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Citigroup Case Study

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Executive Summary

Overview

Citibank is a global company operating in the financial services industry. Specific areas of operation include Consumer Banking, Global Cards, Institutional Clients Group, and Global Wealth Management (Hoovers Inc., 2009). Major competitors include Bank of America Corporation (NYSE: BAC), JP Morgan Chase (NYSE: JPM), Wells Fargo & Company (NYSE: WFC), Morgan Stanley (NYSE: MS), HSBC Holdings (NYSE: HBC), and Deutsche Bank AG (NYSE: DB).

Citigroup and Major Competitors, Past 20 Years



Source: Google Finance

Market Power / Profits

Citigroup's financials demonstrate high levels of profit than one would expect given the company's tremendous revenues. This profit demonstrates the level of market power enjoyed by Citigroup; its exorbitant profits directly attributed to the company's ability to leverage its market power. Management strategy was simple: grow the business, and expand through acquisition and existing business line extension. Citigroup certainly possessed the resources to successfully accomplish these goals, and its significant gains are directly attributable to effective utilization of its resources and the realization of significant economies of scale. Citi presents mostly domestic market power, as other companies expanded internationally prior to Citi's

internationalization efforts. Competition and differentiation characteristics associated with market power are detailed below.

Competition

Looking at the Financial Services Industry from a 5 forces perspective, we find:

- Threat of new entrants is low resulting from entry barriers associated with regulations, risk, capital requirements, and existing economies of scale.
- Bargaining power of suppliers has been moderate and has realized a trend of significant decrease, followed by significant increase (associated with the availability of low cost capital and market movement).
- Bargaining power of buyers has realized an inverse trend for the same reason, as the market consists primarily of these two entities.
- Threat of substitutes is high. There are other alternative services and other financial institutions competing for globalization same as Citibank. However, Citibank has had a presence for a longer period of time and thus earned their customer trust in more countries than its competitors. They need to build on that trust.
- Rivalry among existing competitors. There is a strong rivalry in this industry and many competitors could be either local or global. However, Citibank has huge resources and has a first-mover presence in most emerging markets.

The Five Forces That Shape Industry Competition



from "The Five Competitive Forces That Shape Strategy" by Michael E. Porter, *Harvard Business Review*, January 2008

These characteristics contribute to the degree, nature, and type of competition. The Financial Services Industry is comprised of many components, some which are oligopolistic, and some which exhibit near perfect competition. Retail banking has a many companies engaging in perfect competition. Firms traditionally adhere to the status quo and attempting to differentiate through product quality or segment specific customer service rather

than creating industry disruption through price competitions. This trend was temporarily replaced with more intense competition in the

late 90s and early years of 2000 when capital became significantly cheaper and demand significantly increased.

Differentiation

IT investment proved to be a survival strategy, not a differentiative strategy for the Banking Industry. In the banking industry, the use of the Internet to provide new online products and services almost made the market a one in perfect competition because it gave more transparency to transactions and brought operational aspects like customer service, banking flexibility for customers on the same platform.

Monopolistic competition and the ability to discriminate based on price were Citigroup's strategy involves a concerted effort at providing optimal customer service. This included offering telephone support, back end business consultants, and even relationship managers tasked with facilitation of effective client relationships (McCauley & Sharma, 2002). Additionally, Citigroup was successful at acquiring back-office responsibilities for numerous clients (McCauley & Sharma, 2002). It also proved to be an effective method of account penetration and embedding Citibank e-Services within clients' IT systems and processes.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TTM
Operating Income	38.30%	35.20%	37.60%	43.20%	52.90%	51.40%	51.80%	47.00%	44.10%	57.50%	95.40%
Return on Assets		1.42%	1.67%	1.45%	1.42%	1.51%	1.24%	1.65%	1.28%	0.18%	

Source: Morningstar

	2000	2001	2002	2003	2004	2005	2006	2007	2008	TTM
C	1.42%	1.67%	1.45%	1.42%	1.51%	1.24%	1.65%	1.28%	0.18%	
BAC	1.26%	1.18%	1.07%	1.44%	1.55%	1.53%	1.37%	1.53%	0.93%	
DB		1.45%	0.02%	0.05%	0.19%	0.31%	0.36%	0.59%	0.43%	0.17%
JPM	1.39%	1.00%	0.23%	0.22%	0.87%	0.46%	0.72%	1.13%	1.05%	0.41%
Average		1.33%	0.69%	0.78%	1.03%	0.89%	1.03%	1.13%	0.65%	

Source: Morningstar

Citigroup's Operating Income has realized significant growth (almost 300%) from 1999 to end of year 2008. The TTM column represents the trailing twelve months, in this case demonstrating that in the last twelve months of evaluation, Citigroup's business roared. The return on assets, however presents a different story, as Citigroup experienced an approximate 90% decrease compared to the competitors' average of 51%.

Return on Assets: 2001 - 2008	
Company	
Citibank	-89.22%
Competitors Average	-51.13%

This extremely high decrease in Citigroup's ROA raises concerns, as it demonstrates the company's exorbitant administrative and infrastructure costs in relation to its profit. A falling Return on Assets ratio is generally the predecessor to a decline in stock prices, as it is evidence of a company's inherent problems (Thompson Reuters, 2009). The decline in the subprime mortgage market led to the decrease in value of Citigroup's assets in the real estate markets as well.

Capital & Resources

Citigroup's resources include tremendous market power in various markets, coupled with significant market share, economy of scale, high levels of revenue, partnerships, brand recognition and identity, and human capital. Through aggressive acquisitions, Citi has rapidly expanded, creating an economy of scale and leveraged its tremendous resources to reap significant revenue. Citigroup possesses tangible resources and assets such as facilities and further developed additional intangible assets such as technology, reputation, and organizational culture as it became more skilled at expansion and acquisition. Human capital was increased during Citi's growth phase, presenting additional resources in the form of skills, and capacity for communication and collaboration.

The company's IT investment and systems represent valuable assets. This includes the e-business platforms serving as key resources for the company to further penetrate corporate

accounts and expand competitive positions. In doing so, strategic relationships and alliances were further developed. Citi also internalized the web through its straight-through automation, EXTEND, and developed the Citibank Advantage. From a resources perspective Citigroup is on the industry forefront, possessing an array of assets that facilitate success. Other resources include: diversified offerings, proven customer relationships and customer focus, back end and consultant capabilities, and acquisition experience.

Despite Citigroup's macro level financial success, however, there are underlying issues present.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Citigroup	3.4	3.2	3.3	2.6	3.3	2.9	3	3.1	1.8	0.7
BAC	2.7	2.3	2.9	3.1	3.2	3.7	3.4	3.3	2.8	0.9
DB	--	--	1.7	1	1.8	1.6	1.7	1.8	1.4	0.6
JPM	3	1.8	2.8	1.9	2.4	2.6	2.6	2.8	2.2	1.6
S&P 500	2.3	1.9	1.6	1.3	1.6	1.6	1.5	1.6	1.5	0.9

Source: Morningstar

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Citigroup	19.5	19.5	18.4	13.6	14.2	14.8	12.7	13.1	40.8	--
BAC	11.2	10.2	15.1	11.8	11.3	12.7	11.4	11.6	12.5	10.7
DB	--	4	131.6	75.8	31.7	14.5	11.8	8.8	6.8	4.1
JPM	12.4	15.9	45.5	30	11.3	25.2	16.7	12.6	10	15.2
S&P 500	28.2	24	23.6	19.8	21.1	19	17.3	16.8	16.5	10.9

Source: Morningstar

The PE ratio is considered by many to be the key ratio, determining what the market is willing to pay for stock. Take for instance Citigroup's 2007 PE ratio of 40.8; this tells us that the market was willing to pay 40.8 times Citigroup's earnings for stock. This is one of the highest

PE ratios exhibited by any comparable company for the ten year period listed, and demonstrates Citi's perceived strength for the time period given.

The PSR represents is an effective analysis tool with a limited scope (analysis relative to past performance or industry performance) that measures a company's market value. When analyzing Citigroup against its competitors, it is apparent that the 1999-2006 PSR was much higher than the 2007-2008 PSR.

Innovation and Growth

As the 1990s gave way to the new millennium, the business world began to experience a significant shift from traditional methods of operation to electronic mediums that increased efficiency, speed of transactions / operations, and decreased transaction costs. This shift toward increased IT utilization increased competition, created a market trend of disruptive innovation, and drove many businesses and Citi clients to heavily invest in developing automated processes and systems. With Citigroup providing a significant amount of back-office services to its many clients, it was forced to adapt to accommodate customer needs, and to stay current and competitive (McCauley & Sharma, 2002).

Citigroup set out to streamline and improve payment and money handling processes, and developed a new organizational goal; to become the world's leading e-business enabler (McCauley & Sharma, 2002). Citibank invested exorbitant sums of money into system development, and focused on micro level requirements, which required a more decentralized micro focus, contradictory to Citigroup's prior successful model (McCauley & Sharma, 2002).

Consolidation efforts were made, and the 200 centers were reduced to 60 centers in advantageous locations, thus increasing the efficiency of storing accessing transaction and client data (McCauley & Sharma, 2002).

The nature and regulation of the Financial Services Industry, there is limited opportunity for transformative innovation. Innovation is kept at a business process level, and is focused on delivering a value based service to clients.

Innovation that creates accuracy, transparency, decreased transaction costs and increased transaction speed is the current scope of opportunity. As an industry, the value of Financial Services Innovation (in terms of strategic advantage and growth opportunity) provides a greater benefit to the client than to the service provider itself, and because of the industry's tendency to mimic advantageous movements and ideas, advances are generally seen at an industry level rather than a company level. Thus, IT investment and innovation proved a macro trend and less of a strategic advantage.

Annual Growth Rate	
C	14%
WFC	12.50%
JPM	9.40%
BAC	8.90%

Citigroup has realized significant growth for the ten-year period between 1996 and 2006, higher in fact, than any of its main competitors as demonstrated in the given chart (CNN, 2007). Citigroup realized such growth through an aggressive acquisition strategy, which positioned the company as a market leader. When growth became more tedious and regulated as a result of market dominance and size, Citigroup endeavored to strengthen its internal controls, negotiate for future expansion, and look into international opportunities in such areas as consumer banking (Lervold, 2005).

Strategic Management Perspective

The above ratios and additional information demonstrates problems with Citigroup's liquidity. Though profits have skyrocketed, operational costs are extremely high, even when compared to the industry, suggesting the company is too highly leveraged. In order to remain profitable and competitive, serious thought must be given to potential layoffs, divestiture, or other measures to decrease the company's administrative and overhead costs in order to increase liquidity.

Conclusion

Over a twenty-year period, Citigroup as an organization transformed from a modest company to an industry leader, possessing tremendous resources and significant market power. Citigroup's share price has increased almost three thousand percent from 1990 to 2000, compared to the market's overall approximate 450% growth.

The focal point of management's vision was to become a "leading e-business enabler" (McCauley & Khan, 2002, p. 5). The company identified the efficiencies offered by the digitization and automation of internal and client processes. In addition, globalization represented an unprecedented growth opportunity given the perfect competition of the retail market, and the arguably oligopolistic (domestic) and monopolistic competition (globally) position of Citibank as one of a few global money center banks serving Fortune 500 companies (McCauley & Khan, 2002).

The shared pursuit to attain the fruits of globalization fostered the joint need between Citibank and its blue-chip corporate clients to evolve the organization and processes to best position the firm to leverage international opportunities. While Citibank attained the technological, operational and cost efficiencies presented by e-initiatives – migration of clients away from legacy systems, the new capabilities did not inherently foster inimitable resources (capital) for the company.

To be sure, the company's e-initiatives developed new capabilities to supplement the core business similar to a number of technology initiatives in other industry sectors. As such, innovation (revenues) and market share (profit) gains were likely predicated on the quality of the banking relationship and collaborative servicing efforts in the form of high-level management committees, cohesiveness of relationship managers and product managers, customer call centers, and other byproducts of the newly decentralized organization (McCauley & Khan,

2002). In addition, we would attribute growth realized by the banking business to broader macroeconomic trends.

We would attribute the restrained creation of shareholder value to management's inability to fully monetize the lauded synergies of the "financial services supermarket" proposed under the leadership of Sanford Weil. Management presented the array of cross-selling product opportunities to consumer and corporate clients, and the resultant creation of shareholder value as a consequence.

However, the past five years has brought the systematic deconstruction of the global behemoth in the spin-off of Travelers Property & Casualty, the joint venture and possible future sale of the Smith Barney wealth management unit, and the recently proposed split of the banking franchise and investment franchises (Citicorp) and the new consumer finance construct (Citi Holdings) (Citigroup, 2009). The latter vehicle will retain the pool of subprime loans, which has forced Citigroup into the precarious capital position it presently confronts.

It is our assertion that management has created a de facto divestment vehicle in the corporate structure of Citi Holdings. The remaining 50 percent stake of Smith Barney and auction blocked franchise of Primerica are held within this entity. Also, we expect Citi Holdings to participate in any program by the government to acquire the toxic loans from financial institutions endeavoring to stymie the capital destruction of the subprime loan crisis.

As such, the Citicorp entity is positioned with high value assets and resources to propel revenue and profit growth as we enter the second decade of the New Millennium.

Citibank's e-business product offering differentiation. Additional opportunities for competitive advantage in the market.

Citibank has differentiated its e-business product offering by emphasizing on customer service versus the price. By focusing on response time, technology, and support Citibank built customer satisfaction and confidence in the way business was conducted. Through the use of customer service focused offerings such as telephone hotlines, relationship managers, product consultants, and continuous investment in technology Citibank set a standard for customer service.

With a spotlight on providing customers a paperless system of collection and payment processes Citibank was able to secure all business transactions from one customer, equaling a full relationship between bank and client. As cliental shifted their focus to e-business, Citibank had too as well.

Since Citibank wanted to focus on customer services and not prices they could continue a competitive advantage by lowering their prices to match their competitors or even lower. Citibank also has strong alliances over the globe through many facets of business, this allows them to be more attune with all industries and all markets. Their knowledge and current relationships with foreign markets creates a quicker bond than those companies who have little or no experience with overseas markets.

Citibank has the resources simply because they have international businesses, but dominance of customer service. Through their continuous use of the latest technology features which have reduced transaction processing times and have kept the infrastructure secure with updated security and encryption. Although the idea of competitive advantage at times focuses on the customer, keeping funds and transactions secure is a must.

Global competitive advantage is the main reach of Citibank. By providing strong customer service and exceptional products and services, Citibank is able to keep brand

recognition and loyalty throughout the globe. The power of Citibank's reach is far more than many companies within the banking industry. To continue at this magnitude they must maintain their connections and continue to develop new services that will allow their customers to continuously connect to Citibank.

Citibank's strategic intent is to convert its traditional money management business into an e-business framework. This section addresses Citibank's transforming of traditional assets into digital assets.

According to Porter (Grant, 2008) two main ways for a company to compete are on cost advantage or on differentiation. Citibank chose not to compete on price, but instead chose to compete on differentiation.

Since many other companies have similar products and services, Citibank bases its differentiation on customer service. Traditionally, this involved "offering telephone hotlines, relationship managers who understood clients' needs, product consultants who provided service expertise and most important, continuous investment in technology to support both the front-end and the back-end electronic banking systems" (McCauley & Kahn, 2002). In order for "successful" transformation of traditional assets into digital assets the company must maintain or enhance its differentiation. Since the company's differentiation is based on customer service, that means that in the transformation from traditional to digital assets the company must continue to be highly responsive to the customers' current and future needs, and must do so to a higher level than the competition.

One main way that Citibank achieved transition from traditional to digital was via alliances with such technological companies as Oracle, Commerce One Inc, SAP AG, Wisdom Technologies and Bolero.net. Earlier the company invested millions of dollars on its own in multiple areas of e-business, and failed. Technology is not Citibank's area of expertise, and it found dealing with constantly changing technology to be an expensive struggle, which it

ultimately lost. However, by 2000 Citibank had changed its strategy to one of garnering alliances and using its partners' strengths to create the technological infrastructure that the company needed to access markets and meet its customers changing demands. Working through alliances reduced Citibank's risks and costs, increased its effectiveness, and allowed it to remain flexible in meeting changing technological and customer demands.

Customer demands varies, both in the short term and long term. According to McCauley and Kahn, one of the most important obstacles for Citibank to overcome in migrating customers from traditional to digital service was meeting their deep seated concerns about security. While to some degree this hindered Citibank's efforts in rolling out Web-based applications, Citi did actively implement "multi-layered security architecture... public and private access keys, single-use passwords and multiple authorization controls" in order to meet customer needs (2002, p. 9). In addition, with digital processing it looked to transform repeatable processes that could be "commoditized" into an efficient digital factory. Commoditizing repeatable processes improves efficiency, but also allows resources for additional regional focus -- localization. So too, Citibank's strong brand name is a resource that translates into increased trust as a "trusted provider" when competing with Deutsche Bank and other competitors. In fact, most Fortune 500 companies assign value to Citibank's specific offerings, and prefer it to other international payment providers (McCauley & Kahn, 2002, p. 4). Citibank, then, offers multiple areas of value to customers.

The key question, however, is whether this value translates into a competitive advantage which translates into additional profits. Though Citibank met their customers' needs in the area of information technology, how unique is what it offered? Cutting edge technological capabilities can soon become "hygiene factors" (Hertzberg, 2003), which are considered to be required, rather than a competitive advantage. These then, do not qualify for differentiation or competitive advantage. While at one point Citibank may have offered cutting edge

technological capabilities, the competitive advantages these afford can quickly be eroded. Customer service and transactional efficiency are important. However we need to ask what other areas of business require attention in order for Citibank's ultimate success. If these are not met, the corporation will not meet its growth goals.

Growth Potential, Opportunities, Threats.

Citigroup has more than 200 million customers and is operational in over 100 countries in the world. This means it enjoys a strong market position in a consolidated industry and global brand recognition that provides it a competitive edge.

Opportunities

Global brand recognition is a huge advantage for Citigroup in order to expand its operations, win customer trust and confidence and cross sell services in different areas.

Citigroup's global brand ranking enjoyed 8th position in 2008, according to BusinessWeek and Interbrand rankings (Citigroup SWOT Analysis, 2008).

Citigroup is one of the largest financial companies in the world with an asset base and infrastructure to support its global operations. Citigroup provides consumer banking, corporate fund management, credit card processing, brokerage and mortgage banking. This means that it has a wide network of branches, ATM machines, call centers and a comprehensive web presence to support these operations. The availability of this network and the economies of scale allow for easy expansion into geographic areas and scalability (Citigroup SWOT Analysis, 2008).

Citigroup's wide range of products and services position them optimally for organic growth. In addition to increasing customer satisfaction, the extensive range of services enhances the group's cross-selling opportunities and increases its resistance to temporary downfall in demand for one product segment or business.

Citigroup also acquired Egg Banking, one of the first fully online banks in the world and the largest provider of financial services in the UK. By acquiring Egg, Citigroup has access to its 3 million customers and can offer them an array of services including account payment, credit cards, mortgages etc. This acquisition is geared to strengthen Citigroup's brand portfolio and enhance its customer base in Europe (Citigroup SWOT Analysis, 2008).

The global commercial banking industry is growing due to economic growth in the world and is projected to grow at about 4.8% annually till 2011 (Citigroup SWOT Analysis, 2008). This gives Citigroup a lot of opportunities to grow its business too, especially in the BRIC countries. Citigroup has acquired Guangdong Development Bank in China, AKBANK in Turkey and HDFC in India (Citigroup SWOT Analysis, 2008). The group can leverage these acquisitions to increase its revenues from international operations to offset decline in home market in the US.

Threats

Citigroup faces major threats from the slump in the credit industry and the subprime mortgage market. This has already caused the company's revenues to fall by 8.3% and operating profits and net profits by a staggering 94.3% and 83.2% respectively (Citigroup Inc, 2008). The difficult mortgage market is probably going to make matters worse for Citigroup as the value of its current assets decline steadily.

In November 2008, Citigroup's shares fell by more than 60% and resulted in seeking Government intervention (Lagorio, 2008). They have already received \$45 billion in assistance from the US Government in 2008 to help maintain liquidity and are now looking to expand the Government's stake in their business operations.

According to Reuters UK, 2009, Citigroup is planning on selling its investment banking and brokerage business in Japan to raise money from disposing global assets. Citigroup has had a low profile and below break-even operating margins in Japan. The Japanese operations

have been a drain on their Asian division. This downfall will make Citigroup's position weaker in Asia as compared to competitors and may cause it to lose substantial market position.

With its weakened financial condition and the current economic conditions, the global commercial banking industry is getting more compact and consolidated with acquisitions and mergers (Citigroup SWOT Analysis, 2008). Recent examples include the merger of Wachovia and Wells Fargo, JP Morgan Chase's buyout of Washington Mutual and these will further intensify as the market remain uncertain and the value of Citigroup's assets fall further. Such consolidation will strengthen competition leading to more diversified businesses, thereby again depleting Citigroup's market share.

US mortgage lenders are suffering from rising default rates amid weak housing prices and slower sales in the housing market. Citigroup's US consumer lending provides home mortgages and home equity loans to prime and non-prime customers. Given the weak outlook for the sub-prime market the group is likely to record further deterioration in the performance of this division.

Over the years, Citigroup's capital adequacy ratios have declined. The company wrote off assets worth \$42.9 billion in 2008 resulting in a lower Tier 1 ratio (Citigroup SWOT Analysis, 2008). The difficult credit market and Citigroup's heavy exposure led to the company being downgraded by all the agencies. On top of declining investor confidence due to heavy losses and rating downgrade, the additional capital infusion is likely to have dilutive effect on the earnings, adversely affecting the market sentiment and investor returns.

Cash and Trade Group and opportunity to develop e-business products for different industries.

As a global money center banking institution, Citibank's global scale and capabilities enables the company to provide various banking services and products and operate as a correspondent bank to other financial institutions of limited scale, resources, and capabilities.

The abundant capital resources and robust infrastructure provisions Citibank rich product diversity and scalable capabilities. Globalization and digitization trends fostered the need to coalesce financial management functions of greenfield or newly acquired international operations and other assets (McCauley & Khan, 2002). The varied client mix required Citibank to develop the capability to service the unique treasury needs of different industry segments. As such, the company formed an array of relational contact points: customer service hotlines, relationship managers, and product specialists (McCauley & Khan, 2002).

It is further our recommendation that management could develop "business-level component capabilities" (Tallman & Fladmoe-Lindquist, 2002). The associative routines developed under this program could tighten communication and collaboration between product specialists and relationship managers domestically and internationally. The sophistication of financial markets and products in developed markets can be cross-pollinated to emerging nations. Also, an internal knowledge system construct could serve as an efficient communication mechanism of economic and financial system developments that enhances the market transparency for managers abroad. Such a capacity would transmit activities "on the ground" to limit Citibank's exposure to adverse financial events (e.g. Asian contagion or Russian default).

Identification of needs in a rapidly changing environment.

Citibank should develop a locally based capacity to identify burgeoning market dynamics. Tallman and Fladmoe-Lindquist (2002) offers Coca-Cola's transition to a "locally oriented" strategy in new product development, advertising, and branding (p. 121). The company's pursuit of strategic partnerships should favorably position the company to derive higher levels of market knowledge transfer between domestic and international operations as well as other business units.

Citibank's management can institute "socialization mechanisms" to facilitate knowledge flows into the corporate parent and other units (Gupta & Govindarajan, 2000, p. 16). Such mechanisms can take the form of management committees, inter-unit teams, and other collaborative cross-unit mechanisms. This mechanism will serve to transmit market development through the established channels to alert senior managers of pertinent market activities and to heighten the flexibility and response of the organization to competitive pressures in the marketplace.

Challenge: managing vendors, suppliers, and clients without allowing them to exploit clients. Separation of clients and strategic partners.

Citibank protects its clients from their strategic partners by using the technology from the partners without directly involving them. By using the strengths or the applications of technology players such as Oracle, Citibank can provide supreme customer service to their clients without the client being bombarded for extra services, promotions, and marketing from the partners. The main idea is not to exploit the customers. Simply put, keeping the clients protected is equivalent to keeping the mailing list locked up as if it were a trade secret.

Customer convenience and trust with Citibank is the goal. By using Citibank's CitiDirect program customers can use the help of the strategic partners without having to use many

websites and various venues. The focus of Citibank is to provide customers full access to their accounts with ease and wherever the internet is available.

Citibank is serving two distinctly different market segments-MNCs and SMEs. Methods of managing the discrepant needs of two market segments. Potential for increased online transactions.

According to Rombel, Citibank had developed winning web strategies that integrate the medium into everything they do. "Citi is committed to providing our customers with solutions that enable them to interact with their bank wherever they are and however they choose – in person, online, while in transit or on their mobile phone" says Deborah Hopkins, Chief Innovation Officer at Citi. That is why in 2008 Citibank was named the overall winner and best corporate/institutional internet bank globally and in several regions. The great array of financial services provided by Citibank worldwide makes it easier for them to cater to Multinational Corporations (MNCs) as well as Small and Medium Enterprises (SMEs).

Only a financial institution like the Citigroup, with the capital they had available in the mid 70s could embark in such an ambitious endeavor of catering these groups with such different needs. While SMEs relied more in face to face relationship and trust, MNCs normally demand IT systems that are secured, individualized and fast. Citibank should address the needs of MNCs by offering a secure platform that will adapt to their local and global needs and that will offer fast, worldwide capabilities. Offering online fraud and identity theft protection, by showing MNCs the advantages of online real time banking and the convenience and range of reports and information that could be easily obtained would be ways to encourage MNCs. MNCs, although more demanding, have the capability to invest and train its personnel and they are prone to embrace new technologies. Citibank used the Classic disintermediation strategy which

is based in direct relationship between supplier/customer and is information intensive (Andal-Ancion, Cartwright and Yip, 2003, p.37).

On the other hand, most SMEs have a poor understanding of the importance of the internet and some do not even have the infrastructure to have access to an Internet Service Provider (ISP). Most of SMEs experience is limited to a website access with a brochure style presentation. They are not familiar or have no clear expectations and therefore, are afraid of this new technology. The strategy Citibank should follow with SME is to build their trust by offering a combination of face to face and technology base services and by offering rewards as the business slowly progress into a fully online institution. Maybe by offering SMEs free internet access and a custom-made internet website that can be easily built upon and easy to manage and access.

Citibank started focusing on SMEs in 1977, and in order to address their needs, Citibank introduced Citibusiness which offered products and services such as internet banking, trade, asset-based finance, foreign exchange, etc, including a customer centre, document collection, citifax and citibusiness direct which provided online account information. This combination of online products and direct contact services was what Citibank needed to slowly earn the trust of SMEs.

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