

# CUSTOMER EXPERIENCE FACTORS OF PUBLIC AND PRIVATE SECTOR BANKS IN KERALA

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**Abstract:** Customer experience arises out of the interactions that took place between customers and customer touch points. The possibility for multi-channel interactions in the banking sector demand for measuring customer experience at different touch points and its impact on the overall customer experience. The prominent players in the banking sector public sector banks and private sector banks have transformed themselves to provide better experiences. The present research compares the public and private sector banks with respect to the customer experience factors. The results of the study revealed that customer experience factors are present at varying intensity levels in the public sector banks and private sector banks. Core services of the private sector banks offer superior customer experience and differentiates private sector banks from public sector banks.

**Key Words:** Customer experience, Touch Points, Core Services, Value Added banking Services, Service Process.

## I. Introduction

Technological developments in the 20th Century brought radical changes in all spheres and banks also have undergone this process. Banks the prominent financial service provider entered into a transition phase and the pace of the transition process was augmented by rapid technological revolutions. More over product and price differentiation, the major techniques used for attracting and retaining bank customers in the earlier times turned to be unsuccessful. For overcoming the challenges posed by rapid technological changes and differentiation strategies banks have incorporated fundamental changes in the basic operations. Further the possibilities for multichannel interactions with the banking organisations also demanded for more concentrated efforts for creating satisfied and loyal customers. Therefore offering positive customer experience at every contact points is identified as the measure, to overcome the issue of customer dissatisfaction and churn. (Tamilmaran, 2014) Customer experience is derived out of the presence of mechanical, functional, humanic and emotional clues present in the customer touch/contact points. (Garrett, 2006) Positive customer experience results in bondage with brand and ultimately would result in loyalty. (Pine & Gilmore, 1998) Offering customer experience is identified as the next battleground, especially for service organisations. The functional as well as operational differences that existed among the major players of Indian banking sector namely public sector and private sector got minimised due to the transition process and the similarities among them increased. Both public and private sector banks, began to offer better experiences in order to maintain their profitability and customer base. Customer touch/contact points of the banks are equipped with various clues that are capable of evoking various types of experiences among the customers. There is a dearth of research works on customer experience and especially that of banking customers. So this study attempts to bridge this gap by identifying the factors that contributes to the customer experience of both public sector and private sector banks. For the purpose of this paper is organised into five sections. First section gives the conceptual background of customer experience. Second lists out the significance, objectives, hypothesis and methodology of this study. Third section deals with factors influencing customer experience in the banking sector. Fourth section, the socio- demographic details and discriminant analysis of customer experience factors. Finally the study is concluded with results implication along with the study limitations and directions for future research.

## II. Customer experience

Pine and Gilmore “Customer experience is an exchange of stimuli, information, and feelings between an organisation and its customers.” Bernd H Schmitt “Customer experience consists of individual contacts between the firm and the customer at distinct points in the experience, called touch points”. Meyer and Schwager defined the customer experience as “encompassing every aspect of a company’s offering—the quality of customer care, of course, but also advertising, packaging, product and service features, ease of use, and reliability. It is the internal and subjective response customers have to any direct or indirect contact with a company”

## III. Significance of the study

Provision of services and delivery of services which would influence customers at rational levels would no longer help banking organisations in the present era. Service performances, only by involving rational, emotional, affective and cognitive levels of the customers would result in long term profitability and loyalty among customers. The present research on factors influencing customer experience among public and private sector banks in Kerala is carried out to identify the prominent factor influencing customer experience. The present research would identify the most powerful customer experience factor in terms of its positive influence and will be helpful in formulating the policy and strategy formulators in the banking sector. Moreover in the banking sector where multi-channel interactions took place, information on customer experience at different touch points would help in determining the most effective touch point and also helps the bank authorities for devising strategies for modifying the existing touch points for offering better and improved new experiences to their customers. Moreover in a state like Kerala where financial inclusion percentage is more than 90% the determination of customer response towards customer experience factors would be crucial in maintaining existing customer base .

## IV. Objectives of the study

1. To identify the most important factor influencing customer experience among banking customers in Kerala.
2. To determine the customer experience factors that differentiates public sector banks from private sector banks in Kerala.

## V. Methodology

The present research on factors influencing customer experience among public and private sector banks in Kerala is exploratory in nature. For identifying the most important factor influencing customer experience data was collected from 400 customers each from public sector and private sector banks, who uses both offline and online platforms for fulfilling their banking requirements. The respondents were selected from three districts of Kerala, namely Trivandrum, Ernakulam and Calicut, adopting multi stage random sampling. A structured questionnaire consisting of 99 statements relating to 13 identified factors influencing customer experience is used for collecting the primary data. The 13 factors and 40 statements used in this research are adopted from the customer experience measurement scale developed by Ruchi Garg, Zillur Rahman, and M.N. Qureshi in 2014. The adopted factors as well as the statements are modified to suit the requirements of the present research. Cronbach's alpha of all the 13 factors influencing customer experience were above the acceptance level of 0.70 suggested by (Nunally,1978). Multiple discriminant analysis is applied to determine the most important factor influencing customer experience and also for identifying the factors that discriminates public sector banks from private sector banks.

## VI. Customer experience factors

(Lemon & Verhoef, 2016) Customer experiences are generated from the interactions across customer contact points. After considering the customer touch / contact points equipped with various types of clues, presence of clues as well as its association with each customer touch points in banks thirteen factors are identified. Physical environment of bank branches and ATMs, convenience and ease of access of banking services, marketing mix, core services, value added banking services, branch employees, service process, customisation offered, customer interaction, speed of touch/contact points, aesthetic aspects of online & mobile banking services, hedonic elements of online & mobile banking services and functional elements of online & mobile banking services are identified as the factors that results in customer experience in the banking sector. Previous researches that have narrated the factors influencing customer experience is depicted in the Table-1 given below,

**Table-1**  
**Literature Evidence regarding factors influencing customer experience**

Customer Experience Factors	Literature Evidence
Physical Environment of bank branches and ATMs	(Babin, Barry & Attaway, Jill, 2000)(Baker, Parasuraman, Grewal, & Voss, 2002)(Kim, Cha, Knutson, & Beck, 2011)(Kotri, 2011)(Garg, Rahman, Qureshi, & Kumar, 2012) (Garg, Rahman, & Qureshi, 2014)(Chang & Huang, 2014)(Yakhlef, 2015)(Backstrom & Johansson, 2006)
Convenience and Ease of Access of Banking services	(Bilgihan, 2010) (Kim et al, 2011)(Garg et al, 2012) (Rose, Clark, Samouel, & Hair, 2012) (Garg et al., 2014)(Nasution, Sembada, Miliiani, Resti, & Prawono, 2014) (Chang & Huang, 2014)
Marketing Mix	(Kotri, 2011)(Garg et al, 2012) (Garg et al., 2014)
Core Services	(Kotri, 2011)(Garg et al, 2012)(Garg et al., 2014)
Value Added Banking Services	(Garg et al, 2012) (Garg et al., 2014)
Bank Employees	(Harris, 2007)(Stewart, 2010)(Kotri, 2011)(Otnes, Ilhan, & Kulkarni, 2012)(Garg et al, 2012) (Garg et al., 2014) (Chang & Huang, 2014)
Customisation Offered	(Garg et al., 2012) (Rose et al., 2012) (Garg et al., 2014)
Customer Interaction	(Bilgihan, 2010) (Kotri, 2011)(Garg et al, 2012) (Otnes et al., 2012) (Garg et al., 2014)(Srivastava & Kaul, 2014)
Service Process	(Bitran, Ferrer, & Rocha, 2008)(Garg et al, 2012) (Garg et al., 2014) (Chang & Huang, 2014) (Joshi, 2014)
Speed of Contact/touch points	(Garg et al., 2012)(Rose et al., 2012) (Garg et al., 2014)
Aesthetic aspects of Online banking services	(Garg et al., 2012) (Rose et al., 2012) (Garg et al., 2014)
Hedonic elements of Online banking services	(Bilgihan, 2010)(Palmer, 2010)(Garg et al, 2012) (Garg et al., 2014)
Functional elements of Online banking services	(Bilgihan, 2010)(Garg et al, 2012) (Garg et al., 2014)(Hwang & Seo, 2016)

## VII. Results and Discussion

## 7.1 Socio-demographic profile of customers

**Table-2**  
**Socio-demographic details of customers**

Demographic Variables		Frequency	Percent
Gender	Male	431	53.88
	Female	369	46.13
Age	Below 20	80	10.00
	21-40	424	53.00
	41-60	259	32.38
	61 & above	37	4.63
Educational Qualification	SSLC/10	12	1.50
	Plus Two	80	10.00
	Undergraduate	236	29.50
	Postgraduate	321	40.13
	Doctoral degree	35	4.38
	Professional Degree	86	10.75
	Others	30	3.75
Occupation	Business	55	6.88
	Professional	62	7.75
	Government Employee	177	22.13
	Student	121	15.13
	Private Employee	291	36.38
	Others	94	11.75
Annual Income	Less than Rs.1,50,000	145	18.13
	Rs.1,50,001 to Rs. 3,00,000	82	10.25
	Rs.3,00,001 to Rs.4,50,000	167	20.88
	Rs.4,50,001 to Rs.6,00,000	199	24.88
	Rs.6,00,001 & above	207	25.88
Area of Residence	Corporation	283	35.38
	Municipality	252	31.50
	Panchayath	265	33.13
Years of association with the bank	Less than 5 Years	245	30.63
	6-10 Years	160	20.00
	11-15 Years	129	16.13
	16-20 Years	101	12.63
	21 Years & above	165	20.63

Source: Primary Data

## 7.2 Multiple discriminant analysis

In order to discriminate the factors influencing customer experience between public and private sector banks, at a time a Discriminant Analysis has been done. Discriminant function is a linear combination of the predictor variables that provide the best discrimination between the groups. In order to identify the important variables, variables with high coefficients, and pooled within group correlation between discriminating variables of the discriminant function are used. As the initial step in Discriminant Analysis, the Test to Equality of Group means is done to validate the power of each variable to the Discriminant Function. The following table-3 presents the results of tests of equality of group means and it was found that all the 13 variables selected are powerful enough to proceed with discriminant analysis. For identifying the customer experience factor that differentiates public sector banks from private sector banks the following hypothesis is formulated and tested as shown in Table-4 and Table-5.

The hypothesis is:

H<sub>0</sub>: There is no significant difference in customer experience factors between public and private sector banks.H<sub>1</sub>: There is significant difference in customer experience factors between public and private sector banks.

**Table-3**  
**Tests of Equality of Group Means among type of banks**

Variables	Wilks' Lambda	F	df1	df2	Sig.
Physical Environment of bank branches and ATMs	.738	283.324	1	798	.000
Convenience and Ease of Access of Banking services	.834	159.180	1	798	.000
Marketing Mix	.749	268.030	1	798	.000
Core Services	<b>.658</b>	414.797	1	798	.000
Value Added Banking Services	.748	268.660	1	798	.000
Bank Employees	.888	100.947	1	798	.000
Customisation Offered	.859	131.501	1	798	.000
Customer Interaction	.881	108.237	1	798	.000
Service Process	.871	117.819	1	798	.000
Speed of Contact/touch points	.917	72.158	1	798	.000
Aesthetic aspects of Online banking services	.835	157.920	1	798	.000
Hedonic elements of Online banking services	.859	130.492	1	798	.000
Functional elements of Online banking services	.890	98.306	1	798	.000

Source: Primary data

**Table-4**  
**Eigenvalues**

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.710a	100.0	100.0	.644

a. First 1 canonical discriminant functions were used in the analysis.

**Table-5**  
**Wilks' Lambda**

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.585	424.731	13	.000

**Table-6**  
**Functions at Group Centroids**

Type of Bank	Function
	1
Public Sector Banks	-.842
Private Sector banks	.842

**Table-7**  
**Standardized Canonical Discriminant Function Coefficients**

Variables	Function
Physical Environment of bank branches and ATMs	.469
Convenience and Ease of Access of Banking services	-.215
Marketing Mix	-.127
Core Services	.748
Value Added Banking Services	.314
Bank Employees	-.212
Customisation Offered	.131
Customer Interaction	-.065
Service Process	.102
Speed of Contact/touch points	-.234
Aesthetic aspects of Online banking services	.018
Hedonic elements of Online banking services	.297
Functional elements of Online banking services	-.110



**Table-8**  
**Structure Matrix**

Variables	Function
	1
Core Services	<b>.856</b>
Physical Environment	.707
Value Added Banking Services	.689
Marketing Mix	.688
Convenience and Ease of Access of Banking services	.530
Aesthetic aspects of Online banking services	.528
Customisation Offered	.482
Hedonic elements of Online banking services	.480
Service Process	.456
Customer Interaction	.437
Bank Employees	.422
Functional elements of Online banking services	.416
Speed of Contact/touch points	.357

As per Table-3, test of equality of group means it is found that all the 13 customer experience factors are significant at the 1 percent significance level. Therefore all the 13 variables can be considered in the discriminant function. Table- 4 and Table-5 reveals the validity of the discriminant function. Validity of the discriminant function is based on Wilk's Lambda and F test. The smaller the Wilks' Lambda the more important the variable to the Discriminant function. Here, the Wilk's Lambda is found to be significant for all variables, since the F values are significant ( $p < .01$ ). The Discriminant Function for customer experience factors of public and private sector banks is significant at the 1 per cent level with canonical correlation of **0.644** providing a  $\chi^2 = 424.731$  with  $p < 0.01$ . The most important variable to the Discriminant function is core services (**Wilk's Lambda-0.658**) and therefore it can be inferred that core services offered by the bank is the major factor that influences the customer experience. The standardized canonical discriminant function coefficients and centroid values (Table- 4 and Table-5) shows that, the variables with negative coefficients are dominant factors influencing customer experience in public sector banks. Convenience and ease of access of banking services, marketing mix, bank employees, speed of contact/touch points and functional elements of online banking services are important among public sector banks. The other factors such as physical environment of bank branches and ATMs, core services, value added banking services, customisation offered, service process, aesthetic aspects of online banking services and hedonic elements of online banking services are dominant variables leading to superior customer experience in private sector banks. From the Table-8, it is evident that the variable with the highest positive correlation coefficient is core services (.856). Hence it can be concluded that the most important factor influencing customer experience is core services and also it is clear that core services discriminates against private sector banks from public sector banks. The present research gives a better idea about the factors influencing customer experience among banks. This gives better insights to bank managers while dealing with the customers so that they could manage customers more efficiently, offer excellent services resulting in superior customer experience.

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