Chapter 5
Technology, Trust and B2B Relationships: A Banking Perspective

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ABSTRACT
Technology has altered business processes, and the use of self-service technologies changes the nature of service delivery. The importance of developing and fostering relationships with customers has long been regarded as important within services marketing (Berry, 1983) and also within B2B relationships (Ford, 1990). In the 1980s and 90s, a shift in marketing focus has seen an increased emphasis on relationship marketing (Morgan & Hunt, 1994). This chapter reviews the results and implications of recent exploratory research conducted with a small sample of Australian business bank customers (n=20). This research makes a contribution toward answering the research question “what impact does the use of self service technologies have on relationships within a business-to-business context?” Utilising a banking context, this research explores how the use of Internet banking impacts on relationships between the bank and its business customer. In exploring this research area, a greater understanding of banking relationships and business banking customers has been identified.

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INTRODUCTION

Technology has dramatically altered the way businesses operate in a Business-to-Business (B2B) context and has had profound influences on services, altering the way services are delivered (Bitner, Ostrom & Meuter, 2002). The increased use of self-service technologies could have a great impact on B2B relationships, yet there is a shortage of research in the area. Electronic banking is one technology that has streamlined business transactions, encouraged by banks as a way to reduce service delivery costs and improve service quality for customers (Australian Bankers Association, 2000). Banking has attempted to move what used to be a physical transaction to one that is virtual, having implications for relationships. Despite this, there is little understanding about how well received this is – particularly when considering business customers.

The importance of developing and fostering relationships with customers has long been regarded as important within services marketing (Berry, 1983) and also within B2B relationships (Ford, 1990). In the 1980s and 90s, a shift in marketing focus has seen an increased emphasis on relationship marketing (Morgan and Hunt, 1994). This chapter examines the Australian banking industry, and discusses relationship marketing in the context of banking. The chapter reviews the results and implications of recent exploratory research conducted with a small sample of Australian business bank customers (n=20).

Through analysing the literature, it is evident that there are several key reasons self-service technologies have been introduced in banking. They are cost savings, switching costs and relationships from the bank perspective; relationships and convenience from the customer perspective. This chapter provides an overview for the reasons self-service technologies has been used in banking. It will highlight key relationship marketing theory, and a model of the expected relationship will be provided. Qualitative research will be discussed to highlight the impact of technology on business-to-business relationships. This chapter will indicate that the old rules still apply in banking, however banking is conducted differently than it was in the past.

REASONS FOR INTRODUCTION OF TECHNOLOGY IN A BANKING CONTEXT

Bank Perspective: Cost Savings

Competitive pressures from other banks and building societies have forced banks to reconsider the way they do business. Over the past several decades, distribution of banking has been seen as a means of providing customer service and reducing costs (Sathye, 1999; Hughes & Hughes, 2004) and differentiating themselves from competitors (Easingwood & Storey, 1996). Self-service delivery has become a driving force in banking since the mid 1990s (Pikkarainen, Pikkarainen, Kajaluoto & Pahnila, 2004), and, in general, the use of Self Service Technologies in the industry is increasing. Automatic teller machines (ATMs) (Howcroft, 1993; and Carson, Gilmore & Walsh, 2004), telephone banking, and ultimately internet banking were introduced to enhance distribution, improve banking processes and make cost savings (Hughes & Hughes, 2004). This rapid increase in the use of Internet banking within financial services (Eriksson & Marquardt, 2001) highlights it as an appropriate industry for investigation, due to the removal, or at least, reduction, of face-to-face relationships.

Whilst cost savings are essential, pressure to increase profitability has meant that banks are required to focus on developing and maintaining long term relationships with customers (Kandampully & Duddy, 1999); particularly in a B2B context, where relationships are key to keeping customers (Adamson, Chan & Handford, 2003; Hawke & Heffernan, 2005a). Regardless of
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