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Electronic banking business practices and marketing

Abdullah Alomran

ELECTRONIC BANKING

BUSINESS PRACTICES AND MARKETING

A Project

Presented to the

Faculty of

California State University,

San Bernardino

In Partial Fulfillment

of the Requirements for the Degree

Master of Business Administration

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by

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ABSTRACT

Many banks have been offering online-banking features such as automated teller machines (ATMs), allowing customers to review account balances, make deposits, cash withdrawals, payments, and transfer funds. Today, banks are becoming electronically involved with individuals and businesses around the world. Technology is affecting the way commerce is being conducted, information is exchanged, and money transferred.

The purpose of this study is to determine how banks and consumers are adapting to the Internet age, to understand the issues involved in e-banking and its future.

The findings in a survey conducted with 100 respondents support the view that the majority of the public is familiar with what e-banking. The consumer believes it offers many conveniences, and the kinds of services offered are expected to increase in use in the future. It has been concluded that e-banking will increase in popularity and importance in the future. However, strategic marketing plans are necessary to educate the consumer as to its use and advantage. Without effective marketing programs, its growth and acceptance will be slow.

ACKNOWLEDGMENTS

I would like to express my gratitude to my supervisor, Dr. Norton Marks, whose expertise, understanding, and patience, added considerably to my thesis, and for all his diligent efforts to transform my MBA thesis into the original form. I appreciate his vast knowledge and skill in many areas, and his assistance in writing. I would like to thank the other members of my committee, Dr. Eric Newman, and Dr. Vic Johar for the assistance they provided at all levels of the research project. Finally, I thank my parents for instilling in me confidence and a drive for pursuing my MBA.

DEDICATION

To my mother and father

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CHAPTER ONE

INTRODUCTION

The invention of the steam engine two centuries ago and the subsequent harnessing of electricity for communications ushered in an industrial revolution that altered our way of life. According to a Presidential Directive on Electronic Commerce (1997), today, we are experiencing another revolution as the Internet has changed the way we work, learn, and communicate. The greatest change has been the way in which business is conducted. Entrepreneurs are able to start new businesses more easily by accessing the Internet's worldwide network of customers including world trade involving computer software, entertainment products, information services, professional consulting, and financial services, to name a few. According to several estimates, commerce on the Internet will total tens of billions of dollars in this decade and fuel economic growth well into the century.

Changes in the Banking Industry

To support the changes new technology has introduced, banks have had to make changes in the way they conduct business. Raysman and Brown (1997) state that although many of the changes taking place in banking are in an

embryonic state, the potential for online banking is enormous. According to some estimates, there are more than 500 banks operating on the Internet in the United States, performing a variety of banking services. Studies estimated that by 2000 an estimated 7,500 banks would have operations on the World Wide Web. This estimate was achieved. Many bankers believe a large part of banking in the 21st century will be conducted online (Raysman & Brown 1997).

Statement of the Problem

Many banks have been offering online banking features such as automated teller machines (ATMs), allowing customers to review account balances, make deposits, cash withdrawals, payments, and transfer funds. Today, banks are becoming electronically involved with individuals and businesses around the world. Technology is affecting the way commerce is being conducted, information is exchanged, and money transferred.

The challenge in this endeavor is how to let people actually pay for the goods they purchase online. The only methods available have been to send a check to the business, or use a debit or credit card. The credit card became the main tool for purchasing goods because it was

fast and reliable. The credit card brought with it a new financial industry in the guise of financial services, driven by investment banking, as well as banks that facilitated electronic commerce.

One of the major issues banks face is how to go online, once they decide to do so. They do not want to take the focus away from their traditional customers, but they also do not want to miss out on new customers the online may attract. The major concern is that they have to take financial resources from offline services to finance online services, thus sacrificing jobs for an online existence that may be much less profitable than previously expected. Banks do not want to take this risk. In many cases it can be a big risk. The primary question for banks is how to make e-banking profitable and the role marketing could play to assist in making it profitable.

Purpose of the Research

The purpose of this study is to determine how banks and consumers are adapting to the Internet age; to understand the privacy, security and other issues involved with money transfers; to determine steps being taken to make e-banking adaptable to meeting the needs of the bank, customers, business and industry; to forecast e-banking

potential; and to understand the role of marketing in the process.

Scope of the Study

The scope of this study is the investigation and analysis of e-banking as it exists in 2002. The study covers many different aspects of banking, primarily e-banking's role in business and industry today, its advantages, disadvantages, problems and solutions. The focus is on e-banking functions, domestically and internationally, the strengths and weaknesses of the operations, and its acceptance by the consumer.

The scope extends beyond the services offered and includes such issues as security, confidentiality, lack of face-to-face contact between customer and bank, potential fraudulent practices, and government regulations relative to these issues.

Significance of the Project

It is known that with the introduction of the Internet and e-commerce it is certain that technology is here to stay. Along with e-commerce must come financial support, particularly through the Internet system which means the banking system. This means that e-commerce cannot take place unless there are ways to transfer funds

from buyer to seller. Conducting banking transactions electronically has presented a number of challenges such as privacy and security to ensure the customer's data are kept secret and cannot be obtained by anyone other than the bank or the customer; how to transfer funds electronically either between a bank and its customer, or between a bank, customer, and client (e.g., retail store).

Today, most transactions of any significance are made by credit cards and transfer of funds. The cards are usually issued by a bank and funds are transferred through electronic banking. Although there are many issues yet to be resolved, we know electronic banking (e-banking) is here to stay. In time, the various issues will be resolved so that such banking will be safe and attractive to customers and profitable for banks.

Methodology

The methodology selected is qualitative in nature and consists of both primary and secondary research. The primary research selected for this study is a survey of one hundred adults, selected at random, to determine the relationship between consumers and e-banking. The objective is to determine whether or not the average person has a positive attitude toward e-banking and will

take advantage of it to meet his or her banking needs. This is based on the view that unless consumers adapt to e-banking it will not be profitable enough for banks to implement it in their systems.

The methodology selected includes a review of secondary data relative to e-banking, and related subjects that have a direct effect on the industry. See the Review of Literature on the subject of e-banking, its strengths, weaknesses, and actions of the federal government that could have a negative effect the process. The research includes published data from journals, magazines, newspapers, and studies on the subject.

Limitations of the Project

This project is limited to a study of e-banking, and its relationship to business, industry, and individuals. The project is also limited to the responses to a questionnaire determined to be reliable. It is further limited by the data available on the subject, the very small sample of the survey, and the creditability of such data. The data are also limited within a time frame of the last five years to date.

Definition of Terms

E-banking: A bank that provides services beyond traditional services including ATMs, money transfers, point of sales transfers, credit card transactions, domestically and internationally.

Internet: A computer based, worldwide information network, composed of a large number of smaller interconnected networks called internets. These connect thousands of computers throughout the world through public access networks (Rutkowkski, 2002).

Plan of the Study

Chapter One: An introduction to the study, statement of the problem, purpose of the study, definitions, limitations and scope of the study.

Chapter Two: Review of Literature - summaries of articles published that contribute to the understanding of e-banking, the internet, the consumer, the federal government, and banking business.

Chapter Three: Methodology - a discussion of the responses to the 100 questionnaires relative to the survey on e-banking. The responses to each of the questions are reported in this chapter.

Chapter Four: This chapter is an analysis of findings of the literature, the survey, and proposes strategies that need to be implemented to promote the e-banking concept.

Chapter Five: Banking Strategies, a review of strategies banks are taking to attract new consumers and solving current privacy and security concerns.

Chapter Six: Summary and Conclusions. A brief summary of the study, conclusions, and recommendations in relation to problem areas or weaknesses in the system and possible solutions from management and a marketing perspective.

CHAPTER TWO

REVIEW OF THE LITERATURE

The concept of banking seemed to develop over the centuries to provide for the needs of traders. Cameron (1997) states for hundreds of years the Arabs served as principal intermediaries in the trade between Europe and Asia. In the process they facilitated the diffusion of technology. Many elements of Chinese technology including the magnetic compass and the art of making paper reached Europe by means of Arab traders.

Cameron (1997) added that the traders introduced new crops such as rice, sugar cane, cotton, citrus fruit, watermelons, and other fruits and vegetables. In some cases they obtained the crops from India or elsewhere in Asia or Africa and shipped them to Europe. Although usury was forbidden, the Muslim merchants devised numerous intricate credit instruments, including letters of credit and bills of exchange, to facilitate their trade. Banks, as we know them today, however, did not exist. Merchants seem to have had their own way of banking.

As the volume of trade expanded and commercial practices became standardized, new forms of business organizations came into being. The Italians were by far

the most prominent in this type of organization. With headquarters in Florence, Siena, Venice, or Milan, they opened branches in other cities. They frequently engaged in banking along with mercantile operations [or vice versa] (Cameron, 1997).

Cameron (1997) reported that banking and credit were related to medieval commerce. Primitive deposit banks were set up in Venice and Genoa as early as the 12th century. They started by offering safe places for depositing funds. In time, they began to transfer funds from one account to another on oral orders and sometimes on a written order. Before long, London became the most important financial district. It got its name from the large number of Italian bankers who kept offices there (Cameron, 1997).

Private bankers bought and sold bills of exchange to facilitate long distance trade. In the 19th century, the banking industry expanded to meet the needs of industrialization. Banks and financial institutions increased in numbers to provide the financial services required by the greatly enlarged and increasingly complex economic mechanism. Although all banking systems have certain common features determined by the functions they perform, systems differ in the structure by nationality, since structure is determined primarily by legislation and

historical evolution unique to each nation (Cameron, 1997).

Banking in this country developed as the country developed. It was not until the last century, however, that a central banking system was established. Since that time, the banking industry exploded, changing in the ways it does business to meet the needs of business and industry. Following the Great Depression, stronger banking laws were implemented which significantly contributed to the stabilization of the economy as a whole. Following World War II, banking rapidly expanded into the international arena with U.S. banks now having some 900 branches in other countries. Two events that have expanded bank operations have been technology, mainly the computer, the Internet, and the global marketplace (Prager, 1997).

Electronic Banking

Andreas Crede of the Science Policy Research Unit at University of Sussex notes that electronically-based payment systems have been in operation since the 1960s, expanding rapidly, and growing in complexity. But in most of the major industrialized countries, there is an inverse relationship between the volume and the number of transactions handled electronically. "Typically, of

business payments around 85-90 percent or more of monetary value will be processed electronically, while less than 5-10 percent of the total number of payment transactions will be handled in this way" (Gamble, 2000).

Crede notes this has been due to four related factors. First, proprietary closed networks were developed by banks to handle large and increasingly internationally based payments systems. Second, "large value payments are increasingly associated with foreign exchange and global securities transactions, thereby becoming divorced from underlying world trade." Third, large value payment systems were not designed nor are they cost-effective for small value payments; and fourth, "paper-based on automated payment systems remain an established part of accepted business practice for varying institutional reasons, thereby remaining ingrained in the economic system" (Gamble, 2000).

The electronic banking industry is not a precisely defined sector and has not yet been assigned in any of the major economic classification codes or activities. Basically, the scope of the report is limited to those retail and wholesale (or corporate) banking services in which delivery is achieved electronically and in which banks receive revenues.

To most people, electronic banking means 24-hour access to cash through an automated teller machine (ATM) or paychecks deposited directly into checking or savings accounts. Electronic banking, also known as electronic fund transfer (EFT), uses computer and electronic technology as a substitute for checks and other paper transactions. EFTs are initiated through devices such as cards or codes used to gain access to one's account. Many financial institutions use an ATM card and a personal identification number (PIN) for this purpose. The federal Electronic Fund Transfer Act (EFT Act) covers some consumer transactions (Electronic, 1997).

Raysman and Brown (1997) state that according to some estimates there were more than 500 banks operating on the Internet in the United States performing a variety of banking services. They estimated at that time approximately 7,500 banks would be on the Internet by the year 2002. Accordingly, developments in e-banking are likely to have an impact on all banks. Many bankers believe a large part of the banking in this century will be conducted online as increasing numbers of individuals and business and industry experience the advantages it offers.

Current E-Banking Services

Currently, banks offer a limited amount of services such as:

- Automated Teller Machines, or 24-hour Tellers. These are used to withdraw cash, make deposits, or transfer funds between accounts.
- Direct Deposit - authorizes specific deposits such as paychecks, social security checks, to an account on a regular basis.
- Pay-by-Phone Systems - telephone is used to pay certain bills or transfer funds between accounts.
- Personal Computer Banking - permits banking transactions done electronically via a personal computer. Information such as account balance, transfer between accounts, and pay bills can be done electronically.
- Point-of-Sale Transfers - allows for retail purchases with a debit card, similar to using a credit card; money is withdrawn from the individual's personal account to the store's account (Wah, 1999, p. 45).

As can be seen, e-banking providing these services, often called brick and mortar of the banking industry, are relatively limited, and have very little relationship to business-to-business e-banking.

Credit Cards

Today, credit cards have become the dominant payment mechanism for most online retail transactions. Using credit card information online, however, can be risky because the Web is an unsecured medium. As credit card numbers and expiration dates are routed from computer to computer around the Internet, the risk of card security breaches increases (Raysman & Brown, 1997).

For this reason, some consumers are reluctant to give information to a retailer. Since most credit cards are issued by banks, there is always the potential that others will use the card and charge to the account a number of times before the owner of the card becomes aware of it. Some banks do monitor accounts and notify the cardholder that some charges differ from their normal or usual purchases. The question remains, however, as to just how responsible the bank should be when card numbers are compromised?

The Internet

Background

Faminghetti (1997) reported that in the late 1960s, a group of scientists at the U.S. Department of Defense's Advanced Research Projects Agency (ARPA) wanted to share information with others working on similar research projects, many of whom were government contractors working at large universities. The ARPAnet was created when they discovered that by a network they could link up with each other around the world, and the project mushroomed. During the 1970s, the network expanded. Members of the computer industry began to participate and the Internet became an online haven for computer operators, researchers, and academics. The first commercial online service, CompuServe, started in 1969 and for several years was the primary online service (Faminghetti, 1997).

The "year of the Internet" was designated as 1996 as there were 2,500 Internet service providers. The number was expected to decline to about 500 by 1998 as service providers continue to consolidate in an attempt to cope with competition from the large telephone companies (Famighetti, 1997).

The Internet is defined as a vast computer users network of computer networks. Estimates are that more than

30 million computer users populated this electronic global village by late 1995 and that some eight to ten million had access to the World Wide Web (www). During 1996, the number of registered commercial sites on the Internet increased more than 500 percent (Farmighetti, 1997).

The Internet is not owned or funded by any institution, organization, or government. It does not have a CEO and it is not a commercial service. It is often referred to as the Information Superhighway, made up of people, hardware, and software. With the right computer and software, one can communicate with others around the world (Famighetti, 1997).

Today, the Internet comprises 48,000 different networks around the world; some covering entire geographic regions such as the Northeastern United States, and others connect only a single college campus. So well do they work together that a researcher in Japan can browse the files of a computer at Georgia Institute of Technology just about as easy as a student on campus. The Internet's technology ensures that it will be around in one form or another for many years to come (Verity, 1994).

Electronic Commerce

Commerce immediately recognized the opportunities that existed for selling on the Internet. In the 1990s hundreds of companies decided to advertise and sell their products/ services over the Internet. As increasing numbers of companies were selling on the Internet, banks had to retool for what became known as "e-commerce."

Gamble (2000) states that banks were jockeying for position in the new economy by developing online marketplaces. The new paradigm is based on a three-way relationship between the bank, the corporation, and the company's trading partners, reaching from the beginning to the end of the business process. Banks began to stretch cash management introducing new concepts such as purchasing cards, receivables matching, payment outsourcing, and online cash management. They began reinventing themselves for an unpredictable future.

Gamble (2000) reports that many electronic marketplaces lack the ability to settle transactions online, so many banks are stepping forward to provide that missing link as part of their e-commerce strategy. Banks are retooling and developing strategies that will not only allow them to utilize technology to the fullest advantage, but also sinking big money into various services that can

be offered customers. They are not limiting their services to e-business and assisting suppliers to get online. As a result, e-banking has become highly competitive.

Privacy and Security Issues

The issue of greatest concern is that of privacy and security in financial transactions. There is concern on the part of the customer, whether an individual or a company, that the transmission will not be jeopardized as computer hackers have proven they can break most every code used and obtain information in spite of security systems.

Martin (1998) supports this concern. He states that for all of its convenience, online banking is not without risk. Some systems are not fully compatible with a given bank's other financial services. Security is a major concern for those new to online banking. And yet, corporate clients often seem more confident than their bankers, perhaps because the clients have become more accustomed to using the Internet and PCs in their day-to-day business. Still, all banks offering online services emphasize the steps they take to ensure the privacy and security of transactions. Safety and security are selling points, and many banks are focusing on finding

the best way to protect a customer's privacy and make him or her have confidence that their account will not be jeopardized.

The Federal Reserve Bank, (Fed) which oversees the nation's banking system, has been concerned that as online banking becomes more widespread and companies actively invest their overnight funds, the liquidity of banks could be threatened. The Fed has taken the position that banks are responsible for ensuring their liquidity is maintained; so-called "daylight overdraft" regulations mandate that banks put electronic monitoring systems in place to monitor the draft position of any particular corporate client. A bank is fined if it does not have an overnight monitoring system (Martin, 1998).

Security

FICS is a leading financial software developer in Europe and has positioned itself in the United States to penetrate the online banking niche. The company was acquired by Security First (S1 Corp) as a part of a three-way merger that includes Edify of Santa Clara, California. The merger is one many analysts consider a big step toward the creation of the first truly global, one stop provider of technological solutions to banks and

other financial service firms. FICS's expertise in online banking systems worldwide allows S1 Corporation to capture a greater share of the global market for financial IT infrastructures and penetrate the niche market of online banking. The combined company has 26 of the top 50 banks in America and 36 of the top 100 banks worldwide as clients in 26 countries (Wah, 1999, p. 45).

Solving Security Problems

In online banking, S1's goal is to assist banks to distinguish themselves from other financial institutions as competition is rapidly increasing. It is projected that financial institutions offering online services will reach nearly 16,000 in 2003 in the United States, up from just 1,150 in 1998. In Europe the number is expected to increase from 863 in 1998 to 1,845 in 1999. Most traditional banks that add online presence are nothing more than a brick and mortar operation defined as the basic banking that customers visit on a daily basis. These operations are essentially the same being provided by the different banks. New technology is being developed will bring banks and business closer together as one cannot exist without the other (Wah, 1999).

In the past, the most commonly used "money" for making purchases online has been credit cards. Some people are reluctant to provide credit card information on the Internet because of reports of fraud. A number of information technology partners introduced the "Secured Electronic Transaction" protocol (SET). This provides a mechanism for securing credit card transactions over open networks.

The SET enables bankcard purchases to take place over the Internet with much the same ease and security encountered in ordinary retail transactions. SET uses cryptography to provide confidentiality of information, ensure payment integrity and facilitate authentication of merchants and cardholders (Raysman & Brown, 1997).

Several companies have developed different online payment technologies. A company called CyberCash Inc., has created a system that functions as an online transaction manager for buyers and merchants. The system permits secure online credit card, cash and debit transactions. The encrypted form is used. All transactions and electronic receipts flow through CyberCash's "digital wallet". This hub-and-spoke routing system is the middleman that protects both the customer and the bank from any fraudulent transactions (Raysman & Brown, 1997).

Another approach is the "e-cash" system operated by DigiCash Inc., a Netherlands-based company. DigiCash works directly with banks and allows purchasers to direct their banks to send an encrypted E-mail representing predetermined denominations of cash. Instead of paying by using a credit or debit card, the customer uses DigiCash's fully transferable electronic funds to make his or her online purchase. The bank then credits the merchant's account (Raysman & Brown, 1999).

First virtual Holdings, Inc., is another electronic payment service provider. It takes a different approach. They handle customer financial transactions off-line, using a private network linked to banks. Online customers open an account and given a personal identification number (PIN) which they can E-mail to a merchant. The merchant verifies the PIN with First Virtual, confirmation is sent to customer, and then the bank debits the customer's account (Raysman & Brown, 1999).

Most of the online technologies now in use or in development rely on encryption technology to provide security and authentication. Encryption is used as a way of protecting the client and the bank. The authenticated electronic communication provides a way for confidentiality to be maintained as it uses a unique

digital signature system. According to Raysman and Brown (1999), the federal policy regarding the export of encryption software, or software capable of encoding data, is one of the most rapidly developing issues of the law of the Internet and will be of concern to bankers as an increasing number of international transactions are completed electronically (Raysman & Brown, 1999).

Although security has been and continues to be a concern for bank customers, these problems are being solved by companies such as IBM. A host of Internet companies are developing technologies to boost the growth of online banking and consumer oriented e-commerce with software programs that will ensure security as well as privacy. As time passes, security and privacy should become former problems (IBM, 1998).

Privacy

The issue of privacy has been raised by many. The Internet is a very public tool, and there are those who know how to use it for their personal benefit. When transacting business, buying, selling, banking, etc., one would like to think that the information disclosed was protected from intruders. However, there are ways that the information can be attacked.

There are two issues with respect to privacy on financial transactions, - preserving the confidentiality and integrity of online transactions and limiting disclosure of personal financial records to third parties. The transmissions involved are protected to some extent by encryption technology. However, third party access remains a major concern. The federal laws limit access under the Financial Records Privacy Act. Financial Records Privacy Act limits the conditions under which government authorities may gain access to customer records held by financial institutions (Raysman & Brown, 1997).

Although security has been and continues to be a concern for bank customers, these problems are being solved by companies such as IBM. A host of Internet companies are developing technologies to boost the growth of online banking and consumer oriented e-commerce with software programs that will ensure security as well as privacy. As time passes, security and privacy should become former problems (IBM, 1998).

Laws

Raysman and Brown (1997) state that if banks begin to freely collect and exchange unreliable Internet transactional data, they may expose themselves to

increased liability under various state and consumer protection statutes. They cite the Fair Credit Reporting Act which governs the collection and use of personal data by credit reporting agencies (Raysman & Brown, 1997).

Raysman and Brown (1997) state that the Federal law limits access to certain financial information. For example, the Financial Records Privacy Act (12 USC 3402) limits the conditions under which government authorities may gain access to customer records held by financial institutions. Federal law currently prohibits creditors from gathering certain kinds of information (e.g., race, color, religion, national origin, childbearing plans) about debtors. However, online merchants and service providers continue to attempt to obtain this information so that they can better advertise and sell to certain target markets (Raysman & Brown, 1997).

According to Raysman and Brown (1997), a bank's liability for Internet fraud is far from certain. They hold the view that Internet transactions will require the next generation of bankers and regulators to address issues including security, authentication, consumer protection and privacy (according to Raysman & Brown, 1997).

The next chapter, "Methodology," reports on the results of the survey of 100 respondents relative to their knowledge and attitude regarding e-banking.

CHAPTER THREE

METHODOLOGY

A convenient survey was undertaken for the purpose of identifying the attitude of people regarding e-banking, whether it is used, not used, and the opinions of those in the general public relative to the acceptance and future of e-banking. The objective was to design questions regarding e-banking in general, allowing respondents to indicate their opinion using the Likert system and the SBSS Computer Software program to measure responses. The questions were specifically designed to identify the respondent's opinion about e-banking to determine their knowledge, awareness and potential use of e-banking. The goal was to identify the opinions of consumers to support the theory that if e-banking is to be successful, marketing strategies will have to be used to both educate and inform consumers about the service and advantages of using the system. One hundred respondents were selected at random and included friends, students, and the general population shopping at the Ontario Mall on July 20, 2002. The survey was completed over a two-week period. A copy of the questionnaire is shown in Appendix.

Demographics

The e-banking survey consisted of 100 men and women selected at random. The demographic statistics are as follows:

Males	66
Females	34

Age:		Income:	
18-30	45	$20,000 - $40,000	49
31-40	20	$41,000 - $60,000	31
41-50	30	$61,000+	20
51+	5		

Education:

High School	56
College	34
Masters/PhD	8
Other	2

Number of respondents having a bank account	89
Familiar with e-banking	12
Conducted banking via telephone/computer	2

The statistics represented in the following tables and figures are the result of the survey.

Table 1. Proposed Convenience

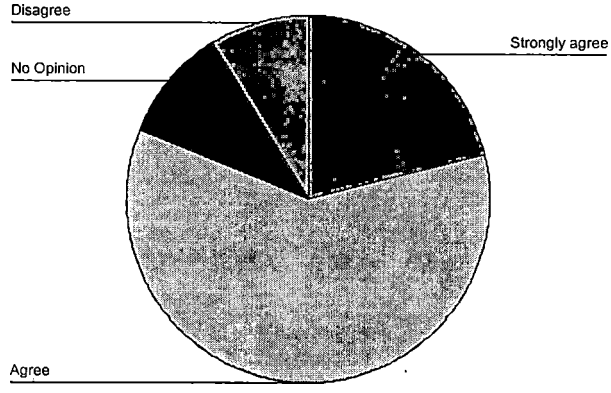
Statistics

E-Banking has proven to be a great convenience

N	Valid	100
	Missing	0
Mean		2.07
Median		2.00
Std. Deviation		.82

E-Banking has proven to be a great convenience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	21	21.0	21.0	21.0
	Agree	60	60.0	60.0	81.0
	No Opinion	10	10.0	10.0	91.0
	Disagree	9	9.0	9.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 1. Proposed Convenience

The survey of the 100 respondents the Mean was 2.07 and Median 2.00. Those that agreed, combining strongly

agree and agree, resulted in a valid percent of 81.0 while those who disagreed was only 9 percent. The statement that e-banking has proven to be a great convenience was supported.

It was believed that many people would favor e-banking because of its convenience, - using the computer and telephone to make banking transactions rather than going to a traditional bank and standing in line for a time. This was supported by the survey as the general public did see it as being a great convenience. For this reason, it can be assumed that e-banking will increase with use in the future.

Table 2. Paying Bills

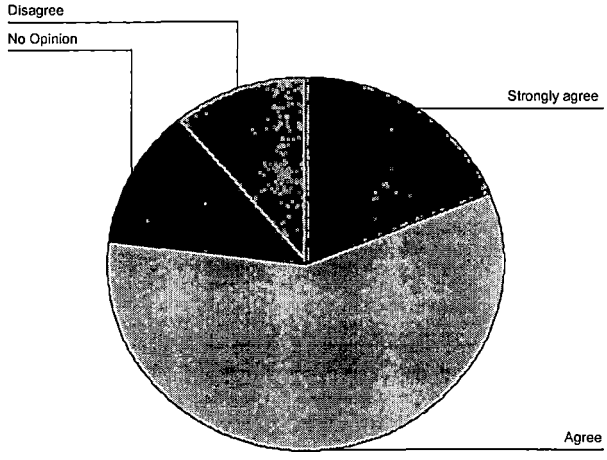
Statistics

Paying personal bills is easier using e-banking

N	Valid	100
	Missing	0
Mean		2.15
Median		2.00
Std. Deviation		.86

Paying personal bills is easier using e-banking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	19	19.0	19.0	19.0
	Agree	58	58.0	58.0	77.0
	No Opinion	12	12.0	12.0	89.0
	Disagree	11	11.0	11.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 2. Paying Bills

The statement, "Paying personal bills is easier using e-banking," was also supported. The Mean was 2.15 with a Median of 2.00. Those who strongly agree and agree totaled 96.0 which clearly indicate the respondents had some idea about e-banking and its advantages but this does not indicate that they used the service.

One of the areas that most feel is of greatest convenience is in using e-banking to pay bills. The bank provides such a service and transfers funds from the person's account to the creditor and advises the customer that the bill has been paid. The respondents supported the view that paying bills using 3-banking was a convenience.

Table 3. Wave of the Future

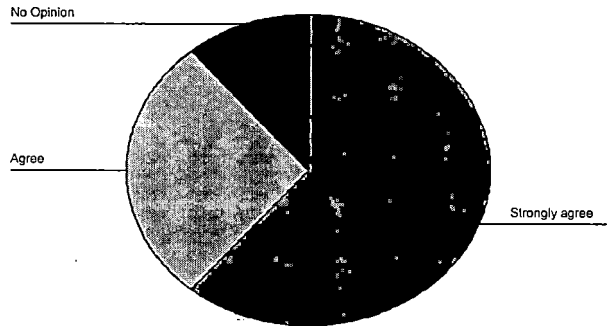
Statistics

E-banking via the computer and the Internet is the wave of the future

N	Valid	100
	Missing	0
Mean		1.50
Median		1.00
Std. Deviation		.69

E-banking via the computer and the Internet is the wave of the future

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	61	61.0	61.0	61.0
	Agree	28	28.0	28.0	89.0
	No Opinion	11	11.0	11.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 3. Wave of the Future

The results of opinions based on the statement "E-banking via the computer and the Internet is the wave of the future." The Mean was 1.50 and Median 1.00. The majority agreed with the statement as strongly agree and

agree totaled 89.0 with few (11.0) acknowledging they had no opinion.

E-banking is often viewed by some as being a technology that will be available in the future. The question was asked to determine whether the average person thought that e-banking and the Internet were the wave of the future, which indicates that it for today as well as the future.

Table 4. Banking Fees

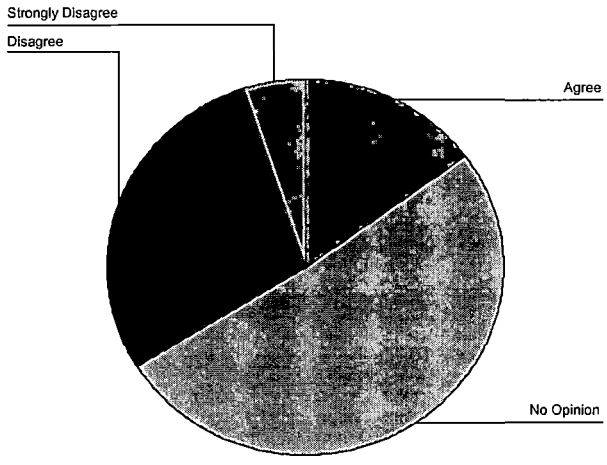
Statistics

E-banking fees are reasonable

N	Valid	100
	Missing	0
Mean		3.24
Median		3.00
Std. Deviation		.77

E-banking fees are reasonable

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	15	15.0	15.0	15.0
	No Opinion	51	51.0	51.0	66.0
	Disagree	29	29.0	29.0	95.0
	Strongly Disagree	5	5.0	5.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 4. Banking Fees

The statement, "E-banking fees are reasonable," is a question designed to determine where the respondents had any idea about e-banking and what the charges were. The result included a mean of 3.24 and median 3.00. There were those who agree but only 15.0 percent, the majority having no opinion which indicate that they had little experience with e-banking.

One of the expectations of new technology is that something will cost more because it is new, or because it costs more to provide the service. In this survey, respondents indicated that the e-banking fees were not reasonable. The majority, however, had no opinion.

Table 5. Communication

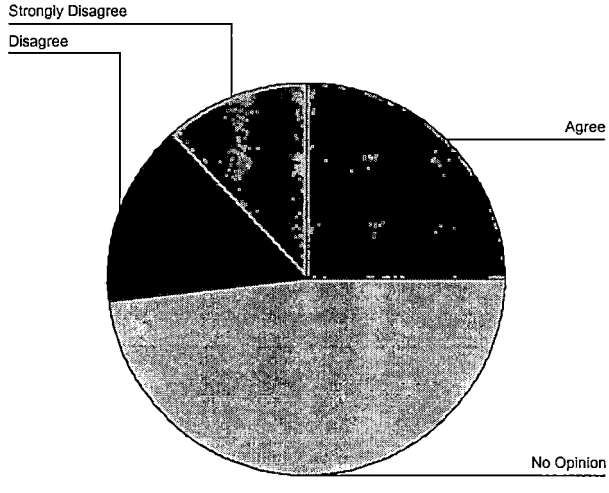
Statistics

Communicating via technology rather than humans presents no serious problems

N	Valid	100
	Missing	0
Mean		3.14
Median		3.00
Std. Deviation		.93

Communicating via technology rather than humans presents no serious problems

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	25	25.0	25.0	25.0
	No Opinion	48	48.0	48.0	73.0
	Disagree	15	15.0	15.0	88.0
	Strongly Disagree	12	12.0	12.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 5. Communication

The statement, "Communicating via technology rather than humans presents no serious problems" resulted in a

Mean of 3.14 and Median of 3.00. However, responding to the statement results in 25 percent agreeing with the majority did not support the statement which further indicate that very few respondents had what may be called a significant understanding of e-banking.

Communicating via technology rather than human presented no serious problems for many respondents. However, the majority indicated that they had no opinion. Perhaps the respondents as of this time have had little or no experience with e-banking.

Table 6. Banking Problems

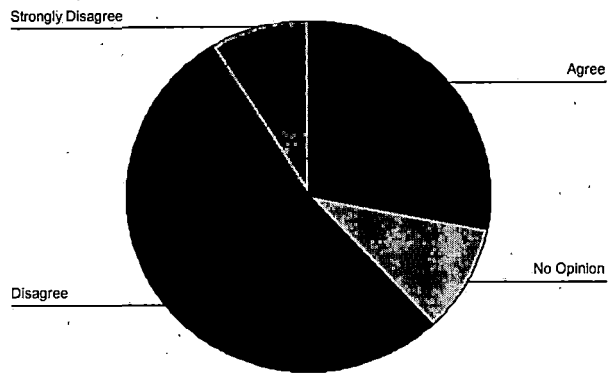
Statistics

Banking problems are quickly resolved using the computer and the Internet

N	Valid	100
	Missing	0
Mean		3.43
Median		4.00
Std. Deviation		1.00

Banking problems are quickly resolved using the computer and the Internet

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	28	28.0	28.0	28.0
	No Opinion	10	10.0	10.0	38.0
	Disagree	53	53.0	53.0	91.0
	Strongly Disagree	9	9.0	9.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 6. Banking Problems

The statement, "Banking problems are quickly resolved using the computer and the Internet," was selected to identify the consumer's knowledge about e-banking. This was based on the assumption that the majority of consumers knew little about e-banking. This is supported as the Mean reached 3.43 with a Median of 4.00. Those who agreed with the statement are only 28 percent with the balance of respondents indicating no opinion or disagreement. Therefore, the assumption was supported. They probably responded based on their experience finding problems were better solved on a face-to-face relationship rather than trying to resolve situation using the computer and Internet

Table 7. Standing in Line

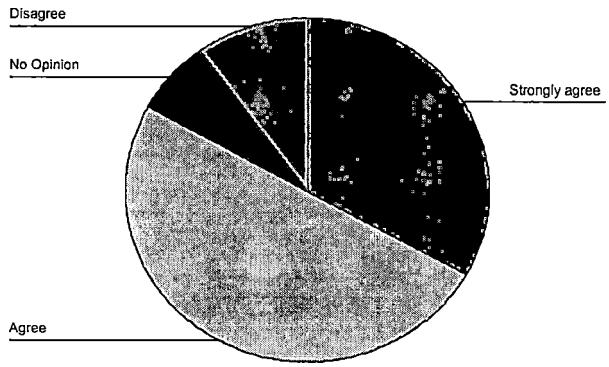
Statistics

There are few reasons for going into a bank today and standing in line to be served

N	Valid	100
	Missing	0
Mean		1.94
Median		2.00
Std. Deviation		.90

There are few reasons for going into a bank today and standing in line to be served

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	33	33.0	33.0	33.0
	Agree	50	50.0	50.0	83.0
	No Opinion	7	7.0	7.0	90.0
	Disagree	10	10.0	10.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 7. Standing in Line

Traditional banking often requires going to a bank branch and standing in line to be served. One of the

greatest advantages of e-banking is that the person can do all of his or her banking at home. Again, the statement was based on the assumption that the consumer knew enough about e-banking that they would have an opinion relative to this statement. The Mean, however, averages 1.94 while the Median is 2.00. The majority - 83 percent support the statement with only a few (7.0) having no opinion and only 10 percent disagreeing. This supports the view that the respondents had some opinion relative to dislike the traditional banking service.

The majority of respondents did agree that there were few reasons for going into a bank today and standing in line to be served. This did not, however, indicate the majority of respondents found using the computer, the Internet and/or the telephone was a convenience, and saved time in not having to go to a local bank and stand in line for service.

Table 8. Accuracy and Confidentiality

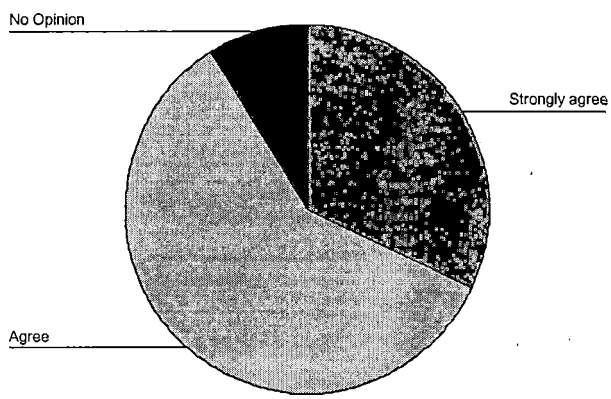
Statistics

Those managing banks are very aware of the need to maintain accuracy and confidentiality with their customers

N	Valid	100
	Missing	0
Mean		1.77
Median		2.00
Std. Deviation		.60

hose managing banks are very aware of the need to maintain accurac and confidentiality with their customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	32	32.0	32.0	32.0
	Agree	59	59.0	59.0	91.0
	No Opinion	9	9.0	9.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 8. Accuracy and Confidentiality

The statement, "Those managing banks are very aware of the need to maintain accuracy and confidentiality with

their customers," was designed for the purpose of stressing the fact that banks are aware of their responsibility to protect the customer's privacy and account confidentiality. This was to give consumers more confidence using e-banking and making sure e-mail would not minimize the bank's responsibility to customers. The Mean reached only 1.77 while the Median was standard at 2.00. The majority of respondents agreed with the statement indicating they are aware of the bank's responsibility as well as their duty to the customer, with only a few (9.0) having no opinion.

It was believed that those managing banks were very aware of the need to maintain accuracy and confidentiality with their customers. This was supported with the majority agreeing, which tells us consumers do have confidence in their banks, and those employed to serve them.

Table 9. Improved Services

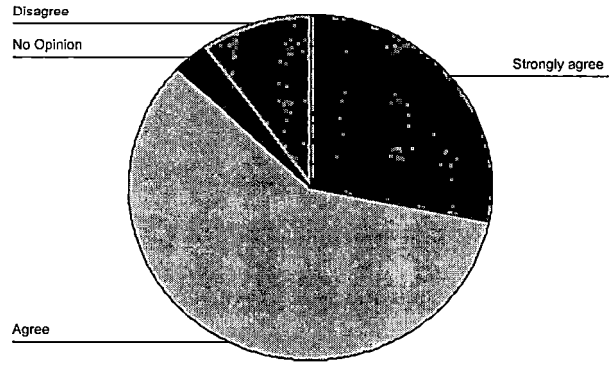
Statistics

E-banking services need to be improved before many people will use it

N	Valid	100
	Missing	0
Mean		1.95
Median		2.00
Std. Deviation		.85

E-banking services need to be improved before many people will use it

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	28	28.0	28.0	28.0
	Agree	59	59.0	59.0	87.0
	No Opinion	3	3.0	3.0	90.0
	Disagree	10	10.0	10.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 9. Improved Services

The statement, "E-banking services need to be improved before many people will use it," was based on the

view that not many of the respondents would have a significant amount of knowledge about e-banking. The Mean is 1.95 with the Median at 2.00. The majority of respondents agree with the statement with few (30) having no opinion, and 10.0 disagreeing.

It often takes time for banks to offer a new service. Many people are slow to change their banking habits until they have had to try something new. In this question the majority of respondents agreed that e-banking services needed to be improved before many people will use it. However, it is believed they responded positively to the statement, but really had little knowledge of the service or the fact that they needed to be improved. In other words, their responses are not based on their personal experience with e-banking.

Table 10. Money Transfer

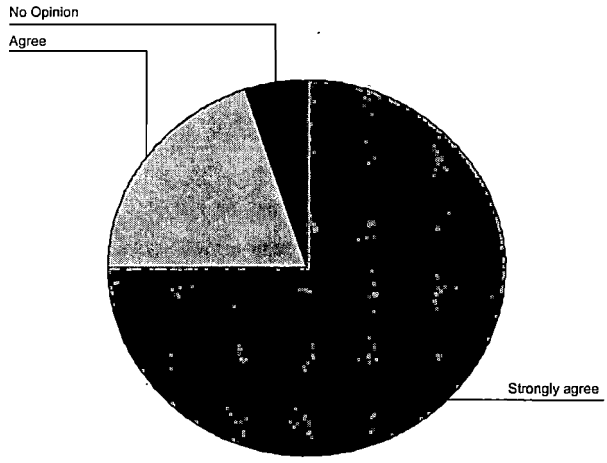
Statistics

E-banking makes it easier to transfer money from one country to another

N	Valid	100
	Missing	0
Mean		1.30
Median		1.00
Std. Deviation		.56

E-banking makes it easier to transfer money from one country to another

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	75	75.0	75.0	75.0
	Agree	20	20.0	20.0	95.0
	No Opinion	5	5.0	5.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 10. Money Transfer

The statement, "E-banking makes it easier to transfer money from one country to another," was supported. The mean at 1.30 and Median a 1.00 resulted in 95 percent

agreement with only 5.0 with no opinion. It was assumed that the responses would be positive because many people have the idea that e-banking is mainly for transferring money from one country to another.

One of the greatest benefits of e-banking is that it is easier to transfer money from one country to another. Not only is money transferred more quickly, such transfers are also much safer than using the regular mails.

Table 11. Banking Transactions

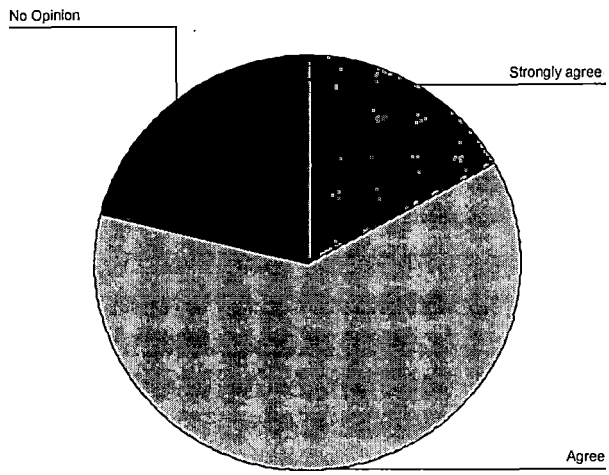
Statistics

Most banking transactions in the future will be done through e-banking as technology becomes more highly perfected

N	Valid	100
	Missing	0
Mean		2.04
Median		2.00
Std. Deviation		.62

Most banking transactions in the future will be done through e-banking as technology becomes more highly perfected

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	17	17.0	17.0	17.0
	Agree	62	62.0	62.0	79.0
	No Opinion	21	21.0	21.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 11. Banking Transactions

The statement "Most banking transactions in the future will be done through e-banking as technology becomes more highly perfected," was for the purpose of identifying whether or not the respondent was familiar with the technology and the fact that e-banking already existed. The Mean is 2.04 with the Median at 2.00. The respondents agree with 21.0 percent indicating no opinion. This indicates there is a large number of consumers that have little knowledge about e-banking.

Once a technology proves itself, it seems to continue to improve its capability and performance. The majority of respondents supported the view that as the technology becomes more perfected, more people will be using the service. There is a significant number that offered no

opinion which tells us there are still a lot of consumers that have little or no knowledge about this technology.

Table 12. Speaking to a person

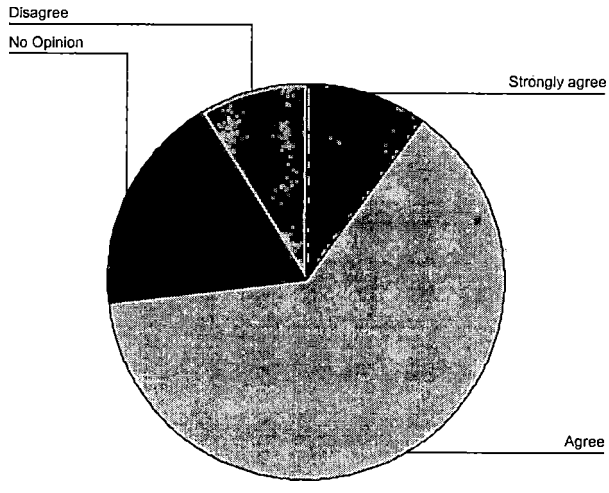
Statistics

Speaking directly with a person on the telephone or in person is better than relying on e-banking

N	Valid	100
	Missing	0
Mean		2.26
Median		2.00
Std. Deviation		.76

Speaking directly with a person on the telephone or in person is better than relying on e-banking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	10	10.0	10.0	10.0
	Agree	63	63.0	63.0	73.0
	No Opinion	18	18.0	18.0	91.0
	Disagree	9	9.0	9.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 12. Speaking to a Person

The statement, "Speaking directly with a person on the telephone or in person is better than relying on e-banking," was used to determine the attitude of consumers relative to working with machines versus people. Many people prefer working with people rather than machines which means that unless their attitude changes they will not be inclined to use e-banking. The Mean is 2.26 with the Median at 2.00. The majority did agree but only 10 percent strongly agreed. There was a significant number, 18 percent, with no opinion and 9 percent disagreeing.

Many people prefer to speak directly with a person on the telephone or in person rather than on exchanging information via the Internet when there is a banking problem. If a person cannot speak to a "real" person, he does not feel satisfied a problem can be solved. The majority of respondents seemed to have the same opinion, preferring to speak to a person rather than a machine.

Table 13. Computers and the Internet

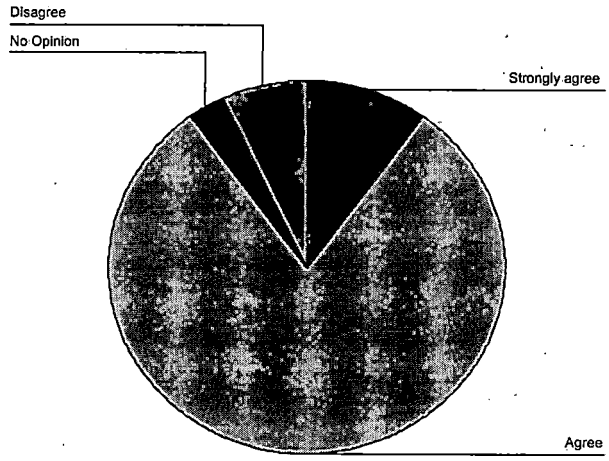
Statistics

E-banking will force everyone to own a computer and have access to the Internet in order to do their banking

N	Valid	100
	Missing	0
Mean		2.07
Median		2.00
Std. Deviation		.64

E-banking will force everyone to own a computer and have access to the Internet in order to do their banking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	10	10.0	10.0	10.0
	Agree	80	80.0	80.0	90.0
	No Opinion	3	3.0	3.0	93.0
	Disagree	7	7.0	7.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 13. Computers and the Internet

The statement, "E-banking will force everyone to own a computer and have access to he Internet in order to do

their banking, is for the purpose of determining the consumer's opinion as to the future of banking. The Mean was 2.07, with the Median at 2.00. Those who agree accounted for 90 percent of the respondents with only a few (3.0 percent) with no opinion and 7.0 percent disagreeing.

The convenience of e-banking will probably force more people to own a computer so that they can have access to the Internet to do their banking. Although it is doubtful that the computer will become a necessity similar to the television, it is believed that within the near future most people will have a computer in their home, if for nothing more than to use the Internet to communicate with others and do their banking. The majority of respondents supported this view as well.

Table 14. Regulations

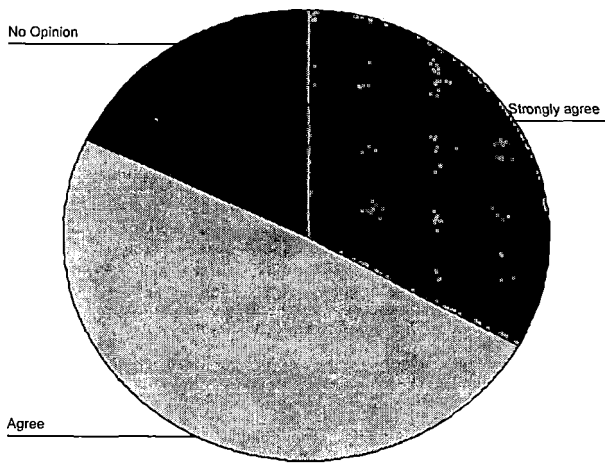
Statistics

Insufficient government regulations exist to protect the bank and customers' individual accounts

N	Valid	100
	Missing	0
Mean		1.85
Median		2.00
Std. Deviation		.70

Insufficient government regulations exist to protect the bank and customers' individual accounts

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	33	33.0	33.0	33.0
	Agree	49	49.0	49.0	82.0
	No Opinion	18	18.0	18.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 14. Regulation

The statement, "Insufficient government regulations exist to protect the bank ad customers' individual accounts," was supported. The Mean was at 1.8 with the

Median at 2.00. Those strongly agreeing included 82 percent of the respondents with 18.0 percent having no opinion.

New technology often requires government regulation. The same can be said for e-banking. Because of the importance of privacy and secrecy, laws may need to be passed that will give users of e-banking more protection. The majority of respondents agreed with this statement.

Table 15. Business and Industry

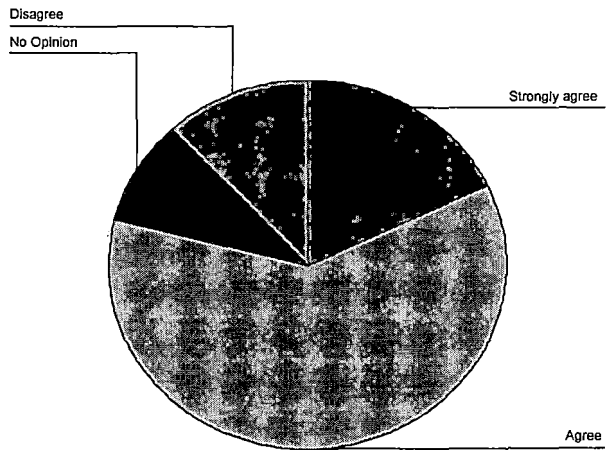
Statistics

E-banking is more for business and industry and not individuals

N	Valid	100
	Missing	0
Mean		2.15
Median		2.00
Std. Deviation		.86

E-banking is more for business and industry and not individuals

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	18	18.0	18.0	18.0
	Agree	61	61.0	61.0	79.0
	No Opinion	9	9.0	9.0	88.0
	Disagree	12	12.0	12.0	100.0
	Total	100	100.0	100.0	



Source: E-banking Survey

Figure 15. Business and Industry

The statement "E-banking is more for business and industry," was selected for the purpose of identifying the consumer's knowledge about e-banking. The Mean achieved was 2.15 with 2.00 as the Median. The respondents overwhelmingly agreed (79 percent) with only 9.0 percent having no opinion, and 12.0 percent disagreeing.

Many people hold the view that e-banking is more for business and industry rather than for individuals. The majority of respondents held this view. This supports the view that the general public needs to be educated about e-banking and informed as to its use and advantages.

CHAPTER FOUR

ANALYSIS

Market analysis builds on customer and competitor analyses to make some strategic judgments about a market and its dynamics. One of the primary objectives of a market analysis is to determine the attractiveness of the market to current and potential participants (Aaker, 2001, p. 76).

A second objective of market analysis is to understand the dynamics of the market, the need to identify emerging trends, threats, opportunities, and strategic uncertainties that guide information gathering and analysis. The market trends can include those identified with customers and their needs as well as their desires (Aaker, 2001, p. 76).

Analyzing the market is of particular importance when a new product or service is being presented. The reasons are several - first to introduce the product/service to the market, and second, determine whether or not the product/service is something that will attract a significant percentage of market to make it profitable enough to make an investment in the product/service and marketing strategy to introduce it to the market.

For these reasons, the survey conducted for this study was of importance, not only to determine if a market does in fact exist, but also to determine the degree of knowledge that the average person in the market today is aware of e-banking; their attitude relative to its feasibility; and the potential it may have in their personal lives. In other words, would the service appeal to them; would they make sufficient use of it to justify the bank's introduction of the service and the maintenance of such services; and the expansion of such services.

Most of the respondents indicate that they had some knowledge of e-banking and viewed it as a convenience. It was noted that the greatest convenience was that they could pay their bills through their bank account, meaning they no longer had to write checks for bills such as house payments, telephone, other utilities, and the like. However, there was a significant percentage that offered no opinion (12 percent), and 11 percent that disagreed.

This indicates, from a marketing perspective, that there are those who have little or no knowledge about e-banking, what it is, and its objectives. This is not unusual because we know that not everyone has a bank account, and many people never write checks but rather pay their bills in cash or money orders.

Neither does everyone have a computer or makes use of the Internet. It is in this market that marketing needs to introduce new technology and new services, more for the purpose of educating the public. Fortunately, most everyone is familiar with computers and have heard of the Internet. Most agree the computer and Internet are here to stay, but because some of these services are new, many may feel they will be more costly because of the investment of capital in the new technology by the banks.

At the same time, marketing strategies need to inform those who use computers and the Internet of new services being offered to the community. This is indicated by the fact that many of the respondents had little or no knowledge of e-banking. This is an indication that more information is needed regarding fees being charged for e-banking services. It is the responsibility of marketing to encourage people to use e-banking, and to inform potential customers that the fees are in fact reasonable.

As technology is taking over many of our daily activities such as purchasing items on the Internet, using an ATM card to purchase gas and other items, paying bills electronically, and the like, we have less interaction with people. Many people feel that they need to talk to a person rather than communicate via a computer, the

Internet, or even e-mail. For this reason, there are those who would not want to use the service of e-banking because they prefer dealing face-to-face with a human rather than with a machine, even a telephone. Respondents indicate that banking problems cannot be quickly resolved using the computer and the Internet which means they want to meet with a person face-to-face to solve their banking problems.

A significant percentage of respondents (27 percent) prefer communicating with humans rather than using technology. However, there was sufficient responses to the idea that communicating via technology rather than through humans presents no serious problems. It is believed that in time people will become more comfortable communicating with machines rather than humans and such will become more acceptable as it will become common. This is somewhat indicated in the seventh question which states there are some reasons for a customer to prefer going to a bank and standing in line to be served mainly because of the face-to-face contact with banking personnel. This totaled 83 percent which tells us that many people do not see the need to go to the bank as they can have their needs met electronically.

At the same time, 87 percent of the respondents agree that e-banking services need to be improved before more people will use it. This may be based on personal experience, or it could be based on assumptions. However, most would agree that all types of services in every service company can be improved. Therefore, it may not be the e-banking services that need to be improved, but perhaps banking services in general, meaning they need to be more responsive to their customers.

The majority of respondents indicate that it is easier to transfer money from one country to another using e-banking. This indicates that most people are aware of the capability of banks to transfer money by wire. Only a small percentage (5 percent) indicates "no opinion."

Looking to the future, because of the past history of technology and how it has intervened in our lives today, most of the respondents indicate that banking transactions in the future will be done through e-banking, which tells us that they recognize the changes taking place with the use of technology. This does not mean they support it, but rather they see technology as playing a larger and larger role in our lives in the future.

One of the main reasons many people want to conduct their banking business via the Internet is because there

have been a number of reports on the news regarding fraudulent activities relative to credit cards and those who illegally take on the identity of others. This has caused many people great inconvenience when they have to spend weeks, sometimes months, to have their accounts straightened out and the fraudulent charges erased from their accounts as well as from their credit report. It may be due to these reports that many respondents to the survey agree there is insufficient government regulations to protect bank accounts and credit cards.

Raysman and Brown (1997) admitted that the development of e-banking has raised both technical and regulatory concerns. At the same time, financial institutions have been hesitant to implement new systems until uniform industry and regulatory standards are in place. Online transactions also create certain security risks and an increased potential for fraud. A host of legal issues also were created. Moving from a cash, check, or charge economy to a world of Internet transactions will require bankers to address issues of security, authentication, consumer protection and privacy.

Further, the responses of the survey support the need for marketing to educate the general public about the benefits of e-banking as most people view it as being used

primarily by business and industry, rather than by individuals.

It is clear that for e-banking to be successful, marketing is vital not only for the purpose of gaining a larger share of the market, but also to educate the public on how they can use the service, what the service does, how much it costs, and to show what the service can do for them. This is important as banks will not be able to continue to provide such services even though they have invested in the technology unless they find ways to make the service at least pay for itself, and become profitable within a sort amount of time.

The results of the survey conducted for this study support the findings of other reporters. Osterland (2002), for example, states that e-banking has not been as successful as many believed it would be. Despite the potential cost savings and efficiencies of online billing and payment, old habits apparently die hard. Last year, he states, American consumer paid just one percent of their bills online. The IT consulting firm of Celent Communications reported that of the nine billion business to business payments remitted last year, 82 percent were made the old fashioned way, payment by paper check. Why - it is believed that people are reluctant to send private

financial information into cyberspace. Analysts expect it could be years before they feel differently. Furthermore, while some companies have had success with Web-billing, most have yet to present a compelling reason for people to manage their bills online.

From the perspective of Osterland's article, it appears the banks have given more attention and pursued more marketing effort toward business and industry, believing this is the more lucrative market compared to individuals. Lack of enthusiasm on the business side was hard to understand as well. Gartner, an analyst of Avivah Litan, found that a company could save $7.15 per invoice by presenting it over the Internet rather than in paper format. With the average large company issuing 792,000 invoices per year, the savings could exceed $5 million annually. And, with an average investment of less than $500,000 needed to get an electronic bill presentment and payment, usually dubbed EBPP for consumers, or EIPP for invoice for business, many have not taken advantage of the service (Osterland, 2002). Some feel that one reason is the status of the economy and lower corporate profits, but using these services could significantly reduce overall expenses.

Companies who have used EIPP have benefited from the service. Blistex turned over its invoicing process to the LaSalle Bank. It allows the bank to determine which customers receive paper invoices and which can be handled by electronic transmissions. However, many do not see sufficient advantages that e-banking offers to make changes in their accounting system. The first thought is the lack of marketing strategies.

Rubin (2001) supports these findings. He states that every year in the United States, more than 26 billion bills are generated, processed, and paid. The cost and complexity of producing, mailing and tracking the bills, not to mention arguing over them, has made some sort of Internet solution seem inevitable, yet Internet billing, presentation, and payment (IBPP) has been slow to take hold. There are dozens of companies hawking products and services, but to date, less than one percent of that aforementioned billing activity has taken place over the web.

Rubin (2001) noted that one of the problems has been that the needs of the payers rather than billers should be taken into consideration. This is because many people will ignore using e-banking because they feel they have lost control over their finances. Rubin indicated that banks

must give more flexibility to payers and allow them to feel they have some control over their accounts. This may be one area which has not been communicated sufficiently to the potential customer. Rubin said, "Much of the market has ignored this, but you have to give payers flexibility and control. That is a key driver" (30).

In the next chapter, marketing strategies are reviewed, with the objective of increasing the use of e-banking and informing potential customers as to what it is, how it is used, and the advantages and disadvantages of its use.

CHAPTER FIVE

BANKING STRATEGIES

Major cash management banks are jockeying for position in the new economy by developing online marketplaces. They are offering everything from computers to paper clips, present Web sites for online sales or to settle up for purchases made on vertical electronic marketplaces. The old paradigm centered on a two-way relationship between the bank, the corporation, and the company's trading partners, racing from the beginning to the end of the business process (Gamble, 2000).

The most popular bank-sponsored online purchasing model seems to be one in which banks line up with an assortment of suppliers. The suppliers put their catalog on the bank's site. Their products are sold at a discount that has been negotiated with the bank. The bank invites customers via e-mail to get the discount, and enjoy the convenience of the e-procurement. As an example, Chase Manhattan Bank, New York, partnered with Mention Inc., an e-procurement provider in which it now holds a one-quarter equity stake to roll out a business-to-business e-procurement service called "bPuchase." The site will be a place where midsize and small businesses can buy

nonproduction goods at a discount from 30 to 50 percent. The buyer needs only a browser and an Internet connection (Gamble, 2000).

The Wells Fargo Bank announced it was preparing to introduce its version of the bank-hosted e-mail. Using RightWorks software, large and middle market corporate buyers will be able to use the Wells Commercial Electronic Office to buy non-production goods and services at a discount through a Wells Fargo Web suite. The bank is currently using the site for its own procurement (Gamble, 2000).

Other banks arriving on the scene include Bank of America and the Wachovia Bank. Some banks have taken a "wait and see" attitude, probably waiting to see how these major banks are faring before they implement the strategy. However, because many electronic marketplaces lack the ability to settle transactions online, banks may be forced to step in and provide the missing link as part of their e-commerce strategy (Gamble, 2000).

Banks are taking different approaches to e-banking. The Citigroup, for example, is looking for partners that have the strongest technology or services or customer base where they can work together to provide the solutions to the different market needs. Citigroup's "tag-team" entry

into online trading includes partners for enterprise resource planning systems, and Commerce One (for e-procurement and networking software). The bank plans to offer global services that will include all major payment vehicles as well as foreign exchange. Citigroup has contracted with software provider Bottomline Technologies of Portsmouth, New Hampshire, to provide Web-based electronic bill presentment and payment services to large corporate clients. Chase's Fattell states:

> There's no question that the large banks now are getting into e-commerce, either by partnering with Internet companies or aligning themselves with traditional competitors. (Gamble, 2000, p. 62)

Competition is bringing banks together in organizations such as Identrus, which now has more than 20 member banks providing business-to-business identify verification for large corporations as it allows them to achieve scale instantly without having to wait to build the technology (Gamble, 2000).

The ICICI Bank is the first bank to offer m-comm services. The bank launched a mobile banking and m-commerce services to its customers using Wireless Application Protocol (WAP) technology. Customers can get online balance updates, put in request for checkbooks, and obtain details of the last transactions. The WAP solution

enables the bank credit card customer to check his outstanding balance, payment status, cash/credit limits and transaction details. The bank also devised a WAP-based personal financial services which tracking of utility bills, travel, ticketing information, and soon will launch payment services for utilities. The bank allows secure online access of the web using mobile handsets. As opposed to short messaging service, the only other mobile banking service available so far entails instructions sent through e-mail, which results in a time lag between the instruction and execution (ICICI Bank, 2001).

Mergers and Acquisitions

In the past, large and small banks with many different names were located in about every city. Today, banks, even those with very familiar names, are merging in order to serve a larger market, reduce costs, and take advantage of the growing importance of financial services in the world. The Credit Suisse First Boston (CSFB) bank last year announced that it would buy DLJ for $11.5 billion. Chase said it would pay $36 billion to buy Morgan. These are just two of the many notable banking and financial services mergers that were announced in the year 2000. Part of the mix are UBS AG's $12.2 billion

acquisition of Paine Webber Group, Inc., Citigroup Inc.'s $31 billion purchase of Associates First Capital Corporation (Barr, 2000).

The mergers and acquisitions are more attractive today because of the technology that enables them to work together. This also gives the banks more resources and stability. As a result, there are fewer banks around today than in the past. This often makes it inconvenient for customers to travel to their location. E-banking becomes more attractive. This is important as during these mergers, banks lose contact with their customers. Employees also worry about their future. There is also a lot of confusion during the merger process, which has a negative effect on operations, those who work there, and customers. Fortunately, since they have gotten a few mergers under their belts, they realize the importance of clear communication with customers and of speeding up the integration process (Wah, 1999, 45). This could also motivate them to become more involved with e-banking and offering services that others do not have, making them more competitive.

Banking Ideas

The INSIDE 1 to 1 organization recently asked readers of its newsletter to send their best ideas as to how the 1 to 1 Internet Bank should function. About 250 entries were submitted by readers from the United States, Russia, Australia, South Africa, and Chile who sent hundreds of suggestions for customer service improvements that would help build loyalty. The top ten best ideas were published in the newsletter and are shown below. It is believed some of these ideas could be used in marketing strategies.

1. Hold online chat conference call seminars with financial experts to help customers analyze their personal financial situations. Provide Web links to allied stockbrokers, insurance agents, and accountants.
2. Use real time e-mails or pager alerts to notify customers when they are in danger of bouncing a check or when their account balance is dangerously low. Alert customers when selected deposits and registrations become valid, and when contributions or records would be reviewed for tax or other planning purposes.

3. Give customers the option - via e-mail - of paying bills now or later and from which account.
4. Offer clients a personal computer, or maybe just a "smart phone," possibly with free Internet access, allowing them to download electronic cash onto a "Smart Card," essentially giving them a personal ATM in the home (similar service is being offered in the Netherlands).
5. Offer VIP customers a palm held computer that gives them access to real time banking information anywhere on the planet.
6. Sponsor an online banking school that teaches children how to conduct transactions, such as balancing a checkbook.
7. Provide free, private, extranet sites in exchange for setting up an account. The sites would feature pages to manage mortgages, auto, health, and home insurance, and educational loans and savings plans.
8. Put the entire loan process, whether for a new car or house, online. Offer an online payment calculator and provide hyperlinks to real estate agents, home or auto insurers and movers. Notify

online billers of a new home address. In other words, approach the customer with an integrated solution to his or her relocation problem, not just with a collection of products suitable for relocating customers.

9. Post IRS tax forms online. Inform customers of new and revised tax laws specific to their needs. To the extent possible, complete tax forms automatically, using information carried within the customer's bank account records.
10. Give customers an online personal finance program that would tract their transactions according to purpose, category or tax deductibility. It should allow them to prepare summaries of their assets and liabilities and by comparing their financial ratios and assets to other customers, it could give them a certain amount of automated advice about their personal financial situation (Top 10 Internet banking Best Ideas, 2002).

Many banks offer online banking features such as reviewing account balances and making payments and transfer money. Beyond these "standard" features it is believed banks could offer more which would not only

encourage people to use e-banking, it would also give the bank an advantage in the industry by providing more "personal" financial assistance that most people need today.

Marketing Strategy

Customer Service

Although the majority of Americans are familiar with banking, and to some degree use bank services, the majority have a checking account. Some people may have a savings account even though banks traditionally offer such low interest rates compared to other financial institutions. People with money to invest will seek other resources, those offering a higher return, and at the same time offer stability and growth. Writing checks to pay bills and make purchases is the primary service that people associate with banks. However, most customers have what is often referred to as "unmet" needs because most people have very little knowledge relative to finances, taxes, investment, insurance, and the like.

Aaker (2001) states:

> Unmet needs are strategically important because they represent opportunities for firms to increase their market share, break into a market, or create new markets. (p. 52)

Meaningful customer service is perhaps the best marketing tool that any bank can use not only to attract new customers, but also to develop greater loyalty between the bank and existing customers. It is important from another perspective as well because many people look at a bank as an organization that offers limited and specific services. By providing more services customers will be able to have their unmet needs taken care of. In addition, they will greatly benefit from having greater control over their finances, as well as having assistance managing their finances most people need today. At the same time, banks will provide people with more financial support that will, over time, make them and their services indispensable to every bank customer.

Newsletters about the bank's activities and new services should be issued on a monthly basis and enclosed in every customer's bank statements, and they should be available as a handout for those who visit the bank. Extensive information should be included particularly focusing on the benefits of e-banking and details that will educate customers as to new services, and how the bank can be of more service to them.

Marketing Program

As indicated above, banks offering e-banking services need to inform the public about the services being offered, and they need to educate the public regarding these services and how they can be used. Most people today use credit cards when buying things and use them freely. As a result, the credit card has become a very important instrument in e-banking. Debit cards have also been issued by banks. These cards are directly tied to a customer's personal account, in contrast to an amount being charged to one's credit card for payment at a later date.

The marketing program must encourage customers to increase their use of these cards, and services need to be introduced to potential customers. This is based on the view that if a potential customer is made aware of certain services being offered by the bank customer will be interested mainly because such service could fill a certain need. As Aaker (2001) points out, the marketing program should introduce services to consumer showing them how easy it is to use a service, and what benefits such service should bring to them, to meet their needs. In this society, the main advantage that most people want is to find ways to reduce the time it takes to do something or have something done.

The marketing program should be designed for a particular area geographic with the test market being a large city in which one well known bank has a number of branches to serve the city. In Los Angeles, for example, the Bank of America and other major banks have branches throughout the city.

Setting forth a budget for a marketing program is not a simple task. Advertising in newspapers, magazines, special promotions, use of radio and television can demand thousands of dollars (sometimes millions). E-banking is also a "specialized" product/service, and it should not be marketed to the public in general, but rather the market should be segmented and the program designed to attract that segment.

For banking we usually think that customers are mainly adults of all ages. At the same time, there are those within this group who have greater unmet needs than others. These are primarily young adults, those currently employed, perhaps newly married, buying a home, starting a family, and the like, where handling finances is very important, but where most have very little experience.

Banks providing electronic services need to develop an advertising plan that will reach the young adult segment of the market as it is this target that will most

likely be interested in e-banking and the most likely to need to open bank accounts. For this plan, the most effective promotion would be promoting the services to this target market on the television, selecting programs that are particularly designed for young adults. The time segment should be at least one minute during evening hours when they would most likely be watching television. National broadcasting channels should be used as not everyone has cable or satellites.

Because it takes time to "educate" people relative to technology and the changes that it is bringing to us, the advertising should run for six months with different aspects of e-banking services to be shown every two to three weeks.

It is recommended that budgets for banks in preparing a marketing strategy be generous. This includes preparing the advertising segments and at the same time, creating web sites that will allow potential customers to obtain more information on the Internet relative to e-banking.

The marketing program should be closely monitored to determine the impact of the advertising on the public, and whether or not a sufficient return on investment is being received by increasing the number of customers.

In addition, because e-banking is a concept that many are not familiar with, consideration must also be given to running ads in magazines such as *Business Week, Fortune Magazine, Forbes, and Time*. This is because the bank needs to "inform," and "educate" potential consumers on the way e-banking works and the advantages it offers.

It is important that all marketing strategies be monitored so that strategies can be revised if a sufficient return is not being received, and new ideas presented if the current data are not attracting new clients. The real concern is making sure that costs do not exceed benefits, and if they do, then new strategies, less costly designs, and the like, will need to be considered.

CHAPTER SIX

CONCLUSIONS

The banking industry is the foundation of the United State's economy. Without the services provided by banks, capitalism would not be able to function. Most every person at some time opens a bank account for checking and savings accounts. We live in a world that runs on money. Financial transactions are vital to the economy as a whole.

The introduction of the computer and the Internet have changed many things in our lives, including banking. Although not everyone owns a computer today, the majority of people are aware of the technology and the majority has some ability to use it. As time passes, it is believed that computers and the Internet will be found in homes as commonly as televisions are today. It is for this reason that more people will be using e-banking.

The importance of banking is evident in our commercial world. The banking system is vital to capitalism as one cannot exist without the other. Just as computers have changed our way of life and the way we work, so are they changing the way in which banking is conducted. The Internet has completely changed the concept

of banking and has made it more accessible to consumers as well as playing a larger role in the marketplace. As a result, the entire banking and financial industries have changed. The industries have been reinvented, not only to reach more consumers, but also to benefit from the technology.

It is fair to say that e-banking is in a developing state as many issues and problems have yet to be worked out. It is also new to many consumers as, unlike the television, computers do not exist in every home. However, it is likely that every day an increasing number of people buy their first computer recognizing that they too want to be part of this new world of communication.

E-banking does have its limitations. First, money physically cannot be transported online, so there continues to be a need for traditional banking for making monetary deposits. However, deposits can and are made directly into a person's account if such arrangements are made. There is also concern that the bank is limited in its ability to control the process sufficiently so that the information was kept private and hackers would be prevented from entering the account. Many have also had bad experiences with credit cards and the stealing of one's personal identity.

Smith (1999) states that online banking faces many hurdles. The main problem is that the cost-savings for consumers to bank online is far less than the savings investors get from trading stocks online. Saving for the customer is only a few dollars on stamps, envelopes, and checks, a far less compelling reason to go online than saving hundreds of dollars on a stock trade.

For e-banking to have a successful future, however, banks providing financial services need to develop marketing strategies that offer these services and which will built the public's confidence in e-banking as a replacement for the traditional banks. Ways must be found to make the service profitable without setting fees so high that customers will be reluctant to use more services. It is believed that e-banking has a great future if sufficient marketing efforts are made to convince the public there is little danger their personal information will be compromised.

E-banking can only be successful if meaningful marketing efforts are used to inform and educate customers and potential customers as to its advantages and to influence customers to allow the bank to meet many of their unmet financial needs.

APPENDIX

QUESTIONNAIRE

QUESTIONNAIRE

The introduction of the computer and the Internet has changed our lives forever. One of the most important changes is in the way we do our banking. The purpose of this study is to investigate the current use of electronic banking. The research study is for the purpose of meeting requirements for a master's degree at California State University, San Bernardino, California. Your assistance in providing data for the study based on your experience and opinions is greatly appreciated. The questionnaire is confidential as no names are used.

Demographics:

___ Male ___ Female

Age:

___ 18-30
___ 31-40
___ 41-50
___ + 51

Income:

___ $20,000 - $40,000
___ $41,000 - $60,000
___ $61,000 +

Education:

___ High School
___ College
___ Masters/PhD
___ Other _____

Do you have a bank account? ___ Yes ___ No

Are you familiar with e-banking? ___ Yes ___ No

Have you done banking via telephone or computer?

___ Yes ___ No

Please indicate your opinion relative to the following questions.

1. E-Banking has proven to be a great convenience.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

2. Paying person bills is easier using e-banking.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

3. E-banking via the computer and the Internet is the wave of the future.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

4. E-banking fees are reasonable.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

5. Communicating via technology rather than humans presents no serious problems

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

6. Banking problems are quickly resolved using the computer and the Internet.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

7. There are few reasons for going into a bank today and standing in line to be served.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

8. Those managing banks are very aware of the need to maintain accuracy and confidentiality with their customers.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

9. E-banking services need to be improved before many people will use it.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

10. E-banking makes it easier to transfer money from one country to another.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

11. Most banking transactions in the future will be done through e-banking as technology becomes more highly perfected.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

12. Speaking directly with a person on the telephone or in person is better than relying on e-banking.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

13. E-banking will force everyone to own a computer and have access to the Internet in order to do their banking.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

14. Insufficient government regulations exist to protect the bank and customers' individual accounts.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

15. E-banking is more for business and industry and not individuals.

Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree

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