

## MANAGING THE DEVELOPMENT OF A COMPETITIVE STRATEGY FOR AN ORGANIZATION

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**Abstract:** *This paper provides an analysis of the concept of “competitive strategy”, based on a number of works by foreign and national scholars. It is grounded in the findings of a study into the operation of three commercial banks – OOO HCF Bank, AO Alfa Bank, and AO Russian Standard Bank. The authors analyze competitiveness indicators for the banking institution, assess the commercial bank’s competitive position based on a banking competitiveness scorecard, accentuate the significance of the formation of sustainable competitive advantages for the organization, and propose recommendations as to putting together and implementing a competitive strategy. As a result of constructing a bank competitiveness scorecard, the authors develop competitive strategies for each of the banks under examination. This scorecard is expected to facilitate the bolstering of the bank’s competitive market positions going forward. Improvements in the bank’s development level should be based on a rational combination of certain internal and external criteria forming the level of the institution’s banking competitiveness inclusive of specific qualitative and quantitative parameters.*

**Keywords:** *commercial bank, competitive position, competitive strategy, assessing competitiveness*

### 1. INTRODUCTION

Among the priority dimensions within the Concept of the Long-Term Social-Economic Development of the Russian Federation through to 2020 is the activation of the nation’s financial market and formation of a global financial center in its territory going forward.

A crucial element in the financial market is the equity market, the banking sector currently being its most developed participant. In this regard, we may view as a strategic objective for its development the activation of activity related to the formation of long-term financial resources and their placement across the economy’s most promising sectors.

By tradition, the banking sector plays a primary role in the development of Russia’s economy. No other financial institution can compare to banks in

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terms of the degree to which their activity is regulated and, hence, the degree to which they are reliable. Commercial banks are crucial financial institutions which accumulate considerable financial resources and, consequently, possess considerable investment potential.

In a climate of the formation of market relations in Russia, what is getting increasingly relevant today is the issue of developing competition and boosting the competitiveness of business entities across all sectors of the national economy, including banking. Currently, these issues are taking on special significance due to competition not only between Russian banks operating across different scales of activity (national, regional, and local) but also between Russian and foreign credit organizations [10].

## **2. METHODS**

The objects of this study are banking organizations operating within Russia's Penza Oblast, which are dissected by the authors analytically and functionally.

A systems analysis method is used every now and then in the paper as the study's methodological basis, depending on the nature of objectives meant to be resolved. The authors also employ factor analysis and comparative analysis, as well as an expert assessment method and the methodology of I.O. Spitsyn and Ya.O. Spitsyn.

## **3. MAIN PART**

Current trends indicate the need to develop an integrated system of measures aimed at boosting the competitiveness of Russian credit organizations. A key mechanism for managing a bank's competitiveness on a micro-level is its competitive strategy [4, 5, 8, 13].

However, this study has revealed a lack of unanimity of opinion within the scholarly milieu as to the definition of the economic category of "competitive strategy".

I.Ya. Pait, for instance, construes competitive strategy as a set of activities on determining a credit institution's long-term goals and objectives aimed at attaining a sustainable competitive advantage in the market [7].

Yu.B. Rubin regards competitive strategies as documents developed and accepted for execution by participants in the market which reflect the defining objectives and outcomes of their participation in competition, foundational resources for waging competition and key factors in

entrepreneurial success, a roster of one's key opponents and allies, as well as that of one's key competitive actions [9].

In the view of M. Porter, any competitive strategy comes down to achieving strategic (or competitive) advantages – the best conditions for the production and promotion of one's products, i.e. depends on the type of competitive advantage one is keen to achieve, on what constitutes its essence: high productivity (cost advantage) or a differentiation element [2].

In our opinion, competitive strategy is the company's aspiration to occupy a competitive market position within the sector. It is aimed at attaining a sustainable and advantageous position that would enable the organization to withstand pressure from forces that drive rivalry within the sector [17, 18].

The content of a commercial bank's competitive strategy for an upcoming period of time should, according to D.N. Tsaplev and A.Ye. Shtezel, include the following information modules [16]:

- a rationale for the need to develop a competitive strategy and carry out related activities for a commercial bank;
- analysis of the state of competition across the attractive segments of the financial sector (analysis of intra-sectoral banking competition and analysis of inter-sectoral competition);
- target indicators for competitive strategy;
- goals and objectives within one's competitive strategy;
- a period during which one's competitive strategy will be implemented;
- the geographic coverage of activities to be conducted as part of one's competitive strategy;
- sets of activities under one's competitive strategy aimed at a target group of rational clients, a target group of clients of other commercial banks, non-banking credit organizations, and financial institutes; a target group of one's own clients;
- a time sequence for implementing one's strategy-related activities;
- a budget for strategy-related activities detailed by items related to the development and implementation of controlling processes;
- a forecast for the economic effectiveness of implementing one's strategy-related activities;

- activities related to preliminary, current, and final control over the implementation of one's competitive strategy.

In developing a competitive strategy, one initially has to assess the competitive position held by the organization in the market, identify its competitive advantages, and determine its competitiveness level.

The national economic literature contains quite a number of approaches to assessing the competitiveness of a commercial bank [3, 6, 11, 14, 15, 19, 20, 21]. For the purposes of this study, the authors opt to go with a methodology developed by I.O. Spitsyn and Ya.O. Spitsyn. This approach involves comparative analysis of one's major competitors based on the following indicators: absolute and relative market share, market share trends, relative revenue position, relative quality and cost of services provided, introduction of new services, degree of client concentration, and capital intensity [12]. Here we calculate the bank's competitiveness level by conducting an expert assessment of the significance of these indicators and reducing them to a single 5-point scale. The methodology encompasses the quantitative and qualitative characteristics of the bank's activity, which differentiates it tangibly from its counterparts due to its clearly arranged, specific system of indicators for competitiveness (e.g., the ability to determine the quality and cost of services provided).

Penza's market of financial services is the venue for the activity of quite a number of credit organizations. For the purposes of analysis, the authors will examine the operation of three commercial banks: OOO HCF Bank, AO Alfa Bank, and AO Russian Standard Bank.

The study's first stage involves an analysis of competitiveness indicators for these banks.

### **3.1 ANALYSIS OF BANK COMPETITIVENESS INDICATORS**

#### **3.1.1 Market share**

Table 1 illustrates a comparative analysis of the absolute and comparative shares of the Penza market services by the above commercial banks.

As we can see from this table, the largest absolute share is held by AO Alfa Bank (12.2%), which, relative to its competitors, services 45.3% of the market. Ranked second is OOO HCF Bank, which has an absolute share of 9.3% and services 33.2 of the market relative to its competitors.

**Table 1.**  
**The absolute and relative shares of the Penza market serviced by the banks**

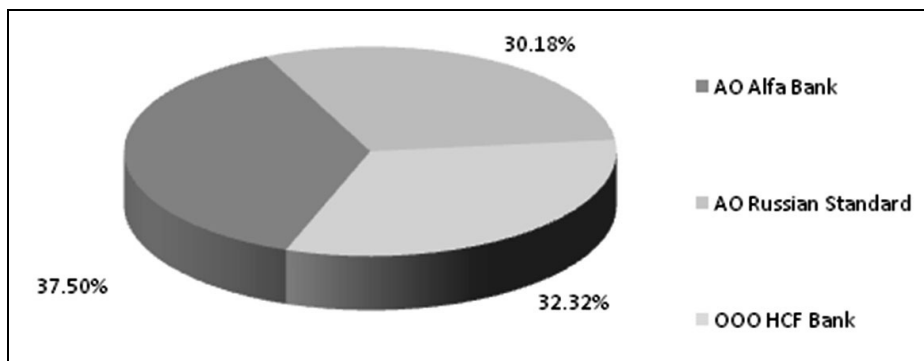
<i>Name of bank</i>	<i>Combined value of assets</i>	<i>Absolute share, %</i>	<i>Relative share, %</i>	<i>Ranking</i>
OOO HCF Bank, in thousands of rubles	325,180,069	9.3	33.2	2
AO Alfa Bank, in thousands of rubles	584,986,137	12.2	45.3	1
AO Russian Standard Bank, in thousands of rubles	135,627,481	7.4	21.5	3
Total market share held	8,458,126,220	28.9	100.00	
Capacity of Penza’s financial market, in thousands of rubles	17,330,100,000			

Ranked third is AO Russian Standard, with an absolute share of 7.4% and servicing 21.5% of the market relative to its counterparts.

### 3.1.2. Bank reputation as rated by residents

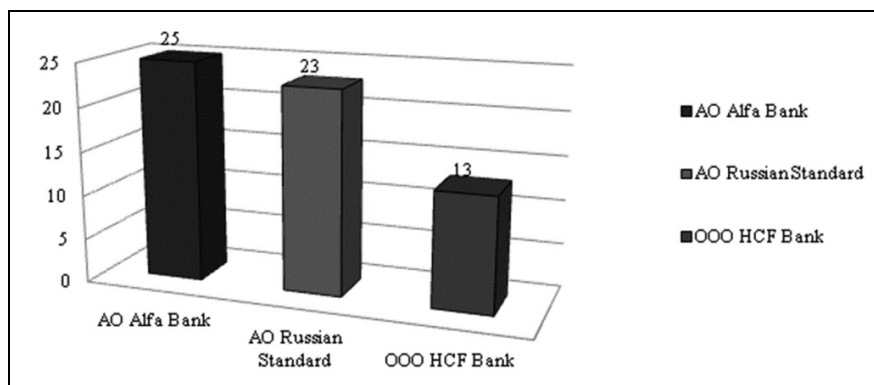
If we compare the reputation of these banks as rated by the population, AO Alfa Bank has 37.5% of all votes, followed by AO Russian Standard with 30.18% and OOO HCF Bank with 32.32% (Figure 1).

**Figure 1: The banks’ reputation as rated by the population**



### *Length of operation*

In terms of stability and length of operation, AO Alfa Bank has been in business for 25 years, AO Russian Standard for 23 years, and OOO HCF Bank for 13 years (Figure 2).

**Figure 2: The banks' stability and length of operation, in years**

### ***Staff classification***

Table 2 displays data related to the competencies of staff at the three competing banks, with staff divided into upper, middle, and lower employee echelons, and sets of requirements imposed on prospective employees, including their job-related experience and skills.

**Table 2.**  
**Classification of staff by employee echelons at the competing banks**

	<i>Alfa Bank</i>	<i>Russian Standard</i>	<i>HCF Bank</i>
Upper echelon staff competencies	This category includes executives, deputies, and chief managers. All staff members have a higher job-related education (100%).	This category includes executives, deputies, and chief managers. All staff members have a higher job-related education (100%).	This category includes executives, deputies, and chief managers. All staff members have a higher job-related education (100%).
Middle echelon staff competencies	This category includes heads of sales (HS), heads of departments, the accounting department, and senior assistants. All staff members have a higher job-related education (100%). Job-related experience is required.	This category includes heads of sales, heads of departments, the accounting department, and senior assistants. All staff members have a higher job-related education (100%). Job-related experience is required.	This category includes heads of sales, heads of departments, the accounting department, and senior assistants. 65% of the staff have a higher education and 35% have an incomplete higher job-related education. Job-related experience is required.

*Table 2 contd...*

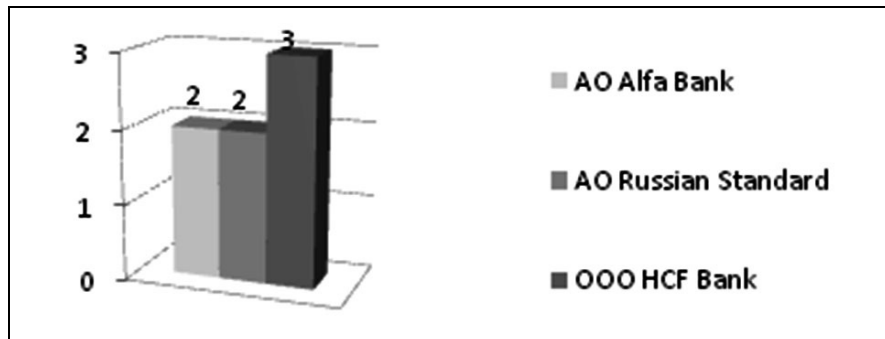
Lower echelon staff competencies	This category includes credit specialists, tellers, and some other positions. 60% of the staff have a higher education and 40% have an incomplete higher education. Job-related experience is a plus.	This category includes credit specialists, tellers, and some other positions. 70% of the staff have a higher education (70%) and 30% have an incomplete higher education. Job-related experience is not required.	This category includes credit specialists, tellers, and some other positions. 45% of the staff have a higher education, and 55% have an incomplete higher education. Job-related experience is not required.
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**Size of the financial network**

Currently, OOO HCF Bank currently has 3, AO Russian Standard Bank operates 2, and AO Alfa Bank runs, also, 2 banking offices within the city of Penza (Figure 3).

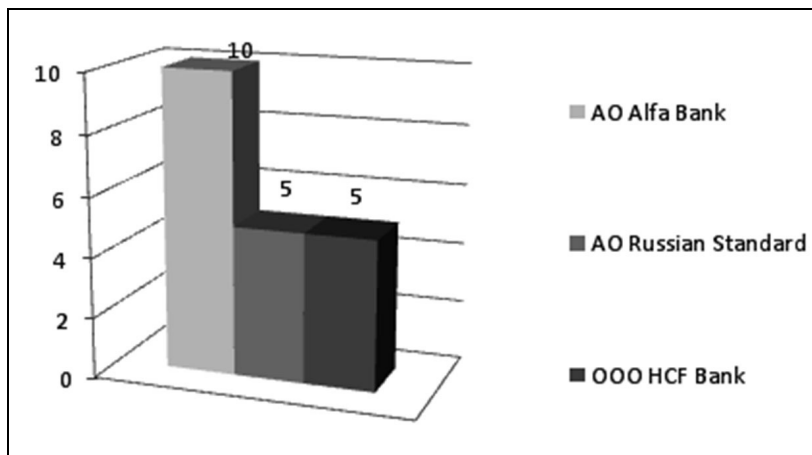
To enable a proper dialogue with a potential client, each bank performs its consulting service in stages, which impacts subsequently on whether or not a deal on a certain bank product is going to be struck. One may want to determine the quality of the bank’s after-purchase service, which can help analyze the degree to which the client is satisfied with its services (Figure 3).

**Figure 3: The current number of offices operated by each of the three banks in the city of Penza**



**Number of licenses**

By number of licenses, OOO HCF Bank has 5, AO Alfa Bank 10, and AO Russian Standard 5 licenses, which is illustrated in Figure 4.

**Figure 4. The number of licenses held by each of the banks*****Quality of after-purchase service***

**Table 3.**  
**Stages in and quality of after-purchase consulting service**

Stages in consulting service	Alfa Bank	Russian Standard	HCF Bank
	Greeting the customer	Greeting the customer	Greeting the customer
	Establishing contact with the customer	Establishing contact with the customer	Establishing contact with the customer
	Finding out what the customer needs	Finding out what the customer needs	Finding out what the customer needs
	Presenting the bank's products to the customer	Presenting the bank's products to the customer	Presenting the bank's products to the customer
	Concluding the deal	Concluding the deal	Concluding the deal
Quality of after-purchase service	The institution does not engage in telephoning its customers following a purchase.	The institution does not engage in telephoning its customers following a purchase.	Some time after the sale took place, the institution telephones its customers, using the ACSI methodology, with a view to getting customer feedback on quality of service and ease of product use.

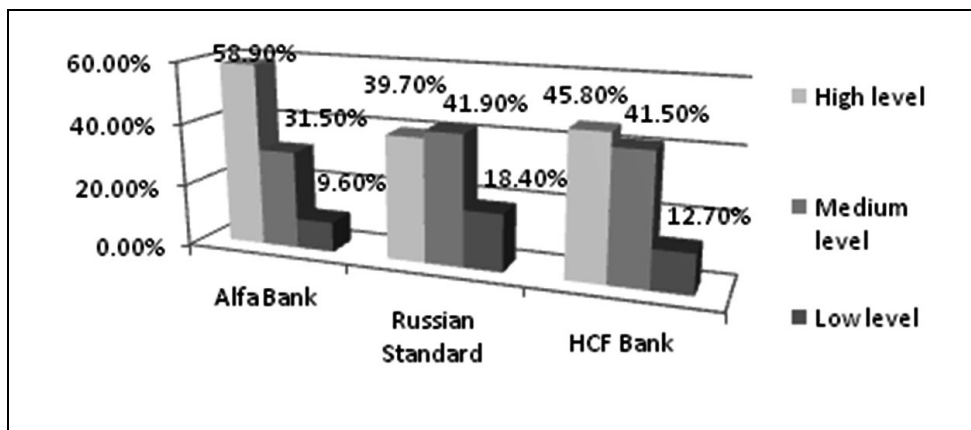


If we take a look at Table 3 (based on 2015 data), we can see that all three of the banks have the same number of stages in their consulting service. The only bank under study that engages in some sort of after-purchase customer-related activity is HCF Bank, which conducts customer calling, based on the ACSI methodology. To assess the degree of customer satisfaction, there are three questions that are put to the client. More specifically, the bank wants to know if the client finds it easy and hassle-free to use a specific product/service, if everything was/is fine with the service, and if the customer is willing to keep using the bank in the future. The institution draws up monthly reports on each customer surveyed and keeps track of after-purchase service statistics.

### Level of service

In addition, there is a survey of customers taking out a loan at the bank conducted to assess its level of service. 58.9% of respondents rank AO Alfa Bank's level of service as high, 31.5% as medium, and 9.6% as low. In the case of AO Russian Standard, it is 39.7%, 41.9%, and 18.4% respectively. The numbers for OOO HCF Bank are 45.8%, 41.5%, and 12.7% respectively (Figure 5).

Figure 5. The banks compared by level of service

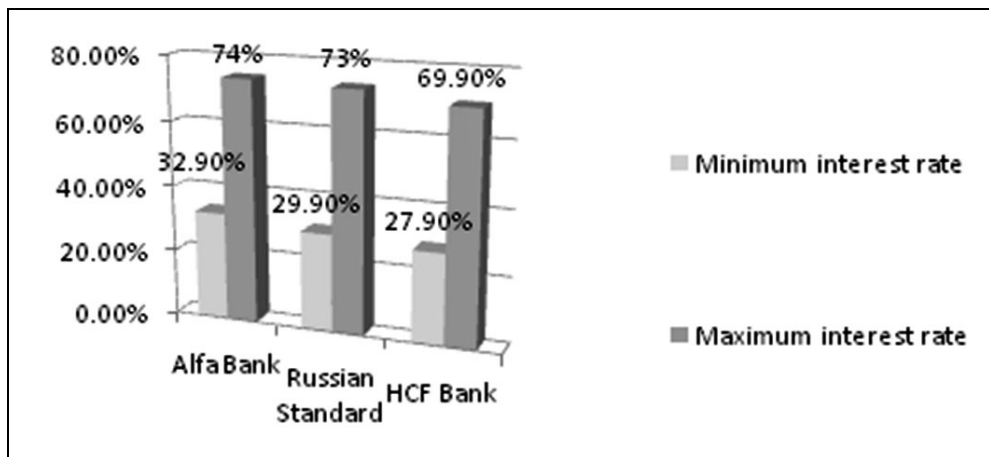


The analysis reveals that the highest level of service among the three institutions is exhibited by AO Alfa Bank, followed by OOO HCF Bank and then AO Russian Standard Bank, which is perceived to satisfy the clients the least.

### *Interest rate for cash loans*

Figure 6 displays minimum and maximum interest rates for cash loans granted at each of the three banks.

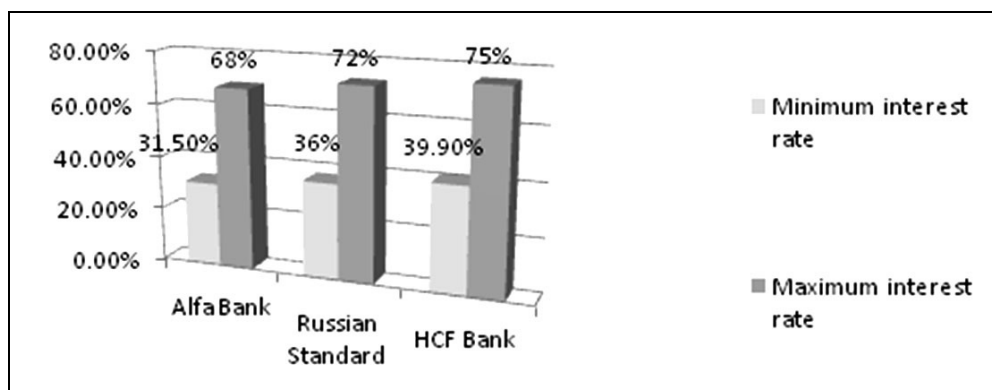
Figure 6. Minimum and maximum interest rates for cash loans at OOO HCF Bank and its competitors



### *Interest rate for consumer loans*

Figure 7 displays the banks' minimum and maximum interest rates for consumer loans.

Figure 7: Minimum and maximum rates for consumer loans at OOO HCF Bank and its competitors



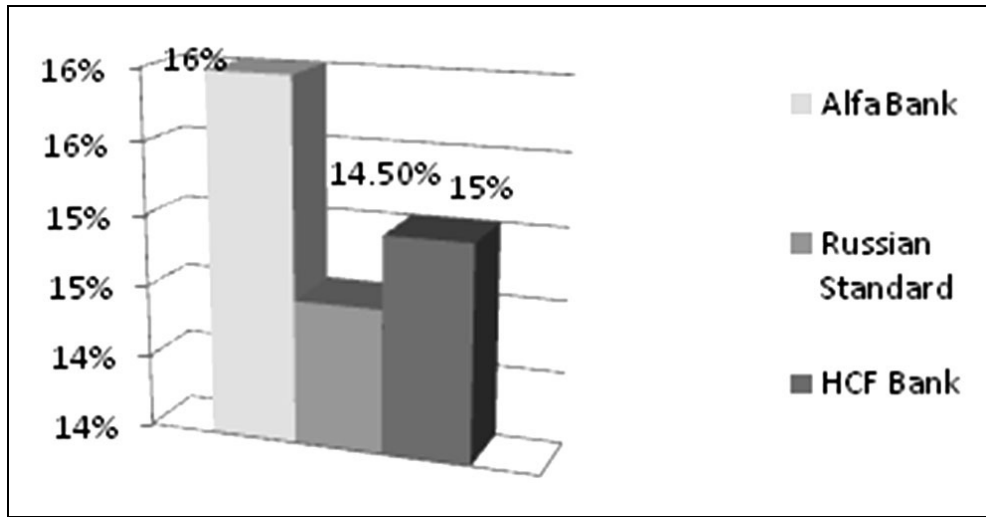
The interest rate for cash loans at OOO HCF Bank ranges from 27.9% to 69.9% per annum, and that for consumer loans ranges from 39.9% to 75%. At

AO Alfa Bank the rate for cash loans is between 32.9% and 74%, and that for consumer loans is between 31.5% and 68%. Lastly, at AO Russian Standard it is 29.9% to 73% for cash loans and 36% to 65% for consumer loans.

**Terms and conditions for deposits**

At OOO HCF Bank deposit accounts earn 16%, at AO Alfa Bank 14.5%, and at AO Russian Standard 15% per annum. Figure 8 compares these indicators in a percentage format.

Figure 8. One-year deposit rates at the three banks



**Terms and conditions, timeframes, and speed of execution in the banks' service provision**

Table 4 provides detailed information on each bank's terms and conditions for granting cash and consumer loans, speed of execution, and loan timeframes.

We can see that age-wise OOO HCF Bank grants POS loans to people of a younger age than the rest of the banks do, while Alfa Bank sets no upper age limits. The banks have pretty much similar requirements for cash loans, although there are considerable differences as far as speed of execution and loan timeframes. The fastest in getting loan requests processed is AO Russian Standard, the slowest being AO Alfa Bank, and OOO HCF Bank placing second. In terms of loan timeframes, the shortest term is offered by AO Russian Standard Bank (3 months) and the longest by OOO HCF Bank (36 months).

**Table 4.**  
**Terms and conditions, timeframes, and speed of execution in the competing banks' service provision**

	<i>Alfa Bank</i>	<i>Russian Standard</i>	<i>HCF Bank</i>
Terms and conditions for POS loans	Available to females ages 19 and up indefinitely and males ages 20 and up indefinitely. Documentation required: a Russian Federation passport (an additional document is a plus)	Available to females ages 18 to 65 and males ages 20 to 65. Documentation required: a Russian Federation passport (an additional document is a plus)	Available to females ages 18 to 69 and males ages 18 to 69. Documentation required: a Russian Federation passport (an additional document is a plus)
Terms and conditions for cash loans	Available to males and females ages 23 to 65. Documentation required: a Russian Federation passport + 1 additional document (driver's license, certificate of insurance, retirement ID card, military ID card, international passport, 2 personal income tax statements when borrowing 100,000 rubles and up).	Available to males and females ages 25 to 65. Documentation required: a Russian Federation passport + 1 additional document (driver's license, certificate of insurance, retirement ID card, military ID card, international passport, 2 personal income tax statements when borrowing 100,000 rubles and up).	Available to males and females ages 23 to 69. Documentation required: a Russian Federation passport + 1 additional document (driver's license, certificate of insurance, retirement ID card, military ID card, international passport, 2 personal income tax statements when borrowing 100,000 rubles and up).
Speed of execution	POS loan requests are processed within 20 minutes to 1 hour and a half.  Cash loan requests are processed within 25 minutes to 3 days.	POS loan requests are processed within 15 minutes to 40 minutes.  Cash loan requests are processed within 20 minutes to 3 days.	POS loan requests are processed within 20 minutes to 1 hour.  Cash loan requests are processed within 25 minutes to 3 days.
Loan timeframes	POS loans: 6 months to 24 months	POS loans: 3 months to 24 months	POS loans: 6 months to 36 months

**Product range**

As we can see from Table 5, AO Alfa Bank leads the way by offering a wider spectrum of banking services, as it provides mortgage lending services in the city of Penza, which neither of the other two banks does. AO Russian Standard provides neither refinancing nor mortgage lending services. Lastly, OOO HCF Bank offers no mortgage lending services.

Table 5 displays the banks' current product range.

**Table 5.**  
**The banks' product range**

<i>Product range</i>	<i>Alfa Bank</i>	<i>Russian Standard</i>	<i>HCF Bank</i>
	POS loans	POS loans	POS loans
	Cash loans	Cash loans	Cash loans
	Savings accounts	Savings accounts	Savings accounts
	Deposits	Deposits	Deposits
	Credit cards	Credit cards	Credit cards
	Car loans	Car loans	Car loans
	Mortgages		Refinancing
	Refinancing		

Table 6 displays the spectrum of insurance services provided by the competing banks.

**Table 6.**  
**Insurance product range**

<i>Insurance services</i>	<i>Alfa Bank</i>	<i>Russian Standard</i>	<i>HCF Bank</i>
	Life insurance	Life insurance	Aktiv
	Job loss + life insurance	Job loss + life insurance	Combo
	Goods insurance	Goods insurance	Rinko

OOO HCF Bank provides a life insurance service entitled "Aktiv" and a service that covers both a job loss and life insurance, known as "Combo". The bank offers debt restructuring, a service that makes it possible to reduce the payment amount once through the loan period. Also, the bank allows one to skip one payment in the event of the client being sick for over two weeks and in the event of the client losing their job. The "Rinko" insurance service provides insurance for goods when the client takes out a consumer loan for one year.

The banks AO Russian Standard and AO Alfa Bank offer life insurance and job loss + life insurance, as well as goods insurance. At these institutions, the job loss and life insurance service does not include the debt restructuring and payment skipping features, unlike at OOO HCF Bank. The service insures one only against an accident or job loss due to sudden closure of a company, there being no additional features.

### **Partners**

Table 7 lists the institutions' most significant banking partners in Penza.

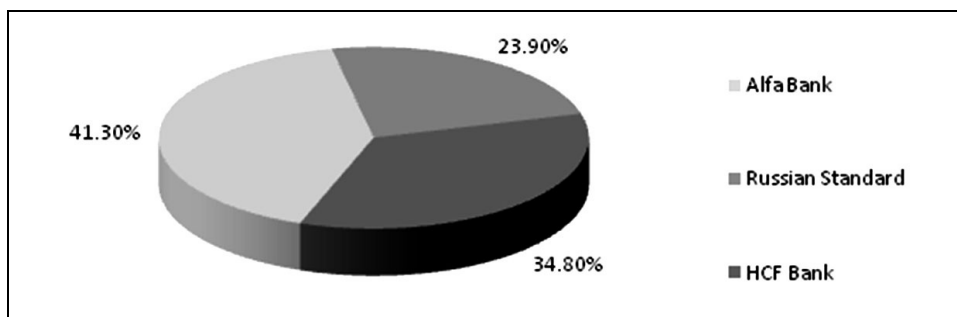
**Table 7.**  
**The banks' major partners in the city of Penza**

	<i>Alfa Bank</i>	<i>Russian Standard</i>	<i>HCF Bank</i>
Major partners in Penza	MVideo, Eldorado, DNS, Euroset, Megafon, Beeline, Nashe Zoloto, Charoit, Kristall, Malakhitovaya Shkatulka, Zoloto 585, Mnogo Mebeli, Elegant, Apriori, etc.	MVideo, Technosila, UST, DNS, Elegant, Estet, Apriori, Pantera, Malakhitovaya Shkatulka, Charoit, Zoloto 585, Zolotoy, Kristall, Adamas, Nashe Zoloto, Mnogo Mebeli, Lazurit, Ormatek, etc.	MVideo, Eldorado, Technosila, DNS, Euroset, Megafon, Nashe Zoloto, Charoit, Malakhitovaya Shkatulka, Adamas, Mnogo Mebeli, Lazurit, Ormatek, Pantera, Apriori, Bagira, Snezhnaya Koroleva, Lale Antilop, etc.

### **Client share**

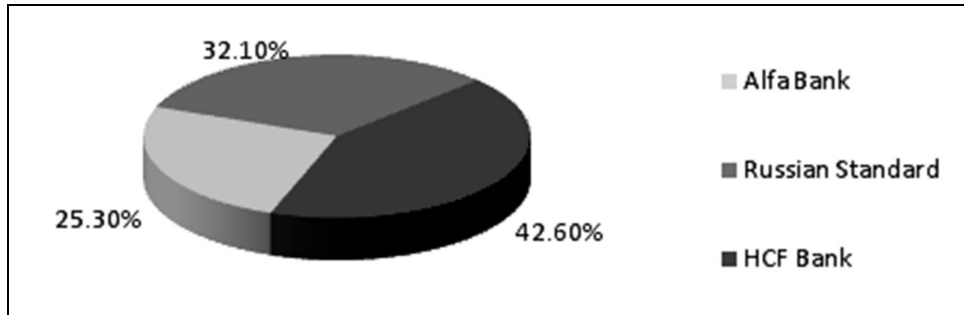
The study's findings reveal the following client shares among the banks AO Russian Standard, AO Alfa Bank, and OOO HCF Bank in the city of Penza as of year-end 2015. By share of regular natural person clients, the highest percentage is held by Alfa Bank (41.3%), followed by HCF Bank (34.8%) and then Russian Standard (23.9%) (Figure 9).

**Figure 9: The banks' shares of natural person clients**



By share of regular legal person clients (Figure 10), the way is led by HCF Bank (42.6%), followed by Alfa Bank (34.1%) and then Russian Standard (23.3%).

Figure 10. The banks' shares of regular legal person clients



By share of defaulted clients (Figure 11), the largest share is held by OOO HCF Bank, followed by AO Russian Standard and then AO Alfa Bank, which has the smallest share of defaulted clients.

Figure 11. The banks' shares of defaulted clients



### Advertising activity

Table 8 illustrates the competing banks' advertising strategy within Penza.

Table 8. Positioning and advertising strategy

Advertising strategy	Alfa Bank	Russian Standard	HCF Bank
	Banners, posters, TV commercials, Internet, radio, corporate magazine	Banners, TV commercials, radio, posters, Internet	Banners, posters, Internet

We can see from Table 8 that advertising is used and invested in the most by AO Alfa Bank, as opposed to OOO HCF Bank and AO Russian Standard, which appear not to devote too much attention to advertising and positioning themselves through it.

Table 9 indicates that all three of the banks have similar channels for the sale of banking services, while there are considerable differences in share of partners and product range, as is illustrated by Figure 11 and Tables 6 and 7, which governs their role in the economic market and their competitive position in it.

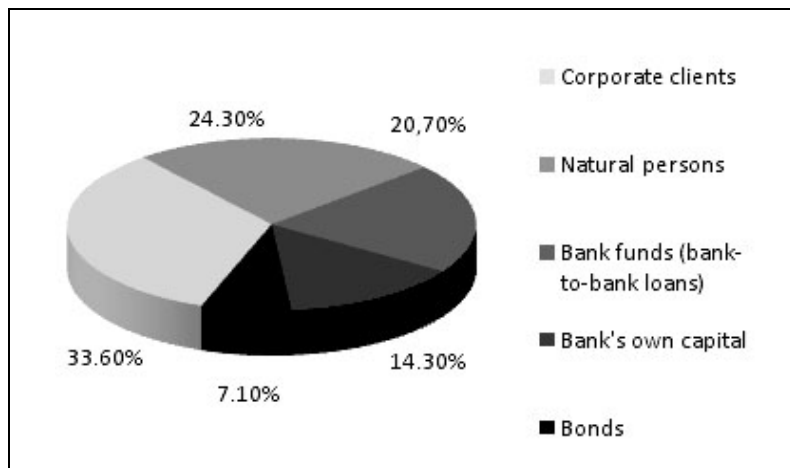
**Table 9.**  
**Banking service sales channels**

Banking service sales channels	<i>Alfa Bank</i>	<i>Russian Standard</i>	<i>HCF Bank</i>
	Natural persons, legal persons, partners among federal chains, sole proprietors, and partners within various sectors	Natural persons, legal persons, partners among federal chains, sole proprietors, and partners within various sectors	Natural persons, legal persons, partners among federal chains, sole proprietors, and partners within various sectors

### *The banks' assets*

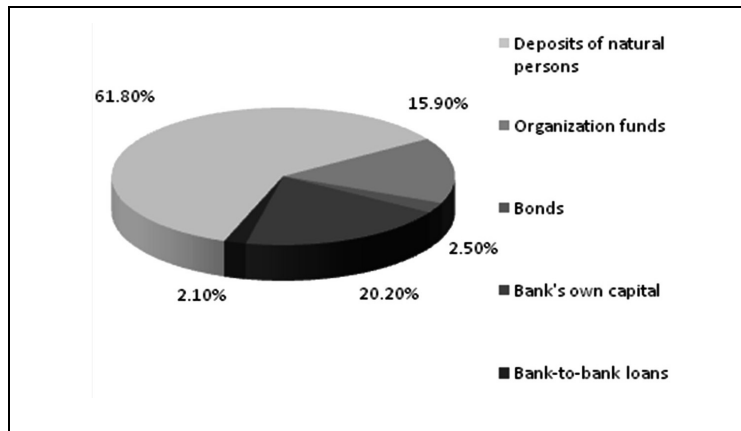
The study relies on the 2015 IFRS financial statements to examine the assets and liabilities of the three competing institutions in a hundred percent format. Each bank's liabilities are displayed in Figure 12.

**Figure 12: The liabilities of (a) Alfa Bank, (b) HCF Bank, and (c) Russian Standard**

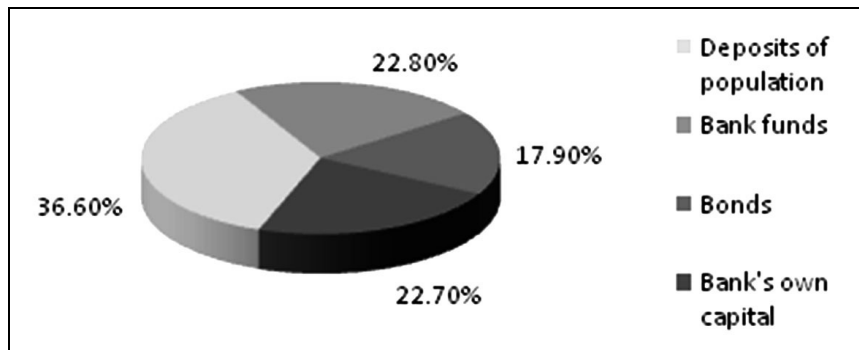


(a)





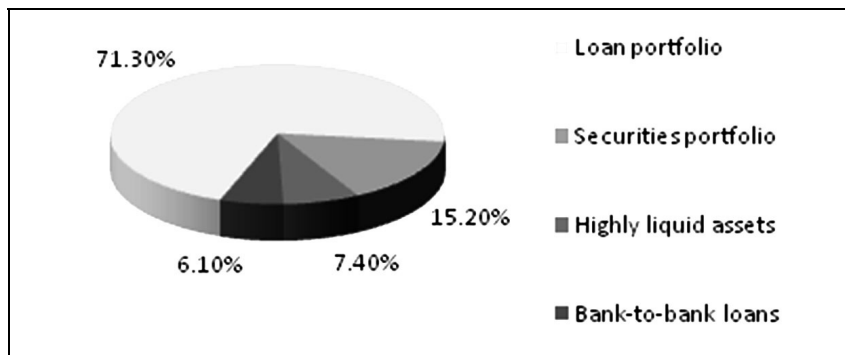
(b)



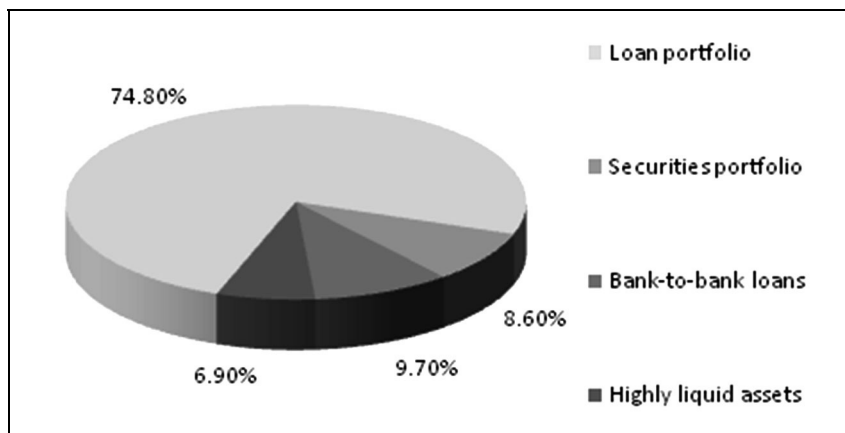
(c)

Figure 13 displays the banks' assets.

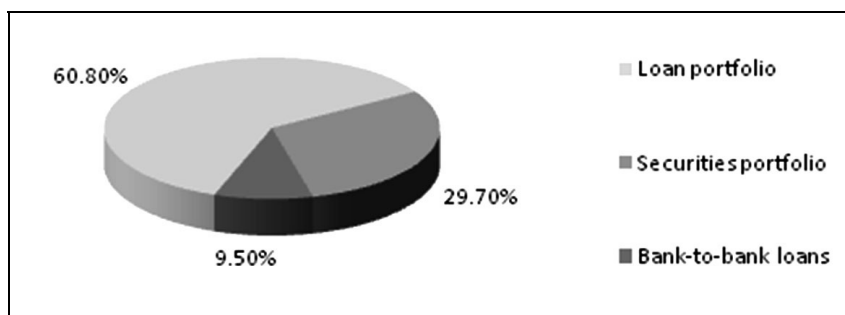
Figure 13. The assets of (a) AO Alfa Bank, (b) OOO HCF Bank, and (c) AO Russian Standard



(a)



(b)



(c)

### 3.2 Inferences based on analysis of bank competitiveness

Based on the 2015 IFRS financial statements, the widest spectrum in terms of range and amount of assets and liabilities is exhibited by AO Alfa Bank and OOO HCF Bank, with AO Russian Standard bringing up the rear here.

Based on the study’s findings, the market leader among the three banks examined is AO Alfa Bank.

OOO HCF Bank places second, followed by AO Russian Standard.

OOO HCF Bank is losing out to the leader AO Alfa Bank in such indicators as people’s rating, length of operation, staff competencies, staff career enhancement practices, number of licenses, level of service, interest rate for POS loans, deposit terms and conditions, product range, natural person client share, defaulted client share, and advertising activity.

To compare the banks' reputation in 2015, OOO HCF Bank is ranked second by the city's residents, which amounts to 32.32% of all votes, 5.18% less than the amount of votes cast for AO Alfa Bank (37.50%) and 2.14% more than that received by AO Russian Standard (30.18%).

By length of operation, OOO HCF Bank is ranked third, having been in operation for 13 years, preceded by AO Russian Standard (23 years), with AO Alfa Bank topping the list (25 years).

In terms of the competencies of staff within the upper, middle, and lower employee echelons, all three of the banks employ highly qualified specialists in their upper echelon (100% of the staff have a higher job-related education). The middle echelon is dominated by AO Alfa Bank and AO Russian Standard, where 100% of the staff have a higher job-related education, as opposed to OOO HCF Bank, where only 65% of the staff have a higher job-related education and 35% have an incomplete higher one. As far as the lower echelon, most of the staff at AO Russian Standard, 70%, have a higher education and 30% have an incomplete higher one. Ranked second here is AO Alfa Bank, where 60% of the staff have a higher education and 30% have an incomplete higher one. At OOO HCF Bank, 45% of the staff have a higher education and 55% have an incomplete higher one.

By timeframes for introductory training and whether it is paid or unpaid, the way is led by OOO HCF Bank, which devotes more attention to training for its prospective staff members and provides paid training. AO Alfa Bank and AO Russian Standard do not provide paid training and spend less time on training their prospective staff.

By career enhancement and training activities, ranked first is AO Alfa Bank, which exposes its staff to significant amounts of information and conducts all sorts of training on a regular basis. The second position here is held by AO Russian Standard, which does conduct trainings but not as often as the leader AO Alfa Bank. OOO HCF Bank provides computer-based trainings and instruction on the bank's products, which may diminish the degree to which prospective staff members pick up on new material.

By the size of the financial network of banking offices in the city of Penza, the way is also led, if by a small margin, by OOO HCF Bank, which has 3 bank offices, as opposed to AO Alfa Bank and AO Russian Standard, each having 2 bank offices in Penza.

By the number of licenses held, the way is led, by a significant margin, by AO Alfa Bank, which possesses 10 licenses, followed by AO Russian Standard and OOO HCF Bank, each having 5 licenses.

By stages in the institution's consulting service, all three of the banks employ the same 5-step approach. They are equal in this respect, while the situation is a bit different when it comes to after-purchase service. Here ranked first is OOO HCF Bank, which employs the ACSI methodology to conduct after-sale customer calling with a view to assessing the quality of service provided by its personnel. AO Alfa Bank and AO Russian Standard do not use a program of this kind, which affects their rankings against OOO HCF Bank. However, based on the results of a survey assessing the level of service provided by the banks in processing loans, AO Alfa Bank leads the way with 58.9% of respondents regarding its level of service as high. The survey assessed the level of service provided by the banks as high, medium, and low in a 100% format. AO Alfa Bank is followed by OOO HCF Bank, whose level of service is rated as high by 45.8%, which is 13.1% less than the figure for AO Alfa Bank but 6.1% more than the figure for AO Russian Standard, which has 39.7% in this respect.

In terms of interest rates for cash loans, the best deals are offered by OOO HCF Bank (27.9% to 69.9%), which puts it atop the list. Ranked second here is AO Russian Standard (29.9% to 73%), followed by AO Alfa Bank (32.9% to 74%).

As far as interest rates for consumer loans, the lowest rate is offered by AO Alfa Bank (31.5% to 68%), followed by AO Russian Standard (36% to 72%) and then OOO HCF Bank (39.9% to 75%).

By deposits, the best deal is offered by AO Alfa Bank (16% per annum), which ranks it first in this area. Placed second is OOO HCF Bank (15%), followed by AO Russian Standard (14.5%).

The best conditions for the provision of consumer services are offered by AO Alfa Bank and OOO HCF Bank, followed by AO Russian Standard.

By cash loans, the way is led by AO Alfa Bank and OOO HCF Bank, whose age-limit conditions prevail over those offered by AO Russian Standard.

By speed of service execution, ranked first is AO Russian Standard, followed by OOO HCF Bank. AO Alfa Bank places third based on its POS and cash loan lending conditions.

In terms of lending timeframes, the best terms are offered by OOO HCF Bank (6 to 36 months), followed by AO Russian Standard (3 to 24 months) and then AO Alfa Bank (6 months to 24 months).

By product range, the widest spectrum of services is provided by AO Alfa Bank, followed by OOO HCF Bank, which offers no mortgage lending compared with the leader, with AO Russian Standard bringing up the rear providing neither mortgage lending nor refinancing services.

By product range and functions of insurance services, the way is led by OOO HCF Bank, which attaches a number of additional options to its "Combo" service (life insurance + job loss insurance), like debt restructuring. AO Russian Standard and AO Alfa Bank do not offer additional options in processing this type of service.

By share of regular natural person clients in 2015, ranked first is AO Alfa Bank (41.30%), followed by OOO HCF Bank (34.80%) and then AO Russian Standard (23.90%).

By share of regular legal person clients in 2015, the way is led by OOO HCF Bank (42.60%), followed by AO Russian Standard (32.10%) and then AO Alfa Bank (25.30%).

By share of defaulted clients in 2015, topping the list is AO Alfa Bank, which has the lowest number of defaulted clients (23.70%) among the three banks, followed by AO Russian Standard (32.80%), with OOO HCF Bank (43.50%) bringing up the rear.

By advertising strategy, the way is led by AO Alfa Bank, which uses the widest spectrum of advertising channels and makes the most effort to position itself through it. The institution is followed by AO Russian Standard, which devotes medium attention to advertising. OOO HCF Bank is ranked third here, devoting the least amount of attention to advertising.

To compare the banks' assets and liabilities, the best results in terms of number and range are exhibited by AO Alfa Bank and OOO HCF Bank, with

AO Russian Standard bringing up the rear with the least amount and smallest range of assets and liabilities.

Thus, based on the authors' analysis of indicators having a considerable impact on a bank's competitiveness, the leader is AO Alfa Bank, followed by OOO HCF Bank, with AO Russian Standard ranking last on the list of three.

### **3.3 Assessing the banks' competitiveness level**

The study's second stage assesses competitiveness based on the methodology of I.O. Spitsyn and Ya.O. Spitsyn.

To this end, the authors resort to an expert survey. The expert group was comprised of executives and managers from the banks under study, their deputies, business development managers, and staff members from the Office of the Federal Antimonopoly Service.

The choice of expert group lineup was governed by a number of professional characteristics. Among these, the most significant, according to specialists in the conduct of expert surveys, are: one's senior position held over a long period of time; education level and specialty; extensive experience working in a senior position; being highly active at work, competent, and personally keen to take part in the study.

The major criteria used to compare the banks' competitive position are quality of operation and cost of banking services.

In assessing bank competitiveness, the authors propose joining these two criteria and taking a modified approach to assessing the banks' market position. This involves using a banking service positioning method which helps assess more accurately the bank's current position in the market, plus determine more accurately who its major competitors are.

To assess operation quality, the authors focus on and analyze the following indicators: market share, length of operation, size of the financial network in the city of Penza, share of assets, share of liabilities, number of licenses, staff competencies, quality of career enhancement practices, level of service, quality of after-purchase service, product range, interest rates for cash loans, interest rates for POS loans, annual deposit rates, terms and conditions for POS loans, terms and conditions for cash loans, POS product lending timeframes, additional functions of insurance services, speed of

service execution, people's rating (image), share of natural person clients, share of legal person clients, share of defaulted clients, and advertising activity.

The authors propose conducting the assessment of comparative advantages on the price of banking services provided with a breakdown into the bank's major lines of activity: lending, cash management and payment services for corporate clients, deposit-related transactions, securities-related transactions, cash collection, valuables storage services, savings-related transactions, plastic payment cards, and other banking services.

Expert assessment is used to determine the significance of each of the above parameters from the client's perspective (indicator weight  $\sum m_i = 1$ ) [1].

The findings of the authors' analysis indicate that, in the view of experts, the most impact on (a) the institution's operation quality level and (b) cost of banking services comes from the following factors, respectively:

market share, share of assets, share of liabilities, level of service, staff competencies, product range, share of natural person clients, share of legal person clients, share of defaulted clients, and advertising activity;

lending, cash management and payment services for legal persons, deposit-related transactions, securities-related transactions, savings-related transactions, and plastic payment card servicing.

Based on an assessment conducted at the first stage, experts also assessed the actual quality of each institution's operation on a 5-point scale using the following system:

- 50 points - high level;
- 40 points - higher than medium level;
- 30 points - medium level;
- 20 points - lower than medium level;
- 10 points - low level.

Table 10 illustrates the significance of and results from an expert assessment of the actual state of each indicator for the quality level of each bank's operation.

**Table 10.**  
**The banks' operation quality level**

<i>Indicator</i>	<i>Relative significance of indicators</i>	<i>Point-based scores</i>			<i>Quality level</i>		
		<i>AO Alfa Bank</i>	<i>AO Russian Standard</i>	<i>OOO HCF Bank</i>	<i>AO Alfa Bank</i>	<i>AO Russian Standard</i>	<i>OOO HCF Bank</i>
Market share	0.050	50	30	40	2.5	1.5	2
Length of operation	0.040	50	40	20	2	1.6	0.8
Size of financial network	0.036	40	40	50	1.44	1.44	1.8
Share of assets	0.049	50	30	50	2.45	1.47	2.45
Share of liabilities	0.045	50	30	50	2.25	1.35	2.25
Number of licenses	0.035	50	30	30	1.75	1.05	1.05
Staff competencies	0.042	40	50	30	1.68	2.1	1.26
Quality of career enhancement practices	0.043	50	40	30	2.15	1.72	1.29
Level of service	0.047	50	20	30	2.35	0.94	1.41
Quality of after-purchase service	0.036	30	30	50	1.08	1.08	1.8
Product range	0.045	50	20	40	2.25	0.9	1.8
Interest rate for cash loans	0.042	20	30	40	0.84	1.26	1.68
Interest rate for POS loans	0.044	50	30	20	2.2	1.32	0.88
Annual deposit rates	0.041	50	30	40	2.05	1.23	1.64
Conditions for POS loans	0.038	50	40	50	1.9	1.52	1.9
Conditions for cash loans	0.036	50	40	50	1.8	1.44	1.8
POS product lending timeframes	0.033	30	40	50	0.99	1.32	1.65
Additional functions of insurances services	0.031	30	30	50	0.93	0.93	1.55
Speed of service execution	0.040	30	50	40	1.2	2	1.6
People's rating (image)	0.043	50	30	40	2.15	1.29	1.72
Share of natural person clients	0.047	50	20	40	2.35	0.94	1.88
Share of legal person clients	0.048	30	40	50	1.44	1.92	2.4
Share of defaulted clients	0.047	50	30	20	2.35	1.41	0.94
Advertising activity	0.042	50	30	20	2.1	1.26	0.84
Total					44.2	32.99	38.39



Based on available data on rates charged by the commercial banks, the authors assess the level of cost of their banking services on a proposed scale using expert estimates. Note that, since the cost indicator is minimizeable, the scores are arranged in reverse order (Table 11).

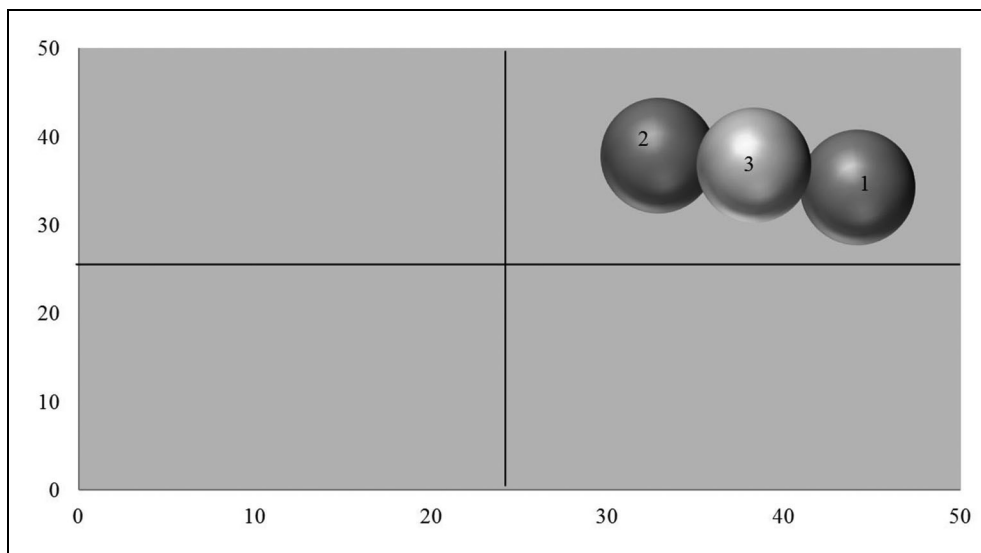
**Table 11.**  
**The banks' service cost level**

<i>Indicator</i>	<i>Relative significance of indicator</i>	<i>Point-based scores</i>			<i>Cost level</i>		
		<i>AO</i>	<i>AO</i>	<i>OOO</i>	<i>AO</i>	<i>AO</i>	<i>OOO</i>
		<i>Alfa Bank</i>	<i>Russian Standard</i>	<i>HCF Bank</i>	<i>Alfa Bank</i>	<i>Russian Standard</i>	<i>HCF Bank</i>
Lending	0.213	40	50	50	8,52	10,65	10,65
Cash management and payment services for legal persons	0.193	30	40	50	5,79	7,72	9,65
Deposit-related transactions	0.140	30	40	40	4,2	5,6	5,6
Securities-related transactions	0.128	30	30	30	3,84	3,84	3,84
Cash collection services	0.046	30	30	20	1,38	1,38	0,92
Valuables storage services	0.004	30	30	20	0,12	0,12	0,08
Savings-related transactions	0.157	30	30	20	4,71	4,71	3,14
Card servicing	0.114	30	20	20	3,42	2,28	2,28
Other services	0.006	40	40	30	0,24	0,24	0,18
Total:					32,2	36,54	36,34

### 3.4 Constructing a bank competitiveness scorecard

Based on the obtained factual indicators for each bank's operation quality level and cost of services, the authors put together a bank competitiveness scorecard which reflects the development level of all their lines of activity. Note that the x-axis reflects the values for the institutions' operation quality level and the y-axis for the cost of their banking services, which gives us four quadrants: low price and low quality, low price and high quality, high price and low quality, and high price and high quality (Figure 14).

**Figure 14. A bank competitiveness scorecard based on the methodology of I.O. Spitsyn and Ya.O. Spitsyn**



	<i>1 - Alfa Bank</i>	<i>2 - Russian Standard</i>	<i>3 - HCF Bank</i>
Cost	32.2	36.5	36.3
Quality	44.2	32.9	38.3

Constructing a bank competitiveness scorecard based on quality and price helps determine with greater accuracy the position of the banks under study relative to each other and work out a competitive strategy with a view to boosting the quality level of their competitiveness.

Thus, the institution with the highest degree of competitiveness in Penza's financial market is AO Alfa Bank, with a quality level of 44.2 and a cost level of 32.2. It stands to reason that an operation quality-to-service cost ratio like that is ideal for banking market clients, while attaining the optimum balance between quality and price at the bank implies effective work on realizing its banking services. In any case, with operation quality like that, the existing use value of its banking services allows it to go ahead and raise the prices for them.

OOO HCF Bank can also be regarded as competitive in the market of banking services. Heedful of the quality of its operation, the bank sets corresponding rates for banking services, its operation quality index being 38.39 and service cost index 36.3.

The AO Russian Standard bank has the lowest quality level for banking services among the banks under study. The institution's service cost index is 36.5, which results in a low value for operation quality competitiveness, 32.9. Consequently, we cannot consider the bank's policy in respect of the examined lines of activity as effective.

#### **4. CONCLUSION.**

Based on the study's findings, the authors come up with recommendations on dealing with the banks' strategic development and working out a specific competitive strategy for each of the three banks.

The authors suggest that AO Alfa Bank, the study's "Number One", make positive decisions in terms of investing additionally in the expansion of market segments it services, increasing its product range, and raising prices for its banking services.

In respect of OOO HCF Bank, which is in the study's "neutral sector", the following strategy is recommended: enhancing the institution's most vulnerable characteristics, diversifying its product and service range, getting into new market sectors, reducing its prime costs while boosting the quality of its services, promoting itself through advertising, and positioning its most advantageous characteristics in the financial market.

The AO Russian Standard bank, which finds itself in a losing situation, may want to consider a limited expansion of its activity, or "crop harvesting", which implies searching for ways to expand the bank's activity not involving high risk, while it makes sense to minimize its investments and rationalize all of its production/sales operations.

The authors' analysis of the activity of the above commercial banks reveals specific characteristics of their development and their potential for waging competition and determines their competitiveness level, which reflects the effectiveness of and top priorities in their internal development under existing equal conditions within the financial environment.

#### **5. GRATITUDE**

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