

The Implementation of Digital Branch Strategy at PT Bank XYZ

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Abstract:- This research has purposed to find out the strategic plan to implements the digital branches on PT. XYZ Bank. The research method uses the descriptive qualitative method by using SWOT Analysis. SWOT analysis is the development of a company's long-term plan. The source persons in this research were 20 people consisting of 5 head office employees and 15 Branch staff. The results had showed that the SWOT analysis diagram was in quadrant I or in the Aggressive strategy, which have score for Strength - Weakness was 0.60 and the score for Opportunities was 1.10.

Keywords:- SWOT, Strategy Implementation, digital branch

I. INTRODUCTION

The fast rapid development of information technology has offered various facilities in business transactions. The important of information technology in the business world is undoubtedly many companies in the world have carried out the transformation from conventional services to digital services through various major investments in technology. Due to the connection with the development of information technology at this time, which has created new types and business opportunities whereas the business transactions are increasingly carried out digitally that allows anyone to easily do those of legal actions such as conducting various transactions at the Bank.



Fig 1:- Graphic of Internet User Growth
Source: APJII Survey Report for 2018

Based on that survey data from the Indonesian Internet Service Providers Association (APJII), the growth of internet users has increased every year. Based on these data from the last one year (2017 to 2018) the growth of Indonesian internet users has increased from 143.26 million users in 2017 to 171.71 million users in 2018. This shows that the Indonesian people do many activities through internet.

The faster of technological development has a significant impact in various industrial sectors especially in banking industry. Banks are the financial institutions whose business activities are collecting funds from publics and delivering these funds back to publics and providing

other bank services (Kasmir, 2008). One of the banking services served by the Bank is the opening of a savings account, both savings accounts and deposits.

In line with the rapid development of information technology, the Bank also has experienced an evolution in terms of services provided to customers through digital banking services. This digital banking service has focused on filling the customer needs by utilized the technology as a delivery channel, so that this digital banking service can be accessed anytime and anywhere and could minimize the interactions with Bank employees. This related to improve the efficiency of the Bank's operations and also improve the quality of Bank services to its customers.

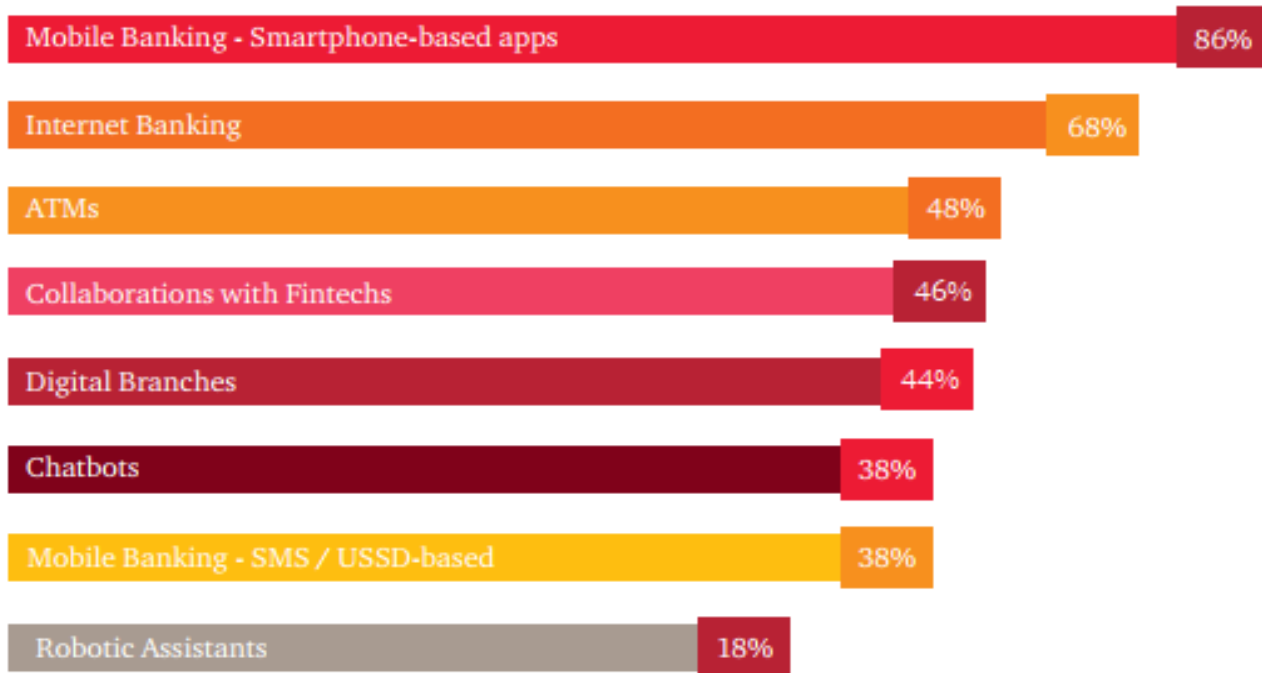


Fig 2:- Chart of Digital Banking in Indonesia
Source: 2018 PwC Digital Banking Survey

Based on Digital Banking Survey data which held by PricewaterhouseCoopers in 2018 said that the digital banking services which is very in demand by Bank's customers are mobile banking - smartphone according to usage rate of app is 86% of respondents. While Digital Branch services occupy the fifth position with a usage level of 44% of respondents.

According to (Patsiotis et al., 2012) Banks need an banking services anytime and anywhere faster and at lower costs and more digital to provide benefits to their customers. According to (Alalwan et al., 2016) the scope of digital banking services which includes electronic banking services through digital devices (e-banking, mobile banking, etc.). In addition there is also phone banking that can allow customers to transaction by telephone. According to (Sayar & Wolfe, 2007) digital banking allows customers to make attractive transactions for customers compared to traditional banking services.

According to the Financial Services Authority (OJK) the digital banking services are banking services or activities using electronic or digital facilities owned by the Bank, and / or through digital media owned by prospective customers and / or Bank customers, which are carried out independently. This enables for prospective customers and / or customers of the Bank to obtained the information, conduct communications, registration, account opening, banking transactions and account closures, including obtaining other information and transactions outside of banking products, including financial advisory, investment, e-commerce transactions, and other needs of Bank customers.

For this reason, the banks need to develop business strategies that lead to digital banking services such as internet banking, mobile banking, and others. In addition, the Bank also need to develop office networks based on digital (digital branches). The development of this business strategy requires adequate infrastructure including risk management, information technology adjustment, business models, business processes, internal control, and human resources, to support the convenience, security, and reliability of digital banking services.

Recently the Bank XYZ has implemented the opening of 14 digital office networks in the last 2 years (8 outlets in 2017 and 6 outlets in 2018) and spread throughout Indonesia to provide new experiences for customers in making transactions with Bank XYZ, by presenting devices that has function to process customer registration and account opening by self service.

The management strategy commonly used by organizations to see the effectiveness of strategy implementation is through the SWOT concept approach which includes Strength, Weakness, Opportunity, and Threat. According to Rangkuti (1997) the understanding SWOT is the process of identifying various factors that carried out systematically in order to formulate an organizational strategy appropriately. The analysis done based on logic that could optimize power or strengths as well as opportunities.

Based on this phenomenon, the author wants to conduct research with the topic "*The Implementation of Digital Branch Strategy at PT Bank XYZ*".

II. THEORITICAL REVIEW

A. Strategy

Wheelen & Hunger (2012) states that "Strategy Implementation is sum total of the activities and choices required for the execution of a strategic plan", in this case means that the implementation of the strategy is to delivery all resources owned by the company to carry out those activities intended to and carry out the strategy which has been chosen to achieve the company's goals. Thus, no matter how well the strategy is formulated by the company very well, the implementation of that strategy is very important in case the company carries out the operationalization of the strategy and becomes a benchmark of the company's success in achieving its goals.

B. Factors which Influence the Strategy Implementation

According to (Obeidat et al., 2017) the lack of implementation creates problems in maintaining the priorities and achieving organizational goals. In carrying out the operationalization strategy, the company's successful in carrying out its strategy implementation activities was influenced by so many factors. According to Rajesekar (2014) in his research that there are 7 (seven) factors which influence the effectiveness of strategy implementation, namely: leadership, availability and accuracy of information, uncertainty, organizational structure, organizational culture, human resources and technology.

C. SWOT Analysis

According to Kaczmarek (2016), SWOT is an acronym for strength, weaknesses, opportunities and threats to the organization. Strength refers to the inherent ability to compete and grow strong. Weakness is an inherited deficiency that stifles growth and survival. Some strengths and weaknesses are things that are internal to the organization. Opportunities are good opportunities and opportunities available for advance. Threats are external challenges, which may suppress inherent strengths, accelerate weaknesses and hold back opportunities so they don't explode. To succeed in any field, weaknesses should be overcome through the strengths and threats should be transferred to opportunities.

D. Thinking Framework

In this research, the XYZ Bank's implementation strategy will be discussed in the framework of these implementing digital branches. Furthermore, the discussion is carried out by analyzing the effectiveness of implementation of digital branch by identifying several obstacles who faced by the company with the SWOT analysis approach so that it gets a clear picture of whether the strategy is appropriate in the framework of implementing digital branches. Based on these things mentioned above, the thinking framework will be discussed in this research and can be seen in figure as follows:

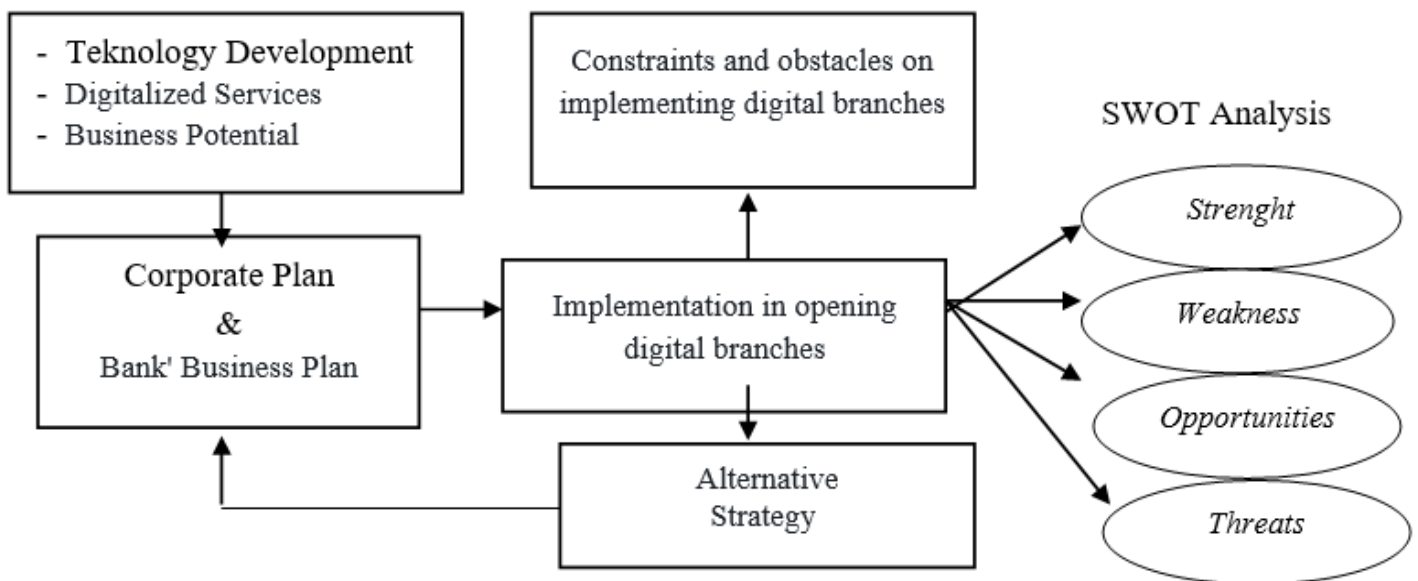


Fig 3:- Thinking Framework

III. METHODOLOGY

The research approach used is qualitative research. On this research the process and meaning (subjective perspective) are more highlighted and the theoretical basis and utilized as a guide so that the focus of the research is accordance with the facts in the field. The types and sources of data which needed in this research could be divided into two, primary data and secondary data. This

research was conducted at PT Bank XYZ and specifically in the Network Management Division (JAL) and other units that relate to the research topics and issues. The location was chosen deliberately (purposive sampling) with the consideration that Bank XYZ is implementing the digital branch trapment. In addition to this location with choose JAL Division coz JAL division is a division that makes policies and has functions and responsibilities related to the management of the XYZ Bank office network as a whole,

including in terms of planning, implementing, monitoring office network development throughout Indonesia.

Meanwhile the time of research was carried out in the period from May to June 2019. The several methods of data collection that will be carried out are as follows:

1) Direct observation on the research object

The Research was conducted through the seeing and observation at the research location. The method of collecting data through observation was carried out directly on the object research with the symptoms that relate with these research problem.

2) Interview

Interviews were conducted with resource persons who were competent on their fields especially at office network development policies, in this case asking a number of questions to informants about what was needed by researchers in preparing this research report.

3) Documentation

In order to support the research, data collection methods were also added with image / photo of documentation who related to the implementation of company office network development policies.

4) Validity and Triangulation

The data that has been successfully extracted from informants, collected and recorded in research activities, should be verified. In qualitative research there are several ways that could be consider as for the development of research data validity. One way to validate data is through

triangulation techniques. In this research, the researchers used a triangulation method which is to determine the same data and used various methods in the form of interviews, observations, documentation.

5) Research Informant

The main informants of the companies that was the sources in this research are:

- a) General Manager (GM) of the XYZ Bank Division who has the role and responsibility of managing the distribution network at XYZ Bank throughout Indonesia.
- b) Distribution Network Group Leader who has task of planning and managing the development of distribution networks.
- c) Business Performance Monitoring Group Leader who has task of monitoring and managing the Regional and Branch business strategies.
- d) Leader of Network Operational Group 2 which manages the Regional and Branch Human Resources.

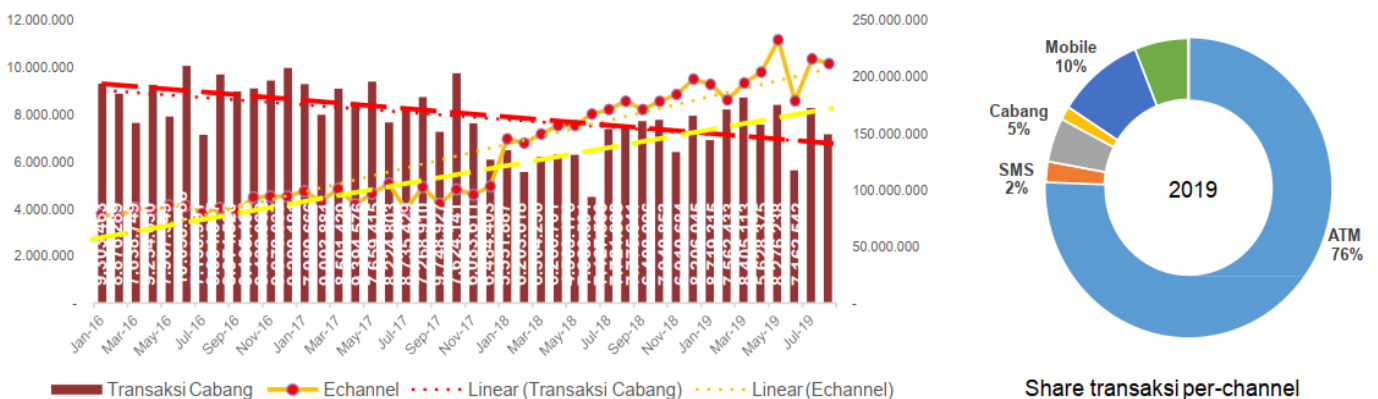
The data analysis technique used in this research was a SWOT theory model framework in an effort to answer questions in the formulation of research problems.

IV. RESULTS AND DISCUSSION

A. The Implementation of Digital Branch Opening

The development of technology in the implementation of opening digital branches at Bank XYZ is very important in order to work on business potential in an area / region.

Transaksi Cabang Vs eChannel



Periode 31 Des 2018 – 31 Agustus 2019

Fig 4:- The trend of XYZ Bank Transactions
Source: Internal Bank XYZ (2019)

From the data above, the number of XYZ Bank customers whose conducting transactions through conventional channels (Branch Offices) is only 5%, while 95% of other customers did transaction through e-channels (ATMs, SMS Banking, Internet Banking, Mobile Banking,

etc.) and During the period 31 December 2018 until 31 August 2019 the number of transactions at the Branch Office and ATMs has experienced the decreased each by each 31% and 34% respectively, but the transactions through mobile banking was increased by 23%. During

this period also showed the number of XYZ Bank Outlets whose transaction per teller was below 50 slips per day continued to increase in number.

The technology has an important role in changing the habits of customers who were previously did conventionally and switched into digital (electronic) channels. This issue had used by Bank XYZ to take those advantage of business opportunities which obtained from opening a digital office network to provide convenience

and speed to customers to open accounts on a self-service basis.

B. The Analysis of Implementation Strategy in SWOT Theory Framework

The discussion has refers to the SWOT theory, namely: Strengths, Weakness, Opportunities and Threats. These four variables are expected to provide a description whose related to the implementation of opening a digital branch at XYZ Bank.

Perspective	Opportunities	Threats	Strengths	Weaknesses
Financial:				
DPK				The Decreased of DPK was actually coz it only serves the opening of savings only Cost
Cost				Has an increased on rental costs because it is only opened in crowded places like super malls
Investment				an Investment costs are increasing for digital tools
Customer:				
Government Policy	support the government policies in terms of financial inclusion	the account used for the proceeds of crime		
Customer Satisfaction	user has good experience cause of faster assistance		the operational time would be based on the area location	
Digital Tools			has a new tech device	has an addiction with devices and would have problem when the device error
Location	many prospective millennial customers in the crowd		in center of the crowd	
Intern Business Process:				
Information system technology system			already full support technology that has been integrated	
Business Process	there's no more Competitor which has digital branch			
Learning and Development:				
Human Resource	the development of young and competence human resource	employee work fatigue	Theres no need employees	

Table 1:- The Implementation of the XYZ Bank Strategy

Sources: XYZ Bank Internal Data

➤ **Strength**

The strength analysis at XYZ Bank as its follows:

1) *In the center of the crowd*

The Bank XYZ has implemented the opening of 14 digital office networks in the last 2 years (8 outlets in 2017

and 6 outlets in 2018) and spread throughout Indonesia to provide new experiences for customers in doing the transactions with Bank XYZ. From these 14 Bank XYZ digital offices, most are located in crowded areas such as malls and stations. The policy of opening digital office at

the center of the crowd because it is a place where many people spend time with relatives and family, therefore the Bank XYZ provides convenience and speed for customers to open accounts instantly and quickly and can be used directly for transactions because the account has been equipped with cards debit.

2) *Operating hours follow the operational times of the location*

The opening of a digital office at a center stages such as a mall has affecting to the operating hours which is would following the operating mall times. Starting from 10:00 to 22:00 local time. The length of digital office operating hours provides an opportunity for customers to open accounts longer and without queuing because of the fast process in self-service.

3) *Has the latest automation device tools*

To provide optimal service to customers who will open accounts in self-service and fast way, Bank XYZ put the latest automation devices such as smartkiosk machines, CRM (cash recycle machine) machines and other digital devices to provide convenience to customers. The devices are entirely owned by Bank XYZ and supported by reliable IT personnel to support the operation of these devices.

4) *Fully integrated technology support*

The devices that placed in digital offices have been integrated with the Bank XYZ core system, therefore all the transactions which occur in real time. The device has connected to a centralized monitoring system, so that the status of all devices will be monitored, if the device gets damaged, the repairing will be carried out immediately.

5) *Does not require a lot of Human resource*

With the use of the latest digital devices technology, all transactions will be done by electronically towards the device, so that the digital office does not require a lot of human resources, only placing 2 employees as banking assistants who will provide assistance to customers if there has problems occur in opening accounts or transactions. Besides those opening account Process which directly carried out on the device and do not require a form for opening an account, everything would be done automatically.

➤ **Weakness**

The analysis of weaknesses in XYZ Bank as follows:

1) *The decline in DPK because it only serves for the opening of savings account*

Changing the function of conventional services to digital services has an impact on the decline in DPK digital offices, because previously the office was implemented as form of a Cash Office that could serve all finances, except delivered loans. From prior had accepting the opening of futures and savings account (current account and savings account) and turn out into serve the opening of a savings account only, so that the DPK digital office has down compared to before.

2) *An Increasing in the location rental fees*

The existence of XYZ Bank's management policy for opening digital offices in crowded centers such as malls and stations would have an impact on increasing the cost of leasing locations as digital office placements. As it is known that the rental location at in the place which is expensive, so it would be concern for management to calculated the cost

3) *The addiction on the device*

All digital office services will use the digital devices this will make office operations depend on these devices. If the device has encounters the problems, it will hinder the operation of the digital office.

➤ **Opportunities**

The analysis of Opportunity in XYZ Bank as follows:

1) *Support the government programs in financial inclusion*

Government based on Presidential Regulation No. 82 of 2016 which concern about the National Strategy for Inclusive, thats a condition where every each of the public members has an access to a variety of quality, timely, smooth and safe formal financial services at affordable costs according to their needs and abilities. Bank XYZ supports the financial inclusion program by presenting a digital office where every public will have an access to opening accounts easily and quickly.

2) *Self Service opening savings account*

The advantage of XYZ Bank equipment is allows customers to open accounts on a self-service basis as to increase customer experience in dealing with banks and will increase the acquisition of new customers with the self service experience.

3) *Theres so many millennial customers in the center of the crowd*

Management's policy to open a digital office in a crowd center like a mall to attract customers from millennials where in the mall there would be many of millennials spend time with relatives thereby increasing the potential for opening account acquisitions.

4) *Not many competitors which have digital branches*

In Indonesia, theres only a few conventional banks who open digital offices, this because in opening a digital office requires a large investment as for purchasing digital devices, leasing locations in the crowd and so many competing banks are not interested in opening digital offices.

5) *Development of young people who has competence*

The development of technology is inseparable from the role of young people in Indonesia who rely heavily on the internet for various activities. For this reason, the development of these competence young workers is needed to optimize the digital offices.

➤ **Threats**

The threat analysis which available at Bank XYZ as follows:

- 1) The use accounts for crime collection
Opening an account quickly and instantly will provide an opportunity for those who wants to commit with crime to open an account as a shelter for the proceeds of crime.
- 2) Employee fatigue
With a long duration of work hours will increase the amount of fatigue of employees, this because employees

should provide the services to customers until office hours are over (> 8 hours)

C. IFE (Internal Factor Evaluation) Matrix

Based on the IFE matrix by measuring those various strengths that exist in XYZ Bank and compared to the various weaknesses in XYZ Bank, in putting of these two parameters based on the size of the influence on XYZ Bank. From these results a total value of 0.60 has obtained means that the strength of Bank XYZ still covers the internal weaknesses of Bank XYZ.

Critical Internal Factors		Weight	Rating (1-4)	Weighted Score
Strengths				
1	Operating hours follow the operational times of location area	0.10	2	0.20
2	Has a new tech device	0.15	4	0.60
3	Being in the center of crowd	0.10	4	0.40
4	Fully support by the integrated tech	0.15	4	0.60
5	Doesnt require lots of employeeed	0.10	3	0.30
Total S				2.10
Weakness				
1	The decline in DPK because it only serves for the opening of savings account	0.10	4	0.40
2	An Increasing in the location rental fees coz it is located in center of crowd	0.10	4	0.40
3	Investment cost has an increase to provide the digital devices	0.10	4	0.40
4	The addiction towards the devices which make difficult to operated when it does error occur	0.10	3	0.30
Total W				1.50
Total S-W		0.10		0.60

Table 2:- IFE matrix at XYZ Bank
Source: Data by Author (2019)

D. EFE (External Factor Evaluation) Matrix

Based on the EFE matrix by measuring the various opportunities that exist in the XYZ Bank's external environment compared to the various threats which exist in the XYZ Bank's external by putting of these two parameters

based on the size of the influence on Bank XYZ. From these results a total value of 1.10 has obtained means that the external environment has a positive effect on the implementation of the strategy whose carried out by XYZ Bank.

Critical Internal Factors		Weight	Rating (1-4)	Weighted Score
Opportunities				
1	Support the government Programme in financial inclusion.	0.15	3	0.45
2	User has good experience because they have faster Efficiency service	0.25	4	1.00
3	There has lots potential millennial customers in crowd center	0.15	2	0.30
4	Not many customers who have digital branch	0.10	3	0.30
5	The development of young and competence employees	0.05	3	0.15
Total O				2.20
Threats				
1	The use of accounts for crime collections	0.20	4	0.80
2	Employees fatigue	0.10	3	0.30
Total T				1.10
Total O-T		0.10		1.10

Table 3:- EFE matrix at XYZ Bank
Source: Data by Author (2019)

E. SWOT Analysis Diagram

In Rangkuti (2017) the tool used to compile the company's strategic factors is the SWOT matrix. This matrix can clearly illustrate how the external opportunities and threats faced by the company and could be adjusted to the strengths and weaknesses which they have. This matrix could produce four sets of possible strategic alternatives. The SWOT diagram results has obtained coordinates of 0.6 and 1.1, so that the position of Bank XYZ is in quadrant I, the recommended strategy is an aggressive strategy which means that the organization is advised to continue the strategy that has been implemented to capture existing opportunities while developing new products / technologies in maintainance the advantage over the competitors banks.

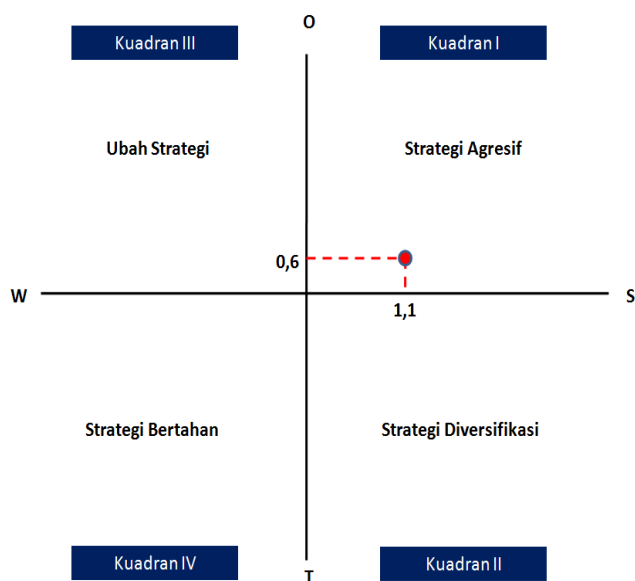


Fig 5:- SWOT Analysis Diagram
Source: Data by Author (2019)

V. CONCLUSIONS AND SUGGESTIONS

A. Conclusion

Based on the research result that has been done, the conclusions from the authors can draw in this research are:

- The results of the analysis using the IFE show total value of 0.60, meaning that the strength of Bank XYZ still could covers the internal weaknesses of Bank XYZ.
- The results of the analysis using EFE showed total value of 1.10, meaning that the external environment had a positive effect on the implementation of the strategy which carried out by XYZ Bank.
- The SWOT diagram results has obtained the coordinates of 0.6 and 1.1, therefore the position of Bank XYZ is in quadrant I.

B. Suggestion

The suggestive strategy is an aggressive strategy which means that the organization is advised to continue the strategy that has been implemented to capture an existing opportunities while developing new products /

technologies to Maintenance the excellency compared to the competitors banks.

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