

Recommendations for Improving Alfa-Bank's Business Efficiency

Competitive Analysis of Tinkoff & Rakuten

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Abstract

Firstly, if you are reading this, big thanks! I highly appreciate your time and interest! This report present the broader view on my take on improving Alfa-Bank's business by leveraging data about Tinkoff and Rakuten.

I'm addressing business of Alfa, some of it's noticeable projects, then focus on Tinkoff and Rakuten's business models and histories of development. As a cherry on top providig recommendations for improving Alfa-Bank's business efficiency.

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Changelog

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1 Alfa Overview

"Alfa Bank" is a prominent private bank that conducts business in a number of nations, particularly within Russia and other CIS nations. It is among the region's biggest and most prestigious financial organisations. Alfa Bank was established in 1990. The bank has grown through time and has a significant presence in the financial markets. The banking institution serves small and medium businesses (SMEs) as well as private individuals and large corporations.

Company has a reputation for taking a creative approach to banking, implementing cutting-edge technologies and digital solutions to enhance customer satisfaction. It was a trailblazer in the introduction of mobile and internet banking services in the area.

The bank is renowned for upholding ethical corporate governance standards and displaying transparency in all aspects of its business. The bank's strategic direction and decision-making are supervised by the management team and board of directors.

Financial services offered by Alfa Bank include:

- Asset management
- Insurance
- Retail banking
- Corporate banking
- Investment banking
- And more

1.1 Phygital Offices

Modern technology and physical service are combined in phygital workplaces to provide a distinctive and user-friendly experience. Customers are identified by Face ID as they enter, and the staff is provided with the relevant data about them. Phygital offices, in contrast to conventional bank branches, have open areas without counters, walls, or windows that resemble coworking spaces or cafes. The ability to bring pets along also makes banking more welcoming and fun for customers. These advances make going to the bank easy and convenient, enticing clients to drop by while walking their dogs, for instance.

Such a format places a high priority on digitalization and enables papers to be signed and kept on phones, thus reducing the need for paper. Each Phygital office annually saves about 10,000 tonnes of paper. Currently, Alfa-Bank runs over 300 such locations, disseminating its environmentally friendly practices throughout the nation.

Then it comes to the serious financial decisions a client wants an in-person experience with another person. As results cash inflow might be up to 5 times more than from the digital.

The network of Phygital offices at Alfa-Bank has been awarded the Eco Best Award for its contribution to the development of urban environments.

1.2 International Expansion

The company has unveiled a brand-new service designed to help businesspeople and those engaged in foreign economic activity (FEA) enter the Vietnamese market. With the use of this service, exporters can gain vital market insights into Vietnam's many product categories, including information on factories, producers, networks, and end users. The programme makes it easier for importers to find possible partners by matching them with suitable suppliers for the commodities they are looking for. The services offered by Alfa Bank go beyond simple matchmaking because they also schedule meetings, give translation services, offer advice during contract negotiations and signing, and, if necessary, facilitate smooth international logistics.

1.3 ESG

The strategic approach of Alfa-Bank includes social initiatives and sustainable development on an ongoing basis. The bank's programmes to help brilliant young people, care for animals, and spread knowledge of the environment have a good effect on society. The "Eco-packaging and Eco-merch" initiative significantly aided in the preservation of the environment. Alfa-Bank reduced the amount of paper used by 29 tonnes by introducing eco-friendly envelopes for card delivery, reducing packing volume, reducing text content, and using eco-friendly soy-based inks. The bank also gathered used credit cards and turned them into pens and notebook covers.

2 Tinkoff

2.1 Retail Banking:

Tinkoff was founded 2006 as a digital bank without any physical offices. Given credit institution which differs from the usual banks in the absence of a branch network for direct contact with clients, all interaction is carried out through remote communication channels.

At the start, the bank turned to direct mailing of credit card offers and stuck to this until 2010. According to Forbes the initial public offering (IPO) of the bank's shares on the London Stock Exchange in October 2013 was among the largest Russian transactions of the year. Tinkoff Credit Systems traded at eight times the bank's equity, a number that is unusually high for banks, which are usually valued just slightly over equity. However this ratio is typical for technology companies, whose valuation is based on predicted earnings, this ratio is normal.

At the end of 2015, Tinkoff bank had a great lending business

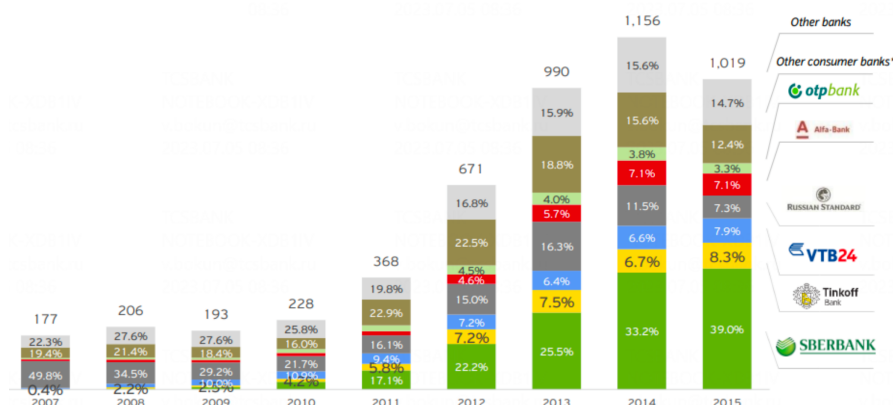


Figure 1: Market shares of credit card issuers 2007-2015.

Source: Tinkoff.

2.2 Small and Medium-sized Enterprises

Small and medium-sized businesses (SMEs) are another clientele that Tinkoff Bank offers business banking services to. These include business accounts, financing products, payment processing, and other financial services developed specifically for the requirements of business owners and entrepreneurs. Tinkoff seeks to significantly increase its market position in this industry by providing free goods and services that are specifically suited to the needs of SMEs, such as online document management, simple access, and expedited business launch solutions. By utilising the "undermining strategy", the bank aims to provide SMEs effective and digitally-driven financial solutions with a value offering that is distinct

from that offered by larger B2B banks like Alfa.

In other words Tinkoff tries to capture small companies other banks do not really concerned about due to the nature of having larger clients.

- **Customer acquisition channel:**

- Business registration
- Online accounting
- Acquiring
- Deposits
- Salary project

- **Profit generators:**

- Ruble accounts
- Currency exchange
- Loans
- Business cards
- Investment service

- **Retention products:**

- API integration
- Acquiring
- Cash registers
- Website builder

Table 1: SME Customers ('000). Source: Tinkoff

#	Year	Qtr.	Total	Active
1	'20	4Q	490	303
2	'21	1Q	507	313
3	'21	2Q	547	332
4	'21	3Q	596	364
5	'21	4Q	671	431

2.3 University

On June 14, 2023, Tinkoff revealed that the bank would launch Central University, a private institution based on the STEM (Science, Technology, Engineering, and Mathematics) model. In September 2023, starts the undergraduate programme. This allows company to elevate the level of social literacy in finance, tech, and other fields of study. Additionally such strategy provides company needed talent and human capital on the early

stages of their career and academic development, the similarity we can acknowledge with "undermining strategy" with SMEs. Noticeably, by creating university company can adjust skills of workforce to the particularly need ones and shape the industry.

2.4 Currency Exchange

Another stable source of revenue is currency exchanges and payments abroad, for instance within users of Tinkoff are popular transactions to the Uzbekistan, primarily by working immigrants in Russia. (Figure 2.)

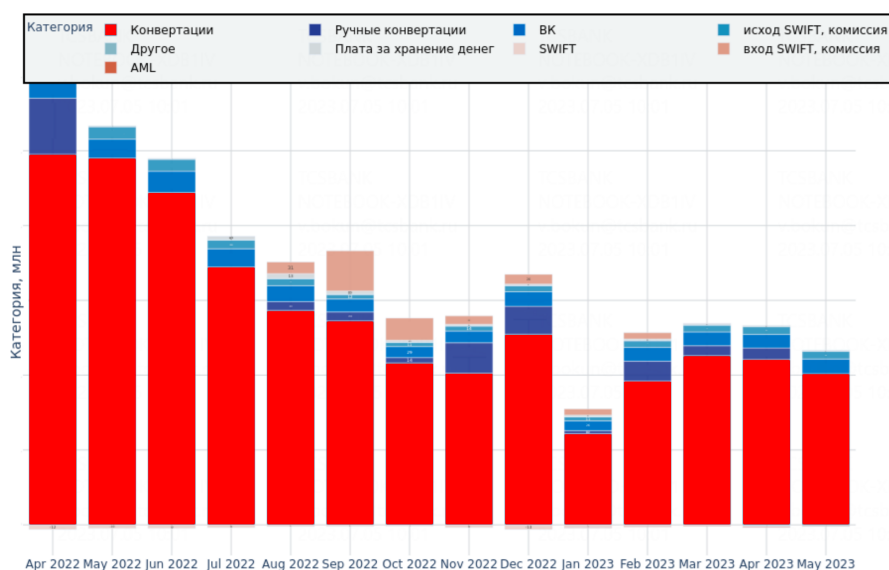


Figure 2: Distribution of foreign economic activity.

Source: Tinkoff.

3 Rakuten

Rakuten is multi national enterprise which focuses on providing a package of services, including banking, telecom, credit card, insurance, shopping, travel, and content, catering to small and medium-sized merchants. Japanese company was founded in 1997 and had grown into ecosystem through series of acquisitions and venture investments.

- **Acquisitions:** EBATES, Viber, Kobo, Buy.com, Priceminister, Ikeda, Wuaki
- **Venture investments:** Lyft, Pinterest, Ozon
- **Sponsorship:** FC Barcelona, Golden State Warriors, Vissel
- **Cards and cashless payments:** Rakuten Paycredit, Rakuten Point Card, Rakuten Wallet with Bitcoin & Ethereum settlement
- **Other services:** Phone services and communications, Homesharing, Ecosystem discounts, Travel, Membership program, cross-selling
- **Culture:** “englishnazation” in internal communications is the only way to become a truly global company

However, the company is in crisis mode, having lost money in 15 of the last 16 quarters. Users are dissatisfied with the quality of communication, according to Bloomberg.

Competition with Amazon in the Japanese market forced Rakuten to close its online branches in the UK, Spain, Australia, Singapore, and Malaysia. Amazon Introduces More Competitive Pricing and Japanese Translation Products.

Up to date it has the following values of financial indicators: \$15B Revenue (2022), -\$1B Profit (2022), \$12.7B Debt, \$16.5B Market Cap. (2023).

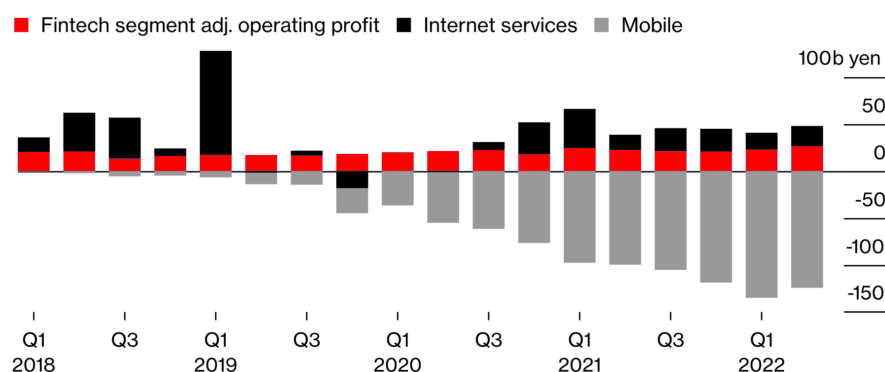


Figure 3: Rakuten's core business profits do not cover mobile phone costs. Source: Rakuten, Bloomberg.

4 Recommendations

• Grow as Multinational Enterprise

Expand international activities through foreign direct investments (FDI) with incorporation of commissions as source of revenue. As many Japanese, Singaporean, Chinese and other multinational enterprises aim their focus on Vietnam, the country gives huge potential to not only facilitate but develop international business. Japan and China might also present appealing opportunities for such growth since they have raised interest in communications between Russia and given countries.

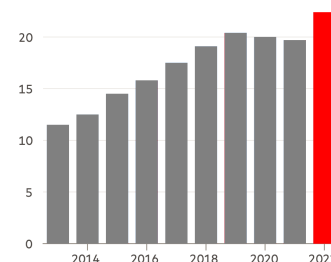


Figure 4: Vietnam FDI \$B.
Source: Ministry of Planning and Investment, Financial Times.

• Digital Transformation

Digital transformation has been embraced by Tinkoff Bank and Rakuten as a significant driver of their business strategies. The total customer experience can be enhanced by implementing cutting-edge digital technologies like biometric authentication and AI-based customer assistance.

• Expand Product and Service Offerings

To cater to a larger range of consumer needs, Tinkoff Bank and Rakuten have diversified their product and service portfolios.

• Foster Strategic Partnerships

Alfa-Bank may be able to offer cutting-edge solutions and maintain its competitiveness in a developing financial sector thanks to the relationship.

• Implement Loyalty and Referral Programs

Implement initiatives to reward devoted consumers and encourage repeat business, building on Rakuten's achievements in customer loyalty.

• Enhance Data Security and Privacy Measures

Data security and privacy are crucial in this age of expanding digital channels.

• Prioritize ESG Initiatives

ESG (environmental, social, and governance) considerations are increasingly important to business. This develop long-term sustainability and provides value to the society.

• Invest in Customer Education & Battle for Talent

Another resource we want to leverage is a human capital. Partnership with universities gives us access to the human capital and ability to educate them for the long run aim in the company. More joint ventures (like Alfa-Bank & Financial University) is recommended.

For the presentation in Russian please follow the link:

<https://drive.google.com/drive/u/1/folders/1Afh75jNN5YPNNlg-MbIR4liPfQ7lAdV9>

Or QR-code. Please notice that PDF format is highly recommended.



Figure 5: QR-Code

