

Young consumers behavior in the market of electronic banking services

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Abstract

The paper presents theories regarding characteristics of consumer behavior of young customers on the basis of relevant literature and development of electronic banking in the world and in Poland. Aim of this article is to determine attitude of young consumers towards electronic banking based on a survey among group of selected students. This seems especially important because current young consumers are increasingly better educated and are able to determine their needs very precisely. They access information quickly which enable them to determine whether the offer meets their expectations – banking services are no exception. Results of studies may help both the bank management to formulate marketing strategies to promote virtual banking and scientists in the study of virtual banks and virtual organizations in general.

Key words: *consumption, consumer behavior, young customers, electronic banking*

1 Introduction

In recent years, a number of changes in functioning of financial institutions could be observed. They concern both defining needs of target customers and adapting banking offer to these needs. Dynamic development of information and telecommunications technology has contributed to creation of new opportunities for collection, storage and transmission of information.^{1,2} It changed the picture of banks fundamentally, in particular the form of provision of banking services to customers, with an emphasis on self-service and emergence of modern services.

In recent years, an important place in these services is occupied by electronic banking services. Electronic banking (*e-banking*) was defined most accurately by the Council of Electronic Banking at the Association of Polish Banks as a form of services provided by banks, which enable access to account through an electronic device: a computer, an ATM, POS terminal,

phone, especially mobile, or using the telecommunication network, mainly the Internet. Basic element of electronic banking is therefore EDI, i.e. Electronic Data Interchange, which in this case is narrowed to cooperation between client and bank, and is limited to banking services.

The aim of this article is to present consumer behavior issues and the results of empirical studies on consumer behavior of young consumers in the electronic banking market. Authors focused on explaining how young consumers nowadays perceive available market offer of banks and what are their preferences in this area.

1.1 Consumption behavior of electronic banking young clients

In the literature, the concept of consumer behavior has been present since the middle of twentieth century. It originates from American words “consumer behavior” and “consum behavior”. Their importance was first explained by American psychologist *J. C. Mowen*,³ according to which consumer behavior is associated with decision-making regarding the acquisition of goods, services, experiences and ideas and consuming and disposing them. Based on this definition, business and economics psychologists at Tilburg University – *G. Antonides and W. F. van Raaij*⁴ offered its own, broader recognition of the term, explaining that consumer behavior is the behavior “including mental and physical activities, together with the motives and causes, individuals and small groups concerning orientation, marketing, use and disposal of product and production of household rare goods and services by market sector, public sector and household sector; which enables the consumer to operate and achieve their goals and realize their value, and thus achieve satisfaction and well-being, taking into account short- and long-term effects of individual and social consequences”. This definition was developed based on years of observation of consumer behavior in the market and research on their purchasing decisions. It explains what consumer behavior really is not only through the prism of economic activity of man directed to directly meet needs of consumer, but also taking into account the cycle of consumption and the type of market where consumers choose the most useful goods which meet their needs.

On the basis of definition formulated by *G. Antonides and W. F. van Raaij* many other have been developed. Each of them in a similar way explains what consumer behavior is. In Polish literature the term is usually explained as “behavior which includes everything that precedes, occurs during and after the purchase of consumer goods and services”,⁵ or “process encompassing all activities related to decision-making, starting from awareness of needs and end of assessment of accuracy of consumer decisions, including exchange of information”.⁶

Above-mentioned definitions show that concept of consumer behavior takes on different meanings. Based on these definitions, we can assume that consumer behavior include the conduct of people in the process of meeting their felt needs from the moment of determining needs, through purchase, up to use of purchased goods.

Looking at the on-line decision-making from detailed perspective models present in the theory of consumer behavior can be adapted. Among them it is worth paying attention to three: Markov model, Bettman model, and EKB model.

Markov model is based on assumption according to which the consumer can translate benefits of decision taken by him on non-financial measure, which is usability. However always taking into account risks associated with the purchase of goods. Among consumers, there are those who prefer to avoid risk. They take purchasing decisions very carefully, hoping that purchased goods will fully satisfy their expectations. But there are also consumers who look for risk. They make a good purchase often on impulse, having limited knowledge about it. Such decisions carry a risk, that the good will not be able to meet their felt needs.

Second of mentioned models – Bettman model⁷ is based on different assumptions. It is a model that explains in a comprehensive way, how decisions to purchase are made by the consumer. The author of this model assumed that consumer behavior is going according to a certain program, which is consciously controlled by consumer.

Third model – EKB model, was developed in 1968 by *J. F. Engel, D. T. Kollat* and *R. D. Blackwell*⁸. According to EBK model making purchasing decisions takes place in five phases. These are: problem identification, problem search, assessment of options for choice, decision to purchase a particular good and results of selection. This model accurately explains behavior of consumers in each of five phases. Also *Zeithaml* and *Bitne*⁹ suggested that description of decision-making process can also be used for services.

Behavior of buyers in buying process vary significantly. They are determined by many factors shaping decision-making process of purchase. The process is particularly affected by income and consumer prices of individual goods, as well as numerous socio-cultural, psychological, situational and sex factors.¹⁰ These factors influence whether consumer decides on choice of a specific product or service, and if selected good satisfies his needs.

In recent years, significant changes have taken place in purchasing behavior related to modern communication technologies. E-services are becoming more and more common. The feature of e-services is their interactivity, situational personalization and real-time control.¹¹ In terms of e-services, Poles relatively frequently use Internet banking services (83.4%). Higher

education favors the use of electronic banking, namely the higher the education, the more often Poles benefit from e-banking. The most active group of consumers using e-services are people aged 25–34 and 35–44.¹²

Young people constitute a significant group of customers which are recipients of increasingly wider range of banking services. Nature of market of young consumers to a large extent is determined by distinguishing characteristics of young people, their tastes, requirements, purchasing preferences and financial capabilities. Importance of this market is large because young people have significant purchasing power, often own financial resources, they carry out purchases of various goods and services on their own, and also play an important role in purchasing decisions of their peers and members of their households. Young consumers are financial institutions group of customers filling the gap between elder individual customers, entrepreneurs and corporate clients. Financial institutions offer young consumers more and more products and services, and even form an integrated package tailored to their growing requirements. The widest offer in this area are banks. They offer young consumers both traditional as well as modern products and online services.

Research carried out by *T. Laukkanen et al.*¹³ shows that young consumers are more willing to adopt innovations related to new forms of payment than older people. It can be hypothesized that older consumers are more resistant to accepting innovations in mobile banking. Researchers have identified the primary sources of resistance, which were the fear of losing PINs, the low battery life of mobile phones, the fear of losing the phone.¹³

1.2 Development of electronic banking in the world and in Poland

Origins of electronic banking, or virtual otherwise, is seen in the development of the first cash machines (ATM).¹⁴ Others describe telephone banking and home banking as other forms of virtual banking.^{15,16}

With growing interest in electronic banking, banks have begun to provide more and more services. They were addressed to individual clients, as well as enterprises and institutions whose activities are related to trading currency. Among them it is worth to mention:¹⁷

- eLending – consumer loans – adoption of loan application by the bank, automatic performance of analysis, and providing the client with information about the results of this analysis takes place by using a special e-credit scoring, which also gives customer opportunity to get acquainted with the bank, check credit worthiness and repayment schedule of the loan,
- eBilling – service of electronic management of accounts,

- eBroking – brokerage services on the Internet,
- personal financial management services.

In summary, emergence of computers and telecommunication networks and the use of Internet for full commercial purposes facilitated the transfer of almost entire financial turnover of banks in the virtual area. Development of electronic banking in Poland for many years facilitates the use of traditional services, the content of which has not changed, but methods of service provision are quite different. It also gives the possibility of extending existing services of banks offer with entirely new services resulting from technology capabilities.

2 Experimental

In Poland there are numerous publications presenting the results of consumer behavior surveys in the electronic banking market, while there is no research on the segment of young consumers. The authors undertook the task of filling this gap. The research question is helpful in achieving this goal: What factors determine the consumer behavior of young people in e-banking? Survey was conducted between January and February 2016 in the form of electronic questionnaire sent out to students of the Czestochowa University of Technology and other young people through social media. Replies were received from 201 people. The study involved mostly people aged 18–30 years. People over 30 years old accounted for only 6% of all respondents. The most numerous group representing 72.5% were young people aged 21–25 years. Respondents were mostly women (70%), only 30% of answers were provided by men. Important from the point of view of research on consumer behavior and preferences of payment is also a look at the respondent's place of residence. In this study, the largest group of respondents were urban inhabitants (72.5%). Others participating in the study were the rural population – 27.5%.

As research method the survey technique was used. The research tool was built with questions which enable to identify the determinants of young consumers' behavior in e-banking.

Behavior of young customers in e-banking services is extremely impacted by their financial situation. In own assessment of respondents their financial situation is mostly good (59.3%). However, up 30.7% of respondents indicated that it is only sufficient, and 1.5% that poor. Only 8.5% rated their financial situation as very good.

Among respondents only few, because 2% do not use bank services. These individuals indicated that young man begins to use services of the bank when it begins to receive a

scholarship or start to work. It can be concluded that, unfortunately, they do not receive income by now. Remaining respondents pointed out that an income resulting from a job or scholarship is an incentive to use bank's services (68.3%). As many as 19.1% respondents believe that under the influence of peers using such services, they also consider what benefits it could bring. Among other factors influencing decision to use services of the bank respondents mention a possibility of making payments online, residence far from the family, easier control of income and expenditure, requirements of many institutions for online payments, were mentioned. Respondents asked about the best source for information about offer of bank frequently pointed out to opinion of other users (33.3%) or website of the bank (25.4%). According to respondents considerable importance also have direct conversation with consultant in a bank branch.

Answering the question of what banking products are most popular among young people, the vast majority (184 persons) indicated personal accounts, and 47 people also pointed to credit cards. In third place subjects mentioned term deposits (23 people). Little popularity among young people, in opinion of respondents, have consumer loans or mortgages. This is probably due to lack of creditworthiness of youth. Almost 50% of respondents believe that a very large or large importance when choosing a bank has lack of requirement of bank to have a minimum monthly income.

Respondents do not use telephone banking (operations performed using landlines), while they most commonly use terminal banking, i.e. operations carried out by payments cards (50%). Almost as often (46.1%) perform operations via the Internet. Surprising is only a 3.9% share of mobile banking (operations using mobile phones).

Among the most commonly used online banking services respondents listed: checking account balances (125 people), paying bills by standing orders or direct debits and transactions made with the card. Young customers of electronic banking as biggest advantages mention saving time, and access to account 24 hours per day. They appreciate also lack of queues at bank branches and speed of transaction. Among disadvantages young people show the need to access to Internet and no access to account because of maintenance of network. 61 people from among respondents believe that security system of electronic banking services is insufficient.

3 Discussion and conclusion

To summarize discussion of consumer behavior in a virtual environment it should be emphasized that the Internet has created a behavior specific only for this medium – ability to create individual products at prices of bulk products, ability to quickly and effectively find niche products, fast comparison of prices, opportunity to review thousands of user reviews on the topic. In other words, Internet allowed to collect more information in less time. Therefore it can be said that the biggest change resulting from operation in a virtual environment took place in decision-making process of the consumer at the stage of looking for information and assessment of alternatives to choose from, although questioned young customers appreciate direct contact with the consultant at the stage of gathering information about a product. However, there is no doubt that the Internet is one of the most important factors affecting current consumer behavior, and its role will increase year over year.

The Internet has become a new medium for banking services. It opened a prospect of easier, faster and less expensive reaching existing and potential customers. The extent to seize this opportunity is up to banks. Banks that embrace the Internet as a form of provision of services have a chance to achieve a competitive advantage.

Study has shown that online banking is the form of provision of services within electronic banking most preferred by young people in Poland. From banks point of view it is characterized by sufficient level of security, however we must remember that it requires appropriate technical conditions on the customer side. In the opinion of respondents telephone banking is irrelevant, and mobile banking is currently used on a small scale most likely due to relatively low level of security, or lack of youth access to mobile Internet.

In context of increasing requirements of people using modern banking, specialized solutions can help banks retain more customers by protecting not only online and mobile transactions, but also integrity of their brand.

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