

# Assessing marketing strategies of online banking

[Finance](#), [Banks](#)



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Banking originated in Ancient Mesopotamia where the royal palaces and temples provided secure for the safeguarding of grain and other commodities. Receipts came to be used for transfers not only to the original depositors but also to third parties. Eventually private houses in Mesopotamia got involved in these banking operations and laws regulating them were included in the code of Hammurabi and other countries indulge in banking. The invention of banking preceded that of coinage. The bank in Barcelona, Spain was founded by merchants in 1401 was the first to offer most of the basic banking functions, namely deposits, loans, exchange currency and cash management services.

Developments in technology have dominated the revolution in the banking sector during the last revolution in the banking sector during the last decade. The Wide Web expansion in technologies for connection has supported

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increased globalization of capital flows and financial organizations.

Technology has facilitated the proliferation new products and services supporting new consumer demands in the banking industry and most banks are indulging in making used of latest technology available on the market. So with the advent of internet the banking industry has undergone major changes. Today technological innovations have led the emergence of new distribution channels such as ATM's, Internet, telephone, online banking, Pc banking and Mobile banking.

## 2. 2 INTERNET BANKING

Internet banking services was first provided in the early 1980s by Nottingham Building Society and the Bank of Scotland (Tait and Davis, 1989). However, these services were discontinued as it was not widely accepted by the banking users. Later on in the early 1990s, banks started to launch internet banking services again due to the rapid growth of information technology and electronic services (Daniel, 1998). The rapid expansion of the internet banking is most noticeable in the developed countries and an example might be USA where the availability of computers and easy access to the internet make it widely easy for banks to adopt internet banking.

Another term for Internet banking is online banking. ' Internet banking is an internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments.' (Pikkarainen, Pikkarainen, Karjaluoto, and Pahnla, (2004, pg 224) internet banking gives customers access to any type of banking transactions at the click of a mouse

with the exception of cash withdrawals (De Young, 2001). It is also conducting banking activities through the internet without having to go to a bank branch. These activities range from balance enquiry, bill payments, fund transfer to loan applications among others. Accessing the net is going to be easy with the springing up of cybercafés and kiosks in different cities. Moreover internet banking is the latest in the series of technological wonders in the recent past involving use of internet for delivery of banking products and services. Internet banking is changing the industry and is having the major effects on banking relationships. The internet is literally changing the world into the World Wide Web.

To be an internet banking user the internet user, the customer must first register for the service at his or her respective bank or can do so from the bank's website to get a username and a temporary password, which might be change according to the user along with instructions how to log into his or her account. After logging onto the bank's website, the customer will then click on the link to access the internet banking service. Using a personal identification number (PIN), the customer will be able to access his or her account and execute banking transactions anytime he or she wants.

The banking system will then identify the user and if correctly identified, provides access to the appropriate account. Furthermore, features of an internet banking website, whether transactional or non transactional can play an important role in creating internet banking acceptance among customers (Ndubisi and sinti, 2006). In order to face the fierce competition in the financial marketplace, creating an internet presence is a must for banks.

## **2. 3. 1 BENEFITS OF INTERNET BANKING TO BANKS**

Internet banking is the result of combining traditional bank services and technology through websites that customers use to access their bank accounts. In the past, some process that involved transactions were only possible during certain hours of the day and mostly impossible on holidays or on each or every Sunday. Since then many innovations evolve which grace modern banking in some way or another, making services more accessible to the average card holder on not an hourly basis but on day to day basis.

With the innovation of the Automated Teller Machine (ATM) and the internet bases, banks become cheaper to operate and accessible to the average bank users. Thus this allows more people to indulge in making transactions that might be opening and managing their finance through the use of internet. One of the greatest benefits of internet banking is that the traditional brick and mortar banks do not need to keep their branch office open 24 hours and it is an advantage for the bank personnel where they do not have to work till late hours.

As there is a high degree of efficiency, banks are able to provide promotional services, lower required deposits, and increase the returns to buyers as a whole. Banks are attempting to build customer satisfaction by providing better products and services and at the same time trying to reduce their operating costs and cost savings. Competition is another factor that increases pressures from existing firms and new entrants in the financial market. Therefore internet banking strategy is an interesting way to retain existing customers and attracting new ones to indulge in this direction.

Furthermore the use of internet banking as alternative channel has help banks in targeting different demographical segments more effectively. There will be an improvement in the image of the bank thus increasing the amount of goodwill in some sort. Online banking offer lots of benefits to banks such as the mass customization in order to suit each user's likes, innovation of new products and services, communication at lower costs and more effective marketing (Tuchilla, 2000)

I want to do this! What's This?

### **2. 3. 2 BENEFITS OF INTERNET BANKING TO CUSTOMERS**

A clear cut advantage is the ability to pay for bills online, change account statuses and even transfer money all from the comfort of your own home, and most any hour of the day is something that no brick and mortar location can offer. With the high level of computerization and advance automation, transactions and requests for services are handled quickly and efficiently, with a greater degree of accuracy that when there is human interaction. Thus internet banking transactions faster and cheaper as compare doing it traditionally.

Anything during the day or night or even anywhere around the globe transactions can be done as long as there is internet connection and that the person already have the username and password after the registration. The person can not only pay his or her bills but can also give instructions to make an auto debit from any of his or her accounts. Customers can view their

transactions and bank statements but can print them if they want to. Online shopping is also convenient through online banking.

Moreover for the case of loan application, a person can print the application form in order to redeem his or her rewards points, fill them and later on fax the form to the bank. Thus before coming to a final decision about the loan, the person may make comparison with other banks by viewing their websites. Consumers can view all other services banks provided on their websites and see their promotion.

Security is yet another concern for all internet users. Banks normally enforce many measures to ensure the security of online banking transactions.

Among the measures there are 128-bit encryption, Secure Sockets layers (SSL), username and password protection and authentication, account locking and firewalls.

## **2.4 EVOLUTION OF INTERNET BANKING IN MAURITIUS**

Online banking turns out to be the nucleus issue of various studies all over the globe. Mauritius, among other countries worldwide, accepted it as a new delivery channel for performing various banking transactions. So internet banking gives the banking customers the opportunity to conduct banking transactions with great peace of mind and at their convenience. Thus it saves time so that other interests can be taken into consideration.

Mauritius has realized a rapid economic growth due to the diversification policies ranging from agriculture to IT and the financial services. It is in the year 1997, that the new phenomenon named as internet banking came into

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operation. The banking sector among all the financial institutions throughout the island plays a vital part in the economy at large. Previously there were 11 banks in function but today the number has changed to 19 banks where most of them offer the service of online banking. Along with the issuance of banking license the central bank which is the BOM also supervised and regulated the internet banking service.

## **2. 5 MARKETING STRATEGIES OF INTERNET BANKING IN MAURITIUS**

### **2. 5. 1 MARKETING STRATEGIES**

According to William J. Stanton (1987), “ Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and services to present and potential customers” .

Marketing strategy encompasses identifying customer groups that are the target markets, which a business can serve well than its product offerings, prices, distribution, promotional efforts and services towards that particular market segment implying managing the marketing mix. A good strategy implies that a business that a business cannot be all things to all people and must analyze its markets and its own capabilities so as to focus on a target market it can serve best.

Kotler defines marketing strategy: “ as a marketing logic by which the business unit expects to achieve its marketing objectives. Marketing strategy consists of making decisions on the business’s marketing expenditures, marketing mix, and marketing allocations in relation to expected environmental and competitive conditions” .



## **2. 5. 2 MARKETING MIX**

It is said that marketing strategy of an organization must be all about the development and execution of the marketing mix. The traditional Mc Carthy classification of marketing mix states that there is the concept of the four Ps which are Product, Price, Place and Promotion for the product business. As for the service providers, the Booms and Bitner definition of marketing mix comprises of seven Ps namely the four previous Ps Product, Price, Place, Promotion and the three additional Ps for services that are People, Physical Evidence and Process.

## **2. 5. 3 THE SEVEN Ps OF MARKETING MIX**

### **PRODUCT**

Product is considered as the most important element of marketing mix. This applies to the product itself such as design, quality and others. Without the product (goods and services), the rest of the marketing mix is pointless. The most fundamental issue about a product is that it fulfills a want. Consumers buy products not only for wants but for satisfaction, pleasure or even for benefits they provide.

Thus the satisfaction that consumers get varies according to products as some are bought for basic needs while other for desire. Producing the right product at the right price is vital as it should satisfy consumers' needs and wants. Product should be of appropriate quality or it would not attain much success in the product life.

### **PRICE**

When deciding upon the price, company should be careful enough to choose the right and appropriate price, which should fit in the rest of the marketing mix. Choosing the appropriate price, comparison must be made with costs of the existing competitor's products. Therefore price should in the long run cover costs.

## PLACE

Place refers to the channel of distribution that are selected. The company needs to think how to get the product to consumers. Service providers are concerned with the location of service points and customer accessibility.

## PROMOTION

This concept gives the customer information about the rest of the marketing mix. Without it, consumers would not know about the products, the price it is selling for or the place it is available. It is often thought that promotion is just about advertising the product, but it also includes several different types of promotion as well as advertising. Moreover promotion is defined as the whole array of methods and procedures by which the company communicates with its target market. It is to build an awareness and interest in the market for the service and organization. Promotion helps in differentiating among competitor's product and that of the company's product. Reputation and overall image of the entity come into play. Promotion in some way or another persuades consumers towards using the product.

## PEOPLE

In this section, there are two aspects to ' people' element of the mix which take a strategic dimension that are the service personnel and the customers. It is an essential ingredient for a service provider in making use of an appropriate staff and people. Training of staff is important in the delivery of services if the entity envisages of obtaining a competitive advantage out of all the efforts done.

This it is an inevitable trend that technology becomes more and more widespread and today organization considers this factor to be updated according to the technological advances as we live in a technological world. Customers make the judgments and delivered their perception of the service based on the employees they interact with during their experience towards the service. Interpersonal skill, aptitudes and knowledge of services is a must in order to provide good service to the customer as they are paying a cost the latter would obviously expect to be satisfied by the offerings.

## PROCESS

Process refers to the systems as a whole which is used to assist the organization in its service delivering process. Good processes will automatically leads to efficient service and this would fit in customer loyalty and confidence about the service.

Furthermore, this policy is all about production and operations management. Increasingly, service organizations are discovering that operations management ideas are now an essential input to the control of costs evolve in processing the service, in the systems improvements and lastly but not

the least customer service. A degree of contact should be present between organization and customers in order to control the quality standards of the service.

#### PHYSICAL EVIDENCE

Physical evidence along with the process and people are the additional three elements of marketing mix by Booms and Bitner in year 1981. All service organization must consider the physical evidence of a given service provider. This means of bringing a friendly environment to the customers so that they can feel comfortable with the service.

Hereby, in this policy also customers make judgments about the service provider. Customers will make perceptions based on their sight of the service provision which in turn will have an impact on the business perceptual plan about the service. The customer's confidence should be boost up and this will have a positive impact on the goodwill of the organization.