

THE IMPACT OF REMODELING BRANCH BANKING FOR A CASE STUDY OF THAI MILITARY BANK (TMB) TOWARD CUSTOMER ENGAGEMENT

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Abstract: *As a trend of digital technology have grown rapidly in Thailand and it will be integrate to all industry in future include banking industry with customer centricity concept. Commercial bank's branch in Thailand was consider as first issue that was impact by this challenge on retail banking environment (sales and service experience), convenience of terminal and efficiency for providing services. Moreover, behavioral of customer to visit the branch was changing toward a digital channel, while the physical channel is require for customers to create customer trust and become a "Lifestyle Touch Point Banking" in the future. Regarding to customer engagement, branch is the key concept to acquire and engage customers. The research investigated the impact of remodeling bank branch in Thailand with three main factors for developing the remodel, branch redesign, customer experience, and new technology development. Therefore this research has examined the impact of remodeling branch for a case study of TMB bank in order to engage with existing customer and acquire new customer to bank due to increase number of sales across among channel and improve customer satisfaction. In this research, a questionnaire was used as a tool for collecting the primary data. The data was analyzed by using descriptive statistics and the hypotheses were tested using Multiple-regression and ANOVA. The findings showed the impact of remodeling*

Keywords: *Banking Industry, Customer Engagement, Branch Design, Customer Experience, Technology*

1. INTRODUCTION

Number of customer visit a bank branch was increased over the last 4 years from 2012 while it is expected to fall by 2020 with the threat of digital channel and mobile banking application. For some specific reason, bank will face with a risk of transferring customer to purely digital such as, internet banking and mobile banking. Increase competitive environment in banking industry, creating a strong relationship with customer can maintain customer loyalty and build customer engagement. Providing differentiates in product they sell and new technology developments are factor that forces bank to redesign the module for fit to needs of customer. As bank product is more intangible and not in packaging, delivery facilities should be the priority to influences a customer's judgment. Remodeling of the branch can enhance the level of customer convenience thus customer would like to engage more with bank. Not only to improve the access or visual identity, remodel branch will help to encourage customer to interact with bank, such as interactive kiosk and graphic displays. Transforming the branch lobby into an interactive retail banking experience, customer can access their account online, searching information via interactive screen and connect to contact center thru VDO conference room are tool for cross-selling product to customers.

1.1 Objectives of the Study

This study seeks to improve the customer experience at bank branch in term of increasing the new customer and encourage customer to visit branch. The main objective of this research is

to find the relationship between the impact of remodeling branch and customer engagement on Thai customer.

1.2 Benefits of the study

The researcher studied the impact of designing branch, create new customer experience, and develop new technology module which affect the customer engagement to bank in order to stimulate and encourage customers come to visit bank's branch and convert them to become the prospect customer for bank. Increasing the profitability in branch, bank have to provide the solution for support branch in order to acquire new customer and it will leads to a competitive advantage in banking sector. The significance of this study is beginning to increase the number of customer come to visit bank's branch and make them become main operating customer for bank. Some useful information can use to enhance and develop the banking strategy for whole picture of channel path for those who are interested in this issue.

2. LITERATURE REVIEW

The researcher would like to identify the relationship of customer engagement and other three independent variables as branch design, customer experience, and new technology development.

2.1 Dependent Variable

McEwen's (2004) studied the customer engagement that customer or individual move through a psychological process of thinking to become a loyalty in some specific brand especially a services sector. Customers have more potential to repeat their purchase if they were preferred or loyalty to that brand. Kumar et al. (2010) and Van Doorn et al. (2010) were defined engagement as a set of customer behaviors on both transactional (loyalty or repurchase intention) and non-transactional (commitment, word-of-mouth or referrals) which guarantee of next purchase that will increase the future sales volumes and create the positive brand reputation with other.

2.2 Independent Variable

First variable is branch design, Kamin Blair (2005) suggested a different path for branch bank design, and the old fashion of huge bank branch was gone, while a design was based on the kind of branch located, cities and suburbs. Inspiration of each design came from sense of customer needs, lack of access to their adviser and change side of views money so branch design have to be a retail space to facilitate conversations and relationships among bank employees and customers (Hames, 2011).

Second is customer experience, it is a main source of competitive advantage (Woodruff, 1997) and try to understand of how customers experience value to bank relationships with customer (Lähteenmäki and Nätti, 2013). The main reason of improve customer experience is increasing in customer satisfaction and loyalty toward a brand. A good customer experience was also believed to create competitive advantage (Johnston, R. and Kong, X. 2011). The last, new technology development will facilities commercial bank for introducing new products and services and it helps bank employees in work performance that lead to overall benefit of company. However, the success rate of introducing new products and services rely on the efficiency and effectiveness of model in each technology such as in house manpower, planning of staff, knowledge learning and implementation strategy (A. Prabhu, 2013).

3. METHODOLOGY

The researcher has developed some variables to represent the study regarding the outcomes in the purpose of finding the impact of it. The conceptual framework of this study was drawn by using three factor, branch design, customer experience and new technology development to measure the customer engagement for commercial bank in Thailand. So, the conceptual framework model can be explained as figure below.

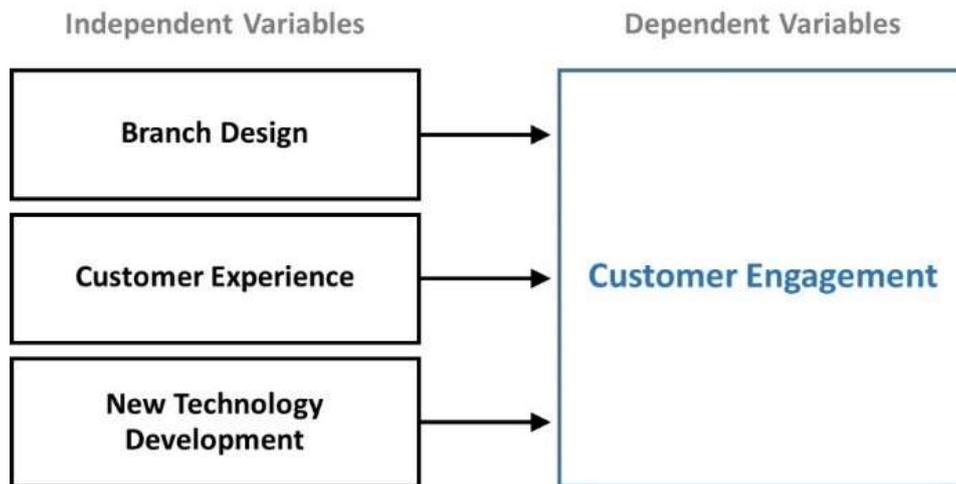


Figure 1: Conceptual Framework

There are four hypothesis in order to study and investigate the relationship of the factors that can determine the customer engagement for commercial bank in Thailand by following the conceptual framework shown in Figure 1.

H1a: There is a statistical relationship between branch design and customer engagement.

H2a: There is a statistical relationship between customer experience and customer engagement.

H3a: There is a statistical relationship between new technology development and customer engagement.

H4a: There is a statistical difference between education and customer engagement.

This research is descriptive in order to find the relationship of branch design, customer experience, and new technology development that will effect to the customer engagement for commercial bank in Thailand. The researcher applies the survey method distributing questionnaires to respondents, focusing on bank customer in Thailand. For research questions, the researcher collected respondents' personal data as qualitative data and factors that impact to customer engagement for commercial bank in Thailand, quantitative data.

The questionnaires were designed to self-completion questionnaires with the selected bank customer in Thailand to be respondents. The researcher has developed the questionnaire based on the research objectives and conceptual framework. The researcher divided the questionnaire into three parts based on the conceptual framework, screening question, three main topics in conceptual framework, and demographic.

The primary source of this research was collected from questionnaire and evaluated the data. The questionnaire was distributed to bank customer in Thailand who ever experience in bank branch. The researcher was collect a feedback from respondents and enter raw data to

Microsoft Excel for easy to use, and analyzed the data by using Statistical Package for Social Science (SPSS). In this research, researcher collected the secondary data from the previous studies of researchers by searching the articles, and applied those effects as variables in the conceptual framework.

4. RESULTS AND DISCUSSION

Descriptive statistics of demographic factors showed that most of the respondents were female 80 respondents or 53.30% with age of 21-30 years old, which 57 respondents or 38%. Education, the majority of the respondents were Bachelor's degree, which 91 respondents or 60.7%. Next is Master's degree, which 53 respondents or 35.3% and last range were Ph.D., which 6 respondents or 4%. The current income per month (baht) has five ranges in questionnaire while majority of the respondents were income of 15,001 – 50,000 baht, which 50 respondents or 33.3%. The majority of the respondents were single status, which 111 respondents or 74% and marriage status which 39 respondents or 26%.

The researcher chose a regression model (Multi-regression) to test all four hypotheses. Multi-regression will study the relationship between the independent and dependent variables. Moreover, the significance level is a critical probability in choosing between the null and alternative hypothesis. The purpose of hypothesis testing is to determine which one of the two hypotheses is accepted. In this research, the researcher uses correlation coefficient significance at 0.05.

Table 1: Summary of hypothesis testing result

Hypothesis	Level of significant	Result
H1o: There is no statistical relationship between branch design and customer engagement.	0.000	Rejected H1o
H2o: There is no statistical relationship between customer experience and customer engagement number of accidents	0.000	Rejected H2o
H3o: There is no statistical relationship between new technology development and customer engagement.	0.000	Rejected H3o
H4o: There is no statistical difference between education and customer engagement.	0.879	Failed to reject H4o

5. CONCLUSION

The study shows that all of independent variables (branch design, customer experience, and new technology development) have strongly significant affect to customer engagement and the most important factor is new technology development. TMB Bank need to allocate their budget for invest in new technology project because it can reduce a cost of operation due to increase the customer satisfaction. Branch design, respondents give a medium to high score range in this topic. Commercial bank in Thailand has to improve their design to meet the need of their own customer. According to the questionnaire, respondent would like commercial bank to transform their design to become more digital banking by using the unique types of furniture, lighting, pattern of floor and ceiling, and banks have to increase the privacy for doing transaction at branch counter.

Customer experience is a new trend for all business as retail shop, restaurant, and bank to integrate their business scope with the experience of customer. Creating customer experience

is the second rank that impact to customer engagement in commercial bank. Most of respondents give a high score range of their experience for the premier lounge in branch that will make them more engage with bank. Club or premier lounge is one of the facilities that can impact to customer decision of buying product with bank. Last one is new technology development, most of respondent are strongly agreed on this factor compare with other variable. Commercial bank should have a plan to implement the new technology to their branch and migrate customer to use those technologies, reducing the waiting time of queue will effect to increasing in satisfaction. Bank will gain more loyalty when their customers satisfy with the service because technology can improve bank performance.

There are some limitations on this research. Firstly, the scope of this research might not be generalized to the whole types of variable that affect to customer engagement toward the commercial bank in Thailand, because some variable from intrinsic and extrinsic were not used to investigated or study. Secondly, this research does not include all demographic variables, which all respondents are living in Bangkok, Thailand and this study focus only customer who ever visit to bank in Thailand. Time for study and doing this research are short period then the factor of remodeling branch has only three variables to investigate the relationship with customer engagement at branch. Lastly, it is not only remodeling branch that will impact to customer engagement, while there are other variable of work that can result to this research.

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