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A qualitative understanding of the impact of Internet Banking in relationships between banks and commercial customers

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Abstract

The importance of developing and fostering relationships with customers has long been regarded as important within services marketing (Berry, 1983) and also within B2B relationships (Ford, 1990). In the 1980s and 90s, a shift in marketing focus has seen an increased emphasis on Relationship Marketing (Morgan and Hunt, 1994). This paper reviews the results and implications of recent exploratory research conducted with a small sample of Australian business bank customers. Despite it being expected that the perception of technology would impact on the relationship, it was actually clear through the interviews that it was the perception of the relationship, which led respondents to develop a perception of the technology. An exploratory study, further research ideas are provided at the conclusion of this paper.

Introduction

The increasing use of Self Service Technologies (SSTs) within B2B relationships removes face-to-face contact traditionally believed to be important in relation to service delivery between two organisations. What this does to the relationship is not understood. A number of unique attributes making financial services a good starting point for this study. Firstly, financial services are increasingly using technology in their transactions to be more competitive, convenient to customers and reduce costs. Furthermore, the banking industry tends to develop and foster longer-term relationships compared with many other industries, and therefore is important that the impact on relationships is considered. The study will focus on the research question "what impact does the use of business Internet Banking (SST) have on relationships within a B2B context"? Banks are increasingly seeking ways to encourage consumers to use technology – from ATMs to telephone banking, and now, electronic banking. Consequently, this study is a useful way of understanding the impact of SSTs on business banking relationships.

Self Service Technologies

Despite limited staff involvement, self-service technologies can be used to enhance customer service (Bitner, Ostrom and Meuter, 2002). Organisations are introducing SSTs rapidly for three major reasons – to reduce costs, increase customer satisfaction and loyalty and reach new customer segments (Bitner, Ostrom and Meuter, 2002). While increasing customer loyalty is aligned with the objectives of relationship marketing, reducing costs is simply an organizational driven initiative and may not serve the interests of the customer and although timesavings lead to cost savings for organisations, this is only apparent if the self-service technologies are adopted (Meuter, et al, 2005). As consumers are required to carry out the transaction themselves, they are responsible for their own satisfaction (Bendapudi and Leone, 2003; Meuter and Bitner, 1997) and as a result, organisations have had to effectively train customers to be coproducers. Turning the customer into a co-producer of a service has become evident where the customer participates in value creation (Vargo & Lusch, 2004).

The use of the Internet in relationships can enhance relationships, however, it is also possible that technology could have a negative effect on relationships if the strategy applied is not appropriate (Parasuraman, 1996). Previous research has indicated that customers are often frustrated by the attitude of their service provider when a SST failed as service providers have ignored their client, denied responsibility for failure, blamed the SST manufacturer, and blamed the client (Pujari, 2004). There is a gap in the current literature regarding B2B SST use and how this use impacts on relationships, which is why this study is essential. Financial institutions perceive distribution as a means of differentiating themselves in an increasingly competitive environment (Easingwood and Storey, 1996) yet pressure to increase profitability has meant that banks are required to focus on developing and maintaining long terms relationships with customers (Duddy & Kandampully, 1999); particularly business customers, where relationships are key to keeping customers (Adamson, Chan & Handford, 2003; Hawke & Heffernan, 2005a). Strong relationships with business customers foster increased profit, improved communication and an increase in satisfaction, creating loyalty (Petersen & Rajan, 1994). It is anticipated that the perception of Internet Banking will have an impact on the relationship, which in turn will impact on the length of the relationship. The methodology of testing this model will now be discussed.

Discussion

In order to best understand the impact of SSTs on business relationships, qualitative research has been used in this study (Joseph, McClure and Joseph, 1999). Despite the abundance of literature on Relationship Marketing, Trust and Commitment, very little applicable theory has been developed in regards to business use and satisfaction with SSTs, and in particular, how it impacts on relationships and this is the purpose of qualitative research (Flick, 2002). For this project, ten interviews have been completed. If research results tend to provide homogenous results, ten interviews are viewed as sufficient (Sandelowski, 19995). Perhaps something more important than the number of subjects in qualitative research is the information that is received from the subjects (Patton, 1990). A variety of customers have been investigated from both metropolitan and regional areas, to ensure that geographical differences do not impact on results. A major bank provided a list of customers, and a mix of telephone interviews (using a voice recorder telephone adaptor) and face-to-face interviews were undertaken. While these varying methods were used, it was found that there was little difference in results gleaned due to method.

The questions asked sought to explore the question "what impact do Internet Banking (SSTs) have on relationships within a B2B context". To commence the interviews, respondents were asked to discuss their experiences with Internet Banking (IB) within the organisation. Most of the respondents found their experience with using IB had been relatively positive, within the business. All but one of the respondents utilised Internet Banking for their personal (non business) accounts, as well. This indicates the experience level of respondents, to best understand how that relates to the use of IB within the organisation. Respondents were asked how the organisation used the technology in their normal business activities. This was important, because it gave a greater understanding as to the importance of tasks, and therefore how much the organisation relies on Internet Banking. It was obvious through the interviews that Internet Banking is useful in keeping up to date on account details, often on a daily basis. One statement which typifies responses to the question was: "*in the morning, I do the account balance, which means I print up a list of all the transactions we've done over the last day or two, and balance those against our records. So we're able to see when cheques go through and all of that basically as it happens. We can also stop cheques, do fund transfers to customers who want refunds... and things like that*". To summarise, respondents reported on carrying out the following activities (refer table one):

Table One – how Internet Banking is used

Paying suppliers 10	Checking account balances 10
Withdrawals 4	Preparing list of transactions 9
Creating invoices 6	Receipt preparation 6
Cheque stopping 6	Refunding customers 5

In order to understand why businesses utilise IB, their motivations for adopting it were examined. Media reports had previously indicated that organisations may have felt compelled to adopt IB, however this was not the case. Instead, feelings tended to be quite positive and there were clearly justified reasoning as to why IB was in their organisation's best interests. For example, it is perceived as "*a lot easier and quicker… because you're able to do it yourself, you're not relying on the bank to do it for you. You can just get online in the morning and do what you need to do."*

Interviewee Two, from a non-profit organisation, felt there were very clear reasons to utilise IB. There seemed to be different issues from a volunteer organisation to other organisations. *"Being a volunteer non profit organisation, it's very hard to get everyone together in one spot to sign cheques and that sort of thing. So time was a crucial factor… A lot of suppliers were insisting in fact that we move to electronic payment. The change (from using traditional banking) was … mainly my time commitments. I didn't want to spend my life being an unpaid accountant for this organisation and I could see it happening very quickly. And it was very difficult to get people to meet, because they were just unwilling to do so at the one place and one time to sign cheques. And I would find I was doing all the running around for them and not the other way around, so I thought 'enough's enough'".*

It was evident through the interviews that IB does not remove all face-to-face contact with the bank, as it depends on the organisation structure. This is illustrated by the following quote "*It's easier for everyone just to have electronic payment… oh, many of our tenants are still using cheques. I still have to go to the bank."* As can be seen, the respondents felt that convenience and time saving were major advantages of utilising Internet Banking within the business, therefore benefiting the organisation. Despite this, there was some degree of feeling forced to use IB. **"** *(I do feel forced), because it's the easiest alternative. There's not too many other ways that you could do it that's practical and efficient."* This was in direct contrast to Interviewee Five, who did not feel forced at all: *I don't have to (use Internet Banking), it just makes my life… easier. It just means one trip to the bank, not several. No telephone banking… it's easier."*

In order to best understand how positive the relationship was, loyalty to the relationship was explored. Through the interviews, it was obvious that there was a feeling of some degree of loyalty. Is it loyalty, however, or simply are switching costs too high? This was indirectly discussed by Interviewee One, an accounts keeper who appeared less certain of the loyalty: "*to an extent (we are loyal), because it would be pretty hard to change banks – just because we've already got all our records in there, and all of our daily direct debits are in there… But I don't know if that is really a loyalty so much as a convenience of using the bank that we've been using. (It would be hard to switch banks) because… well actually, (the bank we're with) just changed their system, and I found that hard to just learn using their new system let alone changing the bank and discovering a whole new system."*

Similarly, the treasurer for the non-profit organisation felt little loyalty. He explained that it was switching costs that kept him with his bank, and that he would love to switch banks: "*because the way it's set up… it's not user friendly. It's been based from the bank's point of view, which is fair enough, because that's where the finance system needs to operate from … security, trust… and confidentiality of the system. But for this organisation, and… a lot of other organisations, … it makes the assumption that … they have someone in the office that can just walk over and enter their log in, user name and password details…".* He explained that this was particularly relevant in a non-profit organisation. In contrast, interviewee three, an accountant and business owner felt a great degree of loyalty, as illustrated by this quote: "*Yes, I'm loyal. We've been with them over thirty years, so…"*

Perhaps decision makers are always more certain of their loyalty. For instance, interviewee Four felt that loyalty was 'inherited' from her employer, which is an interesting finding. As she explained, "*I think my boss is (loyal)! I don't have a strong opinion. They're (banks) all the same, I guess"*. This potentially raises the question about whether or not this is commonplace in terms of banking loyalty, that is, my boss trusts the bank, therefore I will, too. Loyalty, or commitment to the relationship, is essential to understand – it indicates how likely it is that relationships will be maintained, and also the potential impact SSTs could have on these business relationships. As indicated in the literature review, relationships in a B2B context are essential. Further, relationships within banking are viewed as very important, therefore a sense of commitment, or loyalty, to the bank is important to understand. Through the interviews, there is evidence of a strong loyalty to the banks, or at minimum, a perception of high switching costs.

As trust is such an important aspect of relationship marketing, the level of trust of the bank was examined to determine whether IB changed their trust level. All respondents trusted their bank, with one surprised that there would be any reason not to. **"***Yeah, absolutely (I trust them). But it never occurred to me not to. I think banks in general… (are trustworthy)".* It was interesting to see how naturally trust for the bank came to the respondents. Finally, in order to better understand whether there were any problems with the technology or use of IB within the business, respondents were asked about any issues. This was a concluding question designed to complete the interview, but provided more insight about the perceptions of the technology and even the service delivery from the bank. From a non-profit organisation point of view, Interviewee Two had difficulty with the logistics of organisational Internet Banking. He felt that non-profit organisations, or at least volunteer organisations, had different issues. The volunteers within this organisation are not the same place, at the same time, unlike most traditional organisations. Their bank requires two Internet Banking log ins, as their account is a two signatory account. This is best illustrated by the following quote: "*Internet Banking is difficult (for us) because the banks require you to be at the same place at the same time. Unless you have their log in details and password – which you're not meant to do, because banks tell you not to give out passwords and log in details. … to other people – for obvious reasons."*

The question regarding issues was asked towards the end of Interviewee Three's Interview. Interviewee Three had been relatively quiet throughout his entire interview, only answering the bare minimum. This interviewee required the most probing overall, however, he became much more responsive when discussing issues with his Internet Banking system. Therefore, it is concluded that this is a relatively major issue for him, and has impacted on his satisfaction with the system. This was regarding a change implemented by the bank which was not well received by the organisation, as indicated in the following quote "*Well I'm still using the old (system)… if I can, because the new one's hopeless. I mean they've actually had issues … I've seen it in the press… they've been involved in court action with the people who did it, and … so it hasn't really been a success for them, I think. From what I know of it." He* also struggles to get help for the new system: "T*he helpdesk with (Product A) was good. I've found the … that I've used the helpdesk with, what is it? (Product B)… I haven't used it very much, but in the initial stages when I was having problems with it, I used it a fair bit. I found them to be not very helpful. …Actually going back to your question about being forced to use Internet Banking… I don't feel forced to use Internet Banking, but I certainly was forced to use … (Product B)."* Perhaps the most important part of this interview is the fact that this respondent was most interested in talking about issues, despite discussing how loyal and committed he was to his bank just minutes prior. He seemed to see the issues with IB as separate from that of his banking relationship. Perhaps this is because the bank had another organisation develop the technology, and is obviously doing something about it. In the interim, he is sometimes being able to use his favourite system. The helpdesk is the only thing that could be solved at this point by the bank and appears to have had little investigation in terms of service delivery. This respondent, therefore, feels a great deal of loyalty to his bank, having been with them for over thirty years, but doubts the service delivery and feels forced to use a particular system. It has not yet influenced his view of the bank, rather just his perception of the technology.

An objective of the paper was to understand how the reduction of face-to-face contact can impact on relationships in a B2B context. There was little evidence to suggest that the removal of face-to-face contact impacts on B2B relationships in any way, despite the literature indicating that face-to-face relationships were important in a B2B context. Finally, the paper sought to understand how the use of technology impacts on trust and relationship commitment in a B2B context. While there was little evidence to suggest that technology impacts on trust or commitment to the relationship, it was evident that trust of the bank and commitment to the bank actually impacts on the perception of the technology, which was unexpected and interesting. Nevertheless, there were some limitations of the research, which must be discussed.

Limitations and Implications for further research and management

The major limitation for this research was generalisability, particularly given a small sample size. Also, it is expected that there was some self-selection bias, where only those that felt they could contribute to the topic participated. This requires further testing in a quantitative stage, to ensure more generalisability for all industries and organisation. Despite this, some implications are evident. Whilst a number of studies indicate how products are adopted or accepted, few examine B2B relationships and self-service technologies. Self-service technologies have altered the relationship between the service deliverer and customer, however, customers still demand outcomes that are dependable, provide easy access, flexibility and compensation when problems arise (Bitner, 2001). Overall, it appears that the level trust has a large impact on the perception of the relationship, and the perception of the relationship influences how respondents see the SSTs. Overall, the most insight gleaned from the interviews was that the stronger the relationship, the more likely the respondents were to think positively of the technology, or at the very least, not think negatively of Internet Banking. This was in direct contrast to the expected relationship, where it was anticipated that the respondents' perception of the technology would impact on the perception of the relationship. It was expected that a perception of Internet Banking would impact on the relationship, but it was actually the other way around. In the case where there was a negative relationship with the bank, the respondent did not find the system useful or easy to use, therefore perception of the technology was negative. Further, while there was little evidence that the quality of the relationship impacted on relationship length, there was evidence to suggest that where there was a weaker relationship, respondents were more likely to want to leave the relationship.

This research was aimed at exploring the following research question: **"what impact does the use of business Internet Banking have on relationships within a B2B context**?" It was apparent through the research that Internet Banking has had little impact on relationships, but that the existing relationship quality can impact on the perception of the technologies. This is an important finding, which requires further investigation. This research was conducted because it was expected that technology would impact on the relationships between bankers and commercial customers. After conducting exploratory research, it appears that this is not the case – in fact, it is the relationship, which impacts on the perception of the technology. Therefore, the old rules still apply for bank managers – relationship marketing is still essential in the day of technology. Surprisingly, face-to-face relationships were not seen as that important for building loyalty, but all interviewees had an established relationship prior to the use of Internet Banking. How this will change when the younger generation are establishing business relationships is still to be determined. It would be interesting to research this further with Generation Y business people. Quantitative research will be utilised to empirically test these areas. As banks seek ways to be more competitive, it is essential to understand the way in which the use of SSTs could impact on business relationships.

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