

CHAPTER TWO

REVIEW OF LITURATURE

This chapter reviews the literature in the usage behavior of Kasikornbank's customers at Kasikornbank, Phaholyothin branch. It consists of the main areas as follows:

- 2.1 Automated Teller Machine (ATM)
- 2.2 Self-Services Technologies
- 2.3 Customer Relationship Management (CRM)
- 2.4 Previous studies

2.1 AUTOMATED TELLER MACHINE (ATM)

At present, self service technology is an essential feature for many banks to provide their customers excellent service. Automated Teller Machine services (ATMs) are widely available to customers and customers tend to use ATM services rather than person based services. Customers save time with the use of ATMs whereas the financial service providers are using ATMs to cut down their production costs and serve customers more effectively.

At first, ATMs were used only for withdraw cash, but that scenario rapidly changed. Customers can manage more banking operations like withdrawing, transferring and checking the balance of accounts through ATMs. There has been much debate about the history of the ATM, and who the inventor was. As an article reveals in *Invention & Technology* magazine (NetWorld Alliance LLC, 2003) which did an investigative report and inspired the following timeline:

1960 – ATM predecessor installed – In 1960 New York's First National City Bank (now CitiBank) installed a Bankograph in several branch lobbies. The concept of this machine was for customers to pay utility bills and get a receipt without a teller.

1967 – First Cash Dispenser installation – In 1967 a Barclays Bank branch near London debuted the first cash dispenser, made by De La Rue Instruments. It used paper vouchers bought from tellers in advance. The machine was called the De La Rue Automatic Cash System, or DACS. The paper vouchers were actually checks impregnated with Carbon 14.

1968 – Card eating machine – In 1968 Barclays and a few other banks introduced a machine that encoded cash on plastic cards purchased from a teller. The problem was the machine always ate the card and customers had to buy another one if they wanted another transaction.

1969 – First use of ATM magstripe cards – In 1969 Docutel installed its Docuteller machine at New York's Chemical Bank – This is the first use of magnetically encoded plastic. Docutel was the first to apply for a patent and is therefore credited by the Smithsonian Museum as inventor of the ATM. Donald C. Wetzel is given credit for developing the machine for Docutel. Docutel met initial resistance, though, from bankers – their first concern was that the annual cost was higher than the cost of a human teller by about \$8,000. And secondly, they thought customers would probably be afraid to let a machine handle their money.

1971 – First true bank ATMs – In 1971 Docutel introduced its Total Teller, the first true fully functional bank ATM. About the same time, Diebold installed its first TABS machine at a bank branch in the U.S., and Fujitsu installed one in Japan.

1973 – Proliferation begins – By 1973, 2,000 ATMs – most from Docutel and Diebold – operated in the U.S.

1974 – Online ATMs introduced – The newly connected machines soon led to the modern day networks.

In Thailand, the ATMs services were introduced by Siam Commercial Bank (SCB) in 1983 SCB is the first bank to develop online ATMs helped this financial organizations in Thailand to revolutionize personal self-service. ATMs replaced the functions of tellers in cash receiving and dispensing, fund transfer between accounts, balance enquiries, etc. The customers' expectations influence service quality and will lead banks to research new technology-based on self-service options.

2.2 SELF-SERVICES TECHNOLOGIES

Today, the world is becoming increasingly characterized by technology-facilitated transaction. Self Services Technologies (SSTs) allow customers to directly and independently gain services (Meuter et, al., 2000). Examples of SSTs include Automated Teller Machines (ATMs), telephone banking, and services over the Internet. The technology holds great promise of future automation to simplify usage

of self-service transactions. Innovation of SSTs in the retail banking industry has been stimulated, particularly in terms of distribution channel systems. Banks have provided more ways for customers to access their accounts (Fraib, X., Harker T., Hunter W, 1998). In this paper, SSTs is limited to ATMs in retail banking which is defined as banking services and private customers.

The supporting theory is that many banking services, such as account withdrawals and deposits, can be automated, generating a stable, and growing, source at low acquisition cost. At sufficient transaction volumes, SSTs lower the cost of serving the customers and provide greater customer convenience because consumers who are no longer restricted to doing their banking during business hours can access their accounts through automated teller machine networks.

Moreover, the automated system is saving costs for banks more than the traditional teller which is almost more expensive. Over the decades, banks have invested heavily in ATM machines due to their cost advantage on a per transaction basis. Banks have attempted to change customer behavior and expand the magnitude of ATMs usage. Thus, banks must continue to innovate with the new technologies in order to meet the changing needs of the customers. This blend of SSTs and customer behavior adjustment now is the heart of the modern banking organization.

2.3 CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

In recent years, banks have begun to realize the importance of knowing their customers better. Customer Relationship Management (CRM) is an approach to managing customer related knowledge of increasing strategic significance. The successful adoption of Self Service Technologies (SSTs) enabled the CRM to redefine the traditional models of interaction between banks and their customers. It is regarded as a source for competitive advantage because it enables banks to explore and use knowledge of their customers and to foster profitable and long-lasting relationships.

CRM involves understanding the customer's needs and emphasizes providing a range of products or services to existing customers. This philosophy of doing business focuses on keeping and improving the relationship with current customers rather than on acquiring new customers. CRM is the use of a wide range of marketing, sales,

communication, and customer care techniques and processes to create a relationship between the organizations and their customers.

In today's highly commoditized financial services industry, competitive differentiation is achieved through customer service excellence (Mercury, 2007). To improve the customer experience, the bank must achieve a 360-degree view of its customer relationship. The goal is to delight customers and deepen the relationship by taking advantage of every cross selling and up selling opportunity. For example, in recent research by George J. Siomkos and Ioannis S. Tsiames (2006) on CRM technologies in financial services institutions, the trend of CRM is summarized as follows:

The term 'customer lifecycle' in CRM refers to the stage in the relationship between a customer and a business. It is important to understand the lifecycle because it relates directly to customer revenue and customer profitability. Marketers consider three ways to increase a customer's value:

- Increase the usage rate (or purchases) of products they already have
- Sell them more, or higher-margin, products
- Maintain the customers for longer period of time

To realize this object, banks are undertaking business and IT initiatives to consolidate operations, integrate channel views and modernize channel touch points. These efforts are unlikely to achieve the desired business outcomes unless banks make sure that IT automation can deliver a customer experience that delights with their services.

2.4 PREVIOUS STUDIES

In the present society, technology is playing significant role in every phase of human life. The advance of the Internet has revolutionized the way many organizations; especially the financial services industry conducts their business. Many financial institutions have used the Internet advantage as their market expansion tools. Customers' interaction with machines has become essential in the service sector. High- technology equipment use is implemented in customer service system and helps to empower organizations with new business models and new ways to offer around

the clock accessibility to their customers. Self-service technologies (SSTs) are increasingly changing the way customers interact with firms to create service outcomes (Meuter, M. L, Ostrom, A. L, Roundtree, R. L. & Bitner, M. J., 2000). Technology-based self-services (such as ATMs) will be crucial for the firms and even to the customer in order to have convenient and efficient services.

Faced with competitiveness among products and services, financial institutions are going to differentiate their products' value and personalize their services provision. Building strong customer relationships is considered to be one of the oldest rules in the book (Luneborg & Nielson, 2003). The pressure that has been placed on financial institutions and requires them to develop new business models that focus on creating long-term customer loyalty in order to generate the revenue required to survive (Peppard, 2000). Today, financial customers have an enormous variety of products and services that they can choose from, while additionally having a choice of channels to actively interact with the institution.

The evolution of Customer Relationship Management (CRM) services outline the way that financial organizations build customer loyalty, enhance customer relationships and increase product profitability. Many banks in Thailand have initiated their strategic plans to cope with their Customer Relationship Management (CRM) in support of their customer processes. Online-banking, telephone banking and automated machines such as ATM are designed to help those banks serve their customers' needs. Through the development of Customer Relationship Management (CRM) technologies, those banks are able to attract and maximize the value of the customers in a number of new ways. The goal underlying the adoption of such technology systems is to try and better understand the customer base and nurture its loyalty, while increasing the total lifetime value of customers.

With the high competition in the financial services industry in Thailand, Kasikornbank Public Company Limited (Kbank) has also improved and re-branded its organization. The bank consolidated its effort to streamline operations. The consolidation process would help the bank prepare for a competition and also be part of an effort to push the bank toward universal bank status offering various financial services to customers. As a result of a recent re-engineering process, the bank might have one of the country's most advanced computerized retailing services.

Under the re-engineering process, Kbank uses the new concept of a financial service provider 'K-Excellence', which means that Kbank will provide excellent services to customers separated into four product domains: Operation & Transaction, Saving & Investing, Funding & Borrowing, and Protection & Information. Retail Banking is included in the Operation & Transaction domain. This segment handles product offering, solutions, services, and personal relationship with customers. Kbank concentrates on serving customer needs through many channels. Therefore, every branch of Kbank's service sector is divided into two parts: teller counter zone, and Electronic Banking zone consisting of Automated Teller Machines (ATMs), Cash Deposit Machine (CDM), and Passbook Update Machine (PUM).

K-ATM project is part of Kbank's revolutionary service plan. This service allows customers to conduct financial transaction through Kbank's Automated Teller Machines (ATMs) nationwide with the concept that 'Wire funds between banks, check your account balance, and much more KBANK e-ATM Services, Making your life easier' (Kasikornbank PCL, 2006) . The customers can use a myriad of services available via Kbank ATMs totaling more than 3,200 terminals throughout the country, at all Kbank branches across the country, leading department stores, entertainment venues, etc.