

Alfa Bank, setting the standards for the Russian Market

Speaker: Michael Ruckman, Vice President Alfa Bank Russia

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Chris Skinner welcomed Michael to the Club after explaining its purpose and meeting place origins. He then introduced Conny Dorrestijn as moderator for the session

What is Michael's background?

Today Michael has been in Russia for six years. He started with PWC. It became clear that consultancies didn't deliver in the way the banks in Russia needed. Thus Michael joined the bank.

What is the situation of Banks in Russia?

In the west we don't think the money might not be in the bank, or that the bank itself might not be there, whereas these are common fears of consumers in Russia. A few years ago there were 2000 banks now there are about 1100 and there maybe only about 400 in a few years time. People have been robbed by the banks. The banks don't have the proper specialist skills to run a bank effectively. Banks are frequently in a crisis situation.

What was the old model of the bank?

The old model was that there was more demand than supply. Stability and reputation were the key buying influences. Availability and price were the key selling points. Culture was that customers had to work hard to purchase facilities.

What is the new Model?

Supply overcomes demand. More players mean more choice. Selling points are diversified to include quality and consistency. Uniqueness of product is promoted and presentation and communications get emphasised. Banks have also had to learn to be good on the inside over the last few years in order to make the new model work.

How has the customer been recognised?

Michael gave an example of the customer experience citing coffee as an example. The coffee bean can be harvested from a plant. A harvester makes up sacks of coffee. The wholesaler creates jars of coffee for the consumer to purchase. Coffee shops exist to provide cups of coffee which are either semi self service or served by waiters. A cup of coffee served in a splendid setting like St Marks Sq in Venice will be at a high premium to the harvested cost. This latter is an example of the value added customer experience. For the banks the elements of customer experience are brand, culture, offering and environment. People don't browse in a bank as they would in a supermarket.

The key questions for a bank?

"What is the product we are offering and what are we really selling?"

What was Alfa banks situation?

It is the largest privately owned in Russia with a strong client base. However it was experiencing high customer attrition and low customer satisfaction. There were low sales volumes with low cross selling and low up selling. The majority of sales were in the cheapest tariff; there were few product features and mostly price sensitive customers.

What positioning has changed?

The bank is now split into three segments:

- Consumer Finance
- Retail Banking
- Alfa Club- Junior VIP market for business class banking

The brand was too youth oriented, but most clients are in the 35-50 bracket. The youth position has been kept but a brand for real life people was introduced. The slogan was "bank for successful people". In Russia customer testimonials work like crazy so the new slogan became "it works for me", and so moved into the customer testimonial format.

What practical changes have occurred?

A lifestyle magazine with banking or money content such as "what should an apartment cost me"

You receive a text message every time your card is used; there is a small charge but this service produces a revenue of \$1m per year and cost \$50k to implement. It should be noted that internet usage isn't that high but everyone has a mobile phone.

The call centre was revamped. Previously it could just about say hello; it now wins awards for the helpfulness of its service.

Excess of branches in the city centres have been reduced and moved into the sleeping districts where people lived.

Branches have been dressed up to create impact. More points of presence have been created with the smallest being the mini kiosk at two square metres.

The product offerings have been completely revamped into three segments:

- The money you have
- The money you need
- The services and convenience required

The monthly charges have been bundled together.

The service culture has had to be reassembled within the banking staff.

What have been the results?

Over an 18 month period

Customer base has grown 162%

Tariff planned sales (debit, credit, savings etc) grew 281 %

Customer attrition down 70%

Demand balances increased by 40%

Credit cards grew by 267%

Credit card sales by 379%

Gold and platinum cards by 32%

Mutual funds now also sold from the branches became 60% of overall sales
Staff turnover reduced

But the prices for bundled products are some of the highest in the market demonstrating the strength of the revamped approach.

Another Example Nadra Bank in the Ukraine

Michael then gave us another banking example – Nadra Bank (see also <http://old.nadra.com.ua/eng/about>)

Nadra is not a small bank it has 600 branches and 3 million clients and is getting ready for rebranding

One initial project has grown into several projects

It is positioning itself as a resource for financial needs

A traditional bank is strong, reliable and trustworthy

A modern retail bank is customer friendly, reactive, easy to contact and has good products.

Their slogan is “they are trying harder for me”

They have segmented into

- Youth
- Family
- VIP
- SME
- Corporate

All with different branding

They have introduced customer magazines in both Ukrainian and Russian

Most credit cards are debit cards with an overdraft facility – not true credit cards

What have been the key changes?

They were going down the path of being a bank for lower middle class or pensioners. They are now positioned to include the high level of customer.

The re-branding is very successful. 90% of the population now recognise the brand, and apparently everyone loves the new brand. Overall sales have more than doubled and customer loyalty is the highest among banks