

**DIAGNOSTICS AND SUBSTANTIATION OF COMPETITIVE
ADVANTAGES OF COMMERCIAL BANK****Kushchik A.P.***Zaporizhzhia National University
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Key words:

economic diagnostics, competitive advantages, competitiveness, integral method, CRM-system.

The article deals with topical issues of diagnostics and substantiation of competitive advantages in commercial banks. It is stated that the priority for banks in the context of achieving a high level of competitiveness in the banking services market is to provide competitive advantages over direct and potential competitors based on the introduction of innovative banking products, improving customer service, optimizing the cost of attracting and placing banking resources. Diagnostics of competitive advantages, weak and strong parts of the evaluated bank in the struggle against competitors by the integral method is carried out in this work. The application of this method is based on determining the location of competitors for each object of evaluation by ranking the achieved values of indices. It is emphasized that the obtained data, in addition to finding competitive advantages, allow us to form the main directions of further analysis and substantiation of management decisions. The competitive advantages of the bank are the result of effective banking management, its management's ability to respond promptly to changing market needs and promptly adapt to them. It is noted that in order to establish and manage customer relationships, it is advisable to introduce a Customer Relationship Management (CRM) system, which, according to basic research, improves the quality of service by up to 40%. It has been found that the CRM system of managing the sales of banking products is more effective due to the ability to monitor the implementation of the product sales plan and to develop the customer base through cross-sales, taking into account the client's contact history with the bank. The development and refinement of such new customer database technologies causes significant changes in the classic concept of organization and operation of information systems.

**ДІАГНОСТИКА Й ОБҐРУНТУВАННЯ КОНКУРЕНТНИХ ПЕРЕВАГ
КОМЕРЦІЙНОГО БАНКУ****Кущик А. П.***Запорізький національний університет
Україна, 69600, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**

економічна діагностика, конкурентні переваги, конкурентоспроможність, інтегральний метод, CRM-система.

Розглянуто актуальні питання діагностики й обґрунтування конкурентних переваг у комерційних банках. Зазначено, що першочерговим завданням для банків у контексті досягнення високого рівня конкурентоспроможності на ринку банківських послуг є забезпечення конкурентних переваг порівняно з прямими та потенційними конкурентами на підставі запровадження інноваційних банківських продуктів, підвищення якості обслуговування клієнтів, оптимізації вартості залучення та розміщення банківських ресурсів тощо. У роботі проведено діагностику конкурентних переваг, сильних та слабких сторін оцінюваного банку в боротьбі з конкурентами інтегральним методом. Застосування цього методу ґрунтується на визначенні місця конкурентів за кожним об'єктом оцінювання шляхом ранжування досягнутих значень показників. Наголошено, що отримані дані, окрім констатації конкурентних переваг, дозволяють сформувати основні напрями подальшого аналізу та обґрунтування управлінських рішень. Конкурентні переваги банку є результатом ефективного банківського менеджменту, здатності його керівництва до оперативного реагування на зміну потреб ринку та оперативної адаптації до них. Зазначено, що для налагодження та управління взаємовідносинами з клієнтами доцільним є впровадження системи Customer Relationship Management (CRM), яка за результатами фундаментальних досліджень підвищує якість обслуговування до 40%. Установлено, що за допомогою CRM-системи управління процесом продажів банківських продуктів є більш ефективним завдяки можливості контролювати виконання плану продажів продуктів і розвивати клієнтську базу шляхом перехресних продажів, ураховуючи історію контактів клієнта з

банком. Розвиток та удосконалення на основі таких нових технологій баз даних клієнтів викликає істотні зміни в класичній концепції організації й експлуатації інформаційних систем.

Statement of the problem

In the conditions of market changes characteristic of the current stage of development of the domestic economy, improving the competitiveness of economic entities is the most important task to which the efforts of managers are directed.

Competitive advantages are formed by the emergence and development of competition: the more inclusive the competition becomes, the more significant competitive advantage as for commercial success. There is currently no single approach for diagnosing banks' competitive advantage. The problem of competitiveness assessment is due to the fact that the Ukrainian banks have almost no systematic and complex nature of determining the state of competitiveness and a set of indicators of its assessment.

Today, banking institutions have never before felt an urgent need to refine their client policies and actualize marketing strategies that ensure what they achieve the intended level of market positioning through their constant adaptation to changing competitive environments. In such circumstances, it is relevant to study methodological approaches to assess the level of competitive advantage of banks as a component of their development.

Analysis of recent studies and publications

Problems of competitiveness and diagnostics of competitive advantages of commercial banks have been actively considered by many foreign and domestic scientists. The general approaches to determining competitive advantages are outlined in the works of Yu.B. Ivanova, P. A. Orlova, A.V. Voychakova, N. A. Zadorozhny, R. P. Kamyshnikov, R. M. Bogachova, S. P. Gavrilyuka, L.V. Balabanova.

The issue of the competitive position of banks and banking products has been studied to a smaller extent. In the domestic literature there are attempts to determine the essence of the competitiveness of the bank and banking products in the works of I. A. Lutogo, O. O Solodkoy [1], Yu. O. Zaruby, I. O Fomin [2], L.V. Fedulova [3], S.A. Kozmenko. Directly analysis of the competitive position of banking services devoted to the work of IB Andreev, which have important applied value, but do not sufficiently reveal the theory of the question. The theoretical aspects of competitive position are most deeply explored in the works of Yu. I. Korobova.

One of the important issues is the development of theoretical and methodological provisions for the diagnosis of competitive advantages. The examination of economic diagnostics was performed by the scientists I. O Gutorova [4], V. L. Dykan, R. I. Zhovnach [5], O. E. Kuzmin [6], D. O. Rybnitsky, V.V. Yatsura,

O.O. Adler [7]. A number of works by domestic and foreign scientists are devoted to the development of theoretical and methodological provisions for ensuring the competitiveness of market players, among them authors such as T. M. Chechetova-Terashvili, Y. Garachuk, V. Gorbатов [8].

Despite the importance of existing scientific developments, it is worth noting that a considerable number of problems in the study of this topic remains unresolved, so it is advisable to develop a methodology for comprehensive assessment of the competitive advantages of commercial banks.

Objectives of the article

The purpose of the article is to study the problems of diagnostics of competitive advantages of commercial banks and substantiate the feasibility of introducing a comprehensive integrated assessment of their competitiveness.

According to this goal, a set of main tasks aimed at its achievement is determined: to identify factors that influence the competitive advantages of the bank and methods of their diagnosis; to propose the method most suitable for analysis; determine the competitive advantages of the research object; to develop ways to improve the commercial bank's competitive advantage.

The main material of the research

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According to this goal, a set of main tasks aimed at its achievement is determined: to identify factors that influence the competitive advantages of the bank and methods of their diagnosis; to propose the method most suitable for analysis; determine the competitive advantages of the research object; to develop ways to improve the commercial bank's competitive advantage.

Most authors consider competitive advantage as the level of effective use of available resources of the firm and divide them into external (based on distinctive qualities of the goods that create value for the buyer) and internal (based on the advantage of the company in terms of production costs, which are less than competitors). There are two groups of factors that provide a business entity with competitive advantage—activity and resource benefits. [9, p. 153]. The components of benefits in resources and activities are indicated in the following scheme (Fig. 1).

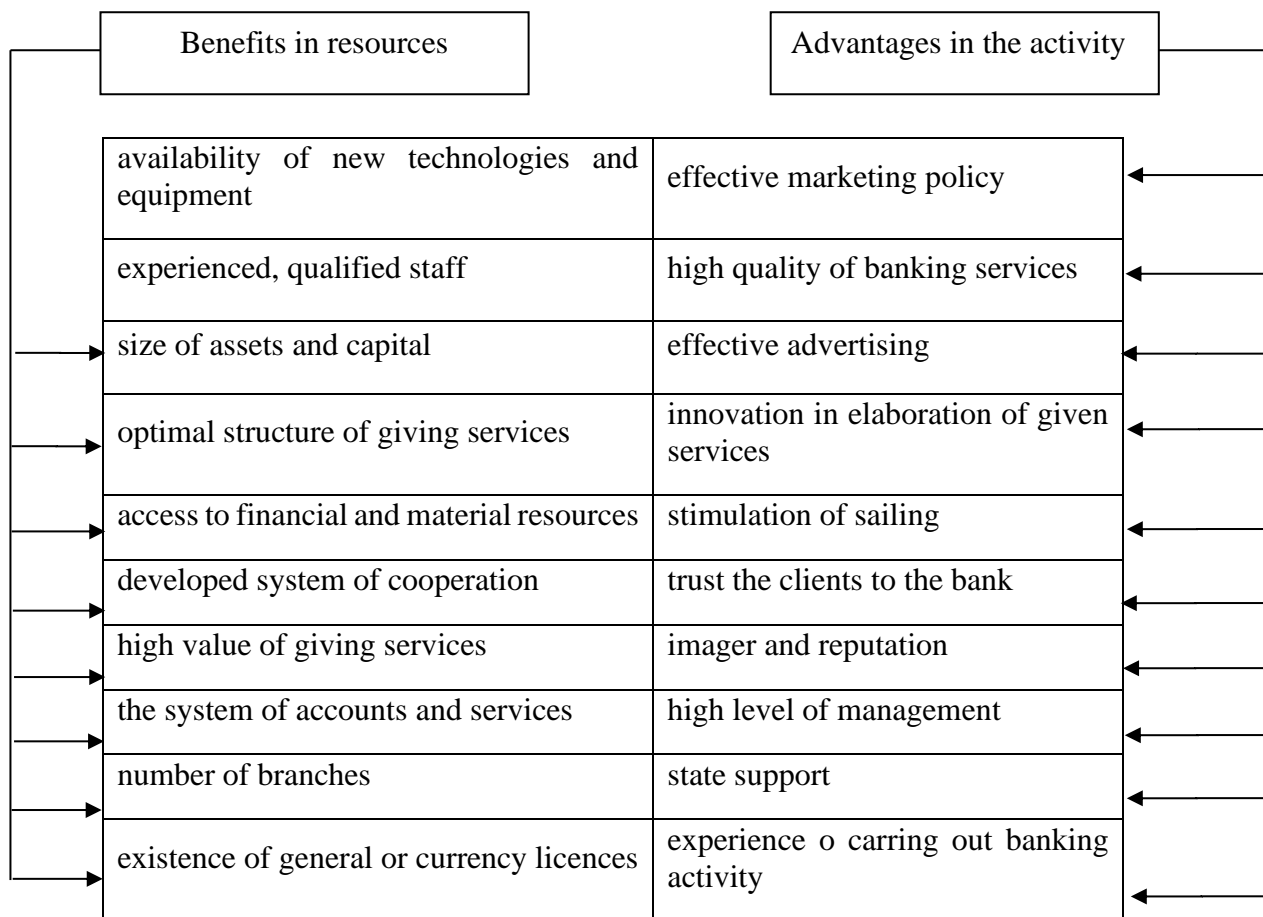


Fig. 1. Components of benefits in resources and activities

Economic diagnostics uses different methods, techniques and methods of assessment. SWOT analysis has become widely used to identify and structure the strong and weak sides of a bank; as well as peer review methods (Delphi,

round table, interview, peer review, brainstorming, scripting); method of comparisons (or analogies), benchmarking, economic and mathematical methods, etc. (Table 1).

Table 1 – Methods for assessing competitive advantage

Method name	Characteristic of the method
Method of assessing the competitiveness of products	The level of competitiveness is estimated on the basis of the consumer value of the products produced on the basis of the correlation of two characteristics: quality and price. The most competitive product is considered to have the optimal ratio of these characteristics
A method of analyzing the comparative advantages of competitors	Winning sustainable competitive positions is ensured by the comparative advantages that make it possible to reduce production costs compared to competitors. Competitiveness is assessed by comparing not only production costs but also volumes and profit margins, sales volumes and market shares.
Method based on the theory of effective competition	Comparison of status indicators with competitors and industry averages is used. The most competitive are those where the best organized work of all units and services. Performance appraisal depends on resource utilization.
Integral method	It includes two elements: an indicator that reflects the degree of satisfaction of the consumer's needs and an indicator of production efficiency (in its quality, used return on assets, return on equity or profitability of production). The Bank's integral indicators are compared with those for competitors.
Method of self-evaluation of activity	The method involves expert assessment of performance against predefined criteria. The sum of the estimates obtained for each criterion is multiplied by the significance of the criterion and summed up, summarizing the overall evaluation of the activity. The value obtained hereafter is compared with a previous assessment of the enterprise itself or with an evaluation of competitors' activities.

Diagnosis of competitive advantages, strong and weak sides of the evaluated bank in the struggle against competitors let's carry out by integrated method. The application of this method is based on determining the location of competitors for each object of evaluation by ranking the achieved values of indicators. The best condition is rated by maximum rank. Carrying out such work allows us to determine by which the compared

evaluation criteria the bank is ahead of its competitors, and by which it is lagging behind (quantitative assessment of the lag (ahead) is not carried out in this case).

Based on the ranks and coefficients assigned to these ranks, an integral indicator of the competitive advantage of the bank is determined, which allows to identify the most competitive bank (formula 1).

$$K_{\text{кп}} = \sum_{i=1}^n a_i * P_i, \quad (1)$$

where $K_{\text{кп}}$ – is an integral indicator of assessing the competitive advantages of the bank; a_i – weight of advantage; P_i – is an assigned rank.

The advantage of this method is its simplicity, complexity, its ability to evaluate both quantitative and qualitative indicators. At the same time, this method gives only a generalized result and does not allow to estimate the degree of lag of the bank from its main competitors.

Bank ratings in Ukraine are calculated using this method. For example, the National Bank of Ukraine rating banks separately on assets and liabilities (includes the amount of assets, equity and liabilities), on the loan and investment portfolio (the size of the loan portfolio, interbank loans, commercial loans, securities), on capital and the financial result (cost of capital, financial result, authorized capital), on deposits of legal entities and individuals (on demand and term) [10].

MinfinMedia LLC calculates the rating of banks' stability by the rank method. It includes the following groups of

indicators: stress resistance, investor loyalty, analyst assessment, place in the rating on deposits of individuals. The online publication Mind.Ua generates a bank viability rating that takes into account the most important factors for financial sustainability (asset size, instant liquidity, bad loans). A score of 1 to 4 is assigned to each factor before determining its importance.

We will illustrate the application of the integrated method to the identified competitive advantages on the example of Credobank JSC (CB) in comparison with the leading banks in the respective segments of activity – JSC Privatbank (PB) and JSC Ukrsibbank (UB). Once the calculated indicators of financial sustainability, image and quality of services have been assigned ranks, it is possible to determine the integral indicator of the bank's competitiveness. The score is calculated on the basis of the sum of the scores of all points for the corresponding rank factor. The maximum score can be 10 points. It is in a percentage ratio of 40% of the assessment of the financial group of indicators, 30% is based on indicators of the image and quality of services of the bank.

Table 2 – Analysis of the integral indicator of bank competitiveness

Indicators	Rank factor	Ranks			The product of coefficient and rank		
		CB	PB	UB	CB	PB	UB
H1	0,08	1	3	2	0,08	0,24	0,16
H2	0,08	2	1	3	0,16	0,08	0,24
H3	0,08	3	1	2	0,24	0,08	0,16
H6	0,08	1	2	3	0,08	0,16	0,24
H7	0,08	3	2	1	0,24	0,16	0,08
H8	0,08	3	3	1	0,24	0,24	0,08
H9	0,08	3	2	2	0,24	0,16	0,16
H11	0,07	3	1	2	0,21	0,07	0,14
H12	0,08	3	2	1	0,24	0,16	0,08
Л13-1	0,08	3	1	2	0,24	0,08	0,16
Л13-2	0,07	3	2	1	0,21	0,14	0,07
LCR _{BB}	0,07	1	2	3	0,07	0,14	0,21
LCR _{iB}	0,08	1	2	3	0,08	0,16	0,24
Reliability factor	0,08	2	3	1	0,16	0,24	0,08
Financial leverage ratio	0,08	2	3	1	0,16	0,24	0,08
The ratio of equity participation in the formation of assets	0,08	2	3	1	0,16	0,24	0,08
Capital Multiplier Ratio	0,08	2	1	3	0,16	0,08	0,24
Bank's share in the deposit market	0,13	1	3	2	0,13	0,39	0,26
Profitability	0,18	1	3	2	0,18	0,54	0,36
Popularity	0,13	1	3	2	0,13	0,39	0,26
A level of prestige	0,13	2	2	3	0,26	0,26	0,39
Reputation	0,17	3	1	3	0,51	0,17	0,51
Quality of funding	0,13	3	1	3	0,39	0,13	0,39
Availability of the bank	0,13	1	3	2	0,13	0,39	0,26
The cost of deposits	0,33	2	3	1	0,66	0,99	0,33
Cost of loans	0,33	3	2	1	0,99	0,66	0,33
A set of services for individuals	0,17	2	3	1	0,34	0,51	0,17
Set of services for legal entities	0,17	1	3	2	0,17	0,51	0,34
The value of the integral index	-	-	-	-	6,86	7,61	6,1

According to the received data, JSC Privatbank is the most competitive – 7.61 points, in the second place – JSC "Kredobank" (6.86 points), in the third place – JSC "Ukrsibbank" (6.10 points). In addition to finding competitive advantages, the obtained data allow us to form

the main directions for further analysis and justification of management decisions. Thus, the components of the integral indicator of JSC "Kredobank" are 43% financial indicators, 32% – the quality of services rendered and 25% – the image of the bank. Thus, the priority efforts of the

management of JSC "Kredobank" should be directed to improving the quality of services rendered and the image of the bank. This can be achieved through proper customer service, which enables the following results to be substantiated by basic research [11]:

- 5% increase in the number of regular buyers increases the sales volume by 25%;
- the cost of attracting a new customer to the service of the bank is approximately 5 to 10 times greater than maintaining the existing one;
- reduction of customer outflow by 5-10% provides the bank with up to 75% additional profit;
- 5% increase in customer retention contributes to 85% increase in bank profit;
- a satisfied customer will report about a good purchase to at least of five their friends, a dissatisfied customer to a minimum of 10;
- Customer Customer Relationship Management (CRM) – enhances customer service by up to 40%;
- the costs of attracting every new customer to the bank with increasing saturation of the market are

increasing, and the costs of customer retention remain low;

- a stable customer base ensures the stability of the bank's activity and helps to strengthen its competitiveness. To establish and manage customer relationships, it is important to ensure that functions such as planning and controlling the execution of a sales plan are effective. By this goal, foreign banks actively use the CRM system, which is based on the use of advanced information technologies, through which the bank collects information about its customers [7, p. 45]. All client meetings conducted by the managers must be scheduled and recorded in CRM, which allows for the most efficient preparation for the meeting and the distribution of workloads. The information provided by the Head of the Banking Branch allows you to control the number and effectiveness of client meetings conducted by managers.

The process of selling bank services using the CRM system is presented in Fig. 2.

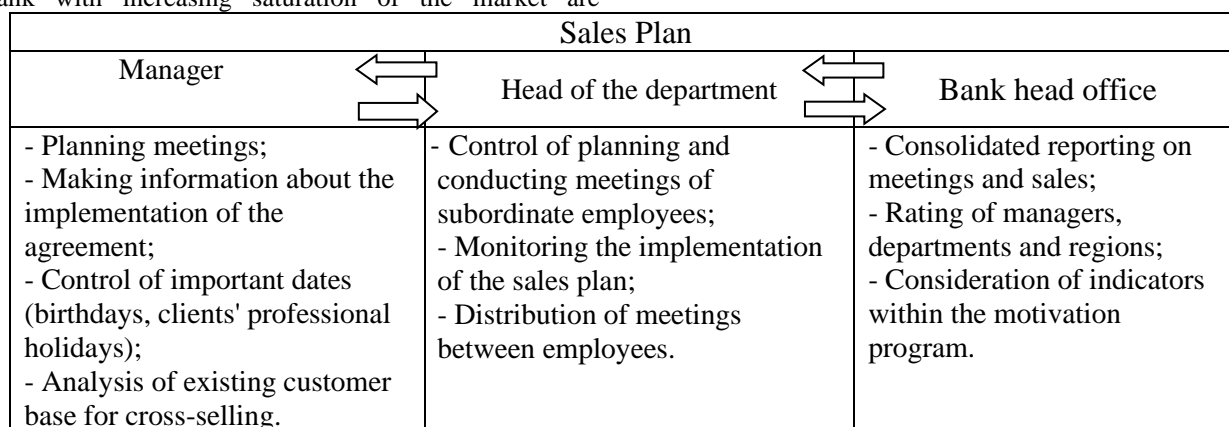


Fig. 2. The scheme of management of sales process by means of CRM-system

Thus, using the CRM system, sales process management is more effective with the ability to: monitor the execution of a product sales plan and develop a customer base through cross-sales, taking into account the client's contact history with the bank. The development and refinement of such new customer technologies causes significant changes in the classic concept of organization and operation of information systems.

Conclusions

In recent years, Ukrainian banks have been affected by a large number of changes in the financial services market, characterized by an increase in the range of banking products, the introduction of modern information technologies in bank management, consolidation or reduction in the number of banks. There is currently no single approach to diagnosing the competitive advantages of commercial banks. The problem of competitiveness assessment is due to the fact that the Ukrainian banks have almost no systematic and complex nature of determining the state of competitiveness and a set of indicators of its assessment.

The competitive advantages of the bank are the result of effective banking management, its management's ability to respond promptly to changing market needs and promptly adapt to them. Accordingly, the level of

competitive advantages of a bank depends on a certain combination of numerous internal (efficiency of organizational culture, qualification of bank staff, high level of its capitalization, etc.) and external factors (intensity of competition in the banking services market, stability in financial markets, the level of state support of the banking sector, the presence of effective demand for banking products and services, etc.), the change of which causes a change in the level of competitive advantages of a banking institution.

Coming from those that the bank operates in an ever-changing environment, its management in order to ensure a stable competitive position in the field of banking activity must constantly adapt to the requirements and wishes of customers, maintain an adequate pricing policy, quickly respond to the emergence of new banking products and services, provide them implementation of the bank's practical activities, take into account and quickly respond to changes in the economic and political situation in the country. One of the ways to improve our competitive position in domestic banking market is to implement a CRM system for managing product sales and customer base development through cross-sales, taking into account the client's contact history with the bank and monitoring the implementation of the plan.

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