Psychology: You Can Take That to the Bank

The Discipline’s Role in the Modern Retail Banking Industry

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Abstract

Throughout the history of retail banking, there have been a multitude of challenges that have arisen and shaped various aspects of this industry. A review of this historical account helps establish the current difficulties facing retail banks—(1) the people, both in terms of those inside the workplace through organization, structure, and dynamics of the employees as well as those outside of the workplace through understanding customer behavior and (2) the digital transformation as a consequence of technological advances as well as new forms of competition. An appraisal of past literature not only reveals how each of these are indeed relevant obstacles, but also how each has been discussed, and, furthermore, how psychology can effectively address these roadblocks. It is with this last consideration that a plan will be constructed with the intent of guiding retail banks to remain vital not just in the present but, far into the future. Although there may be a variety of solutions to these challenges, this specific paper will highlight the role that psychology as a field can have. This is accomplished by discussing the manner by which various subfields—such as organizational psychology, social psychology, consumer psychology, and behavioral economics—can positively contribute in both handling the people in the workplace and the customers integral to a bank’s success as well as addressing the digital transformation that has occurred.
Part I: The Creation of the Puzzle

Chapter One: A Brief History of Retail Banking

From a societal perspective, banks are a vital component of the economy. The specific entity of retail banking as a part of the broader financial services industry is responsible for the borrowing and lending of either individuals’ or small businesses’ money; this function is critical for allowing the accumulation of financial capital by individuals so that they can ultimately spend, stimulating the economy. Because of banks’ necessity, it is important to ensure their efficient and effective operations. Although banking has seen much change through time, two main challenges riddle the current state of the industry. Inconsistent customer confidence and the growth of technological influences are evident within a historical account of the industry; these challenges must be addressed sooner rather than later in order for retail banks to stay afloat amidst an ever-changing tide. Understanding the underlying timeline of banking provides a substantial foundation from which psychology, as a field centered on the comprehension and interpretation of people’s thoughts and behavior, can serve as a source of a transformative solution for retail banks.

Asmundon (2017) describes that a retail bank differs from other parts of the financial services industry—insurance companies, private equity firms, investment banks, hedge fund management firms, credit-card companies, and beyond (“Financial Services: Getting the Goods”). Although some services offered by retail banks overlap with or are parallel to services offered by these other institutions, as previously mentioned, retail banks specifically deal with individual customers or small businesses; furthermore, Benchmark Community Bank details how these banks can vary in size—from “locally owned and operated community banks” to banks
with “branches and interests across the country”—as well as in function and specialty (“Differentiating Between Types of Financial Institutions”, n.d.).

A timeline constructed by the Federal Deposit Insurance Corporation (FDIC) provides insight into how banking has changed since its initial inception, and how two particular challenges—(1) the maintenance of customer confidence and (2) the growth of technological advancements—define the industry. In the middle of the 18th century, the United States was not yet the United States, but instead was a collection of colonies still watched by the eye and ruled by the hand of England without a banking system or formal common currency at this time. With the colonies’ burgeoning independence arising during and, more formally, after the Revolutionary War (1775-1783), chartered banks began to open. It was during this time that the first attempt to create a “national bank that operates to establish monetary and fiscal policy” and help provide structure for financial service institutions arose, but it failed, leaving national financial instability (“Historical Timeline”, 2014).

Economic growth was vital for the new nation’s survival. The Industrial Revolution of the 1800s brought the creation of more banks as a means to provide capital to manufacturers. However, this era was a time of “bust” as much as “boom”, what with the Panic of 1819 and the Panic of 1837—both of which led to a distrust of banks, and, subsequently, bank failure. (“Historical Timeline”, 2014). This pattern of an economic flourish followed by a flurry of bank failures repeated itself following the Gold Rush with the subsequent increase of rail infrastructure. This marks a common theme in which retail banks suffer when individuals lack confidence in their financial institutions.

After the Civil War, along with hope for renewed unity in the nation’s ideology, came an effort to create a more unified financial services front. While the National Currency Act of 1863
formally created a national currency and permitted national banks (banks with branches existing across state lines), the subsequent National Banking Acts each encouraged a proliferation in the number of those national banks (“Historical Timeline”, 2014). Still, panic prevailed due to economic fluctuations within the United States, and was made worse by the lack of a central bank to stabilize the economy and increase customers’ confidence. Some relief came with the Federal Reserve Act of 1913, which brought about a more dependable fiscal system.

The culmination of World War I ushered in an economic boom, leading to (1) increased wealth for many Americans and (2) an expansion of the financial services industry overall—specifically retail banking. However, the McFadden Act of 1927 countered this, as it stalled the creation of national banks, and banks turned their focus to a specific region or area. Just as retail banks changed their emphasis, the Great Depression brought a period where many banks struggled to stay afloat. Suddenly, it became even more apparent that reforms to the banking system were needed, both to increase confidence in banks and to help rejuvenate the economy. The Securities Act of 1933 “require[d] disclosure statements of publicly held corporations” and prevented “bankers [from having a] monopoly on information,” thereby allowing more transparency between bank and customer and leading to increased customer confidence. Subsequently, the Banking Acts of 1933 and 1935 provided more efficient and productive regulation of the banking industry (“Historical Timeline”, 2014).

Throughout the rest of the 1930s and through the 1940s, economic regrowth led to an increased usage of banks, and by 1958, Bank of America and Chase Manhattan Bank introduced credit cards (“Historical Timeline”, 2014). This technological growth—an aspect with ever-increasing influence for banks—and expansion of banks continued into the 1960s with the
installation of ATMs, and into the 1980s, with the repeal of legislation preventing national banks.

The renewed allowance of national banks, as well as the consolidation of capital due to additional regulations and laws, meant that by the late 20th century and early 21st century, three banks held the majority of assets—both in financial capital and in market share—within the industry. This decrease in the number of banks amidst the increase in the number of branches for specific banks was instrumental in defining the modern retail banking industry. Subsequently, the growth of tablet computers, PayPal, digital check clearing, as well as other technological advances during this time characterized the industry just as much as the early 21st century scandals involving Enron, WorldCom, and Tyco. Whereas the former helped to shape the industry, the latter led to decreased confidence in banking institutions, especially in light of reports that a bank, Citigroup, had sold Enron stock right before the corporation’s failure. Today, retail banking remains plagued by internal scandals—most recently, Wells Fargo and its creation of unauthorized accounts—and riddled with balancing how technology can advance the industry while keeping it customer-oriented.

This present paper directly addresses the current dilemma of retail banks handling digital advancements and the ever-evolving customer. A review of banking’s history sheds light on the fact that retail banking is rooted in its customers—who they are, what they need, and perhaps most significantly, how much they believe in their bank as an institution. The recurrence of panic, as well as the changes in functions of a retail bank over time aptly display that banks thrive with customer confidence yet fail without that confidence. Psychology, as an academic field focused on the minds and behaviors of people throughout a multitude of situations, can have an influential role in helping an entity better understand its users’ thought processes and
behaviors. Specifically, psychology can help mold retail banks to better fit their customers’ needs, thus better serving the customers and assuring them that they always come first, as a positive customer experience can influence the degree of customer confidence in a bank.

Furthermore, as seen through the history of retail banking, the rise in technology’s influence is a rather recent development. Although these digital advancements have changed the business of banking, this has not merely been in a strictly positive or negative way. Increased incorporation of technology has led to a need for retail banks to understand how, with these changes, banks can still successfully generate customer trust and maintain a strong customer base. Retail banks can apply psychology to address the positive or negative effect of these technological developments. However, it is important to both consider this digital transformation and the customer-centric nature of banking in order to ultimately devise effective solutions to handle the ever-changing nature of the industry, as well as the challenges it faces today.

Chapter Two: Present Challenges for Retail Banking

As witnessed in the background regarding the financial services industry, many points of transformation have occurred throughout the history of retail banks as part of the broader financial services industry. A reflection on the more recent past reveals that with technological advancements and an ever-evolving political-socioeconomic climate, retail banking is not unlike other industries in the United States that have had to address changes to remain afloat.

A review of compiled research by the investment management group, Jones Lang LaSalle (JLL) reveals an emphasis is put on bank branches—the individual brick-and-mortar locations that make up an overall retail bank—and the alterations to organization and structure for those branches (“Branch banks: Navigating a sea of industry change”, 2017). Although this report primarily addresses the implications for real estate—an area of focus for JLL—these adjustments
remain significant for retail banks in light of further transformation, and, consequently, the need for better approaches to these situations.

Ultimately, the future of retail banking involves a shift away from a traditional ‘brick-and-mortar’ model (where the number of branches a bank holds indicates level of success) to a digital state. See Appendix A. This figure illustrates the differences between the “banking model of the past” as opposed to the “banking model of the future”; whereas the former is a hierarchy of a bank branch with secondary components of the call center, online and mobile banking, and mail, the latter reveals the mobile component as “the focal point of the banking experience” with the remaining previously mentioned components as auxiliaries (“2018 Banking Outlook: Accelerating the transformation”, 2018, p. 9-10). The decrease in the number and size of bank branches allows a bank to focus on adapting to changing customer behavior while also paying attention to individuals preferring the mobile banking experience, such as millennials (“2018 Banking Outlook: Accelerating the transformation”, 2018, p. 9). Moving forward, the ability of a retail bank to adjust the processes and function of its branches to its customers will be the cornerstone of its success (“Branch banks: Navigating a sea of industry change”, 2018, p. 3,9).

Most significantly, JLL’s work mentions two key elements that retail banks need to properly address—digital transformation and ‘people’. The first pertains to the introduction of technological advancements (e.g., mobile or online banking platforms) within banking and the growth of competition arising out of digitally-laden institutions (e.g., mobile money transfer through Venmo). The second highlights the need for banks to better understand their consumers, attaining an awareness of how customers perceive situations and what factors are instrumental in affecting their trust and confidence in a retail bank. Therefore, this present work builds upon these two foci that JLL addressed for banks; it emphasizes the degree to which psychology—
through cognitive and perceptual, organizational and industrial, or social psychologies and behavioral economics—can be applied within each of these domains.

The 2018 Banking Outlook: Accelerating the Transformation, constructed by the consulting firm Deloitte, includes a discussion centered on the former of those two points; financial service institutions need to be “strategically focused, technologically modern, and operationally agile institutions, so that they remain dominant in a rapidly evolving ecosystem” (p. 1). Despite the generality of this statement, it succinctly underscores the difficulty present in this digital transformation of the banking industry, as well as the actual change and the speed at which it is happening. Traditional ‘brick-and-mortar’ banks from the past must adapt to keep up with the influence of online and mobile forms of banking.

Deloitte’s piece delves into the components necessary for enduring success, which is the ultimate goal of retail banks; banks must not just remain afloat, but thrive—continually improving on past marks. Just as with the research by JLL, Deloitte’s review delves into the specific challenges of creating a “mobile-centric and digitally anchored institution”, as well as the existence of an “often resistive customer base with ever-higher expectations” (“2018 Banking Outlook: Accelerating the Transformation”, 2018, p. 1). As discussed later, these difficulties rest on various psychological concepts, from organizational, personality, and social psychology to behavioral economics and consumer psychology.

Jim Marous, a financial industry strategist and publisher of The Financial Brand, provides another influential foundation for this present work. In an article entitled “New Competitors Forcing Banks to Reevaluate Innovation Strategies”, Marous highlights how the growth of technology in the industry necessitates a rejuvenated approach to a banking model (similarly to Deloitte’s mobile-centric figure seen in Appendix A), and, subsequently, its
customers. A true knowledge of a consumer’s needs and wants allows for more productive data analysis and, thus, improved innovations in various facets of the banking experience. Furthermore, Marous cites several objectives embedded within the modified banking model—reduction of costs, enhancement in customer engagement, and, lastly, greater ease of the banking experience. Simplification, digitalization, and platformication, or “leveraging [of] customer insight and established loyalty to become the central provider of banking services,” each aid in defining the customer experience by accomplishing these objectives while simultaneously allowing retail banks to thrive amidst modern-day challenges.

The strength of this process lies in the nature through which the digital transformation occurs, as well as the emphasis put on the varied aspects of the bank’s development; this present work focuses on psychology’s role in the transformation by expanding upon Marous’ assertion that the banking industry is ever-evolving, as is the customer experience. Specifically, Marous highlights that banks must develop a “customer-centric organization” focused on “enhancing channels” and “maximizing usage of mobile and social technologies”, “enhancing or re-designing products and services” for the modern customer when necessary. Psychological constructs and templates can better explain what affects customer behavior, as well as how technological advancements can be best designed or used with these considerations in mind.

Beyond Marous’ observations, JLL’s emphasis on how the digital transformation aids in the development of a “differentiated customer experience, providing what customers want, when they want it, and how they want it” continues to display the vital nature of this technology (“Branch banks: Navigating a sea of industry change”, 2017, p. 3). Furthermore, as forty-six percent of responders to Pricewaterhouse Cooper’s (PwC) 2017 Digital Banking Survey responded that they had a preference for “direct-to-consumer”, i.e. digital platforms, it is
apparent that this transformation has already begun and the consequences for not properly understanding consumers are detrimental (“Top financial services issues of 2018”, 2017, p. 3).

Circling back to the recurring assertions that people—both the individuals working within a bank as well as the customers interacting with the bank—are important for a bank’s success, Deloitte’s 2018 Banking Outlook observes how principal care for a customer and re-consideration of workplace organization, structure, and environment are critical for bank growth. Financial service institutions must not just perform the bare minimum of a bank’s functions, but rather, they should spend the time investing in worthwhile renovations that will assist a bank in long-term financial and physical growth (“2018 Banking Outlook: Accelerating the Transformation”, 2018, p. 2). Therefore, this present work explores solutions using an understanding of how these topics are a part of the challenges that banks currently face.

In modern-day retail banking, attention must be paid to customers, as they are the life force that determines whether a bank is chosen and actually used. In fact, a retail bank shifting its focus to customers—rather than the more traditional emphasis on sales or products—is more likely to find “long-term sustainable growth”; banks must target the “correct markets and customer segments” in order to arrive at the correct solutions (“2018 Banking Outlook: Accelerating the Transformation”, 2018, p. 3). See Appendix B. This displays that although 37% of retail banks have “defined customer experience programs”, a majority (54%) do not (“2018 Banking Outlook: Accelerating the Transformation”, 2018, p. 3). This shows a critical gap in the work that retail banks are doing to perform and remain vital; applying psychology to implement an agenda to understand consumers and the decisions they make is a point of growth.

Banks need not only comprehend the needs and desires of their customers (actual and potential), they also must understand the people within their walls—their employees. Deloitte’s
review addresses this by highlighting that the workplace needs to be “reimagined”; the authors cite one such strategy, which involves increasing “diversity in the labor pool” (“2018 Banking Outlook: Accelerating the Transformation”, 2018, p. 7). Aside from this specific aspect, the JLL’s research includes a discussion regarding a retail bank’s culture. Considering the cases in which banks have been less than ethical, a responsibility falls on the shoulders of retail banks to “restore consumer trust” (“Branch banks: Navigating a sea of industry change”, 2017, p. 17). Beyond a concern for returning trust to a customer base, a bank must consider the possibility that shifts in organization and structure can benefit functionality through increased productivity, creativity, and efficiency. This can be accomplished through the application of the subfields of organizational and industrial psychology, as well as social psychology.

Not only will this present paper address the application of psychological concepts in aiding the workplace environment and in understanding customer behavior, but, furthermore, this work will highlight how the digital transformation that is occurring can be positively influenced by the discipline of psychology. I will first address how and why psychology can be applied within the retail banking industry. After establishing this, I will turn to look at the two predominant foci that banks must be aware of to put themselves in a viable position for long-term growth. The first of these aspects examines the people—this incorporates analyzing both the individuals inside the workplace and the overall organization or structure of the workplace, as well as the individuals outside of the workplace, viewing the mental processes and behavior of the customers who interact with the bank through the lens of psychology. The second of these focal points turns to apply psychological constructs within an understanding of how customer needs and behaviors change in light of technological advancements, giving special attention to how trust evolves due to the digital transformation. Following an analysis of applied psychology
literature within these two domains, I will culminate with a guiding model for retail banks.

Inspired by the psychological research and knowledge of the current state of retail banking, this model will outline the steps that a bank must take to garner effective marketing strategies, digital interfaces, and relationships with their customers; these act as the critical elements for achieving long-term growth.
Part II: Psychology’s Place in the Puzzle

Chapter Three: Why Psychology?

Although there may be more than one correct way to handle these existing obstacles—and one should be encouraged to balance multiple perspectives in the creation of a plan of action—the field of psychology holds many answers in itself. This specific chapter emphasizes how that can generally be accomplished whereas subsequent chapters will cite specific studies—from banking, applied psychology (such as behavioral economics), and specific fields of psychology (such as organizational or industrial, social, and cognitive or perceptual psychology). This is completed with multiple intentions that include understanding how the workplace, the customers, and technological advancements are positively affected by these various psychological concepts. With this knowledge, more effective marketing, digital interfaces, and customer-bank relationships can be designed to guide retail banks to profound success.

Considering the first factor that retail banks must address—the workplace as part of the broader consideration to both employee organization or structure and customers—organizational and industrial psychology can help define an environment to be the best version of itself. This arises from understanding how diversity can impact a workplace, as well as understanding management’s effect on lower-level employees. Furthermore, this field of psychology can aid in the re-organization of a retail bank to create more effective relationships with its customers though emphasizing the process rather than just a task of an employee’s job, as well as with its own employees through providing proper performance appraisal.

Beyond organizational psychology, social psychology assists in pinpointing the group dynamics occurring within a bank’s team. Specifically, the concept of groupthink—or the means by which a collection of individuals make a similar decision for the sake of efficiency and
conformity—is an applicable point of the field of psychology within banking. This present work will highlight the dangers that arise out of an organization rooted in groupthink behavior. Beyond this, social psychology also allows for a way to account for individual differences and the effect those have on a relationship between individuals—specifically, the perception of one individual’s interaction with another individual.

This begins to display the consideration given to the relationships not just within a workplace, but also relationships between the bank and its customers. The first portion of this work highlights how behavioral economics and consumer psychology can aid a bank in amassing and applying knowledge regarding its users; this comes as a result of focusing on consumer behavior to provide targeted strategies—models and matrices of consumer behavior particularly provide the capacity to develop both a customer-bank relationship and more effective marketing strategies to garner new customers. In fact, as Mittlestaedt (1990) describes that marketing is commonly defined by psychology, a fraction of this text discusses the contribution psychological concepts can have in developing marketing strategies to attain or keep customers. Furthermore, behavioral economics is applied in both understanding one’s decision-making, as well as developing platforms that can best suit an individual, especially in terms of a digital interface.

With the advent of technological advances such as a digital interface, an emphasis lies on how this technology leads a bank’s typical customer to develop a different perception of trust as well as a shift in what they need from their bank and a changed perception of these being carried out. Although this transformation arose out of competition from technologically advanced groups, its effects have been profound on the medium through which a bank interacts with its customers. In changing how customers execute a transaction with a bank, there has been a decrease in face-to-face interactions that were once commonplace between a customer and a
teller. Instead, customers increasingly take advantage of depositing checks, making payments, withdrawing money, and carrying out transactions through an ATM or over the Internet or even on their smartphone. Previously held needs have shifted, as have the bounds of what inspires trust in a customer’s feelings toward their bank over these digital interfaces.

Psychology, as a point of expertise pertaining to human behavior, can be broadly applied to understand how human behavior has evolved with this technology—why some people accept technology more readily than others, as well as how design can positively impact a customer’s intuitions regarding a bank. Through this, cognitive and perceptual psychology each has a particularly powerful role within this present work, as the process of perception is a critical factor in the impact of this digital transformation. Personality psychology contributes to this by rooting this perception in one’s personality facets and other internal or external factors; ultimately, these impact an individual’s perception and subsequent decisions or behaviors.

With a consideration for how banks function as well as the various facets within the field of psychology, retail banks can address the two current challenges of (1) best organizing and designing the workplace, as well as understanding their customers and (2) handling the digital transformation to maintain a customer base. Banks should address these obstacles with the intention of creating an effective marketing portfolio, effective digital interfaces and effective relationships between them and their customers; each of these components is critical for the longevity of a retail bank.
Part III: People

A key component for retail banks to attain high levels of success and maintain the potential for long-term growth arises out of the capacity that the institution has to not only rejuvenate the organization, structure, and demographic of its workplace, but also to consider how customers approach forming their behavior and what draws these customers to choose and use a product or service. The first chapter in this portion of the work specifies the influence of organizational and industrial psychology on the structure of a work environment. Additionally, this chapter highlights the significance of social psychology, specifically groupthink, in defining the dynamics within that place of work. The second chapter in this part of the text moves away from the workplace and towards the individuals interacting with the bank—the customers. The emphasis of this chapter is on the application of cognitive, perceptual, and consumer psychologies to better understand why customers act the way they do, as well as what factors influence their decisions. Not only can a more effective relationship between a customer and their bank be created, but, furthermore, effective marketing strategies can better target customers.

Chapter Four: The Workplace

With the progression of society, there are striking alterations that impact labor practices across every industry, including retail banking. Cascio (1995) details the extent to which industries have been changing because of the growing power given to economics in the 21st century. Although the author did not specifically address the impact this has had on retail banks, from reviewing the history of banking in “Chapter One”, I hypothesize that this growth of competition and its impact on the job market and economy within the United States has a monumental influence on the state of banking. As discussed, economic growth is beneficial to retail banks, but only as far as a function of consumer confidence. Despite this confidence being
a rather difficult construct to measure, many variables affect it. Not only is it shaped by what a business, such as a bank, has been doing, i.e. making headlines with sustainability intentions or for the embezzlement of millions of dollars, but what each individual customer brings to the table molds it as well. Seikizawa et al. (2016) reviewed the influence of depression, optimism, life satisfaction, affect and trust on consumer confidence levels. While depression and a negative affect were negatively associated with consumer confidence, the other independent variables were positively associated with the consumer confidence. The authors do not consider the Big Five (OCEAN), but, as research has shown personality facets influence many tested factors, I assert that these would have an impact as well. For example, as neuroticism is correlated with depression and negative affect, individuals scoring high on neuroticism are less likely to report consumer confidence than individuals scoring low on this facet. Similarly, as agreeableness is correlated with optimism and life satisfaction, individuals scoring high on agreeableness are more likely to report consumer confidence than individual scoring high on this facet.

The full picture of this customer confidence is important to consider while also understanding the changes that have occurred for various industries—the effect of technology, adjustments in organizational design and structure, evolution in the manager’s role, and the ‘new’ worker. With a historical review of these changes, Cascio (1995) established how industrial and organizational psychological research could positively benefit society. Although the author overlooked a direct relation to banking, this present paper highlights the ways in which each category relates to banking.

The first of these categories centered on the shift away from a task-based organization, or a structure including assignments addressing a specific component within the overall company, to a process-based organization, or a “collection of activities cut[ting] across organizational
boundaries and traditional functions” (p. 932). Vanhaverbeke and Torremans (1998) performed a review of this movement to process-centered organizations, which revealed that administrative tasks are based in a central unit that services several bank branches with their operational tasks. Although this highlights a physical change, the authors fail to discuss how the format of the organization would change with this (e.g., how would jobs evolve). Thus, the present work explores the possibility of employees shifting into new job roles that follow along a specific process; for example, instead of having bankers specifically in charge of opening or closing an account, have personal bankers for individual customers. This required knowledge of several tasks by a banker will not just increase efficiency, but will increase familiarity between banker and customer—thereby, improving a relationship.

As evident through a review of Cascio’s (1995) analysis of the shift from a task-based to process-based organization, as well as through the independent analysis of what this would look like within retail banking, one can see the impact this has on the other areas the author addresses within his work. Cascio (1995) found that this causes a shift to occur within employee selection; when an organization is process-based, typical job descriptions no longer suffice and, instead, a business needs to consider an individual’s capacity to benefit a team’s effectiveness. As previous methods of job recruitment and interviews fall prey to not selecting the best candidate, behavioral testing and personality measures are more adept at choosing the ideal candidate. Major companies, such as the Walt Disney Company, have already used a consideration for one’s personality features, but these concepts can be expanded to banking to increase a worker’s capacity to develop a relationship with a customer in a process-based organization. Mount et al.’s (2011) meta-analysis witnessed a strong association between the five-factor model of personality—openness to new experience, conscientiousness, extraversion, agreeableness, and
neuroticism—with job performance when the job involves interpersonal interactions, or a situation where there is communication between two or more people. Specifically, “conscientiousness, agreeableness, and emotional stability [(the other end of the scale for neuroticism) were] positively related to performance” in these types of positions (p. 145). Subsequently, the latter two personality facets were more beneficial within team environments rather than within an interaction merely with a customer. Taking these results and moving beyond Mount et al.’s (2011) own discussion, in a customer-oriented industry, such as retail banking, personalities are beneficial in finding the best-fit candidate.

Upon hiring an individual, it is critical that these employees have effective training; although Cascio (1995) mentioned the structural limitations to training within a business, he still paid mind to the role psychological findings have and can have in training to benefit workers and a company in the long-run. One such point was the “training paradox”, a key part of Filipczak’s (1995) work referenced by Cascio (1995); this paradox calls attention to the “poaching problem” that occurs in the United States, where companies seek out trained employees from other companies rather than investing in their own training program. While a worker becomes more desirable for an outside company to ‘take’, they are simultaneously “increasing [their own] job security and desire to stay with the current employer” (p. 934). Beyond this specific concept, Cascio (1995) speculated how “applied social psychology [and] cognitive psychology” within training could teach practical or soft skills (the attributes to interact with others and better oneself), and even behavioral lessons.

Despite not providing a specific solution, this present work hypothesizes about this application within retail banking. One such example rests in the critical function of banks to open accounts for customers. By providing employees with the ability to understand an individual
seeking to create an account—either through knowing what affects that customer’s perception, opinions, and feelings (cognitive psychology) or what matters to them and what their surrounding group environment is like (social psychology)—a banker can better tailor a portfolio for that individual. For example, if a retail bank can define a training plan that better that develops specific skills for each employee to make accurate judgments and decisions regarding customer behavior. If an employee scores low on openness to new experience as a personality facet, training can go beyond teaching software use or other services and have practice sessions focused on approaching individuals in a more productive way—such as getting out of one’s comfort zone to be the best employee for a bettered relationship with their customers.

Following a hire and subsequent training, the application of psychology guides employees through performance-based appraisal of their work. Cascio (1995) cited research by Wiedman (1993), which recommended that “customer expectations generate individual or team performance expectations, [as well as] include results expectations that identify actions to meet or exceed those expectations and include behavioral skills that make the real difference in achieving quality performance and total customer satisfaction” (p. 935). As addressed in the history of retail banking within “Chapter One”, retail banking is a customer-centric business. Without the confidence of the customer, banks will lose business, and, with that, the industry would virtually not exist. Therefore, performance appraisals of bank employees should consider customer’s expectations and if they were adequately met. Additionally, from a psychological perspective, it would be greatly beneficial for the institution to give employees points on how they can exceed expectations and help them see what are attainable skills; with both of these provisions, employees will have the guidance to find success. In fact, work by Dineen et al. (2006) uncovered an interaction effect between supervisory guidance and behavioral integrity of
management for employee behavior. A high level of behavioral integrity resulted in increased organizational citizenship behavior and decreased deviance for an increase in supervisory guidance whereas a low level of behavioral integrity resulted in decreased organizational citizenship behavior and increased deviance for a similar increase in supervisory guidance. Organizational citizenship behavior includes qualities that are pro-social in nature and provide an encouraging environment for employees, while deviance includes qualities that inhibit the functioning of an organization. The authors pointed out the limitation that their study was a questionnaire format, which is vulnerable to response bias and can lead to a lack of directional causality within the results. Despite these disadvantages of their work, Dineen et al.’s (2006) discovery of a difference in employee behavior in environments with high supervisory guidance and behavioral integrity rather than low supervisory guidance and behavioral integrity indicates the significance of an environment in the approach to performance appraisal (p. 627).

The effect of productive performance appraisal is seen through a different lens with Mayer and Davis’s (1999) finding that performance-based appraisal leads to an increased within-organization trust—a particularly notable fact as Cascio’s (1995) work validated the necessity of a proper appraisal system. This within-organization trust is influential in not only the trust that a customer has with the bank from the outside, but also in the customer’s feelings regarding the bank’s performance and efficacy.

Although Dineen et al. (2006) and Mayer and Davis (1999) uncovered ways in which appraisal and critique are beneficial, Aiello and Kolb (1995) discovered the dual nature of monitoring employees’ performance. In fact, their work analyzed how electronic performance monitoring influences productivity and stress through administering a test to 202 undergraduate students either in the presence of others or alone. Although the participants were all
undergraduate university students who were not in a naturalistic environment of an actual workplace, analyses of the aggregated data revealed that performance monitoring benefits performance to the extent of the social facilitation model. For instance, if it is a rather simple assignment, having others present will aid performance, whereas if it is a difficult task, the alone condition is preferable for enhanced performance. This is present in retail banking as based on the task—or as discussed, the process—given to an individual as an employee, it may or may not be useful to have checkpoints throughout their completion of that task or process to determine how they are performing. In a real-world application, the performance monitoring that Wells Fargo put upon its employees tasked with creating accounts were so unrealistic and stressful (i.e. a difficult task) that in competing against their peer employees to have better results, the employees engaged in lying and cheating. Thus, it is imperative that a retail bank considers the feasibility of achievement targets given to an individual before determining the level of monitoring that motivates them rather than hinders them.

Considering these focal areas for the changing industry of retail banking, industrial and organizational psychology can clearly enhance the experience of workers and the general business of banks through “a break with traditional practices and a focus on rigorous research that addresses emerging trends” (Cascio, 1995, p. 937). With the growth of these psychological subfields, many more ideas regarding how businesses can be bettered can come to fruition. One such idea pertaining to this changing tide is the transformation in terms of how upper-levels, or leadership, of companies function. In a review by Hambrick and Mason (1984), the authors proposed that management’s strategic choices and performance come as a result of the psychological characteristics of management (rooted in the cognitive base of individuals, such as their values and beliefs) and their observable characteristics, specifically in regards to an
individual’s age or background. Additionally, as Donnellan and Lucas (2008) found evidence that as an individual gets older, their levels of agreeableness increase while levels of openness to new experience and extraversion decrease, I assert that an upper-management group with older individuals will have different views of the world than an upper-management team made up of younger individuals. An older-aged executive team would be more likely to agree with one another (potentially shutting out the opinions of younger and lower-level employees) while also being less likely to take risks as a business—this latter consequence could be helpful, but it inhibits major progress and innovation, which retail banks need during this time.

Beyond this implied role of psychology within management, Kark et al. (2003) uncovered the impact of transformational leadership, or the effect of motivating employees to function better. See Appendix C: Figure One. This figure illustrates how the author hoped to determine the effects of transformational leadership on social and personal identification, as well as on dependence and empowerment, a construct comprised of self-efficacy, collective efficacy, and organization-based self esteem. While the former hypotheses rested on social psychology through the effects of a relationship between a leader and an employee, the latter two hypotheses were rooted in personality psychology through the factors of an individual’s interpretation of their own and others’ efficacy, or ability to do something; furthermore, the whole premise of this study derives from industrial and organizational psychology as it sought to reveal the impact this leadership has on the organization. Additionally from this figure, it is clear that Kark et al. (2003) hypothesized that personal and social identification were two separate variables accounting for the association between transformational leadership and dependence or empowerment, respectively.
Through creating random coefficient models and performing subsequent testing on data from a sample of 888 employees within an Israeli bank, Kark et al. (2003) revealed a significant association between transformational leadership and personal identification with the individual in charge, as well as between transformational leadership and social identification with the workplace. Likewise, a significant association was found between personal identification and dependence, as well as between social identification and self-efficacy, organization-based self-esteem, and collective efficacy, independently. The mediation analysis determined that personal and social identification were each mediating variables for transformational leadership and dependence, as well as transformational leadership and empowerment, respectively. In other words, transformational leadership contributed to employee dependence on management because of the employee’s own identification with the leader; the effect of transformational leadership on an employee empowerment was mediated by the extent to which individuals identified with the larger group. As social identification is more malleable as it is affected by an individual’s place within the larger group, the existence of empowerment can be more controlled in one way or the other. However, an individual’s level of dependence on management is a consequence of whether or not a rapport is developed with only one individual—the leader of the group; therefore, there is less room for the organization as a whole to have checks and balances to prevent or encourage this dependence, accordingly.

As the authors discussed, it can be difficult to enact transformational leadership at a bank due to the nature of the industry (management is rather separated from lower levels of employees), but the findings from this study display how instrumental this form of leadership can be for employees; not only does it help foster personal and social identification, but additionally, it aids in the development of empowerment and dependence. Although all of these
qualities are beneficial in some form in helping a business function, the effect of dependence is potentially damaging because it either (1) puts a lot of power in the demographic make-up of management within an organization or (2) stifles the feeling of being able to truly be independent within a larger group and, thus, could diminish the diversity of a workplace.

To consider the first point, research by Bantel (& Jackson, 1989; 1993) revealed the positive side of this influence. Both of these studies observed the effects regarding the demographic composition of a management team within retail banking, and both unveiled significant associations between the characteristics of management and a studied variable. Bantel and Jackson (1989) found that when controlling for the size of the organization and team, as well as location, an association exists between diverse and educated management and innovation (p. 107). Likewise, Bantel’s (1993) work revealed that when controlling for the size of the organization and the performance of the firm, there is an association between the level of diversity in “education major and functional background” of a management team and strategic clarity, or the ability to efficiently create and activate a company’s action plan. This strategic clarity is a positive function of cognitive diversity, or the openness for different ideas and opinions within a space (p. 1187). Although the dependent variables differed for each of these two studies, the regression analyses showed that diversity is instrumental in benefitting a bank, either through innovation or strategic clarity; each of these, in turn, have been found to be imperative in the “long-term performance and viability of the firm” (p. 1188). Both of these studies displayed positive aspects of the influence that a top-level team at a banking institution can have. However, one must be wary of the other side that commonly occurs in an industry such of banking—and that is the lack of diversity within upper-level positions.
When this diversity fails to occur, there is not just a malfunction in innovation or strategic clarity within a bank, but a break down of the organization in other ways as well. The portion of social psychology pertaining to groupthink, or the tendency for a collection of individuals to make poor decisions as a result of trying to maintain agreement, most clearly displays this despite its limited empirical evidence.

A well-known paper by Janis (1971) popularized psychology through providing political case studies of groupthink. Through her discussion, she noted that groupthink occurs partly due to heuristics, or mental shortcuts that result from common themes, most recent memories, or even the existence of numerical values, that allow members of a collective group to make a more efficient decision, regardless of if it is truly the best or correct one. Empirical studies have sought to better understand how cohesiveness and conformity of individuals or type of leadership (specifically, directive versus nondirective) within a group can impact the presence of groupthink. In a cohesive review of this research, Esser (1998) cited several studies illustrating that although level of cohesiveness and conformity of a group do not contribute to groupthink, directive leadership negatively does—a study by Flowers (1977) found that a directive form of leadership leads to less solutions to a problem. Thus, the source of groupthink is flawed; while mental shortcuts contribute to a lack of consideration for potentially important information, lack of diversity or openness to leadership within a group can have a similarly detrimental effect. Therefore, limited diversity within the management of a retail bank would have similarly causal outcomes for groupthink; this negatively impacts a bank’s performance, especially considering the amount of power given to executives at the hands of transformational leadership.

Beyond this influence of the organization’s management, transformational leadership affects an employee’s dependence on their management team, which can be stifling to diversity
within the company as a whole. If individuals are dependent on the authority within a company, I assert that these individuals would mirror the thoughts and beliefs of that management instead of holding diversity of their own opinions, as witnessed through the aforementioned discussion of groupthink. This lack of diversity is problematic.

A literature review by van Knippenberg et al. (2004) “introduce[d] a model of the processes underlying the positive and negative effects of diversity” (p. 1008). See Appendix C: Figure Two. Within this figure, there are several factors that are affected and have an effect between the independent variable of diversity and dependent variable of performance. This review and specifically this categorization-elaboration model draw heavily from past psychological research. Similarly to the role of personal and social identification within the research by Kark et al. (2003), van Knippenberg et al. (2004) addressed the relationship between diversity and group performance through the perspective of social categorization, or the process of which someone mentally separates individuals into groups. Citing evidence from Williams and O’Reilly (1998)—as well as several subsequent studies—van Knippenberg et al.’s (2004) categorization-elaboration model showcases that this social categorization connects the presence of diversity to an individual’s reactions. These specific reactions are one of two factors affecting the relationship between diversity and the “elaboration of task-relevant information”, where this latter variable directly contributes to performance. This social categorization displays the value and challenges that arise with diversity in a group environment. For example, van Knippenberg et al. (2004) discussed how Williams and O’Reilly’s (1998) literature review referenced many studies that touch on out-group versus in-group identity, and how a group may actually perform better if it is predominantly homogeneous. On the other hand, the other factor specifically affecting the expansion of task-relevant information pertains to the decision-making perspective;
it is through this viewpoint, that much research has directly found the strength in diversity, such as the Bantel and Jackson (1989) study had.

But what does this all mean for retail banking? By fitting together the pieces for how diversity relates to performance, and, perhaps more importantly, what variables affect that relationship and through what specific processes, the model shows that diversity brings both strengths and weaknesses. Either through decreasing the likelihood of groupthink or by potentially creating more conflict, the effects of this diversity on the workplace is apparent. However, a failure to encourage diversity amongst a group is a failure to take hold of the inherent advantages that would truly benefit a bank, as part of an industry that for the past few hundred years has seen its demographic characterized only by white males.

Looking beyond the dimension of diversity and the role it plays in the success of a retail bank, it is also worth considering other influencing factors in an employee’s, and thus, the bank’s performance. Judge et al. (2001) performed a qualitative and quantitative review that focused on an association between “job satisfaction and job performance” (p. 376). Through a multitude of psychological research, several models have been proposed to explain the relationship of these two variables; these have included satisfaction leading to performance, performance leading to satisfaction, each factor affecting the other (with and without a moderating or mediating variable), no association between the two, and, interestingly enough, satisfaction leading to affect which is causal for performance which job performance directly affects (p. 377). Along with this large level of disagreement in terms of the association, there have also been a multitude of findings both supporting and not supporting the existence of a correlation at all. Thus, the meta-analysis executed by Judge et al. (2001) hoped to find clarity on this specific topic. Although a meta-analysis can increase the overall sample size, and thus, more greatly legitimize findings,
there is a dependence on only published and visible studies; this unfortunately means that studies with limited funding had their findings omitted.

Despite this limitation, the meta-analysis of 54,417 participants revealed a correlation of 0.3 between job satisfaction and job performance. See Appendix C: Figure Three. This finding and the figure are significant as they show that performance and satisfaction have an effect on one another. This allows one to better understand how a business can apply organizational and industrial psychology to upkeep their employee retention rate through monitoring and aiding happiness and performance. Additionally, the myriad of mediators and moderators included in the figure convey the lack of simplicity within this association. Thus, for a retail bank to be successful internally—and thus, externally—they must consider at least some of these variables to increase an employee’s satisfaction and performance overall.

Although not clearly marked in the figure, Judge et al. (2001) referenced several mediating and moderating variables that act as a function of an employee’s attitudes and behaviors in the workplace. These include the performance-rewards contingency (the degree to which individuals are compensated for high performance), work centrality (the level of emphasis an individual places on their job), and the task-specific self-efficacy (the belief one has in themselves to be able to accomplish a specific task), as well as where one is at in terms of the process of goal attainment, levels of success and achievement, and behavioral intentions to name a few. A study by Green et al. (1983) analyzed responses to a survey administered to 160 employees across 23 branches of a midwestern U.S. bank that was specifically observing the influence of environmental variables—market and competition—as well as organizational variables—activity and size of a bank on attitudes and behaviors within the workplace.
The market variable (the public’s view of banking) had a significantly positive correlation with exchange, commitment, and satisfaction of supervisor or a co-worker whereas the competition variable (forms and level of competitors for a given retail bank) had a significantly negative correlation with those same outcomes. Thus, it is clear these environmental variables have a high level of influence working against one another in terms of the correlation’s direction. When considering the organizational variables, the results revealed that the level of financial activity within a bank did not have a significant correlation with any attitudes or beliefs of workers whereas as the size of a bank increased there was a significant tendency for the level of exchange, commitment, work satisfaction, and satisfaction of supervisor or co-worker to diminish. Despite these significant correlations, there was no association between environmental or organizational factors and performance. Thus, although this study does not display how variables can ultimately impact performance, there are instrumental influences affecting attitudes and behaviors of employees; these aspects remain important to consider not only for the fact that within the categorization-elaboration model they influence a relationship between diversity and performance (as discussed by van Knippenberg et al. (2004)), but also they provide a more full picture of an employee’s state of mind—which is valuable knowledge for any business.

Although evidence shows there are inherent benefits to a business based on the benefits brought to an individual employees, research by Malik et al. (2011) more clearly illustrated how various factors—some of which have been previously described: diversity, performance, motivation, as well as external and internal environments—fit into organizational effectiveness through a case study of the telecommunication and banking sector of Pakistan. Despite the fact that the sample was limited to four cities in Pakistan, its ability to quantify organizational effectiveness through proxy constructs allows the findings to be positively influential for the
banking industry outside of Pakistan. Within this study, the hypotheses being tested pertained to the effect that an employee’s level of motivation or performance has on organizational effectiveness; additionally, the authors tested whether or not these two factors—motivation and performance—came together to influence organizational effectiveness. The cross-sectional correlational study showed a significant positive association between employee performance and organizational effectiveness, as well as between employee motivation and organizational effectiveness, with a difference between education levels. It was also notably found that there was a significant correlation between employee performance and motivation indicating that if an employee has a high level of motivation, that employee is more likely to have a high level of performance, as well. These former results are important as they form the basis of understanding what contributes to an organization’s success—for a retail bank with motivated and high performing individuals, the overall group is more likely to “achieve the outcomes the organization tends to produce” (p. 38). Subsequently, the latter finding is intuitively logical as many studies, such as Kilduff (2014) and Dobre (2013) have demonstrated how a motivated individual—either by competition or attainment goals—is significantly more likely to perform better. Furthermore, as motivation is a facet of personality as seen through Bipp et al. (2008), it is evident that not only is motivation rooted in psychology, but, its effects—specifically, this impact on performance—is a result from that as well.

As retail banking is a service business that thrives on the confidence of its customers, it is beneficial to understand what factors affect organizational effectiveness, as well as better comprehend how a customer interprets a situation. From research by Schneider et al. (1980), it a significant correlation was found between an employee’s perception of how customers feel regarding the bank’s service and a customer’s actual perception of service. This is promising for
a bank as to maintain higher performance with customers against their competitors, a bank’s employees must have intimate knowledge of what pleases their current and potential consumers. An extended application of this rests on a study by Schneider (1973), which formed the basis of the work by Schneider et al. (1980). That former study by Schneider (1973) revealed that within a sample of 761 current and past bank account holders of an American commercial bank, customers’ desire to switch accounts was associated more so with “summary perceptions than to specific service-related event perceptions” and past customers more readily perceived a bank as negative than current customers (p. 248). Perception’s influence on decisions and behaviors helps to reveal that banks need to be more wary of overall reviews by an individual rather than just one bad or good moment. This study provided the basis for understanding how perception ties to behavior of customers whereas Schneider’s latter work with Parkington and Buxton (1980) revealed that as this perception of customers is important, employees can actually be ‘on the nose’ in terms of interpreting how these customers may perceive specific bank qualities. As discussed later in regards to the theory of reasoned action and the theory of planned behavior applied within the research of Yousafzai et al. (2010), this interpretation and, additionally perception, is extremely affected by one’s life experiences or background and has significant consequences for a bank.

Therefore, as evidence displays that employees accurately predict customer’s perceptions, it becomes evident that this interpretation of customer behavior is another core tenet of a retail bank’s approach to enacting a plan for long-term success. Additionally, a bank must consider its organization and structure of the workplace; these institutions should note the worth of switching to a process-based organization, hiring employees based on their personality facets, providing effective training once employees are hired, and appointing a management team that
fosters an environment suitable for a high level of motivation and performance in its employees. The efficacy of a workplace environment is a function of organization’s ability to be better structured and filled with a more diverse collection of individuals just as much as it is a result of a bank better understanding its customers. This latter aspect is an especially important consideration for banks, as these are institutions that exist in a customer-centric universe.

Chapter Five: The Customers

Beyond the internal organization, structure, and demographic of the workplace, it is imperative for a bank to keep the customer in mind. As the historical account of retail banking demonstrated, the livelihood of a bank rests on the degree to which customers have confidence in the institution. Additionally, as highlighted by consulting firms, Deloitte and JLL, as well as Jim Marous of The Financial Brand, the successful evolution of a bank lies in the capacity for a bank to truly understand their customers and target them in a specific way.

Work by Persson (2013) included three case studies—each of a different European bank with varying customer behavior modification strategies. These studies revealed that by shifting consumers away from using bank branches, a “reduction in customer-related costs” and “maintenance of customer-related revenues” occurred (p. 872). More significantly, however, is the effect these two outcomes have on the customer’s relationship with a specific bank over time; this shift in consumer behavior and a lessening of costs leads a bank to ultimately find an “increase in customer lifetime values and equity” (p. 873). This proliferation of values is an important aspect of developing an effective relationship between a bank and its customers. For a retail bank to exist far into the future, it must be capable of applying the concepts from social, perceptual, and consumer psychologies to understand the best approach to create that relationship with their customers.
Through this better relationship with their customers, banks can increase the “share of wallet”, or the amount that an individual uses a specific bank as opposed to other banks. Research by Baumann et al. (2007) sought to determine the role of customer behavior—in this bettered relationship—not just through a reduction of customer costs or an increase of customer’s equity, but, specifically, in the increase of a customer’s usage of a specific bank. By analyzing the results of a questionnaire administered in Australia, Baumann et al. (2007) found that there were specific demographic characteristics that dictated an individual’s tendency to ‘park’ their financial assets in one rather than several banks. For instance, if an individual is female or is middle-aged, they are more likely to have a higher share of wallet with one specific bank; however, if an individual holds a university-level education, they are less likely to have a large share of wallet with one particular bank, and instead, more likely to spread their business over several financial institutions. Despite the lack of geographic diversity in the sample, these findings can be applied in practice with banks directing specific “marketing actions” at certain customers to increase the individual’s share of wallet with that particular bank.

This research from both Persson et al. (2013) and Baumann et al. (2007) do not just display the significance of understanding and shaping customer behavior within a retail bank, but the latter study specifically addresses the influence of one’s own demographic and experiences. With this knowledge, a retail bank can pay mind to each individual customer’s background and behavior to remain sustainable. Considering social psychology, an individual’s beliefs and perception of a situation greatly influence their behavior. Thus, in marketing, retail banks need to be prepared to campaign in a manner that garners more productive interest. One such instance could be through the use of “social norms marketing campaigns”—as discussed by Goldstein and Cialdini (2009) within the text, Social Psychology of Consumer Behavior. These types of
targeted messages can play into normative beliefs, or an individual’s view of others’ opinions of what their actions should be. In retail banking, and perhaps even specifically considering how to increase a bank’s share of wallet, the influence of these types of campaigns can be seen through communication conveyed to a customer, where statements are made regarding the myriad of people holding a high percentage share of their business within a specific bank.

Following this assertion of the importance of knowing one’s customers, the application of a consumer behavior model develops a deeper understanding of what goes into a customer’s decisions. See Appendix D: Figure One. Within this figure—obtained from Fejza et al. (2017), albeit adapted from Kotler et al. (1999)—there are several factors impacting a customer’s decisions. The initial stimuli come from not only marketing practices but also from the current state of one’s environment, i.e. economic, technological, political, and cultural influences; while the former is a controllable resting partly on a psychological foundation, the latter is more predominantly a given state that institutions must be aware of in order to properly manage the effects. Additionally, within this adapted model, Fejza et al. (2017) considered that these factors are interpreted by a customer’s own internal features to then ultimately affect their decisions.

Through their analysis of the three banks, the authors found that “if financial institutions wish to survive and remain competitive in the current dynamic and ever growing market, they need to understand, analyze, and pay due attention to the behavior of their customers” in order to attract rather than deter them. For this, these institutions need to consider the “factors of external nature and internal nature mostly related to psychological aspects” (Fejza et al., 2017, p. 47). Although this study and its findings are beneficial in illustrating the process through which an individual contemplates and subsequently makes a decision based on external and internal factors, the initial adapted model did not acknowledge types of consumer behavior; instead, as
seen in the figure and as evident through the authors’ discussion, this literature rested on the assumption that all individuals go through the same process in a similar manner.

However, an approach by Beckett et al. (2000) to understand consumer behavior within the financial services industry incorporated a matrix comprising of four basic behavior types along the dimensions of consumer confidence and involvement. See Appendix D: Figure Two. Although this figure only details where each component on the matrix lies based on the dimensions, the authors spend much time detailing the different types. It is vital to pay due consideration to the influence of those psychological concepts (e.g., personality) that can have a role within each category of this matrix.

Repeat-passive customers “will make repeated interactions without actively seeking alternatives”, and, thus are quite reliable for a retail bank as they will generally invest most of their business with one particular bank rather than spreading it across several entities (p. 17). Rational-active customers—the societal norm—share a similarly high level of consumer confidence, but they are more actively involved in their own decision-making processes; therefore, the way a retail bank understands and applies the knowledge of their behavior preferences as well as demographic factors is paramount as they will more readily move their business elsewhere if a better opportunity presents itself. As a function of low customer confidence and low involvement, no purchase customers will not obtain products sponsored by financial service institutions. Thus, as Beckett et al. (2000) addressed, they are an interesting group to apply “marketing activity” towards “to increase their awareness and convince them of their relative merits” (p. 18). In other words, they are a pool of untapped potential in terms of future customers. Lastly, relational-dependent customers are more involved but they lack the capacity of control, which diminishes their level of consumer confidence; similarly to no
purchase customers, marketers can spin this to their advantage as this group is particularly malleable by information presented by influencing parties, such as a retail bank.

Through a deep understanding of these four categories within this consumer behavior matrix, a bank can tailor themselves to address a specific individual or group of individuals to be more successful. If a retail bank has an estimation of which type of customer they are dealing with, they can shift their approach—for example, with relational-dependent customers, a bank employee will take the time to connect with the customer and spend time developing a rapport, whereas with rational-active customer, the emphasis will be on providing logical reasons to help sway these types of customers that they are engaging with their best option.

Beyond highlighting the way factors evolve for each of these four types of consumers, Beckett et al. (2000) considered how delivery channels have changed. For instance, while a repeat-passive customer will prefer “speed and convenience” of an ATM transaction, a rational-active customer will tend to use an at-distance transaction but want to maintain a high level of perceived behavior control. Additionally, a relational-dependent customer will seek a relationship-forming mode of transaction to ground their beliefs and hopefully increase their confidence. Through this general understanding of factors and the consequences for a preferred distribution channel, there is a large variety of “strategic implications” for these consumer behavior distinctions (p. 23).

Depending on where a bank lies in customer interest—whether it is a well-established or a newer bank—the institution can manipulate customer behavior to gain benefits; for example, the authors examined how existing banks or banks that have a large number of high “share of wallet” individuals should keep customers within a repeat-passive frame as these individuals do not readily seek out different opportunities, but newer banks or banks recreating an image should
shift customers into a rational-active mindset to increase product usage and overall bank prosperity. Additionally, as previously mentioned, banks need to garner interest from no purchase customers if they want to tap into a previously unaddressed portion of the population while also creating lasting relationships with relational-dependent customers to increase the longevity and strength of a rapport.

As seen throughout this chapter, the application of psychology is greatly beneficial to a bank’s comprehension of their customers; this knowledge allows a retail bank to carry out to proper measures to both attract and maintain that customer base. Furthermore, understanding what affects an individual’s decisions in terms of the one’s relationship with a bank is a vital component of a retail bank being able to more properly address their customers. However, as highlighted in the history of the industry as well as in the review of current challenges that these institutions face, a digital transformation is occurring within this industry. It is with this in mind that this present work will turn to delve into how these technological advancements affect a customer’s interpretation of their relationship with their bank. Furthermore, it will be addressed what steps a retail bank can take to continue to best serve their customers and continue to satisfy their customers in order to ensure the institution’s long-term success amidst these changes.
Part IV: A Digital Transformation

As previously addressed, the landscape of retail banking has changed and is continuing to change. With technological advancements on the rise, as well as competition to retail banks coming from technology-laden institutions, a digital transformation has begun to occur within retail banks. In fact, Rachel Ensign, in an article within The Wall Street Journal, addressed that the biggest three national banks—Bank of America, Chase, and Wells Fargo—are gaining a disproportionate share of customers for the number of branches they still hold. The shift each of these national banks has taken towards digital transactions and other technological advancements has attracted customers “because of their well-known brands and the perception that their technology is better” (“Biggest Three Banks Gobble Up $2.4 Trillion in New Deposits Since Crisis”, 2018). Therefore, for other national banks and the smaller, regional banks to stay afloat, they need to also be capable of successfully taking advantage of the digital transformation.

However, it is imperative that one pays special attention to the features of this transformation for it to actually be effective for the banking industry. Building upon the detailing of the relationship between a bank and its customers, as well as how a knowledge of customers can contribute to specific and effective marketing strategies, this present portion of this work will highlight the manner in which these technological advances affect the industry. Specifically, two facets worth specifying include the application of psychology within (1) the consumer’s digital needs and (2) the process of establishing trust between a retail banking institution and a consumer within this digital framework.

Chapter Six: Understanding a Consumer’s Digital Needs

In increasing the digital presence of a retail bank, it is evident that the needs of consumers in a predominantly brick-and-mortar form of retail bank are not wholly aligned with
the needs of consumers using digital banking platforms. In fact, a multitude of published literature has attempted to develop a picture of what attracts consumers versus what hinders the relationship between the bank and its customers. This particular chapter both addresses and analyzes past research by specifically observing the process through which an individual responds to the technological advancement of the banking industry. From understanding an individual’s resistance to innovation (and the specific psychological barriers contributing to this) to the importance of perception of several variables within accepting technology, a retail bank can better design their mobile-banking platforms through the application of social psychology and behavioral economics.

Psychological research has thoroughly established that consumers often resist change. In a comprehensive review of past studies, Ram and Sheth (1989) not only sought to understand why this resistance occurs, but, furthermore, what marketing strategies are effective in countering it. This “innovation resistance”, or defiance “offered by consumers to an innovation, either because it poses potential changes from a satisfactory status quo or because it conflicts with their belief structure”, is a significant obstacle to technology’s acceptance (p. 6). From this definition, this resistance arises out of a break with societal standards (a concept within social psychology) as well as out of conflict with an individual’s core values (a component of personality psychology). The authors also partly highlighted the manner through which psychology contributes to the development of the resistance process by identifying tradition barriers and image barriers. While a tradition barrier arises out of a customer feeling that they are breaking from “social norms or societal and family values”, an image barrier results from a customer viewing the source of the new product (i.e. the company responsible) or the product itself, in a negative light (p. 8). Research by Laukkanen and Kiviniemi (2010) found that the
level of shared information between bank and customer has a significant negative association with the image barrier but not the tradition barrier. Both barriers model the importance of perception in a bank’s success. However, due to the effect of exchanged information, a bank has a greater ability to diminish an image barrier than a tradition barrier.

Expanding on the later point, these constructs are not just important for knowing why customers feel inhibited from accepting innovations, but actually for developing marketing strategies to mitigate this negative effect. Ram and Sheth (1989) provided three recommended types of strategies—product strategy (e.g., “borrow a good image”), communication strategy (e.g., “educate customers”, “use change agents”, “make fun of negative image”, “create a unique image”), and coping strategy (e.g., “understand and respect traditions”); each of these approaches is useful in different circumstances or for disparate barrier types (p. 10). Although this work does not specifically focus on retail banking, each of these strategies could be applied within financial institutions and the manner through which they market new, technological products. For example, in reference to communication strategies, the authors mentioned that education is critical for acceptance. Banks should inform customers of how online banking tools work or host events to teach individuals how to better use products; these types of solutions can break down feelings of hesitancy regarding the product. It either helps eliminate negative reactions regarding a company or product (image barrier) or gives customers the feeling that by using this product, they are becoming part of the status quo (tradition barrier). As Laukkanen and Kiviniemi (2010) discovered that image barriers decrease with increased information, these strategies are more likely successful for the former reason. Furthermore, with financial technology services, millennials—a group known in consumer research to more readily accept technology (Goldman Sachs)—can act as “change agents”, or individuals who will promote the technology through
their own usage, to help increase product acceptance (Ram and Sheth, 1989). This specific strategy can mitigate the negative effects of tradition barriers by making it seem that these millennials are the markers for what societal standards currently are—and thus, an individual is not breaking from those standards to accept usage of this product.

Beyond these strategies, Ram and Sheth (1989) highlighted tactics addressing the image of a company or their product, such as how marketing groups should tailor their approach—including creating a representation of themselves that is different from any other service or by mirroring the image of groups that have found past success. I recognize that this could be seen within the possibility for banks to advertise their online banking service or emerging digital landscape as an outcome of them being a new or innovative institution; on the other hand, banks could take lessons from financial-technology (fin-tech) services—Paypal, Venmo, amongst others—and brand in a similar way to encourage customers to associate the bank’s changes with successful technological platforms.

This present work expands upon both Laukkanen and Kiviniemi’s (2010) revelations that image barriers are easier for a company to tackle than tradition barriers, as well as Ram and Sheth’s (1989) findings regarding what strategies best address a customer’s needs and wants to encourage service adoption. Thus, moving beyond general innovation, a critical component of a bank’s digital transformation involves the creation of an online or a mobile banking terminal. Pikkarainen et al. (2004) applied the technology acceptance model to determine what influences an individual’s online banking use. Despite the existence of online banking, or an “Internet portal, through which customers can use different kinds of banking services”, the acceptance rate of these channels has been extremely problematic—as of 2004, a mere 20% in the United States (p. 224). As this is a current point of failure by retail banks, it is imperative for this industry to
determine what factors affect a customer’s willingness to use an online platform; from this, retail banks can make adjustments to the platform’s format and content to attract more customers.

Pikkarainen et al. (2004) created a model from which to build upon their research. See Appendix E: Figure One. From this model’s illustration, the independent associations (or lack thereof) between perceived usefulness, ease of use, or enjoyment and online banking use are most pertinent in uncovering which factors influence customer reception of online banking services. To develop these hypotheses, the authors referenced past studies to supply definitions for these independent variables. Through extending Davis et al.’s (1989) research on “information system[s]” to online banking, Pikkarainen et al. (2004) cited definitions regarding perceived usefulness—“the degree to which a person believes that using a particular system would enhance his or her job performance”—and perceived ease of use—“the degree to which a person believes that using a particular system would be free of effort” (p. 227). Similarly, Pikkarainen et al. (2004) referenced an additional study by Davis et al. (1992), in which perceived enjoyment was defined as “the extent to which the activity of using a computer is perceived to be enjoyable in its own right” (p. 227).

Although each of these three variables—perceived usefulness, perceived ease of use, and perceived enjoyment—are not initially associated with the field of psychology, perception, as a means of interpreting one’s surrounding environment, is vital to the discipline. Two prominent countering theories regarding perception—the “bottom-up” and “top-down” approaches—focus predominantly on visual perception, yet they still illustrate the difference in weight given to contextual information. Whereas James Gibson believed in an “ecological approach”, centered on the fact that other factors do not affect an individual’s perception of a situation, Richard Gregory viewed perception as at least partly dependent on an individual’s experiences and
surrounding environment (Norman, 2002). Carrying this back to Pikkarainen et al.’s (2004) research, it becomes evident that this work—although not pertaining to visual perception—is extremely similar in terms of the necessity for an individual to sift through information and interpret it for a given situation. For this sort of perception, I postulate that Gregory’s assertion that perception is dependent on contextual information—such as internal and external factors—will be instrumental because the hypotheses in Pikkarainen et al.’s (2004) work (perceived usefulness, perceived ease of use, and perceived enjoyment) are a function of an individual’s standards they hold for each of these categories and are consequently an effect of various influences. Thus, in considering the specific research of this study, it is vital to consider the psychological foundation upon which the findings positively influence business in the long-term.

Although this study’s participants were strictly Finnish, the distribution of surveys to a variety of locations helped provide a more diverse sample. Example items from this questionnaire are below:

**Perceived Usefulness**

Using an online bank enables me to utilize banking services more quickly

Using an online bank for my banking services increases my productivity

**Perceived Ease of Use**

Learning to use an online bank is easy for me

I find an online bank to be flexible to interact with

**Perceived Enjoyment**

Using an online bank is fun

Using an online bank is wise

(Pikkarainen et al., 2004, p. 234-5)
Each response was measured on a 5-point Likert scale, which allowed for a standardization of results. However, one must consider this scale is prone to response biases; for example, individuals can skew towards normal by answering often with a ‘3’—or neutral—response. Subsequently, it is important to consider the implications of using a questionnaire over behavioral testing. Although this may save time and money, people’s responses may not reflect their true preferences or behavior in an actual moment of online banking usage. Considering these limitations, Pikkarainen et al.’s (2004) correlation analysis found significant support for a positive relationship between a higher level of perceived usefulness and increased online banking use, but not for the other two factors—perceived ease of use or perceived enjoyment—and acceptance of an online bank (p. 231). Despite a lack of support for independent associations between these two variables and online banking use, the overall findings remain critical as it displays how one type of perception can affect an individual’s willingness to use a digital platform, whereas others may not hold a similar importance in decision-making.

Carrying these revelations to this present work and, specifically, the influence of psychology within these findings, it is first interesting to speculate why perceived usefulness, as opposed to perceived ease of use or perceived enjoyment, was influential for acceptance of an online banking platform. I hypothesize that people are not engaging with a retail bank’s digital interface with the purpose of enjoying what they are doing but rather with the hope of accomplishing a finance-related task. On the other hand, it is quite surprising that ease of use did not play a role in acceptance. It would seem logical that the perception of technology being easy to use or interact with would affect an individual’s likelihood to want to engage with the online banking service. Therefore, perhaps this study did not properly address these variables in their operationalization. Based on the brevity of the questionnaire, the limited number of items may
not have perfectly attended to what factors of perceived ease of use and enjoyment increase online banking use; for example, the ease of use category could have concentrated on particular components of the platform, such as specific commands or functions. Beyond this possibility, the authors themselves suggest the potential that the impact of perceived ease of use lies more predominantly in the effect it has on the association between perceived usefulness and acceptance of a technology rather than its own effect on adoption.

Work by Kenyon and Sen (2014) outlined the process of perception as an individual “select[ing], organiz[ing], identif[y]ing], and interpret[ing] sensory information” (p. 41). Gregory’s regard for external and internal factors is similarly found within Kenyon and Sen’s (2014) model as it considered the influence of “learning, memory, and expectations” on one’s perceptions (p. 41). Applying this perspective of perception to the findings of Pikkarainen et al.’s (2004) study, it is evident that this process allows individuals to interpret their online banking platform in terms of its level of usefulness, ease of use, and enjoyment. From the findings, the interpretation of perceived usefulness has greater weight than perceived ease of use or perceived enjoyment; perhaps this is a function of the interpretation of usefulness happening quicker. This could explain why the authors found that the impact of perceived ease of use lies more readily in the effect perceived usefulness has on technology acceptance—perceived ease of use requires context information. Whereas perceived usefulness is more objective—a function or a service either is helpful or not—perceived ease of use requires more external and internal factors to shape the interpretation. These factors may include an individual’s own experiences with various forms of technology, or which aspects of the online platform matter more to them than others.

Overall, the findings from this study are significant as they underscore the need for retail banks to consider how a customer will interpret an online banking interface and platform—will
they view it as helping them do better or will they view it as more trouble than it is worth? When constructing an online platform to remain competitive in the technology-laden environment that the modern-day is, retail banks should consult with experts on what makes an individual feel that something is useful for them, i.e. what aspects and details could incite this feeling for an individual and, thus, can successfully play into one’s own digital needs. Delving more directly into consumer behavior can help develop more efficient and productive approaches.

Pikkarainen et al. (2004) are not the only researchers who sought to provide information regarding what decisions financial institutions should make to remain vital amidst technological expansion. In fact, Yousafzai et al. (2010) hoped to model the factors that influence an individual’s behavior in terms of online banking acceptance through the application of actual psychological models. This was accomplished through the administration of a Likert-scale questionnaire with “procedural equivalence” of three models—theory of reasoned action (TRA), theory of planned behavior (TPB), and the technology acceptance model (TAM)—for a “fair comparison” of which best fits Internet banking behavior (p. 1184). An analysis of the responses used structural equation modeling to reveal the superiority of the TAM, which was, in fact, the basis of the work by Pikkarainen et al. (2004).

Citing past studies as each model’s foundation, Yousafzai et al. (2010) referenced Fishbein and Azjen’s (1975) work with the TRA, a “social psychological model” emphasizing that “most behaviors…are predictable from intention” (p. 1173). See Appendix E: Figure Two. Behavioral beliefs (an individual’s view of how a situation will turn out) influence one’s attitudes while normative beliefs (an individual’s concern regarding other’s opinions of how one should respond) influence subjective norms, or the interpretation of a group exerting influence over one’s decision to perform an action. In turn, these attitudes and subjective norms affect
one’s own behavior (p. 1174). In reviewing the theory’s main components, critical psychological concepts are apparent throughout. While one’s experiences affect a behavioral belief, which influences their own view of a certain situation (thereby leading to attitudes), the perception of another’s thoughts and feelings regarding an issue impact a normative belief (thus, leading to a subjective norm). Additionally, behavior is viewed as a function of interpreting one’s own view and others’ assumed views; thus, the TRA is built on the foundation that one’s internal factors (e.g., personality) and one’s surrounding environment are critical for influencing one’s behavior.

Yousafzai et al. (2010) successively highlighted work by Azjen (1991) in which the TPB was a furthered development of the TRA. See Appendix E: Figure Three. This figure displays the addition of control beliefs and, consequently, perceived behavioral control, which correct the TRA’s inability to consider that for certain, specific “behaviors, people have incomplete volitional control” (p. 1175). In the TPB, control beliefs are set apart from pre-existing behavioral beliefs (modeled within the TRA) as they pertain to an individual’s interpretation regarding whether or not they have the capability to tackle the perceived problem whereas behavioral beliefs are focused on what the results of a situation will likely be. Thus, it is evident that the construal of having resources as a component of someone’s control beliefs is a function of an individual’s background—such as their personality—as well as their current situation.

Similarly, perceived behavioral control, which is an individual’s state of feeling that they have the ability to carry out an action is rooted in an individual’s personality facets; for example, a study by Horner (1996) found that neurotic individuals tend to report an “external locus of control”, so an individual scoring high on neuroticism may tend to have limited personal control beliefs, and, thus, lack the perceived behavioral control that other individuals may have.
Lastly, Yousafzai et al. (2010) discuss the technology acceptance model (TAM), which, as previously mentioned, was the basis of the research by Pikkarainen et al. (2004). See Appendix E: Figure Four. As discussed in regards to the preceding work, this model emphasizes the influence of external factors on an individual’s perception of certain aspects regarding technology. Subsequently, this impacts an individual’s attitude, and ultimately, an individual’s actual behavior. Thus, unlike the TRA or TPB, attitude is a function of two very specific forms of perception for an item rather than the result of a behavioral belief regarding a situation’s outcome. This may be a critical aspect of ultimately predicting actual behavior as it is a more direct means of interpretation and, subsequently, has a more direct effect on one’s actions.

Similarly with Pikkarainen et al.’s (2004) research, the demographic of participants was rather diverse in terms of gender, age, education, and occupation, but in terms of Internet use and experience, banking experience, and Internet shopping, the sample lacked diversity. Although the “average Internet experience of respondents was 2.6 years”, 60% of participants had only one to three years of Internet banking experience (p. 1189). The fact that this sample was comprised of participants with a rather low exposure to both the Internet and Internet banking could have had an impact on the results and subsequent interpretation of these findings. This could have occurred through the potential for not all participants to be well-informed of available features either over the Internet in general, or specifically pertaining to online banking. Additionally, with such a limited exposure, the susceptibility to perceive the platform as being more useful could have been higher as it seems more helpful than what they may have been previously using.

Additionally, Yousafzai et al. (2010) noted a limitation that the study only “surveyed existing users of online banking”, and, thus, did not fully address the adoption process (p. 1197). This is significant as when considering the current situation of retail banks and the growing need
to become digital, the issue lies within ensuring that both pre-existing and potential customers of the bank are ready to accept those changes. By including participants who are not already Internet banking users, this study would be strengthened. Additionally, it is worthwhile to consider measures of the Big Five personality factors as a means of determining if the optimal theory or model shifts with a change in an individual’s levels across these dimensions. For example, a high level of neuroticism could negatively contribute to one’s behavioral or normative beliefs in the TRA or TPB, whereas within the TAM, it could lead to a lack of perceiving usefulness or ease of use. Additionally, a high level of openness to new experience could positively contribute to one’s acceptance of technology through providing one with a higher perception of usefulness or ease of use.

Despite these limitations, one must explore why the TRA and TPB were weak in fully explaining Internet banking behavior, while the TAM was distinguished as most accurately modeling one’s Internet banking behavior—providing support for the basis of Pikkarainen et al.’s (2004) study. The authors discussed that the TAM’s inclusion of perceived usefulness and perceived ease of use as factors in predicting one’s behavior rather than the TRA or TPB’s consideration for intention or attitude may be why it better explained online banking behavior. These findings reinforce the significance of constructs such as usefulness and ease of use being positively perceived in influencing online behavior. From the TAM, it is evident that perception of usefulness and ease of use influences attitude, which ultimately affects both behavioral intention and actual behavior. The failure of the TRA or TPB to pay mind to perception and instead depend on beliefs and intentions leave a gap in understanding how customers think and process various points of information. Therefore, it is imperative for retail banks to give
perception the attention it deserves to allow for both more effective digital interfaces and better relationships with their customers.

Expanding beyond Yousafzai et al.’s (2010) own discussion, the support for the TAM over the TRA or TPB has important implications for retail banking institutions as they continue to become technology-centered. As previously highlighted, when considering each approach, the only component that sets apart the TAM is the influence of perception on an individual’s behaviors rather than the behavioral or normative beliefs. Normative beliefs arise from one’s ability to perceive how others will view their actions, which does not specifically pertain to the benefits an individual could be reaping from a technology or a service. On the other hand, perceived ease of use and perceived usefulness more directly connect an individual to their opinion regarding the level of aid given by that specific service or technology.

In hoping to understand this emphasis on use-specific perception rather than behavioral or normative beliefs, one can turn to work by Shen et al. (2010), in which a comparison of costs and benefits aided in observing consumer acceptance of mobile banking services (p. 497). Reflecting on past studies that addressed “design of the mobile phone interface” or “consumers’ adoption of mobile technologies” through the TAM, Shen et al. (2010) specifically analyzed the potential association between perceived convenience, perceived security, or perceived behavior control and “intention to adopt the [technology] system”; additionally, the authors tested for a correlation between the self-efficacy perception—or one’s belief that they have a level of control over their own situation—and perceived behavior control (p. 501-2).

The sample included in this study had gaps in the diversity of its participants. Specifically, there was a lack of participants from older age brackets (only 9.3% were 51 years of age or older), occupational fields other than business, finance, advanced technology, or
government (these four professions made up 82.3% of the sample), or educational level less than college (only 5.8% had only attained high school) (p. 503). The failure for these groups to be included may have contributed to the results and their subsequent interpretation. With a predominantly younger sample, the sample’s willingness to accept online banking is higher than for an older sample; furthermore, these younger individuals are more likely to perceive a higher level of behavior control (regardless of whether or not it actually is higher) both in general and also specifically for online banking use (as they have had more exposure to online interfaces). Additionally, with a lack of breadth in occupational fields, the results are centered on a group with high exposure to technology and, thus, has more knowledge regarding it; they are more likely to already want to adopt the technology (and therefore, need less convincing) and they are also more likely to have higher standards for convenience and security of an online banking platform. Likewise, these occupations are commonly filled with individuals who want to have a high level of behavior control due to the nature of those industries, which could cause them to report inflated levels of this variable. Lastly, the lack of lower education levels means that the sample was comprised of individuals who may view technology in a different way, as it may have been used within their education and, thus, shapes a high reporting regarding convenience.

Keeping in mind the effect of this demographic limitation, Shen et al.’s (2010) structural equation modeling revealed that perceived convenience, perceived security, and perceived behavior control were each significantly correlated with a “higher mobile banking adoption intention” (p. 504). It was additionally found that self-efficacy had a significant positive association with perceived behavior control. Shen et al. (2010) highlighted the implications of these findings—“managers should emphasise the benefits and reduce consumers’ perception of potential risks in adopting the systems” (p. 505). However, the authors failed to expand on how
that may be done. I speculate that this could be accomplished through the advertising and marketing of a product; both in general campaigns and in one-on-one conversations between a customer and a banker, those from the retail bank should explicitly highlight what features will benefit the customer and why (based on the individual customer’s needs). Likewise, these campaigns and conversations should avoid discussing security risks or other potential issues and, if these do arrive, have counter-arguments to display how these are less consequential than the positive impact of the benefits.

In moving beyond the confines of their work, one must consider tangible ways to emphasize the benefits and mitigate the costs of a bank’s digital interface through the application of consumer psychology and/or behavioral economics. Considering past literature addressing perception, and expanding these to directly observe mobile banking behavior, banks can better help customers feel that mobile banking is convenient and secure while still allowing the individual to feel as if they have behavior control.

In fact, a study by Wijland and Hansen (2016) scratched the surface of how psychology aids in the creation of mobile-banking systems that inspire feelings of convenience and security while continuously sponsoring the customer’s behavioral control. This study specifically focuses on how behavioral economics—a subfield of psychology that connects “cognitive psychology to economic decision-making”—affects the design of a mobile-banking app. The authors hoped to expand upon past research that has highlighted the power of nudges, which subtly shape the decisions of individuals through manipulating their decision processes in marketing strategy. Therefore, their work determined the role that five key behavioral economics concepts—loss aversion (an individual’s tendency to avoid situations in which they may lose assets), “power of now” (the preference for immediacy), scarcity value (the less of a product there is, the more
worth assigned to the product), chunking (organizing pieces of information into groups), and choice architecture (variety of blueprints outlining how choices can be presented to customers)—have as nudges within in a mobile-banking application (p. 12).

To understand this, Wijland and Hansen (2010) asked a group of marketing students to develop new features and modifications for a pre-existing mobile banking application (p. 13). After “banking managers and app designers” modified the list of the ideas—omitting or tailoring features as they saw fit—the refined selection was shared with a sample of 18-29 year-old pre-existing users of the mobile banking application to determine which factors were most important to users through a series of pairwise-ranking questions. Thus, this study assumes that these managers and designers would have not omitted components that would have actually been preferable to the customers (p. 12-3). This could have been an issue as from the perspective of the managers and designers they were creating something ideal for a customer, but from the perspective of a customer it may not have been what was needed or wanted—therefore, this study may have overlooked other potential features that may have mattered.

The study’s results revealed that features pertaining to loss aversion and the “power of now” were preferred while features addressing chunking or choice architecture were viewed as less important. Thus, as emphasized by Wijland and Hansen (2010), for this particular sample, preferences were rooted in having an application that focused on “money-management concerns” rather than “aspects of exclusivity, elements of gaming, and sharing of individual achievements” (p. 14). If retail banks want to be successful in designing a mobile-banking application, they need to consider what their customers need or want out of their banking experience. Although these findings are important, one must not omit the fact that this was a very particular sample—it was a very specific age range for pre-existing users for one mobile-banking application. Due to this,
one must not blindly expand these findings to a whole population, but, instead, repeat similar studies that address larger samples with a more diverse demographic. In considering the effects of this type of sample upon the results and the interpretation of these results, the younger sample would have similar effects to those previously mentioned regarding Shen et al.’s (2010) study. A younger sample is more likely to accept technology and have a higher level of perceived behavioral control within a technological platform, so certain features may have been over-emphasized that if expanded to a larger population would not have been as boldly marked.

Likewise, as discussed with Yousafzai’s (2010) study, the study’s disregard for participants unfamiliar with an online mobile banking application means that the process for technological acceptance was ignored; features that may matter when someone’s initially deciding to use an application may have been overlooked whereas features important for someone continuing to use the application may have been overemphasized. Lastly, as it was only one mobile-banking application, there was no repetition to verify the validity of these findings because it may have just mattered for this application but would not have similarly appeared for other applications.

Despite these limitations, one can move beyond Wijland and Hansen’s (2010) own discussion and frame the results within Shen et al.’s (2010) work. As that study discovered the importance of perception in using a mobile-banking application, these findings from Wijland and Hansen’s (2010) observed factors of perceived convenience, security, and behavioral control connect to Shen et al.’s (2010) assertion that perception is critical. Specifically looking at loss aversion, the features of an “account increas[ing] in interest every week” and an “account calculat[ing] how long to achieve goals” relate to the perception of convenience and behavior control. The former is accomplished through the features being part of the application rather than accessory features whereas the latter is realized through people feeling connected to their goals.
and their bank account. In turn, delving into the features characterizing the “power of now” concept, there was the “locked savings option” and “DO NOT alerts”. The former characteristic functions in such a way that once money is put into the account, there cannot be a withdrawal until a goal is met or the bank is contacted whereas the latter characteristic incorporates set reminders that tell a user to not spend on a whim. These features provide an individual with a belief that their account is secure, albeit not in the way that perceived security intended to address. Specifically, instead of making one feel that their account is protected from external factors, such as other people accessing their account, these features provide protection from an individual’s own spending habits.

These adjustments and preferences are inherently a function of behavioral economics, but it is also worth considering the underlying concepts drawn from both cognitive and personality psychology. Within each of the nudges (inspired by behavioral economics) used in this study, the process of an individual perceiving convenience, security, and behavioral control is rooted within cognitive psychology, whereas the factors that influence that interpretation and affect one’s behavior is tied to personality psychology. With the display of the effectiveness of nudges to shift one’s behavior, Wijland and Hansen (2010) provided beneficial information in regards to the design of a mobile banking service.

However, it was a study by Baptista and Oliveira (2017) that actually determined the influence of a specific form of design—gamification—on user behavior of a mobile banking service through concepts similarly drawn from behavioral economics and social psychology. In the text, the authors defined gamification as:

The use of game mechanics and game design techniques in nongame contexts to design behaviours, to develop skills, or to engage people in innovation, or as a technique of
influencing the motivation or engagement of people to solve complex problems, to perform certain actions or just to have fun. (Baptista and Oliveira, 2017, p. 120)

With this definition forming the foundation of the authors’ research, they revealed a significant positive effect of gamification on behavioral intention to use a mobile banking interface as well as a significant positive effect of this intention on user behavior. In other words, as there was an association between intention and use, gamification not only increased one’s intention to use an interface, but it actually increased one’s use.

The effects of these results are monumental in terms of determining how design can increase an individual’s likelihood to use the platform. For banks struggling to cope with an individual’s digital needs and wants, a specific design can garner more customer interest. However, it is important to consider that Pikkarainen et al. (2004) found perceived ease of use or perceived enjoyment to not influence one’s acceptance of a mobile banking service. Thus, the authors’ belief that gamification is increasing mobile banking adoption by making “banking activities more exciting and more enjoyable” fails to address that previous work had enjoyment to not be influential (Baptista and Oliveira, 2017, p. 118). It may not be that the gamification is attracting more users because of the pleasure or ease of use associated with it, but rather, in the process, it is actually creating a more useful platform for individuals to use.

Considering these aforementioned studies related to the nature of this digital platform and viewing them as well as their findings within foundations of psychology, several aspects are extremely apparent. This digital transformation is truly changing the scope and nature of retail banking; this has primarily occurred through the influence of online platforms and the need for models to capture how and why a customer may be more likely to accept a certain form of technology. However, if one views this shift predominantly through the lens of psychology and,
subsequently through consumer psychology and behavioral economics, there are several concrete ways a bank can place themselves in a better position with customers—for example, through behavioral nudges or gamification. These solutions require a true understanding of one’s customer base, which is a rather frequent theme through this present work. This discussion pertaining to how banks can capitalize on technological advancements does not just end with the generality of this digital transformation as this chapter addressed; rather, it is important to center in on one critical component—trust.

Chapter Seven: Establishing Trust through a Digital Platform

Trust is an essential part of the interactions that occur between an institution and a customer, especially within the emerging digital landscape. In fact, work done by Szopiński (2016) found that trust is a critical factor within the acceptance and use of online banking. Although a multitude of definitions have been provided for the concept of trust, a cross-disciplinary review by Rousseau et al. (1998) defined trust as a “psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another” (p. 395). With this description, this present work will both discuss and expand upon past literature that has sought to understand how trust can be efficiently and wholly developed when fostered in an environment lacking face-to-face interactions.

In a study conducted by Doney and Cannon (1997), the authors delved into the buyer-seller relationship; despite this not being specifically present in retail banking, it is not hard to see the relevancy of this dynamic influencing the rapport between a customer and their bank, with the customer as the buyer and the bank as the seller. Through administering questionnaires to buying and selling firms and subsequently analyzing the data, the researchers found that trust is especially significant in the buyer-seller relationship due to its role in “influence[ing] long-term
relationships (i.e., trust’s role in relationship marketing as opposed to transactional marketing)” (p. 45). Whereas relationship marketing focuses on the bond between a company and customer that can endure over a long period of time, transactional marketing centers on the specific moment of selling an item or service; thus, the former form of marketing requires a seller skilled in understanding who the buyer is to cater themselves to those certain wants and needs of the customer. While transactional marketing remains successful even amidst a lack of information regarding customer beliefs, attitudes, and behaviors, relationship marketing necessitates knowledge of the whole individual—their personality type, their background, their life and how it influences their behavioral, normative, and control beliefs as well as their technology-specific beliefs, if considering the digital transformation of banks. Overall, it is significant that trust is an important aspect within relationship marketing as it furthers the sentiment that trust not only has a role in online banking as Szopiński’s (2016) work displayed, but also, trust generally fits into a relationship such as the one between a customer and their bank.

Having highlighted this, a study by Yousafzai et al. (2005) specifically addressed how trust develops within an electronic banking interface. In this study, “trust-building strategies” were observed to determine if and how they influence “customers’ perceptions of trustworthiness of the bank” (p. 181). Previous studies (Mayer et al. (1995), Doney and Cannon (1997), and McKnight et al. (1998)) provided statistical support for trust as an important component of human interactions and relationships; likewise, a growing body of evidence—Citera et al. (2005), and, as cited by Yousafzai et al. (2005), Castelfranchi and Tan (2001)—marked that with the advent of new technologies and the progression of online environments, trust is evolving. As the “temporal and spatial separation [that comes with online interactions] increases [,] fear of opportunism arising from product and identity uncertainty” rises, and thus, limits trust
To garner information regarding the development of trust, this study specifically focused on the appearance and contents of various bank websites with an emphasis on the distinction between and effectiveness of structural assurance and situational normality. Specifically, each of these leads to “trusting beliefs”, which, in turn, inspire “trusting intentions” (p. 183-4). While structural assurance focuses on the “depend[ability of] structures and promises” (e.g., presence of a security policy, privacy policy, compliance or liability statements, and “third-party privacy and security seal”), situational normality highlights a situation’s ability to be viewed as comfortably typical (e.g., “presence of customer testimonials”, well-made Web sites, or familiar brand names) (p. 184; p. 187-9). From their descriptions, it is apparent that the former aspect tends to be more objective, i.e. that information is either provided or not, but the latter concept is subjective as it returns to perception’s role within decision-making processes for future behavior. Despite the authors not discussing this aspect of the distinction, the study’s hypotheses did factor out facets of structural assurance and situational normality in order to understand the manner in which they work or affect a situation.

Within Yousafzai et al.’s (2005) research, 64 British M.S. or M.B.A. students electronically completed a survey in which they independently reviewed four bank web sites—Barclays Bank, Smile Bank, First Direct Bank, and Natwest Bank—with the premise of collecting information pertinent to opening an “e-banking account” (p. 190). Similarly to previous studies, the sample within this work lacked geographic diversity, and thus, one must not blindly extrapolate the results to all cultures. Additionally, despite a rather even split in the sex of participants and diverse range in age, the average length of Internet experience of participants was 6.5 years where 60% of the participants already had an online banking account. This is a relatively lengthy amount of time to have Internet experience, and one must be wary that these
are not beginner or amateur Internet users. They are informed of how the Internet works and, by this point, most likely feel comfortable being online and know what a trustworthy website appears like. Therefore, the study fails to address what could encourage trust in an individual with limited Internet experience. However, the study’s inclusion of participants beyond those already with an online banking account is beneficial in expanding beyond analyses of pre-existing users as past literature has done; therefore, unlike other studies, Yousafzai et al.’s (2005) work provided a consideration for the process of trust perception.

Considering these limitations and the possible effect each had on the interpretation of results, a statistical analysis of Cohen’s effect size displayed a “moderate to strong effect between trusting beliefs and trusting intentions”—thus, an association existed between one’s perception regarding “ability, benevolence, and integrity” (trusting beliefs) and one’s actual intentions (McKnight et al., 1998; Yousafzai et al., 2005, p. 183). The factors involved within the trusting beliefs are interesting, yet logical, as the more able, kind, and truthful an individual is perceived to be, the more likely another individual is to develop a trust in them, and, thus, actually act on that trust. Additionally, as addressed by DeNeve and Cooper (1998), the degree to which one feels comfortable putting trust in another individual is a personality trait; this is a consideration to have when interpreting results. This variability across individuals is important to consider in the effects it may have not only in creating these trusting beliefs about a bank, but, additionally, in the manner through which it will affect an individual’s actual interactions with a respective bank. Furthermore, a one-way ANOVA and a post-hoc Scheffé multiple contrast analysis provided support that people’s opinions of trusting beliefs and intentions regarding each bank differed (Yousafzai et al., 2005, p. 193). Subsequently, these analyses “suggest[ed] that communication of meaningful and timely information ha[ve] the potential to influence
customers’ trusting intentions” (p. 193; p. 181). In other words, it was this communication—executed through structural assurance and situational normality—that impacted the perception of trust with a specific bank and, thus, increased a customer’s desire to interact with that bank. Considering the implications of trust as a personality trait, I hypothesize that this impact of communication on an individual is a function of how successfully it targets an individual’s personality—based on an individual’s propensity to trust, the instances of structural assurance and situational normality should be directed accordingly.

In the authors’ own discussion, they highlighted that both structural assurance and situational normality are critical for developing trusting beliefs and, in turn, trusting intentions. Not only is it important that an individual interacting with the Web site has a positive perception based on the site’s contents, it is just as valuable that an individual has an equally positive perception regarding the Web site’s format and appearance. Therefore, it is not just an inclusion of policies and statements that generate trust, but it is also the format and physical structure that can do so as well. In fact, Yousafzai et al. (2005) drew attention to the influence of Web-site quality and the brand of the bank, specifically. It becomes clear that consumer psychology has a role in this development. Within Social Psychology of Consumer Behavior, Bless and Greifender (2009) focus on this latter matter of the brand of a business and how it provides a “social psychology perspective [to] economic questions” through social judgment efficiently permitting brand and, furthermore, the extension of a brand through a newly released product (p. 109). Extrapolating their summary to the work by Yousafzai et al. (2005), it is evident that this brand extension is seen through the creation of the Web site as a component of the digital transformation occurring for retail banks today. It is up to the bank to continue to develop their brand and foster continued trust in that brand.
Although the work by Yousafzai et al. (2005) addressed the digital domain of a bank’s Web site, the digitization of a retail bank is not merely the existence of an Internet interface. As previously highlighted, the technological advancements of retail banks include the creation of a mobile or online presence; with this comes the advent of digital dyadic interactions between banker and consumer as opposed to through face-to-face contact.

It is with this specific focus that the literature of Citera et al. (2005) hoped to better understand the credibility of e-negotiators, a party in a negotiation occurring electronically or over the Internet (not face-to-face). Despite the fact that this study centered on e-commerce, the implications of the research and its subsequent findings can have a role within mobile and online banking. The authors tested two hypotheses through a random assignment of participant dyads to “negotiate either on the computer or face-to-face”: (1) “E-negotiators will perceive their opponents to be less credible than face-to-face negotiators” (2) “e-negotiators will report lower levels of self-credibility than face-to-face negotiators” (p. 163; p. 167). From these hypotheses, it is apparent that the emphasis of this study rested on credibility in both dyadic counterparts; while the authors described self-credibility to be “the extent to which a negotiator provides the other party with true and accurate information”, partner credibility was defined as “the extent to which negotiators perceive that their partners provided true and accurate information” (p. 165). Just as seen with work done by Shen et al. (2010) and Yousafzai et al. (2005), perception continued to be an extremely significant component. Each participating party had to interpret their partner’s credibility and then act from there; thus, the process of perception occurs within the context of one’s own internal disposition to trust. This is illustrated in a recollection of DeNeve and Cooper’s (1998) assertion that trust is a facet of personality—this is furthered in this instance by the inclusion of the motivation to trust; additionally, one cannot neglect the external factors of
one’s environment and the manner through which the other party presents themselves. Through Wang and Emurian’s (2005) review of online trust, they found that “lack of trust” was a common denominator in the prevention of individuals engaging in electronic transactions. The implications of this on individuals predisposed to lacking trust or the motivation to carry out this online interaction must be considered while reviewing Citera et al.’s (2005) work.

Through random assignment, a sample of 140 undergraduate students were divided into 70 dyads where 33 were involved in a computer e-negotiation while 37 had to perform a face-to-face interaction. No matter which form of dyadic interaction the participants were assigned to, one individual was a buyer and the other was a seller instructed to “maximize their own individual profit” (p. 168-9). From t-tests analyzing responses to a questionnaire following the buyer-seller simulation, Citera et al. (2005) found that both hypotheses were supported and that variance was explained by the influence of a digital interaction. In light of these findings, the authors themselves ruled out a participant’s level of comfort with bargaining or past technology use as possible explanations for the results; thus, neither of these was a confounding variable or a reason for why self-credibility and peer-credibility diminish with interactions occurring electronically compared to in person—it was merely the digital interaction that was responsible for this decrease in credibility.

Although these results are critical, the structure and format of Citera et al.’s (2005) study failed to consider the process involved in sponsoring trust between individuals. For example, a study performed by McKnight et al. (1998) revealed that the “most critical time frame for participants to develop trust is at the beginning of their relationship” (p. 473). Therefore, individuals participating in the dyadic interaction of Citera et al.’s (2005) work were put into a situation in which the level of trust they had with their partner was low, especially because these
pairings were by random assignment. However, in a banking environment, an individual may be interacting with an institution that they have had an account at for a significant number of years. Therefore, this is a dimension worth considering in future research and, additionally, this may provide clues into whether a bank with a format in which a customer interacts consistently with the same online teller would mitigate the declining occurrence of trust in a digital format.

However, despite these considerations of limitations and points for future research, it remains significant that Citera et al.’s (2005) work revealed the influence of technology in limiting the perception of trust between individuals. Similarly to Yousafzai et al. (2005), it was demonstrated that the process of perception is significant and that there are several factors that can impact the interpretation of a situation. As the retail banking industry adopts an increasingly digital framework, it is imperative that institutions are well informed and equipped to mitigate the decrease in credibility witnessed most prominently by Citera et al. (2005). Potential solutions include amassing knowledge pertaining to a bank’s customers and their dispositions to understand how the structure of not just a website, but also a digital interface for mobile applications or otherwise, can inspire trust. Additionally, considering the increased usage of digital tellers—a robot receiving the initial voice or touch commands rather than an actual person—banks need to pay attention to the fact that an individual’s perception of these types of situations can be very startling and negative (Lattner et al., 2005). Thus, it is instrumental that banks do not lose the capacity to foster effective relationships—specifically paying mind to the critical nature of trust—with their customers to inspire continued usage of the bank even as the model shifts further away from brick-and-mortar branches to online interfaces and a mobile-centric style.
Part III: Where Do We Go From Here

Although the myriad of studies reviewed and the subsequent discussion is beneficial, it is not truly helpful for retail banking institutions until it is put in a succinct, organized format that allows it to be more digestible. With this idea in mind, the following ‘action plan’ is composed for retail banks. See Appendix F.

At the top of the chart, there is the bank; part—arguably, most—of their responsibility is to garner knowledge regarding their customers and their workplace. As far as the customer information is concerned, the information gathered should address who the customer base is, paying attention to both current and potential customers. Attention should be paid to the demographic information—race, ethnicity, gender, age, education, occupation, income level, and beyond. Developing a portfolio that includes this information provides a solid foundation for a bank to better estimate how their customers may potentially act; each of these aspects has an effect on individual’s perception, intentions, and attitudes and, thus, will define the customer’s behavior accordingly. Furthermore, as seen through the myriad of studies that held this as their limitation, the length of Internet experience and, specifically, online banking experience is important knowledge for a bank to be able to understand what features and services may or may not be necessary for individuals based on whether or not they need someone to help them feel comfortable with technology if a digital platform is being considered. Beyond these aspects, the facets of psychology of individual differences (e.g., personality traits of an individual, what motivates an individual, what are their needs financially or emotionally, etc.) can be merged with knowing where the customer falls on the customer matrix (Beckett et al., 2000) to develop a more complete picture of the individual customer.
Thus, this portfolio regarding the customers that banks interact with can be approached through the lens of psychology to see the success of a retail bank actually come to fruition. Specifically, through an application of cognitive and perceptual psychology, behavioral economics, and consumer psychology (with the latter two drawing from social psychology at times), a retail bank can ultimately accomplish three critical components to function better overall. These include the creation of more effective marketing, effective digital interfaces, and effective relationships.

In regards to effective marketing, this present paper highlighted the strength of consumer and social psychology in helping a business distinguish its brand or in breaking down barriers to acceptance. An analysis of Ram and Sheth’s (1989) revelations that customers have resistance to innovation because of a separation from social norms or personal values displayed that as each component of this resistance draws from either social or personality psychology, banks can gain the upper hand in handling customers with tradition or image barriers by understanding the customer. Although image barriers were asserted to be easier to mitigate due to the capacity for individuals to vanquish these if they feel that they have been given adequate information, banks will need to find innovative ways to tap into an individual’s feelings of tradition. Specifically, retail banks can rid image barriers through hosting events to inform customers of a products or services offered (as well as letting them actually know more about banking, in general) whereas these institutions can chip at tradition barriers through clever marketing campaigns that emphasize how their services are the status quo. Furthermore, as studies analyzed throughout this work unveiled the critical nature of an organization’s brand, banks can use this platform as a means of ridding barriers and creating successful marketing campaigns; through understanding the consumer behavior model and the customer behavior matrix, banks can precisely target
individual customers with various types of marketing efforts. This concept of amassing knowledge of the customer base through this model and matrix can even be strengthened through understanding both the process of perception in individuals and how contextual information plays a role. Truly developing a full picture of customers, a retail bank will be able to compose a portfolio filled with effective relationship marketing campaigns.

Moving onto efficacy of digital interfaces, it is once again important to consider the definition of Ram and Sheth’s (1989) innovation resistance and the role in which social and personality psychology have in characterizing barriers as well as the potential strategies to overcome these challenges. Although these barriers are prominent in individual’s mental landscape, the importance of perception provides hope in how a retail bank can create a more approachable, effective, and overall, more attractive digital platform that succeeds in attracting customers. Taking lessons from Pikkarainen et al. (2004) and Shen et al. (2010), banks can tap into concepts from perceptual psychology to present a platform that is perceived as being more useful, convenient, secure, whilst still allowing a customer to feel that they have control over their behavior. Consequently, the aspect of nudges from behavioral economics could be the reason why individuals may feel that they are satisfied in each of these capacities—whether that comes in the form of certain alerts on a mobile banking application or an overall “gamification” design of the application, the studies analyzed throughout this present work truly showed just how banks can capitalize on gaining customers through understanding the psychological foundations that underlay an individual’s specific behavior and interpretation of a situation.

For the third aspect—effective relationships—it is not just the knowledge of customers that allows for these to blossom, but rather, it is also imperative that banks look inward and evaluate the working environment through a myriad of topics. Broadly, these include analyzing
the workplace overall, the diversity of the workplace, and, specifically, the dynamics between upper-level and lower-level employees. First, in considering the workplace in general, retail banks must know what the current organization and structure of the bank is; this pertains to the layout and format of the bank, and is a critical component of Cascio’s (1995) consideration for process-based organization. Secondly, the diversity of the workplace should be of the utmost importance for a bank; this is not just in terms of diversity in race, ethnicity, gender and age, but it is also in regards to a diversity of ideas and background. Although studies had observed potential issues with diversity, the benefits extremely outweigh the limitations—the prevention of groupthink and dependency of employees are paramount to innovation and strategic clarity of a bank as highlighted by Bantel (& Jackson, 1989; 1993). Lastly, retail banks must not be afraid to delve into determining what the relationship is like between upper-level and lower-level employees. Specifically, an understanding of the degree to which leadership is directive or indirective, as well as the extent of cohesion in the group—both between a leader and an individual or within the group as a whole—is beneficial to determining what steps can be made to create a more efficient and productive bank.

Although this may seem like a lot of topics to consider when analyzing the workplace, each of these components is vital in developing effective structure and dynamics within a bank through an application of social psychology, as well as organizational and industrial psychology. These defining outcomes may differ based on the bank and their place in the economy or their breadth and depth, but in general from this present work, findings from studies revealed the significance of a process-centered organization as a means for developing relationships with customers. If an individual has a personal banker that follows them through opening an account through to the end, a relationship can more easily develop and become strengthened. Beyond this
form of organization, Kark et al.’s (2003) assertion of the effects of transformational leadership allows for a consideration of both the positive and negative aspects of this leadership inspiring more empowered and more dependent employees. An investigation into the latter effect on employees demonstrates that the weight given to management and the subsequent stifling of diversity that could occur throughout an organization creates an environment vulnerable to groupthink. From Janis’ (1971) research on groupthink, it is evident that this type of environment has led to many breakdowns throughout political history and, thus, it could be speculated that it would have similarly disastrous results within a retail bank setting.

Through the aforementioned regards, it is apparent that there are many potential solutions to create a more effective workplace and, subsequently, these can have effects far beyond the walls of a bank. With more satisfied and higher performing teams, as well as a better knowledge of their customers as previously described, there is hope for a retail bank to create more effective relationships with those customers. Within these relationships, it is vital for trust to be present. As a plethora of psychological research has centered on the process through which trust is developed, as well as what internal and external factors of a person shape whether trust more readily progresses, banks should not take this responsibility lightly. It is imperative that the utmost care is given to understanding their customers to employ strategies to develop this trust. With this trust established, banks will find themselves more readily capable of implementing effective marketing strategies and digital interfaces for those customers—for example, evidence addressed in this present work highlighted how situational normality and structural assurance can develop trust within an online mobile banking service (Yousafzai et al., 2005). Therefore, the associations between the customer and the workplace are paramount in a bank properly
executing a plan that will allow them to shift from being on the edge of fading away from the consumer conscience to remaining sustainable to thrive far into the future.

Taking this knowledge and framing it within the model seen in Appendix F, retail banks can develop effective marketing strategies, digital interfaces, and relationships between customer and bank, where these three outcomes are the last component of the action plan. These elements come together to form a solid foundation for a bank’s success. With these strides made, a retail bank will succeed financially and attain more customers; furthermore, as banks are a necessity for the fiscal functioning of a nation, the economy of the United States and beyond will flourish as well. Thus, the contributions given by psychology are instrumental tools in retail banks best recognizing consumer behavior, and, subsequently, responding to the digital transformation that is an inevitable part of our ever-advancing society.
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Appendix A
The Role of Mobile in a Customer’s Interaction with a Bank Branch

Appendix B
Customer Experience Programs in Retail Banks

Appendix C

Figure One: Kark et al.’s (2005) Model for Testing Effects of Transformational Leadership

Figure Two: Effects of Diversity on Workplace Performance

Figure Three: Relationship between Job Satisfaction and Job Performance

Appendix D

Figure One: Kotler et al.’s (1999) Process of Consumer Behavior

Figure Two: Categories of Consumer Behavior

Appendix E

Figure One: Research Model regarding Factors involved in Online Banking Use

Figure Two: Fishbein and Ajzen’s (1975) Theory of Reasoned Action

Figure Three: Ajzen’s (1991) Theory of Planned Behavior

Figure Four: Davis’ (1989) Technology Acceptance Model

Appendix F
A Model for Psychology’s Application Within Retail Banking

Created by Dekle (2018).