

The Trends of Behavior of the Retail Consumer on the Financial Market

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Abstract: The article devoted to trends and external challenges in the behavior of retail consumers in the financial market. The main focus are the technological trends in the banking services market. The subject of this research is the economic relations arising in the process of behavior of retail consumers in the financial market in the framework of obtaining financial services. In recent years, the development of the financial services sector has the largest increase in the structure of gross domestic product. In addition, there is a high level of competition in the sector, as evidenced by empirical data presented by the Analytical Center for the Government of the Russian Federation and other research agencies. Researchers unanimously note the presence of inorganic growth in the financial services sector, that is, the sector is expanding more intensively than the needs for its performance are growing, which intensifies the struggle for consumers.

1 INTRODUCTION

In a dynamic economic environment, financial services organizations are forced to look for ways and tools of non-price competition, focusing on service quality management.


However, the empirical data of analytical agencies and reports of the Central Bank of the Russian Federation indicate the presence, on the one hand, of dissatisfaction with consumer requests regarding the service they receive, and on the other hand, an increase in exactingness in relation to the service and quality of financial services. This consumer trend is mediated by distrust of financial institutions, changes in the structure of information sources that consumers use when making a decision to use the services of financial institutions. Dissatisfaction and mistrust, in turn, are prerequisites for the manifestation of opportunistic behavior of consumers, through which they seek to bridge the gap between their own expectations and the actually received service. The comparability of consumer


behavior in virtual reality and real life has been considered and studied by many foreign scientists from the standpoint of the quality of services (Maltseva, 2019; Parasuraman, 1994).


The requirements of the regulator, retail consumers and the practices implemented to improve the quality of services form the main trends in the development of the financial services sector.


2 RESEARCH METHODOLOGY

Let us consider the conditions in which financial service organizations are forced to solve problems of a new type of communication with consumers. We emphasize that, in our opinion, the financial services sector, in comparison with other industries, turned out to be most ready for the external challenges of 2020, since the digitalization processes in it were launched en masse much earlier than in many others. For example, in the GCI (Global Competitiveness Index) rating for the financial market development factor,

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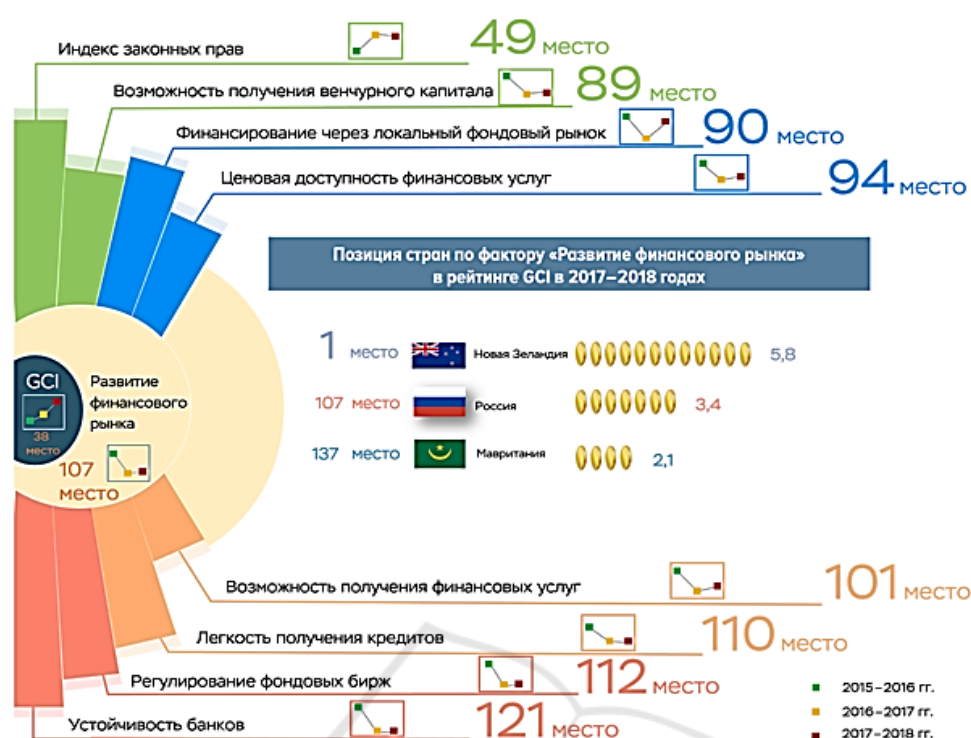


Figure 1: Elements of the factor "Development of the financial market" GCI Russia.

Russia occupies 107th from of 137 places. Sectoring by elements is shown in Figure 1.

Figure 1 shows that Russia occupies significantly lagging positions in almost all elements of the Financial Market Development factor.

In the "Guidelines for the Development of the Financial Market of the Russian Federation for the Period of 2019-2021", The Central Bank notes the preservation of the priority goals:

1. Improving the level and quality of life for citizens of the Russian Federation through the use of financial market instruments.

2. Assistance in economic growth by providing competitive access to the subjects of the Russian economy to debt and equity financing, risk insurance instruments.

3. Creating conditions for the growth of the financial industry "(Osnovnye napravleniya razvitiya finansovogo rynka, 2019-2021).

At the same time, the number of development directions contributing to the achievement of these goals has been reduced to four:

- formation of a trusting environment. Trust is a social capital that can reduce transaction costs. The Bank of Russia not only pays attention to protecting the rights of consumers and investors, but also to the development of a corporate culture based on the priority of

consumer interests, information transparency and accessibility. In addition, the Bank of Russia "takes an active position in protecting consumers from possible abuse of behavioral irrationalities by sellers of financial services";

- development of competition in the financial market. In order to maintain fair competition, the Bank of Russia helps to eliminate regulatory and behavioral barriers, which increases the efficiency of the Russian financial market and ensures its international competitiveness;
- financial stability support - ensuring uninterrupted and efficient functioning of the financial market, its resistance to internal and external shocks;
- providing the availability of financial services and capital - ensuring the physical, mental, price and assortment of financial services. The Bank of Russia seeks to improve the speed and quality of access to financial services for all groups of citizens, including those living in remote areas or having restrictions on access to financial services, including increasing the speed of access through the Internet (Osnovnye napravleniya razvitiya finansovogo rynka, 2019- 2021).

It is interesting that, despite the priority of the direction of increasing the financial literacy of the population in the previous program and the measures taken, the indicator of financial knowledge in 2016 was 1.97 (with the best possible value of the indicator 6.00, the target value is 2.50), and the results of a population survey conducted in 2018 - 1.72. However, the "The share of types of products and services available to individual customers through remote channels" indicator, which is part of the "Increasing the availability of financial services" direction, has significantly improved. The share of types of such products and services in 2016 was only 18%, and as of July 2018 - 68%, but the target of 85% has not yet been achieved.

Thus, the Department for Strategic Development of the Financial Market of the Central Bank of the Russian Federation noted the following features of the state of the Russian financial market (Byulleten' o tekushchih tendetsiyah rossijskoj ekonomiki, 2019):

- poor development of the capital market; decrease in the inflow of foreign investment;
- low activity of the population on the financial market;
- dishonesty of sellers of financial services, which generates a response from consumers (interestingly, 26% of citizens consider loan default acceptable; 38% are convinced that a delay in loan payments is not terrible);
- the incompleteness of the process of cleansing the Russian financial market from weak and unscrupulous players;
- insufficient regulation of some areas, such as preventing conflicts of interest, personal responsibility of management and owners of financial institutions;
- the leading role of digital technologies for the provision of services for the development of the financial market, stimulating innovation in the financial sector;
- customer-centricity as the main factor in the success of companies that determines the further development of technologies;
- increasing the availability of financial services, including by expanding the product line for the consumer;
- technological innovations lead to an increase in the efficiency of the financial market, allowing easier entry into it, and also shape consumer preferences;
- appearance of a significant number of financial and technological companies that banks and other financial institutions prefer to cooperate;

- participation in the competitive race of large digital giants, which could radically change the financial market in the coming years;
- One-click service gradually becoming a new consumer standard, and platform solutions adopted to this standard can lead to the dominance of distributors over primary manufacturers.

At the same time, the regulator identifies the following challenges and opportunities of the Russian financial market:

- remote identification as a solution to the question of physical accessibility of financial services, the need to pay special attention to the protection of personal data;

- cyber threats, both local and global;
- the usage of artificial intelligence and machine learning not only provides new opportunities for managing and maintaining a competitive advantage, including through new mechanisms for attracting and retaining customers in the financial market, but also poses a threat to financial stability due to issues related to data interpretation;
- relatively low rates of changes in the regulatory environment in relation to the rate of implementation of financial innovations.

At the same time, the trends of consumer behavior in the financial services market include a gradual increase of trust in financial institutions. As we noted earlier, consumers are moving from the stage of distrust of financial market players to a neutral position (Maltseva, 2019). The Central Bank of the Russian Federation notes the growth of the composite index in the period from May 2018 to May 2019 from 51.1 to 52.9 points out of 100 possible. At the same time, the greatest contribution to the growth of this indicator was made by the factor of satisfaction with remote channels for providing loans, insurance services, and non-bank payment infrastructure. An increase of the trust for non-bank financial institutions, rising of satisfaction with bank payment systems and the work of banks, according to the materials of the Central Bank of the Russian Federation, also had a significant impact on the growth of the composite index (Uroven' udovletvorennosti rossiyan finansovymi organizatsiyami, 2021).

At the same time, despite the increasing popularity of remote service channels, the level of customer satisfaction with them, according to the "Survey of the state of financial inclusion in 2018" (Obzor sostoyaniya finansovoj dostupnosti v RF, 2018), is decreasing, which may be caused, among

other things, by the growing expectations of clients of financial institutions. Thus, a smaller number of respondents gave the highest marks for all parameters of accessibility.

3 RESEARCH RESULTS

Technological trends in the banking services market shall be described in more detail. These trends are part of the totality of financial services and are first in the financial market in terms of innovation and development. The trends identified in this area on the banking market, in our opinion, can be extrapolated to the entire financial services sector.

Thus, D.A. Kurmanova notes that there is a gap in terms of receiving returns from the introduction of innovative technologies directly in the retail banking market between the Russian and European markets. So, the author identifies five main modern trends in the development of banking innovations (Kurmanova D., 2019):

- development of fin-tech companies;
- robotization of technologies;
- gamification;
- expanding the use of Big Data technologies (big data);
- increasing the role of risk management in the conduct of innovative activities.

At the same time, Big Data technologies, robotic technologies and gamification are recognized as the most successful. The author proposes we pay attention to the deviation in the effectiveness of the development of these technologies in Russia and Europe (Figure 2).

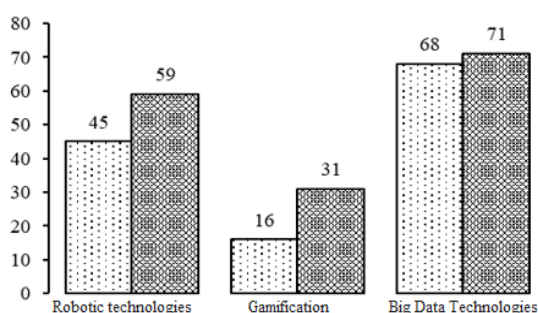


Figure 2: The level of success of innovative banking products and services in Russia and Europe.

Thus, the largest gap is noted in terms of the use of gamification tools. Based on world experience, D.A. Kurmanova proposes to use game components to announce a chain of innovative banking products.

However, taking into account the level of financial literacy of the population, as we indicated in the first chapter of the dissertation research, we propose to gamify the process of not only the presentation of innovative products and services, but also traditional ones, which will simultaneously increase the level of financial literacy of the population and its involvement in the process of providing services, and therefore, the competitiveness of Russian financial institutions.

International consulting company Accenture presented 10 trends that should determine the development of the banking sector in 2020 (Trendy bankovskoj cifrovizacii, 2020):

- in addition to building more efficient and lower-cost business models, digital leaders in the sector need to find new ways to make money in a low-interest environment. The perfection of customer experience by personalizing interaction, they will have to win market share from less developed digital players;
- despite the fact that the number of accounts in neobanks is growing, their clients form these accounts on a leftover basis, keeping the main accounts in other banks. The prospects for further development of the sector are not yet clear, what the models will be able to provide a decent level of profitability: lighter, low-cost versions of banks or alternative data-centric banking services "by subscription";
- rising the relevance of capital mergers for middle size organizations due to a lack of leverage of scale or investment in disruptive innovation;
- rising the importance of artificial intelligence technologies and analytics systems in the work of personal managers while maintaining the importance of interpersonal skills;
- development of Open Banking technologies makes the questions of rights to disseminate information debatable, according to the new legal regulations that are spreading around the world, customers will be able to control how their personal information is disseminated. Banks will have to show that they can be trusted, and also be able to create additional value using this information to take care of the financial health of their clients;
- it is not clear will the era of value-based banking begin, will banks really embody socially responsible actions or will stop at the level of statements;

- banks are beginning to abandon commission payments in favor of building trusting relationships with their customers, while most of the world's banks are using artificial intelligence technologies to level the number of "bad" decisions of their customers;
- the need to monitor the quality of loan portfolios increases;
- appearance of a new type of money: tokenized currencies issued by the central banks of countries for settlements between partners;
- abandoning the term challenger in the bank's strategic documents and turning to terminology that more clearly describes a specific business model.

Summing up the above material, let us emphasize the ever-growing role of customer-centricity, appearance of new consumer standards, such as one-click service, an increase in the level and number of innovations, appearance of numerous financial and technological companies that financial institutions seek to cooperate. But at the same time, there is a threat associated with the entry of large digital giants into the financial market, which will be able to radically change it, including due to the fact that they have experience in building relationships with customers in a digital environment.

At the same time, there is a significant gap between Russian and European organizations. In terms of the return on innovation.

We are probably on the verge of a new era of production and consumption of financial services - an era based on values and at the same time on the search for ways to earn money in an environment of non-price competition and a low interest rate market, including through improving customer experience, personalizing interaction, refusal of commission payments in favor of building relationships with customers.

From the above follows that the role and importance of clients, their trust and desire to build relationships with financial institutions is gradually increasing. Even market leaders need to think about how to maintain the trust and loyalty of their customers.

4 DISCUSSION OF RESULTS

To overcome the above challenges, it is necessary to turn to the trends in consumer behavior of retail consumers on the financial market. In our opinion, the Central Bank provides a fairly complete characteristic of these trends:

- predictable irrationality of consumer behavior caused by development of the behavioral direction of the economic field of knowledge (behavioral reactions that previously seemed non-forecast can now be predicted);
- the appearance and strengthening of the role of generations of people who spend most of their time online;
- increased requirements for the service due to the development of customer-oriented approaches to business;
- an increase in the value of time due to the increasing role of the Internet in people's lives (the need to travel and stand in line is perceived by customers as extremely negative);
- requirements for transparency of pricing, simplicity of services and their one-click availability;
- "Basic" options, according to modern consumers, already shall be included in the package, they do not create additional value for customers;
- the generation of millennials does not differ in their requirements for financial services, but in a fundamentally different way perceives their own free resources, prefers to invest them in impressions, and does not always focus on the future in these decisions;
- development of sharing models, that's probably lead to changes in the structure of accumulations and savings.

At the same time, according to the research National Agency for Financial Studies (NAFI), digital technologies are hot among consumers - 67% of clients use them to receive financial services. At the same time, the transition to digital technologies in the financial sector prevent: in 57% of cases by lack of need, self-exclusion, 26% by lack of the necessary device, 24% by psychological barriers and attitudes.

According to the NAFI research, 40% of clients are convinced that financial literacy should be taught directly by the financial institution whose clients they are. Thus, any events in this direction, proceeding from the organization, will increase the reputation of the organization, satisfying the needs of customers.

At the same time, the researchers note that there is a noticeable positive trend towards an increase in the level of financial literacy among consumers using digital technologies.

According to NAFI researchers, the following prerequisites may become drivers of the use of digital technologies in the financial sector (Analiticheskij centr NAFI, 2019):

- help from friends and relatives (22% of respondents' positive marks);
- - purchase of a modern device (18%);
- check list with step-by-step instructions (16%);
- training (11%);
- start-up bonus (7%).

At the same time, an increase in the relevance and demand for social networks (almost all modern consumers have accounts in social networks, many cannot imagine their life without them), in our opinion, gives another opportunity to attract consumers to use digital technologies - creation of a specialized social network based on a mobile application of a financial institution, where users could easily and quickly exchange customer experience about various types of services, feel their involvement, and become a group around a single brand of a financial institution.

5 CONCLUSION

Resuming the material above, emphasize that, despite the desire of financial institutions to move interaction with customers to a digital environment, about a third of customers are not ready for this, remaining unsatisfied by digital platforms. Events to improve financial literacy, initiated by the Central Bank of the Russian Federation, remain with poor demand cause consumers are convinced that the financial institution which they use should improve their financial literacy. At the same time, the cases are happened when an organization, conducting such events, does not take into account the requirements and requests of its customers for this type of event.

In efforts to present innovative products and services through advanced technologies, practitioners find themselves in a difficult situation, since the level of financial literacy allows only a relatively small circle of clients to use such services. The generation of millennials who are eager to invest their free resources in impressions becomes today the main solvent generation of consumers, while financial institutions, judging by the development trends, are not actively using this aspiration.

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