

## Case Study: Citibank's E-Business Strategy for Global Corporate Banking

1. What are the impacts of the internet on the competitive landscape of corporate banking? (Hint: use Porters 5 forces)

- Threat of new entry
  - There were chances of competition from Deutsche bank and ABN AMRO which could put pressure on prices, costs and rate of investments.
- The threat of substitutes
  - Customers could prefer cheaper banking solutions from their competitors.
- Rivalry among existing competitors
  - Credit card costs were higher at Citibank so, customers moved onto other competitors which reduced their customer base.

Citibank had to move from manual/paper based banking system to internet banking due to the dotcom boom and to increase the reach out to global market, which required customization according to the customer's requirements. E-Services turned out to become a necessity for customers as it provided flexibility for the clients to work from their location and avoids paperwork. E-banking systems also helped to compete amongst the financial markets as well as corporate banking sector.

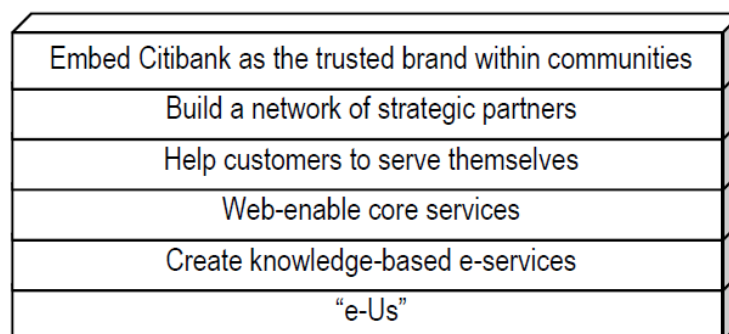
2. What has Citibank done to differentiate its e-business products from those of its competitors?

Citibank introduced a couple of unique facilities that their competitors didn't have which helped them gain more customers and a larger share of the global market.

- Investing into latest technology for the whole banking procedure as well as into the front end and back end.
- Online Payment Gateways & Payment by Phone Call.
- Relationship Managers & Product Consultants
- To improve the accessibility, they created a unified platform for their corporate customers. A complete set of Financial services which were divided into 3 types:
  - Transaction services
  - Corporate finance services
  - Treasury market services.
- An application for online investment for short term which also helped for tracking them which is known as "Treasury vision".



**Figure 1: Citibank's E-Business Strategy<sup>30</sup>**



**Figure 2: The Six Key Elements of Citibank's E-Business Strategy**

**Web-enable:**

- The main goal is to create more means of connectivity to improve accessibility to the bank.
- Citi Direct for corporate customers to make & receive online payments.

**Transform:**

- Common processes were integrated into a single procedure such as transaction processing.
- Straight through automation for faster transaction processing.
- Increased number of Data centers.
- Complete Online processing

**Extend**

- E-banking system helped them increase the global outreach.
- They wished to move all customers to Citi Direct but the SME's couldn't afford E-banking services due to the higher running costs hence Citibank couldn't get rid of legacy systems.

**3. What can Citibank do to create competitive advantages?**

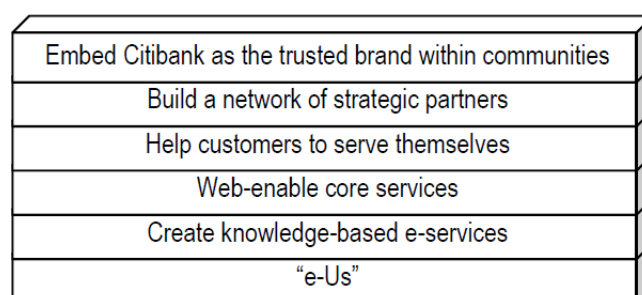
The implementation of following methods could bring about a great advantage over other banks.

- Improved methods of customer evaluation: Incase of the 2007 downfall they couldn't identify customers who could repay the loan on time causing huge debt and loss of the company.
- Risk Management: The risk management strategies need to be improved with time so that they don't have to face a situation similar to 2007.
- Technology Risks: Since the whole banking system has come upon the Internet they also need to consider technological risk involved such as failure of Mainframe server and immediate backup policies.
- Strong Brand Positioning: It needs to have a strong brand recognition just like coca-cola amongst carbonated soft drinks.
- Higher investment into technologies like:
  - Data Mining
  - Data Warehousing
  - Customer Segmentation
- Creating a better global outreach to create new customers
- Develop New products

**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?



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- Internalizing the Web: Being a bank, they had to take up all the transactions and accounts from Manual/Legacy systems to the electronic format which requires Extraction, Transformation and Loading of Data. The business logic and strategy was integrated into the e-banking system and the data was stored into secure databases. This process also focused on making automatic workflows to the routine manual procedures.
- Regionalization: The bank turned into a centralized bank so that all the data could be loaded into the single data center located in Singapore.
- Integration of Intelligent programs such as Straight through automation for faster transaction processing were implemented.

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

- The E-banking service developed by Citibank was known as Citi direct which is a costly affair that SME's couldn't afford and were concerned regarding the security issues.
- Highly secure methods were developed with concern to this issue:
  1. Public & Private access keys
  2. Single use passwords
  3. Multiple Authorization Controls
- MNC's could afford this new system but had a lot of business specific requirements which required heavy customization for every customer.
- Since SME's and other customers couldn't afford this platform and Citibank wanted to get rid of the Legacy systems they introduced a pricing incentive for these customers.

#### 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?

Initially Citibank's goal was to develop its own homemade software pertaining to every need of the market but eventually they couldn't keep up with the ever-growing needs of various customers and market. Eventually leading to higher investments over technology and resulted in a failure. Finally, they realized their goals by focusing on alliances and partners. Thus, they used SAP and Oracle as a complementary technology.

#### 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?

Citibank made their schemes transparent to their vendors and suppliers so that they don't exploit the financial strengths of the company. **Edgerton said of companies that had approached Citibank to partner with it: "Citibank brings considerable value to potential alliance partners. They're interested in our brand, our financial services expertise, our global presence, our strong customer relationships and position as a trusted provider, as well as our knowledge of specific industries and international markets."**

They eventually acquired Lava trading the best in electronic and sell side order management systems it is a very robust and sophisticated trading system that complemented their current platform.

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

**Strengths:**

- Unified system for all clients as everyone will be on the same platform.
- One of the most well-known banking companies across the globe.
- Citibank has the latest technologies, services and infrastructure and uses the best platform for customers and client's.
- Provides a complete online banking solution throughout the globe for transactions transfers and any such requirements.
- Designs software as per the client's requirements so it can be completely customized.

**Weakness:**

- Expensive solution
- Customization as per client requirements.
- To bring up SME's on web based banking system.
- Getting rid of legacy system.
- Security of clients and customers over web based solutions.

**Opportunities:**

- Corporations approaching web based solutions.
- More B2B and B2C clients are approaching to streamline their payment gateway and get financial solutions.
- Completely paperless method as it is a web based solution.
- Can provide customers with Online billing, invoicing, receipts, payments.

**Threats:**

- Tough operational environment (Requires software and cost optimization).
- Technological Risk (Hacking, Server failure).
- Serious cost cutting has to be done due to competition.
- Various companies are trying to build a similar platform since they don't wish to wait for the bank to develop it for them.

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

Citibank's business strategy was to have its setup established worldwide and have a global recognition. They believe in customer satisfaction as one of the most important aspects of their business strategy. Due to the boom of DotCom and IT infrastructure and their benefits, they developed E-business platform which was a unified platform for all the clients. Since MNC's had different requirements they would customize it according to their needs. Slowly, they tried to reduce over the costs for SME's and got rid of the legacy systems. With this platform being setup completely and their IT solutions being the market leader they gained a lot of global recognition with a lot of awards. They provided relationship managers and product consultants for customer interaction which helped them improve upon customer service and made them feel personalized. With time IT developed aggressively which they couldn't cope up and eventually lead to mergers and alliances with complementary technologies like SAP and Oracle which helped them improvise consistently. Overall, they've gained a couple of awards in Fund Management, Cash Management, Transaction Management and Investment Management. This symbolizes that their business strategies align with their e-business strategies.

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.

Initially, it all started with a bright spot wherein they introduced their e-business platform and gained a lot of customers with improvement in technology. They had to work hard to understand their client's needs and understand their specific requirements to customize it accordingly and build it. Soon they planned to get rid of the legacy systems and converted the SME's to the online platform by offering some pricing incentive scheme. With time the client requirements turned out to be difficult to build and they couldn't keep up to their expectation causing them to grow with mergers and alliances. In 2007 they faced a huge recession which everyone experienced but then they recovered with time. At a point of time they did fail with their credit card scheme due to their higher costs but then they believed in customer service would come down. They invested heavily into IT infrastructure and innovation which has always kept them high and well renowned all over the globe. I feel this case had a bright spot initially but had a dip during recession and is back to the bright spot by accomplishing their overall business strategies. They are one of the first ones to implement online platform for banking which is the reason they are always the best into innovation and invest heavily into technology with customer satisfaction in their industry.

#### References:

##### 1. CITIBANK'S E-BUSINESS STRATEGY FOR GLOBAL CORPORATE BANKING (2008)

Dr Minyi Huang prepared this updated version of the case with the same title published in 2001 under the supervision of Professor Julie H. Yu and Professor Ali Farhoomand for class discussion. This case is not intended to show effective or ineffective handling of decision or business processes.

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##### 2. The Five Competitive Forces That Shape Strategy

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