

“WHAT ARE THE ISSUES FACING THE BANKING INDUSTRY IN TURKEY
IN RESPOND TO THE ADVENT OF INTERNET BANKING SERVICES?”

İPEK ÇİFTÇİ

APRIL 2007

“WHAT ARE THE ISSUES FACING THE BANKING INDUSTRY IN TURKEY
IN RESPOND TO THE ADVENT OF INTERNET BANKING SERVICES?”

A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
IZMIR UNIVERSITY OF ECONOMICS

BY

İPEK ÇİFTÇİ

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION
IN
THE GRADUATE SCHOOL OF SOCIAL SCIENCES

APRIL 2007

Approval of the Graduate School of Social Sciences



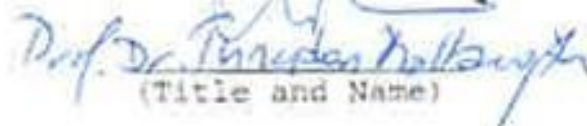
(Title and Name)
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Science/Doctor of Philosophy.



(Title and Name)
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science/Doctor of Philosophy.



(Title and Name)

(Title and Name)

Co-Supervisor

Supervisor

Examining Committee Members

(Title and Name in alphabetical order of last name)

.....

Prof. Dr. Turkanon Pretkempfi

Prof. Dr. Erhan Aho

Doc. Dr. Oskari Tuoma

.....



ABSTRACT

WHAT ARE THE ISSUES FACING THE BANKING INDUSTRY IN TURKEY
IN RESPOND TO THE ADVENT OF INTERNET BANKING SERVICES?

ÇİFTÇİ, İPEK

MBA, DEPARTMENT of BUSINESS ADMINISTRATION

Supervisor: Prof. Dr. Tunçdan Baltacıoğlu

April 2007, 108 pages

This thesis analyses the rapid growth in the technology which has led to many changes from the customers' point of view. The habits of customers' have changed so do the service provider companies. The new technological developments in the communication channels have fragmented the audiences' attention into small segments.

In the context of service provider companies such as banks, where it's assumed that service offerings are almost the same in terms of technology, the question arises in which ways to explore the need to satisfy the customers' requirements and maintain in the ways of choosing, using and whether or not finding effective solutions in the use of internet technology. To follow the trend banks offer multi channel solutions; such as ATMs, Kiosks and so on, one of which is internet banking to benefit more of the target customers by introducing and informing more of the brands with lowering cost of operations.

Although the benefits of using internet banking are additional both to the banks and to the customers when it is managed in a strategic sense, the factors affecting the decision of whether or not choosing internet banking should be further examined and the extent to which internal factors such as level of satisfaction with the existing services, the psychological and physical barriers for adoption and external factors influencing the behaviors and attitudes such as economical infrastructure, cultural issues and political regulations should be studied.

Keywords: Service, Service Quality, Service Marketing, Financial Service Marketing, Internet Banking.

ÖZET

İNTERNET BANKACILIĞI HİZMETLERİNDE TÜRK BANKACILIK SEKTÖRÜNÜN KARŞILAŞTIĞI SORUNLAR NELERDİR?

ÇİFTÇİ, İPEK

MBA, DEPARTMENT of BUSINESS ADMINISTRATION

Tez Yöneticisi: Prof. Dr. Tunçdan Baltacıoğlu

Nisan 2007, 108 sayfa

Bu tez müşterilerin bakış açısından birçok değişikliğe yol açan teknolojiadaki hızlı gelişmeleri incelemiştir. Müşterilerin alışkanlıkları değiştiği gibi, servis sağlayıcı şirketler de değişmiştir. İletişim kanallarındaki yeni teknolojik gelişmeler izleyicilerin dikkatlerini küçük bölümlere bölmüştür.

Servis sunumlarının teknoloji açısından hemen hemen aynı olduğunun varsayıldığı bankalar gibi servis sağlayan şirketler bağlamında, soru müşterilerin isteklerini tatmin etme ihtiyacını bulma şekilleri ve seçim, kullanma ve internet teknolojisini kullanımda etkin yolları bulup bulamamakta ortaya çıkar. Trendi izlemek için bankalar işlemlerin düşen maliyetiyle daha fazla marka sunarak ve bildirerek daha fazla hedef müşteriye faydalandırmak için –bunlardan biri de internet bankacılığı olan- ATM, Kiosk, ve bunlar gibi çok kanallı çözümleri sunarlar.

Stratejik anlamda idare edildiğinde internet bankacılığının kullanımının faydaları hem bankalar hem de müşterilere katkı getirirse de, internet bankacılığını seçip seçmeme kararını etkileyen faktörler ayrıca incelenecektir ve benimsemek için psikolojik ve fiziksel engeller ve davranış ve eğilimleri etkileyen ekonomik altyapı, kültürel konular ve politik düzenlemeler gibi dış faktörler boyutunda incelenecektir.

Anahtar Kelimeler: Hizmet, Hizmet Kalitesi, Servis Pazarlaması, Finansal Servis Pazarlaması, İnternet Bankacılığı.

To My Parents

List of Figures

Figure

1. Set of contracts theory.....	40
2. Top 10 failing criteria of financial services sites.....	46
3. Gross domestic product, 1999.....	52
4. Comparison of teledensity, 2001.....	54
5. Demo of Garanti Internet Branch.....	59
6. Demo of Isbank Internet Branch.....	60

List of Tables

Table

7. Old economy versus new economy.....	4
8. Population and development indicators, 2004.....	55
9. Internet banking users' gender.....	71
10. Internet banking users' age... ..	71
11. Internet banking users' household size.....	72
12. Internet banking education level.....	72
13. Internet banking users' company size.....	73
14. Internet banking users' internet connection.....	74
15. Internet banking users' purpose of internet usage.....	75
16. Internet banking users' frequency of internet usage.....	76
17. Internet banking users' channel preferences.....	76
18. Internet banking users' operation preferences.....	77
19. Internet banking users' info gathering for internet banking.....	78
20. Internet banking users' perceptions of internet banking services.....	79

Table of Contents

Abstract.....	iii
Özet.....	iv
Dedication.....	v
List of Tables.....	vi
List of Figures.....	vii
Table of Contents.....	viii
Introduction.....	1
Research aims and objectives.....	1

Chapter I

1 Service Marketing

1.1 The change of dimensions in business practices	4
1.2 Services vs. Products.....	6
1.3 Competitive advantage and services.....	9
1.4 Quality dimension and service marketing.....	11
1.4.1 Constructing the Service Quality Model.....	12
1.4.2 Attitude in terms of Service Quality.....	14
1.4.3 Measuring Service Quality.....	16
1.4.4 TQM and Service Quality.....	18

Chapter II

2 Financial Service Marketing 22

2.1 Constructing loyalty in Financial Services 24

2.2 Loyalty in different company categories.....25

2.3 Banking Industry 28

2.4 Servqual in Banking.....33

2.5 Some encouragements for Banks to go Internet banking.....36

 2.5.1 New ways of Communication.....36

 2.5.2 Breaking down the Boundaries.....38

 2.5.3 Consumer Acceptance of Internet Banking.....41

 2.5.4 Change of Relations.....43

2.6 Servqual in Internet banking.....45

Chapter III

3 Marketing Research 49

4 External Analysis of Turkey 50

 4.1 Political Factors 50

 4.2 Economical Factors 52

 4.3 Sociological Factors 53

 4.4 Technological Factors 54

5	Internet Banking Practices in Turkey	56
5.1	Internet banking applications in Garantibank and Isbank.....	58
5.1.1	Segmentation in Internet banking.....	58
5.1.2	Convenience in Internet banking.....	61
5.1.3	Cross selling in Internet banking.....	62
5.1.4	Product variety in Internet banking.....	64
5.1.5	Incentives in Internet banking.....	62
5.2	The Results of the Analysis.....	66
6	Survey results of Internet banking customers in Turkey	68
6.1	Sampling Method	68
6.2	Data collection instrument	69
6.2.1	Personal information	71
6.2.2	Internet usage habits.....	74
6.2.3	Perceptions of users.....	79
6.3	Research findings	81
7	Conclusion	84
8	Recommendations	85
9	References	86
10	Appendix 1	91
10.1	Questionnaire	94
10.2	Cover Letter	97
11	Appendix 2	98

Introduction

The launch of new communication channels emerge the companies to be online, thus the e-commerce comes to the front. The applications of e-commerce do not only give rise to the intervention of banking services between different companies in the internet, but also as a channel itself provide self-service opportunities to the banking sector by providing direct interactivity with the customers. Financial Service Providers have become to understand the importance of different channels challenges and opportunities.

Research Aims and Objectives

The research question of the dissertation is;

‘What are the issues facing the banking industry in Turkey in respond to the advent of internet banking services?’

The objective of this dissertation is to find out areas relevant to internet banking and its applications in Turkey; the habits of Turkish customers using this channel and the perceptions of these services to users.

To give insight for this research about internet banking, usage habits of customers’ and the factors influencing these in the primary and secondary research will be conducted for the following areas;

- The issues about marketing communication channels being used and the degree of effectiveness on customers’

- The inherit of internet as a new channel, the product and service opportunities on the internet and its effects with regard to internet banking
- The services marketing concept in the banking industry and the dimensions of providing quality service to the customers'
- The importance of considering management of using internet banking, in other words, costs vs. benefits
- The issues regarding the internet banking channel to practice from Turkish customers' in internet banking services and the users perceptions of the existing internet banking services, in terms of lifestyle and user patterns as well as technological infrastructure, economical and cultural issues influencing these.

Chapter I

1.1 The Change of Dimensions in Business Practices

The change in the technology has not only introduced a change with its availability, but also changed the way how the businesses are perceived. The perception of this change is both from the companies and from the customers' point of view. As the requirements of the customers have changed behind the new technology, so has the meeting of those requirements of the companies'.

This change is presented by Kotler (2003, p.38) with the comparison of old economy and new economy as follows;

Old Economy	New Economy
Organize by product units	Organize by customer segments
Focus on profitable transactions	Focus on customer lifetime value
Look primarily at financial scorecard	Look also at marketing scorecard
Focus on shareholders	Focus on stakeholders
Marketing does the marketing	Everyone does the marketing
Build brands through advertising	Build brands through performance
Focus on customer acquisition	Focus on customer retention
No customer satisfaction measurement	Measure customer satisfaction and retention rate
Overpromise, underdeliver	Underpromise, overdeliver

Table 1: Old Economy Versus New Economy, Kotler (2003, p.38)

- The companies used to provide large numbers of products or services with the thought of serving to one homogenous group; however, today companies group the customers into various segments considering their different lifestyle groups, values and benefits
- In the past companies were trying to benefit from the one time transactions from the customers in the short run, however nowadays companies realize the fact that the customers who are not profitable today can be the profitable customers in the future.
- The companies' performance was measured in terms of whether or not achieving the desired financial outcomes, on the other hand in addition to those, the provision of product or service quality resulting in customer satisfaction has become important.
- The utmost importance given to satisfy the shareholders with desired outcomes from the company should be divided into the other members participating in the value chain such as; employees, suppliers and distributors.
- All the employees who has contact with the customers, whether or not the main responsibility is to do the marketing should participate in the process as part-time marketers to give a consistent message. (Adcock; 2000, p.257)
- Brands can be build through advertising; the promises can be given using different marketing communication channels, however in order to maintain the brand the promises given should be kept which relies on the outcome of a product or service i.e. performance.

- Due to the intense competition among the companies, retaining existing customers have become more profitable in terms of money and time instead of attracting new ones.
- Customer satisfaction is the primary concern in the new economy. The qualitative and quantitative evaluations should be used to measure customer satisfaction and results can be tracked to observe customer retention.
- The companies have noticed the artificial effects of advertisements when the customer expectations are failed to met. In order to achieve a desirable outcome from the customers' point of view, the companies tend to under promise the offerings to benefit from the premiums in the new economy.

1.2 Services vs. Products

Marketing of the products and services has changed because of the previously mentioned reasons. Moreover, service marketing has become more important as the clear differentiation between services and products exist in the minds of the providers.

Services distinguish from products because of having different dimensions, in the case of purchasing a product the tangible aspects can be considered, on the other hand while purchasing a service although the theory is the same the practice differs because of the nature of the service. (Adcock, 2000, p.180)

There are both tangible and intangible dimensions to be evaluated. Furthermore it's suggested to consider the price dimension when the tangible parts of evaluating a service are not available. (Howcroft et al.,2003) Therefore, the intangible side of the service which makes the evaluation process more difficult from the customers' point of view is a subjective measure compared with the tangible nature of the product evaluation. The service dimensions are 'qualitative' rather than 'quantitative', 'changes from person to person' in the evaluation process and for this reason 'subjective' rather than 'objective'. (Parasuraman et al. 1985, Parasuraman et al.1988)

The complexity of evaluating a service arises because of the nature of the service and to understand the quality of a service, the features of the service should be examined first. The key elements of service are explained as follows (Parasuraman, 1985; Kotler, 2003, pg. 446-449; Anderson and Zeithaml 1984)

- **Intangibility:** In contrast to products which are tangible in nature in terms of physical occurrence and result of outcome which is easy to differentiate, services are intangible in terms of both occurrence and outcome. For instance, the evaluation of a dry cleaner service is not only the delivery of the final product the service suppose to deal with, means not only the physical part, but the way the product is delivered, in terms of the availability of working hours of the service, open days, the speed of the service, the attitude of the workers towards customers' is also important to make a total evaluation which contains the intangible part of the delivery.
- **Variability:** Services are heterogeneous from the service providers' and the customers' side. Since the services are delivered through and to people, when the people, in other words the customers, change in the stages of delivery or in the final stage of the service, the change may

occur in the expectations and perceptions of the service, which will be described in detail in the following parts.

- **Inseparability:** The production and consumption of many services are said to be inseparable. This phrase mainly explains about the continuous stage of consumption, starting with producing a good and the delivery process continuing with provision of a service. Moreover, it is further explained that for service intensive industries interactivity plays an important role where the customers' contribution is greater and the outcome of the service quality dimension is more influenced. (Parasuraman,1985)
- **Perishability:** Perishable nature of services (Adcock D., 2000p.189) stresses the importance of how difficult to build a good service experience and how easy to damage the good service experience from the customers' point of view. As the inseparable nature of offerings focuses that the services are the inseparable parts of products whether the core element is the service or part of a product, the priority should be given to which extent this service offering be provided to the customers depending on the industry and depending on the customer. A famous phrase says that '80% of the revenues comes from the 20% of the customers', when it's considered; the focus should be given not to provide a perishable service to this profitable segment.

Before going in more detail about service quality from the service providers' and customers' perspective as 'expected quality' and 'perceived quality', a clear definition of quality should be made.

1.3 Competitive Advantage and Services

Competitive advantage is defined as ‘The manner in which the organisation is able to gain superiority over competitors.’ (Cook and Farquarson, 1998, p.173)

Competitive advantage is important for companies to benefit from large market shares, gain profits, strengthening the position in the market place for any unstable conditions and many more. Therefore, it is important to gain competitive advantage in the marketplace to be differentiated from the competitors in the eyes of the customers. But at first, an appropriate strategy should be selected for the company to decide over its business activities.

In order to achieve competitive advantage in the marketplace Porter (1980) suggested that the company should choose one of the ‘generic strategies’ that can be applied to different types of organizations; (cited in Cook and Fraquason, 1998, p.349)

- **Low-cost Leadership Strategy:** The companies using this strategy try to benefit from the cost advantages over the competitors by lowering the prices of the products under the market average.
- **Product Differentiation Strategy:** In this strategy, products are differentiated having unique features. These features may be the function or technology used, the appearance, the quality of the service etc.
- **Focus Strategy:** The companies implement focus strategy in order to provide products or services to a particular market segment. However, using this strategy whether the company will switch benefiting from

low-cost leadership or product differentiation strategy for this segment is open to question.

On the other hand, it is not only the self decision of the company to implement any chosen strategy. In addition, there are external and internal factors that have an effect in the selection of the strategy and when these are not considered the cost would be a business failure.

Therefore, before choosing a competitive strategy the below mentioned questions should be considered (Adcock; 2000, p.66);

- ‘What is to be satisfied?’
- How are the customers to be satisfied?
- Why should the chosen customers buy from us?’

The questions states that the first thing should be considered before choosing a competitive strategy is the identification of the unmet needs from the customers to be fulfilled so that the company should choose a strategy to satisfy. In the second stage, the company should have the ability to provide these requirements, this can be the necessary technology, competence of the employees or the quality of the service provided. The last thing to consider is to make a distinct feature to be differentiated from the competitors serving in the marketplace.

Therefore, there should be a competitive advantage over the competitors which depends on the way how the customers are to be satisfied; using the relevant features with the existing capabilities. In order to satisfy those customers depends on the potential market existing for the customers and whether these customers are ready to welcome the new products or services.

In the context of services, the products offered should be such that the company should not offer services including any gaps with the customers in terms of; technology, economic infrastructure or culture and so on, hence what the company will offer and how the customers will respond should overlap. (Adcock, 2000, p.188) On the other hand, in the absence of these gaps the competitive advantage will be in those providing the services, in the way how the customers want it to be provided.

1.4 Quality Dimension and Service Marketing

The dimensions of quality was found to be worth for exploring by the researchers because of the following reasons; ‘Researches has demonstrated the strategic benefits of quality in contributing to market share and return on investment (e.g., Anderson and Zeithaml 1984; Philips, Chang and Buzzell 1983) as well as lowering costs and improving productivity.’ (Garvin 1983) cited in (Parasuraman,1985)

Quality is described as a form of attitude where both of the dimensions are approached as the overall evaluation of a product or service. (Olshavsky,1985) Hence, the total evaluation of a product or service is the sum of the specific form of experiences, whether the outcome of a particular experience is satisfactory or not.

The difference between attitude and satisfaction is parallel to the difference between quality and satisfaction, where the attitude or quality are the form of overall evaluation of the outcomes, however satisfaction is the evaluation of a specific outcome which is independent from the overall evaluation. (Parasuraman et al.1988) For instance, the customer of a bank can be dissatisfied by the internet banking service of the bank in a particular day, however the customer might be satisfied with the total credit card transactions completed with the bank so far and the service quality can be viewed as satisfactory.

1.4.1 Constructing the Perceived Service Quality Model

The service quality model is constructed by (Gronroos, 1984) making a better understanding of perceived quality of a service. Perceived quality of the service describes how service quality is perceived by customers which in turn underlines two main fundamentals; the expectations of the customers prior to the use of the service and perceptions of the customers after the use of the service. In one hand expectations are influenced by external factors such as advertisements, price of a service, word of mouth communication, environmental factors as such traditions and political, economical, sociological factors are also included in addition with past experiences, on the other hand perceptions are formed by the self evaluation of the individual from the current service which are also influenced by the aforementioned external factors.

The customers' perceptions are divided into two categories which include instrumental performance and expressive performance. Instrumental performance of the evaluation of a service consists the tangible part of the service such as the level of technology, function and appearance of the service, however the expressive performance of the service is the intangible part of the service mentioned as psychological evaluation of the service such as adopting to the idea of using a new technology by the customer etc. Therefore, to achieve a complete evaluation of a service quality both factors have contribution to the process where instrumental performance of a service contributes as 'technical quality' and expressive performance of a service contributes as 'functional quality'.

There is a third dimension 'corporate image' which stems from the combination of technical quality and functional quality with the experiences of the service in question. Hence, the internal factors establishing the corporate image are expectations and perceptions of the customer and external factors such as marketing activities and word of mouth.

It's critical to set up the corporate image of a firm; the reason is to benefit from the good corporate image to attract potential customers, but on the other hand not to widen the gap between expectations and perceptions for the existing customers.

In addition to the model established by Gronroos (1984) which points out that satisfaction is established by technical quality and functional quality with external and internal factors influencing these, Lassar (2000) have suggested with the moderators in service quality that the quality and satisfaction relationship is affected by particular factors, which are rather stable as; nature of the market structure and level of the interaction with the customers and which are rather unstable; as communication and service failure.

- Dependence on the market structure: The relation between market structure and product performance is defined based on the Structure-Process-Performance model. This model proposes that, the structure of the market such as economic, sociological and technological structure has an effect on the application of the process between buyers and sellers and as a result affects the service quality i.e. satisfaction level of the customer.
- High Contact Service: For high contact services, where the customer has close interaction with the employee, technical quality results with customer loyalty and functional quality results with customer satisfaction. However, for the low contact services the result is opposite showing that the level of contact with the customer has a moderator effect to the quality/satisfaction outcome.

There are also unstable moderators which are changeable and have an effect to the service quality and satisfaction relationship;

- **Communication Moderator:** The customer satisfaction depends on the understanding of customer expectations which in turn depends on the communication between the customer and service provider. Therefore, the customer satisfaction can be enhanced due to understanding of customer expectations when the communication is increased with the customer and service provider.
- **Service Failure Moderator:** Service failure is the interaction between the customer and service provider resulted with customer dissatisfaction. Furthermore, it's founded that just less than 60% of service failure relates with switching behavior. (Keaveney 1995, cited in Lassar 2000)

1.4.2 Attitude in terms of Service Quality

In order to formulate the components of attitude; it's better to start with the definition of attitude which is the sum of all satisfactions of a particular service. As previously mentioned, satisfaction is the difference between the expectations and the perceptions of a customer.

Therefore, the service gaps occur between the expectation of the customer and the performances of the service provider.

$$\text{Satisfaction} = E (\text{Expectations}) - P (\text{Performance})$$

And in the same sense it is true for satisfaction, is the difference between functional quality and technical quality.

$$\text{Satisfaction} = \text{Functional Quality} - \text{Technical Quality}$$

Thus, as long as the technical qualities are adequate and close within the same industry, the differentiation factor is the functional quality which focuses more on the vis a vis interaction with the customers such as the accessibility to the service, the content of the service etc.

The evaluations whether satisfactory or not, constitute attitudes of a service or a product.

In order to identify the level of satisfaction Prasuraman et al. (1985) has described the gaps between the Expectations and Perceptions as follows;

$$\text{Expectations} < \text{Perceptions} = \text{More than Satisfaction (Ideal Quality)}$$

$$\text{Expectations} = \text{Perceptions} = \text{Satisfactory}$$

$$\text{Expectations} > \text{Perceptions} = \text{Less than Satisfactory (Unacceptable Quality)}$$

As an attitude is developed with addition of the evaluation of services and every event in the consumption process is a new evaluation of a particular service the following equation is developed;

$$\text{Attitude} = S1 + S2 + S3 + \dots$$

1.4.3 Measuring Service Quality

Based on to establish dimensions understanding of perceived service quality as the difference between the expectations and the perceptions from the customers and marketers point of view the SERVQUAL model was established by the studies in four different service categories; retail banking, credit card, securities brokerage, product repair and maintenance. (Parasuraman et al. 1985)

The dimension of quality differs for manufactured products and services. For instance, for a manufactured product when the physical dimensions like performance, conformance, durability and aesthetics are compared with the cost of the product, the service quality is more related with the below mentioned dimensions (Taylor and Russel; 2003, p. 5-6)

- **Timeliness:** The timing of the service, if the service is delivered on time from the customers' point of view.
- **Completeness:** The complete fulfillment of the requirements of the customer.
- **Courtesy:** The polite and friendly treatment of the employees to the customers.
- **Consistency:** The consistent level of service provided to the customer in every transaction.
- **Accessibility:** The accessibility, ease of contact and convenience of the service.
- **Accuracy:** The performance of the service accurately, without any defect.
- **Responsiveness:** The willingness and readiness of the employees to help customers.

Also, the service quality dimensions fall into three categories according to the properties (Nelson 1974);

- **Search Properties:** This category of properties is easy to determine before experiencing the service. The search properties include tangibility and credibility.
Tangibility: Tangible part of the service is physical part of given service; physical facilities, equipment, personnel and communication materials.
Credibility: The credibility refers to the company name, company reputation, and the personnel characteristics of the contact personnel.
- **Experience Properties:** These properties are evaluated during the consumption of a service and include access, courtesy, reliability, responsiveness, and communication dimensions. The explanation of the experience properties are the aforementioned features of service quality.
- **Credence Properties:** The items considered in this property are not able to be evaluated after consumption. (Darby and Karni,1973) These are competence and security.
Competence: The ability to accomplish the service in question with the required skills.
Security: The physical safety and confidentiality of the given service.

During the service encounter, the customer experiences focus on the quality, timeliness and cost of a given service. According to a survey on electronic service encounters have shown that the timeliness of a product or a service has received twice more satisfaction from the customers' point of view when the other dimensions stay the same. (Massad et al. 2006)

1.4.4 Total Quality Management and Service Quality

‘Total quality management (TQM) is an organization wide approach to continuously improving the quality of all the organization’s processes, products and services.’ (Kotler, 2003, p.84)

In order to gain competitive advantage in the marketplace quality is an important measure from the customers’ point of view. The main objective of the company is to achieve and progress quality in the way customers’ perceive and maintain this quality in the dynamic marketplace which is included as the responsibility of service marketer.

The companies have realized the fact that every offering provided is a part of service element. Hence, service provision is not the only fact in terms of service companies. For instance for the manufacturing companies, the product offerings are not only the offering of products but also the services provided and the interactions during these processes are of importance.

In the case of service companies, which are not able to be differentiated from the tangible parts from the customers, service quality is the only dimension for the evaluation of the total offering. In these terms, there are two points emerge in the case of services. First, the customers are the judges of the services, therefore when the objective is to achieve service quality, the customer evaluations of the service and the changing customer needs between the provision of the service and service evaluation should be considered. This information can be obtained through customer surveys, by tracking customer complaints and so on.

The second important part is the internal effects in the implementation of processes focusing on customer feedbacks taken that should move the company improve for the future transactions supported by the management. This could be the progress of a particular department which has exposed to the customer complaints, the lack of coordination between departments failed to provide the offering on time etc.

In the same sense Ballantyne et al.(1995), has constructed a diagram named 'Service System (Re)design' to identify the customer dissatisfactions appearing in the customer surveys and undertake these information as the predictions for improving the stages in the service systems. Therefore, there are four main levels emerging to be examined in the service (re)design system including;

- Environmental setting
- Processes
- Job design
- People

These levels should be examined separately for the performance achievements; on the other hand it should be considered that a desirable outcome can be derived as the sum of each levels performance in the service system.

The environment is the initial stage in the service system because this stage prepares the customer for the implementation of the process. The service provider should make the environment suitable for the customer and identify the elements to encourage the customer. In these terms the question arises to whom the service is to be provided, where the service is to be provided and when.

For instance, in the case of using two different channels; in branch banking and internet banking what the customers consider as the dimensions, for the branch banking these may be the attitudes of the customer representative, the convenience of the branch and the suitable office hours, while factors such as accessibility of the channel, viability of the timing and self services provided to the customer are considered as the eligibility criteria for the internet banking.

Processes are the responsibilities of the managers; the processes should work such that every employee in the value chain will work coherently so that the right products can be delivered in the right time. There are two types of processes which include the external processes; the series of the stages when the customer interacts with the company and internal processes designed by the managers and implemented by the employees to achieve external processes. This could be achieved when the internal managerial decisions are taken correctly and implemented by the employees. In this context the roles of employees should be clearly identified so that the business can gain from time and money.

The employees are important and represent the face of the organization therefore high motivation should be maintained, in these terms it can be achieved by the improvements made to increase the employee performances and the outcome of the company targets can be shared to show the employee contribution.

Chapter II

2. Financial Service Marketing

Financial services are defined as ‘The area of finance concerned with the design and delivery of advice and financial products to individuals, business and government.’ (Gitman, 2003, p.4)

When it’s considered that these services require high customer involvement and similar types of goods are provided in the financial service industry, the differentiating factor will be the way how the financial services are provided as long as the technical results for the customers are at the satisfactory level.

In these terms for the purchase of financial services, there are three factors emerge for customers as mentioned by Harrison (2003); pre-purchase information search in financial services, evaluation of alternative in financial services and post purchase evaluation.

Pre-purchase Information Search: The customers can obtain information from internal and external sources about financial products which may include prior experiences, personal recommendations and advertisements. (Gronroos, 1984) In addition, the financial services are difficult to measure in terms of experience and credence properties. For instance, the customer of a bank will not be able to evaluate the bank’s service; in terms of speed and accuracy of the transaction or security of the information and compare with other banks prior to the purchase of the service. For this reason, when the customer is lack of prior experience, the information search is based on external sources; word of mouth activities, the people who are viewed to be the ‘representatives of the financial institution’ and the use of various communication channels that should be used in combination to target the right customers with the most suitable messages. (Howcroft et al., 2003)

Evaluation of Alternatives: Due to the absence of one to one interaction and post-purchase evaluation of the services prior to the purchase, the consumers are more dependent on the personal recommendations i.e. word of mouth and corporate image of the firm formed by traditional marketing activities for the selected alternatives obtained from the pre-purchase period. In addition to this, the performance of a business is equivalent to brand performance, which is measured by brand loyalty, satisfaction and reputation (Chernatony, 2004) based on marketing value of a brand i.e. consumer brand equity (Pelsmacker, 2000, p.51) As brand loyalty is a result of technical quality and satisfaction is a result of functional quality in high contact services (Lassar, 2000), there is reputation left to be considered during the evaluation of alternatives.

The corporate reputation of a company is defined as ‘..the image and/or perceptions of the business held by multiple stakeholders.’ (Weston et al.,2005) Also corporate reputation is preferable to corporate image, because the image of a company may change over time on the other hand; reputation is a more reliable dimension which is formed in long period of time. The customers are more concerned about the corporate reputation since it reflects the reliability of the company on personal and business operations.

Post Purchase Evaluation: There are number of reasons influencing the consumer evaluating a financial service after consumption. First of all, the evaluation depends on the nature of the financial service as well as the type of the consumer using the financial service. For instance, a recent research conducted in UK has found that the consumers tend to switch more on simple service products which are felt more confident with such as insurance and credit based products; however tend to switch less with more complex products such as investment based products. (Howcroft et al.,2003) The users of financial services might also stay with the same service provider without having strong attitude towards a brand and tend to switch with when possible. (Panther and Farquhar, 2004)

As well as the aforementioned reasons, the types of the consumers have an effect on the evaluation of a financial service. For instance, business consumer groups rather use split banking i.e. work more than one bank to benefit from increased flexibility, reduced risk and special skills of various banks. (Burton and Lam, 2005)

In addition to these, most of the articles about financial service marketing focus on the importance of relationship marketing in the literature. The reason for this is the close communication between financial service providers and customers because these services require high customer involvement.(Parasuraman et al.1985) Relationship marketing is defined as ‘Customizing market communications and products, listening to customers caring for customers and retaining customers’. (Blomqvist et al.1993; Peppers and Rogers, 1995)

The importance of establishing relationships comes from gaining mutual benefits in the long run. In order to protect customers to be attracted from other companies the main differentiation factor is to build strong relationships especially when similar types of services are offered. However, the relationship management is beneficial when the right customers are targeted, and profitable outcomes are achieved and customer retention is increased. On the other hand, relationship marketing depends on the level of interaction with the customer; whether it’s personal, impersonal or through the intermediary i.e. financial adviser.

2.1 Constructing Loyalty in Financial Services

Building relationships with customers are profitable not loose time and money to attract new customers, so that extra time and effort can be focused to retain existing ones and establish loyalty. Loyalty is categorized by Fitzgibbon (2004) as;

- **Attitudinal Loyalty:** Attitudinal loyalty is focusing on establishing personal relationships with the brand in the psychological sense where the customer makes the choice of choosing in the attitudinal level. As previously mentioned by Gronroos (1984) that customers are more inclined to notice the psychological results of a service than the technical outcomes, attitudinal loyal customers are more brand loyal, having high tolerance towards the brand and express the positive attitudes to other people with word of mouth activities which is found to be one of the most important dimensions to effect customer perception. (Parasuraman 1985; Parasuraman 1988; Fitzgibbon 2004)
- **Behavioral Loyalty:** Behavioral loyalty has the strategies build on to motive customers to increase the frequency of buying products not only in terms of the number of transactions but also in terms of volume by increasing the share of wallet from the provider (which depends on the degree of using different banks). Actually this type of loyalty is not a preferred one because unlike the attitudinal loyal customers, behavioral loyal customers choose the particular brand bounding to their preference. Further, this means that these types of customers are the potential customers to leave the brand when possible.

2.2 Loyalty in Different Company Categories

Financial service provider firms including lenders, banks and financial advisory firms are said to rank profitability as the priority in US (Hudson, 1994) and the nature of financial service firms encourage to use behavioral loyalty which are categorized in the larger and smaller firms for the following reasons (Fitzgibbon, 2004);

- Larger firms are unable to build customer relationships through intermediaries, however smaller firms are more able to establish personal relationships, and thus attitudinal loyalty is possible for smaller firms, but larger firms it isn't. The highest barrier to establish attitudinal loyalty is faced when the relationship is owned by an internal or external individual for personal benefits, which will lead to lower commitment to the corporate business and to the company. Ownerships of relationships can be overcome with cross selling and making multiple contacts within the company.
- Large firms are unable to store the customer information separately because of having complex systems, on the other hand in both cases the purchase transactions are recorded but personal information are restricted to the barriers of legitimacy and confidentiality for the service providers.

Therefore, these facts prevent the companies to build personalized relationships with companies for the purpose of establishing customer relationship management programmes.

- The financial service firms that want to benefit from behavioral loyalty include both large and small, are lack of positive attitudes towards the brands hence try to complement this by giving incentives such as mail out promotions etc. to the customers who are currently profitable or potential to leave.

It was previously mentioned that the attitude towards a brand has ultimate effect for the customer to evaluate the result of a service. This is parallel to the view described with attitudinal loyalty as it has the overall evaluation of a service where the tolerance and positive impressions are relatively high. Besides these facts, it has come out from the researches conducted about the financial service provider firms that, the firms are unable to benefit from the attitudinal loyalty of the customers because of the lack of personal information provided by the customers and by valuing the customers according to the current business transactions. However, whether the firms should see the customers in the short run is open to question. The reason is to underestimate the potential profits that can be derived in the long run individually or as a partner of a household. (Lau et al., 2003)

This is the case of loyalty from the service providers' side; how the financial service provider firms try to gain benefits, on the other hand from the financial users' perspective the reasons inherit in the following aspects.

2.3 Banking Industry

‘Within the financial service institutions, banks, savings and credit unions are known as depository institutions.’ (Sinkey, 2002, p.9)

The responsibilities of the banks are described in terms of traditional and modern views, where the traditional view refers the banks as intermediaries which allocate financial resources and modern view simulate banks to factories handling both information processing and deal making. (Sinkey, 2002, p.26)

In the case of modern view, the processes consist of managerial design of collecting and using customer information and the operational implementation by the employees so the delivery of the service can be performed. On the other hand, it's the evaluation of the service which differentiates in the banking industry since the processes performed are almost similar among different banks. Furthermore, for gaining competitive advantage, differentiating services have various benefits in the literature for instance, the Profit Impact of Marketing Strategies Research found in its research that among the 50 high performers in service industry that the high quality service providers gain 8% above low quality service providers on average return on investment. (Allio 1991 cited in Ballantyne et al. 1995) In addition the importance of measuring service quality in the high contact service organizations such as banks is also found to be an important factor to differentiate the products to achieve competitive advantage. (Lassar, 2000)

When the measures of service quality construct is examined for modern banking, the technical quality is the result of the instrumental performance achieved by the service what is received as an outcome of the service provided i.e. tangibility of the service, can be the use of alternative distribution channels benefiting from technology to improve the technical quality of the service to the customers. (Gronroos; 1984)

On the other hand, functional quality is the result of expressive attributes i.e. intangibility of the service; processes and people which can be examined during the service encounters in terms of the willingness, courtesy of the employees, in the case of internet banking can be the accessibility of the services or the user-friendliness of the websites. (Carson et al., 2004)

There is a third quality dimension corporate image, which is established by the instrumental and expressive attributes during service interactions in addition to the external factors; promises given by marketing activities, personal recommendations from other customers and environmental factors influencing personal evaluations. Therefore, in the absence of previous experience with bank service encounters corporate image or corporate reputation is an important element since bank services include high levels of perceived risk from the customers' point of view.

As Carson et al. 2004 mentions that, the technical quality is more the result of a product centered approach, thus focusing the marketing activities on the product, price and distribution, on the other hand functional quality is the result of the customer centred approach where the customer satisfaction is of importance through the achievement of marketing activities focused in the suitability of physical evidence, process and people which will be described in the followings.

Just like the technical and functional quality of a service should be kept in balance for the service provider, the banks should also benefit from both the product and customer centred approach in the same way.

Product-Centred Approach: The focus is to compete with rival products in the competition and the existing products in the bank are differentiated in terms of unique attributes to meet customer needs so that premium price can be charged. It can be achieved through the product quality, unique benefits and attributes associated with the product, a new technology used in the formation or delivery of the product,

for the latter the channels can reach to a wide range of customers. Since the efficiency is focused on the product productivity the short term profitability from the transaction and cost reduction.

In the product-centered approach as the product is unique from rivals, the aim is to provide the highest profit from the existing resources so the unique benefits of the product can be utilized. (Carson et al, 2004; Cook and Fraquason, 1998, p.349)

Customer-centred Approach: All the resources customers evaluate in the service encounter are the focus of this approach which includes the physical evidence, process and people. In the case of physical evidence refers to the lay out and decoration of stores which should feel the customer comfortable prior to the service (Ballantyne et al. 1995) and easy for accessibility for instance availability of the service, working hours and arrange of queues in the branch and use of other distribution channels such as ATMs and internet banking which are available customers to operate for convenient location and time. (Cai and Jun, 2001) Also the employees are an important part of customized service offering where the employee training and motivation is apparent in the willingness to serve the customers during service interactions. In addition to this, it's important that the employees have sufficient time remaining from collecting and processing of customer information to understand and meet customer needs. (Lau et al., 2003) Through the use of smart technological systems, the employees can obtain quality customer information which is updated regularly not only on the customer purchase of the service but also to highlight the customer stage of the service whether additional services can be offered or the customer can be diverted to use other service. (Carson et al., 2004) When these are all met, the lifetime value from the customers can be achieved with customer satisfaction which will lead to increased customer retention.

Marketing Support Approach: It's important that marketing activities are centred through the core aspect of the service whether its product oriented, customer oriented or both. Carson et al. (2004) has described marketing support activities as mass communication activities, sales promotion activities, publicity/sponsorship activities and personal communication/sales activities. In order to attract customers the marketing activities are used to target mass audiences through mass communication activities, sales promotion activities and publicity/sponsorship activities.

However, the promises given on these channels should be kept with value added offerings and the gap between the mass communication channels and service provided should not be widened. (Gronroos, 1984)

In the case of retaining existing customers; the role is on the bank personnel who have direct contact with the customers with personal communication/sales activities so whether the sales personnel and everyone in the bank should work as a part-time marketer involved with the customer. (Adcock, 2000 pg.257)

It's further suggested that direct interactions with front line staff with the customers in branches is the most influential method to implement profitable transactions. (Gartner Report, 2004) On the other hand, in order to achieve this, the employees should have the standardized quality and up to date information about the customer which can be achieved through data clearing and data fusion. (Lau et al., 2003) Data clearing is used to make the customer information into a useable form for business applications. Thus data clearing in banking can be achieved through address/household information, credit card merchandises in stores or other distribution channel usage such as ATMs or internet banking. Data fusion is to use the customer information for marketing purposes. Therefore for the bank marketers use; life stage marketing which is the combination of customer demographic information, the nature of loyalty of the customer, customer share of wallet in the

bank; to what extent the customer has the operations with a particular bank in overall banking operations

In addition to this, the financial service firms which realize the importance of service dimension is inseparable from financial products is moving to a retail environment, where the priority of attention is given to customer satisfaction with enhanced customer service through marketing activities and increase in product variety. (Dobni, 2002)

The services differ from products in terms of having different attributes and for the retailing of financial services key service elements are intangibility, heterogeneity, inseparability, perishability and fiduciary responsibility as explained by Boyes (2003);

- Intangibility: The financial services are intangible in nature since there is no definite measurement for this and the related risk can not be estimated prior to purchase.
- Heterogeneity: The financial services include various financial products which serve to different types of customers, also the employees differ in the process and delivery of the products, therefore the variable is the human factor which changes the outcome of the service.
- Inseparability: The financial services are inseparable parts of financial products and it's the direct interactions with the suppliers that the customers evaluate for the result of the given service.
- Perishability: The opportunity cost of supplying the existing financial service will be lost when there is no customer demand. In order to cope

with this, the financial service providers can offer cross selling or low cost alternative delivery channels such as ATMs or internet banking.

- **Fiduciary Responsibility:** The financial services involve high risk which requires trust to the organization that can be gained through reputation of the company for the implementation of future processes and the human interactions with the customers.

2.4 SERVQUAL in Banking

It is previously searched that for high contact services such as banks the satisfaction of the customer is directly effected by the interaction between service providers and customers. During this interaction the customer evaluates both the technical dimensions and functional dimensions of the service where the difference between the total evaluation of the service and customer expectations prior to the purchase of the financial service is considered as perceived service quality. (Gronroos, 1984)

Based on the perceived service quality theorem established by Gronroos (1984), SERVQUAL model (Parasuraman et al., 1985) was developed depending on search, experience and credence properties consisting on 10 dimensions to measure service qualities in different industries include banking. In the subsequent studies the dimensions were reduced to 5 items which includes; tangibles, reliability, responsiveness, assurance, empathy. (Parasuraman et al., 1988)

However, whether the final established model of SERVQUAL model is an adequate measurement for banking is open to question. From the first research made by Parasuraman (1985) the focus groups revealed that during transactions privacy and confidentiality are important elements which is included in security dimension

for banks in SERVQUAL model and ignored in the executive interviews and removed in the following research of Parasuraman et al. (1988)

Also in the case of banking the ranking of the dimensions according to the importance are as follows (Parasuraman et al., 1988)

- Reliability
- Assurance
- Tangibles
- Responsiveness
- Empathy

Though the fact that Assurance and Empathy includes the items of communication, credibility, security, competence, courtesy, understanding/ knowing the customers and access, the previous research has revealed in the focus group surveys to use security item separately, which was given less importance of the executives, in the case of banking. (Parasuraman,1985)

The survey made by Lassar (2000) has compared the differences between the service quality model constructed by Gronroos (1984) and SERVQUAL model established by Parasuraman (1985,1988) in a private banking industry. The results revealed that while the technical and functional quality measures are valid to measure overall satisfaction of the customers, only empathy dimension among the other four elements of Servqual is valid for the same measurement. In addition, functional quality is the only measurement which is valid in all forms of satisfaction; functional satisfaction, technical satisfaction and overall satisfaction.

This result is also supported by Gronroos (1984) saying, as long as the technical quality is at the satisfactory level, functional quality of the service i.e. how the service is delivered, is the differentiator element in the evaluation of overall satisfaction which gains more importance with high contact services such as banks where the customer has a direct interaction with the service provider.

In general terms services depend upon the expectations and perceptions of the services and the factors influencing these. Moreover, there are particular conditions or situations that have an effect on the evaluation of services. In the case of financial services according to Dobni (2002) moderators include;

- Organizational policies and existing culture
- The competitive environment
- Market segment structure
- The regulatory environment
- Technology

Therefore, in the evaluation of service quality the external environment of the service has an impact and since the gaps between the culture and technology of the parties are not fulfilled, the service provider will be unable to meet the customer expectations and differentiate its service in order to gain competitive advantage in the market place. (Adcock, 2000 pg.188)

2.5 Some important attributes that encourage banks to go internet banking

- The deregulation from government resulting in more flexibility and increased competition in banking industry.
- New ways for convenient communication and with less cost for banking transactions.
- Innovative ideas and technologies have created new distribution channels and use of financial services with appeal.
- Links with different markets have been possible due to advanced communication technology (e-commerce)
- Importance of acquisitions, in different parts of the world has made banks increasingly like to benefit from each other such as location, market opportunity, labor etc.

2.5.1 New Ways of Communication

In order to identify the electronic service offerings of banks i.e. automated channels (online banking) in the e-commerce environment includes internet banking, Automated Teller Machine (ATM) and telephone banking. In both of the services regarded as banks automated service channels, the customers find the ability to interact with the software of the bank rather than employees and manage own transactions which are under the self control of the customers.

With the introduction of new technologies such as internet, the processes can be performed online with decreased workload of branches and the employees are replaced by the software programs. The customer information are processed in the internet based data systems (software) (Cai and Jun, 2001), therefore the service quality of the internet banking has the ability to provide standardized level of services. (Broderick and Vachirapornpuk, 2002)

By the introduction of new service channels in banking; reflect the same change both to the customer and to the service provider. The new channels such as; ATMs, telephone banking and Internet banking i.e. online banking channels not only enhanced the capabilities of the old service channels but also provide more opportunities to distribute the banks' products to the customers.

Whilst the use of traditional banking channels are focusing on direct personal interaction through the use of branches or call centres, the increase in number of new service channels fragmented the customers' attention into these various channels. Therefore the change is from single banking channel usage to an increase in the use of multiple banking channels. Hence, the decline in the use of the old banking channels in general and for routine transactions in particular because of internet banking usage is the approval for this trend. (Gartner Report, 2004) Some of the unique features for shifting from the traditional channel usage to new channel usage are; increasing the availability to the information without limiting for geographical boundaries, cutting down the costs, benefiting from cross selling opportunities, making more personalized customer relations in greater segments with accessibility of customer information and recording the data of the customers so that targeted customers can be reached with the right products or services through the most cost effective channels. (Devlin, 1995)

The bank customers general customer perceptions are examined in the automated delivery channels on quality are; reliability, ease of use, personalization, accessibility, accuracy, security and efficiency (Joseph et al, 1999; Meuteret al., 2000; Yang and Jun, 2002 cited in Al-Hawari et al., 2005) and in particular for internet banking; availability of information, easy to use, security, error free transactions, attractive website, website interface accuracy and up to date information. (Al-Hawari et al., 2005)

As a result, the overall automated service quality in banks depend on dimensions consist of; internet banking service quality, ATM service quality, telephone banking service quality, core service quality referring to the range of products or services offered to the customers and price quality referring to the acceptability of the service.

2.5.2 Breaking down the Boundaries

Through the use of internet and other telecommunications technology the companies find the ability to sell, purchase the products and inform the customers to different parts of the world by the use of electronic business (e-commerce). (Albaum, 2002, p.25) The banks join this process both as facilitators; to make the transactions available between different companies and as suppliers; by diverting the channels to internet as internet banking

The use of new communication channels has made significant changes when compared with the traditional channels; one of the most important of them is convenience. In the past, the banks were restricted to the traditional distribution channels to convey the products or services in the local geographies and the expense in terms of branch coverage and to acquire and train employees were prohibitive for the small and medium sized banks. (Devlin, 1995; Carson et al., 2004; Chou and Chou, 2000) However, the use of new channels are breakingdown the boundaries for geography and time, and banks find equal chances of reaching to the larger rich markets in different communication channels with computers as well as with mobile phones (Doherty et al., 2003) and digital TVs (Pelsmacker et al.,2001 pg. 490). These changes have led to an increase in competition, increase in customer choice and the need to find value added solutions to differentiate the products with the use of new technologies such as wireless services ad mobile banking. (Southard and Siau, 2004)

The effect of internet technology in the context of information technology (I) to the other dimensions in the banking dynamics are explained by TRICK referring to Transparency, Risk Exposure, Information technology, Competition for customers and Capital adequacy where the dimensions in TRICK are explained as (Sinkey, 2002, pg.26);

Transparency: The use of internet provides the information about the bank can be more accessible by multiple stakeholders; for instance in the form of bank annual reports in the internet.

Risk Exposure: Banks are exposed to risk coming from financial or economical changes in the market and responsible for manage this risk in the internal environments in order to balance the financial situations and provide effective risk management through the employees to the customers.

Competition for customers: The banks can enhance the communications where more of the customers can be targeted and informed.

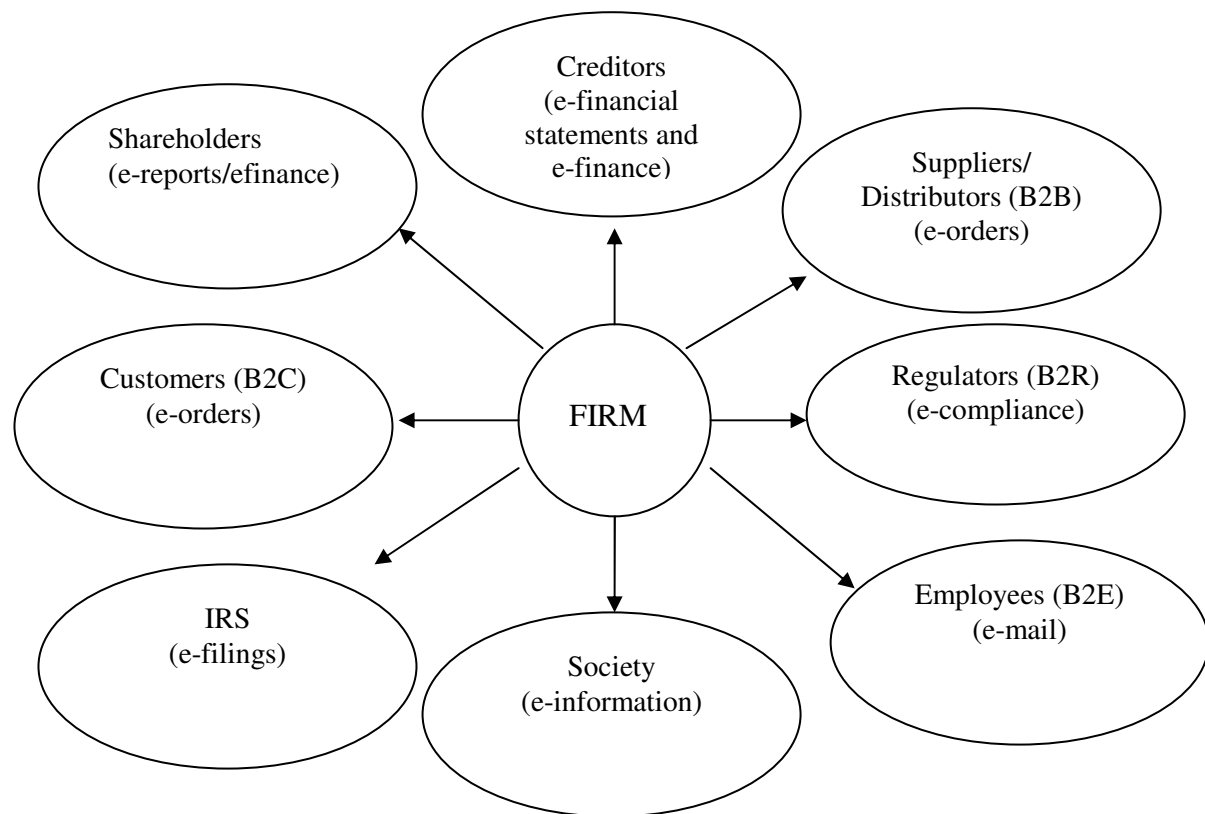
Information technology: The use of internet technology in the banking industry is referred to as internet banking as a part of e-commerce.

Capital adequacy: The banks can decrease the cost of communicating with regulators on a more timely and accurate basis with the use of internet.

The below Figure 1, which is referred as ‘Set of Contracts Theory’ is important in order to understand the changing dimensions of a firm with the internet technology in general, which can also be reflected to the change of businesses in the banking activities in particular.

Use of internet technologies including intranets increased the capabilities of the banks to track the business within and across other companies so that quick responses for the customer needs can be solved by using all channels in a more coherent way for instance by multiple stakeholders are as shown.

The various contacts of a firm with the stakeholders are explained by ‘Set of



Contracts Theory’ as shown below: (Jensen and Meckling; 1976)

Figure 1: Jensen and Meckling (1976) cited in Sinkey (2002) p.67

In these terms, the banks offer services through the internet channel either as an alternative delivery channel where the internet banking service is dependent on the traditional banks. For instance; Barclays and NatWest or the internet only (virtual) banks are operating banking activities as an independent main channel for instance; Egg and Smile operating in UK. (White and Nteli, 2004; Datamonitor, 2001)

In the following parts internet banking will be referred as a complementary channel in addition to the traditional banking services, rather than an internet only (virtual) bank if not otherwise mentioned.

2.5.3 Consumer Acceptance of Internet Banking

There are many factors preventing bank customers to use internet banking services such as; lack of information about the service, complexity, perceived risk and accessibility of the service. (Karjoluoto et al., 2004; Sarel and Mamorstein; Dec 2003; Sarel and Mamorstein; Aug 2003)

However, from the study conducted by American Bank Association among the participant banks has found that around 50% of the bank customers in America demand for the internet banking service. (Sarel and Mamorstein; Dec 2003) Although the reason varies form country to country, it's clear that the use of internet banking service is in an increasing demand.

The adoption of online channel usage for the existing bank customers has changed the internet banking concept from 'push factors' where the banks demand is greater to push the customers to online to 'pull factors' where the customer demand is greater to use internet banking especially for the countries where the internet penetration is relatively high (Bughin, 2003; Pelsmacker pg. 468,469) as well as the bank specific push factors; cost structure and size of the bank has an effect of timing for diffusion. (Bughin, 2003)

On the other hand, it's further suggested that the banks should act more aggressively not only to respond to the existing customers benefit from the internet banking technology, but also increase ways for the customer acquisitions and cross selling benefits through the channel. (Bank technology, 2002) However, to convince the customers to use internet banking is not an easy task. Although the users of internet banking are aware of the additional benefits such as; convenience, time saving and self control, there are still barriers for the use of service, one of which is to inform the non-users about the actual benefits of the service.

The technology acceptance model suggests that perceived utility of the service i.e. the benefits of the internet banking service compared to other banking delivery channels and information about the service are the main reasons to choose the channel. (Pikkarainen, 2004) In order to motivate the indifferent customers; including infrequent and non users of the internet banking services, the lack of word of mouth activities of the channel users and the inefficient efforts of traditional marketing activities should be considered. In addition to this the primary focus should be given to offer price incentives to encourage internet banking channel usage and to increase the product range in the channel. (AB Banking Journal, 2003; Sarel and Mamorstein, 2003; Jayawardhena, 2004; White and Ntile, 2004; Bughin, 2003; Jun and Cai, 2001)

2.5.4 Change of Relations

By the use of internet banking, the customers get detailed information about the products and the banks to develop databases in order to obtain new segments. The banks have found the chance to make market research about the products and attitudes toward the banks which were unattainable before. The feedback taken from the customers helps the banks to ensure that right steps are taken with more targeted messages which are conveyed through the website.

Whilst the use of lots of information through the internet by the use of interactivity provide banks to develop databases and get feedback from the customers, it became a key factor how to use these vast of information and manage to achieve for the business success. For this purpose, it's not the use of internet banking technology itself providing information regarding the customers, but the management of customer relationship strategy determines the return on investment through the channel by looking at the internet banking lifecycle of the customers from conversion to online banking, to online bill payment and to cross selling. (Bank technology, 2002)

The availability of information about almost all banks empowered the customers with various choices, thus for the banks to attract and retain new customers became a vital element. The trend is towards relationship marketing through the use of new technology to maintain existing relations in the long term with all parties such as collecting e-financial statements from borrowers, e-money and e-banking activities to customers, sending regulatory documents and providing internal communication within the bank. (Sinkey, pg.67)

The requirements of communication have given a way to more customized banking through the channel. Since the relationship marketing will depend on the trust between the parties, the banks reputation which relies on to establish and develop corporate image will become more important through the use of internet banking channel. (White and Ntile., 2004)

Another factor revealed from the survey of Lassar et al. (2000) is that when the customer is bounded to communicate with one individual within the bank, there will be lack of consistency of the service provision which results with decreased functional quality to functional satisfaction and as a result decreased overall satisfaction. This is actually the case when the relationship in the business is owned by one individual and the service provider which is a barrier for the commitment to the bank's service.

In the case of banking industry where direct interactions with the customers are intense the best way to eliminate the personal relationship barrier is to make multiple contacts with the bank; can be achieved through communicating with different employees or benefiting from various delivery channels such as internet banking and make cross selling so that the threat of loosing the customer because of relying on personal relationships with the employees can be prevented.

Since the banks view the customers in order to gain lifetime value from the transactions rather than to make business for present, the service providers can integrate the communications with the customers, so that the customers in the different stages of the lives can be exploited as more committed customers. (Bank Technology, 2002) Hence, the switching costs can be decreased with competitors and less profitable customers can be diverted to low cost delivery channels such as internet banking in order to decrease the cost of retention. (Gartner Report, 2004; Bank Technology, 2002; Jun and Cai, 2001)

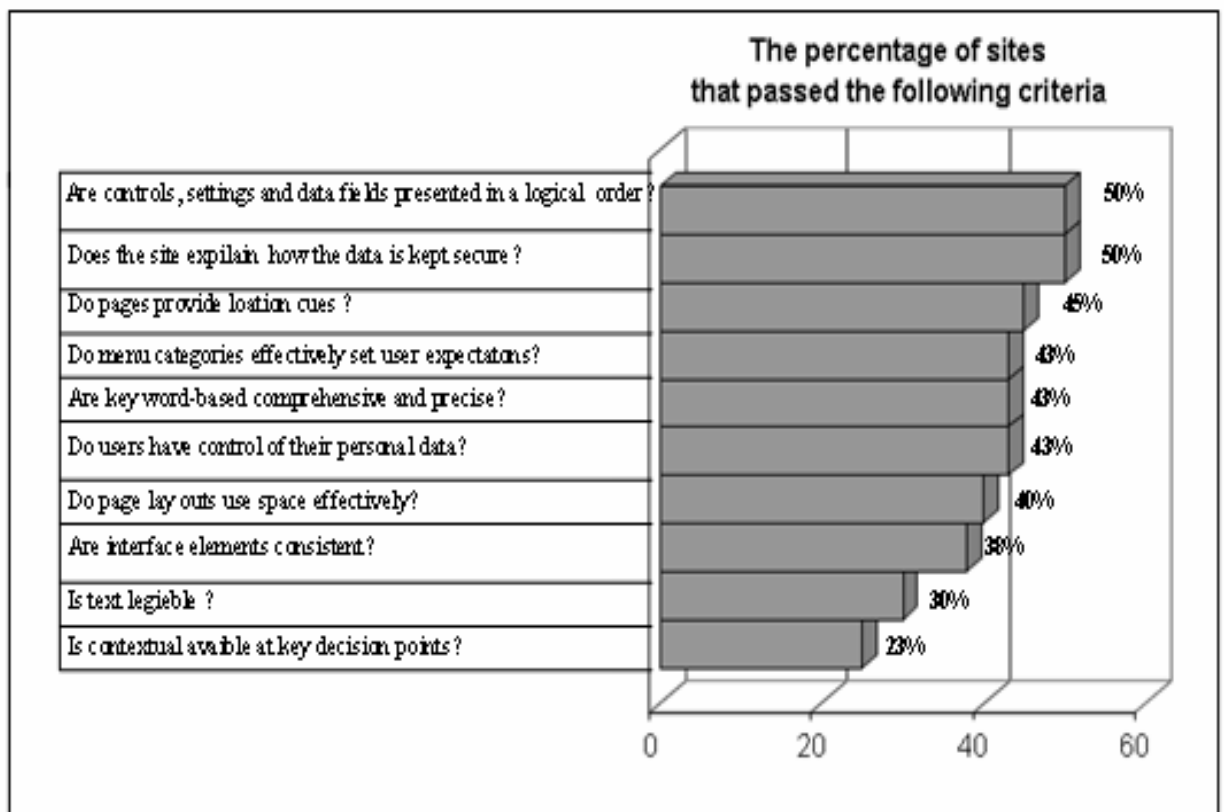
2.6 SERVQUAL in Internet Banking

It is mentioned that in the automated service channels (online banking) and in web based systems, the familiar service quality measurement the established by Gronroos (1984) mentions that these systems are unable to measure the customer expectations of the service so the service qualities are measured on service performances (Li et al. 2002; Al-Hawari et al. 2005) in the absence of a past experience from any service provider. (Broderick and Vachirapornpuk, 2002) Also, the occurrence of any service experience counts more on the service evaluation than the credibility of the internet banking service provider in the establishment of corporate image or reputation of the bank. (White and Fotini, 2004; Broderick and Vachirapornpuk, 2002)

When the service quality dimensions of web sites are examined according to the attributes, the content related dimensions seem to have greater importance as the quality of information in the web site and the web assistance demonstrating function of FAQ (frequently asked questions) related with technical support of the service, are found to be the important elements. (Li et al., 2002) In addition to this, a study conducted on internet banking service delivery systems by Broderick and Vachirapornpuk (2002) revealed that because there is no tangible dimensions to be evaluated from the customers point of view involved in the internet channel, the customers rather evaluate the web site service quality on the dimensions such as speed of download, navigation, interactivity and ease of use i.e. technical dimensions of the software. This is further mentioned by (Jun and Shaohan, 2001) that online systems quality in terms of speed response of the service and easy navigation of the internet banking channel are key success factors of the banks.

According to the results of a recent study among 40 financial web sites demonstrated that only 15% of the sites have passed the evaluation depending on the usability function. Although the results are not satisfactory for overall usage, the results are changeable for different dimensions as follows. (Forrester Research, 2005)

Figure 2: Top 10 Failing Criteria of Financial Services Sites, Web Site Reviews completed by Forrester Research



Another important part in internet banking service quality is the service interaction with the customer in the service encounter. Therefore, in order to satisfy the customers using internet banking the banks should focus the quality dimensions on the responsiveness, reliability, access (Broderick and Vachirapornpuk, 2002; Jun and Shaohan, 2001; White and Fotini, 2004) and empathy. (Broderick and Vachirapornpuk, 2002)

In the case of internet banking responsiveness refers to whether or not the transactions are performed efficiently and the timing of the communication between customer and service provider; reliability is referring to whether or not the promises to the internet banking customers are kept or whether lack of communication exists between the customer and service provider resulting in service failure; access is the telephone, e mail or branch support to the service delivery and empathy refers to how the customers are treated when faced with a problem during the service interactions. (Jun and Cai, 2001)

As a result, the quality of the internet banking is determined by the dimensions as the direct physical and non-physical interactions with the customer; the content and use of the web site, the incidents taking part in the interactions with the internet banking service provider and the increased level of customer involvement resulting in self control of the user. (Jun et al., 2001; Broderick and Vachirapornpuk, 2002)

Chapter III

3. Marketing Research

“Marketing research can be defined as the systematic and objective search for and analysis of information relevant to the identification and solution of any problem relevant to the firms marketing activity and marketing decision makers.”
(Gerald,Albaum 2002 Pg.217)

In the international research, the dimensions mentioned above concerning on the advent of internet banking will be discussed. Therefore necessary information is needed about internal and external factors, which should be considered before coming to a final decision in evaluating a service. In general terms, services depend upon the expectations and perceptions of the customers and the factors influencing these. Moreover, there are particular conditions or situations that have an effect on the evaluation of services. In the case of financial services the factors may depend on the market environment as well as the regulatory and technological factors influencing these. (Dobni, 2002)

The next section will focus on the external and internal factors, which include the PEST analysis, application of Internet banking services in Turkey and perceptions of the Internet banking users of these services.

4. External Analysis of Turkey

The external factors influencing the advent of internet banking in Turkey will be included in the aspects of Political, Economical, Sociological and Technological infrastructures to be dealt.

The administrator of Turkish banking association of Turkey; Akin Akbaygil in his speech in ‘The role of risk and control authority in banking ‘ has identified the following key dimensions in order to achieve a powerful banking system in Turkey¹;

- An enhanced and developed legal system
- Trustable and stable macroeconomic politic practices
- Effective market and industry discipline
- The procedures aiming at finding effective solutions in banking industry
- The suitable mechanisms that provide systematic protection

4.1 Political Factors

Political issues are an important aspect of business considerations as governments and regulations continually affect the dynamic nature of business in industries, sectors and markets.

The stable political conditions in Turkey are encouraged by the government in the following issues as; continuing the policies for stable fiscal discipline for decreasing the national debt, providing the entrance of international liquidity to encourage the investment to the country, deriving the interest of foreign investors on the financial instruments based on YTL (New Turkish Lira), providing the

¹ <http://www.tbb.org.tr/turkce/seminer/akin%5F%20akbaygil%5F01022001.doc>

continuance of borrowing from abroad for the private industries and participating in the decision of European Union to start the negotiations for membership with Turkey in 17th December 2004. (Turkish Banking System, July 2005) Also to encourage the foreign investors to the banking industry, the government has enacted legislation in the official newspaper issued in 19.12.1990 that the foreign banks will find the chance to operate in Turkey and to make the operations in the industry.²

The regulation to protect the rights of the consumers which is put into process related to the purchase of products or services from the internet banking channel is under the Consumer Protection Law as protected by the Distance Contract³ in Turkish regulatory system. The law includes any contract including written, visual, by telephone, electronic or other media that has no direct contact with the consumer, even in the delivery of goods or services. According to the law, before the result of the distance sales contract the consumer should be provided with the details of the information on the particular good or service and the purchase will not be valid since the consumer makes the confirmation presented through the channel which is established under the control protected by the Ministry. If the consumer confirms in writing that has not been provided with such information the contract will be invalid. Confirmation relating to the contracts made in the electronic medium should be made in the same medium. The seller or supplier should supply the obligations of the contract in thirty days from the date on which the consumer's order is handed in the seller or supplier.

Also for the intangible goods provided by the electronic media, it's in the service providers or the sellers' responsibility to prove that the delivery of the intangible good or service supplied to the consumer in electronic medium is without defect. (Act No.4077 on Consumer Protection as amended by act No.4822)

² <http://www.tbb.org.tr/turkce/kanunlar/offshore%5F1.htm>

³ <http://www.tbb.org.tr/english/4822%20act.doc>

4.2 Economical Factors

The economical factors are important in order to understand the up take of new technologies related to the service industry. In the case of internet banking services, the customers of the banks should have the relevant instruments i.e. the computer and the internet connection in order to provide the services and products from the channel. Since the up take of computer and internet technology are related to the economic conditions of the individual in Turkey, the purchasing power of the population should be considered.

According to Cook and Farquarson (1998; pg.347), the economic factors of the country should be considered with the rate of unemployment, the inflation rate, the productivity , GDP (gross domestic product) and GNP (gross national product) of the country.

Turkey has enjoyed some of the highest GDP (real growth rate in 1999) of 5% since the beginning of the 1980's (source: Global Edge). The establishment of money and capital markets, the liberalization of exchange and interest rates and other prices has enhanced the effectiveness of monetary, fiscal and income policies.

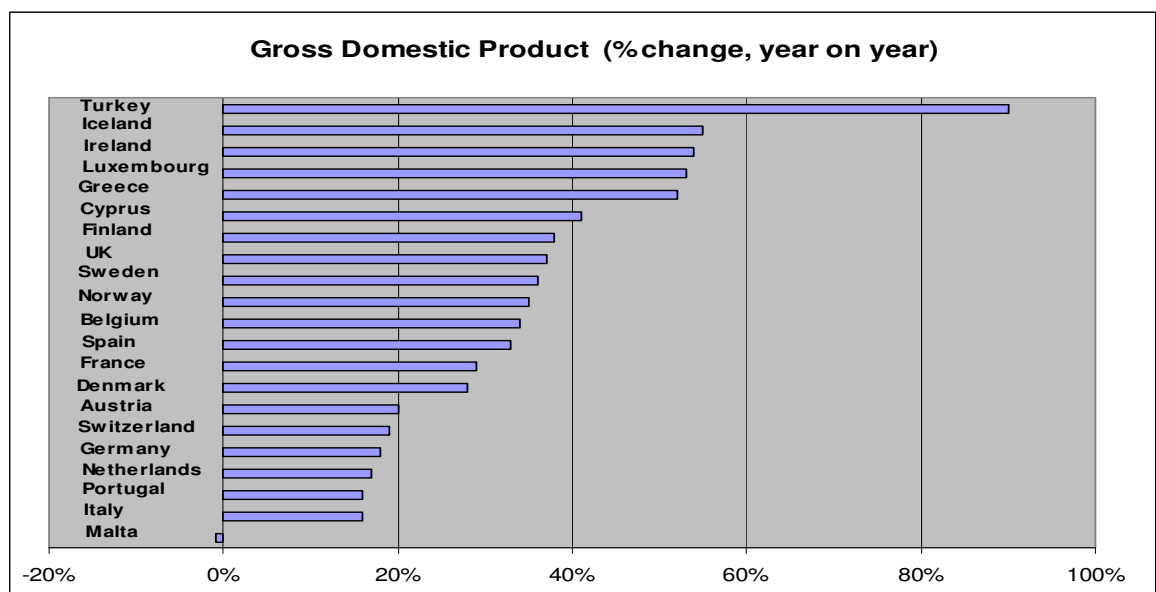


Figure 3: Economist Intelligence Unit estimates; national sources.

According to Economist Intelligence (Country Profile, 2005), the rate of workforce is in an increasing trend by 2,7% in 2004 from the previous year, however the rate of unemployment has increased since year 2000 from 6,6% to 10,3%. Of that workforce, the services industry is the highest employer in all industries in Turkey. On the other hand, the inflation fluctuates year by year, which damages the economic stabilization of the country.

4.3 Sociological Factors

The demographic variables which include lifestyle patterns, age, gender and social differences are found to have an effect in the up take of internet banking services. (White and Ntile, 2004; Sarel and Mamorstein; 2003) Hence, the relevant variables in the usage of the service and familiarities with the sociological structure of the country should be examined.

Turkey's fast changing society from a closed, tightly controlled one to a liberalist one has made foreign business tricky to comprehend. Anthropologist Edward T. Hill classified Turkey as a medium- context culture exhibiting typical Mediterranean traits (source: Global Edge).

The majority of Turkish people are between the ages of 15-64 years with a close balance in numbers between males and females. Turkey enjoys a population growth rate of about 1.13% (source: CIA World fact book 2004).

The migration from rural areas to big cities have resulted in an unbalanced income distribution and level of education (Economist Intelligence, 2005) both comparatively higher in Marmara Region, Central Anatolia and Aegean Region.⁴ (Statistical Regions)

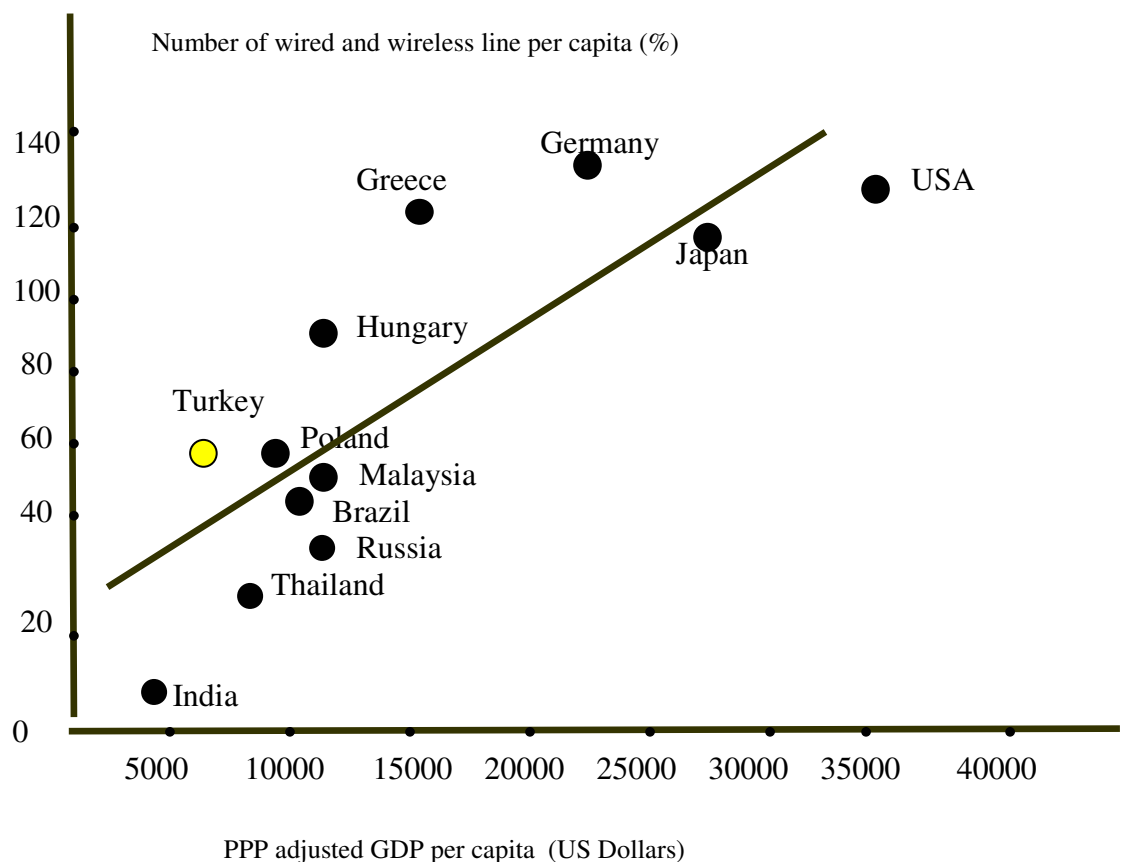
⁴ <http://www.die.gov.tr/TURKISH/SONIST/GSYIH/160503t1.gif>

4.4 Technological Factors

The individuals' adoption of technology has the effect of encouraging the internet banking service practice, for this reason the overall usage of the internet and relevant technologies in the population should be examined.

The people in Turkey can make use of internet from various channels as; computers, mobile phones, consoles, digital TVs and many more. Although the usage of internet has been in an increasing rate, the results have shown that Turkey is still behind the other countries. The internet usage was 5,5% for year 2002 in Turkey, while for Hungary and Poland was 20%, for Slovakia was 40% and for Czech Republic was 50%. (Source: Economic Intelligence)

Figure 4: Comparison of Teledensity, 2001



Source: International Telecommunications Union, Viewswire cited in The McKinsey Global Institute, Telecommunications

The improvements in wired and wireless communications have encouraged the total phone penetration compared to the other countries having similar incomes shown from the graph below (The McKinsey Global Institute, Telecommunications)

According to a survey conducted by Prime Ministry State of Statistics among the 12322 households in Turkey revealed that the internet usage in the last 3 months is 13,25% in the population. Also, the variances between the use of different technologies in the up take of internet is the highest for Personal PC's and then relatively lower for mobiles phones as shown below⁵:

	The up take of Technologies (% number of households)	The up take of Internet (% number of households)
Personal PC's	9,98%	5,86%
Laptop	0,85%	0,55%
Personal digital assistant pda	0,13%	0,06%
Mobile phone	53,64%	2,08%
Digital TV	92,19%	0,13%
Game console	2,85%	0,24%

Table 2: Population and Development indicators in Turkey, 2004

⁵ <http://www.die.gov.tr/TURKISH/SONIST/HHBilisim/151004/sayfa3.html>

5. The Internet Banking Practices in Turkey

The services being provided by the use of internet banking services are countless such as; checking balances, transferring money, buying/selling currency, paying bills and many more. However, it's also important how the internet banking services are changing the way the operations are performed. According to the Bank Association of Turkey the benefits of using internet banking are explained as follows⁶;

- The continuous and fast doing bank operations
- The convenience of doing bank operations without need for going branch
- The ability to perform the bank operations with ones self control
- The opportunity to obtain information and detailed reports
- The chance to experience variety of banking products and services
- The ability to perform the bank operations with more favorable prices
- The ability to do the personal bank operations with increased security and confidentiality without the control of a bank employee

According to a recent statistic about the Internet Banking usage in Turkey⁷, there are 15 million users registered for retail banking and approximately 1 million users for corporate banking. This makes 16 million for overall registered users of which are 17% active for retail banking and 47% for corporate banking. The results have shown that, the habits of internet banking users according to the end market being served are as important as the demographic and psychographic variables. (Pelsmacker et al,2001 pg. 510-511)

⁶ <http://www.tbb.org.tr/turkce/guvenlik/internet%20bankaciligi%20ve%20guvenlik.htm>

⁷ <http://www.tbb.org.tr/net/donemsel/>

Therefore, the applications of the internet banking services in Turkey between these two sub segments; Business to Business markets and Business to Consumer markets will be examined and then a detail study will be made for a random sample to understand the perceptions of internet banking service users.

In Turkey, Isbank offered the first internet banking service in 1997 to its customers and the same year Garantibank started to provide the same service in the internet. And for year 2004 it's reported that there are 22 banks providing internet banking service to the customers' in Turkey. (www.tbb.org.tr)

In order to examine the internet banking usage, Isbank and Garantibank which are two privately owned banks in Turkey will be analyzed because of the following reasons;

- The Isbank and GarantiBank are included in the first five banks in Turkey; according to the assets and equities which are ranked as TC. Ziraat Bank, Akbank, Isbank, Garantibank, Yapi Kredi bank.⁸
- The Isbank and GarantiBank are first two banks that have introduced the internet banking service in Turkey, which are defined as prospectors by Miles and Snow because these two banks are the first movers that provide the banks products and services through the internet channel. (Adcock; 2000, pg 80)

Therefore these two banks can be further examined in terms of the strategies that are developing in response to market conditions in Turkish banking system.

⁸ <http://www.tbb.org.tr/turkce/bulten/3%20aylik/eylul1999/banka/siralama.htm>, Aktif buyukluklerine gore banka siralamasi

5.1 Internet Banking Applications in GarantiBank and Isbank

The market segments in internet banking in the Business to Business and Business to Customer segments are categorized in GarantiBank and Isbank as B to B; the Commercial customers, Corporate customers, Small business customers (small scale enterprises) depending on the size of the organization from the biggest to the smallest and as B to C; Retail customers operating for individuals.

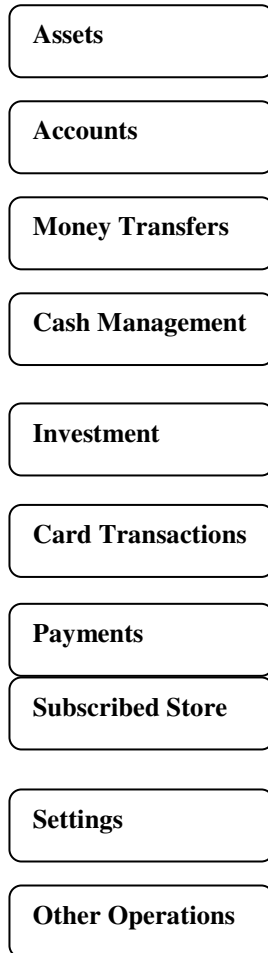
5.1.1. Segmentation in Internet Banking

In the business oriented internet banking, the products and services differ from the ones introduced to individual customers. The products offered particularly for the business segments include; the POS turnover, the collective EFT, the direct payments in system and authorized action system in the internet service. Also the services offered differ from the B to C, in terms of giving delegations given to various departments or individuals in the organization by the provision of digital signatures, increasing number of sub users of the system, limiting authorization for each individual or department and enabling the transfer of information and data systems between different companies.

GarantiBank

The main page of the internet banking users of GarantiBank include the following items for business customers also for the B to C group the features are same with exception of cash management, credit applications and subscribed store items;

Figure 5: Demo of the Garanti internet branch for business customers⁹



In the business context, the GarantiBank has focused on finding multi channel solutions to help corporate customers to pay salaries to employees of the organizations¹⁰, thus can benefit from the increased number of customers to make cross selling opportunities. Also, the bank is focusing on cost and time savings of commercial customers by providing these customers cash management from payment systems, as well as check clearing and tax payments.¹¹ As focusing on this segment the bank has offered direct collection systems, smart card and partner card

9

http://www.garanti.com.tr/subesiz/internet_bankaciligi/internet_subesi_demo.html

¹⁰http://www.garantibank.com/investor_relations/financials.html, Garantibank annual report, 2000

by connecting large industrial companies and small enterprises with integrating the distribution networks with the banking system.¹²

For the small business customers, the bank is focusing on increasing the number and product range in this segment by using alternative channels including internet banking and launching information network.¹³ The bank has launched a virtual financial manager in the internet (GANI) that meets the special requirements of the enterprises on the issues of financial and price planning.

Isbank

The internet banking page for business customers exists under the quick access and application items and sub items under these categories are as follows;

Figure 6: Demo of the Isbank internet branch for business customers ¹⁴

Quick Access

Prices and rates

Security options

Personal options

Isnet transactions

Last transactions

My account

My applications

¹⁴ <http://www.isbank.com.tr/interaktif/i-interaktif-internet.html>

The Isbank has diversified its services for different business segments for instance, Corporate Marketing Department is established to focus on the special requirements of the corporate customers to decide over continuing or enhancing relationships with the existing customers and attract new ones.¹⁵ Also, for business customers kurumsal.isbank intranet page is launched to track the credit and foreign trade customers so that the transactions on credit portfolio, deposit and investment and details about the customers can be available. In addition to this, the electronic products and services aiming for business customers are launched such as Direct Debit Systems, Distributor Card and Electronic Account Statement System.¹⁶

5.1.2 Convenience in the Internet banking

The transactions from the branch channels are restricted to the working hours and the location is the main issue both for branch channels and ATMs. On the other hand, the internet banking is providing convenience in terms of both time and location.

GarantiBank

The provisions of banking operations in GarantiBank are all available in internet banking channel without time restrictions except for investment funds, Repo and EFT. In order to benefit from the location the bank is providing CepBank, GarantiWAP and GarantiPALM services so that the customers can benefit from banking services from various communication channels through the internet without time and place restrictions.

¹⁵ Isbank annual report, 2002

¹⁶ Isbank annual report, 2003

When the customers are registered for internet banking, the CepBank enables users to transfer money to other people and the cash withdrawals can be made through ATMs. The GarantiWAP is aiming at mobile phone users to benefit from the bank operations such as; information on interest rates, stock prices and investment funds and learn about closest branches and ATMs. Also GarantiPALM is a developed technology with same uses of bank operations from GarantiWAP in addition with focusing more on individual transactions; paying taxes and many more.¹⁷

Isbank

Isbank is providing all of the services in the internet banking channel with no time constraints excluding EFT and Repo services. These are restricted to the time limits, for instance for EFT between 9:00 to 15:30. Also, the bank is providing mobile phone services with Mobile Banking and WAP-GPRS banking services. The difference between these services are, the Mobile Banking service can be used without need for WAP technology to connect to internet through sophisticated technology of Avea sim card enables all the services.

WAP-GPRS technologies of mobile phones provide services through internet connection to inform customers on bill payment, stock trades and many more services.¹⁸

5.1.3 Cross selling in the Internet banking

Since the banks can gain lifetime value from the customers by making transactions in the different stages of the lives, most of the revenues can be obtained from cross selling to the existing customers.

¹⁷ http://www.garanti.com.tr/subesiz/garanti_palm/servisler.html

¹⁸ <http://www.isbank.com.tr/sssfosikcasorulanSorular.asp?iKodIslem=1>

In the internet channel, the banks can provide all the existing types of products or services and also the ones in the remote parts of the world can be provided as a benefit of the channel.

GarantiBank

The GarantiBank, therefore, is providing www.bonus.com.tr and www.shoppingmiles.com websites as an extension of the existing cards. The websites in question are the virtual shopping malls which offer extra benefits in the purchase of related products to the customers.¹⁹ In addition, GarantiBank provides services to customers in a more secure environment through e-commerce portal with 1,300 virtual stores (Garantibank annual report, 2004) including a US internet sales channel douwantit.com with 43 portals²⁰ protected by firewalls.

Also, the www.paragaranti.com is a financial portal that informs customers about the financial dynamics on a daily basis in the marketplace.²¹

Isbank

The Isbank is providing financial internet site www.isteyatirim.com is launched to provide financial information from the market and provide products to the customers.²² In addition to e-commerce transactions, the Electronic On-Line Payment system is developed to provide credit card payments in the internet.²³ In the Mobile Commerce environment, the Mobile Payment service is provided enabling the customers to make purchases and payments in the internet channel.²⁴

¹⁹ Garantibank annual report, 2002

²⁰ Garantibank annual report, 2003

²¹ Garantibank annual report, 2001

²³ Isbank annual report, 2002

²⁴ Isbank annual report, 2003

5.1.4 Product variety in the Internet banking

The range of the products in the internet channel is an important factor to choose whether to carry on the transactions in the channel or not. (Dobni, 2002)

Garantibank

Garantibank is providing all the existing products and services in the channel in addition with channel specific products and services.

According to the survey conducted by Garantibank among 3374 individuals in order to investigate the reasons for not shopping in the internet channel has revealed by 37% that the customers do not find credit cards safe to make the transactions. Therefore, the Garantibank has launched a virtual card that the customers can transfer physical money in the existing accounts to the virtual cards so that the customers can limit the accounts and can shop safely.²⁵

Isbank

The bank is providing all the services in the internet banking channel which accounts more than 150 of the existing services. Also, Virtual POS machine is developed to collect sales from the internet, the Turkish Airlines is one of which registered for it.²⁶ And Isbank is planning to launch virtual cards in the following years.

²⁵ <http://eticaret.garanti.com.tr/icerik/goster.asp?c=9&t=m>

²⁶ Isbank annual report, 2001

5.1.5 Incentives in the Internet banking

The incentives given to encourage using the internet banking channel should encourage the trial of the service rather than increasing brand awareness with focusing on price incentives instead of relying on advertisements. (Sarel and Mamorstein, 2003; Jayawardhena, 2004) For this reason, how the customers are encouraged to use the internet banking services is a matter of fact.

Garantibank

GarantiBank offers internet service provider garanti.net to divert and encourage existing customers to the internet channel. In addition, till year 2005 the banking operations in the channel were free of charge however, the branch manager Figen Aysan mentions that ‘The infrastructure and investment costs of the channel is very high and the increased rate of channel usage indicates that in order to compensate the investment costs, Garantibank has decided to charge prices for specific transactions for bank operations in the internet channel’.²⁷

Garantibank is charging fees for the transactions including; money transfer, EFT, buying and selling stocks, swift and sending money by CepBank in the internet channel. However, the cost of doing transactions are still encouraging, for instance buying and selling stocks in the internet is % 0, 2 of the cost compared to a branch transaction.²⁸

²⁷ Garantibank Branch Manager

²⁸ http://www.garanti.com.tr/subesiz/internet_bankaciligi/islemler/komisyon_ve_masraflar.html

Isbank

The Isbank is providing Isnet internet service provider to be able to make customers to benefit from the internet banking channel.²⁹ The bank operations are free of charge with the exception of EFT, Swift and stock transactions. On the other hand, for EFT when the service is arranged to make regular payments on the internet the first transaction is free of charge. And in general the transaction costs are around % 0, 2 of the actual costs from other channels.³⁰

5.2 The Results of the Analysis

The Isbank and Garantibank are the first movers, to offer products and services in the internet banking service channel in Turkey, therefore have the ability to realize the key features of the market potential. The Isbank is focusing more on the customer segment using the mobile phones that has the potential to offer internet banking services. The partnership of Isbank with Telecommunication Italia is strengthening this strategy. Also in Turkey when it's considered that the up take of mobile phone technology is relatively high (around 50%) compared to countries in the same category in terms of income,³¹ it's a good strategy. On the other hand, GarantiBank is more focusing on integrating communications in different channels; from mobile phones to PC's and PALMs, so has the ability to reach different customer segments. Although the up take of new technologies are relatively low in Turkey, it should be considered that the internet banking customer segment is also in the group of trying and purchasing new technology products and services.

²⁹ Isbank annual report, 2000

³⁰ MasrafKomisyonTarifesi, www.isbank.com.tr

³¹ Population and Development indicators, 2004 www.die.org.tr

Also, the e-commerce sites such as douwantit, the extension of credit card sites as bonus and shopandmiles provided and the virtual card systems controlling expenditures in e-commerce channels which has been in an increasing rate in Turkey by 27% in terms of volume³² are supporting this trend. For this reason Garantibank can benefit by lowering the switching barriers to attract spurious customers from other banks (Panther and Farquhar, 2004) and retain existing ones by providing new products and services.

In the business market context, Garantibank provides services aiming at different business customer segments with smart cards and partner cards for large organizations and virtual advisory systems (GANI) to meet the needs of the small sized companies. Since the business customers are the profitable customer segment to benefit from the companies' employees as potential customers to perform cross selling opportunities from the internet banking channel, it can be predicted that Garantibank will benefit more of those customers by meeting special requirements. And the relations between the business customers who tend to use split banking i.e. using more than one bank, which is common for the reasons of increasing flexibility, diversifying the associated risk and benefiting from special skills in different banks, can be reduced by increasing the wallet share of the customer with increasing the range of products and services on particular business segments in the internet channel. (Burton and Lam, 2005) In addition to the encouragements of two banks are almost the same in terms of price discounts for transactions, which balances the competition in this term for both sides. For overall evaluation, the Garantibank is operating more aggressively in the internet channel not only to take part in the internet banking service channel to retain existing customer base but also to attract new ones by identifying new segments and offer products on those. Isbank is also aiming to attract new customers to the channel but by focusing particularly on mobile communication channel and PC's for internet banking. Therefore, Isbank is operating in a narrower customer segment compared to Garantibank.

³² 'Elektronik ticarete konu olan islemler', www.tbb.org.tr

6. Survey Results of Internet banking Customers in Turkey

In order to identify the perceptions of the internet banking customers in Turkey, a study is conducted among the users of the services on various elements; lifestyle patterns, frequency of internet channel usage and the attitudes of the customers for using internet banking services according to the data derived from past researches. (Ekin and Polatoglu, 2001; Sarel and Mamorstein, 2003; Jayawardhena, 2004)

6.1 Sampling Method

The sample population is chosen in Izmir, one of the big three cities in Turkey according to Prime Ministry State of Statistics³³ that takes place in the Aegean region.

The sample technique for this survey is used as snowball technique for the following reasons; (Malhotra and Bricks, 2003 pg.374)

- The internet banking users differ from the average population in terms of key variables; demographic and psychographic variables.
- Rather than evaluating the whole population a particular segment group can be targeted.
- The rare characteristics hidden in the particular segment can be identified.

The questionnaire³⁴ prepared on three main dimensions (lifestyle patterns, internet usage habits, perceptions on internet banking services) was sent to post graduate students and academicians by e-mail in the Izmir University of Economics. The reason for using e-mail to deliver the questionnaire was to focus on the segment

³³ Gross domestic product by statistical regions, 2001 www.die.gov.tr

³⁴ Please refer to appendix to see the questionnaire

using internet channel. The e-mail addresses already existed in the Yahoo group for post graduate students and relevant academicians. The first sample sent by e-mails were 50 people; consist of 30 postgraduates (60%) and 20 (40%) academicians. The questionnaire was sent on 1st of July and returned a month later on 1st of August 2005.

The initial sample was already informed about the purpose of the questionnaire and the other respondents afterwards received the questionnaire were informed on the issue with the attached cover letter. The initial sample delivered the questionnaire to the people in the work place and to their friends; as a result 292 questionnaires were received however 208 of those were useable. This was actually high response rate with 71, 2 %. The respondents answering the questionnaire were consisting of individuals also including the engineers, specialists, administrative professionalists, technicians so on.

6.2 Data Collection Instrument

The data is developed to collect primary information on three dimensions; the first two parts focus on the demographics and internet frequency of the users depending on the previous researches of (Mamorstein and Sarel, 2003) and the third part focuses on the customer perceptions of internet banking services from previous researches of Ekin and Polatoglu (2001).

Therefore, the relevant dimensions of specific bank transactions in question 11 and the perceptions of the users based on the dimensions of service quality model (SERVQUAL) in question 14 was taken from this study of Ekin and Polatoglu (2001). The questionnaire is first prepared in English and then translated into Turkish and sent to the initial sample.

To compare the differences between the perceptions of internet banking users' about services questionnaire 14 is developed with 5 point Likert scale (1= strongly disagree, 5= strongly agree) for statements such as accessibility, time saving, cost saving and user friendliness of websites and questionnaire 11 is developed with 5 point scale (1= don't use, 5= very frequent) to examine the banking operations the internet banking users' are preferring in general.

The useable questionnaires were differentiated from the others by the respondents using the internet banking who were answered 'yes' to the questionnaire number 12. The number of non-users who answered 'no' to the questionnaire 12 were not statistically significant so the results of the question 15 were not taken into consideration according to Central Limit Theorem, which mentions that the sample sizes below 30 are much less reliable and larger samples improve their accuracy.³⁵

The results of the questionnaire according to the respondents using the internet banking channel is as follows;

³⁵ <http://analystrelations.blogspot.com/2007/01/central-limit-on-bias-when-surveying.html>

6.2.1 Personal Information

Question 1

Gender		Survey results
	male	34 (%)
	female	66 (%)
	Total	100,0

Table 3: Internet Bank users' gender

Question 2

Age		Survey results
	16 – 18	0
	19 - 29	55 (%)
	30 - 39	30 (%)
	40 - 49	11 (%)
	+50	4 (%)
	Total	100,0

Table 4: Internet Bank users' age

According to the first and second question, the respondents consist slightly more of females and more than 50% of the respondents are in the age between 19 to 29. When it's considered that the population in Turkey have the number of females and males in the closer percentages this result can be accepted and representative for the sample. In addition the high response rate on young people may stem from the initial respondents who are higher for post graduates but the factors of young population in Turkey and the overall high ratings for young people using internet channel also be considered.

Question3

Household Size		Survey results
	1	6 (%)
	2	28 (%)
	3- 4	60 (%)
	+5	6 (%)
	Total	100,0

Table 5: Internet Bank users' household size

In terms of the household size of the respondents reveals that the people answering the questionnaire consists of 3 or 4 individuals living together.

Question 4

Level of education		Survey results
	High school	0
	Graduate	48 (%)
	Postgraduate	38 (%)
	Other	14 (%)
	Total	100,0

Table 6: Internet Bank users' education level

The level of education among the respondents has shown that the graduates dominate more of the internet banking channel users. This also reveals that the number of respondents using internet banking services are higher for postgraduates and academicians. Therefore, the internet banking users consist more of the people have higher education level.

Question 6

Company Size		Survey results
	Small	6 (%)
	Medium	27 (%)
	Large	67 (%)
	Total	100,0

Table 7: Internet Bank users' company size

The respondents of the questionnaire are included in various occupation groups such as; engineers, specialists, administrative professionalists, technicians, secretaries and government employees as well as academicians and post graduates. Among the respondents 67% mentions that are working in large scale companies which can be supported by the fact that the conditions in the big companies encourage more of using internet technology. On the other hand, the position of the individual in the company and ones own perception of using internet banking should be further examined.

6.2.2 Internet Usage Habits

Question 7

Internet connection		Survey results
	Home	13 (%)
	Work	17(%)
	Home and Work	68 (%)
	Other	2 (%)
	Total	100,0

Table 8: Internet Bank users' internet connection

As seen from Table 8 above, when the participants find more chance to connect to internet from various places, the up take internet banking applications through the channel is increasing. The respondents ranked higher above all who has the ability to connect to internet both from work and home.

When these results are compared with the Prime Ministry Statistics³⁶, the majority of the population in Turkey, are connecting to internet from work by 41,1 % and home by 32,3 %. Another interesting fact emerges that around 41, 2 % of people connects to internet from the internet cafes. Although the results of Prime Ministry Statistics are not specific for the users of internet banking services, the results may demonstrate that the reasons for up taking of internet banking services may stem from non-user's the inability of having the internet technology which should be considered as an important factor for up take of the service. (Adcock, 2000, p. 188)

³⁶, ³⁶ <http://www.die.gov.tr/TURKISH/SONIST/HHBilisim/151004/kapak.html>

Question 8

Purpose of internet usage		Survey results	P.M. Statistics ³⁷
Valid	E-mail	21 (%)	76 (%)
	Bank applications	10 (%)	15 (%)
	Fun	0	63 (%)
	For job	40 (%)	10,8 (%)
	Info gathering	29 (%)	93 (%)
	Shopping	0	17 (%)
	Total	100,0	

Table 9: Internet Bank users' purpose of internet usage

According to the survey results, the purpose of the respondents benefiting from internet banking services are using internet channel mainly for business purposes 40% and information gathering 29%. The use of internet particularly for bank application purposes is relatively low 10% in general.

When the Prime Ministry Statistics are considered for internet channel usage in the population, the results reveal that the highest score for internet usage results from information search, also the the respondents are likely to use internet for e-mail purposes is also high. The reason for connecting to internet for bank applications is relatively low compared to fun and shopping purposes.

Question 9

Frequency of Internet Usage		Survey results
	Everyday	94 (%)
	2-3 times a week	6 (%)
	Once a month	0
	Less frequent	0
	Total	100,0

Table 10: Internet Bank users' frequency of internet usage

It's clearly seen from the table above that there is a direct relation between the frequency of internet usage and up take of internet banking services. The people tend to use internet more are aware of the benefits the service being provided and the adoption of internet banking services are high for frequent internet users.

Question 10

Channel Preferences		Survey results
Valid	Branch	32 (%)
	ATM	8 (%)
	Internet	50 (%)
	Telephone	4 (%)
	All	6 (%)
	Total	100,0

Table 11: Internet Bank users' channel preferences

When question 10 is examined both for users of the internet banking services, it's clearly seen that the main channel for doing bank operations is the internet, however the branch usage is also high. It should also be considered that Izmir is ranked as the third city benefiting from large numbers of branches compared to other

cities and regions in Turkey³⁸ and in the purchase of buying complex banking products the face to face interaction is still preferred.

Question 11

	Very frequent	Frequent	Few	Very Few	Don't Use
Money transfer (EFT)	35 %	42%	15%	4%	4%
Checking balances	44%	35%	12%	2%	7%
Paying bills	38%	46%	4%	4%	8%
Buying/selling currency	8%	6%	6%	18%	62%
Buying/selling mutual funds	17%	25%	17%	12%	29%
Buying/selling stocks	6%	4%	12%	8%	70%
Repo	2%	4%	8%	8%	78%

Table 12: Internet Bank users' operation preferences

The above results are the bank transactions the internet banking service users are doing in general. However, these results are not the internet channel specific transactions, rather the transactions in general implemented by the aforementioned respondents.

The results vary for different items; the general usage is dominant for money transfer, balance checking and bill payment transactions. For buying or selling currency and stock, as well as Repo is not the main focus of the respondents. In buying or selling of mutual funds, the frequency of transactions varies between frequent and not using.

³⁸ http://www.tbb.org.tr/eklenenler/eklenenler_ocak05.htm 07/07/2005 İllere ve Bölgelere Göre Mevduat ve Kredi Çeşitleri, 2004

It's seen from the table above that internet banking service customers are focusing more on implementing some of the transactions in general while abstaining from the others. Therefore, as clearly seen the customers are more focusing on routine transactions including checking balances, clearing payments and transferring funds etc, in general which is also previously identified by Gartner Report that internet banking channel users tend to use more routine type of transactions. (Schehr D., 2004)

Question 13

Information channels		Survey results
Valid	Radio	0
	Television	17 (%)
	Branch	46 (%)
	Internet	10 (%)
	Newspaper etc.	0
	Friends	27 (%)
	Total	100,0

Table 13: Internet Bank users' information gathering for internet banking

The users of internet banking services were informed on different communication channels about the service. The table above figures that branch is the most important channel to inform and convert the customers on the internet banking services, followed by word of mouth communication ie. personal recommendations and then advertisements on televisions.

6.2.3 Perceptions of Internet banking Users

Question 14

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
I can access to e-banking from everywhere	57 %	28 %	4 %	7 %	4 %
I gain time by using e-banking	84 %	11 %	2 %	0	3 %
I think websites are user friendly	67 %	28 %	2 %	0	3 %
I think doing operations are safe	20 %	51 %	11 %	12 %	6 %
I give importance to corporate image of the bank	55 %	30 %	3 %	10 %	2 %
I prefer e-banking because it's a self service	63 %	30 %	0	4 %	3 %
I can make all my operations with e-banking	34 %	30 %	2 %	22 %	12 %
I can make operations free/lower cost with e-banking	64 %	26 %	2 %	8 %	0
I think the speed of doing operations are sufficient	60 %	28 %	2 %	10 %	0
I'm satisfied with general usage	60 %	36 %	2 %	2 %	0
I recommend e-banking to people	71 %	23 %	4 %	2 %	0
I'm introduced to new products and services with e-banking	32 %	23 %	23 %	20 %	12 %

Table 14: Internet Bank users' perceptions of internet banking services

Question 14 depends on the perceptions of customers using the internet banking services. According to the variables, the overall perceptions of the service users are satisfied with the performance of the internet banking channel. However, safety, product and service variety of the channel is not viewed to meet all the requirements of the customers.

The convenience of service in terms of time is ranked well but accessibility of the service has an average result. Also, the respondents seem to rate good for the website performance which is an important dimension in the lack of physical evaluations of the service. Therefore, the respondents are satisfied with the speed and general usage of the service; also make positive word of mouth to the potential users.

The interactive nature of the internet seem to have a positive effect on the customers to take the full control of the services, on the other hand the channel is failed to promote new products and services (cross selling) to benefit from the existing users. Also, the users of the services don't rely much on the corporate image of the bank, rather focus on price incentives given by the service provider.

6.3 Research Findings

In order to analyze the significance of the data statistically the chi-square test is used in a contingency table consisting of rows and columns to determine if the observed cell frequencies differ significantly from the expected frequencies. The purpose of using chi-square test is to determine whether the observed frequencies calculated differ from the frequencies that are to be expected by chance. Using the chi-square statistic and its associated degrees of freedom in the SPSS software the probability that the differences between the observed and expected frequencies occurred by chance. The probability of 0.05 or less is considered to be a significant difference in the significance level of 0.95 (95%) to test hypothesis.

Therefore, as used in many statistical analysis a Null Hypothesis is set (H_0) for statistical significance. The first analysis is made to test if there's a significant relationship between use of Internet Banking services and demographic variables (gender, age, education, internet usage frequency) of users for each item. For instance, when the first item gender the analysis is set for the uptake of Internet Banking services as;

H_0 : There's no relation between use of Internet Banking services and gender.

H_1 : There's a relation between use of Internet Banking services and gender.

The results revealed that there's no relation between use of Internet Banking services and gender in the significance level of 95% since the Pearson Chi-Square is 0.502 which is higher than 0.05.

		1)gender		Total
		women	men	women
12)Internet Banking	yes	98	52	150
	no	35	23	58
Total		133	75	208

Table 15: Case summary of Internet Banking services and gender

Chi-Square Tests					
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	,451(b)	1	0,502		
Continuity Correction(a)	0,261	1	0,609		
Likelihood Ratio	0,448	1	0,503		
Fisher's Exact Test				0,523	0,303
Linear-by-Linear Association	0,449	1	0,503		
N of Valid Cases	208				

Table 16: Chi-Square test of Internet Banking services and gender

Therefore, the results revealed with the Chi-Square Test there's a no relation between demographic variables for gender and age between Internet Banking services usage, on the other hand there's a relation between education and internet usage frequency between uptake of Internet Banking services which shows that as the people use internet technology more frequent (everyday) the uptake of Internet Banking services increases. Please refer to Appendix 2 for the results.

		9)Internet Usage Frequency			Total
		everyday	2-3 a week	once a month	everyday
12)Internet Banking	yes	142	9	0	151
	no	38	12	9	59
Total		180	21	9	210

Table 17: Case summary of internet usage frequency and Internet Banking services

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36,151(a)	2	0
Likelihood Ratio	35,182	2	0
Linear-by-Linear Association	35,904	1	0
N of Valid Cases	210		

Table 18: Chi-Square test of Internet Banking services and internet usage frequency

In the second part of the analysis, the relation between Internet Banking service users and the frequency in the use of bank operations are considered.

H₀: There's no relation between use of Internet Banking services and doing routine bank operations.

H₁: There's a relation between use of Internet Banking services and doing routine bank operations.

The results revealed that there's a relation between use of Internet Banking services and doing routine bank operations in the significance level of 95% since the Pearson Chi-Square is for money transfers, checking balances, paying bills, buying and selling currency or mutual funds money transfers, checking balances, paying bills, buying and selling currency or mutual funds which are lower than 0.05.

The results have shown that the users of Internet Banking services tend to use routine operations such as money transfers, checking balances, paying bills, buying and selling currency or mutual funds rather than buying and selling stock or Repo as supported by previous researches. (Gartner Report, 2004)

In the third part of the analysis, the relation between the frequency of internet usage and the perceptions of Internet Banking services are considered.

H₀: There's no relation between use of the frequency of internet usage and the perceptions of Internet Banking services.

H₁: There's a relation between the frequency of internet usage and the perceptions of Internet Banking services

The results revealed that there's a relation between the frequency of internet usage and perceptions of Internet Banking services in the significance level of 95% since the Pearson Chi-Square is lower than 0.05. for easy to reach, doing operations are cheaper and they are introduced to new products and services from the Internet Channel.

Conclusions

The results on internet banking usage and up take of internet technology have revealed that in Turkey there is a positive relation between the channel usage and up take of new services. Because of the economical conditions, the people are unable to provide internet services at home which are also shown by the high rate of internet usage in internet cafes. On the other hand, for the people who have the chance to benefit from internet channel in the workplaces both because of lack of time and increased usage rate of internet channel tend to use more of the internet banking services. In addition, the age of the people as well as the education level has an effect in the up take of internet banking services.

The results have shown that the branch banking is still popular for some reasons and majority of the users were informed from the branch channel about the internet banking services. The positive word of mouth activities are also encouraging the non users of the internet banking services and the overall performances of existing services are evaluated well from the existing users' point of view.

The users of Internet Banking services tend to use routine operations such as money transfers, checking balances, paying bills, buying and selling currency or mutual funds rather than buying and selling stock or Repo. Also, the frequent internet users have positive perceptions of Internet Banking services for easy to reach, doing operations are cheaper and they are introduced to new products and services from the internet channel.

Although in this study the specific evaluations were obtained in detail through a particular user segment in terms of lifestyles, demographic variables living in the same geographical area in the survey, the results may vary for different segments using the channel in order to make a more precise decision on the channel users a further examination should be made.

Recommendations

The expectations and perceptions of the internet banking service users have indicated that the providers can improve the services and benefit more customers as the number of people will be more accustomed to internet in the following years. Therefore the following recommendations are made in order to highlight the challenges and opportunities of the channel;

- The positive word of mouth activities should be enhanced by increasing the satisfaction of the existing users, so the internet banking services can attract the potential customers which rely on personal recommendations.
- The importance should be given to the encouragements through in branch promotions with the use of bank employees and managers. Still majority of the customers are using branch channel and to divert these customers, especially the ones making routine transactions in branch, the benefits of the internet channel should be stressed.
- The use of internet banking channel should act strategically, not only to increase the achievement in number of transactions from the channel but also to give information about new products and services.
- The lack of safety feeling of the users on internet banking services should be fulfilled with the FAQ (Frequently asked questions) or the helpline of technical support people in the websites online to encourage the potential users.
- The lack of importance of the users to corporate image of a bank may intensify the competition in the future between small size banks and larger banks by lowering the barriers for entry in the internet channel.

References

Adcock Dennis, 2000, *Marketing Strategies for Competitive Advantage* John Wiley & Sons Ltd., Chichester, Wiley

Albaum Gerald, 2002, *International marketing and export management, 4th edition*, Edinburgh Gate Prentice Hall

Cook, M. & Farquarson, C., 1998, *Business Economics*, Prentice Hall, Edinburg, Pearson Education Limited,

Gitman, J. Lawrence, 2003, *Principles of Managerial Finance, 10th Edition*, US, Pearson Education Limited

Kotler Philip, 2003, *Marketing Management, 11th Edition*, India, Pearson Education

Pelsmacker P. Berg, J. V. Geuens M, 2001, *Marketing Communications, 2nd Edition*, Edinburgh Gate, Prentice Hall

Sinkey Joseph F., 2002, *Commercial Bank Financial Management, 6th Edition*, US, Pearson Education Limited

Taylor W. Bernard; Russel R. Roberta, 2003, *Operations Management, Fourth Edition*, Prentice Hall Inc., Upper Saddle River, New Jersey

Al-Hawari, Mohammed; Hartley, Nicole; Ward, Tony, 2005, *Measuring Banks' Automated Service Quality: A Confirmatory Factor Analysis Approach*. ,*Marketing Bulletin*, Vol. 16, p1-19, 19p Available from: Business Source Premier

Anton Meyer; Richard Chase; Aleda Roth; Chris Voss; Klaus-Ulrich Sperl; Larry Menor; Kate Blackmon; 1999; *Service competitiveness - An international benchmarking comparison of service practice and performance in Germany, UK and USA.*; *International Journal of Service Industry Management*, Vol. 10 Issue 4, p369, 11p Available from: Business Source Premier

Ballantyne, David; Christopher, Martin; Payne, Adrian , 1995, *Improving the Quality of Services Marketing: Service (Re)design is the Critical Link.*, *Journal of Marketing Management*, Vol. 11 Issue 1-3, p7-24, 18p Available from: Business Source Premier

Bhattacharjee, Anol, 2002, *Individual Trust in Online Firms: Scale Development and Initial Test*, *Journal of Management Information Systems*, Vol.19, No.1 pp. 211-241 Available from: Business Source Premier

Bank Technology News; 2002; *Turning a Profit On-Line.*, Vol. 15 Issue 11, p49, 2p Available from: Business Source Premier

Bhat, Mushtaq A., 2005, *Corelates of service quality in banks:An empirical investigation*, *Journal of Services Research*, Vol. 5 Issue 1, p77-99, 23p Available from: Business Source Premier

Boyes, Gary; Stone, Merlin, 2003, *E-business opportunities in financial services.*; *Journal of Financial Services Marketing*, Vol. 8 Issue 2, p176-189, 14p Available from: Business Source Premier

Broderick Anna J., Vachirapornpuk, 2002, *Service quality in Internet banking: the importance of customer role*, 20/6, 327-335 Available from: Emerald Source

Bughin, Jacques , 2003, *The Diffusion of Internet Banking in Western Europe.*; *Electronic Markets*, Vol. 13 Issue 3, p251, 8p Available from: Business Source Premier

Burton, Suzan; Lam, Regan, 2005, *Bank selection and share of wallet among SMEs: Apparent differences between Hong Kong and Australia. By: Journal of Financial Services Marketing* , Vol. 9 Issue 3, p204-213, 10p Available from: Business Source Premier

Carson, David; Gilmore, Audrey; Walsh, Susan; 2004, *Balancing Transaction and Relationship Marketing in Retail Banking. Journal of Marketing Management* , Vol. 20 Issue 3/4, p431-455, 25p Available from: Business Source Premier

Chou C. David; Chou Y. Amy; 2000; *A guide to the internet revolution in banking, Information Systems Management*, Available from: Business Source Premier

Colgate, Mark, 1998, *Creating sustainable competitive advantage through..International Journal of Bank Marketing*, Vol. 16 Issue 2/3, p80, 10p Available from: Business Source Premier

Datamonitor, *United Kingdom-Internet banking*, 2001 Available from: Business Source Premier

Devlin, James F, 1995,*Technology and innovation in retail banking distribution; International Journal of Bank Marketing*, Vol. 13 Issue 4 Available from: Business Source Premier

de Chernatony, Leslie; Harris, Fiona; Christodoulides, George, 2004, *Developing a brand performance measure for financial services brands. Service Industries Journal*, Vol. 24 Issue 2, p15-33 Available from: Business Source Premier

Dobni, Brooke, 2002, *A model for implementing service excellence in the financial services industry.,Journal of Financial Services Marketing*, Vol. 7 Issue 1, p42, 12p Available from: Business Source Premier

Doherty, Joanne; Keeling Kathleen A.; McGoldrick Peter; Lee S.Y.Morna, 2003, *Using ZMET to explore barriers to the adoption of 3G Mobile banking services*, *International Journal of Retail and Distribution Management*, Volume 31, Number 6, pp. 340-348 Available from: Emerald Source

Ekin Serap; Polatoglu Nul Vichuda, 2001, *An empirical investigation of Turkish consumers' acceptance of Internet banking services*, *International Journal of Bank Marketing*, 19/4, 156-165 Available from: Emerald Source

Fitzgibbon, Christopher; White, Lesley ; 2004; *The role of attitudinal loyalty in the development of customer relationship management strategy within service firms*. *Journal of Financial Services Marketing*, Vol. 9 Issue 3, p214-230, 17p Available from: Business Source Premier

Gillis, M. Arthur; Cocheo, Steve, 2005, *The technology evolution gets a "B"* *ABA Banking Journal*, Vol. 97 Issue 6, p43-53, 5p Available from: Business Source Premier

Gronroos, Christian; 1984; *A Service Quality Model and its Marketing Implications.*; *European Journal of Marketing*, Vol. 18 Issue 4, p36, 9p Available from: Business Source Premier

Harrison, Tina, 2003, *Understanding the behaviour of financial services consumers: A research agenda*. *Journal of Financial Services Marketing*, Vol. 8 Issue 1 Available from: Business Source Premier

Howcroft, Barry; Hower, Paul; Hamilton, Robert, 2003, *Consumer Decision-Making Styles and the Purchase of Financial Services*. *Service Industries Journal*, Vol. 23 Issue 3, p63-81 Available from: Business Source Premier

Joseph Mathew, McClure Cindy, Joseph Beatriz, 1999, *Service quality in the banking sector: the impact of technology on service delivery*; *International Journal of Bank Marketing*, 17/4, 182-191 Available from: Emerald Source

Jayawardhena, Chanaka, 2004, *Measurement of Service Quality in Internet Banking: The Development of an Instrument.*, *Journal of Marketing Management*, Vol. 20 Issue 1/2, p185-207, 23p Available from: Business Source Premier

Joseph, Mathew; McClure, Cindy, 1999, *Service quality in the banking sector: the impact of technology on service delivery.*, *International Journal of Bank Marketing*, Vol. 17 Issue 4/5, p182, 10p Available from: Business Source Premier

Pahnla Seppo, Pikkarainen Treo, Pikkarainen Kari, Karjaluo Heikki, 2004, *Consumer acceptance of online banking: an extension of the technology acceptance model*, *Internet Research*, Volume 14, Number 3, pp.224-235 Available from: Emerald Source

Kin-nam Lau; Wong, Sheila; Ma, Margaret; Liu, Connie, 2003, *Next product to offer' for bank marketers*; *Journal of Database Marketing*, Vol. 10 Issue 4, p353, 16p Available from: Business Source Premier

Lassar, Walfried M.; Manolis, Chris; Winsor, Robert D; 2000; *Service quality perspectives and satisfaction in private banking.*, *International Journal of Bank Marketing*, Vol. 18 Issue 4/5, p181, 19p Available from: Business Source Premier

Li, Y. N.; Tan, K. C.; Xie, M, 2002; *Measuring web-based service quality*. *Total Quality Management*, Vol. 13 Issue 5, p685-700, 16p Available from: Business Source Premier

Malhotra, Neeru; Mukherjee, Avinandan, 2003, *Analysing the Commitment--Service Quality Relationship: A Comparative Study of Retail Banking Call Centres and Branches*. *Journal of Marketing Management*, Vol. 19 Issue 9/10, p941-971 Available from: Business Source Premier

McKinsey Global Institute, *Telecommunications*, Available from: Business Source Premier

Minjoon Jun; Shaohan Cai , 2001, *The key determinants of Internet banking service quality: a content analysis*. *International Journal of Bank Marketing*, Vol. 19 Issue 7, p276, 16p Available from: Business Source Premier

Orr, Bill; 2003; *Where's the commitment?* *ABA Banking Journal*, Vol. 95 Issue 1, p41, 2p Available from: Business Source Premier

Panther, Tracy; Farquhar, Jillian Dawes, 2004, *Consumer responses to dissatisfaction with financial service providers: An exploration of why some stay while others switch.*, *Journal of Financial Services Marketing*, Vol. 8 Issue 4, p343-353 Available from: Business Source Premier

Parasuraman, A.; Zeithaml, Valarie A.; Berry, Leonard L , 1985, *A Conceptual Model of Service Quality and Its Implications for Future Research*. *Journal of Marketing*, Vol. 49 Issue 4 Available from: Business Source Premier

Parasuraman, A.; Zeithaml, Valarie A.; Berry, Leonard L; 1988; *SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality.*; *Journal of Retailing*, Vol. 64 Issue 1, p12-40, 29p Available from: Business Source Premier

Peppers, D., Rogers, M., Munday, S., Winchester, J., (1999) *Marketing's New Direction*. *Sales and Marketing Management* (3), pp. 48-54.

Prabhakaran, S., 2003; *An Insight Into Service Attributes in Banking Sector*, Journal of Services Research, Volume 3, Number 1 Available from: Business Source Premier

Sarel, Dan; Marmorstein Howard; December, 2003; *Marketing online banking to the indifferent consumer: A longitudinal analysis of banks' actions*,. Journal of Financial Services Marketing,, Vol. 8 Issue 3, p231-243, 13p Available from: Business Source Premier

Sarel, Dan; Marmorstein Howard; August, 2003; *Marketing online banking services: The voice of the customer*,.Journal of Financial Services Marketing, Vol. 8 Issue 2, 106-118, Available from: Business Source Premier

Schehr, David.,2004, *Financial Services Research Report: Consumers and Bank Channels: Think Synergy, Not Separation. Financial Services Research Report: Consumers & Bank Channels: Think Synergy, Not Separation*, p1, 10p Available from: Business Source Premier

Southard, Peter B.; Siau, Keng , 2004, *A Survey of Online E-Banking Retail Initiatives.*; *Communications of the ACM*, Vol. 47 Issue 10, p99-102, 4p Available from: Business Source Premier

Stephenson, Roy; 2005; *Money talk*;.Brand Strategy, Issue 192, p38-39, 2p Available from: Business Source Premier

The Economist Intelligence Unit; 2005, *Country Profile 2005*, Available from: Business Source Premier

Weston, Rae; Naughton, Tony ,2005,*Reputation in financial services*.; Journal of Financial Services Marketing, Vol. 9 Issue 3, p202-203 Available from: Business Source Premier

White, Helen; Nteli, Fotini, 2004 *Internet banking in the UK: Why are there not more customers?* *Journal of Financial Services Marketing*, Vol. 9 Issue 1, p49-56, 8p Available from: Business Source Premier

Veloutsou, Cleopatra; Daskou, Sofia; Daskou, Antonia; 2004; *Are the determinants of bank loyalty brand specific?* , *Journal of Financial Services Marketing*, Vol. 9 Issue 2, p113-125, 13p Available from: Business Source Premier Available from: Business Source Premier

Figen Aysan, 15/01/2007, Branch Manager of Garantibank figena@garanti.com.tr.

CIA World Fact Book

<http://www.cia.gov/cia/publications/factbook/geos/tu.html>

Accessed 1st May 2006 at 12:03pm

Mckinsey Quarterly 2003

<http://www.forbes.com/2003/12/23/1224mckinsey.html>

Accessed 5st July 2006 at 1:09pm

Forrester Research 2005

Usability Flaws of Financial services Web sites, (July 7,2006)

<http://www.forrester.com/Research/Document/Excerpt/0,7211,37302,00.html>

Accessed 5st August 2006 at 3:09pm

www.die.org.tr Prime Ministry State Institute of Statistics

www.tbb.org.tr Bank Association of Turkey

Annual Reports of Garantibank

http://www.garantibank.com/investor_relations/financials.html

Annual Reports of Isbank

<http://www.isbank.com.tr/english/about-annual.htm>

Branches
 Internet

ATM
 Telephone

Other (Please specify)

11. Depending on having your operations can you please tick the boxes regarding for their frequencies?

	Very Frequent	Frequent	Few	Very Few	Dont Use
Transferring money (EFT).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Checking balances.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paying bills.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Buying/ selling currency.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Buying/ selling mutual funds.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Buying/ selling stocks.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Repo.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. Do you use internet banking?

Yes No

(If you don't please carry on with question 15)

13. Where you have learned about internet banking?

Radio
 Branch

Television
 Surfing on the internet

Newspaper etc.

Friends

If other (Please specify).....

14. How much do you agree with the following statements regarding to your internet banking (e- banking) usage?

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
I can access to e-banking from everywhere.....	<input type="checkbox"/>				
I gain time by using e-banking.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I think websites are user friendly.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I think doing operations are safe.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I give importance to corporate image of the bank...	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I prefer e-banking because it's a self-service.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I can make all my operations with e-banking.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I can make operations free/ lower cost with e-banking ...	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I think the speed of doing operations are sufficient.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I'm satisfied with general usage.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I reccomend e-banking to people.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I'm introduced to new products/services..... by using e-banking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15. If you dont use internet banking (e-banking) how much do you agree with the following statements?

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
I don't think e-banking is secure.....	<input type="checkbox"/>				
I don't have the chance to access e-banking.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have difficulty to find what I'm looking for in e-banking..	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
There's nobody using e-banking around.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
There is no one advice me to use e-banking.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I think content of e-banking is not adequate for me....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have used e-banking before and wasn't satisfied.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I prefer doing my operations with personal (people).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I think I will not be able to get quick feedback..... from my operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have e-baking account on the internet but I prefer using..... other channels	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Thank you for attending this survey.

COVER LETTER

Dear Participant,

The relevant survey is conducted by a post graduate student of Izmir University of Economics in order to find out about the internet banking usage habits of the Turkish people living in the Izmir area.

The snowball technique is used in the questionnaire which aims the receivers to pass this questionnaire (e mail) to other people to increase the response rate and provide randomness.

The received feedbacks can be sent to the address of ciftcipek@yahoo.com.

The last day for return is the 1st of August. The participants will get feedback about the result of the report. Thank you for your participation.

The postgraduate student,
Ipek Ciftci

APPENDIX 2

1) H_0 : There's no relation between use of Internet Banking services and gender.

H_1 : There's a relation between use of Internet Banking services and gender.

The results revealed that there's no relation between use of Internet Banking services and gender in the significance level of 95% since the Pearson Chi-Square is 0.502 which is higher than 0.05.

Therefore, the results revealed with the Chi-Square Test there's a no relation between demographic variables for gender and age between Internet Banking services usage, on the other hand there's a relation between education and internet usage frequency between uptake of Internet Banking services which shows that as the people use internet technology more frequent (everyday) the uptake of Internet Banking services increases.

Case summary of Internet Banking services and gender

		1)gender		Total
		women	men	women
12)Internet Banking	yes	98	52	150
	no	35	23	58
Total		133	75	208

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	,451(b)	1	0,502		
Continuity Correction(a)	0,261	1	0,609		
Likelihood Ratio	0,448	1	0,503		
Fisher's Exact Test				0,523	0,303
Linear-by-Linear Association	0,449	1	0,503		
N of Valid Cases	208				

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
12)Internet Banking * 2) Age	208,000(a)	100,00%	0	0,00%	208	100,00%

a Number of valid cases is different from the total count in the crosstabulation table because the cell counts have been rounded.

Case summary of Internet Banking services and Age

		2)Age				Total
		19-29	30-39	40-49	50+	19-29
12)Internet Banking	yes	81	46	17	6	150
	no	29	20	6	3	58
Total		110	66	23	9	208

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	,488(a)	3	0,921
Likelihood Ratio	0,482	3	0,923
Linear-by-Linear Association	0,17	1	0,68
N of Valid Cases	208		

a 1 cells (12,5%) have expected count less than 5. The minimum expected count is 2,51.

Case summary of Internet Banking services and Education

		4)Education				Total
		High Schl	University	Master	Doctorate	
12)İnternet Banking	yes	0	72	58	20	150
	no	9	35	6	9	59
Total		9	107	64	29	209

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	35,284(a)	3	0
Likelihood Ratio	37,736	3	0
Linear-by-Linear Association	10,968	1	0,001
N of Valid Cases	209		

a 1 cells (12,5%) have expected count less than 5. The minimum expected count is 2,54.

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
12)IB * 9)internet usage sıklığı	208,000(a)	100,00%	0	0,00%	208	100,00%

a Number of valid cases is different from the total count in the crosstabulation table because the cell counts have been rounded.

Case summary of Internet Banking services and Internet usage frequency

		9)Internet Usage Frequency			Total
		everyday	2-3 a week	once a month	
12)Internet Banking	yes	142	9	0	151
	no	38	12	9	59
Total		180	21	9	210

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36,151(a)	2	0
Likelihood Ratio	35,182	2	0
Linear-by-Linear Association	35,904	1	0
N of Valid Cases	210		

a 1 cells (16,7%) have expected count less than 5. The minimum expected count is 2,53.

2) In the second part of the analysis, the relation between Internet Banking service users and the frequency in the use of bank operations are considered.

H₀: There's no relation between use of Internet Banking services and doing routine bank operations.

H₁: There's a relation between use of Internet Banking services and doing routine bank operations.

The results revealed that there's a relation between use of Internet Banking services and doing routine bank operations in the significance level of 95% since the Pearson Chi-Square is for money transfers, checking balances, paying bills, buying and selling currency or mutual funds money transfers, checking balances, paying bills, buying and selling currency or mutual funds which are lower than 0.05.

Case summary of Internet Banking service usage and money transfer

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
12)IB * 11a)money transfer	208,000(a)	100,00%	0	0,00%	208	100,00%

a Number of valid cases is different from the total count in the crosstabulation table because the cell counts have been rounded.

		11a) money transfer					Total
		dont use	very few	few	freq	ver freq	dont use
12)IB	yes	6	6	23	64	52	151
	no	29	12	9	6	3	59
Total		35	18	32	70	55	210

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	92,376(a)	4	0
Likelihood Ratio	92,171	4	0
Linear-by-Linear Association	84,954	1	0
N of Valid Cases	210		

a 0 cells (,0%) have expected count less than 5. The minimum expected count is 5,06.

Case summary of Internet Banking service usage and balance check

	Cases
--	-------

	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
12)IB * 11b)Balance check	208,000(a)	100,00%	0	0,00%	208	100,00%

12)IB * 11b)Balance Check Crosstabulation							
Count							
		11b)hesap kont					Total
		dont use	very few	few	freq	ver freq	dont use
12)IB	yes	12	3	17	52	66	150
	no	14	9	17	6	12	58
Total		26	12	34	58	78	208

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	45,165(a)	4	0
Likelihood Ratio	44,139	4	0
Linear-by-Linear Association	31,228	1	0
N of Valid Cases	208		

a 1 cells (10,0%) have expected count less than 5. The minimum expected count is 3,35.

Case summary of Internet Banking service usage and bill payment

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
12)IB * 11c) bill payment	208,000(a)	100,00%	0	0,00%	208	100,00%

a Number of valid cases is different from the total count in the crosstabulation table because the cell counts have been rounded.

		11c) Paying Bills					Total
		dont use	very few	few	freq	ver freq	dont use
12)IB	yes	12	6	6	69	58	151
	no	14	0	3	17	23	57
Total		26	6	9	86	81	208

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14,123(a)	4	0,007
Likelihood Ratio	14,774	4	0,005
Linear-by-Linear Association	4,206	1	0,04
N of Valid Cases	208		

a 3 cells (30,0%) have expected count less than 5. The minimum expected count is 1,64.

Case summary of Internet Banking service usage and b/s currency

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent

12)IB * 11d)currency b-s	208,000(a)	100,00%	0	0,00%	208	100,00%
a Number of valid cases is different from the total count in the crosstabulation table because the cell counts have been rounded.						

		11d) B/S Currency					Total
		dont use	very few	few	freq	ver freq	dont use
12)IB	yes	95	26	9	9	12	151
	no	32	3	23	0	0	58
Total		127	29	32	9	12	209

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	43,935(a)	4	0
Likelihood Ratio	46,171	4	0
Linear-by-Linear Association	0,095	1	0,758
N of Valid Cases	209		

a 2 cells (20,0%) have expected count less than 5. The minimum expected count is 2,50.

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
12)IB * 11e)yatırım fonu a-s	208,000(a)	100,00%	0	0,00%	208	100,00%

Case summary of Internet Banking service usage and b/s mutual funds

		11e) B/S Mutual Funds					Total	
		dont use	very few	few	freq	ver freq	10	dont use
12)IB	yes	43	14	26	38	26	3	150
	no	32	6	12	9	0	0	59
Total		75	20	38	47	26	3	209

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21,276(a)	5	0,001
Likelihood Ratio	28,663	5	0
Linear-by-Linear Association	17,817	1	0
N of Valid Cases	209		

a 2 cells (16,7%) have expected count less than 5. The minimum expected count is ,85.

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
12)IB * 11f)stocks b-s	208,000(a)	100,00%	0	0,00%	208	100,00%

		11f) B/S Stocks					Total
		dont use	very few	few	freq	ver freq	dont use
12)IB	yes	107	12	17	6	9	151
	no	40	6	12	0	0	58
Total		147	18	29	6	9	209

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8,749(a)	4	0,068
Likelihood Ratio	12,524	4	0,014
Linear-by-Linear Association	0,73	1	0,393
N of Valid Cases	209		

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
12)IB * 11g)repo	208,000(a)	100,00%	0	0,00%	208	100,00%

Case summary of Internet Banking service usage and repo

		11g)repo					Total
		dont use	very few	few	freq	ver freq	dont use
12)IB	yes	118	12	12	6	3	151
	no	38	6	12	3	0	59
Total		156	18	24	9	3	210

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8,317(a)	4	0,081
Likelihood Ratio	8,557	4	0,073
Linear-by-Linear Association	2,334	1	0,127
N of Valid Cases	210		

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
9)internet usage freq * 14a)IB access	150,222(a)	72,20%	57,778	27,80%	208	100,00%

a Number of valid cases is different from the total count in the crosstabulation table because the cell counts have been rounded.

3) In the third part of the analysis, the relation between the frequency of internet usage and the perceptions of Internet Banking services are considered.

H₀: There's no relation between use of the frequency of internet usage and the perceptions of Internet Banking services.

H₁: There's a relation between the frequency of internet usage and the perceptions of Internet Banking services

The results revealed that there's a relation between the frequency of internet usage and perceptions of Internet Banking services in the significance level of 95% since the Pearson Chi-Square is are lower than 0.05.for easy to reach, doing

operations are cheaper and they are introduced to new products and services from the Internet Channel.

Case summary of internet usage frequency and IB access

		14a)IB access					Total
		strongly disagree	disagree	nop	agree	strongly agree	strongly disagree
9)internet usage freq	everyday	3	9	6	43	81	142
	2-3 a week	3	0	0	0	6	9
Total		6	9	6	43	87	151

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24,574(a)	4	0
Likelihood Ratio	16,23	4	0,003
Linear-by-Linear Association	3,374	1	0,066
N of Valid Cases	151		

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
9)internet usage freq * 14b)IB zaman	150,222(a)	72,20%	57,778	27,80%	208	100,00%

Case summary of internet usage frequency and IB access

		14b)IB timing			Total
		nop	agree	strongly agree	nop
9)internet usage freq	everyday	3	17	121	141
	2-3 a week	0	0	9	9
Total		3	17	130	150

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1,473(a)	2	0,479
Likelihood Ratio	2,663	2	0,264
Linear-by-Linear Association	1,317	1	0,251
N of Valid Cases	150		

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
9)internet usage freq * 14c)IB kolay	150,222(a)	72,20%	57,778	27,80%	208	100,00%

Case summary of internet usage frequency and IB easy to use

		14c)IB easy to use				Total
		strongly disagree	nop	agree	strongly agree	strongly disagree

9)internet usage freq	everyday	3	3	43	92	141
	2-3 a week	0	0	0	9	9
Total		3	3	43	101	150

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4,645(a)	3	0,2
Likelihood Ratio	7,395	3	0,06
Linear-by-Linear Association	3,017	1	0,082
N of Valid Cases	150		

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
9)internet usage freq * 14d)IB güvenli	150,222(a)	72,20%	57,778	27,80%	208	100,00%

Case summary of internet usage frequency and IB safety

		14d)IB safe					Total
		strongly disagree	disagree	nop	agree	strongly agree	strongly disagree
9)internet usage freq	everyday	9	17	17	72	26	141
	2-3 a week	0	0	0	6	3	9
Total		9	17	17	78	29	150

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4,111(a)	4	0,391
Likelihood Ratio	6,494	4	0,165
Linear-by-Linear Association	3,472	1	0,062
N of Valid Cases	150		

Case summary of internet usage frequency and IB corporate image

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
9)internet usage freq * 14e)IB corporate image	150,222(a)	72,20%	57,778	27,80%	208	100,00%

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1,493(a)	4	0,828
Likelihood Ratio	2,681	4	0,613
Linear-by-Linear Association	1,266	1	0,261
N of Valid Cases	150		

Case summary of internet usage frequency and IB self service

	Cases		
	Valid	Missing	Total

	N	Percent	N	Percent	N	Percent
9)internet usage freq * 14f)IB self service	150,222(a)	72,20%	57,778	27,80%	208	100,00%

		14f)IB self service			Total
		disagree	agree	strongly agree	disagree
9)internet usage freq	everyday	6	43	92	141
	2-3 a week	0	3	6	9
Total		6	46	98	150

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	,408(a)	2	0,816
Likelihood Ratio	0,767	2	0,682
Linear-by-Linear Association	0,171	1	0,679
N of Valid Cases	150		

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
9)internet usage freq * 14g)IB bank. İht. Karşılar	150,222(a)	72,20%	57,778	27,80%	208	100,00%

Case summary of internet usage frequency and IB all operations can be done

		14g)IB bank. Complete usage					Total
		strongly disagree	disagree	nop	agree	strongly agree	strongly disagree
9)internet usage freq	everyday	17	29	3	40	52	141
	2-3 a week	0	3	0	6	0	9
Total		17	32	3	46	52	150

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9,288(a)	4	0,054
Likelihood Ratio	12,554	4	0,014
Linear-by-Linear Association	0,239	1	0,625
N of Valid Cases	150		

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
9)internet usage freq * 14h)IB lower cost	150,222(a)	72,20%	57,778	27,80%	208	100,00%

Case summary of internet usage frequency and IB lower cost

		14h)IB lower cost				Total
		disagree	nop	agree	strongly agree	disagree
9)internet usage freq	everyday	12	0	40	90	142
	2-3 a week	0	3	0	6	9
Total		12	3	40	96	151

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	50,643(a)	3	0
Likelihood Ratio	23,326	3	0
Linear-by-Linear Association	0,19	1	0,663
N of Valid Cases	151		

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
9)internet usage freq * 14i)IB hızı yeterli	150,222(a)	72,20%	57,778	27,80%	208	100,00%

Case summary of internet usage frequency and IB doing operations fast

		14i)IB doing operations fast				Total
		disagree	nop	agree	strongly agree	disagree
9)internet usage freq	everyday	12	3	40	87	142
	2-3 a week	3	0	3	3	9
Total		15	3	43	90	151

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6,653(a)	3	0,084
Likelihood Ratio	5,134	3	0,162
Linear-by-Linear Association	5,517	1	0,019
N of Valid Cases	151		

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
9)internet usage freq * 14j)Ibden memnunum	150,222(a)	72,20%	57,778	27,80%	208	100,00%

Case summary of internet usage frequency and IB satisfied

		14j)Ib satisfied				Total
		disagree	nop	agree	strongly agree	disagree
9)internet usage freq	everyday	3	3	52	84	142
	2-3 a week	0	0	3	6	9
Total		3	3	55	90	151

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	,486(a)	3	0,922
Likelihood Ratio	0,841	3	0,84
Linear-by-Linear Association	0,396	1	0,529
N of Valid Cases	151		

Case summary of internet usage frequency and IB recommend to other people

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
9) internet usage freq * 14k)Ib recommend	150,222(a)	72,20%	57,778	27,80%	208	100,00%

		14k)Ibyi tavsiye ediyor				Total
		disagree	nop	agree	strongly agree	disagree
9) internet usage freq	everyday	3	6	32	101	142
	2-3 a week	0	0	3	6	9
Total		3	6	35	107	151

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1,020(a)	3	0,796
Likelihood Ratio	1,508	3	0,68
Linear-by-Linear Association	0,031	1	0,86
N of Valid Cases	151		

Case summary of internet usage frequency and IB introduced new products

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
9) internet usage freq * 14l)Ib introduced to new products	150,222(a)	72,20%	57,778	27,80%	208	100,00%

		14l)Ib introduced to new products					Total
		strongly disagree	disagree	nop	agree	strongly agree	strongly disagree
9) internet usage freq	everyday	3	20	35	35	49	142
	2-3 a week	0	9	0	0	0	9
Total		3	29	35	35	49	151

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	40,262(a)	4	0
Likelihood Ratio	32,29	4	0
Linear-by-Linear Association	18,732	1	0
N of Valid Cases	151		