Purpose of the research is to identify challenges and possibilities provided by internet bank for customers’ service and marketing that build and maintain customers’ loyalty and would increase customers’ lifetime value. The term “Internet banking” encompasses a whole range of banking services, which can be accessed remotely with the use of an Internet browser. Internet bank as bank’s product provides remote banking services for bank’s customers. Internet bank as bank’s marketing platform provides bank with possibility to implement bank’s marketing strategy by using internet bank technological platform for marketing activities – marketing communications, pricing, custom product offering, etc. Since internet bank also provides possibility to identify customer’s identity it becomes excellent environment for individual service and marketing that could build and maintain relationships with customer and also increase customer lifetime value. Research results reveal lack of information technology solutions for marketing within internet bank. The same time marketing experts recognize importance of internet bank as environment for bank marketing. Research results expand knowledge in the particular field of science and also would bring practical benefit for professionals in order to improve bank marketing efficiency in general. Research methods used by author: literature review, descriptive statistics, evaluation of possible further research questions and hypothesis, expert survey methods.

Keywords: Internet banking, marketing research, customer lifetime value, Latvia

Introduction

Marketing is the art of attracting and keeping profitable customers (Kotler et al., 2009). Development of information and communication technologies created new possibilities for customer service and marketing. It is more than the latest marketing catch phrase – through diligent application of dialogue marketing, network-building and relevant rewards, smart companies are opening up new vistas in customer retention and lifetime value (Ferguson et al., 2006).

Lacey and Morgan (2009) argues that an emerging view in the field of marketing is that customers should be considered as the firm’s most valuable asset and this view extends contemporary customer relationship management literature by arguing that firms can increase customer lifetime value by building and maintaining relationships with its customers.

Research object is a customer lifetime value increase.

Research goal is to identify challenges and possibilities provided by internet bank for customers’ service and marketing that build and maintain customers’ loyalty and would increase customers’ lifetime value.

Collagte et al. (1996) states that recent literature is replete with statements advocating customer retention. The arguments are relatively straightforward. It makes more sense to keep customers than to try to acquire new ones.

Customers differ widely in the long-term value they represent to a company, and the “best” customers are often many times more valuable than the average ones. McDougal et al. (1997) argues that by understanding and managing lifetime customer value, a company not only allocates resources to its customers more effectively, but also becomes better able to focus on developing long-term customer relationships (McDougal et al., 1997).

Customer lifetime value describes the net present value of the stream of future profits expected over the customer’s lifetime purchases (Kotler et al., 2009). Banks due to business specifics have access to their customers’ finance information. Banks can value worth of their customers calculate their lifetime value.

Research goal is to identify challenges and possibilities provided by internet bank for customers’ service and marketing that build and maintain customers’ loyalty and would increase customers’ lifetime value. Research results would expand knowledge in the particular field of science and also would bring practical benefit for professionals in order to improve bank marketing efficiency in general.

Research methods used by author: literature review, descriptive statistics, expert survey methods.

Theoretical background

The main challenge for every company always has been to find a way for profit increase and cost cutting. McDouglas et al. (1997) argues that customers are ultimately the source of all business growth and
yet few companies know what their customers are really worth. If all customers were exactly the same, business would be much simpler. But they are not, and it is not. McDouglas states that in reality, for the vast majority of companies, customers vary widely along a range of attributes, including product preferences, price sensitivity, cost-to-serve, retention rates, responses to marketing and sales tactics, and use of channels. Most important, as a result of these and other factors, customers differ widely in the value they represent to a company (McDouglas et al., 1997).

While service quality has proved an essential ingredient in convincing customers to choose one organisation over another, many organisations have realised that maintaining excellence on a consistent basis is imperative if they are to gain customer loyalty (Kandampully et al., 1999). Kandampully et al. (1999) also argues that moreover, in the present competitive setting, if one were to understand the lifetime value of a customer, creating and maintaining long-term relationships with the customer and other stakeholders is paramount to an organisation’s market leadership. Relentless advances in technology have rendered products and services with ever shorter life cycles and, hence, diminished customer appeal. Kandampully et al. (1999) argues that firms are required not only to improve, but to innovate products and services and anticipate customer needs on a continuous basis. It is highlighted here that, in order to maintain a long-term relationship with the customer, firms need to demonstrate their ability to think for the customer, and to conceive and implement new ways to serve them better.

Mascarenhas et al. (2004) states that regardless of industry, almost all companies are operating on faster evolutionary tracks and at greater risks than at any previous time. Thus, a company’s real core capability is its ability to continually redesign its value chain and to reshuffle its structural, technological, financial and human assets in order to achieve maximum competitive advantage. But competitive advantage is, at best, a fleeting commodity that must be won again and again (Mascarenhas et al., 2004). Organizations today must continually disintegrate and reintegrate themselves in order to quickly and continually assess which parts of their value chain are vulnerable, which parts are defensible, which corporate alliances make the most strategic sense and which threats are deadly (Fine et al., 2002).

Development of information and communication technologies created possibilities to improve process efficiency that helps to increase profit and decrease costs.

Since largest part of bank’s products are intangible and they fit for electronic environment banks have adopted technological solutions to provide service for customers and marketing. Most obvious example of banking technology is internet bank. Internet bank provides for customers remote access to bank services by using internet browser and also possibility to communicate with a bank. From a bank perspective internet banking environment provides also possibility for marketing. Marketing strategy activities usually include segmentation, targeting and positioning that is implemented by the mean of marketing tactics – product, price, promotion and place. Since promotion or marketing communication activities – advertising, PR, direct marketing, promotion, etc. – also can have intangible format then they also as products fit electronic environment. From marketing mix perspective internet bank is the ‘place’ or service delivery channel.

Nature of banking requires high level of security. In order to become bank’s customer person has to provide bank with personal data like name, age, occupation, marital status, etc. that would help bank to serve customer and also decrease operations risks. The same time internet banking also requires high level of security. Multiple access codes for access to internet bank can become annoying, but they are necessary. Customer identification ensures person’s recognition and confidence about person’s identity. Person’s identification creates possibility for individual service and custom marketing. Bank can “work” with customer one to one within internet bank by providing products, prices and marketing communications that are prepared especially for particular customer or group of customers.

One of the most expensive marketing research activities is survey. Available technological solutions allow to decrease a survey costs and increase survey speed, distribution and efficiency in general. Representativeness of survey results depends on accessibility of computer with Internet connection and willingness to take part in a survey. Internet bank provides possibility to survey particular customer or group of customers. Such survey has really low expenses and high quality for marketing purposes due to possibility to identify customer. Possibility to survey particular customer or group of customers in the rapid pace gives competitive advantages and increase marketing efficiency.

Internet bank environment also provide possibility to reach particular segment of current bank customers. There is not matter which system performs customer segmentation. The main point is in the possibility to reach exact customer segment or ‘work’ with them through internet bank.

Technological solutions for bank’s offer positioning by using internet banking environment would help to implement marketing strategy.
As mentioned above, the internet banking environment provides excellent possibility to offer a particular customer or group of customers exactly for them prepared custom product, price and marketing communications activities – advertising, PR, discounts, etc.

Since the main goal of a company is to get maximum income from a customer during his lifetime by cultivating customer’s loyalty then internet bank provides everything that is necessary for this purpose.

Lacey and Morgan (2009) argue that while loyalty programs are most commonly used in consumer markets, they are also utilized across a spectrum of business markets, including financial services, airlines, telecommunications, car rental companies, and retailers.

Javalgi et al. (2005) argue that organizations are realizing that losing a profitable customer translates to more than losing a single sale. It means losing the future revenue stream of that customer over his entire lifetime (Javalgi et al., 2005). Customer lifetime value is at the core of the relationship approach to marketing strategy. When marketers understand how much a customer may be worth over a long period of time, they can begin to customize marketing offerings to achieve overall profitability and the numbers are compelling when considering the long-term value of a customer (Javalgi et al., 2005). Information and communication technologies can provide banks with technological possibilities to serve customers and maintain their loyalty that manifests as available customer lifetime value, i.e., bank marketing experts can manage marketing by the means of internet bank in the way that facilitate customer’s loyalty. There is important to find out marketing experts opinion about importance of such possibility for marketing and also internet banking experts’ opinion about possibilities to do that by current technological solutions.

**Results**

Experts’ survey was conducted among internet banking technology and marketing experts in commercial banks in Latvia. They were asked to answer questions regarding functional possibilities of internet banking systems and about importance for bank marketing a possibility to conduct marketing within internet bank. Experts were asked to evaluate mentioned below factors in the scale 1 – 10 where 1 is no importance and 10 is very important.

Following questions were asked to internet banking marketing experts in commercial banks in Latvia:

1. Possibility to survey particular customer or a group of customers within internet bank is important for bank marketing (Customer Survey)
2. Possibility to segment current bank customers within internet bank is important for bank marketing (Customer Segmentation)
3. Possibility to position bank’s products within internet bank is important for bank marketing (Product Positioning)
4. Possibility to manage customer lifetime value (to manage customer lifetime value – to get as much as possible a profit from one customer during customer’s lifetime) also by using internet bank is important for bank marketing (CLV Management)
5. Possibility to offer custom product, price and marketing communications (advertising, PR, etc.) according customer’s lifetime period (student, employed with children, employed without children, retired, etc.) in the integrated way is important for bank marketing (Custom Offer)

Survey results regarding importance of possibility to conduct marketing within internet bank in commercial banks in Latvia are available in the Table 1.

<table>
<thead>
<tr>
<th>Importance of Customer Survey</th>
<th>Importance of Customer Segmentation</th>
<th>Importance of Product Positioning</th>
<th>Importance of CLV Management</th>
<th>Importance of Custom Offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>7,10</td>
<td>8,44</td>
<td>8,90</td>
<td>8,00</td>
</tr>
<tr>
<td>Std. Error of Mean</td>
<td>1,069</td>
<td>0,530</td>
<td>0,407</td>
<td>0,441</td>
</tr>
<tr>
<td>Median</td>
<td>8,50</td>
<td>8,00</td>
<td>9,00</td>
<td>8,00</td>
</tr>
<tr>
<td>Mode</td>
<td>10</td>
<td>8</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>3,381</td>
<td>1,590</td>
<td>1,287</td>
<td>1,323</td>
</tr>
<tr>
<td>Variance</td>
<td>11,433</td>
<td>2,528</td>
<td>1,656</td>
<td>1,750</td>
</tr>
<tr>
<td>Range</td>
<td>9</td>
<td>5</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>5</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Maximum</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Sum</td>
<td>71</td>
<td>76</td>
<td>89</td>
<td>72</td>
</tr>
</tbody>
</table>

Source: Author’s performed Internet banking marketing experts’ survey in 2010
Following questions were asked to internet banking technology experts in commercial banks in Latvia:

1. Current internet bank system provides possibility to survey bank’s customers (Possibility for Customer Survey)
2. Current internet bank system provides possibility to segment current bank’s customers (Possibility for Customer Segmentation)
3. Current internet banking system provides possibility to position bank’s products (Product Positioning)
4. Current internet bank system provides possibility to manage customer lifetime value (Possibility for CLV Management)
5. There is possibility from technological perspective to provide individual service for bank’s current customers – products and content of internet bank is adjusted for particular customer (Customization)
6. Current internet bank system provides possibility to gather and analyze statistics of internet bank usage (System Statistics)

Survey results regarding possibilities of Internet bank system to conduct marketing activities are available in the Table 2.

Table 2. Available technological possibilities for marketing within internet bank in commercial banks in Latvia

<table>
<thead>
<tr>
<th></th>
<th>Possibility for Customer Survey</th>
<th>Possibility for Customer Segmentation</th>
<th>Possibility for Product Positioning</th>
<th>Possibility for CLV Management</th>
<th>Possibility for Custom Offer</th>
<th>System Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4.00</td>
<td>6.30</td>
<td>6.50</td>
<td>3.44</td>
<td>5.11</td>
<td>7.00</td>
</tr>
<tr>
<td>Std. Error of Mean</td>
<td>0.955</td>
<td>0.870</td>
<td>0.980</td>
<td>0.944</td>
<td>1.369</td>
<td>0.874</td>
</tr>
<tr>
<td>Median</td>
<td>3.50</td>
<td>5.50</td>
<td>7.50</td>
<td>3.00</td>
<td>3.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Mode</td>
<td>1</td>
<td>3</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>3.018</td>
<td>2.751</td>
<td>3.100</td>
<td>2.833</td>
<td>4.106</td>
<td>2.898</td>
</tr>
<tr>
<td>Range</td>
<td>9</td>
<td>7</td>
<td>9</td>
<td>8</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>9</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Sum</td>
<td>40</td>
<td>63</td>
<td>65</td>
<td>31</td>
<td>46</td>
<td>77</td>
</tr>
</tbody>
</table>

Source: Author’s performed Internet banking technology experts’ survey in 2010

Survey results revealed:

1. Marketing experts recognized that possibility to survey particular customer or group of customers within internet bank is important for bank marketing (Mode 10; Media 8,50; Mean 7,10). The same time internet bank technology experts’ survey identified that current internet bank systems don’t provide possibility to survey bank’s customers (Mode 1; Median 3,50; Mean 4,00).

2. Marketing experts also recognized that possibility to segment current bank customers within internet bank is important for bank marketing (Mode 10; Media 8,50; Mean 7,10). Internet bank technology experts’ survey revealed that there is possibility provided for bank customer segmentation within by the means of internet bank but with few exceptions (Mode 3; Median 5,50; Mean 6,30).

3. Marketing experts’ survey also identified that possibility to position bank’s products within internet bank is important for bank marketing (Mode 10; Median 9,00; Mean 8,90). Technology experts’ survey revealed that there are provided possibility to position bank’s products (Mode 8; Median 7,50; Mean 6,50).

4. Marketing experts recognized that a possibility to manage customer lifetime value also by using internet banking is important for bank marketing (Mode 8; Median 8,00; Mean 8,00). Internet bank technology experts survey revealed that there is not provided possibility for customer lifetime value management (Mode 1; Median 3,00; Mean 3,44).

5. Marketing experts’ survey also revealed that a possibility to offer custom product, price and marketing communications (advertising, PR, etc.) according customer lifetime period (student, employed with children, employed without children, retired, etc.) is important for bank marketing (Mode 10; Median 9,00; Mean 8,90). Technology experts’ survey identified that there is not possibility from technological perspective to provide individual service for current bank customers – to adjust bank’s products and content to particular customer or group of customers.

6. Internet bank technology experts survey identifies that there is possibility at least to acquire statistics about usage of internet bank system (Mode 8; Median 8,00; Mean 7,00).

Research author identify following challenges for customer service and marketing that could maintain and increase customers’ loyalty and as result bank could save valuable customers and receive income:

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1. There is not technological support for marketing activities within internet bank (solutions for customer survey, segmentation, custom product, price and marketing communications) that could help to maintain and increase customers’ loyalty.
2. There is not enough knowledge among marketing experts about possibilities provided by information and communication technologies.

Research author identifies following direction for further researches:
1. Further researches could find out the main factors that hinder internet bank systems’ development in order to provide solutions for bank marketing. Since marketing experts recognize importance of internet bank system as tool for bank marketing activities then there appears question regarding reasons why there are not provided appropriate solutions.
2. There could be done researches regarding efficiency and effectiveness of marketing and technology experts’ cooperation.

Possibilities provided by information and communication technologies have changed modern day marketing. There is very important for marketing experts to fully understand possibilities provided by technology and use them in order to increase efficiency of bank marketing.

Conclusions

There is cheaper to build and maintain relationships with current customers than to attract new ones. The main challenge for modern companies is to identify their customers’ lifetime value and to maintain relationships with them in order to increase their loyalty.

Rapid development of information and communications technologies created new possibilities for banks to provide service and marketing. The most obvious innovation is internet banking. Internet bank ensures a possibility for banks to provide remote service for customers and to conduct marketing activities. Internet bank environment also support possibility to provide bank customers with custom made products, prices, marketing communications in order to get maximum profit from every customer during customer’s lifetime. Research results indicate that marketing experts recognize and understand importance of possibilities provided by internet banking environment, but the same time technology experts’ survey revealed that current internet banking systems do not provide solutions for marketing that would building and maintaining relationships with its customers, increase their loyalty that would manifest as increasing customer lifetime value.

Research results revealed as main challenges lack of technological support for marketing activities within internet bank and also lack of knowledge among marketing experts about possibilities provided by information technologies.

Research results also reveal a need for further researches regarding factors that hinders internet bank systems development as a tool for marketing. Since marketing experts recognize importance of internet bank system as tool for bank marketing activities then there appears question regarding reasons why there are not provided appropriate solutions. There also could be done researches regarding efficiency and effectiveness of marketing and technology experts’ cooperation in order to find out possibilities to eliminate hindrances.

References