Impact of internet on competitive landscape of banking marketing essay

Finance, Banks

At present, it is difficult to argue that the Internet is changing the way companies are doing business. All indications are that perhaps in the future, the Internet will become a central hub for business, in the way people relate, as is currently the phone. One of the transformations taking this new world is that customer expectations have changed. They now demand access 24 hours, 7 days a week, to the products and services tailored to their needs, and not enough to have a presence physically as in the case of a structure of offices (Lawler III, 2010).

The bank does not escape this new reality. Traditionally it has developed its strategies, focusing on their business lines. This is evolving towards a focus on customer relationships, integrating products and services. With increasing competition, the institution must provide a new financial offer products and services as well as being able to run faster in the market than its competitors. These should reach as many customers as possible, regardless of where they are (office, home, hotel, and airport) or access them (branches, landline and mobile computers) (Lawler III, 2010).

For this, financial institutions are using new channels that cater to these needs. These channels take advantage of much of today's business infrastructure and adapt to this new way of doing business. One of these channels is the Internet. In any case, it is not the Internet from a strictly technological standpoint, but how using the Internet and associated technologies, they can help to adapt the traditional banking environment to the new virtual business environment, the new scenario of the economy (Gilaninia, Fattahi, & Mousavian, 2011).

Internet is a medium of communication of high technology that is becoming more practical uses. The Internet provides benefits to commercial and service businesses seeking to secure and satisfy customers they already have, and this is at the same time real advantages to its users, it allows people to perform activities of daily living themselves with one saving significant time and resources . Among the impacts of internet on the service of banking, convenience stand, customers can now access from their computer to their bank services offered 24 hours a day, without being subject to schedules, which usually do not fit the individuals, and how quickly, it can make all transactions within minutes, without the need to form rows or wait for turn.

Another impact is the versatility and customization capabilities of the service, the client has now on their computer their own bank branch, which lets them access or obtain information about the services that best meet their needs. This represents an improvement in customer interactivity and the bank, which simultaneously generates valuable information for the design and development of new strategies, products and services according to the profile of each customer (Lawler III, 2010).

The use of electronic media also extends the availability and coverage of the bank's services, it breaks geographical barriers. Customer can contact a bank or access to their accounts from locations where the same does not have physical offices and even when they are abroad. It is noteworthy that no service benefits reach only individuals but also companies that make use of it, it prevents the movement of personnel to perform some normal banking operations and also enables better management of the monitoring of the finances of the company (Gilaninia, Fattahi, & Mousavian, 2011).

Internet has the potential to safely perform all types of financial transactions at times very comfortable. Some banks offer a number of services including 24 hour, 365 days a year in new and convenient ways that raise the productivity of people and companies very important. The " Internet Banking" or better known as Online Banking gives people easy access to their bank accounts through a secure page where they can take control of their accounts and monitor them constantly. The incorporation of online banking services has been an important step in streamlining paperwork before people could take a long time, because without online banking, the person would have to go to the bank, stand in line and wait to be attended. With online banking service, the entire process is simplified to use the computer and access bank page. Internet serves private banks as an excellent tool to attract new customers and provide methods more accessible and convenient access to banking (Kamukama, Ahiauzu, & Ntayi, 2011).

Resources and Capabilities a Bank Needs to be Competitive in This Era of Internet

In a globalized world where the Internet has transformed the way people do business, the financial system could not keep up. It incorporates new information technologies in banking services that are altering traditional definitions of product, market and customer, and changed global banking, Internet banking developed as a means of communication between banks and their customers and whether natural or legal, to perform online transactions less time and cost to its users, optimizing their resources. The Internet banking has significantly reduced barriers to entry, accelerating bank disintermediation. Currently, studies prove that the sector that is using information technology in the world is the financial sector (Lawler III, 2010).

Banks are making efforts to promote the migration of existing customers to the electronic media, as they are cheaper than the branch, as well as to attract new customers through virtual internet banking. While statistics show that the number of customers that operate over the Internet do not stop growing, online banking has no short-term returns, but rather long-term, because it is a new product in maturation, and need to establish a culture of using this technology, so people can not know how much delay the payback (high start-up costs and advertising (Burt, 2010).

In this competitive era of internet, a typical bank needs to maintain itself to the extent that it can run with the system. Bank should know all about strategies, their implementations and risks related to the implementations. The risks arising from Internet banking are not restricted to the areas of information security, so risk management must be addressed by senior management, and control procedures need to be aligned with the rapidly changing technology. A typical bank should have highly educated and experienced people to deal with this new system of internet involvement in the banking system (Gilaninia, Fattahi, & Mousavian, 2011).

The use of information technologies to provide online services for large banks is very important to maintain their competitive advantage, but perhaps small banks should remain with traditional banks in view of the high costs sunk it represents, and the uncertainty of the return they generate, which will be in the medium and long term. It is important that banks take into account that the available on the Internet, customers can make comparisons of rates offered easily, so there is a potential risk of quick entry and exit of capital. There are also a number of risks associated with this service and sometimes are not weighed by banks, such as reputational risk, if the bank has a limited software, which can affect the image of the financial institution, the risk of legal compliance of a country, among others (Khvtisiashvili, 2012).

Partnerships are a key to the success of Internet banking, since establishing an Internet outlet can be expensive and the ROI unclear at first. For example, banks have established partnerships different sizes to be installed in the network. Banks should know properly to segment their target markets. Banks should offer attractive rates “ online”. In turn, if they want to finance the cost of traditional branches, they cannot offer the same rates to those customers that granted through “ online” channels (Kamukama, Ahiauzu, & Ntayi, 2011).

Some Concept for Competitive Advantage Have Lost Importance in the Era of Internet

Emergence of internet in the business is seen as a complement to traditional trade. The multi-channel, well executed, can be a competitive advantage for those who move fast and can harness its virtues. For example: using the capillarity of the internet to reach more consumers and drive traffic to physical stores, and use physical stores to provide better after-sales service to customers on line., however, will be a threat to those who do not know or want to see it or do not deal with the priority it deserves. Now there are those who fear the arrival of Amazon hurting local companies already do e-commerce. On the Internet there are no countries, no language (Khvtisiashvili, 2012).

While traditional business favours subsequent inspection and correction of parts or products manufactured end, the new company competitive emphasis is on prevention, which generates significant reductions in the costs of internal and external faults. This is considered as a great competitive advantage nowadays which was not even considered in past. The traditional company creates products through successive stages of adjustments and readjustments, while new requirements make clear obligation to generate the product " the first", i. e. design and tweak processes, train staff and create mechanisms to produce flawless products, requiring corrections for this product. This is due to the traditional corporate managers see the quality just as the task of detecting faults, avoiding they reach the consumer. In exchange, for the new management the aim is to target prevention, intended it as stated above to the generation of products and services right the first time (Furst, Lang, & Nolle, 2010).

The traditional business environments which were taken as competitive advantage are now no more important in this new era of internet and business. Tools that traditional institutions have the paradigm that higher quality means higher costs to comply with the new organizations clearly see an improvement in quality is of lower costs. Better quality leads to increased productivity and lower costs due to, resulting in greater profitability for the company. While considered the need to produce a level of quality consistent with the lower cost of quality, has now been shown to reach the Zero Defect involves achieving the lowest cost of quality, as achieving this level of quality generates a strong increase in the sales (Burt, 2010).

As for the training of staff and managers, traditional company considered as an expense while the new concept see it as an investment, through which will increase the positive flow of funds in the future. While traditional companies are organized around a function, new competitive companies do around processes (Liao, & Wong, 2007). For this reason the first emphasizes the specialization of workers and employees, while the latter emphasize the importance of versatility. Traditional companies are focused on production and sales; however the demands of the present and the future obliging institutions in the internet era are to focus on the consumer through marketing. Being the traditional focus on production, does not imply that possess high levels of productivity. This leads them to want to increase their profits via a significant increase in sales, when in fact much better results can be achieved by reducing waste levels (Khvtisiashvili, 2012).

Competitive Environment of Standard Chartered Bank

Porter Five Forces

Intensity of Competitive Rivalry

The number of existing competitors is high. There are many banks and financial institutions engaged in this activity in UK and all over the world. In the current climate of economic and credit crisis, the financial needs of both individuals and companies are increasing due to the brake which has seen the bursting of the housing bubble. Mobility barriers are not as high as in other sectors due to disintermediation process that refers to the height of the financial markets as financing and investment instruments (Liao, & Wong, 2007).

Threats of Competition

The entry of new competitors is influenced by the entry barriers to the sector, such as economy of scale, product differentiation and processes, production and distribution advantages and large capital requirements to constitute financial institution and the need for large investments to start competing, technology and security in transactions. On the other hand, the entry barriers to the banking sector are directly related to disintermediation (Furst, Lang, & Nolle, 2010). Traditionally the banking sector in UK has been more affected by administrative regulation criteria by economic criteria. Although, at present, the landscape has changed profoundly, and there are the economies of scale and computerized management level which pose the main barriers to entry. Another factor to consider in the Standard Chartered

Bank is the globalization of the economy and the entry of foreign banks in the country (Liao, & Wong, 2007).

Threats of Substitutes

Disintermediation has resulted in an increase in the supply of financial services and therefore the emergence of substitutes to traditional and can come from banks or other financial institutions. Other factors that have influenced the emergence of substitute products are globalization and the emergence of Internet system. This fact has led to the emergence of new banks that only work in this environment, offering new products to better economic conditions to their customers, and working with lower overheads. Entities must strive to innovate and launch new products and services become more sophisticated because the increasing degree of information available to the customer and the competitive reaction is faster and also the emergence of new substitutes as funds guaranteed investment, hedge fund, new forms of insurance, credit cards with multiple benefits, etc (Durkin, Jennings, Mulholland, & Worthington, 2008).

Bargaining Power of Suppliers

In the bank, the main input of the value chain is money. This section is therefore crucial in the evolution of a bank. As the amount of money given by providers increases, their negotiating position also increases. The banks' bargaining power with suppliers is based on greater industry concentration, the weak differentiation of the money, the low costs involved in a change of supplier and backward integration possibilities of financial institutions (Lai, Chau, & Cui, 2010). A greater number of competitors, the greater is the bargaining power of suppliers money. It emphasizes the importance of other providers: technology providers, computer equipment and telecommunications. The bargaining power in this case is reduced by the banks due to its high level of concentration, the degree of substitution of products and services is low and the supplier change poses to alternative banks often infeasible due to the high costs involved (Liao, & Wong, 2007).

Bargaining Power of Customers

The bargaining power of the plaintiffs of money and financial services is based on the lowest concentration of the banking sector due to the existence of a greater number of competitors. The more faithful than a customer to the bank, the change is uncomfortable. This is an advantage for the bank that is offset by the following: the more faithful than the customer has more bargaining power against the bank. This lower bargaining power of the bank is accentuated by the homogeneity of products and banking services (Durkin, Jennings, Mulholland, & Worthington, 2008).

Impact of Internet on Competitive Position and Maintenance of the Position

Retail banking, has not been significantly affected by the globalization of the system and the entry of foreign banks, due to the wide distribution network of offices and greater knowledge of the domestic customer. The Standard Chartered Bank has had a great impact on it competitive advantage due to the emergence of internet (Burt, 2010). The bank׳s competitiveness, i. e. operations and actions which cannot be assessed, are as follows:

The overall quality: It refers to the set of all activities undertaken by the entity which tries to maintain a consistent quality in all lines.

The quality of service: It is a consequence of the previous point all service should be performed with the highest quality.

Financial innovation: It is one of the key points that the bank tries to keep permanently. The new financial services and products it offers its customers is a key element in the competitiveness of the entity (main driver for future development of the bank).

The corporate image: Today, the bank is to give a corporate image as an entity by its staff. In the training courses, it is to get people who are going to represent the entity are people who are representative and represent the entity (Lai, Chau, & Cui, 2010).

Bibliography

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