Higher School of Economics

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How to retain current and get new customers in banking industry.

Consumer Behavior and patterns while choosing banks.

Thesis submitted for

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Abstract

Customers are very important in all sectors, they determine whether a business will flourish or not. In order to identify why some customers switch between banks, there were developed a questionnaire and interview for data collection. A sample of 263 people was surveyed, 20 respondents and 9 managers of different banks have been interviewed to comply with relevant retention aspects. Among diverse factors, there are the qualities of service, the number of branches, mobile applications, and interest rates. Earning profit is the main driving factor, if the interest rate doesn`t fulfill the client`s expectations, then there is a higher possibility of switching to another bank. A similar experience can be observed in the case of distant location of the branch and inefficient low service. Also, the study suggests that age category and education level can impact the decision to abide by the prevailing bank. Banks should take into consideration current market demand and competitors to develop customer loyalty. This research paper will showcase increased comprehension of customer loyalty in the banking industry. Observations and suggestions written in this paper can be executed to maximize customer satisfaction.

Keywords: financial institution, banking services, mobile banking, e-banking, neo-banks, digital banking market, customer retention, consumer behavior.

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Introduction

The conditions of the world market economy determine the presence of various approaches to the concepts of "competitiveness", "competitive position" and "competitive environment". Since banks as economic entities have a number of features, therefore, the competitive relationship between them is of a specific nature. Currently, the development of the banking system in the CIS region, and in Kazakhstan in particular, is taking place in the context of a crisis in the financial market and increasing competition between commercial banks. In this regard, the management of banks raises the need to revise the strategy for carrying out activities and tools with which the bank will seek to attract and retain its potential customers. However, Kazakhstan, in comparison with industrially developed countries, does not have such a rich experience in the field of banking services, because until recently on the market of Kazakhstan, in view of the absence of banking competition, there was no concept of how to develop a service in order to attract new customers. Therefore, at present, to retain customers and attract new ones, Kazakhstani banks have to borrow their technologies, ideas and methods of work in the banking market from European banks. The economy of our country differs from the economy of other developed countries, and therefore not all innovations and borrowings become effective for commercial banks operating in Kazakhstan. That's why the following work is dedicated to the analysis of the consumer behavior in Kazakhstan in terms of how to retain current and get new customers in banking industry.

The banking system is one of the main pillars of the economy, its successful development and functioning is a prerequisite for long-term stable economic growth in the country. The motivation behind this research is to determine preferences of clients in the banking sector. **Tasks for the research are as follows:**

• Analysis of client activity when using the services of leading retail banks in Kazakhstan

• Studying the features of consumer behavior when choosing both a bank and banking products

• Analysis of factors influencing the choice of a bank for service

• Study of the business models used by banks in the context of the main elements and analysis of their impact on customer activity

• Analysis of the volumes of retail loan portfolios of banks in the context of loans issued and borrowed funds

The choice criteria of clients have been discussed in multiple studies. In this essay, the marketing of financial services will be in particular analyzed. An enhanced understanding of the choice of banks will be provided, to improve marketing strategies for attracting and keeping customers. The study will investigate historical patterns of expanding customer base in financial institutions. Naturally, one of the key factors that influenced the number of calls to banks during the period under review was the size of the bank's potential client base, which depends on the scale of the bank's business and geographical coverage, as well as on its strategy and degree of specialization in certain client segments. Besides, the bank's product line is of great importance. To those of them that have a more developed line of cards and other products, more respondents applied for the specified period. Also, attention should be paid to the level of digitalization and remote banking services (RBS). The development of these channels affects the activity of current customers, and also allows attracting new ones due to the ease of use.

There are a few different categories of bank clients. There are three categories of consumers in general:

New customers: This is still the largest consumer segment, and there is a need to put in a lot of work to convert them into long-term customers.

Existing clients: They are businesses or people who have been doing business with your bank for a long time. They often allow you to cross-sell various brands, making current customers excellent ROI boosters.

Exiting customers: Since it's hard to keep every customer, others will eventually leave your bank. Of course, you can try to recover them, but the chances are slim and the return on investment is never too good in this situation.

Accenture (2020) highlighted 10 banking trends in 2020, some of them are: Only the best among neobanks will be able to convert attracted clients into profit figures. According to their research, in the UK alone, more than 18 million accounts have already been opened in neobanks (Neobanks are banks without any brances, they don`t have their own bank license, however they have contracts with other official banks). Even neobanks will find it difficult to retain clients. M&A is becoming more and more important for medium-sized banks. There is a possibility that SunTrust and BB&T will merge into one bank, since in many markets midsize banks are struggling to grow: they have neither the leverage of scale nor the investment to fund disruptive innovation, and so both industry giants and new entrants take their revenues. Midsize banks face challenges in keeping and attracting new customers. Another trend that can be observed is the fact that banks are beginning to donate fee and commission income to build more trusting relationships with customers, which can affect retention rates. The role of digital currencies is changing as well. Introduction of such money will also be a new way to attract customers. These global trends also affect retention of customers in the banking sector in the world, as well as in CIS region.

Research project based on the interview and survey among the residents of the cities of Kazakhstan. Moreover, questioned people were representatives of the different kind of fields, including students and workers. Survey tends to show that if bank provides three key services - financial stability, low service charges and professionalism along with continuous development in the field of relations between the bank and the client, then the policy of customer retention and attraction of new ones can be considered as a successful.

Literature review

The literature review will deal with a set of criteria when it comes to banking. Among the primary sources Vazifedoost et al. (2013) defines Consumer Behavior as activity aimed at obtaining, consuming and disposing of goods, including the decision-making processes that precede and follow these actions. Gerrard and Cunningham (2004) describing the consumer behavior notice the certain levels of its behavioral patterns: the necessity to use the bank services; comprehensive study and research on the available bank offers: learning about the profits bank offer to customers; the possibility of options - the representation of the banking product as a set of properties and the development of an algorithm for their comparison, to ensure the maximization of the subjective criterion of the usefulness of the banking product for the individual; purchase decision - a person decides to purchase or use services of the selected bank; reaction to a choice - a person's actions after choosing a particular bank, based on a feeling of satisfaction or dissatisfaction. A person experiences cognitive dissonance at least to a minimal degree. Liu et al. (2014) discussing the "customers retention" policy stresses the fact that the likelihood of long-term success of companies with loyal customers is an order of magnitude higher than those that are focused on the influx of new customers. Thus, one of the most important tasks of a modern competitive bank is to retain the clients it serves. An author lists main principles that contribute to customer retention, among which are: locational convenience – in terms of amount of energy a customer spend to get a bank services; firm reputation – how much the bank is considered reliable; firm expertise – especially refers to the bank employees, if they possess the essential knowledge to react and settle customer's problems in a short time. Dr. James Devlin (2004) from Nottingham University business school noticed that, although one segment of customers saw meaningful distinctions between banks, a greater proportion of people saw banks as entities that offer mostly undifferentiated services and, as a result, choose a bank based primarily on the comfort it offered in terms of place. He also included in his study the target segment of the corporate banking market to identify the demand for financial products and take these needs into account when solving the problem of banking business planning work with corporate clients. Zimbardo and Boyd (2015) observed if there were any differences

between services preferences when it comes with the social distinctiveness. It was found out that representatives of the middle class are more into reputation and more "visible" attributes of banks rather than profit from the bank; whereas, high-income households put in privilege interest rates, opening hours, and the friendliness of workers; and finally, low-income households rely more on the advertisement and other people's recommendations. A study published by Devlin (2002) concluded that clients with a financial background, i.e., have more financial experience more difficulties in choosing bank. They are trying to possess all issues in one bank starting from beneficial rates of return, low fees, and long-term deposits, and easiness of withdrawal.

Some of the bank customers use multiple banking features, they have current accounts in multiple banks. It can be explained by their desire to minimize risks and benefit from various product options, as well as staying relevant with a current prestigious image. Such customers are called users of multiple banks. Devlin and Gerrard' s work (2005), for example, does not have an explicit description. Split banking, according to his analysis, happens where a person has active accounts at several branches, regardless of whether the forms of accounts are the same (e.g. all deposit accounts) or separate (e.g. both checking accounts) (e.g. a savings account and a current account). They surveyed over 495 respondents concerning preferences in the banking sector. The measuring criteria consisted of a brand, reputation, location, product diversity, recommendations, expectations of service, Choosing a bank close to home, based on a family friendship, paying heed to other people's recommendations, and choosing a bank close to a place of employment top the charts for both primary and secondary banks. Many other studies have found similar outcomes. Costumers rarely make very involved decisions and rather prefer locational convenience. Since all banks are not perceived to be differentiated so much. Rewards for existing customers who recommend services to their friends could be initiated. Cash rebates, credits that may be exchanged later, bonuses, concessions, or some forms of preferential care are also potential incentives.

Also the research on the relationship between the duration of using the services of one bank and getting more benefit from this deserves a distinct mention. (Reichheld and Covey, 2006).

Aside from the advantages that long-term customers have, studies show that customer retention practices are less expensive than attracting new customers. According to Rust and Zahorik (1993), attracting new customers could cost five times as much as keeping existing customers. Maintaining high levels of satisfaction, on the other hand, is a challenge. Beckett et al. (2000), on the other hand, arrive at some preliminary hypotheses as to why customers continue to stay loyal to the same financial provider, despite having less favorable opinions of these service providers in many cases. In most cases, customers consider all existing services as same and do not see any point in switching old to new one. Authors also set quite reasonable arguments on why banks should pay more attention to the customers' retention, with studies offering sufficient evidence for banks' efforts to retain customers. The aim of previous empirical research has been to define structures that are precursors to customer retention. Other research has concentrated on improving metrics of customer satisfaction, value, and loyalty without looking at other potentially useful constructs. A collection of seven potential explanatory constructs that could influence loyalty decisions has been described in the literature. Below, we'll go through each of these in more detail.

Applying to the secondary data, official page of National Chamber of Entrepreneurs of the Republic of Kazakhstan "Atameken" provides many specific cases on relationship between customers and Kazakhstani banks. According to Atameken page, customers complain about JSC "Forte Bank" asserting that the state program for the development of productive employment and mass entrepreneurship for 2017-2021 "Enbek" does not work in JSC "Forte Bank". The issue was concerning the bank's refuse to the entrepreneur to receive a soft loan under the state program. According to the lawyers of the Chamber of Entrepreneurs of Almaty, the state program in Forte Bank does not work, because: the bank ignored the right to use the guarantee of the "Damu" fund by an aspiring entrepreneur to obtain financing and to launch a business project; the bank violated the terms of consideration of applications; the bank gave an unmotivated refusal. There is no doubt that unmotivated refusals especially on state programs is a serious damage for bank's reputation and can be one of the factors of a "poor reputation" for customers' choice of the bank. This and other cases give a significant research

base concerning the consumer behavior and patterns while choosing banks on a concrete cases occurring in the country. Accenture (2020) went in a non-standard way of research and unveiled some trends that shape banking preferences in 2020. Over the past year, the trend towards "deliberate" choice of companies that create value for the whole society has gained even more popularity in developed markets. In Europe, many banks have included carbon cuts and steps to improve social responsibility as key business goals, and investment players are increasingly offering green funds and portfolios. Such "green policy" becomes crucial factor that influence on consumer's choice of bank or consumer retention in conditions of modern development.

Factors shaping customer's loyalty

For a complete and more comprehensive study of customer retention and attraction of new ones, main factors influencing customer behavior should be considered.

Competitive advantage. In a highly competitive market, the quickest way to differentiate yourself is to create a brand. Customers now purchase more than just high-quality goods and services; they also purchase a range of added value or benefits. Adding value through a differentiation strategy while growing margins through higher prices is the most likely way to both attract consumers and increase profitability.

Customer satisfaction. For several years, customer satisfaction has been regarded as crucial in deciding why customers quit or remain with a company. Even if consumers seem to be happy, businesses must know how to keep them. Holding clients, on the other hand, is based on a variety of other variables. These benefits include a greater variety of product options, increased convenience, lower costs, and increased profits. In the banking industry, service quality is a crucial factor that affects customer loyalty.

Customer perceptions. Customers are more value-oriented in their service use because they have more options. Customers with high standards want "up-close" personal service from banks. Banks must have the most up-to-date products for consumers who appreciate the convenience the most, such as electronic banking, touch-tone phone account access, and internet banking.

Corporate image. The way people bank has changed significantly as a result of technological advancements, globalization, increased competition, and increased customer mobility. To set themselves apart, many financial institutions are experimenting with branding strategies. Harwood (2002) argued that in the banking industry, where all companies sell roughly the same goods, branding is important as a tool for image building. According to Клиентский рейтинг (2021) performed by banker.kz, there are five financial institutions with the highest expenses on promotion. Among them there are Kaspi, Forte, Halyk, Home credit and ATF.

Moreover, Halyk is the only bank in the reporting of which this expense item is called "Advertising and loyalty program". For example, in preparation for the IPO, Kaspi.kz showed the holding's spending on marketing of 28.4 billion tenges. In 2019, State House Construction Savings Bank (Zhilstroysberbank) increased its advertising budget by 149 million tenges compared to the previous year. Outdoor advertisement, transportation advertising, electronic and print media received the majority of the funds. Also, the bank ran an environmental campaign that included tree planting in the courtyards of residential complexes constructed under government initiatives, as well as game quests for young people.

Jusan bank is increasingly abandoning conventional communication networks in favor of the Internet. The bank is searching for its customers in a familiar setting as consumer behavior changes. They can more precisely target an audience using digital platforms, reacting to their needs and desires. Marketing budget is solely based on bonuses that are given to clients who engage in non-cash purchases and payments with Kaspi bank. Due to the rising number of payments on non-cash basis, there is also a set of growing expenses.

Figure 1

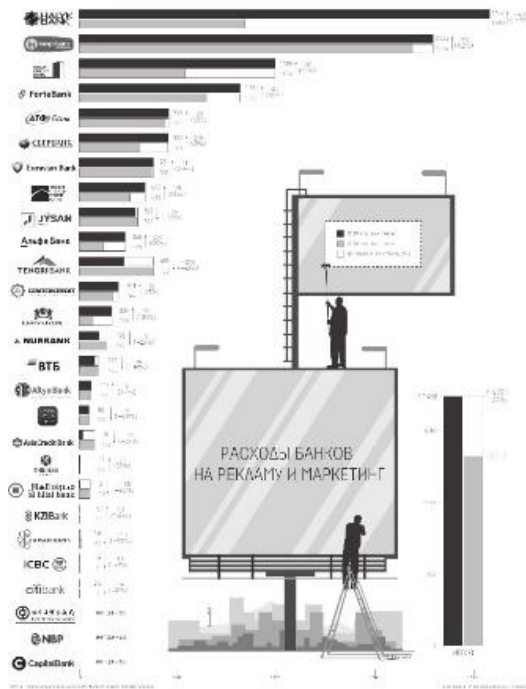*The comparative analysis of advertising and marketing expenses of banks*

Image source: Ledovskih, I. (2020, August 9). *How much do Kazakhstani banks spend on advertising*. Kursiv.Kz. https://kursiv.kz/news/banki/2020-08/skolko-kazakhstanskie-banki-tratyat-na-reklamu

Switching barriers. High switching costs are a significant factor in the customer's loyalty to the service provider. Another important factor in customer retention is cross-selling. The more goods or services you offer a client, the less likely they are to break up with you. Loss of market share and fewer prospects for cross-selling could jeopardize profitability. However, there are other independent switching factors such as clients, who value growth and success as personal ideals are less committed to their banks, according to Henrique & Matos (2015). Other researchers also found that this impact is stronger in women, veterans, and high-income customers, indicating that these demographic factors may have a moderating effect. The factors that better define the client propensity to terminate a

partnership with a bank, according to Reis et al. (2013), are the account holder's age, account period, investor/beneficiary profile, internal relation, long-term asset contracts, threats in other banks, the number of goods, product cancellation, the average sum of down payments, and joint consumer. This information is relevant in the sense of our research because a client may switch banks if his current bank does not provide the service that the customer considers most important. Bank in Kazakhstan can take into account the research results in this paper and implement it to real world practices.

Taking into account the situation in CIS, the results of research done by Deloitte showed that the younger generation is more "mobile" in terms of choosing a bank - the share of customers who change banks every few months in this segment (4.7%) is higher than the average for Russia (3%). Members of this category have not yet reached working age during the major crises of recent decades, so they may tend to be more trusting in all players and make choices based on their needs at a given time (Deloitte, 2020). The same tendency towards more frequent bank changes can be observed among large city residents (5%). However, in this case, this is more likely due to the presence of more choice and, as a consequence, the frequent appearance of more advantageous offers. In the current market conditions, the cost of the same products in different banks across the country does not differ significantly. In this regard, banks compete mainly due to differences in business models. Leaders are the players whose value proposition best suits the needs of the target audience.

Consumers` behavioral intentions. Banks must concentrate on identifying the market's needs, attitudes, satisfaction, and behavioral trends to perform effectively in today's competitive marketplace. When selecting a bank, customers consider a variety of factors. Banking has been dramatically impacted by social and technological change. A broader selection of services and goods may have a big effect on consumer loyalty and, as a result, behavior. As changes in the large financial fields intensify and business practices overlap, it's more important than ever to distinguish banking products from those sold by bank affiliates or non-banks that are similar or complementary.

Customer's loyalty. Customer retention boosts profits by lowering the costs of attracting new customers. Loyalty is only a viable term when consumers have the option of switching providers. Changes in the

banking industry's industrial background can affect the long-term viability of customer-bank relationships. Just a few Kazakhstani banks are locally owned, with the rest (Citi, HSBC, Delta, and Shinhan) being owned by foreign countries. Banking service providers are less certain that their customers will stay loyal to them because of the high level of foreign ownership. There is a limited number of quality clients in Kazakhstan, and the competition among banks is enormous: there are 28 financial institutions for 12 million potential clients (*Зачем банки создают экономику лояльности*, 2019). According to an article from Kazakhstani Forbes, nowadays local banks rely on the so-called NPS system. NPS is a data management tool that measures customer loyalty through feedbacks given after each operation. It should be understood that NPS as a tool for assessing the level of loyalty predicts customer behavior. The more loyal customers you have, the higher your revenue. Experts from Bain & Company have deeply researched this relationship and found that the market leader in NPS is growing faster than the market more than twice, and at less or similar costs. The essence of NPS is the segmentation of customers into three categories: detractors, or service/brand critics, neutrals (they are neutral to the company), and promoters, or, as they are also called, company fans. They come back more often for a second purchase, they are ready to take different products from you. And, very importantly, they generate positive reviews and recommend the services of the bank or company to their friends and family. I am sure that every business owner would like to have more promoters in his client base and their share to grow. One of the examples of the use of NPS is the assessment of readiness to recommend the Smartbank app. It helps several improvements that will cover the biggest "client pains". With the help of NPS, Eurasian bank was able to digitize the impact of our Smartbank application on the card business, which makes it possible to better evaluate investments in the application. Another example is car loans. By measuring NPS (Net promoter score) throughout the entire customer journey, it was found that customers are happy at the stage when they just took out a loan. But in a post-loan survey, the NPS drops significantly. This decline is a normal process. However, in the entire line of the bank's loans, the decrease in NPS in car loans was the most noticeable. After analyzing the main reasons, it was realized that customers are most annoyed by the process of removing cars from

encumbrances due to its duration. The team in charge of car loans reacted very quickly: they changed the process and kept all documents for cars in the branch instead of sending them to the parent bank, which has sharply reduced the time frame. In Kazakhstan, little is understood about how these various factors impact consumer loyalty. This study aimed to see how these factors influenced customer retention.

In general, both extrinsic and intrinsic information in regards to customer`s financial knowledge can have an impact. Intrinsic attributes were described as those that are unique to a specific service rather than being generalizable across services, such as price and service-specific features. Service quality factors, corporate identity, and partnership factors are examples of extrinsic characteristics that are not unique to a single service and can be applied across offerings.

Methodology

In order to carry out a comprehensive research on the issues of consumer behavior in the banking industry, the quantitative research in the form of survey and opinions of experienced managers in this sphere was carried. On the other hand, the pandemic situation and time constraints were the main obstacles in conducting the qualitative research in the form of expert's interview.

Section A

The survey is comprised by a questionnaire consisting of 18 questions posted via google forms – a popular web tool for the creation of surveys especially among students. The link for survey was spread via Whatsapp through common house holding channels of different cities (Nur-Sultan, Almaty, Karagandy, Pavlodar, Taraz, Aktau and Atyrau). The total amount of respondents is 172 people, of different sex, age, social group, and city. The questionnaire was extremely well-structured and straightforward. The research questions analysis is based on a five-point Likert scale.

Likert scale looks as follows:

- Not at all -1,

- To a very slight extent-2,

- To a moderate extent-3,

- To a great extent- 4 and

- To the fullest extent -5.

In total, 18 questionnaires were used to collect data. The questionnaire was created to collect a broad variety of information about customers such as their interactions with financial service providers. Google forms was used as the main tool since face-to-face questionnaires were inconvenient. The questionnaire tool was used in previous researches in earlier years and recommended itself as a reliable way of data collection. They are successfully and widely used in all fields: ranging from marketing to customer research, all the way to medicine and management (see Appendix 1).

Secion B

Qualitative part of the research refers to the conducting of interview among 9 managers of banks operating in Kazakhstan – 3 managers from Halyk bank, 3 managers from Alfa bank, 3 managers from Kaspi bank. Also, the interview was conducted among 20 voluntary chosen residents of local housing complex of different age who use the services of different banks.

Both interviews conducted anonymously. Managers of the banks were asked by 5 questions:

1. What are the main criteria to retain customers and attract new one?

2. How do you measure your program?

3. Do you make Voice of Costumer (VOC) surveys to ask about their User Experience?

4. Do you make Marketing Research on their preferences in your services, and analysis of Customer Path?

5. What kind of Loyalty Program do you have?

Questions for bank customers.

1. Are you satisfied with the performance of your bank? If no, what exactly?

2. What conditions would you improve in bank service operations?

3. If someone from your friends or relatives asks you to recommend a bank, would you recommend the bank where you are currently servicing?

4. Do you have any complains to bank management system?

5. Which do you prefer more: solving your questions remotely, i.e. online or is the physical presence of a bank manager important to you?

Volunteers chosen from Telegram house hold group of local housing complex have been interviewed by 8 questions. The sample was representative of the adult urban population aged 18–65 years, who live in

one residential building in the city of Nur-Sultan. The survey was conducted among current clients of banks - people who have used in the last 12 months at least one of the products in any bank (loans, cards, deposits, etc.).

1. Are you satisfied with the performance of your bank? If no, what exactly?

2. According to what criteria did you choose your current bank?

3. If someone from your friends or relatives asks you to recommend a bank, would you recommend the bank where you are currently servicing?

4. What would you like to change in the way your bank operates?

5. If another bank offers a more flexible lending system or a higher deposit rate, will you switch to it?

6. What is more important to you the reputation of the bank i.e. its reliability or the interest rate that the bank offers?

7. Which do you prefer more: solving your questions remotely, i.e. online or is the physical presence of a bank manager important to you?

8. What other criteria do you pay attention to when choosing a bank, which are not so important but can influence your final decision?

Data collection

The business model used by the bank determines all the main aspects and the nature of its work with clients: from the methods of covering all the primary needs of the target audience to the main principles of interaction with it, including the necessary frequency of contacting the bank to meet these needs. To answer the question of which retail banks have used the largest number of clients in the last 30 days by the time of the survey, we surveyed the population, based on which the ranking was compiled. The results obtained in the course of the analysis could be considered as one of the indirect indicators for measuring the relative size of the active client base in the studied banks.

To understand the main reasons behind the identified level of demand for the services of various market players, we not only studied their data from the National bank of KZ, kase.kz, official websites of banks, but also analyzed the key elements of the business model based on the results of a citizen survey. Below are ten most popular banks based on ratings from official data sources. Each of them provides customers significant services.

	Kaspi bank
	Halyk bank
	Sberbank
	Zhilstroysberbank
	Forte bank
	Altyn bank
	Bank Home credit
	Alpha bank

Kaspi bank

At the end of 2019, the bank became the most efficient in using its assets (ROA ratio was 9%). In 2016-2017, Kaspi Gold and the Kaspi.kz application began to operate, which changed the market for non-cash payments for users. At the beginning of 2020, the number of active users of Kaspi.kz was more than 6 million, Kaspi Gold - more than 4.5 million. Recently, kaspi.kz went to sell its shares on NASDAQ and London Stock exchange. It was a historical event for all Kazakhstani people.

In addition to banking services, Kaspi Bank's activities include retail financial services, electronic payments and the organization of electronic trading platform. In Kazakhstan, more than two-thirds of the digital banking market is accounted for by Kaspi.kz

Halyk bank

Halyk Bank of Kazakhstan is the largest second-tier bank in the country with assets at the end of 2019 of 8.84 trillion tenges or 33% of the sector. Also, it is the leader in terms of equity capital (1.25 trillion tenges), deposits of individuals and legal entities (6.43 trillion), and net profit (315 billion).

Sberbank

At the end of 2019, the bank became the second in terms of assets - 2.21 trillion tenge, which is 16.6% more than a year earlier. In terms of net profit, it showed the third result (after Narodny and Kaspi) - 67.9 billion tenge, 55% more than in the previous year.

At the end of 2019, Fitch Ratings raised SB Sberbank's Viability Rating from B + to BB-. In January 2020, Eldar Tenizbayev was appointed the head of SB Sberbank JSC, who replaced Alexander Kamalov, who held this post for more than seven years.

The main shareholder of the bank is Sberbank of Russia JSC - 100% of shares. The main shareholder appears to be Russian Central Bank.

Zhilstroysberbank

Housing Construction Savings Bank of Kazakhstan is the only one in the country that implements a system of housing construction savings. The program is aimed at improving the living conditions of the population by attracting money from investors in housing construction deposits and providing them with housing loans.

At the end of 2019, the bank's assets amounted to 1.35 trillion tenges (seventh place), which is 36% more than the previous year (first place in terms of asset growth). In terms of net profit, HCSB took eighth place, having earned 27.7 billion tenges in a year.

The bank is listed in the register of assets planned for sale under the privatization program. So far, the only shareholder of the bank is Baiterek National Managing Holding JSC.

Forte bank

The bank's assets at the end of 2019 amounted to 2.2 trillion tenges (third place), which is 24% more than in 2018. Net profit amounted to 38.3 billion tenges or 53% more than 25.1 billion tenges a year earlier.

In May 2019, ForteBank acquired 100% of the shares of Bank Kassa Nova JSC, which continues to operate as a subsidiary bank.

In December, Fitch Ratings affirmed ForteBank's long-term rating at B and upgraded the outlook from Stable to Positive.

The main shareholder of the bank is Bulat Utemuratov (No. 2 in the rating of the richest businessmen of Forbes Kazakhstan), who, as of January 1, 2020, owned 90.1% of the outstanding ordinary shares.

Results

The following diagrams were constructed based on data gathered from 263 respondents.

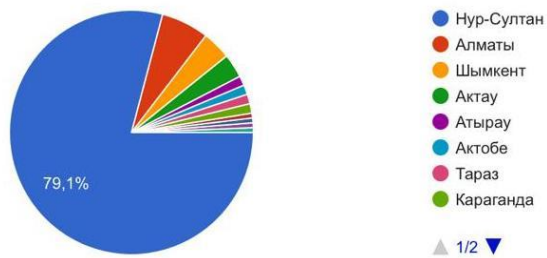1. Indicate your gender

Укажите ваш пол
171 ответ

- Мужской
- Женский

66,1%

33,9%
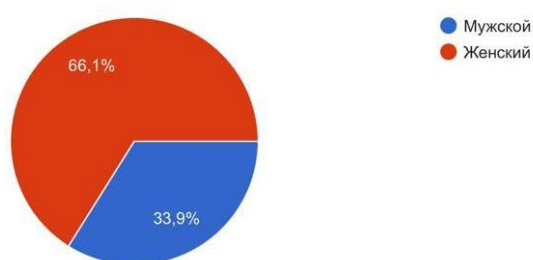
66.1% of responders were women and 33.9% were men.

2. Indicate your city of residence

Укажите ваш город проживания

158 ответов

- Нур-Султан
- Алматы
- Шымкент
- Актау
- Атырау
- Актобе
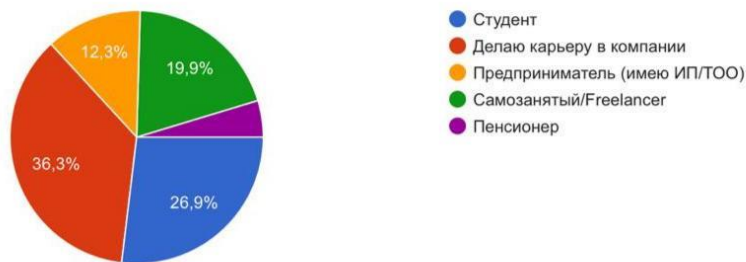- Тараз
- Караганда

▲ 1/2 ▼

79.1% of the respondents were residents of Nur-Sultan and 5% were from Almaty. The rest of the respondents were from other cities of Kazakhstan such as Shymkent, Aktau, Atyrau, Aktobe.

3. Indicate your occupation

Укажите ваш род деятельности

171 ответ

- Студент
- Делаю карьеру в компании
- Предприниматель (имею ИП/ТОО)
- Самозанятый/Freelancer
- Пенсионер

36.3% make a career in a company, 26.9% are students, 19.9% are self-employed and 12.3% are entrepreneurs, and the rest are people of retirement age.

4. Indicate your income level

Укажите ваш уровень дохода

159 ответов

- 150-200к
- 200-300к
- 300-400к
- 400-600к
- >600к
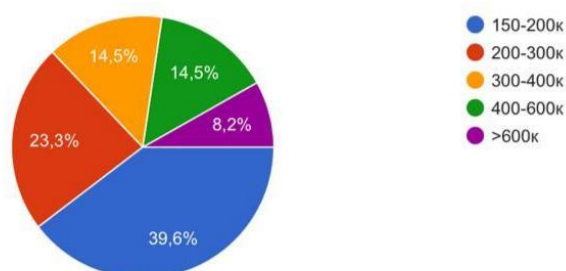
Many people we interviewed earn 150-200 thousand, but there are also people who earn a little more than they do. there are 23% of them. Nevertheless, from 300-400 thousand earn 14.5% as well as people who earn from 400 thousand. The smallest number of people are those people who earn more than 600 thousand.

5. Ease of opening a bank account

Оцените пожалуйста, насколько важна для вас легкость открытия банковского счета?

172 ответа

- Чрезвычайно важна
- Важна
- 50/50
- Скорее не важна
- Совсем не важна
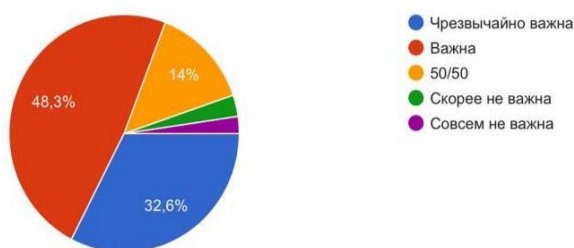
The diagram shows that ease of opening an account is important to a modern extent (48,3%), to a great extent (32,6%), to the fullest extent (14%). The ease of opening a bank account is relatively important. During a qualitative data collection, respondents indicated other factors for improvement of business processes:

6. Variety of services offered

Оцените, пожалуйста, насколько для вас важно разнообразие предлагаемых услуг банка?

172 ответа

- Чрезвычайно важна
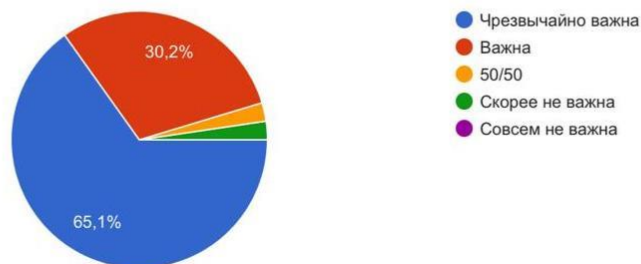- Важна
- 50/50
- Скорее не важна
- Совсем не важна
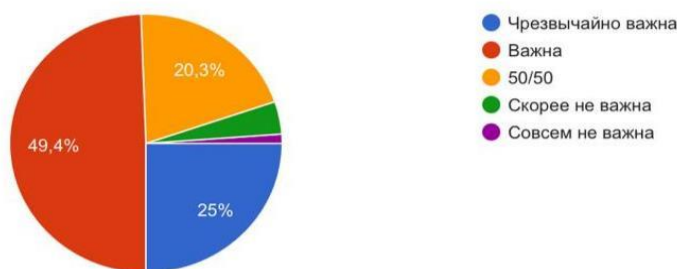
`Variety of services offered` diagram shows that only 8,82% out of all respondents replied not at all important. 49.4 answered that it is important.

7. Professionalism of bank staff

Оцените, пожалуйста, насколько для вас важен профессионализм банковских сотрудников?

172 ответа

- Чрезвычайно важна
- Важна
- 50/50
- Скорее не важна
- Совсем не важна

30,2%

65,1%

65,1% respondents answered that it plays a crucial role in bank recognition for its value. 30.2% indicated it is important, while rest of them chose other options.

8. Low service charges

Оцените, пожалуйста, насколько для вас важна низкая плата за обслуживание?

172 ответа

- Чрезвычайно важна
- Важна
- 50/50
- Скорее не важна
- Совсем не важна

27,3%

38,4%

26,7%
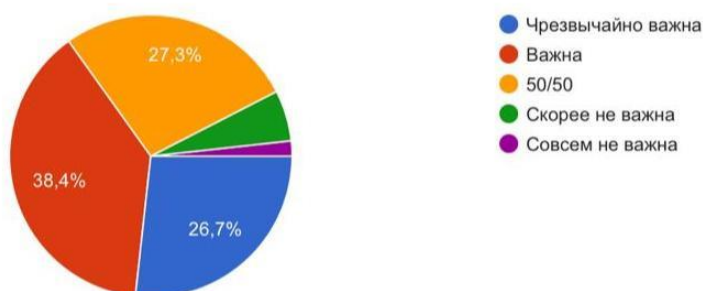
Low service charges are considered to be important to a great/ fullest extent by a majority of respondents (38,4%). While 26,7% think that it is significant to a moderate extent and 27.3% chosed 50/50 option.

9. Recommendation by friends/relatives

24

Оцените, пожалуйста, насколько для вас важна рекомендация друга/родственника при выборе банка?

172 ответа

- Чрезвычайно важна
- Важна
- 50/50
- Скорее не важна
- Совсем не важна
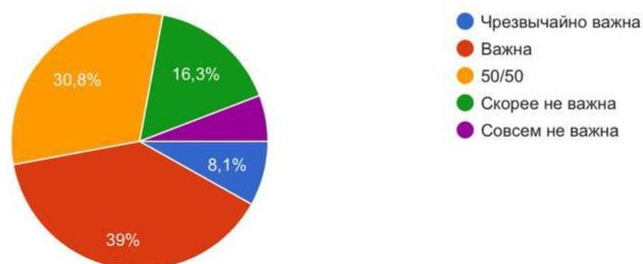
Over 16,3% of respondents answered that recommendation is not important at all. While 30.8% of people said that it is important to a slight extent. 39% respondents chose the option `to a moderate extent. Whereas 8.1% respondents replied that recommendation is of large importance.

10. Financial stability of the bank

Оцените, пожалуйста, насколько для вас важна финансовая устойчивость банка?

171 ответ

- Чрезвычайно важна
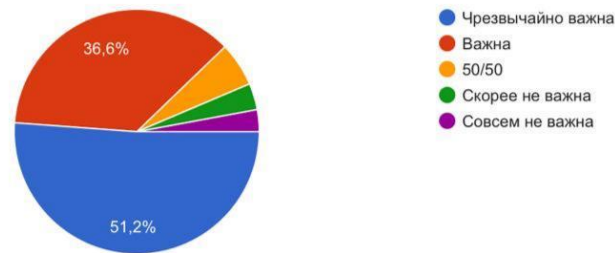- Важна
- 50/50
- Скорее не важна
- Совсем не важна
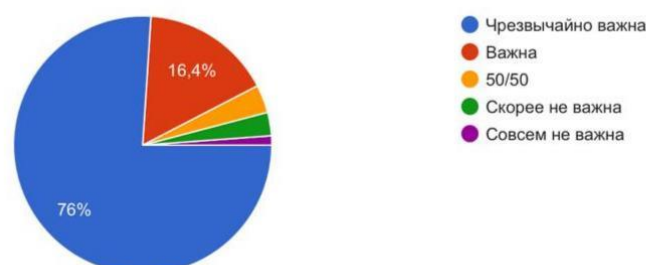
Over 76% chose the option `to the fullest extent. While 1% answered `Not at all important. `To a great extent was chosen by 16,4%. Financial crises have noticeably shaken public confidence in the banking sector.

11. Low interest rate on loans

Оцените, пожалуйста, насколько для вас важна низкая
процентная ставка по кредитам?

172 ответа

- Чрезвычайно важна
- Важна
- 50/50
- Скорее не важна
- Совсем не важна

36,6%

51,2%

Responses are evenly spread, over 51.2% answered that it is important to the fullest extent. Whereas, over 36.6% of responses were inclined towards a greater extent.

12. Proximity to office/home

Оцените, пожалуйста, насколько для вас важна близость
расположения банка к вашему дому?

172 ответа

- Чрезвычайно важна
- Важна
- 50/50
- Скорее не важна
- Совсем не важна

19,2%

24,4%

8,1%

16,3%

32%
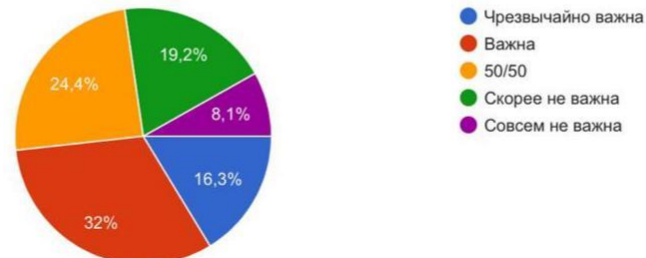
16.3% answered that it is important to a great extent, whereas 26,47% respondents said that it is significant to a medium extent. 8.1% of respondents observed proximity to be not an influence at all.

13. Warm reception at the bank

Оцените, пожалуйста, насколько для вас важно вежливое отношение сотрудников при обращении к вам?

172 ответа

- Чрезвычайно важна
- Важна
- 50/50
- Скорее не важна
- Совсем не важна

39%

54,7%
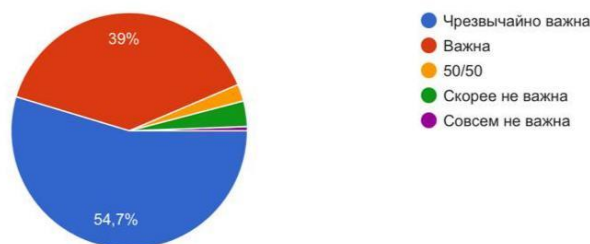
Over 39% of respondents claim that warm reception at the bank is of a moderate extent. While 54.7% of people answered that it is significant to the fullest extent.

14. Security of financial services

Оцените, пожалуйста, насколько для вас важна безопасность финансовых услуг, предоставляемых банком?

172 ответа

- Чрезвычайно важна
- Важна
- 50/50
- Скорее не важна
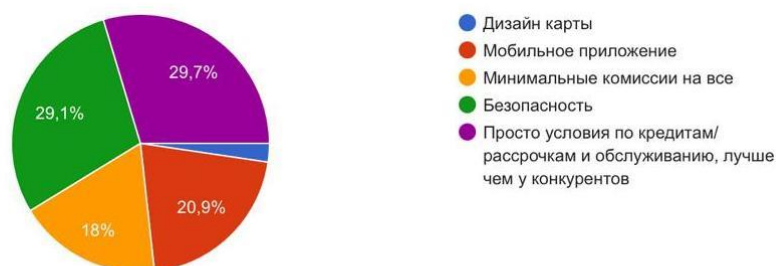- Совсем не важна

18%

76,7%
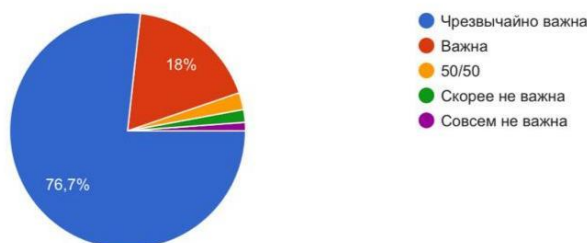
58,82% of respondents claimed that the security of financial services is of huge importance. Only 5,88% of people appear to be not interested in the security of financial services at all. Over 8,82% consider it to be significant to a moderate extent. While 2,94% of those who took the survey perceive importance to be of a very slight extent.

15. What attract customers in the banks?

Что для вас привлекательнее всего в банке?

172 ответа

- Дизайн карты
- Мобильное приложение
- Минимальные комиссии на все
- Безопасность
- Просто условия по кредитам/рассрочкам и обслуживанию, лучше чем у конкурентов

29.7% of people, the conditions for lending, installments and servicing are more attractive. With a difference of 0.6%, bank security is also an important choice (29.1%). 20.9% of people voted for the mobility of the application, while 18% of respondents choose the minimum commission for everything.

16. In which bank customer registered

Какой у вас банк?

172 ответа

- Kaspi Bank
- Сбербанк
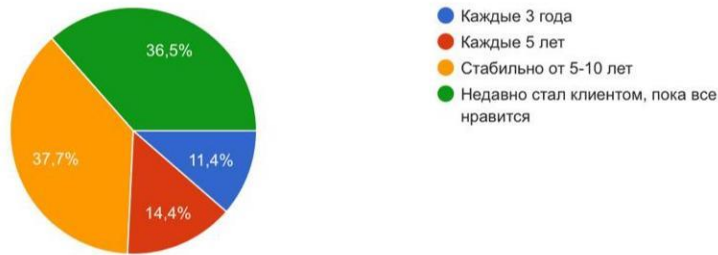- Forte Bank
- Halyk Bank
- Другое
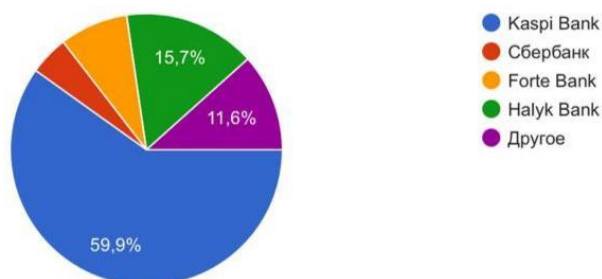
More than half (59.9%) of people use the services of Kaspi Bank. Due to favorable conditions for customers. Also, there are people (15.7%) who still use the services of Halyk Bank. During the survey, there were also those people who use the services of other banks (11.6%). 8% of respondents switched to Forte Bank, the remaining 4.8% prefer Sberbank.

16. How often customers change their bank accounts.

Как часто вы меняете банки?

167 ответов

- ● Каждые 3 года
- ● Каждые 5 лет
- ● Стабильно от 5-10 лет
- ● Недавно стал клиентом, пока все нравится

11,4% of respondents claimed that they change their bank every three year, when 14,4% said that they switch from one to another bank once in 5 years. Most of the interviewees (37,7%) stated that they use one bank account stably from 5 to 10 years. And finally, 36,5% respondents identified themselves as a fresh customers of particular bank and claimed that they are satisfied with banks' conditions.

17. What type of card do they use?

Какая у вас карта?

172 ответа

- ● Дебетовая
- ● Кредитная
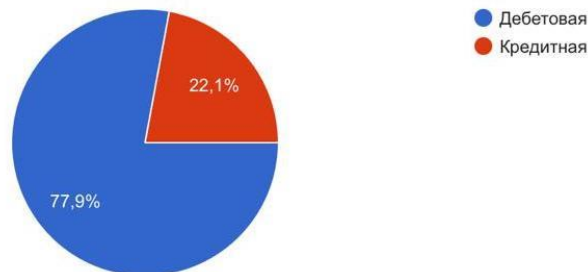
Most of the responders hold debit card, which is 77,9%. Credit card holders is only 22,1%.

Section B. Interviews

Managers' responds

According to the results of interview, all managers of all banks acknowledge the presence of competitive environment among banks for a client. In the question of customer's loyalty, managers of three banks answered that on the contrary, the demand for the service is growing, and the loyalty is falling. The customer is becoming more demanding - this concerns the speed of service provision, and

the quality of service, and the price. One of the managers of Kaspi bank said that customers want everything at once - quickly, efficiently and inexpensively. This is not critical, just the business must transform, the entrepreneur must think about customers, about the value that he creates. Businesses that do not value their customers will at some point in time face the fact that no one will come to them.

Next question about successful model, the manager of Halyk bank emphasized the two stages of working with clients - with the help of "hunters" and "farmers". Accordingly, it is necessary to determine the cost and methods of attracting customers, as well as to understand what exactly will help to retain the customer longer and increase the frequency of his purchases. It is necessary to carefully address these problems, and not just, for example, open an enterprise and expect it to "take off". An interesting example of products that bank offers in terms of getting new customers is introduced by Alfa bank's managers.

To the question "What is preferable for the bank today - to increase sales and the number of new customers or to increase the loyalty of current customers" all managers agreed on the same opinion that both factors are important. Halyk bank's representative said that their customer's portfolio grows by 50% every year. Only in October of last year, 16 thousand new business clients came to the bank. At the same time, they work with existing clients, help them develop their business. Managers stress the importance of understanding how to meet the expectations of customers who have already been given promises. This is the core of business model of any bank. Managers believe that they should always thank about what they would do for those clients who were brought to the bank. Lastly, all managers believe that the competence and work of their banks is one of the most customer oriented in terms of reputation and reliability.

An interview with managers of the banks also mentioned that the loyalty among customers is difficult to be developed. Loyalty is formed from many factors - the range of services, quality of service, convenience of the location of the facility, the friendliness of the staff, etc. In order to understand how the relationship with consumers is developing correctly, the bank must regularly conduct large-scale studies of the level of satisfaction of its customers.

Customers' responds

In the course of the study, two dozen of different age residents who are clients of various banks of Kazakhstan were interviewed. Also, it should be noted that clients from different banks share their impressions of the cumulative experience of interacting with banks over the past year. Most often, these are not episodic, but rather close relationships throughout the year (customers of banks who have any credit, or a debit or credit card, deposit, or other services offering a certain frequency of interactions throughout the year were invited to the interview). As a result, such clients can evaluate the level of service provided by the bank in a more comprehensive way, from different angles, taking into account both positive and negative experience accumulated over a relatively long period. Most of the respondents answered that they have no complaints about the performance of bank services of which they use. Typical statements: "I do not have any problems with my bank, yet, I do not expect much from its work." Those people who answered "no" underlined the fact that they are not satisfied with the work of almost any bank. In one bank they are not satisfied with high interest rates on mortgages and loans, in others poor service, in others - the inconvenience of location in the city etc. Six respondents believe that there is still no bank in Kazakhstan that would satisfy all the needs of the customers.

To the question about the factors influencing the choice of the bank aside from the favorable loan offers, a significant contribution to the formation of loyalty and satisfaction is made by the level of service provided by the bank in various channels. The work of the bank's office staff affects the assessment of customers as one of the most common channels of interaction; however, the importance of remote service channels is gradually increasing.

The importance of question about the bank recommendation is especially high. F. Reichheld believed that an indicator of a company's success is not just customer loyalty, but a high probability that he will recommend it to his friends, relatives, and acquaintances. Its advantage lies in the fact that with its help you can find out whether the client is ready to return to the organization and whether he will

recommend it to his friends / acquaintances / relatives, etc. 13 out of 20 respondents answered that they would recommend their bank, i.e. more than half of respondents are satisfied with their banks' performance. However, one of the main disadvantages of person's satisfaction is the lack of predictive power. A person can be satisfied now, but after a while he can rethink his attitude, circumstances change and, as a result, satisfaction which as a certain attitude requires constant replenishment will disappear.

To the question what they would like bank change in its performance among the popular answers was a desire to reduce average waiting time in line and the increased level of comfort in the offices and the greater ability to track turn (electronic queue, monitors, etc.). Several respondents noted the problem of the lack of confidentiality, the reason for which on the one hand, the rather close location of service windows, and on the other hand, a large flow of visitors, leading to the fact that those who are waiting are quite close to the client being served, especially in small offices. Many people claimed that they are not satisfied with the quality of the call center. The most critical issues are the level of competence of call center operators, as well as the speed of connection with the right specialist.

To the next question opinions divided almost in a half, 11 respondents are sure that the reliability of the bank is most important, while for others favorable conditions are. Yet, all customers mentioned that there should be a balance between these two factors. The question about online services showed that population of Kazakhstan is not ready for the active use of online benefits. 19 out of 20 people still find it difficult to solve own issues with bank and its system remotely, the physical presence is necessary.

Conclusion

Based on the results of the study, a number of conclusions can be drawn. Analytical research included the survey (178 responder) and two interviews, where customers and bank representatives were questioned. To be precise, responders of survey were workers of various kind of fields, including entrepreneurs, corporate workers and freelancers. The survey comprised several questions dedicated to measure efficiency of local banks and customers' opinion. According to customers' opinion, the quality of services of any Kazakhstani bank significantly increased. In most cases clients are satisfied with the work of their bank which is due to a competitive environment among banks and the struggle among the latter for new and retention of old customers, as a consequence, a constant development in the quality and variety of the services provided by each bank. Nevertheless, question concerning the loyalty of bank clients showed that almost all of them (18 out of 20) have a low level of loyalty towards their banks. Almost all of respondents answered that they would switch to other bank with more favorable conditions. Some of them added that they would switch to it with the proviso that it would also be a reliable bank.

Interview served as an yardstick to measure and evaluate relationship between bank managers and clients. Both sides were asked detailed questions (see below on Appendix 2), that helped us to make some conclusions. Research concerned the highlighting the specific services that are especially important for customer retention, proposed financial stability, low service charges and professionalism along with continuous development. The survey results showed the top three factors are low service charges, professionalism, and financial stability of the institution. As a service organization, banks must ensure that all aspects of service delivery to customers are well thought out and customer-focused. Each customer's needs must be attended to, and they must be addressed properly. There are a couple of suggestions that can be taken into account by Kazakhstani banks. First of all, there should be an increase in the perception of the value of current accounts. Since people are not so eager to pay monthly fees, it can be suggested to implement fee waivers for premium accounts. Secondly, banks should consider renaming "monthly operating payments" "maintenance fees" or even "penalties" if you don't

meet the minimum standards. Consumers should be aware that whilst the account is open, there is a monthly maintenance fee if minimum conditions are not fulfilled. Following this tactic could make the product more appealing (due to the free offer) and have a better deterrent for inactive accounts. Rates should be reduced or held constant, but fees should be reduced as well. In the current interest rate setting, our research finds that checking account customers, in general, put little value on interest income. As a result, banks may prefer keeping rates low even as the federal funds rate increases steadily, focusing any price incentives on fees. Improve your ability to communicate meaning. To further minimize price sensitivity and amplify non-price characteristics, inform consumers of the different resources available and the related costs. More than a third of checking account consumers have no idea how much it cost to service their accounts. It is also suggested that banks invest in rigorous preparation for their employees to improve their competency and expertise in dealing with customers. Second, banks' distribution services must be deliberately tailored to suit the demands of their clients. According to the results of interview, it can be noted that consumers have undoubtedly noted the changes to a better side in their banks' performance. It can be concluded that there is a minimization or complete elimination of "gaps" among competitors in terms of satisfaction with the quality of service (including the ability to catch up with competitors in terms of service speed).

Limitations and suggestions for further studies are given before results are taken. The data collection approach did not allow for data aggregation using factor analysis or similar methods, which was a possible drawback. Since cultural and product variations may exist, further study in different cultural environments is needed to determine the degree of generalisability of the current results. Also, interview analysis does not bring significant applied benefits for banks, since loyalty management must be at the level of an individual client, and not the certain group of population. Therefore, financial organizations are currently leaning towards an operational environment of the satisfaction of each specific client with the subsequent elimination of all negative aspects in working with the client, if case such problems are highlighted.

Innovations can help attract new customers. Cognitive tools capable of processing large amounts of data and perform complex analyzes in near real-time, enable financial institutions to develop more personalized customer journeys and use highly accurate inferences and predictions for more informed solutions when working with clients. In the banking sector, such instruments help to significantly improve the quality of interaction in various departments, be it a call center, department credit ratings, or Private Asset Management Department. Many of these instruments were designed to be done in advance certain procedures based on advanced assessment and acceptance technologies solutions. Since these tools able to learn, the more often they are used, the more accurate they become decisions and conclusions.

It is extremely important to set an ambitious goal and then justify it, having calculated in detail the amount of potential benefit. Within the framework of such assessments should be reviewed all opportunities for growth, including increased cross-selling, new value-added services, and expansion of presence in the marketplace thanks to more efficient use of data, cost optimization, and operational activities through shorter cycle times, greater automation and redeployment of personnel.

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Потребительское поведение при выборе банка

Потребительское поведение при выборе банка

Здравствуйте, мы выпускники HSE, студенты университета KazGUU, проводим работу над дипломным исследовательским проектом по вопросам Поведения потребителей и закономерности при выборе банков, просим Вас пройти данный небольшой опрос. Спасибо!

Appendix 1: Survey questions.

1. Indicate your gender.

2. Enter your city of residence.

3. Indicate your occupation.

4. Indicate your level of income.

5. Evaluate please, how important is for you the ease of opening a bank account.

6. Please rate how much you care about the variety of services offered by the bank?

7. Please rate how important to you, professionalism of bank employees?

8. Please rate how important to you is low maintenance fee?

9. Please rate how important the recommendation of a friend / relative is for you when choosing a bank?

10. Please rate how important to you the financial stability of the bank.

11. Please rate how important to you a low interest rate on loans.

12. Please rate how important to you the proximity of the bank's location to your home.

13. Please rate how important for you friendly attitude of employees when referring to you.

14. Please rate how important for you, safety of financial services provided by the Bank.

15. What is most attractive for you in the bank?

16. Indicate the bank where you served in.

17. How often do you change banks, and why?

18. What card do you have? Debit/credit.

Appendix 2: Interview questions.

Suggested Interview Questions for banking sector professionals:

6. What are the main criteria to retain customers and attract new one?

7. How do you measure your program?

8. Do you make Voice of Costumer (VOC) surveys to ask about their User Experience?

9. Do you make Marketing Research on their preferences in your services, and analysis of Customer Path?

10. What kind of Loyalty Program do you have?

Questions for bank customers.

6. Are you satisfied with the performance of your bank? If no, what exactly?

7. What conditions would you improve in bank service operations?

8. If someone from your friends or relatives asks you to recommend a bank, would you recommend the bank where you are currently servicing?

9. Do you have any complains to bank management system?

10. Which do you prefer more: solving your questions remotely, i.e. online or is the physical presence of a bank manager important to you?