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Research and adaptation of retail banking services in Russia

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Abstract
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The purpose of this research was to define the level of trust of Sberbank's customers and find out possible ways to increase the level of trust in the bank and develop existing products of Sberbank. Firstly, the phenomenon of retail banking industry's organization is explained with fundamental retail banking theories and statistics from Russian official sources of information. Secondly, the customer relationship marketing and trust in financial organizations are explained with marketing theories. Afterwards, the analysis of the customer survey is explained, including SWOT analysis of Sberbank, program for developing the bank's products and increase the level of customers' trust.

The information was gathered from articles, scientific magazines, online blogs, reports and books. The empirical research included an online self-administrated questionnaire for Sberbank's customers of the North-West region. 57 respondents participated in the survey.

The author identified some of the most significant promotional tools and provided practical advices. As a result, proposals for inventing and promoting banking products and services were suggested. This thesis can be used by any Russian bank as a pattern for formulating an own promotion plan for increasing the level of trust in the bank.

Keywords: customer relationship marketing, retail banking, trust in financial organizations

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1 Introduction

Customer relationships play a significant role in business nowadays. It is impossible to succeed in a market without identifying customer groups, collect data from customers, and satisfy their needs and expectations from products or services. As to the banking sphere, it is highly relevant to build trustful relationships with customers and provide them with beneficial terms of service bank products. Furthermore, banks have to hold up with competitors' innovations and develop its products to flourish.

1.1 Background of the study

The subject of this thesis is "Research and adaptation of retail banking services in Russia". The idea for this work came to the author during a part-time work placement in a bank.

The Russian retail banking services market enables enterprises to enlarge its services, according to the customers' preferences. It is relevant to highlight that needs and desires distinguish in different regions of the Russian Federation. Moreover, development of market relationships and a banking system as a whole contributed to essential changes of the Russian banking system: from a typical institution during the Soviet Union period to a successful market-oriented enterprise. Besides the services' development, it is necessary to adapt these products in a right way.

In the process of studying this topic, the author found out that the Russian banks' lag is a result of big reformations in 90's, when most of the banks were ruled by smartly clad crooks (for example, a Sergei Mavrodi's MMM pyramid scheme). If we look at the data from the last 30 years, it is difficult to say that Russia has a strong stable economy. This problem causes the low level of trust between the banks and its customers. Besides, it is impossible to imagine life without using bank cards and bank services nowadays. According to the data, there was a decline in the Russian economy in 2015. A big part of a society considers that the crisis has affected them personally. The current crisis shows the decrease in a society's purchasing power during the last 12 months. The Russian banking industry had to refocus from majoring on growth to developing their portfolios and

decreasing the banks' risk exposure. As the state financed bank, Sberbank has not faced with the increased prices for financing, but it has to adapt its strategy to the current market situation.

Being the permanent customer of Sberbank, the author defined that this company offers a wide range of retail banking services, but it is complicated to find reliable information and terms of use. Furthermore, while being an employee of Sberbank, the author found out that people are afraid of using the retail banking services, because they do not trust the bank and prefer to use time-consuming operations while they can operate with their finances in a modern way. The facts mentioned above show that the Russian banks might sufficiently increase its profitability by building high levels of trust between the bank and the customers.

1.2 Objectives and delimitations

The object of the research is the retail banking market in Russia. The subject of the study is the retail banking services as a revenue generation tool in case of Russian bank Sberbank. The research aims to extent knowledge concerning customer relationship management in the retail banking sphere in the Russian Federation. The purpose of the thesis is to study the fundamental statements about retail banking and the retail banking services market in Russia. Furthermore, the research aims to identify the customers' trust the Russian bank and identify the ways to adapt the bank's products and build confidential relationships with the customers. The research is conducted for Sberbank, it is focused on this bank, its mission, values and marketing activities. Determined suggestions for Sberbank can be applied to the any bank, which is planning to emerge the retail banking market in the North-West region.

The research includes the information about the biggest Russian bank Sberbank. The main source of information is the corporate social responsibility report of the bank. Acquirement of the empirical data comprises the questionnaire for customer survey of Sberbank's customers in the North-West region. The aim of the survey is to find out how actively the customers use Sberbank's services, how they trust the bank, and their suggestions concerning Sberbank's products and services. The questions of the questionnaire are compiled relying on the theory

of marketing in the banking sphere. The analysis of the theoretical framework and the customer survey create the development program for Sberbank. Furthermore, the study includes possible marketing ways to improve trustful relationships between the bank and the customers to help to adapt the retail banking services for Sberbank.

The thesis does not include the information about the other Russian banks and their services' analysis; the centric object of the study is Sberbank. Moreover, the opinions of customers from the other Russian regions are also excluded from this research, because services and technologies of Sberbank vary in different regions of the Russian Federation. The thesis does not include a history of Russian economy and banking industry, but the current situation and structure of the retail banking market is explained.

1.3 Research questions

In order to manage the work plan, the author prepared the following research questions, which are meant to be revealed during the study:

1 What are the potential methods for adaptation of the retail banking services in the North-West region of Russia?

2 What are the existing and potential methods for developing trustful customer relationships?

1.4 Research methods

The research aims to find answers and solutions for the research questions and problems. The study is made through the scientific method. The scientific method implies a systematic approach, seeking to facts. In contrast, the other possible method is arbitrary, which is inaccurate, as it is based on the author's imagination and strives to answer the questions based on blind beliefs. The research is divided into three parts: theoretical, qualitative and empirical. (Krishnaswami & Satyaprasad 2010.) Therefore, the scientific method is the most appropriate for the research.

The research comprises both quantitative and qualitative approaches. The quantitative approach is based on analyzes of numerical and statistic data. The qualitative approach major on analyzes of subjective, such as behavior, attitude and other non qualitative terms. The first theoretical part consists of a literature review about the Russian bank industry and statistical data about Russian banks. This chapter includes quantitative and qualitative information. The second theoretical part of the thesis includes the basic theory about customer relationship marketing, marketing in the banking sphere and trust in the retail banking market. Mostly, this chapter comprises qualitative data. Furthermore, there is a theoretical part related to Sberbank and its products, services, and corporate social responsibility. The theory of the thesis includes the data from academic books and articles about the banking industry in Russia.

The other qualitative part is based on a customer survey, which determines the customers' preferences in the use of the bank services. The target audience is people who use Sberbank retail banking services and live in the North-West region. The author's friends, their families, random people who use the social networks VK and Facebook are the respondents of this research. People aged 16-80 were asked. The chosen aging is explained by several factors. A person can order a bank card from 16 years old, people older than 80 years are not motivated to participate in any customer surveys in the Internet. Moreover, it would be quite complicated to find any respondents of that age. The chosen region of the Russian Federation is explained by the fact that this region is dependent on the one of the biggest Russian city Saint-Petersburg and is the home region of the author of the thesis.

For this customer survey a self-administrated method is used, the respondents complete the questionnaires by themselves via the Internet. There are several methods for implementing researches, such as postal surveys, telephone surveys, personal interviews, self-administrated surveys, and panels. Due to the fact that it is quite easy to find respondents through the Internet, postal and telephone surveys were not considered suitable methods for the research. Self-administrated surveys are not obligatory for respondents and mostly used in the Internet surveys nowadays. Panels are groups of respondents that continually

take part in interviewing in order to create series of reports. Panels are not suitable for the research, as it is held once. (Proctor 2005). Therefore, the self-administrated method is chosen for the customer survey in the thesis.

The results of the customer survey are the base for the part of the SWOT analysis of Sberbank, it helps to determine opportunities and threats of Sberbank.

The third part covers existing and possible solutions for this problem. Theory review and customer survey is analyzed in order to define potential ways to develop the customers' trust to Sberbank. In addition, the information from the articles is examined to mention the potential programs for developing Sberbank's services for retail customers.

1.5 Theoretical framework

Theoretical framework in the study goes from a basic definition and analysis of the retail banking services market in Russia. The base for the theoretical part of the thesis is secondary sources of data, such as books and articles about Russian banks' and retail banking industry's organization, legislations regarding the retail banking industry, and translated reports of Russian economists. Primary sources of data are also used in the research, the reports of Sberbank are included in order to analyze its customer relationship marketing strategies.

Retail banking business is an independent industry of the banking sector, which is connected with offering standardized banking services to the consumer. In contrast to the corporate market, where high demands and profits from each customer enable to build personal relationships, on the market where Sberbank operates it is almost impossible to offer personal customer relationships. That is why, it is relevant to provide standardization of products, adaptation of its promotion technology and decrease bank costs. Development of the modern retail banking business includes both horizontal and vertical universalization. Horizontal universalization means offering traditional deposit-credit and settlement-payment services to the retail customers. Vertical universalization means offering unconventional services, such as insurance, pension savings, retail investment banking and so on.

The study focuses on marketing tools and strategies in customer relationship management. A theoretical research includes a literature review to determine the main issues of the regional retail banking services in Russia and its regions, which factors affect the market.

A significant part of the study relates to customer relationship management. Customer relationship management plays a significant role in the banking industry as it helps to improve trust and boost profits. It enables managers inside the company to have an access to information related to customer preferences, transaction history. Banks are lacking customer relationship management solutions nowadays, even besides the fact that there is a big number of technologies for developing this issue. At this moment, there are several ways to improve the company's customer relationship management. For example, customer profiles (helps in customer segmentation), customer contacts (collection of customer data), tailored products (customization of bank products), interactions (cooperation with the customers, collection of feedbacks, defining customer needs), and sales force management (integrated information flow about campaigns, leads, sales force management, and task management between the bank, its employees and bank partners).

Moreover, the thesis includes the collected data from the Sberbank's reports about the company's corporate social responsibility. There is a lot of information on the official website of the company. Sberbank is the most popular bank in Russia, due to the statistics approximately 70% of Russian citizens are Sberbank's customers. Furthermore, the company has subsidiary banks in 22 countries: Belarus, Switzerland, Turkey, Ukraine, Austria, Germany and so on. There are 11 million customers outside Russia. This thesis is focused on one department of Sberbank – North-West region of Russia. According to the Corporate Social Responsibility report for 2015, the company operates, relying on its customer-centric service model. Its approach includes several principles that are based on the standard ISO 26000. For example, accountability, transparency, ethical conduct, respect for stakeholder's interests, rule of law and international standards of behavior, and observance of human rights.

Furthermore, a part of the thesis includes a research of the Sberbank customers' opinion on its services. The target audience of the survey is the users of Sberbank services. According to the fact that Sberbank is the most popular bank in Russia, the respondents are found by the Internet via social networks, such as VK and Facebook. The aim of the research is to define the respondents' frequency of using Sberbank products and services, their trust to the bank's operations and satisfaction of service and customer support.

The analysis of the theory, Sberbank's reports, results of the customer survey are the base for the SWOT analysis of the company's customer relationship management. Moreover, the thesis includes proposals for strengthening and developing the retail banking services and customer relationship marketing in Sberbank.

2 Retail Banking

2.1 Theoretical aspects of the retail banking industry's organization

For any kind of customer relationships within a banking sphere there is a necessity to understand the specific structure of the retail business. Retail banking business is a functionally separate system of relationships between a bank and private customers regarding sale of banking products based on the use of standardized processes of bound together innovation for keeping money operations and instrumentality deliberate mechanical assembly of lining hypothesis. Increased competition on the retail banking market transforms activities of credit institutions' activities. These changes may concern both quantitative and qualitative characters: can be expressed both in developing of branch networks in order to control the whole market, and in developing of products with taking into account quality indicators and customer segmentation in order to satisfy needs of each group or segment. (Beloglazova & Krolivetskaya 2010.)

Retail banking business is an independent branch of banking activities, connected with offering standardized services to mass consumers. In contrast to corporate markets, where high demands for banking products and high profits

from each customer enable to manage personal relationships, implement a concept "client's manager", in the market markets it is almost impossible to provide products' standardization. Therefore, it is significant to organize the standardization of products, simplify promotion technologies and decrease bank's expenses. Moreover, there should be a wide range of products in order to satisfy each customer segment's demands. (Beloglazova et al. 2010.)

The majority of the Russian banks were created from a corporate fragment. It is managing an account framework to develop from little banks to very substantial budgetary establishments in a moderately brief timeframe. The retail banking industry needs to work as a free focal point of era of benefit and be regulated independently from the corporate business. Russian financial experts N. Kalistratov, V. Kusnetsov and A. Puhov cling to a similar perspective. Amid a short history of the cutting edge managing an account industry, the Russian banks relentlessly created from emphatically corporate monetary associations to all inclusive money related associations, where the retail keeping money business assumes a huge part. Retail operations' improvement of all banks began from restrictively retail operations, taking care of compensation undertakings of corporate customers. Characterizing new market fragments motivates a major number of banks to work with corporate and private clients. Because of the way that techniques for working with corporate and private clients contrast, come challenges concerning deciding a position of the retail business in a present structure of a bank happen. (Kalistratov & Kusnetso & Puhov 2006.)

The retail banking business should be considered as one of the most relevant directions for modern universalization of the largest Russian banks. The advancement of the retail banking business has two possibilities: horizontal universalization and vertical universalization. Horizontal universalization is the process of putting forth customary store credit and settlement-installment administrations to retail clients. Vertical universalization in the retail banking industry is the process of offering untraditional administrations, for example, insurance, pension funds, retail venture saving money et cetera. (Kalistratov et al. 2006.)

The retail banking market has functional-product characteristics. Generally, it can be divided into two functional blocks. The first block includes traditional products for retail clientele: deposits, consumer lending, mortgage lending, settlement-payment and cash operations, currency exchange operations. (Kalistratov et al. 2006.)

The second block consists of new unorthodox for the retail clientele kinds of services, which include the investment service group, i.e. satisfying the society's needs for investment:

- sale of governmental debt obligations, corporate shares and bonds, units of investment funds, pension savings management services;
- trust services in the form of participation in general funds of banking management;
- "bank insurance" services: sale by the bank of insurance policies of compulsory and voluntary insurance of property, life and health;
- financial information and consulting services;
- leasing, factoring (mainly for small and medium businesses);
- additional services: rent of safe cells. (Kalistratov et al. 2006.)

The government actively supports the development of the retail banking business by creating the necessary legal framework and infrastructure for operations with individuals.

Article 5 of the Federal Law "On Banks and Banking Activities" provides a list of banking transactions and other transactions carried out by credit institutions. The basic transactions are presented below.

1 Attraction of funds of individuals and legal entities into deposits (on demand/for a certain period).

2 Placement of the funds raised in the clause 1 on its behalf and at its own expense.

3 Opening and maintaining bank accounts of individuals and legal entities.

4 Implementing of settlements on behalf of individuals and legal entities on their accounts, including correspondent banks.

5 Collection of funds, bills of exchange, payment and settlement documents and cash services for individuals and legal entities.

6 Purchase and sale of foreign currency in cash and non-cash forms.

7 Attraction for deposits and for placement of precious metals.

8 Issuance of bank guarantees.

9 Implementation of money transfers on behalf of individuals without creating bank accounts (except for postal transactions) (Federal Law of the Russian Federation of 02.12.1990 №395-1. 2011.)

In the Law regulating banking activities in the Russian Federation, the concept of "retail banking services", the mechanism for its implementation is not given. Nevertheless, the range of services provided by credit organizations may be broaden due to the paragraph 4 explained above, in relation to which "credit organizations are able to implement other transactions in accordance with the legislation of the Russian Federation". Further development and clarification of banking transactions is given in the paragraph 1 of the Civil Code of Russian Federation. In this document, the list of bank services is treated as "paid services", the types of which are listed on the Chapter 39 of the Civil Code of Russian Federation. According to the Chapter 39 of the document, banks can provide "various services" under contracts to generate incomes. Retail banking services can also be attributed among them, due to the fact that a contract for provision of paid services is recognized as not contradicting the Constitution of the Russian Federation (Article 779, Clause 1 of the Constitution of the Russian Federation).

Forming a full-fledged and effective system of insurance of individuals' deposits in banks made a positive effect for the development of the retail banking business in Russia.

While studying the world experience in the development of the retail banking services, domestic and foreign scientists pay attention to the definition of basic terms and concepts used in international and Russian practices.

There are two similar terms in the banking terminology: a banking transaction and a bank product (service). Usoskin considers the commercial banks as financial intermediaries that provide a mechanism of intersectoral and interregional redistribution of money-capital in the society (Usoskin 2007). He determines the following bank transactions: receiving deposits, issuing loans and making cash payments and settlements. Lavrushin considers bank transactions as a manifestation of banking functions in practice, and banking services as one or several bank operations that meet specific customers' needs and ensure the conduct of banking operations on behalf of the client in a favor of the latter for a fee (Lavrushin 2006). In general, specialists' opinions concerning the difference between the definitions of the banking transaction and the bank product is reduced to the consideration of the bank services as a variety of the banking transactions.

Foreign scientists consider the banking operations as a kind of the bank products. American economist P. Rose considers that bank is a company, which provides financial services, carried out by professional credit institutions. The main difference between the banking transactions and the banking products is that the banking transactions include money transferring, whereas the banking products do not include this kind of operations. (Lavrushin 2006.)

To summarize, the retail banking market is a field of market relationships, which operates in order to satisfy mass consumers' demands in banking products. The field has its own institutional structure and infrastructure.

The institutional structure is presented by the banks, its branches, and non-banking credit and financial institutions. The infrastructure is presented by a set of organizational technological elements that serve the retail banking market (small offices, currency exchange points, ATMs, et cetera).

The main participants of the retail banking market are banks, non-banking credit and financing organizations and individuals.

The banking product (service) is the bank's activity, implemented on a customer's behalf, aiming to satisfy his/her banking needs, whereas the retail banking product (service) is a service oriented to mass consumers. The bank product (service) is the basic element of relationships between the participants of the retail banking market.

The retail banking market consists of operations of lending to individuals, deposit operations, foreign exchange operations, payment transactions et cetera. The most popular operations in the Russian Federation are crediting of the population, deposit operations and payments by using plastic cards.

There is an opinion that the retail banking services operate in the legal field, its list can be expanded with the development of scientific technological progress and with the increase in customer demands. In contrast, there is another opinion that the retail banking market is still remaining one of the most undeveloped segment of customer services in Russian conditions. (Sarkisyants 2010.)

The potential of the retail banking is huge. However, it requires a lot of time for its realization. The level of financial intermediation in Russia is much lower than in Central Europe, and is quite small in comparison with the levels of intermediation of developed Western European countries. (Sarkisyants 2010.)

Nevertheless, in the Russian Federation, the state acts as a guarantor of the equal conditions for all participants in the retail services market. Nowadays, there is an appropriate legal field has been created for the development of the retail banking services, which excludes the monopoly right of any particular bank. Commercial banks offer its customers various kinds of the retail banking services that can be classified by different characteristics. (Federal Law of the Russian Federation of 02.12.1990 №395-1. 2011.)

1 Settlement and cash services: acceptance and delivery of cash; holding of utility payments; currency exchange operations; provisions of bank cards for using; non-cash transactions.

2 Deposit services that can be classified depending on the offered conditions: terms of the deposit placement; the value of the deposit amount; the amount of accrued interest of the deposit.

3 Credit services that can be classified depending on the purpose and direction: a mortgage loan; a consumer credit; a car loan; a credit card; an educational credit.

4 Services on the securities market that can be classified according to the purpose and direction: brokerage services (broker's provisions of intermediary services for committing commercial, credit, insurance transactions between interested parties); trust services (services of trust management of property in the interest and on behalf of clients on the rights of the trustee); depository services (services for accounting and storage of any types of clients' securities. (Federal Law of the Russian Federation of 02.12.1990 №395-1. 2011.)

In this way, the modern phase of the retail banking business's development is characterized by a huge enlargement of the banking products' volumes, which are defined as the operations of individuals. The banks have to create unique credit products, maintain an effective evaluation of the borrower's creditworthiness, and improve the quality of customer services in order to achieve the stable position on the market. It can be implemented through the bank's adequate information system.

2.2 Trends of the retail banking market's development for the customers

Nowadays, there is a solid inclination to changing the improvement's methodology of the managing an account segment: a progress from universal banks that work on various money related markets and giving an extensive variety of administrations to particular banks that work in geographic districts and that have a restricted scope of items and administrations. (Beloglazova & Krolivetskaya 2010).

Russian specialists Beloglazova and Krolivetskaya determine three ways of the retail business's organization:

1 Making a self-autonomous bank, which concentrates just on the advancement of the retail business.

2 Hierarchical detachment of the retail business in the structure of a widespread bank as a different autonomous bearing of managing an account exercises.

3 Full institutional detachments of the retail business and foundation of a backup bank inside the banking group (holding). (Beloglazova & Krolivetskaya 2010).

The development of the retail banking market depends on geographic, ethnic, economic, and political factors considerably more than the alternate sections of banking services. These elements altogether vary in the Russian Federation's regions. This difference requires in more accurate reviewing of aspects and tendencies of the markets' development in the regions and considering its specific components, when creating measures of the state control of the retail banking services. Therefore, banks should realize the importance of being aware of the development's trends on the market, including possibly effective regions for spreading retail services to the clients, according to their needs and desires. (Beloglazova & Krolivetskaya 2010.)

Branches in the regions depend more on the economic situation. Besides, the regions are more influenced by declines in production, unemployment, and the decrease in the standards of living. However, the participation of other regional and capital banks in the process of solving the regional banks' problems brings particular specifics. (Beloglazova & Krolivetskaya 2010.)

The effectiveness of social production determines such relevant parameters of the banking system as its resource base, managerial and human resources, the state of infrastructure, managerial and human resources, the condition of infrastructure, the banks' ability to develop new technologies, improve quality, and reduce costs concerned providing banking services.

It is relevant to highlight the importance of the quality of the economic growth. The economic development of the country is characterized with both positive and negative trends. Along with the absolute increase in the vast majority of the fundamental quantitative pointers, there is a relative decay in some of the key

subjective markers. The following essential macroeconomic variables are the expansion and conversion scale elements of Russian ruble, as the improvement of the retail managing an account administrations advertise relies upon the level of strength in the nation, including the arrangement of budgetary and fiscal approaches. The level of steadiness impacts on medium and long haul investment funds of the populace, which are the significant hotspots for growing the dynamic retail business' operations and for the managing an account framework overall. Plus, if the general impact of the strength factors shapes the inclination for investment funds, at that point the present level and the desires of the expansion rates decide the volume and the structure of new reserve funds. (Bank of Russia).

Furthermore, factors determined by the state of the banking system affect the development of the retail banking services business. The positive dynamics of the banking system's financial potential is one of the most relevant conditions both for increasing the volume, broadening the range of the retail services provided by the banks and for improving their quality. These factors determined the structural changed in the banking sphere. The main indicators' dynamics of the banks' activities during is presented in Table 1. From 2011, during the last 6 years, as a result of the competition, the number of credit institutions licensed for banking operations decreased by around 38% or 389 credit institutions have withdrawn the licenses for the right to attract deposits. During the same dates, the number of branches had decreased. (Bank of Russia.)

	2011	2012	2013	2014	2015	2016	2017
Total number of credit institutions with banking license	1012	978	956	923	1049	733	623
Of which:							

Credit institutions with license (permit) granting them the right:							
To take deposits of individuals	819	797	784	756	690	609	515
To conduct operations in foreign currency	677	661	648	623	554	482	404
Credit Institutions with general license	283	273	270	270	256	232	205
To conduct operations with precious metals	208	207	211	209	203	183	157
Total number of credit institutions with foreign stakes in authorized capital	220	230	244	251	225	199	174
Total number of branches of operating credit institutions in Russia	2926	2807	2349	2005	1708	1398	1098
Of which:							
Sberbank branches	574	524	239	95	95	95	94
Registered authorized capital of operating credit institutions (million rubles)	1186.2	1214.3	1341.4	1463.9	1840.3	2329.4	2383.2

Table 1: Structure and separate indicators of the activity of credit organizations of the Russian Federation for 2011-2017 (for the beginning of the year) (Bank of Russia).

Increase in competition of the retail banking market help in the development of this segment. At the same time, the existence of the insufficiently high level of competition is caused by the monopolistic position of particular banks. Even

more, some market participants have a number of preferences. It leads to a complicated process of increasing the range of retail services and its quality.

Furthermore, the retail banking markets is lacking in the banks' activity, such as marketing researches of the retail services market, implementation of modern sales strategies and banking technologies. In addition, the market needs enough development of the quality of the existing products.

The need in creating strategies and structures that are focused on customers emerges when banks change its focus of direction from concentrating on challenges in organization of internal banking operations to concentrating to challenges in maintenance of selling banking products to exact types of customers. Innovative processes that are implemented by Russian banks include:

- the use of centralized technology of the bank's information processes;
- defining target services market through customer segmentation;
- progressive strategy for development of the branches' network, connected with the development strategy of the retail business;
- collecting various customer information with the use of customer relationship management technology;
- implementation of pricing strategies for products and services of the bank;
- defining new products and services, using an innovative strategy.

3 Customer relationship marketing

This chapter defines basic theoretical aspects that are relevant in marketing in the retail banking business. The research focuses on trust as a part of customer relationship management in the banking sphere.

Customer relationship marketing in financial organizations has several differences from marketing in other segments. In order to find out particular features of customer relationship marketing and trust in the retail banking market there is a necessity to determine the definition of relationship marketing in

general. This chapter introduces basic theoretical aspects concerning relationship marketing and trust in the retail banking business.

Relationship marketing is the process of organizing, carrying out and improving of strong long-term relationships with customers through reciprocal exchange and trust (Hollensen 2015). The core target of relationship marketing is to understand customers from the perspective of their entity, desires and activities. Relationship marketing strives to satisfy customers and build long-term profitable relationships with customers. (Hurley & Estelami & Eriksson 2014.)

Driving motivations for customer relationships include three different directions: customer acquisition, customer retention, and upselling. Major categories of customer relationships that may exist in relationships with each of the customer segments. For example, personal assistance, when a customer can interact with a consultant or a customer manager and get help. Dedicated personal assistance plays a significant role in customer relationships, especially in financial organizations, where managers work with high net worth customers. (Osterwalder & Pigneur 2010.)

In order to define companies' customer relationships strategies and principles, it is essential to look at its corporate social responsibility reports. Nowadays, companies pay attention to corporate social responsibility as a part of their customer relationship management. During the last decades, corporate social responsibility has become the relevant tool, which helps to meet stakeholders' expectations and improve social responsibility images. (Boje 2015.)

3.1 Trust

Trust is one of the major critical success factors of customer relationship management. Trust and commitment is considered as one of the most important relationship drivers in relationship marketing. Trust is a confidence in exchange partner's dependability and integrity. Trust emerges from such activities as behavior and choice (e.g. taking risks). It is also defined as an acceptance of another's vulnerability with the positive expectations. Scientists determine this relationship driver as a significant issue of interpersonal relationships, one of the

basic components for stability in social institutions and markets. High levels of trust in cooperation can help in the following issues:

- eliminate conflicts;
- reduce transactional costs (e.g. by lowering the need in periodical checks);
- implement adaptive forms of organizations (e.g. network relationships);
- contributes to effective organization of ad hoc work groups;
- facilitate an effective risk management. (Egan 2011, pp.119-124.)

To summarize, the level of trust can be measured with the extent to which a word of another can be relied upon. Customers often place a high value on trust concerning relationships with financial services organizations.

Furthermore, due to the growing popularity of Internet sales, the lack of trust becomes the centric question to organizations that operate in this way. As to trusting situations, there are four major characteristics that should be taken into consideration, illustrated in Figure 1 below. The first one if probity. It means to be honest and have a good reputation with history concerning this characteristic. The second issue is reliability. It includes the proficiency of the organization to handle its processes predictably and reliably. Consumers require getting products or services that they expect to receive from the organization. In this issue, a brand usually plays a significant role. The third characteristics is equity. It includes such factors as the company's aspiration to care of its customers, support them. Briefly, equity as a part of trust is mutual expectation concerning cooperation. The last, but not the list characteristic is satisfaction. Satisfaction is based on a customer's experience. Therefore, the trust depends on how the organization's customers are satisfied with its services, what experiences do they face with. (Egan 2011.)
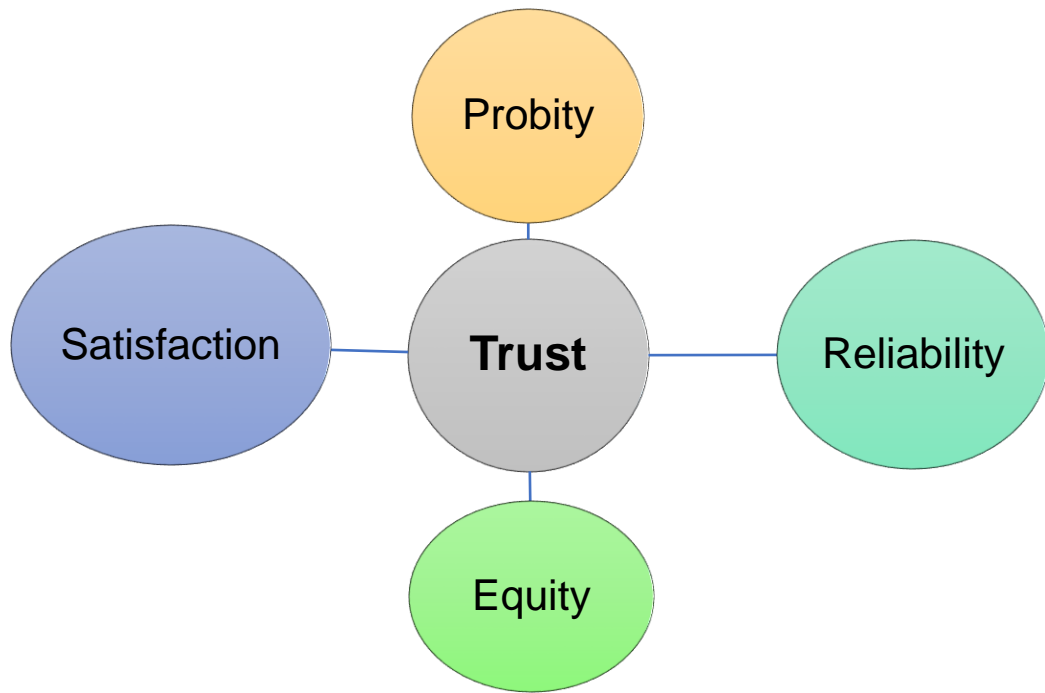
Figure 1: Trusting situations (Egan 2011).

3.2 Retail banking marketing

Marketing in the retail banking market has its unique difficulties and issues that differ it from marketing in other sphere. Marketing is customer-oriented. There are three segments that determine a bank's marketing orientation: security-oriented, interaction-oriented, and task-oriented. Banks have to define which of these segments predominates in a country or region it operates. Traditionally, the biggest number of customers are security-oriented, thus banks have to be conservative in its customer relationship management. In addition, there is a plenty of task-oriented customers, which pay attention to the bank's professionalism. It also includes the stability of the bank's operations from a technical point of view. The banks should indicate the customers' existing and potential needs in the banking services. The third dimension is interaction-oriented customers that appreciate how the bank manages its portfolios, the range of services it provides, and other factors that may affect relationships and interactions between the bank and its customers. (Kaynak 1986.)

Furthermore, it is relevant to offer exactly what the customers want and buy, instead of offering products or services that the bank considers as desired or that the competitors provided. There are two integrated issues of a customer-oriented

mission of commercial banks. The first one is the extent to which the bank is able to provide its diverse market segments with the desired banking services. The second issue is the extent to which the bank has enough required resources and competences to satisfy the demand. (Kaynak 1986.)

By carrying out a big number of customer researches, banks defined its competitiveness on the market. It resulted in an increasing tendency to focus on customer satisfaction. The major attributes for measuring customer satisfaction are efficiency, courtesy, convenience of location, range of services, reputation and availability of innovations. It is assumed that with this knowledge, a manager can direct employees to efficient servicing customers.

3.3 Trust in financial organizations

The retail banking sector is one of the least trustful institutions. Marketing specialists can help to identify precursors of these falls. Building trust in the financial sector is useful for marketers, as they can enlarge relationship marketing to investigate relations from a multi-level perspective. It is relevant to follow theoretically and practically proven directions in order to avoid non-productive trial-and-error interventions and temporary reforms. Furthermore, it is significant to focus on satisfying needs both of customers and of other legitimate stakeholders (communities, regulators, and investors). Financial services are mostly intangible, a big number of operations work with customers' finances. Therefore, trust plays a crucial role in this field. (Hurley & Estelami & Eriksson 2014.)

The global financial crisis of 2008 caused a decline in trust in financial organizations. Grayson et al. defined that trust has to be considered from two levels: narrow-scope trust (product, salesperson, firm level) and broad scope trust (social and industry system context). Moreover, trust influences on consumer behavior and mediated by firm level trust. In order to understand trust-related customer behavior, the organizations should measure industry and firm level trust factors. Furthermore, there is a need in the establishment of high levels of broad scope and narrow-scope trust. (Hurley et. al 2014.)

Hurley et al. present five trends of theory that are significant in developing a reliable base to understand trust in banks: stakeholder theory, relationship marketing, service quality, market orientation, and resource-based theory of competitive advantage. The five theoretical framework are presented in Figure 2 below.
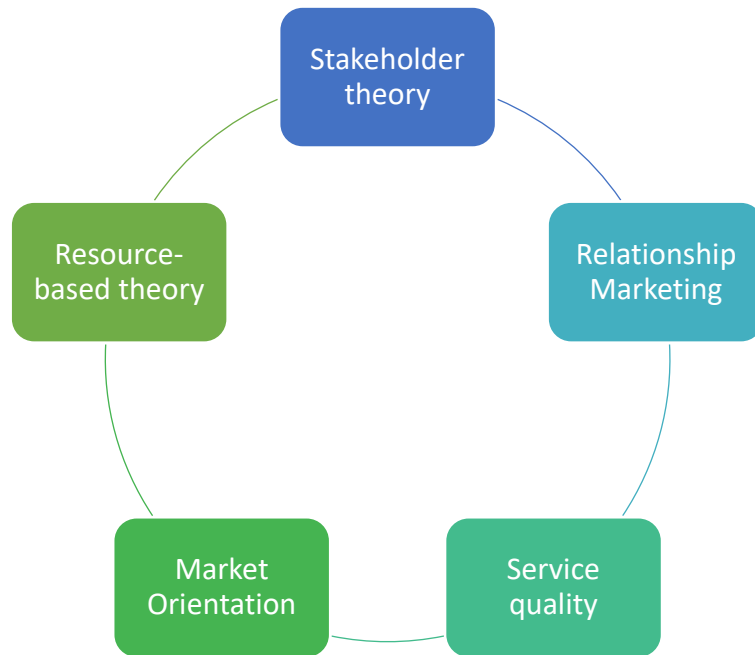

Figure 2: 5 significant theoretical framework in developing a reliable base to understand trust in banks (Hurley et al. 2014).

The stakeholder theory focuses on relationships between a company and constituent groups (stakeholders) that influence and are influenced by its decisions. Under this theory, stakeholders have value and firm should take into account their interests. Stakeholders of an organization are typically customers, investors, employees, local and national communities, and interest groups (for example, environmental groups).
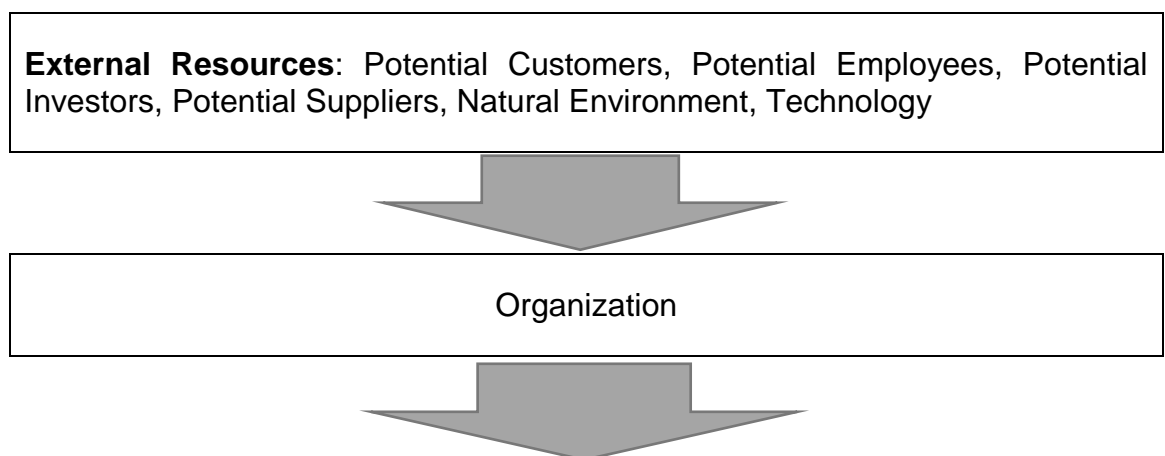
Furthermore, the other theory, which describes trust in banks is relationship marketing. The level of trust influence on exchange of relations. It is significant to catch a fine line when focusing on trust on customers, suppliers, partners, and other stakeholders equally. As to service quality in relation to trust in financial organizations, it describes confidence. Service quality theory basically explains it as a congruence between delivery and expectations, reliability, and process quality provided with some relevant contributions to the competence and

predictability aspects of trustworthiness. During last decades, service quality was not a central concept in banks' strategies for building trust with customers. (Hurley et al. 2014.)

The next significant theoretical framework for trust in banks is market orientation. This theory relates to how organizations understand, adapt, and manage value for customers. Banks have to create high-level customer value, taking into consideration other stakeholders'' interests. The last but not the least theory is the resource-based theory of competitive advantage. The theory considers that trust is a resource that may directly (for example, reputation capital), or indirectly (for example, integrating various capabilities) contribute to competitive advantage. (Hurley et al. 2014). Furthermore, if trust exist between employees and departments, it contributes to better cooperation to innovate and serve customers. These five theoretical frameworks that are explained above help to maintain reputation advantage of the firm.

3.3.1 A stakeholder trust model of organizations

Building trust in the organization does not have any common guidance, but some general methods can be implied. A stakeholder trust model of organizations, which is presented in Table 2 below, helps companies to avoid failures in building trust with stakeholders. Due to the model, an organization has to control management infrastructure, operation processes, must be in communication with stakeholders and governmental institutions.

External Resources: Potential Customers, Potential Employees, Potential Investors, Potential Suppliers, Natural Environment, Technology

Organization

	Strategy (clear mission with values that include trust principles) Structure (properly managed formal organization and governance)	Leadership & Management (leaders that share company's values) Deep, Pervasive, and Congruent Embedding of Trustworthiness	Culture (established norms and beliefs of the company among all employees and stakeholders) Systems (planning, reporting, budgeting, compliance, communication, evaluation, succession, and reward systems)
Management Infrastructure			
Operational Processes	Product & Service Development (processes should be in line with company's values and stakeholders' needs)	Product & Service Procurement & Production (safe and predictable implementation)	Product & Service Delivery (processes should be in line with company's values and stakeholders' expectations)

Trustworthiness

Trust Reputation among stakeholders: Customers, Employees, Investors, Suppliers & Partners, Regulators, Industry Bodies & Media, Community & Future Generations

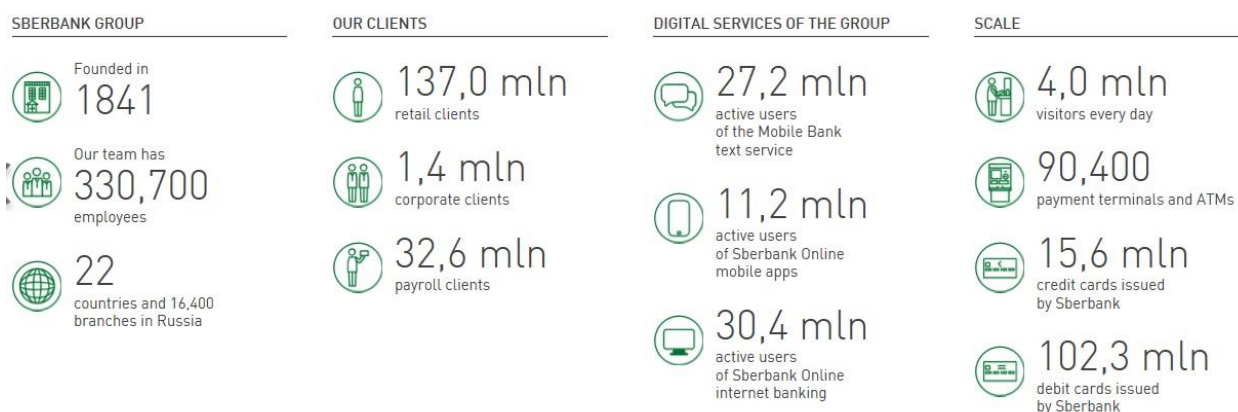External Governance (provide and control legislation)

Sharing of Reputation Perceptions among Personal and Impersonal Networks

4 The analysis of the retail banking services market in case commercial bank Sberbank

4.1 About Sberbank

This chapter continues information from the primary sources of information about Sberbank. The aim of the review of the data is to define major principles of Sberbank's corporate social responsibility.

Sberbank was founded in 1841. Sberbank is a state-owned banking and financial services company. It is the oldest and the largest bank in Russia. Sberbank is on the 33rd place in the world among banks. Nowadays, the Central Bank of the Russian Federations owns 50%+1 of Sberbank's voting shares. More than 70% population of Russia are customers of Sberbank. Sberbank owns 14 territorial banks and 16 342 branches in all 83 regions of the Russian Federation. In 2015, the bank had 330 700 employees. Furthermore, the company has subsidiary banks in 22 countries: Belarus, Switzerland, Turkey, Ukraine, Austria, Germany and so on. There are 11 million customers outside Russia. This thesis is focused on the North Western Bank of Sberbank. (Sberbank.com).

SBERBANK GROUP	OUR CLIENTS	DIGITAL SERVICES OF THE GROUP	SCALE
Founded in **1841**	**137,0 mln** retail clients	**27,2 mln** active users of the Mobile Bank text service	**4,0 mln** visitors every day
Our team has **330,700** employees	**1,4 mln** corporate clients	**11,2 mln** active users of Sberbank Online mobile apps	**90,400** payment terminals and ATMs
22 countries and 16,400 branches in Russia	**32,6 mln** payroll clients	**30,4 mln** active users of Sberbank Online internet banking	**15,6 mln** credit cards issued by Sberbank
			102,3 mln debit cards issued by Sberbank

Picture 1: Sberbank's performance indicators (Sberbank.com.)

Sberbank's mission is to instill confidence, deliver dependability and improve people's lives by fulfilling their aspirations and dreams. The mission creates a direction for Sberbank's activities and underlines its role in the Russian economy. Values of Sberbank are focused in life and work. These principles are followed

always and everywhere. There are three core issues on which Sberbank relies while making decisions:

- I am a leader. People in Sberbank are responsible for their actions for what is happening around them. People do their best. People constantly improve themselves, the bank and their environment.
- We are a team. People in Sberbank help each other, strive to gain a common goal. Colleagues trust and respect each other, and help them to grow and develop.
- All for the customer. Activities of Sberbank are based on customers' interests. The aim of Sberbank is to surprise customers and provide them with high quality services and attitude. Sberbank aims to surpass customer expectations. (Sberbank.com.)

4.2 Types of the retail banking services of Sberbank

Retail customers of Sberbank are provided with the widest range of the bank's products and services: from traditional deposits and a big variety of loans to bank cards, money transfers, bank insurance, and brokerage services. Sberbank is the largest issuer of bank cards in the Russian Federation. (Sberbank.com.)

Retail business and wealth management of Sberbank has four major directions:

- Private customer lending (home loans, consumer lending, credit cards, car loans). Retail loans report on more than 23% of the bank's loan portfolio. Mortgages remains a priority product of Sberbank. Sberbank implements its program for borrowers, who have mortgage loans in foreign currency - the bank provides them with individual conversion rates and interest rate in rubles after changing the terms of foreign currency loan. As to consumer lending, the bank strives to conduct loan portfolio quality and work with only high-quality borrowers.
- Retail deposit operations (deposits, pensions). Sberbank takes care of quality of its services in the Social segment by increasing the level of protection for pensioner interests. Furthermore, Sberbank cooperates with the Pension Funds of the Russian Federation (PFR) and provide customers with a free certificate that presents information about the types

and amounts of pensions and other social benefits paid by the PFR to a customer's account at Sberbank. In 2015, 59% share of pensioners received their pension through Sberbank.

- Non-interest income sources (bank cards, acquiring, debit cards, payments and transfers). Sberbank offers a wide range of debit and credit cards. These cards vary from each other by payment systems (Visa, MasterCard, Maestro, et cetera.), levels (momentum, youth, standard, gold, infinite, et cetera.), bonus programs (Spasibo, Aeroflot, et cetera.). Salaries in Russia are paid to the employees via an automated procedure with eliminated operational errors. In 2015, Sberbank launched the Moneybox (Kopilka) services in Sberbank Online – automatic transfer of customers' finances from their debit card to their deposit account on the customers' conditions.
- Insurance and wealth management (insurance, pension savings, investment products). Sberbank Asset Management is classified the best in Russia by the ranking of Extel Pan-Europe Survey. (Sberbank.com. 2015.)

Sberbank pays attention do the development of its remote service channels for creating a single environment for customer transactions. The bank's self-service terminals enable customers to monitor their transactions, print out invoices, make and repeat payment and other transactions. Sberbank's mobile applications are constantly updated and have installed antivirus that protect customers' devices. (Sberbank.com.)

4.3 Corporate Social Responsibility of Sberbank

Corporate Social Responsibility Management of Sberbank operates under the general management system of the bank's activities. The main tools of the bank's CSR planning and implementation is its business plan and project management system. Sberbank follows its customer-centric service model. This approach is based on ISO 26000 international standard. The standard includes the following principles:

- Principle of Accountability (the bank is responsible for regular reporting of its CSR-related activities).

- Principle of Transparency (the bank strives to provide its customers with clear and transparent information about its activities that affect society, the economy and environment).

- Principle of Ethical Conduct (the bank ensures ethical conduct of its employees that goes in line with the bank's Mission, rules and values).

- Principle of Respect for Stakeholders' Interests (the bank keeps continuous dialogue with its stakeholders, collects shareholders' expectations through surveys, meetings, interviews, focus groups, and analysis of the stakeholders' applications).

- Principle of Respect for Human Rights (the bank respects human rights in any country of its presence).

In order to build an excellent customer experience, Sberbank monitors and analyses customer feedbacks regularly, with using the key metrics, such as the Net Promoter Score (NPS) and Customer Satisfaction Index (CSI). These feedbacks indicate the degree to which the bank's services meet customers' expectations. (Mikhov nid.).

According to the Annual Report 2015, the customer-centric service model of Sberbank included several competitive advantages, such as accessibility of Sberbank's services via remote channels, immediate resolution of the client's problem in the branches, absolute financial security that is invisible to the customer, personalized offers (special loans, credit cards, deposit products), qualified customer service. CSI score was 9 points out of 10. (Sberbank.com.)

Sberbank focuses on active sales of commission-fee and fund-raising products. The bank implement aggressive campaign of credit products and mass promotion of active sales. Sberbank's marketing strategies include geomarketing, which is based on the approaches of geographic study of different objects and phenomena that define the target customers and the desired territorial area, determine the best location for a new product, improve a concept for an existing or planned object. (Sberbank.com.)

4.4 Sberbank's development strategy

Sberbank operates with all customer segments, from retail customers to major holdings and transnational companies. Sberbank's competitive advantage is based on trust, because the bank is a strong brand. According to Sberbank Development Strategy for 2014-2018, the company has to develop its database for collecting and storing customer base, install modern tools for customer data analysis, and improve skills. Moreover, Sberbank highlights its weakness in the lack of standardization, which leads to repeated failure in customer serving. Due to the development of modern technologies, preferences of customers changes. People expect unlimited remote access to bank services and high quality personalized services. (Sberbank.com.)

As to the development strategy concerning customer relationship management, Sberbank aims to become an integral part of its customers' lives. The company does not offer clients services and products that are unnecessary for them. Furthermore, Sberbank strives to be a trusted advisor for its customers. (Sberbank.com.)

In order to achieve these goals, Sberbank follows seven directions: the best client experience (a system for evaluating the quality, reliability and efficiency of the company's client-service processes), multichannel sales and service (developing digital products and technologies), development of the product range (cover all customers' finance-related needs), individual customer approach, data and analytics (storage and analysis of customers' "big data"), building a cross-selling platform, and shaping ecosystems around customer needs. (Sberbank.com.)

5 Empirical Findings

Customer survey as a part of the study process was organized as an online self-administrated questionnaire. Respondents of the questionnaire were the customers of Sberbank in the North-West region of Russia. The main aim of the questionnaire was to find out the customers' level of trust in Sberbank and determine weaknesses in the banks' services. The questionnaire includes 7

questions. The survey was voluntary and was spread in the social network Vkontakte, 57 respondents took part in the survey.

5.1 Analysis of the customer survey results

The questions of the customer survey were created, based on the theory and information from Sberbank's reports. The first general question of the questionnaire relates to genders of the respondents. Out of 57 respondents, 35 of them were female, 21 respondents were male. This information is presented in Figure 3 below.
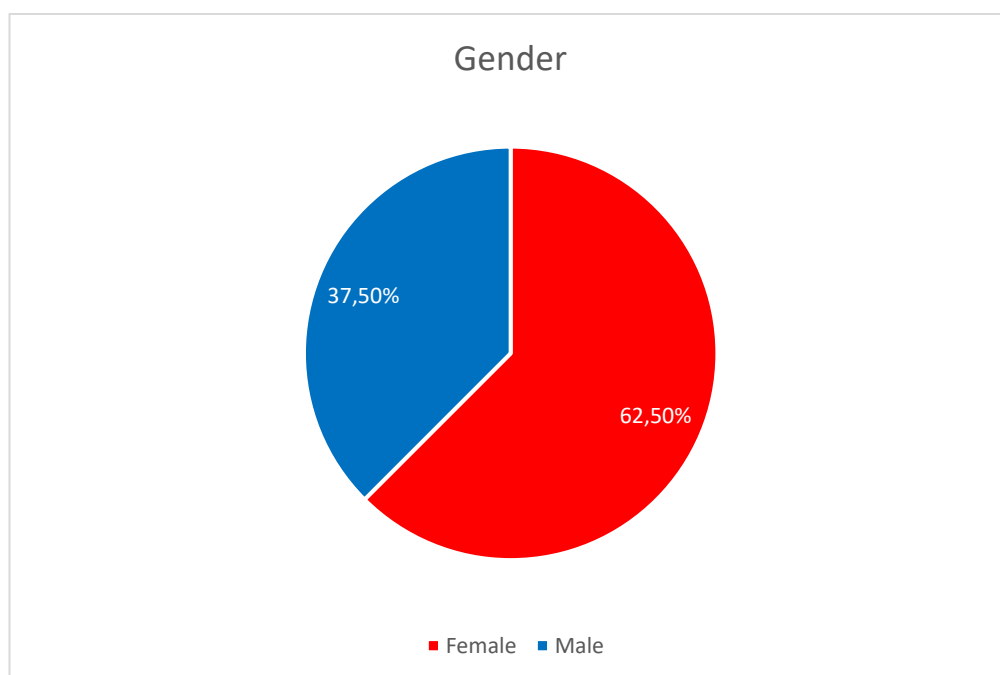

Figure 3: Gender grouping of the customer survey respondents.

In the second question, the respondents were asked about their ages in order to define the biggest age groups of the customer survey. The question included the following possible answers: under 20; 21-30; 31-40; 41-50; 51 and older. Analysis of the age variable shown that the biggest has presented that the largest age group of the respondents was 21 to 30 (46,4% of the respondents). Figure 4 indicates the age groups of the respondents. The results of the question determine that Internet surveys are mostly appropriate if the target group of respondents are 31-50 years old.
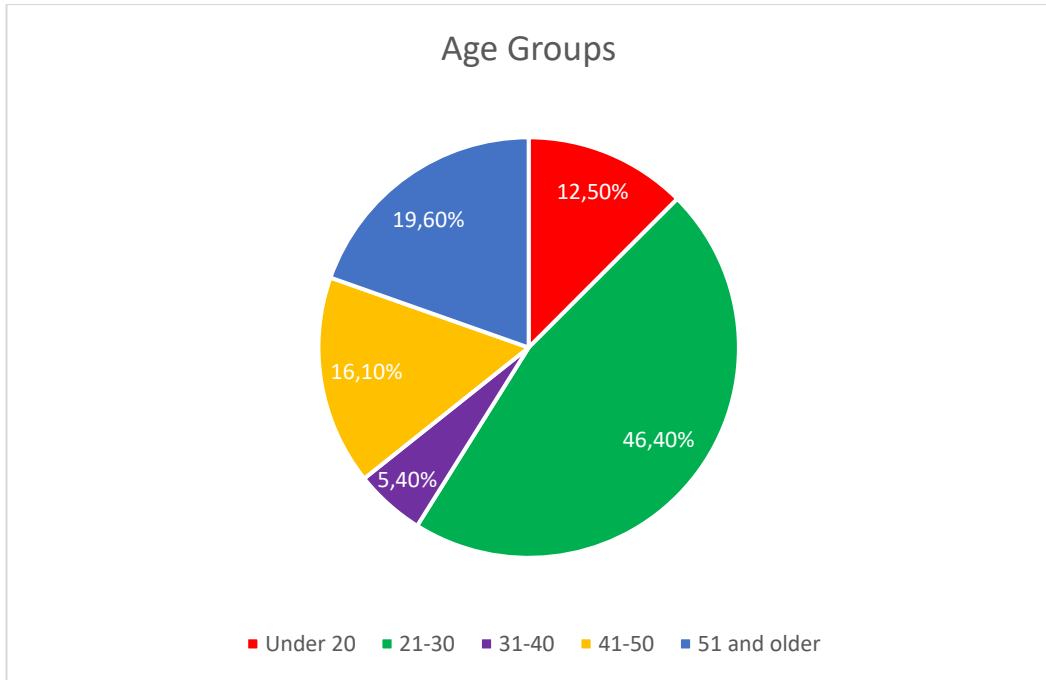
Figure 4: Age grouping of the customer survey respondents.

According to information from the previous chapter, Sberbank is the most popular bank in the Russian Federation. The third question was aimed to define how often the customers of Sberbank use its services. The respondents could choose one of the following answers: every day; once of a few times per week; a few times per month; once per month or less. The customer survey determined that 41.8% of the respondents use Sberbank's services once or a few times per week, whereas 27.3% of the respondents use the services daily. Figure 5 presents the frequency of using the Sberbank's services.

The results of the question determine that Sberbank's services are quite popular among the bank's customers, most of the respondents use them daily or a few times per week.
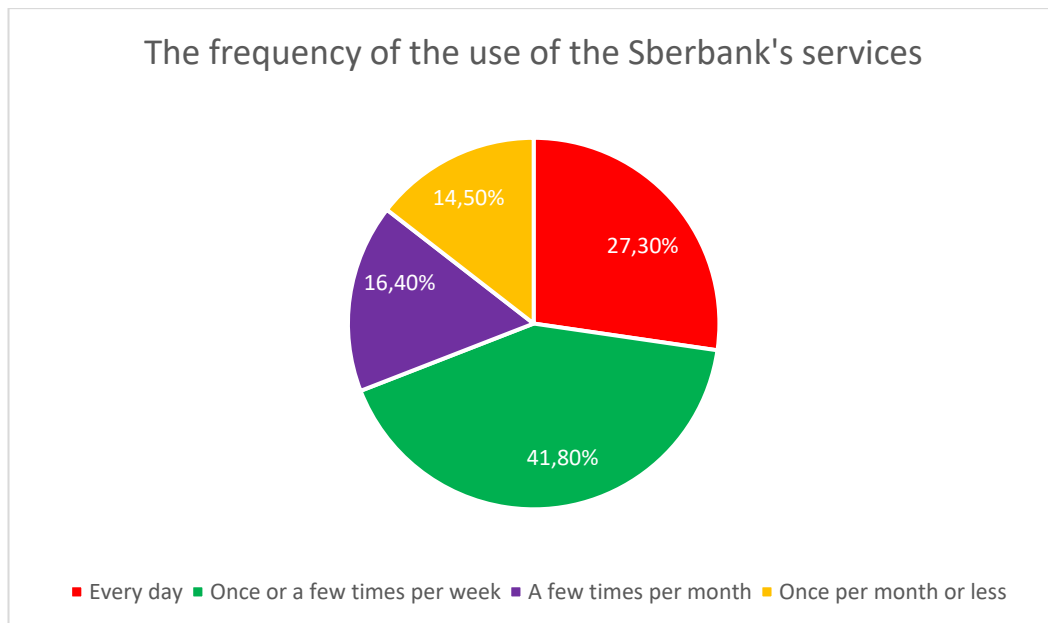
Figure 5: The frequency of use of Sberbank's services.

The next question of the survey included the most popular online products and services of Sberbank. The aim of the question was to define which financial operations are the most demanding among the customers of Sberbank and which services are less popular. The respondents had to choose the products that they use constantly or most often. The author identified several major online retail products and services, relying on the information on the Sberbank's website, and listed them in the question. The respondents could choose one or a few of them. The variants of the answers included the following products and services of Sberbank: transfers, payments for services, mobile bank (SMS alerts), Sberbank online, mobile applications, cellular auto payments, autopayments of housing utilities. Figure 6 indicates which products are the most popular among the respondents.

According to the Figure 6, the most popular Sberbank's services are payments for services (36 of 57 respondents), Transfers (35 respondents) and Sberbank Online (34 respondents). The most unpopular product among the respondents is autopayments of housing utilities, just 9 respondents use this services. The analysis of the results shows that people are not motivated to trust Sberbank paying for their phones and housing utilities.
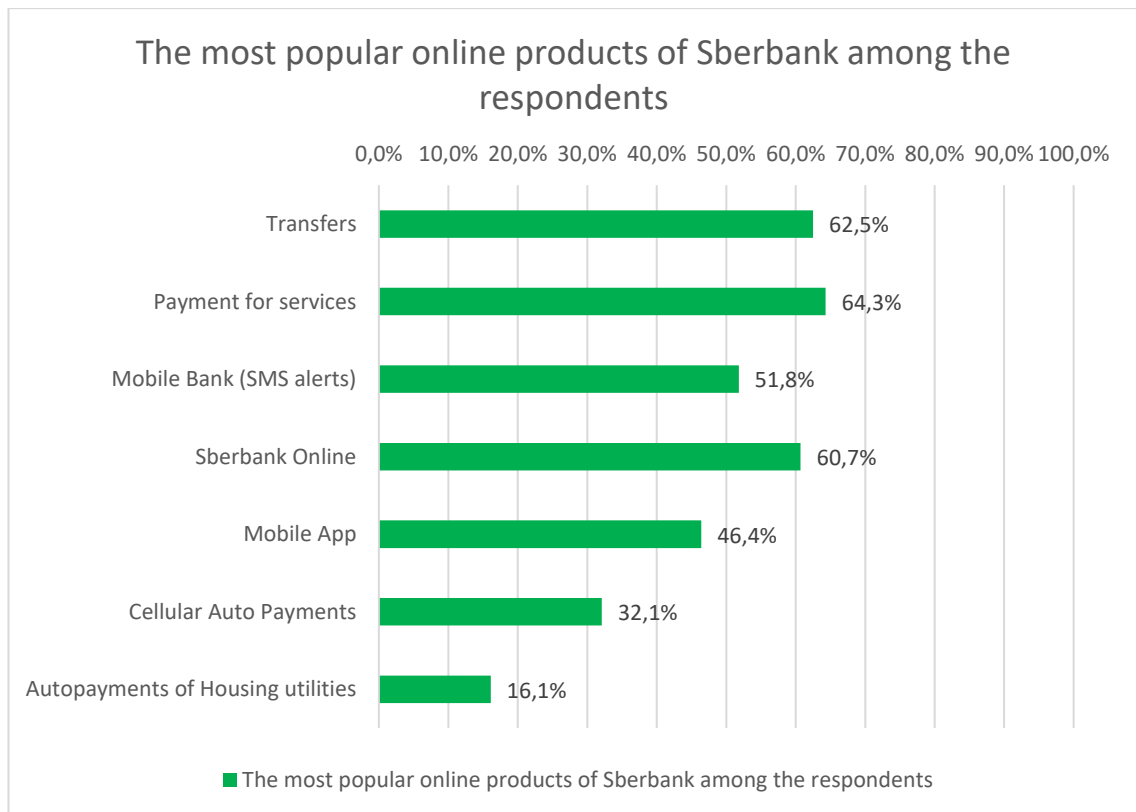
The most popular online products of Sberbank among the respondents

Product	Percentage
Transfers	62,5%
Payment for services	64,3%
Mobile Bank (SMS alerts)	51,8%
Sberbank Online	60,7%
Mobile App	46,4%
Cellular Auto Payments	32,1%
Autopayments of Housing utilities	16,1%

■ The most popular online products of Sberbank among the respondents

Figure 6: The most popular online products of Sberbank among the respondents.

Sberbank continually finds out the customers' level of satisfaction of its products and services. Usually, the bank sends messages for the customers who have been doing any operations in the bank's branches recently. The disadvantage of this method is that customers that use just online services of Sberbank are not asked for their opinions. The following question was intended to find out how the respondents evaluate the quality of the Sberbank's services on a 10-point scale. According to the fact that Sberbank operates with the enormous number of customers, it is quite complicated to keep the technical processes up and running.

The results are positive and presented in Figure 7 below. Only 1 respondent put 2 for the quality of the bank's services, whereas 20 of the respondents evaluated the services of Sberbank by the highest grade (10). The analysis of the results shows that the bank does not face any serious dissatisfaction about its products and services.
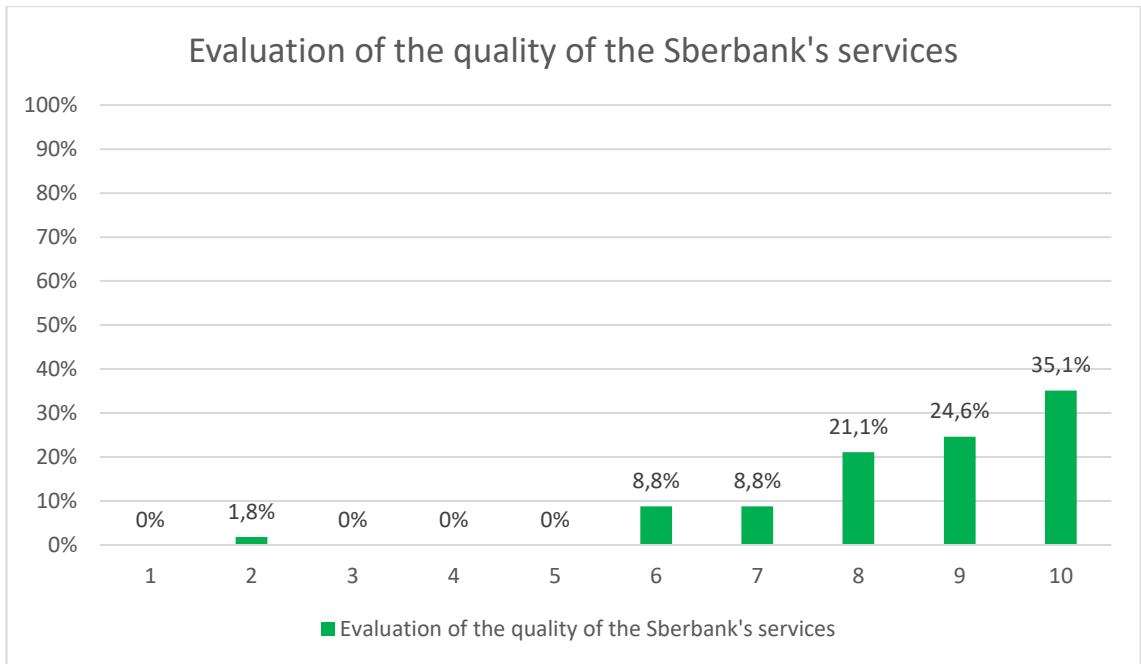
Figure 7: Evaluation of the quality of the Sberbank's services.

The next question of the online questionnaire determines the respondents' level of trust in the Sberbank's services. The respondents had to answer this question by assessing their trust levels on a 5-point scale. Figure 8 indicates the answers of the question.
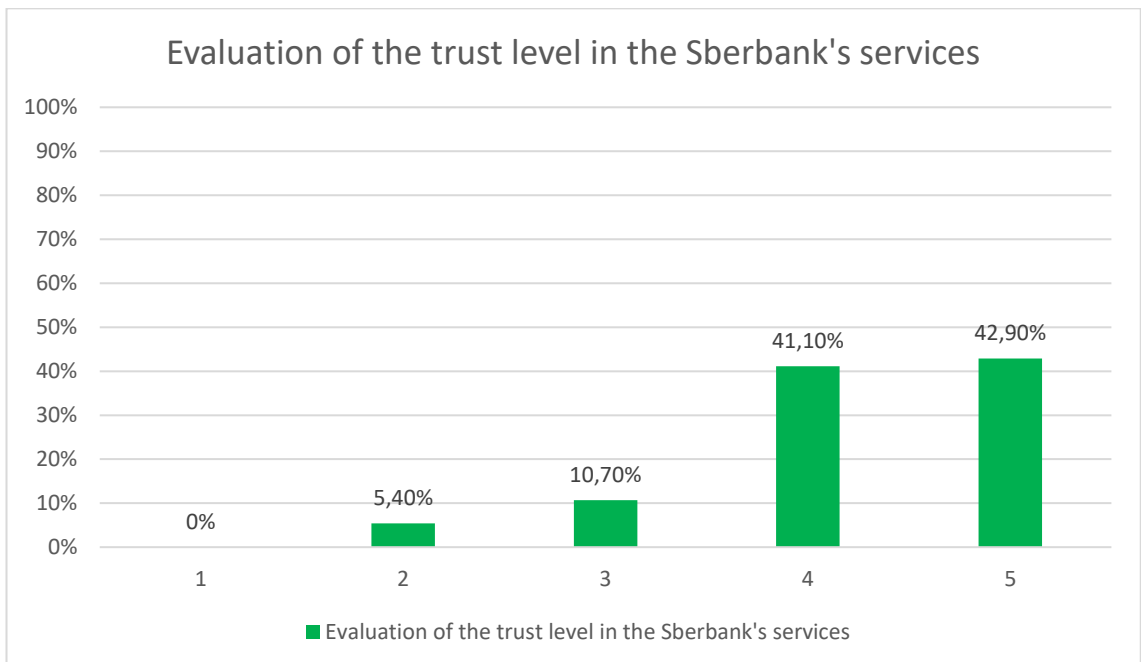

Figure 8: Evaluation of the trust level in the Sberbank's services.

Figure 8 illustrates that 47 respondents assess their levels of trust in the bank's services on "4" and "5" points. Just 3 respondents answered "2" in this questions and nobody answered that he or she does not trust in the Sberbank's services at all. This question is the continuation of the previous question and follows the same aim – to define the level of trust in Sberbank's products and services.

The last question of the customer survey was an open-ended type question. The respondents were asked to write which services of Sberbank they would like to improve and why. In total, 24 respondents answered this question. 8 respondents are satisfied with everything concerning the bank's products and services. The other popular answers include the following statements:

- Implement the possibility to control all services through online channels. It is complicated to deactivate sms alerts via phone from abroad.
- Reduce the time periods of transfer of money to credit cards.
- Provide more detailed description of online payments.
- Amend excessive sms informing of autopayments of housing utilities.
- Increase the limit for transfers via sms.
- Increase the limit for cash withdrawal.
- Increase the number of ATMs.
- Increase interests on deposits.
- Develop the procedure of reissuing of cards. At this moment, it is impossible to reissue a card in any other region of the Russian Federation, except a region where the card was issued.

To sum up the results of the survey, Sberbank has a good reputation among its customers in the North-West region. On the one hand, most of the customers of different ages are satisfied with the bank's services and do not suggest any improvements. On the other hand, some of the respondents highlighted quite relevant challenges, with which they face while using Sberbank's products. These limitations should be improved. Comparing the theory and the empirical findings, it should be mentioned that Sberbank follows its policy – all for the customer. People are provided with the all necessary functions to make financial operations and do not doubt the reliability of the bank.

5.2 SWOT analysis

The most convenient technique to analyze the company's strong and weak sides is to make the SWOT analysis. The SWOT analysis depicts information about the organization from two perspectives: the external perspective, which define threats and opportunities of the organization's environment, and the internal perspective, taking into account strengths and weaknesses of the organization. Internal factors are dependent by the organizations' operations and are significant for achieving operational aims. External factors emerge outside of the organization. (Lind 2014.)

Strengths and opportunities of the organization are driving forces, whereas threats and weaknesses are hampering forces of the company. The driving and the hampering forces constitute the basic success factors in order to achieve operational goals. The analysis of internal factors helps to determine which practices should be exploited in the organization. (Lind 2014.) Theoretical information about Sberbank defines strength and weaknesses of the bank. The results of the customer survey identify current opportunities and threats of Sberbank in the North-West region.

Strengths: Sberbank is the biggest and the most popular bank in Russia. It offers the widest range of products and services on the market in the Russian Federation. It implements modern technologies and constantly develops its services. Sberbank is able to compete on the financial market. Furthermore, Sberbank pays attention to all areas of its operations and cares of its shareholders, employees, partners, et cetera. The bank takes a significant part in the country's activities, and it increases the level of trust in Sberbank. Salary project with Sberbank also creates trust and makes the bank more popular among clients. Even more, Sberbank operates in many countries in Central and Eastern Europe.

Weaknesses: Due to the hugeness of Sberbank, it is obvious that control and analysis of operations is quite complicated. Customers of financial organizations require transparency and fast speed of operations. Moreover, Sberbank highlights the lack of productive using of customer data in order to provide them

with personalized offers. Another weakness is the impossibility of making operative decisions in the branches.

Opportunities: Sberbank expands its international branches. Furthermore, the bank enlarges the credit market for low-income strata of the population. The bank creates convenient mobile applications that enables users to have an access to their finances everywhere and whenever they need it. Moreover, most of the customers fully trust in Sberbank and its services. The customers are satisfied with all products and quality of services.

Threats: One of the major threats for Sberbank is a stricter competition on the market. The world financial crisis also affects the future development of the bank. Furthermore, customers' desires and requirements are constantly changes, and each customer segment has different demands.

To sum up the SWOT analysis, the challenges of Sberbank are not particularly threatening. However, the company must not delay controlling of defined weaknesses and threats, because each problem can develop into something more serious and destroy the bank from within. Sberbank should effectively resolve the shortcomings in order to avoid negative consequences.

6 The program for development of the retail banking services in Sberbank

This chapter presents a summary of the analysis of the theoretical and empirical parts. Relying on the results, the program for the development of the retail banking products and services of Sberbank is presented. Furthermore, the potential ways for increasing the trust levels for Sberbank are suggested.

6.1 Determining the degree of dynamic factors of the environment and the complexity of the external environment of the company

According to the theory, the number of influencing factors defines the external environment. It is relevant to mention that a big number of companies offer retail banking services nowadays. Sberbank has a certain monopoly due to the large state share in the bank. These facts are presented in Table 1 in Chapter 2 of the

thesis. Competitors do not have the number of branches in country as Sberbank has. It decreases their external influence.

Situation in the economy and its changes (for example, inflation, the general welfare of the country, the level of refinancing) indirectly influence on the company. Furthermore, a sociocultural factor has an influence on Sberbank. The sociocultural factor includes the style of life, the level of education, basic values, attitude to work, et cetera. The modern style of life is quite dynamic, people mostly pay attention to success in career, connecting it with the bright future.

In addition, the development of the quality of technologies in the banking sphere has an effect on this field and on the company. The bank's customers have an opportunity to control their accounts via the Internet.

Thus, the dynamics of the external factors is wide. Sberbank does not geel a big influence from private banks, but it certainly exists.

6.2 Challenges of the retail banking services sector

Factors that affect the development of the retail banking field can be divided by two groups: positive and negative influence. Figure 9 presents four basic factors that influence on the retail banking services market.
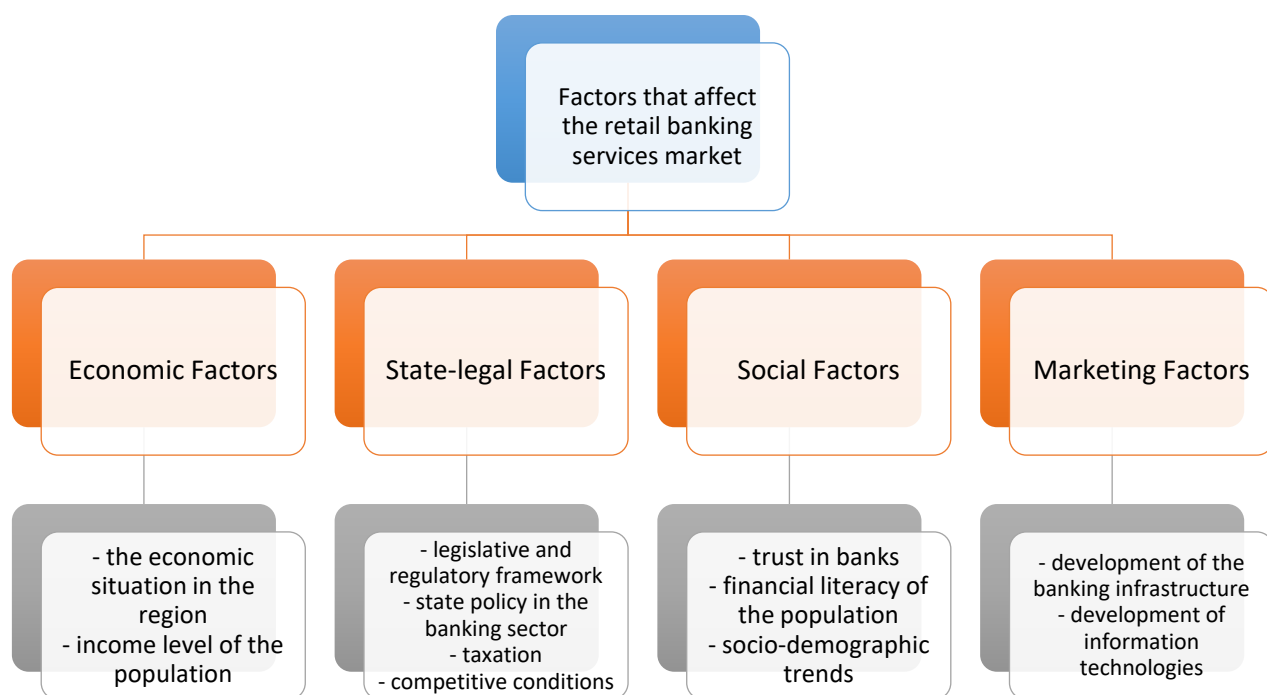
Figure 9 Factors that affect the retail banking services market.

Due to the crisis in the banking system, the lack of trust in banks emerged om the Russian market. It is quite complicated to formulate and determine such measure as trust. There are a few factors that are relevant in building trust: receptiveness and accessibility of information about the bank's operations; degree of the bank's state regulation; the opportunity of effective solution of customers' problems; the guaranteed safety of deposits; the customers' involvement in the processes.

To start with, the existence of actual information concerning the bank's financial situation plays a relevant role in building trustful customer relationships. At the same time, if the customer does not have an access to that information and is not able to assess it objectively, it leads to the inhibition on the development of retail banking services.

Both customers and the bank need in access to actual data. The bank strives to collect reliable information about potential borrowers. According to the statistics,

most of the borrowers pay loans on time, but the risk of non-repayment of the loan is remaining high. It can result in disastrous consequences for the bank.

Furthermore, the banking activity is characterized by the level of interdependence. Borrowed and attracted funds are the base for this phenomenon. Basically, banks work with attracted funds, the volume of assets is quite larger than the amount of own funds. Therefore, any bank is "conditionally solvent". In case of a collective extraction by depositors of their funds, the bank may face liquidity difficulties that could develop into a solvency crisis. Bankruptcy of even one bank can lead to a chain reaction and lead to a systemic crisis.

Moreover, regional branches of banks need in the development of IT technologies in order to attract customers and enlarge the range of services provided by the banks.

A certain legal field controls the retail banking market. The incoordination of the existing norms and the deficiency of the regulatory framework (for example, the lack of significant standards of law governing banking activities results in worse development of banking services in regions).

6.3 Proposals for adapting and promoting banking products and services

The current big range of retail banking services on the market is caused by the development of the banking business. Reaching leading positions on the market requires providing customers with unique loan products and improving the quality of the customer service. In addition, the banks should effectively evaluate the potential borrower's creditworthiness. One of the major measures to develop the customer service in the retail market is to create and promote new banking products and services. In order to maintain these improvements, the banks implement different surveys that help to define customers' desires and dissatisfactions. The analysis of these surveys determines suggestions for the development of existing products and which products are needed in the market.

The following marketing process can be implied to the development of a banking product: Collecting information about the situation on the market; Managing the

strategy for the marketing campaign; Implementation of the marketing campaign; Assessment of the outcomes of marketing events.

Responsibilities of the marketing department of the bank include such activities as observing the market, analysis of customers' suggestions, monitoring the other participants' offers on the market, and preparing the introduction of new products on the market of retail banking services. In addition, marketing managers constantly monitor potential markets for banking services that can bring profits, create suitable strategies for each market segment.

Preparation of the marketing strategy includes the following steps: to determine appropriate products and services, to make a renewal of the offered services, to choose a pricing policy, to define the commodity circulation's channels, and the representation of the life cycle of a managing an account item. Marketing managers make several preparations during the development processes of the banking products and services: arrangement of normative papers, professional development of employees, improvements of the technologies of banking operations, presenting a detailed plan of introducing the service on the market, and testing the worthiness of innovations by offering the product to a narrow group of the bank's customers.

As to promotional part of marketing in the retail business, the process includes the following areas: marketing events; managing a complex of communications in order to carry out personal sales; advertising and sales promotion.

6.3.1 Marketing campaigns

Marketing events play a significant role in making people aware of the launching of the new products or services, its benefits and functions.

The most appropriate marketing actions for Sberbank for its retail customers:

- Mailing of letters to the bank's customers, both traditional and electronic, depending on the customer types.

- Dissemination of information by phone calls and sms alerts, telemarketing.

- Attracting the attention of passers-by on the street.

- Outdoor advertising, preferably located in a walking distance from the banks. The main advantages of this advertising are flexibility, frequent contacts that usually repeat, advertising is not money consuming, low levels of competition. The main disadvantages are the absolute lack of selectivity of the contact audience and limited creativity.

- Creating and spreading of printing materials, such as posters and leaflets. These materials should be placed in the bank's branches.

6.3.2 Direct sales

Sales persons aim to convince potential customers to choose offered products or services. This process is called a personal sale as a part of the distribution of banking products in the retail business. Personal selling and customer services become increasingly relevant in the retail banking industry. Therefore, direct sales can be included in the marketing strategy for adaptation of the retail banking Services of Sberbank.

6.3.3. Advertisement

The main target of advertising is to create and direct the customers' demand. This task is considered as the most difficult challenge in a communication policy. Banks more frequently use urban advertising, such as billboards, sending email messages, press releases, annual reports, and traditional bulletins. The traditional types of advertisements remain popular: publications in magazines and newspapers, on radio and television, booklets, catalogues, leaflets. In addition, the banks take part in exhibitions and public relations with the same aim; produce different advertising souvenirs and other non-traditional advertisement products.

The banks that operate on the Russian retail banking market exist in the high level of competition that coerces them to find new directions and install modern technologies for providing services through remote channels. Electronic access to the banking services is becoming more and more significant object of bank marketing.

The most appropriate methods for Sberbank that may help in delivering advertising information for the customers:
• Registration of the website in the most popular search engines directories.
•Sending information to topical websites.
•Organization programs of special sponsorships and partnerships.
• Carrying out web conferences using e-mail, et cetera.

6.4 Proposal for increasing customers' trust in Sberbank

Besides the fact that it is quite complicated to build customer trust in financial organizations, most of modern techniques can be applied for these purposes. According to the results of the customer survey, most of the respondents trust Sberbank's services and are satisfied with its services. At the same time, Russian specialists note that the financial sector is the least trust among clients. Sberbank is the most popular bank and is controlled by the government. That is why a big number of its customers trust the bank and prefer Sberbank among the other banks in the Russian Federation. Anyway, many of the respondents of the customer survey highlighted that some disadvantages of the Sberbank's services can be improved.

Strategies for increasing customer trust in Sberbank can be as follows:

• Present achievements, declarations and honors on companies' websites. The official website of the bank Sberbank.com does not present its achievements on the first page, it is presented in annual reports of Sberbank. Trustful companies always pay attention to this nuance.
• Share testimonials. Tributes and letters can help create client trust in the bank. Customers will take a gander at different examples of overcoming adversity and contrast them with their own particular lives.
• Honest and straightforward demeanor. The key advantage of organizations trusted by customers is being honest and straightforward.
• Protection of transaction and security of data. Sberbank should clearly demonstrate its customers its willing to c\protect their finances and operations vie secured communication. As a result, customers will trust the bank their significant information.

- The use of personal references in correspondence. In order to improve customer relationships, the bank should thank each customer for his/her message, call, complaint, et cetera.
- Create an access for sending complaints. At this moment, it is quite complicated to find information where to send customers' complaint on the website of Sberbank. The organization should take into consideration this issue in order to develop the level of customers' trust in the bank.
- Find the best solutions/products for each customer. Due to the fact that Sberbank has a huge customer base, there is a need in more customized products that are selected individually.
- Constant customer contact. It is relevant to show interest in a customer's suggestions and ask for them regularly.
- Training of salespersons (building trustful customer relationships).

7 Summary and discussion

The aim of the study was to define the degree of customers' trust in Sberbank's retail products and services, define potential ways for developing existing products and increasing the level of customers' trust. By analyzing different sources of information, the author could answer all research questions and achieve aimed goals. Fundamental retail banking and marketing theories from scientific journals, books and reports enabled understanding of the structure of the retail banking market in Russia and principles of marketing and trust in financial organizations. The empirical study was significant for confirming the theories and defining the advantages and disadvantages of the Sberbank's products and its customer service. As the final outcome, a program for adaptation of existing products and suggestions for increasing customer trust were suggested.

Unfortunately, the customer survey could have been done differently, because not as many respondents were involved as it was expected, due to the tight schedule and a busy modern lifestyle. Therefore, more opinions about the bank's services could have been collected and analyzed. Furthermore, the topic could have been discussed more widely, including more regions of the Russian Federation and covering more aspects of the customer relationship management of Sberbank.

To conclude, Sberbank has a big number of competitive advantages in comparison with the other banks on the market of the retail banking business. The challenges concerning this market are not threating but require constant analyzing and rectification. The major suggestion for Sberbank is to increase the effectively use of the customer base in order to create more customized products. Furthermore, Sberbank should take into consideration the security of the customers' finances and transactions. Marketing managers of Sberbank have to constantly develop its marketing strategies and promotion campaigns.

7.1 Suggestions for further research

Further market research may be needed for expanding the geography of collecting information, understand the reasons why people trust or do not trust the bank, analyze the effectiveness of the marketing campaigns.

It must be highlighted that the retail banking industry is rapidly developing. More areas of activities should be emerging as the level of competence is growing every year. Constant monitoring of the market and analyzing of the customers' needs and desired is required to outrun competitors.

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Appendices

Appendix 1. Self-administrated questionnaire for customers of Sberbank.

Investigation of the level of Sberbank customers' trust in services (Исследование уровня доверия клиентов Сбербанка к предоставляемым услугам)

Your participation in the survey will help in developing Sberbank's services and increase the level of trust among customers. Your participation in the survey will take no more than 6 minutes of your time.

(Ваше участие в опросе поможет улучшить сервисы Сбербанка и повысить уровень доверия среди клиентов. Участие в опросе займет не более 6 минут Вашего времени).

What is your gender? (Ваш пол?)

- o Male (Мужской)
- o Female (Женский)

What is your age? (Ваш возраст?)

- o Under 20 (До 20)
- o 21-30
- o 31-40
- o 41-50
- o 51 or over (51 и старше)

How often do you use Sberbank's services? (Как часто Вы пользуетесь услугами Сбербанка?)

- o Every day (Каждый день)
- o Once of a few times per week (Один или несколько раз в неделю)
- o A few times per month (Несколько раз в месяц)
- o Once in a month or less (Один раз в месяц или реже)

What online services of Sberbank do you use regularly or most often? (Какими онлайн услугами Сбербанка Вы пользуетесь постоянно или чаще всего?)

- Transfers (Переводы)
- Payment for services (Оплата услуг)
- Mobile Bank (SMS alerts) (Мобильный банк (СМС оповещения))
- Sberbank Online (Сбербанк Онлайн)
- Mobile App (Мобильное Приложение)
- Cellular Auto Payments (Автоплатеж сотовой связи)
- Autopayments for Housing utilities (Автоплатеж жкх)

How would you rate the quality of Sberbank's services on a 10-point scale? (Как бы Вы оценили качество услуг Сбербанка по 10-бальной шкале?)

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10

How much do you trust the services of Sberbank on a 5-point scale? (Насколько Вы доверяете сервисам Сбербанка по 5-бальной шкале?)

- 1
- 2
- 3
- 4
- 5

What services would you like to change / improve and why? (Какие услуги Вы бы хотели изменить/улучшить и почему?)