
Consumer attitudes towards online banking: a new strategic marketing medium for commercial banks

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Abstract: Due to recent advances and developments in electronic banking, the physical location of a bank has become less important since transactions can now be completed in cyberspace. In recent years, banks have increasingly adopted internet-based systems to transact banking operations with other businesses, private consumers, and government departments/agencies. The banking industry is continuously enhancing and augmenting services on the internet, including bill payment, electronic checking, tracking of expenditures and credit cards, monitoring transaction history, transferring money between bank accounts, investment tracking, analysing securities, *etc.* In this paper, consumer attitudes towards online banking are examined. The empirical study findings indicate that online bank marketing will gain importance and its use will accelerate at a faster rate in the coming years. More hybrid bank marketing as well will gain popularity across different population strata.

Keywords: online banking; internet banking; commercial bank; consumer attitudes; bank marketing; banking services.

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1 Introduction

In recent years, commercial banks of all types and sizes have intensified the use of online (internet/web-based) banking in their operations. First offered in the mid-1990s, online banking is becoming the latest breakthrough development in the ever-growing world of financial services marketing. As the internet becomes more and more popular, the usage of online banking is expected to increase considerably. Online banking offers customers a faster and more convenient way to do business in the convenience of their home or office. Recent survey results indicate that online banking has gone from less than a million people using it in 1998, to nearly 26 million as expected by the end of 2005 – some 26-fold increase (Unsal *et al.*, 2002). The advent of the internet and the popularity of personal computers have presented both an opportunity and a challenge for contemporary commercial banking industry. For years, financial institutions have used powerful computer networks to computerise millions of daily transactions. As compared to a couple of years ago, the only paper record now is the customer's receipt at the point-of-sale. At the moment, commercial bank customers are connected to the internet through personal computers. These banks visualise similar economic advantages by becoming accustomed to those same internal electronic processes to home and office use. Gartner Group stated that there has been a rapid growth in online banking in the USA, from just over 10 million adults in 1999 to the projected 50 million by the end of 2005 (Barto, 1999). It is projected that online banking will also show a fast growth in the European Union countries. Across the key European countries of Germany, Spain, France, the UK, Italy, and Sweden, 57.7 million consumers will be banking online by the end of 2005 (Anonymous, 2001a).

The banks have increasingly adopted internet technology motivated by an interest for progress in productivity, effectiveness, speed, competitiveness, and customer value building. It is obvious that online banking will play a more important part in the new internet age since the online transaction costs can be as low as 1% that of a traditional transaction. Customers who regularly pay bills online are about twice as profitable as other account holders, according to a benchmarking survey conducted in 2003 by the Boston Consulting Group (BCG) (Schneider, 2004).

While a growing number of consumers recognise that online banking transactions save time, the banking industry believes that the internet ties the banks' best customers more closely to their organisation. On the other hand, despite the efforts of financial institutions to get consumers to take advantage of internet banking, only 23% of US adults say they 'sometimes' or 'frequently' bank online, according to a recent web survey of 1000 adults, conducted in June of 2002 by New York City-based market research firm Ipsos-Reid. Almost one-fourth (22%) of those who never or rarely bank online give the simple reason that they are happy with the way they have always banked. Only 17% said that online banking is not secure enough for them, and 11% said that they are concerned about protecting their privacy (Fetto, 2002). According to Gomez, a Massachusetts-based e-commerce marketing-services company, US online banking customers had increased from 11 million in January 2000 to 22 million in March 2001 – a twofold increase. But only 4% of these online customers have adopted a net-only bank as their primary bank. It is stated that the remaining 96% use the internet channel provided by their existing bank occasionally (Draenos, 2001).

According to some studies, most banks have taken steps as though customers were already convinced about the appeal of online banking services: that is, consumers perceived its superiority and had a high 'felt need' for this banking innovation. As a result, most US banks have focused their marketing efforts on simply making the service available and informing consumers about the availability of online bank services. Internet and websites were designed to be functional with little attempt to communicate real benefits to consumers. In most cases the initial online experience did very little to persuade or encourage customers to try the service. Pricing did not help either. Charges for bill payment were common, as banks followed their traditional cost-plus pricing approach. This pricing approach seems to prioritise the desire to recover from consumers some of the costs associated with offering online services over strategic marketing objectives (such as building customer equity). Live customer support to persuade customers and help them in the registration process is not promoted. In fact, the availability of live customer support is often almost hidden from consumers. A few banks (*e.g.*, Citibank) have been more aggressive in their marketing efforts, but the industry as a whole has acted as though most consumers are ready, willing, and eager to put forth the effort to try online banking services. In recent years, little has changed in the way banks treat these issues. However, a few innovative banks have taken the lead and are pursuing strategies that are based on a consumer perspective, but the majority of the banks have not changed their approach. Moreover, most of the newcomers seem to be pursuing the most conservative marketing strategies. These strategies show a complete lack of understanding of the task at hand and of what is required to accelerate the internet banking adoption rate (Sarel and Marmorstein, 2004).

Forecasts show that the number of households that receive bills electronically as well as pay them online will increase to more than 40 million by the end of 2005 from less than 3 million in "Forecasts 2001" (Hoffman, 2001). Another prediction, according to the research firm Jupiter Communications, the number of US households where bills are received by mail but paid online will jump to 25.8 million by 2005 from 7.7 million in 2001 (Anonymous, 2001c).

2 Consumer attitudes and the usage of online banking

As it was pointed out already, online banking is a new and emerging area of interest in the field of marketing research. Tan and Teo (2000) studied consumer intention and behavioural tendencies to use internet banking services through attitude, subjective norms, and behavioural controls. Mols (1998) examined behavioural issues pertaining to online banking, such as satisfaction, word of mouth, repurchase intentions, price sensitivity, propensity to complain, and switching barriers. Sathye (1999) examined the effects of security, ease of use, awareness, pricing, resistance, and infrastructure on adoption of online banking. Higher perceived trust is found to significantly enhance customers' adoption of online banking transactions (Mukherjee and Nath, 2003).

According to a recent study of a medium-sized university town in New York State the majority of online bank users still prefer to have access to their branch banks and perform certain banking transactions there. It has been found that there is a strong preference for applying for a loan, handling CDs, handling investment, and purchasing insurance at a branch bank as opposed to online bank (Unsal *et al.*, 2002). In accordance with the McKinsey study of Asian consumers (Anonymous, 2001b), paying bills (40%), transferring money (34%), inquiring about account balances (33%), checking financial news (17%), and comparing interest rates of different products (16%) are the most popular transactions conducted online (McKinsey Quarterly, 2001).

A chronological analysis of the adoption of new banking technologies specifies that consumers are slow to respond but ultimately gravitate towards using services that provide meaningful benefits, particularly improved convenience. As banks have learned, however, most consumers continue to use multiple technologies. Very few consumers have completely abandoned visits to the branch. Thus, the expected operational savings are often a myth, not a truth. The introduction of online banking has followed the same pattern as ATMs, call centers, and voice response units. Heavy initial investments, slow adoptions, and only minimal savings due to expanded use of multiple channels have been reported (Sarel and Marmorstein, 2004).

This is probably why consumer recognition and use of online banking has fallen behind banking industry and bank managers' expectations. As well, it is shown that utilisation of online banking among certain group of clientele, namely the elderly population, is rather low in the USA and Australia. It was indicated that 7% of elderly American and 4% of elderly Australian make use of online banking facilities (Anonymous 2001c). In another study, Howcroft *et al.* (2002) also indicated that consumer preferences reveal that they are not generally predisposed to change their behaviour radically and adopt widespread usage of telephone and internet banking. Changes in the use of delivery channels will occur naturally as the population matures

and computer usage increases among the older age groups, but this process will undoubtedly take time.

Daniel (1999) examined online banking issues within the context of culture of innovation, market share, organisational restrictions, and customer acceptance from the perspective of company internet managers. Brown *et al.* (2004) and Gurau (2002) identified factors affecting online banking implementation and usage in transition economies and the impact of national environment. They discovered substantial differences in its use and application compared to developed western economies.

Previous studies show that most important attributes expected to be present are ease of use, the provision of security details, quick download, and the provision of current interest rates (Raman and Leckenby, 1998; Waite and Harrison, 2004). Liao *et al.* (1999) explored the relationship between innovation attributes (relative advantage, ease of use, compatibility, image, voluntariness, trialability, *etc.*) and online banking adoption. Similarly Aladwani (2001) studied the drivers, development challenges, and expectations of online banking by studying both IT managers and bank customers.

Moutinho and Meidan (1989) investigated consumers' perceptions of new banking technologies and classified four types of banking consumer: first, 'on the move' customers, for whom convenience is a priority and who tended to be heavy users of ATMs; second, 'hi-tech value/cost-orientated' consumers, who placed most importance upon the development of new banking technology; third, consumers who wanted to see improvements in the existing range of services, that is 'better of the same'; and finally, 'price-sensitive' consumers, who placed the highest priority upon the interest rates charged by the banks. Barczak *et al.* (1997) determined consumer motives for the adoption of technology-based banking services which comprised four consumer motivational clusters: 'security conscious', 'maximisers', 'instant gratification', and 'hassle avoiders'. In particular, their study revealed that the main benefits of using technology-based services, especially for 'hassle avoiders', were those of convenience, time-savings, and ease of access to their money.

In a competitive financial services industry, banks of all types consider online banking as a dominant 'value added' marketing tool. As such, it attracts and retains new customers while helping to eliminate costly paper handling and teller interactions in an increasingly competitive banking environment. This situation reduces the number of personnel employed by the banks as well as creating a competitive advantage for those banks who predominantly offer online banking because it is faster, less costly, and more efficient. One can also increase bank's productivity.

In view of these recent changes and developments taking place in North America as well as across the developed world, an empirical study was undertaken in the state of Pennsylvania to study the characteristics and behaviour of online banking and traditional banking customers. Furthermore, an attempt was made to shed some light on the factors which encourage and/or hinder the adoption of online banking rather than traditional banking practices. Hence, the main objective of the study is to determine the characteristics of the early adopters of online banking and compare them with those of traditional bank customers. The impact of the environmental factors on online banking is also explored conceptually and analytically.

More specific goals of the study include the following:

- Determine the demographic and socioeconomic profiles of the users of internet banking and traditional banking and compare similarities and differences between them.
- Determine the differences in the selection criteria used by online banking users and non-users, and compare their characteristics with those of traditional bank customers.
- Determine and compare bank customer preferences for the type of services by traditional and online banking methods.
- Identify the profile of internet bankers and the reasons for the others not adopting this mode of bank service delivery.

3 Research methodology

The data for the study was collected through self-administered personal questionnaires in Beaver and Allegheny counties in the state of Pennsylvania in March of 2003. The area selected for the study in the USA is representative of the general population when considering the socioeconomic and demographic variables. In the study locality, there is a cross-section of demographic and socioeconomic groups that make the study findings more credible. The sample itself was a quota sample reflecting demographics and socioeconomic (gender, age, education, occupation, income) makeup of the area population and online bank users and non-users. Data collected for this study comprise of arbitrary choices of the students involved in collecting the data analysed. Therefore, the following statistic results should be interpreted with caution. Nevertheless, our results may still shed certain insights on the online banking patterns, when achieving strict randomness in data sample selection is practically unfeasible.

The survey took approximately 15 minutes to complete. In the survey, 35 marketing undergraduate students were used as interviewers and each was required to interview ten respondents. Before the actual interviewing started, all of the interviewers were subjected to a training program by one of the researchers. In a period of two consecutive weeks, by use of drop-off and pick-up method, interviewers distributed a total of 350 survey questionnaires. Two weeks later, the questionnaires were personally retrieved. There was a very high response rate of 93% and the statistical analysis was conducted on 327 responses.

4 The survey instrument

The questionnaire consisted of five groups of questions:

- 1 Screening questions used to categorise the respondents into three categories: online banking usage, frequency of online banking use on the internet, and how likely respondents will use or continue to use online banking in the future.
- 2 Questions related to the importance of different factors choosing a commercial bank.
- 3 Preference between online and traditional banking of the different banking services for those who use online banking.

- 4 The importance of the factors to those who do not use online banking.
- 5 Demographic characteristics of online banking users and non-users.

The ratification of the questionnaire was facilitated by use of a pilot-testing process that was given to 25 respondents. The main purpose of pilot testing was to ensure a common understanding of the questionnaire items. Results of the pilot testing shown in the third part of questionnaire, the explanation of the ten-point distribution between online and traditional banking method was unclear. The clarification was made for this group of questions.

In ensuring the power of the findings from this research to the research hypotheses presented, the design of the questionnaire followed principles of instrument design accepted within the academic community. This included a rigorous process of generating appropriate items and assessing their representativeness to the objectives of the study. The survey instrument was developed through an iterative process of item generation from the current bank marketing, online banking, and international consumer behaviour literature.

The items developed for the examination of the research propositions measured the subjects' given importance to different factors when choosing a commercial bank such as 'location being near home or work, fast and efficient service, external appearance, interior comfort, counter partition, online service, bank reputation and its image, friendliness of bank personnel, availability of credit with favourable terms, lower service charges on checking account, lower interest charges on loans, higher interest payments on saving accounts, confidentiality of bank, confidence in bank manager, financial counseling and advisory services, overdraft privileges on checking accounts, hours of operation, knowledgeable staff, courtesy of personnel, promptness in correcting errors, accurate billing, convenience and availability of ATM machines, convenience of bank branches, bank fees and charges, night depository'. A six-point Likert scale ranging from 'very important' to 'not at all important' was used to measure bank customers' given importance to different factors. Bank customers' practice related to online banking was measured using a dichotomous scale: 'Do you use online banking for your banking transaction?'

For those questions related to preferring online and traditional methods for different bank services, constant sums rating scales was used. This part required the respondents to allocate ten points between online and traditional methods on applying for a personal loan, handling CDs, handling bill payments, investing in stocks, purchasing insurance, handling saving account, saving plans (RRSP, RHOSP, *etc.*), monitoring transactions history, viewing images of cancelled checks, reviewing monthly statements, transferring between accounts, information about fund prices, opening a new account, viewing previous payments, buying and selling foreign currency, changing address and phone number, checking order, inquiring about account balances, inquiring about account summary, looking up for financial news, requesting for copies of statements, buying/selling securities.

The importance of factors not to use online banking was also explored for non-users. Five-point Likert scale was used for measurement (adjectives ranged from not at all important to very important). The survey also included questions about respondents' frequency of use of online banking; how likely they consider using or continue to use in the future; demographics such as age, gender, occupation, and education.

5 Study findings

5.1 Sample composition

The data set consists of 176 online bank service users (53.8%) and 151 non-users (46.2%). The demographic and socioeconomic profile of the respondents is presented in Table 1. To assess the statistical significance of the differences in demographics and online bank usage, cross tabulation and a chi-square test of association were performed. A close examination of the profile depicts that there are statistically significant differences in demographic characteristics of online bank users and non-users. Online bank users were mostly male, high-income earners consisted of younger age group, held more professional and trade-related type of jobs, craftsmen, students, and unemployed.

Table 1 Demographic and socioeconomic characteristics of the sample

	Online bank user (%) (n = 176)	Online bank non-use (%) (n = 151)	Total percentage (%)	Chi-square
Gender				8.66 (*)
Male	62.0	38.0	49.8	
Female	45.7	54.3	50.2	
Age				16.00 (*)
Under 25	58.1	41.9	22.6	
26–45	50.7	49.3	41.6	
46–65	64.4	35.6	27.5	
Over 65	22.2	77.8	8.3	
Education				18.96 (*)
Primary school	16.0	84.0	7.6	
Secondary school	61.3	38.7	9.5	
High school	52.9	47.1	42.2	
Vocational school	64.9	35.1	23.5	
University	53.6	46.4	17.1	
Occupation				16.01 (*)
Professional	54.5	45.5	16.8	
Administrative	46.9	53.1	15.0	
Trade man – salesman	55.6	44.4	16.5	
Housewife	32.4	67.6	11.3	
Technical	48.5	51.5	10.1	
Craftsman	56.0	44.0	7.6	
Student	62.9	37.1	10.7	
Unemployed	74.4	25.6	11.9	
Income				17.59 (*)
Low	39.7	60.3	20.8	
Medium	50.6	49.4	53.8	
High	72.3	27.7	25.4	

Note: (*) Significant relationship for 0.01 significance level

The sample consisted of about 49.8 male and 50.2 female bank customers. Female online bank service users are 45.7% of the total female sample while 62.0% of male respondents are online banking users. The ratios for non-users related to gender are 54.3% female versus 38.0% of males. About 58.9% of 25-years-and-younger group were online banking users; online bank users account 50.7% of the 26–45-years-old group; between 45–65 years old group has the highest ratio (64.4%) for online banking practices while over 65 years old group have the lowest usage rate (22.2 %). Online bank users comprised 53.6% of university graduates, while the ratios are 64.9% for vocational schools, 52.9% for high schools, 61.3% for secondary school, and 16% for primary schools. With regard to occupation, 55.4% of professionals were using online banking. All other occupations distributed between online bank users and non-users can be found in Table 1.

Other than the demographic and socioeconomic characteristics of respondents, information related to account characteristics, frequency of visit to the bank branch, the period of maintaining the account, and time spent on the internet were also investigated. There were statistically significant differences between online bank users and non-users on account type used, frequency of visit to the bank, and internet usage (see Table 2).

Table 2 Banking characteristics and internet usage of the sample of respondents

	<i>Online bank users (%)</i> <i>(176)</i>	<i>Non-users (%)</i> <i>(151)</i>	<i>Total</i> <i>percentage (%)</i>	<i>Chi-square</i>
Account type				12.72 (*)
Single	60.4	39.6	68.8	
Joint	39.2	60.8	31.2	
Frequency of visits to bank branch				27.33 (*)
Daily	30.8	69.2	4.0	
2–3 times a week	32.8	67.2	17.7	
Once a week	50.0	50.0	36.1	
Less than once a week	73.5	26.5	15.0	
Once every two weeks	60.0	40.0	13.8	
Once a month	66.7	33.3	7.3	
Less than once a month	75.0	25.0	6.1	
Period of bank account				0.799
Less than two years	57.3	42.7	25.1	
Two to five years	51.8	48.2	34.3	
Five and more years	53.4	46.6	40.7	
Number of banks used				4.20
One	55.0	45.0	64.5	
Two	50.0	50.0	27.5	
Three and more	57.7	42.3	9.0	
Internet usage				22.08(*)
Light users less than five hours a week	33.0	67.0	27.8	
Medium users 6–15 hours a week	62.3	37.7	39.8	
Heavy users more than 15 hours a week	61.3	38.7	32.4	

Note: (*) Significant relationship for 0.01 significance level

5.2 Commercial bank selection criteria for online banking users versus non-users

The t-test was used to test for statistical significance of differences between online bank users and non-users. A mean score for the importance of each selection criterion for each group was calculated. The results of this analysis can be seen in Table 3. Online bank customers for all of the criteria except online bank service attached less importance to selecting a commercial bank. Convenience of ATM machines has almost the same importance for both groups. There were statistically significant differences in the selection criteria of online bank customer and traditional bank customers. Non-users attach more importance to location, fast service, interior comfort, counter partition, bank reputation and its image, friendliness of bank personnel, availability of credit with favourable terms, lower service charges on checking account, lower interest charges on loans, higher interest payments on saving accounts, confidence in bank manager, knowledgeable staff, courtesy of personnel, promptness in correcting errors, accurate billing and bank fees and charges in selecting a commercial. All the other factors are not significant for both groups. The research results show that traditional bank selection factors are no longer important for online bank customers.

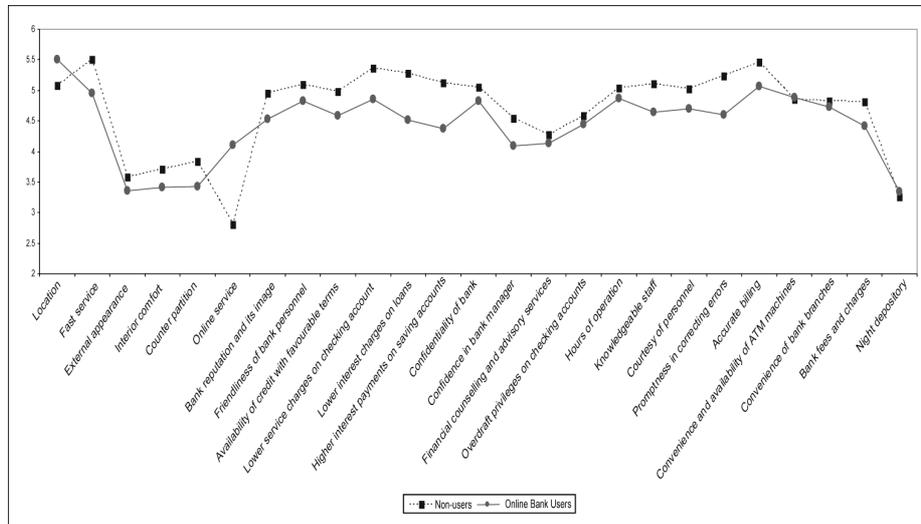
Table 3 Commercial bank selection criteria: online banking users versus non-users

	<i>Non-users mean</i>	<i>Online banking users mean</i>	<i>t</i>	<i>Significance (two-tailed)</i>	<i>Mean difference</i>	<i>Standard error difference</i>
Location	5.51	5.08	3.427	0.001	0.43	0.13
Fast service	5.5	4.95	4.842	0.000	0.55	0.11
External appearance	3.58	3.36	1.33	0.185	0.22	0.16
Interior comfort	3.71	3.41	1.82	0.070	0.3	0.16
Counter partition	3.84	3.43	2.312	0.021	0.41	0.18
Online service	2.81	4.11	-7.016	0.000	-1.29	0.18
Bank reputation and its image	4.96	4.53	3.31	0.001	0.43	0.13
Friendliness of bank personnel	5.1	4.83	2.363	0.019	0.27	0.11
Availability of credit with favourable terms	4.98	4.59	2.775	0.006	0.39	0.14
Lower service charges on checking account	5.36	4.85	4.25	0.000	0.52	0.12
Lower interest charges on loans	5.28	4.52	5.342	0.000	0.76	0.14
Higher interest payments on saving accounts	5.13	4.37	5.221	0.000	0.76	0.15
Confidentiality of bank	5.05	4.83	1.681	0.094	0.22	0.13
Confidence in bank manager	4.55	4.09	2.875	0.004	0.46	0.16
Financial counselling and advisory services	4.27	4.13	1.002	0.317	0.14	0.14

Table 3 Commercial bank selection criteria: online banking users versus non-users (continued)

	Non-users mean	Online banking users mean	t	Significance (two-tailed)	Mean difference	Standard error difference
Overdraft privileges on checking accounts	4.59	4.45	0.957	0.339	0.13	0.14
Hours of operation	5.04	4.87	1.378	0.169	0.17	0.12
Knowledgeable staff	5.11	4.65	3.546	0.000	0.45	0.13
Courtesy of personnel	5.02	4.70	2.455	0.015	0.32	0.13
Promptness in correcting errors	5.23	4.60	4.077	0.000	0.62	0.15
Accurate billing	5.46	5.07	3.171	0.002	0.38	0.12
Convenience and availability of ATM machines	4.86	4.88	-0.091	0.927	-0.10	0.15
Convenience of bank branches	4.82	4.73	0.605	0.546	0.09	0.16
Bank fees and charges	4.81	4.41	2.355	0.019	0.41	0.17
Night depository	3.26	3.34	-0.394	0.694	-0.07	0.19

Figure 1 A comparative profile of the importance given selecting a commercial bank for online bank customers and traditional bank customers



Type of bank service and banking methods (traditional banking vs. online banking)

Table 4 and Figure 2 present the preference of bank customers for different bank services by traditional and online banking methods. These results are based on only online banking users; non-users are excluded from the analysis since it is assumed that they prefer traditional banking for each service. The respondents are required to allocate ten

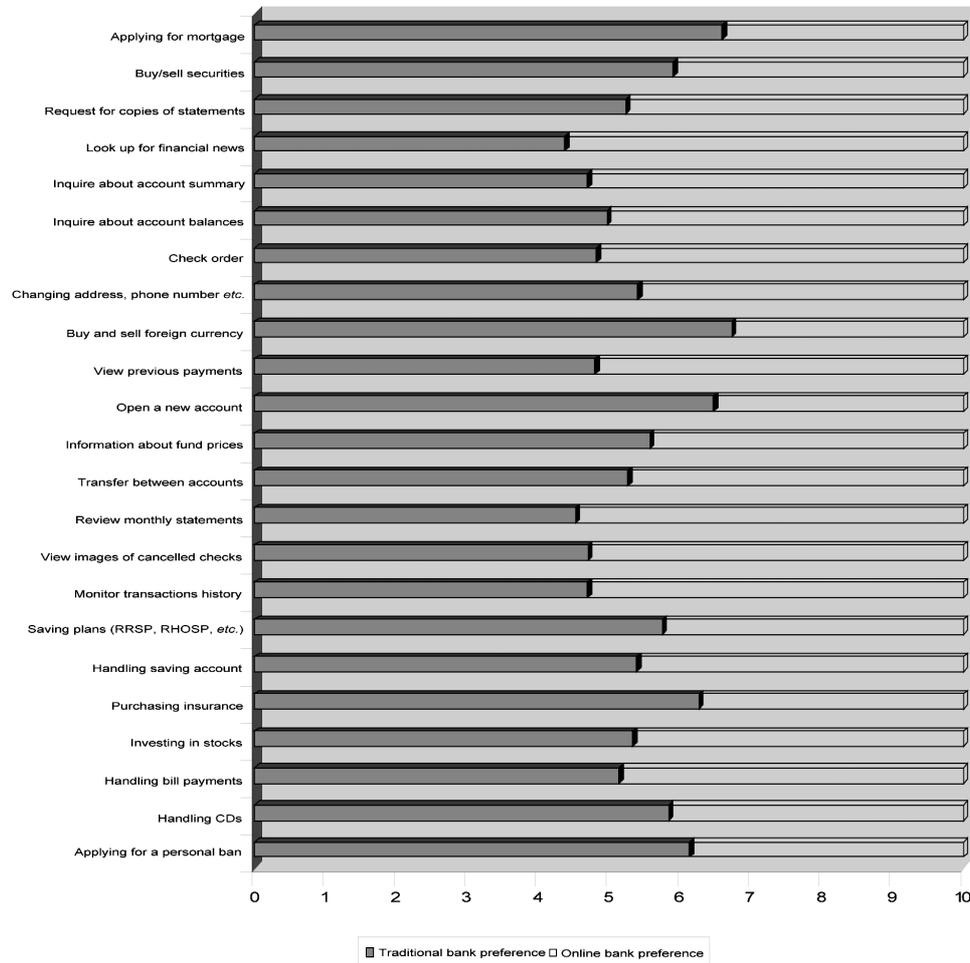
points between online and traditional methods on different bank services. The allocations can be followed in Figure 2. The results show that many online banking users still prefer traditional banking methods for several banking services.

According to the results in Table 4, applying for a personal loan, handling CDs, purchasing insurance, saving plans (RRSP, RHOSP, *etc.*), information about fund prices, opening a new account, buying/selling securities, and applying for mortgage are services preferred by traditional methods even for those using online bank services. Looking up for financial news is the only service preferred using online banking. Other services such as handling bill payments, investing in stocks, handling saving accounts, monitoring transactions history, viewing images of cancelled checks, transferring between accounts, viewing previous payments, changing address and phone number, check order, inquiring about account balance, inquiring about account summary, requesting for copies of statements are services which are not significant in terms of traditional or online banking preferences.

Table 4 Preferences for type of bank services for traditional and online banking

	<i>Paired difference mean</i>	<i>Standard deviation</i>	<i>Standard error mean</i>	<i>t</i>	<i>Significance level</i>
Applying for a personal loan	2.26	4.68	0.35	6.40	0.00
Handling CDs	1.66	5.10	0.38	4.32	0.00
Handling bill payments	0.28	5.34	0.40	0.71	0.48
Investing in stocks	0.68	5.48	0.41	1.65	0.10
Purchasing insurance	2.51	4.73	0.36	7.05	0.00
Handling saving account	0.76	5.70	0.43	1.77	0.08
Saving plans (RRSP, RHOSP, <i>etc.</i>)	1.50	4.85	0.37	4.10	0.00
Monitor transactions history	-0.63	5.54	0.42	-1.50	0.14
View images of cancelled checks	-0.58	5.32	0.40	-1.45	0.15
Review monthly statements	-0.93	5.34	0.40	-2.32	0.02
Transfer between accounts	0.53	5.46	0.41	1.28	0.20
Information about fund prices	1.15	5.12	0.39	2.97	0.00
Open a new account	2.93	5.19	0.39	7.49	0.00
View previous payments	-0.41	5.49	0.41	-0.99	0.32
Buy and sell foreign currency	3.44	4.62	0.35	9.89	0.00
Changing address, phone number <i>etc.</i>	0.82	5.75	0.43	1.89	0.06
Check order	-0.39	5.31	0.40	-0.97	0.34
Inquire about account balances	-0.07	5.80	0.44	-0.16	0.88
Inquire about account summary	-0.60	5.65	0.43	-1.41	0.16
Look up for financial news	-1.25	5.57	0.42	-2.98	0.00
Request for copies of statements	0.48	5.67	0.43	1.12	0.27
Buy/sell securities	1.83	4.83	0.36	5.02	0.00
Applying for mortgage	3.19	4.80	0.36	8.82	0.00

Figure 2 Allocation of preference for different banking service by traditional and online banking methods



5.3 Reasons for not using online banking

The respondents who do not use online methods indicated a number of reasons for not adopting online banking. A five-point scale was used where 1 = not at all important reason and 5 = very important reason. The results show that the most important reason for not using online banking is security concerns, followed by satisfaction with branch banking services, fees charged for online services, convenience of bank branches, inability to talk face-to-face with a bank representative, not having enough time to learn how to do online banking, and no formal paper receipts can be obtained.

Table 5 Reasons for not using online banking

<i>Reasons</i>	<i>Mean</i>	<i>Standard deviation</i>
Security concerns	4.06	1.13
Satisfaction with branch banking services	3.70	1.38
Fee charged for services	3.41	1.28
Convenience of bank branches	3.41	1.31
Inability to talk face-to-face	3.38	1.46
Do not have enough time to learn	3.28	1.14
No paper receipts	3.20	1.37
Difficulty of completing certain transaction on line	3.15	1.24
Slow download times	3.11	1.38
Have not got around to it	3.05	1.23
Difficulty finding information	3.05	1.28
Service is new and want to wait	3.01	1.24
Do not have internet access	2.99	1.66
Do not understand how it works	2.98	1.35
Difficulty of connecting to the web	2.96	1.47
Difficulties in navigation	2.92	1.28
Never heard about online banking	2.66	1.36

6 Conclusion

The study offers important managerial and public policy implications for the US commercial banking industry as well as for the financial institutions for orderly decision-making purposes. This empirical research study examines the behaviour of online bank customers and compares it with the behaviour of traditional bank customers. Survey results indicate that there are statistically significant differences between the two groups of customers in their assessment of the bank services rendered by commercial banks in the state of Pennsylvania.

Survey results indicate that convenience of ATM machines had almost the same importance for both groups. Many online bank customers like their traditional bank customer counterparts still prefer traditional banking methods for several banking services. For instance, these customers placed more importance to bank location, fast and efficient service, interior comfort, counter partitioning, bank reputation and its image, friendliness of bank personnel, lower service charges, and availability of credit with favourable terms. These findings indicate to us that commercial banks must practice relationship marketing and form effective personal relationship with their customers either online or through other methods.

In the future, a slow communication learning approach adopted so far may not be enough to influence many bank customers to adopt online banking. A much more aggressive approach needs to be utilised to stimulate online banking trials and its eventual adoption. Bank managers ought to focus their attention as well on personal

selling and sales promotion tools to attract bank customers to try online banking and bill payments. Once they experience the service, invest time in establishing a payee list and learn the system, they will be much more likely to appreciate the benefits. To be able to persuade bank customers to attempt to make use of online bank services, managers should also provide incentives that are appropriate for each particular customer group (Sarel and Marmorstein, 2004).

6.1 Managerial implications

This empirical study offers important policy suggestions to current commercial bank managers in the study area. The most important managerial implications are related to banks' marketing decision variables. How can bank managers optimise the marketing decision variables currently at their disposal.

Since bill payment is the most meaningful benefit to date, it should not be a separate option but an integral part of the total service product. Similarly, future benefits such as bill presentation, reminders, alerts and so on, should be fully integrated and become regular features of the online banking service bundle. Special attention should be placed to making the registration process as easy as possible. Innovative ideas to minimise the hardship to consumers of inputting payee information could be considered. The less work and less time that consumers have to do and spend, the more likely they are going to try online banking.

Banks ought to use multiple channel configuration to offer the online service. Informational material, demonstration, and registration should be available both online and offline, in-branch, and over the phone; online options should be available to activate online banking services. It does not make much sense to force customers to come to the branch to complete the opening of an online account, as many well-known banks have done.

Online banking services should not be treated as an independent profit centre. Rather, it should be an integral part of the total service concept. Pricing should help banks migrate customers to the online channel. Banks ought to design comprehensive offerings that entice the desired target customer to open an account and maintain a profitable and long-lasting relationship with the bank. Often this is better accomplished by offering a bundle of financial services at one price to target customers. Most of the US banks have not yet made the necessary changes in their strategic thinking from product management focus to customer relationship management focus. It was maintained that paradoxically, it is this conceptual leap from product management that will facilitate the marketing of online banking as well as future innovations in banking.

All media options should be considered by commercial banks to communicate special incentives, encouraging prospects to try the service. In-branch announcements, posters, statement inserts, direct mail, banner ads, e-mail campaigns, and the like could be tested. Personal recommendations by branch personnel and phone representatives could also be encouraged. For example, rewards could be given to employees who succeed in inducing consumer trials and possible adoption. The goals are to encourage trial, demonstrate usage, and enable registration. Banks in Finland have been very successful in providing customer education in the branches (Holstius and Kaynak, 1995). The personal training helps overcome concerns of customers who are less knowledgeable about computers. Similar approaches ought to be applied in the USA. Communication efforts should be

directed towards viable segments of consumers who are likely to be persuaded. These efforts should recognise the specific concerns of various segments and use different approaches and incentives to get them to act now.

6.2 Future research avenues

This study is a static type and it examines bank customers (traditional vs. online) in one point in time. Additional studies can look at the phenomenon over an extended period of time – a longitudinal type of study. This will also capture the changes and developments as well as shifts in expectations of online and offline bank customers. One may also expect distinct differences in the utilisation of online banking services in rural versus urban areas, across ethnic groups (Hispanic, African, Asian, and American), different regions and states, and across certain socioeconomic groups. In the future, examination of online banking in a variety of circumstances may produce illuminating research information.

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