

# **A Strategic Analysis on Internet Banking: A Malaysian Case**

**A thesis submitted to the Graduate School in partial  
fulfillment of the requirements for the degree  
Master of Science (Information Technology),  
Universiti Utara Malaysia**

**by  
Lee Hui Chi**

**© Lee Hui Chi, May 2004. All rights reserved**



**JABATAN HAL EHWAL AKADEMIK**  
**(*Department of Academic Affairs*)**  
**Universiti Utara Malaysia**

**PERAKUAN KERJA KERTAS PROJEK**  
**(*Certificate of Project Paper*)**

Saya, yang bertandatangan, memperakukan bahawa  
(*I, the undersigned, certify that*)

**LEE HUI CHI**

calon untuk Ijazah  
(*candidate for the degree of*) **MSc. (Information Technology)**

telah mengemukakan kertas projek yang bertajuk  
(*has presented his/her project paper of the following title*)

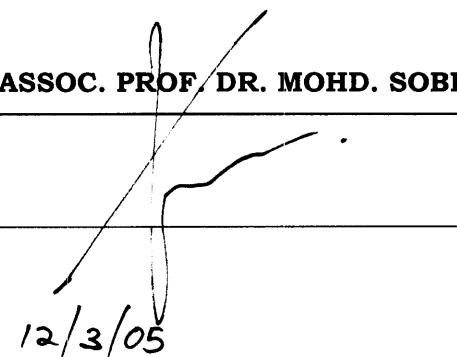
**A STRATEGIC ANALYSIS ON INTERNET BANKING:  
A MALAYSIAN CASE**

seperti yang tercatat di muka surat tajuk dan kulit kertas projek  
(*as it appears on the title page and front cover of project paper*)

bahawa kertas projek tersebut boleh diterima dari segi bentuk serta kandungan  
dan meliputi bidang ilmu dengan memuaskan.  
(*that the project paper acceptable in form and content, and that a satisfactory  
knowledge of the filed is covered by the project paper*).

Nama Penyelia Utama  
(*Name of Main Supervisor*): **ASSOC. PROF. DR. MOHD. SOBRI MINAI**

Tandatangan  
(*Signature*) :



12/3/05

Tarikh  
(*Date*) :

## **PERMISSION TO USE**

In presenting this thesis in partial fulfillment of the requirements for a post graduate degree from Universiti Utara Malaysia, I agree that the University Library may make it freely available for inspection. I further agree that permission for copying of this thesis in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or, in her absence, by the Dean of the Graduate School. It is understood that any copying or publication or use of this thesis or part thereof for financial gain shall not be allowed without written permission. It is also understood that due recognition shall be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

Requests for permission to copy or to make other use of materials in this thesis, in whole or in part, should be addressed to:

Dean of Graduate School

Universiti Utara Malaysia

06010 UUM Sintok

Kedah Darul Aman

## **ABSTRAK**

Kemajuan teknologi di dalam bidang telekomunikasi dan informasi teknologi telah memberi sumbangan yang teramat terhadap evolusi sistem distribusi perbankan di Malaysia. Sejak Bank Negara Malaysia (BNM) membenarkan bank-bank tempatan untuk memperkenalkan perbankan Internet pada 1hb. Jun, 2000, cara distribusi ini kian berkembang di Malaysia pada zaman revolusi elektronik ini. Dalam kajian ini, analisis SWOT diaplikasikan pada perbankan Internet di Malaysia untuk mengenalpastikan kelebihan dan kelemahannya berbanding dengan peluang dan ancaman luarannya. Analisis ini merupakan tahap permulaan dalam pembentukan pelan pemasaran strategik perbankan Internet kerana ia dapat mendefinisikan isu-isu utama yang perlu diatasi demi untuk menghasilkan satu pelan pemasaran strategik perbankan Internet yang efektif. Analisis sasaran pengguna serta penggabungan elemen-elemen pemasaran untuk menyokong pelan pemasaran strategik perbankan Internet di Malaysia juga dikaji dalam report ini.

## **ABSTRACT (ENGLISH)**

The vast technological advancement in the field of telecommunications and information technology had contributed significantly in the evolution of distribution channels for banking products and services in Malaysia. In recent years, since the granting of approval by the Central Bank of Malaysia for locally owned commercial banks to offer Internet banking services on June 1, 2000, this mode of delivery channel appears to be the current trend in the electronic revolution that is fast developing in the Malaysian banking sector. In this study, SWOT analysis is applied on Internet banking in Malaysia to assess its strengths and weaknesses, vis-à-vis its external opportunities and threats. This analysis forms the starting point of evolving an Internet banking marketing strategy plan as it provides the basis for defining which key issues will need to be managed in order to develop an effective Internet banking marketing plan for the future. This study also include a target market analysis, as well as the design of a marketing mix that is able to support the marketing strategy plan for Internet banking in Malaysia.

## **ACKNOWLEDGMENTS**

This Thesis will not complete unless I thanked the many wonderful people in my life. To the most heavenly Father for all the blessings He has bestowed upon me, and to my family members for their never ending support and understanding.

Special mention of thanks to my Supervisors Puan Azizah Haji Ahmad and Dr. Sobri Minai for their constant guidance, dedication and patience in ensuring the successful completion of my Thesis.

Also special thanks to the Thesis Committee for their invaluable comments and feedback.

Lastly, this Thesis is also specially dedicated to my best friend MS for his encouragement and belief in me.

## TABLE OF CONTENTS

	Page
PERMISSION TO USE	i
ABSTRAK	ii
ABSTRACT (ENGLISH)	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENTS	v
CHAPTER ONE: INTRODUCTION	1
1.1    The Context of the Study	1
1.2    Problem Statement	2
1.3    Objectives of Study	2
1.4    Methodology	3
1.5    Literature Review	4
1.6    Significance / Contributions of the Study	7
CHAPTER TWO: EVOLUTION OF THE DISTRIBUTION CHANNELS FOR BANKING PRODUCTS AND SERVICES IN MALAYSIA	8
2.1    Automated Teller Machines (ATMs)	8
2.2    Telephone Banking	9
2.3    PC-Banking	10
2.4    Internet Banking	10
2.5    Mobile Banking	11



CHAPTER FIVE: DISTINCTIVE CHARACTERISTICS OF INTERNET BANKING SERVICES MARKETING	35
5.1    Intangibility	35
5.2    Inseparability	35
5.3    Variability	36
5.4    Perishability and fluctuating demand	36
CHAPTER SIX: INTERNET BANKING MARKETING STRATEGY PLANNING PROCESS	37
CHAPTER SEVEN: MARKETING STRATEGY FOR INTERNET BANKING	40
7.1    Target Market Analysis	40
7.2    Marketing Mix Strategy For Internet Banking	46
7.2.1    Product	46
7.2.2    Promotion	48
7.2.3    Presentation	51
7.2.4    Personalization	54
CHAPTER EIGHT: CASE STUDY: MAYBANK'S INTERNET BANKING MARKETING MIX STRATEGY	57
8.1    The Maybank Group	57
8.2    Maybank's Internet Banking Marketing Mix Strategy	58
8.2.1    Product	58
8.2.2    Promotion	62
8.2.3    Presentation	63
8.2.4    Personalization	68
CHAPTER NINE: CONCLUSION	70
REFERENCES AND BIBLIOGRAPHY	71

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 The Context of the Study**

As a result of the extensive technological advancement in the field of telecommunications and information technology, the banking business in Malaysia had undergone tremendous developments, specifically in the way in which banking products and services are made available for use. From the traditional brick and mortar branches, the banking distribution channels had evolved into the electronic era with the introduction of new delivery channels for banking products and services such as the automated teller machines (ATMs), telephone banking and PC-banking (Guru *et. al.*, 2001).

With the advent of the Internet and World Wide Web (WWW), the basis of competition and business infrastructure in the banking industry was changed dramatically through the use of the Internet as a delivery channel. In recent years, since the Central Bank of Malaysia (BNM) granted its approval for locally owned commercial banks to offer Internet banking services on June 1, 2000, this mode of delivery channel appears to be the current trend in the electronic revolution that is fast developing in the Malaysian banking sector.

The contents of  
the thesis is for  
internal user  
only

## REFERENCES AND BIBLIOGRAPHY

Ajzen, I. (1985). From intentions to actions: A theory of planned behavior. *Action Control: From Cognition to Behavior*. J. Kuhl and J. Beckmann (eds), New York: Springer-Verlag, pp. 11 – 39.

Aladwani, (2001). Online banking: A field study of drivers, development challenges and expectations, *International Journal of Information Management*, vol. 21, no. 3, pp. 213 – 225.

Amor, D. (2000). The E-business (R)evolution, Prentice Hall, Upper Saddle River, NJ.

Balachandran & Guru, B.K. (2000). E-banking developments in Malaysia: Prospects and problems, *Journal of International Banking Law*, 15(10), pp. 250 – 256.

*Banking*. Retrieved December 11, 2002 from the World Wide Web: <http://www.q-go.com/model.html>

Berthon, P. (1996). Marketing communication and the World Wide Web, *Business Horizons*, vol. 39, no. 5, pp. 24 – 33.

Bézard, G. (2003). Customer Attrition In Retail Banking: The US, Canada, The UK, France. Celent Communications

Bank Negara Malaysia Minimum guidelines on the provision of Internet banking services by licensed banking institutions (2000).

Booz, Allen & Hamilton (1997). Internet banking: A global study of potential. Booz, Allen & Hamilton Inc, New York.

Chaston, I. (2001). *E-Marketing strategy*, McGraw-Hill.

Crowley, A.E. and Hoyer, W.D. (1994). An integrative framework for understanding two-sided persuasion. *Journal of Consumer Research*, March, pp. 44 – 55.

D'Angelo, J. and Little, S.K. (1998), Successful Web pages: what are they and do they exist ?. *Information Technology and Libraries*, June, pp. 71 – 81.

Davis, F. (1986). A technology acceptance model for empirically testing new end-user information systems, MIT.

Domains, C. (1999). Business on the Internet. Retrieved May 28, 2002 from the World Wide Web: <http://www.cleverdomains.com/business.htm>

Dover, P.A. (1993). Why home banking bombed in Britain. *Journal of Retail Banking*, vol. 15, no. 4, p.p. 30 – 38.

Engel, J.F., Blackwell, R.D. & Miniard, P.W. (1986). Consumer Behaviour, 5<sup>th</sup> ed., Dryden Press, Chicago.

Ghosh, S. (1998). Making business sense of the Internet. *Harvard Business Review*, March – April, pp. 126 – 135.

Gunasekaran, A. & Love, P. (1999). Current and future directions of multimedia technology in business. *International Journal of Information Management*, 19(2), 105 – 120.

Guru, B.K., Vaithilingam, S., & Prasad, R. (2001). Electronic banking in Malaysia: A note on Evolution of Services and Consumer Reactions. *Journal of Internet Banking & Commerce*. Retrieved September 9, 2003 from the World Wide Web: [http://www.arraydev.com/commerce/JIBC/0001\\_07.htm](http://www.arraydev.com/commerce/JIBC/0001_07.htm)

Hofstede, G. (1980). Culture's consequences: International differences in work-related values, Sage, Beverly Hills, CA.

Hutto, T. (2002). Essentials for success with Internet banking. Retrieved May 5, 2003 from the World Wide Web: [http://www.wib.org/wb\\_articles/internet\\_feb02/essent\\_feb02.htm](http://www.wib.org/wb_articles/internet_feb02/essent_feb02.htm)

Kimball, R. & Gregor, W. (1995). How distribution is transforming retail banking: Changes leading banks are making. *Journal of Retail Banking Services*, 17(3), pp. 1 – 9.

Kotler, P. (1997). Marketing Management: Analysis, Planning, Implementation and Control, 9<sup>th</sup> ed., Prentice Hall, Upper Saddle River, NJ.

Leow, Hock Bee (1999). New distribution channels in banking services. *Banker's Journal Malaysia*, No. 110, pp. 48 – 56.

Minges, M. & Gray, V. (2002). Multimedia Malaysia: Internet case study. Retrieved March 28, 2003 from the World Wide Web: <http://www.itu.int/ITU-D/ict/cs/malaysia/index.htmlq-go.com/model.html>

Mols, N.P. (2000). The Internet and services marketing – the case of Danish retail banking. *Internet Research: Electronic Networking Applications and Policy*, Vol. 10 No. 1, pp. 7 – 18.

Ramayah, T., Ismail, N. & Koay, P.L. (2002). An exploratory study of Internet banking in Malaysia. *Management of Innovation and Technology*, 2002, Hangzhou City, P.R. China.

Ranchhod, A. (1998). Advertising into the next Millenium. *International Journal of Advertising*, 17(4), 427-446.

Ray, M.L. (1982). Advertising and Communications Management, Prentice Hall, Saddle River, NJ.

Rogers, E.M. (1983). Diffusion of innovations, Free Press, New York, N.Y.

Rogers, E.M. and Shoemaker, F. (1971). Communications in innovation, Free Press, New York, NY.

Ruyter, K., Wetzels, M. & Kleijnen, M. (2001). Customer adoption of e-service: an experimental study. *International Journal of Service Industry Management*, Vol. 12 No. 2, pp. 184 – 207.

Sathye, M. (1999). Adoption of Internet banking by Australian consumers: an empirical investigation. *International Journal of Bank Marketing*, 17(7), pp. 324 334.

Stanton, W.J., Etzel, M.J. & Walker, B.J. (1991). *Fundamentals of Marketing*. 9<sup>th</sup> ed., McGraw-Hill.

Suganthi, Balachander, Balachandran (2001). Internet Banking Patronage: An Empirical Investigation of Malaysia. *Journal of Internet Banking & Commerce*. Retrieved May 6, 2002 from the World Wide Web: [http://www.arraydev.com/commerce/JIBC/0103\\_01.htm](http://www.arraydev.com/commerce/JIBC/0103_01.htm)

Talha, M. & Shrivastva, D. (2003). Problems and prospects of Internet marketing. *Journal of Internet Banking & Commerce*, vol. Retrieved December 26, 2003 from the World Wide Web: [http://www.arraydev.com/commerce/JIBC/0603\\_01.htm](http://www.arraydev.com/commerce/JIBC/0603_01.htm)

Tan, M. & Teo, S.H. (2000). Factors influencing the adoption of Internet banking. *Journal of the Association for Information Systems*, vol. 1, Article 5, pp. 7 - 14.

Taylor, S., & Todd, P.A. (1995). Assessing IT usage: The role of prior experiences. *MIS Quarterly*, Vol. 19 No. 3, pp. 561 – 570.

Vijayan, P. & Shanmugam, B. (2003). Service quality evaluation of Internet banking in Malaysia. *Journal of Internet Banking & Commerce*, vol. 8 no.1 Retrieved May 6, 2002 from the World Wide Web: [http://www.arraydev.com/commerce/JIBC/0603\\_01.htm](http://www.arraydev.com/commerce/JIBC/0603_01.htm)