Word-of-mouth, consumer loyalty and CSR

– a case-study of JAK Members Bank

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Abstract

The powerful usage of the marketing method, word-of-mouth and its correlation with consumer loyalty and corporate social responsibility (CSR) will be examined in this study. A case study of a co-operative bank, JAK Members Bank, will be included to investigate this specific reciprocity. After a conceptualization of the underlying concepts of corporate identity and trust that are a precursor for the discussion of word-of-mouth and consumer loyalty a relationship was observed. A differing usage of the word-of-mouth marketing technique was further noted in the case study, where previous theories on consumers’ underlying incentive demonstrated distinct altruistic motives. A distinct type of consumer loyalty was also identified, adding to the potential of developing further criteria assessing the level of loyalty a consumer portrays. Moreover a conception of CSR being integrated in the core business and a clarification of an established usage of CSR strategies within companies is found to be a necessity in the financial sector.
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1. Introduction

Marketing theoreticians have long been searching for ways to manifest that marketing is not a practice that is only used to market a product or a service for the sake of profit. Not only has there been a shift from a Goods-Dominated Marketing theory to a Service-Marketing Theory but a new sphere has also opened up for progressive marketing practices. The concept of Corporate Social Responsibility (CSR) is expanding and is not just recognized as a passing concept, nor has it previously been associated with profit or growth within companies. This idea has however met a paradigm shift toward companies not only regarding CSR as a tool by which an organization can be examined, but also as a starting point into shaping the company’s core business strategy in accordance with good CSR practice.

The aim of this study is based on the observations of two recent events, which clearly display society’s perception of CSR as well as the influence consumers inadvertently have upon companies. One of the observations made of the business environment was a comment appearing in an interview in the local business magazine DI Dimension. The comment marked a movement towards a new perception of the corporate environment:

“Ethical aspects must be a part of how you do business. If you have a CSR manager there is a clear risk that the person enters the discussion when the decision is already made, and by then it is too late to do anything about it.”

The interview was part of a recent scandal concerning the nature of Telia Sonera’s contentious business in Uzbekistan. The quote “ethical matters must be part of how you do business” acknowledged the type of core business a company should adopt.

The other observation, which ultimately help form the aim of this study, is that of the alternative female medical device commonly referred to as “Menstrual cup”. This is a product that is less profitable for a company to redistribute when compared to more recognized products on the market. Although the product does not only save the consumer money, where it only needs replacement every decade, it is also a healthier choice for the female body. Due to the pressure and demand of the common consumer the market gave in and a pharmacy in Sweden started selling the abovementioned product.

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2 “Etikfrågorna måste vara en del av hur du gör affärer. Om du har en csr-ansvarig är risken uppenbar att den personen kommer in när beslutet redan är fattat och då är det för sent att göra något åt saken.”
3 ‘Menstruppen’ in Swedish
5 Menstrualcup.co (2013) Better for your body. [online]
“That the ‘Menstrual cup’ can be found at Apotek Hjärtat is a result of the consumers’ requests.”

The fact that consumers were able to influence companies to distribute a healthier product exemplifies the true power that a consumer has. These observations conclusively developed the interest in examining the phenomena consumer loyalty, corporate identity and CSR and ways in which these relate.

1.1 Background

The business environment has undergone some dramatic changes throughout time and although CSR is a relatively established concept its importance and integration is vivid at present. Companies through pressure from stakeholders and public opinion leaders now have to take into consideration factors outside of the core business practices. These being environmental management systems and strategic investment, which help ensure a sustainable future. Financial institutions have taken a particular interest in adopting CSR strategies and taking into account different environmental and societal considerations. Research assessing the nature of CSR in different financial institutions covers banks in a geographical location; however, the predominant examples in these studies do not include co-operative banks. A common pattern in the research examining CSR, especially in the business environment of finance, is to assess what role CSR plays in the communication of the corporate identity. Studies that further investigate the effect that an integrated CSR element in the corporate identity will have on consumers and their loyalty is limited. Previous studies discuss how loyal consumers can influence the reduction of operational costs, marketing costs and favourable word-of-mouth communication. This indicates an unexplored area of research and thus an opportunity to study the effects of co-operative banking and whether or not the integration of CSR in the establishment’s corporate identity affects consumer loyalty and word-of-mouth communication.

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6 Apotekhjartat.se (2013) Menskoppen – ett ekosmart och praktiskt alternativ - Apotek Hjärtat. [online]
1.2 JAK Members Bank in Sweden

The co-operative bank in question is a co-operative members bank and popular movement that was originally formed in 1931 in Denmark. It was not until 1965 that the movement was embraced in Sweden and was eventually granted a banking license in 1997. JAK Members Bank ideology is based on providing a fair and interest-free bank alternative. By being structured as a co-operative it is completely driven by its members in a democratic fashion. The values of the bank are focused within five different areas: equality, ecology, democracy, the local and global perspective. The bank does not only focus on providing a functional banking system; the public education they provide in various formats is equally as important. It is through public education that the marketing of the organization and its ideology is most successful. The members bank is currently comprised of approximately 38 000 members and has two offices located in Skövde and Orsa (Sweden). The financial organizations core values are based on co-operation. This allows members to save and take loans from one another without added interest to a cost price. As a religiously and politically unbound organization, the focus is solely on raising discussions and providing possible solutions to some of the flaws of the current economical system.

1.3 Aim

The aim of this study is to examine the relationship between the word-of-mouth marketing technique and the existence of a reciprocal relationship between consumer loyalty and CSR in a co-operative bank.

1.4 Delimitation

The focus of this study is limited to the organization that is JAK Members Bank. The bank concentrates on using word-of-mouth as a marketing technique. The reason behind selecting this bank as a good candidate to examine from an ethical and CSR point of view is based on the historical cultivation of a co-operative and ideologically governed movement within the organization.

1.5 Purpose and Presentation of Questions

- Is there a relationship between word-of-mouth, consumer loyalty and CSR?

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12 Jord, Arbete, Kapital (English translation: Earth, Labour, Capital)
13 JAK Boken om Räntefri ekonomi och Ekonomisk frigörelse (2009). [online]
2. Methodology

2.1 Research method

This paper is written from an explanatory point of view. An explanatory study focuses on trying to explain relationships between stated phenomena by attempting to identify the cause and effect of two or more variables. The formation of the conclusions drawn on the basis of the abovementioned objectives leaves room for exploration and further research. The topics concerning marketing ethics, CSR and social marketing are currently controversial and still in need of further examination. This research is fuelled by a vision of a future without green washing occurring within higher degrees of prophylactic companies.

2.2 Qualitative and Quantitative Research

The collection of data for this paper was carried out using qualitative methods in order to truly encompass the concerned area of study. A qualitative method entails a strategy and focus on words rather than on quantifying numbers. Qualitative methods hold a social depiction that is in constant change according to an individual’s ability to create and represent realities. One perspective of how that reality is constructed, contrary to beliefs of it being created, is approached by the studies of social constructionism. This approach focuses on the involvement of social phenomena and the human experience of those as well as its moderation through language, history and culture. Another common connection derived from a qualitative research is an inductive view. This paper did not solemnly make use of the inductive approach where the relationship between theory and research culminates in a generation of theories. The approach of this research incorporates previous theories put forward by previous researchers and further attempts to construct an explanation of relationships between declared phenomena.

2.3 Case study

A survey design, which consists of researching a specific company, is called a case study. The examination implies a study of the chosen companies complexity and specific nature of conducting business. It is a common way of studying a phenomenon in the business academy. The choice to do a case study of JAK Members Bank was chosen in order to examine the nature of the organisation down to the core and connect this to various theories and studies that have been carried out on the subjects relating to the subject of this paper. The transparency of this bank was one reason for choosing to implement a detailed case examination. A case study differs from other research survey designs by being ideographic i.e. focusing on unique features of a specific case.

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14 Harvard, University (n.d.) Research Methods: Some notes to orient you. [online]
17 Willig, Carla (2001) Introducing qualitative research in psychology: Adventures in theory and method. [online]
18 Bryman & Bell (2005)
or event. There have been discussions concerning the reliability and validity of a case study approach, due to the difficulties in replicating a case study of a specific company\(^\text{19}\). The focus of this study is to attain a law-like generalization, which is a common approach within research that builds on designing their study on case studies. The external validity of a case study has long been discussed and questioned. A unanimous voice of researchers using this method adapts the standpoint explaining that their research is not meant to be generalized across other cases or a population, this being unlike the focus and intentions of other research designs. The aim of this study is to not necessarily culminate in a general theory, but rather to provide a discussion leading to a deeper understanding and explanation of the complex nature of the business climate addressed.

2.4 Assessment of the case study

The choice for conducting a study based on qualitative methods poses a problem when assessing the validity and reliability of the study. As mentioned in the previous section researchers find it challenging to apply criteria assessing reliability and validity to investigate whether it is possible to accurately depict and summarise the current image of the social reality. In other words they find it impossible to perform a qualitative study where an assessment of the social reality is done and achieve the same result repeatedly. As an alternative Guba & Lincoln set up new criteria to assess a qualitative study\(^\text{20}\). A brief description of these criteria and judgement of this study will follow. The two basic criteria that Guba & Lincoln suggested were trustworthiness and authenticity.

2.4.1 Trustworthiness

Within the criteria of trustworthiness, four sub-criterions were set out; credibility, transferability, dependability and confirmability. The credibility of a study revolves around the fact that the social reality that a researcher describes has to be accepted by the readers. Meaning that the research that is presented has to follow the rules and that it is credible in the way the results are presented and the way the research has been performed. To ensure and establish the credibility of this study a methodological triangulation method\(^\text{21}\) will be used by both performing interviews and gathering written data with organizational strategies to be able to cross-examine the results. Transferability indicates a mean of describing the details of a culture using rich expressions in order for a future researcher to explore the transmissibility of the study to a different environment. To ensure a full transferability the author has to try and describe the culture existing in the case study as best as possible. To be noted, the results of this study should not be limited to a certain type of institution with a specific organization but could be thought of being transferable to various settings. To adhere to the sub-criteria dependability, which entails that, an account for the different steps taken during the process of writing the study are outlined and exposed, the author will comply with this validation technique. The last sub-criterion confirmability describes a setting where the researcher presents an unbiased perspective and ensures that it acted in good faith. The author in this study is

\(^{19}\) Bryman & Bell (2005) pp. 304


currently a member and engaged as a “voluntary resource individual” in JAK Members Bank. It is inevitable that the study will contain conflicting perspectives coloured by the author’s experiences.

2.4.2 Authenticity

The authenticity criterion is a broader term than that of trustworthiness. It consists of some general sub-criteria that provide discussion points concerning the consequences of research in general. The sub-criteria of authenticity that Guba & Lincoln establish are “fairness, ontological authenticity (enlarges personal constructions), educative authenticity (leads to improved understanding of constructions of others), catalytic authenticity (stimulates to action), and tactical authenticity (empowers action)”. The sub-criterion that is applicable to this study is fairness, where the aim is to present data and results based on data that ensure that the results involve a wide range of sampling within the area of interest. Thus this study emphasizes the importance of interviewing the COO of JAK Members Bank as well as its members. By giving a wide range of individuals within the organization a voice, a balanced sample of the current affairs achieved, producing an unbiased study.

2.5 Qualitative interviews

There are two different interviewing techniques which can be used in a qualitative study in order to maximise the quality of conducted interviews, these being unstructured and semi-structured interviewing techniques. An unstructured interview does not have pre-set questions, instead resembling an everyday conversation by being informal and flexible, where a semi-structured interview being as open as the unstructured interview has a set of pre-set questions and themes which guide the conversation, still maintaining its flexibility. Both are focused and centred on the topics the interviewee perceives as important and relevant. This study will primarily make use of semi-structured interviews to maintain a relevant structure in the flow of the interview and to ensure that questions relevant to the current study are answered. The interviews will solely be performed with individuals associated with JAK Members Bank. In this respect a theory-based sampling will be performed where individuals that possess most information about the subject and theories are chosen to saturate the options. The chosen individuals for the interviews are also in one way or another taking part in implementing the theories described in this study and can shed light on the implications surrounding them.

26 ibid. pp. 363
27 ibid. pp. 379
2.5.1 Sample

The interviews were conducted with the COO and the head of the “Idea and Members Support” (IMS) department at JAK Members Bank.

2.6 Primary and Secondary Sources

Secondary sources will be most commonly used in this paper in the form of previous studies and findings. It will also include company records and data describing strategies derived directly from JAK Members Bank. To enhance the study, primary sources will also be used in the form of interviews from the COO and a staff member working at JAK Members bank to support the secondary sources and give the data more credibility. The documents that are derived directly from JAK Members Bank are public to the extent that they are either available on the website or they can be acquired by contacting the office with a proposal. The credibility and representativeness of these documents are normally associated with the fact that the documents may not represent the reality or that they represent a standpoint that the organization wants to mediate. What is important to remember when working with documents from an organization is that an individual or a group of individuals are the authors of the document. The interpretation can in many cases be very subjective depending on who decides to use it as a guideline. Moreover the interview will therefore be used to substantiate the subjective interpretations of the documents and their guidance.

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29 ibid. pp. 436
3. Theoretical Framework

3.1 Introduction

An outline of important terms will commence to provide an illumination of the topics that will be paramount for the discussion. The explanations and definitions are derived from various theoreticians and studies. The intention is to give a detailed outline of the concept of consumer loyalty, word-of-mouth and CSR. Concerning consumer loyalty, to be able to provide such an outline, the fundamentals of corporate image and corporate identity has to be described and understood. This is important since consumers, one of the most important stakeholders of a company, have to be able to understand and identify with a company in order for them to be loyal. The author will solicit whether or not there is a connection and symbiotic relationship between the concepts.

3.2 Word-of-mouth

Word-of-mouth has been defined as the verbal communication that is related to a product, service, organization or brand. It is a form of advertising where consumers are likely to talk about a product or service in their surroundings and as such creating a chain of communication that could reach a whole community\(^30\). The individuals who spread information do not have any commercial intentions and the suppliers are not directly involved. The crucial part of this type of communication is its promptness where questions and replies can be exchanged instantly. There are two types of word-of-mouth, negative and positive, that has been distinguished by researchers. As an example studies have shown that positive word-of-mouth can be driven by “a desire to help the company, altruism, a desire to signal expertise to others and product involvement\(^31\)”. Negative word-of-mouth on the other hand is directed “by a need to retaliate against the company for a negative experience, a desire to resolve cognitive dissonance and a desire to seek advice on how to deal with a negative experience\(^32\)”. The importance of word-of-mouth communications is widely accepted and is an important communication source between different consumers, seeing as researchers have established that between 50-70% of buying decisions made are influenced by word-of-mouth\(^33\). The major importance that word-of-mouth plays in today’s environment is the reduction of trust in various forms of modern marketing techniques, such as advertising. Associations have been tried to be made between the concepts of word-of-mouth and loyalty and although there is an indirect relationship between the two they have been placed as two separate constructs\(^34\). Beyond negative and positive word-of-mouth a


\(^{32}\) ibid. pp. 552


second division has been distinguished, a threefold separation of the origin and motivation of word-of-mouth. The three terms, ‘experiential’, ‘consequential’ and ‘intentional’, make up a comprehensive outline of the messages delivered and received. The first and most common type of word-of-mouth, the ‘experiential’ is the communication that arises when a consumer experiences a product or service that in any way deviates from the initial expectation. Depending on in which direction the experience deviates; the message will either be positive or negative. The second form, ‘consequential’ word-of-mouth, is an effect of traditional marketing campaigns. A consumer that soaks up the message delivered in the traditional marketing campaign can pass on information about the campaign or brand, ultimately creating a larger reach for the campaign itself and influence. The third form, ‘intentional’, is a controllable form where a company generates word-of-mouth intentionally, by e.g. triggering positive buzz for a product or service by using celebrity patronage. The last form is less common since it is hard for companies to measure the impact and magnitude of the word-of-mouth created. Moreover Sweeney et al. focused on to identifying different communication characteristics that relate to word-of-mouth. They based their theories around Aristotle’s discussion of rhetorical theory, which consist of ethos (a speaker’s ethical and personal needs), pathos (a speaker’s underlying emotional appeals) and logos (a speaker’s logical appeals). The three types of communication characteristics that were constructed using previous literature as a base was: favourableness or valence, emotive aspect and cognitive aspect. Valence relates to the strong distinction between either a positive or negative word-of-mouth message. Where a negative word-of-mouth can arise from motivations such as anxiety reduction or vengeance whilst a positive one might be spread because the same individual has a desire to help an organization or share good experiences. In relation to the emotive aspects Mazzarol et al. write “respondents tended to use highly descriptive and evocative terms to describe their own or others’ WOM activities”. This way of delivering messages is more important in cognitive judgement and when delivered with emotion or enthusiasm they are better remembered because of the distinctness of a face-to-face interaction. The cognitive aspect of the communication characteristics refers to a notion of a rational dimension of the concept of word-of-mouth. A consumption experience, like service quality, can be delivered via messages to a receiver that in turn develops rational perceptions of a certain product or service attributes which in turn influences the reputational outcome of an organization. The study done by Mazzarol et al. concluded that word-of-mouth communication is typically not bland and concerning the three dimensions, favourableness or valence, emotive aspect and cognitive aspect, they were all more extreme when a positive word-of-mouth was delivered. When an experience becomes intense, both positive and negative word-of-mouth can reach extremes, although the emphasis is weaker during a negative message for both the receiver and deliverer. More importantly a


37 Ibid. pp. 239


39 Ibid. pp. 251
discovery was made in a similar study put forward by East et al. where it was settled that positive word-of-mouth is more influential than negative word-of-mouth based on a factor of 1 to 3\(^{40}\). Additionally the individuals that receive negative word-of-mouth are less prone to change their opinions of service firms than individuals that receive positive word-of-mouth. Word-of-mouth deliverers are directed towards supplying perceptions concerning service quality, value and customer satisfaction. It is thus crucial to provide a quality-endorsed service that will in turn improve the value perceptions of customers and finally lead to customer loyalty and advocacy\(^{41}\).

3.3 Trust

Observing human relationships one major essential attribute is recognized – trust. To substantiate and define the word trust one can state that a human regards its transactional partners as honest and reliable and has confidence in them\(^{42}\). The importance that trust plays in the business environment have helped companies reduce risks and improve business relationships. Psychological identification, image and reputation are three variables that influence mutual trust between suppliers and buyers. Mayer developed a model in 1995 consisting of three points that can show that a partner is trustworthy\(^{43}\):

- Ability: the one being trusted has influential knowledge, capability, and skills;
- Benevolence: the one being trusted is motivated to do something sincerely beneficial for others rather than for themselves;
- Integrity: the one being trusted sticks to some principles acceptable to the one who trusts

Although Mayer’s model presented an integrative approach to organizational trust, Singh and Sirdeshmukh later on clarified two conditions that are necessary for the establishment of trust\(^{44}\):

- Competence: Companies keep to the commitments made to customers through reliable and honest approaches.
- Benevolence: Enterprises present the possibilities to placing customer interests before theirs.

An important and relevant study to exploring the nature of relationship marketing was made by Robert M. Morgan and Shelby D. Hunt in 1994 where they examined the relationship between commitment and trust. They examined the reason behind trust being important in a strategic partnership. The conclusion they drew states that


\(^{41}\) Mazzarol, T., Sweeney, J.C., et al. (2007) pp. 252


trust existing in relationships is highly valued and ensures a company’s willingness to commit to a given opportunity. They developed five major precursors (relationship termination costs, relationship benefits, shared values, communication and opportunistic behaviour) that expose the relationship between trust and commitment while assuming the following 45:

"(1) relationship termination costs and relationship benefits directly influence commitment. (2) shared values directly influence both commitment and trust. (3) communication and opportunistic behaviour directly influence trust (and, through trust, indirectly influence commitment). 46"

3.3.1 Relationship termination costs

Common to any previous knowledge in the sphere of marketing there exists “relationship termination costs”. This can occur when a consumer seeks out an alternative relationship after a distributor has been terminated or the consumer is dissatisfied with the product or service. Morgan & Hunt describe termination costs as “all expected losses from termination and result from the perceived lack of comparable potential alternative partners, relationship dissolution expenses, and/or substantial switching costs 47”. These termination costs are one of the reasons why an ongoing relationship is considered important and thus a commitment is sustained. The level of commitment is relative to the amount of termination costs and the awareness of the being high or low.

3.3.2 Relationship benefits

The choice of business partner with whom to build a relationship with can be competitive as companies seek to add value to the product/service they offer and gain a better position in their given market. If a relationship is fruitful between companies the parties will show commitment to that relationship 48.

3.3.3 Shared values

Shared values propose a situation where partners incidentally declare common aspects that are both important and unimportant, right or wrong and appropriate or inappropriate concerning policies, beliefs and goals. Values have long been important in organizational theories where they represent a foundation for organizational culture. It is possible to “distinguish three fundamental levels at which culture manifests itself: (a) observable artifacts, (b) values, and (c) basic underlying assumptions 49”. Morgan & Sheth deduce that if exchange partners do share these underlying values, the commitment of the relationship will be higher 50.

46 ibid. pp. 24
47 ibid. pp. 24
48 ibid. pp. 25
3.3.4 Communication

An important component of trust is doubtlessly the presence of communication, which assists the relationship by solving disputes or aligning perceptions and expectations\(^\text{51}\).

3.3.5 Opportunistic behaviour

The definition of an opportunist is: “One who takes advantage of any opportunity to achieve an end, often with no regard for principles or consequences\(^\text{52}\)”. Even though opportunistic behaviour is common in organizational economics, an exception has been observed in regards to long-term relationships, where a decrease in trust between the parties concerned can be observed, if one of the parties concerned displays opportunism.

The point following was put forward in this study to showcase commitment and trust as being developed in the following relationships by: “(1) providing resources, opportunities, and benefits that are superior to the offerings of alternative partners; (2) maintaining high standards of corporate values and allying oneself with exchange partners having similar values; (3) communicating valuable information, including expectations, market intelligence, and evaluations of the partner’s performance; (4) avoiding malevolently taking advantage of their exchange partner\(^\text{53}\)”.

3.4 Corporate image and corporate identity

Corporate identity and corporate image are terms which can be described and defined in various ways. Early definitions describe corporate image as the “combination of consumers’ perception and attitude towards a business entity\(^\text{54}\)”. The definitions to follow eventually included consumers’ perception and knowledge of a company and how that awareness reduced the uncertainty prior to engaging with its services. By breaking away from traditional thinking a new focus was introduced. The company’s employees and company policy became the new focus. If the employees receive good knowledge through communication regarding the policies ensuring that they develop a good corporate image. In turn leading the employees acting as the company’s salesmen, where they possess the ability to answer all relevant questions accurately\(^\text{55}\). Advertising and press campaigns would therefore be less necessary. This paper will describe the first step out of a three step model put forward by Russell Abratt\(^\text{56}\) where he explains how to manage and create a corporate image this paper will focus on the first step in the model. This step describes a corporate philosophy where management examines the corporate personality,

\(^{51}\) Morgan, R, & Hunt, S (1994) pp. 25


\(^{53}\) Morgan, R, & Hunt, S (1994) pp. 34


which unequivocally is the core of the business. When a business has understood its stand in society and its beliefs: a corporate identity is formed. This process is essential because it leads to an understanding of the corporate image. The objective of this step is to form a strategic plan, which results in a corporate mission that helps shape the strategic management of the business. Russell Abratt put forward three questions which a strategic plan should aim to answer:

i. What will we do and for whom shall we do it?

ii. What objectives do we want to achieve?

iii. How are we going to manage the organisation’s activities so as to achieve the chosen objectives?57

Once the corporate philosophy, corporate image and finally the corporate identity is identified and defined a company can move onto the two following steps in the model. These include the communication strategy of the corporate identity and how the various stakeholders perceive the corporate image. In order to assess the true nature of a corporate identity many models have been considered. Figure 1 presents a model by Balmer & Soenen, which presents the components that are part of forming a corporate identity called “The Corporate Identity Mix”58. The figure represents a survey of thirteen models and techniques for auditing a corporate identity.59

59 ibid. pp.73
60 ibid. pp.74
The ‘mind’ category within the model represents central aspects relating to a corporation’s visions and mission, whilst the ‘soul’ represents values that define the culture within the company. Finally the ‘voice’ consists partially of controllable and un-controllable communications and different forms of visual identity.

A new model (Figure 2), the ACID model, was established that is based on the findings and surveys used in various previous models. Another observation was crucial in the formation of this model which includes the distinction of a dichotomy of two different questions – “What is an organisation’s actual identity?” and “How do we communicate an organisation’s desired corporate identity?”61. These two questions present two different approaches, one being reactive and tactical to the other, the latter, being proactive and using a more strategically based management. The literature usually is linked to the former question, meaning a practical theory to improve the visual tool that is communicated to the stakeholders. Whereas the latter provides theoreticians with new assumptions being made on the formation of a corporate identity, where the central and peripheral characteristics, such as personality and internal culture, is incorporated. The model that was formed, the ACID test of corporate identity management, would be too broad to use in the former example. The latter represents another opportunity on the other hand where ‘soul’, ‘mind’ and ‘voice’ is encompassed. The ACID test is designed with the following outline:

![ACID model diagram](image)

Figure 2 – “The ACID model”62

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61 Balmer, John M. T., and Guillaume B. Soenen (1999) pp.82
62 ibid. pp. 84
The zenith of corporate identity management following this model is when conformity is found between the four identities. Most importantly, if a gap lodges itself between the identities, action is required. This can be done, according to the researchers that formed the test, by confronting some fundamental questions:\(^{63}\):

(a) the focus of the organisation, i.e. its overall direction and raison d'être,
(b) the appropriateness of existing corporate identity management policies.
(c) the type and scope of corporate identity change required

The ACID test compels management to review and contemplate on the nature of the corporate identity. Deriving this identity is part of a desirable long-term viability and survival. In other words the test is based on assumptions that a corporation's main aim is business survival\(^{64}\). The original ACID test model received some criticism and a new model, the AC\(^3\)ID, was created as seen in Figure 3:

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\(^{63}\) Balmer, John M. T., and Guillaume B. Soenen. (1999) pp. 83

\(^{64}\) ibid. pp. 90

The ‘actual’ identity is a portrait of the values that the staff and management hold in an organization and how these are proclaimed. Included in this are the behaviours of both the employees and the corporation and its performance along with the quality of the products and/or services they offer. Examining the ‘communicated’ identity, one can find a duality to the concept. There is the communication that represents the reputation that an organization holds amongst its stakeholders. It is also the controllable and non-controllable communication such as advertising and PR or communication in the form of word-of-mouth by employees or customers. A successful transmission or communication of the identity is crucial to properly reflect ‘desired’ or ‘ideal’ identity. It is this identity that is conceived by stakeholders like consumers for them to identify, describe and interact with the organization. The ‘ideal’ identity represents the optimal situation and what positioning that could be achieved in this situation. It is a function of “the environment and notably technology, competition, industry trends, consumer values, buying behaviour, social environment”. It is in some ways a logical construction and has no substance. Finally, the last identity of the former model, the ‘desired’ identity refers to the corporate mission and the management vision. It is an identity that lies in the fantasies of the organization’s leaders, being very abstract, but alas a very powerful reality. The two newer identities, ‘conceived’ identity, which “refers to the perceptions held of the organization by internal and external stakeholder groups and networks” and the ‘covenanted’ identity, which “refers to the covenant (promise) that relates to the corporate brand. A promise that underpins and serves as an informal contract between an organization and its various publics. The corporate brand covenant is derived from identity attributes (the corporate brand needs to be supported by appropriate behavior.) Once established, a corporate brand has a life and meaning of its own.

Gaps can arise in any combination of these identities shown in Figure 4 however research done by Powell and Wim et al. suggest that there is a third potential disconnect that can emanate. This is referred to as the disconnection between an employee’s individual value and those of the ‘actual’ and ‘ideal’ identities. This research presented a gap between the employee and organization, which could lead to dissatisfaction from the employee’s point of view and less commitment to the corporation.

It is stated now that the importance of corporate identity correlates with corporations’ long-term prospects. Through interaction with an important stakeholder of the company, the employee which is the individual that can portray the corporate identity boiling it down to this definition coined by van Riel and Balmer: “a corporate

68 Balmer, John M. T., and Guillaume B. Soenen. (1999) pp. 84
70 ibid. pp. 5
identity refers to an organisation’s unique characteristics which are rooted in the behaviour of members of the organisation\(^{72}\). The other major stakeholder and building block of a business endurance is the consumer that has to discover, identify and foster loyalty with a product or a service that is offered leading to some form of acquisition.

### 3.5 Consumer loyalty

There is an accepted correlation between consumer loyalty and company growth. The term loyalty refers to an individual, whether it is an individual or an employee, which is willing to make an investment or a personal sacrifice to strengthen a relationship\(^{73}\). Specifically for a consumer that would mean that the individual is willing to persist with a specific company even though a specific transaction might be pricier. There are several factors; customer trust, service quality, satisfaction and switching barriers, that play a major role in attaining customer loyalty for a company\(^{74}\). In addition to this, Liu and Guo et al. present two dimensions, a pull-in force and a push-back force, that refer to a consumers willingness to remain or refrain loyal to a company. The first being a question of factors makes a customer loyal found in relationship quality where one can find concepts like satisfaction and trust\(^{75}\). The latter refers to switching costs e.g.: “search costs, transaction costs, learning costs, loss of royal customer discounts, loss of established habits and relationships, and risk of the unknown”\(^{76}\). In the search for marketing knowledge concerning consumer loyalty the study can be explored with a ‘behavioural approach’ or an ‘attitudinal approach’\(^{77}\). A behavioural approach implicates an observation of the purchase behaviour with focus on repeat purchase\(^{78}\). In comparison, the attitudinal approach encompasses the underlying evaluative and cognitive processes that precede a purchase\(^{79}\). Furthermore different types of loyalties are explored that are part of an attitudinal approach. The three elements immersed in this approach are: ‘cognitive’, ‘affective’ and ‘conative (intentional)’\(^{80}\). The weakest form of loyalty, ‘cognitive’ loyalty, is established on the basis of product information that is readily available to the consumer. Meaning that is e.g. a bank offers the highest saving interest rate on the market, a consumer will remain loyal based on this type of information. Nevertheless once a

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\(^{75}\) ibid. pp. 71

\(^{76}\) ibid. pp. 72


\(^{80}\) Pedersen, P. and Nysveen, H. (2001) pp. 147
competitor offers a higher interest rate the consumer will decide to change bank. Consequently the second form of loyalty, ‘affective’ loyalty, is deeper rooted than cognitive loyalty in a consumers mind. The loyalty is based on an affect-based attitude to the product where commitment and attachment towards the product are significant and cognitive elements can possibly have positive effects on affective loyalty. Lastly, ‘conative’ loyalty is the future incentive of using a specific product or specific brand. It has been studied that a consumer can express affective loyalty and satisfaction towards several brands in a product category. Assumedly the ‘conative’ loyalty could be classified as a forecaster compared to both ‘cognitive’ loyalty and ‘affective’ loyalty.

Further prominent research within the area of consumer loyalty has been done by the business author Frederick F. Reichheld. In his article “The one number you need to grow”, Reichheld examines the connection between consumer loyalty and company growth by analyzing consumer surveys and finding statistical relevance between the questions asked and repeat purchases or referrals. The most effective and statistically relevant question was: “How likely is it that you would recommend (company X) to a friend or a colleague?” The consumers that answered the surveys were also clustered into three different categories; the ‘promoters’, the ‘passively satisfied’ and ‘detractors’, depending on their repurchase and referral behaviour. ‘Promoters’ are those consumers that are loyal enthusiasts of the company, diffusively seen as an associate of the company’s sale force. Contributing to the highest positive word-of-mouth and repurchase rate, whilst accounting for about 80% of the company’s referrals. The second division, ‘passively satisfied’, are rather indifferent and less enthusiastic than the promoters. The ‘passively satisfied’ consumers are more easily affected by different competitors attempts to attract them. Finally, the ‘detractors’ are the dissatisfied consumers and are the biggest source of negative word-of-mouth accounting to over 80% of the total. Reichheld then developed a concept, based on how many consumers were ‘promoters’ of a company subtracted by the ones who are ‘detractors’. This produced a so-called net-promoter score. As an example and comparison world-class loyal companies like Amazon, eBay and USAA acquire a net-promoter score between 75-80%. Regarding the case study chosen for this paper where a bank is examined, significant conclusions will be described from the article “The antecedents of consumer loyalty in retail banking” authored by Barbara R. Lewis and Magdalini Soureli. The authors provide a brief description of the various studies that have been performed on the subject of loyalty and the various antecedents that interact and form different causations. The antecedents that have been identified, compared and summarized in the study are: customer satisfaction, perceived service quality, service attributes, corporate image, perceived value, switching costs, interpersonal relationships with bank employees, commitment-attachment, trust, customer characteristics and organisations’

82 Reichheld, F. (2003) pp. 46
83 ibid. pp. 50
85 ibid. pp. 73
86 ibid. pp. 53
relationship marketing efforts. The conclusive statement about the studies examined and the inter-relationships between these antecedents of loyalty, specifically bank loyalty, is that no narrowing down to empirical generalizations can be generated. Thus the study aimed to confirm what inter-relationships between antecedents of bank service loyalty exist by creating a new model since no theoretical framework exists. Figure 4 depicts the hypothetical model based on the various theories studied and outlines the contingent relations of loyalty. It is based on the assumption that the correlation between satisfaction and loyalty is not self-explanatory. A consumer that is satisfied with a product will not necessarily purchase the product or service again which leads to unsatisfactory loyalty. Thus the study investigated whether or not commitment, insinuating a level of emotional attachment, is the pivotal factor between satisfaction and loyalty.

Figure 4

Finally, after performing a multitude of personal interviews and surveys with consumers that are a part of the Greek banking industry, an updated model was presented. Figure 5 depicts the final model with the relational outcomes of the study and delineates the inter-relationships that were confirmed, not confirmed or new. Most

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89 ibid. pp. 19
90 ibid. pp. 19
91 ibid. pp. 19
92 ibid. pp. 20
importantly the initial thoughts of a pivotal factor connecting satisfaction and loyalty were not strongly supported. Instead there was strong support for a direct connection between the two concepts\textsuperscript{93}. Notwithstanding the erroneous relationship, the model still proposes an overview of the correlation between the variables and their direct correlation to loyalty. Interestingly, ‘customer involvement’ which is the importance and interest that bank consumers associate with the usage of the financial services. The study found that there was no relationship between ‘customer involvement’ and ‘loyalty’. Moreover the consumers displayed a mixed variety of loyalties towards their financial service. The less loyal, displayed a cognitive loyalty, where a better offer from a competitor would have them switch bank. A more loyal consumer that manifested an affective loyalty would be willing to advocate the service to their surroundings. None of the consumers showed conative loyalty towards their financial service, meaning they were not interested in engaging in further business in the future and they felt no higher commitment to behave in a loyal manner towards the bank\textsuperscript{95}.

\textsuperscript{93} Lewis, B. and Soureli, M. (2006) pp. 27
\textsuperscript{94} ibid. pp. 28
\textsuperscript{95} ibid. pp. 27
3.6 Corporate Social Responsibility

Many terms cause debate and many terms cause confusion on how to define the debated concept in the first place. One of these concepts or rather subjects is CSR. It can be viewed and defined as; a tool that reshapes an organizations core business towards a more sustainable and ethical profile; or a green washing mechanism where a corporation can hide behind a screen with their questionable business; or lastly, as a faulty way of diverting capital away from others than the rightful owners – the shareholders. One common ground that CSR is based on is the idea to create a positive social change in the corporate world. It is most definitely not a new concept; a positive social environment has always been desirable in all settings. To mention a recent paradigmatic shift the Industrial Revolution imposed a major change in how the workplace came to look like and the magnitude of production. The altered workplaces were considered as more inhumane, based on a remark that Karl Marx later made in the mid-nineteenth century. During the late 1800s events that ignited the individual consumers could be observed where the growth of corporations dealing with petroleum, railroad etc. grew. The appropriateness of these corporations was questioned and the pressure from the public compelled the U.S. government to impose regulations on major corporations. Eventually the focus shifted and the 70s saw a new emphasis on “what companies could do to better the world” rather than “what companies could do to ensure their own survival.” Furthermore an age where the acronym for Corporate Social Responsibility (CSR) could subsequently stand alone due to the rising awareness and fashion of the term. The controversies and discussions surrounding CSR escalated at this point in time and included an obstinate interpretation by Milton Friedman where he stated that: “political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources” assuming that CSR is firmly grounded in socialism rather than in capitalism. The contrasting side, which besides recognizing a corporation’s need of producing profit, also observed supplementary obligations. Presenting a distinct shift Archie Carroll concluded: “The point here was that CSR, to be accepted as legitimate, had to address the entire spectrum of obligations business has to society, including the most fundamental – economic … four kinds of social responsibilities contribute total CSR: economic, legal, ethical, and philanthropic.” The concept keeps growing and the way CSR will comprise the civil society in the future is


\[\text{The author’s interpretation of the many faces of CSR}\]


\[\text{ibid. pp. 4}\]

\[\text{ibid. pp. 5}\]

\[\text{ibid. pp. 5}\]

\[\text{ibid. pp. 5}\]

\[\text{ibid. pp. 62}\]


\[\text{ibid. pp. 29}\]
widely debated. One of the most interesting approaches is one discussion initiated by Malcolm McIntosh about brand integrity and CSR\textsuperscript{105}. The discussion commences in a statement that consumers and corporations and other stakeholders of the society are failing at agreeing on social and environmental goals. One way in doing this is by working with brands. They are something that is part of every individual’s life and therefore it is important to understand its social and ecological impact. To understand the impact one might look at “global supply chains; global trade issues; the interface between government, corporations and nongovernmental organizations; and the ecological footprint of brands\textsuperscript{106}”. The director of Unilever’s Marketing Academy Thom Braun ponders on brands: “Values are at heart of branding… Brand values should not just be ‘attachments’ to a product or service, but rather the driving force for what the brand can dare to become\textsuperscript{107}”. CSR has formed a basis of new indicators for corporate performance on social and environmental impacts and the public now has more awareness of the values that a particular brand or corporation embodies. The awareness has reached a point where the public knows and is more interested in the sourcing, manufacture and disposal of a product. By attaching values to the brands by formulating them on the basis of “human rights, labour standards, environmental protection and liberalized markets” the public can be asserted of the impact that brand has had on society. The debate is certainly vast and covers all business functions. The definition of CSR that the author finds most relevant and paramount is:

“A business strategy that is integrated with core business objectives and core competencies of the firm, and from the outset is designed to create business value and positive social change, and is embedded in day-to-day business culture and operations.”\textsuperscript{108}

\textsuperscript{105} May, Steve, and George Cheney et al. (2007) pp. 45
\textsuperscript{106} ibid. pp. 51
4. Financial sector and CSR

The financial sector is a pre-requisite for business to operate and function properly. It is the centre of importance for an economic wellbeing by providing services, which adhere to the general public and businesses by providing a savings, financial, payment, intermediate and risk management system\textsuperscript{109}. The relationship customers and banks have has been associated with loyalty, meaning that a customer will sustain a relationship with a single bank for a longer period of time. Recent customer surveys are pointing towards a new era with customer willingness to change banks\textsuperscript{110}. The number of banks a customer attains reflects this willingness of change that has been observed. The recent major financial crises severely damaged credibility, corporate public image and trust of the banking sector and this recent change in consumer behaviour might be a reflection of these events. Seeing as this paper covers and focuses on a case study on a Swedish bank, the focus will be on the financial sector in Sweden. There are around 117 banks on the Swedish market categorized into four main categories: banking companies, foreign banks, savings bank and co-operative banks\textsuperscript{111}. JAK Members Bank is one of two co-operative banks on the Swedish market together with Ekobanken. Recently one of the major banking companies, Swedbank, appointed a new president that previously worked for Folksam, an insurance company closely related to the main co-operative retail organization KF\textsuperscript{112}. Folksam being the biggest owner of Swedbank with a 7.9% share sees a closer future connection with the co-operative idea\textsuperscript{113}. In an interview the newly appointed president, Anders Sundström, stated\textsuperscript{114}:

“I think customers expect that the bank they have maintains a high profile in terms of human rights, child labour, environmental and social commitment. I think it's a good deal for the bank to care about it. Those who do not care will end up in trouble”\textsuperscript{115}

Maintaining a high profile within the areas mentioned above is part of having a CSR strategy within a company. The financial sector is one of the industries that devote money and time by developing and implementing CSR in their organization\textsuperscript{116}. CSR within the financial sector has been noticeable when entering a specific financial

\textsuperscript{109} Svenska Bankföreningen (1990) \textit{The Swedish banking market}. [online]
\textsuperscript{110} Ernst & Young (2012) \textit{Global Consumer Banking Survey 2012}. [online]
\textsuperscript{111} Svenska Bankföreningen (2012) \textit{Banks in Sweden}. [online]
\textsuperscript{112} Kooperativa förbundet (Swedish Co-operative Union)
\textsuperscript{113} Svensson, Karin (2013) \textit{Redo för mental omställning}. Di Dimension, 18th of April, 3: 12-21. pp. 13
\textsuperscript{114} ibid. pp. 16
\textsuperscript{115} “Jag tror att kunderna förväntar sig att den bank de har ska hålla en hög profil när det gäller mänskliga rättigheter, barnarbete, miljö och socialt engagemang. Jag tror att det är en bra affär för banken att bry sig om det. De som inte bryr sig kommer att få bekymmer.”
\textsuperscript{116} Pérez, Andrea, and Ignacio Rodriguez Del Bosque (2012) \textit{The role of CSR in the Corporate Identity of Banking Service Providers}. Journal of Business Ethics 108.
institutions web site. The CSR strategies that they have endorsed have helped the sector, specifically banks, to rectify the corporate image that is displayed\(^\text{117}\). By conveying social action through employees that customers and other stakeholders can identify with improves the corporate image. An attempt in grouping the social actions have been done by Coupland and are as follows: “‘doing good’ (charity, employee support, etc.), ‘being good’ (environmental responsibilities, diversity and equality) and ‘funding good’ (investing in ethical businesses)”\(^\text{118}\).

Studies have been made to examine the extensive integration of CSR in different ways in the financial sector. One study that was performed on banking companies and savings banks in Spain examined the role that CSR plays in the corporate identity. A distinction between the two types of banks were made and it was seen that banking companies pay less attention to CSR values and instead focus on the core business with a clear customer orientation in their strategy. This was much unlike the savings banks that paid more attention to CSR and built strategies and identity around an improved equilibrium between the financial and social sphere\(^\text{119}\). Integrating CSR in the corporate identity entails a creation of social value that is hard to measure accurately. Unfortunately this poses a problem in developing CSR because companies are reluctant in allocating resources to such an activity with benefits that are not measurable. Most banks invest a lot of money in CSR, but the strategy is an external part of the organization. The following two quotes explain the obligatory nature of CSR within the financial sector: “it is part of a broader concept the customer has about what a banking company should be\(^\text{120}\),” and “a person who is aware of a Bank behaving unethically can do something and look for a new provider\(^\text{121}\).”

Different views of corporate personality were also observed, whereas as in the banking companies that have their traditional focus on industrial banking, the stockholders were perceived as the most important stakeholders. The savings banks on the other hand, seeing as their traditions stem from the idea of social dividends, focus on retail banking. They focus on the community they operate in and CSR is viewed as a component of the corporate identity as it is part of the characteristics of the savings banks\(^\text{122}\). Banking companies and savings banks view their stakeholders differently, where the former thinks that stockholders and customers are more important then other because they impact business results. The latter rather focuses on equal advancement for all of the different stakeholders of their organization resulting in: “… CSR is nowadays more integrated in the corporate identity of savings banks, due to their social tradition, while banks are progressively working on the integration of CSR concerns in their personality\(^\text{123}\).” The way in which CSR is communicated lastly to the public is also slightly differentiated, although a belief that an excessive communication leads to a negative reaction from stakeholders is shared throughout the financial sector. Savings banks, seeing as the public image in general is more prominent

\(^{117}\) Bravo, Rafael, and Jorge Matute et al. (2013) pp. 131

\(^{118}\) ibid. pp. 133

\(^{119}\) Pérez, Andrea, and Ignacio Rodriguez Del Bosque (2012) pp. 155

\(^{120}\) ibid. pp. 160

\(^{121}\) ibid. pp. 160

\(^{122}\) ibid. pp. 161

\(^{123}\) ibid. pp. 161
compare to a banking company’s, wish to invest less in CSR because of their social tradition. Pérez and Rodríguez del Bosque argue and conclude in their study that the main problem with communicating CSR is not the channels chosen or the magnitude of economic investment, but rather the lack of strategic planning surrounding this communication\textsuperscript{124}. Regarding the strategical choice of incorporating a CSR strategy in whichever form a financial institution wishes to do so, David Sigurthorsson investigated the cause and effect of the Icelandic banking crisis and the relationship with CSR\textsuperscript{125}. Sigurthorsson discusses some important observations in relation to CSR during the peak period of the crisis. CSR reporting was very common, with a lack of performance and substance and used freely as PR\textsuperscript{126}. The approach taken by banks was usually to discuss how exactly the profit they made was used and for what goodwill purposes. Unfortunately the approach of how the profit was earned and the social responsibility of setting a limit to risky and harmful business practices were less common. The author discusses and concludes that as long as the CSR remains an open concept free for any sort of opportunistic interpretations there is a possibility that it will continue to be reduced to a PR instrument\textsuperscript{127}. The one category of banks that have not been reviewed according to the CSR strategies they implement and their organizational structure is co-operative banks.

\textsuperscript{124} Pérez, Andrea, and Ignacio Rodríguez Del Bosque (2012) pp. 161
\textsuperscript{125} Sigurthorsson, D. (2012) The Icelandic Banking Crisis: A Reason to Rethink CSR?.
\textsuperscript{126} ibid. pp. 149
\textsuperscript{127} ibid. pp. 154
4.1 Co-operative banks

The purpose of a co-operative bank is to ensure social and economic benefits for the members, employees and customers without making a profit. The main features of these types of institutions are mutuality, democracy, solidarity and localism. As customers own the bank, the adoption of one vote, one person principle is in line with the democratic feature. Profitability is only seen as a mean for survival, it is rather the quality of service and finance that is of importance in this prospect. Because the co-operative banks operate with robust capitalization they are an important actor in the financial sector. They are associated with keeping a low risk profile on their assets, a stable performance, a possibility of peer and social monitoring and the introduction of CSR in the financial sector.

The competitive advantages and disadvantages vis-à-vis other banks are:

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<tr>
<th>Advantages</th>
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<td>- Better delegated monitoring</td>
<td>- Small dimensions</td>
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<td>- Stronger local relationship with their customers</td>
<td>- Lower geographical and sectorial portfolio</td>
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<tr>
<td>- Competitors restricted to other small banks</td>
<td>diversification</td>
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<tr>
<td>- More efficient control of management</td>
<td>- Fewer resources</td>
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<td>- Decisions might become informal and be</td>
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<td>based excessively on personal factors</td>
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Whilst co-operative banks usually run their operation as a retail bank with small dimensions the discussions on the current situational changes in the global markets affect the future outcome of the co-operative institutions. It is discussed that factors in the world market, like globalization, innovation, deregulation, disintermediation and shareholder value are modifying the financial markets. These factors might reduce commercial banks to enter the co-operative banks niche segments, questioning the future development and stability of co-operative banks. The similarity between co-operative banks and savings banks, besides having traditions that stem from the idea of social dividend, is evident in the way they regard CSR.

129 ibid. pp. 1
130 ibid. pp. 2
131 ibid. pp. 3
5. JAK Members Bank

The following segment will explore the structures and identity of a co-operative bank based on data records, interviews and strategies that were derived from JAK Members Bank to give an outline of the organization. The assemblage of the derived data will work as a continuation from the introductive part about the banks operative business. The two internal strategies that were received from JAK Members Bank are the members strategy and communications strategy, of which the strategy concerning communication serves as an extension of the members strategy. They will be examined and concluded closely in section 5.2 and 5.3.

5.1 JAK Members Bank Business Method

JAK Members Bank is an important element in the world of interest-free banking and with special attention to the combination of a co-operative movement. With the idea of members collaborating together and creating a sustainable basis for their financial resources, the idea of making money by having money as is common with an interest-based alternative can be avoided. The function that the interest has in today’s society demands an unsustainable growth that is not in line with what the ecological system can sustain. Essentially an unethical and unjust society is where individuals who are passive owners of capital or other capital resources make money on their advantage. JAK Members Bank believes that labour and the salary that it awards is a fruitful way of making a living. Thus JAK Members Bank is not a profit maximizing business, but re-invests the profit in the organization. The importance of having liquidity is as important as in any other conventional bank. JAK Members Bank ensures this by having three different sources of earnings: borrowing charge (that covers personnel costs and other administrative costs), membership fee and earnings from the liquidity from state bonds. The earnings derived from the state bonds are a necessary and legal precaution that every bank has to have to avoid a liquidity crisis. The interest earned is directly invested in the capital, ensuring a stable flow of current assets for a good liquidity.

Derived directly from the set regulations, the operational direction for the ideologically governed movement and bank that JAK Members is follows:

JAK Members Bank’s focus as an ideologically governed movement

- work for economic emancipation for individuals and for society as a whole.
- spread knowledge on the effects that the interest rate has on humans and the environment.
- highlight the strong link between ecological and economic sustainability.

\[\textsuperscript{133}\] ibid. pp. 9
\[\textsuperscript{134}\] ibid. pp. 77
\[\textsuperscript{135}\] Reglemente för JAK Medlemsbank pp. 11
• conduct public education activities with the help of ‘voluntary resource individuals’ and local departments.
• broaden and deepen the discussion on interest-free economy.
• be a conscious learning organization that organizes e.g. courses, seminars, workshops, exhibitions, briefings, tutorials, themes evenings with invited speakers.
• examine new ideas and solutions to monetary policies and social struggles.
• participate in the ongoing public debate on issues surrounding the economy and money.
• participate in the development of local financial infrastructures.
• work internationally to spread JAK Member Bank’s ideas about fair economy.
• develop methods that facilitates participation, democratic empowerment and decision making within the association.
• contribute to a vibrant discussion that promotes members' participation and commitment.
• strengthen, develop and expand our local branches.
• ensure that all members have access to the information they desire.
• seek to increase in membership, financial turnover and social importance, until JAK Member Bank’s idea is covered and practiced as much externally as within the organization
• issue the member magazine Gravel & Gold136.
• promote the development of ideas with local ties.
• collaborate with other organizations and companies that share our values.
• be radical in the literal sense: by searching for the essence of the error in interest in the field of economics and money.

JAK Members Bank’s focus as a bank137
• offer an interest-free banking based on a sustainable economic system in balance, a practical application of our idea.
• give members the opportunity to invest their money without interest and to borrow without ending up indebted by the interest.
• work for the sake of individuals and households to have control over their lives by being able to save and borrow from each other without interest and repay their debts.
• contribute to a healthy approach to an individual’s personal finance.
• manage the operation and development cost effectively and profitably for both a high equity ratio and a wide range of information surrounding the business of the organization’s ideas.
• promote a savings vehicle that provides the opportunity for an individual to help and support appropriate projects.

136 Grus & Guld (Swedish title)
137 Reglemente för JAK Medlemsbank pp. 12
• act as an internet and telephone bank with headquarters in Skövde.
• make it possible for members to have JAK Members Bank as their main bank where their members can use the main banking services.
• be the obvious choice for our collaborators.
• actively develop new forms of banking and financial solutions with the aim to place real money locally.

The system behind the interest-free banking that JAK Members Bank provides, uses a concept that gives each member saving points for having their money in the bank, free for any other member to borrow. This is important to achieve a form of balance between loans and savings at all times to keep the system healthy. To take a loan a member is not required to save money beforehand to gather saving points, but by doing so the monthly costs will be much lower. If a member has not saved in advance, then the loan taker has to save money at the same time as they amortize. The amount of money is correlated to the amount they lend from the bank and will be retrieved when the loan is fully amortized. When a loan is granted, after doing an established credit check, the loan taker receives a full payment plan for the whole period, which will not be altered according to changes in borrowing charge fees throughout out the years. To market JAK Members Bank, traditional marketing techniques are not practiced to a large extent. Word-of-mouth marketing through members portrays details about the service along with feelings, attitudes and values that are related to the financial service that JAK Members Bank provides.

"It is important to have a set of values and that there is a thought behind why we offer a savings and loan system, that we want to help people become debt-free by offering a good loan at a low price "

- COO of JAK Members Bank

"We may not have something that you can directly buy and sell that puts us in a market where marketing is more than necessary and where competition is crucial. JAK Members Bank has an idea that we want to spread and it will still exist even though competitors and use the same idea"

- Head of “IMS”

When it comes to certain certificates or guarantees for members JAK Members Bank does not have a CSR strategy as of today and will probably not acquire one in the future. Certain guidelines and policies can be found in ruling documents applied by the board. Such as the operational direction that amongst others recommends using public and environmentally friendly transport for members and employees as much as possible when engaging in an activity related to JAK Members Bank.

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138 JAK Boken om Räntefri ekonomi och Ekonomisk frigörelse (2009). pp. 78
139 ibid. pp. 84
140 Reglemente för JAK Medlemsbank pp. 22
"When you feel you are doing something wrong or unethical, that is when you need a CSR Manager"

- COO of JAK Members Bank

"But as long as we're working towards a goal that is in line with our values, it is pretty self-policing what companies and individuals that apply for loans with us"

- COO of JAK Members Bank

"We have policies for our business travel to use the public transportation as much as possible"

- COO of JAK Members Bank

"Eating vegetarian at events organized by JAK Members Bank is recommended, it is easier to keep a vegetarian kitchen. We also know that there are environmental benefits from keeping a vegetarian kitchen to a greater extent."

- COO of JAK Members Bank

More information concerning the members’ role in the bank and the communication they provide follows.

5.2 JAK Members Banks Members Strategy

The members strategy is a document that is compiled and established by the board. It describes the strategies and goals for recruiting new members and with what means this is done. There are four strategic goals that are outlined:\footnote{Medlemsstrategi för JAK Medlemsbank pp. 5 [online]}

i. To promote interaction and cooperation between the members.

ii. To increase the number of members and the usage of the bank.

iii. Strengthen the members’ influence.

iv. Strengthen the members’ possibilities to spread knowledge about JAK Members Bank.

As observed in the fourth strategic goal, the word-of-mouth of JAK Members Bank is an important goal for the organization. The members, besides being bank owners, are also the banks primary marketers that engage in this extensive chain of communication. Additionally if the members participate and feel a responsibility towards the bank, JAK Members Bank will continue to develop and will not stagnate\footnote{ibid. pp. 5}.
"In the banking world, this type of marketing is rather unique and special, but not in the world of co-operatives and popular movements"
- COO of JAK Members Bank

"It's the best way to market and have confidence in something if you trust the one who tells you about it makes it easier to assimilate"
- Head of “IMS”

Out of the 38 000\textsuperscript{143} bank owners approximately 774\textsuperscript{144} members are so called “voluntary resource individuals”\textsuperscript{145}. These members have completed a basic course, followed by a weekend at a “JAK-school”. During these occasions the members are offered courses concerning different topics alongside an introduction to how JAK Members Bank works as a bank and as a popular movement. One of the foundations of a popular movement is for the members to get total transparency and knowledge of the movement\textsuperscript{146}. The members are the ones that own and utilize the banking system, which in turn means that they are the ones that can provide a credible depiction of JAK Members Bank’s function. A stakeholder group analysis that JAK Members Bank performed to complete their communication strategy concludes that through the member’s networks the bank can create an efficient marketing, distribution of their ideology and recruiting of new members. The members, particularly the “voluntary resource individuals”, are the prime target groups\textsuperscript{147}.

\textsuperscript{143} Medlemsstatistik JAK medlemsbank 2013-05-01 pp. 6
\textsuperscript{144} ibid. pp. 9
\textsuperscript{145} ”Ideella resurspersoner”
\textsuperscript{146} JAK Boken om Räntefri ekonomi och Ekonomisk frigörelse (2009). pp. 95
\textsuperscript{147} Medlemsstatistik JAK medlemsbank 2013-05-01 pp. 6
5.3 JAK Members Bank Communication Strategy

The strategy covers a plan for how and where the communication of the members bank should be pursued. It answers the question “How will JAK Members Bank improve its communications between now and 2017 in the best way?\textsuperscript{148} The messages that JAK Members Bank wants to display to current and new members, which serves as JAK Members Banks identity, are the co-operative foundation, the members banks history and identity, values and organizational focus\textsuperscript{149}. The co-operative foundation that JAK Members Bank is based on the values of a co-operative coined by ICA (International Co-operative Alliance)\textsuperscript{150}:

Co-operatives are based on the values of \textit{self-help, self-responsibility, democracy, equality, equity and solidarity}. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Section 1.2 mentions the important dates in the members bank history, but a clarification of how the movement towards a bank was undergone. The NGO\textsuperscript{151} JAK national association collected their ideas for their organization from a similar movement in Denmark and started organizing themselves in 1965. The purpose was to spread knowledge on the negative effects of interest in the society and to promote economical cooperation by introducing an interest-free funding tool. A savings and loan association was formed called JAK distribution system and was ready to use in 1970. Within this association, the members could save and loan money without interest. The bank supervision confirmed in 1989 that JAK was a NGO that sustained financing for the members of the organization\textsuperscript{152}. The publics’ interest spread and the amount of members increased vigorously during the financial crisis in the 90s\textsuperscript{153}. The organizational structure slowly changed and JAK decided to become and economical association\textsuperscript{154} in 1993 with the same aim as the NGO had. The government discussed a new law that regulated savings and loan associations and JAK started preparing to adapt to this new regulation. The adaptation went as planned and JAK Members Bank managed to acquire a banking permission in 1997\textsuperscript{155}.

\textsuperscript{148} Kommunikationsstrategi för JAK Medlemsbank pp. 3
\textsuperscript{149} ibid. pp. 4
\textsuperscript{150} Ica.coop (2013) Co-operative identity, values & principles ICA: International Co-operative Alliance. [online]
\textsuperscript{151} Non-Governmental Organization
\textsuperscript{152} JAK Boken om Räntefri ekonomi och Ekonomisk frigörelse (2009) pp. 15
\textsuperscript{153} Kommunikationsstrategi för JAK Medlemsbank pp. 4
\textsuperscript{154} Bolagsverket.se (2013) Economic association - Bolagsverket. 2012. [online]
\textsuperscript{155} Kommunikationsstrategi för JAK Medlemsbank pp. 4
The identity of JAK Members Bank is as follows\textsuperscript{156}:

- Commenced 1965 as JAK – national association for economic liberation with Danish J.A.K. as a model.
- Acronym for the three factors that form the basis of all production: Earth, Labour and Capital.
- An open, democratic organization that is owned and governed by the members, with the annual general meeting as the highest decision-making body.
- Became an economic association in 1993 and a bank since 1998 with octroi and deposit-guarantee scheme.
- Is an important element in the popular movement that wants to change the terms and conditions in the economy, both locally and internationally.
- Represents a forum for debate, development and popular education within interest-free, fair and sustained economy.
- By maintaining a cooperative banking association with interest-free save and lending an example of a functioning financial system with cooperation as a motive rather than competition.
- Nationwide organization governed by a board of members that coordinates the activities.
- Religiously and politically unbound.

\textsuperscript{156} Reglemente för JAK Medlemsbank (2012-04-22) pp. 6
As an extension of the identity, a presentation of the values and organizational focus will follow:

**JAK Members Bank’s core stems from ethical values and should permeate the whole organization and its activities. These are expressed as:**

**Holistics**
- People should meet as free and equal individuals. We believe in diversity and solitary cooperation.
- Sustainable economical relations are possible.
- Ethical tradeoffs and common benefits should be more guiding than egoistical profit motives.
- A long-term perspective is necessary to establish a healthy development.

**Ecology**
- Economy should be adapted to the requirements of an ecological preservation.
- Providing and administration of ones economy should be arranged so that the ecosystems is not jeopardized. That is why we take a stance towards a pursuit for constant growth.
- Interest-free financing promotes sustainable investments while the interest based economy contributes to the depletion of earth’s resources, because their return is decoupled from the real world.

**Justice**
- Economy should counteract gaps between rich and poor.
- The interest based system is unfair because it redistributes money from those who have no money to those who have an abundance of it.
- Economical relationships should be characterized by justice and economical administration – not by usury, overconfidence on growth or by making money on money.

**Democracy**
- A fair economy assumes a democracy where everybody’s opinion and statements can be valid with the same potency.
- Everybody should have access to the information that is required to be part of the decision making.
- Debates and conversations with respect to different approaches should be stimulated.

**Locally and globally**
- Sound local economies is the base for a sound globalization.
- Money’s focus is to be used locally where the public are and for real needs.

**Economical liberation**
- Money should be used as an interest free medium of exchange that facilitates interaction and exchange of goods and services, not for speculation.
- Costly costs for a product caused by interest, especially with a couple of indebted production channels, should be avoided.
- Money’s most important function is to achieve economic liberation for individuals and the society.
- JAK Members Bank is one of the tools for the attainment of this economic liberation.

JAK Members Bank wishes to be perceived as a welcoming, serious, sustainable and ideologically embedded bank. For the members of the bank it is important that they perceive JAK Members Bank as a user friendly,
responsible and ideologically governed organization whilst giving the member full benefits. The importance of communication and transparency is central in a co-operative. For a member who is part bank owner, information about the transformations and obstacles have to be disclosed. The importance of a public information officer is recognized within the bank, as important decisions surrounding big projects have to be made on a yearly basis.

"The public information officer will work as a spider in the web with regard to the communicative approaches, both strategically and practically. Operational changes have to be made today, but we also have to enter the debate on economy and how we will work in the long run. We have a card project to be launched and we have to convey the load of information related to this e.g. project plan, time, costs"
- COO of JAK Members Bank

"Because JAK Members Bank does not work with yield the trust is built on other levels, we do not have a CSR representative but we need a communicator who can help us to disclose information so that we become comprehensible to more people. That is where our trust issues are focused, on the mass majority, the potential members and borrowers.”
- COO of JAK Members Bank

The members are the ambassadors of the bank being the ones that put trust in the bank to administer their capital and they are also the individuals that identify, form and understand JAK Members Bank. Part of the bargain of being ambassadors of the bank is taking part and being an actor in the most important channel of communication with the help of word-of-mouth. In addition, the written and digital channel of communication, act as a support to the word-of-mouth. JAK Members Bank considers a threefold interaction between the channels as the most powerful way to communicate.

158 Kommunikationsstrategi för JAK Medlemsbank pp. 5
6. Analysis

The study explored the relation of word-of-mouth, consumer loyalty and CSR in light of prior research and an assessment of a co-operative bank. The analysis will explore the relationship between different concepts and their prevalence in the co-operative bank by examining the theoretical framework and the information gathered from the case study.

6.1 Word-of-mouth

Word-of-mouth was identified as the most important marketing method used by JAK Members Bank. The important conclusion, which can be derived, is that of word-of-mouth being the marketing method, which allows members to share the most realistic and genuine communication regarding the bank. The members of JAK Members Bank are able to identify with the values and core business ideology of the organization. Thus, the two different types of word-of-mouth previously described, positive and negative, occur regularly within the organization. By a recollection of the underlying motives and origin of the two types of communications, the positive word-of-mouth is driven by “a desire to help the company”\(^\text{159}\). This can be identified as every member’s intention as each member owns a part of the bank. The drive underlying the “altruistic”\(^\text{160}\) spreading of information through word-of-mouth does not coincide with the motives of JAK Members Bank members.

Through analyzing the content of the case study conducted, there is a strong basis to support the notion that it is not through complete selfishness that an individual partakes in the spreading of word-of-mouth communications. From the perspective of an individual member of JAK Members Bank, expanding the number of members that together share a bank is pinned as the second strategic goal of the bank\(^\text{161}\). The statement: “A desire to signal expertise to others”\(^\text{162}\) relates greatly to the positive word-of-mouth that members of the bank spread, and further supports public education as being one of the most important segments of the co-operative movement. The idea of a co-operative bank is not a widely accepted norm in today’s society, this fact therefore strengthening the need and importance of public education through the word-of-mouth marketing method. Every member has to possess some form of expertise on the subject of interest-free banking. Moreover, in regard to the studies conducted by Mazzarol et al, the emphasis of a word-of-mouth message was weaker when a negative word-of-mouth communication was received and delivered\(^\text{163}\). East et al. later confirmed this relationship in their article “Measuring the impact of positive and negative word of mouth on brand purchase probability”\(^\text{164}\). Within JAK Members Bank the emphasis on communicating negative word-of-mouth messages was non-existent. This in turn

\(^{159}\) Costabile, Michele et al. (2012) pp. 552
\(^{160}\) ibid. pp. 552
\(^{161}\) “To increase the number of members and the usage of the bank.”
\(^{162}\) Costabile, Michele et al. (2012) pp. 552
\(^{163}\) Mazzarol, T., Sweeney, J.C., et al. (2007)
\(^{164}\) East, R. and Hammond, K., et al. (2008)
confirms the effect of the type of communication and its effect on receivers, showing the influence of positive communications and the stronger impact these have upon the receivers\textsuperscript{165}. Concerning the case study conducted, there were no clear strategies applied to handle negative word-of-mouth or misconceptions regarding the organization. Hence the presumptions lie in the fact that maintaining transparent communications and the focus of the organization is important. Being an idea-governed movement proposes a structured learning organization that should indirectly treat the spreading of negative word-of-mouth by providing answers to common misconceptions.

6.2 Trust

This section will aim to investigate whether or not JAK Members Bank complies with the criteria’ describing trust put forward by Mayer\textsuperscript{166} followed by Singh and Sirdesmukh\textsuperscript{167}. The first of those is ‘ability’\textsuperscript{168}. JAK Members Bank with its history and presence on the financial market with continuous development exemplifies capability and skills. Additionally, the banks ambition to enter “the debate on economy and how we will work in the long run”\textsuperscript{169} as stated by the COO is an attempt in employing influential knowledge, capability and skills. The second criterion, ‘benevolence’\textsuperscript{170}, is defined by both Mayer and the research put forward by Singh and Sirdesmukh as an important condition where a customer’s interest is placed before that of the organization\textsuperscript{171}. The member’s interest lie in having a bank that delivers and benefits them in the best way possible. Therefore it is in the members’ interests that the bank perseveres. The criteria of ‘competence’\textsuperscript{172} and ‘integrity’\textsuperscript{173} entail a promise of committing to accepted principles between the organization and the consumer. As such a transparent organization ensures this consent\textsuperscript{174}. This degree of trust is regarded as one of the most important in JAK Members Bank where the COO in his interview argues that transparency was one of the reasons why a public information officer was crucial to appoint to the organization. Moreover, when examining trust, Robert. M. Morgan and Shelby D. Hunt’s research is a crucial finishing point with their contribution to the study of relationship marketing\textsuperscript{175}. In regards to the first conclusive point made by the research authors\textsuperscript{176}, the relationship

\textsuperscript{165} East, R. and Hammond, K., et al. (2008)
\textsuperscript{166} Mayer, R. and Davis, J., et al. (1995)
\textsuperscript{168} Ability: the one being trusted has influential knowledge, capability, and skills.
\textsuperscript{169} Quote derived from interview with COO of JAK Members Bank
\textsuperscript{170} Benevolence: the one being trusted is motivated to do something sincerely beneficial for others rather than for themselves;
\textsuperscript{172} Competence: Companies keep to the commitments made to customers through reliable and honest approaches.
\textsuperscript{173} Integrity: the one being trusted sticks to some principles acceptable to the one who trusts
\textsuperscript{175} Morgan, R, & Hunt, S (1994)
\textsuperscript{176} “(1) providing resources, opportunities, and benefits that are superior to the offerings of alternative partners”
between JAK Members Bank and its members, the bank provides niched resources, opportunities and benefits for individuals that want to contribute to a, according to JAK Members Bank, fair economy\textsuperscript{177}. Where in a given time an individual with a surplus of capital can contribute and assure that another individual with a deficit in capital is able to sustain oneself by taking a loan. This is done in a manner where trust between the parties will not be diminished due to unethical investments of the individual’s capital in external lending and speculation that the bank could subdue in. This conclusion also supports the fourth conclusion\textsuperscript{178} made by Morgan and Hunt, where JAK Members Bank cannot survive by means of taking advantage of their exchange partners or being opportunistic, seeing as the members or users are the sole proprietors. In light of the second conclusion drawn\textsuperscript{179} JAK Members Bank is a movement governed by its ideology, which in accordance with their focus, only collaborates with organizations and companies that share their values\textsuperscript{180}. By ensuring this collaboration and maintenance of these sets of shared values, the high standard of corporate values is clarified and trustworthiness is sustained. Lastly, the third relationship\textsuperscript{181} as mentioned previously is an important part of trustworthiness, as recognized by the COO of JAK Members Bank. The organization exposes the different aspects that determine the trustworthiness of an organization. These aspects have to be maintained in order for the organization to retain the level of commitment to the organization. Special attention is given to the co-operative operations run by the bank, where maintaining the ideology, path chosen and communications containing valuable information for satisfactory transparency is crucial.

6.3 Corporate image and corporate identity

The identity of JAK Members Bank stems from the members that together form the bank. As van Riel and Balmer explain, the identity is a collection of an organization’s unique characteristics, which in turn are rooted in the members of the organization\textsuperscript{182}. The concepts of ‘Soul’, ‘Mind’ and ‘Voice’ are part of the “The Corporate Identity Mix” as presented by Balmer and Soenen\textsuperscript{183}. These are encompassed in the ACID model, and will be analyzed in relation to the identity that JAK Members Bank portrays. The ‘actual identity’\textsuperscript{184} represents the values and organizational focus that JAK Members Bank has shaped and governs the members and employees proclamation of these values\textsuperscript{185}. Regarding the ‘communicated identity’\textsuperscript{186}, JAK Members Bank displays the co-

\textsuperscript{177} Reglemente för JAK Medlemsbank pp. 11
\textsuperscript{178} “(4) avoiding malevolently taking advantage of their exchange partner”
\textsuperscript{179} “(2) maintaining high standards of corporate values and allying oneself with exchange partners having similar values”
\textsuperscript{180} Reglemente för JAK Medlemsbank pp. 11
\textsuperscript{181} “(3) communicating valuable information, including expectations, market intelligence, and evaluations of the partner’s performance”
\textsuperscript{183} Balmer, John M. T., and Guillaume B. Soenen. (1999) pp. 74
\textsuperscript{184} “The reality of the organisation – internal values, behaviours, activities, markets performance, positioning”
\textsuperscript{185} Reglemente för JAK Medlemsbank (2012-04-22) pp. 7
\textsuperscript{186} “Corporate Images and Corporate Reputations and Total Corporate Communication”
operative foundation, the history, values and organizational focus to current and new members. Furthermore, depending on external events, the ‘ideal identity’ is subdued to change, seeing as these can influence and re-position an organization. To mention one such event in JAK Members Bank’s history, which occurred during the financial crisis in the 90’s, the bank was suddenly placed on the map as an alternative to a household’s current bank alternative that during the event suffered booming interest rates. The ideal situation would thus present a time at which JAK Members Bank would be considered to be the best alternative for any household. The aim for the perceived ‘desired identity’ of JAK Members Bank is to be seen as a welcoming, serious, sustainable and ideologically embedded bank. It is important that the members of the bank perceive JAK Members Bank as a user friendly, responsible and ideologically governed organization, which provides members with full benefits. In the interview conducted with the banks COO, he expressed the importance of always keeping in mind reasons due to which JAK Members Bank emerged; the existence and values being crucial, seeing as there is a thought behind having a co-operative savings and loan system. This thought aiming to help individuals become debt-free by offering affordable loans. The limitations of this study lies within the lack of ability to describe the ‘conceived identity’ as there was no sufficient data in form of interviews or surveys with internal or external stakeholders. Finally, the ‘covenanted identity’, which holds the promise in the corporate brand that is derived from identity attributes and although the study does not contribute to a clear perception by the general public of the brand of JAK Members Bank it is an important identity. The promise that the brand holds is what helps a consumer pre-acquisition, knowing what to expect when a brand is exposed in a purchase situation.

6.4 Consumer loyalty

The consumers of JAK Members Bank are in fact the members, as well as the owners of it. This structure differs from what a conventional banking consumer is generally offered. Thus, existing theories of consumer loyalty are based on the conventional view of consumers and the relationships within JAK Members Bank are not as clear as will be presented in this section. The essential distinction that Frederick F. Reichheld did between different types of consumers highlights the following three categories: the ‘promoters’, the ‘passively satisfied’ and ‘detractors’. In order to identify the consumers of JAK Members Bank an additional category would be necessary. This category would need to contain consumers that are the highly loyal and engage actively in spreading positive word-of-mouth communications – ‘the voluntary resource individuals’. These individuals have

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187 “The Optimum positioning”
188 Kommunikationsstrategi för JAK Medlemsbank pp. 4
189 “Corporate Owners and senior management’s vision”
190 “refers to the perceptions held of the organization by internal and external stakeholder groups and networks”
191 “refers to the covenant (promise) that relates to the corporate brand. A promise that underpins and serves as an informal contract between an organization and its various publics. The corporate brand covenant is derived from identity attributes (the corporate brand needs to be supported by appropriate behavior.) Once established, a corporate brand has a life and meaning of its own.”
passively chosen to be part of a group, which organizes various courses, seminars and workshops that are a part of the public education movement. Part of the consumers which have not actively chosen to become ‘voluntary resource individuals’ do however engage in spreading high positive word-of-mouth communications in their community. These individual consumers are the so called ‘promoters’. As such, the ‘passively satisfied’ consumers who are indifferent or less enthusiastic are the ones that feels detached concerning the outcomes achieved by the organization. In this instance, the desire to spread information about the ideology of JAK Members Bank is neglected. Lastly, the ‘detractors’ are all the banks dissatisfied consumers who actively spread negative word-of-mouth. As mentioned previously, no significant emphasis is given to this type of consumers. The reason behind the sustained loyalty of the ‘voluntary resource individuals’ and ‘promoters’ towards JAK Members Bank is due to their belief and recognition with the ideology, which is embedded in the corporate image and values. Barbara R. Lewis and Magdalini Soureli concluded that corporate image and value are both antecedents of loyalty. In their research that was performed by studying a sample of Greek banks they confirmed the relationships between corporate image, value and loyalty, which in the light of this study supports this finding\textsuperscript{193}. The relationship which was not given support in the study by Lewis and Soureli was that between ‘customer involvement’ and ‘loyalty’. This is a unforeseen finding in relation to JAK Members Bank seeing as the focus of the bank is on members interests of being able to “give members the opportunity to invest their money without interest and to borrow without ending up indebted by the interest\textsuperscript{194},” and “work for the sake of individuals and households to have control over their lives by being able to save and borrow from each other without interest and repay their debts\textsuperscript{195}”. If the study had included a co-operative bank in their sample, it is possible the outcome would have been different. ‘Corporate image’, ‘value’ and ‘customer involvement’ are all important antecedents to ‘loyalty’.

6.5 CSR

Although the COO expressed that there is no intention or necessity to include a CSR strategy in JAK Members Bank, the values and policies undertaken in the organization’s core business contribute to a sustainable development of society, as examined in the current study. As mentioned previously, the definition of CSR is as follows:

“A business strategy that is integrated with core business objectives and core competencies of the firm, and from the outset is designed to create business value and positive social change, and is embedded in day-to-day business culture and operations.”\textsuperscript{196}

\textsuperscript{193} Lewis, B. and Soureli, M. (2006) pp. 27
\textsuperscript{194} Reglemente för JAK Medlemsbank pp. 12
\textsuperscript{195} ibid. pp. 11
\textsuperscript{196} Mcelahney, K. (2009) \textit{A strategic approach to corporate social responsibility}. Leader to Leader, (52).
The core business objectives of a bank are to provide a savings, financial, payment, intermediate and risk management system. CSR provides a way of integrating these services, thus including an overall positive social change, by taking into consideration the other stakeholders beyond stockholders. Just as CSR is a component of the corporate identity and characteristics of a savings bank\textsuperscript{197}, it also is of a co-operative bank. The two types of banks focus on equal advancement for all the different stakeholders of their organization. In the study carried out by Andrea Pérez & Ignacio Rodriguez del Bosque the authors found that savings banks wish to invest less in CSR\textsuperscript{198}, this also being an observation expressed by the COO of JAK Members Bank. The day-to-day business culture of JAK Members Bank falls in line with a sustainable view of their operations, as mentioned in the interview, where policies exist for business travels where using public transport should be prioritized and a vegetarian kitchen is maintained during meetings organized by the bank. The research put forward by David Sigurthorsson, where he believes that it is important to change the approach that banks adopt is further important. Instead of discussing how the profit made by the bank was used for goodwill purposes the approach should be focused on how the actual profit was earned in the first place\textsuperscript{199}. In the case of JAK Members Bank the profit made is first and foremost reinvested in to the bank in order to sustain the long-term future of the operations. There is transparent information available for the consumer, outlining where the profit originated from, in order to trust the intentions of the members running the bank. As such, a specific CSR strategy is not necessary, mainly because this usually requires additional capital and resources to implement. The CSR of JAK Members Bank is a component of the corporate identity and values they have set forward which create business value for its members and contribute to a positive social change.

7. Conclusion

This study set out to determine the relationship between word-of-mouth, consumer loyalty and CSR by studying the operations of a co-operative bank. The case study presented provides strong evidence indicating a relationship between word-of-mouth, consumer loyalty and CSR. Furthermore, the results of the investigation highlight a testimonial of altered motives of word-of-mouth and indicate a need for additional criteria, which can assess a consumer’s level of loyalty. An alignment of the core business objectives with positive social change in line with the business value is necessary for actors within the financial sector. Doing this improves their corporate identity which the loyalty of the consumer is built upon. The current findings add to a growing body of literature concerning the nature of co-operative banks and their growing importance in the world of finance.

\textsuperscript{197} Pérez, Andrea, and Ignacio Rodriguez Del Bosque (2012) pp. 161  
\textsuperscript{198} ibid. pp. 160  
\textsuperscript{199} Sigurthorsson, D. (2012) pp. 154
8. Further research and reflections

It is recommended that further research be undertaken in order to further investigate the loyalty of consumers and improvement of the corporate identity within businesses in the financial sector. More broadly, a company’s brand presents several possibilities as Malcolm McIntosh’s research about brand integrity and CSR showcases. There is potential to not only study the brand of JAK Members Bank and its current associations to shed light on suggestive improvements. The brand relationship requires further investigation with special attention to the possibility of using brands as a quality guarantee in a pre-acquisition state for a consumer. The potential implementation of trustworthy universal certificates that are attached to brands to further aid a consumer in finding products or services in line with the individual’s values closest to heart.

9. Sources

9.1 Books, Journals & Websites


### 9.2 Documents provided by JAK Members Bank


Kommunikationsstrategi för JAK Medlemsbank (Fastställd av styrelsen 2012-02-16)


Medlemsstrategi för JAK Medlemsbank (Fastställd av styrelsen 2011-10-21)

Reglemente för JAK Medlemsbank (Antaget 2007-04-22, Senast reviderad 2012-04-22)

### 9.3 Interviews

Ann-Marie Svensson, Head of “IMS”

Sammy Almedal, COO of JAK Members Bank