



Competition and challenges of mobile banking: A systematic review of major bank models in the Thai banking industry



Jarunee Wonglimpiyarat *

College of Innovation, Thammasat University, Anekprasong 3 Bldg., Prachan Rd., Bangkok 10200, Thailand

ARTICLE INFO

Available online 15 August 2014

Keywords:

Mobile banking
Managing migration path
m-money
Strategic alliances
Mobile commerce

ABSTRACT

This study investigates the competition and challenges of mobile banking system in Thailand. The analyses of the competitive landscape of mobile banking innovations are based on the Managing Migration Paths Model. The empirical study focuses on the leading banks in Thailand: Bangkok Bank, Kasikorn Bank, Siam Commercial Bank, Krung Thai Bank and Bank of Ayudhya. The study discusses the strategies, SWOT analyses of the mobile banking industry in the move towards the m-money economy. The results have shown that banks see mobile banking as a convenient delivery channel to provide value-added services to the bank customers. The competition forces banks to seek strategic alliances (network collaboration between the banking and ICT industries) to offer innovative solutions in the payment market. The results provide insightful implications on future challenges and increasing competition under 3G and 4G mobile phone networks whereby the e-payment market will get bigger when Thailand would enter the ASEAN Economic Community (AEC – upcoming regional competition in AEC countries) in 2015.

© 2014 Elsevier Inc. All rights reserved.

1. Introduction

Under increasing competition in the Thai banking industry, many banks compete in using new technologies to improve the capacity and infrastructure of the banking system including internet banking technology platform, mobile banking platform, and customer relation management (CRM) platform. Banks also enter into strategic alliances with other industries (such as mobile telephony business, retail business) in order to borrow their partners' delivery channels to provide convenience to bank customers. Given that mobile telephones play an important role in socio-economic activities, banks see mobile banking as an important delivery channel for providing financial services to their customers. This study examines the mobile payment system in Thailand. In particular, the study analyses the competitive landscape of mobile banking innovations by using the Managing Migration Paths Model (Hamel & Prahalad, 1994).

The study explores the competition and challenges of mobile banking system in Thailand. The study provides a systematic review of major mobile banking models in the Thai banking industry. The case studies of the leading banks in Thailand include Bangkok Bank, Kasikorn Bank, Siam Commercial Bank, Krung Thai Bank and Bank of Ayudhya. The structure of this paper is as follows. Following the introductory section, Section 2 reviews the theoretical frameworks on service innovation of mobile banking, strategies in managing innovation and competition and the Managing Migration Paths Model for competing in the future. Section 3 explains the mobile banking system in Thailand. Section 4 discusses the research methodology and presents the analyses of mobile banking competition in Thailand. In particular, the analyses focus on strategies, SWOT analyses of the mobile banking industry and future competitive landscape in the mobile banking industry. Section 5 concludes the paper by drawing insightful implications of managing innovation and

* Fax: +66 2 623 5060.

E-mail address: jarunee@tu.ac.th.

competition in the e-banking economy to support the potential of the mobile banking take-ups. Section 6 offers recommendations on future research.

2. Theoretical framework

2.1. Service innovation of mobile banking

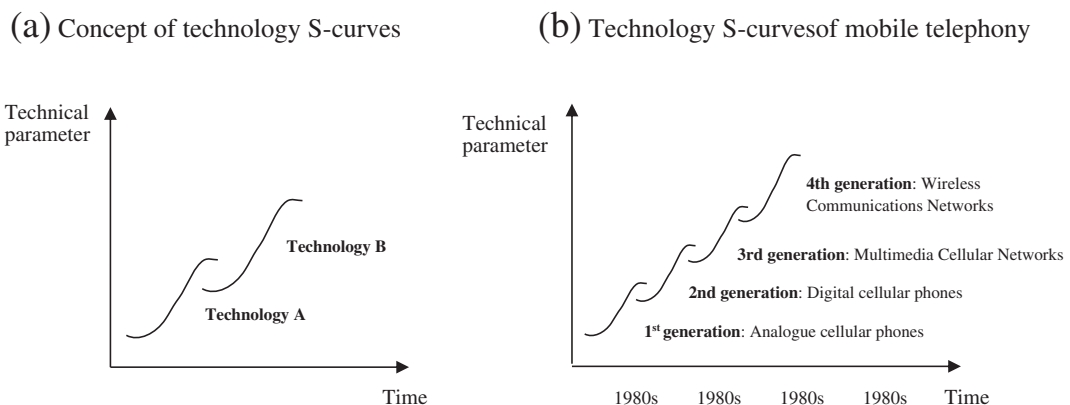
The term ‘innovation’ deals with both new products and services. Product innovation involves a change in the way that products are produced in the market. Service innovation involves a change in the technology and process of supply or distribution of a product (Tidd & Bessant, 2009). However, it is difficult to distinguish the product and service innovation since both innovations are often interactive. The characteristics of service innovations generally involve intangibility and interaction between production and consumption. Innovations in financial services can be regarded as a service sector – a tertiary sector where the industries involve the transformation of material goods, people, or information (Miles, 1993). Service innovations have become more technology-intensive from the 1990s onwards. The systems integration and extensive networks (Rothwell, 1992) and the growth of knowledge-intensive business services (KIBS) as well as technology-related KIBS play an important role in the innovation process (Miles, 1993, 1994, 2005; Miles & Boden, 2000).

The process of innovation diffusion exhibits a pattern of technology S-curves (the S-curve pattern). Fig. 1 expands the model of the dynamics of innovation laid out by Utterback and Abernathy (1975). Diffusion is the process by which an innovation is communicated through certain channels over time (Rogers, 2003). Fig. 1 (left hand side) presents the concept of technology S-curves where rapid technological changes can be seen as an envelope of S-curves shifting upwards. The technological evolutions of mobile telephony based on the concept of technology S-curves are shown on the right hand side of Fig. 1. A succession of S-curves represents versions of mobile communication services with improving frequency limits (Wonglimpiyarat, 2008).

The service sectors are the dominant users of information technology specifically in financial services sector where banking is the vanguard in the use (not the creation) of information technology (IT) (Barras 1990; Miles, 1993). Currently, competitive contention in the financial service industry is moving from internet banking to mobile banking. Mobile banking is the financial service innovation offered through the use of Information and Communications Technology (ICT) (Ratten, 2008; Anderson, 2010; Mishra & Bisht, 2013). Mobile banking services employ technologies of General Packet Radio Service (GPRS), Enhanced Data Rates for GSM Evolution (EDGE), 3G and 4G (generations of mobile phone standards and technologies). In other words, a service innovation of mobile banking involves the use of new technology – ICT technology including web and internet (Miles, 1993, 1994; Miles & Boden, 2000). Strategically, banks compete to use mobile phone as a new delivery channel to reach the customers. Under the ever-growing mobile technology and social media, banks face competitive pressures which force them to develop integrated service channels (migration from isolated channels to integrated channels such as tablet, smart phones and other mobile devices).

2.2. Strategies in managing innovation and competition

Firms, according to the resource-based approach, compete according to their different capabilities. Strategies to cope with a changing competitive environment are associated with the firm’s capabilities. Under the model of Schumpeterian competition, being the first mover or follower in the industry not only influences the extent of innovation adoption but also the benefits secured. According to Nelson and Winter (1982, pp. 280) and Schumpeter (1950, pp. 105), “... perfect competition was incompatible with innovation. As a matter of fact, perfect competition is and always has been temporarily suspended whenever anything new is being introduced ...” implies the importance of timing and critical mass of use. Being the first to the market can help firms to take advantage of benefits



Source: The author’s design, based on Utterback and Abernathy (1975) and Wonglimpiyarat (2008)

Fig. 1. The concept of technology S-curves and technological evolutions of mobile telephony.

Download English Version:

<https://daneshyari.com/en/article/1026563>

Download Persian Version:

<https://daneshyari.com/article/1026563>

[Daneshyari.com](https://daneshyari.com)