

Interview with Amy Radin, Executive Vice President and Global Direct Banking Head, Citi's Global Consumer Group



Amy Radin leads Citi's strategic initiative to position itself for the digital world, ensuring that the web-based delivery of products and services is integrated with the customer experience across all touch points. Amy is a member of the Citi Management Committee and the GCG Planning Group.

Most recently, Amy served as Chief Innovation Officer for the GCG, a role she originated in 2005, to realize new business opportunities arising from evolving consumer, technology, and marketplace trends. Her team's efforts have positioned Citi as a thought leader at the forefront of contactless credit, debit, and alternative form payments, mobile payments, and P2P money transfers.

Amy was named a "Woman to Watch" in the US Banker's "Most Powerful Women in Banking" Ranking (2007), and a Top 25 "Champion of Innovation" (Business Week, 2006). In 1999, Amy was elected to the YWCA Academy of Women Achievers. Amy is a Trustee of The Healthcare Chaplaincy and is a member of its Executive Committee. Amy can be reached at amy.radin@citi.com

Interview conducted by Doug Berger, INNOVATE LLC. doug@innovate1st.com

Doug: Amy, let's begin with what led up to the Global Consumer Group establishing the office of Chief Innovation Officer.

Amy: Strategically, Citi's global consumer business has had tremendous success growing through mergers and acquisition. We have a very, very big business with some 200 million customer accounts and a presence in more than 100 countries. We realized that we needed to broaden our focus on M&A to include a balance of M&A and organic growth.

It became obvious that it would be very important to develop a stronger discipline around innovation as part of our tool set. To the extent that we could create innovation in products, services, processes and the development and implementation of marketing strategies, we would obviously attract more customers with a desire to do business with us, and cause our existing customers to keep or expand their relationships.

Prior to becoming Chief Innovation Officer, I had been leading our e-business efforts in our North American credit card business and had a history of working on things that were more cutting-edge. My manager at the time, Steve Freiberg, was the CEO of Cards, and is now co-CEO of the whole Global Consumer Group. He came to me back in 2002 and said, "I'd really like you to do something about innovation because I feel this is something that's very important for our business."

Doug: How did you initially approach innovation for a business at the scale of Citi's Global Consumer Group?

Amy: I went out to other companies to understand what it means to focus on innovation, and developed an appreciation that innovation can be treated like a business discipline, such as marketing, risk management or finance.

When we were organizing the innovation team, Steve and I discussed taking the lessons learned from e-business within Cards, and making it product agnostic across all of the businesses. I found that the more disruptive you want to be around innovation, and the more differentiated you want to become, the harder that is to do within the management structure of an existing business. We agreed that not being tied to the day-to-day of any specific business would help the innovation function become even more successful.

Doug: In your business, people seem to be getting their financial service needs met in one form or another. Therefore, growth means that Citi is now providing for a person's needs, and the former provider is no longer in the picture.

Amy: That's a good way to frame it. If you really want to be effective at innovation, you have to start with the customer need. It's ironic, really. When I started on my personal innovation journey, I thought, wow, this is really something brand new. However, the basics of successful innovation just come back to Marketing 101. Great innovation comes from fundamentally focusing on your customers' needs, and delivering on those needs better than somebody else. You're causing them to give *you* their business instead of giving it to somebody else. Alternatively, you're identifying an unmet need, one that nobody else is delivering or satisfying.

Doug: When you began your broad mandate for innovation and organic growth, what was the starting condition?

Amy: Citi has a long and very positive history of being an innovator. We pioneered the first ATMs in New York. We initiated the use of pre-approved credit and put the ability to acquire a credit card into your mailbox. I don't think we ever lost that legacy. When I began focusing on innovation as a function, I was immediately struck by how much talent we have around the organization - people who could bring to bear skills, expertise, ideas and incredible energy.

The question became, how do you orchestrate all of that, especially in a place as big as Citi? The second key lesson that I learned in Cards was, in order to harness and empower all of those talented people, it became very important to create the enabling condition.

Doug: With these insights in mind, what needed to happen?

Amy: We went right at that issue of creating the enabling conditions on a couple of levels. First, we created a *specialized risk review process*. Citi is a bank. We are highly regulated and we have many dimensions of risk that we have to manage in order to run the bank responsibly. How do you manage information security? How do you manage risk around your reputation and your brand? There are legal and compliance questions. Normally, if you put an innovation program through the normal risk review processes of any big company, it becomes very hard for anything new to come out the chute at the other end. That's because people are doing their jobs from an *industrial strength* approach to risk, e.g. a pre-approved credit card mailing to 20 million people.

On the other hand, if you're going to do a trial with 1,000 people, in a market around a particular idea just to see what the initial consumer response is, you can look at your risk mitigation somewhat differently. We engaged the senior people, each of whom owned a risk function around the table, and I would sit down with them on a monthly or bimonthly basis to do project updates. We would take them through a lot of detail and then open it up for questions. We would come up with risk management and risk mitigation strategies that were appropriate to a small-scale test.

Citi learned to right size our solutions for the project. We created the right process and approach for a different kind of opportunity that wasn't part of how we normally ran our business.

Doug: What additional enabling conditions did you put in place?

Amy: I was very big on happily and shamelessly stealing lessons learned from across Citi and from other companies and not trying to reinvent the wheel. A very high level of engagement at the CEO level is clearly observable in companies successful at repeatable innovations. We, therefore, formed what we called the Venture Board, and we engaged the CEOs of the Global Consumer Group, Steve Freiberg and Ajay Banga, our CFO, and other senior people. It was a quarterly dialogue and we would come to them and pitch our ideas. We would develop proposals to the point of a business case, and we would dialogue with the Venture Board to get their feedback, get their emotional engagement and sponsorship. They would become spokespeople and advocates for the project. They would help ensure appropriate funding of the projects. These kinds of projects need a certain level of air cover. When some people see something new and different they don't always understand why it's happening. You need that C level advocacy.

Just the creation of the role and the function of Chief Innovation Officer at a senior level got people very excited at Citi. It attached a lot of importance to the idea of innovating. It has a certain symbolism and a certain signaling impact. One of the great things about Citi's culture is that when people get excited about something, they take the ball and run with it. In this place, the signal has a really powerful, positive effect.

Doug: In looking at the role played by your office, did you own the initial set of innovation projects outside of the existing business structure, or were they owned by the existing business structure?

Amy: That is a really important question and you have to find the right balance. The culture of Citi is fundamentally one in which we push all of the action and ownership into the business units. Our assumption was that everything we did would go back into a business unit unless we came up with some idea that was so amazing that it would start a new business unit itself.

We chose several pilot countries. We had criteria for markets with whom we wanted to work. A key criterion was the willingness of the local management to sponsor something different. Some people have an appetite for this and some people don't. This is not good or bad, it's just that people are wired differently and different markets have different objectives. Some markets are growing very effectively just by doing more of what they already do, and some markets, because of the competitive frame or the maturity of the existing product set, have more of a need for really pushing the envelope on innovation.

We chose three initial markets for our process. We went into each market to learn about the consumer and the market conditions in terms of technology, regulation, and to really focus the consumers' unmet needs. We funded a lot of the initial R&D centrally so that people in the markets wouldn't feel as though they were speculating away pieces of their P&L.

We engaged the people in the market in visioning workshops, brainstorming, and market research to come up with the ideas. We did ethnographic research and used different customer insight tools to get the consumer's perspective on their unmet needs. The people in the markets were our partners. One of the key ingredients of successful innovation is diversity of thought.

Doug: What were some of the other strategic pillars or cornerstones?

Amy: We looked at broad consumer trends. We identified five or six trends that we thought were very important jumping-off points, and we created some context within which to think about innovation. One was around mobility. Mobility is a really important trend. People expect to be able to carry their lives in their pocket at this point. That is a space where we should be playing and which led to our publicly promoted peer-to-peer payment mobile phone trial in the United States.

Doug: Obviously, the trends had to be of sufficient scale to have a material impact on Citi's revenue.

Amy: Big trends, right. I had a boss years ago who would say, "Never try to project a level of precision around your financials that isn't really there." It's the same with innovation. If you're trying to do something that's really new and different, how do you know what the revenue's going to be? You don't. What you can do early on is size the market. If you have something that's an incremental improvement, you probably can project revenue with some degree of accuracy.

However, if you're doing something disruptive, my philosophy is to scope the market sizing. You might have a hypothesis about an interested segment, so you do some research and find out that they are, in fact, interested in your idea. Then you can start to think about things like, how big is it? How many people are there in the world or in my geography that fit that profile? Then you can start to play with the potential universe of consumers. It's not until further down the road, when you work with real live pilots and propose prototypes that you can start to project revenue. You need to gauge consumer reaction and anticipate their behavior around your product or service. It takes time, and often, great ideas die because people try to prematurely impose pro-forma financials when you really don't know what's going happen.

You have to get to market. If you have a new idea, until you put it in a consumer's hands and observe how they react to it and play with your idea, you really just don't know.

Doug: This is where your organization had to both absorb and mitigate risk.

Amy: One of the big ways in which we mitigated the risk was to place small bets. Citigroup has a large expense base, so our view was to place relatively small bets and think about it the way a venture capitalist would. I'm going to build out a portfolio of bets. Some of my bets are going to lose. Some will happen in ways that we never could have predicted. Some will succeed big, and over time I can get my winners, including

funding the cost of the losers, to generate a reasonable return. That is our investment strategy.

Here is a great example: something very exciting is happening as a Citi customer trial with the New York City Metropolitan Transit Authority and MasterCard, leveraging the PayPass platform, a digital technology to improve the quality of peoples' commuting experience. This is a very different way for a bank to think, so we said, "Commuters are a big segment, especially in urban centers where Citi does business, so what can we do? Is there some way that we can add value to the commute?" At the same time, the MTA like other transit systems was trying to introduce new technology into the transit system to lower cost, improve the commuting experience, improve security, get more people to ride mass transit, etc. Furthermore, MasterCard was putting out the PayPass contactless platform and they were trying to get scale.

We came forward with the idea of testing our contactless 'payment tag.' Instead of using the transit or credit card with a chip to pay your subway fare, we designed this payment tag, based on ethnographic research with consumers. It's a cool, little plastic tag that you can hook on your belt loop or on a keychain, and you just wave it like a little magic wand at the subway turnstile. Our customers really appreciate the ease, speed, and convenience of our payment tag, and how it meets a changing lifestyle need.

This has been so successful that there has been an extension in the trial and the MTA now wants us to test it on buses. More importantly, it got us a lot of visibility in the global transit community. This helped build our business in Singapore, which is a big transit project with over 50% of the population riding their Metro system everyday. Then we won a Request for Proposal in Delhi for a payment technology in their transit system.

So, when we were all sitting in our conference room three or four years ago, talking about doing the payment tag on the New York City subway, some people said, "Well, how is that ever going to make any money?" We never could have envisioned that little tag positioning us in the global transit community for all kinds of opportunities, of which, as a global bank, we're very well positioned to take advantage.

You've got to be ready for different eventualities. None of us has crystal balls, and so a way to mitigate unpredictability is to have a lot of irons in the fire.

Doug: What learnings would you pass along regarding difficulties ... difficulties that are just part of the game of big innovation?

Amy: Innovation is really hard work. The challenge is that when you're doing something new involving change, by definition, not everybody understands or likes what you're doing. Sometimes you have to keep your head down, keep going forward, and continue to build allies, but know that not everybody is going to understand. Having a skin that's on the thicker side, but at the same time, an ability to listen, because you want to collect new ideas and insights, is very important.

I want to reinforce something that I said earlier - you *have* to get to market. If you have a new idea that's really innovative, you have to put it in a consumer's hands and observe how they react to it and play with your idea. Otherwise, you'll never really know.

Innovation really takes intense passion and commitment and an ability to orchestrate many different pieces. I learned that ideas are the easy part. Driving the execution to get into the market with pilots is the hard part. A lot of people who focus on innovation worry too much about the ideas. You can create a great process for gathering customer insight, filtering those insights, and fashioning them into ideas, and there is much in the way of best practices out there to do that. As far as I'm concerned, the harder part is operationalizing in a pilot form, once you have the great idea. Finally, our focus on enabling conditions has really helped us to be successful and get the buy in.

