

**1. Advise Management on a methodical approach to developing a business strategy for the firm and the areas, which the strategy plan should address.**

**Introduction**

In modern business, operating in a limited market, one company's success is nearly always at the expense of another's. Therefore, a proactive strategic approach to planning is required for any venture. When launching any project it is essential to monitor, evaluate and disseminate information from external and internal environments.

There are many methodical approaches to developing a business strategy, for example S.W.O.T. (Strengths Weaknesses Opportunities Threats) Analysis and S.A.T.S. (A Systematic Approach to Strategy) analysis. For the purpose of this analysis I will be focusing on S.W.O.T. analysis.

**S.W.O.T. Analysis**

S.W.O.T. Analysis is one of the most common strategic planning methodologies. It stands for Strengths Weaknesses Opportunities Threats. The external environment consists of opportunities and threats that are outside the organisation; these are related to the internal strengths and weaknesses of the organisation.

***Strengths***

Every organisation has some strength. In some cases this is obvious, for example, dominant market shares. In other cases, it is a matter of perspective, for instance, a company is very small and hence has the ability to move fast. Most organisations' strengths can be derived from their assets, with staff being the most valuable asset. It is important to note that companies that are in a bad position also have strengths. Whether these strengths are adequate is an issue for analysis.

***Weaknesses***

Every organisation also has some weakness. In some cases, this is obvious; say for example, a software company with only one operational platform. In other cases, it is a matter of perspective, for example, a company has 99% market share and is open to attack from every new player, like Eircom after the telecom de-regulation in Ireland. It is important to note that companies that are extremely competent in what they do, also have weaknesses. How badly these weaknesses will affect the company is a matter of analysis.

***Opportunities***

All organisations have some opportunities that they can gain from. These could range from expansion into newly available markets to sales opportunities appearing in the form of a contract going to tender. Identifying hidden opportunities is the mark of an astute analyst.

***Threats***

No organisation is immune to threats. These could be internal, such as falling productivity or loss of staff. Or they could be external, such as new competitors entering the marketplace or existing competitors lowering their prices.

### ***SWOT Matrix***

Once the Strengths, Weaknesses, Opportunities and Threats of an organisation are identified, that information is inserted into a “SWOT Matrix”. The Matrix is constructed as follows:

	Strengths (S)	Weaknesses (W)
Opportunities (O)	SO Strategies Generate strategies here that use strengths to take advantage of opportunities	WO Strategies Generate strategies here that take advantage of opportunities by overcoming weaknesses
Threats (T)	ST Strategies Generate Strategies here that use strengths to avoid threats	WT Strategies Generate Strategies here that minimise weaknesses and threats

### **Applying SWOT Analysis to First Alliance Bank**

In order to apply SWOT analysis to First Alliance Bank’s potential e-banking project the Strengths and Weaknesses, Opportunities and Threats of the organisation need to first be identified. These are outlined below.

#### Strengths

- Company Name and Reputation
- Years of financial experience
- Current market position

#### Weaknesses

- Little or no online presence
- Obvious lack of foresight in creating an online presence
- No technical online experience

#### Opportunities

- Reduced operating cost
- Potential new customers not limited to current market
- Better all-round financial services available

#### Threats

- Customers demanding online services of their bank
- Other existing banks with online services
- New internet only online banks

It is quickly apparent that First Alliance Bank’s current position shows their strength in the standard and traditional banking sector and as such they have a loyal customer base. You would expect this since they are a traditional Bricks and Mortar organisation.

So, while they may have a relative superiority on one hand, this could also be seen as their weakness, because through focusing on traditional banking they have largely ignore the emergence of online banking. New banks have entered the market and

challenged customer's current assumptions about how personal banking must be conducted.

The obvious increased competition in the banking sector has led to customers expecting more from their bank. The new online banks have attempted to segment the market, because this suits them, but organisations like First Alliance Bank can span these new market segments.

With online operations the cost per transactional being minimal, First Alliance Bank can take advantage of new technology to put down current operational running expenses of the organisation. Current resources can be adjusted by placing existing and experienced staff, into call centres for supporting a new online user community.

### **Conclusion**

If First Alliance Bank want to offer the best possible online services, then they must expand the current business into online banking. This will add a whole range of new services to existing customers as well as attract new customers. This "Bricks and Clicks" approach is far more appealing than the "easy-bank.com" subsidiary, because any new service launched under the direct First Alliance Bank name gives immediate customer confidence and is almost self-marketing.

## **2. In terms of the cited benefits of e-commerce discuss how these apply to the financial services sector.**

The 10 classic benefits of e-commerce are

- 1) Product Promotion
- 2) New Sales Channel
- 3) Direct Cost savings
- 4) Reduced time to market
- 5) Improved customer service
- 6) Brand or corporate Image
- 7) Technology learning and organisational laboratory
- 8) Closer customer relationships
- 9) New product capabilities
- 10) New business models

As with all industry's some of these benefits apply more to the financial services sector while some certainly do not. Analysing each benefit in turn, we can see its application to the financial services sector.

### *Product Promotion*

In the Financial Services sector, it is first the organisation that must be promoted, before their products can be promoted. Once an organisation begins using e-commerce and the use of this new medium has been promoted, then the organisation can begin using e-commerce to directly promote its products. This can be achieved by up-selling new products to existing customers on their website or simply by e-mailing customers and potential customers with new product offers.

### *New Sales Channel*

It becomes easier to sell online, when certain customers that are interested in the products come to you and visit your website. You can see who is visiting your site and then approach these people directly as potential sales targets.

### *Direct Cost Savings*

Virtual or online transactions have a minimal cost associated with them, and are almost free once the initial infrastructure is in place. Customers are able to carry out their transactions on their own and without staff assistance. The cases where staff are required drop drastically and an immediate response is not always needed, so one staff member could be used to support customers in place of fifty, depending on usage patterns.

### *Reduced Time to market*

If an organisation in the financial services sector were to release a new product (e.g. A 100% Mortgage), it would take time and a lot of money to market and promote this new product, even before a customer avail of it. With e-commerce, as soon as the product is decided upon, its can you up on the company website and available to customers in a matter of minutes.

### *Improved Customer Service*

There are always Queue's in bank branches. E-mail is perhaps the greatest customer service tool available right now. Online request forms and automatic e-mail driven information systems give website users a sense that there is always somebody available to support them. Listing of frequently asked questions on a website also save time and increase customer confidence.

### *Brand or Corporate Image*

As organisations expand into e-commerce areas they portray themselves as being technological capable. This gives an image as companies as being more capable and this will make the companies more attractive to technical people. Technically capable people would be extremely happy to use online banking, and some may only wish to bank in this way.

### *Technology learning and organisational laboratory*

With lead-time for setting up new technology products being so short, it is possible to quickly set up new products and services online, trial them and see how they perform. If they do not perform they can be removed very quickly there after. On the other hand, if they are successful, then these products can be rolled out across the organisation, not just online. For example, free online banking accounts could be offered and depending on their uptake a similar non-online account could be created.

### *Closer Customer Relations*

Through customers interaction on web sites and over e-mail a more much detailed personal profile can be build up of the persons needs. Once someone has logged into a banking site the site could keep track of their browsing and take note of the products they look at, then a more directed marketing approach could be taken to market the banks products to the customer. For example, e-mailing the customer with Car Loan options or discounts after seeing that they have visited the car loans section of the web site.

### *New Product Capabilities*

New products and new capabilities to existing products can be achieved through e-commerce, that were not previously possible. With online trading and transaction processing, the cost per transaction is minimal, so classically expensive operations can now be made more amenable. For example, online share trading could be offered through the banks website where previously share trading required a high price trade because of the cost per transaction and if it were successful, a similar instant in-branch system could be put in place.

### *New Business Models*

Given that e-commerce opens an organisation up to an entirely new market, new business models based on high availability and location independent services can be put in place. These would include marketing banking to potential customers in remote areas and areas in which First Alliance Bank does not currently have any branches or presence.

### **3. Finally, discuss the advantages of a “Bricks and Clicks” approach to banking compared to an Internet only (“pure .com”) type banking operation.**

The “Bricks and Clicks” approach to banking is a far superior business model for online banking. There are a number of reasons behind this statement.

#### *Physical Presence*

When people are investing their money, which is basically what you are doing with a bank account, they want to have something that they can see or touch that represents that investment. Banks that have a Physical presence as well as online services clearly have this. So, in cases where a direct face to face meeting is desired by the online customer, this is possible at their nearest branch.

#### *Reputation*

When pure .com online banks enter the market (e.g. RaboDirect in Ireland), they have to carve out a name for themselves as soon as possible. The same is also true of online banking subsidiary companies.

#### *Advertising*

Existing banks that move into “Brick and Clicks” business models can do so with very little advertising. In-branch posters and information leaflets will quickly educate a huge amount of customers waiting in line for a cashier. The pure .com banks have to make themselves known through extensive and expensive advertising.

### *Availability*

While it would seem obvious that online banks have 24/7 availability, this is limited by technology. The online services are reliant on physical hardware and can have a single point of failure (but often more fail over). However, any online enterprise is susceptible to “Denial of Service” (DOS) or “Distributed Denial of Service” (DDOS) attacks, whereby websites are bombarded with fake traffic filling up their servers with load.

### *Limited Customer Base*

Pure .com banks are only really a viable banking option to a small subset of the population. These are people that are technology savvy and who are connected to the Internet. Admittedly, this is a group that is rapidly expanding, but when this is compared to the total population who require bank accounts, the difference in markets is apparent.

Everybody needs a bank account, but there is more than one type of bank account. Current accounts are the most common accounts and require instant access to their money. In this case, a “Brick and Clicks” bank, with a full range of services is a better alternative. On the other hand, there are savings accounts and deposit accounts, where instant access to money is not an issue, with some pure .com banks access to your money may not be so easy, as the online bank may not have ATM service agreements with all ATM providers, so for these type of bank accounts pure .com banks are certainly a viable alternative.

## **Resources**

Course Notes

Electronic Commerce - A Managerial Perspective (2000)

E. Turban

<http://businessmajors.about.com>

Bank of Ireland

<http://www.BankOfIreland.ie/>

<http://365online.com/>

RaboDirect

<http://www.RaboDirect.ie/>