

**How to improve the service concept in the microfinance organization:
credit union Althea**

Yulia Manuzina

Bachelor's Thesis
Degree Programme for
Multilingual Management Assistants
2013



Degree Programme for Multilingual Management Assistants

<p>Author or authors Yulia Manuzina</p>	<p>Group or year of entry MUBBA 09</p>
<p>Title of thesis How to improve the service concept in the microfinance organization: credit union Althea</p>	<p>Number of report pages and attachment pages 41 + 12</p>
<p>Thesis advisor Olli Laintila</p>	
<p>Over the past 20 years microfinance in Russia has developed widely. Nowadays this market faces tremendous changes as competition inside this sector is growing rapidly. Credit unions have been the pioneers in this field recognized among consumers and currently they take their own niche as microfinance providers. However, due to strong competition and legislative challenges, credit unions have to explore new approaches to service delivery and customer communication.</p> <p>This research focused on the operation of credit union Althea located in Petrozavodsk, the Republic of Karelia, Russia. The purpose of the study was to improve the current service concept in the credit union by offering new ways in service delivery. As there is a lack of youth in the membership base of credit union Althea, the research targeted young people at the age 25-35 years old that live permanently in Petrozavodsk. The research was designed by using qualitative and quantitative methods. Qualitative methods were utilized while performing the blueprint analysis of the company's loan issuing operation. The survey among the youth was conducted by means of quantitative methods in a form of a structured questionnaire. The research timeframe was December 2012-May 2013.</p> <p>The result of the research showed that there is still a lack of information about the credit union among the youth of Petrozavodsk. Hence, young people do not trust the organization. From the technological point of view, the procedure of borrowing is still complex and unflexible, there is a strong need of changes in website construction, online forms and payments schemes. Credit union Althea is highly recommended to promote themselves by using advanced channels of communication utilized by the youth such as social media, internet forums and promo events in the Republic.</p>	
<p>Keywords Microfinance, service, service design, blueprint</p>	

Table of contents

1	Introduction	1
1.1	Purpose and objective of the research	1
1.2	Research problem and scope of the thesis.....	2
1.3	Structure of the thesis	2
2	Commissioning party.....	3
2.1	Microfinance industry.....	3
2.2	Credit unions.....	3
2.3	Company	4
2.3.1	CU Structure	5
2.3.2	Competitors and partners.....	7
3	Research methods	9
3.1	Quantitative and qualitative research.....	9
3.2	Data collection.....	10
4	Service as a concept	11
4.1	Value proposition.....	12
4.2	Service design.....	14
4.3	Blueprint analysis.....	15
4.4	Blueprint process.....	15
5	Conducting a survey	20
5.1	Sampling	20
5.2	Structure of the survey	21
5.3	Reliability and validity of the survey	23
6	Results and findings of the survey	25
7	Analyzing the results	34
7.1	Blueprint results.....	34
7.2	Recommendations.....	34
7.3	Self-assessment	38
	References	39
	Attachment 1. Logo of CU Althea	42
	Attachment 2. Blueprint analysis of loan application.....	43
	Attachment 3. Pilot questionnaire	44
	Attachment 4. Questionnaire in Russian	48

1 Introduction

Microfinance organizations have gained its popularity in Russia after the collapse of the Soviet Union in 1991. That period associated among the Russians with uncertainty, financial instability, unemployment and poverty. Many families faced severe troubles at those times while deciding how to make their living.

The Russian bank system was on the edge of financial ruin and had no trust from the Russian population. In that difficult situation people decided to assist themselves by forming credit cooperatives and other financial organization that would benefit its members by providing them with lending and saving services, organizations that were controlled by its members. That was the beginning of the new era called microfinance.

Nowadays the system of microfinance has greatly expanded and credit cooperatives transformed from small professionally based organizations into large cooperatives that, in some respect, serve as an alternative to the banking sector.

The republic of Karelia was one of the pioneers in developing and maintaining the movement of credit cooperation in Russia. The first credit cooperative Althea (later referred to as credit union Althea) established in the 90's, has influenced further growth and progress of the movement in the region.

While choosing a topic for the bachelor's thesis, my personal interest has played a crucial role. As I was closely connected with the cooperative as an employee and member myself, I became well familiar with their operation, their advantages and challenges. At some point it has become clear that in spite of good operational results there is a solid need for CU service rearrangement which would assist its further expanding and enlarging of the membership base.

1.1 Purpose and objective of the research

The purpose of the research is to offer ways on how the service concept in the CU can be improved.

The objectives of the research are:

- to analyze the current service concept through the service design approaches
- to conduct a survey among young population of Petrozavodsk
- to give recommendations on the improvement based on the collected data and performed analyses.

1.2 Research problem and scope of the thesis

The CU services are provided for individuals and entrepreneurs as well, but this study will cover only individual sector. The problem of the study is the lack of young population who are utilizing the CU services widely. In this regard the study will focus on young people at the age of 25-35 years old that live permanently in the Republic of Karelia, Petrozavodsk. The present thesis will cover lending and saving services as the main ones in the cooperative.

In order to implement the objectives, the following questions were stated:

1. What kind of service process does the CU have?
2. What are the fail points in the CU service delivery?
3. What prevent young population of Petrozavodsk from borrowing in the CU?
4. Which characteristics of financial organizations are being prioritized by the youth?
5. How the failures can be improved based on well design service concepts?

1.3 Structure of the thesis

The study will be performed as a traditional thesis, i.e. several concepts will be introduced that can be applied to the existing problem. There will be a “dialogue” between the theoretical and empirical part, all the findings will be supported by the relevant concepts. The first two chapters will cover the background information and industry description; the following chapters will present the procedure of the research itself, results and recommendations for further improvement.

2 Commissioning party

This chapter presents briefly the industry and operation of the commissioning party of the present thesis, i.e. credit union Althea.

2.1 Microfinance industry

Originally microfinance has appeared as a mechanism that provides small financial services “to financially underserved”, those who refer to low-income category households, and micro-entrepreneurs who are “considered nonbankable” by the financial sector. Over the years microfinance has developed from a social movement into an industry guided by “standards and commercial bottom line”. (Bossoutrot 2005, ix–x.)

Unlike many developing countries where microfinance services addressed the needs of “uneducated and semiskilled workers”, in Russia it emerged as a means of support to a well-educated category of people who had to self-employ due to consequences of the Soviet Union collapse. (Bossoutrot 2005, ix–x.)

There are four types of institutions that provide microfinance services worldly: commercial banks, specialized non-governmental organizations (NGOs), membership-based institutions such as rural cooperatives and credit unions, public funds.

2.2 Credit unions

Credit unions are noncommercial micro-financial organizations that specialize in lending-saving services for its members.

There are three main types of credit unions in Russia:

- agricultural credit cooperatives, which provide savings and business loans to farmers and agricultural producers
- consumer credit cooperatives of citizens, whose members are only physical persons and they provide loans for business and/or consumer purposes
- consumer cooperatives which can include physical and legal entities and provide loans for business and/or consumer purposes. (Bossoutrot 2005, 31.)

The key element of every credit union is the CU member who governs and controls the operation of the organization. The CU is owned by its members, all main decisions are approved during the AGM, and the main principle of every credit union is one CU member, one vote (The Irish League of Credit Unions, 2013).

Credit unions operate to satisfy the needs of its members, not for profitmaking purposes. However, to cover their expenses the CU has to form funds which are financed by its member's fees. There are two main types of fees in CU: entry fee which is a non-repayable fee and membership fee which is repaid if a member withdraws from the CU. There are also regular monthly fees, the amount of which is regulated by the CU members during the AGM. (Sadikov, 2006.)

In comparison with banks credit unions are restricted in their functions and are not able to execute certain operations. According to the Federal Law "About Credit Cooperation N190-FZ" credit unions are not allowed to provide loans to non-CU members, issue shares and make any operations with them, sell its property and approve any changes in the statutory documents without members' agreement. (ConsultantPlus, 2013)

2.3 Company

Credit Consumer Cooperative "Credit Union "Althea" (further on referred to as CU Althea) was established in 1993 in Petrozavodsk, the Republic of Karelia, Russia. Originally it was formed as a mutual aid fund for medical workers but later on it enlarged its membership base by attracting people of different socio-economic and age groups.

CU Althea has performed as an initiator in forming an umbrella organization that would provide guidelines and legal assistance to young cooperatives in the Republic. In 2002 CU Althea acted as a founder of the Association of Credit Unions of Karelia, the first organization of this type in the Republic.

As of 1 January 2013 the membership base of the CU is 4,923 members out of which 8.3 % under 30 years old, 14 % under 40 years old, 18 % under 50 years old, 34 % under 60 years old, 34 % more than 60 years old. (Figure 1.)

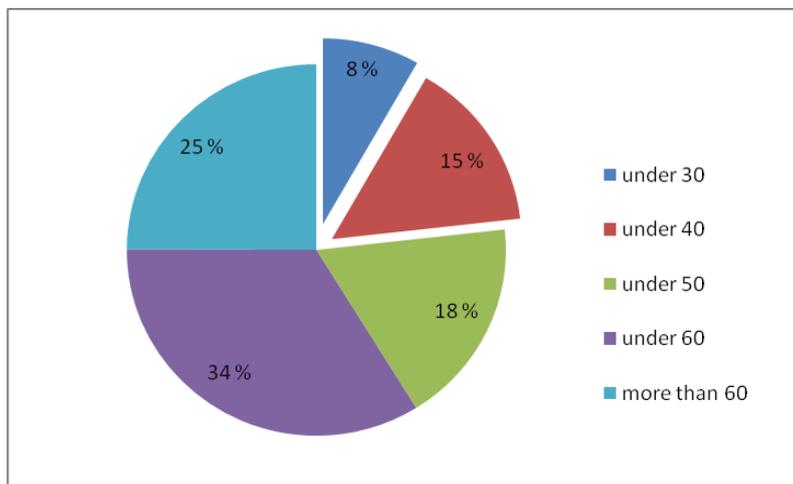


Figure 1. Age distribution in CU Althea

As of 1 January 2013 assets are RUR116,156,000 (EUR2,833,073), savings are RUR85,397,000 (EUR2,082,854)¹. (The Association of Credit Unions of Karelia, 2013.)

The main office of the CU is located in the Petrozavodsk city-center. There are also branches in Pudozh, Suoyarvi, Lahdenpohya and Olonets (the southern part of Karelia).

2.3.1 CU Structure

The governance of the credit union is carried out by its members which are considered the highest regulatory and control body. Members make their decisions during the Annual General Meeting (further referred to as the AGM) which is usually held once a year if there are no urgent issues to decide on. The AGM elects main governing bodies out of the CU members. Every CU member has the right to be elected.

¹ EUR 1 = EUR 40.7 as of 26 April, 2013 (Suomen pankki, 2013).

During the intercessional period the governance of the CU is executed by the Board of Directors (further referred to as the Board) which consists of five Board members. The Board is entitled to make any motion that can be discussed and approved/disapproved during the AGM.

The Board is headed by the Chief of the Board (further referred to as the Chief) who is elected by the CU members during the AGM. The Chief is an executive body of the credit union and provides the implementation of the Board's decisions.

The Supervisory Committee carries out a control function over the CU operation and its elective bodies. It consists of five members. The main duties of the Supervisory Committee are to control financial operations of the CU, inspect the accounting records, and approve loans issued to the elective bodies of the CU. (Ustav kreditnogo potrebitelskogo kooperativa "Kreditniy soyuz "Alteya" 2010, 14-24.)

The Loan Committee decides on loan issuing and loan paying back. It consists of five members.

All the elective positions except the Chief's position are nonpaid. However, there are paid employees in the CU who assist in daily operations. (Figure 2.)

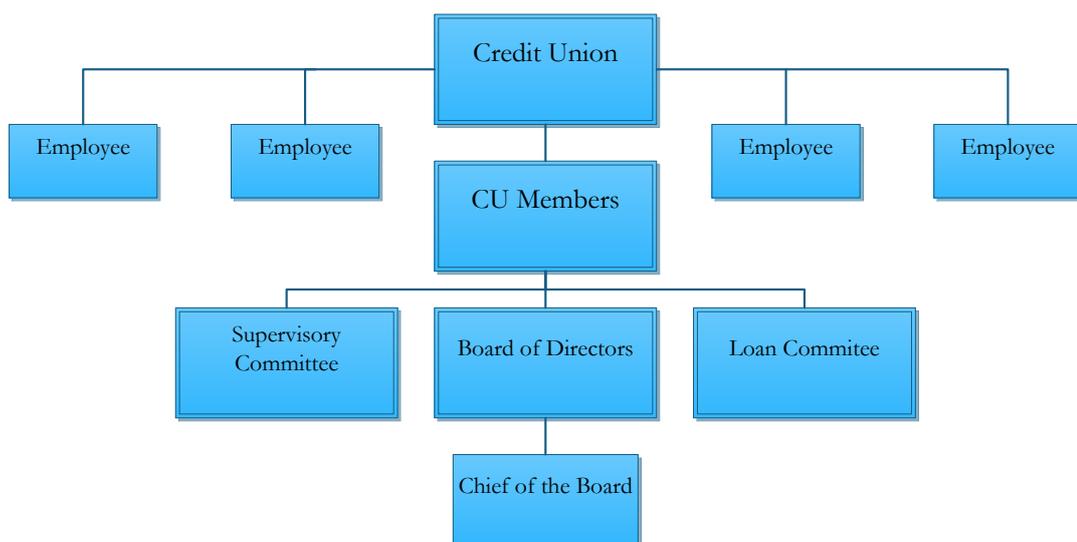


Figure 2. CU Structure

2.3.2 Competitors and partners

Competition and partnership relations have always gone hand in hand. Very often one can transform into another. The task of every company is to make those transformations happen in a right way.

Competitors

It is widely accepted that banks are the main competitors of credit unions. However, as of today it is not exactly the case. Banks offer larger variety of services than credit unions do such as money transactions, mobile banking and utility charges services.

According to the Chief Officer of CU Althea, Mrs Suokas, CU Althea does not copy banks, it has its own segment, own niche. Althea unites people not money. (Argumenty i Fakty, 2013, 6-7.)

At the moment the increasing amount of microfinance organizations (further referred as to MFOs) has achieved a critical point. According to the Federal Law N151-FZ which regulates the operation of MFOs (ConsultatPlus, 2013), such organization may provide micro- lending services to the population and conditions are simplified in comparison with credit unions. All is needed to take a loan is a person's passport. Many MFOs specializes on Pay Day Loans (further referred as to PDL) which gained its popularity as "immediate money". Such loans are easy to take and their amount is not very big, however the interest rates are tremendously high. (Mikrofinansirovanie v zakone: god spustya, 2012)

Based on the interview with the Chief of the CU Board, Mrs Amosova, fast growing MFOs pose a real threat to CU operation and its reputation. People borrow PDLs without realizing that they overpay dramatically. The situation looks like as it was in 2008 before the financial crises. (Amosova, S. 13 Mar 2013a)

Partners

- *Republican level.* As was mentioned above CU Althea acted as a founder of an umbrella organization, the Association of Credit Unions of Karelia (further on referred to as the Association), which unites credit union of the Republic.

Nowadays, the Association affiliates nine credit unions that cooperates with each other, hold joint training sessions, corporative and promotion events under the same brand and name of the Association (The Association of Credit Unions of Karelia, 2013).

- *Regional level.* Russian credit unions actively participate in training programs offered by the Association. CU Althea is not an exception. As the CU has a 20-year experience, it often arranges training sessions on its own premises attracting their own specialists to assist young CUs in their operation. Once a year the Association jointly with the CU Althea organizes a tour camp “Karelian Coast” for credit unions from all over Russia. The camp is visited by more than 100 CUs to share their skills, knowledge and experience.

- *International level.* In the middle of the 90’s CU Althea started partnership relation with the Foundation of the Irish League of Credit Unions (further on referred to as the Foundation) located in Ireland, Dublin. Cooperation has grown into a long standing project on credit cooperation movement, which united three Russian regions: Stain-Petersburg region, Moscow region and the Republic of Karelia. By means of this cooperation Russian CUs gained informative, technological and financial support from the Foundation. Over the years Russian CUs have had a possibility to take part in study visits to Ireland to exchange their experience and gain new skills. In spite of the fact that the project has finished, the CU Althea continues to communicate with the Irish partners. (ILCU Foundation, 2013)

3 Research methods

The following chapter covers the process of the research and methods used to implement the research.

“Research methods refer to systematic, focused and orderly collection of data for the purpose of obtaining information from them to answer the research problem or questions.” (Ghauri & Grønhaug 2002, 85.)

3.1 Quantitative and qualitative research

Researches define two main concepts that are used widely in the research culture: quantitative and qualitative methods. According to Matthews and Ross (2010, 141-142) quantitative research methods deal with gathering and processing numerical data that are structured and can be statistically analyzed.

On the other hand, qualitative research methods deal with subjective understanding, feelings, opinions and believes. The collected data is non-quantitatively measured.

Using the quantitative methods the researcher asks narrow questions and is not part of the research, unlike with the qualitative methods where the questions are broad and the researcher is involved as a social element. There is also a mixed method where both concepts are utilized.

The current research applied both methods: quantitative and qualitative. The quantitative method was chosen to conduct a survey. According to Saunders, Lewis and Thornhill (2003, 92) surveys allow to collect large amount of data in a highly economical way.

The survey in the current research was performed in a form of questionnaire where the data was standardized and allowed easy comparison. Additionally the survey is perceived authoritatively by people. (Saunders et al. 2003, 92) For the respondents it was quicker to answer the questions and for the researcher it was easier to analyze the results.

The qualitative method was used while doing a blueprint analysis of the company. This method was applicable as it was possible to describe and explain the process of service delivery in the CU. It required more time, that is why this part had been done well in advance.

3.2 Data collection

Primary data

The empirical part was divided into two stages: blueprint analysis and survey. The blueprint analysis was performed by means of mystery shopper concept which is described more precisely in Chapter 4.

The survey was conducted by means of social network Vkontakte which is widely spread in Russia. As physically it was impossible to be in Russia all the time during the research process, this kind of channel had been selected. The survey was composed by using Webropol survey software which is available for HAAGA-HELIA students free of charge. The link to the questionnaire was spread among young population of Petrozavodsk using the Vkontakte service.

Secondary data

Additional information such as articles, statutory documents and statistical data was received during personal visits to the office of CU Althea during 11-14 March 2013. A fruitful discussion with the CU Chief of The Board, Mrs Amosova, was held on 11 March. While searching extra information for industry and company presentation the webpages of CU Althea, its partners in Russia and Ireland were used.

4 Service as a concept

The current chapter focuses on a service as a key term in the service concept. Kotler and Keller (2012, 378) describe a service as an act or performance one party can offer to another that is essentially intangible and does not result in the ownership of anything.

Zeithaml, Bitner and Gremler (2006, 22-24) determine several main characteristics of services:

- Intangibility. Impossibility to touch, see, feel or taste services. The result is unseen before the purchase has been done.
- Heterogeneity (variability). Services are provided by people and for people, so there cannot be two precisely identical services. Service providers can perform differently from day to day, as well as customers may have various demands and service experience.
- Simultaneous Production and Consumption (inseparability). Unlike products services are produced and consumed simultaneously that is why the process of the service delivery is extremely important. In most cases the customer is present when the service is produced and often may interact with the service producer which definitely will influence the production of service quality.
- Perishability. A service in contrast to products cannot be stored, resold, returned or saved. In this regard the service is irrevocable and which requires from a company to have a recovery policy if something goes wrong and/or demand or yield management to provide services to various groups of customers under different time and economic fluctuations (Kotler, & Keller, 2012, 383).

As mentioned above, services are tightly connected with people, i.e. by whom they were provided. Hence, a service always deals with the quality of how and by whom it was designed. Based on the characteristic of service variability, companies try to avoid consumer uncertainty and reduce worries by increasing quality control for example by standardization of the service-performance process throughout the organization. (Kotler & Keller, 2012, 382.)

4.1 Value proposition

Recently *customer value proposition* has become one of the mostly used terms in business world. Kotler and Armstrong (2008, 9) determine value proposition as a set of benefits and values the company promises to deliver its customers to satisfy their needs. At the same time Anderson, Narus and van Rossum (2006, 2) assert that once companies have understood their customers, they can smarter allocate their resources in developing new offerings. According to Anderson et al. there are three types of value proposition: all benefits, favourable points of difference and resonating focus.

All benefits

This approach includes only a list of all benefits as it is, without deep knowledge of competitors and customers. While using this type of value proposition, there is a danger to have no benefits to a target customer. Another fail point here is that competitors may have the similar benefits and it can weaken the effect of differentiation.

Favorable points of difference

This approach implies that the customer has an alternative. That means that the company's offering can solve the customer's problem in a different way than the competitor's offering. However, some companies cannot clearly distinguish main points of difference, which may confuse the customer. Here, the company has to understand customer's requirements and preferences in details.

Resonating focus

This approach acknowledges that the company should concentrate on the one or two points of difference to deliver to the target customers and actively work under its improvement. On the other hand, sometimes it is necessary to include a point of parity and try to stress it, so that the customer chooses the company's offering compared with the next best alternative.

Having applied this theory to the CU Althea, it is possible to say that at the moment they are using the *Favorable points of deference* approach. It can be seen through the following:

Social Orientation

The key factor of the CU operation is its social orientation, i.e. it provides their members with the best solution at affordable rates and timeframe in accordance with their income and solvency. The CU is not aimed at earning much by selling any possible service to everyone, its client is a loyal member who trusts and values the CU.

Social function of the CU is also seen in their regular campaigns held within the CU:

- assistance to large families by assembling school necessities before the school year
- photo competitions for CU members (jointly with the Association of Credit Unions of Karelia)
- financial support of the talented children of Karelia (jointly with a charity fund)
- loans on favorable terms for medical purposes, education, young entrepreneurs (reduced interest rates)
- education for CU members
- consultations on how to save money
- “Financial Literacy” campaign– a set of lectures on effective money usage.

Transparency

Another important benefit of the CU operating is their transparency. It can be seen through the openness to their members, i.e. any CU member has one vote in all main decisions. All financial and regulatory documents of the CU are public for the public and they have an easy access to them. There is also an opportunity for a potential member to familiarize with any documents before becoming a CU member.

Needless to say that transparency is a key element that Russian people pay attention at while choosing a financial institute. Historically there have been numerous financial pyramids and shell companies which people came across with in Russia after the collapse of the Soviet Union, in this regard non-commercial organization will always be a subject of focused attention.

Reliability

Starting from the year 2010 all registered credit cooperatives have to affiliate to one of the self-regulated organizations (further referred to as SROs). Main functions of the SROs are the following:

- setting and adopting qualification standards, norms of delinquency and liquidity level (those items that were not included in the Federal Law “About Credit Cooperation N190-FZ”)
- collecting quarter and annual reports from the CUs
- independent CU audit once a year.

At the present moment there are 10 SROs in Russia which control the operation of credit unions and cooperatives. Credit unions pay affiliating fees to cover the expenses of the SROs. CU Althea joined SRO “Cooperative Finances” in 2010. The CU Chief of the Board Mrs Amosova is a Board member of the SRO. (Amosova, S. 13 Mar 2013a.)

Individual approach to every CU member

Every CU member has its own needs and demands. Some come to save, some come to borrow. According to Mrs Suokas, the Chief Officer of CU Althea, the CU uses the principle “Do not harm!” which teaches its members to calculate and control their budget. The CU employees deeply believe that they should stop a member from borrowing unnecessary loans. By this means, CU Althea tries to improve the life quality of its members, assists in difficult situations when banks refuse to help. All that happens due to the fact that CU Althea does not focus on profit making, it exists to benefit its members. (Argumenty i Fakty, 2013, 6-7.)

All these benefits differentiate CU Althea from other organizations that operate in the microfinance sector. However, there is still a gap in attracting young people to join the CU (Amosova, S. 13 Mar 2013a).

4.2 Service design

There are many definitions of service design in literature provided by academics and agencies.

Moritz (2005, in Strickdorn & Schneider, 2011, 31) defines service design as a process that helps to innovate or improve services with aim of making them more useful, usable, desirable for clients and efficient as well efficient for organizations.

LiveWork agency points out that “Service design is the application of established design process and skills to the development of services. It is a creative and practical way to improve existing services and innovate new ones.” (Strickdorn & Schneider, 2011, 33.)

4.3 Blueprint analysis

Strickdorn and Schneider (2011, 148) brought together a wide range of service design tools such as shadowing, services safaris, stakeholder maps, co-creation, service blueprints etc. Among others, service blueprint has gained most positive feedbacks from companies lately.

The term Blueprinting initially originates from ship architecture. All ship parts before building used to be printed on special paper and appeared in blue, with those blueprints it was possible to see how the ship parts would be look like in details. (Lovelock, Wirts, Chew & 2009, 202.) Blueprint supposes creating a visual scheme that illustrates company’s process from the customer and the service provider point of view (Strickdorn & Schneider 2011, 204).

In service design blueprinting helps to find out company’s failures and gaps in more precise and detailed way, it works better than verbal description of a process and visually depicts points that should be improved.

4.4 Blueprint process

To eliminate the existing trouble points in CU Althea it was decided to hold a blueprint analysis. A model offered by Zeithalm et al. (2006, 267-276) was taken as a template.

A service blueprint is a map that displays the service system so that various people involved in the process of providing a service understand clearly what is being done

regardless of their personal point of view, blueprinting breaks a service down into several logical components from the beginning when it being asked for, till the end when a customer receives it.

There are five main components of blueprinting:

- customer actions - the customer performs a set of steps in the process of purchasing, consuming and evaluating the service, this component may include face-to-face contact, phone calls
- onstage contact employee actions - simultaneously with customer actions a contact employee performs a set of actions that are visual to a customer, e.g. accepting the documents, interview
- backstage contact employee actions - those action that are performed above the line of visual stage, that cannot be seen by the customer, e.g. phone calls to customer, emails or letters to customers
- support processes - all the activities performed by employees in the company to support a service delivery, e.g. preparation of the documents, decision making
- physical evidence - the final step when above each point of contact the physical evidence is listed, the point that the customer come across with, e.g. clothing of the staff, office decor, written documents.

To perform the blueprint analysis I asked my friend, Mrs Kozina, to act as a mystery shopper, i.e. she purposely phoned the CU office to get information about the CU services. Along with these actions, the chief of the Board, Mrs Amosova, was interviewed about the main steps of the CU operation (Amosova, S. 14 Mar 2013b).

Before doing the blueprint analysis, services should be broken down into blueprint components. According to Zeithalm et al. (2006, 274-276) the components are the following:

- the service to be blueprinted
- the customer segment experiencing the service
- the service process from the customer point of view
- contact employee actions, technology actions

- contact activities linked to needed support function
- evidence of service at each customer action step.

Based on the mentioned above and on the information received from Mrs Kozina (7 Feb 2013c) and Mrs Amosova it was possible to determine the blueprint steps in CU Althea.

The service to be blueprinted is money lending service as the most demanding one. The customer segment is young people at the age 25-35 years old, non-CU members who live permanently in the city of Petrozavodsk, the Republic of Karelia, Russia.

The service process from the customer point of view

- *Visit the company's website or reading a newspaper advertisement.* The potential customer visits the CU webpages to learn about the CU services. Evidence of service: website design, the information gained.
- *Phone call to the office.* A person calls to the CU to find out what kind of lending services the company provides and what the terms are. Then the potential customer receives brief information about the terms and that before using the service, it is required to become a member of the CU. The potential customer may also call to the umbrella organization, the Association of Credit Unions of Karelia, there he/she gets the information about the CU and is redirected there.
- *Visit to the office.* The potential customer goes to the CU office. Here, the office exterior/interior attracts the person's attention. As the office is located in the city-centre, it is convenient to come there by different means of transportation. However, there are not enough parking spaces around. The office itself is very neat and spacious. Symbols with logos are seen on the calendars, pens and documents (attachment 1). Then the potential customer addresses a frontline employee with the request to become a CU member and to take a loan. The person is paying attention to the appearance of the employee, although there are no uniform, the employees wear a formal dress code, they look nice and professional. A person is offered to be seated. He/she receives information about the CU and all the terms of becoming a member.
- *Familiarizing with regulated documents.* The potential CU member is offered to familiarize with the CU's regulatory documents (Statutory, Provisions).

- *Filling in entry application.* The person is asked to fill an application form to become a CU member, asked to show their passport with the city registration.
- *Paying fees, receiving membership book.* After becoming a CU member, a person pays all the required fees - entry fee (non-repayable fee) and membership fee (repayable fee, after withdraw from the CU), also membership purpose fee is paid (e.g. 3% of the 1st loan). A CU member receives a membership book that confirms his/her affiliation.
- *Loan application, providing required documents.* The CU member fills in loan application and provides all necessary documents (income statement, payment guarantor documents if needed).
- *Receiving the loan.* The CU member receives the loan in cash or on a credit/debit card.
- *Monthly payments.* Once in a month the CU member comes to the office to pay the loan back in cash. The loan is available on a first-come, first-served basis. The first loan is RUR30,000 (EUR 732)². According to the Karelian Statistics as of October 2012 the average salary in the Republic is RUR 25,128.2 (EUR 613)

Contact employee actions, technology actions

- *Answering the phone.* The onstage contact employee answers the phone. During the conversation the employee underlines that it is required to become a CU member to utilize the services of the CU. The employee invites the potential member to come to the office to have a detailed talk about the financial needs of the person.
- *Welcoming the potential CU member.* The employee welcomes the potential CU member, invites him/her to be seated.
- *Explaining terms of entry.* The employee explains the terms of entry, rights and obligations of a CU member.
- *Filling in membership book.* While the potential customer fills in the entry application, the employee fills the membership book.
- *Receiving fees.* The employee receives entry fees from the customer.

² EUR 1 = EUR 40.7 as of 26 April, 2013 (Suomen pankki, 2013).

- *Receiving documents.* The employee discusses with the customer his/her financial needs, advises on loan types, tries to understand how the CU can help the customer, asks the customer about his/her financial situation, family members, work position, etc. All is done in a friendly comfortable manner. After selecting the loan type, the employee receives the loan application and other required documents from the potential customer.
- *Issuing the loan.* The employee issues the loan to the customer (the same day or in one/two days if the amount is large).

Contact activities linked to needed support function

These actions are performed by backstage employees and are not seen to the customers:

- *Approving new CU member.* The backstage employee receives the customer's entry application from the frontline employee. The application is being approved.
- *Insert CU member into database.* The backstage employee inserts the new CU member into a computer database.
- *Processing application.* The backstage employee handles the application in accordance with the rules and requirements of the CU.
- *Verifying income information.* The provided documents of the CU member are being verified, i.e. a standard certificate that confirms an official salary, registration information, credit history if possible.
- *Decision on loan issuing.* The Loan Committee makes decision on the loan issuing in accordance with the provided documents from the backstage employees.
- *Rejecting/ Approving the loan.* The loan is being approved or rejected.
- *Control on paying back.* The backstage employees controls the paying back process, in case if a CU member forgets to pay back, the employee phones him/her to remind about that.

The detailed scheme of blueprint analysis can be seen in the attachment 2.

5 Conducting a survey

The aim of the survey was to reveal why young people of Petrozavodsk do not use much the services of CU Althea and what prevent them from utilizing the services. The survey results should have answered two questions stated in Chapter 1 of the present thesis, i.e.:

- What prevent young population of Petrozavodsk from borrowing in the CU?
- Which characteristics of financial organizations are being prioritized by the youth?

5.1 Sampling

The current survey was conducted by using sampling techniques. Sampling is described as a process of selecting a necessary sample for the purpose of determining parameters or characteristics of the whole population (Adams, Khan, Raeside & White, 2007, 87).

Saunders et al. (2003, 151) determine population as a full set of cases from which a sample is taken. The population of the present survey is young people at the age of 25-35 year old who permanently live in Petrozavodsk.

There are two basic strategies for sampling: probability sampling and non-probability sampling (Buckingham & Saunders, 2004, 103).

Probability sampling assumes that every individual of the population has equal chances to be selected. The selection is based on randomness. Non-probability sampling is defined as a sample in which elements are chosen on the basis of personal judgment. (Adams et al. 2007, 88)

While conducting the survey a non-probability method was selected. According to Cohen, Manion and Morrison (2007, 113) non-probability method is targeting a particular group that represents itself. As the channel of survey delivery was social network Vkontakte, I focused on the group of people represented there. Moreover, the time of the survey process was limited and my goal was to obtain the answers as quickly as possible. I used the available resources when conducting a survey. Saunders et al. (2003, 172-177) classified non-probability methods into the following types:

- quota sampling
- purposive (judgment) sampling
- snowball sampling
- self-selection sampling
- convenience sampling.

For the current survey the purposive sampling method was selected. This method supposes that the sample is determined intentionally based on the fact that the selected cases will best enable to answer research problem and meet the objectives (Saunders et al. 2003, 175).

Additionally Saunders et al. (2003, 178) emphasize that sometimes it is meaningful to use a combination of various sampling techniques. In my case I also combined two non-probability methods: purposive and snowball sampling. Snowball sampling assumes that the first reached respondents forward the survey or contact of the researcher to other similar groups. In my survey I asked the respondents to forward the link to their friends who correspond to the target group.

As regard the sample size Saunders et al. (2003, 178) claim that for statistical analysis a minimum requirement of sample size is thirty. In the present research I aimed at the amount of 100, however due to snowball technique the amount of sample is difficult to determine. I have sent a link to the survey to 73 respondents.

5.2 Structure of the survey

The survey was designed in a form of a questionnaire using Webropol electronic tool. It started with a motivating and polite address to the respondents, including the instructions on the length and anonymousness of the survey.

The questionnaire was composed as a structured one including 17 closed questions. The questions (further on referred to as Q) were categorized according to Cohen et al. structure (2007, 322-329):

Dichotomous questions which require yes/no response

- Q1 Please specify your sex.
- Q2 Please specify your marital status.
- Q6 Do you use services of any financial organizations/institutions?
- Q11 Have you ever heard of CU Althea?

Such questions were easy to answer. Moreover, they provided clear and unequivocal responses. Q6 and Q11 redirected the respondents to the next question based on their answers. Redirection was made automatically with the help of “jump to question” function.

Multiple choice questions

Such questions were designed in a way that the range of choices is given. The choices were mutually exclusive:

- Q3 What is the number of children in your family?
- Q4 What type of income do you have?
- Q5 To which income group do you think you belong?
- Q7 The services of what financial organizations/institutions do you use?
- Q8 What financial services/products do you use?
- Q9 If you use loans please specify the average loan amount?
- Q10 If you use loans or/and savings please specify the purposes of borrowing/saving.
- Q12 How did you know about CU Althea?
- Q13 Please describe your current relationship with CU Althea.

The instructions were given to the respondents where they can select one variant, i.e. single answer mode (Q3, Q5, Q6, Q9, Q11, Q12, Q13), or more than one variants, i.e. multiple answer mode (Q4, Q7, Q8, Q10) (Cohen et al. 2007, 323).

Rating scales questions

Such questions reveal the degree of sensitivity of the respondents. I used a Likert scale that provides a range of responses to a given questions.

- Q14 What is the best way for you to get information about a financial organization?

- Q15 How important it is for you that you can get the access to financial services online?
- Q16 To what extend the following characteristics of a financial institution are significant for you?
- Q17 To what extend the following characteristics of CU Althea are significant for you?

The respondents were asked to range each item from 1 to 5 where 1=poor, 2=fair, 3=good, 4=very good, 5=excellent. Another variant of grading was ranging according to the given variants not at all important, little important, neutral, very important, extremely important.

5.3 Reliability and validity of the survey

To measure the reliability and validity of the survey it is recommended to pilot the survey (Saunders et al. 2003, 308).

Reliability estimates whether the measurement occurred under the same conditions shows the same results, in other words, whether the results are reliable (Adams et al. 2007, 235).

Originally the questionnaire was composed in English as the thesis's language is English. The English version was tested on a group of four people who speaks English (the same level, i.e. the same condition). It was done to refine the questionnaire so that the future respondents have no problems in answering and the research has no problem with analyzing the results (Saunders et al. 2003, 308). After piloting of the English version, some changes have been made. Careful instructions were given to each question: how many variants should be selected, whether it was possible to skip a question or not. In Q8 the ranking scale was modified so that it went from negative to positive as it was advised by Adams et al. (2007, 135) this is how people tend to think. In the original version the scale went vice versa. After the questionnaire was modified it was translated into Russian as most respondents do not speak English well enough and their native language is Russian.

Validity enables accurate data to be collected. In this regards, the pilot testing assisted to set the validity of the survey, i.e. whether the questionnaire appeared to make sense and whether the questions were understood by the respondents by the same ways as the researcher meant. (Saunders et al. 2003, 309.) Only after those procedures the survey was launched.

6 Results and findings of the survey

The survey was going on during 11-25 April 2013. The number of respondents that answered the questionnaire was 52 people.

The questions can be group according to the type of the information received:

- personal information: sex, marital status, child number (Q1, Q2, Q3)
- income: type of income, size of income (Q4, Q5)
- financial organizations and their characteristics: whether financial services are used, which organizations are preferred to utilize, which characteristics of financial organizations are prioritized (Q6, Q7, Q16)
- financial services and their characteristics: which financial services are used, the average amount of loan, the purpose of borrowing/saving (Q8, Q9, Q10)
- CU Althea: awareness of the CU, source of receiving the information about the CU, current relations with the CU, characteristics of the CU which are prioritized (Q11, Q12, Q13, Q17)
- access to the information: best way of information acquiring, importance of online access to the service (Q14, Q15).

Personal information

Out of 52 respondents 14 were male, 38 female. The majority of the respondents are married (34 people), 1/3 of the respondents are single (17 people), the rest are divorced (4 people). As for the number of children, 29 people have either one (18 people) or two children (11 people). 23 respondents answered that they had zero children. (Table 1.) Based on the information gained from the survey results and according to the model by Zeithalm et al. (2006, 267-276) the customer segment of CU Althea can be defined as a married person (female) with 1 or 2 children.

Table 1. Personal information of the respondents

Personal Information	Number of respondents
Male	14
Female	38
Single	17
Married	31
Divorced	4
No children	23
1 child	18
2 children	11
3 children	0
more than 3	0

Income

The question about the salary type revealed that 43 respondents have official salary, 10 respondents have unofficial salary. 3 respondents receive social benefits, 6 respondents answered that they have pension as their income. None of the respondents have any savings or shares. 5 respondents stated that they have another source of income, 4 of them specified which income they have: social benefits paid for child care under one and half year, parents' assistance, sole entrepreneur income, other occasional side jobs. The current question allowed selecting several variants per one respondent. As it seen in figure 3, the most common answer was "official salary".

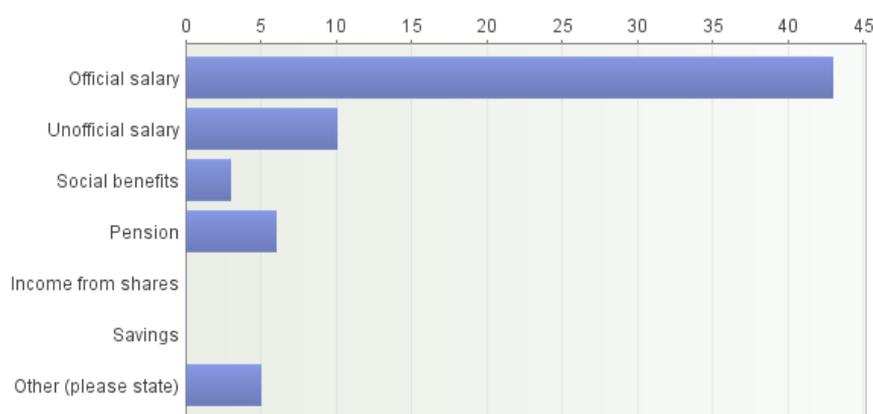


Figure 3. Type of income.

Due to the fact that the respondents were able to select several variants, some of them might select both variants such as "official" and "unofficial salary". In this case official part of the salary is usually lower than unofficial. In this regards it was worth analyzing who from the respondents has only official salary as it is one of the main requirements

to get a loan in CU Althea. In table 2 it is seen that both types of salaries have 6 respondents, which means that 37 respondents have only official salary ($43-6=37$).

Table 2. Salary distribution

Income	Official salary
Official salary	43
Unofficial salary/Official salary	6
Social benefits	1
Pension	4
Shares	0
Savings	0
Other	3

It is seen that the amount of salary per month was split as the following: more than 50% of the respondents receive middle-sized salary that rates from RUR14,000 up to RUR25,000 (27 people). The other half of the respondents receives either low-sized salary (12) or high-sized salary (13). (Figure 4.)

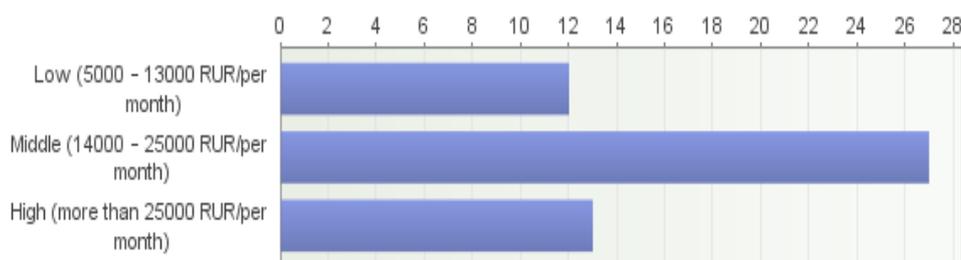


Figure 4. Size of income

As a result of mentioned above the customer segment is a married person (female) with 1 or 2 children that has an official middle-sized salary (Zeithalm et al. 2006, 267-276).

Financial organizations and their characteristics

As for financial organizations used, 43 respondents utilize the services of financial organizations and 9 do not. Out of those who utilize them, 43 respondents use the services of banks and 2 of credit unions. That means that 2 respondents use both services and 41 respondents use only banks.

While analyzing the responses to the question on characteristics of the financial organizations, I selected three most meaningful results for each group of characteristics. Reliability, reputation and low interest rates were the most popular answers in “extremely important group” (43, 38, 39 responses respectively). Speed of service delivery, possibility to apply for a service online, lack of bureaucracy and friendly personnel were marked as “very important” by 16, 16, 17, 15 respondents respectively. Neutral position took possibility to apply for a service online (13 respondents), lack of bureaucracy (16 respondents) and office location (17 respondents) as the most popular variants. Of little importance and no importance at all the following variants were mostly selected: low deposit rates, possibility to apply for a service online, office location. The full results can be seen in table 3.

As was mention in chapter 4, CU Althea is using favorable points of deference approach when determines its customer value proposition (Anderson et al. 2006, 2). Social orientation, transparency, reliability and individual approach were defined as the main points of deference. The survey results showed that among others reliability was chosen as the most important factor when choosing a financial organization. Hence, this point should be taken into consideration and paid attention at.

Table 3. Characteristics of financial organizations

	Not at all important	Little important	Neutral	Very important	Extremely important	Total
Transparency	1	0	7	12	32	52
Reliability	0	0	1	8	43	52
Reputation	0	1	1	12	38	52
Low interest rates	0	1	2	10	39	52
Low deposit rates	3	4	4	11	30	52
Speed of service delivery	0	1	6	16	29	52
Possibility to apply for a service online	0	5	13	16	18	52
Lack of bureaucracy	0	1	16	17	18	52
Friendly personnel	0	0	8	15	29	52
Office location	0	4	17	12	19	52
Total	4	17	75	129	295	

Financial services and their characteristics

To analyze this group of questions first of all it was necessary to determine which variable was chosen by most respondents to a particular attribute (Saunders et al. 2003, 87). Table 4 shows that:

- for Loans the most selected variable was 4 (occasionally), chosen by 14 respondents
- for Savings the most selected variable was 1 (never), chosen by 24 respondents
- for Transactions the most selected variable was 1 (never), chosen by 30 respondents
- for Insurance the most selected variable was 1 (never), chosen by 20 respondents
- for Utility charges the most selected variable was 6 (mostly), chosen by 23 respondents.

Table 4. Financial services

	1	2	3	4	5	6	Total
Loans	4	4	12	14	3	7	44
Savings	24	4	7	4	3	1	43
Transactions	30	2	2	3	3	3	43
Insurance	20	4	10	5	4	1	44
Utility charges	3	2	4	7	4	23	43
Total	81	16	35	33	17	35	217

It is clear seen that that the most utilized services are utility charges. However, as CU Althea is not providing this kind of services, I was interested in their main operations: loans and savings. According to Kotler and Keller (2012, 379) this type of service can be categorized as *Pure Service* - intangible and primary service of the CU.

As savings are used only by small amount of respondents, it was worth paying attention to the loan attribute. In this regard while answering Q9 and Q10 (38 people answered those questions), the respondents were more thinking about loans than savings. Figure 5 displays that the most demanding purposes for borrowing/saving were the following: car purchase (16 respondents), mortgage (11 respondents), improving the dwelling conditions (10 respondents), household appliances (9 respondents), travelling (6 respondents), medical purposes (2 respondents), education (1 respondent), clothes (2 respondents), wedding, anniversary (3 respondents), other (4 respondents).

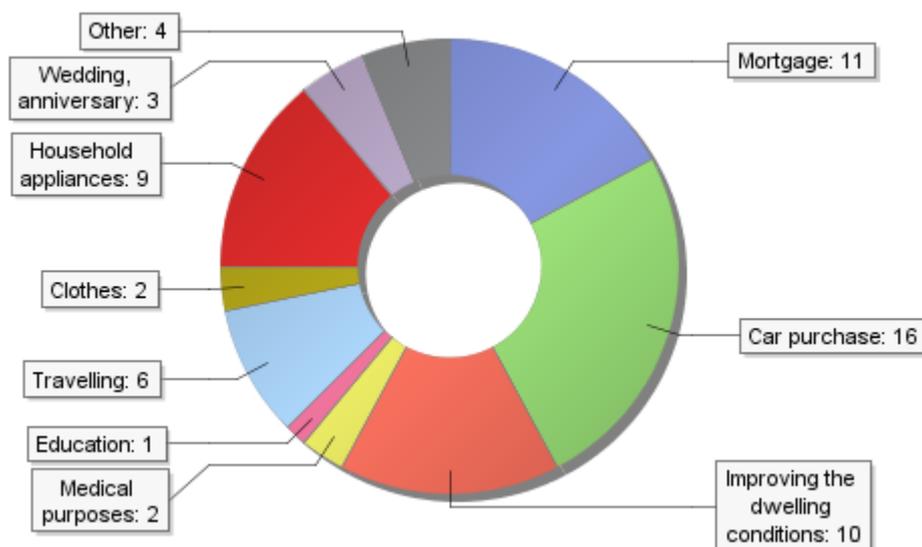


Figure 5. Borrowing/saving purposes

Among the mentioned variants to Q9, the following answers were provided: current purposes, summer cottage, food products purchased by a credit card, renovation. As for amount of loans/savings used the most respondents answered that the sum of more than RUR100,000 is applicable for them.

CU Althea

This category of questions was designed to find out the degree of awareness about CU Althea. Out of 52 of the respondents 13 people have heard about the CU and 39 have not. Out of 13 of those who knew the CU, 9 answered that they learned about it from their friends, 2 - from the newspaper advertisement and 2 - from the TV commercial. As for relationship with CU, none of the respondents is a CU member, 5 respondents would not use their services because they do not trust them and 5 respondents would not use their services because of much bureaucratic procedures there. One respondent have heard much about them and would like to use their services, 2 respondents would like to use their services, but do not know much about them. Q17 has caused confusion from the respondents' side. It was designed for CU members only and that was mentioned in the instruction. However, 9 respondents answered this question. The instructions were maybe not very clear. The results of Q17 are not counted as no one of the respondents is a member of CU Althea.

Access to the information

In Q15 respondents were supposed to rate ways of gaining information about financial organizations according to the given variables. The same analysis was used as in financial services and characteristics. Table 5 displays that:

- for Visit to the office the most selected variable was 5 (excellent), chosen by 17 respondents
- for Phone call to the office the most selected variable was 3 (good), chosen by 15 respondents
- for Website the most selected variable was 5 (excellent), chosen by 16 respondents
- for Social networks the most selected variable was 3 and 1 (good and poor), chosen by 15 respondents in each

- for Internet forums the most selected variable was 1 (poor), chosen by 18 respondents
- for Word of mouth the most selected variable was 1 (poor), chosen by 15 respondents.

Table 5. Ways of getting information about financial organizations

	1	2	3	4	5	Total
Visit to the office	9	5	9	12	17	52
Phone call to the office	12	13	15	7	5	52
Website of the organization	6	4	15	11	16	52
Social networks	15	8	15	8	6	52
Internet forums	18	9	13	9	4	53
Word of mouth	15	13	13	6	5	52
Total	75	52	80	53	53	313

As a result the most popular ways of gaining information about the organization were visit to the office and visiting the website of the organization. For the majority of the respondents (18 people) the possibility to access the financial services online was of “quite a lot” importance. Utilizing the website of the organization can be referred to physical evidence action based on the blueprint model offered by Zeithalm et al. (2006, 267-276). In this regard, the CU has to organize their work in a way that potential customers can gain information about the CU from their webpages.

7 Analyzing the results

The purpose of the study was to offer ways on how the service concept in the CU can be improved. To achieve these goals two studies were performed: blueprint analysis of CU service operations and quantitative survey among potential CU members.

7.1 Blueprint results

According to the model offered by Zeithalm et al. (2006, 267-276) the following fail points were determined in CU Althea:

- **Physical evidence.** The action that customers face with upon completion of each step of the blueprint. In this regard it is possible to determine such fail point as the lack of CU personal website. As of today the CU has only webpages within the joint website of its umbrella organization, the Association of credit unions of Karelia (the address is: www.creditunion.karelia.ru). All the affiliated members are listed there. Hence, it is rather difficult and inconvenient to find information about loans and savings there, the information itself is not full, the design of webpages is not user-friendly.
- **Customer action.** All the action that performed and seen from the customer point of view. To become a member, one should first pay several fees. However, it is required by the legislation. The amount of first loan is limited to RUR30,000, which is not enough for a potential customer. Large loan amounts are available after a year or two of being a CU member.
- **Support process.** The actions needed to support the process of service delivery. There is no possibility in the CU to fill in entry forms and loan applications online or even to print them from the website. That can postpone the service delivery. Besides, there are not enough parking spaces near the office. However, this is a great problem for the city in general.

7.2 Recommendations

Based on the results of the studies the following recommendations on service improvement can be given to the CU:

- **Informational aspect.** Although the CU has already been operating in the microfinance sector for 20 years, it is not well known among young citizens of Petrozavodsk. Only 25 % of the respondents have heard about the CU;

although 83 % are using financial services. Moreover, young people have learned about the CU mostly from their friends. Also there is not enough trust to the CU due to the lack of the information about it. Summarizing these points CU Althea is recommended to promote its operation more actively among young population of Petrozavodsk. Informational articles and advertisements on their financial services should be published in printed and electronic media stressing out the beneficial terms for young people. Social media formats can be used for this purpose. Those steps would serve as physical evidence of their operation on the preliminary stage of acquiring information about the CU. Contact employees in the CU office could also work under their presentational level to provide good first impression to their potential customers who is on their way to decide whether to use the services of the CU or not. (Zeithalm et al. 2006, 267-276.)

- **Technological aspect.** Based on respondents' opinion and blueprint results, the website of the organization plays a crucial role while receiving information about a financial organization. In this regard, according to Zeithalm et al. (2006, 267-276) as a physical evidence on the preliminary step when a customer searches information about the CU, it is highly recommended to update its webpages, i.e. design a separate website for promoting its services, where potential CU members will be able to find all necessary information on entry terms, loan and savings programs, advantages of using a CU member, current promotional events, social programs aimed at young citizens. Moreover, as a support process by Zeithalm et al. (2006, 267-276) in their operation, it is worth placing online entry forms and applications for loans and savings, so that potential CU members can go through them before contacting the CU.
- **Cooperation.** CU Althea is restricted in the services that it provides to its members due to legislative aspects. However, according to the respondents' high usage of utility charges service, it would be practical to start cooperation with banks to facilitate CU members with this kind of services. In this regard, CU Althea could apply the approach of resonating focus offered by Anderson et al. (2006, 2), i.e. not implement a new service but based on the existing ones,

underline one or two most important. As an example, reputation would be shown by the way that they are able to meet the needs of their customers by providing them an opportunity to pay their utility charges through the CU. Needless to say, that support processes are also needed for that (Zeithalm et al. 2006, 267-276).

- **Financial aspect.** Young citizens of Petrozavodsk are mostly interested in large amounts of loans as they borrow for the mortgage, car purchase and improving dwelling conditions purposes. The first loan ranges from RUR25,000 up to RUR30,000, which is consider being a very small amount. Besides, 52 % of the respondents have middle-sized salary that allows them to borrow more than RUR30,000. 78 % of the respondents have only official salary which they can prove by a certificate from their employer. In this regard the CU may increase the initial loan amount. As for the interest rates for loans, for new customer they are quite high in comparison with other microfinance organization. CU Althea has 24 % (Usloviya predostavleniya zaimov, 2013) interest rate for the first loan, other microfinance organization provide loans for 17-19 % (Domashnie dengi, 2013). To attract new CU members it is highly recommended to decrease loan interest rates for the first loan or at the initial stage, arrange a favorable terms for young citizens for the first loan, it can be a short-term promo event. Based on that the CU would involve both onstage and backstage contact employees, i.e. backstage employees would decide on the rates and strategy of promo events and the role of onstage employees would be to announce these to potential CU members(Zeithalm et al. 2006, 267-276).

- **Company characteristics.** Besides low interest rates, the respondents have also mentioned reliability and reputation as main company's characteristics that are looked at. As was mention above, there is a lack of information about the CU among the youth, so the reputation of the CU is not very obvious, moreover, due to bad experience with financial pyramids in the early 90's, people tend to distrust credit unions. In this case, the CU is recommended to work on its reputation by telling about its stability and reliability in media, by revealing why one can trust the CU. As was stated earlier CU Althea uses

favorable points of difference approach in their customer value proposition, i.e. they have selected several benefits that they are focus on. However, to deliver superior value to customer, it is recommended to switch on resonating focus approach, where the company will be able to concentrate on one or two most significant points of difference (e.g. reputation and reliability) and work under their improvement. (Anderson et al. 2006, 2.)

Table 6 shows briefly all the aspects needed for the improvement, approaches that are required for that and ways how it could be implemented.

Table 6. CU service improvement

Aspects for improvement	Approaches required	Ways of improvement
Informational aspect	Blueprint: physical evidence, onstage contact employee actions	Articles and advertisements, first impression in the office
Technological aspect	Blueprint: physical evidence, support processes	Website reconstruction, developing online forms
Cooperation	Value proposition: resonating focus Blueprint: support processes	Cooperation with banks
Financial aspect	Blueprint: onstage/backstage contact employee actions	Decrease of interest rates, promo loans for the youth
Company characteristics	Value proposition: resonating focus	Media channels involment

7.3 Self-assessment

The current thesis was performed during December 2012 - May 2013. It was easy to compile the theoretical material as previously I was familiar with credit cooperation movement. As for the empirical part, it took more time than I expected. The survey questions were prepared in advance but it took some time to launch the survey and translate it into Russian. While doing a survey I learned how to use Webropol software, it assisted me a lot in my study. However, I had to cover all the manuals by myself as it was a new thing for me. I also utilized a Microsoft Visio tool to compose the blueprint scheme; it appeared to be much more user-friendly than the same functions in Microsoft Word.

I understood that there was not enough time to cover statistical literature to make the analysis of the survey more precise; beside I realized that there had been not enough courses in my curriculum that would have helped me in analyzing my survey results. Finally, I hope that the current research will contribute the operation of the CU Althea and they will be able to re-design their services in a way that can attract the youth of Petrozavodsk.

References

Adams, J., Khan H.T.A., Raeside R. & White D. 2007. Research methods for graduate business and social science. Response Books. New Dehli.

Amosova, S. 13 Mar 2013a. Chief of the Board. Credit Consumer Cooperative “Credit Union “Althea”. Interview. Petrozavodsk.

Amosova, S. 14 Mar 2013b. Chief of the Board. Credit Consumer Cooperative “Credit Union “Althea”. Interview. Petrozavodsk.

Anderson, J.C., Narus J.A. & van Rossum, W. 2006. Customer value proposition in business markets. pp. 1-9. URL:
<http://www.supersmous.co.za/DownloadFiles/QuadS-HBR-value-propositions.pdf>.
Accessed: 3 Mar 2013.

Association of credit unions of Karelia [Ассоциация кредитных союзов Карелии] 2013. URL: <http://creditunion.karelia.ru/members/altea.html>. Accessed: 21 Feb 2013.

Bossoutrot, S.K. 2005. Microfinance in Russia. Broadening access to finance for micro and small entrepreneurs. World bank working paper No. 67. The world bank. Washington, D.C. URL: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/04/26/000090341_20070426141350/Rendered/PDF/396490PAPER0RU101OFFICIAL0USE0ONLY1.pdf. Accessed: 1 Apr 2013.

Buckingham, A. & Saunders, P. 2004. The survey methods workbook. From design to analysis. Polity Press Ltd. Cambridge.

Cohen, L., Manion L. & Morrison K. 2007. Research methods in Education. 6th ed. Ruotledge. Oxon.

ConsultantPlus 2013. URL:

<http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=132963>.

Accessed: 8 Apr 2013.

Domashnie dengi 2013 URL:

<https://secure.domadengi.ru/partners/1850/long/?PRODUCT=S&SUMM=25000&PTID=&WEEK=26>. Accessed: 17 Apr 2013.

Ghauri, P. & Grønhaug, K. 2005. Research Methods in Business Studies: a practical guide. 3rd ed. Harlow. Pearson Education.

Kiviryanyan, M. 2013. Vsjo, chto nuzhno znat. Kruglyj stol. Argumenty i Fakty. The original is: Все, что нужно знать. Круглый стол. Аргументы и факты, 10, pp. 6-7.

Kotler P. & Armstrong G. 2008. Principles of marketing, Pearson International Edition 12e.

Kotler P. & Keller K.V. 2012. Marketing Management, 14th ed. Pearson Educational Ltd. Harlow.

Kozina, N. 7 Feb 2013c. Merchandiser. Megatek LLC. Interview. Petrozavodsk.

Lovelock, C., Wirtz, J. & Chew, P. 2009. Essentials of services marketing. Prentice Hall. Singapore.

Mikrofinansirovanie v zakone. God spustya 2012. The original is

Микрофинансирование в законе. Год спустя URL:

<http://bankir.ru/publikacii/s/mikrofinansirovanie-v-zakone-god-spustya-10001060/>.

Accessed: 4 Apr 2013.

Sadikov, O.N. 2006. Grazhdanskoe pravo. Uchebnik. Tom I. Kontrakt: Infra-M. The original is Гражданское право: Учебник. Том I (под ред. доктора юридических наук, профессора О.Н. Садикова). - "Контракт": "ИНФРА-М", 2006 г. URL:

<http://www.for-expert.ru/gpravo1/29.shtml>. Accessed: 3 Feb 2013.

Saunders, M., Lewis, P. & Thornhill A. 2003. Research methods for business students. 3rd ed. Pearson Education Ltd. Harlow.

Stickdorn, M. & Schneider, J. 2010. This is service design thinking. Bis Publishers. Amsterdam .

Suomen Pankki 2013. URL:

http://www.suomenpankki.fi/en/tilastot/valuuttakurssit/valuuttakurssit_%28ekp%29/pages/eurofxref-graph-rub.aspx. Accessed: 26 Apr 2013.

Territorialny organ federalnoy sluzhby gosudarstvennoy statistiki po respublike Karelia 2013. The original is Территориальный орган Федеральной службы

государственной статистики по республике

Карелия http://krl.gks.ru/wps/wcm/connect/rosstat_ts/krl/ru/news/rss/690c74804e30fb88b8bbfe3bf8d20d64. Accessed: 9 Mar 2013.

The Irish League of Credit Unions 2013. URL:

http://www.ilcufoundation.ie/?page_id=184. The original is Accessed: 4 Apr 2013.

The Irish League of Credit Unions. URL: <http://creditunion.ie/whoweare/whatis/>. Accessed: 17 Mar 2013.

Ustav kreditnogo potrebitelskogo kooperativa "Kreditniy soyuz "Alteya" 2010. The original is Устав кредитного потребительского кооператива "КРЕДИТНЫЙ СОЮЗ "Алтея", pp. 14-24.

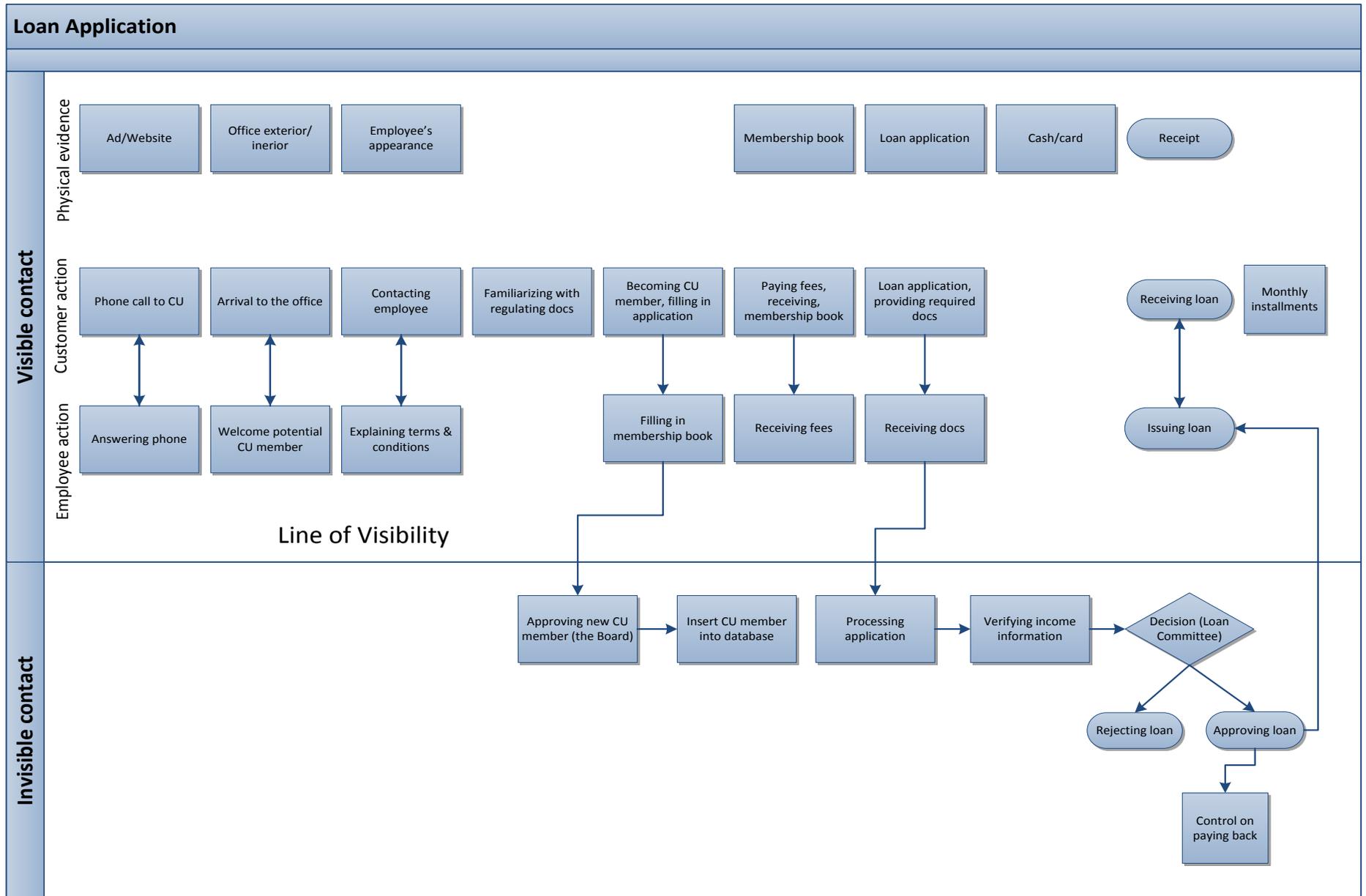
Zeithalm, V.A., Bitner, M.J. & Gremler, D.D., 2006. Service marketing. Integrating Customer Focus Across the Firm, 4th ed. McGraw-Hill Education. Singapore.

Attachments

Attachment 1. Logo of CU Althea



Attachment 2. Blueprint analysis of loan application





Improving the Service Concept of Financial Organizations in Petrozavodsk

*Dear respondents,
please answer the following questions as well as they fit your situation.
The survey is anonymous and will take approximately 5 minutes. Good luck!*

1. Please specify your sex. *

Male Female

2. Please specify your marital status. *

Single
 Married
 Divorced

3. What is the number of children in your family? *

4. What type of income do you have? *

Please choose maximum 3 variants.

Official salary
 Unofficial salary
 Social benefits
 Pension
 Income from shares
 Savings
 Other (please state)

5. To which income group do you think you belong? *

Low (5 000 - 13 000 RUR/per month)

- Middle (14 000 - 25 000 RUR/per month)
- High (more than 25 000 RUR/per month)

6. Do you use services of any financial organizations/institutions? *

- Yes No

7. The services of what financial organizations/institutions do you use? *

You may choose several variants.

- Banks
- Credit unions
- Mutual aid funds
- Other (please state)

8. What financial services/products do you use? *

Please rank from 1 to 6, where 1=mostly, 2=quite often, 3=occasionally, 4=seldom, 5=hardly ever, 6=never

	1	2	3	4	5	6
Loans	<input type="checkbox"/>					
Savings	<input type="checkbox"/>					
Transactions	<input type="checkbox"/>					
Insurance	<input type="checkbox"/>					
Utility charges	<input type="checkbox"/>					

9. If you use loans please specify the average loan amount?

Otherwise skip this question.

- 10-30 thousand RUR
- 30-50 thousand RUR
- 50-80 thousand RUR
- 80-100 thousand RUR
- more than 100 thousand RUR

10. If you use loans or/and savings please specify the purposes of borrowing/saving.

Otherwise skip this question.

- Mortgage
- Car purchase
- Improving the dwelling conditions
- Medical purposes

- Education
- Travelling
- Clothes purchase
- Household appliances purchase
- Wedding, anniversary
- Other, (please state)

11. Have you ever heard of CU Althea? *

- Yes
- No

12. How did you know about CU Althea? *

- Their website
- Newspaper ad
- TV commercial
- Friends
- Other (please state)

13. Please describe your current relationship with CU Althea. *

Please select one variant.

- I am already using their services
- I have heard much about them and would like to use their services
- I would like to use their services but know very little about them
- I would not use their services because I do not trust them
- I would not use their services because of much bureaucratic procedures their

14. What is the best way for you to get information about a financial organization? *

Please grade each item from 1 to 5 where 1=poor, 2=fair, 3=good, 4=very good, 5=excellent.

	1	2	3	4	5
Visit to a physical office	<input type="checkbox"/>				
Phone call to the office	<input type="checkbox"/>				
Website	<input type="checkbox"/>				
Social media channels	<input type="checkbox"/>				
Internet forums	<input type="checkbox"/>				

Word of mouth

15. How important it is for you that you can get the access to financial services online?
*

- Not at all
- Very little
- A little
- Quite a lot
- A very great deal

16. To what extend the following characteristics of a financial institution are significant for you? *

	Not at all important	Little important	Neutral	Very important	Extremely important
Transparency	<input type="checkbox"/>				
Reliability	<input type="checkbox"/>				
Reputation	<input type="checkbox"/>				
Low interest rates	<input type="checkbox"/>				
High deposit rates	<input type="checkbox"/>				
Speed of service delivery	<input type="checkbox"/>				
Possibility to apply for a service online	<input type="checkbox"/>				
Lack of bureaucracy	<input type="checkbox"/>				
Friendly personnel	<input type="checkbox"/>				
Location of the office	<input type="checkbox"/>				

17. To what extend the following characteristics of CU Althea are significant for you?

Please skip this question if you are not a member of CU Althea.

	Not at all important	Little important	Neutral	Very important	Extremely important
Transparency	<input type="checkbox"/>				
Reliability	<input type="checkbox"/>				
Reputation	<input type="checkbox"/>				
Low interest rates	<input type="checkbox"/>				
High deposit rates	<input type="checkbox"/>				
Speed of service delivery	<input type="checkbox"/>				
Possibility to apply for a service	<input type="checkbox"/>				

online	<input type="checkbox"/>				
Lack of bureaucracy	<input type="checkbox"/>				
Friendly personnel	<input type="checkbox"/>				
Location of the office	<input type="checkbox"/>				

Attachment 4. Questionnaire in Russian



Финансовые организации и услуги Петрозаводска

Уважаемые респонденты! Приглашаем Вас принять участие в исследовании. Ответьте пожалуйста на следующие вопросы как можно точнее. Исследование является анонимным и займет примерно 5 минут. Удачи!

1. Укажите пожалуйста Ваш пол. *

- Мужской Женский

2. Ваше семейное положение. *

- Не состою в браке
 Состою в браке
 Разведен/а

3. Количество детей в Вашей семье: *

4. Ваш доход: *

Вы можете выбрать несколько вариантов.

- Официальная зарплата
 Неофициальная зарплата
 Социальные выплаты
 Пенсия
 Доход от акций
 Вклады/сбережения
 Другие (укажите)

5. К какой группе по уровню дохода Вы себя относите? *

- Низкий (5 000 - 13 000 руб./мес.)
 Средний (14 000 - 25 000 руб./мес.)

Высокий (более 25 000 руб./мес.)

6. Пользуетесь ли Вы услугами финансовых организаций (банки, кредитные кооперативы и др.) *

- Да
 Нет

7. Услугами каких финансовых организаций Вы пользуетесь? *

Вы можете указать несколько вариантов.

- Банки
 Кредитные кооперативы
 Общества финансовой взаимопомощи
 Другие (укажите)

8. Какими финансовыми продуктами/услугами Вы пользуетесь? *

Оцените каждый вариант по шкале от 1 до 6, где 1=никогда, 2=почти никогда, 3=редко, 4=время от времени, 5=достаточно часто, 6=чаще всего.

	1	2	3	4	5	6
Кредиты	<input type="checkbox"/>					
Вклады	<input type="checkbox"/>					
Транзакции	<input type="checkbox"/>					
Страхование	<input type="checkbox"/>					
Оплата коммунальных услуг	<input type="checkbox"/>					

9. Если Вы ответили "кредиты" на предыдущий вопрос, укажите среднюю сумму кредита актуальную для Вас.

Если Вы выбрали другой вариант, не отвечайте на этот вопрос.

- 10-30 тыс. руб.
 30-50 тыс. руб.
 50-80 тыс. руб.
 80-100 тыс. руб.
 Более 100 тыс. руб.

10. Если Вы ответили кредиты или/и вклады на предыдущие вопросы, укажите на какие цели Вы берете кредит/вкладываете средства.

Если Вы выбрали другой вариант, не отвечайте на этот вопрос.

- Ипотека

- Покупка автомобиля
- Улучшение жилищных условий
- Медицинские цели
- Образование
- Путешествия
- Покупка одежды
- Покупка бытовой техники
- Свадьба, юбилей
- Другое (укажите)

11. Слышали ли Вы когда-нибудь о кредитном потребительском кооперативе "Алтея"? *

- Да
- Нет

12. Каким образом Вы узнали о кредитном потребительском кооперативе "Алтея"? *

- Сайт организации
- Объявление в газете
- Реклама на телевидении
- Друзья
- Другое (укажите)

13. Какие отношения у Вас с кредитным потребительским кооперативом "Алтея" на сегодняшний день? *

- Я уже пользуюсь их услугами
- Я много слышал/а о кредитном кооперативе и хотел/а бы воспользоваться их услугами
- Я хотел/а бы воспользоваться их услугами, но очень мало знаю об их деятельности
- Я бы не стал/а пользоваться услугами кредитного кооператива, так как я не доверяю этой организации
- Я бы не стал/а пользоваться услугами кредитного кооператива из-за большого количества формальностей там

14. Какой способ является для Вас наилучшим при получении информации о финансовой организации? *

Оцените каждый вариант по шкале от 1 до 5, где 1=плохо, 2=удовлетворительно, 3=хорошо, 4=очень хорошо, 5=отлично.

	1	2	3	4	5
Визит в офис	<input type="checkbox"/>				

Звонок в офис	<input type="checkbox"/>				
Вебсайт организации	<input type="checkbox"/>				
Социальные сети	<input type="checkbox"/>				
Интернет форумы	<input type="checkbox"/>				
"Сарафанное радио"	<input type="checkbox"/>				

15. Важна ли для Вас возможность доступа к финансовым услугам через интернет? *

- Совсем нет
- Почти нет
- Немного
- Достаточно
- Очень сильно

16. Насколько важны для Вас следующие характеристики финансовых организаций? *

	Совсем не важно	Почти не важно	Нейтрально	Важно	Очень важно
Прозрачность	<input type="checkbox"/>				
Надежность	<input type="checkbox"/>				
Репутация	<input type="checkbox"/>				
Низкие процентные ставки по кредитам	<input type="checkbox"/>				
Высокие процентные ставки по вкладам	<input type="checkbox"/>				
Скорость получения услуги	<input type="checkbox"/>				
Заполнение заявлений/форм онлайн	<input type="checkbox"/>				
Отсутствие формальных процедур	<input type="checkbox"/>				
Дружелюбный персонал	<input type="checkbox"/>				
Расположение офиса	<input type="checkbox"/>				

17. Насколько важны для Вас следующие характеристики кредитного потребительского кооператива "Алтея"?

Если Вы не являетесь членом кредитного потребительского кооператива "Алтея", не отвечайте на этот вопрос, просто нажмите "отправить"

	Совсем не важно	Почти не важно	Нейтрально	Важно	Очень важно
Прозрачность	<input type="checkbox"/>				
Надежность	<input type="checkbox"/>				
Репутация	<input type="checkbox"/>				

Низкие процентные ставки по кредитам	<input type="checkbox"/>				
Высокие процентные ставки по вкладам	<input type="checkbox"/>				
Скорость получения услуги	<input type="checkbox"/>				
Заполнение заявлений/форм онлайн	<input type="checkbox"/>				
Отсутствие формальных процедур	<input type="checkbox"/>				
Дружелюбный персонал	<input type="checkbox"/>				
Расположение офиса	<input type="checkbox"/>				