Marketing strategies of development of Russian banks under the conditions of the new economic conjuncture

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Abstract. The article reviews instruments and mechanisms, providing financial stability and competitiveness of banks, which are the basis for the marketing strategy of development in the post-crisis market under the conditions of formation of new economic conjuncture. The results of the conducted research showed that in spite of the fact that Russian banks correspond to the requirements of new Basel standards of regulations with their main characteristics, for providing their further development marketing strategies, providing business capitalization and assets attraction, are needed. Financial stability and competitiveness of Russian banks is significantly influenced by the factors, providing own funds adequacy and opportunity of attracting long-term resources. In order to achieve these factors banks need weighted marketing strategy, directed on attraction of resources. Complicated situation with liquidity aims the vector of marketing strategy on solving problems of accelerated capitalization of banks and searching of new sources of long-term resources.

Keywords: marketing strategies, Russian banks, new economic conjuncture, accelerated capitalization.

JEL Codes: M31, G21.

1. Introduction

The strategy of development of Russian banks, directed on confrontation to external shocks and maximal assistance to the progressive development of the economy of Russia, assumes qualitative changes of marketing instruments, used for its formation. Within the frameworks of current restrictions, construction of strategy of development is directed on management of liquidity of commercial banks and formation of new market niches, which nowadays is connected with reflectivity of behavior of market agents.

Under the conditions of existing new economic conjuncture, related to using sectoral sanctions to leading Russian banks, attraction of resources from the world market is difficult, and lending rates for borrowers would remain high. It is difficult for commercial banks to provide influx of customers in the conditions of such lending rate that is why new marketing strategy of market positioning is needed. In order to provide competitiveness Russian banks have to develop and introduce new instruments and technologies of interaction with clients.

Russian bank sector develops steadily, which confirms growth of bank assets, increase of lending non-financial sector, sufficiency of capital is absolutely adequate. Under the conditions of appeared financial disbalances and restrictions, Russian banks tend to conduct policy of more adequate risk assessment, to keep client base and to provide stress-resistance.

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2. Marketing strategies of Russian banks

Nowadays, the quality of marketing strategy directly influences the level of bank liquidity and steadiness of credit organizations. Working in monetary and financial markets, banks put up own and attracted assets in different operations in order to get benefit. At that, active operations, as a rule, are distinguished according to the extent of profitability and the extent of riskiness.

Among the recent tendencies within the sphere of retail service in the world in 2014, it is possible to mark out the following:

1. Prevalence of digital technologies, which significantly influence financial services rendering, marketing and service use (drive-to-digital);
2. New participants, technologies and innovations in markets of mobile payments;
3. Strengthening competitiveness: neobanks, pressure from the side of non-traditional representatives of financial services;
4. Optimization of bank nets: unnecessary without net, but obvious decrease of quantity of inefficient additional offices and representative offices.
5. Concentration at Consumer 3.0: acute in digital sphere, socially active, experiencing necessity in intuitive understanding his needs and wants;
6. Recession of disembodied data – non-systematic information about product and other information:
7. Simplification of involving consumer: removal of disputes and additional steps for involving;
8. Improvement of contextual experience: making maximal profit for service improvement;

The mentioned tendencies can be illustrated graphically by a cloud of key words (tags) in a form of infographic, where the main trends and terms, which would be significant in world bank environment in 2014, are presented by corresponding script proportionally to their importance from the point of view of sector leaders.

Fig. 1: Cloud of key words within the bank sphere in 2014.
Moreover, many large banks can use the successful experience of technological companies, such as Facebook. The company realizes the new strategy on decentralization of mobile services from ‘one application for everything’ to big amount of applications, performing different functions [3]. Such companies as Google and Apple use such strategy of dividing long enough: according to some data, Google has approximately 150 applications as for the operational system iOS, and for Android, and the Apple company has a certain amount of applications in App Store (section of on-line supermarket iTunes Store, selling different applications for owners of iPhone phone, iPod Touch players, iPad tablets) which are preliminary installed on every device with iOS.

Dividing services by specific applications, these technical companies can distract attention from consumers and financial resources to projects, which works, such as Gmail and Instagram, and remove those, which couldn’t prove themselves (i.e. Facebook Poke as an attempt of Facebook to copy Snapchat, which is not actively developed anymore). Developing and realizing their key competences, technological companies become more effective and can easily determine where and at which project exactly they should focus their financial resources.

3. Strategic creation of benefit centers in large banks

The parallel with strategic creation of benefit centers in large banks for managing effectiveness by products, clients and processes (in the form of reform about benefits and losses on the basis of method of cost accounting according to turnover in each of group and subgroup) is obvious.

As an active economic entity of the market of financial services, banks should realize their own cost and get revenue from interaction with clients. Obviously, the bigger is the absolute volume of own assets and their share in the structure of passives of balance, the higher is the risk resistance of credit organization. While stable activity of any commercial bank profitability of its operations is growing, absolute and relative size of own assets is increasing, which increases the probability of bank to keep the liquidity in the future.

At the same time one should mention the necessity of large Russian banks to develop new marketing strategies under the economic conditions in the regard of new foreign-policy circumstances and their macro-economic consequences for financial sphere of the country. Under the conditions of limited nature of resource base for funding Russian banks from abroad, the cost of credit products of such banks would objectively grow, that is why in order to increase the efficiency of management it is necessary to develop sustainable marketing (socially responsible, able to decrease risks by foreseeing them), or, at least, its separate components: services of micro-financing for the salary cards owners, reduction of credit products for pensioners and youth, which just start their career in order to decrease non-repayment of credits.

According to the experts, the worsening of the economic situation in Russia can pressure the quality of assets and the profitability of Russian banks, which can influence growth rates of retail crediting. In the 1st quarter of 2014 one of the main tendencies of retail crediting was increase of overdue debts on individual’s credits, which indicates strengthening of bank risks. Under such conditions, banks have to grow ‘capital cushion’, to increase reserves and decrease operational costs [4].

According to the data of the United Credit Bureau (UCB), nowadays on the moment of applying to the bank for a credit 21% of borrowers are ‘newcomers’, who haven’t ever taken a loan. The average debt of a Russian borrower to a bank in non-collateral crediting constitutes 68 thousand rubles [5].

The Central Bank of Russian Federation applied remedies on cooling market: in 2013 on the peak the growth rates of the retail crediting market achieved 60% in annual calculation, and now have slowed down. In the current year CB RF led this market to growth rates of 25-30%, which entirely corresponds to our
expectations of regulator about available growth rates [6]. This means, that extra risks would not be taken into balances by the banks, which would also encourage increase of stability of national financial system under the conditions of macroeconomic instability.

Consumer credits in Russia take 17% of GDP, in France – 95%, but Russians pay 21% of their income for repaying debts on credits, and French – 12%. According to the research of company ‘Sequoia Credit Consolidation’ Russians prefer to take loans mainly in May, August and December, and paying ability of Russian nowadays has achieved its historical minimum for the last three years.

The worsening of the quality of borrowers in current economic situations and considerably less tendency to keep their promises on repaying debts update outsourcing of bad debts and work of own services of collection of debts. Outsourcing provides the bank system with ‘risk arm’ on regulating claims, most of which refer to issues of incorrect data, and also claims for conditions of calculation percentage and fines, i.e. ‘absorbs’ risks, arose as a result of bank activity on the stage of granting loans.

Sustainable marketing as resource-saving marketing in the policy of large Russian banks should be oriented on development of intensive and responsible (accountable lending) crediting, than extensive and high-marginal, but risk-oriented.

Planned growth of tax burden to domestic business owing to use of sanctions on the background of recession on economic can negatively influence financial stability of Russian banks and their liquidity, because these initiatives of government would decrease demand on bank services from the side of enterprises and households.

The increase of taxes would reduce not only profitability of potential bank clients (corporate persons and individuals), but their economic activity too. The decrease of activity of credit organizations’ clients would influence their financial stability, besides, the increase of income tax leads to outflow of a significant part of income of individuals to shadow zone, which would reduce their credit activity.

The reduction of credit activity, in its turn, would negatively influence both financial stability of separate banks and Russian bank sector as a whole. This is connected with the fact that the change of model of economic behavior of borrower, growth of non-transparency of their financial operations would cause the necessity to change the system of making administrative decisions of a bank on granting credits, consequently, not only credit, but also marketing policy.

In order to change the order of making credit decisions, new instruments of risk assessment, which provide confirmation of creditworthiness of borrowers, are needed. In this case banks need new informational instruments and more close communications with potential clients, which could be borrowers.

Marketing communications with clients allow while assessing risks to use mostly indirect signs of income confirmation while granting credits. Besides, indirect sources of information, which can be used within the system of risk-management by bank while assessing paying ability of a client, are not the most trustworthy.

In this case the system of marketing management of attracting borrowers should be based on interaction with other entities, tax authorities, insurance companies and other organizations and economic agents, which can give trustworthy information about borrower to a bank for taking weighed credit decisions.

The organization of the credit relations of a bank with borrowers is determined by various factors, including size of the bank, qualification of bank workers, responsible for processing of loans, size of credit portfolio, type of loan and other factors. The organization of the credit process is conducted by the department of credit analysis, which coordinates their activity with marketers and other specialists, who realize informational support of the whole credit process.
In medium-sized banks (first of all, of regional level) conducting of marketing analysis of market segments is often a part of duties of credit workers. Presence of a marketing department encourages higher level of objectivity of analytical information, higher extent of trustworthy of instruments for conducting of credit analysis and more careful process of loan approval, than if these functions were carried on in one subdivision of a bank.

Marketing technologies provide not only studying and forming of new niches for product promotion and new market segments of bank positioning, and forming of own system of borrower analysis, their economic behavior and level of income.

It is possible to mark out three main directions of marketing strategy of bank positioning, aimed at the decrease of credit risks: the assessment of the level of borrower’s income, analysis of their credit history, assessment of security, which is provided by borrower for credit.

The results of assessment of these indicators should be corresponded with assessment of information about borrower in the business environment, social nets, tax authorities. According to the results of complex marketing research of a borrower bank either gives its approval on granting of loan, or refuses in providing of resource. Marketing information about creditworthiness of a borrower can influence the conditions of granting of credit, term of crediting and total sum of borrowed assets.

Thereby, having fully information about a borrower, bank can refuse to client or change the conditions of granting of credit, which depend on the extent of risk and quality of conducted underwriting.

Marketing strategy, related to management of risks of promotion of credit products, is based on two types of underwriting: automatic (scoring) and individual.

Automatic verification is realized by a bank during express-assessment of paying ability of a borrower in consumer crediting in small sums (for example, POS-crediting, express-crediting). The bank employee records information about the borrower into special program, which gives scores on the basis on this information. Upon the results of gathered scores a decision on credit is made. Such a simplified verification can take from 5 minutes to an hour.

4. The size of reserve on possible losses

Individual underwriting is used during crediting in big sums (auto crediting, mortgage, etc.). During the process of assessment of a borrower some bank departments interact: credit, juridical, security service. They perform careful verification of information, provided by the borrower, that’s why the term of examination of credit application can take from 1 to 10 days.

Marketing instruments and technologies, integrated within business-process of assessing of creditworthiness of a borrower, allow to provide with wider information for making administrative decisions. These instruments are used at the following stages: during examination of credit application and interview with the potential bank client, during assessment of creditworthiness of the client and potential credit risks of the bank.

Thereby, marketing information should encourage the decrease of credit risks and formation of more transparent system of crediting clients. Granting of credit to a borrower should be preceded by complex preparing work of bank, based on the interaction of marketing strategy and strategy of risk management.

During the examination of credit, application marketing instruments allow considering the result of both credit and economic behavior of clients. Credit managers make decisions about the opportunity to grant a credit, grounding on the results of marketing analysis of credit behavior of potential client, their interests, professional activity, family composition, social relations and other factors, which influence setting of
parameters of credit relation. Results of marketing and risk assessment of economic behavior of clients allow credit manager to correctly conjecture, first of all, sum and terms of crediting, rate on credit and regime of crediting, which corresponds to the interests of bank and client.

While crediting corporate persons a crediting mechanism, which assumes a particular of granting credits is chosen on the basis of marketing strategy. The choice of the crediting method of corporate persons depends on peculiarities of manufacturing commercial cycle of an enterprise, the uniformity of revenues from realizing of manufactured production, quality of credit history and the character of the need of bank client in borrowed assets. The need of corporate persons in resources can be temporary or constant, it can have a seasonable nature or an investing component.

In order to determine the size of reserves on possible losses, banks classify separate elements of calculated base of reserve (remains on appropriate balance sheet accounts; contract costs of credit contingent liabilities, reflected on off-balance sheet accounts; calculated values on terminal transactions; calculated values on operations) by some groups on the basis of motivated judgment about the risk level. This allows including operations with clients to one of the risk groups from the point of view of probability of losses: I, II, III, IV, V group of risk. The size of reserve is determined in accordance with the indicators of Table 1.

<table>
<thead>
<tr>
<th>Classification</th>
<th>The size of reserve as a percentage of elements of calculated base</th>
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<tbody>
<tr>
<td>Risk group I</td>
<td>0</td>
</tr>
<tr>
<td>Risk group II</td>
<td>from 1 – to 20%</td>
</tr>
<tr>
<td>Risk group III</td>
<td>from 21 – to 50%</td>
</tr>
<tr>
<td>Risk group IV</td>
<td>from 51 – to 100%</td>
</tr>
<tr>
<td>Risk group V</td>
<td>100%</td>
</tr>
</tbody>
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The elements of calculated reserve base, related to counteragent, in relation with whom credit organization has a debt on a loan, loanable and debt equal to it, are classified in a risk group, corresponding to risk group, to which debt on loan, loanable and debt equal to it, determined in accordance with the requirements of normative act of Bank of Russia, defining the order of formation by credit organizations of reserves on possible losses on loans, loanable and debt equal to it, refers to.

Motivated judgment about risk level in elements of calculated base, determination of value of necessary for creation of reserves for possible losses should be grounded on the following principles:

1) maximal adequacy of procedures of determining of assets quality and sizes of necessary reserves, specified in the internal documents, to the range of operations and level of complicity of bank operations;

2) adequacy of sizes of reserves to the level of risks of losses, which credit organization faces during the activity process;

3) timeliness and quality of reserves formation.

In order to timely correct the reserve on possible losses, a credit organization should every day take into account all information they have, related to counteragent.

If the value of elements of calculated base, nominated in foreign currency, changes, which is related to change of exchange rate, the correction of reserves is performed at the restatement of the reporting date. If
the value of elements of calculated base, related to cash flows by accounts, changes, the correction of reserves is performed at the restatement of the reporting date.

The correction of reserve of portfolio of similar credit claims is performed at the restatement of the reporting date (provided classification characteristics of risk factors are unchangeable). The presence of normative requirements to creation of reserve in accordance with solving problems with taxation led to increase of bank responsibility for credit operations, and of credit culture.

The repayment of credit and due interest can be performed by writing off funds from the settlement account of borrower according to their payment order, and writing off funds in the order of set priority on the basis of bank payment claim. In the last case, while signing credit agreement, the borrower should document their agreement of direct debiting from their account as loan repayment. If the funds on settlement account of borrower are not enough, bank, first of all, charges interest on loan, and then the main debt.

If the borrower has not paid the due at time stated by the agreement, his indebtedness on repayment of the main debt or interest is transferred on the account of the overdue indebtedness on the main debt or interest. Bank sets increased interest rate for overdue credits.

Evaluation of the conditions of development of the Russian market of bank services shows, that if the liquidity is restricted, deposit policy of commercial banks needs a change of the marketing strategy too. Even if the volume of deposit investments of bank clients doesn’t reduce, dynamics of deposits growth would, undoubtedly, slow down. The factors of slowing down are high inflation level, liquidity problems in Russian market and revoke of licenses from medium banks.

Disbalances in the bank services market evidence that the growth of credit activity due to influence of these factors would be certainly froze, and outflow of capital would intensify due to the necessity of providing financial operations transparency. The results of the conducted marketing assessment of behavior of client base have shown that numerous clients would not want to show their real savings [7].

5. Conclusion

Let us mention that in 2014 the situation of credit repayment on the Russian bank market was even worse than during the crisis period of 2008-2009, because a factor of high accreditts of a range of borrowers has appeared. At that, bank clients nowadays already pay increasing inflation tax due to ruble devaluation.

Under the conditions of economy stagnation, marketing strategy of credit organizations is aimed on reduction of cost price of client servicing and optimization of bank activity due to expansion of informational technologies of managing business-processes and formation of new aspects within the sphere of financial analytics. One of the perspective directions within this sphere is the analysis of cost price of bank activity.

The analysis of profитableness and unprofitableness of bank subsidiaries and business-directions, based on the principles of functional cost analysis (Activity-Based Costing), allows bank to reveal the cost structure and detect factors, influencing them, in order to take efficient measures for their reduction and optimization.

Functional cost analysis (FCA), as a method of distributing costs by operational processes, business-processes, products and services, clients and business-directions, allows increasing the efficiency of marketing strategy. This is related to the fact that the basis of the marketing strategy, produced by the FCA methods, is instruments and technologies, directed on creation of a product or rendering of a service. At that, all marketing and organizational costs can be quantitatively measured.
The use of such methodic allows building a model of calculation of cost price, which provides connection of paid bank resources with business-processes, at that organization economic business-processes are possible to be compared with products and services, provided by credit organization. Developing of a system of marketing management, related to instruments of functional cost approach, allows to realize assessment of costs and structure of cost price of bank products and services, which clients are provided with.

The development and realization of such marketing strategy results in opportunity of conducting complex assessment of efficiency of credit and deposit policy of a bank, detecting dysfunctions of business-processes in bank activity and directions of cost optimization. Use of marketing strategy, related to conception of functional cost approach, allows providing decrease of total costs of commercial bank on the basis of optimization of business-processes, detection of unclaimed resources and most profitable products and services. This allows bank to improve the system of interaction with clients and to provide financial stability.

Methodic of building the system of marketing management on the basis of functional cost analysis (Cost and Profitability Management) allows realizing priority marketing strategies, which allows large agents of financial market with transnational net, such as JPMorgan Asset Management, VISA, Barclays, to keep their working capacity under the conditions of system risks realization.

Financial stability and competitiveness of Russian banks are significantly influenced by the factors, providing efficiency of own assets and opportunity of attracting long-term resources. In order to activate these factors, banks need a weighed marketing strategy, directed on realization of cost policy on attraction and allocation of resources, which in totality should lead to positive financial results.

6. References