

DBA Coursework Cover Sheet:

Programme	Doctorate in Business Administration
Module name	Approaches to Research and Academic Communication (LCDB7000)
QAA Level	07
Schedule Term	February 2019
Student ID Number	1805406
Report/Assignment Title	Consumer Behaviour Change in the Banking Sector of the UK
Date of Submission	8 May 2019

Abstract

The report is split in two parts where in the first section a critical literature review is conducted on the consumer behaviour changes in the banking sector of UK. Consumer's banking channel preference and perceived risk has been significantly focused in the literature review due to the changing contexts. Consumer segmentation was also found to be as an active signifier of change during the reviews. Banking industry has been transformed from traditional high street to digitalised platforms where application based open banking has been found to be a new phenomenon which holds significant scope of research in relation to fintech adaptation and consumer attitude. Literatures from mobile banking system were assessed to outline consumer perceptions on digital channels and perceived risk.

In the second segment of the report, a detailed review on the philosophy, reliability and approach was drawn on one of the literatures studied in the prior segment due to its relevance to the present research idea. 'Understanding Mobile Banking Success Through User Segmentation' by Motiwalla, Albashrawi and Kartal (2018) provides a post adoption study of mobile banking which was conducted in the context of the United States and with a collaboration of a local bank. Implications of IS model success on consumer satisfaction was studied which provides a theoretical framework to further studies based on consumer perception and thus can be applied in assessing perceived risk and channel preference of the consumers as well.

Keywords: Consumer Behaviour Change (CBC), CBC in Banking, App-Banking/ Open Banking, Trust Management, Ontology, Axiology, Epistemology.

Index

Content	Page
1. Introduction	4
1.1.Theoretical Platform of Consumer Behaviour Change	5
1.2. Consumer Behaviour Change in Banking	6
1.3.Consumer Attitude on Digital Banking	6
1.4. Methodological Approaches in CBC Research	8
1.5.Literature Gaps	9
2.1. Research Ontology	10
2.2. Research Epistemology	11
2.3. Research Axiology	12
3.References	13

Part 1

Consumer Behaviour Change in the Banking Sector of the UK

1. Introduction:

The report will draw a critical literature review analysis on the consumer behaviour change within the banking sector of UK. The concepts presented in this report has been considered due to the increasing popularity of application based banking and technological adaptations by traditional high street banks by means of providing more personalised services (Warwick-Ching, 2018). The report focuses on consumer perception change in terms of selecting their banking channels and trust management with perceived risk which possibly resulted into emergence and acceptance of app-based banking segment.

Consumer behaviour change is an evident real time phenomenon within banking or financial industry of UK which emerged from fintech evolutions in past 5 years. More specifically, from the evolution of open banking (Warwick-Ching, 2019). From adaptation of online to mobile banking, self-services and flexible banking options, high street banks have been giving more control and sense of ownership to its consumers by operating multichannel platforms (Solomon, Bennett and Previte, 2010). Along with these channels, a different line of banking service, app-based or open banking, has also been identified which captured a very specific market segment by only operating online with an omnichannel provider. According to Deloitte (2017), digital banking will capture 3 billion consumers by 2021. As a consequence, not only consumer perception on risk and privacy management seems to have changed but also a new line of consumer segmentation has been created by app-based banking (Bai, 2012). Millennials and younger generation are identified to be among this specific segment due to the agility and flexibility of this new banking approach (Tan and Lau, 2016).

The report will examine the literatures on the concepts of consumer behaviour, transitions and segmentation in the contexts of banking. Literatures on trust management and

adaptability will also be evaluated to identify the gaps in considered sector. Due to the time period of the transition and lack of focused research on app-banking, literatures on trust management and technological adaptation will be derived from mobile and digital banking section. The literature review has been designed conceptually from a general perspective towards a focused evaluation.

1.1.Theoretical Platform of Consumer Behaviour Change:

The concept of consumer behaviour refers to an individual's consumption decision, habit and experiences (Solomon et. al., 2013). The core components of consumers are considered to be their demographic and psychographic features which regulates or influences any change in consumption decision can be identified as consumer behaviour change (Ibid.). However, the determinants of consumer behaviour might change depending on the value and mode of obtaining the value by the consumers. For instance, in digital technology adoption, specifically in banking: service quality, perceived risk, security and privacy were identified to be the catalysts of consumer behaviour change (Howcraft et. al., 2002; Motiwalla, Albashrawi and Kartal, 2018).

In terms of the theoretical background of consumer behaviour change, a number of theories can be assessed in relation to subjectivism and objectivism. According to the role theory, consumers are addressed as actors in marketplace who are responsible to change their decisions depending on different contexts (Solomon et. al., 2013). However, the planned action theory suggests that decisions are subject to the influences and social norms that an individual perceives in their context (Ibid.). The first theoretical perspective reflects a subjective and the later one depicts an objective point of view on consumer behaviour change. However, although being objective, the theory of reasoned action by Fishbein suggests an individuals normative belief, subjective norm and attitude to influence their judgement which in a way occurs through active thinking by the consumer and thus they decide to act upon them, depicting as an actor to make those changes. Similarly, the theory of planned behaviour also reflects influence of an individual's previous belief and values which makes them to catalyst a change of behaviour (Glanz, Rimer &Viswanath, 2015).

1.2. Consumer Behaviour Changes in Banking:

The idea of non-traditional and digital banking is evident in the report by Worthington and Welch (2011) who identified lack of trust, financial crisis and accessibility of information technology as the reasons for new banking opportunities to enter the UK financial industry. Retail Banking was addressed to be the alternative for traditional banking, however, application based banking have also been added to this at present. Consumer's changed perception on trust management and preferred channels of using financial services has also boosted banking transitions. According to Howcroft et. al. (2002), consumer preferences on banking is affected by their choice of financial service delivery channels. Although the study was conducted 17 years ago, the findings on consumer age impact on preferring banking channels is evident at present in UK. However, the report by Koenig-Lewis (2010) suggests that preferences of online and mobile consumers are different which points out at different segments of consumers instead of existing individual's preferences from multichannel financial services.

1.3. Consumer Attitude on Digital Banking:

The literature on consumer flexibility on adapting digital banking platform has been drawn from mobile banking and consumer behaviour on technological adaptation context here in order to assess determinants of consumer's perceived risk of trusting open banking and rationale of selecting different banking channels.

The consumer segment identified for internet or mobile banking is the young generation aged from 16-29 in a number of literatures (Chau and Ngai, 2010). According to a paper by Chau and Ngai (2010), young generation perceives internet banking more accessible than traditional banking. In the same year another research (Koenig-Lewis, Palmer and Moll, 2010) identified 'behavioural intentions or segmentation' as the rationale of using mobile banking among young generation which supports the compatibility factor mentioned in Chau and Ngai's (2010) report. However, both of the data samples studied in the reports were limited to younger

generation from different countries which portrays only a single consumer segment and thus does not provide the overall consumer attitude on mobile banking. In terms of methods, Chau and Ngai (2010) followed primary research including a group of international students while Lewis et. al. applied Technology Acceptance Model and Innovation Diffusion Theory on a larger data set which makes it theoretically more considerable.

The adoption of mobile banking and attitude towards it has been studied from a user segmentation point of view by BAI research (2012) and Motiwalla et. al. (2018). In the Bai research the importance of new banking systems were identified to capture market gaps prior to the emergence of app-banking whereas in the research by Motiwalla et. al. (2018) user segments has been portrayed in terms of subjective attributes (Age, gender, Profile and education) and objective measures where channel preferences were identified in terms of actual use of system. On the other hand, in the BAI research, channel preferences has been linked to user experience and customer relationship management. Attitude towards technological adaptation has also been considered as a signifier.

In terms of trust management, according to Mogaji, Farinloye and Aririguzoh (2016), maintaining consumer relationship is key to build trust between banks and clients. Trust management can be divided in two components which is money and user data. According to Yu, Balaji and Khong (2015), trust management is the core ingredient that influences financial decisions of consumers. The issue was investigated from a trust theoretical perspective in their literature. However, the literature was limited to the Malaysian context which is why only the theoretical perspectives can be derived from the report. Moreover, an overview perspective on factors that influence trust in technological aspects of banking was analysed by Skvarciany and Jureviciene (2017) where bank reputation was identified to be most effective in influencing consumer decisions. The findings connect consumer attitude with the planned action theory where a consumer decision is influenced by social norms and thus gives a theoretical platform to investigate the topic.

1.4. Methodological Approaches in CBC Research:

There are a number of existing literatures conducted in different contexts which provide a methodological overview of the research. Since, trust management, channel preference and consumer attitude were identified to be the catalysts, methodological approach towards measuring them has been explored in this section.

Upon assessing the literatures, there were two types of methodological approach identified to be adapted by the researchers in order to measure consumer behaviour in different contexts. Quantitative method has been identified to be the most usual approach to conduct consumer perception based studies. In a research on technology trust and mobile banking satisfaction in Malaysia (Masrek et. al., 2013), a sample of 312 consumers were surveyed in order to assess their trust in mobile banking. Similar method was also adapted by Balabanoff (2014) and Howcroft et. al. (2002) where data was collected by questionnaires. However, the sample of Balabanoff (2014) was a convenience sampling within an university context which limits its acceptability on larger scale. The data sample by Malik (2017) and Skvarciany (2019) differs from these researches as they adapted secondary data and expert evaluation. The research by Skvarciany (2017) looked into expert opinions on trust management banking institutions which addresses an internal picture of the issue whereas Malik (2017) focused on application of a number of conceptual models to illustrate the factors influencing adoption. While the research by Skvarciany (2017) provides an internal and organisational point of view on the issue, the other reports provide practical data from real consumer base similar to Motiwala et. al. (2018) research on segmentation.

In terms of data analysis, conceptual model analysis on consumer data was found to be a common approach. The significance of technology adoption model and theory of planned behaviour was evident in Malik's (2017) whereas the Information Success model can also be suggested to examine success factors after adoption of technology (Motiwalla et. al., 2018). Correlation, Chi square, Reliability and Hypothesis testing were exemplified to be applicable in studying likert based scalable objective data

retained from consumers (Balabanoff, 2014; Howcroft et. al., 2002; Masrek et. al., 2013).

1.5. Literature Gaps:

Since app-banking is a new phenomenon, there is a great number of research scope within this area. In terms of trust management, although examples from mobile banking has been evaluated in this research, it differs itself from omnichannel digital banking due to the channel limitation and also obtaining trust from different consumer segments. Factors influencing trust management in selecting financial service channels can be explored within diverse consumer segments.

The issue of transparency has been highlighted by the virtual banks which bridges the issue of hidden charges in traditional banking. However, in terms of channel preference the issue of virtual and traditional high street banking holds more research opportunity which will help traditional banks to minimize their cost and provide more focused and personalised services. By contrast, virtual banks will also have an intensive acknowledgement of their channel limitation and thus integrate their financial services based on user segmentation.

Part 2

The literature that has been chosen to study in detail is ‘Understanding Mobile Banking Success Through User Segmentation’ by Motiwalla, Albashrawi and Kartal (2018). The rationale behind selecting this literature lies on its contribution in terms of updated knowledge of consumers of mobile banking which is the nearest alternative for open banking.

2.1. Research Ontology:

The philosophy of the research was to establish a correlation between mobile banking success factors and user segmentation. The research was executed from both objective and subjective ontological perspectives. In terms of objectivism, the research identified user segmentation by system usage of the consumers which is the frequency of using different features of the application. By contrast, from a subjectivism stance, the research also provided an insight of consumer satisfaction and intention on mobile banking process. Studying the objective measures of the research was ultimately directed by the consumers since it was them acting as ‘actors’ while using the mobile applications for banking however, the user data was examined from an objective point of view which makes the research a balanced approach to identify mobile application banking success.

The social reality represented in the research was that user segmentation based on their demographic features is less applicable than usage segmentation which is an indication of the researcher’s ontological stance on being a objectivist. The usage of mobile banking application was also considered to assess user intention and satisfaction providing a qualitative view of the system. Moreover, it also focused on post adoption factors within consumers as a follow up of existing research on consumer adoption and attitude towards the system. Thus, the research managed to cover both consumer and usage perspectives. However, the research only limited itself in homogenous segmentation since, it acknowledges the existence of a great number of population segmentation study based on heterogenous features. It could

have added more subjective value in terms of client professional features by acquiring user information which could be used for targeting focused consumers.

The approach adapted during the research reflects pragmatic knowledge of the context since it examined a factor that have not been explored before by using models from information systems and applying it on consumer psychology which can be addressed as an innovative strategy.

2.2. Research Epistemology:

Although the researchers hold a mixed stance on their ontological position in this research, the design of it reflected positivist views of the researcher. The rationale behind this was the use of homogenous segmentation where only the application usage data, user demography and frequency of using different features were examined in the research. Hypotheses were developed during the research and two frameworks were used to evaluate user experience and their data.

Cluster analysis was applied in order to categorize consumers based on their transaction type and frequency of use collected from bank log data. Meanwhile in order to synchronize the usage data and consumer satisfaction, a survey was executed by the banks involved in the research which gave an overview user information by means of their demographic features. Although in the beginning of the research, heterogenous segmentation was rules out but in the data collection it was included to assess the factors that might trigger certain user behaviour.

In terms of analysing the subjective data, quantitative measures were adapted where group means and cluster differences were assessed. A further correlation and regression would have provided more intensive results which was not considered in the research. Moreover, it would have added more value in terms of data collection, if not only the transaction types but also the vendors where consumers are spending were collected in general. For instance, the consumer buying habits on grocery, fashion or any other types of value purchase is being used in open banking fintech.

Thus, the research could recommend any specific interface changes or new features which complements user buying pattern in addition to their satisfaction.

2.3. Research Axiology:

In terms of ethical consideration of the research, it has worked in collaboration with a US local bank who provided the usage log data with the permission of the users and also encrypted user response while synchronising with the log data files. Thus the research removed bias and security concerns from its data sample.

In terms of validity of the research, it provides a post adoption success overview of mobile banking by evaluating consumer satisfaction and intention. In terms of satisfaction, the research holds a significant value by assessing consumer satisfaction of system quality and performance, however, in terms of intention the research only provides types of transactions done by the users which is a partial representation of intention.

In terms of reliability of the research with the considered topic, it provides an insight of how consumer behaviour can be studied in the changing banking perspectives. Consumer satisfaction can be switched with perceived risk and privacy concern during the potential study.

References:

1. Bai (2012). *The New Banking Consumer 5 Core Segments*. [online] Available at: http://www.latinia.com/IF/Documentos/The_New_Banking_Consumer_5_Core_Segments.pdf [Accessed 1 May 2019].
2. Balabanoff, G. (2014). Mobile Banking Applications: Consumer Behaviour, Acceptance and Adoption Strategies in Johannesburg, South Africa (RSA). *Mediterranean Journal of Social Sciences*.
3. Chau, V. and Ngai, L. (2010). *The youth market for internet banking services: perceptions, attitude and behaviour* | *Journal of Services Marketing* | Vol 24, No 1. [online] Emeraldinsight.com. Available at: <https://www.emeraldinsight.com/doi/abs/10.1108/08876041011017880> [Accessed 1 May 2019].
4. Deloitte (2017) [online] Available at: <https://www2.deloitte.com/content/dam/Deloitte/lu/Documents/financial-services/Banking/lu-digital-banking-benchmark.pdf> [Accessed 1 May 2019].
5. Howcroft, B., Hamilton, R. and Hewer, P. (2002). Consumer attitude and the usage and adoption of home-based banking in the United Kingdom. *International Journal of Bank Marketing*, 20(3), pp.111-121.
6. Koenig-Lewis, N., Palmer, A. and Moll, A. (2010). Predicting young consumers' take up of mobile banking services. *International Journal of Bank Marketing*, 28(5), pp.410-432.
7. Glanz, K., Rimer, B. and Viswanath, k. (2015). *Health Behavior: Theory, Research and Practice*. 5th ed. John Wiley & Sons.
8. Laukkanen, T. (2007). Customer preferred channel attributes in multi-channel electronic banking. *International Journal of Retail & Distribution Management*, [online] 35(5), pp.393-412. Available at: <https://www.emeraldinsight.com/doi/full/10.1108/09590550710743744> [Accessed 30 Apr. 2019].

9. Malik, A., Suresh, S. and Sharma, S. (2017). Factors influencing consumers' attitude towards adoption and continuous use of mobile applications: a conceptual model. *Procedia Computer Science*, 122, pp.106-113.
10. Masrek, M., Mohamed, I., Daud, N. and Omar, N. (2014). Technology Trust and Mobile Banking Satisfaction: A Case of Malaysian Consumers. *Procedia - Social and Behavioral Sciences*, 129, pp.53-58.
11. Mogaji, E., Farinloye, T. and Aririguzoh, S. (2016). Factors shaping attitudes towards UK bank brands: An exploratory analysis of social media data. *Cogent Business & Management*, 3(1).
12. Motiwalla, L., Albashrawi, M. and Kartal, H. (2018). Understanding Mobile Banking Success Through User Segmentation.
13. Skvarciany, V. and Jureviciene, D. (2017). Factors Influencing Customer Trust in Mobile Banking: Case of Latvia. *Economics and Culture*, 14(2), pp.69-76.
14. Solomon, M., Bennett, R. and Previte, J. (2010). *Consumer Behaviour*. 3rd ed. Pearson Higher Education.
15. Tan, E. and Leby Lau, J. (2016). Behavioural intention to adopt mobile banking among the millennial generation. *Young Consumers*, 17(1), pp.18-31.
16. Yu, P., Balaji, M. and Khong, K. (2015). Building trust in internet banking: a trustworthiness perspective. *Industrial Management & Data Systems*, 115(2), pp.235-252.
17. Warwick-Ching, L. (2018). *Shake-up for UK bank accounts comes into force* | *Financial Times*. [online] Ft.com. Available at: <https://www.ft.com/content/3930bbd2-f619-11e7-8715-e94187b3017e> [Accessed 1 May 2019].
18. Warwick-Ching, L. (2019). *Open banking: the quiet digital revolution one year on* | *Financial Times*. [online] Ft.com. Available at: <https://www.ft.com/content/a5f0af78-133e-11e9-a581-4ff78404524e> [Accessed 8 May 2019].
19. Worthington, S. and Welch, P. (2011). Banking without the banks. *International Journal of Bank Marketing*, 29(2), pp.190-201.

