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Open Banking Loyalty

A qualitative study on customer loyalty in retail banking.

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Abstract

Purpose: This paper investigates how open banking is thought to influence customer loyalty in a retail banking context. The study is limited to the established banks on the Swedish market and aims to illustrate how banks perceive and react to open banking, and what this means for customer loyalty in retail banking.

Methodology: Semi-structured interviews were conducted with open banking managers for expert insight into open banking strategies for the banks, and branch managers for insights into the practicalities of banks' loyalty efforts. These findings were analysed using an abductive approach.

Findings: Loyalty was understood as being based on customers' share of wallet while open banking was thought to increase customers' multi-brand loyalty, which challenges the banks' current perception that loyal customers are synonymous with full-range customers. While PSD2 was considered an important catalyst for open banking, it was not regarded as an important part of the perception of open banking.

Conclusions: Established banks' pursuit of full-range customers – and the definition of loyal customers likewise being full-range customers – is problematic as it stands in contrast with developments in the retail banking industry. Furthermore, while the industry is moving towards banking-as-a-platform, established banks are reluctant to embrace this change fully, opting for a cautious approach grounded in a need to stay profitable throughout the transition.

Keywords: Open Banking - Customer Loyalty - Trust - Satisfaction - Switching costs

1. Introduction

"If there is a threat from third parties, that threat has already been realised. The best FinTechs that will ever exist have already come, they came a few years back."
- Open banking manager, Bank B

Digital innovations have significantly influenced the financial sector (Zachariadis & Ozcan, 2017), altering how banks and banking customers interact (Key & Dehnert, 2018; Mbama & Ezepue, 2018). Digitalisation is likewise changing consumer behaviour, value perceptions and consumers' decision-making process in retail banking, which has led to decreased customer loyalty (Key & Dehnert, 2018; Mbama & Ezepue, 2018). Yet, customer loyalty is not solely decreasing, it is likewise transforming as consumers are not solely switching banks but rather utilizing a number of banks instead of being loyal to a single actor (Swedishbankers, 2019; Parmler, 2019; Key & Dehnert, 2018).

This form of multi-branded loyalty (Key & Dehnert, 2018), is suggested to be further enabled by the EU directive Payment Service Directive (PSD2), as it means that banks no longer possess exclusive rights to their customers' data (e.g. Copenhagen Economics, 2019; Chappelow, 2019; Granqvist & Christian, 2019). In this context, customer data mainly relates to payment and transaction information. In short, PSD2 compliance includes allowing third-party providers (TPPs) direct access to customer transactions, and for them to instigate a payment–given that the customer in question has agreed to the terms of the third party.

This shift in legislation has given rise to the term open banking, referring to how banks *"voluntarily or in response to legislative or regulatory requirements"* share customers' information with TPPs (Nicholls, 2019, p.1). This decentralization of the traditional information monopoly in retail banking is predicted to shift the industry composition by decreasing barriers to entry (Granqvist & Christian, 2019; Zachariadis & Ozcan, 2017; Dratva, 2020). Further, this is implied to lead to increased competition, innovation and efficiency in the financial market, resulting in added value for customers (Granqvist & Christian, 2019; Chappelow, 2019; Zachariadis & Ozcan, 2017; Dratva, 2020). Yet, it is likewise argued to be detrimental towards the large established banks' revenue structures (Dratva, 2020; Granqvist & Christian, 2019), as it will further push established banks to compete on each stage of the value chain (Copenhagen Economics, 2019; Dratva, 2020).

The Swedish banking market consists of a large variety of banks, the largest of which are referred to in this paper as established banks – universal banks, or *"storbanker"*. These established banks employ a full-range strategy, meaning that they offer practically all banking services (Finansinspektionen, 2017). Likewise, they strive to get full-range customers, meaning they would own the customers' full financial affair. With open banking lowering the barriers of entry for the retail banking market, the full-range business model is threatened, as niche actors are able to target specific parts of the value chain, and offer more specialised services at a competitive price (PWC, 2020).

Accordingly, it has been argued that banks will need to be more cost-effective and adapt their service and product offering to strive for a range of products which all are profitable on a stand-alone basis. (PWC, 2020). Consequently, banks are at a crossroads, as Zacharidis & Ozcan (2017) asserts:

"...banking institutions can choose either to embrace change through the opportunities that technology offers by interacting with the greater ecosystem of market participants and other service providers, or to defend their position by focusing their efforts on developing competitive solutions for all customer and product segments and limiting access to their systems." (p. 3)

Yet, there is a limited amount of research on established banks' perceptions regarding the implications of open banking and PSD2. In particular, there is a lack of research evaluating how established banks perceive the effects on customer loyalty.

The aim of this thesis is to contribute to an understanding of open banking and the effects this will have on customer loyalty in retail banking. More specifically, this will be described in how established banks perceive and adapt to the effects of PSD2 and open banking. The focus of the study will be customer loyalty – how banks perceive customer loyalty, and how they interpret open banking developments impact on customer loyalty. In order to provide structure to the study and discussion, the following research questions have been posed:

How are established banks perceiving the phenomenon of open banking and PSD2?

How are established banks' perceptions of customer loyalty influenced by open banking?

2. Theoretical framework

This thesis is built on a theoretical framework of loyalty in relation to open banking. It firstly assesses the theoretical implications and definition of open banking to subsequently relate the open banking concept with research on loyalty. This study centralizes three main determinants of customer loyalty: satisfaction, trust and switching costs. These are explained and conclusively related to open banking.

2.1 Open Banking

The fundamental understanding of open banking involves the sharing of customer data, generally through Application Programming Interfaces (APIs) between financial institutions and third-party actors (Nicholls, 2019). APIs have been epitomized as *"a way for two computer applications to talk to each other over a network using a common language that they both understand"* (Jacobson et al., 2011, p. 5). API-technology is not new per se, as it has been used by financial institutions for years (Zachariadis & Ozcan, 2017). Rather, the novelty lies in the increased accessibility to such APIs (ibid.). As previously mentioned, Nicholls (2019)'s definition of open banking includes data shared either voluntarily or in compliance with regulations. These regulations refer to the EU directive Payment Service Directive 2 (PSD2) (ibid.).

2.1.1 Payment Service Directive 2

PSD2 is related to open banking and is perceived as an essential facilitator of the open banking phenomenon (e.g. Guibaud, 2017; Zachariadis & Ozcan, 2017). PSD2 was introduced in 2015 and implemented in the EU on the 13th of January 2018 as a revised version of the previous Payment

Service Directive (PSD) (Nicholls, 2019; Zachariadis & Ozcan, 2017). The fundamental purpose of the directive was to contribute to a more integrated and efficient European payments market, improve the level playing field for payment service providers, make payments safer and more secure, and protect consumers (European Union, 2018). Simplified, PSD2 induced that financial institutions, i.e. banks, have to provide access to their customer data to TPPs, i.e. account information service providers and payment initiation service providers, with the overarching purpose of increasing competition, security and efficiency (Nicholls, 2019).

2.1.2 Banking-as-a-Platform

PSD2 is said to facilitate the emergence of platform business models (Zachariadis & Ozcan, 2017; Dratva, 2020). These platform business models aspire to create value through administering digital platforms where consumers, producers, and resources interact and create and exchange value (Zachariadis & Ozcan, 2017; Parker et al., 2016). A platform business model is distinct from the pipeline business model traditionally used by established banks, as value is co-created by the participants and users of the digital platform (ibid.). The platform model is implied to be advantageous as it enhances the customer experience by yielding lower costs and more choices as well as being superior in terms of flexibility and adaptability in comparison to the pipeline business model (Zachariadis & Ozcan, 2017).

The platform business model is built on the principal value proposition of selling reduced transaction costs (Zachariadis & Ozcan, 2017; Munger, 2015). The platform provider acts as an intermediate that limits information asymmetry between service suppliers and consumers by ensuring quality and trust and that certain rules and behaviour apply (Zachariadis & Ozcan, 2017). Providing value as a platform provider is dependent on the principle of network effects, i.e. *"...the marginal benefit (or cost) that platform users gain increases as the number of the users on the platform increases."* (Zachariadis & Ozcan, 2017, p.8). Thus, platform providers' main function is to balance a high number of users, while likewise being able to ensure that the quality of the actors and the services provided are adequate, as the contrary would induce a loss of customer trust and satisfaction (ibid.).

Albeit all banks won't necessarily adopt the banking-as-a-platform (BaaP) ideology (Zachariadis & Ozcan, 2017), the emergence of BaaP's will impact customer expectations and behaviour and thus consequently influence the adopters as well as the non-adopters of the platform business model (Dratva, 2020; Zachariadis & Ozcan, 2017; Guibaud, 2015). Correspondingly, PSD2 mandates banks to enable BaaP, as they are legally obliged to share customer data (Zachariadis & Ozcan, 2017).

Banks are however not the sole possible adopters of the BaaP business model, as Big Tech and FinTechs are alluded to as possible competitors, as Big Techs are implied to possess technological prowess, scale and trust as a platform provider (Zachariadis & Ozcan, 2017). Yet, banks were implied to have the advantage of being trusted as a financial actor, while likewise having the resources and skill to be compliant with banking regulations (ibid.).

2.2 Customer Loyalty

Historically, customer loyalty has been defined by consumer behaviour, rather than by customer attitudes or inclinations to such behaviour (See Oliver, 1999; Beerli et al., 2004; Dick & Basu, 1994; Wolter et al., 2017; Bowen & Chen, 2001). This definition of loyalty has been criticized, however, for being too narrow, and scholars have argued that it lacks explanatory power of *"how brand loyalty is developed and/or modified"* (Dick & Basu, 1994. p. 100). It has thus been argued that an understanding of customer loyalty requires an understanding attitudinal and behavioural components, as well as the interrelationship between these (Dick & Basu, 1994; Oliver,1999; Wolter et al., 2017; Bowern & Chen, 2001). Consequently, this paper adopts the Larsson & Viitaolja (2017) definition of loyal bank customers:

"bank customers holding favourable attitudes towards their bank of choice, manifested through repeated purchase intentions and/or behaviours at the same bank." (p. 870).

As per the definition, repeat patronage is one of the fundamental elements of customer loyalty. Customer loyalty is likewise implied to be fundamental for overall organizational success and firm profitability (Gonçalves & Sampaio, 2012. p.1509; Hallowell, 1996; Oliver, 1997; Silvestro & Cross, 2000; Bhat, Darzi & Parrey, 2018), and business performance (Beerli et al., 2004. p.254; Reichheld & Sasser, 1990; Reichheld, 1993; Sheth & Parvatiyar, 1995) as it reduces customer acquisition cost (Beerli et al., 2004).

2.2.1 Customer loyalty in retail banking

The relationship between loyal behaviour and attitudes have been a subject of discourse among retail banking scholars (e.g. Baumann et al., 2005; Bhatnagar et al., 2017). Whereas Baumann et al. (2005) conclude that behavioural intentions are a poor predictor of loyal behaviour, Bhatnagar et al. (2017)'s results imply that there exists a direct positive relationship between attitudinal and behavioural loyalty. Bhatnagar et al. (2017) thus conclude that albeit some factors affect attitudes and behaviour contradictorily, the components are ultimately interrelated and codependent. Consequently, satisfaction and trust have been argued to be central in explaining customer loyalty in retail banking (Chu et al., 2012; Lewis & Soureli, 2006). The role of switching costs is not used to the same extent (see Beerli et al., 2004; Lewis & Soureli, 2006; Baumann et al., 2005), but the prevalence of switching costs in discussions of open banking warrants its use in this study (see Zachariadis & Ozcan, 2017; Dratva, 2020). Lastly, Baumann (2005) argued that share of wallet is a highly neglected aspect of customer loyalty in retail banking, despite it being an indicator of customer loyalty. Share of wallet was understood as the percentage of a customer's total finance services placed in a particular bank rather than competing alternatives (Baumann, 2005).

2.2.2 Loyalty and digitalization

Scholars have previously assessed the implication of digitalization on consumer behaviour in retail banking (Kinting & Wißmann 2016; Key & Dehnert, 2018; Larsson & Viitaoja, 2017). Digitalization is implied to have decreased customer loyalty through innovative offerings that have diminished switching costs (Kinting & Wißmann 2016; Key & Dehnert, 2018). Correspondingly, contemporary banking customers are to a higher degree implied to adopt a multi-brand form of loyalty, rather than being loyal to a single actor (Key & Dehnert, 2018).

Larsson and Viitaoja (2017) concluded that Swedish banks paradoxically strive for autonomous and independent customers through the utilization of digital channels, while likewise implying that such digital channels are inferior and a cause of information asymmetry between the banks' and their customers. Information asymmetry is implied to hinder the process of appropriating suitable products and services towards the customer (Larsson & Viitaoja, 2017). The same banks likewise implied that good service was fundamental to acquire loyal customers (ibid.), showcasing the complexity in striving for autonomy and loyalty.

A multitude of studies has likewise assessed loyalty in isolation to digital banking, i.e. e-loyalty (e.g. Terzidis, Papadopoulou & Kosmidis, 2013; Floh & Treiblmaier, 2006; Chu et al., 2012), wherein trust and satisfaction have been asserted as antecedents to customer loyalty in the digital banking context (Floh & Treiblmaier, 2006; Chu et al., 2012). The antecedents of trust and satisfaction are implied to be determined and influenced by "...the quality of alternative e-banking channels" (Terzidis et al., 2013, p.158). Thus, a financial actor's loyalty is dependent on the alternative actors and competitors within the financial sector (ibid.).

2.2.3 Satisfaction

Satisfaction is described as the difference between customer expectations and service performance or perceived service quality (Dick & Basu, 1994; Arora & Narula, 2018). Thus, customer satisfaction – or dissatisfaction – is what customers experience as a result of the difference between expectations and experience (Arora & Narula, 2018). As such, satisfaction is when this post-purchase evaluation is positive.

As previously asserted, satisfaction is one of the primary determinants of customer loyalty in retail banking (e.g. Beerli et al., 2004; Lewis & Soureli, 2006; Bhatnagar et al., 2017; Baumann et al., 2005). While Bhat et al. (2018) allege that satisfaction indirectly affects customer loyalty through the intermediate of trust, Beerli et al., (2004), Lewis and Soureli (2006) and Baumann et al. (2005) imply that satisfaction is a direct antecedent.

Based on the theoretical perception of satisfaction as being a result of the difference between expectations and outcome (e.g. Arora & Narula, 2018), the query is how open banking will affect these expectations. As Terzidis et al. (2013)'s results signified, satisfaction in digital banking was determined in relation to the quality of alternative e-banking channels. Thus, as PSD2 is implied to enhance the customer experience through increased competition and the emergence of BaaPs (see Zachariadis & Ozcan, 2017; Dratva, 2020), the requirement to fulfil customer expectations for the traditional banks could likewise be increased. Correspondingly, Guibaud (2015) stated that *"The banking industry's failure to keep up with innovations in other technology-reliant* *industries means that it has also fallen behind when it comes to customer expectations."* (p.7), further implying that if the barriers to entry in the financial sector are diminished, tech companies could fulfil such expectations and thus convolute the feasibility for the traditional bank to provide a satisfactory experience (ibid.). Consequently, as satisfaction is the primary antecedent to customer loyalty, it would likewise induce a loss of customer loyalty.

2.2.4 Trust

Banks' value proposition is dependent on trust, which makes it imperative that platforms developed for the bank fulfil customer expectations in terms of quality and security (Zachariadis & Ozcan, 2017). Trust stems from expectations regarding the partner's future behaviour and predictability and has been described as representing the difference between transactional and relational exchanges (Chu et al., 2012). The origin of trust is different in online settings as websites offer a different interface for interaction between customers and businesses than traditional services, as there are different, less tangible, cues in the different channels (Chu et al., 2012; Urban, Sultan & Qualls, 2000). Research has shown that there is a direct link between customer trust and customer satisfaction in digital settings (Chu et al., 2012).

Furthermore, as problematized by Zachariadis and Ozcan (2017), becoming a platform provider would signify that actors share customers and hence their trust. This effect of trust being carried over by association is further prevalent in the discussion regarding the introduction of Big Tech companies into the financial market (ibid.). The trust built by the Big Tech would provide their platform, and the companies with which these are developed, with a competitive edge as the trust for the Big Tech firm would carry over (ibid.). However in comparison from Big Techs' trust as a platform provider, the traditional banks' trust is instead implied to derive from being established financial actors, i.e. being trusted to handle customers finances, which is their main competitive advantage in open banking (Zachariadis & Ozcan, 2017; Dratva, 2020).

2.2.5 Switching Costs

Switching costs are perceived barriers for changing suppliers, and can be made up of economic costs, expectations from alternatives, and the availability of future alternatives (Dick & Basu, 1994). As was stated previously, there is a low level of monetary switching costs among Swedish banks, which is argued to be one of the reasons for the high level of mobility in Swedish bank customers (Copenhagen Economics, 2019). This is further strengthened by Baumann et al. (2005) who asserts that switching costs is related to the behavioural intentions of banking customers. However, Lewis & Soureli (2009) did not find a significant relationship between switching costs and customer loyalty, implying that the lack of such relationship could be explained by the low levels of switching costs in the banking sector.

In an open banking market, there is, as was discussed previously, a level of openness that stems from the platform business model (Zachariadis & Ozcan, 2017). This also has implications for switching costs as customer data is available between competitors to a much higher degree (ibid.). This would, the authors argue, increase competition and lead to diminishing switching costs. These changes are implied to cohere with increased customer mobility, as the PSD2 and platform models further reduce switching costs (Dratva, 2020; Zachariadis & Ozcna, 2017). Switching costs are not only thought to be lowered, however. Zachariadis & Ozcan (2017) present a potential lock-in effect that could arise in a platform context, wherein the platform can have such a high value in its offerings compared to smaller, lone actors, that consumers are practically locked in.

2.3 Customer Loyalty & open banking

Due to the stipulations in PSD2 that makes European banks offer API development tools there is little that speaks against a development towards a more platform-based banking market (Zachariadis & Ozcan, 2017; Dratva, 2020). Scholars have concluded that this will affect loyalty on the many levels of the levels that make up the phenomenon. The competitive alteration and the emergence of BaaP is implied to change how customers are perceived, going from owning the customer to sharing the customer (Zachariadis & Ozcan, 2017).

Summarized, open banking is implied to raise customers' expectations, lower switching costs, while customers' expectations of trust remain. Hence, in meeting or exceeding customer expectations through partnerships, it will still be necessary to maintain trust (Dratva, 2020; Zachariadis & Ozcan, 2017). It can be concluded, then, that customer loyalty will inevitably be harder to maintain for banks in the future, making it an apt subject for study.

3 Methodology

This qualitative study was conducted with a hermeneutic perspective, as this has been described as suitable for studies striving to interpret the meaning of the data (Eriksson et al., 2008). As this study aims to analyze perceptions, interpreting the reasoning for these perceptions was assessed as essential.

3.1 Study objectives and design

This study was built on the assumption that reality is socially constructed, i.e. subjectivism or social constructionism (Eriksson et al., 2008), meaning that the concepts of open banking and customer loyalty are social constructs whose connotation and implications are subjective rather than objective axioms. Thus, the knowledge and theories about these concepts are perceived as interpretations or perspectives, as there is not one objective truth or reality, but rather multiple subjective perceptions and hence "realities" (ibid.). This aligns with the hermeneutic perception that human intentions mould reality (ibid.), hence, by analyzing banking managers' perceptions and intentions, it is possible to draw conclusions regarding the banks approach to open banking and customer loyalty.

To gain a comprehension of such perceptions, a qualitative approach in the form of semi-structured interviews was chosen, as e.g. Bryman & Bell (2013) assert that interviews are an appropriate method to gain a deep and contextualised understanding. Conclusively, the semi-structured format allows for some variance in the interviews, while maintaining some comparability (see Eriksson, et al., 2008; Bryman & Bell, 2013).

The study applies an abductive approach, as the underlying theory of the concepts of open banking and customer loyalty was established prior to the interviews, but was amended after the collection of the empirical material (see Bryman & Bell, 2013; Eriksson et al., 2008). This abductive approach was chosen based on the exploratory aim of the study, as it allowed for consolidation and centralization of the theoretical framework based on the empirical material.

3.2 Data collection

The Swedish retail banking market is dominated by four established banks (Finansinspektionen, 2017). All four were approached for this study, though only three chose to partake. Such exclusion could negatively affect the quality of the study, though this was not deemed impactful enough to warrant a change in the scope of the study. The arguments for this are that the omitted bank had the least amount of market shares out of the established banks (Swedishbankers, 2020) and that the majority of the established banks were represented.

As for sampling, a purposive sampling approach, criterion sampling, was applied (See Bryman & Bell, 2013; Eriksson et al., 2008). As such, comprehension of, and insight into, their bank's strategic approach to open banking were criteria for inclusion. Within the banks, there are few who can be thought to have the necessary expertise to adequately discuss open banking, which limits the possible sample size of relevant respondents. Since the head of open banking at each of the banks was interviewed, the expertise about the banks' perception of open banking, and the strategy thereof was found to be exhausted. This was confirmed through the second set of interviews – those conducted with branch managers – wherein it was apparent that open banking had yet to reach outside its dedicated department.

While branch managers had only a vague understanding of open banking, they were more familiar with the practicalities and focus of their respective banks' perceptions of loyalty. In addition to the opportunity to show another perspective on open banking, the branch managers were thought to provide important insights into the banks' perceptions of loyalty. As such, the criteria for inclusion were customer contact, and some influence over customer strategy, for which branch managers were fitting. The exclusion of open banking-related criteria for this group of respondents is motivated by how their main reason for inclusion is the expertise in customer loyalty. Furthermore, their potential unawareness of open banking would contribute to the understanding of bank perceptions of open banking. These branch managers were sampled from the same banks as the open banking managers interviewed, and on the seventh total interview, saturation was found to have been reached. Whether this had been achieved or not was in large evaluated intuitively, which matches the descriptions in Bryman & Bell (2013) where this point is presented as being inherently undefined.

Below is a table outlining the respondents, their positions, and details about the interviews.

Respondent	Bank	Position	Interview format
1	A	Digital innovations Manager	65 minutes, video call
2	A	Branch Manager	64 minutes, phone call
3	B	Head of Open Banking	62 minutes, phone call
4	B	Branch Manager	64 minutes, phone call
5	B	Branch Manager	42 minutes, phone call
6	C	Open Banking Manager	49 minutes, video call
7	C	Branch Manager	61 minutes, phone call

Table 1: Outline of respondents

The questions were organised in an increasingly specific manner, beginning with broad questions before moving on to the deeper and more specific ones. As such, the respondents were first asked about their background in the bank, after which the discussion was shifted towards open banking and customer loyalty. This was true for both customer segments, though different levels of emphasis were placed on different areas depending on the respondent's role in the branch.

As for open banking, the questions revolved around the respondent's definition, how open banking fit into the bank's service offerings, and how the customer relationships were thought to change from open banking. Questions on customer loyalty were likewise based on respondent perception of loyalty and how it has changed, how loyal customers were defined, and the antecedents to loyalty.

3.3 Analysis of empirical material

Relevant passages from the interview transcriptions were extracted and compared, both between respondents and between respondents and literature. Subsequently, the data was reduced and compiled, and new themes that were found were added to the list of themes from the interview guide. In line with the hermeneutic approach, each statement was considered in the context of the rest of the interview.

Themes from the interview guide were open banking, loyalty, and antecedents to loyalty; themes that emerged from the interviews were banking-as-a-platform, Big Techs and Fintechs as platform providers, and the dilemma of full-range customers. As new themes emerged, further literature related to these were sought, and added to the theoretical framework, hence the abductive approach (Bryman & Bell, 2013).

3.4 Quality

Quality and credibility are always important themes to consider in academic undertakings, especially so for qualitative studies (Bryman & Bell, 2013). The main components of quality assurance of studies are reliability and validity, both of which can be evaluated internally and externally (ibid.).

Validity refers to the generalisability of the study which, in qualitative settings, can be based on theoretical generalisation as opposed to generalising the results for a population (Hillebrand et al., 2001). This focus on the strength between observations and the theories developed from them is in line with what Bryman & Bell (2013) present as internal validity. External validity instead refers to the degree to which the results are generalisable in other environments and situations. Having taken these insights into account, internal validity was pursued through ensuring that the logical link between the data and conclusions was clearly presented throughout. Furthermore, findings and analysis are presented in separate sections of the paper to ensure that there was a distinct divide between the two.

Another way by which the study's internal validity was strengthened was by employing respondent validation, in which the final product was presented to the participants, so as to ensure that their input has been accurately portrayed. External validity was further pursued through including a short biography of the respondents in the paper to provide more context for the data.

Where validity refers to how well the study can be generalised, reliability instead deals with the dependability of the study (Bryman & Bell, 2013). Internally, this is affected by the sameness in how the research team interprets and understands the data. External reliability presents one of the main problems in terms of quality for qualitative studies, as this refers to the degree to which the results can be replicated (ibid.). Internal reliability was ensured through discussions of the findings and the theory used, in order to synchronise the researchers' perceptions of the material. External reliability was strived for through transparency in how, and in what context, the study was undertaken. This transparency, while not guaranteeing that the results can be replicated exactly, will contribute to the degree to which future studies can mimic the procedures behind this study.

4 Findings

In this section, the empirical findings from the interviews will be presented according to the themes found in the data. The findings are divided into two main sections. Firstly, banks' perception of open banking is presented; followed by, customer loyalty and the antecedents of switching costs, satisfaction, and trust.

4.1. Perspectives on Open Banking

There is no clear definition of open banking shared between the actors on the market. Knowledge of open banking had had a varied level of spread through the echelons of each bank. Notably, branch managers' perception of open banking was generally limited to, or at least focused on, the practicalities of open banking, which they perceived as being the sharing of customer bank details to third parties.

"[open banking is] that we will need to share information. Because that is *what it is, right?"* (Branch manager, bank A)

"...it is several different organisations that trade information amongst each other. We take assistance from others; instead of developing a service ourselves we might

use another actor who is super skilled. We collaborate instead of creating it ourselves." (Branch manager, bank B)

Open banking managers, on the other hand, were generally more hesitant to provide a clear and bounded definition of open banking, instead discussing the variety of possible definitions. The discussions were also more diffuse, going into what open banking means, and the different viewpoints by which banks can interpret the development.

"Open banking can mean almost anything depending on who you ask. Since we were first in using the term we think our definition is the correct one, but I know that there are those who think open banking is a way of working, that it's about partnerships; while others think it's about opening up and giving others access to data. And then there are people like me who think of it as a technological development where it's about using API technology to take the integration of partners and customers to the next level and allow connections in real-time." (Open banking manager, bank B)

Throughout the interviews, respondents alluded to the relationship between open banking and PSD2, though all of the open banking managers emphasized how open banking transcended PSD2 compliance. In comparing open banking to PSD2, one actor emphasised that calling the terms synonymous would be limiting what open banking is.

"I perceive PSD2 to be an important catalyst. I think that one would sooner or later see the use of it and start working with open banking without PSD2 too, but this common ground of the September 14th 2019 deadline where all banks have to have a platform ready, that is a catalyst. It becomes an actuator. It's perhaps also important to have an approach that goes outside that, that it's not only about compliance, but an opportunity." (Open banking manager, bank C)

There are many different approaches taken by banks in relation to PSD2 and open banking. While most are based on the need to be compliant with PSD2, not even in this are the banks homogenous. While all banks comply with PSD2, this represents the lowest level of involvement, though it is not extensive in how far banks need to take their adoption of open banking. From the interviews conducted for this paper, it was apparent that banks were on vastly different levels of development in their open banking journeys. Whereas some banks were merely PSD2 compliant and only spoke about open banking as a future potential development, another had a clear plan on which initial steps had already been taken. One open banking manager explained their perspective on how open banking development within the bank:

"The first step is what we have taken, that we develop APIs we can sell to our corporate clients. The next natural step is where we use partnerships and sell to our partners' customers or our clients' customers. The third step is to create partnerships where the partners can publish their products on our platforms and reach our customers there. That's also where we turn into a platform provider rather than a product provider." (Open banking manager, bank B)

Notably, PSD2 compliance is absent in this three-step plan towards becoming a platform provider. Comparatively, from both the other banks, the open banking managers used PSD2 compliance as a stepping-stone in how they perceived open banking development to progress.

"The things that are driven by regulations are always of high priority, (...) you have to focus on that. But as those pieces of the puzzle fall in place there's more space for other forms of innovation, and to attempt further steps in open banking." (Open banking manager, bank A)

As such, even though there are similarities between how the later stages of open banking development are thought of, the lack of PSD2 in bank B is notable. The exclusion ties into the same bank's focus on the profitability of open banking as being essential, as the same respondent expressed that they perceived PSD2 compliance to be a mere necessity, as opposed to something that is in the bank's financial interest. Instead, PSD2 compliance was a separate entity for the open banking team to work on in addition to selling their deeper API-based partnerships.

"The only thing we offer for free are the PSD2 APIs, otherwise we have built upon and focused on that which is profitable, to avoid these 'customer utility' APIs in favour of those which we can actually earn money from, like consumer financing, currency exchange." (Open banking manager, bank B)

"PSD2 is not something I know if we will benefit from, but open banking, on the other hand..." (Open banking manager, bank B)

While all of the open banking managers agreed that open banking is relevant throughout the bank, two said that implementing open banking is more about finding partners who will develop the services rather than to get the bank on-track.

"It's not a side-business into which they just shove the resources needed to develop everything, everything is done on a rather more holistic plane." (Open banking manager, bank C)

Partnerships

Just like the plans for implementing open banking solutions into a bank's product or service portfolio can vary, so did the types of partnerships through which this was done. Interestingly, all banks had, when starting out, envisioned and pursued partnerships with FinTechs. Bank B who was more versed in, and with a more developed plan for open banking had already attempted FinTech partnerships, whereas banks who were, at the time of the interviews, merely compliant with PSD2 were excited to seek out such partnerships. In such cases, the speed at which FinTechs could implement changes to, for instance, customer interaction was seen as a strength over large banks, which were thought of as sluggish.

"They are very swift-footed, they don't have the old infrastructures, they don't have the old processes which means they can challenge us in quite a good way and drive innovation." (Open banking manager, bank A)

In contrast to this, experiences with FinTech companies were not all good, as they have also represented problems rather than solutions.

"Early on, we did a proof-of-concept with a FinTech company from Manchester in order to try this out, but they weren't even able to be compliant with GDPR. And if you can't do that, then—I mean if we take on a partner and tell our customers that their data will be partly treated in that partner's programs and processes, then we need to be able to vouch for them, then we need to be able to trust them." (Open banking manager, bank B)

In this case, it became apparent that FinTech companies lacked the resources – and indeed the will, the interviewee proposed – to live up to the expectations and requirements required for banks. Being able to live up to these regulations is, the interviewee argued, directly related to customer trust, which was wholly uninteresting to the FinTech companies, in their experience. Instead, it was proposed, FinTech companies are:

"...not interested in developing long-term solutions, they are mostly interested in getting a high valuation in order to be bought at a higher price so that the owner can cash in. A very short-term strategy, so to speak." (Open banking manager, bank B)

However, there was still optimism among respondents. Niched FinTech developers could also enable the banks to offer services they previously lacked the competences to develop.

"We have always had access to this data, but we haven't had the muscles or focus to build a good service that solves this for our customers. (...) We want low barriers of entry, frictionless integration, ease of finding agreements that are good for our customer, us, and this actor" (Open banking manager, bank C)

This quote shows an example in which the bank chose their partner based on the service they wanted to include in their service offering. This was the case for all banks that participated in the study.

"...the question is rather about 'how are our offerings to look in an open banking-world?'" (Open banking manager, bank A)

A perhaps unexpected development that comes from open banking is that it has made aggregators that don't use API-based technologies more okay in the eyes of consumers and organisations alike. At least, this is the case according to an open banking manager.

"The absurd thing about PSD2 is that while it stops screen scraping where PSD2 is applicable, it has made screen scraping acceptable in other areas, so now banks can even consider using screen scraping against other banks." (Open banking manager, bank B)

Correspondingly, bank B had recently partnered with a FinTech offering aggregation services to the bank's digital channels, allowing customers an overview of their external accounts, mortgages and investments. This partnership was motivated partly by increased customer satisfaction, but ultimately for conversion reasons as the information provided was used by salespeople. Interestingly, open banking was thought to be able to contribute to conversion in another way as well. While banking services can be offered by third party providers instead of the bank, the effect of getting people to use more services remains.

"From the customers' perspective, the journey starts someplace else. Like, the purchase of a house starts with scrolling on a realtor's website, and that's an example of how we integrate them with our loan request, as to meet the customer at the start of their journey on becoming homeowners instead of trusting them to actively go from the realtor to our bank." (Open banking manager, bank A)

Strategy

In addition to open banking being seen as an inevitable development for banks, one respondent expressed the need to have a proactive role in the development. If not, banks run the risk of becoming a passive element dependent on other actors, only providing, and not utilizing, data from open banking.

"Other actors can cherry-pick, while you wait and become a cog in the machine that is their infrastructure." (Open banking manager, bank A)

This notion of being proactive is echoed by another respondent, who expands upon this, emphasizing that even if parts of one's own business becomes less profitable, one cannot risk not following the development of your competitors.

"I'd rather be the cannibal than the meat, and that adage is applicable when there are aspects we can't control, but still have to act on. Regardless of if we think it's bad to cannibalize or not, to launch something by which we lose margins somewhere else – if something is growing you have to see what that is; to enter that channel, to have that product, to satisfy that need. You can't long for something which used to be good in such a situation." (Open banking manager, bank C)

On the other end of the spectrum would be a platform provider, though this is perhaps not an ideal positioning either, according to one open banking manager. Being a platform provider – having a large range of open banking services – would put one in a market-leading position, which also makes one a target.

"You don't have to be like Amazon which sells everything. The problem with being Amazon is that everyone wants to shoot you down." (Open banking manager, bank B)

Yet, it was likewise argued to be necessary to go beyond offering financial services to become profitable as a platform provider. This was exemplified by a FinTech company who attempted to become a platform provider, but who shifted their business model to sell aggregation solutions to banks instead as they struggled to gain profits from consumers.

"I don't believe that you can truly become a profitable platform provider by solely selling banking products. It is necessary to go beyond financial services and products, and thereby selling alternative products and allow external actors to sell such products on your platform. As such, the big tech corporations become our main competitors, as we become a platform orchestrator." (Open banking manager, bank B)

"FinTech X tried to become a platform provider, a position which they thought that customers would pay for. They were way out of line; they were not able to become profitable with consumers as customers. Instead, they turned to the banks, who were willing to pay for their aggregation solutions and services. (Open banking manager, bank B)

In discussing the strategy regarding becoming a platform provider, it was argued that banks should not only focus on becoming a platform provider administering other actors' services. It was apparent that the platform provider had at least some involvement in the products on their platform, as exemplified in another comparison to a Big Tech. Instead, they wanted to utilize their strengths and sell additional services in combination with the other services on the platform.

"We will probably continue to sell that which we know. (...) Amazon is in a tough situation where they compete with everyone; I rather believe in focusing on product categories in which you can contribute more than in being a platform provider. (...) Banks are used to charging for their expertise – we are an established bank with lots of expertise and we want to use that in our platform so that even when we sell the products of others, we can offer a supplementary service through our expertise." (Open banking manager, bank B)

This was not the only view, however, as another respondent argued that large enough platforms could be profitable in and of themselves. This is based on the fact that the infrastructure for a platform is a lot cheaper than developing and offering the services oneself.

"Looking at other industries, the aggregators are those who have the best margins. Airbnb and Hotels.com take a 15% fee from the hotels, while not owning any of the hotels nor properties, they have a digital platform which connects demand and supply. It is an enormously valuable position to have." (Open banking manager, bank C)

Much like how open banking was thought to bring large changes to the nature of partnerships in the bank, so would it change competition on the market. A common theme from the respondents was how open banking allows for the emergence of many new niche actors on the market, with whom they could compete in providing platforms and services. Even before PSD2 and open banking, big banks competed on two levels: with other banks, and with niche service providers. One respondent described how competition differed between the different levels.

"Of course, one is a bit unfaithful, but not between traditional banks. (...) It's not common that a customer has the same level of engagement in two large banks. Rather, it is the niche actors they have several of." (Branch manager, bank C)

This type of unfaithfulness and the line of reasoning regarding it had, according to the respondent, been prevalent since before open banking, and had more to do with niche actors. Another respondent also expressed this belief that customers switching banks was a non-issue.

"I know that this discussion has been ongoing in the UK for several years, but it's proven to be dead-on-arrival. They forced banks to introduce such a system where it would be easy to switch banks, but it turned out that extremely few customers used it, so it was a hollow exercise." (Open banking manager, bank B)

However, other actors speculated that open banking would strengthen niche actors by making the services they offer more competitive. In addition to how customers use services from smaller actors in conjunction with banks, an open banking manager expressed concerns over the increased potency of these competitors.

"I often used the argument that if the customers did all of their banking with us, they'd be able to get better and more relevant advice, since we'd get a better overview of their situation. And in comes open banking, and now you can use digital tools to access the same overview. With that, the argument for collecting all of one's banking falls apart. (Open banking manager, bank A)

Third-party services have already been shown to be effective in attracting customers. Mostly, this has been due to the lower overhead costs related to a smaller – and mostly digital – niche organisation, along with the higher speed at which these actors can operate.

"If you look at Avanza and others which have been earlier than us with providing platforms that have been good for customers. That's where we have fallen behind, and that's the threat–for us not to be able to deliver the same things a niche actor does" (Open banking manager, bank C)

The view of FinTechs is not wholly one-sided however, as shown both in the examples of partnerships presented earlier in this section and in weaknesses pointed out by respondents. These weaknesses are found both in the FinTechs themselves, as well as through the lack of proper standards in banks' APIs, and the varied quality of APIs.

"There are many APIs to work with out there, and one can easily think that we could aggregate many more, but we have decided to plug in those APIs we deem to have a high enough quality, and there are quite a lot of APIs available, but many aren't quite stable enough, nor do they hold the quality we require in order to put them in our customer offerings. (...) I think there's a common understanding that the entire market has a long way to go" (Open banking manager, bank A)

4.2. CUSTOMER LOYALTY

According to the respondents, banks aspire to have for full-range customers. This aspiration was based on the assumption that such customers increase the revenue, satisfaction and loyalty while reducing risk.

"Full-range customers are imperative. As it increases customer satisfaction, revenue per customer and makes it more difficult for the customers to switch banks" (Branch manager, bank B)

As such, customer loyalty was implied to be dependent on the number of services and products consumed. A prerequisite of a loyal customer was to have all, or the main part, of their financial affairs at the bank.

"A loyal customer is foremost more or less a full-range customer. It is fundamental for what we perceive as loyalty. (Branch manager, bank C)

In addition to this prerequisite, the respondents argued that a loyal customer was a customer who was satisfied, recommends the bank and spreads positive word of mouth, whose loyalty is not easily disrupted nor influenced by media or external actors.

"...A loyal customer does not leave the bank due to an adverse first page in the newspaper. The customer is satisfied and has a relationship with the bank and is willing to recommend it". (branch manager, bank B)

Despite the banks' aspirations to gain full-range customers, the respondents witnessed that customers' mobility is increasing, as customers are using additional actors' services. This change in customer behaviour is asserted as being partly due to digitalization, which has led to increased competition, simplified the onboarding and switching process and made customers more self-reliant.

"Customers are using additional and supplementary banks to a larger extent. Customers can do so much themselves, due to the digital evolution. Yet, it ultimately becomes a question of generation, as the younger generation are more self-reliant and less loyal, they have a different perception of loyalty. (Branch manager, bank B)

Although the respondents argued that PSD2 and open banking have further enabled customers to combine and utilize different actors' services, none of the respondents argued that their full-range customer strategy will change in the near future. Whereas, one open banking manager alluded to the importance of having a full range of service offerings.

"The platform business model is based on the assumption that you have quite large volumes, while the niched approach focuses on selling less volume with good margins. Therefore, I can't really understand the purpose of why we would willingly decide to become a niched actor. Yet, I do understand that PSD2 and open banking will lead to more niched actors, because all banks will not afford to continue being universal banks, whereas the established banks which will become niched actors will do so because they are forced to." (Open banking manager, bank B)

Rather than changing the full-range customer approach, the transforming competitive landscape and customer behaviour has somewhat changed the established banks' perception of loyalty.

"A satisfied customer is not as loyal today as they were 10-15 years go. A loyal customer 10 years ago was a full-range customer. Today, a loyal customer is one who has most of their financial business within the bank but likewise chooses to utilize alternative actors. (branch manager, bank A)

Yet, it was argued that this non-exclusive perception on customer loyalty is not unconditional, as the branch manager asserted that the banks have an increased acceptance for customers' usage of niched actors' services relative to alternative established banks services.

"We understand that customers use different niched actors' services. As an example, some of our customers used a niched digital savings bank for their investments. This was understandable as their digital platform was much better than ours as well as being released with features which we did not offer. Thus, we still perceive these types of customers as loyal. The situation becomes more complex when customers use alternative established banks services, as our service offering is more alike and comparable. (Branch manager, bank C)

Switching costs

The process of switching banks is implied to have been immensely simplified through digital services and will be further simplified by open banking.

"Customer loyalty has decreased somewhat the last couple of years, but the big difference is the ease by which a customer can switch banks today. (Branch manager, bank C)

Correspondingly, all the banks allege that there are no monetary switching costs in exception of redemption fees for solving mortgages with fixed interest rates prematurely. Rather, in terms of measures to prevent customers from switching banks, the banks have indicators that they act upon in an attempt to persuade the customer to stay.

"If a customer requests to transfer their ISK (Investment Savings Account) we get a notice so we can contact the customer and get a last opportunity to retain them. Same thing with requests for amortization certificates. The problem with these indicators is that they are often at a late stage in the customer decision process, as they already have taken the steps to transfer their funds. (Branch manager, bank B)

Thus, in terms of switching costs one respondent implied that banks need to accept customers' increased feasibility to browse and compare alternatives, rather than trying to limit such behaviour.

"No one can constrain customers to be loyal, banks probably have to accept that nowadays customers are comparing alternatives and the bank needs to fight to do as good as they can to maintain and recover what is lost to other actors" (Branch manager, bank A)

Satisfaction

All banks discussed customer loyalty as being heavily dependent and related to customer satisfaction. Satisfied customers were implied to be loyal, and loyal customers were implied to a larger extent be satisfied. Whereas the latter was built on the assumption that loyal customers are full-range customers. Satisfaction was further explained by the respondents as being dependent on customer expectations, as satisfaction is the result of meeting or exceeding such expectations.

"Customer satisfaction is dependent on customer's expectations, if we exceed those expectations the customer becomes extremely satisfied." (branch manager, bank B)

Albeit the banks asserted that customer satisfaction is determined through subjective expectations, some common aspects were delineated as essential: price, competence and convenience.

When asked what the main challenges are for meeting and exceeding customer expectations, the replies could to a large extent be related to the increased competition. As the branch managers argued that it has become increasingly difficult to compete in terms of price, as the number of niched actors specializing on e.g. mortgages, consumer credit or savings has decreased margins. These expectations were not argued to be created in isolation to a specific actor, but rather in relation to external actors, as customers compare the actors' offerings.

"Comparing the banking industry to the hospitality industry, we are the full-service all-inclusive hotel, we can't offer the same specialized services that niched actors can. We do everything, while the niched actors are specialising on a specific product or service. Customers shop around, they ask their friends and they do their research on where they can find e.g. the best interest rates on their mortgages, and if price is key for that customer they choose the bank with the lowest price." (Branch manager, bank B)

This "all-inclusive" banking model is further problematized by the spectrum of customer segments. While digital developments increased customer satisfaction among certain segments, they likewise decreased satisfaction among other segments.

"Implementing new digital solutions does not always grant positive customer reactions. The implementation of online customer meetings is an example, as we quite aggressively forced customers to experience this new feature. Yet, as all customers did not desire this digital format, they became dissatisfied. This was mainly due to the fact that the opening of the digital door was granted on the closening of the preceding physical banking experience. Thus, it becomes a balance of maintaining customer satisfaction throughout the different segments." (Branch manager, bank B)

This dilemma is asserted as one of the main challenges for the established banks, as they, in distinction from the niched actors, have a wide set of services, products and customers. Thus, they likewise have a wide set of expectations, expectations which are influenced by niched actors' offerings.

"The niched banks entering the industry today or five years ago are established on different sets of conditions and expectations. We have been an established bank for many years and have customer segments which are vastly disparate. We can't have a "one size fit all" solution, rather we have to meet a wider set of expectations." (Branch manager, bank B)

One of the main determining factors for how expectations are met is costs, as meeting expectations are largely based on this. It thus becomes a balance between meeting expectations and profitability.

"If a customer is inclined to change banks on the premise of price, you have to decide whether to fulfil their request and keep the relationship or lose the customer. Ultimately it becomes an assessment of evaluating the revenue lost for lowering the price contra the cost from gaining a new customer. (Branch manager, bank B).

Trust
Trust was implied to be imperative for both customer satisfaction and loyalty, as the banking concept was argued to be built on trust.

"Trust is vital. This is a trust-industry, we manage our customers' assets and finances as they trust us to do so, without it we would not be able to exist." (branch manager, bank C)

Trust was likewise correlated with satisfaction, as the banks asserted that trust and satisfaction are determined by the competence of the service provider. Thus, if customers perceive a bank as competent, this positively affected their trust towards that bank. Trust and satisfaction are not necessarily dependent, however, as a customer can trust the bank while not being satisfied.

"A customer can trust the bank but not be satisfied, as he or she can be dissatisfied by e.g. price, while still trusting the bank. However, trust is necessary for satisfaction, but it is not the sole determinant. (Branch manager, bank A)

Trust was likewise asserted as one of the unique selling points of established banks in relation to providers of other open banking services.

"The established banks have an advantage in relation to FinTechs and other non-bank actors competing in the financial market, being the relationships and trust that have been built under a long period of time. (Open banking manager, bank C)

While the established banks' trust was not argued to be changed as a consequence of open banking it was not taken for granted. Possible partners were evaluated based on their capability to comply with regulations and live up to customer expectations on quality.

5 Analysis
In the analysis, the empirical material gathered from the interviews is discussed and related to the theoretical framework. Firstly, perceptions and implementations of open banking is assessed and compared across respondents, banks, and theory. Lastly, open banking's influence on customer loyalty is discussed through the antecedents of customer loyalty, the different perspectives of loyalty, and customer ownership.

5.1 Perceptions of Open Banking
The respondents agreed with the theoretical definition of open banking as the sharing of customer banking data through APIs (Nicholls, 2019). While both theory and respondents generally acknowledged that PSD2 was an important catalyst for open banking (see Nicholls; 2019 Zachariadis & Ozcan, 2017), some open banking managers alleged that banks would develop APIs to easier share customer data even without PSD2. Yet, this is not to say that the development would be identical, as implied by how the APIs that are not mandated by PSD2 are not offered freely to TPPs, but only to those the banks have negotiated partnerships with. This, in turn, indicates that banks would have been able to maintain their comparatively monopolistic position to a greater extent without PSD2, as it forces banks to share certain APIs for free. Thus, PSD2 has seemingly partly fulfilled its intention of decreasing the governance and monopoly of banks on payment services (Nicholls, 2019;

European Union, 2018) as it has diminished the established banks choice of who to share these APIs with and the ability to sell such APIs.

This loss of agency was the main factor separating the concepts of digitalization and open banking. There is a complexity in scrutinizing the effects of open banking separately from those of digitalization as increased competition, decreased switching costs, and changing customer behaviours are consequences of digitalization that precede PSD2 and open banking (see Key & Dehnert, 2018; Kinting & Wißmann 2016). Correspondingly, the emergence of aggregators, price comparison sites as well as customers' multi-brand form of loyalty were likewise circumstances which had appeared prior to open banking (ibid.). The established banks' participation to spur this elevated competition was foremost a consequence of PSD2. The established banks chose to coexist with competitors on external platforms outside what was mandated by PSD2, which was justified by the adage "I would rather be the cannibal than the meat". As the banks asserted that it was necessary to cannibalize margins through adapting and hence coexist with competitors on external channels, as the contrary would lead to a weaker competitive position. This change in perception stems from how PSD2 was implied to set open banking developments in motion. Thus, in correspondence with Zachariadis and Ozcan (2017), the alterations induced by open banking are affecting the adopters and the non-adopter alike

Consequently, PSD2 has shifted agency in the retail banking sector, as TPPs gain access to PSD2 APIs. However, the established banks are moving beyond PSD2, developing commercial APIs, APIs which the banks govern access too. Thus, the established banks are regaining agency by continuing the evolution initiated by PSD2. As PSD2 enforced banks to develop infrastructure and portals to give access to their APIs, these are now shifted to becoming a means to gain profits.

Banking-as-a-platform

The respondents shared the theoretical comprehension that open banking and PSD2 would enable the emergence of BaaPs, and how such platforms could alter the competition within retail banking (Zachariadis & Ozcan, 2017; Dratva, 2020). As it likewise was argued that such platforms would pose a threat to the traditional banking format by lowering margins and by yielding superior customer experiences (ibid.). Yet, in distinction from Zachariadis and Ozcan's (2017) separation of the pipeline and platform business models, the established banks were not inclined to be singularized to a specific model. Rather, their intention was to apply a combined approach, creating value through co-creation as well as selling internal services, products and data.

Consequently, as assessed, the established banks have – in compliance with PSD2 – launched developer portals wherein TPPs are given access to APIs. In concurrence with the platform business models strategy, these platforms base their value on co-creation (see Zachariadis & Ozcan, 2017), as TPPs create products and services based on the data provided by the bank. Yet, the commercialisation of APIs is seemingly more akin to a pipeline strategy (ibid.), as the established banks create value through selling services and data. Whereas, in distinction from Zachariadis and Ozcan's (2017) definition of a BaaP as being a platform conjoining service providers and consumers, only one of the established banks expressed their intention to allow external actors to sell products and services to their customers. The bank would at that stage become more of a platform supplier and orchestrator than a product and service supplier.

The logic of this combined approach and the prioritization of the developer side of open banking was twofold. Firstly, gaining profitability from open banking was asserted as essential to continue open banking developments. Thus, utilizing the infrastructure and portals developed to be compliant with PSD2 to sell APIs was implied to be a relatively accessible way of gaining profitability. Secondly, the established banks asserted their aspiration to maintain their role as a full-range supplier. As such, incorporating external competitors to their digital channels were problematized from a profitability standpoint.

The latter represents one of the main contradictions in the established banks' combinatorial perception, as they want to maintain their role as service suppliers while likewise owning the customer interaction channel. This strategy is problematized by how the respondents and theory alike assert that BaaPs provide superior customer experience through the aggregation of service providers (Zachariadis & Ozcan, 2017). However, none of the banks stated that they would incorporate competing services in the near future, hence limiting their feasibility of becoming platform providers.

Big Tech and FinTech as banking platforms
The established banks' biased tendencies stemming from their continuance as service suppliers, is an advantage for non-banking actors to employ the role as a platform provider. Theory centralized FinTechs and Big Techs as possible platform competitors (Zachariadis & Ozcan, 2017; Dratva, 2020).

The respondents' perception of FinTechs as platform competitors had been altered since the implementation of PSD2, as the profitability of BaaPs was problematized. Firstly, in accordance with Zachariadis and Ozcan's (2017)'s elucidation of network effects, solely offering financial services as a platform provider was implied to be insufficient to gain enough users to be profitable as customers were unwilling to pay for platform services. Fintechs were likewise implied to lack customer trust and the ability to be compliant with regulations, aspects which were argued to be imperative to become a BaaP by the respondents and theory alike (see Zachariadis & Ozcan, 2017; Dratva, 2020).

Scholars' assertions regarding the possible intrusion of Big Techs to the financial sector was acknowledged by the respondents (ibid.). Firstly, as assessed by Zachariadis and Ozcan (2017) the respondents affirm that corporations such as Amazon, Apple and Google have launched financial services and products. Secondly, PSD2 was implied to have lowered barriers to entry, as it likewise has facilitated the platform format in retail banking. In distinction from FinTech, Big Techs are described as being trusted as a platform provider. Furthermore, they have already gained profitability from their platform business model as well as having the infrastructure and a superior technological competence (Zachariadis & Ozcan, 2017). Thus, the established banks' main competitors in terms of owning the customer interaction may not be FinTechs but rather Big Techs.

While Big Techs' core competence as a platform provider was implied to be their logistics or technological capability, the respondents asserted that banks' competitive advantage was their financial expertise. Expertise which over time has built customers' financial trust, a form of trust which the Big Techs argued to lack (ibid.). Yet, the established banks' lack of technological infrastructure and competence in being a platform provider could adversely influence their trust as the respondents argued that it was necessary to partner with FinTechs to further develop open banking services. Thus, the perceptions on FinTechs' lack of trust was bilateral, as it on one hand gave banks a competitive advantage. On the other hand, in a partnership between a bank and FinTech, this could become a threat as quality and trust were perceived as being inseparable between the partners (Zachariadis & Ozcan, 2017).

Conclusively, in agreement with scholars' conception, open banking is still asserted as being in its initial phase (Zachariadis & Ozcan, 2017; Dratva, 2020). Thus, there is a lack of knowledge among the respondents regarding the effects of open banking and hence the established banks' perceptions. Yet, while it is evident that the established banks perceive open banking as bringing a shift in competition, agency and customer behaviour, the established banks are not inclined to shift their role as full-range service suppliers.

5.2 Open banking and loyalty

As the retail banking market experiences drastic changes to the customer-bank interaction, this is doubtless to have effects on the loyalty dynamic as well.

In correspondence with scholarly assertions regarding customer loyalty as being a concept relying on attitudes and behaviour (See Oliver, 1999; Beerli et al.,2004; Dick & Basu, 1994; Wolter et al., 2017; Bowen & Chen, 2001), the respondents unanimously share this conceptualisation. Contrary to Baumann et al. (2005)'s conclusion regarding the discrepancy between behavioural intentions and behaviour, the respondents agree with Bhatnagar et al. (2017)'s assertion of their interdependency, as attitudes were implied to ultimately determine loyal behaviour.

In general terms, the theoretical comprehension that digitalization has decreased customer loyalty in retail banking is affirmed by the respondents (Key & Dehnert, 2018). To assess how customer loyalty has been influenced by open banking, there is a necessity to analyze how the underlying antecedents to such loyalty have been affected.

Satisfaction

In accordance with the theoretical framework, respondents likewise understood satisfaction to be a sentiment determined by expectations (Dick & Basu, 1994; Arora & Narula, 2018). The respondents further shared Terzidis et al. (2013) perception that satisfaction was determined in relation to external actors. As a consequence of the increased competition from open banking, customer expectations were likewise thought to be increased. This was considered a problem for established banks, who had a wide set of products, services, and customers, while still facing the same customer expectations as niche actors. Thus, in accordance with the theoretical framework, this has led to a decrease in customer loyalty, as dissatisfied customers have turned to alternative actors.

Retaining customers by fulfilling their expectations on prices was implied to be problematic, as niched actors were argued to be able to offer lower prices on services. However, banks' business model was instead built on the aspects Dratva (2020) asserted as fundamental to gain customer loyalty as a platform provider: trust and convenience.

Convenience was to a high degree related to their full-range offering, wherein customers with all their financial affairs on one platform would get a more seamless experience. In a market with FinTechs and Big Techs potentially acting as platform competitors, the question arises if banks' competitive advantage of convenience persists, as BaaPs would possibly allow customers to further pursue their increased multi-brand form of loyalty (see Key & Dehnert, 2018), combining disparate actors services seamlessly. Satisfaction and trust are two highly interlinked concepts in retail banking (Chu et al., 2012). Therefore, open banking's influence on trust and satisfaction could likewise be partly intertwined.

Trust

As partnerships and platforms become more prevalent and intertwined, identifying the true owner of the service interaction, and whose trust will be affected, is equivocal. Even as customers interact with a third-party service, their trust and inclinations towards their bank are affected (Zachariadis & Ozcan, 2017). This is problematized by the respondents, as FinTechs are perceived as being more prone to fail to comply with regulations. Furthermore, Chu et al. (2012) describe trust as stemming from a perception of future predictability, which is cemented through previous interactions. It could be said, then, that this trust is built and kept not through the services of previous interactions, but rather through the actors themselves. Thus, established banks' incorporation of FinTechs and other external actors on their digital channels becomes an act of balancing risk and rewards.

As the market moves to include open banking services, customers are likely to expect them. As such, banks will need to weigh the reliability of the FinTech and the benefits of a partnership, lest they inadvertently lose the trust of their customers. One way of mitigating these risks is for banks to make their services available on other platforms, and in so doing letting the platform provider take on the risk. This does, however, mean that the bank relinquishes control over the customer interaction, making it harder to build loyalty.

Switching costs

As was speculated by respondents and theory alike, developments in open banking are directly linked to changes in switching costs; much like many aspects of open banking, this is a multifaceted issue. Despite the fact that the switching costs are low in retail banking (Copenhagen Economics, 2019), and Baumann et al. (2005)'s conclusion that switching costs are related to behavioural intentions, customers are not known to switch banks to a large degree, according to the respondents. Customers' aversion to switch banks was understood by respondents, who even argued that switching costs were irrelevant to the discussion. This is in line with Lewis and Soureli (2006), who found no significant relationship between switching costs and customer loyalty in retail banking. Open banking could change this, however. Firstly, while switching banks is already easy, switching costs does not, as explained in the theoretical framework, simply consist of tangible or financial costs, but also perceived effort. It is in this way that open banking solutions, such as aggregator services, might further simplify–or even merely inform customers of the simplicity of–switching banks. Secondly, as customers have been observed to employ a larger spread of service providers than previously, it can be argued that while customers do not switch banks, they switch providers of specific services. Consequently, open banking will further lower this form of switching costs, hence decreasing loyalty by simplifying the process of combining actors' services. Thus, as loyalty is based on full-range customers, this will decrease established banks customers' loyalty.

Furthermore, the nature of platforms has implications for a possible lock-in situation, should platform providers become influential enough. The open banking managers' references and comparisons to Big Techs implies that bank platforms and aggregators could be on the same trajectory. As such, the argument could be made that it is feasible for a large monopolistic open banking actor to emerge, rendering the use of a single bank–or other platforms–unfeasible. This would create a lock-in effect, discussed by Zachariadis and Ozcan (2017), and while customers would be able to choose amongst service providers within the boundaries of the platform, there would be large indirect switching costs associated with breaking out of the platform.

The dilemma of full-range customers

The respondents did not discuss loyalty in terms of repeat patronage of specific services. Rather, customer loyalty was discussed as being based on the patronage of a full-range offering, as loyalty was implied–in accordance with Baumann et al. (2005)–to be directly related to share of wallet. Thus, customers who do not have the main part of the financial affairs with the bank were not considered loyal. This perception is disputed by customers' increased multi-brand loyalty and scholars' assertion of how open banking will break up established banks' value chains (Dratva, 2020; Key & Dehnert, 2018). However, the respondents held on to their full-range customer strategy. Herein lies the dilemma of full-range customers in open banking.

The preference of full-range customers can be explained through satisfaction and risk. Satisfaction has been linked to the number of services used from a single bank, potentially making for a situation where satisfaction feeds the width of services used by a customer and vice versa. Customers who adopt a wider range of services within the bank were considered less risky in loaning situations, as well as being the source of more streams of revenue.

However, despite these arguments, employing a full-range customer focus seemingly clashes with developments to the retail banking market resulting from open banking. Considering how open banking is thought to enable FinTech companies to offer more competent services and customers' inclination towards using a wider range of providers for their banking needs, it can be speculated that having full-range customers is nigh impossible. As such, one could argue that banks need to either re-evaluate whether they truly strive to have full-range customers, or to re-evaluate their definition of what a loyal customer is.

Conclusions

This study set out to answer two research questions regarding how open banking is understood by established banks, and what effects open banking will have on how the banks perceive customer loyalty, respectively. While neither question has a simple answer, an understanding has been reached and presented in the findings and analysis.

The findings showed that banks were in disagreement as to the level by which PSD2 is the reason for open banking, with one bank having begun their open banking efforts before the directive, while the others had a more direct link between PSD2 and open banking. Despite this link between PSD2 and open banking, however, the definition of open banking did not include PSD2 compliance, but open banking was instead understood as being the deeper partnerships originating in a more generous sharing of customer data. While there are indicators that the retail banking industry and the established banks are incorporating elements of the banking-as-a-platform concept, the established banks were reluctant to dismiss their traditional business model, due to concerns of profitability.

Despite open banking developments, established banks hold on to their definition of what a loyal customer is–a full range-customer, which is problematized by the respondents and theory alike. Gaining such a form of loyalty stands in contrast to their perceptions of the changes open banking will bring to customer behaviour. In particular, this contradicts how banks enable customers to use banking services from several different actors as opposed to fostering full-range customers by hindering such a splintering of service sourcing.

Future research

While this study contributes to a theoretical understanding of open banking and customer loyalty, there is still a limited amount of research addressing the open banking phenomenon. To lay a theoretical foundation, we suggest further research from alternative perspectives and areas of retail banking.

Firstly, to further comprehend how open banking has influenced customer loyalty in retail banking, a consumer perspective is of relevance, as a consumer perspective could contribute with a deeper understanding of how open banking services will be received in the future. As customer loyalty mainly concerns post-purchase behaviour and attitudes, it would also be relevant to assess how open banking has influenced the customer decision-making process as a whole.

In addition to a focus related to customers, it could likewise be of interest to investigate how open banking affects banks' value proposition – how new services are integrated into the banks' larger range of services. This was tangentially touched upon in this paper, and there were hints of this subject's potential importance. This would not only be interesting in the context of established banks, but the changes brought by open banking would likewise impact TPP or Fintechs as well.

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