

Online Financial Trading System Management

Syed Mohsin Mujtaba Rizvi and Asher Zahid

SZABIST

Karachi, Pakistan

Abstract

Ever since the dotcom bubble burst and the world economy slowed down, financial IT product companies have found it hard to survive. This paper discusses the marketing strategy and company profile that is required to survive these uncertain times. The most difficult of the products to sell and market in these times would be a web-based product for the financial industry.

The events of 9/11 provided a ray of hope for such products in the expanding markets of the Middle East and North Africa. In this paper, marketing plan of one such software development company, that designs and develops financial products, is outlined for the Middle East financial industry.

1. INTRODUCTION

Online Trading systems and services both in the US or Far East Asia have received tremendous response from the investor community. These services allow investors to research on listed stocks manage their portfolio and submit buy & sell orders from the ease of the home or office. Now there is no need for long sales calls from stockbrokers and agents.

These systems have provided benefits to the investors and to the brokerage houses and firms. They have helped firms to reduce transaction costs, decrease trade-processing time, enhance risk management and do value addition to investors.

These online trading systems are heavily priced because of their customization requirements. Their development and deployment requires a lot of time and resources. For these firms there is always a question of Build vs. Buy. However, after several experiences financial institutions and brokerage firms have settled for buying and outsourcing.

2. PRODUCT OVERVIEW

TradeWave is an Internet based trading solution for stockbrokers allowing online trading facility through their web sites. The solution comprises of broker's interactive website, providing live stock quotes and trading interface to the online users, and at the broker end, a complete integrated broker's back-office software solution addressing the accounting and reporting requirements of the broker.

TradeWave not only provides margin based Internet trading facility but also supports value-added features for clients, like online portfolio monitoring, with net

profit/loss, trading history of executed trades and cost breakup of each buy and sell through the system.

3. RISK MANAGEMENT

Includes features like risk analysis, exposure monitoring etc.

Internet trading:

Contains features like order entry, status-monitoring, cancellation.

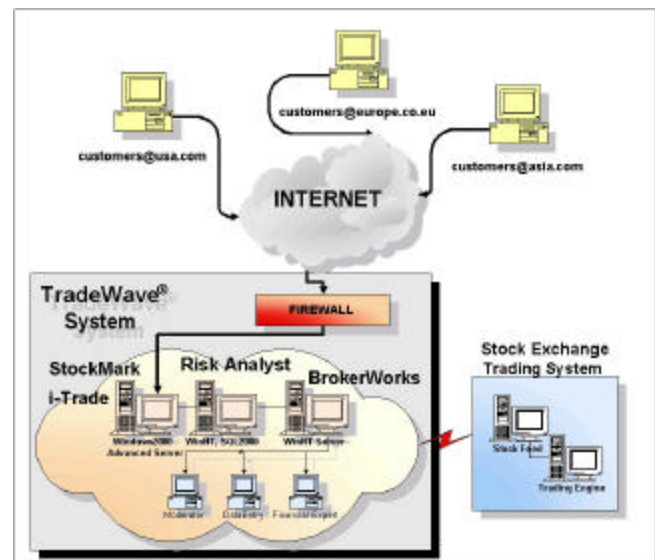


Figure 1: How TradeWave Works?

Web enabled back office:

Contains things like customer's portfolio, account ledger.

TradeWave is meant for the brokers who want to track their current transactions and want to maintain the status of their earnings from the particular deals. Brokers can use this software to know about the history of their customers and can manage their margin trading in real-time basis.

It proposes to add a unique feature to the website through which the customers would be allowed to trade with the help of their credit cards. Following this, all the transactions will be done by having a master/visa or any other card.

4. STRATEGY

The company has a diversified portfolio of products, which are taken care of by separate divisions in the

company. TradeWave, the state of the art online trading solution is the responsibility of Wavetech Software. This division has worked out two business models for the selling and deployment of TradeWave.

- Sell and Deploy
- Partner and Service

Sell and Deploy is a conventional manner of selling the product, as it requires one time selling with the customer. The customer is then trained on the product to provide services to its investors and online users. Wavetech Software team is however, involved in the deployment of the product and ensures smooth roll out of the project.

Partner and Service [1] is a radical approach adopted by the Wavetech Software management given the current IT spending (non-spending) trend owing to the *economic and political* situation in its target market. In the model, Wavetech Software will partner with its customers to provide online trading services to the investors of that market. The revenues earned through the services will be shared as per the agreement between Wavetech Software and its customer.

5. SWOT ANALYSIS OF THE PRODUCT

Strengths of the product:

- Cost-effective
- Customized service at minimum costs
- Value added services
- Specialized in a specific IT niche (financial services)
- Maintenance after sales support
- Close proximity to the target market
- Development in Microsoft product/platform
- Skilled and experienced management/software engineers

Weaknesses of the product:

- Low profile company marketing
- Conservative approach
- Few business contacts
- Lack of brand awareness
- Name problem: (There is a company named Wavetech in the US. That is why its website has been named www.wavetec.com. There is also a company in Karachi named Wavetec).
- Image problem: (Image of the country and the company is a problem. People believe that the company deals with cables and satellite systems only).

Opportunities offered by the external environment

- Products with high demand in International markets at low prices
- Expanding markets (especially in the Middle East)

- Access to new markets in US
- Untapped markets with Pakistan
- Untapped markets in Middle East and North Africa
- Online trading is “the” requirement of the future. So everybody has to buy similar products either now or after some time.

Threats posed by the external environment

- Lack of knowledge of entering markets
- Emerging competition within the US
- Unstable political situation in Pakistan
- Unstable economic situation
- Threat of lawsuits for similarity of name
- Inability to retain key employees and young blood: as other companies also want fresh graduates who have the knowledge of stock exchanges and web both, so they are offering them better package and the potential threat is that they will quit Wavetech for better future.

6. PEST ANALYSIS OF THE TARGET MARKET

TradeWave being an enterprise level software solution [2] is a low volume high value item for sales. It requires a concentrated effort with potential customers to convince them to make a purchase. Three potential customers from the target market have been selected for PEST analysis - Bahrain, Qatar and UAE. Bahrain is an established banking center in the Middle East with regional head offices of major banks located there. Qatar is in the process of diversifying its economy away from oil dependence. Its major focus is on the financial sector and hence getting a market share there at this time could prove to be beneficial in the long run. UAE is already a diversified economy with less reliance on its oil resources. Over the past two years there has been a focused effort on part of the UAE government to promote investment in the financial sector. A project worth \$ 2 billion announced recently has the vision to develop Dubai as the financial hub of the world, connecting financial institutions of the West and the East.

Politically all three countries are stable, however the ongoing Israel – Palestine conflict and the threat of US – Iraq war has caused some unrest in the political circles.

Economically, the countries are rich in oil and natural gas resources and this has kept the economy stable so far. But with the global trend to move to renewable energy resources the oil consumption around the world may go down and thus will badly affect these economies. For this reason all these three countries have opened their doors to foreign investments. Investment laws have been relaxed to attract multinationals and private investments.

Islam is the religion of the three countries. However, locals have considerable acceptance for foreigners of different religion. An interesting fact is that Israelis are allowed to travel to UAE for business and tourism.

Middle East's telecommunication infrastructure supports implementation of e-commerce and e-government solutions. High-speed Internet connections are available to home users. There is already a great deal of interest in the governments and private sector companies to implement enable the services offered to customers.

[2] Dean Leffingwell, 'The role of Product Management in a Software Products Company', Rational Edge, May 2002

7. BCG MATRIX

BCG Matrix tells us about the business position and the market attractiveness. Since it was divided into four categories, we found that the business of TRADEWAVE (online trading solution) is growing rapidly with a good market share as well as good growth rate. This category can hence be labeled as *STAR*. The company is investing in the right product that has a high growth and high market share. But category attractiveness can also be judged by different factors.

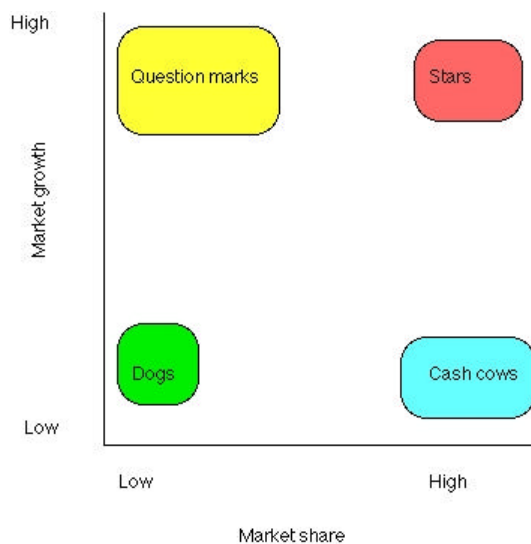


Figure 2: BCG Matrix

8. CONCLUSION

In the introduction the need for revising the marketing strategy of companies working as independent software vendors (ISV) serving financial industry has been emphasized. The basic reason to revise the strategy is the slow down in the world economy and major cuts in IT spending in the financial sector.

A marketing plan for a financial industry software product of a Pakistani company has been devised. Target markets are proposed after PEST and SWOT analysis. Sell & Deploy and Partner & Service strategies are proposed.

REFERENCES:

[1] TowerGroup, 'An Industry Under Siege', STP Forum Magazine, Q3 2002