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When Customer Behaviours Change, Should Banks' Approaches to Online Trading Stay the Same?

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Abstract

What drives the behaviors of banks and their customers in time of profound changes? The modern economic crisis has significantly affected consumers' willingness to invest and made them more price sensitive, more rational in their decision making, and thus more challenging for banks to serve. Considering these relevant changes, banks have pursued projects to improve their internal processes and online services. Considering these changes in customer behavior and in the banking sector, some crucial questions arise. How has the strategy banks use to provide online trading services changed in the past decade? Can outsourcing and new managerial practices resolve the lack of specific competencies and assets that marked the banking sector in the past? This study, conducted in an Italian banking context, suggests that banks can attain all three elements by engaging in smart sourcing of online services to minimize costs, gain and sustain competitive advantages, and promote strategic assets.

Keywords: online trading; Resource Based View; Transaction Cost Theory; Italian.

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INTRODUCTION

This article provides an in-depth analysis of online trading services offered in the Italian banking system. It represents a response to and update of a study published in the previous decade, "New Distribution Models for Financial Services: The Italian Banks' Approach to the On Line Trading Development" (Cantoni and Rossignoli, 2000).

In 2000, Italian banks' e-trading was just beginning, in terms of its technological structure, platform development, and provided services. Norms in place, as required by the "Testo Unico Bancario" (TUB, law n. 385/1993), failed to ensure client security, and the existing information asymmetry victimised clients. That is, most clients lacked the necessary competences or information to use the services of e-trading platforms, such that they were forced to rely on expert advice provided by specialised personnel in bank branches.

Today, the continued development of multichannel services and the acquisition of small, niche banks by big banks mean that e-banking and e-trading services mainly are provided by big banking groups. According to Cantoni and Rossignoli (2000), such trading platforms should enable banks to increase their income and reduce their costs (Siau and Liou, 2004; Southard and Siau, 2004; Shaha and Siddiquib, 2006; Shaha et al., 2006; Echchabi, 2011), directly or indirectly, from the sale of financial instruments such as stocks, bonds, and derivatives. Accordingly, this previous study relied on transaction cost theory (Coase, 1937; Williamson, 1979, 1981) to predict that efficiency and cost savings would lead to success. From an organizational perspective (Shaha et al., 2007), success factors associated with efficiency and cost savings span strategic (Turban et al., 2000; Siau and Liou, 2004), operative (Orr, 2004; Shaha and Siddiquib, 2006) and technical (Turban et al., 2000; Angelakopoulos and Mihiotis, 2011; Shaha and Siddiquib, 2006) considerations.

Furthermore, tactics such as promoting e-commerce within the organization, ensuring fast and integrated business processes, rapid service delivery, and customer incentives do not reduce costs, but can improve knowledge within the organization, such that it can differentiate its services from competitors'. According to Narayanasamy et al., in some cases these costs can increase, because "...designing and implementing a fully functional, industrial-strength application capable of securely accommodating a large number of complex transactions and huge variations in volume is a complex and protracted undertaking" (2011, p. 397). In this sense, the elements of transaction cost theory resonate with the resource-based view (RBV) (Penrose, 1959; Wernerfelt, 1984; Barney, 1991), according to which competitive advantage depends on interior resources (e.g., know-how, organizational structure) and companies' distinctive skills (Nonaka and Takeuchi, 1995).

According to the RBV, Italian banks, in competition with e-trading platform providers, have developed competitive services by creating consortiums with other banks or absorbing a source of relevant know-how. By integrating this new knowledge with skills and knowledge already present in the organization, they achieve knowledge escalation (Nonaka and Takeuchi, 1995) and thus can develop new skills and provide new services for their clients.

In addition, Italian norms have changed, due to the introduction of the "PattiChiari" project and the 2012 update of the Testo Unico Bancario legislation (law n. 385/1993), together with the development of multiple channels (Scott et al., 2006). As a result, the e-trading services provided by big banking groups have improved substantially.

The context surrounding the Italian banking sector has changed and evolved substantially in the past dozen or so years.

This article investigates how the strategies banks use to provide online services have changed in this period, as well as whether gaps in their competencies and skills have been resolved. To do so, we present four sections.

First, we review business models adopted by Italian banks to meet customers' evolving needs in the period between 2000 and 2012. In this review, we also outline transaction cost theory (TCT) and the resource-based view and their insights for this context, mainly in terms of explaining how e-trading platforms have developed economically, operationally, and strategically (Shaha et al., 2007).

Second, we describe customer demand for financial services, including how it has changed and the distinctive elements of the new and integrated services offered by Web 2.0-based technology.

Third, we argue that to overcome their lack of specific competencies and technologies related to e-trading, banks no longer need to seek support through outsourcing; they should look instead to smart sourcing. Banks today must focus their precious resources on what they do best to innovate within their core competencies, and they need partners that can innovate in non-core realms. Smart sourcing advocates the use of partners that help the bank to focus on its core, balance risk and opportunity, lower costs, increase process innovation, and spread attitudes that help optimize these factors. Outsourcing and offshoring can be essential components, but only if they enable the banks to free up their resources to focus on core competencies that lead to greater innovation.

Fourth, we conclude by synthesising the main differences between online trading scenario that appeared in 2000 and the one that exists today.

AN INTEGRATED THEORETICAL FRAMEWORK

Cantoni and Rossignoli (2000) used TCT to analyse and explain the development of online trading in Italy. As they show, by the beginning of 2000, Italian banks had developed and introduced e-banking platforms and online trading services to improve their efficiency and lower the costs of their transactions. In particular, they note, in reference to e-trading platforms, "The distinctive peculiarities of the services ... transaction costs are the lowest both on the Italian and world scale because of the big volumes and the total process automation" (2000, pp. 3).

Around the same time, Dewan and Seidmann (2001) argued that the emergence of e-banking services would divide banks into either big "generalist" banks or small niche banks. They also predicted that big banks, with their greater capital and vast client pools, would win this strategic fight. Guraau (2002) similarly suggests that reducing transaction costs represents the key to competitive advantage in the banking sector.

In line with these predictions, large Italian banks have expanded in size by acquiring small and medium-sized Italian and foreign banks. This insourcing phase marked the first half of the 2000s, including organizational planning to reduce costs and achieve efficiency. The e-banking services and online trading provided by these big players were mostly generic, with little resonance with the needs of Italian investors, whose skills stemmed from the financial, rather than the high-tech, sector.

With their multiple branches and specialized consultants, the big banks also did not initially invest heavily in the Internet channel (Corrocher, 2006). Most of their activity focused on promoting various financial products to attract clients and encourage them to visit the branches. The web channel was a “shop window” for promoting financial instruments. In contrast, the remaining small and medium-sized banks sought to gain a competitive edge by investing heavily in Internet resources, to provide their clients with more useful information and services and support their safe (largely independent) trading operations. As the Internet spread, with increasing numbers of PC users and high-speed connections (Greenstein and Prince, 2006), the big banks realized that clients were no longer coming to their branches; rather, they wanted to conduct more transactions online, using specialized platforms. Therefore, a process of externalization took place in online banking services.

According to ABILab (2010), in 2010, 27.7% of banks relied on insourcing for their online operations, whereas 51.7% chose outsourcing. Small and medium-sized banks (fewer than 500 branches nationally) mostly rely on outsourcing, likely because it gives them access to specific competencies and greater operational flexibility. Currently, 95% of these operators entrust their information systems to an outsourced entity. Further evidence that the outsourcing decision depends on banks' size comes from the recognition that the two largest banking groups—Intesa Sanpaolo and Unicredit Group—depend on in-house solutions (insourcing) and have created specific intergroup societies or internal functions.

In contrast, some medium-sized banks (e.g., Banco Popolare, UBI Bank, BPER, BNL [Group BNP Paribas], Banco Popolare di Milano, Credem, Pop.VI Bank, Veneto Banca, etc.) use mixed systems, such that they maintain the application solutions in-house but outsource other functions, such as facility management. Finally, outsourcing also depends on the bank's group status, that is, whether it belongs to a banking group.

Summarizing, in the first period of the 2000s, the big players decided to internalize the e-banking services while the small/medium banks adopted a mixed approach. The main theory used to describe these situations was the Transaction Cost Theory.

However, by the second half of the decade, TCT could no longer to explain the development of e-trading platforms, especially by niche banks. According to Shah et al. (Shaha et al., 2007), their success depends on three categories of factors: strategic, operative, and economic. Whereas the economic factors reflect TCT (Orr, 2004; Shaha and Siddiquib, 2006; Shaha et al., 2006), the strategy and operative categories require insights from the RBV (Turban et al., 2000; Siau and Liou, 2004). Thus for example Holland and Westwood (2001) adopt the resource based view to argue that for big banks to win the competitive challenge, they would need to conform with the practices of small banks specialising in online trading, such as providing personalised services (Southard and Siau, 2004). That is, the online banking challenge no longer related solely to costs but instead entailed strategic and operational questions. As Wind (2001) suggests, to increase their competitive advantage, banks would have to develop online banking services to fulfil clients' needs. Thus, the industry focus shifts from the organizational/managerial reorganizations to the development of marketing tactics and services provided on various trading platforms.

According to Southard and Siau (2004), the development of e-banking should favour big banks, because they can develop internally or acquire specialised external sources to offer more specialised, integrated services to their clients. Cristobal et al. (2007) also show that increasing numbers of online investors relates directly to client satisfaction and consumer trust and e-loyalty (Chu et al., 2012; Ltifi, 2012). In this sense as well, banks need to focus on strategic factors, such as improving the quality of online trading services (Angelakopoulos and Mihiotis, 2011). Therefore, the big banking groups increased the quantity and quality of their services by acquiring specialized external sources already present in the market and by developing consortiums with other banking groups. Accordingly, and in line with Dewan and Seidemann's (2001) predictions, small niche banks have been absorbed by big national and international players. These big, specialized banks also provide a multichannel environment that has supported their improvement and survival, by increasing e-loyalty and the customer participation (Plé, 2006).

In expanding their multichannel development, big banks also began providing e-banking services through mobile devices, such as short messaging services (SMS) and e-banking platforms specifically dedicated to smart phone and tablet devices. This strategy has allowed big banking groups to attract clients who previously preferred the small, specialised niche banks. Thus, the current Italian scene reflects what was foreseen by Southard and Siau (2004): Big banking groups provide, directly and/or indirectly, specialized e-trading services through multichannel platforms.

THE MULTICHANNEL STRATEGY

Retail banking today is more complex than ever, due to changing consumer preferences, regulatory uncertainty, and the challenge of maintaining an array of delivery channels, as expected by customers. Each channel features different and robust functionalities; most customers use multiple channels to accommodate their banking needs. In addition, customers have become accustomed to free access to these various channels. Therefore, banks face the challenge of maintaining a multichannel delivery system that offers versatile access and convenience. Whereas technical and operational issues dominated in the past, today, the need to meet increasing customer expectations while managing costs and profitability targets has moved to the front and centre.

Customers largely control of their relationships with their bank. Constant access to information through the branches, call centres, and online and mobile channels has turned financial products into a commodity market. To compete in such markets, financial institutions must conduct channel management, moving beyond its use as an organizational enabler. Banks that have created a robust strategy, migration plan, and integrated multichannel processes, with a customer-focused approach, can convert their channel management efforts into a key form of competitive differentiation. In this sense, banks must alter their business strategy to include channel management as an active part of the value proposition they offer to their customers. A smooth, personalized, and seamless multichannel experience not only improves the customer experience but also has direct impacts on the bank's bottom line.

Recommendations for effective multichannel management require first understanding the three fundamental dimensions of channel management.

- The strategy dimension, which involves activities related to decision making about an ideal multichannel state and channel functions.
- The migration dimension, or understanding the needs of customers in each segment and then designing the right marketing mix to encourage customer activity that increases profits and customer satisfaction.
- The management dimension, which implements a proper multichannel strategy together with a sound organizational structure

These dimensions must be measured to ensure that each channel creates the desired outcomes, in terms of profits and customer engagement. Financial institutions commonly focus on maximising the number of channels and features available in each channel, moving customers into alternative channels, and designing a channel experience with a channel-centric approach. However, if they fail to adopt a customer-focused approach to their multichannel strategy, banks may never get the chance to earn profits from these potentially loyal customers.

A multichannel strategy allows every customer to use the device she or he most feels confident using; it grants the bank the opportunity to adopt different policies for each channel and maximise the value added during every customer contact. In

turn, in Table 1, we define four multichannel strategy models, which reflect the intersection of various types of accessibility (mono and multi) and channels (complementary or competitor). Mono-channel indicates that the bank is adopting only a single channel for the e-banking services, on the other hand, a multi-channel approach implies the adoption of two or more different channels (eg. sms, tablet, smartphone, etc.).

Table 1. Multichannel strategy models

	Competitor Channel	Complementary Channel
Multi-accessibility	Model C: Cross-eyed	Model D: Integrated
Mono-accessibility	Model B: Parallel	Model A: Base

Model A represents a basic multichannel strategy: The new channel is introduced, side by side to the old one, without any integration. The customer may select just one of these channels. The bank thus avoids the costs of integration, threat of cannibalism, difficult location decisions, and the need to offer rewards. Therefore, this model is appropriate for banks that can clearly distinguish their customer base according to their channel preferences.

By consolidating the new channel, the bank moves to Model B. In this parallel multichannel strategy, managers of the new channel receive more decision autonomy, such that it begins to compete with the existing channel. A common example in the banking sector is provided by brokers, whose e-banking services are represented by a parallel company, which sometimes even uses a separate brand.

Alternatively, Model A might evolve into Model D if the bank offers customers the means to use different channels simultaneously (e.g. Unicredit Group and Intesa San Paolo). In this case, the bank is better positioned to achieve global profitability.

Finally, Model C is difficult to implement, because the multichannel strategy almost inherently demands some coordination among different channels and shared information. In contrast, the most common models are Models B and D. Model B can be implemented easily by initiating an autonomous division. However, there is no single, ideal approach for each institution; the best option depends on the bank's corporate strategy, business model, and customer behaviour. Firms need to tailor their approaches to meet the unique needs of their customers.

Compared with the situation in 2000, we find that the multichannel model is no longer a novelty but rather increasingly represents the norm for financial services (Frei et al., 1995). With a greater focus on customers, these developments optimise the integration of different distribution channels and the range of products offered, resulting in a new traditional market approach. According to Marinc "banks can use IT to support and enhance relationships with their customers through cross-selling of customized products and innovative services and by making the business process flexible and customer-driven" (2013; p. 71).

Today, banks avail themselves of collaborative Web 2.0 tools to reach customers and enhance their loyalty. This approach transforms the Internet into a unique platform, with services shared by a variety of customers, that generates value by using distributed, integrated technologies in creative and collaborative ways. Moreover, it supports the distribution of new and improved services, in terms of both efficiency and effectiveness. Accordingly, financial institutions should adopt a strategic standpoint. Do new innovations improve the customer experience? Are they relevant to the institutions' overall strategy? Are they cost effective? Do they help retain customers, especially during the economic downturn?

This article provides an in-depth analysis of online trading services offered in the Italian banking system. It represents a response to understand which are the e-trading services offered by the Italian banks. Hence, its purpose is to analyse the state of art of the Italian banks.

METHODOLOGY

From the Ebsco, Web of Knowledge, and Scopus databases, we collected relevant articles published between 2000 and 2012 by using keyword searches with various strings featuring the terms: "e-trade/e-trading," "online trading," "electronic trading," and "Italy/Italian". We identified five articles from Ebsco Premier, two from Scopus, and no references from Web of Knowledge.

Across these seven papers, the real focus was not e-trading but rather the more general concept of e-banking. In addition, they did not expressly consider the Italian online trading situation. For these reasons, in order to develop our research, we therefore integrate these seven articles with the sources that have cited the paper wrote by Cantoni and Rossignoli (2000).

To address our research questions and confirm the theoretical basis, we undertook a case study (Creswell, 1998, 2007), to analyze the natural conditions surrounding the event of interest. An interpretative case study is appropriate here (Stake, 1978; Creswell, 1998, 2007), because online trading companies are important in the Italian context. The present study seeks primarily to assess the conditions and evolution of online trading services offered by Italian banks and the outcomes for client.

analysis approach (Bryman and Bell, 2000; Saunders, 2009) in which we analysed documents and other information resources available on the websites of the main banking Italian operators and institutional authorities (e.g. ABI, Consob, Bank of Italy). To ensure the reality of our efforts, we also conducted semi-structured interviews (Stake, 1978; Creswell, 1998), face to face with eight respondents representing the eight main banking groups in the online trading market (see Table 2). On average, each interview lasted one hour and forty minutes.

We gathered and elaborated these data between March 2011 and April 2012, parallel with our analysis of the websites of the 23 most important banks operating in Italy (Table 2).

Table 2. Data sources

Outsourcer	Members/Stockholders/Main banks
SIA-SSB	Intesa San Paolo, Unicredit, Banca Nazionale del Lavoro, Telecom Italia, UBI Banca, ICBPI, Deutsche Bank, Banco Popolare, Banca Popolare di Milano
CEDACRI	Banca Mediolanum, Gruppo Credem, Banco Desio, Gruppo UGF, Barclays, Banca Etruria, IW Bank
CSE	ING Direct, Unibanca
UBI Services & Systems	UBI Banca
SGS BP	Company belonging to the Banco Popolare Group. It provides the group with technological infrastructure, information services, and application software
SEC	It provides Banca Popolare di Vicenza, Veneto Banca, Che Banca, and Allianz Bank, which are also partners
ISIDE	Created to provide services to banks in the cooperative ICCREA; it also serves non-cooperative members
BASSILICHI S.p.A.	Participated in by Monte Paschi Siena and Banca Popolare dell'Emilia Romagna.

In the following table (Tab. 3), we also detail the primary information services that each bank provides to its clients.

Table 3. Information services provided by banks in Italy

Banks	Information Systems									
	Details	Desk	Price		Customiz.	Tools				Simulation
			Real time	Delay		News push intraday/daily	Search	Times & Sales	Multiple Book	
Intesa San Paolo	-	X	X	X	X	X	X	X	X	X
Unicredit	-	X	X	X	X	X	X	X	X	X
UBI Banca	-	X	X	X	-	X	X	X	X	X
Deutsche Bank	-	X	X	X	More interaction	X	X	X	X	X
Banco Popolare	Basic services									
BP Milano Webank.it	-	X	X	X	X	X	X	X	X	X
Banca Mediolanum	-	X	X	X	Professional	X	X	X	X	X
Credem Group	-	X	X	X	Basic / Advanced	X	X	X	X	X
Banco Desio	Basic services									
Gruppo UGF	Basic services									
Barclays		X	X	X	X	X	X	X	X	-
IW Bank	advanced details	X	X	X	X	X	X	X	X	X
ING Direct	Basic services									
BP Vicenza	Basic services									
Veneto Banca	-	X	X	X	X	X	X	X	X	-
Che banca!	Basic services									
Allianz Bank	-	X	X	X	X	X	X	X	X	-
BP Emilia Romagna	(Depends on the profile: Basic, Medium, High)									

Our analysis thus revealed several anomalies and difficulties, including:

1. In some cases, the individuation of the multichannel strategy adopted by different banks was quite difficult.
2. Difficulty in finding and comparing information present on banks' website, as well as in being able to create a classification of on-line trading provided services.
3. A lack of homogeneity in the classification of different banks' services. In some cases, some banks but "advanced" by others defined specific services as "basic".
4. Some banks externalized online trading services, and these services are managed by multiple providers (eg. UBI Banca).
5. Some Online trading companies are incorporated into banking groups (e.g. Fineco was acquired and incorporated into Unicredit Group).

For the first, the second, the fourth and the fifth of the over mentioned points, problems could somehow be limited. In the first and second case, as matter of fact, through the analysis and the interviews, it has been evidenced that the different on-line trading platforms all use a "co-sourcing" approach (Gallivan and Wonseok, 1999).

In Italy, co-sourcing relationships, which describe many-to-one alliances in which several banks contract with a single IT vendor for services, are very common. In addition, Italian banks tend to create groups and consortia to deliver necessary services. Other banks turn to multinational companies with extensive experience, such as Fineco Bank's reliance on Sistemi Informativi S.p.A. (IBM Group), Banca Popolare dell'Emilia Romagna

and its requests for help from Oracle Italy, and the collaboration between BancoPosta and SAP Italy.

In the third and last point, in order to eliminate the problem it has been decided to take into consideration the provider (or outsourcer) for the on-line trading services and not the referential banking group. For the third point, on the other hand, it has been decided to consider “basic services” the service usually present in the basic service package provided by Italian banks.

DATA ANALYSIS

From the eight semi-structured interviews, we undertook an in-depth deep analysis, using open coding followed by axial coding (Strauss and Corbin, 1990). In addition, we turned to research conducted in 2012 by ABILab (2012). Comparisons show that between 2004 and 2012, the percentage of clients who use online banking services has almost tripled, from 12% to almost 40%. Online banking services comprise three macro-categories: home banking, online trading, and corporate banking. We focus on online trading, for which almost 5 million Italians used trading platforms in 2011.

The mobile banking market also is increasing notably, expanding to almost 15% of banks' clients. Thus, most banks have released apps that enable users to obtain services similar to those they access through their PCs on their tablets or smartphones. Internet banking in the Italian market in 2011 was dominated by ING Direct (1.4 million clients) and Fineco (900,000 clients), which attracted their “regular” clients to engage in various online banking operations during the year. Banca Sella boasts about 300,000 clients. Online trading remains an added service provided by the bank; it is not an alternative to free home banking. It provides clients a means to invest in bank products or products provided by other institutes, including stocks, bonds, derivatives, and futures, spread across different markets, without requiring brokerage by a financial operator. Such functions performed on the web are considerably more cost effective, such that the average commission for an online purchase is about 0.19%, versus 0.70% required by the bank branch.

The average user of online trading instruments is a man, between 25 and 44 years of age, with medium to high level of education and a generally tendency to use technological instruments. Geographically, these clients tend to live in central and northern Italy. They execute an average of 55 trades every three months, mainly to purchase/sell stocks, currency, foreign stocks, or ETF. Compared with 2000, the number of Italian users who had adopted e-trading platforms by 2012 increased about 20 times. The number of services provided by the firms that manage those platforms also have increased, possibly because of the changing restrictions on this market in the past decade. In particular, financial scandals (e.g., Cirio in 2002, Parmalat in 2003) in the Italian banking sector prompted new legislation to protect consumers. A resolution by the Interministerial Committee for Credit and Savings (CICR, n. 72, 2003) and the “Pattichiari” project attempt to ensure banking transparency for consumers; however, whereas the former is obligatory and mandated, the Pattichiari project is discretionary, and banking operators in Italy may ignore it. Thus, 104 banks of the 1,747 institutions in Italy have autonomously adopted the Pattichiari resolutions.

Using these natural distinctions, we can compare the costs of various services provided by the 104 different banks. In addition, in October 2012, the Testo Unico Bancario (TUB, n. 385/1993) was updated and expanded to better protect investors. These laws have allowed reducing all aspects of the perceived risk and they increased the customers' awareness about the e-banking platforms (Hanafizadeh and Khedmatgozar, 2012). In contrast with Greece, as described by Angelakopoulos and Mihiotis (2011), in Italy, consumers have improved their computer, smartphone, and Internet skills related to trading operations. According to ABILab (2012), 12 million Italians use Internet banking, and 60% of these users consider it their principal instrument for managing various banking operations. The introduction of 128-bit SSL security procedures not only encrypt login and password information but also protect all the information the user exchanges with the bank to purchase or sell financial instruments. Many banks also have introduced "tokens," electronic devices that randomly generate passwords for the platform, which has increased security, privacy and consumer trust, changing customer's behaviour and encouraging greater development of online banking. Concurrently, the extension of Internet infrastructures has been beneficial, including high speed connections and mobile broadband. At the introduction of Internet banking, detailed and specific information usually was reserved for intermediaries and their wealthiest clients; today, information is provided nearly universally to all users, such that quotes and investment possibilities are no longer the exclusive territory of banks. Our interviews also revealed that e-banking that can communicate its advantages (e.g., ease, speed, comfort) produces greater efficiencies than pricing policies.

Despite the modern financial crisis, in 2011, about the 30% of banks invested in further information and communication technology instruments, including those related to e-banking services and platforms. However, the number of services supplied by the eight main banking providers has decreased, for two reasons. First, and in line with TCT, to reduce their costs, banks have eliminated services rarely used by clients or with low added value. Second, as better reflected by the RBV, the majority of banks have outsourced their e-trading services, in the recognition that they lacked the skills and know-how to compete with specialized providers. Therefore, their strategic decisions indicate efforts to choose the provider that can best address the needs of their clients. This finding implies that ongoing competition will be based not just on price or product offerings but also on customer satisfaction due to service customization and client trust. Our interviews also indicate that the challenge of e-banking is a multichannel challenge, that is, to integrate services offered online and in mobile devices with traditional channels, to increase distributive efficiency. The choice of channels also depends on the bank's structure, the number of clients, and their type.

Moreover, in e-banking services, the actions required to complete a distributive process change from service to service. Therefore, channel costs vary, depending on the number and quality of the services provided through the platform. More services imply a stronger platform, which usually means more outsourcing and thus systemic increases in the bank's costs (and sometimes higher client costs). Management costs for the platform therefore depend on the functionalities provided by the e-banking service.

The choice of functions ultimately should reflect the

- Number of branches. Without sufficient branches, the support system and help desk need to be stronger.
- Kind of clients. The institution should only develop products with high added value for clients.
- Distributive strategy. The channel used must be a point of strength or provide a new service, instead of just copying competitors' strategy.
- Level of cross-selling. In some cases, the Internet channel is complementary, because the banks have a limited number of internal advisors available and cannot provide all services to their clients through their branches. In other situations, the Internet only informs clients about the various services available through the branches. The former choice is more prevalent in our sample.

CONCLUSION

More than a decade after the publication of "New Distribution Models for Financial Services: The Italian Banks' Approach to the On Line Trading Development" (Cantoni and Rossignoli, 2000), we argue that the Italian market has experienced the explosion of online trading, and bank branches are no longer unique or preferential channels that customers use to perform transactions. With this novel analysis, we reconsider findings that Cantoni and Rossignoli (2000) published years ago and thereby investigate if, why, and how the distribution models for financial services have changed. In so doing, we assess how Italian banks have modified their approach to online trading development, with the aim of recognising mutual influences between economic and sociological scenarios and changes in customers' behaviour.

We thus can identify which business models are emerging and consolidating, the role of technology (e.g. Web 2.0), and a typology of in- and outsourcing models that suit the emerging needs of banks. Italian banks appear well aware of these trends and are responding to these changes and the need to develop adequate strategies. In addition, modern research recognises that there is no universal "ideal" model, because situational and contingent factors determine which model is best. Moreover, the social media era affects situational models profoundly, and Web 2.0 technology is assuming a fundamental influence over the new competitive scenario.

Developing adequate information systems to support customers' changing behaviour gives Italian banks an important opportunity to retain customers and develop their loyalty. In particular, multichannel strategies can help banks combine in- and outsourcing solutions, lower their costs, and substantially increase business process excellence and innovation through collaborative partnerships.

Co-sourcing ensures that services get performed by those best suited to perform them, whether inside the organization or through external service providers. For banks engaged in offering online trading, co-sourcing is advantageous compared with total outsourcing, because it minimizes sourcing risks, increases transparency and clarity, and ensures better control over the processes.

RESEARCH LIMITATIONS/IMPLICATIONS

Our approach to our research questions relies on a literature review and in-depth investigations of the websites of the banks included in our analysis, along with documentation appearing in Italian economic and financial journals, data gathered by ABI, and our interviews. Therefore, we acknowledge the potential for subjectivity in our interpretations of the results, as is the case for any studies that adopt a real-world and case-based approach.

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