FACTORS AFFECTING CUSTOMER SATISFACTION AND CUSTOMER LOYALTY IN THE THAI RETAILING BANKING INDUSTRY IN THE EASTERN ECONOMIC CORRIDOR (EEC)

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Abstract

This study examines how service quality, price and fairness, service convenience, and digital transformation influence customer satisfaction and customer loyalty in the Thai retail banking industry in the Eastern Economic Corridor (EEC), Thailand. A total of 561 structured questionnaires were collected from retailing bank customers living in three provinces, Chachoengsao, Chon Buri, and Rayong, and 512 were used and analyzed for this research after the COVID-19 pandemic. In-depth interviews were conducted with ten bank experts and ten bank users based on the qualitative research results. However, this paper mainly focuses on quantitative research, and the findings from the in-depth interviews will be summarized in another paper. The research revealed that Thai bank users gave the highest rating to online banking due to its free charges. In contrast, they gave the lowest rating to price, including bank service charges and deposit and/or loan interest rates, because some customers think banks can offer more attractive prices. SEM analysis indicated that service convenience had the strongest impact on customer satisfaction, followed by service quality, price and fairness, and digital transformation. It also indicated that four antecedents also had a positive impact on customer loyalty through customer satisfaction. For future research, it is recommended that quantitative research be conducted in other regions of Thailand, including economically underdeveloped areas, and in-depth interviews with bankers and corporate finance managers regarding corporate finance be conducted.

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Introduction

After the Asian economic crisis in 1997 and the global economic crisis in 2007, the Thai banking industry was reorganized and developed sustainably and increased branch offices and employees till 2015. Along with technological innovation, the introduction of ATMs and the use of debit cards and/or smartphones enabled us to withdraw and transfer money seven days/ 24 hours a day. Currently, Thai banks are introducing digital technology and trying to improve operational efficiency by reducing branch offices and employees through retirement and voluntary resignation. During the COVID-19 pandemic, the curfews were enforced twice from April to June 2020 and April 2021. The branch offices in shopping centers were closed, and those outside shopping centers were opened during shorter operation hours. Thai banks encouraged customers to use online banking and ATMs, and the number of bank visitors went down.

The Russia-Ukraine war broke out in April 2022. From April 2022, the FOMC gradually raised the policy interest rate from 0.25% to 5.50% to curb inflation. The Thai government also gradually raised interest rates and reached 2.50% in October 2023. Nevertheless, the Thai banks were unaffected, and the economy was stable.

Customer satisfaction and loyalty have a positive impact on long-term financial performance (Mittal et al., 2005) and market share (Hoisington & Naumann, 2003). Therefore, improving customer satisfaction and loyalty is an important factor to ensure the growth of a company.

Researchers have attempted to identify the service factors that influence customer satisfaction. Parasuraman et al. (1985, 1988) developed a service quality scale named SERVQUAL to measure the relationship between service quality and customer satisfaction. SERVQUAL was used for versatile service business. Later on, some researchers invented scales specific to the banking industry (Avkiran, 1994; Aldlaigan & Buttle, 2002; Tsoukatos & Mastrojianni, 2010). However, service quality is not the sole determinant factor influencing customer satisfaction; other factors should also be considered. Bahia and Nantel (2000) argued that price was also a crucial factor influencing customer satisfaction. On the other hand, Seiders (2007) and Khazaei et al. (2014) investigated the relationship between service convenience and customer satisfaction. With the introduction of ATM and Internet banking, various scales have been created to assess e-banking service quality and customer satisfaction (Lociacono et al., 2000; Parasuraman et al., 2005; Firdous & Farooqui, 2017). Kaura et al. (2014, 2015) integrated these antecedent factors and studied the impact of service quality, service convenience, price, and fairness on customer satisfaction and loyalty. In the rapidly changing Thai society during the post-COVID-19 period, surveying bank customers' behavior in the EEC regarding bank services may provide important information for Thai banks to determine the future direction.

Objectives

1. To study factors affecting customer satisfaction and customer loyalty in the Thai retail banking industry in the Eastern Economic Corridor (EEC).

2. To analyze the factors that affect customer satisfaction and affect customer loyalty through customer satisfaction.

Literature Review

Customer Satisfaction and Loyalty

Anderson et al. (1994) revealed a strong correlation between customer satisfaction and Return on Assets (ROA), while Mittal et al. (2005) demonstrated that customer satisfaction has a positive impact on long-term financial performance. Hoisington and Naumann (2003) showed that customer satisfaction also has a positive impact on market share.

Customer loyalty refers to customers making repeat purchases of a product/service or brand instead of choosing competitors (Ratasuk, 2022). Sharma et al. (2020) indicated that customer satisfaction influences customer loyalty and mediates the relationship between service quality and customer loyalty. Customer satisfaction and loyalty are crucial factors that continuously guarantee sales and profits in the future.

Service Quality

Parasuraman et al. (1985) classified it into five constructs: Tangible, Reliability, Responsiveness, Assurance, and Empathy. They also advocated that the customer expectation-perception gap should be used to evaluate service quality (Ratasuk & Buranasompob, 2021). Nevertheless, many researchers now use only the customer perception model. SERVQUAL was first applied for a wide range of services, including banking services, hotels, restaurants, and fitness and spas. After that, several bank scales were developed to evaluate only bank service quality, such as BANKSERV (Avkiran, 1994), BANKPERF (Renganathan et al. 2012), Banking Service Quality (BSQ) (Bahia & Nantel, 2000) and BANQUAL-R (Tsoukatos & Mastrojianni, 2010). Internet banking service quality was developed in the 2010s (Kumbhar, 2011; Kumbhar, 2012; Haq & Awan, 2020).

Convenience

Schindler and Bauer (1988) proposed the Time, Space, Effort (TSE) three-dimensional model. Convenience is related to the time to get to the branch from your house or office, the waiting time inside the branch, the distance (or space) from your house or office to the branch, and the mental or physical energy expenditures (or effort) required to buy a product or service (Ratasuk & Gajesanand, 2020). For example, if a branch is close to our house or office, we can reduce the time to get to the branch, and you feel it is convenient.

Berry et al. (2002) conceptualized convenience as consumers' time and effort perceptions based on the purchase process and categorized five factors (decision convenience, access convenience, benefit convenience, transaction convenience, and post-benefit convenience) based on the process of purchasing products and services and inquiry or claim after purchase.

Price and Fairness

Bahia and Nantel (2000) asserted that SERVQUAL ignored price and access (or place) in the Marketing Mix of Kotler (1964) and created the Bank Service Quality (BSQ) model by adding price and access. Price and fairness can be broadly divided into two categories: price, which is related to deposit interest rate, loan interest rate, and bank service charges, and fairness with price transparency and the advice notice of new service prices. BSQ also emphasizes the importance of ensuring that customers are well-informed about the prices offered by banks.

Digital Transformation

Digital transformation relates to the development of digital banking services customers' acceptance of new technology (Giatsidis et al. 2019) and changes in habits towards new technology (Cuesta, 2015). In the 1980s, Automatic Teller Machines (ATMs) permeated our lives and allowed us to withdraw cash 24 hours a day. Internet banking was introduced in the 2000s and allows us to transfer money from anywhere at any time.

Some scales of electronic banking service quality, including E-S-QUAL (Parasuraman et al., 2005) and eBankQual (Jayawardhena et al., 2007), were invented, and Kumbhar (2011) refined and retested eBankQual in India. In the model of Haq and Awan (2020), reliability, privacy and security, website design, customer service, and support were selected as the antecedents to customer satisfaction and loyalty. The questions about the usefulness of digital banking, increasing usage frequency, and reducing visits to bank branch offices were added to the questionnaire.

Service Quality, Convenience, and Price Model

Kaura et al. (2014, 2015) developed a comprehensive model with service quality, service convenience, and price and fairness as the antecedents to customer satisfaction and loyalty, and a survey of 455 retail banking users in India was conducted. In Indonesia, Subiyantoro (2021) investigated the relationship between service quality, convenience, price, product quality, and customer satisfaction and loyalty.

Hypothesis Development

The research model examining the correlation between service quality and customer satisfaction was originally developed by Parasuraman et al. (1985). Subsequent researchers added other service factors or separately studied the correlation with customer services. Notably, Kaura et al. (2014, 2015) developed a comprehensive service model that includes service quality, pricing fairness, information technology, and service convenience as antecedent factors influencing customer satisfaction and loyalty. Based on this framework, the researcher formulated the following hypotheses.

The correlation model between service quality and customer satisfaction was developed by Parasuraman et al. (1985). The studies conducted by Kaura et al. (2014), Kumar and Mittal (2015), Narteh et al. (2017), and Pakurar (2019) have shown that service quality has a positive impact on customer satisfaction.

H1: Service quality has a positive impact on customer satisfaction.

Digital transformation in banking involves integrating digital technologies like online platforms, mobile apps, and automated services to enhance the customer experience. As customers increasingly rely on digital channels for their banking needs, these innovations offer greater convenience, efficiency, and accessibility. Research indicates that such enhancements positively influence customer satisfaction by meeting their expectations for seamless and reliable digital interactions. Therefore, it is hypothesized that:

H2: Digital transformation has a positive impact on customer satisfaction.

Service convenience is determined by the proximity of the location, short waiting times, and easy access to banking services. In Kaura (2014) model, convenience has a positive impact on both customer satisfaction and customer loyalty. Additionally, Khazaei et al. (2014) demonstrated that convenience also positively affects customer satisfaction and word of mouth.

H3: Service convenience has a positive impact on customer satisfaction.

Considering that price is as important as service quality when selecting a bank, Bahia and Nantel (2000) included price and fairness as antecedents to customer satisfaction in their Bank Service Quality (BSQ) model. Kaura et al. (2014) confirmed that price and fairness have a positive impact on both customer satisfaction and customer loyalty in their research conducted in India.

H4: Price and fairness have a positive impact on customer satisfaction.

Sharma et al. (2020) demonstrated the correlation between customer satisfaction and customer loyalty in the service industry. Kaura et al. (2015) found that customer satisfaction and customer loyalty are positively correlated in their research.

H5: Customer satisfaction has a positive impact on customer loyalty.

Additionally, Kaura et al. (2015) investigated the mediating effect of customer satisfaction on the relationship between service factors and customer loyalty, finding that customer satisfaction mediates between employee behavior, a component of service quality and loyalty, and information technology and customer loyalty.

H6: Service quality, digital transformation, service convenience, and price and fairness have a positive impact on customer loyalty through customer satisfaction.

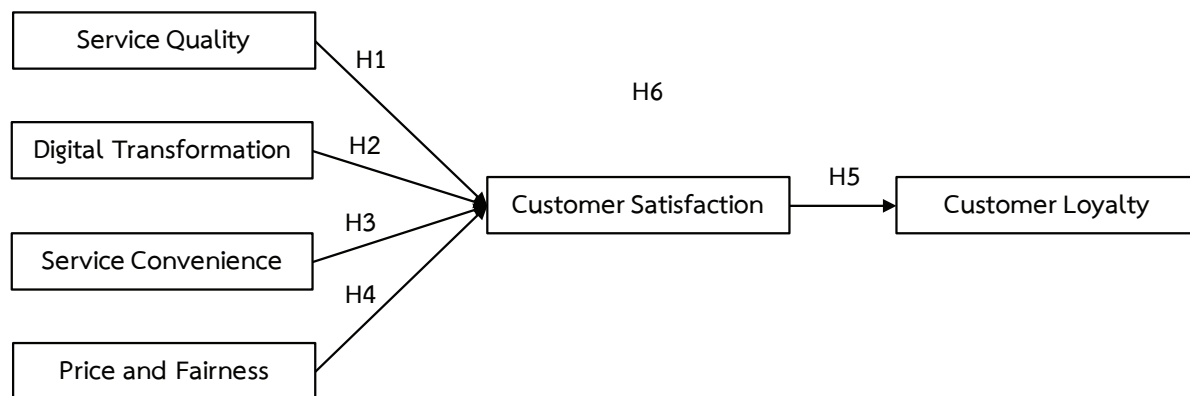The hypotheses in this study are presented as follows, as illustrated in Figure 1.

Figure 1 Path Model of 4 Independent Variable to Customer Satisfaction and Customer Loyalty

Methodology

Population and Sample of Study

The targets of the questionnaire survey were the bank users in the Eastern Economic Corridor (EEC), the most industrialized region in Thailand. After creating the questionnaire and translating it into Thai, all questions were checked by 5 Thai bank experts. The questionnaires were distributed through the Sripatum University network and the regional bank association. Five hundred sixty-one questionnaires were collected from Chachoengsao, Chonburi, and Rayong Provinces in proportion to the populations of three provinces from December 22, 2022, to March 01, 2023, when Thailand's economy was recovering after the government's restrictions on going out were lifted. Out of 561 questionnaires, 49 were rejected because of missing data or high response bias, leaving an overall sample size of 512.

The questionnaire consists of 4 parts. Part 1 (Demographic information) and Part 2 (Bank user behavior) were analyzed using descriptive methods to determine the number of individuals, frequency, percentage, mean, and standard deviation. Part 3 (Overall banking service and pandemic factors) and Part 4 (Customer satisfaction and customer loyalty) underwent initial testing for reliability and validity. The correlation between antecedent variables and customer satisfaction and loyalty was analyzed by using Structural Equation Modeling (SEM) (Schumacker & Lomax, 2004) with IBM SPSS and AMOS. The Sobel test was used to test the indirect effects.

Measure

Four antecedent variables (service quality, digital transformation, convenience, and price fairness), and customer satisfaction and customer loyalty were measured along with customer satisfaction and loyalty using a 5-point Likert scale (5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree, 1 = strongly disagree).

Regarding the questionnaire items, nine questions on service quality were adapted from SERVQUAL (Parasuraman et al., 1988). Two questions on digital transformation were quoted from Kaura (2014, 2015), and

the researchers created and added two items. Five questions on convenience were adapted from Khazaei et al. (2014). Five questions on price and fairness were cited from Kaura (2014, 2015).

To ensure the validity of the questionnaire, all items were translated into Thai language and reviewed by two Thai professors for accuracy in content and language. The research ethics committee thoroughly reviewed and approved the revised questionnaire in Thai (Document No. COA. No. SPUCIRB-2023-002) before the survey was conducted.

Results

Sample Characteristics

Among the 512 respondents, 61.52% were female, followed by 34.57% male, 2.54% LBTG, and 1.37% did not specify their gender. The age distribution of the respondents was as follows: 30-39 years (33.98%), 18-29 years (38.28%), 40-49 years (15.43%), 50-59 years (9.18%), 60 years or older (2.34%), and under 18 years (0.39%). In terms of education level, 90.62% of the respondents had at least a bachelor's degree, which is notably higher than the national average of 21% and Bangkok's average of 41.5% based on the 2016 national census. Regarding income, 63.67% of the respondents reported a monthly income between 15,001 and 35,000 Baht (approximately USD 430 to USD 1000), and by private companies, state companies, or the government employed 71.68%.

Bank User Behavior

The survey revealed that 40.28% of respondents primarily use Kasikornbank, 25.34% use Siam Commercial Bank, and 17.68% use Krung Thai Bank as their main bank. Additionally, 60.36% of the respondents prefer to use branch offices within shopping malls or department stores, while 39.64% opt for locations outside shopping malls. Furthermore, there was an increase in online banking usage prior to 2019 or before the onset of the pandemic, with 61.14% of respondents using online banking ten times or more per month, which increased to 78.19% during the survey period. The most frequently used services by the respondents were depositing and withdrawing money (83.53%), followed by money transfers (75.10%), ATM cardless withdrawals (62.75%), online banking (51.18%), other payment transactions (50.20%), and cash deposit machines (CDM)/ATM transactions (48.63%).

Reliability and Validity

The reliability and validity of 6 constructs were examined. In Table 1, the Cronbach α of 6 constructs ranged from 0.835 to 0.908, Average Variance Extracted (AVE) ranged from 0.448 to 0.633, and Composite Reliability (CR) ranged from 0.781 to 0.884. Cronbach α is preferably 0.70 or higher (Hair et al., 2006), CR is 0.70 or higher (Bagozzi & Yi, 1988), and AVE is preferably 0.50 or higher, but it is acceptable if it exceeds 0.4 (Fornell & Larcker, 1981). Additionally, in cases where CR is greater than 0.6, even if the AVE is less than 0.5,

the convergent validity of the construct is considered adequate (Fornell & Larcker, 1981). Therefore, all values exceeded the criteria, confirming reliability and validity. The inter-construct correlations between each construct were shown in table 2, and a significant positive correlation was confirmed.

Table 1 Measurement Model: Constructs, Items, Loadings, and Reliability Estimates

Item description	Mean	Std. Deviation	Factor Loading	Cronbach's α	AVE	CR
Service Quality				0.908	0.458	0.884
This bank's employees are well-dressed and appear neat.	4.211	0.773	0.669			
When you have a problem, this bank shows a sincere interest in solving it.	4.070	0.850	0.712			
Bank employees give advice to solve problems.	4.113	0.745	0.772			
The behavior of employees in this bank instills confidence in you.	4.068	0.809	0.806			
You feel safe in your transaction with this bank.	4.127	0.838	0.655			
Employees in this bank are consistently courteous with you.	4.258	0.740	0.770			
This bank has employees who give you personal attention.	3.805	0.909	0.665			
This bank has your best interests at heart.	4.248	0.798	0.740			
Employees of this bank understand your specific needs.	4.016	0.799	0.681			
Digital Transformation				0.835	0.602	0.858
Online banking services save your time.	4.695	0.611	0.754			
Online banking services provide privacy in your banking transactions.	4.521	0.688	0.638			
You will use more online banking in the future because you find it convenient.	4.648	0.636	0.893			
You think online banking is very useful because you can reduce visiting branch offices and reduce banking charges.	4.693	0.565	0.814			
Service Convenience				0.865	0.448	0.802
The bank's operation hours are convenient.	4.107	0.790	0.749			
This bank is accessible in various ways (visit branch offices, online, and by telephone).	4.262	0.785	0.752			
The location of this bank branch is easy to access.	4.256	0.740	0.742			
You find it easy to complete your service purchase with the bank.	4.053	0.788	0.671			
You can get the benefits of service with little effort.	4.078	0.792	0.676			

Table 1 Measurement Model: Constructs, Items, Loadings, and Reliability Estimates (Cont.)

Item description	Mean	Std. Deviation	Factor Loading	Cronbach's α	AVE	CR
Price Fairness				0.856	0.510	0.830
This bank pays suitable interest rates on deposits.	3.408	1.092	0.826			
This bank charges reasonable service fees.	3.730	.0.954	0.778			
This bank charges reasonable interest rates on loans.	3.494	0.959	0.884			
This bank has the transparency in its service charges.	4.113	0.786	0.552			
This bank keeps customers informed of any change in prices.	3.920	0.813	0.524			
Customer Satisfaction				0.894	0.543	0.781
Your choice to avail of this bank service is the best one.	4.100	0.801	0.814			
You did the right thing when you chose this bank for its services.	4.180	0.737	0.923			
The services of this bank are exactly the same as what you need.	4.200	0.726	0.846			
Customer Loyalty				0.887	0.633	0.838
You encourage friends and relatives to do business with this bank.	4.080	0.776	0.828			
You consider this bank your first choice to avail of banking services.	4.080	0.799	0.915			
You will do more business with this bank in the future, too.	4.080	0.773	0.812			

Notes: AVE, average variance extracted; CR, composite reliability

Table 2 Inter-construct Correlations

Variables	SER	DIG	CON	PRI	SAT	LOY
Service Quality (SER)	1					
Digital Transformation (DIG)	0.501**	1				
Convenience (CON)	0.757**	0.494**	1			
Price and Fairness (PRI)	0.779**	0.417**	0.770**	1		
Satisfaction (SAT)	0.716**	0.500**	0.718**	0.695**	1	
Loyalty (LOY)	0.630**	0.439**	0.631**	0.612**	0.881**	1

Notes: **Significant at 0.01 levels

Comprehensive Structural Model

A comprehensive structural model analysis was conducted by using SPSS AMOS. In the model with four antecedents, convenience exhibited the highest impact on customer satisfaction with a factor loading of 0.291, followed by service quality at 0.267, price fairness at 0.208, and digital transformation at 0.132. Customer satisfaction also has a positive impact on customer loyalty at 0.862. All five regression paths were found to be statistically significant within the p-value threshold of 0.05, as indicated in Table 3. The goodness of fit indexes was examined, and GFI was 0.933, exceeding the recommended value level of 0.9, and an RMSEA of 0.039, below the recommended value level of 0.5. All goodness of fit indexes were found to be statistically significant (χ^2 = 591.733, df = 342, χ^2/df = 1.730, GFI = 0.927, AGFI = 0.907, CFI = 0.974, RMSEA = 0.038).

It was confirmed that four antecedents (service quality, digitalization, convenience, and price fairness) had a positive impact on customer loyalty, as shown in Table 4. The mediating effects of customer satisfaction between these four antecedents and customer loyalty are indicated in Table 5. A Sobel Test was conducted on the four regression paths from the antecedents to customer loyalty through customer satisfaction, confirming that all regression paths were statistically significant, with z-values exceeding 1.96 and p-values below 0.05.

Table 3 Structural Modeling of 4 Antecedents to Satisfaction and Satisfaction to Loyalty

Regression Path	Std. Estimates	Unstd. Estimates	S.E.	C.R.	P	Outcome
Service Quality => Satisfaction	0.267	0.323	0.085	3.798	***	Supported
Digitalization => Satisfaction	0.132	0.178	0.053	3.377	***	Supported
Convenience => Satisfaction	0.291	0.314	0.076	4.145	***	Supported
Price Fairness => Satisfaction	0.208	0.234	0.086	2.721	0.007	Supported
Satisfaction => Loyalty	0.862	0.916	0.046	19.744	***	Supported

Table 4 Structural Modeling of 4 Antecedents to Customer Loyalty

Regression Path	Std. Estimates	Unstd. Estimates	S.E.	C.R.	P
Service Quality => Loyalty	0.210	0.280	0.100	2.789	0.005
Digitalization => Loyalty	0.108	0.163	0.063	2.576	0.010
Convenience => Loyalty	0.244	0.292	0.089	3.291	***
Price Fairness => Loyalty	0.198	0.244	0.102	2.388	0.017

Goodness of Fit Index (CMIN = 478.86, DF = 271, CMIN/DF = 1.767, GFI = 0.927, AGFI = 0.913, CFI = 0.974, RMSEA + 0.038)

Table 5 Direct and Indirect Effects from 4 Independent Variables to Customer Loyalty through Customer Satisfaction

Regression Path	Direct Eff	Indirect Eff	Total Eff	Z-Value	Std. Error	P-Value	Outcome
Service Quality + Satisfaction => Loyalty	-0.020	0.230	0.210	3.733	0.230	0.0002	Supported
Digitalization + Satisfaction => Loyalty	-0.006	0.114	0.108	3.312	0.114	0.0009	Supported
Convenience + Satisfaction => Loyalty	-0.007	0.251	0.244	4.045	0.251	0.0001	Supported
Price Fairness + Satisfaction => Loyalty	0.019	0.179	0.198	2.696	0.179	0.0070	Supported

Discussion

Convenience had the strongest positive impact on customer satisfaction; hypothesis 3 is supported. This result is consistent with the results of (Kaura et al. 2014, 2015; Subiyantoro, 2021). Kathure and Kuhuthu (2017) showed that five conveniences had a positive impact on customer loyalty. Accessibility to a bank was rated high in the construct of convenience, followed by business hours and ease of service purchase. Customers may tend to use branches near their residences or offices. Therefore, having as many branches as possible has the potential to acquire as many customers as possible. Regarding business hours, branches in shopping centers are useful because they are open on Saturdays and Sundays, and even after working hours on weekdays.

Service quality positively influences customer satisfaction; hypothesis 1 is supported. This finding aligns with the research results of (Karua et al., 2014, 2015). Respondents in the questionnaire rated highly "courteousness", "well-dressed and neat", and "having the best interests of the customer at heart". Since many customers have several bank accounts, they may compare the service quality of the banks where they have accounts and choose one or two of the best service quality. Therefore, bank employees' knowledge of products and behavior toward the customers is crucial.

Price and fairness positively influenced customer satisfaction; hypothesis 4 is supported. This result is consistent with the research results of Varki and Colgate (2001), Han and Ryu (2009), Kaura et al. (2014, 2015). The mean of three price items, including deposit interest, loan interest rate, and bank charges, received the lowest rating at 3.563, compared to the mean of four antecedent factors, which is 4.126. Some respondents were not satisfied with the prices offered by banks. An article in Thai Rath on June 20, 2023, reports that one of the reasons the BOI allows the establishment of virtual banks is to promote healthy price competition among Thai banks. On the other hand, price fairness, including price transparency and prior announcement, was close to the mean of four antecedents and satisfactory.

Digital transformation has a positive impact on customer satisfaction; hypothesis 2 is supported. This finding aligns with the previous research conducted by Kaura et al. (2014, 2015),

Kumbhar (2011), and Haq and Awan (2020) on the relationship between electric banking and customer satisfaction. The survey respondents rated Digital Transformation the highest among the six constructs, with an average score of 4.506. This could be attributed to Thai banks providing online banking services free of charge. In March 2018, Thai banks waived ATM and online banking fees to prevent customers from shifting to e-commerce companies. This decision led to banks incurring daily costs for maintaining online systems and transporting cash to ATMs without generating income. The researcher hypothesizes that questionnaire respondents may intuitively recognize that the profits generated from the difference between loan interest rates and deposit interest rates, along with fees from branch transactions, may complement the losses incurred from digital banking.

In this study, it was found that customer satisfaction has a positive impact on customer loyalty; hypothesis 5 is supported. This result is consistent with Sitorus and Yustisia (2018) and Subiyantoro (2021) findings. Sharma (2020) also emphasized the importance of customer satisfaction in the banking sector and its influence on customer loyalty. The average scores for customer satisfaction and customer loyalty were close to each other at 4.160 and 4.214, respectively, compared to the other constructs.

All four antecedents, service quality, digital transformation, service convenience, and price and fairness, were found to have a significant impact on customer loyalty through customer satisfaction, with z-values exceeding 1.96 and p-values below 0.05. Therefore, Hypothesis 6 is supported. In terms of the mediating effects of customer satisfaction on customer loyalty, the study conducted by Kaura et al. (2015) found that customer satisfaction only serves as a mediator for two out of nine antecedents to customer loyalty.

Conclusions

This quantitative study uncovered that service convenience had the most positive impact on customer satisfaction, followed by service quality, digital transformation, price, and fairness. Customer satisfaction also positively influenced customer loyalty. Customers in the EEC rated digital transformation the highest, likely due to free online banking services, while they rated bank prices the lowest due to insufficient price competition. Customer satisfaction positively influenced customer loyalty and also served as a mediating factor between the four antecedents and customer loyalty.

Academic and Managerial Implications and Recommendations

This study makes a significant academic contribution by advancing the understanding of customer behavior in retail banking, particularly in the context of digital transformation. By extending the comprehensive service model of Kaura et al. (2014) and integrating factors such as service convenience,

service quality, price fairness, and digital transformation, the research reveals new insights into what drives customer satisfaction and loyalty in the post-pandemic era. The findings, particularly the emphasis on service convenience, highlight a shift in customer priorities, offering a nuanced perspective that recontextualizes existing theories. Additionally, the study provides valuable, region-specific insights into the Thai banking industry, contributing to both local and global academic discourse on customer behavior in the digital age.

Therefore, four managerial implications are proposed for banks to enhance customer satisfaction and expand their business. First, customers value convenience and prefer to use banks that are located near their homes or workplaces. Therefore, opening a new branch increases the chances of acquiring new customers who live or work nearby. However, banks are currently required to improve their operational efficiency and should avoid expansion without considering efficiency. It is essential to collect and analyze more detailed information about the area, open branches strategically, and consolidate unprofitable branches.

Secondly, service quality has the second largest impact on customer satisfaction, and the behavior of bank employees who interact with customers is a key factor in determining service quality. Therefore, it is essential to motivate bank employees and provide continuous in-house training so that they gain

a deep understanding of the products and treat customers with respect.

Third, the third largest factor that has the greatest impact on customer satisfaction is price and fairness. Bank customers' evaluation of price is significantly lower than that of other service factors, which indicates that they are less satisfied with the bank's fees and interest rates. Therefore, if banks offer more attractive pricing, customer satisfaction is likely to increase; however, there is a risk that profit margins may decrease and stock prices could fall. Consequently, rather than competing solely on price for a standard product, it may be more prudent for banks to innovate by launching new products that differentiate them from competitors.

Fourth, digitalization, including online banking and ATMs, had the smallest impact on customer satisfaction; however, it received the highest average rating from bank customers. Since banks do not charge fees for online transactions or ATM usage, developing user-friendly applications can help differentiate banks from competitors and potentially attract more customers. Banks have a strong affinity with local communities, and some Japanese regional banks have established subsidiaries that conduct e-commerce, utilizing existing bank platforms to sell local products produced by their customer companies. This contributes to the One Village One Product (OTOP) initiative. Additionally, banks can expand their business by integrating the introduction of local housing properties with mortgage loans through these platforms.

As a recommendation, it is essential to verify the validity of the survey results through interviews with bank employees and bank customers and to explore the reasons why price and fairness were rated low while digitalization was rated high.

Limitations and Future Studies

This research may have geographic, temporal, and field limitations. The survey was conducted in the Eastern Economic Corridor (EEC) area, the most industrialized region in Thailand, with residents having the highest income and education levels. Thailand has significant regional disparities, with the north and northeast regions experiencing lower income levels and education attainment. Additionally, most banks in Thailand have branch offices in rural areas and cater to the diverse needs, preferences, and tastes of each region. Therefore, conducting this survey in various regions of Thailand would provide more comprehensive and useful information, enabling the development of integrated policies to better serve customers across the country. This survey primarily focuses on individual customers and retail banking, but it is important to recognize the significance of corporate customers in the banking industry. Corporate customers encompass a wide range of organization sizes and industry characteristics, and it might make it difficult to standardize survey questions and conduct quantitative analysis. However, conducting in-depth interviews with corporate employees and employers may be suitable for identifying common underlying factors and issues.

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