Do all UK on-line banking customers want the same kind of service?

Helen Borland (nee White) and Fotini Nteli
The University of Birmingham

Please address all enquiries to:

Dr Helen Borland
The University of Birmingham
Birmingham Business School
University House
Edgbaston Park Road
Edgbaston
Birmingham, UK, B15 2TT

Tel: +44 (0)121 415 8179
Fax: +44 (0)121 414 2263
Email: H.M.Borland@bham.ac.uk

* Please note the first author married in July 2005
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HELEN BORLAND (NEE WHITE) AND FOTINI NTELI
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ABSTRACT

Internet banking, on one hand, offers location and time independence and empowers customers with greater access to their accounts. On the other hand, it allows banks to achieve cost and efficiency gains in a large number of operational areas. However, there is concern that banks may not have done enough to convince consumers of the advantages of Internet banking as only a small percentage of banking transactions are conducted on-line. Further, despite the large-scale efforts of the banks to try to improve customer services, customers demand ever-increasing levels of service quality. The research described in this paper attempted to identify whether or not specific problem areas exist for UK banks in achieving satisfactory performance on key attributes of service quality, and to examine whether all respondents were, in fact, looking for the same kind of service.

Using trade-off analysis to interview 56 Internet banking customers, five key service quality attributes were identified. These are: ‘security of the bank’s Web site’, ‘responsiveness of service delivery’, ‘ease of use of the bank’s Web site’, ‘credibility of the Internet banking provider’, and ‘product variety/diverse features’. Cluster analysis was then adopted and revealed two groups of respondents. One group was most concerned about security related issues while the other group was more interested in the convenience, speed and timeliness of the service. Overall, the Internet banks were rated as being good on the above five attributes except for the attribute ‘product variety/diverse features’.

The question that arises from the findings is whether or not a good performance by the Internet banks on the service quality attributes is sufficient in a highly competitive Internet environment, to attract and retain a diverse range of customers and also to make sufficient profit to remain profitable.

INTRODUCTION AND DEFINITIONS

Banks offer Internet services in two ways. First, an existing bank with physical offices can create a Web site and offer its customers Internet banking in addition to its traditional delivery channels [Furst, et al., 2002]. For the purpose of this research, this kind of bank is defined as a ‘traditional bank’. The five major traditional banks, in the UK, are: Lloyds TSB, Barclays, NatWest, HSBC and Halifax [Mintel 2001]. Second, a bank may
be established as a ‘virtual’, ‘branchless’ or ‘internet-only’ bank, with a computer server at its heart that is housed in an office that serves as the bank’s legal address or at some other location. ‘Virtual banks’ may offer customers the ability to make deposits and withdraw funds at automated teller machines (ATMs) or other remote delivery channels owned by other institutions [Furst et al., 2002]. For the purpose of this research, this kind of bank is defined as a ‘non-traditional bank’. According to Mintel [2004] the four main non-traditional banks in the UK are: Egg, Smile, Cahoot and Intelligent Finance (IF). Among them, Cahoot offers only Internet banking while the remaining three also provide telephone banking. In addition, the term ‘Internet banking providers’, in this research, is used to indicate both types of banks (traditional and non-traditional banks).

Finally, the term ‘non-Internet bank’ is employed to indicate a bank that does not provide the ability for its customers to transact business electronically (e.g. access and transfer funds, apply for an account or a loan); even if they have a Web site [Carlson, et al., 2001].

Background to the research problem

Currently in the UK, there are more than 60 banks and building society companies that offer Internet banking, each trying to downsize their branch networks. Physical banks are still the most popular channel among consumers, dominating the current account market in the UK [Mintel, 2005; Key Note, 2003; Olazabal, 2002]. In addition, comparatively few consumers use the non-traditional banks for their main current account and instead prefer to limit their holdings to lower maintenance accounts such as savings accounts or credit card accounts [Mintel, 2001]. Therefore, non-traditional banks that have been launched in the UK since 1998 have struggled to reach profitability [Furst, et al., 2002; Olazabal, 2002; Datamonitor, 2002; Mintel, 2001].

The primary factor determining the level of demand for Internet banking is the number of people connected to the Internet. Mintel’s [2005] consumer research report suggests that 50 per cent of the population are now Internet users in the UK and the growth in Internet
usage has been rapid. However, only one third of total Internet users are banking on-line [eMarketer, 2002], while 23 per cent of Internet users state that they do not want to purchase financial products through the Internet [Mintel, 2005]. The percentage of Internet users in the UK using it for banking and/or financial purposes increased by only 6 per cent last year [Key Note, 2002; eMarketer, 2002]. It has been found [Waite and Harrison, 2002; Datamonitor, 2002; Mintel 2004] that the Internet is regarded as an information-gathering tool, rather than as a channel for conducting transactions, since security fears are still an overriding concern preventing customer acquisition [Key Note 2004].

In addition, despite banking technological developments over the years, customers still demand quality service [Hughes 2003]. Bitner [2001] underlined the fact that as technology changes the ways companies interact with and serve their customers, customers’ desires for quality service do not change; suggesting that “the more things change, the more things remain the same”. Further, as information becomes more accessible over the Internet, customers are becoming more discerning. Banks have also been warned that Internet banking might result in lower switching barriers, that cross selling will become more difficult, that information about customers will become harder to obtain and that banks will have to compete product by product [Howcroft et al. 2003; Evans and Wurster, 1997]. McMahon [1996] argues that the banks should strive for service excellence, if they wish to survive in the highly competitive Internet environment. Finally, Devlin and Yeung [2003], Jayawardhena and Foley [2000] and Devlin [1998] stress that one of the main challenges for the banks is to satisfy customers’ needs that are complex and difficult to manage. However, research findings [Jun and Cai, 2001; Rose, 2000; Olazabal, 2002; Boss, et al. 2000; Datamonitor, 2002] indicate that despite the large-scale efforts of the banks to try to improve their customer service, a significant number of customers are still not satisfied.

One possible explanation for this dissatisfaction and a main theme of this research is that managers might not focus on what customers perceive as the most important for service quality [Jun and Cai, 2001; Johnston, 1997]. Jun and Cai [2001] argue that Internet
banking providers are first required to understand the attributes customers use to judge service quality [i.e. ‘the determinant decision criteria that consumers use to evaluate products or services’, Louviere, 1988]. Then steps need to be taken to monitor and enhance the service performance. Recent literature explores the concept of e-service quality [Surjadjaja et al. 2003; Santos, 2003; Douglas et al. 2003; Salmen and Muir 2003]. However, relatively little has been written on the service quality attributes and their relative performance, to different kinds of customers, in the Internet banking sector [Jun and Cai, 2001; Cai and Jun 2003]. Hence, the research question is posed: Do all UK on-line banking customers want the same kind of service?

This paper accordingly identifies and discusses the relative importance of key service quality attributes for individuals and also for groups of respondents with differing service requirements. The Internet banking providers are then analysed in terms of their ability to perform with respect to the quality attributes for the different customer groups. By undertaking this research it was possible to establish and indicate for further research, whether any specific problem areas exist between performance and expectations (as measured by relative importance) of service quality for Internet banking providers and their customers. Such information will also help Internet banking providers assess the likely impact of future service quality initiatives designed to meet the most important needs of their customers.

In the following section of this paper, service quality is defined and its attributes discussed as a measure of banking and Internet banking customer service ability. The ‘methodology’ section outlines the empirical approach taken including a discussion of the analytical techniques employed – trade-off analysis and cluster analysis. The ‘research analysis and interpretation’ section reveals the respondent demographics, the attributes identified by the respondents, the outcome of the traded-off and cluster analyses and finally examines the performance of the Internet banks. The final section of this paper draws together the findings, providing ‘conclusions and recommendations’ to the industry on how they should move forward with regard to customer service that attracts
and maintains different groups of on-line banking customers and in particular the need to overcome security fears and improve on the convenience demanded.

**LITERATURE REVIEW**

*Service Quality as a Competitive Strategy*

The service quality marketing literature of the 1990’s supported customer service excellence as a way to enhance customer satisfaction and loyalty, thereby leading to increased competitiveness and profitability [Newman, 2001].

Research findings [Parasuraman et al., 1988; Cronin and Taylor, 1992] indicated that high levels of customer service quality can exert a positive influence on customer satisfaction, resulting in a positive word of mouth recommendation. Although, the relationship between service quality and customer satisfaction is controversial [Boulding et al., 1993; Taylor, 1993; Oliver, 1993; Zeithaml et al., 1993; Cronin and Taylor, 1992, 1994; Parasuraman et al., 1988, 1991], research findings [Bloomer, et al., 1998] revealed that service quality is related to bank loyalty via satisfaction. The research described in this current paper avoids the controversy by taking the view [Danaher, 1997] that managers are keen to improve service quality and customer satisfaction, in order to gain the possible benefits of increased customer retention and market share [Berry and Parasuraman, 1991; Foster and Cadogan, 2000; Graham, 1999; Kandampully, 1997; Zemke, 1997; La and Kandampully, 2002]. In turn, this will affect the performance of the organisation in terms of increased profitability and market share [Rapert and Wren, 1998; Gummesson, 1993; Buzzell and Gale, 1987].

*Definition of Service Quality*

According to Kotler et al. [2004] the term ‘quality’ can be defined as, ‘the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs’. This definition suggests that a company has ‘delivered quality’
whenever its product and/or service meets or exceeds customers’ needs, requirements and expectations.

However, it is generally agreed that service quality is an attitude of global judgement about the superiority of a service, but the exact nature of this attitude is not agreed [Robinson, 1999]. Some suggest that it stems from a comparison of expectations with performance perceptions (disconfirmation) [Parasuraman et al., 1988], while others argue that it is derived from a comparison of performance with ideal standards [Teas, 1993] or from perceptions of performance alone [Cronin and Taylor, 1992].

The starting point of our understanding of service quality is an array of factors, attributes or determinants [Johnston, 1997; Danaher and Mattsson, 1994; Parasuraman, 1988, 1991; Danaher, 1997]. However, the identification and measurement of the service quality attributes across sectors including banking is still being debated in the service quality literature [Newman, 2001; Robinson, 1999; Ennew et al., 1993]. In the two sections below the major research findings of the relevant literature are discussed, firstly, about the banking industry generally, and then specifically about the Internet banking sector.

*Identification and Measurement of Service Quality Attributes*

In the last two decades many attempts have been made by academics to find the most effective means of measuring service quality parameters within the banking industry. Most notable among them, Parasuraman et al. [1985, 1988] developed the SERVQUAL instrument. Criticism of this approach led others to develop alternative instruments. In 1992 Cronin and Taylor developed the SERVPERF measure which focused on performance measures of service quality rather than customers expectations. In 1994, Hemmasi et al. redeveloped the importance-performance technique in banking, and Johnston [1995, 1997] examined service quality in banking using the critical incidents technique.
Avkiran [1999] developed the BANKSERV technique, a single scale measure of service quality designed to allow customers to reflect on their perceptions and expectations in a single statement. Unfortunately, this is not widely available in the UK having been developed as bespoke research for an Australian trading bank. Bahai and Nantel [2000] also proposed an alternative measure of perceived service quality in retail banking: the Banking Service Quality (BSQ) measure. However, it is the work of Oppewal and Vrijens [2000] using conjoint experiments to measure service quality in retailing banking that inspired the present authors to attempt to apply a conjoint measurement technique to the application of service quality within the Internet banking sector in the UK.

Service Quality Attributes of the Internet Banking Sector

There have been numerous studies identifying the key service quality attributes in the physical banking environment, where personal interaction between customers and bank employees is a primary aspect of service delivery. However, relatively little literature has investigated service quality attributes in the Internet banking sector (e-service), where non-human interaction is the main component of service delivery.

Joseph et al. [1999] investigated the influence of technology, such as the A.T.M., telephone and Internet on the delivery of banking service in Australia. Using the Hemmasi et al. [1994] importance-performance technique, their study identified five underlying dimensions of electronic banking service quality:

1. Convenience/accuracy
2. Feedback/complaint management
3. Efficiency
4. Queue management
5. Accessibility and customisation.

The main limitation of this study is that they took a generalised perspective on electronic banking and did not consider that each type of technology might have a different effect on customers’ perceptions of quality.
Jun and Cai [2001] have focused specifically on the issues associated with Internet banking service quality in the United States. Using the Critical Incident technique they revealed a total of seventeen (17) attributes of Internet banking service quality, which they classified into three broad categories: customer service quality, banking service product quality and online systems quality. They concluded that Internet banks should pay attention to all seventeen (17) attributes in order to maintain a high level of overall banking service quality (see Figure 1). However, to reinforce competitiveness in an extremely competitive market place, and given limited organisational resources, they recommended that banks offering Internet banking services should focus on the following six key attributes:

1. Responsiveness
2. Reliability
3. Access
4. Ease of Use
5. Accuracy
6. Product variety/diverse features

Their research findings have revealed that these six attributes tend to have a strong impact on customers’ satisfaction, depending on the quality performance of those attributes. These six attributes were, therefore, used as a basis for the research described in this paper.
### Banking service quality (1 attribute)

**1. Product variety/diverse features**
- Product range
- Product features

### Customer service quality (10 attributes)

<table>
<thead>
<tr>
<th>1. Reliability</th>
<th>6. Access</th>
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<tbody>
<tr>
<td>Correct service</td>
<td>Availability for help</td>
</tr>
<tr>
<td>Keep service promise</td>
<td>ATM access</td>
</tr>
<tr>
<td>Accurate records</td>
<td>Phone access</td>
</tr>
<tr>
<td>Keep promise as advertised</td>
<td>E-mail access</td>
</tr>
<tr>
<td></td>
<td>Account access when abroad</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Responsiveness</th>
<th>7. Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prompt service</td>
<td>Clear answer</td>
</tr>
<tr>
<td>Quickly solve problems</td>
<td>Informing customer of important information</td>
</tr>
<tr>
<td>Convenient service</td>
<td>Availability of status of transactions</td>
</tr>
</tbody>
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<thead>
<tr>
<th>3. Competence</th>
<th>8. Understanding the customer</th>
</tr>
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<tbody>
<tr>
<td>Ability to solve problems</td>
<td>Personal attention</td>
</tr>
<tr>
<td>Knowledge to answer questions</td>
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<tbody>
<tr>
<td>Address complaints friendly</td>
<td>External collaboration</td>
</tr>
<tr>
<td>Consistently courteous</td>
<td>Internal collaboration</td>
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<tr>
<th>5. Credibility</th>
<th>10. Continuous improvement</th>
</tr>
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<tbody>
<tr>
<td>Confidence in the bank’s service</td>
<td>Continuous improvement on online systems</td>
</tr>
<tr>
<td>Good reputation</td>
<td>Continuous improvement on banking products</td>
</tr>
<tr>
<td></td>
<td>Continuous improvement on customer services</td>
</tr>
</tbody>
</table>

### Online systems quality (6 attributes)

<table>
<thead>
<tr>
<th>1. Contents</th>
<th>4. Timeliness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information on products and services online</td>
<td>Up-to-date information</td>
</tr>
<tr>
<td>Other information that customer needs</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Accuracy</th>
<th>5. Aesthetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accurate online transactions</td>
<td>Attractiveness of the Web site</td>
</tr>
<tr>
<td>Errors in interface</td>
<td></td>
</tr>
<tr>
<td>Errors in contents</td>
<td></td>
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</tbody>
</table>

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<tr>
<th></th>
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<tbody>
<tr>
<td>Compatibility, User friendly</td>
<td>Privacy</td>
</tr>
<tr>
<td>Easy login, Speed of responses</td>
<td>Information transaction safety</td>
</tr>
<tr>
<td>Accessibility of the Web site</td>
<td></td>
</tr>
<tr>
<td>Functions that customers need</td>
<td></td>
</tr>
<tr>
<td>Easy navigation</td>
<td></td>
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METHODOLOGY

The sample group included any respondent who had used the Internet for any banking transaction in the last three months in the UK and who did not work for a bank. Fifty six respondents were identified, twenty of whom were used in both the first and second stages of the research, thereby maintaining respondent continuity. Because of the private and confidential nature of personal banking, the authors had no choice but to ask potential respondents individually about whether or not they used Internet banking. Thus, the sample would be regarded as a purposive sample.

After piloting, the first stage of the primary research consisted of a questionnaire that asked respondents to identify the five most important service quality attributes from a list of twelve (definitions of each were provided) sourced from Jun and Cai [2001] and Mintel [2001]. Respondents were also given the opportunity to identify attributes not listed. The five most important were then taken forward for use in the second stage of the primary research.

Trade-Off Analysis

In order to identify the relative importance of the key service quality attributes the trade-off approach of conjoint analysis was used in the second stage of the research. According to [Aggarwal and Vaidyanathan, 2003; Aaker, Kumar and Day, 2003; Green et al, 1988] the most important determinants of a successful conjoint study are selecting the right number of attributes and the right number of utility levels [Aggarwal and Vaidyanathan, 2003].

Choosing the right number of utility levels can sometimes be problematic as it will vary dependent on subject matter [Curry, 1997]. Additionally, researchers have found that as the number of utility levels increases the measured importance of an attribute also increases. As a result, it is recommended that the same number of utility levels be assigned to all attributes and that they should be mutually exclusive and exhaustive.
Thus, three levels were selected for each of the five key attributes. Finally, care was taken to select realistic utility levels for each attribute. Figure 2 is a summary of the utility levels for each attribute.

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Utility Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of use of the bank’s Web site</td>
<td>Easy, Moderate, Difficult</td>
</tr>
<tr>
<td>Responsiveness of service delivery</td>
<td>Immediately, Within 24 hours, More than 24 hours</td>
</tr>
<tr>
<td>Security of the bank’s Web site</td>
<td>100%, 95%, 90%</td>
</tr>
<tr>
<td>Product variety &amp; diverse features</td>
<td>Extended with products (e.g. insurances, holiday travel e.t.c.), Limited to specific bank affairs only (e.g. loans, savings, mortgages), Sufficient to meet your basic needs</td>
</tr>
<tr>
<td>Credibility of the Internet banking provider</td>
<td>Excellent, Very good, Good</td>
</tr>
</tbody>
</table>

Figure 2: A Summary of the Utility Levels for Each Attribute.

The attributes were displayed as ‘pairwise matrices’. As there were five attributes in all, there were: \( n(n-1)/2 = 5(5-1)/2 = 10 \) matrices.

The $FTROFF$ software program was used to analyse the trade-off data. This package takes the trade-off rankings and transforms them into utility values for each attribute level. Given these individual utility values, a composite utility for each attribute is constructed by adding together the separate attribute level utilities. The preferred alternative is then chosen by selecting the option with the highest composite utility value on the print-out. The output from $FTROFF$ provides the composite utility values and importance scores for each individual respondent [Churchill and Iacobucci, 2004].

Following the trade-off exercise, respondents were asked to select the Internet banking provider that they use for their personal transactions. They were then asked to rate the performance of that Internet banking provider on characteristics of each key service
quality attribute on a five point scale (five indicated very good performance, while one indicated very poor performance). Further, the alternative choice ‘I don’t know’ was provided. Figure 3 illustrates the characteristics of each key service quality attribute.

Finally, an open-ended question was provided in order to give the respondents the chance to express freely their reasons, had they ever needed to switch Internet banking providers due to poor service.

| 1) Ease of use of the bank’s Web site | - Ease of finding information through the Web Site  
| | - Ease of access to the bank’s Web site  
| | - Speed of navigation through the Web pages  
| | - The frequency which the system crashes when online  
| | - Convenience of performing online transactions  
| | - Simplicity of online forms and work processes  
| 2) Responsiveness of service delivery | - Speed of operating online transactions  
| | - Speed of finding & restoring errors, if errors have been made  
| | - Speed of response to your request through the Internet  
| | - Flexibility to interact with your internet bank 24 hours a day  
| 3) Product variety & diverse features | - Product range  
| | - Product variety  
| | - Ability to customise its products for your specific needs  
| 4) Credibility of the Internet banking provider | - Believability of online financial information  
| | - Reputation of the bank’s internet system  
| | - Trust in your bank’s given financial advice through the Internet  
| 5) Security of the bank’s Web site | - Confidentiality of your personal and financial information  
| | - Security systems to protect your online transactions & information  
| | - Your internet bank accounts are safe from fraud |
Figure 3: Characteristics of Each Key Service Quality Attribute on which the Performance of the Internet Banking Providers were Evaluated.

Cluster Analysis

After the trade-off analysis, cluster analysis was conducted, using SPSS, to form groups of respondents with similar perceptions about the relative importance of the service quality attributes.

While there are many ways to combine cases into clusters, the ‘Agglomerative Hierarchical Clustering’ method was used (i.e. it forms clusters by grouping cases into larger clusters until all the cases are members of a single cluster). A coefficient was used to identify the number of clusters that the respondents could be divided into. Two clusters were identified.

The 56 respondents being put into the two clusters were customers of 14 different Internet banks. Initial observations revealed that one cluster contained mainly respondents who banked with ‘traditional’ banks as providers of their Internet banking services and the second cluster contained respondents who banked with ‘non-traditional’ banks as providers of their Internet banking services. The division of the two clusters enabled the authors to draw conclusions about what kind of service customers are looking for from their Internet banking provider and also examine the performance of each type of bank. These results are described below.

RESEARCH ANALYSIS AND INTERPRETATION

Research Sample Demographics

The majority of the research sample consisted of well-educated respondents of less than 40 years old. There were more males than females and they were mainly traditional bank customers. Figure 4 illustrates the gender and age groups of the respondents.
Relative Importance of the Key Service Quality Attributes

The five key attributes of Internet banking service quality identified in this research include:

1. Security of the bank’s Web site (i.e. transactions through the Internet are safe and private)
2. Ease of use of the bank’s Web site (i.e. convenience for customers to interact with the bank through the Internet)
3. Responsiveness of service delivery (i.e. the speed, timeliness and convenience of service delivery)
4. Product variety/diverse features (i.e. the width of product range and variety of product features)
5. Credibility of the Internet banking provider (i.e. trustworthiness, believability and honesty of the Internet bank).

As an overall group of respondents the most important attribute was perceived to be “security of the bank’s Web site” (26 per cent of the total score) as illustrated in Figure 5.
‘Security of the bank’s Web site’ was seen to be significantly more important than the other attributes and indicates that, still, security is the number one issue in customers’ minds when considering Internet banking. This is despite all the work that has been done to try to alleviate this concern. The attribute “responsiveness of service delivery” that deals with speed and timeliness follows in second place (20 per cent) along with “ease of use of the bank’s Web site” (20 per cent). Both attributes deal with the convenience of the Internet and their importance is confirmed by the literature [Tilden, 1996; Katz and Aspden, 1997; Mols, 1999; Mintel, 2001 as well as Jun and Cai, 2001]. Finally, the attribute “credibility of the Internet banking provider” follows very close behind, in fourth place (19 per cent), above “product variety/diverse features” which ranks in fifth place (15 per cent). The differences in the mean scores (for all respondents) for the attributes were confirmed as being statistically significant using the Friedman test.

Interpretation of the Cluster Analysis

However, when it came to dividing the group into two clusters some interesting and very marked differences in perception were revealed. Cluster one perceived that ‘security’ (30
per cent) was the most important issue, followed by ‘credibility’ (20 per cent). While cluster two perceived ‘ease of use’ (26 per cent) and ‘responsiveness’ (25 per cent) to be the most important (the complete opposite of cluster one).

![Figure 6: The Relative Importance of the Key Service Quality Attributes as Perceived by the Respondents of the Two Clusters.](image)

These results are important because they illustrate the very different perspectives of the two clusters (that were masked in Figure 5 above) and therefore impact on the interpretation of service quality and customer satisfaction experienced by the individuals within the two clusters. Within cluster one, ‘security’ became even more important (than as a whole group) attributing 30 per cent of the total score to just this one attribute. However, within cluster two ‘security’ was reduced to fourth position with only 16 per cent of the available score.

Although the research sample is not considered statistically large enough to make market-based projections, the authors consider that it is important and significant for Internet banking providers to know and understand these differences because while ‘security’
remains the most important issue for a large proportion of consumers, there is also a
group of consumers who are much less sensitive to it and who are much more interested
in ‘convenience-related’ issues. However, this may also reflect a group of consumers
who do not use Internet banking for their primary banking activities and may only use it
for their secondary banking activities/lower maintenance accounts. Compared with a
group of consumers who use their on-line account for their primary banking activities
such as their current account.

Alternatively, the differences between the clusters may correspond to a difference in age
profile of the two clusters. Cluster one may have a generally older profile, people who
are still learning to trust the new technology specifically as it relates to a highly personal
and sensitive activity such as money management. Cluster two respondents may have a
younger profile, people who have grown up with computer technology and therefore trust
in computer technology is not such an issue.

(Interestingly, beyond the age and gender demographics, no other demographic
differences were found to be significant between the two clusters, suggesting that
customer service preferences are not specific to demographic type ie. the better educated,
but perhaps are more related to a risk propensity or adversity. Further research is
required in this area.)

These two clusters also correspond to the broad groups ‘traditional’ and ‘non traditional’
banks. Namely, the traditional banks were mostly represented by the respondents in
cluster one and the non-traditional banks were mostly represented by respondents in
cluster two. Therefore, in terms of recommendations to Internet banking service
providers, it is important that they are able to distinguish between customers who are
security sensitive and those who are not (and are able to accurately target appropriate
customers).
Service Quality Performance of the Internet Banks

From the interpretation of the ‘performance of the Internet banking service providers’ most of the banks were perceived to be performing well, however, their performance generally reflected the importance scores above. For example, cluster one respondents rated their banks’ performance on security and credibility related issues higher than the other attributes and cluster two respondents rated their banks high on convenience and speed related issues. This is important for perceived service quality, satisfaction, loyalty, retention and positive word of mouth recommendation on which consumers of financial services rely heavily. However, it also reflects customers’ ability to reinforce and condone their own choice of Internet banking service provider, thus providing a form of self-selected segmentation.
Overall, the performance of the non-traditional banks was evaluated higher than that of the traditional banks (on all the attributes). More specifically, the non-traditional banks were evaluated higher on security and credibility (and significantly higher on ‘security’ and ‘responsiveness’ using the Mann-Whitney test). This indicates that respondents of cluster 2 were satisfied with the convenience-related attributes and even more satisfied with the security and credibility attributes. Attributes that they had not regarded with as much importance earlier. This is an important message and warning for the traditional banks. The five attributes are perceived as key to consumers of Internet banking services and if the traditional banks do not perform well enough on them then the non-traditional banks will continue to erode market share from them.

Neither traditional nor non-traditional banks performed well on the ‘product variety’ attribute. However, this attribute tends to have a strong impact on either customers’ satisfaction or dissatisfaction depending on its quality performance. Further, as the Internet provides the chance for banking customers to compare products and services for the best terms and conditions, changing banks at the press of a button, the ability of Internet banking providers to customise their products in order to meet their customers’ specific needs and attract new ones could form the competitive advantage that will differentiate them in the market place.
CONCLUSIONS AND RECOMMENDATIONS

The initial conclusion to draw from this research is that despite recent advances to improve Internet banking security, it still remains the key concern for consumers. However, when delving a bit deeper into consumers’ concerns and motivations it becomes apparent that there are different segments of customers with different priorities and perspectives. The research described in this paper identified a group of consumers who are more interested in ‘responsiveness’ and ‘ease of use’, categorised here as the ‘convenience-related’ attributes. This may, however, mask the fact that these consumers are using their bank accounts for secondary/lower maintenance activities such as deposit accounts or that they may be a group of younger consumers.

These consumers tend to bank with the ‘non-traditional’ banks such as Egg, Smile, Cahoot and Intelligent Finance (IF). They also rated the performance of their banks higher on all the attributes than did the consumers of the ‘traditional’ banks, despite the message from the literature at the beginning of this article that the ‘non-traditional’ banks were struggling to reach profitability. This can only make even more poignant the major message of this article, that if the ‘traditional’ banks are not perceived to be performing as well as the ‘non-traditional’ banks on the attributes that consumers perceive to be the most important and the ‘non-traditional’ banks are struggling to be profitable, then the Internet arm of the ‘traditional’ banks have got a lot of ground to cover to establish and improve the kinds of services that consumers are looking for in the provision of satisfaction, loyalty and trust in their Internet banking services, if these banks are to reach and maintain profitability.

Recommendations are directed at both bank types, traditional and non traditional, to remind them that if they want to gain and keep more customers who lodge their primary accounts, as well as their secondary accounts, with Internet banks, then they need to look very closely at the service quality they are offering in terms of the security levels and the trust that creates, the credibility of their offering and its reputation, the ease of use and
responsiveness of the on-line application and the product variety and diversity that is available.

If further research were to be conducted it would be valuable to investigate whether the differences between the two clusters exists at a broader level (regional, national, pan-European) than was identified in this research, and whether the non-traditional banks have an edge over the traditional banks on this larger scale, particularly for the attributes identified.

This same piece of future investigation should also seek to establish whether the clusters correspond to known primary and secondary banking activities of respondents and whether those respondents bank with a traditional or non-traditional bank (and related to their different attitudes towards the attributes). Simultaneously, it would be useful to record the age profiles and other demographic details of the individual respondents in the specific clusters to see if correlations exist.

REFERENCES


EMarketer, 2002, ‘Banking On-line in Great Britain’ http://64.4.20.250/cgibin/linkrd?


