

Icici bank- strategy analysis

Business



Corporate relationships ICICI banks strategy to capture the untapped market potential can be said to revolve round four elements, they being strong corporate relationships, brand, technology and operational excellence.

Coming to the first element of strong corporate relationships, ICICI has undergone a series of mergers to enhance its capital base. For example, In May 2002, the merger of ICICI, ICICI PFS and ICICI Capital with ICICI Bank was realized, creating what is now referred to simply as ICICI. According to the ICICI's 2001-2002 Annual Report, the merger of ICICI and its subsidiaries with ICICI Bank created a combined entity with complementary strengths and products and similar processes and operating architecture.

The merger has combined the large capital base of ICICI with the strong deposit raising capability of ICICI Bank, giving ICICI Bank improved ability to increase its market share in banking fees and commissions, while lowering the overall cost of funding through access to lower-cost retail deposits. ICICI Bank is now able to fully leverage the strong corporate relationships that ICICI has built, seamlessly providing the whole range of financial products and services to corporate clients.

Then delving into the second decider of strategy for ICICI's growth, ICICI has built up its brand and has been able to position it in the minds of the retail consumer in such a way that it helps drive its business. After 2002 ICICI has more consciously started its brand and has been successful to a great extent. Technology Technology has always been the key driver in most of the growth strategies of ICICI bank.

Technology is a very important aspect of ICICI's innovations, as the firm has taken advantage of the affordability of technology to enhance its business. The financial services company has allied itself with a number of other companies in order to offer innovative services. They have partnered with Orange and Airtel to provide WAP-based m-commerce (mobile/telephone banking), with Compaq to develop a payment gateway, with Yahoo! to provide on-line financial information, and with Satyam Infoway to offer retail financial products over the Internet.

ICICI and its subsidiaries have portals that allow its customers to access accounts and products on-line, offering cutting-edge web-based tools.

ICICI was the first of the Indian financial services firms to aggressively pursue an e-commerce strategy and has established a reputation as the leader in this area. The firm has invested in the development of its e-commerce group and has dedicated resources to using their technological advantage to great better customer service and increased internal efficiencies. ICICI bank has been able to successfully go for technology that has immense utility in its industry context yet quite affordable also thereby enabling it to attain scale economies (see exhibit 9). Operational excellence ICICI bank has also built its strategies around operational excellence.

They have applied innovation very well to develop competencies in reaching the customer.

For example, they have developed a successful third party distribution model with a growing market share in distribution of mutual funds, Reserve Bank of India relief bonds and insurance products. This allows them to meet all

customer needs through products that are complementary to those that they offer directly, while leveraging their distribution capability to earn fee income from third parties. They also provide online trading facilities through www. ICICIdirect.

com. ICICIdirect provides complete end-to-end integration for seamless electronic trading on the stock exchanges and has been rated “ TxA1” by CRISIL, indicating highest ability to service broking transactions.

ICICIdirect has also launched India’s first Digitally Signed Contract Notes (DSCN), which allows a customer to view and print their contract notes online. ICICI Bank has pioneered a multi-channel distribution strategy in India, giving its customers 24×7 access to banking services. The enhanced convenience that this offers the customer has supported its customer acquisition efforts and migration of customer transactions from branches to lower-cost technology-enabled channels. During the year, ICICI Bank continued to expand its non-branch channels aggressively and successfully migrated customer transaction volumes to these channels.

Only 35% of customer induced transactions now take place at branches.

ICICI Bank set up over 500 new ATMs during fiscal 2002, taking the ATM network to over 1, 000 ATMs. Another very innovative and important feature here worth mentioning under operational excellence is the concept of cross-selling that ICICI has implemented to acquire as well as to retain its customer base in retail banking where it has offered different products to the same clients or made one product popular among different kinds of clients. See exhibit 10 for the share of various channels ICICI bank has made use of to <https://assignbuster.com/icici-bank-strategy-analysis/>

reach the end customer. ICICI and International Business Flushed with its success in the retail sector, ICICI decided to foray into the international market in 2001.

But it needed a well planned strategy to venture into this new sector.

One of the top executives -Lalit Gupte was chosen to head over the international business. But it still had greater issues to resolve like- Which countries to enter into? Who will be the target customers? What products and services would ICICI offer? Which technology to use to automate the process? International remittance key corridors for India International remittance from migrant workers to their home countries have been a significant source of income for many developing countries (Exhibit 11).

Unlike FDI and developing aids, remittance tends to be a more stable source of income for these countries.

Based on the remittance flow pattern top 10 remittance corridors have been identified (Exhibit 12) and India is one of the major recipients of these remittances. The figures exceeded a little over 22 billion USD in 2004. (Exhibit 13).

What drives the huge remittance flow to India? Maybe it is the huge Indian Diaspora spread across the world (Exhibit 14). Before the IT revolution in 1999 much of the India bound remittance used to flow from the Gulf countries – Middle East, Saudi Arabia, Kuwait, Dubai, Bahrain etc. These migrant workers received little political rights in these countries and their sole motive was to earn as much as possible and return home. They were then replaced with a fresh set of migrant workers.

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The money remitted home was used for a variety of purpose like meeting day to day needs, vehicle purchase, real estate etc.

With the IT business emergence the blue ollared workers in US, I-JK, Europe also began to remit on a regular basis. While the white collared workers used to remit small amounts at a time, were under-banked in their source countries and preferred traditional transfer methods; the blue collared workers remitted large amounts, were highly banked in the source countries and preferred online methods. ICICI made note of these patterns and decided to develop its products accordingly to cater to the varied customer base. Business Model The remittance business was initially dominated by Money transfer Operators (MTOs).

The major source of revenue in this business comes from three sources- * Transactions Fees-Depends on the transactions amount and the destination place * Exchange rate-Applicable when the remitter's currency is not the same as destination * Float revenue- revenue earned from lending or transmitting overnight currency.

When banks saw the opportunity in this business they ventured into the sector offering services at a much cheaper rate (Exhibit 15). By providing remittance as a value-added service banks were able to gain market share and customer loyalty. ICICI Bank Approach ICICI saw an opportunity to focus on inwards remittances towards India from anywhere in the world.

But to become a serious player in this field it needed to focus on the following issues- * Understanding regulatory compliance - ' Know your Customer', ' Fraud Detection' and ' Anti-Money Laundering rules in different <https://assignbuster.com/icici-bank-strategy-analysis/>

countries; * Establish correspondent network in the source and recipient countries; * Cater to customer requirements- ease of transfer, transparency in fee structure, in -time and safe delivery of remittance. Also ICICI studied that the major players in this sector – iz SBI, HDFC, Citigroup had strong international presence in the form of branch network. Hence it adopted the following strategies to capture the money transfer market.

Product Innovation: ICICI formulated different products and service delivery mechanism for different customer segments. In order to cater to the blue collared workers is used traditional approach viz partner bank based products and bank branch based products.