

Case Analysis of SEB Bank

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Brand Management and Sustainable Business Models

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1. Introduction

SEB is an outstanding Nordic financial service group, guided by a strong conviction that "entrepreneurial minds and innovative companies are key in creating a better world" (SEB). SEB assists its customers in achieving their ambitions and succeeds through vicissitudes. SEB "cares for ambition" (SEB). Ever since SEB was established 160 years ago it strives to provide value, based on its firm heritage of entrepreneurship, international and long-term perspective. The objective of this study is to discover the problems for SEB concerning its current business model and to cultivate a corresponding competitive business model. The evaluation of the existing business model is executed by applying SWOT and Porter's Five Forces model. The assessment of the business model is based on the methodology of Osterwalder & Pigneur (2009) and Ulwick (2016). Consequently, the report suggests a handful of strategic proposals for SEB to improve its activities and stay at the vanguard of the competition.

2. Business Model Canvas

Key Partners

As mentioned by Osterwalder & Pigneur (2016) in creating partnerships, SEB is mainly motivated by "acquisition of particular resources and activities" (p.39). SEB seeks to maintain equal opportunities and contributes to social inclusion through its partnership with Mentor and Inkludera (SEB). SEB also collaborates with Hermes Equity Ownership Services, that enables SEB to maintain dialogue with companies outside Sweden. Likewise, SEB established partnerships with numerous partners in different expert areas as law, recruitment and international expansion (SEB). Examples of partners could be listed as follows: Financing and capital. Almi, Almi Invest, FranchiseArkitekt, Keiretsu Forum, Pepins, Spotlight Stock Market; Legal, contract and insurance. Avtal24, Vinge, Trygg-Hansa. Strategy and leadership. ScaleUp Academy, StyrelseAkademin; Business development, sales and marketing. Flex; Recruitment & talent management. Inhouse, SalesOnly, Oddwork. International expansion: U.S. Commercial Service, Result. Supporting social entrepreneurs.

Key Activities

In Sweden and the Baltic countries SEB provides ample financial counselling and an extensive variety of financial services. In Denmark, Finland, Norway, Germany and the United Kingdom, SEB concentrates on a full-service offering to large corporate and institutional customers (SEB). Accordingly, SEB is actively involved in collaborations to support future descendants, that accentuate SEB's role as a corporate citizen (SEB). SEB also plays an effective role in the development of societies in which it operates, initially by establishing strong customer relationships and is proactively engaged in environmental, social along with governance issues (SEB). Additionally, SEB takes steps to prevent money laundering, fraud and funding of criminal activities and ensures cyber security.

Key Resources

On the word of Osterwalder & Pigneur (2016) key resources of SEB consist of: physical, intellectual, human and financial resources (p.35). SEB operates in 20 countries with 15,000 employees. On the authority of SEB, it sustains 3,000 big corporations, 700 financial institutions, 400,000 small and medium-sized plants, that are physical assets and 4 million private individuals with counselling and financial solutions.

Value Proposition:

SEB contains the “performance” element in its value proposition. SEB views improving product and service performance as a way to create value (Osterwalder & Pigneur, 2016:23). SEB focuses on delivering long-term world-class service to its customers. It also attempts for its customers to discern them as knowledge sharing, having a deep understanding of customer needs, being active and making their lives simpler.

The element of newness is also prevalent in SEB's value proposition. SEB is convinced that entrepreneurial minds and innovative partnerships are essential to creating a better world (SEB). As an example, SEB was one of the first banks that adopted a virtual assistant called Amelia, later renamed Aida (Daugherty & Wilson, 2018).

SEB also retains a position as a relationship bank that emphasizes the investment in society as its mission and "engages for future generations" (SEB). SEB supports projects that ensure a robust and stable base for growing businesses, helps to refine the living conditions of people and facilitates financial education. SEB also desires its customers to be successful in the future, and actively participates in different projects as a sponsor (SEB). By supporting variety of projects SEB helps businesses to not only obtain capital, but also, which is more noteworthy, to obtain the knowledge that might help its customers to cultivate a flourishing society in the future.

Customer Relationships

SEB contains several categories of customer relationships, that co- exist in its model. Firstly, it has personal assistance relationships. It involves that customer can communicate with SEB representatives to get assistance at the physical office as well as through call centres, by email or through other means. Secondly, SEB possesses dedicated personal assistance. By providing proactive counselling services SEB attempts to build deepest most intimate type of relationships that is focused on long term strategy. Thirdly, SEB has also established self-service relationships, where SEB maintains no direct relationships with its customers. Rather SEB provides all the necessary means such as internet bank platforms for its customers to assist themselves. Fourth type is automated service relationships. SEB integrates artificial intelligence in its customer service. For example, virtual assistant called Amelia communicates directly with SEB's customers, holding thousands of conversations and resolving the majority of the issues. Whenever Amelia is operating she always obtains positive feedbacks (Daugherty & Wilson, 2018). Likewise, SEB is involved in co-creation type of relationships. As stated in SEB's annual report (2017) SEB often engages customers to approve beta versions of new products and services. SEB also organizes events for its customers where they have an opportunity to discuss relevant topics.

Channels

SEB reaches its customers through the direct channel (Osterwalder & Pigneur, 2016:27). A direct channel signifies the personal services offered in SEB's main and branch offices as well as its website that is under the organizations control. Likewise, SEB employs social media channels as Facebook, Twitter and Skype to raise awareness about the SEB's services and offerings. SEB also employs external tools to collect customer feedback through NPS, Prospera, SKI, Bloomberg, Vigeo and RobecoSAM platforms.

Customer Segments

According to Osterwalder and Pigneur (2009) SEB uses segmented strategy to serve customers with slightly different needs and problems (p.21). The Large Corporates & Financial Institutions segment provides investment banking services to big companies and financial institutions in the Nordic region. Corporate & Private Customers segment offers all

banking services to small and medium companies along with private individuals in Sweden. Life and Investment Management segment assists private customers, agencies and institutions with a series of insurance solutions.

Cost Structures

SEB has a value- driven cost structure. It is less anxious with the cost implications and instead centres on value creation. Its focus on delivering world-class service, sponsorship initiatives and a high degree of personalized services characterize value driven business model. Its cost structure has the characteristics of fixed costs that stay the same regardless of the volume of services produced. Examples are wages to employees and renting payments. Besides, SEB also highly invests into its cyber security and data protection. Additionally, according to SEB's annual report (2017), each customer segments spiked their activity levels that resulted in positive macroeconomic signs in all its home markets (p.33). Operating expenses decreased by 2 percent resulting in SEK 21,936 (p.33).

Revenue Streams

SEB business model comprises two different types of revenue streams. Transaction revenues derived from non-interest income from loan origination fees and loan servicing fees as well as ATMs. Recurring revenues are originated from interest income payments as usage fees for debit and credit card holders together with ongoing mortgage and loan payments. Accordingly, SEB has a robust financial position and the business environment in its markets was on a positive track during the year. Total operating income grew by 5 per cent and constituted SEK 45,609 million (Annual report, 2017:33).

3. 5 Forces of Porter

Rivalry among existing competitors

SEB has four large competitors Nordea, Swedbank, Handelsbanken and Danske Bank in the Nordic market (SEB). The banking industry is highly homogenous, all banks offer identical products that can be easily duplicated. For that reason, it is highly important for SEB to distinguish itself from the other banks, what it has already accomplished. SEB distinguishes itself with the world-class service and top quality. SEB is sufficiently credible and secure, to keep existing clientele and acquire new ones. Secondly, by decreasing the gap between the customer expectations and delivered service SEB reinforces the customer loyalty and its profitability (SEB).

Threat of new entrants

SEB has a long history in the market, and holds a decent and extensive competence. It can be viewed in regards to niche banks with comparably short history and experience. SEB also possesses generations of customer in its customer base that is not available to a new player in the market (SEB).

Threat of substitutes

Every company in the market is subjected to competition from substitute products. The services that banks deliver are virtually similar which complicates the consolidation as customers may be aware of the existing similar alternatives.

Bargaining power of buyers

Customer services compose a great proportion of SEB's total cost. Therefore, customer is more eager to commerce at the best price. Moreover, services are highly standardized and the customer can easily find substitute suppliers.

Bargaining power of suppliers

Suppliers of SEB follow the Code of Conduct and have a strong relationship with the bank. Furthermore, suppliers need to be assessed for sustainability risks to create value in the long run. Therefore, suppliers do not exercise power over SEB through threats of deteriorating quality or higher prices for its services.

4. SWOT analysis

Strengths

The sustainability index of SEB can be considered as one of its strengths. SEB is estimated as a leader in sustainability. It was one of the first banks to involve sustainability facets in its "equity management" (Annual report, 2017:21). It was one of the banks, that for the second consecutive year was included in the Dow Jones Sustainability Index (p.21).

Secondly, technology is another superior element of its business model. SEB rapidly deploys IT technologies both into its corporate and private customer segments. For example, according to Wallin (2018) SEB has released a PE Accounting service which grants corporate customers to address their banking services in a completely new way. The service eases the everyday life of corporate customers, where "everything from accounting, reporting, billing and transactions is automated into the PE accounting system" (Wallin, 2018).

Additionally, artificial intelligence of SEB has automated mundane business processes and drastically improved user experience levels while giving employees the chance to focus on more important tasks. Moreover, the technology advancements reduce business expenses. Growth in efficiency enable companies to do more with fewer employees.

Weaknesses

According to NPS data of year 2018 collected through (Trustpilot, Finance, Bank Betyg) platforms, it becomes clear that despite technological improvements in other areas the technological errors are still prevalent and affect customers across the country. Likewise, Hangasmaa (2018) also states that customers complain that SEB has a constant card authorization problem. For instance, one of the most stricken by the error was SEB customer Jonas (Hangasmaa, 2018). On his way to Gothenburg, Jonas had to refuel the car, but the purchase was discarded repeatedly. He ended up swishing money to the staff in order to get use of their debit card (Hangasmaa, 2018).

Furthermore, according to 2018 survey by Swedish Quaility Index that measures customer satisfaction on a scale between 0 to 100, SEB scores 65,7 % (Magnusson, 2018). As attested by Reputation Institute this implies that the likelihood of people who would buy the product comprise 41 percent while only 31 percent would invest in (Reputation Institute). In general, this indicates that SEB faces difficulties in making its customers loyal. Moreover, Brännström (2016) claims that the least satisfied customers are mortgage customers, that comprise 62,6 percent in comparison to private loans 65,9 % and saving customers 63,9 %. Thus, SEB should contemplate on the strategies to satisfy its mortgage loans customers in order to attain more supportive behaviour. Likewise, that will result in increased reputation levels. On the grounds that if reputation increases by 5 points, the number of people who would certainly recommend SEB increases to 7.1 % (Reputation Institute).

Opportunities

Technology has a critical appeal on the way banking and financial services are conveyed. SEB should combat the technological failures to provide fulfilling customer experience and services. Additionally, potential strategy for growth can be achieved through fulfilling needs of its mortgage customers. Accordingly, SEB has all resources to contribute to the improvement of a society. For instance, SEB has a great capacity for innovation, it possesses a substantial knowledge in digitalization, cultivates talents and competences as well as incorporates sustainability into its processes.

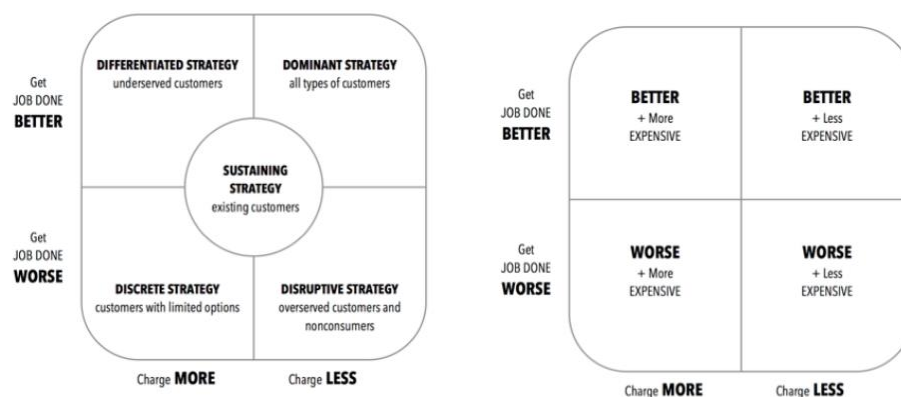
Threats

Digitalisation is disturbing every facet of banking, and in a digital era, security and reliability of SEB's digital platforms are critical (SEB). Disturbances or any kind of intrusions into the system can trigger major problems, for both parties, customers and employees. Hence, SEB proactively works to defend the bank from sabotage, cyber-attacks, frauds and financing of criminal activities (SEB). SEB takes all measures to rise its resilience against cyber threats.

Future Business Model for SEB

1. Jobs -to- be-Done Framework

SEB used to employ a differentiated strategy at times when it targeted top customers with premium offers. Besides, its brand personality was compared to a BMW or Mercedes signifying its premium brand characteristics (Algotsson et.al, 2008:31). Whereas, presently SEB has made drastic changes and commenced to apply dominant strategy aimed for its private customers (Ulwick, 2016). In view of the fact that SEB wanted to communicate to people that SEB is also a simple and transparent bank that is open for everybody (SEB). However, despite the changes in its strategy choice SEB still experiences troubles in its business model. SEB clearly underserves its private customers. Moreover, according to outcome-based segmentation, a segment of corporate clients is slightly overserved given that they are getting surplus features that allows them to get their job done far more easily. Whilst the needs of private customers are underserved. They routinely struggle with technological failures (p.107). Accordingly, the innovation strategy would be to address the needs of underserved customers by deriving a moderate budget that is directed for overserved customers, thereby satisfying the unmet needs.



Source: Ulwick, 2016. p.64

2. Duplication of Purchases Law

According to Sharp (2010) duplication of purchase law denotes that all brands within a category share their customer segments with other brands (p.80). For instance, Tuvhag (2016) declares that at the present time, almost half of all private Swedish customers have more than one bank. Instead of moving completely, many choose to become a customer at another bank. Hambræus (2017) also states that people may have their bank accounts in a one bank, while you save your investments elsewhere. Nevertheless, this trend is more prone to younger digital customers, in comparison to elderly customers who are less prone to frequent changes (Tuvhag, 2016). Thus, the data reveals that there is a significant potential to focus on elderly customers.

3. Law of buyer moderation

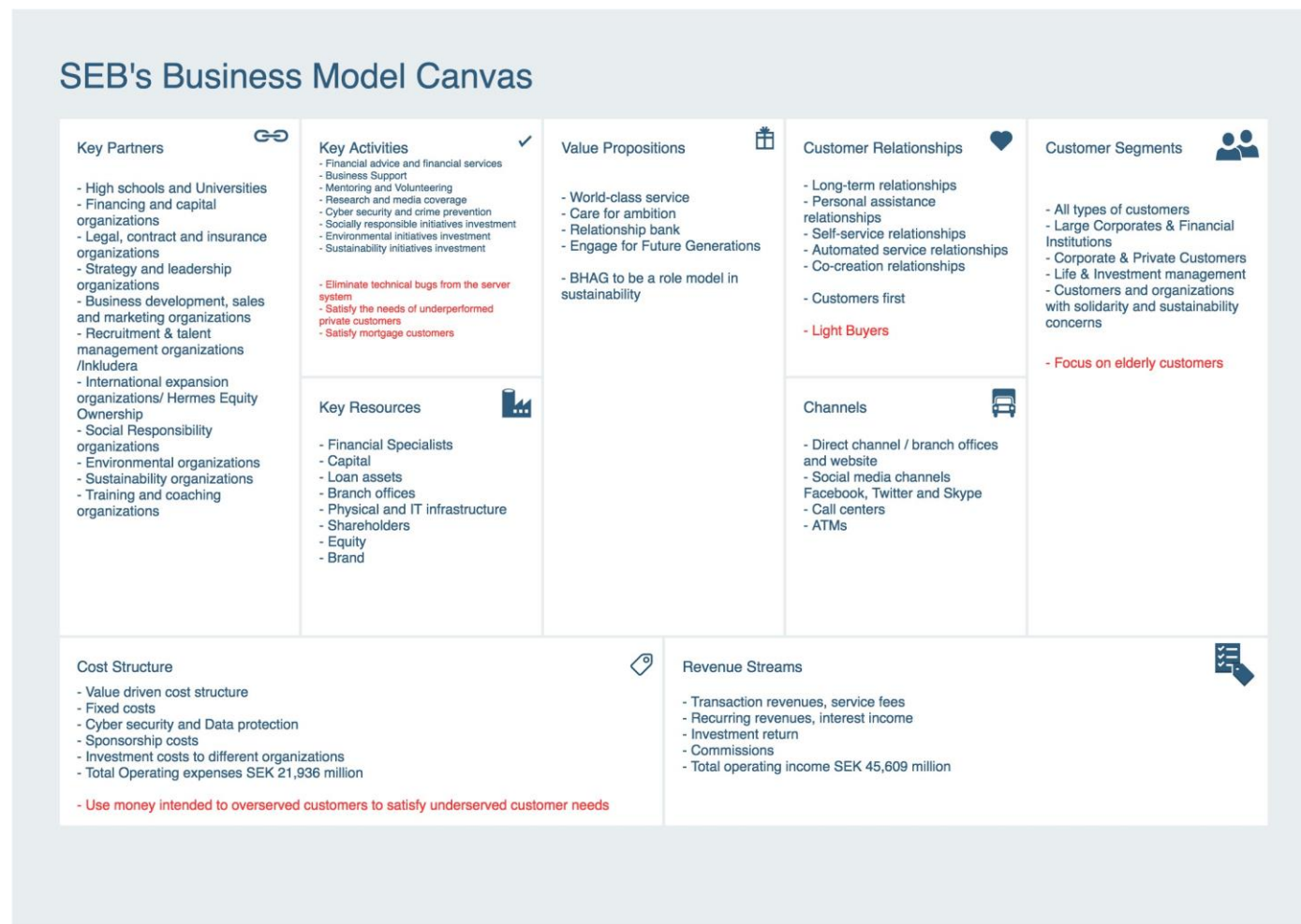
Furthermore, in compliance with the law of buyer moderation, the significant number of costumers of any brand are light buyers, and they have a great impact on sales volume (Sharp, 2010:38). So, for SEB the biggest opportunity for growth can be obtained through less heavy customers. Due to the fact that, "light buyers share their loyalties across a number of brands" and do not abide on a loyal following of your brand to increase the growth (Sharp, 2010:38). SEB can take advantage of the fact that "light buyers will become heavier and heavy buyers will become lighter" (p.176).

4. The sustainability success factors

In accordance with Osterwalder& Pigneur (2010) SEB has an open business model, that is used to produce and capture value by consistently collaborating with external partners (p.110). From the outside-in perspective, SEB exploits external ideas, technology and intellectual resources into its development. From the inside-out perspective, SEB grants external parties with ideas and assets lying idle within the firm. SEB has a significant success factors in sustainability where it has great opportunities to impact the society. SEB should strive to create confident indirect impact in line to its vision, commitment as well as complying to UN SDG. For example, sustainable finance has a critical impact on customers' sustainability related risks and possibilities. Likewise, SEB also focuses on sustainable investments that incorporate societal, governmental and environmental factors into its model. Additionally, SEB 's focus on the Innovation and entrepreneurship increases sustainable economic development and commits to generating new jobs and growth in society.

To conclude, SEB's current model is sufficiently robust. Nevertheless, the aforementioned improvements might uncover several hidden areas for growth.

Given the above-mentioned identified constituents, SEB Business Model Canvas could be illustrated as follows.



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