

Web Based Marketing: Islamic Versus Conventional Banks Of Pakistan

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INTRODUCTION

(Dave Chaffey, 2005) defined e-marketing as: “*Applying Digital technologies which form online channels (Web, e-mail, databases, plus mobile/wireless & digital TV) to contribute to marketing activities aimed at achieving profitable acquisition and retention of customers (within a multi-channel buying process and customer lifecycle) through improving our customer knowledge (of their profiles, behavior, value and loyalty drivers), then delivering integrated targeted communications and online services that match their individual needs*”. Online marketing is marketing on the Internet. It is a type of e-marketing, which in turn is a type of e-commerce. Electronic commerce (E-commerce) is simply referred to buying and selling using the Internet; and people immediately think of consumer retail purchases from companies such as Amazon. However, e-commerce involves much more than electronically mediated financial transactions between organizations and customers. E-Banking may include ATMs, wire transfers, telephone banking, electronic funds transfers and debit cards. The Internet offers the potential for safe, convenient new ways to shop for financial services and conduct banking business, any day, any time. However, safe banking online involves making good choices/decisions that will help you avoid costly surprises or even scams. In Pakistan, e-Banking has started taking off in recent years. E-commerce task force has been formulated and the Banks have expanded their online branch networks. In the past 2-3 years, banks have also launched Internet Banking and the internet banking is now improving with more sophistication and services for corporate banking customers. In Pakistan initially, internet banking was launched to provide a limited number of services. But in recent years, there has been greater understanding and development towards various services being offered by banks through internet banking. Generous funds were allocated to improve e-Banking infrastructure, HR, security and applications for various components of e-Payments. Financial sector has increased the budget over 200% during the last 5 years, with total spending over US\$300/million/year. With the satisfaction of legal issues of security assurance and easy access, there is an increase in usage of internet banking. More than 50% of the total bank branches are now also available online. E-banking infrastructure in Pakistan is growing at a considerable pace and the total of online network branches are more than 2500. A recent addition in electronic transactions has been allowing clients to access their accounts to do fund transfers and remittances from any ATM (Waqas Danish, 2007). As far as Islamic banking is concerned, Islam was the basis of creation of an independent state within the undivided Indo-Pak Sub-Continent. All Constitutions of Pakistan have incorporated, within the principles of policy, the elimination of Riba as an important objective of the State policy.

YEAR WISE ENTRY OF ISLAMIC BANKS

Meezan bank is the first and the largest Islamic bank in Pakistan- that is why the authors have considered it as a basis for comparison (refer to Fig.-1). A website plays a very significant and key role in Internet banking. Websites should be able to convey all the information for both current customers and potential new customers via the Internet (Jayawardhena & Foley, 2000). If the content of the site fails to pass sufficient information, then the site is not fulfilling its objectives. A well designed website creates an interest in the firm and its offerings, and it should also offer the users opportunities to reconstruct the website in their minds so that it matches their cognitive structures (Gronroos et

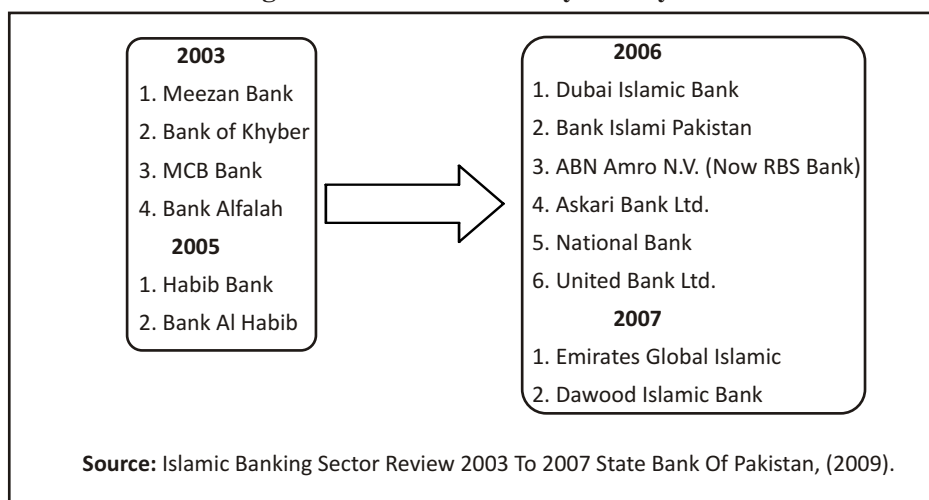
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al.,2000). Therefore, focusing on quality of service is the primary concern of Internet based e-commerce (Griffith & Krampf, 1998). The Internet, if properly utilized, can be a powerful tool to increase overall service offerings and create a higher standard in various industries (Griff & Palmer, 1999).

Figure 1 : Year Wise Entry of Players



PROBLEM STATEMENT

As far as a comparative study of web based marketing between Islamic and conventional commercial banks of Pakistan is concerned, only a little research has been done in developed economies and is not representative of developing countries. Thus, to gain deeper understanding of the issues in the Pakistani context, this research has been conducted.

OBJECTIVES OF THE RESEARCH

From the problem as discussed above, the objectives of this study is to *provide a better understanding on how web based marketing is evolving in Islamic and conventional commercial banks of Pakistan*. In order to reach this purpose, the research question is stated as below to be addressed.

RQ1: How Can The Online Banking Environment (website) To Be Described?

IMPORTANCE OF THE RESEARCH

This research study is unique in terms of organizational sector and country. The study will focus only on the customer's perspective in web based marketing rather than bank's perspective as the aim of the study is to provide a better understanding on how web based marketing is evolving in Islamic and conventional commercial banks of Pakistan.

REVIEW OF THE RELATED LITERATURE

❖THE WEB ENVIRONMENT

The web is the primary infrastructure for e-commerce. A corporation can display its identity and advertise its products and services to many people. Also, corporations can get feedback directly from customers. A website enhances the corporation's image and provides tangible benefits both to the organization and to its leadership (Sullivan, 1996). A website can also improve communications with other corporations, thus improving the efficiency of business processes by increasing direct sales and reducing costs (Zona Research Inc., 2000). In addition to stating what the website offers, the information should be clearly and logically organized (Foremski, 2000). If customers have to take time to find the information they are looking for, they are unlikely to stay on the website. In some cases, user instructions are needed before the customer can navigate through the website.

❖ORGANIZATION OF A WEBSITE

The various factors examined, that can contribute to delivering good service quality through a website have been

grouped into four categories (Cox & Dale, 2001) and are stated below:

1. Ease of use; 2. Customer's confidence; 3. On-line resources; 4. Relationship services.

A website is unique in its hypermedia attributes (Jayawardhena & Foley, 2000). Hypermedia integrates multimedia content with hypertext connection. Jayawardhena & Foley, 2000 suggested the features of Internet banking websites, such as:

1. Speed; 2. Content; 3. Design; 4. Interactivity; 5. Navigation; and 6. Security.

❖ WEBSITE DESIGN STRATEGIES

There are two generic web site design strategies:

1. Informational strategy and ; 2. Online transactional strategy.

❖ INFORMATIONAL STRATEGY

According to this strategy, we can get only an electronic catalogue of products for sale. It means through static web page, we want to communicate information to our customers and online purchasing facility is not available.

❖ ON-LINE TRANSACTIONAL STRATEGY

This strategy always provides an electronic catalogue of products for sale. So customers can easily browse through the catalogue and buy products online.

❖ THEORETICAL FRAMEWORK

The purpose of the conceptualization is to narrate, the main things that are going to be studied (Miles & Huberman, 1994,) in order to collect data and answer the research question, a theoretical framework of the research question, via the literature just reviewed is provided below.

RQ1: How Can The Online Banking Environment (Website) Be Described?

In the previous section, we have studied the online environment (website), including the design, models, development and strategies. We found that there were quite many items that overlapped. In order to find out how web site designs in Internet banking should be, researchers think that model of Jayawardhena & Foley, 2000 is the suitable one as it is specifically related to the internet banking industry.

❖ **Speed To Download** : Simple graphics; Animation and/or multimedia plug-in.

❖ **Content And Design** : Product information content; Amount of product information; Product information format; Language alternatives; Layout features.

❖ **Interactivity** : Technical banking facilities; Loan calculators; exchange rate converters; mortgage calculator etc.

❖ **Navigation** : Homepage hyperlinks; Links; Consistent navigation; Search engine in the site; Site maps/guides.

❖ **Security**: Encryption; Purchase /operation confirmation; Automatically log off.

RESEARCH METHODOLOGY

1) Research Approach : Based on the research question posed above, the researchers give a better understanding of the research area, so they will present thorough information to describe the understanding of the research question. It will use the frame of reference and aim to gain a deeper understanding of this phenomenon instead of analyzing data in the form of numbers statistically. The qualitative approach will be the researchers' preference.

2) Research Strategy: Miles & Huberman, 1994 explained how the multiple-cases make it possible to specify how, where, and sometimes also, why a certain phenomena has a specific behavior. In order to address the research questions of this study, two case studies will be conducted. By conducting case studies, the results can be compared and the study can be seen to be as more convincing. This enables us to compare the results from each case in a cross-case analysis.

3) Data Collection Instruments: Within the scope of the research, authors have used email, voice chat via

internet, and observation (interaction with website) as sources of data collection. They also used documentation as a means to supplement evidence from other sources.

4)Sample Selection: In this study, researchers have used multiple cases sampling, because multiple cases could add confidence to findings. By looking at the range of similar contrasting cases, one can understand the case findings, grounding it by specifying how and where and, possibly, why it carries on as it does (yin, 1994). Keeping in mind the research questions, the authors chose websites of two banks working in Pakistan (one an advanced commercial bank, and the other, the largest Islamic bank). Both banks are providing the Internet banking services. And the authors selected one customer of each bank using the internet facility.

5)Data Analysis Tools: The goal of analyzing the data is to handle the evidence fairly, to produce convincing logical conclusion and to rule out alternative interpretations. Data analysis involves turning a series of recorded observations into descriptive statements (Yin, 1994). Before the data actually can be analyzed, the researcher carries out a case study, can choose between two general analytical strategies, relying on theoretical propositions or developing a case description. Our data analysis will be based on two steps. We will use the cross-case analysis stated by Miles & Huberman, 1994.

6)Data Collection: This study will present the empirical data collected from the two case studies. The presentation is divided into sections; it starts with introduction of the Bank, and after that, presents the collected data.

CASE ONE: ISLAMIC COMMERCIAL BANK - MEEZAN BANK, PAKISTAN

Meezan Bank Limited, a publicly listed company, was incorporated on January 27, 1997 and started operations as an investment bank in August that year. In January, 2002, in an historic initiative, Meezan Bank was granted the nation's first full-fledged commercial banking license as a dedicated Islamic Bank, by the State Bank of Pakistan. Meezan Bank has clearly established itself as the largest Islamic Bank in Pakistan with a network of 166 branches in 40 cities. The banking sector is showing a significant paradigm shift away from traditional means of business, and is catering to an increasingly astute and demanding financial consumer who is also becoming keenly aware of Islamic Banking. Meezan Bank bears the critical responsibility of leading the way forward in establishing a stable and dynamic Islamic Banking system replete with dynamic and cutting-edge products and services.

ONLINE ENVIRONMENT (WWW.MEEZANBANK.COM)

The Bank website has few moving elements such as *graphics* or pictures that are flashing, moving or uneven in shape. *Multimedia* was used to increase its attractiveness (Observation/interaction). *Product information content* was available and one could search the desired information of all products and services provided by the bank. About *amount of product*, the visitor generally did not need to scroll pages to observe all information. On some pages, there was a next page link. Regarding product information format, the information about products and service is available in text and downloaded format. The annual reports and some other important reports can be downloaded from the web. But there are no language options available for visitors. All information is only available in English. As far as layout features are concerned, colors of Meezan's website, the background is white. Some important headings and links are in blue and black color. In pictures and icons, a great deal of colors are used. Most text on the site is black and green. Meezan bank has mostly used one font on its web pages. The font used is Verdana. There are, in addition, a few different sizes of the text depending on if it is a hypertext link, heading, or a paragraph of information. Regarding the speed of the web site, visitors are able to move further in the structure of a web page in a few seconds. The link for system requirements is mentioned but not connecting to the server properly. Regarding interactivity opportunities, the e-mail to bank, filling a form to the office and call centre facilities are also available. And link to the "Contact us" page was also made available on almost all pages. The website provided personalized solution in shape of demo facility. The person who is operating internet banking first time could demonstrate his transaction in written form and learn how to transact with the internet banking. Moreover, the website furnished facility of different calculators like home, investment and insurance etc. (Observation/interaction). About navigation, a visitor can easily reach from homepage to any important information through homepage hyperlinks. When visitors open home page of the bank, they can see horizontal links on the top including bank name with dark blue/black colors. The homepage is providing important information regarding personal customers, corporate customers and information about site map, there are also locators

on the main page. There are no dead and end pages on the site. The links are well prominent so that visitors do not face any problem in reaching the required page or information. In all of its web pages, meezanbank.com managed consistent navigation with the same style; same color, same background, same logo, same layout, etc. Furthermore, the pages are adjusted to the size of the screen. There are few areas; bottom of the pages with empty spaces in some pages. Search engine facility is also provided on the website (Observation/interaction). About security issues, the bank has taken all security measures for the satisfaction of their customers, using advanced encryption technology.

CASE TWO: CONVENTIONAL COMMERCIAL BANK -CITIBANK, PAKISTAN

Citibank is a major international bank, founded in 1812 as the City Bank of New York, later First National City Bank of New York. Citibank is now the consumer banking arm of financial services giant Citigroup, one of the largest companies in the world. As of March 2007, it is the largest bank in the United States by holdings. Citibank has operations in more than 100 countries and territories around the world. More than half of its 1,400 offices are in the United States, mostly in the New York City, Chicago, Miami, and Washington, D.C. metropolitan areas, as well as in California.

ONLINE ENVIRONMENT (WWW.CITIBANK.COM.PK)

According to research findings, downloading speed and customer satisfaction has a direct relationship. Single animation is used to increase attraction but its downloading speed may be a little bit affected. That is why Citibank.com.pk has simple graphics on its website (Observation/interaction). The content and design citibank.com.pk devoted a lot of work on its web pages. When the visitors open its home page, they would see horizontal links on the top of the page. These links are the headlines of the main content of, Citibank.com.pk covering all of its products and services, both online and offline, such as visa card, private banking, corporate banking, investment banking, E-banking, etc. In the middle part of the homepage, there were option bars under the heads, look for products and services, apply for new account, find a location, and other information about online shopping. Single click on any link of the category and then, the visitor can browse through detailed and relevant information of banking products or services in a same window. All of the information of banking products and service is provided on web pages and no other format is required to be downloaded. Citibank's home loan application form is in PDF format. Moreover, Citibank Rewards is loaded with thousands of gifts of your choice. For some specific amount you spend on your Citibank Credit Card, you earn one Rewards Point and you can also enjoy discounts in different transactions. Currently, Citigroup has built franchises over nearly 200 years, with more than 200 million customer accounts in over 100 countries. Through this unique global network, we enable people to reach out and to work together across the world, its website for Pakistan can only provide one language versions for Internet visitors i.e., English. However, some credit card information is available in Urdu. A link for internet banking can be found in the right top corner of the home page right under the name bar. The main color used in citibank.com is blue, which is being commonly used in websites of most international banks; Light grey and white are colors of web background and black, blue, orange, red and at times, green is also used for the text. Links of all content within websites can be found on the homepage in color of white, black and a few in golden, only one banner is found on the website, having static and animated advertisements but very simple one (Observation/interaction). About the Interactivity, first of all, Citibank.com.pk offers many personalized solutions to its customers. There are no calculators and exchange rate converter facilities available in Pakistan's website (Observation/interaction). Regarding website's navigation, Citibank.com.pk has a link as "Home" in all of its sub pages, positioned on the top right side of every web page, which would allow users to return to the homepage. The links have been well-labeled and lead customer to the wanted page although the amount of links looks so many. In all of its web pages, Citibank.com.pk managed consistent navigation very well and kept the same style; same color, same background, same logo, same layout, etc. A simple search engine could not be found in the home page, which can also be regarded as one method of keeping navigation consistent. Sitemap can be found among the top horizontal links of every page easily (Observation/interaction). About the security issues, we could see that all encryption technology, operation confirmation and automatic log-off have been used by Citibank.com. There is a security note for private customers before log-in to the internet banking; definitely ATM Card number and ATM PIN number are needed. Operation confirmation is shown after every transaction and a list of all records would be sent monthly to the register's appointed email box (Observation/interaction).

DATA ANALYSIS

After data collection from Meezan and Citibank's websites, as mentioned in the methodology, the data is qualitative and is collected by means of direct observation and was focused on personal interviews. In this section, collected data will be analyzed on the basis of the frame of reference of this study. Furthermore, the collected data will be analyzed by cross-case analysis.

RQ1: How Can The Online Banking Environment (Website) Be Described?

CROSS-CASE ANALYSIS (MEEZANBANK.COM VS. CITIBANK.COM.PK)

In this segment, a comparative study is made for both banks. The research questions will be analyzed in comparison with each other.

Table 1: Variable Of The Speed

Speed	www.meezanbank.com	www.citibank.com.pk
Simple Graphics	Slightly Colorful But Meaningful	Simple And Meaningful
Animation/multimedia	More Used	Slightly Used

Table 2 : Variable Of Content And Design

Content And Design	www.meezanbank.com	www.citibank.com.pk
Product Information Content	Detailed Information Of Banking Products And Services	Detailed Information Of Banking Products And Services
Product Information Format	Only Annual Reports But Easy To Find (pdf).	Only Annual Reports But Difficult To Find (pdf).
Amount Of Product Information	Good Enough	Good Enough
Language Alternatives	Only English	Only English But For Some Links Urdu Option Is Available.
Layout Features	Neat And Simple With Short Pages	Well Organized Yet Simple

Table 3: Variable of Interactivity

Interactivity	www.meezanbank.com	www.citibank.com.pk
Technical banking facilities	Currency exchange rates, calculators & product brochures	Monthly loan installment, and Product brochures details.

Table 4: Variable of Navigation

Navigation	www.meezanbank.com	www.citibank.com.pk
Home page hyperlink	Text (home)	Text (home)
Links	Proper & Accurate	Proper & Accurate
Consistency in navigation	Consistent	Consistent
Search engine	Provided	Not provided
Site maps	Available	Available

Table 5: Variable Of Security

Security	www.meezanbank.com	www.citibank.com.pk
Encryption	Used	Used
Purchase /operation confirmation	Provided	Provided
Automatically log off	Available	Available

FINDINGS, DISCUSSIONS AND CONCLUSIONS

In the concluding section, answers to the research questions will be provided. First, wide-ranging findings will be given, followed by precise, qualitative conclusions. The study will end with implications for professionals and for the concept.

FINDINGS

RQ1: How Can The Online Environment Be Described?

From the analyzed data presented above, it is clear that both the websites are really concerned with the online environment building (website design) and banks are trying to build a good website for their customer's convenience. In the five important factors influencing website design, there are many similarities between the websites of these two banks; in the page loading, both banks are willing to give simple and neat graphics to the customer on their website. In order to keep high loading speed, the banks have used some technologies to decrease the effect caused by huge information display. Resultantly, websites give good page-loading speed. To maintain customers regularly visiting the website, product information must be furnished in simple text and font. The quantity of product information should be in short and clear form, so the customer at the time of reading does not become fed up. Furthermore, internet banking websites should provide options of exchange rate conversions, loan calculators (car, house, and mortgage) so that a customer can do calculate if he needs, making the sites more dynamic. The Internet banks should provide homepage hyperlinks for the ease in assessing the specific information. It may be better to keep a consistent navigation technique for the entire website. But it will be even better if internet banks make site maps and search engine on the website for convenience of their customers. Normally, search engine depends on the contents. But the specified internet banks have a lot of information on the web, so they must use search engine. As far as security is concerned, the banks must use latest technology for their websites. The research leads to the following specific conclusions emerging from the findings above:

CONCLUSIONS

The design of the Website can play a vital role in internet banking, if the information about the products and services are concise and clear.

- ✿ Simple and consequential graphics can play a more effective role in internet banking as compared to animation/multimedia. The customers can lose their concentration in performing transactions due to animation/multimedia graphics.
- ✿ Demo facility can play an imperative role for this introductory internet banking stage in a country like Pakistan.
- ✿ The facility of search engine on home page can establish a longer relationship with customers in Internet banking.

SUGGESTIONS

- ✿ Online banks should develop secure and well-designed websites that provide concise and clear information about the products and services to the online visitors.
 - ✿ Effective customer's complaint and query system is also crucial for enhancing customer service.
 - ✿ Maximum conventional banking services should be converted into online banking system. The internet banks should have efficient and effective feedback complaint management services.
 - ✿ Islamic banks should further develop its web structure and online facilities for its image and to compete with the conventional commercial banks operating in Pakistan.
- As a recommendation we would suggest that there were some limitations which may be covered in further research studies.
- ✿ More Islamic banks may be compared for the same study.
 - ✿ Customers' online banking service dimensions can also be considered in related studies.

- ✿ Employee perspective is also important for the same study.
- ✿ An online banking comparison may be conducted among developed, developing and under developed countries.

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