

CHAPTER TWO

REVIEW OF LITERATURE

In order to study the attitudes of mature consumers toward e-banking service, it is vital to know about the relevant theories, concepts and previous research. This chapter will review the literature in nine main areas as follows:

1. Overview of Electronic Banking
2. E-banking in Thailand
3. Innovation Theory
4. Innovation Resistance
5. Demographic Segmentation
6. Maturity Theory
7. Mature Consumer and Banking
8. Aging Society in Thailand
9. Relevant Researches

2.1 OVERVIEW OF ELECTRONIC BANKING

Although there are many books mentioned e-banking, few can explain the meaning and characteristics of this kind of innovation properly; one of books that offers a clear meaning of overall e-banking is entitled “The E-Business (R)evolution.”

Amor (2000) explained that one successful online business is e-banking. For the usage, consumers can take this service by accessing their account and perform an order through a bank’s website, for which there is no special program or complicated software required. Many banks offer free of charge e-banking service. It was sound business for some banks to offer lower transaction costs, compared to service via the bank’s counter. E-banking helps users and organization spend less. This service empowers consumers to take financial service, such as ATM’s service by themselves, so they do not have to queue at the bank’s counter. E-banking provides many useful features: account details, account histories, funds transfer, bill payments and customer services.

2.2 ELECTRONIC BANKING IN THAILAND

Since this study will focus on the e-banking in terms of the Thai context, the characteristics of e-banking in the view of Thai experts should be presented as well.

Dr. Srisak Jamornman stated that e-banking is a kind of banking service and its service names might be varied by each service provider, such as internet banking, online banking or cyber banking. E-banking can be divided into two types according to its service channels:

- The Internet or
- Other electronic channels

For the services offered via internet channel (internet banking), they include:

- Inter- account funds transfer to owner or other account
- Cheque status inquiry
- Stop-payment cheque
- Stop-payment cheque inquiry
- Account statement inquiry
- Account balance inquiry
- Payment inquiry
- Payment history inquiry
- Loan application
- Bill payment
- Credit card payment
- etc.

Other electronic channels

- ATM
- Cash Deposit Machine
- Smart Card
- Tele-Banking
- Mobile Banking
- etc.

2.3 INNOVATIVE THEORY

Rogers (1973) mentioned if an idea seems new and different to the individual's opinion, it is regarded as an innovation. He described the characteristics of innovation as follows:

1. *Relative advantage* is the level to which an innovation is considered more superior to the former idea. If the people realize the relative advantage of the innovation, they adopt the innovation faster.

2. *Compatibility* is the level to which an innovation can get along well with the existing values, past experiences, and needs of the consumers. If an idea is incompatible with the previous ones, it will not be adopted as rapidly as a compatible innovation.

3. *Complexity* is the level to which an innovation is considered as relatively difficult or complicated to understand and apply.

4. *Trialability* is the level to which an innovation may be tested with a limited basis. New ideas being tried on the installment plan will generally be adopted more quickly than indivisible innovations.

5. *Observability* is the level to which the results of an innovation are realized by others. If an easiness of the innovation can be seen, the adoption rate of people will increase.

2.4 INNOVATION RESISTANCE THEORY

Arnould, Price, and Zinkhan (2004) defined the meaning of innovation resistance as “a preference for existing, familiar products and behaviors over novel ones (p.722).”

According to Laukkanen, Sinkkonen, Kivijärvi, & Laukkanen (2007) who cited the work of Ram and Sheth (1989), innovation resistance occurs because it poses potential changes from a satisfaction of consumers and conflicts with consumers' belief structure. Innovation resistance of consumers depends on different barriers which prevent the adoption by consumers. Consumer resistance to innovation consists of functional barriers and psychological barriers. Usage barrier, value barrier and risk barrier are functional barriers which likely occur when consumers perceive

considerable changes from innovation adoption. Meanwhile, traditional barrier and image barrier refers to psychological barriers which are often caused by conflict with consumers' former beliefs.

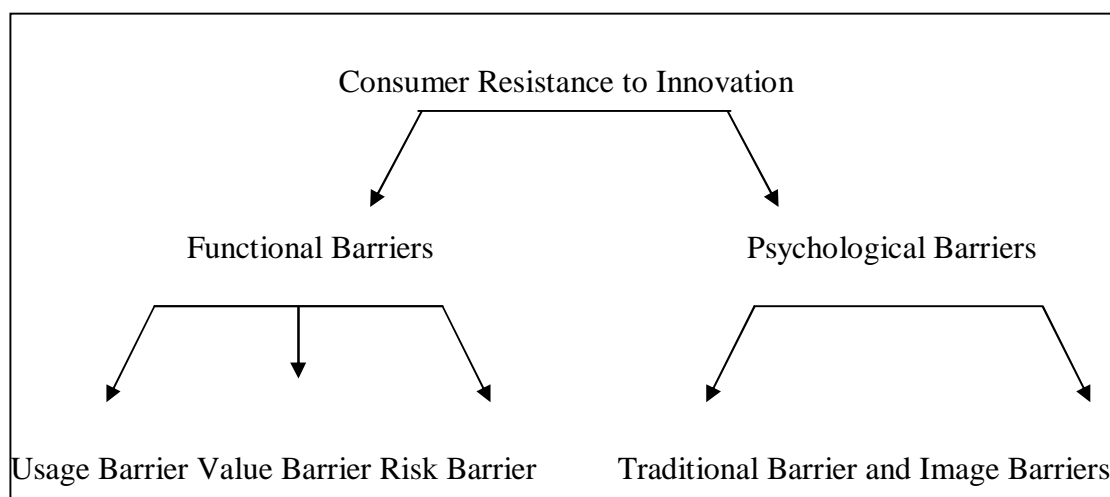


Figure 1. Consumer Resistance

Note From “Consumer resistance to innovations: the marketing problem and its solutions,” by Ram, S., & Sheth, J.N., 1989, *The Journal of Consumer Marketing*, 6(2) (pp. 5-14.)

Ram and Sheth (1989) further described those minor five barriers as following:

- The *usage barrier* is related to the usability of an innovation and the level of changes it requires from the consumers. This barrier occurs when the innovation does not get along well with the consumers existing practices, habits or behaviors.
- The *value barrier* is related to monetary value of an innovation. If the consumers find that the innovation is not worthwhile, they will not buy it.
- The *risk barrier* is based on the level of uncertainty that is inherent in innovations.
- The *tradition barrier* refers to the change of an innovation which may result in the daily routines of consumers.
- The *image barrier* is the stereotyped opinion of consumers towards each innovation.

2.5 DEMOGRAPHIC SEGMENTATION

According to Kotler et al. (1999), demographic segmentation is the way that the consumers' market is divided by demographic variables, such as age, size of family, gender, income, career, education, religion, nationality etc. Demographic segmentation, the most popular category, is always used to divide consumer markets because this variable is relatively easy to measure.

2.6 MATURITY THEORY

Maturity does not depend on only an increase of age, but a change in individual's personality. According to an American business theorist, Chris Argyris (2008), there are seven factors determining the state where people have become "mature":

1. Developing from an infant who is in passive state to an adult who is in active state.
2. Changing from depending on others into relying on themselves.
3. The mature are capable of behaving in many ways.
4. Having deeper and stronger interest rather than shallow interest.
5. Time perspective of the mature will include present, past and future which differs from the immature that have only a present time perspective.
6. Developing from subordinate to equal or higher position.
7. Changing from the awareness of the 'self' into the ability to control the 'self.'

2.7 MATURE CONSUMERS AND BANKING

Thomas and Sullivan (1989) believed that the mature market in USA would be the retail banking battleground of the 1990s. More than 65 percent of bank saving deposits and 80 percent of savings and loan deposit accounts for the mature market. They estimated that around 10 percent of commercial banks served senior markets and that figure would double in the future. Besides, they added that there were four strategies to win the mature marketing program: understanding the market, gaining management commitment, communicating with the market and developing employee sensitivity.

Eichelbaum (1999) presented tips on dealing with Seniors in “Understanding Generational Differences Will help You on Calls with Older Clients” as following:

1. Do not make them fear; otherwise they will shut down at suggestion.
2. Treat the senior as they are younger than they actual age.
3. Motivate them with materialism.
4. Motivate them with the products and service to enhance their lives.
5. Respect them.
6. Use lower tone when speaking with them.
7. Let them analyze each purchase.
8. They do ‘shop around.’
9. They read and volunteer more than other age groups.
10. They fear aging.
11. Honesty is the best policy.
12. Try to be familiar to them as you are their kids or friends.
13. Their life span will be longer than the baby boomers.
14. They are frugal, not poor.
15. They are low-risk investors.
16. They have a long married life with the same person.
17. Friends, peers, word- of- mouth and doctors have higher influence on their purchasing decision making.
18. Respect their assets.

2.8 AGING SOCIETY IN THAILAND

According to Business Thai newspaper (2008) that cited the information of the National Statistic Bureau, Thailand is stepping into the aging society with a proportion of aging population of more than 10 percent out of the entire population.

Table 1. Proportion of aging population

Year	Proportion of aging population (%)
2005	10.4
2006	10.5
2007	10.7

Source: the National Statistic Bureau

The aging society, which partly affects the living condition of people in society, is due to the ongoing drops of fertility, but the mortality remains steadily.

2.9 RELEVANT RESEARCH

According to the study on “Internet Banking Adoption in Thailand: A Delphi Study” conducted by Boonyarat Samphanwattanachai (2007), the main findings which came from the experts’ opinion showed that the objective, goal and information technology infrastructure of the Bank affect Internet adoption by banks. Meanwhile, the number of internet users, trust and security were key factors affecting Internet adoption by customers. The experts proposed that Internet banking cannot replace the traditional distribution channels of the bank. In 2012, the trend that bank branch, ATM, telephone and internet will be main retail banking distribution channels in Thailand respectively. In 2017, bank branch, ATM, telephone, WAP technology and Internet will be used most, respectively.

According to the study of “Innovation Resistance Amongst Mature Consumers” conducted by Tommi Laukkanen, Suri Sinkkanen, Marke Kivijarvi and Pakka Laukkanen (2007), it was found that the value barrier is the main barrier that makes both young and mature consumers avoid adopting mobile banking. The outstanding differences between mature and young consumers’ perceptions are related to the input and output mechanisms of information, the battery life of a mobile phone, a fear that the PIN code would be lost and stolen, including overall effectiveness of this new technology.

In conclusion, the literature review in this chapter has presented knowledge and concepts of e-banking. Firstly, the overview of e-banking and the concept of e-banking in Thailand were introduced respectively. Next, the concepts of innovation theory and innovation resistance were mentioned in order to provide some knowledge about innovation adoption and resistance theory. Theories related to consumers were also explained which include demographic segmentation, maturity theory, mature consumer and banking, aging society in Thailand. Finally, some relevant research was selected to support the content of this study.

The next chapter will present the methodology of research.