An Optimal Model of Banking Services with the Customer Experience Approach based on the grounded theory

Seyed Ebrahim Hosseini[a], Touraj Sadeghi[*a], Ali Hosseinzadeh[a], Mehdi Zirak[b]

[a]Department of Management, Torbat-e-Heydarieh Branch, Islamic Azad University, Torbat-e-Heydarieh, Iran.
[b]Department of Educational seiences Torbat-e-Heydarieh Branch, Islamic Azad University, Torbat-e-Heydarieh, Iran.

Abstract

Introduction: The experience of receiving desirable banking services can have a significant psychological and behavioral impact on customers. The present study was aimed to design a desirable model of banking services based on customer experience using the grounded theory. **Methodology:** The present research is applied in terms of purpose, descriptive- survey in terms of data collection method and a qualitative research based on the data nature. The study was conducted using the Strauss and Corbin's theory [1]. The statistical population included Shahr Bank customers and the statistical sample was 20 customers using Shahr Bank services who were selected using purposeful sampling method. The instrument of study was an open-ended questionnaire based on open interview protocols. SPSS statistical software was used for descriptive analysis and chart plotting. In the grounded theory section, Atlas.TI software was used. **Results:** The results of the analysis of research findings led to the design of an optimal model of banking services based on customer experience using the grounded theory, in which the concepts and categories of the optimal model of banking services based on customer experience in Shahr Bank, including 230 codes, 63 concepts and 15 core categories were identified. The causal conditions include 4 categories; context 2 categories; strategies 2 categories; intervening conditions 3 categories and consequences include 4 core categories. **Conclusion:** The present study indicated the complexity of the components of the optimal model of banking services based on customer experience in Shahr Bank. However, the conceptual model enables the managers to make appropriate executive decisions.

Keywords: Customer experience, Banking services, Shahr Bank, Grounded theory.

*Corresponding Author: Touraj Sadeghi

Email address: Toorajsadeghi@iau-neyshabur.acir (Seyed Ebrahim Hosseini[a], Touraj Sadeghi[*a], Ali Hosseinzadeh[a], Mehdi Zirak[b])

1. Introduction and statement of problem

For decades, the impact of the service environment has received much attention from researchers and managers in various fields and this shows that the experience of receiving a desirable service can affect buyers and create positive business consequences from psychological and behavioral aspects. Providing a unique experience is the key to engage the minds and hearts of customers [2].They believed that customers valued the experience even more than its real tangible value. Therefore, experience is a key element of all services / products used [3]. Hence, researchers examine customer service experience using the concept of "movement" as a potential measure of customer experience [4].The term "movement" refers to a situation in which people act with a sense of focus, full control, and deep engagement. Customer interactions with brand drivers can lead to the creation of movement. In fact, movement variables are associated with attractive outcomes in technology services field, such as positive perceptions and attitudes,positive impact [5],exploratory behavior with increased learning and future intention of use [6].The most important distinctive feature of services, in addition to being attractive in designing is how to consume and provide services and activities of different brands, to combine the services purchase from an institution with fun. Banks are expanding across borders by offering a variety of benefits, competitive services and restructuring their services using the fast technology to meet the changing needs of customers. Accordingly, such measures have changed the nature of banking and customer service. The competitive and rapidly changing environment in which banks are forced to operate guides them to reconsider their attitudes toward customer satisfaction and optimize the quality and performance of services. The development of the role of banking system services in Iran and its role in economic development and its direct impact on the life of the Iranian people as well as in the world has been of great importance [7]. This growth has continued to the point that the industry has entered a highly competitive environment. One of the new and widely used tools in this competitive environment is to create a positive experience and customer satisfaction in this industry. Considering the competitiveness of services and the need for marketing strategies and planning, customer experience management in this service industry can be recognized as one of the practical tools in customer experience of services [8].

After customer relationship management, service organizations today should deal with the experience that the customer receives as a result of interacting with employees and the inherent quality they receive from that service organization. This experience and memory is the result of all interactions with employees, services and products of the organization for the customer and play a considerable role in the quality and continuity of customer relationship and customer loyalty [9]. Now that Shahr Bank has entered the arena of competition among large and famous banks with the slogan of innovation for 10 years. One of the bank's most important innovative challenges is managing customer experience to attract both new and existing customers over the past 10 years and they become loyal customers. Therefore, the present study is an attempt to provide a model in which influential factors, strategies, context, intervening factors, and consequences of the bank's customer experience are investigated using the grounded theory. In other words, the main question of the research is" how is the grounded theory model that explains the desired banking services based on customer experience in Shahr Bank?

2. Review of Literature and research background

2.1. Customer experience management

In recent years, consumers have been experiencing a transition from being a passive buyer to being an active consumer, creating new consumption experiences and participating in the process of

collaborative marketing. In today's business world, customers seek high quality goods and businesses are looking to grow sales, make more profit, and reduce costs, both of which seem to contradict each other, but they are also similar. In this regard, the most important challenge for today's businesses is to make a balance between these two factors. Customer experience management is a mechanism by which businesses not only achieve maximum customer satisfaction but can also provide increased profits and minimum costs. Experiential marketing is the process of introducing and meeting the needs and desires of customers effectively making them committed to a two-way communication that brings brand personality to life and adds value to the target audience. Experiential marketing allows the brand to communicate with its target audience through innovation and engagement to achieve marketing communication goals and add value to consumers' life. When senior executives gain experience with marketing (an innovative methodology that facilitates two-way brand-centered communication with the target audience): The interesting business results are achieved. By successfully implementing the tendency of senior executives in all sectors of the organization, and then communicating with the target audience through marketing experience campaign, organizations can successfully turn consumers into brand advocates (Smilansky, 2009). Customer experience has been a centralized research field when Mehrabian and Russell [10] first discussing experience economy and experiential marketing. The advent of the Internet has created a whole new network of customer experience and response. This tool has profoundly influenced the way the customer interacts and reacts to offers [11].In addition, customer retention is becoming more and more important. According to an article in Harvard Business Review, an increase in customer retention by only 5 percent can increase profits from 25 to 95. Therefore, it is important that retail experience is valuable for customer repetition [12].One of the most basic parts of a customer experience is post – purchase experience, for example, the experience that is created after the purchase and ends with the consumption or return of the product. Post-purchase experiences include the re-purchasing goal. Confidence in the product and brand is significantly affected by customer post- purchase experience [13].

Heshmati, Saeidnia and Badizadeh [14] conducted a study to design a customer experience management model for banking services. Based on the results, the main focus of the model includes customer experience management and its dimensions, including brand experience, service experience and post-purchase experience. Three indicators were identified for each of the above dimensions and some components were identified for each of the indicators. Esfandiari, Iman Khan [7] in a study "Analysis of bank industry customers behavior: Grounded theory approach" investigated the assessment model of brand via the customers behavior analysis using a comprehensive approach of Strauss & Corbin [1].The findings identified causal conditions, context, intervening conditions, and evaluation dimensions in the analysis of customer behavior based on the choice of the bank's brand. Developing assessment strategies using a customer relationship measurement process approach, service delivery process, customer segmentation process, target market selection process and positioning process leads to providing a brand image based on brand differentiation and competitive advantage that is the basis of customer analysis and selection. Ansari and Sanayi [15] investigated the study of customer experience management and customer continuity of use of the bank's electronic services. The results showed a positive correlation between experience management and continued use of e-banking services. The data collection instrument is a questionnaire. The correlation test was used to identify the determinant factors and the artificial neural network instrument was applied for their prioritization. The results showed that service quality factors, loyalty prices, trust, satisfaction, customer expectations, attractiveness, employee competence and ease of use determine the continuity of use in Mellat e-banking services. In a study, Mbama, Ezepue, Alboul, & Beer [16]examined managers' perceptions of digital banking's (DB) effect on customer experience and banks' financial performance of UK bank executives" and concluded that the attributes affecting DB experience are

as follows: service quality, functional quality, perceived value, service customization, service speed, employee-customer engagement, brand trust, DB innovation, perceived usability and perceived risk.

In their study, Brun, Rajaobelina, Ricard, & Berthiaume [17] examined the impact of customer experience on loyalty: A multichannel examination. Findings demonstrate that the main dimension impacting loyalty is the affective dimension (negative), thus contributing greatly to experiential marketing literature since negative emotions are rarely investigated. Findings also reveal that choice of channel exerts a moderating effect on the different dimensions influencing loyalty and that results vary from one sector to another. Khan, Rahman, & Fatma [18]examined the dimensions of customer experience and its impact on customer satisfaction, brand loyalty, and word-of-mouth in the hotel industry. The research findings revealed the positive and significant effect of the dimensions of customer experience quality (EXQ) on consumer behavioral outcomes. Customer satisfaction also has a significant impact on brand loyalty and word of mouth.

3. Methodology

The present research is applied in terms of purpose, descriptive- survey in terms of data collection method and a qualitative research based on the data nature. The study was conducted using the Strauss and Corbin's theory [1]. The instrument was an open-ended questionnaire based on open interview protocols being distributed among the study sample. In order to obtain the reliability of the final questionnaire, Cronbach's alpha method was used. According to Cronbach's alpha coefficient (0.822), the reliability of all components of the final questionnaire is verified.

$$\alpha = \frac{k}{k-1}\left[1 - \frac{\sum S_i^2}{S_x^2}\right] = 0.822 \tag{3.1}$$

The statistical population of the present study in the qualitative section includes all faculty members, university lecturers, experts in banking who are all customers of Shahr Bank in Mahd Moghads city and have used the services of this bank and master some fields including: Management, economics, marketing and banking. According to the Cochran's formula, the statistical sample is 20 experts who were calculated as follows:

$$n = \frac{z^2 pq}{1 + \frac{1}{N}(\frac{z^2 pq}{d^2} - 1)} = 20 \tag{3.2}$$

Where N: number of statistical population, $p = 0.5$, $q = 1 - p$, $z^2 = 3.8416$ and d: Statistical error which is equal to 0.05.

The second group of statistical samples includes 200 customers (experienced and normal) of Shahr Bank, who are invited to participate in the survey using available sampling method and with the presence of a researcher in the branches of Shahr Bank. The statistical sample completed the questionnaires of confirmatory factor analysis and structural equations modeling.

$$n = \frac{z^2 pq}{1 + \frac{1}{N}(\frac{z^2 pq}{d^2} - 1)} = 200 \tag{3.3}$$

3.1. Grounded theory

Grounded theory is a research method for the social sciences developed by two American sociologists, Barney Glaser and Strauss. In successful research collaboration in the early 1960s, these two sociologists conducted a sociological study of the "awareness of dying" among dying patients at the

Medical Center of University of California in San Francisco. During the investigation of these patients, they developed a new methodology and systematized and documented it. A general overview of the structure of processes in grounded theory and the effect of coding on the theory generation is shown in the Figure 1.
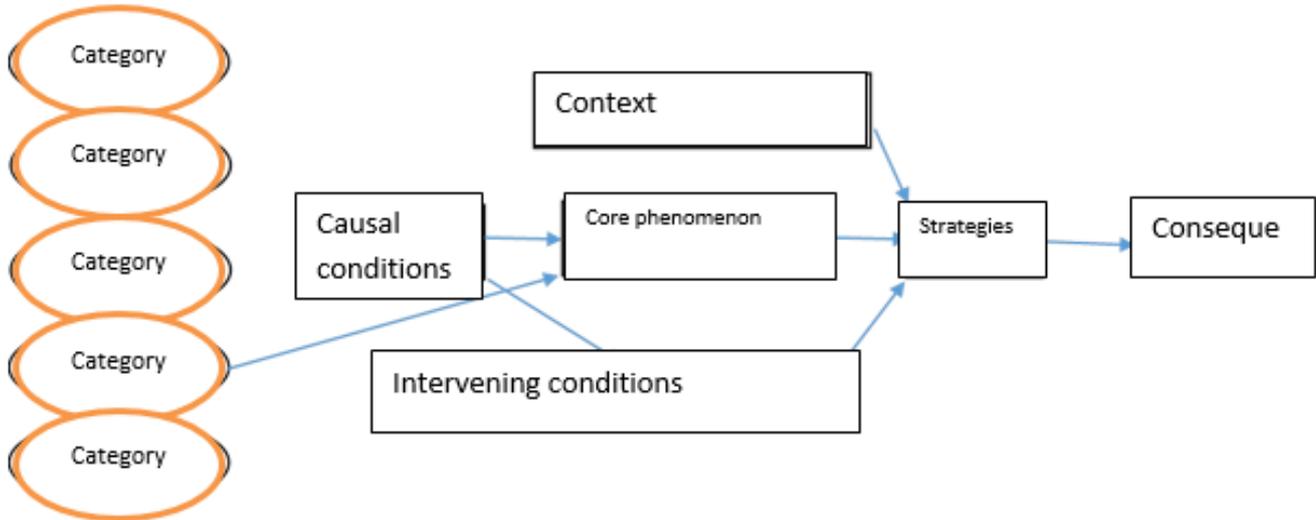

Figure 1: A general overview of the processes structure in the grounded theory [1]

3.2. Structural Equations Modeling and Smart PLS Software

The general form of the structural model and the measurement model in the structural equation technique are as follows:

$$\eta = \beta_\eta + T_\epsilon + \tau$$

$$E(\tau) = 0 : \ COV(\tau) = \phi$$

$$Y = A_y \eta + \epsilon, \ \ X = A_x \epsilon + \delta$$

$$E(\epsilon) = 0 : \ CVO(\epsilon) = \theta, \quad E(\delta) = 0 : \ CVO(\delta) = \theta,$$

Also, the matrix symbol of structural equations is as follows:

$$\eta_{per} = \alpha + \gamma_h \epsilon_h + \tau_{per}$$

$$P_i = \mu_{\beta_1} \eta_{per} + \theta_{\epsilon_i} \quad i = 1 \cdots \cdots \cdots 10$$

$$h_i = \mu_{h_i} \epsilon_h + \theta_{\delta_i} \quad i = 1 \cdots \cdots \cdots 20$$

Therefore, as it was mention, in this study, the path analysis method and structural equations are used for the fitting of conceptual model and the path coefficients by Smart PLS software.
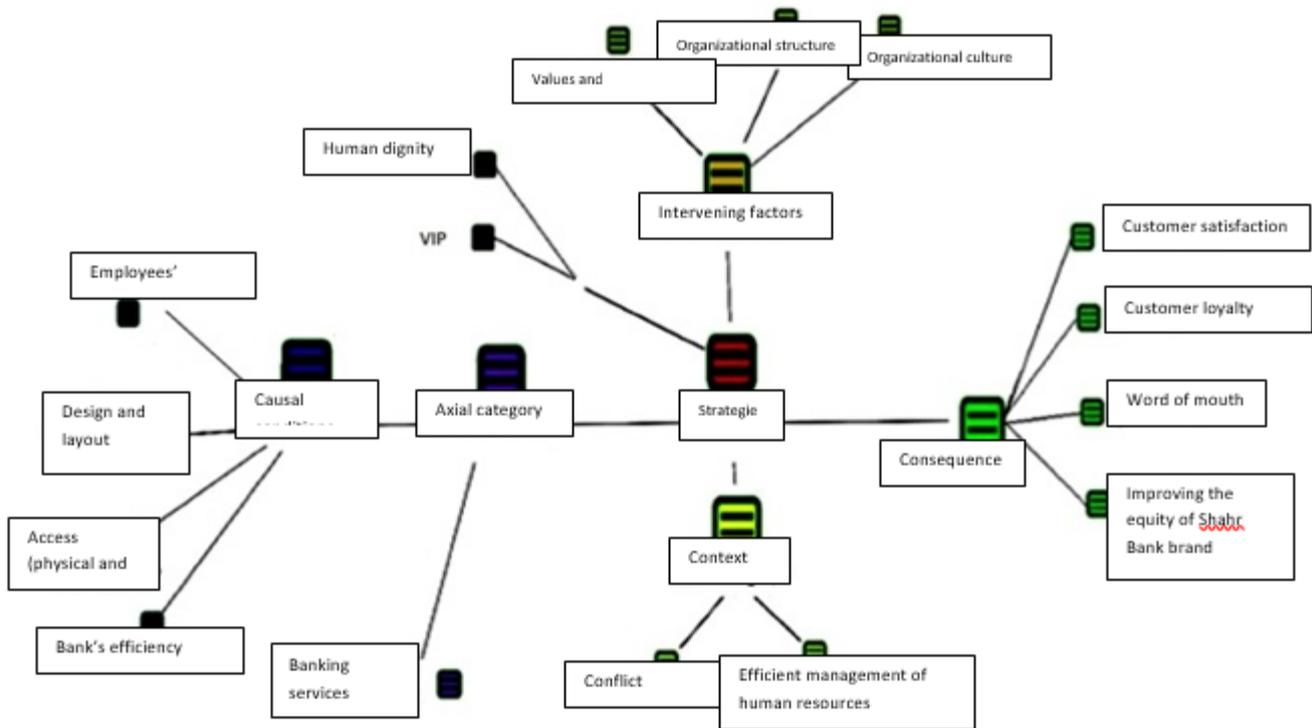
Figure 2: The optimal model of banking services with customer experience approach (axial coding)

4. Research findings

Based on the findings of the grounded theory analysis in Atlas TI software, the model of Figure 2 was extracted via this software, which includes all the effective factors on customer experience as an axial category.

In this research, confirmatory factor analysis has been used to measure the measurement model. According to the results, all indicators have a significant difference of zero at the level ($P < 0.0001$). The lambdas factor loading of $\lambda > 0.5$ (standardized regression weights in AMOS) and $R^2 > 0.3$ (Bravo et al., 2009) are also suitable in all indicators. Thus, the acceptable fit of the measurement model with the data confirm the one-dimensionality of the causal measurement model.

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After estimating the fit of the measurement model, it was found that the fit indicators of this model meet the recommended value for acceptable fit:
The root mean squared error of approximation:

$$RMSEA = 0.067, \ X^2/df = 2.284, \ df = 262, \ X2 = 598.292$$

Comparative fit index: $CFI = 0.807$
Normalized fit index: $NFI = 0.900$
$IFI = 0.900$ Tucker-Lewis Index:
$NNFI = 0.921$ Incremental fit index:
The root mean square residual: $RMR = 0.050$

Table 1: Path coefficients and significance of factor loadings in the measurement model

Significance level	C.R.	Standard error	Standard estimation	Non-Standard estimation		Path	
***	5.369	0.101	0.816	0.541	Causal conditions	←	Employee's performance
***	7.340	0.112	1.057	0.825	Causal conditions	←	Design and layout
***	5.369	0.115	0.903	1.000	Causal conditions	←	Bank's efficiency
***	6.330	0.112	0.913	1.000	Causal conditions	←	Access
***	5.121	0.255	0.988	1.305	Employees performance	←	Technical skill
***	4.502	0.197	0.709	0.866	Employees performance	←	Communicative skill
***	6.671	0.161	0.735	1.074	Design and layout	←	Design
***	6.250	0.180	0.891	1.125	Design and layout	←	layout
***	7.024	0.169	0.997	1.190	Bank's efficiency	←	Productivity
***	7.297	0.160	0.935	1.238	Bank's efficiency	←	Productivity
***	7.340	0.112	0.861	1.000	Bank's efficiency	←	Efficiency
***	7.340	0.112	1.071	1.000	Access	←	Physical
***	9.195	0.110	0.969	1.014	Access	←	Virtual

Table 2: The fit index of the measuring model of causal conditions

Result	Obtained values	Allowed value	Indices
Suitable fitness	2.284	$3 < x^2/df < 5$	Chi-square/df
Suitable fitness	0.067	$0.05 \ll 0.08$	RMSEA
Suitable fitness	0.907	Above 0.9	CFI
Suitable fitness	0.901	Above 0.9	NFI
Suitable fitness	0.921	Above 0.9	TLI or NNFI
Suitable fitness	0.927	Above 0.9	IFI
Suitable fitness	0.040	Less than 0.05	RMR
Adequacy of sample size	200	At the level 0.05	HOELTER

Due to the appropriateness of the fit indices according to the normal values mentioned, the above model has a suitable fit. On the other hand, the Hoelter coefficient at the level of 0.05 of the sample size of 200 people was sufficient to investigate this model. In this way, the adequacy of the sample size of this research is verified.

The general research model based on structural equations is as shown in the Figure 3. To investigate the relationship between the research variables, it is necessary to consider the path coefficients

and T-Value. The path significance is measured by the T-Value at the significance level of 0.05 ($P - Value < 0.05$). If this value is greater than 1.96, then the path and the path coefficient are confirmed. Otherwise, the path coefficient is not significant. In fact, T-Value indicates a significant path. The values greater than 1.96 are significant at the level 5% and values above 2.85 are significant at the level 1%.
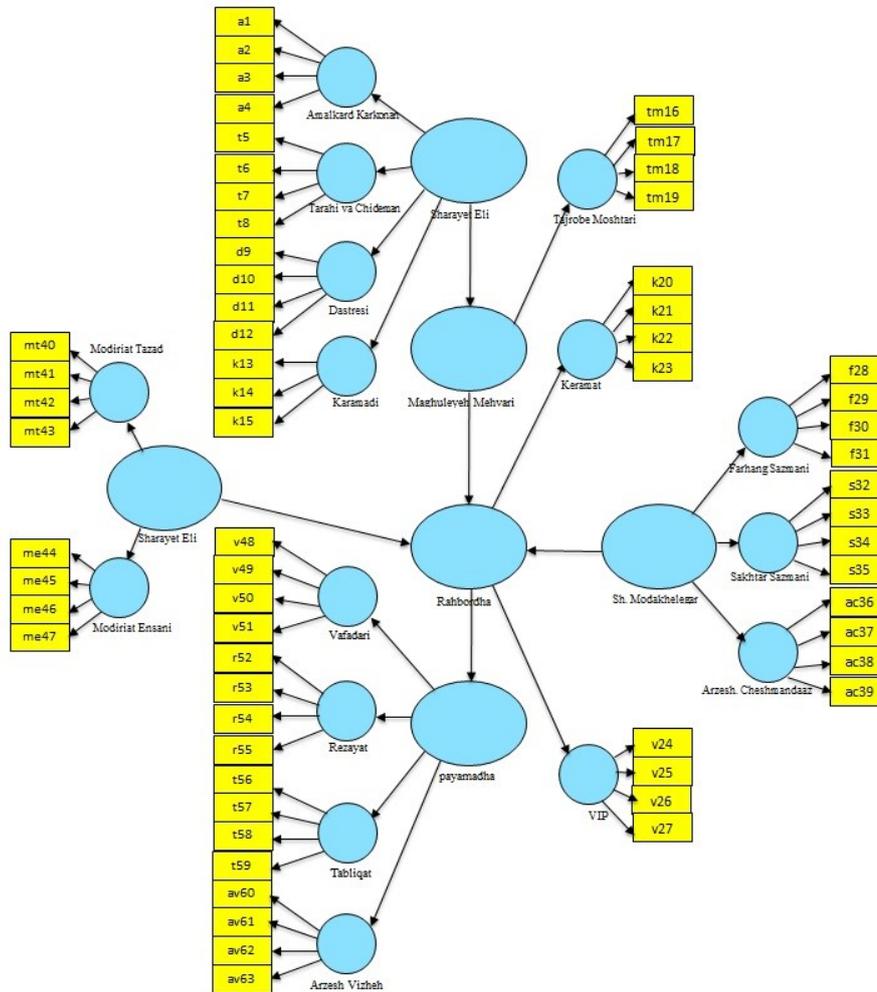

Figure 3: General model of structural equations modeling

5. Conclusion and Recommendations

In the qualitative analysis based on the grounded theory, semi-structured interviews with experienced customers of Shahr Bank in Mashhad City led to the creation of a desirable model of banking services based on the experience of the bank's customers. As a result, after the implementation of open coding steps, concepts and categories of the desired model of banking services based on customer experience in Shahr Bank, 230 codes, 63 concepts and 16 core categories were identified and the model identifying factors affecting the experience of Shahr Bank customers was presented. The results of the study show the complexity of the banking experience based on customer experience. Among the 16 core categories, the customer experience category was identified as the axial category. Therefore, other categories have been meaningful based on the consequences of gaining the experience of Shahr Bank customers. In the following, the dimensions of the model are discussed in the

form of testing the hypotheses. The causal conditions affecting the customer experience in Shahr Bank include employees' performance, design and layout, easy access (physical and virtual) and bank efficiency categories. Employees' performance includes technical skills and communication skills. In fact, for customers, their experience with banking services will not be pleasant if employees do not treat them well and also do not have the required speed, accuracy and trust in performing technical tasks. The results showed that the contextual conditions that lead to banking services based on customer experience in Shahr Bank include conflict management and efficient human resource management. This finding clearly states that achieving an improved customer experience is not possible without having a plan, money and energy. According to the results, data acquisition, knowledge development and customer relationship management influence the improvement of organizational performance. Also, receiving data, data processing and customer knowledge development affect customer relationship management. On the other hand, data processing affects customer knowledge development and knowledge development affects receiving data. Also, the intervening factors in the customer experience in Shahr Bank include organizational culture, organizational structure and values and organizational vision of Shahr Bank. It can be said that the customers of Shahr Bank have made very clever decisions. Indeed, organizational culture and structure are intervening factors in all processes of any organization, including Shahr Bank. The results of this study are consistent with the researches of Amoyan (2014), Heshmati, Saeidnia and Badizadeh [14], Rasta Ansari and Sanayee [15], Hassan Gholipour Yasouri et al. [19], Brun, Rajaobelina, Ricard, & Berthiaume [17]. In general, the present study shows the complexity of the components of the optimal model of banking services based on customer experience in Shahr Bank. However, the conceptual model enables the Shahr bank managers to make appropriate executive decisions. It also allows the other researchers to validate the present model, correct or develop it.

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