

MIS 760 – IT Strategy
Case Study: Citibank's E-Business Strategy for Global Corporate
Banking
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1. What are the impacts of the internet on the competitive landscape of corporate banking? (Hint: use Porter's 5 forces)

A1. Citibank made a major drive to develop integrated solutions that enabled its corporate customers to conduct business online in response to intense competition and the dotcom boom. When dealing in a competitive situation in an industry it is important to list out what factors can make an impact. Porter has listed out 5 different categories

1. **Threat of Entry:** How much will it cost to enter the market. An industry with strong barriers is ideal for existing companies as they will be able to negotiate better deals. CitiBank was already doing well with their product CitiDirect and wanted to digitalize the marketplace.
2. **Power of Buyers:** CitiBank initially faced difficulties because large corporations demanded custom-made products that met their specific requirements. Small businesses, on the other hand, were hesitant to use web-based interfaces.
3. **Power of Suppliers:** Suppliers drive the cost of the product. If there are less number of suppliers in the market they could easily drive up the cost which would result in high price for the company and less profit.
4. **Threat of Substitutes:** CitiBanks were heavily focused on customer service and among the competition everyone already started providing e-business solutions. The only threat to citibank was if the other banks could provide the same service at a better efficiency and low cost. Deutsche Bank is one such example. Through its db-eBills service, Deutsche Bank aimed to create a global payment system that could accommodate a wide range of currencies, languages, and local business practices.
5. **Competitive Rivalry:** When a company has less rivals in the market the better their position is as they can get better deals for the company and make profit. Most Fortune 500 companies preferred Citibank when making international e-payments because of strong technology and good customer service.

2. What has Citibank done to differentiate its e-business products from those of its competitors?

A2. Citibank went up and beyond when they entered market with new products to serve their customer needs like

- By providing telephone hotlines, relationship managers who understand client's needs, and product consultants who provide service expertise
- Continuous technological investment to enable both front-end and back-end electronic banking systems
- For corporate customers, Citibank provided a full range of financial services like
 - Cash management, trade and custody services
 - Corporate finance services - working-capital finance, trade finance and asset-based financing
- A team coverage approach, which allowed Citigroup to work closely with each function in a client's organization
- Each service had a set price, however price discrimination was done on a case-by-case basis based on client volume and value.
- Setting up B2B electronic commerce exchanges
- Citibank's strategy focused on alliances and the use of its partner's strengths and key technology players included Oracle, Commerce One Inc, SAP AG, Wisdom Technologies and Bolero.net

3. What can Citibank do to create competitive advantages?

A3. Citibank can focus on things like these to gain a competitive advantage:

- Maintain and if possible improve further on their customer service
- Make global impact on a reasonable budget
- Study current market problems using advanced data analytics and deliver solutions for repeatable tasks to save customer's time and money.
- Hire people with talent to create the next big thing

4. How has Citibank successfully converted its traditional money management business into an e-business? During the process of transforming traditional assets to digital assets, what issues should a company like Citibank take into account to ensure successful implementation?

A4. There are three key elements to CitiBank e-business strategy

1. **Connect** - Customer convenience has been the thrust of the continuous evolution of Citibank's products and services. CitiBank had a vision to help customers by providing banking solutions anywhere in the world.
2. **Transform** - As Citibank realized that there is a problem with efficiency of the back office process the bank then started to work on strategies like Regionalisation, Internalising the Web and work on automating processes.

3. **Extend** - Citibank understood that gaining clients' trust in the web would take time and effort. Citibank devised a strategy that includes a pricing incentive program to entice conservative clients to join CitiDirect.

During the transition from traditional assets to digital assets CitiBank implemented strategies like

- Working on data security to gain trust of small business
- Smooth transition of data
- Provide the ability for rapid change
- Tight integrated systems

5. What actions has Citibank taken to serve the needs of two very different market segments, MNCs and SMEs?

A5. CitiBank solutions for MNC and SMEs are

- MNC - CitiBank provided a full range of financial services like cash management, corporate finance and treasury market to the MNC's. Provided a custom built platform to cater the needs of separate companies. Provided them with state of the art web based solutions.
- SME - Since the small companies were hesitant to adopt this new web based solution Citibank offered them price incentives, assurance on security of their data using their multi-layered security architecture included public and private access keys, single-use passwords, and multiple authorisation controls.

6. How has Citibank's Cash and Trade Group managed to develop different e-business products for varied industries? With the market changing so rapidly, how does Citibank identify market needs?

A6. CitiBank's Cash and Trade program was a popular option for business clients. Citibank began offering all of its services online, making things easier for their customers. Citibank began to regionalize its cash and trade operations, allowing it to focus entirely on the process. To accommodate market needs CitiBank has to analyze data and put efforts into their R&D division. CitiBank while providing their web based solutions should opt for a module based approach which can help them in providing solutions in a much faster and smoother process. Lastly they should automate the process wherever possible which can save time, money and resources.

7. One of Citibank's challenges is in managing vendors and suppliers without allowing them to exploit its clients. How does Citibank protect its clients from its strategic partners?

A7. To protect Citibank's clients from vendors and suppliers they chose to form alliances with companies with complementary technology. Citibank's key technology players included Oracle, Commerce One Inc, SAP AG, Wisdom Technologies and Bolero.net. Lava Trading, a leader in electronic execution and sell-side order management

technologies, was bought by Citibank in 2004. Citibank was able to provide institutional clients with the most advanced and robust electronic trading system on the market, with technology that complimented and expanded their current platforms and product lines as a result of this acquisition. CitiBank had a huge global reach that external vendors were happy to agree with CitiBank's terms as the bank was giving them huge business.

8. Prepare a SWOT analysis to evaluate Citibank's e-business strategy.

A8.

<p><i>Strength</i></p> <ul style="list-style-type: none"> ● Global Reach ● Strong Brand ● Continuous investment in technology ● Forming alliance with companies to strengthen core technology ● Great Customer Support 	<p><i>Weakness</i></p> <ul style="list-style-type: none"> ● Solution expensive for small businesses ● No solutions available for within reasonable budget ● Risk Management
<p><i>Opportunities</i></p> <ul style="list-style-type: none"> ● Retire legacy system in favor of new web based systems ● Invest in new technologies specially for security ● Offer B2B solutions 	<p><i>Threats</i></p> <ul style="list-style-type: none"> ● Companies going for same approach with budget solutions ● Sustain growth by hiring new talent

9. How does this case demonstrate the alignment of an e-business strategy with a company's overall business strategy?

A9. This e-business strategy will aid CitiBank with their overall market strategy and help it grow even further. CitiBank always emphasized on customer's needs as their first priority which is what they are trying to provide by giving digital solutions so that their customers can access citibank resources at their disposal. Many other banks were ready to provide similar solutions to their customers but this is where Citibank stood out. They provided the best customer service in the market by adding telephone lines, relationship managers. Not only this, CitiBank was ready to provide custom built IT solutions based on their customer requirements. CitiBank focused on digitalising common business with IT like cash management, securities and fund services and trader services. By adopting e-business strategy they are able to provide the same service better and cost efficiently.

10. Beyond the case: Citibank has hit hard times in the last several years. Do you think the strategy described in this case helped in the decline or was this a bright spot? Explain your answer.

A10. The e-business strategy as described in the article was certainly a good step in the right direction. Citibank suffered significant losses as a result of subprime mortgages during the financial crisis of 2007-2008. On November 23, 2008, an additional \$20 billion was invested in the company, in addition to a \$25 billion initial investment, as well as \$306 billion in hazardous asset guarantees. Markets were not confident that Citi had enough liquidity to sustain losses from such investments when the guarantees were provided. The Citi shares the Treasury received in exchange for the guarantees it issued were eventually recorded as net profit for the Treasury because Citi had sufficient liquidity and the guarantees were not required. Citibank had fully repaid the Treasury loans, including interest, by 2010, resulting in a net profit for the government.

Even after all these downfalls that Citibank faced, the step towards e-business is why Citibank is still a good financial institution with good leadership and a good strategy. Citibank with good customer service is still preferred by many compared to other banks with similar technology but sub par customer service.

Reference - CITIBANK'S E-BUSINESS STRATEGY FOR GLOBAL CORPORATE BANKING (2008)