

DIGITAL ACCEPTANCE IN COVID-19 OUTBREAK AND BEYOND: RESEARCH ON BANKING INDUSTRY

COVID-19 SALGININDA DİJİTAL KABUL VE ÖTESİ: BANKACILIK SEKTÖRÜ ÜZERİNE BİR ARAŞTIRMA

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Abstract

Social life and the behavior of individuals have inevitably changed as a result of the coronavirus pandemic. This situation also has noticeable consequences for the banking world. The banks were allowed to remain open during the lockdown. Nonetheless, many credit institutions have closed some branches or significantly reduced the counter's opening times. In recent times, an assertion has been heard that digital offers and channels in banking will experience a significant and lasting increase in acceptance due to the positive user experiences made during the lockdown. However, is that the case? Did the number of logins for e-banking and mobile banking increase in this first phase? Are there more calls to the call centers? Furthermore, do customer advisors have more telephone contact with their customers? This research aims to present the first observations from an analysis of channel usage data from nine major banks in Turkey.

Keywords: Customer Services, Call Center, Covid, Pandemic, Technology Acceptance.

Öz

Koronavirüs salgını neticesinde sosyal yaşam ve bireylerin davranışları değişime uğramıştır. Bu durum bankacılık sektörü için de önemli sonuçlar doğurmaktadır. Sokağa çıkma yasağı esnasında bankaların açık kalmasına izin verilmiştir. Bununla birlikte, birçok finansal kurum bazı şubelerini kapatmış veya bankaların açık kalma sürelerini önemli ölçüde kısaltmıştır. Son zamanlarda sıkça söz edilen bir iddia, sokağa çıkma yasağı esnasında yaşanan olumlu kullanıcı deneyimleri sayesinde bankacılık sektöründeki dijital tekliflerin ve kanalların kabulünde önemli ve kalıcı bir artış yaşanacağıdır. Ancak, durum bu mu? Bu ilk aşamada e-bankacılık ve mobil bankacılık platformlarına giriş sayısı arttı mı? Çağrı merkezlerine daha fazla çağrı geliyor mu? Ayrıca, müşteri danışmanları müşterileri ile daha fazla telefon görüşmesi yapıyor mu? Bu araştırma, Türkiye'deki dokuz büyük bankanın kanal kullanım verilerinin analizinden hareketle bir takım istatistiksel bulgular ve yorumlar sunmayı amaçlamaktadır.

Anahtar Kelimeler: Müşteri Hizmetleri, Çağrı Merkezi, Covid, Pandemi, Teknoloji Kabul.

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1. INTRODUCTION

Today, various technical mega-trends (e.g., big data, artificial intelligence, cloud) drive digital change and, thus, electronic data processing. However, in the context of information management, this change should not be understood as a technological phenomenon but as a social opportunity and should be implemented accordingly. In terms of digital acceptance, COVID-19 is counted as a magic wand, and several studies refer to the digitization opportunities in this period (Barnes, 2020; Sokolov, 2020; Kanda and Kivimaa, 2020, Baumgart, 2020; Soto-Acosta, 2020). The digital alteration is changing the information management of banks. It is no longer the collection of crucial data but rather its intelligent provision and use under joint data governance. This study investigates the usage of digital and telephone access channels in the banking industry during the lockdown. It evaluates the change to present the current digitization situation that banks should consider to renew their information management approach if needed.

The COVID-19 pandemic is fundamentally changing the digital usage behavior of Turkish bank customers. In the face of the virus, habits that have been newly adapted are retained, and old behavioral patterns are thrown overboard. The customer, who was previously more stationary-oriented, has now known and appreciated a bank without a branch and new digital payment processes. A boom in card payments and digital wallets, the expansion of digital channels, and a massive increase in online banking usage resulted.

Established market participants are in direct competition with direct and neo-banks, producing the same products leaner and high quality through digital processes and modern IT. Simultaneously, the IT worlds of many traditional institutes are nearing the end of their life cycle and will have to be replaced in the foreseeable future. At the same time, there is a growing need to expand digital skills across the board.

In order to contain the Covid-19 epidemic, the Turkish Government decided in several steps in March 2020 to introduce far-reaching restrictions on public and social life. Schools, shops, restaurants, entertainment, and leisure facilities have been closed, and public life has been reduced to a minimum. Many employees switched to the home office. These measures had far-reaching adverse effects on the companies affected.

Even if banks could remain open, customers are likely to have increasingly switched to digital and telephone channels during this time. This change could lead to the fact that the customers – practically “forced” – have become acquainted with the advantages of digital access channels. Thus their degree of use would increase sustainably. Therefore, the challenges from Covid-19 could ultimately prove to be an opportunity in this sub-sector of the economy, provided that this results in a permanently increased acceptance of digital banking.

Today, it is still too early to assess the sustainability of such a change in behavior on bank customers. However, it is possible to critically examine the initial research question: Has the use of digital and telephone access channels increased measurably when the lockdown occurred?

2. LITERATURE REVIEW

The term “digitization” is shaping the 21st century. Digitization is defined as “analog service provision is replaced in whole or in part by service providers in a digital, computer-manageable model”. The present work predominantly worked with the term “digital transformation, “ primarily describing the change processes triggered by information technologies in companies and organizations (Kane et al., 2015). In contrast to the definition of digitization used, digital transformation means technological changes and their effects and consequences because the digital transformation in organizations affects people, machines, and products (Matt, Hess, and Benlian, 2015).

The digital transformation in companies focuses on the targeted use of digital technologies to use them to redesign or redesign their value creation processes. This is achieved through target-oriented reactions to digitization, which are characterized, for example, by the introduction of new digital technologies and innovations such as clouds, intelligent devices, and the Internet of Things (Ahn, 2020).

Some critical scientific works can be subsumed under transformation or disruption, such as Josef L. Schumpeter’s “creative destruction”. The term transformation appears in Karl Polanyi’s book “The Great Transformation” in 1944. Polanyi describes the emergence of an unregulated liberal market economy that detached the economy from social contexts of the common good, which led to war (Polanyi and MacIver, 1944).

2.1. Digital Transformation

A core of the digital transformation is the dematerialization of many things and the unstoppable change of actions and needs into data. Today majority of daily information reaches individuals via e-mails, apps, messenger services. Books, newspapers, and magazines gradually lose their material character. The purchase and storage of tickets are often made via smartphones. Traditional products, such as machines and cars, are changing through data and artificial intelligence (Pflaum and Gölzer, 2018). They are becoming hybrid products, for instance, in the case of autonomous cars. Digitization has also created new, attractive needs that have spread quickly, including Twitter or Google’s search engine.

By transferring products, actions, and needs into data, the global economy could be transformed into a platform economy. Network effects have also contributed to their rapid growth. A digital provider that can attract many interested parties with an innovative offer will overgrow from the start. The more there are right at the beginning, the more are added who fill the database with their information and entries, which increases the provider’s attractiveness and wealth of data. Success feeds itself.

Today, the citizens of the western hemisphere have accepted that primarily American platforms of the Big Five, Amazon, Apple, Facebook, Google, and Microsoft, squeezed into the traditional global economic value creation processes and controlled the digital transformation with their

platforms (Taplin, 2017). They have developed a multitude of additional innovations around their original core products. They bought up start-ups and concluded alliances with world market groups of the old economy and, in the end, put them in the shade so that some became dependent on them.

When describing the digital future that can be expected, many authors only give general assessments based on the stories we know from the Big Five. Establishing a global “eco-system” includes all global flows of materials and money while simultaneously accessing people’s data in their roles as citizens, employees, and consumers. The system, like the people, would then be controllable and controllable in their different roles.

2.2. Technology Domination in Banking Industry

No information about the account balance, no payment, and certainly no credit is given without using various IT systems. Hardly any other service is as virtual as banking and has been digitized for decades. Most customer interactions with their bank take place digitally via different channels. The customer decides when and on which channel he wants to do which business with the bank (Holland and Westwood, 2001). Consulting – the prime discipline of personal interaction between the customer and customer advisor – is already supported digitally. Robotic advisors have set out to conquer the last domain in the banking value chain: the consultation and the promise the banks make to use the bank and customer advisor’s expertise to benefit the customer. The trend towards self-service for payouts, transfers, or bank statements has invariably been prolonged and increasing linearly from the counter and post to online banking, call centers, and bank self-service areas (De la Mano and Padilla, 2018). For the first time, it now seems possible that bank customers’ behavior changes are progressive and do not allow long adaptation periods in terms of technology or organization.

Under normal conditions, the banks had a long way to go before transforming from a traditional universal bank to a technology group in which IT and process competence are an integral part of the business model (Wewege, Lee and Thomsett, 2020). The digitization path can be different if events become significant, as the growing deglobalization due to the COVID-19 pandemic. HIV, swine flu, and Ebola show that pandemics cannot be limited in a globalized world. The COVID-19 pandemic brought about a massive change in work organization towards home offices almost overnight. The use of video conference systems supplemented the dematerialization of the economy through the disembodiment of social relationships.

Events such as COVID-19 can cause a revolution in daily lives or routines like moving out to rural areas; to work from home; to change jobs more quickly in a genuinely global job market; fewer but longer car journeys with autonomous cars; delivery drones around the clock; social interaction online and in virtual reality.

In the COVID-19 situation, it is probably normal to believe epoch breaks are possible and paint them in the lightest or darkest colors. Post-industrialization, globalization, and digitization have been paving the way for a policy change that is being encouraged by the corona crisis to a paradigm shift, resulting in states that have so far been economically highly dynamic, “not any further mobilized

and deregulated but stabilized and regulated. A state that does not go along with it but counteracts it does not accelerate but restricts it. What is needed is the infrastructure state that ensures the quality of public goods and facilities and the resilient state that provides for dangers such as pandemics, crashes, or climate change through regulations.

3. METHOD

A survey has been carried out to leading Turkish banks in mid-April 2020 to address the research problem. The aim was to use accurate data to analyze the customers' changed channel usage immediately after the lockdown.

Nine institutes provided data for this analysis. The sample includes big banks and nationally active retail banks. The participating banks' customer reach is more than two-thirds of Turkish households and is therefore meaningful for the overall market.

Customer usage was examined in four channels with the following questions:

- Inbound calls to the customer service center
- What is the number of weekly calls to the customer service center?
- Telephone calls with the customer advisor
- What is the number of weekly telephone calls between customers and advisors?
- Login to e-banking (web)
- What is the number of weekly logins to the e-banking platform (website)?
- Login to the mobile app

What is the number of weekly logins to the mobile app?

The focus of the research was on calendar weeks (CW) 13 and 14 (March 23 to April 5, 2020). Some data were also available for week 15. The investigation aimed to make the changes in the use of the canals caused by the lockdown tangible. However, two other effects must be considered. It is known from previous studies that bank contacts increase sharply towards the end of the month or quarter. A mere comparison with the weeks before the lockdown would be wrong and would overestimate the Covid-19 effect. It should also be considered that the use of e-banking and mobile banking is fundamentally increasing, so the absolute usage figures for 2020 cannot be compared directly with the values for 2019.

Therefore, usage figures for the calendar weeks 01-15 of 2019 and 2020 have been collected and compared. In this way, the rates of change for the channels could be determined weekly. This eliminates the ultimate effect. The general growth effect has been separated from the lockdown effect by contrasting the average weekly rates of change in weeks 1 to 10 with the average rates of change in weeks 11 to 14. SPSS is used for the analysis, and the findings are visualized via graphical tools.

The values have been presented separately for each bank group and use the unweighted average of the data received from the nine different banks as the most critical parameter. The numbers refer to private customers.

4. FINDINGS

4.1. Inbound Telephony in The Customer Service Centers (CSC)

Even before the outbreak of the pandemic, customers primarily used the phone in contact with their bank. From the customer's point of view, communication over the phone (or by e-mail) works so well that there has only been a limited need for additional communication channels. The banks' figures now show that this effect has increased even further and that an apparent lockdown effect can be identified during the first few weeks of the pandemic. In weeks 1-10, the call volume grew only slightly – by approximately 5% – compared to the same period last year. In the Covid-19 phase from week 11-14, on the other hand, growth was almost 25% year-on-year, i.e., five times more (see Figure 1).

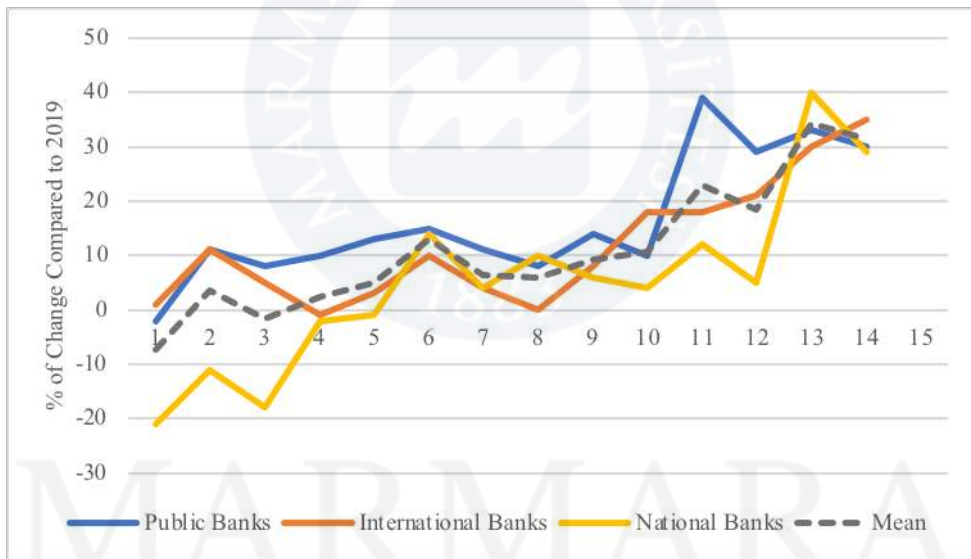


Figure 1. Calls to The Customer Service Center (Inbound), Grouped by Bank Type

The graphic shows a significant growth in week 11 (March 9-15, 2020). This week, the downward trend of the stock exchanges, which was also caused by the pandemic and had already started, continued until the end of week 13. These developments have probably also contributed to this markedly higher call volume.

A closer look at the individual bank data reveals another exciting development. The inbound call volume in the CSC is not growing at all banks. On the contrary: the number of calls is stagnating in around a third of the banks, and a further third have negative rates of change of around 10% or more compared to the previous year. As a rule, this is explained by those responsible for retail banking when customers switch to digital channels.

The trend towards decreasing inbound call volume poses challenges for many institutions regarding the sales orientation of their call centers. An established practice at many banks is to use incoming calls – usually service requests – as a sales opportunity to address customers. Ideally, simple product deals could also be concluded. The emerging negative call development throws these sales concepts through the bill and demands, among other things, a stronger outbound orientation in the CSC.

4.2. Telephone Calls with Customer Advisor

Concerning customers' telephone calls with a customer advisor (CA) can also see an apparent corona effect. When the anti-Covid measures began, the telephone activity of customer advisors doubled (see Figure 2).

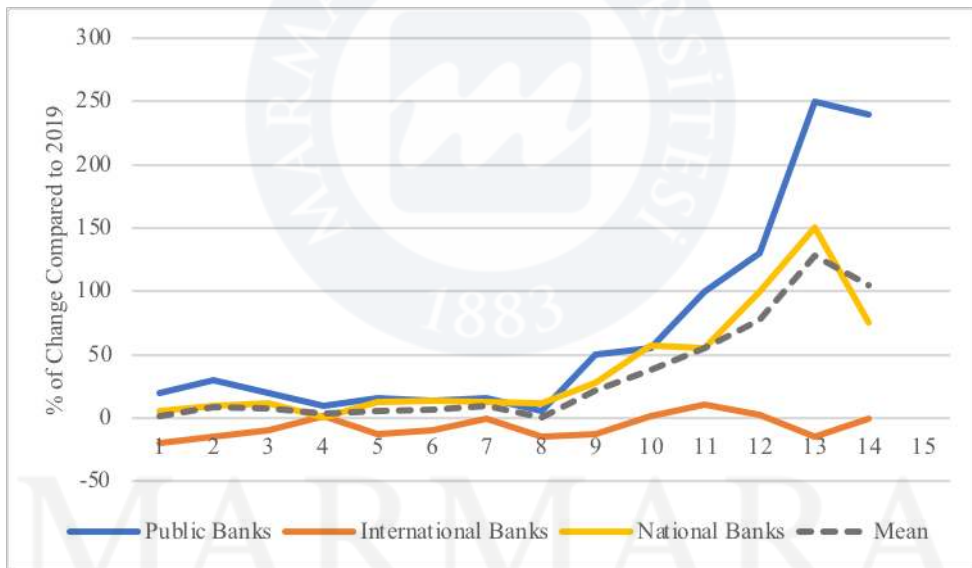


Figure 2. Telephone Calls Between Customers and Advisors, Grouped by Type of Bank

In the period before the lockdown, the telephone contact frequency was roughly at the level of 2019. This stagnating number of calls does not necessarily have to be interpreted negatively. Ideally, this means that all CA can call their customers at a consistently high level of intensity during their available working hours and can no longer handle calls at all. However, this reading would also mean that there was no procedural relief for CA in the past year, creating more time for customer calls. However, it is also possible that the additional time gained has flowed into personal, physical appointments. Unfortunately, we do not know the relationship between the number of telephone calls and personal meetings.

The picture will change from the beginning of March: the number of CA phone calls will rise significantly at almost all banks. From week 11 to week 14, the call volume increased by an average

of 100%. At some banks, the number of calls even increases by 150% – 200%. The personal contact between customers and consultants remains very important even in times of Covid-19. Considering the idea of busy working hours above, this significant growth will only be possible if physical, personal contacts are no longer available due to the lockdown and are replaced by telephone calls. In weeks 12 and 13, many client advisors also had to make these calls in the segment of wealthy private clients connected with margin calls, which were necessary due to the capital market's development.

4.3. Use of E-Banking (Web)

In weeks 11-14, i.e., after the measures against the pandemic, the use of e-banking, measured by the number of logins, increased by 25% compared to the previous year. In January and February 2020, the average growth was around 10% (see Figure 3). This number represents the generally more substantial penetration of e-banking in the Turkish market.

However, there are apparent differences between the individual institutes. For example, one of the banks recorded a 10% decrease in the use of e-banking in the first ten weeks (i.e., still without the “corona effect”) – which is, however, compensated for by a 30% increase in app use. On the other hand, another institute was able to increase e-banking usage by between 20% and 50% compared to the previous week, and at the same time also recorded around 40% growth in app usage.

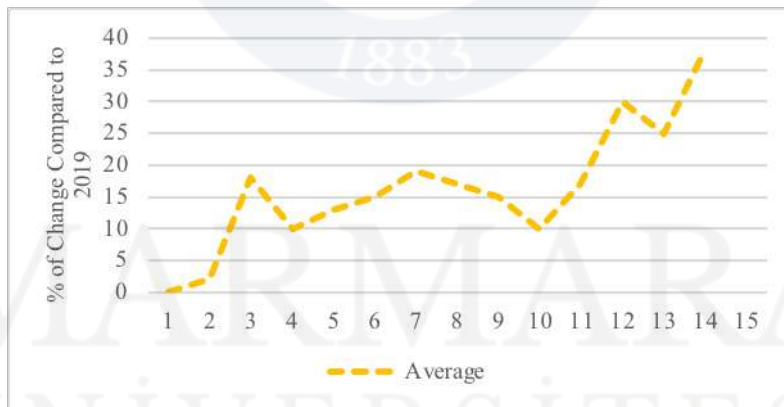


Figure 3. Use of E-banking (Web)

4.4. Use of Mobile Banking (App)

However, mobile banking growth analysis shows that the Covid effect plays a subordinate role in use. Both in the period before (week 1-10) and during the acute Covid crisis (week 11-14), mobile banking usage increased by an average of 50% compared to the previous year (see Figure 4). The growth rate line is almost flat; or, there are weekly fluctuations around the respective mean. It clearly shows that the change in growth rates hardly varies over time but that it is primarily the bank-related differences that lead to different growth rates.

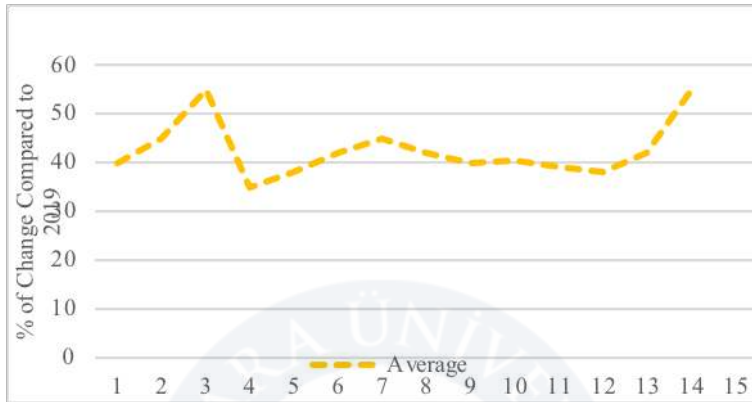


Figure 4. Use of Mobile Banking (App)

4.5. Digital Maturity and Developments in E-Banking and Mobile Banking

In a further step, the growth rate in e-banking and mobile banking is compared to digital maturity, according to the Deloitte Digital Banking Maturity Report (2020). It can be seen that the use of e-banking and mobile banking by banks increased the most. Banks that were already comparatively well-positioned in the digital transformation had already achieved higher customer penetration in e-banking and mobile banking at the beginning of 2019. Banks that were even less well-positioned concerning digitization at the beginning of 2019 have now been able to lead their customers into e-banking and mobile banking increasingly.

5. DISCUSSION AND CONCLUSIONS

The assertion that is often discussed in the market that the Covid lockdown will advance the transformation of banking towards digital channels can only be partially confirmed based on the analyses. In the first few weeks of the acute Covid crisis, there was a significant change in customer channel usage. Initially, this was primarily in favor of the traditional distance channels. In particular, the customer advisor's telephone support has increased significantly – there was a seamless switch between personal, physical contacts, and telephone support. Second, the customer service centers were able to make their contribution as customer contact points. The stagnation and the decline in inbound telephony that was emerging at some banks have been swept away.

In contrast, in the first few weeks of the lockdown, mobile banking could not specifically benefit from a shift in customers' channel use. The general high growth has also developed fairly steadily during this time. Overall, 54% of the people surveyed are (also) using smartphones or tablets to access the bank.

Current discussions with bank representatives suggest that the sustainable push of the digital transformation of banking is currently taking place elsewhere – not necessarily in customer advice and support, but, for example, in payment transactions. Above all, mobile payment methods such

as contactless payment with credit and debit cards have increased in recent weeks because many shoppers do not use cash.

This study reveals the trends in the Turkish people's usage habits during the COVID-19 period in the digitalization of Turkey's banking sector. In light of the research findings, decision-makers in the banking sector can direct their digitalization strategies and invest in technology-intensive processes. In future studies, the change in the use of mobile and digital payment tools in the COVID-19 period can be considered, and if this trend of change is found more stable, it can be interpreted that habits may be permanent in the post-COVID-19 period.

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