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Online Banking: Why People Are Branching Out

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Summary: Results from a questionnaire designed to query online banking behavior are reported. The most frequent activities reported were checking account balances and viewing or paying bills. Purchasing insurance, CDs, and applying for a loan or credit card were the most infrequent online activities. Respondents indicated that convenience and saving time were the biggest incentives to bank online. Quick access to information, clear feedback, and simple terminology were identified as the most important features of an online banking site. Implications for designers of online banking sites are discussed.

INTRODUCTION

Technological advances in the banking industry have revolutionized how people manage their finances. In 1995, online banking was introduced to the public. This form of banking enables access to financial information via the Internet using personal computers, hand-held devices, kiosks, Web TVs, and cellular phones. Customers now have greater access to information, the ability to receive helpful updates and advice while reaping the benefits of convenience (Business Communications, 2000).

Banking websites offer a variety of information and services including: opening an account; checking account balances; downloading statements; viewing or paying bills online; transferring funds between accounts; transferring funds to accounts outside the bank; purchasing CDs or securities; administering brokerage or retirement accounts (IRA, 401K, etc.); applying for a credit card; checking credit card balances; applying for a loan; checking loan status; and purchasing insurance (Business Communications, 2000).

Online financial activity has increased steadily as more and more Internet-capable households use Internet banking (Powell, 2001). The Pew Internet and American Life Project (2002) reported 37 million Americans banked online in 2002, a significant increase from 14 million in 2000. The current study reports survey results from a group of experienced online banking customers.

METHOD

Participants

Thirty-nine participants (20 Male, 19 Female), ages 18 - 60 volunteered for the study. On average, the participants reported using the internet 4 or more years.

Materials

A questionnaire was developed and administered to individuals who currently bank online. Frequency of online banking behaviors were assessed using a comprehensive list of transactional activities identified by Business Communications (2000). The same list of activities was used for categorizing behaviors typically conducted online or in person/telephone. Reasons for not conducting activities online and factors contributing to initial decision to bank online were also assessed. The last portion of the questionnaire addressed importance ratings of online banking design features. A list of design guidelines generated by Serco Usability Services (2000) along with general usability design guidelines were included (Tullis, 1995; Nielsen, 1996; Nielsen, 1999).

RESULTS

Tables 1 - 8 summarize the results of the questionnaire. The two most important reasons why respondents reportedly decided to bank online were convenience and saving time (Table 2). They also identified several activities that contributed to their decision; these included the ability to look up information on accounts and transfer funds between accounts. This was consistent with individuals reporting the most frequent activity conducted on a weekly basis was checking their account balances (Table 4).

The second most frequent activity conducted on a monthly basis was viewing or paying bills. Gomez (2002) reported similar findings that 66% of online bankers wanted to pay bills/track debits online. Based on reports by Gomez, multiple banks have reevaluated their bill payment strategies and eliminated online billing fees. For example, Bank of America no longer charges customers to utilize online bill payment services (Gomez, 2002). This new strategy was implemented to aid in customer retention. Individuals become highly invested when setting up the billing service; this typically results in increased switching costs and customer retention (Ramsaran, 2003). Sanjay Gupta, an e-commerce executive for Bank of America, reported their banking site received 60 million hits per month and had a 50% growth in online customers in 2003 (Ramsaran, 2003). Banks may be losing potential customers by charging for bill payment services. Several participants indicated a desire to use these services but were reluctant due to fees.

The most important design feature identified in this research was "quick access to information you are looking for" (Table 8). Given the high frequency of users wanting basic account information, it is recommended that account activity and balances should be immediately accessible after login. This recommendation is supported by Gomez (2002), who is recognized by the largest financial institutions in the United States for providing benchmarking information on Internet banking services.

Clear and simple terminology was rated as a very important design element for banking sites. Failure to achieve this can dissuade potential banking customers. A usability study of an online banking site by SURL found users to be confused by the term "Payee" (i.e., users wondered "Is that me or the company I am paying?"). As a result, it is recommended to use more meaningful terminology when setting up an individual or company. For example, "Account number for whom you are paying:" may be more meaningful than "Payee account".

Results from this study showed that "feedback on acceptance or rejection of information", "indicating a function has been completed", and "identifying/fixing mistakes" were rated as

very important design features for a banking site. Including these features may avoid confusion related to online forms in the transaction process. Other design recommendations for forms include clearly indicating required fields, placing legible error messages in a highly visible area, and providing feedback on how to proceed when completing a transaction (Diemen, 2000).

Several activities were reported to be preferred to be done in person (or over the telephone) rather than online (Table 6). These included opening an account, purchasing insurance, CDs or securities, administering brokerage or retirement accounts, and applying for a credit card or loan. The most important factors that contributed to conducting activities in person instead of online were preferences for dealing with people face-to-face, sites not offering enough information, perceived risk, and confusing terminology (Table 7). A number of banks have attempted to address these issues by implementing interactive capabilities such as secure chat and e-mail help (Ramsaran, 2003).

Table 1: Factors influencing participants choosing a bank

	Frequency	**Percent**
The bank offered online banking	10	26
Their website contained the information I was looking for	7	18
I liked the functionality the banking site offered	6	15
Their website was easy to use	4	10
I liked the way the site looked	1	3
None of the above	27	69

Table 2: Activities most important when deciding to bank online

	Frequency	**Percent**
Look up information on checking or other deposit accounts	35	90
Transfer funds between deposit accounts	24	62

Use the bill payment service	15	39
Look up information on a loan, credit card , or line of credit	13	33
Make payments on a loan, credit card or line of credit	12	31
Download account information	11	28
Use Web or email customer service	6	15
Curiosity - no specific use	-	-

Table 3: Importance rating for reasons why people decided to bank online

	Very Important
Banking online saves me time	80%
I can do my banking when it is convenient for me	62%
Control over finances	44%
Availability of information	26%
Saving money	23%
More bank services available online	21%
Can do my banking in private	18%

Table 4: Frequency of banking activities typically conducted online

	Median

Table 5: Banking activities NEVER conducted online

	Frequency	Percent
Purchase insurance	39	100
Purchase CDs or securities	37	95
Administer brokerage or retirement accounts	37	95
Apply for a loan	36	93
Apply for a credit card	34	87
Check loan status	32	82
Transfer funds to accounts at other banks	28	72

Table 6: Banking activities most likely to be conducted online and in person/telephone

ONLINE	Percent	IN PERSON/TELEPHONE	Percent
Check account balance	95	Open an account	92
Transfer funds to accounts at the same bank	92	Purchase insurance	85
Download statement	87	Purchase CDs or securities	82
Check credit card balances	87	Apply for loan	80
View or pay bills	72	Administer brokerage or retirement accounts	72
Check loan status	69	Apply for credit card	69

Table 7: Reasons to conduct banking activities in person/telephone rather than online

	Frequency	Percent
Prefer to deal with people face to face	28	72
The site does not offer enough information to answer my questions	18	46
Feel it is too risky	13	33
Confusing terminology	12	31
Don't trust giving contact information online	9	23
My online connection is too slow	5	13
It's too complicated and time consuming	5	13
Don't trust accuracy of information	5	13
Length and number of online forms are too much	4	10
I don't know how to use the banking site	3	8
My online connection is unreliable and crashes often	1	3
It is difficult to read online	-	-

Table 8: Importance ratings for online banking features (1 = very important, 6 = least important)

	M	SD

Quick access to information you are looking for	1.13	0.34
Clearly indicate a function has been completed	1.18	0.56
Clear feedback on status of past transactions	1.23	0.43
Clear and simple terminology	1.36	0.71
Contact information (ex: phone number and address)	1.36	0.54
Clear feedback on acceptance or rejection of information (ex: filling out a form)	1.38	0.78
Easily and quickly identify and fix mistakes (ex: errors when filling out a form)	1.41	0.82
Prompt to indicate successful/unsuccessful logon	1.46	0.85
Indication when information was updated	1.49	0.79
Meaningful messages/instructions when conducting a transaction	1.62	0.82
Extensive functionality and information to answer questions	1.64	0.84
Clear information about security measures	1.64	1.01
Request confirmation prior to executing a potentially negative function (ex: pop-up window)	1.72	0.94
Title on each page to facilitate easy navigation	1.74	0.94
Feedback cues indicating progression through a series of steps (ex: 1 of 4)	1.77	0.90
Clearly indicate required/optional data	1.77	1.06

Forms that minimize entering the same information multiple times by entering it for you (ex: billing information)	1.82	1.07
Short and simple application forms	1.87	1.13
Give the impression of serious business, not an entertainment site	2.23	1.22
Large fonts for easy reading	2.38	1.09
Interactive features (ex: loan calculator)	2.49	1.39
Feeling like the site is targeted to you	2.56	1.17
Graphics such as charts and graphs	4.13	1.49
Include logos of partners with good reputations	4.31	1.63

CONCLUSIONS

In conclusion, the most frequent activities conducted online were checking account balances and viewing or paying bills. These features should be easily accessible upon login and include clear and simple terminology, feedback information, and ability to easily identify/fix mistakes. Site designers should also consider the following design recommendations for a more usable online banking site:

- Use simple terminology and include examples when setting up a Payee
- Provide direct access to frequently used accounts in the left navigation menu
- Present account activity and balances immediately after login
- Include interactive features when displaying account details such as secure chat and email help
- Clearly indicate required fields on forms
- Present legible error messages in a highly visible area
- Preset feedback on the steps necessary to complete a transaction
- Display company contact information in highly visible locations

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