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## **Enhancing the Customer Journey during COVID-19 through Service Design: A Case Study of Pawnshops in Bangkok**

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### **Abstract**

This paper has two research objectives: 1) to examine the customer journeys of pawnshop customers during COVID-19; and 2) to examine how service design can enhance the pawnshop customer journey. Using Bangkok as a case study, this paper discusses the roles of pawnshop businesses during the COVID-19 pandemic. The key challenges in terms of the negative perceived image of pawnshops, the disruptive impacts of the COVID-19 pandemic and digital disruption are analyzed. By utilizing a qualitative research method, the research design was broken into two parts. The first part focuses on the journeys of pawnshop customers during COVID-19 whilst the second part is the interviews with pawnshop executives focusing on how service design can enhance the pawnshop customer journey. By utilizing the theoretical underpinnings of service design, this paper proposes a framework to explore how a human-centered, transformative, and service system approach can help to address pawnshop service challenges with a recommended research agenda.

### **Keywords**

Customer journey, Service design, Pawnshop, COVID-19, Bangkok

## **Introduction**

In a number of countries, pawnshops increasingly contribute to the economy (Sokolov et al., 2021) with considerable growth over the past decade (Miller et al., 2018). Pawnshops are considered as institutions whose core business is credit fund distribution services for customers (Yuristiana, 2017) through short-term loans with interest (Tonn et al., 2021). Other studies have categorized pawnshops as non-bank institutions (e.g. Yuristiana, 2017) or informal financing (e.g. Reboul et al., 2021; Xu et al., 2021).

Customers visit pawnshops for two main reasons. First, customers obtain loans by pawning their belongings such as jewelry, gadgets, or other valuable items. The second reason is to purchase unredeemed items that are available for auction (Borres, 2020). In regard to the pawning process, pawnshops do not practice approval/disapproval in the same way as other financial organizations (Sokolov et al., 2021). Instead, a pawnshop loan is estimated based on a fraction of the pawned item's value and could be as high as 50% of the value. If the customer repays the loan and interest within the determined loan period, the pawnshop then returns the pawned item to the customer. If the customer fails to repay the loan, unless they ask for an extension (Nicolini & Cude, 2019), the pawned item will become the pawnshop's property and can be sold or listed for auction (Shabbir, 2019).

Pawnshops were originally established to provide financial support to small and medium-sized communities (Badriyah et al., 2020), particularly small entrepreneurs (Sunarta & Mahsyar, 2020) and the poor so that they have access to capital sources to sustain their lives. Such customers normally do not have the necessary access to finance through formal credit markets such as banks, which is why they rely on non-bank institutions such as pawnshops (Razak & Asutay, 2022). Despite being a non-bank institution, pawnshops have experienced rapid development (Badriyah et al., 2020) and become more like financial institutions (Sunarta & Mahsyar, 2020) by providing a range of financial services. For instance, a number of pawnshops now offer a variety of products and services, and have diversified their businesses to include money remittance, money changing, bill payments for collection services, e-loading, and the sale of micro insurance products to households (Borres, 2020).

There are over 800 pawnshop branches in Thailand, including government, municipality, and private pawnshops (Siriluck, 2020). Bangkok has the largest number of pawnshops (Voice Online, 2021). The pawnshop industry plays a crucial role in the local economy in Thailand by providing an alternative source of short-term credit for households (Chichaibelu & Waibel, 2017) both in Bangkok and countrywide. In Thailand, pawnshops provide secured loans up to 100,000 Thai Baht (approximately 3,000 USD) per customer, with personal belongings used as pawned items. Like the pawning process in other countries, the pawned items can be redeemed within a determined period of time. Thai pawnshops are

required to operate in accordance with the Pawn-shop Act, under the supervision of the Ministry of Interior (Bank of Thailand, 2021b). In Thailand, public pawnshops that are eligible for government financial support are administered by the Ministry of Social Development and Human Security, or the municipal government's Office of Local Government Pawnshops Committee. Private pawnshops are regulated by the Ministry of Interior and do not receive financial support from the government (Khimesra, 2018). The major differences between public and private pawnshops in Thailand are 1) the establishment format, as discussed above; 2) the source of the loan; and 3) the criteria for the price of the pledged product. Private pawnshops tend to offer higher value for the pawn item as well as higher interest rates than public pawnshops (Tnews, 2021).

The data on loans to households from the Bank of Thailand (2021a) from Q1 2020 to Q2 2021 reveal that pawnshop loans are estimated at 0.55% when compared with the other major sources of loans including commercial banks (42.81%), depository specialized financial Institutions (28.17%), and saving cooperatives (15.12%). Although pawnshop loans are only a small percentage when compared with other types of loans, the Office Of The Government Pawnshop (2021a) revealed that many customers in Thailand still rely on pawn shops when other sources of income are not available to them. According to Office of the Government Pawnshop survey, factors influencing the customers' decision to seek pawnshop loans are ranked from high to low respectively as follows: Low interest rate, fast loan approval, security guarantees for pawned goods, no guarantor required, only citizen ID is needed, and the ability to pay in instalments.

### **The Need for Pawnshop Redesign**

One of the approaches to enhance the operational performance of pawnshops is by implementing an appropriate business development strategy that aims to increase the market share through increased revenue, improved customer service, and quality products that are able to meet customer needs (Ulwiyah et al., 2019). As service design can contribute to an improvement in customer service and products, this paper emphasizes the need for the redesign of pawnshop services as described below.

The need for pawnshop service design was highlighted by Ulwiyah et al. (2019) who pointed out that pawnshops need to consider various aspects in order to deliver good customer service: a speedy loan process that only requires a short time for customers to get loans; convenient ways for customers to pawn goods with proof of ownership and proof of identity; and security guarantees for pawned goods. The need for pawnshop service design, particularly in Bangkok, Thailand, has been strengthened by several factors, such as the perceived image of pawnshops, COVID-19, and digital transformation. It is vital that these factors are taken into consideration so that pawnshop services can be designed to meet customer needs. More importantly, service design is crucial as pawnshops not only compete

with other pawnshops, but also indirectly compete with financial institutions that provide loans to customers. The details of each challenge are discussed below.

Firstly, pawnshops have suffered from negative customer perceptions (Cuesta-Gonz et al., 2021). In fact, there is a long-standing negative association with pawnshop transactions as pawnshop customers are perceived as people with financial problems (Sokolov et al., 2021) who have difficulty in obtaining a traditional loan from a bank or finance company (Nicolini & Cude, 2019). Whilst pawnshops in Thailand have provided loans to a number of customers who have been affected by COVID-19, Thai customers do not want others to know that they are pawnshop customers. When asked how pawnshops could change such a perception, customers explained that they preferred beautifully-designed pawnshops, hospitality services, friendly staff as well as modern advertising (PPTV, 2020).

Secondly, the COVID-19 pandemic has caused an acute economic downturn in most sectors, forcing public and private organizations to rethink and reconfigure service provision (Heinonen & Strandvik, 2021). With a daily six-hour curfew and temporary business shut-downs nationwide, people are better protected against COVID-19, but more vulnerable to household liquidity crises. According to the pawnshops managed by Thailand's Social Development and Human Security Ministry, the demand from pawnshop customers during COVID-19 represents more than 10 times the loans granted in the same three-month period year-on-year (Bangkok Post, 2020) including many customers who have lost their jobs due to COVID-19 (Manager Online, 2022). Other pawnshops nationwide have witnessed a similar trend, especially before the opening of the new school year (Bangkok Biz News, 2022a, 2022b; Bangkok Post, 2020; Thai News Agency, 2022).

Thirdly, a lack of technology is a threat to pawnshop competitiveness (Borres, 2020). Whilst pawnshop services used to take place in person, they need to invest in digital and distance services as technologies and customer behavior in the post COVID-19 have changed (Verveiko, 2022). Nowadays, it is common practice for customers to conduct financial transaction via online and mobile platforms, and it can be assumed that such digital transformation is also evident in regard to pawnshops. A pawnshop, like other financial institutions, can utilize innovative technologies in civil-law transactions to maintain competitiveness, as well as offer transparency of information and actions for customers, pledgors, and relevant reporting bodies. Making transactions using online platforms expedites and facilitates transactions between customers and pawnshops. However, such implementation requires alteration and amendment of the applicable law (Sokolov et al., 2021).

Although the pawn industry is long established, academic studies regarding pawnshops are limited (Miller et al., 2018) and have been focused largely as a part of fringe banking or the Alternative Financial Sector (AFS), which includes pawnshops as well as title

loan lenders, check cashers, tax preparers who issue refund anticipation loans, and rent-to-own retailers (Nicolini & Cude, 2019). Based on the literature review, only a few studies have examined pawnshop service design, especially in a Thai context. To fill this research gap, this paper has two research objectives: 1) to examine the customer journeys of pawnshop customers during COVID-19; and 2) to examine how service design can enhance the pawnshop customer journey.

## **Literature Review**

### ***Service Design***

Although service design is a mature field of practice, it is still considered as a rather new discipline (Mashhady et al., 2021). As a multidisciplinary study (Mashhady et al., 2021; Struwe & Slepnirov, 2021; Walsh & O'Brien, 2021), service design has been applied to a wide range of theories in different disciplines. A number of scholars have suggested that service design is underpinned by the Service-Dominant Logic (S-D logic), which considers services, as opposed to goods (G-D logic) as the foundation of social and economic exchange. Unlike G-D logic, from the S-D logic viewpoint, exchange refers to the exchange of services, i.e. an activity for mutual benefit, which relates to the concepts of value co-creation as a process of resource integration (Struwe & Slepnirov, 2021).

Service design is a human-centered (Patricio et al., 2020; Sierra-Pérez et al., 2021; Walsh & O'Brien, 2021), holistic (Walsh & O'Brien, 2021) and iterative approach to develop new services or enhance current service experience and value for actors. By using collaborative tools, service design requires an understanding not only of service employees and customers (Mashhady et al., 2021), but also of the service delivery process (Walsh & O'Brien, 2021). In order for service design to accelerate transformation toward a new service concept, a deeper understanding is required. To obtain such an understanding, Patricio et al. (2020) proposed three key complementary and mutually reinforcing service design approaches: 1) a human-centered and participatory design approach to create new services based on customer experience; 2) a creative and transformative approach that can assist in the transition to an enhanced customer experience; and 3) a service systems approach to develop solutions that balance the different goals of stakeholders and, at the same time, offer a seamless experience for individuals and organizations .

It should be pointed out, however, that the design, delivery, and management of the customer experience can be examined from numerous perspectives, such as from the organization's point of view, with the organization designing an experience for the customer to receive; or from the customer's perspective. By using service design, the customer experience is considered as a culmination of the customer's interaction with other stakeholders or actors (Lemon & Verhoef, 2016). Therefore, service design needs to be

investigated in regard to value creation with different actors and their activities throughout the customer journey (Sierra-Pérez et al., 2021) through participatory design, also known as the co-design (Patricio et al., 2020) or the co-creation of the experience (Lemon & Verhoef, 2016) that would lead to a better customer experience or customer journey (Koskela-Huotari et al., 2021).

### ***Customer Journey***

The customer journey has been widely investigated in studies related to service management and design (Følstad & Kvale, 2018). Whilst service design literature consists of several concepts and tools (Mashhady et al., 2021), the customer journey is one of many widely-implemented tools that has been used to understand complex customer actions and to obtain insight into their experience (Lemon & Verhoef, 2016; Tueanrat et al., 2021b). However, it should be pointed out that customer satisfaction does not derive only from the product or service, but also from the entire process or customer journey, which will be discussed below.

By placing customers at its heart, the customer journey concept can highlight critical service moments, both failed and successful, and touchpoints that are significant for the formation of customer experience (Tueanrat et al., 2021b). As a user-centered design tool, which combines visual illustration and the customer's point of view (Shiratori et al., 2021), the customer journey involves a series of touchpoints which include all the activities which contribute to complex service delivery (Hu & Tracogna, 2020; Vakulenko et al., 2019) such as interactions between humans, machines, humans and machines and, humans and nature (Mashhady et al., 2021). As Tueanrat et al. (2021a) have highlighted, customers can interact with an organization however and whenever they desire. Current channels of communication and smart devices have empowered customers to connect with organizations through a variety of touchpoints, which enable them to personalize their journeys to satisfy their needs and preferences.

Customer journey studies in general have been conducted in a number of areas. Tueanrat et al. (2021b) adopted a stream-based systematic review approach to identify the underlying themes of the customer journey as presented in business literature by using 147 relevant papers up to May 2020 that were retrieved from Scopus, Web of Science and EBSCO. The results from the quantitative content analysis revealed five underlying customer journey themes: service satisfaction, failure and recovery, co-creation, customer response, and channel and technological disruption.

Another key focus in the customer journey literature is the steps, or stages, that customers take in their organizations relationship journey (Shavitt & Barnes, 2020). While a number of studies have cited a five-stage decision making process starting with need recognition up to the post-purchase stage, three linear stages of the customer journey

concept have been widely adopted: pre-purchase, purchase, and post-purchase (Grewal & Roggeveen, 2020). However, the customer experience is also likely to be influenced by both past and future journeys (Hu & Tracogna, 2020). Therefore, a number of authors (e.g. Grewal & Roggeveen, 2020) have argued that the customer journey may not be perfectly linear, as there may be loops and jumps between the different stages as shown in the figure below.

As discussed above, it can be pointed out that a customer journey is dynamic and includes multiple touchpoints and stages (Hoyer et al., 2020). However, academic studies on the customer journey tend to focus on the purchase stage, and primarily on the interactions between customers and employees, the physical service environment, or technology. Studies on the pre-purchase stage generally involve information search and decision making, whilst studies on the post-purchase stage focus on service recovery efforts and customer engagement attempts as crucial touchpoints that organizations should manage (Steinhoff & Zondag, 2021). Having discussed the stages of the customer journey, this paper has adopted the 3-stage customer journey which includes pre-service, service, and post service.

## **Methodology**

### ***Research Design***

Due to the exploratory nature of this research, qualitative methodology was utilized, using in-depth interviews. One of the highly cited papers on qualitative research in a service study was published by Gal and Ograjenšek (2010) who stated that in-depth interview techniques are among the most used qualitative methods when attempting to understand customer needs. Moreover, Vakulenko et al. (2019) added that previous customer journey studies also applied qualitative methods to acquire insight into the customer experience at each touchpoint.

There are two parts of the research design, each based on the research objectives. The first part focuses on the journeys of pawnshop customers during COVID-19 whilst the second part focuses on how service design can enhance the pawnshop customer journey. The interview protocol was designed based on the literature review of research on the customer journey as well as service design. As suggested by Bonfanti et al. (2021), a pretest prior to data collection can ensure that the interview questions are clear, which enhances the internal validity of the results. In this paper, the pretest was conducted with three customers and three pawnshop executives. The results from the pretest revealed that the questions were appropriate for the interviews for this qualitative study. As these participants suggested no major revisions of the pretest, their responses were included in the final data analysis.

### ***Sampling and Data Collection***

For the first research objective, the target population was public pawnshop customers in Bangkok. Using a purposive sampling technique, the author approached potential respondents who met the criteria of having experience using pawnshops. By approaching 60 customers, there were 25 customers (a 41.6% response rate) who met the criteria and agreed to participate.

Firstly, semi-structured interviews were conducted with each customer. Due to the ongoing COVID-19 situation, interviews were undertaken via an online meeting application. Respondents were asked to evaluate their satisfaction level for each touchpoint, or process, in the customer journey using a five-point Likert scale ranging from (1) 'Very unsatisfied' to (5) 'Very satisfied'. The respondents were then asked to explain their experience throughout the journey, as well as areas of possible improvement for each touchpoint. Data for each touchpoint were then analyzed using content analysis. Having discussed the sampling and data collection for the first stage, the details of the second stage are discussed below.

To improve the validity of the qualitative data, triangulation can be employed. By utilizing triangulation, it is expected that various data sources and methods will lead to a singular proposition regarding the phenomenon being studied (Mathison, 1988). A number of authors (Farquhar et al., 2020; Shin et al., 2022) suggested that researchers can triangulate by collecting data from multiple sources using various procedures; this paper triangulated data by discussing customer findings with pawnshop executives at public pawnshops in Bangkok who were the target population for the second research objective.

The selection criteria included executives (e.g., managers, deputy directors, and directors) at pawnshops in Bangkok. By approaching 30 executives, 15 executives (50% response rate) met the criteria and agreed to participate. Semi-structured interviews were undertaken to acquire insights from the executives in regard to how pawnshop services could be enhanced by using service design based on the results of the interviews with customers. It should be pointed out that this paper adopted the framework developed by Patricio et al. (2020) for leveraging service design. Whilst such a framework was originally developed for healthcare service design, Finsterwalder and Kuppelwieser (2020) argued that Patricio et al. (2020) service research, propelled by novel approaches such as transformative service research, can be utilized as a lens by focusing on the transformative nature of service in each context.

By adopting Patricio et al. (2020) directions for leveraging service design, the following questions were asked: 1) How can pawnshops employ a human-centered and participatory design approach to create new services? 2) How can a creative and transformative approach enable pawnshops to transform toward an enhanced customer experience? and 3) How can pawnshops utilize a service systems approach to balance the



different goals of stakeholders and to offer a seamless experience for both customers and the organization?

The respondent profiles are as follows:

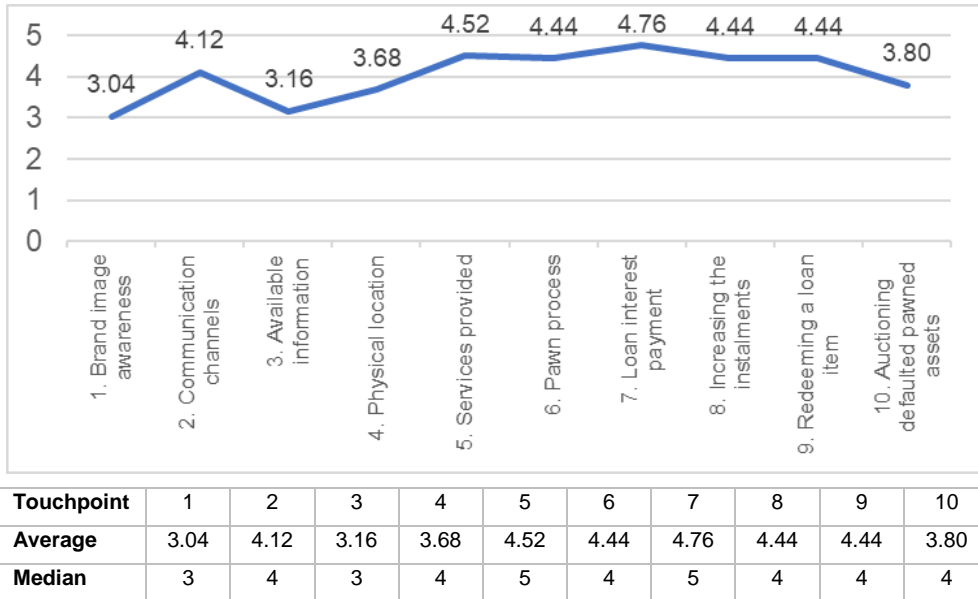
- Customers: Gender (male 92%, female 8%), Education level (bachelor's degree 72%, high school diploma 28%), location (Bangkok metropolitan area 100%).
- Executives: Gender (male 67%, female 33%), Education level (master's degree 53%, bachelor's degree 47%), management level (director 7%, deputy director 27%, and manager 67%).

For reasons of confidentiality, customer names as well as the pawnshop brands are kept anonymous. For the data analysis, content analysis was employed to contextualize the connections between the categories and themes.

### **Findings from the Customer Interviews**

This section aims to achieve the first research objective by examining the customer journeys of pawnshop customers during COVID-19. Although the service and post-service touchpoints have been widely discussed by the major pawnshop providers in Bangkok (e.g. Bangkok Metropolitan Administration Pawnshop, 2021; Office Of The Government Pawnshop, 2021b; Pawnshop Number 8, 2021), the touchpoints in this paper, including pre-service, have been developed based on pilot interviews with 10 pawnshop employees. By using the three-customer journey stages, the customer journey touchpoints for pawnshop customers are presented below.

1. Pre-service: Brand image awareness, communication channels, and available information.
2. Service: Physical location, services provided, and the pawning process.
3. Post-service: Loan interest payment, increasing the instalments, redeeming a loan item, and auctioning defaulted pawned assets.



**Figure 1** Pawnshop customer journey

**Sources:** Developed for this paper

The figure above presents the satisfaction level of customers for each touchpoint. It should be pointed out that the pawnshop customer journey is based on five satisfaction levels as follows: very low (1.00 -1.80), low (1.81 - 2.60), moderate (2.61 - 3.40), high (3.41 - 4.20), and very high (4.21 - 5.00). Four of the touchpoints with the lowest satisfaction scores were: brand image awareness (3.04), available information (3.16), physical location (3.68), and auctioning defaulted pawned assets (3.80), respectively. Based on the interviewee opinions, the results from the in-depth interviews are discussed below.

### ***Pre-service***

#### ***1) Brand image awareness***

In general, using a pawnshop is not the preferred choice when it comes to financial loans, which gives pawnshops a bad image. Therefore, some customers, especially those who are not the main target group of pawnshops such as young customers, prefer using pawnshops that have modernized their logo, branding, and services. Nonetheless, a majority of pawnshops still maintain their main target groups such as the elderly and small business entrepreneurs, despite the negative image due to the low interest rate when compared with modernized pawnshops. Another reason is because some customers cannot access financing from formal credit markets such as banks.

Having said that, customers often have issues differentiating non-modernized pawnshop brands which represent the majority of pawnshop brands in Bangkok. Not only do

these major pawnshops have similar names, but some of them, particularly government pawnshops, also have similar brand colors, logos, and even building exteriors. Such issues also cause confusion for customers who do not know whether a particular pawnshop is government-owned or a private pawnshop.

### *2) Communication channels*

Prior to COVID-19, most customers, particularly senior citizens, preferred to visit the physical location of the pawnshop to obtain information directly from employees, whilst some customers preferred to visit the pawnshop's website. However, during COVID-19, customers need to comply with the Thai government's social distancing and self-quarantine policy whilst pawnshop employees, particularly back-office staff such as marketing staff, continue to work from home.

To acquire information on interest rates and promotions, for instance, customers rely on the pawnshop's existing communication channels such as telephone, website, social media, and mobile applications. A large percentage of pawnshop customers are less tech-savvy elderly or retired people, who found the pawn shop's mobile applications not to be user friendly. In addition, each pawnshop has its own mobile application, which means customers need to navigate the user interface for each application. Therefore, senior customers tend to prefer telephone or social media as these communication channels are easy to use.

### *3) Available information*

Related to the previous touchpoint, the information provided through the pawnshop's communication channels play a key role during COVID-19 as customers commute only when necessary. Based on the interviews, customers stated that the information provided by pawnshops was quite limited. Examples of information that should be provided though the pawnshop's channels of communication include, but are not limited to, special promotions, the gold price, and other information which would enable the customers to make the decision to pawn their assets. Another issue for pawnshops, particularly government-owned pawnshops, is the lack of information in English for customers about the pawning process.

## **Service**

### *4) Physical location*

This touchpoint covers a wide range of physical elements including, but not limited to, the pawnshop's location, car park, waiting areas, and counter service areas. There are various designs for pawnshops in Bangkok, from very traditional to modern ones similar to financial institutions. Most pawnshops also provide an automated queue kiosk where customers can specify the service category of their choice. However, new customers may not

be familiar with the system and sometimes click the wrong button. Car parking at most pawnshops is quite limited, which may reflect the fact that few of their customers own or travel by car. The customers stated that the major issue with the physical location of pawnshops is the aesthetics of the building, which appear outdated, and lack the security, style and modernity of commercial banks and other financial institutions.

#### *5) Services provided*

According to the customer interviews, services provided by pawnshop employees involve a number of factors including service mindedness, responsiveness, reliability, accuracy, and the ability to provide customers with a seamless service process. According to the interviews, customers in general were satisfied with the pawnshop staff. However customers pointed out that there was a lack of consistency in terms of the service provided by each staff, even at the same branch. Whilst most staff were found to be polite and provided speedy services, only a few staff went the extra mile to provide additional services, such as informing customers how the loan interest can be reduced or encouraging customers to use the pawnshop's mobile application.

#### *6) Pawn process*

Based on pawnshop literature (e.g. Bangkok Metropolitan Administration Pawnshop, 2021; Office Of The Government Pawnshop, 2021b; Pawnshop Number 8, 2021), most pawnshops follow a similar process although the pawn process varies from one pawnshop to another. To start with, customers submit their identity card or passport with the asset that is to be evaluated based on its condition, weight, and/or market value. Once the pawnshop employees have appraised the asset, and the customers have agreed on the price of the pawn item, the customers will then be required to scan their fingerprint and will then receive a pawn ticket together with the loan amount.

As the customers pointed out, the process is quite similar in all pawnshops and is usually a speedy process. When asked which areas should be improved, customers mentioned that sometimes the fingerprint scanner did not work, and if possible, they would prefer not to use it due to COVID-19. Therefore, the fingerprint scanner should be replaced with a contactless system to ensure safety not only for the customers, but also for the staff.

#### ***Post-Service***

#### *7) Loan interest payment*

To pay the loan interest, customers need to show their pawn ticket and an identity card. Once the interest has been paid, the customers will receive a new pawn ticket and a receipt. Customers, particularly elderly customers, prefer to visit the branch to pay the loan interest by themselves, even during COVID-19. When asked why they do not pay via other

methods such as a mobile app or a counter service at convenience stores near them, the elderly customers stated that they were unfamiliar with the mobile app. However, they said that they would be interested in learning more on how the mobile app could help them save time. Another issue requested by customers was the ability to use other official documents or a copy of the pawn ticket if the pawn ticket was lost or stolen. Up until now, an original copy of the pawn ticket is required each time the customers pay loan interest at the pawnshop branch. Customers also requested that the pawnshop should provide a notification service, such as a SMS or a mobile app notification, to remind them about the due date for the payment.

#### *8) Increasing the instalments*

When customers have sufficient funds to settle a portion of their loan and thereby reduce both the principal and the interest, they may choose to increase the repayment instalments. To do so, customers need to provide a pawn ticket and their identity card. A new pawn ticket and receipt are then issued to the customers. A number of customers were not aware of this touchpoint whilst others were, but they did not always understand the process or the advantages. Therefore, customers suggested that the pawnshop staff should explain this process. Moreover, the transaction to increase the instalments is currently required to be conducted at a pawnshop branch. To comply with Thailand's COVID-19 social distancing policy, customers recommended that more transaction channels should be provided, such as a the ability to transact at convenience stores or with a mobile application.

#### *9) Redeeming a loan item*

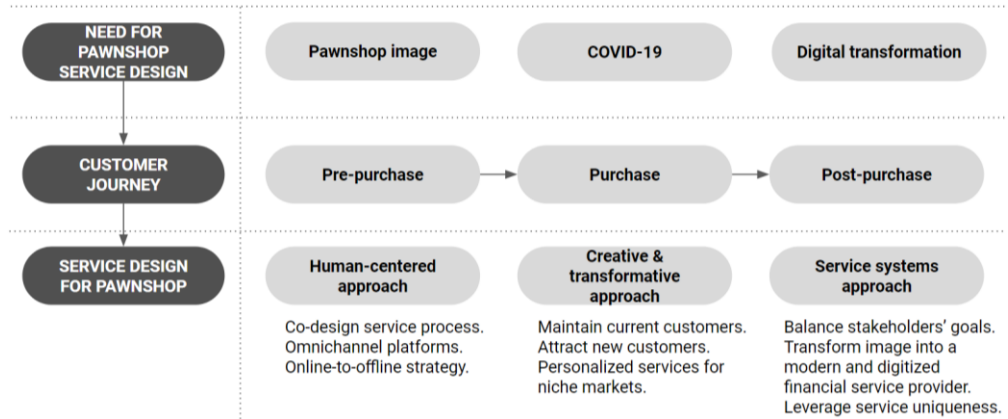
Customers can redeem their pawned asset by showing the pawn ticket, receipt, and their identity card. Based on the interviews, the redeeming process is usually speedy and straightforward. Like previous touchpoints, customers are still required to visit the pawnshop branch and submit the pawn ticket to redeem their asset. Therefore, a delivery option should be offered when redeeming a loan item.

#### *10) Auctioning defaulted pawned assets*

Pawned valuables will be available for auction by the pawnshop unless the valuable items are redeemed by customers. This touchpoint had mixed responses from the customers, ranging from those who were unaware of the service, to those who were aware but did not understand the process. Some customers join the auctions as they are informed by the pawnshop staff or see the announcement on the pawnshop notice board.

## Findings from the Executive Interviews

This section aims to achieve the second research objective by examining how service design can enhance the pawnshop customer journey. By discussing the customer journey results with pawnshop executives, this paper has proposed the following directions to leverage service design for pawnshop transformation using the framework designed by Patricio et al. (2020) which involves a human-centered, creative, transformative, and service systems approach.



**Figure 2** A proposed framework for pawnshop service design

Sources: Adapted from Patricio et al. (2020)

### **Human-Centered Approach**

The service efficiency of pawnshops clearly has a significant positive impact on the customers' intention to use pawnshop services (Azman et al., 2020). When utilizing service design to enhance service efficiency, Patricio et al. (2020) focused on using a human-centered approach by understanding customer experiences in order to design better customer journeys. Moreover, the human-centered approach also focuses on engaging people in a co-design process.

According to the interviews with pawnshop executives, a human-centered approach for service design would involve taking customers' feedback into consideration. Some of the approaches that emerged from the interviews include the following service design, particularly in the post-service stage. Firstly, pawnshops should provide post-services (touchpoints 7-11) on omnichannel platforms, including both from off-line and online services. As pawnshop customers are still required to process the majority of transactions at the physical location, online services such as mobile applications with features similar to digital banking would be helpful. Providing online services would not only save time for customers, but also ensure public safety as well as social distancing. The importance of online pawnshop services was raised by Sokolov et al. (2021), who stated that customers should

have an opportunity to apply for a loan on the pawnshop website or other digital channels, which would help the pawnshop employees to get the necessary information and to evaluate the pawned asset.

Secondly, whilst online services are increasingly crucial during COVID-19, offline services are still important for a number of reasons. Firstly, some customers, especially the elderly, have limited digital literacy and still prefer to visit pawnshop branches. Secondly, auctioning defaulted pawned assets (touchpoint 11) still cannot be done online due to the regulations in Thailand. However, pawnshops could utilize an online-to-offline strategy such as a “click & collect” approach when auctioning assets, which allows customers to take part in auctions online, and then collect the assets onsite. Sokolov et al. (2021) pointed out that attention should be paid to the constraints manifested in pawnshop regulations, and consequently, the executives suggested that policy-makers should also consider modernizing the regulations to enable pawnshops to remain competitive.

### ***Creative & Transformative Approach***

For public and private organizations, a crisis such as the COVID-19 pandemic poses a strategic challenge. Moreover, the associated disruption of demand and capacity, increased uncertainty and financial instability requires executives to transform business operations by improving existing services as well by creating new services (Heinonen & Strandvik, 2021).

When discussing how pawnshops could remain competitive using a creative and transformative approach, the executives agreed that pawnshops in Bangkok need to transform as the current business models and technologies are far behind those of financial institutions. In addition, some financial institutions have started to penetrate the customer bases of pawnshops, particularly for elderly customers, small business owners, or those who have limited access to financial loans. One example is LineBK, a collaboration between the Line messaging application and Kasikorn Bank in Thailand, which offers instant loan approval via the Line application. Such a statement from the executives is in line with Chern (2021) who noted that the recent trend in pawnbroking is using technology to obtain a wider audience, particularly the younger market.

Based on the interviews with the executives, pawnshops need to co-create with their customers to come up with new service concepts. Such concepts are needed not only to maintain the current customer base, but also to attract new customers such as middle-income families, students, and other markets which are currently dominated by financial institutions. Examples of new service concepts include personalized services for niche markets such as a digital auction service for luxury products. Another important transformative approach is business partnership as the process of opening new pawnshop branches is quite time consuming due to the Thai regulations. To compete with banks which

have branches nationwide, pawnshops need partnerships with national brands with extensive coverage, such as convenience stores, which can provide third-party services for touchpoints 7-8, in particular.

### ***Service Systems Approach***

A service systems approach aims to balance the different goals of stakeholders as well as offer a seamless experience for individuals and organizations (Patricio et al., 2020). The executives agreed with the interview results and the literature (e.g. Cuesta-Gonz et al., 2021) which indicate that pawnshops have a negative image as perceived by customers. Therefore, pawnshops need to re-imagine their services, and transform the negative image by becoming a modern and digitized financial service provider. Such an approach requires a transformation not only in terms of brand image and marketing communication, but also by transforming every service touchpoint throughout the customer journey to ensure a seamless experience.

Another issue raised during the interviews with customers for the 1<sup>st</sup> touchpoint was the lack of differentiation between pawnshop brands in Bangkok. As a number of studies have recommended (e.g. Ali et al., 2018; Azman et al., 2020), it is vital for pawnshops to increase their perceived value for customers, particularly the uniqueness of each pawnshop's services. Simply put, branding differentiation alone would not be sufficient as pawnshops also need to leverage service uniqueness. As a result, this approach would be able to balance the goals of the customers (access to loans from a trusted financial institution) as well as the pawnshop (remaining competitive during the pandemic and disruptive changes). One example is the transformation of the "Easy Money" pawnshop in Bangkok, which re-branded its image, modernized its branches, and aims to position its services at the same level as financial institutions.

### **Conclusion**

This paper has discussed the roles of pawnshop businesses in Bangkok, and the challenges that result from their negative perceived image, the COVID-19 pandemic, and digital disruption. To examine such challenges, this paper has achieved two research objectives. For the first research objective, this paper has analyzed the customer journey through the pre-service, service and post-service stages. By using 5-level satisfaction scores to evaluate the customer journey, the results reveal that four of the touchpoints with the lowest satisfaction score were: brand image awareness (3.04), available information (3.16), physical location (3.68), and auctioning defaulted pawned assets (3.80). As three out of four touchpoints are in the pre-service stage, which is the information search and decision making stage (Steinhoff & Zondag, 2021), pawnshops in Bangkok need to modernize their brand image, as well as their physical location, not only to differentiate themselves from



competitors but also to attract other target customers such as customers who usually apply for bank loans. Bangkok pawnshops also need to provide as much information as possible in both Thai and English, on a number of channels, including online and offline. As COVID-19 limits customer travel, providing useful information, such as the gold price, could help with customer decision making.

For the second research objective, this paper adopted the framework developed by Patricio et al. (2020) for leveraging service design to propose a framework to explore how a human-centered, creative, transformative, and service systems approach can help to address pawnshop service challenges. The managerial implications are as follows. Firstly, the proposed framework explores how a human-centered service design approach can leverage the co-design of the service process toward an omnichannel platform as well as an online-to-off-line strategy. Secondly, a creative approach should enable pawnshops to go beyond just maintaining their current customers base towards the creation of new customer bases by offering personalized services to niche markets. Thirdly, pawnshops need to balance stakeholder goals. One such approach is to transform the pawnshop's image into a modern and digitized financial service provider and differentiate each pawnshop's brand through service uniqueness.

It is envisaged that this paper has filled the research gap due to the limited number of pawnshop studies in Bangkok, particularly in the service design context during COVID-19. Nonetheless, this paper has certain limitations. Firstly, the sample size was quite small, and data were collected only in Bangkok. Secondly, this paper adopted the framework developed by Patricio et al. (2020) for healthcare transformation as a lens to leverage service design. Whilst both healthcare and pawnshops are in the service sector, currently there is no service design framework in the pawnshop context. Based on the findings, while taking into account the limitations, this paper recommends the following research directions: 1) customer journey comparisons between public and private pawnshops in Bangkok; 2) customer journey comparisons between each customer segment in Bangkok; and 3) developing a service design framework for the pawnshop business.

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