Vi har nu oprettet en Alt i Et-konto til dig. SkandiaBankens reg. nr. er 6610, og dit kontonummer er: 123456678. Du kan allerede nu sætte penge ind på din konto. Husk at give din arbejdsgiver besked om dit nye kontonummer, hvis din løn fremover skal indsættes på kontoen.

Du er også blevet tilmeldt Netbank. Dit brugernummer er 12345678901. For at gå i Netbank skal du også bruge en pinkode og en vejledning. Pinkoden modtager du med posten om få dage, og vejledningen finder du på www.skandiabanken.dk i menupunktet "Kun for kunder" under "Netbank". Vi anbefaler dig at udskrive vejledningen og bruge den første gang, du går i Netbank.

Det er vigtigt, at du logger dig på Netbank indenfor 30 dage efter, at du har modtaget din pinkode, da din adgang ellers bliver spærret.

Husk, du modtager alle kontoudskrifter, årsoversigter og lignende elektronisk - direkte i Netbank under menupunktet e-Boks.

Hvis du allerede har bestilt betalingskort til din Alt i Et-konto, vil du modtage kortet i løbet af 3-4 hverdage, og få dage efter modtager du din pinkode.

Har du valgt at bestille dit betalingskort på et senere tidspunkt, bestiller du kortet i Netbank, når det passer dig under menupunktet "Betalingskort".

Det kan godt betale sig at bestille et Visa/Dankort til din Alt i Et-konto. I SkandiaBanken har vi nemlig valgt, at det skal være gratis, når du hæver kontanter på dit kort i udlandet. Årsafgiften på 150 kr. er derfor hurtigt tjent ind igen. I de fleste pengeinstitutter betaler du mindst 30 kr. pr. hævning i udlandet.

Du flytter nemt dine konti til SkandiaBanken ved at udfylde en overførselsanmodning. Den finder du på www.skandiabanken.dk i menupunktet "Kun for kunder". Hvis din løn fremover skal indsættes på kontoen, skal du huske at give din arbejdsgiver besked om dit nye kontonummer.

Du ansøger også om lån i menupunktet "Kun for kunder". Og kredit til kontoen ansøger du om i Netbank under menupunktet "Konti".

Husk, du kan finde svar på de fleste spørgsmål på vores hjemmeside under menupunktet "Spørgsmål og svar".

Vi ser frem til et godt samarbejde og håber, at du bliver tilfreds med din Alt i Et-konto.

Med venlig hilsen
SkandiaBanken

Kundetjenesten
e-mail: post@skandiabanken.dk

Appendix G

SkandiaBanken's Internet bank



demo

Til SkandiaBankens forside

Kontakt os

Spørgsmål og Svar

> Mine oversigter

> Konti

Kontooversigt
Posteringer
Søg i posteringer
Faste overførsler
Kaldenavn til din konto
Opret ny konto
Ansøg om kredit
Renteoplysninger

> Betalinger

> BetalingsService

> eKort

> Budget

> Standardbetalinger

> Depoter

> Netbørs

> e-Boks

> Breve fra banken

> Brugerfunktioner

> Nyheder

> Produkter

Log på

Udskriv Hjælp

Siden hentet 10.04.2002 11:00:00

Brugernummer

66101234567

☒ Husk brugernummer

Ok

Appendix G

SkandiaBanken's Internet bank



demo

Til SkandiaBankens forsider

Kontakt os

Spørgsmål og Svar

➤ Mine oversigter

➤ **Konti**

Kontooversigt
Posteringer
Søg i posteringer
Faste overførsler
Kaldenavn til din konto
Opret ny konto
Ansøg om kredit
Renteoplysninger

➤ Betalinger

➤ Betalings Service

➤ eKort

➤ Budget

➤ Standardbetalinger

➤ Depoter

➤ Netbørs

➤ e-Boks

➤ Breve fra banken

➤ Brugerfunktioner

➤ Nyheder

➤ Produkter

Log på

Udskriv Hjælp

Siden hentet 10.04.2002 11:00:00

☒ Gå on-line med banken

Underskriftskode

Underskriftsfil

C:\WEBBANK\1234510.usf

☐ Har modtaget PIN kode fra banken. Dan ny underskriftsfil

Ok

Retur

Appendix G

SkandiaBanken's Internet bank



demo

Til SkandiaBankens forside

Kontakt os

Spørgsmål og Svar

☐ Mine oversigter

☒ Konti

Kontooversigt
Posteringer
Søg i posteringer
Faste overførsler
Kaldenavn til din konto
Opret ny konto
Ansøg om kredit
Renteoplysninger

☐ Betalinger

☐ BetalingsService

☐ eKort

☐ Budget

☐ Standardbetalinger

☐ Depoter

☐ Netbørs

☐ e-Boks

☐ Breve fra banken

☐ Brugerfunktioner

☐ Nyheder

☐ Produkter

Kontooversigt

Udskriv Log af

Siden hentet 10.04.2002 11:00:00

Konto	Maksimum	Saldo	Valuta
Peter Jensen			
66101234500 Budget	0,00	6.455,00	DKK
66101234510 Alt i Et-konto	20.000,00	11.874,25	DKK
66101234520 Boliglån	0,00	-971.357,11	DKK
66101234530 Billån	0,00	-206.300,00	DKK
66101234540 Kapitalpension	0,00	558.550,96	DKK
66101234550 Fastrentekonto	0,00	91.010,56	DKK

Appendix G

SkandiaBanken's Internet bank



demo

Til SkandiaBankens forsider

Kontakt os

Spørgsmål og Svar

- ☒ Mine oversigter
 - ▶ Mine oversigter
 - ▶ Vejledning
- ▶ Konti
- ▶ Betalinger
- ▶ BetalingsService
- ▶ eKort
- ▶ Budget
- ▶ Standardbetalinger
- ▶ Depoter
- ▶ Netbørs
- ▶ e-Boks
- ▶ Breve fra banken
- ▶ Brugerfunktioner
- ▶ Nyheder
- ▶ Produkter

Mine oversigter

Udskriv Log af

Peter's Oversigt

Kontooversigt for udvalgte konti

Konto	Maksimum	Saldo
66101234500 Budget	0,00	6.455,00
66101234510 Alt i Et-konto	20.000,00	11.874,25
66101234520 Boliglån	0,00	-971.357,11
66101234530 Billån	0,00	-206.300,00
66101234540 Kapitalpension	0,00	558.550,96
66101234550 Fastrentekonto	0,00	91.010,56

Depotoversigt for udvalgte depoter

Depot	Disp.kursværdi
6610123460 Kapitalpensionsdepot privat ordning	36.216,81
6610123470 Opbevaringsdepot	85.446,00
6610123480 Sikkerhedsdepot	0,00

Egen kursliste Peter's kursliste

	Papirnavn	Salgskurs	Købskurs	A	Ændring i %	Gns-kurs alle handler
i	D/S 1912 B	41.900,00	42.000,00	↓	-2,56	43.104,16
i	H. Lundbeck	211,50	212,50	↓	-0,49	212,55
i	Københavns Lufthavne	541,00	544,00	↑	1,16	533,79
i	Novo-Nordisk B	218,50	219,50	↑	0,03	219,43
i	Skandia Forsikring Ab Sek1	----	----			19,43
i	Tdc	188,00	189,00	↓	-0,80	189,52
i	Vestas Wind Systems	94,50	95,00	↓	-5,13	100,14

Opret Ret Slet

Appendix G

SkandiaBanken's Internet bank



demo

Til SkandiaBankens forsider

Kontakt os

Spørgsmål og Svar

- > Mine oversigter
- > Konti
- > Betalinger
- > Betalings Service
- > eKort
- > Budget
- > Standardbetalinger
- > ☒ Depotter
 - Depotoversigt
 - > Dispositionsoversigt
 - Beholdningsoversigt
 - Uafviklede handler
 - Historiske handler
- > Netbørs
- > e-Boks
- > Breve fra banken
- > Brugerfunktioner
- > Nyheder
- > Produkter

Dispositionsoversigt

Udskriv Log af

Siden hentet 10.04.2002 11:00:00

Depot 6610123460

	Papir	Disp. beholdning	Kurs	Disp. kursværdi	Uafv.
Obligationer					
	8,00% Totalkredit 111 C.2032	26.558,96	103,230000	27.416,81	
Aktier					
	Skandia	0,00	46,000000	0,00	Ja
	Bankinvest Latinamerika	100,00	88,000000	8.800,00	

Appendix G

SkandiaBanken's Internet bank



demo

Til SkandiaBankens forside

Kontakt os

Spørgsmål og Svar

- ☐ Mine oversigter
- ☐ Konti
- ☒ Betalinger
 - ▶ Overførsel - egne konti
 - ▶ Overførsel - andre konti
 - ▶ Indbetalingskort
 - ▶ Kommende betalinger
 - ▶ Søg i betalinger
- ☐ BetalingsService
- ☐ eKort
- ☐ Budget
- ☐ Standardbetalinger
- ☐ Depoter
- ☐ Netbørs
- ☐ e-Boks
- ☐ Breve fra banken
- ☐ Brugerfunktioner
- ☐ Nyheder
- ☐ Produkter

Opret overførsel mellem egne konti

Log af

Siden hentet 10.04.2002 11:00:00

Hent standardbetaling

(Ingen) ▼

Beløb

Hæves på konto

(Vælg) ▼

Til konto

(Vælg) ▼

Betalingsdato (ddmmåååå)

blank betyder hurtigst muligt

Tekst til egen kontoudskrift

maksimalt 20 tegn

Tekst til modtagers kontoudskrift

maksimalt 20 tegn

☐ Betaling skal oprettes som en fast overførsel

☐ Overførselskvittering pr. brev til kontohaver

☐ Gem som standardbetaling med navnet

☐ skal gemmes med beløb

Næste

Appendix H

Where you can use Digital Signatur

Institution/virksomhed	Energistyrelsen	Københavns Energi
3F	Energitilsynet	Ledningsejerregistret
Advokatsamfundet	ePosthuset	Lægemiddelstyrelsen
Alle kommuner	Erhvervs- og Byggestyrelsen	Lønmodtagernes Dyrtidsfond
Alm. Brand	Erhvervs- og Selskabstyrelsen	Medicinprofilen
Ankenævnet på Energiområdet	Ernst & Young	Midtfactoring.dk
Ankestyrelsen	Farvandsvæsenet	Miljøministeriet
Arbejdsdirektoratet	FerieKonto	Miljøstyrelsen
Arbejdsformidlingen i Danmark - Jobnet	Finansministeriet	Ministeriet for Familie- og Forbrugeranliggende
Arbejdsmarkedsstyrelsen	Finanstilsynet	Ministeriet for Flygtninge, Indvandrere og Integ
Arbejdsmiljøinstituttet	Fiskeridirektoratet	Ministeriet for Fødevarer, Landbrug og Fiskeri
Arbejdsskadsstyrelsens og Arbejdstilsynet	Flyveelektronisk Koordinationssystem	Ministeriet for Videnskab, Teknologi og Udvikl
Arbejdstilsynet	Folketingets Ombudsmand	Mit 3F
ATP	Forbrugerombudsmanden	Naturklagenævnet
BaneDanmark	Forbrugerstyrelsen	NemKonto
Beredskabsstyrelsen	Forskningscenter Risø	NetForvaltning Ejendomshandel
Beskæftigelsesministeriet	Forskningsstyrelsen	Næringsbasen
Biblioteksstyrelsen	Forsvarskommandoen	Optagelse.dk
Boligejer.dk	Forsvarsministeriet	Parkering København
borger.dk	Frie Funktionærer	Patent- og varemærkestyrelsen
Borgerservice.dk	Frisører m. digital signatur (søgeside)	Patientskadeankenævnet
BorgerWeb	Funktionærernes og Tjenestemændenes Fællesråd	PELSA Arbejdsløshedskasse
BRF Kredit	Færdselsstyrelsen	PensionDanmark
Byggesagarkiv	Fødevarestyrelsen	PensionsInfo
Cateringportal	Grønlands Hjemmestyre	Personalestyrelsen
Civilretsdirektoratet	H:S Hvidovre hospital	Personregistrering.dk
Danmarks Meteorologiske Institut	H:S Rigshospitalet	Pfizer (kun sundhedspersonale)
Danmarks Miljøundersøgelser	Handelshøjskolen i Århus	PKA
Danmarks og Grønlands Geologiske Undersøgelser	Hjemmeværnskommandoen	Plantedirektoratet
Danmarks Statistik	Hjørring Bibliotekerne	Region Hovedstaden
Danmarks Tekniske Universitet - Campus København	Hovedstadens Sygehusfællesskab	Region Midtjylland
Dansk Fødevarerforsknin	Husdyrgodkendelse.dk	Region Nordjylland
Dansk Journalistforbund	IAK	Region Sjælland
Danske regioner	Indenrigs- og sundhedsministeriet	Region Syddanmark
Datatilsynet	Industriens pension	Retslægerådet
Den Centrale Videnskabsetiske Komité	Ingeniørhøjskolen i København	Rigspolitichefen
Den Digitale Taskforce	Ingeniørhøjskolen i Odense Teknikum	Rigsrevisionen
Den offentlige informationsserver	Ingeniørhøjskolen i Århus	Sampension
Den Sociale Sikringsstyrelse	InterResearch A/S	Sikkerhedsstyrelsen
Det Biovidenskabelige Fakultet, KU	IT- og Telestyrelsen	Skandiabanken
Det centrale personregister, CPR-kontoret	Justitsministeriet	Skat
Det Ethiske Råd	JØP Pension	Skatteministeriet
Det kongelige bibliotek	Kirkeministeriet	Skov- og Naturstyrelsen
Det Økonomiske Råd	Klasselotteriet	Skrivunder.nu
digte.dk	KommuneKredit	Slots- og Ejendomsstyrelsen
Direktoratet for FødevareErhverv	Kommunikation og Sprog	Socialforskningsinstituttet
Direktoratet for Kriminalforsorgen	Konkurrencestyrelsen	Socialministeriet
Domstolsstyrelsen	Kort- og Matrikelstyrelsen	SOS International a/s
Domæneadministration DynDNS Pro	Kristelig Fagbevægelse	Statens Forsknings- og Uddannelsesbygninger
eBoks	Kulturministeriet	Statens Institut for Folkesundhed
Embedslægerne	Kystdirektoratet	Statens Institut for Strålehygiejne

Appendix H

Where you can use Digital Signatur

Statens Luftfartsvæsen
Statens Serum Institut
Statsforvaltningerne
Statsministeriet
Studielaan.dk
Styrelsen for Social Service
Styrelsen for Statens Uddannelsesstøtte
SU
Sundhed.dk
Sundhedsstyrelsen
Sundhedsvæsenets Patientklagenævn
Sygeforsikring danmark
Søfartsstyrelsen
Søværnets Operative Kommando
TDC online
Teknologisk Institut
Telmore
Tillid.dk
Tinglysningsretten
Trafikministeriet
Træ-Industri-Byg
Typegodkendelser.dk
Udenrigsministeriet
Udlændingestyrelsen
Undervisningsministeriet
Vejdirektoratet
Vejle Kommunes Musikskole
Videns- og Forskningscenter for Alternativ Behandling
Virk.dk
www.apoteket.dk
Økonomi- og Erhvervsministeriet
Økonomistyrelsen

Appendix H

Where you can use Digital Signatur