

Trends of Expansion of the Customer Base in the Banking Sector

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Abstract—Post-crisis regulatory systems are gradually being developed and implemented, and financial institutions are adjusting their business models accordingly. It is now becoming clear that the accelerated pace of technological change is the most creative force in the modern financial services ecosystem. In this publication, we look at the real consequences of such rapid technological progress for the financial services sector and for its supervisors and users. The article reveals the essence of the client base, as well as strategies for improving the efficiency of the Bank's work with its clients. The analysis of ratings of banks on deposits and loans of individuals. Attention is paid to the introduction of the prevalence of FINTECH services in different countries. The author identifies trends in expanding the client base in the banking sector in the modern market economy and draws conclusions that the coronavirus crisis has become an additional driver of the popularity of fintech services in Russia in 2020. In these conditions one of the most important areas of development is biometric identification, which allows to remotely accept customers for service. The next step in the development of fintech in Russia is to work with customer data in order to offer the client individual conditions on time and simplify the application process.

Keywords—customer base, bank, customer, royalty, product, service, loan, deposit.

I. INTRODUCTION

In a modern market economy, the activity of any credit institution is aimed at making a profit. Banking operations with clients, individuals and legal entities, by providing them with credit resources and attracting their funds in the form of deposits, are the main source of profit. The presence of a high-quality client base tends to increase, which is a prerequisite for the stable operation of a commercial bank, ensuring the achievement of high reliability and liquidity indicators

The bank's customer base is a part of potential consumers of the banking services markets, which is within the range of possible contacts with the bank on a territorial basis, and which is satisfied by the range of services provided by the bank. The bank's base can be viewed from two sides. On the one hand, this is the qualitative state of the bank's clients, as a non-random set of consumers of the banking services used, and on the other hand, this is the bank's work with existing customers.

II. METHODS

As the main research method, we used the method of generalization and interpretation of statistical data based on

analytical calculations. In the process of applying this research method, statistical materials on expanding the client base in the banking sector were summarized.

III. RESULTS AND DISCUSSION

Attracting new customers, as one of the conditions for building a bank's customer base, takes place in different ways. Different types of lotteries, gifts, special discounts on the bank's product line can serve as incentives. For individual incentives of personal managers to actively work on increasing the customer base, there are competitions among division employees, special bonuses, as well as moral and material incentives when the sales plan is over fulfilled.

To maintain an already formed customer base and attract new customers, commercial banks set themselves the task of finding possible ways to improve their performance. Unfortunately, the legislative regulation of this banking sector does not fully meet the needs of the current stage of development [7]. Banks face the challenge of identifying efficient directions due to strong competitive pressure from other banks.

The most successful promotion of banking products in the target market and its success in the fight for a client will be determined, first of all, by the prices of the requested product, the profitability of the bank, the level of service, as well as the advantage in the quality of the offered service compared to competitors. In addition to the listed conditions, potential clients pay attention to the bank's reputation and its attractiveness (image), the appearance and design of its buildings, the convenient location of bank branches, currency exchange offices and others.

The banking sector is a very important element in the development of market relations, which is the basis for the normal, effective functioning of the market mechanism. A commercial bank in modern Russia is becoming the main element of the banking system. Because it is the development of this area that must be a priority, because the action of credit and the financial mechanism determines the level of development of the economy of the country as a whole.

Important problems in the bank's activities are also: incorrect personnel policy, poor quality of service for the bank's clients, not informative official website of the bank, too high interest rate, an increase in the cost of loans, and, consequently, a decrease in the volume of loans issued, low availability of credit funds, insufficient innovative banking

products, imperfect banking technologies, as well as the inability to issue investment loans [1].

During the analysis of the activities of the bank, of the customer-bank relationship system, a problem was identified in the regulation of the banking management of the bank, which speaks of poor quality management, which is the main component of the profitable and reliable functioning of the bank (the quality of bank management means the success or failure of the bank in difficult times).

In recent years, there has been an increased interest of banks in the development of client relations. If in the 90s of the XX century, credit organizations paid more attention and mainly solved the problems of developing and introducing new products, increasing their competitiveness, then already at the beginning of the XXI century they began to pay attention to improving the quality of customer service.

In recent years, in Russian banking practice, the opinion has gradually developed that in order to increase the stability and competitiveness of commercial banks, as well as to obtain constantly increasing profits, they need to form their customer base and effectively manage it.

The current stage of development of the world banking system is taking place in the context of increased competition and crisis phenomena in the financial markets. One of the key conditions for the successful development of banking activities is the policy of continuous innovation [8].

For a successful activity, a bank needs to form a wide client base. According to Kendra Lee, forming a potential customer base is the initial search for potential customers, conducting work with potential customers aimed at identifying potential customers among them, identifying customer needs, identification of solutions adapted to these potential customers, presentation of these solutions, the stage of providing evidence. In other words, all stages of the sale are considered, preceding the transformation of potential customers into valid customers and the subsequent conclusion of the transaction [4].

The attractiveness of a client for a bank largely depends not only on economic factors. Thus, some clients, despite the unprofitability of working with them, can be quite attractive in terms of the prestige and image of the bank. Such customers are called loyal. Therefore, a credit institution may agree to service them in order to conquer a certain market or improve its image.

Currently, insufficient attention is paid to the issues of increasing the loyalty of existing and potential consumers of banking services, while customer retention is an important part of the bank's relationship with the customer.

A loyal customer is a customer who must be "loved" with all his might, served, and fulfilled his requirements, because winning new customers costs several times more than keeping old ones. The main task of the bank is "not to disappoint". Loyalty is hard to win and easy to lose.

The researchers note that having a large number of loyal and paying customers can provide it with a number of significant advantages, both in the short and long term. Loyalty programs are one of the most important marketing tools that allow you to increase the frequency and amount of purchases, generate customer reviews, and receive important marketing information about consumer behavior and attracted shoppers. A properly selected and well-organized consumer incentive program allows to achieve significant results with minimal financial costs.

A necessary task of the bank is not only the implementation of customer loyalty programs, but also the expansion of the customer base. In addition to constantly working with existing customers, he must attract new ones by correctly advertising his products (services). You can expand your customer base as follows: improving the quality of service, studying customer needs, developing products for a specific segment, drawing up joint plans for developing cooperation with key customers, applying a differentiated approach to the payment system for banking services [2].

TABLE I. TOP 5 BANKS FOR DEPOSITS FOR INDIVIDUALS IN JULY-SEPTEMBER 2020 [3]

Place	Bank	Deposits, RUB million			September to July	
		July	August	September	+, -	Height, %
1	Sberbank of Russia	10 056 288	10 174 582	10 158 552	102 264	101.02
2	VTB Bank	2 771 772	2 740 400	2 629 504	-142 268	94.87
3	Rosselkhozbank	1 083 170	1 095 428	1 092 408	9 238	100.85
4	Gazprombank	983 950	1 018 770	1 032 360	48 410	104.92
5	PJSC Bank «FK Otkritie»	650 950	611 608	607 959	-42 991	93.40

During the study period, individual deposits increased by 1.02% or by 102 264 million rubles for Sberbank of Russia, by 0.85% and 4.92% for Rosselkhozbank and Gazprombank,

respectively, and decreased by 142 268 million rubles, or 5, 13% for VTB Bank and 6.60% for PJSC Bank FC Otkritie in absolute terms.

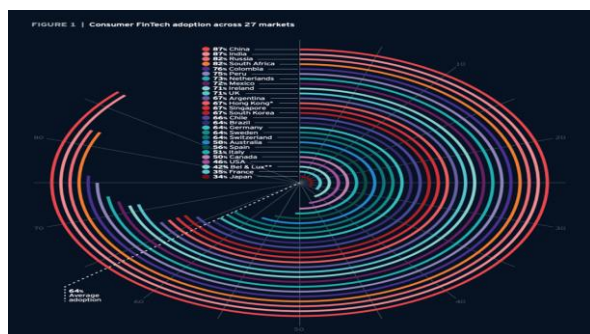
TABLE II. 2020 TOP 5 BANKS FOR LOANS TO INDIVIDUALS IN JULY-SEPTEMBER 2020 [3]

Place	Bank	Deposits, RUB million			September to July	
		July	August	September	+, -	Height, %
1	Sberbank of Russia	6 603 147	6 736 647	6 898 655	295 508	104.48
2	VTB Bank	3 011 514	3 059 863	3 108 794	97 280	103.23

Place	Bank	Deposits, RUB million			September to July	
		July	August	September	+,-	Height, %
3	Gazprombank	627 787	632 503	640 982	13 195	102.10
4	Alfa-bank	528 145	541 712	560 871	32 726	106.20
5	Rosselkhozbank	453 502	464 200	478 442	24 940	105.50

During the study period, loans to individuals increased cumulatively for all the banks complied with, including: by 4.48% or by 295 508 million rubles for Sberbank of Russia, by 3.23% or 97 280 million rubles for VTB Bank, by 2.10% or by 13 195 million rubles for Gazprombank, by 6.20% for Alfa-Bank and by 5.50% or 24,940 million rubles for Rosselkhozbank.

In 2019, experts from the international consulting company Frost & Sullivan and the Russian consulting company NEO Center for the first time estimated the number of active customer base of Russian banks. The leaders in this indicator were the largest state-owned banks: Sberbank (97.5 million active users) and VTB (13.3 million active users), and the third and fourth places were taken by private organizations Tinkoff (7.2 million active users) and Alfa Bank (6.5 million citizens). In fifth place is Post Bank (6.3 million people) [5, 6].



Source: Ernst & Young

Fig. 1. The prevalence of fintech services in different countries

Information and communications technology have made a paradigm shift in the way banks work and in the way, services are provided in the banking industry [9]. The study also notes that in 2019, the country's fintech service penetration index was 82% - this is the third indicator among the 27 largest markets in the world, the study says. China and India topped the ranking, where 87% of residents use fintech services. The top five also included South Africa (82%, as in Russia) and Colombia (76%).

Peru is in sixth place (75% of the population use fintech services), in seventh - the Netherlands (73%). Mexico (72%), Ireland (71%) and Great Britain (71%) round out the top ten.

The United States, where the world's largest technology companies are based, was at the bottom of the list - at 24th with 46%

Japan took 27th place - 34% of the country's people use fintech services. The study found that global fintech adoption in 2019 had reached 64%. Although two years ago, experts at Ernst & Young predicted that figure would be 52%.

Compared to 2017, the three states with the largest share of the population using fintech services have not undergone any changes. The study emphasizes that the spread of such services in Russia is higher than that of other leaders in the rating leaders: over two years, the indicator increased by 39 percentage points in our country, and in India and China - by 35 percentage points and 18 percentage points respectively.

The high popularity of fintech services in Russia is associated with the youth of the financial system and citizens' susceptibility to innovation.

The main drivers in the development of financial technologies in Russia are neobanks, which are initially focused on the use of new technologies and online customer service. The most important of them are Tinkoff (estimated value of 246 billion rubles), UMoney (Yandex Money - 8.3 billion rubles) and "Sphere" (part of the BCS banking group - 1 billion rubles).

Deloitte researchers say the banking industry has undergone significant changes in recent decades. If earlier the big players tried to fight for customers mainly due to price factors, today we are witnessing a change in the entire paradigm of consumer relations with banks. The survey showed that the majority of clients (61%) try to choose a bank with the most attractive conditions; however, they take into account such factors as reliability (56% of respondents), convenience of services (49%) and quality of service (45%).

The leader in the rating of the popularity of retail banks in the Russian Federation is predictably become Sberbank, which serves most of the population of Russia. The share of customers using the bank's retail services at the time of the survey was 87.1%.

The conclusion about Sberbank's leadership is also confirmed by the volumes of the retail business of this market player, which are several times higher than those of its closest competitor, PJSC VTB. According to the survey, its share of clients is significantly lower than that of Sberbank, and amounts to 23.4%. Rounding out the top three is Tinkoff Bank, the only private financial structure that has managed to compete so significantly with state organizations.

The leading digital bank JSC Tinkoff Bank is historically focused on working with clients for whom transit settlement operations, as well as additional services and services, are of the greatest interest. The development of such a business model provided the bank with a high level of demand among the population - according to the results of the study; the bank entered the top three in terms of popularity among the surveyed citizens, just behind the largest state-owned market players.

In addition, according to a survey of the international research company "Ipsos", conducted in January-June 2020, Sberbank's clients are about 81% of Russians, VTB - 26% of Russians, Tinkoff - about 21% of Russians.

IV. CONCLUSION

Thus, the coronavirus crisis has become an additional driver of the popularity of fintech services in Russia in 2020, according to a study by the NEO Center. The largest banks and neobanks "Izvestia" confirmed this trend.

Due to the coronavirus pandemic, the possibility of distance selling has become a necessity for the bank, according to the ICD. According to Raiffeisenbank, during the period of self-isolation, almost a third of Russians tried paying for Housing and Utilities Services through a mobile bank for the first time, and every fourth made a money transfer for the first time using a phone number. At Promsvyazbank, during the pandemic, the share of loans issued in digital channels increased from 40% to 80%.

During the period of self-isolation, the share of sales of banking products through digital channels (on the website, in the mobile application) increased by 50%. Since the beginning of the year, the penetration of remote services in Otkritie Bank has grown by 20%.

However, the penetration of mobile banking, contactless payments, electronic services for insurance and investments, as well as biometrics in Tinkoff Bank was implemented and actively developed even before the pandemic. This is what helped the bank cope with the new operating mode during the pandemic. Tinkoff noted that over the past year they have been actively introducing artificial intelligence, which offers customers the best solutions based on their preferences.

The share of non-cash transactions in retail trade has been steadily growing over the past years, and according to the results of the first half of the year, it amounted to almost 69%. The regulator expects this figure to exceed 70% at the end of the year.

VTB pointed out that around a quarter (24%) of card transactions represent payments with smartphones using mobile apps (for example, Apple Pay and Google Pay).

One of the most important areas of development is biometric identification, which allows to remotely accept customers for service. The next step in the development of fintech in Russia is to work with customer data in order to offer the client individual conditions on time and simplify the application process

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