

Analysis of SWOT on Internet Banking

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Abstract –With the development of Internet, online banking has become a development trend of Bank. It also provides more opportunity for the profits. The advantages of the online banking draw attentions from each bank. Its convenience is helpful to develop the bank markets, but also can improve the bank's financial service level. So each bank searches for more innovative financial products to pursue the market share. The SWOT analysis-based method on the internal and external environment provided the theoretical basis for online banking. The strategic analysis shows the research value and has certain practical significance.

Keywords –SWOT analysis; Internet banking; Strategic research

1. Introduction

The first internet bank in the world is the United States of "security first network Bank" (SFNB), is founded on October 18, 1995. The bank has no branches and the banking is operated through the Internet, after that the internet bank starts to be followed by national banks. Internet banking on the banking industry is very far-reaching. It's not only for existing banks to open up a new sales channel for providing its products and services, and copying the existing banking. But importantly It changes the traditional banking business model and business concepts. It promotes a new form for the bank industry and reflects the change of social system arising from the information technology revolution.

Compared with the foreign internet banking China Merchants Bank (CMB) carries out the first internet bank in China in 1997. At present CMB has online business banking, online personal banking, online payment systems, Internet security systems and full systems included the above. After that The Bank of China, The Industrial and Commercial Bank (ICBC) and China Construction Bank (CCB) follow the internet banking. The rapid development of internet banking attracts attention other banks. With the pace of the E-commerce the internet banking becomes universal. After 15 years of development, Internet users increase rapidly in China and China's growing momentum in the online banking user is rendered. The data from 2010-2011 China online banking annual monitoring report through the IResearch indicates that China online banking transaction size reaches 549.5 trillion yuan and increases of 49% in 2010. In particular the online personal banking is the fastest developed part, has a sustained growth trend.

The internet banking challenges the traditional banking. It takes advantages in the cost and convenience

compared with the traditional banking. If the bank services the users through internet, it will occupy the market share rapidly. This model on internet draws the attention of the bank. The main cause is that it has two main advantages. One is that can open a new channel for the sales of the bank products. The other is that it serves the clients friendly. Meanwhile, the entrance of the foreign internet banks gets attentions of the domestic bank. After the mature development the foreign internet banking it has shaped a perfect system. It consistently innovates in the technology and bank products, and impacts the extension of the domestic internet bank. So the study for the strategic ways shows the importance of the competition between the internet banks. On the background through the SWOT analysis it will find the manners to compete other internet banks and promotes the services on the internet banking.

2. SWOT Analysis on Internet Banking

SWOT analysis is a way for knowing the enterprise strategy. It analyses the inner and fixed conditions of the enterprise. The destination is to find the core competitive power. Among the analysis S is for Strength, W is for Weakness, O is for Opportunity and T is for Threat. Internet bank is also an enterprise for pursuing the profits. Its counterparts are financial institutions, for example the banks, including the non-financial institutions which provide the internet banking. At the same time the foreign internet banks enter China. Considering the geographical scope they decide to use the internet banking for the competence. As a result the internet banking becomes more critically. The banks have better find the effective ways. Through SWOT analysis we can know the strength and weakness in the inner conditions. Furthermore we can find the opportunity and threat. So long as the

internet banking sees the core power it will grasp the global situations and gain the success.

2.1. Strength Analysis

Internet banking can trade between banks and not consider limits about the time and domain in contrast of the traditional banking. Internet banking supports many bank functions including account inquiries, transfers and automatic payment. It provides the comprehensive and diverse services. In addition, it reduces the cost of the banks and clients. This high-technology achieves a win-win situation. Internet banking shares the information between banks and clients. Bank management becomes more scientific and modern.

2.1.1. Competitive advantage for economies of scale

With the rapid development of the Internet and e-commerce, Internet bank's competitive advantage is increasingly prominent, in particular the economies of scale. Internet banking has been popular in China. More Internet users are willing to adopt online banking. Banks also break the geographical restrictions and can provide banking services at the global level to facilitate customer needs. Through Bank operations, such as the expansion of the number of personnel to reduce unit costs, banks can achieve economies of scale. The emergence of Internet Banking can support more competitive advantages of economies of scale. First of all, compared with the traditional bank branches, expansion of Internet banking would contribute to lower bank costs. Banks do not have to use land resources. And this model can decrease the number of staffs, save costs on management, reduce its business risks. Secondly, in the case that computer technology development matures, Internet banking consolidates a complex business and reduces transaction costs for both parties. More front desk business can also be placed in the background operation. Efficient data handling programs and speedy online service features not only speed up the efficiency of bank operations, but reduce costs and achieve economies of scale.

2.1.2. Rich customer resources

Internet banking in China is not a pure Internet banks on the whole. It's based on traditional bank. Some clients come from customers who are from the original extension of traditional bank. So it's convenient for banks to select the high quality clients. In addition to this audit and management for the clients will also be more convenient. At the same time, internet banking has little barriers to entry for smaller banks. The internet promotes the exchange between banks and their clients easily. It will be much easier to find and develop potential clients. It will be an advantage for internet banking. According to China 2011Q3 internet banking markets quarterly monitoring report (iResearch) the market turnover of China internet banking was 212.2 trillion yuan in the third quarter, the sequential rate increased by 6%, year-

on-year growth rate grow by 43.7% (2011). Internet banking has more than 400 million registered users in the third quarter, up by 42.3%. Above data shows that China's banks have abundant clients' resources. So it provides greater benefits for the development of Internet banking.

2.2 Weakness Analysis

2.2.1 Compound talent shortage

Under the background of rapid development in the era of the Internet, enterprises tend to achieve efficient management through the Internet. So the introduction of talents for enterprises is critical. The operation of Internet banking can't lose the personnel management. In terms of talent, internet banking has access to improve from the availability of talent perspective. Different from the traditional banks, internet banks need talents who are familiar with both banking business and a good network. At present the banks lack those compound talents. Many of them have just a little knowledge about the internet, although they may be proficient to the bank business. Meanwhile, referred to the recruitment of bank staff, there is no expansion to the conditions of profession.

2.2.2. Poor CRM

CRM is referred to the Customer Relationship Management. It's based on information technologies as a means of customer information for the collection, analysis and data processing, smart system to provide customers with a comprehensive service. At the mentioned of CRM in China, "customer-centric" management is still lacking. The business philosophy of Internet banking remains in product-centered, rather than customer-centric. The promotional idea is more embedded in product features, but does not emphasize the customer's individual needs. Besides internet banking lacks the CRM software development capabilities. And the domestic software manufacturers have a hard step to provide banks with a easy understanding CRM software, which leads to inefficiency in Internet banking for data management and influence the further development of Internet banking.

2.2.3. Lack of security

Stand on the customer perspective, the issue of security is one of the important factors that affect customers using internet banking. And from the bank's point of view, Internet banks also need to assume parts of the risk. Those sectors will affect the use of the internet banking. Some banks have adopted many ways to increase the security (see Table 1). It is showed there are some questions, especially security, to be solved. Theft of account information such as virus attacks and criminal activities, failed to reassure customers that use internet banking. Inadequate prevention in security technologies has also affected usage of internet banking.

Table 1. Safety evaluation of strengths and weaknesses on internet banking

Bank	Advantages	Disadvantages
ICBC	High frequency password card using; SMS certification; humane security details; secure official website; more branches; timely operation.	Troubled initial U-key using; relatively expensive fees.
CBC	Simple operation; more secondary safety; secure official column.	Less dynamic password card; high requirement for OS on computer.
ABC	Many kinds of the U-key; free antivirus software on website.	Shortage about the introduction; fussy handle on the counter based on internet banking

2.3. Opportunity Analysis

2.3.1. Loan solution for small and medium enterprises

The problem about SMEs loan has been attracting attentions. The loan crisis in Wenzhou that has happened in 2011 gets a greater response. By May 2012 the Wenzhou Office sample survey data show that Wenzhou private lending scale in August last year shrank around 30%. This phenomenon is even more detrimental to the development of SMEs. If SMEs cannot raise more money, it will impede business expansion and economic promotion. On this circumstance internet banking could seize this opportunity to loan to SMEs. On one hand, bank supports the expansion of SMEs. On the other hand internet banking reaches a higher level.

2.3.2. Increased demand for financial products

In the wake of the domestic economy there is growing interest to pursue more wealth for people. So demand for banking financial products also shows unprecedented levels of efficiency (see Table 2). Internet banking needs provide adequate service for customers. Customers can choose any product according to their financial needs in line with their own conditions. If the customer is a risk-averse, he can choose financial products such as bonds. But if the customer is a risk preference, he can select high-risk, high-reward financial products such as stocks. Opening this financing channel on the internet, bank can narrow the distance of the customer and the bank. It is a favorable choice to communicate between banks and their customers. Internet banking will provide better services.

Table 2: Comparison for service functions between banks

Banks	Financial products	Stock	Fund	Bond	Insurance
ICBC	√	√	√	√	√
CBC	√	√	√	√	√
CCB	√	√	√	√	√
ABC	√	√	√	√	×
BC	√	√	×	√	×

2.4. Threat Analysis

2.4.1. Law is relatively not sufficient

Internet banking involves a lot of legal issues. Its rapid development also calls for legal updates timely. In the practical application of internet banking in China still lack of supporting laws. The relative law is not complete. Compared with process of internet banking such a law is lagging behind and it will affect the expansion of Internet banking. On the process of using online payment if customer financial losses occurs who will compensate for damages. But the law has not rule the undertaker. In practice due to the information asymmetry prone to leaks and customer information, this state will affect the customer's normal life. While the law does not think measures relating to governance. The access to internet banking in China is through system of examination and approval. There is lack of follow-up supervision, still not a complete supervision system.

2.4.2. Foreign banks hit

With the development of economic globalization, more foreign banks will be focusing on other countries across geographical restrictions and providing global finance services to people. Foreign banks' access to domestic financial markets has inevitable threats to domestic banks, especially in the terms of internet banking. Firstly, on the technical level foreign banks have a more robust operating system and a full range of security features. Although risks remain, but foreign banks in addressing network risks are more complete. Secondly, at the management level, foreign banks aim to the cultivation of compound talents with its generous remuneration and more display space to attract more financial professionals. Thus they have created a brain drain of internet banking in China and threaten domestic internet banking talent. Finally, at the service level, foreign banks are focusing on product innovation based on Internet banking according to the customer's needs. They can provide more attractive products and

personalized services, adding to threats to internet banking in China.

3. Strategic Research

Internet banking for more in-depth SWOT analysis in the development of internal and external environments provides theoretical basis for strategic analysis of internet banking in China. But how to better take advantage of the features of the Internet banking and more effectively promote the stability of financial markets is especially important.

Internet banking should find the advantages to service, identify the core competency. Bank could guarantee the full use of the advantages of internet banks to seize the internet banking market. Internet banking had better actively accelerate process from traditional banking. The preponderance of internet banking, such as low-cost, should be used fully. Economies of scale can extend the competitive advantage of internet banking. And bank can maximize the economies of scale. Lastly banks should make full use of client resources, ensuring customers in close communication with the bank.

Towards the weakness the bank should not deal negatively. Since the weakness may affect the internet banking in short-term. Bank should conquer the weakness. In terms of the talents internet banking can focus on the cultivation of compound talents to ensure sound human and make them be reserves of bank. In aspect of CRM Internet banking should be aiming to customer-centric. Then bank presents clear business objectives combined with customers and provide more products close to customer service. For security issues, bank should provide more security products, improve technical capacity. Bank has the positive attitude to solve the weakness.

Opportunity analysis also adds to the profits of internet banking. Internet banking needs rapidly discover opportunities to develop products and services. It should provide the chance for Internet banking innovations. Internet banking should analyze our domestic economic environment and have a comprehensive analysis of the economic situation. Owing to the large consumption internet banking could combine the bank products with the needs of the consumptions. Only when it provides the best services the bank can obtain more profits. For example internet banking could support SMEs with capital under the shortage circumstance. Another way is that bank prefers to study the resources of the clients.

Threat analysis can let internet banking recognizes that it has not only an adverse condition, but making the competition for internet banking clearly. Existence of such a threat can increase the crisis sense of Internet banking in China. It will require domestic Internet banking innovations, make up for the deficiencies compared to foreign banks, and improve the competitiveness of Internet banking. Thus above measures can accelerate development of Internet banking in China.

4. Conclusions

In general Internet banking is a highly efficient development model. It has become the inevitable trend of the future development of banks in China. On the circumstance of a high and increasing competence banks have to be faced, how to develop in competition and occupies a dominant position must be considered. China's big four State-owned commercial banks, as well as small and medium joint-stock commercial banks, have been increasing importance to online banking. Internet banking not only extends the bank's business model, but combined with the rich features of online banking financial services for China's financial market. Consequently internet banking promotes the stability of financial markets in China.

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