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E-Business Strategy in an Online Banking Services: A Case Study

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Abstract

Banks today are aware of both the threat and the opportunity that the Web represents. No traditional bank would dare face investment analysts without an Internet strategy. But even a detailed and thoughtful approach to the Web does not guarantee business success. The main purpose behind the launching of online banking services is to provide the customers with an alternative, more responsive and with less expensive options. With options just a click away, customers have more control than ever. They expect real-time answers and superior usability. They also want personal attention and highly customized products and services. The focus of e-business must always be on the customer. On the other hand, the technology and the business structure follow on form of the value you intend to provide to the customer.

This paper evaluates the success of the e-business model and e-business strategy implemented by Citibank in the United Arab Emirates in offering its retail Internet Banking Service; Citibank Online.

Keywords: **Electronic Banking, Online Banking, Retail Banking, Internet Usage**

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Introduction

E-business relies on the development of new business strategies based on networks. The world has become increasingly inter-connected via telecommunication networks and computers. These offer fast, flexible, and cost-effective ways of doing business.

The Internet is driving the new economy by creating unprecedented opportunities for countries, companies and individuals around the world. CEOs worldwide recognize the strategic role that the Internet plays in their company's ability to survive and compete in the future. To be competitive in the Internet economy, companies need to harness the power of the Internet successfully.

Citibank UAE – Background Information

Citibank is a subsidiary of Citigroup, a strong financial brand with more than 100 million customers, 5.9 million online relationships and a global reach spanning 100 countries.

Citibank UAE started its retail business in 1987 in a very highly competitive environment offering a comprehensive line of high quality financial services targeted to the affluent and middle income segments. Citibank has been perceived, as at the edge of innovation leveraging its global expertise, it was the first bank in the UAE to introduce innovative e-business solutions like:

- 1) CitiPhone – 24 hour Phone Banking Service
- 2) ATMs- Automated Teller Machines
- 3) CitiAlert – GSM notifications service
- 4) E-Card – Internet Shopping Card
- 5) CitiDirect – Corporate Internet Banking Service, and
- 6) Citibank Online – Retail Internet Banking Service.

In the year 2000, Citibank had 160,000 retail customers serviced mainly through five branches, six ATMs and CitiPhone. Given the Central Bank restrictions on opening additional branches, being a foreign bank, the banks' e-business strategy was to focus on remote channels of distribution, mainly Internet Banking solutions.

Ms. Sarah Hussain, Web Administrator at Citibank says, "Given the kind of Internet explosion which the market is going through, Internet is the channel of the future, it is

critical for Citibank to leverage this channel aggressively and gain an early and dominant leadership”.

What encouraged Citibank to proceed with its investment in this direction is the tremendous growth of Internet usage since its introduction in 1996. According to Etisalat, the only Internet Service Provider in the UAE, in 2003 the number of Internet users was 1,105,000 in a country with a population of 3.7 million, this number is fairly high and expected to increase even further.

Table 1 shows the number of Internet users in some of the Arab countries for 2003 as obtained from Etisalat:

Table 1: Number of Internet users in some of the Arab countries (Etisalat, 2003)

Country	Population	Internet Users	Internet Users as % of Population	Mobile Phones users	Mobile Phones users as % of Population
UAE	3,700,000	1,105,000	30%	2,655,000	72%
Qatar	805,000	75,400	9%	328,000	41%
Bahrain	728,000	174,800	24%	400,000	55%
Oman	2,760,000	167,500	6%	528,600	19%
Lebanon	4,387,000	515,000	12%	840,000	19%
Jordan	5,332,000	345,000	6%	1,260,000	24%
Egypt	71,300,000	2,100,000	3%	5,040,000	7%

Table 1 shows that the UAE has the highest percentage of mobile phone users when compared to the population. It is an eye opener fact, as mobile phones will serve as a gateway for Internet access in the future, which will definitely impact the future of e-commerce in the UAE.

In an industry that has become increasingly serviced through remote channels, Citibank UAE wanted to leverage on the advanced technology available within Citigroup to stand out, hence Citibank Online was launched in 2000 offering a comprehensive list of services/functionalities.

E-business Strategy

Based on Porter (1980) generic strategies, Citibank opted for a differentiation strategy for its home banking service by offering a superior web banking option with powerful and relevant functionalities wherein customers can access/operate their banking accounts on the net with full confidence and ease.

In the year 2000, there were only four local banks offering simple home banking solutions, Citibank wanted to be the first multinational bank to launch a multifunctional home banking service and own the category before competition becomes fierce in the field.

Citibank's mission was to be a leading e-Financial Services company in the UAE by becoming trusted, premier e-business enabler for its customers.

The objectives of launching Citibank Online were:

- 1) Extend its network and overcome the limited branch situation.
- 2) Achieve savings in CitiPhone/Branches' operating costs by diverting customers to the Internet. Citibank Online has one of the lowest "costs per interaction" as compared to the ATM, phone banking or branch banking. It contributes immensely as part of the Strategic Cost Management initiatives the bank is implementing without compromising on the quality of service.

According to an online banking report published by Ernst & Young, the transaction costs of the various banking channels are as follows:

Branch	\$1.07
Call Centre (human)	\$0.85
Automated Response System (AVR)	\$0.44
Automated Teller Machine	\$0.27
Dialup PC banking	1.5 Cent
Internet Banking	1 Cent

- 3) Meet the increased consumer demand for quick and secure banking solutions, anywhere, any time on any device, this is important in staying ahead of competition.
- 4) Enhance the brand imagery and values in the mind of the customers and the prospects by owning this channel especially that Citibank is seen to be innovative and ahead of most other banks in terms of technology and product development.
- 5) Create another arm for deepening customer relationships through cross sell and acquisitions of new customers.

Updated, Table 2 shows the list of Citibank Online functionalities covering all Citibanks' products in the UAE.

Table 2: Citibank Online functionalities

Account Information:	
	Balance Summary
	Account details and Activity
	Download Account Activity
Transfers & Payment	
	Funds transfers within the UAE
	Funds transfers outside the UAE
	Payments
	Payee list
	Standing Instructions
	Demand draft and managers checks
Investments Services	
	Open a mutual fund account
	Complete a personal Investment worksheet
	Buy mutual funds
	Sell mutual funds
	Switch mutual funds
	View current mutual funds portfolio
	Mutual funds information
Customer Service	
	Account servicing
	Rate information
	Apply now
Contact Center	
	Send messages
	Read messages
	Read saved messages
Information Center	
	Link to the portal

In order to encourage trial and conversion, Citibank reduced the charges for many services if used on Citibank Online as part of its pricing strategy. Citibank addressed the security issues by using the industry level of encryption of 128 bit Secure Socket Layer (SSL) encryption. The bank also uses firewalls to prevent unauthorized access and an automatic 'timeout' feature if no activity was detected for a specific time period. The online session is launched by using a password selected by the customer.

E-business Model

Citibank Online is considered as a standard Business to Consumer approach, the e-business model Citibank is using can be classified as “Merchant”. See Table 3.

Without the intervention of the AVR, ATM or CitiPhone Officers, a Citibank customer can access and operate all his relationships with Citibank at a click of mouse in complete

privacy. In doing so, Citibank is balancing between security and accessibility of information leveraging on a robust e-banking service available within Citigroup.

The three elements of the business model; value stream, revenue stream and logistics stream are complementing each other in this specific case. Citibank was certainly focusing on adding value to its customers by offering unmatched level of service and security. Its internal logistics were aligned towards a single objective; launching a powerful service to its customers to complement its e-business strategy overall. Revenues after a period of time started flowing too, making the investment worthwhile.

Table 3: e-business models

Brokerage	Market makers bringing together buyers and sellers and facilitating transactions.
Advertising	A web-advertising model and extension of the traditional media broadcasting model where websites provide content and services and advertising messages.
Merchant	Retailers selling goods directly to buyers (Citibank Online)
Infomediary	Collecting and disseminating information
Manufacturer	Manufacturers using the web to reach buyers directly, eliminating wholesalers and retailers.
Subscription	Payment of fees to access information or services.

Evaluation of E-business strategy and model

There are many ways of evaluating the success of the e-business model and e-business strategies of Citibank, one of which is looking at the financials for the performance of the service for the past four years. Ms. Sarah Hussain, Web Administrator at Citibank says “The results of the service represented in the information management system reports covering the performance of Citibank Online from 2001 to 2004 are very satisfactory and have met the management’s expectations”

Table 4: Number of active Citibank Online customers

	2001	2002	2003	2004
No. of active customers	4000	5000	6000	7500
No. of transactions	72,000	90,000	112,000	150,000
Transactions value	\$656,000	\$820,000	\$984,000	\$1,230,000

Table 4 shows that the number of active users increased from 2% in the second year of launch to 6% in 2004, a healthy gradual increase. The transaction values increased too indicating that customers are feeling more comfortable now managing their funds on the Internet. This is as a result of the heavy investment in promoting and educating the customers on the gained benefits of using this service. Citibank invested around \$350,000 towards the marketing budget in the first year of the launch.

Table 5: New accounts opened through Citibank Online

	2001	2002	2003	2004
No. of accounts	4000	5000	6000	7500
Avg. accounts	72,000	90,000	112,000	150,000
Balance/account	\$656,000	\$820,000	\$984,000	\$1,230,000
Total revenue	46,500	139,500	217,000	310,000

Citibank Online is proving to be a successful acquisition and revenue-generating channel, despite the fact that the management did not expect any revenues to be generated for the first three years of the launch.

The deployment of the program to Citibank UAE, played a very important role in gaining those revenues, as Citibank UAE did not fund the development work, there were only a couple of adjustments made to the service to suit the UAE requirements.

According to Timmers (1999) there are two dimensions of analyzing the e-business model:

1. The degree of innovation:
Citibank is excelling in building and maintaining the competitive advantage in the Internet era, all functionalities offered were well studied and executed in a way where matching them is indeed a difficult task. Flexibility is built in the system for further enhancements and additions.

2. The extend to which the new functions are integrated within the business model:
The functionalities added fit perfectly with the e-business strategy and business model opted. They contribute directly towards meeting the objectives.

Conclusion

This paper examined the e-business strategy and e-business model that have been used by Citibank in the UAE in offering its Retail Online Banking Service to its customers. Based on the evaluation, it is very clear that the e-business strategy is complementing the e-business model used.

According to Timmers (1998), a business model in itself does not yet provide understanding of how it will contribute to realize the business mission of the companies who is an actor within the model. Therefore, it is important to supplement it with the e-business, marketing and sales strategies.

Through Internet solutions, Citibank has maintained its agility and competitive advantage, gaining substantial benefits from them. It is important to note that customers in the Internet economy are well informed and their expectations continue to increase, therefore the ability to respond rapidly to customer demands and deliver value is imperative. At the end, it will continue to be that – “The bet is on the NET! Ms. Hussain said.”

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