CONSUMER PERCEPTIONS OF COMMUNITY BANKS: AN EXPLORATORY STUDY

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This study examines consumer attitudes toward community banks during an era characterized by great economic turmoil and instability within the banking industry. It examines preferences among five types of financial institution (national banks, regional banks, community banks, investment houses, and brokerage firms). It analyzes the relationship between switching intentions and factors such as perceptions of bank instability, economic projections, and presence of online banking technologies. Findings indicate that those consumers who feel less confident about the economy have less confidence in the stability of banks. Additionally, findings indicate that consumers are significantly more comfortable with community banks than the other forms of banking. Finally, in terms of consumers' bank switching intentions, the intention to switch banks was impacted by the perception of bank instability and an interest in online banking is often associated with an intent to switch banks; but an intention to switch banks is not associated with the level of economic confidence. The managerial implications and suggestions for needed future research in this area are also presented.

INTRODUCTION

Recent bank failures and bank stock devaluations have led many to question the safety and soundness of the banking industry as a whole. In April of 2009, US consumer confidence in banks fell to the lowest level (18 percent reporting either "a great deal" or "quite a lot" of confidence in US banks) reported since this type of survey was first conducted in 1979 (results of a Gallup Poll presented in Jacobe 2009). In May, 2009, *The Wall Street Journal* reported that the 19 largest U.S. banks are predicted to have losses approaching $599 billion by year end 2010. The industry's inherent sensitivity to the economy, bank investments in highly leveraged mortgage-backed securities, the resultant government bailout, continuing banking industry investigations, increasing government oversight, and pending regulatory changes have damaged the reputations of small and large banks alike. While community banks were not drivers in this crisis, they are certainly affected by it (Sheshunoff 2009). The economic crisis in a sense has forced consumers to assess the soundness of their personal financial positions, which includes a review of bank and other providers that service customer financial needs.

The purpose of this paper is to measure consumer perception of community bank safety and soundness during the spring of 2009, a critical juncture in the historical evolution of the US economy. We examine consumer usage patterns and general perceptions of community vs. regional and national banks in one Southeastern county. We also study how perceptions of the economy as a whole affect perceptions of primary bank safety/soundness, and how those concerns impact bank switching intentions. At the time of the survey, consumer confidence in national banks seemed to be waning, but with a recent spike in community bank closures, and popular press articles about national banks being "too big to fail," customer perceptions of bank soundness remain in flux. The banking industry is headed for consolidation, so these rapidly changing perceptions will certainly have an impact on the

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sustainability and success of community banks. This paper makes a unique contribution to the literature by being one of the first academic research studies to address this current issue. While recently there has been surveys done by the Gallup organization and other marketing research firms along with discussions on marketing blogs, ours is one of the first academic marketing studies to look at consumer banking perceptions in the current economic situation.

In this paper, we first discuss the literature regarding the changing landscape for community banks, the role community banks serve, and the possible future outlook for community banks. We then describe the hypotheses and survey methodology. Finally, we present the results of our analysis and discuss the managerial implications of the findings. This paper hopes to stimulate additional discussion and research on consumers' banking perceptions in this changing economy.

LITERATURE REVIEW

The current banking crisis and recession has some calling for banks to reevaluate their business practices (Cocheo 2009; Martin 2009). While there are numerous metrics by which a bank might measure its sustainability, this study uses consumer confidence in primary bank safety and soundness as a barometer for predicted retail banking success. Consumer confidence indicators attempt to gauge consumer attitudes toward various socioeconomic issues (Katona 1975). Currently, two indices, (The Conference Board's Consumer Expectation Index, and The University of Michigan's Index of Consumer Expectations) are widely used as consumer confidence indicators. However, a recent study by Bechtel (2008) suggests that a non-linear structure that combines elements of both indices provides richer information.

The Federal Reserve Bank defines community banks as those with less than $1 billion in assets (Jagtiani 2008). These institutions serve an important niche in the banking industry by providing loans to individuals, farmers and small businesses (Hannan and Prager 2009). The personal relationships they offer to these groups are often unavailable from larger regional and national banks. Recent literature on community banks has focused primarily on three elements: the historical evolution of the community banking segment over the last twenty years; the important market niche filled by community banks and the projected future of community banking. The remainder of this section will examine the literature on each of these areas.

The Historical Evolution of the Community Bank Segment

Since 1990 the total number of community banks has declined 36 percent (from 9200 at the end of 1989 to 5900 at the end of 2006) (Jagtiani 2008). Additionally, the community bank share of total banking assets has also fallen during this time frame (from 18.5 percent to 10.5 percent). It is generally agreed that the primary reason for this decline has been the result of mergers and acquisitions, (Hannan and Prager 2009; Martin 2009; Jagtiani 2008) resulting from deregulation that allowed for geographic expansion via branch networks both within state boundaries and across state lines (Hannan and Prager 2009).

From 1990 to 2006 there were more than 4200 bank mergers with more than 90 percent involving the acquisition of community banks (Jagtiani 2008). Interestingly, mergers and acquisitions would have had an even larger impact on the decline of community banks if it had not been for a significant increase in community bank charters during the period 1990-2006. Data from this period indicate that more than 2000 new charters were issued to community banks during that span (Jagtiani 2008).

Analysis indicates that the majority (53 percent) of community banks lost to mergers were acquired by other community banks while 32 percent were acquired by regional banks and 15 percent were acquired by national banks (Jagtiani 2008). Yet when examined from the perspective of the value of assets acquired, another picture emerges. Community banks acquired just 30 percent of community bank assets acquired while regional banks acquired 43 percent and national banks 27 percent. This is due to the fact that community banks acquired by larger banks tended to be larger in size (Jagtiani 2008).

Concern emerges over the mergers and acquisitions of community banks by large banks because they tend to lead to a reduction in small business lending (Peek and Rosengren 1996, 1998). However, research indicates that when community banks merge with or are acquired by other small banks this reduction in small business lending is less likely to occur (Strahan and Weston 1996, 1998). The reduction in the number of community banks is significant for small business consumers in relative terms as community banks lend a greater percentage of their assets to small businesses (20 percent of all community bank loan assets) as compared to larger banks (less than 7 percent) (Jagtiani 2008).

Yet even though the overall number of community banks is in decline, during the current economic difficulty, consumers remain more confident in smaller banks than larger ones. Research conducted by KRC Research, an international market research firm, revealed that 72 percent of consumers had a "great deal or some confidence" in regional and local banks while only 40 percent expressed the same confidence in big national banks (KRC Research 2009). The same study revealed that patrons of all bank types were not inclined to switch banks, regardless of bank performance on federally mandated stress tests with 88 percent saying that they were "not likely or not at all likely" to switch banks no matter the results of the stress tests. This demonstrates that consumers extend a high degree of trust to their personal banks regardless of the current volatility in the market.

The Community Bank Market Niche

There is significant concern over the loss of community banks (Sheshunoff 2009; Culberson, Jr. 2008; Streeter 2008). The reason for concern surrounds the unique niche that community banks play in delivering financial services. Community banks are the primary source of capital for small businesses and businesses with 100 or fewer employees account for 96 percent of all U.S. businesses (Sheshunoff 2009). Additionally, community banks are the primary banking source for households, agriculture, and others who require personalized services.

Research has shown that small community banks have certain advantages over large banks due to their ability to provide more personalized services to individuals and small businesses. Particularly, customers who may not be as financially savvy as some look to small banks as a source for information that may be unavailable at larger institutions (Hannen and Prager 2008). Additionally, studies have shown that larger banks tend to offer lower deposit interest rates (Park and Pennacchi 2009; Hannan and Prager 2004, 2006) and charge higher deposit fees (Hannan and Prager 2004, 2006).

In the current economic crisis, financial institutions have tightened credit and consumers of all types are finding it more difficult to borrow money. Under such more restrictive circumstances, any reduction in the credit available through community banks would have a particularly negative impact on small businesses. Because community banks play such a vital role in lending money to individuals and/or small businesses, any effort at economic recovery should include some role for community banks. Fortunately, most community banks were not directly involved in the recent banking crisis as they did not engage to the same extent in sub-prime lending, they concentrated on personalized service for individuals and small business, and they generally did not invest in exotic financial instruments (Sheshunoff 2009).

Projections Regarding the Future of Community Banks

Despite the reduction in community banks they remain an integral part of American finance as they still account for more than 60 percent of all commercial banking organizations (Hannan and Prager 2006). However, current research suggests that community banks need new strategies for future success. Martin (2009) suggests that a new business model is needed in order for small banks to remain competitive. He notes that community banks have not only diminished in number, but they have also lost profitability in recent years. In the decade from 1996 to 2006 the smallest banks (less than $500 million in assets) lost 21 basis points in profitability while the largest banks actually improved by 18 basis points. At the same time, the smallest banks also experienced deterioration in their net interest margins (83 basis points) while the largest banks gained 104 basis points in net interest margin. It needs to be noted though that others dispute this statement and actually show that in recent months small banks have outperformed larger banks in terms of net interest margins and net charge-offs (see *Community Banker*, January, 2009, pp. 12). Martin (2009) calls for increased attention to profitability via more loans at better rates, organic growth, a reduction in their least productive activities, and an increase in asset size of the smallest banks.

Another area of concern for small banks is cost containment. Cocheo (2009) feels that many community banks have overextended and become complacent in recent years and that measures need to be taken to become more efficient. Many community banks have been expanding the number of branch locations and he feels that in the short term this activity needs to be restricted. Additionally, he calls for a reduction in entertainment spending, donations, and routine mailings. However, he does advise that bankers not cut technology, but rather invest in technologies that improve efficiency, for example, the use of e-mail to reduce mailing costs. Further, Cocheo (2009) also suggests that bankers examine and pursue opportunities for outsourcing.

Thus, the literature supports community banks placing a greater emphasis on technology (Streeter 2008; Trafton 2008). Streeter (2008) warns against the threat of direct online banks and states that community banks need to provide better online banking services. Direct banks, such as ING, have been taking deposits away from traditional banks in part due to their large advertising budgets. However, Streeter (2008) also advises that research indicates that customers prefer a combination of online and personalized banking, and that traditional banks have an advantage over direct banks given that they already maintain a physical presence in the markets they serve.

Trafton (2008) advises bankers to embrace Web 2.0 as a means to communicate with clients. Web 2.0 has been proven to greatly improve online communication with customers. He also suggests that mobile banking via cell phones offers opportunities for appealing to the more technologically savvy segment of the market most interested in convenience.

The vital role played by community banks will not diminish in importance even though cost efficiency continues to pressure banks to achieve economies of scale created by expansion and merger. Community banks should not abandon their core competency, which is exemplary personalized service to small businesses and individuals. Small business has been and should remain at the core of community banking activities (Culberson, Jr. 2008; O'Connell 2008; Streeter 2008). Additionally, personal services will remain important (Cocheo 2009; Culberson Jr. 2008; Streeter 2008).

Research Hypotheses

Based on the literature described above and current events related to the economic downturn, we pose the following hypotheses regarding consumer behavior in relation to community banks.

First, a recent poll (KRC Research 2009) conducted in May of 2009 found that US consumers are almost evenly split on whether the state of the economy is getting better (39 percent) versus the worst is yet to come (35 percent). We posit that consumers who are less positive about the economy will be more concerned with their primary bank stability than consumers who are more positive about the future direction of the economy. Thus:

H_1: *Consumers' concern with the stability of their primary bank is impacted by their level of economic confidence.*

Second, based on the knowledge that community banks were somewhat isolated from the banking crisis facing the country today, and the idea that community banks are better at maintaining personal relationships with their customers (which we posit will be a comfort during difficult economic times), we offer another hypothesis:

H_2: *Consumers are more comfortable with community banks compared to other types of banks.*

Consumer concern does not always translate into direct consumer action. It may be that consumers who are more concerned about the economy in general will be concerned not only about the safety and soundness of their own primary bank but also that of other banks, leading them to sit tight to wait out the crisis given so many unknowns. Or it may be that if, during times of economic hardship, there would be a greater likelihood of consumer switching intentions. Thus we generate the following hypotheses:

H_{3A}: *Consumers' level of economic confidence impacts their switching intentions.*

H_{3B}: *Consumers who are more concerned with the stability of their primary bank will be more likely to intend to switch banks.*

One weakness of community banks, identified in the literature, is that community banks tend to lag larger banks in the adoption and utilization of online banking technology. We also believe that consumers are increasingly interested in having the best of both worlds, a physical presence where consumers can meet face-to-face and maintain a personal relationship with a banker and access to the most convenient online banking services. Thus we postulate that:

H_4: *Consumers who see online banking technology as more important will be more likely to switch banks.*

METHODOLOGY

Sample

The sample was a non-probability convenience sample gathered using a mall intercept technique in several locations in a southeastern Georgia county including restaurants, shopping centers, and a mall. Trained researchers collected data over a week long time period in March, 2009. There were 904 surveys collected of which 868 were usable; surveys from respondents not living in the county were not utilized.

The sample was fairly evenly split in terms of gender with 47.5 percent male and 52.5 percent female. The median age category was 26 to 35 years old. The median time living in the county category was five to nine years. The average number of people in a household was 2.83 people (standard deviation of 1.31). The majority of the sample was Caucasian at 82.8 percent. The median education level was a two-year associates degree. Finally, the median income was $50,000 to $74,999. Details about the sample are provided in Table One.

In comparing the sample to the Census Bureau's (2009) demographics of the southeastern county surveyed, the sample was similar in several ways. Our gender breakdown was similar to the 48.9 percent males and 51.1 percent female reported by the Census Bureau. Our median age also matched the 26.4 years reported by the Census Bureau. The average household size for the sample was also similar to the 2.52 people reported by the Census

TABLE 1
Descriptive Information on Sample

Items	
Age:	
18-25	36%
26-35	14.9%
36-45	15.6%
46-55	14.7%
56-65	10.4%
Over 65	8.4%
Ethnic Group:	
Caucasian	82.8%
African American	9.7%
Hispanic	1.6%
Native American	1.0%
Mixed Race	2.1%
Other	2.7%
Education:	
Some high school or less	.9%
High school graduate or equivalent	12.6%
Some college	33%
Two year Associates degree	8.1%
Four year College degree	23.9%
Some graduate school	5.5%
Graduate degree	16%
Income:	
Below $15,000	16.3%
$15,000-$34,999	17.5%
$35,000-$49,999	13%
$50,000-$74,999	17.5%
$75,000-$99,999	14.2%
$100,000 and above	21.5%

Bureau. Also similar was the number of people with a college degree with 23.4 percent noted by the Census Bureau versus 22 percent for the sample. Finally, the median income of our sample was also similar to the $51,404 reported by the Census Bureau. The only area of difference between our sample and that of the actual demographic profile of the county was in terms of ethnic groups; our sample skewed more Caucasian (with 82.8 percent Caucasian for our sample) compared to the 67.7 percent reported by the Census Bureau and less African American (with 9.7 percent for our sample) compared to the 27.7 percent reported by the Census Bureau. Thus, with the exception of under-representation of African Americans, our sample demographics were very similar to that of the county as a whole.

Measures and Hypotheses Testing

For our first hypothesis, consumers' concern with the stability of their primary bank is impacted by their level of economic confidence, to measure economic confidence, the three item economic confidence measure of Bechtal (2008) was utilized. The measure was unidimensional (utilizing Principle Component Analysis) and reliable (coefficent alpha of .75). The three survey questions (measured with three item scales ranging from one meaning worse, two meaning the same, and three meaning better) addressed expected changes in the next six months in terms of general business conditions, available jobs in ones' area, and total family income. The mean score for the general business condition item was 2.11 (standard deviation .69) suggested that on average people feel general business conditions will be the same six months from now. The mean score for available jobs was 1.89 (standard deviation .75) suggesting that there are perceptions of somewhat fewer jobs six months from now. Finally, for the mean score for total family income was 2.06 (standard deviation .59) suggesting that on average people feel that their total family income will be approximately the same six months from now. Thus, for the economic confidence items as a whole (mean 2.02, standard deviation .65), people expect that the economic conditions will remain relatively unchanged during the next six months.

To test consumers' concern with the stability of their bank, a single item measure asking "Given the current state of the economy, how confident are you in the stability of your primary bank?" was utilized, measured on a five point Likert scale (one meaning very unconfident, three meaning indifferent, and five meaning very confident) as developed by the authors. The mean stability score was 3.96 (standard deviation .95) suggesting that on average people are confident in the stability of the primary bank.

For our second hypothesis, consumers are more comfortable with community banks compared to other types of banks, to measure comfort with banks, the respondents were asked to rate five categories of banks (National Banks, Regional Banks, Community Banks, Brokerage Firms, and Investment Management Firms) on a five point Likert scale (1 meaning least comfortable, 3 meaning indifferent, and 5 meaning most comfortable) as developed by the authors.

For our third hypotheses (H_{3a} and H_{3b}) dealing with consumer bank switching intentions, bank switching intentions was measured with a single item measure created by the authors, "Other than as a result of moving, have you switched or considered switching your primary bank within the past 12 months" measured on a three item scale (one meaning that they have not considered switching banks, two meaning that they have considered switching banks, and three meaning that they have switched banks in the last 12 months). Overall, 74.3 percent of the sample had not considered switching banks, 19.6 percent had considered switching banks, and 6 percent had switched banks in the last 12 months. It is important to note that similar to KRC Research (2009), we found that the majority of consumers are not considering switching banks.

Finally, for our fourth hypothesis, consumers who see online banking technology as more important will be more likely to switch banks, the importance of online technology impacting bank switching intentions was measured with a single item created by the authors asking how important "Better online technology at another bank" would be in enticing one to move their checking account to another bank scaled on a five point Likert scale (one meaning very unimportant, three meaning indifferent, and five meaning very important). The mean score for the importance of online technology impacting bank switching intentions was 3.64 (standard deviation 1.13) suggesting that online technology at another bank was somewhat important to impacting bank switching intentions.

RESULTS

Hypothesis 1 (consumer concerns regarding primary bank stability are influenced by consumer economic confidence) was tested with ANOVA comparing mean bank confidence scores for those in the three economic confidence groups (those that feel the economy will be worse in six months, those that feel the economy will be the same in six

TABLE 2
H_1 ANOVA Banking Stability Results by Economic Confidence

Economic Confidence	**N**	**Mean**	**SD**
Worse	153	3.81	.94
Same	454	3.91	.94
Better	172	4.28	.87
Total	779	3.97	.94

	Sum of Squares	df	Mean Square		F	Sig.
Between Groups	22.59	2	11.30		13.17	.000
Within Groups	665.84		776	.858		
Total	688.43		778			

months, and those that feel the economy will be better in six months).

The ANOVA was significant (F = 13.165, p = .000) as those who feel less confident in the economy have a significantly lower mean confidence bank stability score than those who feel the economy will be the same or better in the next six months. Thus there is support for Hypothesis 1 that consumers' confidence in the stability of their primary bank is impacted by their level of economic confidence. The details of the ANOVA test are provided in Table Two.

Hypothesis 2 (consumers are more comfortable with community banks compared to other types of banks) was tested utilizing both a series of one sample t-tests (test value of 3 meaning indifferent) and paired sample t-tests comparing comfort levels of Community Banks with the other four banking categories.

For Hypothesis 2 (Consumer Comfort with Community Banks), the mean comfort scores from highest to lowest for the five types of banking were as follows: Community Banks (mean 3.89, standard deviation 1.10), Regional Banks (mean 3.73, standard deviation .98), National Banks (mean 3.58, standard deviation 1.31), Brokerage Firms (mean 2.59, standard deviation 1.06), and Investment Management Firms (mean 2.51, standard deviation 1.13). The one sample t-values for each type of bank was significantly (p = .00) different from a response of being indifferent. For the Community, Regional, and National Banks, the mean scores were significantly higher from a response of being indifferent in terms of comfort, suggesting that respondents were at least somewhat comfortable with these three types of banks. For Brokerage and Investment Management Firms, the mean scores were significantly lower than indifferent in terms of comfort, meaning that respondents were at least somewhat uncomfortable with these two types of banks.

In comparing the scores of the different types of banks, Community Banks scored the highest on where consumers would feel most comfortable with their bank account. A series of paired sample t-tests comparing the mean score for Community Banks with the other four types of banks was significant for all four comparisons (p = .00) with the mean comfort score for Community Banks being significantly higher than that of Regional Banks, National Banks, Brokerage Firms, and Investment Firms. These results support Hypothesis 2 as consumers are more comfortable with community banks compared to the other types of banks. These results are similar to the results offered by KRC Research (2009) suggesting that consumers are more confident with regional or local banks compared to big national banks. The details of the t-tests are provided in Table Three.

Hypothesis 3a (switching intentions impacted by consumer economic confidence) was tested with a chi-square comparing switching intentions (have not considered switching, have considered switching, and have switched banks) for those in the three economic confidence groups as measured by Bechtel (2008) (matched with those that feel the economy will be worse in six months, those that feel the economy will be the same in six months, and those that feel the economy will be better in six months). *Hypothesis 3b* (switching intentions impacted by consumer stability concerns) was tested with an ANOVA comparing mean confidence scores in the stability of one's primary bank with switching intentions.

For Hypothesis 3a (switching intentions impacted by economic confidence), the chi-square was insignificant at 1.78 (p = .777) as the switching intentions did not vary much for the three economic confidence groups as almost 3/4s of the respondents in the three different economic confidence groups had not considered switching banks. This suggests that there is no difference in bank switching intentions based on consumer economic confidence. The details of the chi-square test are provided in Table Four.

For Hypothesis 3b (consumers' confidence with the stability of their primary bank differing by their switching intentions), the ANOVA was

TABLE 3
H_2 Comfort Level T-tests Results

One Sample T-Tests
Test Value of 3 (Indifferent) with a higher score indicating a higher comfort level

Bank	t	df	Sig. (2 tailed)	Mean Difference
Community Banks	22.75	794	.00	.89
Regional Banks	20.78	781	.00	.73
National Banks	12.41	791	.00	.58
Brokerage Firms	-10.73	773	.00	-.41
Investment Mgmt Firms	-12.14	779	.00	-.49

Paired Sample T-Test Comparing Community Versus Other Banks Comfort Mean Differences

Bank	Mean Difference	SD	t	df	Sig. (2 tailed)
Regional versus					
Community Banks	-.14	1.39	-2.86	770	.00
National versus					
Community Banks	-.30	1.90	-2.86	776	.00
Community versus					
Brokerage Firms	1.28	1.50	23.60	764	.00
Community versus					
Investment Mgmt	1.38	1.53	24.60	770	.00

significant (F= 10.170, p = .000) as the mean confidence score with one's primary bank stability being significantly higher for those who have not considered switching or who have already made the switch versus those who are considering switching. The details of the ANOVA test are provided in Table Four. Additional post hoc Tukey tests showed that there were significant differences in mean confidence with their primary bank's stability for those who have not considered switching banks compared to those who have considered switching (p = .00) and for those who have considered switching with those who had already switched banks (p = .00). There was not a significant difference though between those who have not considered switching and those who had (p = .87). These results suggest that those who are not considering switching or who had already had made a switch in banks have a much higher level of confidence in the stability of their primary bank than those who are contemplating a switch.

Hypothesis 4 (switching intentions impacted by importance of online banking technology at another bank) was tested with an ANOVA comparing mean importance of online banking technology at another bank by switching intentions.

For Hypothesis 4 (the importance of better online technology at another bank differing by switching intentions), the ANOVA was significant (F = 3.23, p = .04) as the mean score for the importance of better online technology at another bank was highest for those who are considering switching banks. This result supports the discussion of Streeter (2008) stressing the need for community banks to provide better online banking services. The details of the ANOVA test are provided in Table Four. Additional post hoc Tukey tests showed that the mean score for the importance of better online technology being significantly lower for those who have not considered switching with those who have (p = .04). There

TABLE 4:
H_3 Consumer Bank Switching Intentions

H_{3A}: Switching Intentions Impact by Consumer Economic Confidence

	Consumer Economic Confidence			
	Worse	Same	Better	Total
Have Not Considered Switching	110	332	126	568
% W/in Economic Confidence	73.3%	74.6%	73.7%	74.%
Have Considered Switching	33	88	32	153
% W/in Economic Confidence	22%	19.8%	18.7%	20%
Have Switched Banks	7	25	13	45
% W/in Economic Confidence	4.7%	5.6%	7.6%	5.9%
Total	150	445	171	766
	100%	100%	100%	100%

	Value	df	Sig.
Pearson Chi-Square	1.78	4	.77

H_{3B}: Switching Intentions Impact Bank Stability Confidence Means

Bank Confidence Stability	N	Mean	SD
Have Not Considered Switching	573	4.04	.90
Have Considered Switching	154	3.67	1.00
Have Switched Banks	46	4.11	1.04
Total	773	3.97	.94

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	17.533	2	8.77	10.17	.00
Within Groups	663.72	770	.862		
Total	681.26	772			

was no significant difference in mean scores for the importance of online technology at another bank for those who have not considered switching with those who had already switched ($p = .51$) or those who have considered switching with those who had already switched ($p = .95$). These results suggest that better online technology at another bank is more important for those who are considering switching banks than those who have either already switched banks or are not planning a switch in banks.

MANAGERIAL IMPLICATIONS AND DISCUSSION

Not surprisingly for bank leadership, customers who view the economy as trending downward will have increased concerns over the stability of their bank. Spring 2009 was a period of economic recession, yet the majority of respondents (approximately 80 percent) expected that general business conditions in their area would be the same or better six months in the future. As one would expect the approximately 20 percent of respondents who reported feeling pessimistic about the economy had a significantly greater concern about the stability of their primary bank.

Good news for community bankers is that while consumers are generally more comfortable with all types of banks as compared to brokerages and investment management firms, at least in times of economic hardship, consumers are significantly more comfortable using

TABLE 5
H_4 Impact of Technology on Switching

H_4: Switching Intentions Impact Importance of Online Technology at Another Bank

Importance of Online Technology	N	Mean	SD
Have Not Considered Switching	574	3.57	1.15
Have Considered Switching	153	3.82	1.05
Have Switched Banks	46	3.76	1.08
Total	753	3.63	1.13

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.23	2	4.11	3.23	.04
Within Groups	955.14	750	1.27		
Total	963.37	752			

community banks than any of the other four types of financial institution included in the study, including regional and national banks. This preference contradicts the consolidation in the banking industry as a whole as community banks are swallowed by mergers and acquisitions. This means that from a strategic perspective, as economic efficiency and increasing consumer mobility provide the dual impetus to consolidate and build larger banking networks, there remains among many consumers a significant preference for smaller high-touch community banks.

While there was no significant difference in the intent to switch among those consumers who were optimistic, neutral, or pessimistic about the economy over the next six months, those consumers who reported concern about the stability of their primary bank report an increase in the intention to switch banks. This finding is important to bank marketers as it represents opportunity to capture those who intend to switch banks. Our analysis demonstrates a greater comfort level among all types of consumers with community banks. The literature review reveals that consumers believe that community banks are somewhat insulated from the current crisis in the banking industry. Therefore, it is reasonable to conclude that many of those not confident in the stability of their own bank (and contemplating a switch) would more likely be regional and national bank customers. Community banks who go into market with messages about safety and soundness and who also strongly brand themselves as community banks (i.e., invested in the community, staffed by people well known in the community, long history in business, commitment to local charities and development projects), may benefit from the safety and soundness concerns of regional and national bank customers. Periods of economic downturn are opportunities for community banks to gain customers from regional and national competitors if the message is one of community bank security.

Finally, there is evidence that those consumers contemplating a switch of banks are also those consumers who report a high level of interest in online banking technology. As the literature review reveals that many community banks lag in this area, this represents an opportunity for community banks to strengthen their advantage over other bank types by investing in technology that will improve their ability to deliver community bank services online as well as in person. One factor that has kept community banks from adopting these technologies in the past has been cost. Today, the cost of such technology is declining so this is not the obstacle that it once was.

Limitations and Directions for Future Research

The major limitation of this study is its reliance on a convenience sample. However, the demographic characteristics of the sample closely match those of the geographic area of study in all respects except one, ethnicity of respondents, and the sample size is large. All of the responses were gathered from a single community in Southeastern Georgia. Even so, as the county seat, a regional shopping destination, a satellite community to an urban area, and a college town, the survey area contains inhabitants from all over the country and from both rural and urban environments. Future research though would need to utilize a national probability sample to determine if our findings hold nationally.

Another limitation is that there were several single item measures utilized to test the hypotheses. Future research would need to include development and testing of multi-item measures of consumer perceptions of banking.

Finally, an area we feel would be interesting for future research is to measure if consumers are accurately aware of what kind of bank they utilize (national, regional, or community). Our questionnaire simply asked the respondents to identify their primary bank by name. We then coded these responses as national, regional, or community banks based on the size of each banks' assets. Many of the regional banks (less so with national banks) engage in clever marketing practices designed to give the impression that they are actually locally-based community banks. Thus, an interesting study would be to determine if consumers know what kind of bank they use as there is an opportunity for future research to examine marketing strategies used by non-community banks to cloud the distinction between regional and national banks in comparison to community banks. Thus, this paper hopes to spur additional research and discussion of consumer perceptions of banking in these volatile economic times.

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