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Customer Engagement in Digital Channels in Banking

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Abstract

Retail banking through omni-channel is a influencing issue in current epoch. Customers armed with modern technology demand a coherent experience when interacting with their banks which enforce bank managers to change into a smooth system that can fulfill current demands of customers. Omni-channel is one of the best selection for bank managers in this regard, as it promises a consolidated interaction experience to the customers through full integration of available channels. But diversity of channels has become a challenge for bank managers to interact with their customer in such vibrant environment of omni-channel. The purpose of the paper is to study how customer engagement is changing in an omni channel banking experience and the antecedents and variables of customer engagement in digital banking.

Keywords: E-Government; UTAUT; Technology acceptance; ICT; Theoretical model.

Introduction

The landscape of the Indian banking sector is rapidly changing with the growing customer expectation, experience, differentiated channels and technology. The new class of banks i.e. small finance banks and payment banks have enabled the access of banking to the last mile.

As of April 2020, there are 12 public sector banks, 43 regional rural banks, 44 private sector banks, 10 small finance banks, 6 payments banks, 44 foreign banks.

According to the global survey the Indian banking industry has the potential to become the third largest by 2025. David Ogilvy has correctly said in his book confessions of an advertising man that “customer is not a moron, she is your wife and the customer requires all the information you can give her”. Customer engagement is definitely a very important tool through which we can keep our customer intact and prevent them from moving to some other banking institution. The credibility, customer value creation and positive continuous communication with the customer are the 3 important things that help in building relationship with a customer [1].

Although the Indian banking industry is heavily fragmented between public, private, small and foreign banks but the measures of service quality, behavior intentions and word of mouth drives customer satisfaction irrespective of the fragmented market. Clearly indicates that a purposeful, valid feedback about the clients preference and expectations is the right way of approaching the strengths and weaknesses of the organization [2].

The banks have to understand that the services offered by the retail banks in India are almost similar with regards to product features with slight variations; the only true differentiator is the customer loyalty which will result in more customers spending, positive word of mouth and resist competitors offering. To achieve higher business growth, banks needs to focus on experiential service, emotional bond with the customers. The winners will be those organizations who have clear vision for what they want to achieve, aligning their systems, processes and aligning employees in the process. Customer loyalty is defined as the customer’s demonstration of faithful adherence to an institution inspite of indifferent service [3].

Literature Review

Customer satisfaction is the perception of his needs, expectation and desires have been fulfilled with regards to the product and service. The customer may exhibit or vocalize the same. But customer satisfaction is no guarantee to loyalty. In the 1900 customer satisfaction was an important criterion which led organization to profitability but in 1990 onwards, customer engagement became an important criteria leading organization to growth. In the Indian scenario young customers, burgeoning middle class has led marketers to focus on managing customer expectation [4].

Customer engagement

Defines customer engagement as the task behavior which engages relations to work and are expressed as emotionally, physically, cognitively and which boost employee morale. Built on the construct and reiterates that engagement includes feeling of integrity, passion and pride in a brand. Defines that customer engagement needs to be explored beyond non-transactional behavior. Forester consulting defines customer engagement as “creating deep connection with customers that inherently drive purchase decisions. Built on it further and states that customer engagement provides greater value to customers as compared to competitors [5].

Define customer engagement as connection between employees and customers as well as between firms and customers, as they interact to co-

create solutions for the firm thereby helping it to achieve competitive advantage. Chandler and Lusch define engagement as psychological thoughts in one's mind and channeling them into emotional and cognitive efforts. That examined the effects of employee engagement and customer engagement on firm's performance and conceptualized employee engagement and customer engagement on outcome focused dimensions i.e. satisfaction, loyalty, commitment, performance, purchase, knowledge sharing and referral. Emphasizes that the quality of interaction between service employees and its customers as the key driver in service equation. Emphasize the fact that engaged customers buy more than the disengaged customers. Managing customer engagement has become a strategic priority for firms in today's scenario. To build this further argues that customer engagement consist of 3 dimensional construct consisting of conscious attention, enthused participation and social connection. The 3 dimensions of customer engagement namely cognitive processing, affection and activation have also been identified. There is a dire need to examine as to how internet usage impacts the adoption of new products and services. Companies are recognizing the importance of click and mortar to bridge the physical and virtual worlds. Internet is the key medium for relationship building and marketing. Americans researching a product on a daily basis, accounts for 10 billion searches each month [6].

Darine correctly points out that how technology based services influence customer behavior. Working on the technology acceptance model found that ready to accept technology model found that ready to accept technology plays a vital role in both ease of use and acceptance. To build it further Heaney also strikes that "trust" and "ease of use" are important elements of E-service adoption. States that customer engagement is a modern phenomenon and difficult to predict, it is also dependable on customer interaction with like-minded people. Define customer engagement as a phenomenon of repeated interactions with a customer that strengthen the physical, emotional and psychological investment in a brand. Noted academicians have stated that customer engagement is happening because of repeated positive interactions between a company and a brand. Refer customer engagement as the intensity of participation by both the employees and the customers in a collaborative environment. Stated that in the 1990's company's paid attention on managing customer transactions [7]. In 2000 they have shifted to developing long term relationships and increasing satisfaction and loyalty by delivering better product and services. The agenda of customer engagement is becoming more important in digital business environment in which customers are participants in company communication and products.

States that engaged customers are highly valuable as they become co-creators of products and communications. Have described customer engagement from relationship perspective. Narrates service dominant logic and customer brand relationship [8]. The notion of satisfaction refers to post choice evaluative judgement of a purposeful decision. Also refers satisfaction as a confirmation/disconfirmation in consumer choice models. Also says that the role of satisfaction in fortelling loyalty is well established. Basis the above definitions of customer engagement we will now study the theories, variables of customer engagement in 2 forms.

Customer engagement in brick and mortar model

Four dimensions of customer engagement are worth stating; conscious attention, cognitive engagement, affective engagement, enthused participation. Conscious attention is the degree of interest with which the customer interacts with firms. The cognitive aspect of customer engagement evaluates customers to think about the firms different activities, thus augmenting customer interest in learning more about the firm. Affective engagement refers to the customers degree of positive attitude towards the firm. Enthused participation is the degree to which a customer is involved in producing and delivering the service. The effects of employee engagement on customer engagement can be explained by emotional contagion theory; the theory suggests that the emotions displayed by an individual produces a corresponding change in the emotional state of the observer and the said translation is happening at conscious and subconscious levels. Emotional contagion theory exists at the subconscious level when individuals automatically mimic, synthesize facial expressions and words and reacts in a corresponding way. Argues that in emotional contagion theory individual compare their moods with other people and adopt their emotive level when it appears appropriate. Thus employee engagement will affect customer engagement when emotions displayed by the employees affect customers. Pugh has argued favorably that the emotions displayed by retail banking employees positively influence customer affect and evaluations. States that the positive interactions between the customer and the employees increase customer loyalty. The customer who is thoroughly engaged will increase the perceptions of the derived benefits of the brand. Further reinforces that being committed towards a firm is the first outcome of customer engagement [9].

Discussion

H1: Customer engagement reflects customer relationship commitment

States that there is a curvilinear relationship between loyalty and engagement, an important point to note is that excessive engagement leads to “fatigue” and “customer draining”. “Apathist” are customers high on loyalty and low on engagement. “Exits” are the persons who tend to exit as and when they have a better option. “Activists” are the people who are high on brand engagement and loyalty. Takes a different perspective and suggest that there is a sequential path to engagement from connection to interaction, satisfaction, retention, commitment, advocacy and to final stage of commitment [10].

The customer change with respect to relational and emotional bonds to be exhibited. The four identified segments are transactional customers, loyal customers, and delighted customers to highly engaged customers both in terms of relational and emotional characteristics. Customers are important as they create value by word of mouth and co creation [11].

Co-creation is a powerful and significant outcome of customer engagement states those people who are open to user experience sharing are more open to co creation. Explore the tendency to explore with customers in both online and offline platform. Suggests that customer interacts with the bank on the basis of performance on certain criteria. Advocates from customer service to effective customer management. The number of banking organization is looking at new and minute ways of engaging with customers. From the above arguments it is

clear that customer engagement is the most important tool in an uncertain environment and is one of the most important factors to take banks towards profitability [12].

H2: To develop an instrument in order to gauge the degree of customer engagement in retail banking sector

From the above discussions we are in position to look at the variables identification in a brick and mortar framework (Table 1).

Table 1: The variables and reflection of customer engagement in retail banking sector.

Variables	Reflection
Trust	It reflects confidence of a customer on organizations processes and service levels
Satisfaction	This highlights the concept that customers stable mindset towards an organization in spite of some weaknesses
Loyalty	The customers feel attached with their bank for their banking needs even though there can be some lacunas
Commitment	It demonstrates inclination of a customer towards their bank
Advocacy	This demonstrates that they will act as referral agents for their banks
Co-creation	This variable demonstrates that the customer are value creators for the firm in every initiative taken by the bank
Conscious attention	It demonstrate the interest of a customer in a particular bank
Cognitive engagement	It enables customer to learn about a bank , there by stimulating interest in their activities
Affective engagement	positive impact of a customer on a firm
Enthused participation	Degree of involvement of a customer

Customer engagement in a click and mortar model

The extrinsic and intrinsic motivation theory with respect to internet use in the information phase of the consumer purchase decision process. McGowan and Darkins (2002) E-commerce consumer perception model with 4 key variables with vision, value recognition, technical ability and control is the most sought after method in the e service consumer behavior. Their method quantitatively evaluate that how customers perceive a firm in relation to its counterparts and the importance of adoption of web technology by the firm. Torkzadeh and Dhillon (2002) has identified 4 variables which reflects the attribute of online chopping: Product choice, online payment, shopping convenience and internet

evolution. The customer perception of how well a service exceeds customer expectations is the basis of Servqual research. Olivia and Macmilian (1992) reinforces that when customer satisfaction reaches certain levels, loyalty increases exponentially, when satisfaction decreases below a paradigm then loyalty decreases exponentially [13]. 1969 Bass model for new product diffusion also emphasizes that new product development is important on media and interpersonal channels. Raules 2004 also emphasizes that internet use promotes customer loyalty. Chat rooms and customer review sites are often promoted through incentives to post comments in favor of their product.

Relationship marketing assumes that higher satisfaction increases word of mouth, repeat purchase by customers. The other important parameters in digital business models are customer experience, shopping focus, website narration, interactivity and promotional activities.

The click and mortar bank business model is different from brick and mortar banks. The expectation confirmation theory applies to satisfaction-loyalty relationships, focusing on contemporary dimensions of loyalty in digital business environment. The relationship between satisfaction and loyalty is non-linear, such that increasing satisfaction does not always increase loyalty. Secondly in mobile commerce the links between satisfaction and loyalty is dependent on customer engagement [14].

Emphasizes that recent researches on satisfaction-loyalty establishes different relationship in varying countries and different stages of device adoption. The differences result from network quality, service, comfort with basic platform which may lead to higher levels of loyalty among satisfied customers. Establishes that since the switching costs are low in a digital environment, there is an urgent need to understand the other variables as well.

Loyalty

Defines loyalty as the repeat purchase of a particular product and service. Reiterates that consumer purchase intentions are influenced by the usage of products and services.

Loyalty also includes behavioral aspects such as word of mouth and attitudinal dimensions such as psychological attachment.

Basis above discussions the 2 dimensions of loyalty identified are

- Continuance intention/repeat purchase
- Electronic word of mouth.

Continuance intention

The rise and rise of mobile commerce, researchers are further exploring the relationship between mobile commerce and repeat purchase. States that relationship between satisfaction and continuance intention is not straight and other variables affecting it are price, experience, culture, retail brand and engagement.

Electronic Word of Mouth (EWOM)

Writes that the likelihood that the customers will write online depend on 2 things:

- The extent to which the performance of products and services exceed customer expectations.
- The degree to which their expectations are not fulfilled and customers want to warn other people and seek retaliation.

Research indicates a positive relationship between satisfaction and loyalty but is dependent on other demographic variables such as gender, age, income and psychographic variables such as involvement and variety seeking.

More factors affecting customer engagement in a digital platform

Sawhney was one of the first person to examine the role of customer interest in customer engagement and new product development. The study clearly show cased that CE in a physical environment is firm centric but in digital environment it is customer centric. In a psychological state CE leads to frequent interactions with the digital medium, beyond the motive of doing the purchase. Reiterate that the mindset stage include activities like posting likes, writing reviews and participating in the co-creation of products and services. Estimates CE as a medium of collaborative innovation. Other scholars estimates CE as an important ingredient and key element of brand community and social networking sites.

Takes a deeper view with local objects that range from a brand to an organization to a medium. In line with the above literature review we define digital customer engagement as the state of mind that leads to frequent interactions with the focal object which goes beyond the motive of sole transactional purchase. The objectives may be towards utility or hedonic with the final aim of being updated with new environment.

Calder has defined CE on a digital platform as to how a social media application fits into an individual life. Engaged customers interact with the mobile application beyond the sole motive of buying online goods. Higher degrees of engagement with satisfied customers leads to positive outcomes with regards to new product development, purchase intentions, instant purchases and greater advocacy in the market by being co-creators.

Calder further states that CE experiences like motivation, social recognition, self-motivation, inner enjoyment, socializing have a greater impact on the effectiveness of the company's campaign. The subsequent discussion with the people has revealed that a momentum in mobile activity is associated with enjoyment, benefits associated with product information, pricing, promotion, browsing during leisure time and getting information on social media.

Basis above arguments the 4 key variables affecting CE in a click and mortar model are:

- Inner enjoyment
- Utility value creation
- Temporal experience
- Social rewards

Intrinsic enjoyment

Reconfirms that intrinsic enjoyment is a key motivator in online and social platforms. In case of mobile application which are becoming an important source of information in the digitized world intrinsic enjoyment plays an important role in customer decision to reuse applications, repeat purchase and responding favorably to online reviews.

Customers with higher inner enjoyment express higher purchase and E-word of mouth intention while using mobile application.

Utilitarian value

States that products which have a utilitarian value are functional, rational and sensible as that are associated with necessity. During shopping online for products and services, competition product and pricing along with features is very essential.

States that consumers shop online for comparing price and quality ratios. Explicitly states that customers who are feeling positive about shopping portals are more likely to make repeat purchases. Have noted that utilitarian value perceived by customers influences loyalty for internet users. Customers with high utilitarian value may have high EWOM to help them make better decisions.

Temporal experience

States that temporal experience relates to people perception about passage of time. further points out that customers may not access real time, as they overestimate the time spent in waiting in retail checkout lines. States that temporal experience exist online as well when people lose track of time while browsing content. Temporal experience is very much a part of CE with various online platforms. Online media is often visited by customers for temporal experience and pleasure. Customers with high temporal experience exhibits higher repurchase intentions and EWOM.

Social facilitation and rewards

The notion of social facilitation refers to the presence of other individuals on human behavior states that the role of social facilitation has to be examined in several group experiments such as shopping online, coffee, sports events and dining out. Have researched social facilitation on virtual platforms such as E-learning and mobile device usage. States that social facilitation is an important dimension of customer engagement with various media and mobile applications.

Customers are likely to use the content from various social sites for discussions in their social groups. Higher levels of social facilitation experiences increase the likelihood of revisits and repurchases from mobile applications with high involvement categories such as lifestyle and experiential products [15].

Table 2: Increase in social facilitation increases the probability of writing online reviews.

Variables	Reflection
Intrinsic enjoyment	Inner motivation in digital world
Utilitarian value	Products associated with necessity
Temporal experience	Persons perception about the passage of time
Social facilitation	Presence of other individuals on one's behavior
Continuance intention	Relation between mobile commerce and repeat purchase
EWOM	Online feedback

Conclusion

From the above discussions and literature review, it is clear that customer engagement is emerging as a powerful tool in these challenging times. Customer engagement in this rapidly changing environment is highly demanding and needs to be focused very well across channels.

From a retail banking perspective, customer engagement in brick and mortar banks is significantly different from a click and mortar banks. Click and mortar banks is opening new avenues of research in client engagement and for success all banks needs to focus well on the agenda.

Digital banking comprises of the 3 tier concept:

- Online banking
- Mobile banking
- Direct banking

All the above researchers till now have only researched customer engagement in service industry and no research articles have studied the complete engagement across channels. In the brick and mortar model, we have identified the key variables affecting customer engagement i.e. trust, satisfaction, loyalty, commitment, advocacy, co-creation, conscious attention, cognitive engagement, affective engagement and enthused participation. In mobile commerce the customer engagement variables which have been identified are intrinsic enjoyment, utilitarian value, temporal experience, social facilitation, continuance intention and electronic word of mouth. We aim to study customer engagement across digital and brick and mortar model.

Theoretical implications

As discussed in detail in the above paper, separate questionnaires needs to be

floated for both digital as well as brick and mortar model. The variables needs to be distinctly identified and studied in detail for better engagement.

Managerial implications

For better engagement in digital channels, managers also need to look at omni-channel solutions wherein customers are free to approach any channel for seamless solutions.

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