

Technology Strategy-Innovating for Growth of Citibank

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Abstract

From a business perspective, Citibank's digital strategy has positively influenced the organization performance financially. It has enhanced efficiency, connectivity, increased customer satisfaction. Citibank's overall performance has been enjoying positive trends over the past years, which can be strongly attributed to its development and investment in high technology infrastructure and complicated applications. Citibank firmly believes that building their digital strategy will be a competitive strength. With its core pillars "Customer Centricity, Globally Common, Digitally connected", Citibank digital strategy operates effectively. Besides, by using its technology and innovation to facilitate customer service and new business propositions, Citibank has worked to implement its vision—a bank of global leading e-business enabler.

Keywords: Citibank, Digital Strategy.

Introduction

Citibank is a multidimensional financial services institution. The company offers a wide range of retail banking, commercial banking and other financial products and services, catering to the requirements of small and medium enterprises, institutions, individuals and corporate customers. Citibank differentiates itself from its competition by emphasizing customer service.

Citibank's vision is to become the world's leading e-business enabler. The bank's priority is to meet the changing needs of its customers, and therefore emphasizes technological advancements to provide seamless and efficient banking systems. Providing anytime, anyplace banking became an essential component of Citibank's services. An e-Business strategy was developed to implement this vision by connecting, transforming, and extending Citibank's technology offerings.

Citibank's main business strategy is to understand client needs by developing relationships with each customer. Corporate consumers are encouraged to outsource financial processing to Citibank, further deepening the bank's understanding of customers' current needs. This knowledge can then be used to forecast customer technology needs for future development and delivery (Cheryl Bluthardt, 2017).

Citibank made a serious push to deliver integrated solutions that enabled its corporate consumers to conduct business online. Several entities within Citibank were created to focus on the advancement of the institution's online banking options.

Citibank Recent Development

There is a strong trend amongst financial institutions to utilize technology to increase banking efficiency. This is a result of technology being more readily available and accessible to both business owners and personal consumers. Technology has also become more affordable. In relation to businesses, as demand has increased, the cost of the technology has decreased. Additionally, there has been movement within the industry to encourage the use of electronic payments (Hitt, et al, 2017).

Another industry trend indicates that while consumers are interested in electronic payments, they still prefer brand recognition and banking with institutions that can demonstrate a proven history of financial security. Customers want to have peace of mind when it comes to utilizing e-banking services.

Citibank Partners with MasterCard

Citibank has signed a new and expanded 10-year agreement with Master Card Incorporated, a provider of transaction processing and other payment-related services. Citibank began aligning the MasterCard's consumer proprietary credit and debit portfolios to the MasterCard network in 2015. Citibank continued to work with other networks, including on consumer co-brands and commercial cards. Citibank new global agreement with MasterCard harnessed the size and strength of its Card franchise, creating a path with MasterCard to influence the future of payments.

Citibank Partners with MetLife

MetLife, Inc., a provider of insurance, annuities and employee benefit programs, has entered into bancassurance partnership with Citibank for distribution of credit insurance products to Citibank clients in 15 markets until 2025. Under the new agreement, MetLife and its affiliates will act as the underwriter or reinsurer of credit insurance products to Citi clients in 15 countries, across Asia, Europe, the Middle East, Africa and Latin America through 2025(Reports. Droy, 2015).

Citibank SWOT Analysis

Citibank Strengths

Strong Brand Recognition

Citibank benefits from strong brand recognition in the financial service industry(Hitt,et al, 2017). As a result, Citigroup enjoys a strong competitive edge over its competitors. Not only does Citibank have strong brand recognition within the United State, but their brand name is known globally as well. According to Hitt, Ireland& Hoskisson(2017), Citibank provides a larger amount of credit cards than any other bank.

Continuous Investment in Technology

Citibank is also one of the most global in the existing financial service providers(Hitt, et al, 2017). As a result, Citibank has a history of continually investing in its banking technology. This reputation of superior technological offerings sets Citibank apart from its competitors.

Improved Cash Position

The company maintains strong cash position to meet its day-to-day obligations. Increase in cash and cash equivalents may be due to increased value of its short-term asset holdings such as short-term government bonds, marketable securities, and strong cash inflow.

Diversified Geographical Operations

Geographically diverse operations help Citibank mitigate various risks associated with the overdependence on a particular market. It is one of the major global financial service companies offering consumer banking, corporate and investment banking, securities brokerage, mortgage lending, and consumer finance. It has extensive international operations, with a global presence in over 160 countries, serving more than 200 million clients in North America, Europe, the Middle East, Africa, Asia and Latin America. Such a diversified geographical presence helps the company generate brand equity and provides new avenues for growth (Euromonitor International, 2015).

Capital Adequacy

Strong capital adequacy enables the company to meet regulatory capital requirements about its risk-weighted assets and to endure bank stress tests conducted by national banking regulators. Its good capital management initiatives enabled the company to strengthen its capital position. Prudent capital management initiative of the company strengthened its capital, which will enable it to withstand periods of banking stress.

Citibank Weaknesses

Declining Capital

Higher credit card costs and the global economic slowdown accounted for declining capital within Citibank (Hitt, et al, 2017). With credit card costs increasing, and financial losses due to the economy, Citibank had to take a hard look at ways to improve technologies that would embrace and enhance performance.

High Customer Demands

As customer demands increased, Citibank found it difficult to keep pace with these requests with less revenue at their disposal. Their lower scale of operations restricted Citibank's ability to compete within the banking industry.

Citibank Opportunities

Growing Global Economy

Growing global economy is expected to provide growth opportunities for Citibank. The growth will be primarily driven by continued recovery in the US economy, improving growth prospects for slower growing developing countries and a gradual increase of business activities in the euro regions. The growth in the global economy may result in higher demand for the company's financial products.

New Product and Service Launches

Recent product and service launches by Citibank will help in driving its revenue by enabling it to serve a huge customer base. For instance, in April 2015, Citibank and AT&T Inc. introduced a new co-branded card called AT&T Access More card. During the same month, it introduced a banking app, Citi Mobile Lite app, for Apple Watch in the US. Furthermore, Citibank launched "Citi Prestige" and "Citi Ultima Infinite" credit cards in India. Such new product and service launches are likely to drive the company's revenue (Euromonitor International, 2015).

Strategic Agreements

Citibank's focus on strategic alliances and agreements with other organizations will help it in expanding its operations, which will have a positive impact on its revenue. For instance, in March 2015, the company entered into a 10-year agreement with MasterCard Incorporated to provide innovative payment solutions for Citi MasterCard cardmembers. Besides, Citibank was selected by netwealth Investments Limited to provide global connectivity for international securities trading service. In February 2015, Citibank collaborated with IBM to develop next generation financial technology through the Citi Mobile Challenge. In 2014, the company's subsidiary in Taiwan, Citibank Taiwan entered into partnerships with top financial institutions to expand the bank's offshore wealth management products and services. Such partnerships and agreements will widen its offerings, geographical reach and customer base(Tanaya Macheel, 2015) .

Positive Outlook for the US Card Payments Channel

Citibank stands to benefit from the positive outlook for the US card payments channel. In terms of transaction volume, the US card payments channel reaches 1.8 billion in 2017. In terms of value, the channel touches US\$6.1 trillion in 2017. Growth is expected to be driven by more stable economic conditions, an increase in disposable income and the popularity of mobile commerce and online retail. Citibank, a provider of debit and credit cards, is well placed to benefit from this.

Citibank Threats

Fluctuation in Interest Rates

Changes in interest rates may affect the company's business performance. Increase in the interest rates could affect the value of loans and other assets, including the company's ability to realize gains on the sale of assets. Increasing interest rates may adversely affect the ability of borrowers to pay the principal or interest on loans and leases, resulting in an increase in nonperforming assets and a reduction of income recognized. These rates are highly sensitive to many factors beyond its control, including general economic conditions, inflation, recession, unemployment, money supply and policies of various governmental and regulatory authorities. Volatile interest rates might impact the operating performance of Citibank as its income and investment returns depend on the level of interest rates(Euromonitor International, 2015).

Increase in Compliance Costs

Compliance costs are expected to increase further and may adversely affect the company's operations. The financial crisis has led to increased compliance costs and increased regulations. The compliance burden on Citibank has probably been increased in an attempt by the government to prevent future crises. The Federal Reserve also issued new regulations for mortgage origination to guard consumers. This may result in enhanced regulatory environment and exert extra pressure on Citibank, which is already working on improving governance processes.

Changing Rules and Regulations

Citibank's activities are regulated by the various governmental and regulatory authorities in the countries of its operations. The change in government policies and regulations may adversely affect Citibank's growth and expansion. These legal proceedings will consume the time of the company's senior management. If Citibank fails to tackle these proceedings in a suitable way, the company's reputation may be harmed and it can be subject to legal risk, which increases the size and number of claims and damages asserted against Citibank or subject Citibank to enforcement actions, fines and penalties(Cheryl Bluthardt, 2017).

Citi's Digital Strategy

Citibank is one of the largest banks in the world and has long been at the forefront of innovation. Citi's mission is to enable progress. Citibank does that by providing the clients with the best possible service for their financial needs. Citibank helps individuals manage money and build assets, helps governments deliver services to billions around the world, and helps companies innovate and invest in the transformative projects of tomorrow. And to do all that, Citibank has to stay with-and ahead of-the trends(Charmaine Oak, 2015).

Citibank's strategy is to build the three defining secular global trends.

- . Globalization-the increasing connectivity of all the world's nations, economies and markets.
- . Urbanization-the concentration of people and GDP growth in cities.
- . Digitization-the transformative power of technological innovations, large and small, and the countless efficiencies they create.

It's easy to see how these trends are interrelated and self-reinforcing. Digitization enables the shrinking of the world that fuels globalization, which in turn creates wealth that drives the rise of cities, where an expanding consumer class buys digital products and invests in technological innovation. The most pertinent issue for a bank is how digitization is changing the way everyone-businesses, governments, consumers-all handle money(Mckinsey & Company, 2015).

Citibank is ambitious to become the world's digital bank. Citi's digital strategy has three core pillars.

Customer Centricity

At a rapidly increasing rate, the customers prefer to do business with Citibank digitally. More than 60% of the interactions with the customers are now online.

Just in the cards business alone, digital spending is growing at twice the rate of traditional swipe-and-pay transactions. In fact, the entire industry is consistently seeing higher customer satisfaction from people who use digital services compared to those who don't, and higher still from mobile users. And the younger a customer is, the more this holds true(Abdullah S. Al-Mudimigh, 2017).

Citi's focus and investment in digital reflect this accelerating trend. Citi sees digital as critical to the delivery of world-class customer experiences-and Citi's mobile banking platform is now operational in more than 30 countries. Quite simply, digital is better, faster and cheaper for most interactions.

Citibank has developed a platform called Citibank Express. It's a next-generation ATM that allows customers to access nearly all of the services available at a traditional branch-including opening accounts and applying for loans, credit cards and cashier's checks. In fact, the machines can issue a card on the spot-no waiting for it to come in the mail. The machines are also equipped with an online banking connection, and video-conferencing and biometric capabilities for identity authentication. A customer can start a transaction on a computer or mobile device and complete it on Citibank Express.

Corporate demand is just as important. For example, the mobile Citi Velocity trading platform packs everything a trader needs-all the data flows, research, collaboration and real-time trading capability-into a mobile phone. In one of the most demanding technology environments-characterized by multiple monitors and content feeds with zero latency-Citi has launched a mobile solution that fits all this into one 4-inch screen(Michael Corbat, 2014).

Globally Common

One of the challenges of running a bank that operates in more than 100 countries is to ensure that as many of the products and processes as possible are globally common. Citi Velocity is a good example. Another is CitiDirect BE Mobile, which allows companies to use Citi's payments infrastructure to provide mobile payments anywhere. A corporate treasurer doesn't have to be at a desk to pay the company's bills. If they want, they can do it from the beach. The flows from the clients that use CitiDirect BE Mobile are growing at three times the rate of the firm-wide average for all Citi clients. Thanks largely to the success of this platform, Citi was named best global mobile bank in 2013 by Global Finance (Innovation Enterprise, 2016).

Digitally Connected

Citi has been active in creating new digital distribution channels in partnership with clients and in ways that meet specific needs. Citi is proud of the partnership with Hutchison Whampoa's mobile subsidiary "3" in Hong Kong. Citi launched 3 Citi Wallet, a smartphone app that provides integrated payments, loyalty programs and offers.

These efforts don't stop with consumer banking, either. For example, Citi is in the early stages of formulating a payments system for Aetna, a U.S. insurance company, that holds the promise of transforming the way, and the entire healthcare industry, bills and collects from patients.

In each of these cases, Citi is bringing the global banking platforms and capabilities to help create new digital ecosystems and value. However, Citi recognizes that success requires partnerships across the value chain, and respect for the capabilities that different institutions can bring.

Whether on a trading floor, in the halls of government, in the treasury departments of multinational companies, or in the hands of Citi's individual customers, Citi's future will be global-and it will be digital.

In Pursuit of Innovation

Financial institutions must develop a sustainable innovation capability to succeed in a highly competitive arena. Underlying its continued commitment to providing innovative solutions to clients, Citi's Global Transaction Services (GTS) business has opened the Citi Innovation Lab.

The Innovation Lab uses new web, mobile, supply chain and analytics technologies to engage Citi's institutional clients more innovatively and to create the most effective solutions and products for them. In the Innovation Lab, Citi demonstrates its latest transaction banking solutions and clients can "test drive" them through live demonstrations with situation analysis and discussions with GTS' product experts.

"Innovation has always been a driving force for Citi's growth, and the challenge is to continually innovate and invest in new technologies and new capabilities to maintain Citi's market leadership. This Innovation Lab will be an important contributor to Citi's future growth in Global Transaction Services.

The Innovation Lab is fully interactive and globally-linked, allowing Citi to connect with clients, global colleagues and experts for discussions on future needs and collaboration with the bank's clients. Solutions that may have taken weeks previously are now being completed in a matter of days or hours.

In a volatile and ever-changing world, it is important for clients to be able to test various scenarios and the impact they may have on their business. The lab will play an important role in helping Citi's clients navigate uncertain markets. The lab overcomes the challenge of getting clients to visualize new solutions developed for them, a process that used to take weeks and months can now be done in hours.

Citi is now engaged in an ongoing process geared to achieving high levels of innovation despite its size and global footprint. The Citi mobile challenge initiative now in progress is one of the ways they look to achieve this (Charmaine Oak, 2015).

Also the Innovation labs that Citi has set up around the world support the business of crafting new services for the future. Having a clear strategy such as this is therefore vitally important to steer the bank safely through the years ahead, and innovation in the use of digital technologies is clearly seen to be central to this strategy.

Citi's Fintech Revolution

Citibank formed Citi Fintech in November 2015, a division being composed of a number of employees from tech companies such as Amazon and PayPal. Its first mission: an upgraded app that uses voice and facial recognition without the need for passwords (Barbara Booth, 2016).

Citi says that fintechs have acquired \$9 billion in business so far, a small percentage of what banks bring in each year. But in just four years, the Citi analysts predict, fintech revenues will increase more than 10 times, exceeding \$100 billion. By 2023 fintech will make up 17% of consumer-banking services in North America, or \$203 billion.

The big banks understand fully this new challenge from the technology world. But among the big banks none seems to handle the threat from Silicon Valley more seriously than Citi. Citi has the largest portfolio of investments in fintech startups of any of them.

Not all banks will be affected the same. And it appears Citigroup could be one of the most vulnerable. Citi today produces about 51% of its revenue from consumer banking, which is the area where Citi's analysts see the highest vulnerability. But the company produces another 11% of its revenue from payment processing. Citi has long been one of the leaders in international payments—that's where the whole "Citi never sleeps" marketing slogan comes from. And after consumer banking, payment processing is likely to be the next big goal for fintech.

Citi, meanwhile, deals with fintech with a decentralized way. Citi has no single fintech tsar for the whole company. Each department of Citi is allowed to make its own strategic decisions on how to tackle the challenge from fintech and how much to spend to do so.

Citigroup invests in financial startups directly. Citi's head of fintech for the investment bank, which is based in New York, runs a fund that invests in startups, including fintech companies. Then there is Citi Ventures, a venture capital operation based in Silicon Valley that is very much focused on fintech opportunities.

At present, Citi's try-everything method seems to work. The bank has constantly been in the leader in terms of technology innovation among its peers. It was one of the first to offer check depositing from a phone, though nearly all banks offer that now. And it continues to quickly become more digital.

According to Citi's latest numbers, just over 46% of its customers use online banking, either on desktop computer or mobile phone. That was slightly better than 45% for peers. But an impressive 36% of Citi's consumer-banking-product sales came from one of Citi's digital platforms. That compares with around 15% at the other big banks. Over the past year Citi's mobile users customers went up nearly 26% (Stephen Gandel, 2016).

The benefit of Citi's structure is that it runs faster and harder than its rivals and that in the end Citi benefits from having multiple teams working on the same problem at once. Citi will get better results, when the people in Citi decides what their customers will want.

By using its technology and innovation to facilitate customer service and new business propositions, Citibank has worked to implement its vision-a bank of global leading e-business enabler.

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