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Customer Perceived Value in The Banking Sectors- An Application of Holbrook Model

NAZIM ULLAH¹

Abstract

The behaviour of the customers plays important role on the organization. The study analyze customers perceived values of Malayan Banking Berhad and Bank Muamalat Malaysia Berhad by using Holbrook Model. A number of literature is reviewed and discussed. The findings show that Bank Muamalat Malaysia Berhad should follow the proposed value proposition plan to be a leading bank like Malayan Banking Berhad. Further empirical analysis can be conducted in future by adding more banks.

Keywords: Malayan Banking Berhad, Bank Muamalat Malaysia Berhad, Holbrook Model

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1.0 Introduction

In a competitive business world, an organization can't think without its competitors. Therefore, they need to ensure proper value addition to their customers so that they can survive in the competitive market. The analysis of Ivanauskienė, Auruškevičienė, Škudienė and Nedzinskas, 2012, in recent years, customer service business is greatly impacted by the relationship perspective of marketing. Thus the delivering of superior customer value has become vital for a company to maintain long-term relationships with their customers. This assignment is to identify the customer perceived value in the banking industry on banking services using the Holbrook Model. The model is used to evaluate the value propositions of Bank Muamalat and Maybank which is the leading competitor in the industry. Next the new value proposition and implementation plan is produced for Bank Muamalat by taking the consideration of the highlighted factors.

2.0 The customer perceived value in the banking industry.

The banking sector is one of the best parts of the financial sector that contribute to the development of the country. And these contributions as an intermediary and non-intermediary role through customers. Therefore, customers are the main player in the industry towards performing a great job. Meanwhile, the banker should evaluate customer demands and expectations so that they can maximize their perceived value. Customer perceived value is defined as a human need that they expect from the organization. Accordingly, Satar, Safie, Dastane, and Ma'arif, 2019, defined CPV is "the consumer overall calculation of the usefulness of a product based on perceptions of what is predicted and what is delivered.

In general, The Promotion of online banking technology enabled the banks to enhance its operations with cost cutting effectively and efficiently in order to handle daily banking affairs via online banking channel. Customers are being facilitated by reducing their visits in banks and they can carry out their transactions via internet or ATM Machines instead of personally visiting the branches (Omar, Sultan, Zaman, Bibi, Wajid, and Khan, 2011). The study reveals that mostly customers prefer internet banking (IB) services over branch banking due to reliability, convenience, speed, safety and security, cost effectiveness, user-friendly, and error free system. In line with that, Selvakumar (2015) explains service Quality in banking sector is the most important criteria and asset for evaluating and satisfying customers and thereby increases the customer loyalty and average retention rate of customers. Furthermore, Ramanigopal, Palaniappan, Hemalatha, and Mani, (2011) implies that E-banking would create opportunities for banks to strengthen their relationships with customers, sell additional services, and prevent encroachment on their business activities. According to Holbrook (1994) suggests a more detailed definition for customer-perceived value that it is an 'interactive relativistic preference experience'.

Typically, such a customer value refers to an evaluation of some object by some subject, and the value depends on the characteristic of some physical or mental object. Moreover, he said

Customer value is “the fundamental basis for all marketing activity”. In addition, Consumer value as a multidimensional construct that consists of several interrelated dimensions and focuses on utilitarian and hedonistic value (Holbrook, 1996). There are some definitions of customer perceived value from different authors as in the following table.

Author (s)	Definition
Holbrook, M.B. ed., 1999.	Consumer value is the opinion of the customer’s experience with the products and services delivered.
Satar, Safie, Dastane, and Ma’arif, 2019	CPV is what is predicted and what is delivered about a product and service.
Yang, Z. and Peterson, R.T., 2004	Customer-perceived value results from an evaluation of the relative rewards and sacrifices associated with the offering (i.e., products and services)
Satar, M., Safie, N., Dastane, O. and Ma’arif, M.Y., 2019	Customer perceived value is the prime driver of competitive advantage.
Laukkanen, T. and Lauronen, J., 2005	Perceived value has been defined as a result or a perceived benefit a customer receives in relation to total sacrifice or cost.
Heinonen, K., 2004	Customer perceived value is the differentiation between benefit and sacrifice.

In order to explain customer perceived value in the banking industry, Holbrook model is used. According to the model, following typology issued to explain consumer perceived value.

Figure 1: Holbrook’s typology of consumer value (Adapted from Holbrook 2005, 2006).

		Extrinsic	Intrusive
Self-oriented	Active	Economic Value Efficiency (convenience) Different types of products and services Open 24/7 Location of branch every places Applicability of mobile apps and perform banking transections Available to all kinds of people	Hedonic Value Play (fun) Online service 24/7 hours’ customer services Arranging program with customers along with their family
	Reactive	Excellence (quality)	Aesthetics (beauty)

		Followed rules and regulation assigned by banking regulatory bodies and Bank Negara Malaysia Good reputation along with maintaining rules and regulations. Evaluate each project and give good consultant to the customers.	24/7 ATM services Auto message to the customer mobile Easy to track each transection
Other-oriented	Active	Social Value Status (success, impression) Self-experiences from purchasing high quality product and services	Altruistic Value Ethics (virtue, justice) Opportunity to have good products and services A range of products and services Corporate social responsibility (CSR)
	Reactive	Esteem (reputation, materialism) Social esteem associated with reputation and brand name of the bank	Spatiality (faith) The desire to increase reputation and brand name The feeling of accomplishment when finding something wrong

Based on above figure 1, Holbrook divides typology of customer value into three main dimensions i.e., intrinsic-extrinsic continuum, self- or other-orientation, and either active or reactive (Gallarza, Arteaga, Del Chiappa, Gil-Saura, and Holbrook, 2017) and Smith, and Colgate, 2007).

Firstly, intrinsic-extrinsic continuum which implies that it is related to ability to perform a task but not itself. Secondly, consumer can directly experience their value, whereas other persons are involved in consumption experience once other-oriented value is captured. Thirdly, either active or reactive. Once consumer have consumed some goods either by physically or mentally then active value is created. On the other hand, other consumer consumes something then reactive value is created. According to the analysis of Liu (2006), Holbrook's typology uses these three dimensions to classify eight types of consumer value: efficiency, excellence, status, esteem, play, aesthetics, ethics and spirituality. Furthermore, eight types of consumer value are divided into four general categories such as economic, hedonic, social and altruistic value. All these are showing consumers perceived values (Turnbull, 2009)

3.0 Evaluating Bank Muamalat existing value proposition in comparison to its competitor's Malayan Banking Berhad (Maybank)

A value proposition is a promising value that a company needs to be delivered and acknowledged which create a differentiate over competitors in terms of customer decision of selecting a bank (Anderson, Narus, and Van Rossum, 2006), with a view identifying both banks customer value proposition Holbrook model is used.

In order to develop a business policy, it is necessary to emphasize the value proposition as the core strategy (Edvardsson, Klaus, Payne, and Frow, 2014). This is to differentiate themselves from its competitors. Bank Muamalat&Maybank are having a similar mission of becoming a leader in the banking industry.

Therefore, it is important to specify the benefits and drawback of its products and services in order to suit target customers need. Beside that value compositions also said to be gain competitive advantages (Parasuraman, 1997).

Figure 2: Bank Muamalat’s value propositions (Adopted from Harahap, 2002 and Asutay, and Izhar, 2007)

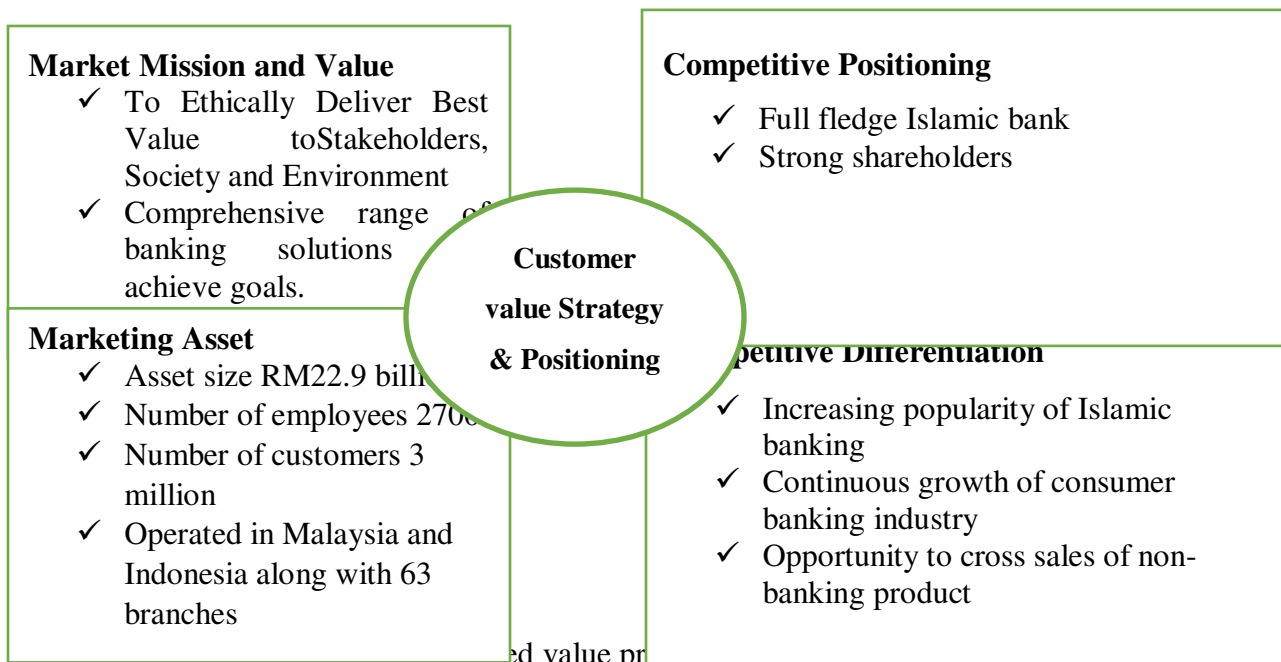


figure 2, customer value strategy and positioning is divided into four parts such as market mission & value, marketing asset, competition positioning, and competitive differences.

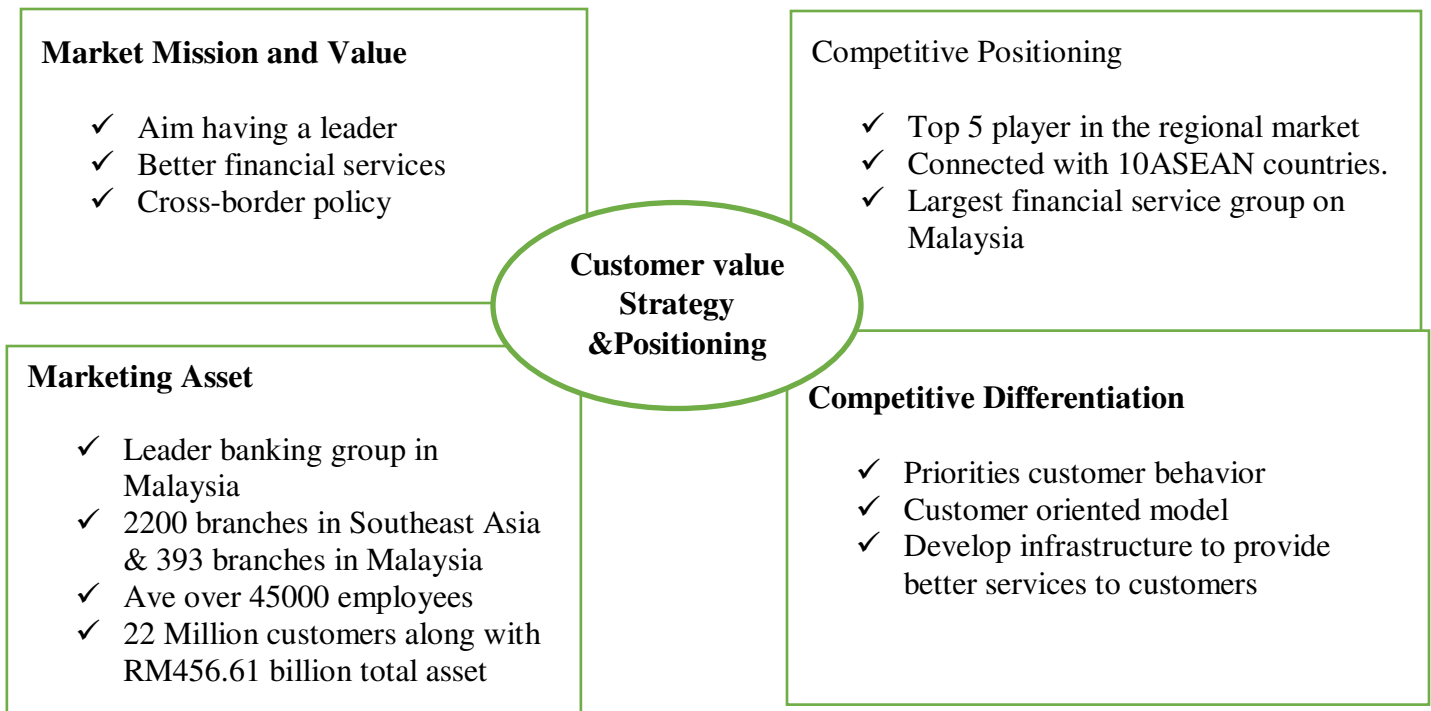
Firstly, market mission and value that include Islamic financial product and services and a comprehensive range of banking solution. Bank Muamalat is the full fledged Islamic while Maybank is not but it has subsidiary. Therefore, customers those who are like full-fledged Islamic products, they proceed with the Bank Muamalat rather than Maybank. This is one of the best competitive advantages for Bank Muamalat.

Secondly, marketing asset that includes the number of total asset, employees, customers, branches, and operation. If we compared two banks, comparatively Maybank is the leading bank in the banking industry since its marketing asset is high (Harahap, 2002)

Accordingly, competitive positioning indicates what is the current position of the Bank Muamalat compared to its competitor (Suyanto, 2005). As we discussed earlier, it is full fledged Islamic and along with strong shareholders. This represents better competitive positioning of the bank. Since it designs all of its products and services based on Shari'ah (Chan, 2010)

Last but not least, competitive differentiation that includes increasing popularity of Islamic banking, the continuous growth of the consumer banking industry, and the opportunity to cross sales of a non-banking product. As discussed by Asutay, and Izhar, (2007), competitive differentiation indicates how the bank is better compared to its competitors. Main competitive differentiation is that Bank Muamalat can't proceed to finance without Shari'ah screenings (Chan, 2010 and Suyanto, 2005). Therefore, this is the main restriction of the Bank Muamalat compared to Maybank. Whereas, Maybank can do investment in Shari'ah and non-Shari'ah project since it has two conventional banking systems and Islamic subsidiary. Following figure 3 describes customer value proposition of Maybank

Figure 3: Maybank's value propositions (Piercy, 2016)



Maybank's value proposition is based on functional value. Muamalat & Maybank same target of being a market leader in the banking sector which focused on the customer value and financial services. While Bank Muamalat value only focused on products and segments.

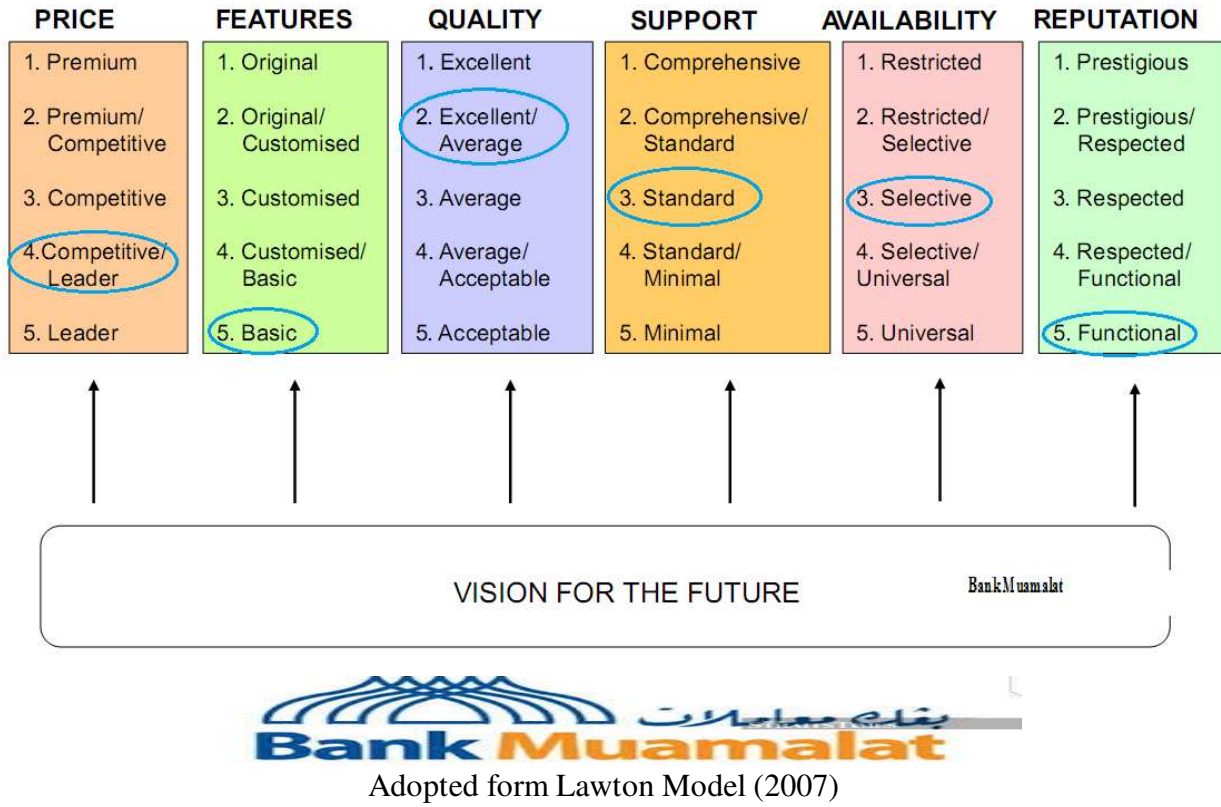
In terms of the size, Bank Muamalat is the smaller than Maybank. Following table shows the comparative position of Bank Muamalat & Maybank.

Bank Muamalat	Terms	Maybank
2,700	No of employees	45,000
3 million	No of customers	22 million
63	No of branches	2593
RM22.9 billion (Annual report, 2018)	Total asset	RM456.61 billion (Annual report, 2018)
Indonesia & Malaysia	Cross-boarder	Southeast Asia

4.0 Benchmarking value proposition of Bank Muamalat & Maybank

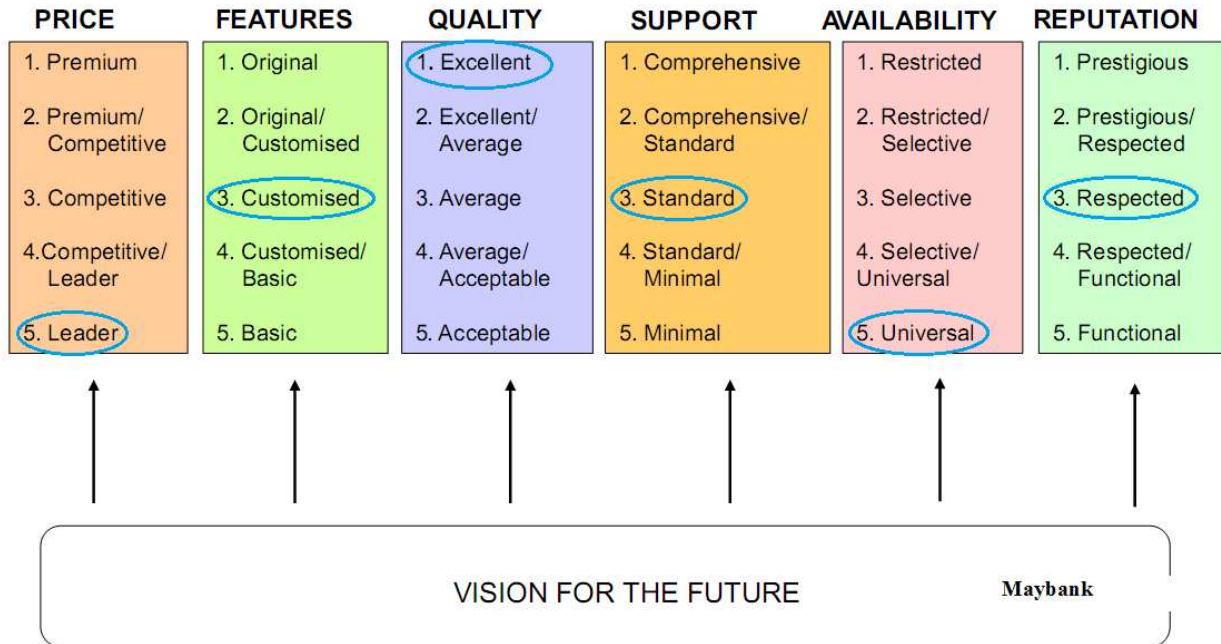
Bank Muamalat focuses on single segments only Islamic concept while Maybank focusing on both Islamic and conventional. Bank Muamalat has only 63 branches in across Malaysia but Maybank have more than 2593 branches across Malaysia. Below are the value proposition for Bank Muamalat in the analysis on the Lawton model.

Figure 4: Bank Muamalat value propositions



Elements	Offer of purchase	Suggested business actions
Price	Competitive/Leader	Being a leader introducing reasonable price
Features	Basic	Convenience and hassle free services and come out with a proper ways
Quality	Excellent/Average	To provide a high quality customer products and services
Support	Standard	Ensure customer connection by providing better services
Availability	Selective	Available P&S and their end users
Reputation	Functional	Ensure reputation by providing better P&S

Figure 5: Maybank value propositions



Elements	Offer of purchase	Suggested business actions
Price	Leader	Having competitive advantages, reduce and minimize price.
Features	Customized	For the sake of providing convenient and hassle free products and services, bank needs to develop one stop banking solution kiosk.
Quality	Excellent	Better P&S to the customers.
Support	Standard	Connect customers by giving them customized services.
Availability	Universal	Open access via national and cross-border market by the customers.
Reputation	Respected	To have a good stature, bank provides better products and services. and preventing form switching to other banks.

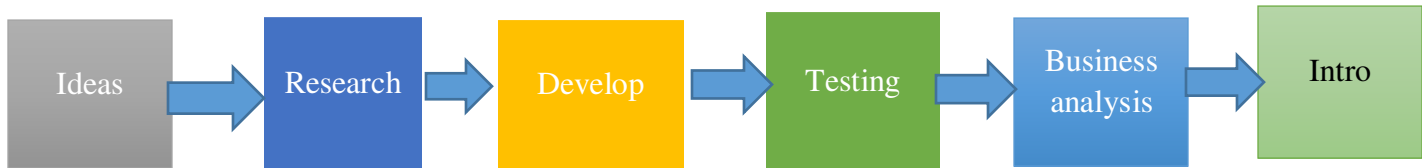
After reviewing the current value proposition of both bank, it is concluded that bank Muamalat’s missing existing value propositions are categorized in terms of sizes, geographic, modern technology, and brand name. Sizes such as total assets, employees, branches, and customers. The sizes are the main problem for bank muamalat and due to these bank muamalat cannot provide services effectively and efficiently. And hence it reduces the value proposition of the bank. Secondly, geographic, bank muamalat only operate in two countries such as Malaysia and Indonesia. Therefore, it is not enough expansion for broader customer coverage and value proposition. Thirdly, bank Muamalat does not have modern technology that would enhance a better value proposition. And fourthly, brand name, although bank Muamalat is an ancient bank, it is not popular as Maybank.

On the contrary, compared to its competitors, Maybank is the best for the customer value proposition. There are several ways such as sizes, geographic, technology, and brand name. These four categories are the main customer's value propositions.

Suggesting for the Bank Muamalat, it should be more focus on the above-discussed point namely, sizes, geographic, modern technology, and brand name. For the sake of enhancing a good customers value propositions, bank Muamalat should make a strategic plan so that they can ensure optimal uses of discussed potential points. Therefore, with a view to ensuring the above mentioned point, bank Muamalat should implement the following plan.

5.0 Bank Muamalat's new value proposition and implementation plan

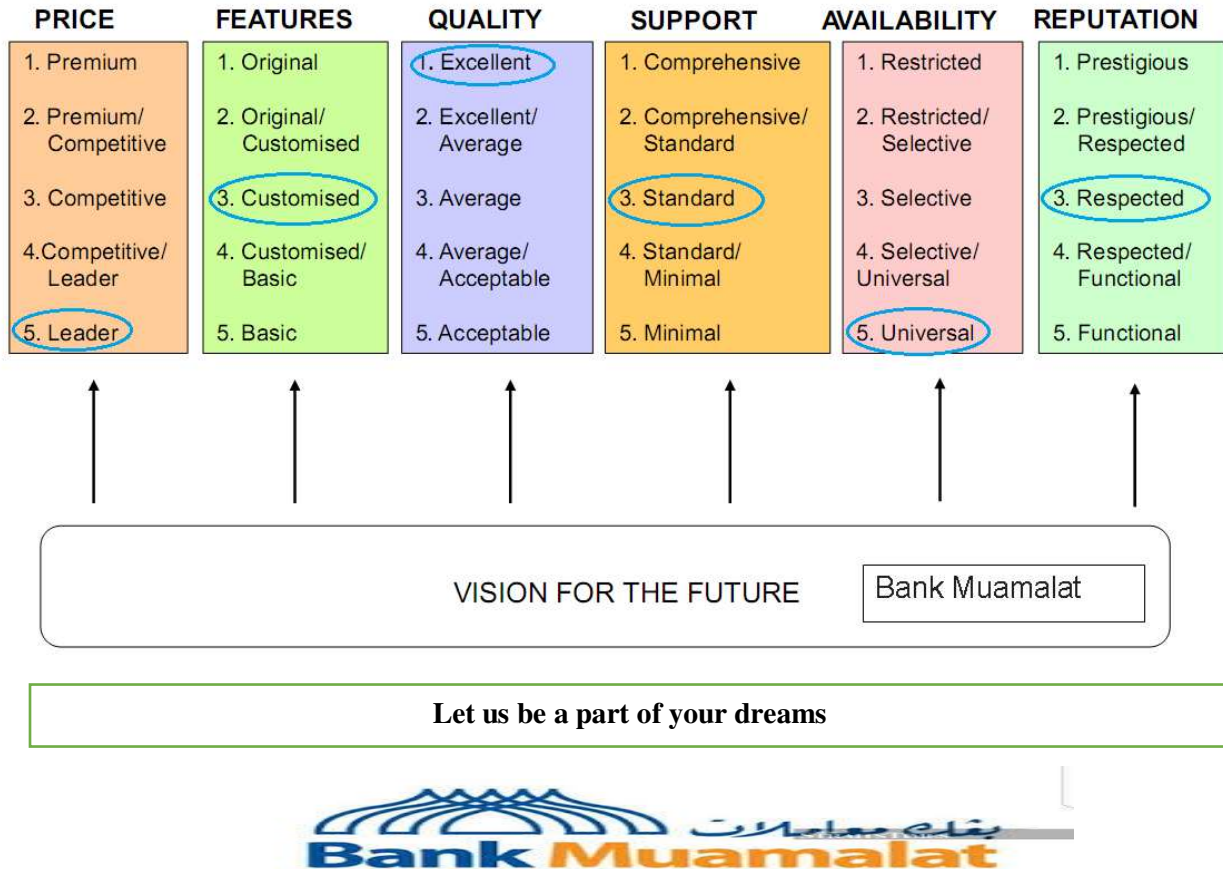
Followed by the previous analysis, on the composition of customer value proposition, Bank Muamalat has fulfilled user proper value is analyzed under Holbrook model. Therefore, Bank Muamalat has to give prioritizing to the users. Following are the concepts & steps followed by Lawton concept.



Lawton concept on Steps and Procedures for new proposition value (2007)

Bank Muamalat should follow Lawton concepts of new value proposition. Bank has to generate idea for customer value proposition. After then need to do research on the generated ideas and develop those ideas. Next to development, bank should test those ideas to check whether those ideas are good for the customers and organization. In line with that, bank Muamalat should do business analysis to check potentiality and feasibility of new value proposition. Last but not the least, practical implementation of the new value proposition.

Maybank value proposition is the highest and hence it leads the market. Therefore, bank Muamalat should follow proper steps and procedures as mentioned by following Lawton model



Adopted from Lawton model (2007)

Product performance, product cost, and customer rules those can be taken by Bank Muamalat adding value propositions. According to the analysis, user try change the bank when price is given unaffordable (Satar, Safie, Dastane, and Ma'arif, 2019). Rather they look for banks those offer better price long with products and services. So, bank Muamalat should focus more on the product performance. For example, all account i.e., current, saving, and investment account. Moreover, bank's asset growth should be better. Financing in any project would be in a good position and hence lower amount would be non-performing loan. Secondly, product cost would be lower to be more reputable and leader in the competitive market. Once the bank gets recognized by customer, it would be better for survival and to be a leader in the market look like Maybank. Thirdly, customer rules meaning Bank Muamalat should analysis the behavior of the customer and take decision based on the analysis. If they able to provide value according to demand of customers, they can be the leader unlike Maybank (Heinonen, 2004)

Below are the proposed business actions for Bank Muamalat by Lawton model based on the product, cost and rules

Elements	Offer of purchase	Suggested business actions
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Price	Leader	To have competitive advantages, leader needs to minimize price.
Features	Customized	With a view to providing hassle free banking products and services at minimum cost, bank needs to bring new ideas
Quality	Excellent	To provide a high quality customer products and services
Support	Standard	To connect customers closer by giving them customized services
Availability	Universal	Open excess via national and cross boarder market that is closer by the customers.
Reputation	Respected	Deliver high quality products and services for having bank's reputation and preventing form switching to other banks.

Being implement proposed business actions, bank Muamalat should give emphasize on the strategies to facilitate it in inside and outside marketing (Piercy, 1995). Internal and external implementation plan is discussed following.

Internal implementation	Factors	External implementation
Bank Muamalat needs to say to its employee for their P&S ² to share with them the execution ways and their (employees) responsibility as a core people (Berry, 1981)	Product & services	Bank Muamalat should change their P&S following demand and expectation of end user.
Bank Muamalat needs to lower the price of new products and services in the implementation process (William, 1991)	Pricing strategy	Before setting the price of the products and services, bank need to observe current market standard and customer demand.
Bank Muamalat has to focus on the customer and has to give proper		Bank has to provide better customer services in order make them loyal and stay with the bank. If bank able to make

² P&S means products and services

training to its employees about products and services.	Customer services	them loyal, its becomes the asset for the bank. Whereby, bank's reputation would be increased.
Bank has to ensure its internal culture in terms of managing employees, proper cost management. this also implies an absorption strategy by the bank.	Culture	Bank has to find market in local and international. Whereby it can be the leader in local and international market. Most importantly, Bank Muamalat has to focus on the niche market and select better financial services.

6.0 Conclusion

In conclusion, customer perceived values have disused comparing two banks namely, Maybank and Bank Muamalat. Banks should analyses the behavior of the customers based on their feedback and need to full fill their demand and expectations. This is better ways to ensure customer perceived values. In respect to a comparative analysis of Maybank and Bank Muamalat have reviewed and discussed. To review and discuss customer perceived values for both, Holbrook model is used. in this assignment not only discuss about current proposition of both banks but also proposed a new value proposition for the Bank Muamalat. It will be more helpful for the Bank Muamalat to be leading position unlike Maybank. For implementing new value activities, Thomas Lawton concept is used. It is recommended that Bank Muamalat should follow the proposed new value proposition plan. If they properly maintain proposed plan, it is hoped and expected that Bank Muamalat would be leader unlike Maybank.

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