Citigroup Retail Banking Operations In The U.S. And Abroad: The Banking Industry

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ABSTRACT

On January 20, 2006, Citigroup announced fourth-quarter earnings of $6.9 billion, or $1.37 per share. The failure of Citigroup, to meet expectations was quite alarming to the company and its investors. Of primary concern was the poor performance of the company's global consumer business, which accounted for about 55% of the company's profits. Earnings for the global consumer business group had fallen 23% to $2.43 billion. The disappointing fourth quarter results for Citigroup, and its global consumer unit in particular, was yet another blow to the company, which had had its share of problems in the last few years, including costly legal mishaps resulting from its connections to the Worldcom and Enron scandals; embarrassing occasions of non-compliance to regulatory statutes abroad (notably in Japan and in the U.K.); major technical glitches involving the privacy of its customers; and, as a result of so much bad publicity, the tarnishing of its corporate image.

In the 1980s and 1990s, industry consensus was that the key to success was based on a combination of the development of financial products and their distribution. By 2006, it appeared that distribution was the primary key to success, with potentially higher returns than new product development. With two-thirds of the global economy outside the U.S., large banks were looking to expand to markets overseas and still maintain a strong presence in the U.S. This was no easy task, considering government and political barriers, cultural differences, technological obstacles and the highly fragmented nature of the non-U.S. financial services industry, where even the lead firm might have had only a very small (low single-digit) market share.

Internally, it was experiencing a host of problems that resulted in the firm failing to meet earnings expectations in the fourth quarter of 2005. A key opportunity for improvement was its global consumer business, which is the focus of this case. In order to bolster earnings for the global consumer group, Citigroup needed to reconsider its domestic and international distribution plan With Smith Barney under its umbrella, Citigroup also needed to determine if and how it should integrate Smith Barney with Citibank branches. Another decision that needed to be made involved Citigroup's product line. With distribution crossing many borders and cultures, Citigroup needed to investigate whether or not it needed to customize its product line by geography. Customers were yet another area Citigroup needed to further explore, specifically, which consumer segments would be most profitable? Finally, the retail banking business relied heavily on traffic into their branches. Citigroup had to evaluate the branch experience they were offering customers whether it was achieving the desired level of trial and repeat customer visits. The main question to be resolved was how to differentiate Citigroup from its competition and so achieve a winning edge over competitors within intensely competitive, rapidly changing immediate, intermediate, and long-term time frames.