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Explanation New Channels of Services Distribution in the Banking Industry

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ABSTRACT

This research has been conducted in order to study on factors affecting the exploitation of new channels of services distribution, so that through this procedure by improving some especial aspects of management in banks, it could be able to have an important role for exploiting more efficiently the new channels of bank. In order To study the relationship between variables in the study of national bank of Guilan province model and for assessing the explanation of new distribution channels in these banks, the scale of five Likert distance is used. As well as, this research is practical from the point of view of purpose and descriptive in terms of method. In this regard to investigate the effect Factors influencing the explanation of new distribution channels on the dependent variable, all relationships between variables in the form of eight hypotheses were evaluated statistically, and finally three of these hypotheses have been confirmed. The results show that the management support and future orientation are the most important factors affecting the explanation of the new channels of services distribution. So The usefulness of this research is that, according to its results it can For effective explanation of New channels of services distribution , it was concentrated on a few important and effective factors instead of considering large numbers of factors with low impact.
KEYWORDS: distribution channels service, information technology, Channels of services distribution.

1- INTRODUCTION

The concept of electronic banking and its performance is not yet fully known for many people and therefore an optimum exploitation of investments is not performed for its development. (Tambouris and et al, 2003). While banks as institutions that are active in various areas of monetary and financial affairs are facing with various threats and obstacles, should have a competitive advantage to overcome them and achieve the market potential opportunities. Researches has shown that banks add their profitability unprecedented with increasing their first level customer and their loyalty and impact on customer satisfaction, (Kolodinsky and et al, 2004) in this research it is intended to study the factors affecting explanation of new distribution channels in the banks, with emphasis on factors that managers have control over them , and because the new channels of distribution services including electronic channels, in this research issues surrounding electronic service distribution channels is more studied.

2. The expression of Problem

Nowadays technology is a key element in competition that has created changes in how products and services are presented. (2002 .Liao z) with the presence of new competitors based on the Internet, many of the major investments in sales force, branch offices and so on, May be change from being protective to becoming worthless. that in this regard, branch banking seems to be the most impressionable by the internet. (Dannenberg and Kellner, 1998; Barnatt, 1998) the banks that are behind this technology, are in trouble in exploitation of new distribution channels , which it cause failure in front of competitors (Cronin, 1997)On the other hand, the banks may, create problems for themselves with regardlessness different conditions such as social conditions before offering any new services . for example, low levels of awareness, lack of understanding from different groups of people and their demands, the public distrust about new distribution channel and so on, Make these channels cannot easily be formed in their minds(Shekhani 1999, p. 229) the banks have always been faced with many challenges and problems and are trying to find appropriate and innovative solutions to gain customer satisfaction and ultimately their loyalty . In this context, the problem occurs when the banks invest only on their services and do not have any attention to how to provide these services namely the kind of their distribution channel that are

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provided variously, such as visiting, on line channels, telephone, by ATM Internet, mobile banking and so on.

3. Review of research literature

In this study, it is trying to describe changing in the ability of banks to be innovative in when they exploit new channel of services distribution. So considering the issue of new distribution channels is necessary for the following reasons:

New electronic channels can provide better services to customers to a form of deeper collection, less waiting time and more decentralization, so it can attract more new customers and increase the profit of creative businesses in the period of longer time. In other word new electronic channels can change the way the company has an interaction with its customers. Because responding to customer needs is not easy by means of the traditional fabric of the nation's banks and it is necessary to set the field and taking the appropriate technology, so ignoring this market provides appropriate space for Companies and Non-banking institutions to get large share of the financial activities with providing services as soon as possible. (Azar Saberi, M. 2001, p. 236). Increased competition, changing business environment and globalization are the major changes that have occurred in the financial and banking services industry. Demand for financial services is rapidly changing. And customer behavior has changed over the past decade. With passing Customers from the traditional banking to electronic banking, new strategies and maintain current customers are also needed.

The banks which have willingness to cannibalize their existing distribution channels, are very active on new distribution channels, and offer their services through these channels before the competitors. The willingness to cannibalize is a desirable trait, because it promotes innovation and is necessary for the long-term survival of the firm. Development projects imply an organizational struggle to both maintain, renew, and replace core capabilities, because new technologies may both enhance and destroy existing competencies within an industry. Existing values, skills, managerial systems, and technical systems may be inappropriate for some projects and that these inappropriate sets of knowledge become core rigidities and may create problems for projects which require new capabilities. (Chandy, and Tellis, 1998) Based on this theory, according to Leonard Barton(1992) it is expected willingness to cannibalize and the actual ability to Exploit new channels take effect negatively by Specific investments and Different requirements of new channels. In new projects requiring radically different capabilities, existing capabilities may serve as barriers to success. For promoting and success the new distribution channels, management team Attention is important to it. Management support can cause good opportunities in retail banking, where there will be resistance for these channels. The success of technological innovations is dependent on individuals who contribute to the innovation by actively and enthusiastically promoting its progress (Higgins and Howell 1990) The bank has future trend has willingness to cannibalize. In fact, some managers will be risk-taking and emphasize future markets and the longer-term more than short-term gains and building up reserves. (John 1996) According Kitchell(1995) a future orientation will positively affect the exploitation of new distribution channels both directly and indirectly mediated by willingness to cannibalization. Expected advantages for the customers are important in Development of new channels projects. Indeed it has more emphasized the importance of understanding and meeting customer wants for the success of new business services development. (de Brentani, 1989) From the viewpoint of Cooper (1979)in a distribution system with a tendency towards new market, ability of new channels to better satisfy consumer needs , or at lower costs than existing channels, is the final conditions for survival and success of new channels. The size of the institution is positively correlated with the level of web site interactivity for that business. On the other hand, there are opposite relationship between size and adoption of Web site interactivity. (Srirojanant and Thirkell 1998)

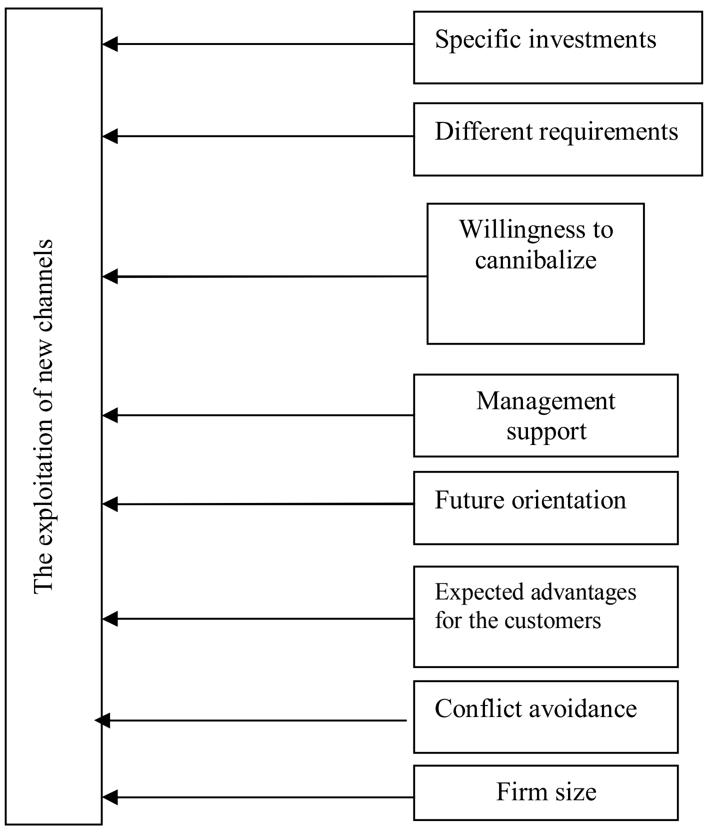
The large firms often have both the time and resources to thoroughly explore the implications of new technology. They are able to build prototypes of Internet banks, test them, and link them to the existing business system. (Pavitt, 1990). In a system of multiple channels, the same functions are carried out by different but parallel channels. This creates overlapping roles, which may lead to conflict. (Moriarty and Moran, 1990; Holmsen et al, 1998) As noted by Drew (1995), managerial resistance to change, due to unwillingness to deal with conflict, constitutes some of the barriers to the success of change projects in the financial service industry. Furthermore, if the customers accept the electronic channels, an adaptation process is likely to take place, which will involve the closing of bank branches and a reduction of the staff in most banks. This development will not proceed without conflicts. (Mols et al., 1999)

More research is shown in Table 1.

Table 1. A review of research literature

Author	Model	Year	Variables	Results and recommendations
Mols	Acceptance distribution channels	1999	Acceptance and promotion distribution channels, the distribution channel strategy, the adoption process, merger and closure of branches,	Development of electronic banking is determined by customer acceptance of its and proposal by the service providers. If the customer accepts electronic channels, the future distribution channel structure is different from the current structure, and acceptance processes occur simultaneously.
Nancy black	Choice of distribution channels for financial services	2000	Client characteristics, service characteristics, Channel feature and the organization's reputation	Customer perception of the availability of channels and a high level confidence to one channel has a positive effect on its choice. The more new distribution channels are it is more important that one consumer pay attention to The organization's reputation as a saving factor of the risk in choosing a distribution channel..
Yousafzai Shumaila	Customer confidence to electronic banking	2003	Safety, trust, received risk, intention to use banking services	Trust as an e-commerce key is very important. In this study, it is proved the positive effects of the options listed, on the customer's confidence that is modulation variable also.
Pikkarainen & et al	Technology Acceptance Model	2004	Received benefits, ease of use, received pleasure , online banking information, safety, use of on-line banking	Benefits received from a distribution channel have a positive effect on the consumer acceptance of online banking services. While the main reason for not to accept on line banking is lack of sufficient knowledge, so the amount of information one consumer has about online banking, has a positive effect on its acceptance.
Coelho, F and Easingwood, C	Environmental uncertainty	2005	Poor coordination of the client, the client escapes, environmental conflict, non-coordinated interventions	Poor coordination of client, customer escape and environmental conflict, have a positive impact on the choice of multiple channels, while the non-coordinated interventions may reduce need to use these channel strategies.

4. Conceptual framework and hypotheses:



(Niels peter Mols, 2000) figure1: Analytical model to study

1) The higher a degree of willingness to cannibalize a bank exhibits, the more likely it is exploit the new channels

2) The more channel specific investments a bank has made in a current channel, the less likely it is to exploit the new channels

3) The more different requirements a new channel poses for a bank, the less likely it is to exploit the new channels.

4) The greater the support from senior management, the more likely the bank is to exploit the new channels

5) The greater the bank's attention to the future, the more likely it is to exploit the new channels.

6) The more advantages a bank thinks the customers will derive from the new channels, the more likely the bank is to exploit the new channels.

7) The larger the bank, the more likely it is to exploit the new channels.

8) The greater the conflict avoidance with regard to the new channels, the less likely the bank is to exploit the new channels.

1) Willingness to cannibalize: Most definitions of cannibalization refer to a process by which or the extent to which the loss in the sales of a current product is due to the introduction and sales of a new product (Lomax et al., 1997; Nault and Vandenbosch, 1996) Chandy and Tellis (1998, p. 475) define willingness to cannibalize as the ``extent to which a firm is prepared to reduce the actual or potential value of its investments. Indeed it Refers to Use of various channels of services distribution And tend to replace ways of delivering services to customers And Is measured with regard to the Customers ability to use of Variety of possibilities In presence in a distribution channel On a scale of five distance from Ability to use various Of a channel from 1 (very much) to 5 (very low).

2) Specific investment: investments that are worth less if be used for other purposes, instead of applying for a specific distribution channel. Such investments may be the result of years of hard work on the part of the managers. They may develop a strong commitment to these investments, which can lead to sub-optimal or irrational decisions. (Chandy and Tellis, 1998) Which is measured on a scale of 5 distance with regard to investment of retail banking in branches, of large investments to very low.

3) Radically different requirements: It is the degree if in which the company introduce a new distribution channel it have to create new investment. (Easingwood and storey, 1995)In fact it is the need that establishes as a result use of new channels. it is measured from Very low to very high requirements (requirements) On a scale of five distance with regard to skills and available technical and managerial systems.

4) Management support: Is the amount of management support for innovations and implementation of changes as the most important
prerequisite for new service development. (Mason and Milne, 1994) it is measured On a scale of five distance from 1 (very much) to 5 (very low).with regard to management's commitment to new technologies and much attention to.
5) Future orientation: it is the extent to which a firm emphasizes future customers and competitors relative to current customers and competitors. (Webb and Didow, 1997) and. it is measured On a scale of five distance from 1 (very much) to 5 (very low), according to what the customer want from the distribution channels, associated with the service, how much they are willing to pay for the service level offered, how service can be provided for them, the cost of alternative distribution channel, orientation to the future benefit and competitors.

6) the Expected advantages for the customers, which means the importance of understanding and meeting customer wants for the success of new channel of services distribution development (d Brentani, 1989) It is measured On a scale of five distance from 1 (very much) to 5 (very low), according to benefits which bank thinks are the driver of the customers and willingness to change In order to satisfy customer needs.

7) Avoidance of conflict: conflict is behavior applied by the director or employee in a form of disagreement with other employees in different ways. (Holmsen et al, 1998) In a system of multiple channels, the same functions are carried out by different but parallel channels. This creates overlapping roles, which may lead to conflict (eg Cespedes and Corey, 1990; Moriarty and Moran, 1990). There are many internal conflicts and these conflicts may have both a positive and a negative influence on the activities in the organizations, and they note that unsolved conflicts enable internal competition. Thus, conflict avoidance may hinder a healthy development of new channels. Managerial resistance to change, due to unwillingness to deal with conflict, constitutes some of the barriers to the success of change projects in the financial service industry. (Drew, 1995) this concept in this research means getting away from constructive change, Due to Unwillingness To create internal conflicts. That can be measured from Complete Avoidance to Minimum Avoidance on a scale of five distances.

8) The size of the bank: Is the geographical dispersion and the number of personnel in the organizations who work directly with the institution. It can be classified according to the number of personnel from very large in size to small size.

To50 person→small
50 to 200 →average
200 to 500→ Large
500 to 2000→ very large
Up to 2,000→large institutions (comprehensive)
- Exploitation of new channels: the degree of efficient use of distribution channels. (Using distribution channels in the best way, with profit) It is measured on a scale of five distance from 1 (very much) to 5 (very low) with regard to the degree of satisfaction level of bank managers to re-use of electronic distribution channels for delivering services to customers.

5. METHOD

This research is applied from the point of aim, and in terms of method is descriptive. The statistical community in this research according to the research topic consists of all managers of national banks in Guilan province. In general there were selected 97 branches from 126 branches of national banks. Because the statistical community of the bank executives is limited, it is possible to calculate the variance and standard deviation of variables. There is a random sampling method and sample size is without the placement and management has been calculated using the Kochran formula. In this study it was used from the questionnaire as a tool for gathering data. It used library research and field research methods for extracting information needed in this research. To analyze data and examine relationships between independent and dependent variables, Pearson correlation test was used, because the distribution of sample is normal and scale of the variables is distance.

6. Validity and reliability for the tool of measurement:

The meaning of credit is that really able to measure the desired property no other variables. (Haider Ali, Hooman, 1993, p. 150) In order to assess the "tool of measurement" in this study, a questionnaire modified with helping by experts, and then was distributed among several banks and their managers were asked to express what they understand to be compared with what the researcher purpose was. After finding out the correct understanding of all people, questionnaire was distributed among the members of sample. The test reliability is that if the test is used several times for measuring a variable, it has similar or different results. (Seif, measuring academic achievement, 1999, p. 199). The most famous credit factor is presented by Cronbach's through one test run, is known Cronbach's alpha coefficient. To determine the reliability of measurement instruments, (questionnaires) this coefficient has been calculated for all variables. All calculations were performed using SPSS software.
According to results Cronbach's alpha coefficient is 0.70 for the independent variables and is 0.76 for the dependent variable and its total amount is 0.79. Because it is more than 0.08, so it is statistically acceptable, and the questions of the questionnaire have the desirable validity.

7. Test of hypotheses:

Table3. Test of hypotheses using statistical tests

Row	Hypotheses	Sig	Result
1	The higher a degree of willingness to cannibalize a bank exhibits, the more likely it is exploit the new channels	0.81	Rejected
2	The more channel specific investments a bank has made in a current channel, the less likely it is to exploit the new channels	.347	Rejected
3	The more different requirements a new channel poses for a bank, the less likely it is to exploit the new channels.	.115	Rejected
4	The greater the support from senior management, the more likely the bank is to exploit the new channels	.000	Confirmed
5	The greater the bank's attention to the future, the more likely it is to exploit .the new channels	.000	Confirmed
6	The more advantages a bank thinks the customers will derive from the new channels, the more likely the bank is to exploit the new channels	.001	Confirmed
7	The larger the bank, the more likely it is to exploit the new channels	.232	Rejected
8	**the greater the conflict avoidance with regard to the new channels, the less likely the bank is to exploit the new channels**	**.514**	**Rejected**

8. RESULTS

While other studies have been widely used to develop new products or services, applications in this study are associated with how bank managers may be effective in exploiting new channels of services distribution. As was mentioned, Future orientation and management support are the two most important factors driving trends in the exploitation of new channels. These factors can be controlled by the management team, who appears to have significant effect on the success of Banking electronic relationships and their customers. Considering the priority of these factors, managers of smaller banks can take a large proportion of customers with more support of new channels and taking into account future market. Implementation The executive program commensurate with the cultural and social conditions of countries in order to establish electronic banking and providing requirements can help in this regard to banks that are lead in development electronic channel of services distribution.
According to the analysis conducted in this study and listed in Table 3, it appears that different ways of providing services cannot have significant effect on the exploitation of new channels of services distribution because there are more effective factors that minimize the effect of these factors. Therefore, this variable is the least important factor among the independent variables. According to the results of the study, the national banks of Guilan province are not limited by past investment. And bankers will not allow the past investment in branches; personnel and technology confined them in a non-optimal process of operation. Needs created after use of new channels, can not also be as a major obstacle in exploitation of new channels of services distribution. In fact, the greater the support and commitment from senior management, the more likely the bank is to exploit the new channels. The study shows this variable is the most important factor determining the extent in which banks are able to exploit electronic distribution channels. While the increasing future orientation is an important stimulus in the exploitation of new channel of services distribution, it should be mentioned if the bank be larger than other it cannot be concluded that willingness to use of new channel of services distribution increases because the smaller banks can put other advantages in priority. According to the result of the study, staff should not look at the electronic channels as a treat when they meet client. In fact electronic channels are considered as a supplement for face to face interaction people are in the branches.

9. Limitations and future research:

As given the above and the results of the study, recommendations is presented as follows: It seems that most banks studied have tended the new technologies. So it seems necessary to equip banks with sufficient financial resources and efficient and skilled manpower, and diversity electronic services provided by banks, with regard to good quality levels for these services. For Making The use of electronic channels of services distribution coherent, it should be dealing with reinforcement of processes and skills such as management of change in the acquisition of new technologies And systems development And maintenance and control Existing systems and users' knowledge of technology applications, And applying measures for distribution of knowledge in the organization. It is recommended to determine reasonable time spans for activities development in the field of electronic banking and change the thought of managers towards the establishment of electronic banking and efforts to create a unified approach on necessity to use information technology in the banking system and full justification the duties related to the development of electronic banking the branches under their supervision.(fully justify the duties associated with the development of banking in the branches under their supervision) On the other hand Considering the point view of Customers who are demanding Banks to exploit new channels of services distribution And attention to this issue that It can cause the progress of organization rather than competitors And redesign processes in The banking system In order to achieve the goal of client-centered On the basis of the competitive advantages of using ICT are also other solutions. It is recommended, bank managers do not avoid of the manufacturer conflict in order to advance the organizational goals. Applying project to improve the electronic distribution channels in addition to retaining the current employees can in this regard propose slow development towards achieving organizational goals.

In future studies, researchers could do this research in larger samples with considering more external variables and more measurement standard. In fact, in future researches all relationships can be tested in the same and developed model. Therefore, in further research, it is essential to extend this research that consists of other industries and other locations.

So, it is recommended to address these issues in future research.

- Adding more variables to more accurate description of the subject
- Analysis of variables using models of cause and effect
- Conducting research in other population such as financial institutions and manufacturing companies.

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