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Value and risk in business-to-business e-banking

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ABSTRACT

The purpose of this paper is to examine the role of risk in the formation of perceptions of value in the b2b domain, specifically within e-banking. The functional relationships between three types of risk (performance, financial and psychological) and the benefits and sacrifices components of value are tested within a broader nomological network that includes e-service quality (as an antecedent of value) and satisfaction, word-of-mouth and intention to switch (as outcomes of value). The hypothesised relationships are tested, using Partial Least Squares, on data collected through a postal survey from 167 UK-based SME organisations. The results confirm the significant but differential impact of the three types of risk on the two value components. Specifically performance risk and financial risk are found to be significant determinants of benefits, while psychological risk impacts on perceptions of sacrifices. We also provide evidence of the differential impact of the benefits and sacrifices components of value on satisfaction, and the existence of both direct and indirect (through satisfaction) impact of these components on word-of-mouth and intention to switch. This is the first documented empirical investigation of the impact of perceptions of risk in the study of perceptions of value within the domain of b2b marketing and consequently offers new insights into the subject matter. The theoretical and managerial implications of the findings are discussed and the manner in which the identified relationships can aid future research are explicated.

1. Introduction

The impact of the internet, in the form of e-commerce, as a driver of strategic decisions within the b2b domain is well documented (see for example Good & Schultz, 2002; Day & Bens, 2005). Furthermore, there is consensus on the influence of the internet as a platform for the development of alternative and/or complementary channels of distribution (Dewan, Freimer, & Seidmann, 2000; Johnson & Whang, 2002; Montoya-Weiss, Voss, & Grewal, 2003; Webb, 2002). The functionality of the technological developments upon which the proliferation of e-commerce related activities is predicated is considered to be especially pertinent in the delivery of financial services such as e-banking. According to Akinci, Aksoy, and Atilgan (2004:212) internet technology "offers institutions alternative or non-traditional delivery channels through which banking products and services can be delivered … Internet banking (IB) is such a delivery channel that deserves special attention." Stamoulis, Kanellis, and Martakos (2002) argue that one of the main criteria on which investment and use of e-banking should be evaluated by both suppliers and customers is risk (a view firmly embedded in supply distribution risk research; Zsidisin, 2003; Ellis, Scockley, & Henry, 2011).

It is further argued that risk is one of the key elements of organisational buying behaviour (see for example Doney & Cannon, 1997; Kumar & Grisaffe, 2004; Mitchell, 1998; Wilson, 1995). According to Dwyer and Tanner (2009:104) "Risk is usually thought of in terms of the probability of an outcome and the importance of cost associated with the outcome." Kothandaraman and Wilson (2001:382) add that "The ideal partner is one who adds significant value to your market offering and at the same time presents low risk as a partner." The above indicate the existence of a logical connection between benefits (added value), sacrifices (cost) and risk, a view that is supported by Woodall (2003) who, in his review of value related literature, identified risk as a determinant of perceptions of value.

The b2c literature offers considerable support for the above view (see for example, Agarwal & Teas, 2001, 2004; Keh & Sun, 2008; Kleijnen, de Ruyter, & Wetzels, 2007; Lei, de Ruyter, & Wetzels, 2008; Shamdasani, Mukherjee, & Malhotra, 2008; Snoj, Korda, & Mumel, 2004; Sweeney, Soutar, & Johnson, 1999); however, our review of the literature failed to identify any studies that examine the functional relationship between risk and perceptions of value that are located in the b2b domain (see for example review of value in the business-to-business domain by Lindgreen & Wynstra, 2005). This surprising lack

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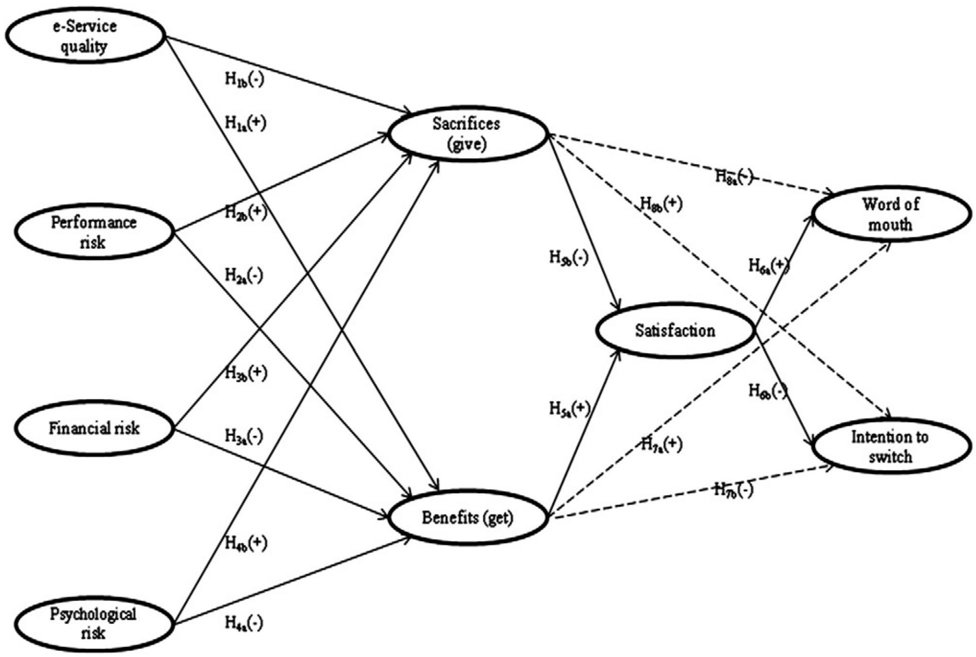

Fig. 1. Conceptual framework.

of related research provides the impetus for this study, the aim of which is to examine the role of risk in the formation of perceptions of value in the b2b domain. Specifically, we locate our research in the e-banking sector because, (a) the b2b literature indicates that risk is especially pertinent in the adoption of e-technology (see for example Forsythe & Shi, 2003; Pavlou, 2003; Tan, 1999), (b) the b2c literature provides corresponding evidence of the importance of risk in consumers' use of e-banking services (see for example, Grabner-Kräuter & Faullant, 2008; Wong, Loh, Yap, & Bak, 2009; Zhao, Koenig-Lewis, Hanmer-Lloyd, & Ward, 2010),[5] and (c) at the time of this study e-banking was at a mature stage of its development and represented a fairly standardised service across providers, thus minimising potential confounding effects. Specifically, this study examines the impact of risk on customers' perceptions of value derived from the use of (rather than on the decision to adopt) e-banking services. In the next section we present the theoretical foundations on which the research model designed to address the aim of this study is grounded. Debate related to methodological considerations and related actions is followed by presentation of the results of the analysis of the collected data. We proceed to debate the results and locate the findings within extant literature and offer managerial recommendations. The manuscript concludes by delineating the parameters of the investigation and offering suggestions for further research.

2. Theoretical background and model development

The conceptual framework of this study is depicted in Fig. 1. We propose a direct relationship between e-service quality and three types of risk (i.e., performance, financial and psychological) and benefits and sacrifices, the latter which represent the two components of perceived customer value. In turn, the two components of perceived customer value are hypothesised to affect satisfaction and to impact both directly and indirectly on intention to switch and likelihood to provide personal word-of mouth recommendation. The rationale for studying the behaviour of value at its component level rather than at an aggregate level together with decisions leading to the formulation of specific hypotheses are presented in the following sections.

2.1. The concept of perceived customer value

A summary of definitions of value found in b2b studies is presented in Appendix A. To these we add the predominantly b2c definition by Zeithaml (1988) and the definition by Woodall (2003), the former because it provides a departure point for many of the b2b researchers and the latter because it is considered to represent a pertinent reflection of current thinking in the subject of value. In addition, we recognise the contributions that Holbrook (1994) and Woodruff (1997) make to the study of value, however, the former is exclusively located in the b2c domain and the latter is formally adopted only by Beverland and Lockshin (2003) and Blocker and Flint (2007).

Using an exploratory methodology Zeithaml (1988) concludes that value comprises two components, i.e. *get*, which refers to the utility obtained through a product's benefits, and *give*, which relates to the sacrifices made in order to acquire the benefits. Perceived value is a subjective evaluation of the trade-off between all that is received and all that is given up in the process of acquiring, using or consuming a product. It is self-evident that high value is perceived when a product's benefits are greater than the corresponding costs involved in their acquisition. Although this conceptualisation is embedded in most definitions it is questioned because of its emphasis on cognitive, rational and utility-based considerations and consequently this narrow perspective does not account for the complexity and richness of value perceptions that include the affective and hedonic aspects of consumption (see for example de Ruyter, Lemmink, Wetzels, & Mattson, 1997; Sánchez-Fernández & Iniesta-Bonillo, 2007). Notwithstanding concerns as to the purely rational basis of business exchange (Wilson, 2000), the former criticism is considered less relevant in the b2b domain because of the formalised (at least, to a certain extent) search and evaluation process and multiple-person involvement that characterise the purchasing decisions of organisations (see for example Bunn, 1993; Bunn, Butaney, & Huffman, 2001; Homburg & Kuester, 2001; Park & Bunn, 2003). The relevance of the criticism related to narrowness of perspective is evident in, amongst others, Dodds and Monroe (1985), Monroe (1991), Dodds, Monroe, and Grewal (1991), Gale (1994), Patterson and Spreng (1997), Sirohi, McLaughlin, and Wittink (1998), Sweeney et al. (1999) and Teas and Agarwal (2000), who conceptualise value predominantly in terms of quality and price. The rather dated nature of these studies demonstrates that recent research adopts a wider conceptualisation of benefits and sacrifices.

[5] We thank one of the anonymous reviewers for directing us to this literature.