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Key influencers and inhibitors on adoption of the Internet for banking

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Abstract

The focus on new technologies in service situations is growing and is of particular importance in financial services contexts. It is argued that there is mutuality of benefit for both bank and customer through the adoption of self-service technologies (SSTs), of which e-banking is but one example. While the economic imperative for banks' adoption of e-banking solutions is clear, the value proposition for the customer can be less evident. It is proposed that the value proposition on offer through e-banking could be better conveyed to customers were banks to have a greater understanding of the appropriateness of the on-line medium for products as they varied according to complexity level. This paper reports on a study which examined customer-stated propensity to purchase financial products on-line at varying levels of complexity. Findings underline the importance for banks to achieve a customer-oriented balance between face-to-face relationship-managed activity and online enablement and to understand now this balance varies according to customer and complexity of product. Strategic marketing implications for the case bank are discussed.

Keywords: Self-service technology; Retail banking; Internet banking; Product complexity; Customer adoption

1. Introduction

The accelerating growth in self-service technologies (SSTs) raises key questions around managing service quality in company–customer interactions and relationships. While technology continues to make a dramatic and profound impact in service industries and radically shapes how services are delivered (Bitner et al., 2000) little is understood about the impact of advancing technology on customers; their expectations, perceptions and behaviours (Dabholkar and Bagozzi, 2002; Walker and Johnson, 2004).

Consistently throughout history the primary motivation for increasing the role of technology in service organisations has been to reduce costs and eliminate uncertainty (Kelley, 1989) as well as to standardise services through reducing the heterogeneity prevalent in the typical employee/customer encounter (Quinn, 1996).

However, from a marketing perspective pervasive technological change raises the important question of the extent to which different banking customers may actually prefer face-to-face service interactions over the more autonomous account management offered through technology-enabled remote channels. In addition, an understanding is required of what the influencers and inhibitors on the appropriate balance offered between these two interaction modes are from the customer perspective (Walker and Johnson, 2004). The impacts of emerging technologies on customer service and relationship management need to be better understood by firms in order that more appropriate and resource efficient offerings can be delivered to customer segments using the choices within the channel mix more effectively.

This paper argues that extant research in the e-marketing area has omitted to pay sufficient attention to understanding preferred delivery interface balance from the customer's perspective. A key aspect of services marketing thinking, and one which enables greater appropriateness in delivery balance to be achieved, is that of product complexity.

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Accordingly, this paper reports on a research study which examined customer-stated propensity to purchase financial products on-line at varying levels of product complexity.

The findings reported in this paper are derived from a two-stage research study. The overall study examined the perceptions of bankers and customers regarding the adoption of Internet banking. It is the customer constituency, and their perceptions regarding product complexity for on-line financial services product purchase, that is of interest in this paper.

Stage 1 of the overall study was qualitative and comprised in-depth interviews with senior bank executives in Sweden, UK/Ireland and USA (see Durkin and Howcroft, 2000 for detail). Stage 2 followed sequentially and involved the issue of a survey questionnaire to 5000 UK bank customers[1] which sought to identify key influencers and inhibitors on adoption of the Internet for banking. Issues arising from the Stage 1 qualitative interviews were used as a basis for the survey questions of the Stage 2 research instrument issued to a stratified sample of UK retail bank customers.

The paper begins with a literature review in the area of SSTs and product complexity through which the research study is contextualised. The study is then described and findings are discussed. The paper concludes with a discussion section which includes implications for practising managers.

2. Self-service technologies

The recent academic focus on customer SSTs highlights the importance of exploring research issues where technology acts as a service enabler for the customer (see Gwinner et al., 1998; Bitner et al., 2000; Selnes and Hansen, 2001; Dabholkar and Bagozzi, 2002). The benefits of such technologies are argued to centre around the fact that customers can access services when and where they want without some of the complications of inter-personal exchanges (Bitner et al., 2000). Internet banking (or e-banking) is one such SST and represents the research focus in this paper.

Technology continues to make a dramatic impact upon service industries generally and the financial services sector is no exception. Indeed, commentators believe, that with the possible exception of deregulation, technological change is likely to have the greatest impact on the banking sector over the next decade (McCartan-Quinn et al., 2004; Jayawardhena and Foley, 2000). While the infusion of new technologies in the services sector is ubiquitous (Lee and Allaway, 2002) there remains limited historic literature describing studies that have been conducted with regard to the propensity and motives of customers to use technology when interacting with their banks (Zeithaml and Gilly, 1987; Moutinho and Meidan, 1989; Leblanc, 1990). However there is now a growing stream of literature in the general area of interface balance appropriateness. In other words, the appropriateness of balance or emphasis between personal (face-to-face) and remote (via telephone, or internet-enabled technology) customer interfaces in providing a service. Such work has rarely been conducted in a financial services context however (see Dabholkar and Bagozzi, 2002; Devlin and Yeung, 2003; Walker and Johnson, 2004, 2005).

Historically, research in technology adoption in banking focused on the Automated Teller Machine technology (ATMs) (see Marr and Prendergast, 1991, 1993). More recent research specific to the growth of SSTs has been conducted by Lee and Allaway (2002) who propose that a successful SST improves service firms resource management by lowering delivery costs and by releasing service personnel to provide better and more varied service. This point is supported by Ricard et al. (2001) who claim that SSTs can ensure a customised service offering, help companies recover from service failure and are often perceived by customers as a delightful experience (p. 300). Lang and Colgate (2003) argue however that technology may not always have a positive impact on the relationship between supplier and customer. They highlight that few authors have investigated whether the presence of IT-mediated channels have a detrimental effect on firms' relationships with their customers (p. 30).

As the marketing literature began to focus more fully on the role and contribution of technology in service encounters, several authors cautioned against any attempt to replace the availability of human service interaction with technology in various industry contexts (Pine et al., 1995; Chase, 1978; Kelley, 1989). Walker and Johnson (2004) highlight that for even confident and competent users adoption of new technology can be enhanced by the availability of personal reassurance. This reassurance availability issue was found to be key irrespective of whether or not the particular resource was accessed—it was more the feeling that it 'could' be accessed which was the key source of consumer confidence.

Ricard et al. (2001) highlight the general difficulty in this research area by proposing that what is needed is a broader perspective moving towards a reconciliation of the extremes of dominantly personal or dominantly remote interactions. They highlight the current two 'diametrically opposed schools of thought; one suggests that the use of technology has a positive impact on the relationship approach…the other predicts a negative impact because the technology can diminish the customer's interest in a relationship approach' (p. 301).

The conflicting views cited in this literature overall point to a lack of clarity in issues of effectively determining interaction preferences for both banks and varying groups of customers.

The propensity and tolerances of the varying customer segments to embrace SSTs and for what purposes, products

[1]The case bank from which the Stage 2 findings were derived wishes to remain anonymous.