

Business and marketing strategies for citibank

[Finance](#), [Banks](#)



Introduction

Citibank engages in consumer, corporate banking and financial services and it is part of the Conglomerate giant Citigroup. The bank was established in 1812 and was known as City Bank of New York and after that, it was named First National City Bank of New York. The company was later changed to Citigroup and Citibank became an arm of the banking and financial services Unit of the company (Wikipedia, 2010). As at June 2009, Citigroup is the fourth largest bank in the United States through domestic deposit and the top three banks are Wells Fargo, JP Morgan Chase, and Bank of America (Data monitor report, 2009). This made Citibank an international financial bank with consumer, corporate and investment banking and also rendering insurance services. Citibank operates in over 100 countries globally and it is one of the most successful banks in the world. The economic crisis of 1990 caused by the Gulf war and other financial crises in many Asia countries affected the banks' performance (Timmers, P. (2009). This made the bank to change its corporate, business and marketing strategies in order to ensure sustainability of the bank and also to beat its competitors. It also engaged in the introduction of e-commerce and e-business strategies to introduce new products into the markets and it also expanded its operations to other areas such as wealth management, stock broking and financial trading services

1. 2 The new strategies of Citibank

The bank extended its banking operations to other areas such as wealth management, assets management, insurance, financial trading etc (data monitor, 2009)

The bank initiated better organisational vision and mission statements to a broader, goal oriented goals and objectives in order to beat the competition from other big financial players and rivals such as Bank of America, JP Morgan Chase, HSBC, Barclays Bank etc

Adoption of new e- business and e-commerce marketing strategies through new marketing development systems such as online internet services

Based on Porter (1980) generic strategies Citibank adopted the differentiation strategy by building its international business strategies through implementation of new technological and communication systems such as Information technology systems, tools and equipment in order to enhance its business operations,

The formation of techniques and structures that will make the bank to be able to compete in e-business environment.

1. 3 The outline of the strategy formulation technique available for Citibank in order to compete in e-business environment

Due to the growing competitive financial environment, and the need to respond to the new technological changes for faster business operations, Citibank's new vision is to become the world's leading e-business enabler. Its core main e-business strategy is to connect with customers through the internet (web), transform the Citibank's capabilities to deliver integrated solutions and extend by reaching new markets, new customers and new products.

However, Citi bank has strategy formulation techniques for competing in the e-business environment and these will be discussed below.

– Creation of Citibank’s E-business Vision

The first step of Citibank strategy formulation was the initiation of the E-business Idea and creation of an e-business vision and mission statements which forms the outline of achieving its business objectives (Ali Farhoomand, 2008). This e-business strategy was reiterated by Caroline Wong, head of e-business Group (cash & trade), Hong Kong stating the bank’s commitment to enter the e-business in order to bring transformational reforms that will increase clients satisfaction. Citibank’s vision is to become the leading enabler of e-business through empowerment of local, regional and global customers and business-to-business-to-consumer (B2B2C) (Tawfik Jelassi et al, 2008).

EXTEND

Reach new markets,

new customers

and new products

CONNECT

Web-enable its core services to connect

with its customers

TRANSFORM

Draw the full range of

Citibank's capabilities

to deliver integrated solutions

Figure 1: Citibank's E-business strategy

This vision and the business strategy serves as a fundamental framework for the Citibank's E-business structure thus giving directions, goals, aims and objectives. The mission includes the management of the overall costs of its Information (Ali Farhoomand, 2008). Technology (IT) investments, optimal usage of the existing and new technologies, and standardisation of its application and development processes. All these are driven towards increasing operational efficiencies and lower the costs of operational while achieving on time delivery to customers. All these goals, aims, objectives created a fundamental framework in which Citibank was operating to achieve a sustainable E-business in the competitive markets so as to gain market leadership in the banking and financial markets operations.

-The Formation of the Internet group

In 1999, Citibank launched a CitiDirect Online Banking which was the e first Citibank's multi-product in a multi-geographic Internet banking system. Citibank e-business unit was formed in year 2000 with the management's group decision to aggressively develop Internet-based products. The e-business solution was continuously developed and researched through 2001 and 2002 and Jose Bermudez , the executive vice president and head of global cash and trade business who consolidated the Citibank's business structure and by holding meetings with all regions, developing and combining goals in all areas and consolidated bureaucracies across the regions of the bank's operations (Timmers, P. 2009). This initiative by Jose Bermudez created a cooperate commitment to achieving and sustaining the Citibank's e-business strategy. During this period, the then CEO, John Reed was thoroughly concerned about meeting the demand for internet banking and he started the E-Citi initiative for exploring the Internet opportunities (Tawfik Jelassi et al, 2008).

-Strategies implementation for its e-business environment

Jose Bermudez led the e-business unit that was responsible e for developing internet software for the corporate clients setting up B2B (Business -to-Business) electronic commerce exchanges while the new high level committees coordinated and the strategies through benchmarking of other banks (Tawfik Jelassi et al, 2008). The e-business environment was conceived as a solution business for customers to create new and complex online banking products to meet the customers' need. It built internet platform and

E-structure services such as clearing, trading, and collections which allowed customers to acquire information rapidly than the traditional paper base processes. This was evident when the Global transaction services created the Citibank's markets and banking systems in order to integrate Cash , Trade and Treasury services and Global Securities Services. Its core objectives was to assist corporate customers to gain greater control over financial positions locally and internationally while increasing business efficiencies and reducing costs. Citibank created a global online investment that was secured, and web-based which allowed customers to access a variety of short-term investments using the award-winning , web based electronic banking platform. An example was the replacement of the CitiDirect Online banking with Treasury vision which created an easier management of short-term investment portfolios by the managers.

– **Creation of culture and values of multidisciplinary teams**

One of the strategy formulation techniques of Citibank was the creation of multi-dimensional structure of teams that is totally focused on the E-business initiatives and they broke the old bureaucratic culture that existed. Timmers, P. (2009) stated that some other managers were hired from outside the bank and they had the following dimensions:

Following through on commitment through forming collaborative infrastructures and they worked by coordinating themselves so as to fulfil the objectives of the e-commerce goals

Shared understanding and knowledge- The multi-dimensional teams work through sharing of knowledge and resources in applying best practises in the implementation of e-commerce strategies

Creation of forums as channels for effective communication

Citibank Alliance strategies

Prior to 2000, all forms of e-business strategies implemented by Citibank had failed because the huge investments in areas of software development, systems development and front end service could not meet up with the dynamic technological changes then. From 2000, the bank then focused on creating strategic alliances with the use of their partner's competitive strengths. The bank formed partnerships with companies that had strong technologies, systems and infrastructures with good access to the markets . The companies that Citibank partnered with are the major technology leaders such as oracle, Commerce One Inc, SAP AG, Wisdom Technologies and Bolero. Net. the major breakthrough of the partnership was the Citibank's alliance with four IT technological companies to form Financial Settlement Matrix. com, which connected buyers and sellers in e-market places with payment processing, credit and other services through conduct of businesses with banks and other financial service companies

– Acquisitions of Information Technology and Electronics Company

Another strategy which Citibank adopted was the acquisition of some It and electronics company in order to enter and breakthrough the existing e-commerce marketplaces (Tawfik Jelassi et al, 2008). Citibank acquired Lava

Trading, which was a leader of electronic execution and sell-side management. This was to enhance Citibank's existing infrastructures and platforms and it was able to integrate a robust electronic trading systems in its services complemented with the technologies of the acquisitions (Data monitor report, 2009).

-Commitment to engage in continuous technology development

The objective and promise to engage in continuous technology development was a good strategy formulation which sustained the Citibank's E-business environment (Data monitor report, 2009). Since the new commitment and success recorded in 2000, Citibank has been active in engaging in the continuous development of the IT and e-business sector so as to gain maximum customer satisfaction and gain market leadership through the optimisation of Information technological systems and structures (Timmers, P. 2009). Citibank offered an array of integrated investment options through multiple channels including automatic orders, branch services, and online services.

Creation of sound business model and practises

The creation of good business model and strategies which its operations are based on is the strength of its ability to compete in the e-business environment. The connect - which promoted the use of internet as Web-enable its core services to connect with its customers is an indication of the growth of the e-business environment. The other excellent objective by Citibank is transform the bank through the use of the bank's integrated capabilities while reaching out to new and emerging markets.

SECTION 2: The appraisal of the Citibank current existing strategies in relation to e-business and information systems and their relevance in meeting the corporate objectives.

Based on Michael Porter's competitive generic strategy, Citibank adopted a differentiation strategy for its banking service by using the e-business strategies of effective internet banking and relevant banking functionalities that give customers full access to their accounts, trading, and management (Data monitor report, 2009). These strategies are in line with its vision and mission to become the leading provider of e-financial services by becoming a trusted, consistent and premier e-business enabler for all its customers globally.

Citibank differentiates its e-business product from its competitors through application of e-business strategies and improving their customer services functions (Timmers, P. 2009). Citibank offered internet services, telephone banking, and customer relations managers gave individual attention to customers and service experts. Citibank committed to its " e-business strategy-Connect, Transform and Extend-was to web enable its core services, develop integrated solutions and reach new markets."

The use of consolidated e-business organisational structure

One of the core strategies of Citibank's current success in relation to its e-business and information systems in the banking operation and services was the use of consolidated e-business structure that was formed in March, 2000 called the internet operation group that was responsible for the internet activities between e-Citi and all other business units. After this in April, 2000, Citibank established the e-consumer and e-business segments that was

initiated and designed infuse the Internet into all customer and corporate banking services and operations. The following month, May, 2000, Citibank included e-Capital markets and e-Assets Management (Data monitor report, 2009).

The e-business units were developing the software required to set up clients with the electronic business accounts while utilising business, resources and Information Technology (IT) people as well.

The lessons learned from previous failures when Citibank indulged in managing all aspects of e-business themselves made them to focus on partnering with strong IT companies in order to realise their goals.

b) Partnerships and alliance with other companies

Citibank formed strategic partnerships with reputable information technology and e-solutions provider companies such as Oracle, Commerce One Inc., SAP AG, Wisdom Technologies and Bolero. net in order to improve and consolidate its e-business strategies. These partnerships have helped Citibank's e-business to be stronger and very competitive by providing integrated cash management services, fund services, securities services and internet banking services.

c) Citibank's implementation of sophisticated and effective e-banking business tools, infrastructures and e-systems

Citibank introduced some good e-business systems that enhance its banking operations through the development of solutions to address the three core process areas such as accounts process management, accounts payable

process management and liquidity management (Data monitor report, 2009). The bank's cash management products includes web enable payments, receivable solutions, vendor financing, commercial card solutions and liquidity products which have helped the customers reduce financing costs and achieve better returns on investment capital. The world link payment services payment have been introduced for over 20 years and it has improved payments systems of cash, cross-border Automated Clearing House (ACH), cheques and electronic transfers all protected by sophisticated encryption technologies, access restrictions and authentication procedures. This provided more confidence for the customers in terms of security of the banking transactions made. Also, QuickRemit service provided a robust framework for global distribution process to transfer money both-in-branch and for web-based (Timmers, P. 2009).

The customers' payment receiving has been boosted by web-based through automated recurring payment initiation and this provided while the fast telephone banking systems enhanced the customers services and allowed payment initiation possible.

The introduction of the Advanced Information Technology (IT) helped to guarantee security and integrity of data and transactions and Citibank commercial cards granted many web-based management tools that streamlined payments, reporting, spend analysis and global data acquisition and other vital day-to-day activities. This made it possible to have access to many banking products and could transact business from all parts of the world (Timmers, P. 2009). The customers benefited immensely from good e-

business products, delivery and services and these products were clearly different from the ones other banks offered and this made Citibank to gain more competitive advantages over its other competitors in the domestic and global markets.

Citibank's online services is global, secure and web-based system which gave more benefits to the customers also offered an array of integrated investment and this was applicable in other parts of the world such as Asia countries. The online web-based electronic banking platform, CitiDirect Online banking was replaced by Treasury Vision that provided a more superior cash management system for global investment network.

d) The development of new services

Citibank developed new e-technological products to meet the corporate objectives and to fulfil the Citibank's business strategies and to gain competitive advantages in the global financial markets, CitiBank established the Global technology Group whose role includes leading information technology projects and culture into the firm. It is important to evaluate the e-strategies used in all its banking and corporate services

Improvement of Cash Management through e-services

Citibank's main focus is to assist customers to have effective movement of their money throughout the world while also meeting their expectations and requirements (Ali Farhoomand, 2008). The cash management e- solutions includes web-enabled payments and receivable solutions, vendor financing, commercial card solution. The implementation of WorldLink Payment

solutions and liquidity products reduces financing costs and achieve greater returns on assets (ROA). World Link services enable cash payments to be made in more than 135 countries through the cross-border Automated Clearing House (ACH), cheques and electronic funds transfer. The use of new QuikRemit Service offers a more flexible software platform (Ali Farhoomand, 2008).

e) Citibank e-strategies involves the use of information technologies to provide more secured online banking services in all its global banking operations which gave the customers more confidence about the web-based services (Ali Farhoomand, 2008). Citibank has an initiative known as security architecture which provides security systems even for next generations of web based solutions.

Other projects are the new touch screens automated teller machines (ATM), cash acceptance machines as well as quick deposit machines which gives receipts when deposits are made and this reduced queues in the banks (Ali Farhoomand, 2008) and this made the Citibank services better and quicker and has improved the quality of services Citibank offer.

f) Ali Farhoomand (2008) stated that Citibank uses the cross-functional teams in the development and implementation of new services and this involves staff from different sections and department combine to maximise the transfer of information and technical skills. The staffs are encouraged and motivated to join special task forces around new IT projects that will transform the company's operations to lend their skills and expertise (Timmers, P. 2009). The end-users are also involved in the early in the

development process to ensure proper configurations of equipment. This has improved quality, development time and costs.

Strategies of Citibank in Political Environment for its operations

Most of Citibank's operations have been globalise due to its massive operations in more than 150 countries around the world (Citigroup report, 2009). The bank has been able to adjust to various political environments due to its ability to adapt to different policies and banking systems that are set up by those countries (Data monitor, 2008). The continuous investment in new technologies has also made it possible for it to gain competitive advantages over other competitors in the local and international markets. Citibank has been successful in the Middle East in places such as Dubai and other United Arab Emirates countries. Citibank is also highly successful in most countries of Asia, Europe, and USA and in the United Kingdom (Timmers, P. 2009).

Strategies for social environmental factors- Implementation of National cultures in many countries

The formation of many multi-disciplinary and functional teams for different E-business strategies implementation has caused the implementation of national cultures in many countries of their operations (Ali Farhoomand, 2008). This made Citibank to implement team working in all departments and groups for the IT strategies in order to gain competitive advantages. This also made Citibank to be able to form local alliances with other banks in order to quickly to the national cultures of such country of operations. The

elements of national cultures include adaptability, consistency, team working, cooperation, tolerance etc . There is growing emphasis on the Internet in business and consumer applications led to increasing demand for their products to be integrated with more general information technology solutions of Citibank. This has given Citibank more focus and stability and great vision to explore new and emerging markets

Figure 1: The elements of national culture implementation

Source: http://www.denisonconsulting.com/dc/Portals/0/Docs/Paper_Asia.pdf

(Accessed online on 22/06/2010)

SECTION 3

The analysis of the current situation of Citibank and the assessment of their specific strategic options available to the bank to enhance its future e-business structure

Citibank is highly committed to continuous improvement in technological developments and it is also customer driven so as to fulfil its mission. The use of Information technology improves its banking and trading operations and enhances the work of over 268, 000 employees located in over 100 countries and their focus was to embed their services into the everyday lives of the local population (Citigroup report, 2009). Therefore, in addition to enhancing the commitment to its employees and customers globally, Citibank has strong brand recognition and that it why it is driven towards new technologies to gain competitive advantages in existing, new and emerging markets (Data monitor, 2008).

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The analysis of the current situation and the strategic options available to Citibank in order to maintain its global leadership in its e-business services are listed below

Consolidating the formation of Alliances

The current alliances practises with major Information and communication technology players especially with reputable firms such as Oracle, Commerce One, Inc., SAP AG, Wisdom Technologies and Bolero. net” has helped the company transform its company to an e-business model.

This made Citibank form the Financial Settlement Matrix. com which is a company dedicated to connecting buyers and sellers in e-market places with payment services, credit services through multiple and financial services (Citigroup report, 2009). This caused growths in other banking operations of the company and made the company to develop greatly and Citibank has used the opportunity to align itself with the partners so as to maintain high competitive advantages in the markets (Timmers, P. 2009).

Citibank must consolidate its alliances so as to keep gaining the strategic advantages needed in the marketplaces by engaging in stronger relationships with the Information Technology and communication companies and total customer focus must be the strategic intent of all parties of the alliances. This makes Citibank to work towards balancing the strategic needs of the E-business with the security of the online banking/ e-banking services and to also improve the accessibility of information that is required to leverage the robust e-banking and e-business that is available within the banking group (Citigroup report, 2009) . Therefore, it is important

for Citibank to improve its business models of value stream, revenue stream and logistics stream through consolidation of the alliances. This will also make Citibank to meet the current and future challenges of the e-business and to improve the internal logistics are aligned towards continuous improvement of Information and communication technology (ICT). The previous investments in ICT have led to an increase in revenue and increase in customer base.

Customer focused products

The continuous introduction of new banking products such as smart banking cards, telephone banking services, online accounts accessibility and other new products has made the bank to gain competitive and strategic advantages over other banks. The bank is wholly committed to new products introduction and this can be possible through continuous improvements in IT and e-business.

Improvement of Citibank's legal framework

Since, the beginning of 2007, most of the banking corporations had begun using the new legal model framework for assessing the SWIFTNet. . This utilises the use of the SCORE model for laying down rule for messages (Ali farhoomand, 2008). Therefore, the introduction of the SCORE model will enable the corporate bank to reduce risks and therefore there is need to improve and build this model so as to gain strategic advantages over other banks and other competitors.

Therefore risk management and legal compliance were introduced as priorities in year 2008 for all the banks and Citibank adjusted its banking

operations so as to reduce all the operational risks across its banking operations. The banks now introduce and develop integrated information systems for consolidating the existing structures to reduce the risks and to avoid the breach of any data transfer.

Transformation of Citibank's e-Business strategy

New improvements in the banking and trading operations are necessary so as to maintain the vision of Citibank. Operations such as Transactions processing such as cash management, trade finances, and derivatives must be maintained through the adoption of new strategies which are very important for the corporate customers and other customers

Improvement in new competitive infrastructures to develop and sustain new products

Citibank enhances its new product development through Information and communication Technology by investing in millions of dollars for new infrastructures (Ali Farhoomand, 2008) and also for new products development of different ranges and to improve its customer service functions (Tawfik Jelassi et al, 2008) . The use of e-payment by Citibank customers has improved its banking operations and the bank must sustain this by adopting latest technologies while engaging in costs reduction services that will reduce all operational costs and maintain high profitability within the firm.

Better Internal management processes

It is very important for Citibank to introduce and implement better internal management processes in order to remain competitive and sustain global

leadership in the area of e-business operations in the banking industry (Ali Farhoomand, 2008). The internal management that must be implemented should include continuous development programme for employees, better and faster internal information sharing through e-mails, use of video conferencing for meetings across the regions in order to save costs and time (Ali Farhoomand, 2008). There should also be better work-group information flow and communication must be enhanced so as to prevent resistance in the formulation and implementation of new policies, ideas and new systems that could enhance the growth of the company through e-business applications. This will make the internal management very strong and competent in the use of any latest technologies due to their continuous development and training which would have acquainted them with all new technologies

The other strategies that could enhance the operations of Citibank current and future strategies include the use of M-commerce (Mobile commerce) and it can be applied in following ways:

-Financial services - Mobile banking should be improved and promoted by Citibank and this includes the use of hand held devices to access accounts, monitor accounts and pay bills. Trading and Brokerage services (where stock quotes can be easily displayed and trading conducted from the same hand held devices). This will create faster banking and trading services and it has improved Citibank's operations

-Telecommunications- The use of telephone banking has been successful in the e-business applications of Citibank through the one-touch telephone

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banking that was introduced. However, new telecommunication systems such as the hand-help mobile phones should be digitalised and be able to connect to the banking telephone customer services in order to get access to accounts and other banking products but however, this should come with good security systems

Improvement of information services- Information delivery to customers should be made through e-mails to save time and costs. It should also be done in prints journals, for old customers who cannot operate computers and promotions about new products should be advertised online and in television also so as to reach a wider audience of customers globally.

The implementation of social corporate responsibility (CSR) for Citibank

Due to the continuous growth of Citibank especially in the existing, new and corporate markets, it is important that the bank be engaged in corporate social responsibility (CSR) as it has always practised in many countries such as assisting in building social infrastructures in many countries such as Malaysia, China, Singapore, India, and United Arab Emirates (UAE), Japan etc.

In other areas of corporate social responsibility (CSR), Citibank has a long standing commitment to make the communities where they operate better places to live and work. Citibank has employed good initiatives geared towards improving the lives of members of the communities and countries where they operate. The Citibank ' s CSR raises the quality of life , families and institutions and thus strengthening the communities. Citibank promotes

educations, youth education and social entrepreneurship and employee volunteerism

Adherence to political environments in all areas of establishments

For Citibank to keep up with its competitiveness, it must adhere to the financial laws and regulations in different political environments. Most developing countries want the banks to invest in their countries in order to provide employments for their citizens and they also want the banks and other Multinational companies (MNCs) to apply their corporate social responsibility so that their communities can benefit from the investors' gain

Comparison of other financial institutions' e-strategies

Case study: Barclays Bank Plc

Barclays Bank is one of the third largest financial institutions in the United Kingdom and the seventh global bank with high capitalisation, customer base, and good geographical positioning in the world. The implementation of e-business technologies has advanced the bank to become the top five global banks with strategies implementations of web based applications. In 2004, Barclays bank was the first bank in the United Kingdom to launch an online banking system where customers can have access to their accounts, manage the accounts while also paying and receiving money. Since 2004, it has applied continuous improvement and new development in its Informati