

Chapter 16

An Empirical Study of the Impact of Brand Name on Personal Customers' Adoption of Internet Banking in Hong Kong

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ABSTRACT

This study investigates whether brand name has an impact on personal customers' adoption of Internet banking (IB) in Hong Kong. Based on the Technology Acceptance Model (TAM) with proper adaptation to the online environment, we propose a model comprising an external factor, namely brand name, and three constructs of technology adoption, namely perceived credibility, perceived usefulness and perceived ease of use to assess customers' intention to use IB. In addition, we investigate the difference in the brand name's effect on customers' adoption of IB between banks with larger market shares and banks with smaller market shares. We collected data through a questionnaire survey and analyzed the data using structural equation modelling (SEM) to investigate the inter-relationships between the constructs and assess the overall explanatory power of the model. The results provided support for the model and confirmed its robustness in predicting the impact of brand name on personal customers' adoption of IB in Hong Kong.

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INTRODUCTION

Internet banking (IB) in Hong Kong has become increasingly important because it is one of the popular delivery channels for banking services accepted by customers in the cyber age. With IB customers can perform their banking transactions anywhere and at any time. Banks can benefit from much lower operating costs by offering IB, which requires fewer staff and physical branches. Although many banks in Hong Kong have developed and provided IB services since 1999, the adoption rate has not taken off and still lags behind other western countries. In 2006, there were about 3.77 million Internet users in Hong Kong while there were 111 million Internet users in China. *The Computer Industry Almanac* projected that the worldwide Internet population would reach 1.46 billion by 2007. However, Internet banking services have not taken off in Hong Kong as expected. An AC Nielsen Study found that Hong Kong's online banking population was 926,000 in 2004 and the penetration rate was only at 26.6% (out of 3.48 million Internet users in 2004). Therefore, there are considerable business opportunities for Internet banking services in Hong Kong given the increasing number of Internet users.

The Bank of East Asia and Dah Sing Bank pioneered IB services in Hong Kong in late 1999. However, their customers' adoption rates are relatively lower than that of the HSBC Group, i.e., HSBC and Hang Seng Bank. The IB services offered by different banks are more or less the same because of keen competition, which results in quick replication of IB functions and security measures among rival banks. According to the figures of the Hong Kong Monetary Authority (2008), there were 44 banks in Hong Kong offering IB services, of which 31 provided personal Internet bank accounts. Nonetheless, according to ACNielsen (2004), the IB market in Hong Kong was dominated by the HSBC group, with a market share of over 50%, while non-HSBC banks, e.g., the Bank of East Asia, Dah Sing Bank, Standard

Chartered Bank, the Bank of China (Hong Kong) and Citibank, etc., held the rest of the market share. In view of this phenomenon, there is a need to identify factors influencing personal customers' intention to use IB, which may include the impact of brand name (which is related to market share), and the perceived credibility, perceived usefulness and perceived ease of use of IB.

There is an abundance of research on the impact of brand name on consumers' intention to purchase physical goods. Nonetheless, there are few studies on the impact of brand name on consumers' intention to acquire services, in particular IB services. While the studies of Berry (2000), de Chernatony and Dall'Olmo (1998), and Keller (1998) formed the basis for understanding the effects of brand name on customers' acquisition of services, their notions lack empirical testing and validation. In this regard, an understanding of the impact of brand name on personal customers' intention to use IB is desirable. We believe that brand name's impact on service adoption can be empirically tested by using the traditional Technology Acceptance Model (TAM) with proper adaptation to the online environment. The recent study by Cheng, Lam, and Yeung (2006) demonstrated the robustness of TAM in predicting customers' intention to use IB with a focus on perceived usefulness, perceived ease of use and web security to meet their banking needs. Considering the potential impact of brand name on IB adoption and seeing that security and privacy issues have attracted increasing research attention in the web literature, we seek to fill the research gap by using brand name as an external factor and adding a new construct of perceived credibility that includes both the security and privacy factors in TAM for empirical testing.

In summary, we aim to first identify factors that affect personal customers' intention to use IB, which include brand name, perceived credibility, perceived usefulness and perceived ease of use of IB. Second, we construct a theoretical model to account for personal customers' intention to use IB based on TAM, in which brand name is

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