Customer Preferences of Financial Services
Across the US, Germany and Russia

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Abstract

This study investigates the differences in customer preferences across the US, Germany and Russia within the financial services industry. Its purpose is to help financial services firms functioning in the international economy to design marketing strategies and day-to-day operations based on cross-cultural differences and similarities in socio-economic, political and cultural factors. The study uses data obtained from a survey of a total of 600 respondents. We find that important differences and similarities in preferences across the respondents of the three countries exist. For example, trust in the institution, stability, financial conditions, and performance rank among the most important attributes in all three countries. However, technologically related attributes, such as online-banking are unimportant in Russia. Some interest exists in all three countries for innovative services that financial institutions may benefit from offering.

Keywords: Banking, Consumer Preferences, Cross-Cultural Differences, Financial Services, Insurance, Marketing Strategies

INTRODUCTION

In today's economy, the financial services industry is exposed to increasing performance pressures and competitive forces (Goergen, 2001). Modern media, such as the internet, have created new challenges for this industry (Fuchs, 2001). New business concepts, a change in client sophistication (Davis, 2006), and an increasing number of new competitors entering into the market, such as independent financial consultants, have changed the business models and the competitive forces that established financial services organizations are facing today worldwide. In addition, financial services organizations in western countries are oftentimes exposed to mature markets, making persistent growth therefore increasingly challenging to achieve.

These organizations have two choices to achieve sales growth. First, growth can be produced domestically by better understanding customers' needs and wants and by consequently offering products that correspond to those needs and wants. Secondly, growth can be created through sales in new foreign markets. Meffert and Bruhn (2003) found that the expansion into foreign countries, in particular into economically developing nations with substantial economic growth, is becoming increasingly important for financial services firms.

As Schiffman and Kanuk (2007) have observed, in order to conduct business successfully in a multi-country environment, international marketers must understand the nature and extend of the differences between the consumers of different societies, the so-called cross-cultural differences, in order to create effective targeted marketing strategies geared at each foreign market of interest. This framework applies to financial organizations that wish to expand internationally.

Based on these dynamics in the financial services industry, we have formed a team of researchers from universities across three different countries to create an international research study that investigates customer preferences in the financial services industry. The goal of this study is to obtain knowledge of the cross-cultural consumer preferences which can in turn help financial services firms develop innovative and effective marketing strategies for growing their business nationally and internationally. Specifically, this study tries to determine and provide an understanding to what extend consumer preferences are similar or different across three different countries based on consumer's psychological, social and cultural characteristics.

The three countries that are part of this study are the US, Germany and Russia. The US was selected as part of this study because it is one of the most advanced countries in terms of the level of development of the financial services industry. In addition, American financial services customers are assumed to be relatively well informed. Germany is the second country selected for this study. While Germany, just like the US, is a country in which the financial services industry is highly developed, German consumers have attitudes and values distinctively different from the American consumers. For example, Germany consumers can be characterized on average as having a very critical attitude towards financial services (Gloerken, 2002). The reason why the financial services industry in Germany is so highly developed is because Germany counts as one of the wealthiest nations in Europe (Hinck, 2006). This fact makes Germany an ideal target market for growth for a financial services firm that does already conduct business in this wealthy nation. The third country, Russia, was selected to be part of the study because,

compared to the US and Germany, it is a country in which many parts of the financial services industry are at an early stage of development and have a large growth potential. Consequently, the financial services customer in Russia can be characterized as relatively poorly informed, in particular in the insurance sector. In addition, Eastern Europe has been found to be part of a group of developing countries in which the middle class has been growing (Walker, 1995). As people move from a lower socio-economic status into a middle-class status their need for financial services grows, which makes Russia a very desirable market to enter for a multinational financial organization.

The goal of this study is to use a detailed customer survey to investigate and more precisely determine the differences in consumer preferences in the financial services and insurance industry across the USA, Germany and Russia, which may arise from differences in various socio-economic, political and cultural factors.   As the study focuses on the customers' perspective, the results will have important implications for financial services organizations. Crucial recommendations will result for marketing campaigns, product offerings and foreign business expansion in this industry. The international and cultural comparison of this study's findings will therefore be helpful for international marketers and form a base for innovative national and international business strategies for financial services organizations.

Based on the results, we find important differences in consumer preferences of financial services across the three countries. While trust is rated the most important attribute for a financial services institution across all countries, the technical attributes (such as online-banking) and inter-personal attributes (such as the relationship with the bank representative) take on much less importance in Russia than they take on in the US and Germany. With respect to insurance companies, speed of claims payment is rated the most important attribute across the subject from all three countries. The Russian subject found personal relationship to be the least important of all attributes, while the US and German subject found that attribute to be somewhat important in the selection of the insurance company. In the US and Russia, customers prefer less frequent contact with their representative than in Germany. Due to a low computer usage in Russia, Russians typically do not communicate with their financial institution electronically. The offering of mortgages is considered more important by Russians than it is by Americans and Germans. Moderate interest exists in all three countries for various innovative services that could be offered by banks. Finally, growth potential exists particularly in Russia in the area of life and property insurance. These findings can be helpful in the design of a financial institution's marketing campaign, product and services offering and operational procedures.

The remainder of the paper is organized as follows. Section two describes the methodology used, specifically how the survey was administered. Section three explains the different topics covered in the survey. The main results are discussed in section four and finally, the conclusions are presented in section five.

METHODOLOGY

The participating Universities have developed a survey which incorporates different questions regarding consumer expectations of financial services. The survey that was developed for this study follows all the guidelines imposed by the USF Institutional Review Board (IRB).

In addition to this general survey, a separate version of the survey was developed for each participating country, which incorporates certain aspects of finance that are country-specific (for example, financial products differ across countries). Each country-specific survey was translated into the language of the country in which it was conducted. The country specific surveys, however, were very similar to the general survey to facilitate the cross-country evaluation of the results. The execution of the oral questionnaire was performed by the students in introductory finance classes at the University of South Florida - St. Petersburg, Florida (USA), University of Applied Sciences FHDW Paderborn (Germany), and Saint Petersburg State University, Saint Petersburg (Russia). While University of South Florida conducted 187 surveys, FHDW Paderborn and Saint-Petersburg State University conducted 200 surveys each, for a total of 587. The students' objective was to choose subjects who are demographically diverse in terms of age, socio-economy class, race and sex. The collection of the results took place at each University. The country-specific results were then exchanged and merged to make an international, cross-country comparison feasible. To assess the significant of the differences in results across the three countries we calculate the Chi-Square and the corresponding p-values. The p-values indicate with what probability the results could occur by chance alone if there was no relationship between the tested variables. As the Chi-Square test is appropriate to use when relating two discrete (as opposed to continuous) variables it is applicable when the results can be summarized in terms of what percentage of the subjects selected a specific answer, as is the case for most of the questions that were asked in the survey.

SURVEY TOPICS

The survey is divided into two main parts, where the first part represents questions regarding financial institutions, such as banks and investment houses and the second part represents insurance companies. While all these organizations could fall under the umbrella financial institution, we added separate questions for insurance companies as these firms have distinct operating differences compared to banks (for example, the payment of claims). The first questions in each of the two parts of this survey try to shed light onto what attributes of a financial institution or insurance company a person determines as more important and which he or she describes as less important. For example, the questions address whether the customer believes that the financial conditions, the return, the trust and relationship towards a financial representative or the computer access to financial information is most important. The identification of popular product attributes is important because attributes are criteria that consumers use when evaluating alternative products that are part of their evoked set (Schiffman and Kanuk, 2007).[1] The identification of important attributes will help the international marketer develop marketing strategies that focus on these attributes. Moreover, if the important attributes are similar among the consumers across the different countries, the marketer can apply a more global or standard approach to the marketing strategy, while considerable differences in important attributes across the consumers in the different countries would indicate a better fit for a more local and less standardized marketing approach.

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[1] (The evoked set is a specific brand or model that a consumer will consider in a making a purchase within a particular product category, as opposed to the inept set, which is a set of models that is excluded from the purchase decision and the inert set, which is a set of models that the consumer is indifferent towards).

Several questions address consumers' preferences that are related to a financial institution's operating procedures, such as preferred frequency of contact with a representative and preferred means of communications. The results from these questions might be helpful in managing operations and might help an institution to achieve more efficiencies.

The questions also address through which type of media the subjects learn about financial services and who makes their financial decisions. The results from these questions can shed light on which media might be a good way to deliver the marketing campaign by.

The survey also incorporates questions regarding specific products that financial institutions provide in different countries. This aspect is important as the product offerings across countries differ. Russian banks, for example, offer the least amount of different financial products and services.

Since cultural and psychological differences exist across countries we expect to see considerable differences in the resulting answers. Altogether, the survey consists of 15 groups of questions relating to the respondent's financial decisions, whereby the first 10 groups of questions address topics regarding financial institutions and the last 5 groups of questions address topics regarding insurance companies.

RESULTS

This section describes the main results of the survey after it was administered by the finance students of the universities in the US, Germany and Russia. The results are summarized in Charts 1-15 and are explained in the following paragraphs.
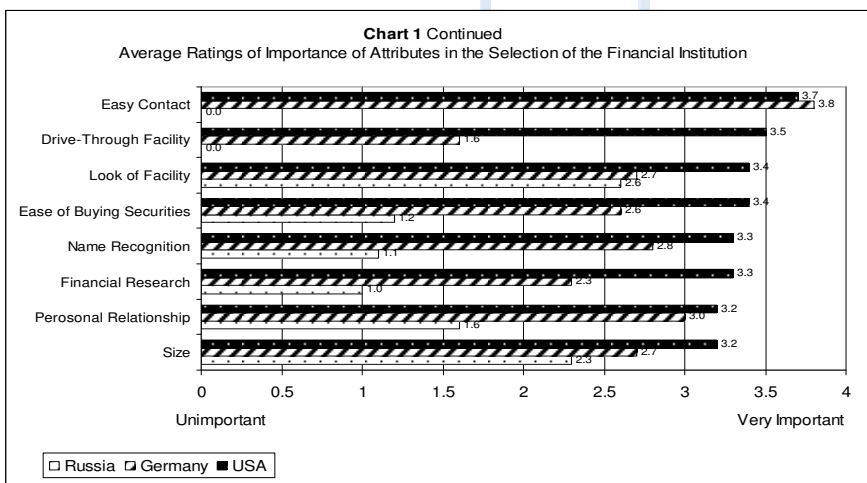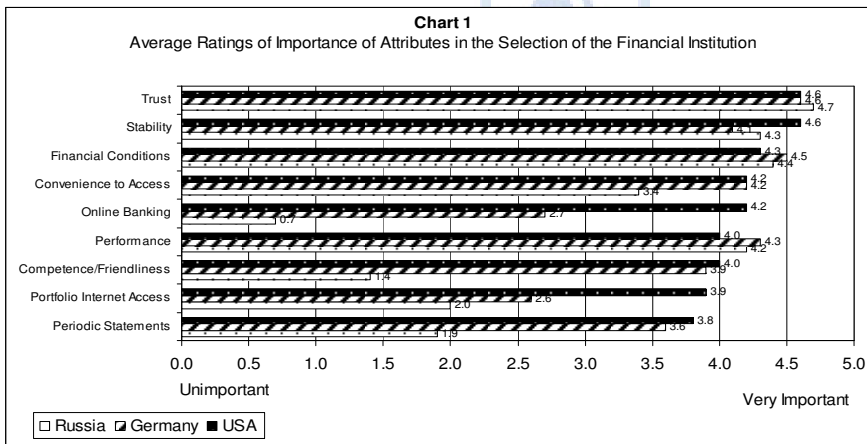
1. Important Attributes for the Selection of the Financial Institution

The first question the survey asks is "What is important to you as a customer of a financial institution?" For this question the subject was asked to rate a list of different attributes on a scale of 0 = not important to 5 = extremely important. The results are displayed in Chart 1. The American subjects rated the attributes "trust" and "stability" the highest (average score = 4.6). The next highest rated attributes were "financial conditions" (average = 4.3), convenience of access (average = 4.2), and online-banking (4.2). The lowest average scores in the US survey were given to the attributes "personal relationship with the representative" and "size of the bank" (both received an average score of 3.2). When comparing the answers to this question across the three countries, we find that "trust" is the most important attribute for all bank customers across the three countries. In the German survey, "financial conditions" (average = 4.5) was the second most important attribute (just as in the US), and "performance" (average = 4.3) the third most important attribute. The Russian subjects, just like the Germans, valued "financial conditions" (average = 4.4) and "stability" (average = 4.3) as the second and third most important attributes, on average.

Another interesting finding is that the technical attributes (such as online-banking and portfolio internet access) take on a more important role in the US (average = 4.2 and 3.9) compared to Germany (average = 2.7 and 2.6). In Russia, these technical attributes have much less importance (average = 0.7 and 2.0). This result is not surprising, given the slower technical development of the Russian
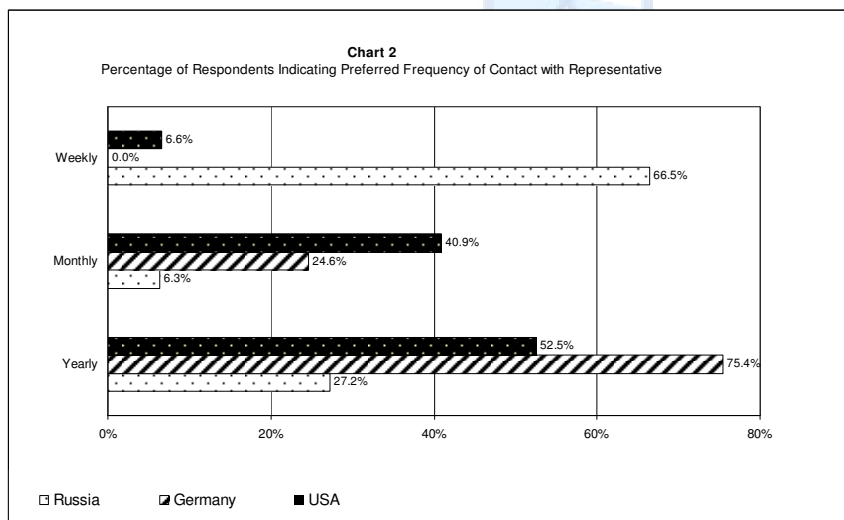
economy compared to western countries, as evidenced by the different computer ownership levels: 76% in US, 48% in Germany, and 12% in Russia (The Economist's *Pocket World in Figures,* 2007).

In addition, the factors "friendliness" as well as "personal relationship with the representative" are by far less important in Russia (average = 1.4 and 1.6) than they are in the US (average = 4.0 and 3.9) or Germany (average = 3.9 and 3.0). The result is again not surprising, as Russia has been evolving from a non-service oriented communist socio-economic and political system. The implications for marketers in financial institutions are to highlight in their marketing campaigns the attributes which are highly rated (for example trust) and focus less on the attributes which receive low ratings (size and personal relationship). In addition, the importance of most attributes is very similar between the US and Germany, which can lead to a more standardized marketing strategy across the two countries, while the importance of most attributes is different between Russia and the US. A marketer who is in charge of a marketing campaign on both of these countries should take a localized approach and honour the cultural differences between the Russian and the American consumer.

Chart 1
Average Ratings of Importance of Attributes in the Selection of the Financial Institution

Chart 1 Continued
Average Ratings of Importance of Attributes in the Selection of the Financial Institution

2. Frequency of Contact with the Representative

Another question asked in the survey regarding financial institutions was: "Which intensity of contact with your representative do you prefer?" The possible answers were "weekly", "monthly" or "yearly". Chart 2 indicates that the preferred frequency for the US customer is "monthly" (52.7%), followed by "yearly" (30.4 %) and weekly (16.9 %). The Russian results look similar, whereby even more of the Russian subjects (59.6%) preferred the monthly contact compared to the American subjects. The results for the German survey are very different from the US and Russian. The majority of the subjects (54.3%) want a yearly contact, 45.7% prefer a monthly contact, and none of the German subjects would like a weekly contact. The Chi-Square test reveals that a significant relation exists between country of origin and the subjects' preference of intensity of contact at the 99% confidence level. Overall, Germans prefer less contact intensity with their banking representatives compared with Russians and Americans. Germans are known to be very efficient people and may look at the weekly contact as an inefficient use of their time. These findings suggest that financial institutions in Russia should gear their advertising and operations towards a much higher frequency of contact with the client then the ones in the US or Germany.
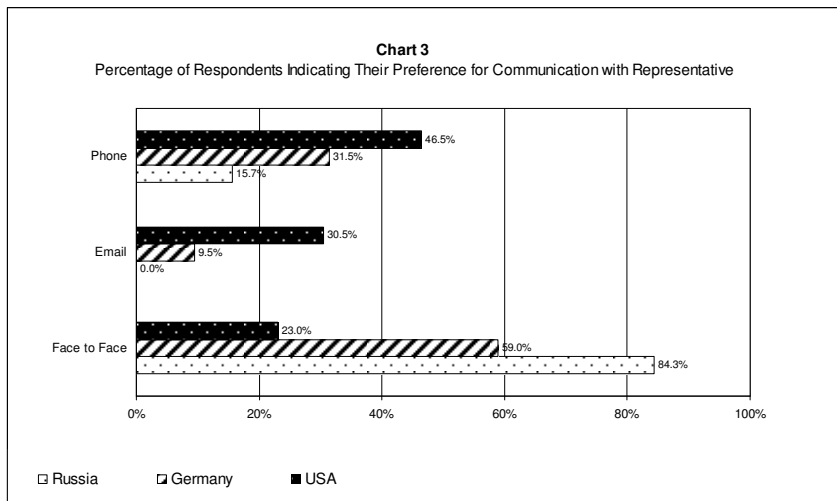

Chart 2
Percentage of Respondents Indicating Preferred Frequency of Contact with Representative

Weekly: 6.6%, 0.0%, 66.5%
Monthly: 40.9%, 24.6%, 6.3%
Yearly: 52.5%, 75.4%, 27.2%

☐ Russia ◪ Germany ■ USA

The Chi Square test shows a significant relation between country of origin of respondent and the preferred frequency (p<.001).

3. Preferences for Communication with the Representative

The survey also investigates the type of contact a person prefers to have with the representative. The corresponding question is: "How do you prefer to communicate with your representative?" The possible answers are "face-to-face", "by phone", or "via e-mail". As Chart 3 demonstrates, the answers were quite evenly distributed across the three different possibilities for the US survey. The percentages are 38.3% for "face-to-face" contact, 32.2% for "phone" contact and 29.5% for "e-mail" contact. The results for the German and Russian surveys are creating a very different picture. Almost two thirds of the German subjects (65.5%) and even three quarters (74.6%) of the Russian subjects chose the "face-to-face" contact as the preferred way to communicate with their representative.

"Phone" contact was preferred by 26.2% of Germans and 25.4% of Russians, a similar result to the US. However, only 8.3% of German and none of the Russian subject preferred contact via e-mail.   Again, the results across the three different countries are significant based on the Chi-Square test at the 99% level of confidence. These findings have important operational implications and suggest that financial firms in Germany and Russia should use more face-to-face communication with the client, while the ones in the US may want to chose the majority of contact by phone or e-mail.

Chart 3
Percentage of Respondents Indicating Their Preference for Communication with Representative

Phone	46.5% / 31.5% / 15.7%
Email	30.5% / 9.5% / 0.0%
Face to Face	23.0% / 59.0% / 84.3%

☐ Russia   ☐ Germany   ■ USA

The Chi Square test shows a significant relation between country of origin of respondent and the preferred way of communication (p<.001).
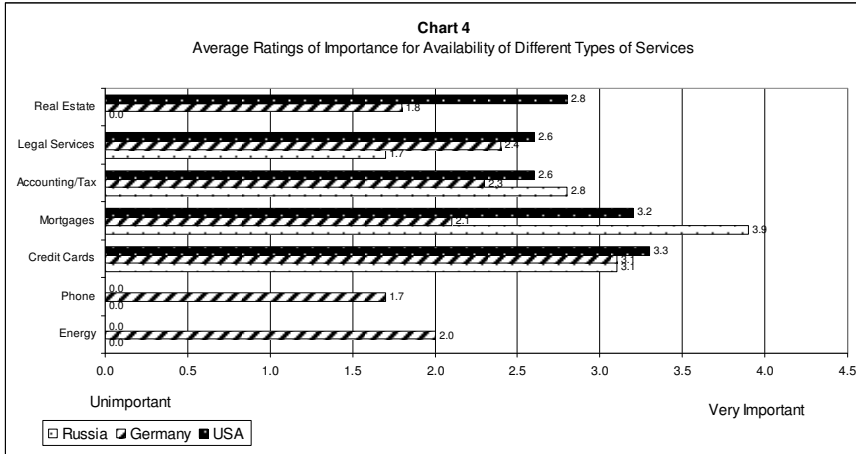
4. Availability of other Services

The survey also tries to identify which services outside the traditional line of financial products financial institutions could potentially offer. The subjects were therefore asked which other finance-related services and products they would be interested in. The survey examined the interest for real estate, legal, accounting and tax, mortgage, and credit card services. In Germany, phone and energy brokerage services were also included in the survey.   The subjects were again asked to rate the importance of the services on a scale of 0 = not important to 5 = very important. As displayed in Chart 4, the US customer finds the more traditional offerings of mortgages (average = 3.2) and credit cards (average = 3.3) as somewhat important. Even the innovative services of real estate (average = 2.8) and accounting and tax (average = 2.6) are categorized on average as somewhat important.

These findings indicate that demand is likely to exist for these innovative services, if state and federal regulation should allow these services to be provided. In the US for example, financial institutions are currently not allowed to offer real estate brokerage services.   All of the services listed in this question are rated less important among the German subjects as compared to the US subjects. The services of "phone brokerage" and "energy brokerage" which were only included in the German survey were rated as somewhat important.
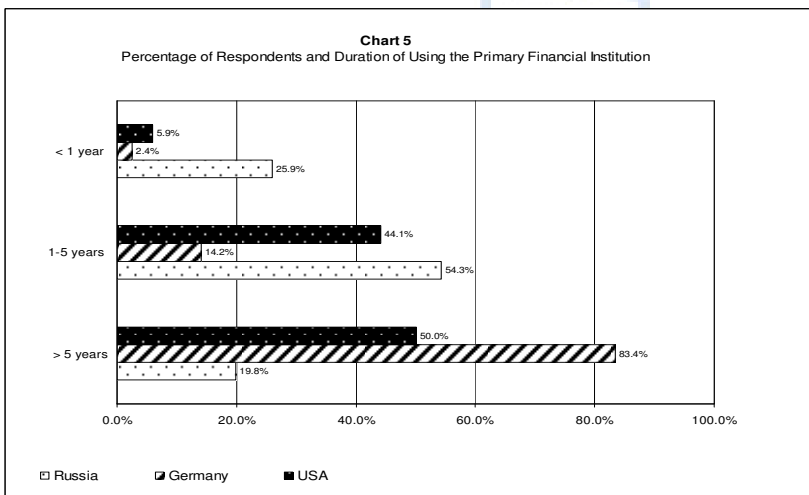
In the Russian survey, the offering of mortgages is viewed as more important as any of the other traditional services (average = 3.9, which is of higher importance than in the US). In the US, commercial banks are only one way to obtain a mortgage in the US. Other originators include private financing, mortgage banks, and

mortgage brokers. In Russia these other avenues of securing a mortgage are either non-existent or not as readily available. The importance of the bank as a source of mortgage financing in Russia comes therefore not as a surprise. Of all subjects, the Russians give accounting services the highest ratings (average = 2.8, vs. 2.6 and 2.3 in the US and Germany, respectively). Legal services however, get the lowest average rating by the Russian subjects (average = 1.7, vs. 2.6 and 2.4 for the US and Germany, respectively). These results indicate that a general demand exists for new and innovative services, which the financial institutions in these three countries could exploit. Also, financial institutions entering the Russian market should stand ready to offer mortgage products.

Chart 4
Average Ratings of Importance for Availability of Different Types of Services

Service	Russia	Germany	USA
Real Estate	0.0	1.8	2.8
Legal Services	1.7	2.4	2.6
Accounting/Tax	2.8	2.3	2.6
Mortgages	3.9	2.1	3.2
Credit Cards	3.1	3.1	3.3
Phone	0.0	1.7	0.0
Energy	2.0	0.0	0.0

Unimportant — Very Important

5. Duration of Using the Same Primary Financial Institution

Another topic of questioning is how long a subject has been a customer of the current financial institution of his or her choice. The answer choices given are "less than one year", "between one year and five years", and "over five years". According to the Chi-Square test, the results show a significant relation at the 99% confidence

Chart 5
Percentage of Respondents and Duration of Using the Primary Financial Institution

Duration	Russia	Germany	USA
< 1 year	25.9%	2.4%	5.9%
1-5 years	54.3%	14.2%	44.1%
> 5 years	19.8%	83.4%	50.0%

The Chi Square test shows a significant relation between country of origin of respondent and duration of belonging to the financial institution (p<.001).

level between the subjects' country of origin and the duration of using the same financial institution. The results are visualized in Chart 5 which clearly indicates that the German subjects have been customers of their financial institution for the longest time period.

Of all the German respondents, 83.4% answered that they had been members of their financial institution for over five years. This result indicates that Germans rarely switch their primary financial institution and show the most loyalty to their financial institution. In contrast, Americans are more prone to switching their financial institution. Only 50% of the American subjects answered that they have been with their financial institution over five years, while 44.1% indicated that they have been a customer between one and five years. The shortest duration of belonging to the financial institution can be evidenced by the answers of the Russian subjects: 25.9% have been customers for less than a year, and only 19.8% have been customers for over five years. This result is not surprising in light of the fact that Russian finance system has gone through several crisis during 1998 and 2004, with many banks going out of business during that time. Even today the Russian banking system is far from stable.
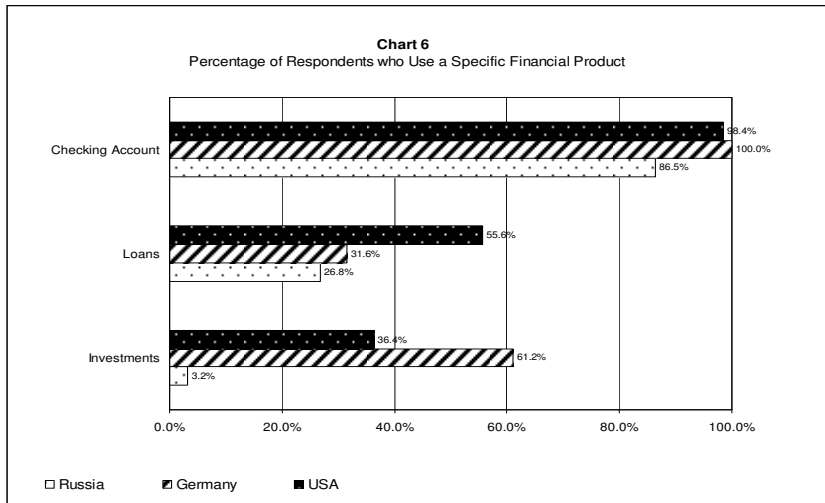
The implications for a marketer of a financial institution is that a marketing campaign in the US would benefit from a focus on current customer retention. In Germany, however, the benefit of additional marketing targeted at existing customers seems less beneficiary.

6. Usage of Specific Financial Products

Understanding the usage of specific financial products offered through a financial institution across customers in different countries is particularly interesting for those firms that are interested in expanding to foreign market places. Therefore, this study also investigates the differences of usage of checking accounts, loans, and investments through financial firms across customers in the three countries.

As displayed in Chart 6, almost all American and German subjects who were questioned use checking accounts (98.4% and 100%), while only 86.5% of Russians do so. The results vary more significantly for the use of loans. While 55.6% of the Americans who were questioned use loans, only 31.6% of the Germans and 26.8% of the Russians use this financial product.
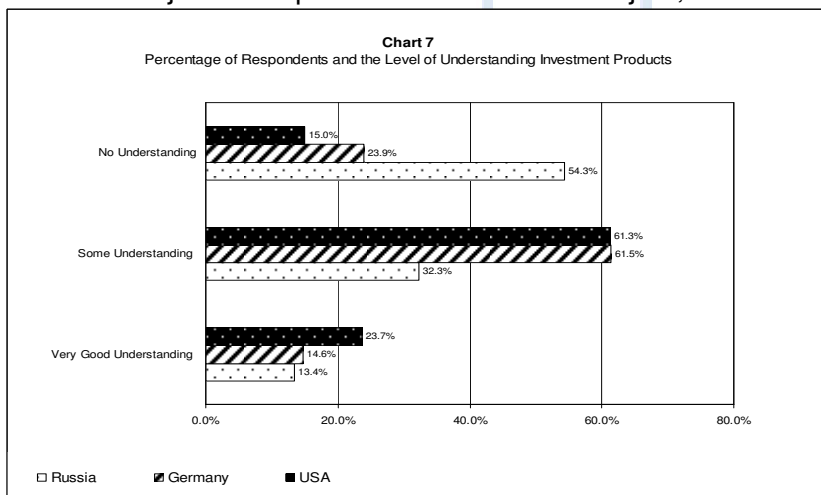
The largest difference in usage across the consumers of the three different countries, however, is evident for investments. This financial product, when offered by financial institutions, is most popular with German customers (61.2% of German subjects use it), less popular with American customers (36.4% of American subjects use it), and unpopular with Russian customers (3.2% of Russian subjects use it). While many Germans primarily use their banks to invest their funds, the majority of Americans use other investment vehicles (such as mutual funds, stocks, hedge funds) or self-invest. The Chi-Square test shows that the results across the three countries are significant at the 99% confidence level. This result implies that a financial institution marketing its services in Germany may want to target "investments" as one of the main services provided.

Chart 6
Percentage of Respondents who Use a Specific Financial Product

Checking Account	98.4% / 100.0% / 86.5%
Loans	55.6% / 31.6% / 26.8%
Investments	36.4% / 61.2% / 3.2%

☐ Russia   ▨ Germany   ■ USA

The Chi Square test shows a significant relation between country of origin of respondent and the use of specific financial products (p<.001).

7. Level of Understanding of Investment Products

Closely related to questions regarding the usage of investment products are questions relating the level of perceived understanding of different investment products. The results to these questions are displayed in Chart 7. While the majority of the American and German subjects believe that they have at least a basic understanding of investment products (just over 61%), only 32.3% of the Russians responded that they have this level of understanding. In fact, the majority of Russians (54.3%) answered that they have no understanding of investment products at all. These results are in line with the finding that only a very small fraction of Russians even use the bank for investment purposes. The Chi-Square test indicates that a significant relation exists between the respondents' country of origin and the level of understanding of investment products at the 99% confidence level. Although the level of understanding of investment products is higher among the American and German subjects compared to the Russian subject, a relatively low percentage of
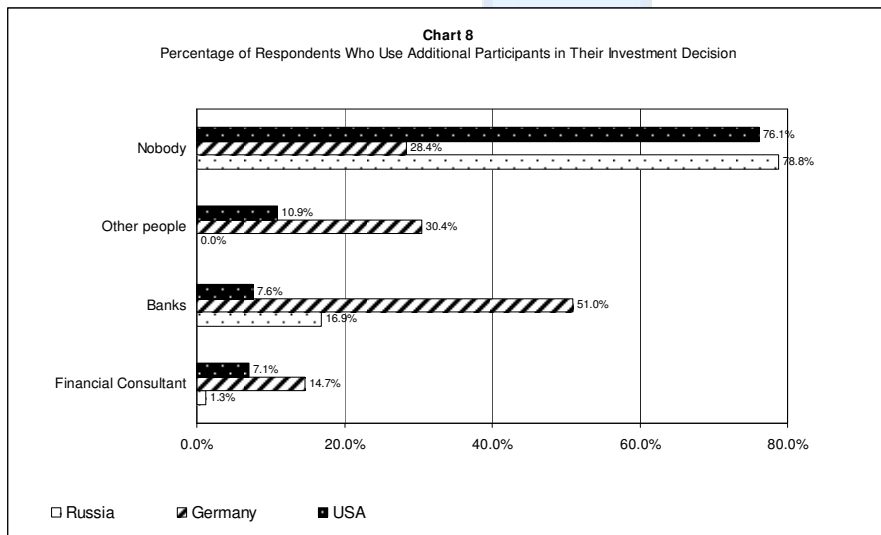
Chart 7
Percentage of Respondents and the Level of Understanding Investment Products

No Understanding	15.0% / 23.9% / 54.3%
Some Understanding	61.3% / 61.5% / 32.3%
Very Good Understanding	23.7% / 14.6% / 13.4%

☐ Russia   ▨ Germany   ■ USA

The Chi Square test shows a significant relation between country of origin of respondent and the level of understanding investment products (p<.001).

respondents (23.7% in US, 14.6% in Germany, and 13.4% in Russia) feels that they have very good understanding of investment products. Financial institutions may possibly attract new business through creative educational programs (such as free educational luncheons) aimed at potential clients in all three countries.

8. Additional Participants of an Investment Decision

A further important part of the survey involved the decision making process for investments. The results for this part of the survey are summarized in Chart 8 and show that the relation between the subjects' country of origin and the use of additional participants is significant at the 99% level of significance according to the Chi-Square test. Chart 8 displays that both American and Russian respondents are autonomous in their investment decisions. 76.1% of the Americans who were questioned and 78.8% of the Russians claim that they make their investment decisions by themselves, while only 28.4% of the Germans do so. In contrast, the majority of the Germans who were questioned (51%) admit that they let their bank guide them with their investment decisions. This result indicates a high level of trust that German consumers seem to have in their bank representative with respect to investment decisions and offers an important insight for a marketer. The result with respect to the German consumer in this Chart is very similar to the result displayed in Chart 6, which shows a high percentage of German respondents who invest their funds trough their banks.

Interestingly, financial consultants are not frequently used across all three countries. Only 7.1% of the American respondents, 14.7% of the German, and 1.3% of the Russian indicated that they use financial consultants. This result may indicate a large international growth potential of the financial consultant industry, particularly in Russia, where the level of understanding in the area of investments is very low.

Chart 8
Percentage of Respondents Who Use Additional Participants in Their Investment Decision

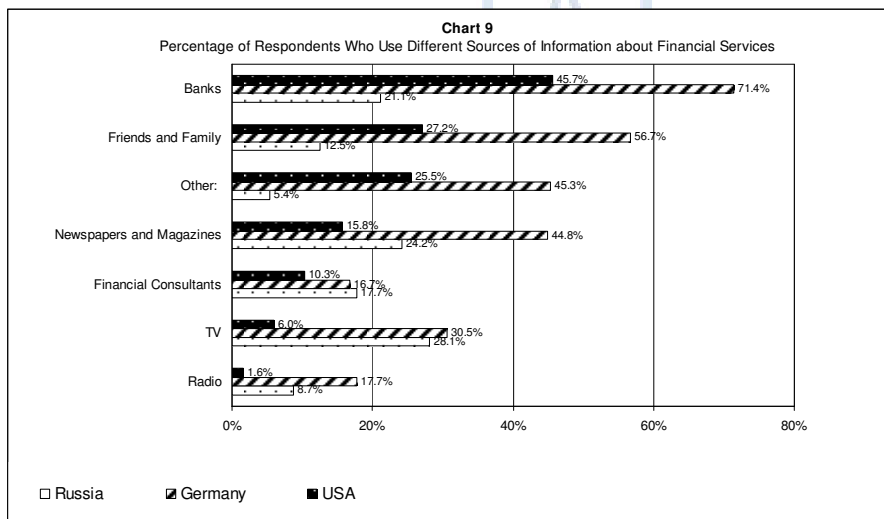|	
Nobody	76.1% / 28.4% / 78.8%
Other people	10.9% / 30.4% / 0.0%
Banks	7.6% / 51.0% / 16.9%
Financial Consultant	7.1% / 14.7% / 1.3%

□ Russia ☑ Germany ■ USA

The Chi Square test shows a significant relation between country of origin of respondent and the use of additional participants in the investment decision (p<.001).

9. Sources of Information about Financial Services

Part 9 of the survey lets the subjects select from which source they receive information about financial services. For respondents from the US, banks were the

most popular source, 45% of the US subjects indicated that they use banks as a source. The least likely source of information for the US respondents was the radio. Only 1.6% of the correspondents picked this source of information. The German subjects selected more sources of information from the list given than did the US or Russian subjects. For example, over 70% responded that banks provide information about financial services, making banks the most popular source among the German respondents, compared to the other sources listed. Of all the sources listed, financial consultants were the least likely source of information for this group of respondents (16.7% of Germans selected this source). In Russia, TV, newspapers/magazines were the most popular sources of information. The response rates were 28.1% and 24.2%, respectively. This insightful information indicates that in Russia TV and newspapers/magazines are likely to be successful media in transmitting financial services information and may be a place where financial services companies may elect to advertise. Overall, the Chi-Square test shows that the results are significant at the 99% confidence level.
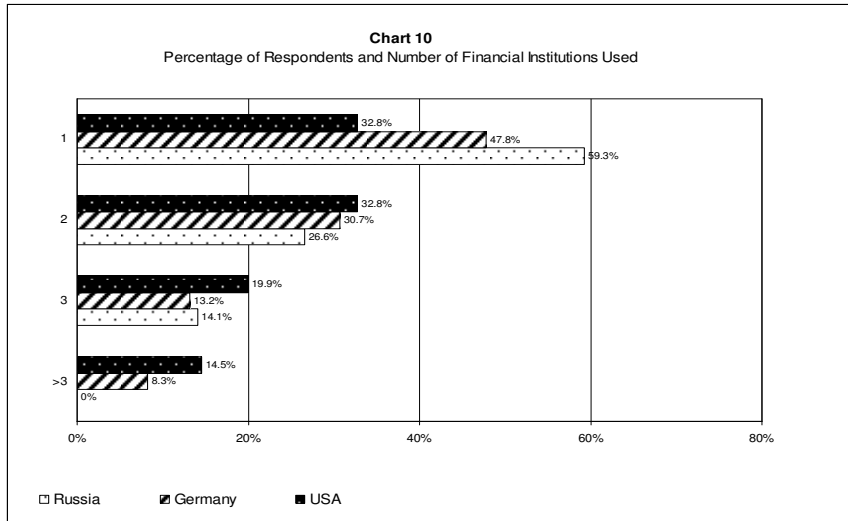
Chart 9
Percentage of Respondents Who Use Different Sources of Information about Financial Services

The Chi Square test shows a significant relation between country of origin of respondent and the sources of information used for financial services (p<.001).

10. Number of Financial Institutions Used

The next question addressed how many financial institutions are used by the respondents. The main observation is that most of the respondents in all three countries use only one institution, although the same percentage of the subjects in the US also uses 2 institutions. However, in Russia, a larger percentage of respondents (59.3%) uses only one institution, compared to 32.8% and 47.8 in the US and Germany, respectively. In addition, none of the Russian respondents use more than 3 financial institutions, while 14.5% of US respondents and 8.3% of the German respondents use more than 3. The Chi-Square test shows that the country of origin of the subject and the number of financial institutions used are significantly related at the 99% level. The result that none of the Russian respondents uses more than 3 institutions is not surprising in light of the fact that the number of financial institutions has been reduced after the Russian financial crisis in 1998 and 2004. As Russian inflation in 1998 reached 84 percent and welfare costs grew considerably,

many banks, including Inkombank, Oneximbank and Tokobank, were closed down as a result of the 1998 crisis.

The main implication of Chart 10 is that financial firms should keep in mind that most people across the three different countries choose to receive financial services from only one institution. As a consequence it is important for the institution to offer a wide range of services in order not to lose the client to a competitor who offers a wider spectrum of products and services.
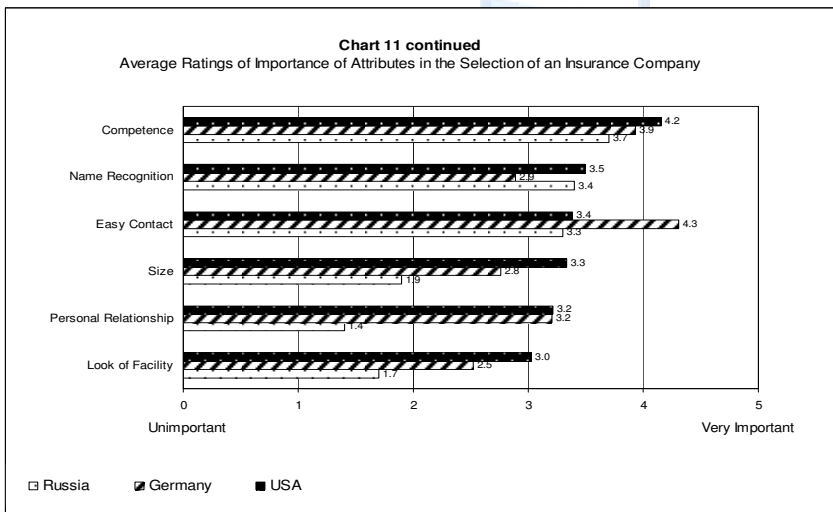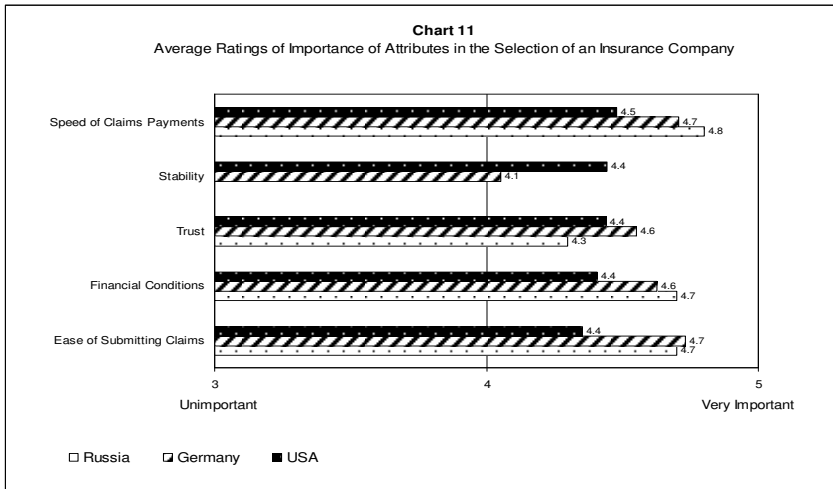
Chart 10
Percentage of Respondents and Number of Financial Institutions Used

Number	Value
1	32.8% / 47.8% / 59.3%
2	32.8% / 30.7% / 26.6%
3	19.9% / 13.2% / 14.1%
>3	14.5% / 8.3% / 0%

☐ Russia   ▨ Germany   ■ USA

The Chi Square test shows a significant relation between country of origin of respondent and number of financial institutions used ($p<.001$).

11. Important Attributes for the Selection of the Insurance Company

Similarly to the questions regarding financial institutions in general, the survey also included a question which let the subjects rate difference attributes in terms of level of importance for the selection of an insurance company. Chart 11 shows the average levels of importance that the respondents in the three countries associate with different attributes.

The most important observation in this chart is that speed of claims payment has the highest average level of importance rating off all attributes in all three countries (4.5 in the US, 4.7 in Germany, and 4.8 in Russia). The implication from this observation for insurance companies is that in their day-to-day operations and advertising campaigns a focus on superior performance in this attribute is likely to be beneficiary. Trust and financial condition, as well as speed of claim also rank among the most important attributes across all three countries, whereas size, personal relationship and look of facility rank the lowest among the attributes across the three countries. Again, this is insightful information for an insurance company's operation as well as the creation of an ad campaign. For example, for an insurance company the financial reward for creating a high-end office space is likely to be low. Among the Russian respondents, the attribute "personal relationship" ranks as the lowest in term of importance (the average rating is 1.4 for Russia, compared to 3.2 for the US and Germany). This result corresponds to the finding of Chart 1, which showed a low level of importance in "friendliness" as well "personal relationship with the representative" for the selection of a financial institution in among the Russian

respondents. Again the results can be attributed to Russia's history as a former non-service oriented communist society.

Chart 11
Average Ratings of Importance of Attributes in the Selection of an Insurance Company

Chart 11 continued
Average Ratings of Importance of Attributes in the Selection of an Insurance Company
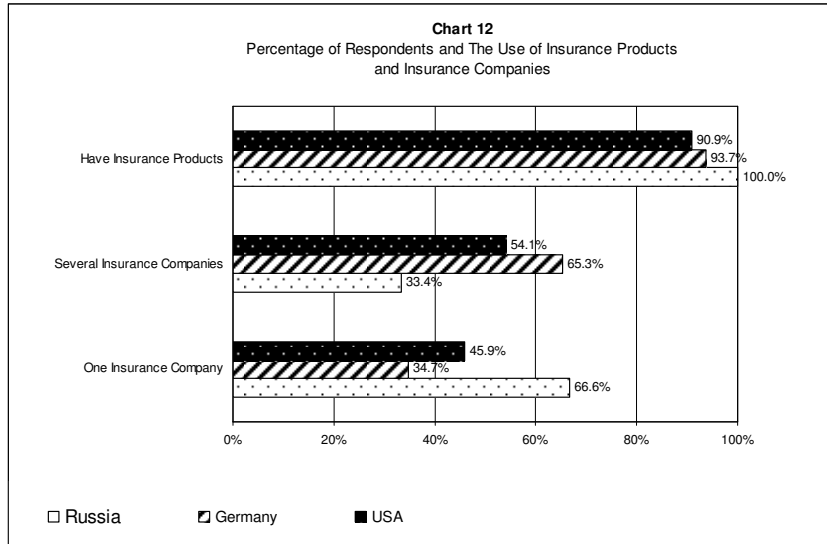

12. Possession and Number of Insurance Products

Chart 12 summarizes the percentage of respondents who have insurance products and who use one or more than one insurance company. We find that all respondents across the three countries seem to be highly insured. Among the US subjects, 90.9% are insured, among the German subjects, 93.7% are insured, and among the Russian subjects, all are insured, which is due to the socialist system that is in effect in that country. The Chi-square test shows that a significant relation exists between country of origin and the number of insurance companies a subject uses. The majority of US and German subjects indicated that they use several different insurance companies (54.1%, and 65.3%, respectively), while the majority of Russian (66.6%) replied that they use only one insurance company.

The findings indicate that insurance companies in Russia are either offering a wider spectrum of insurance products than insurance companies in the US or Germany or that most Russians only have one insurance product (the latter is less

likely after reviewing the results in Chart 13, which show the different types of insurance products used). Insurance companies who are operating or planning to expand operations in Russia may therefore be well advised to offer a wide range of different insurance products, while insurance companies in the US and Germany are likely to have success by just offering a limited amount of insurance products.
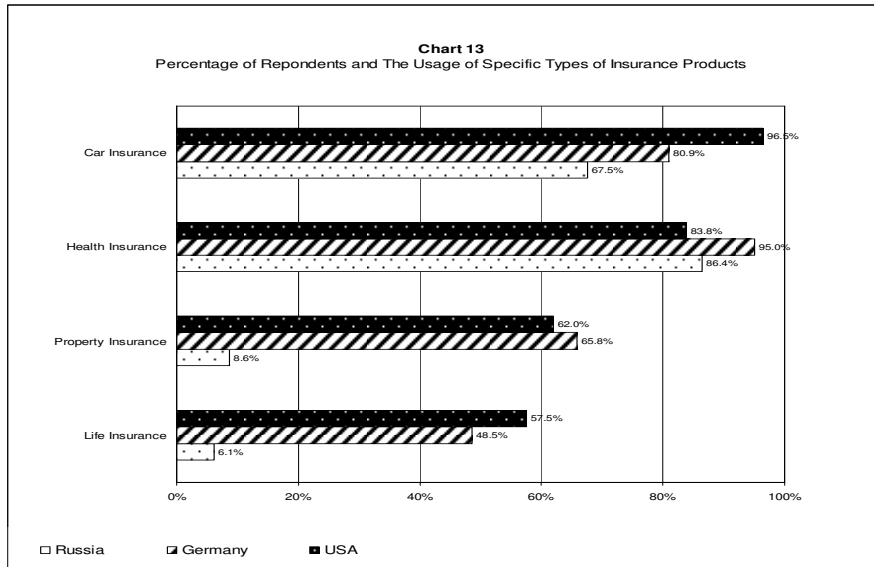
Chart 12
Percentage of Respondents and The Use of Insurance Products
and Insurance Companies

	Russia	Germany	USA
Have Insurance Products	100.0%	93.7%	90.9%
Several Insurance Companies	33.4%	65.3%	54.1%
One Insurance Company	66.6%	34.7%	45.9%

☐ Russia ▨ Germany ■ USA

The Chi Square test shows a significant relation between country of origin of respondent and number of insurance companies used (p<.001).

13. Usage of Specific Insurance Products

The survey also investigates the usage of specific insurance products. A large percentage of respondents across all three countries indicate that they have automobile insurance, as is shown in Chart 13. In fact, 96.5% of the American, 80.9% of the German, and 67.5% of the Russian respondents claim that they have automobile insurance. The differences in the answer quotes can be attributed to the different levels of car ownership across the three countries. The highest level of car ownership exists in the US (77%), followed by Germany (54.6%), and Russia (14.2%) (The Economist's *Pocket World in Figures,* 2007), (United Nations Economic Commission for Europe, 2005).

The usage of health insurance is also very widespread across the three countries. 83.8% of the American, 95% of the German, and 86.4% of the Russian respondents have health insurance. The American respondents show the lowest level of health insurance coverage. This finding is not surprising in light of the fact that the US healthcare system is not socialized, a topic of much debate during the 2008 US presidential election. Obvious differences across the respondents of the three countries appear in the area of property and life insurance. Between 50% and 65% of the subjects from the US and Germany use these types of insurance, while only 6-8% of the Russian subjects claim to do so. These findings shed light on the growth potential of the life and property insurance market in Russia, and potential lack of education and understanding of these products in Russia (see Chart 14). The Chi-Square test shows that the relation between country of origin and type of insurance product used is significant at the 99% confidence level.
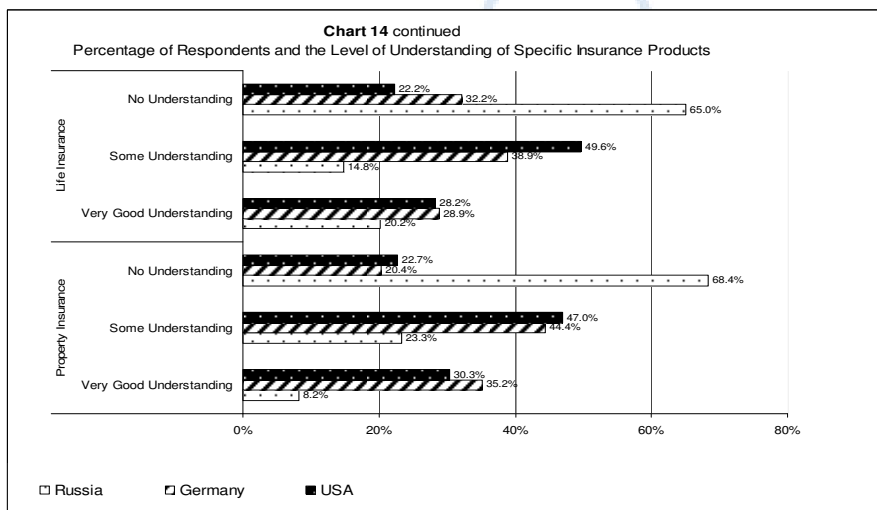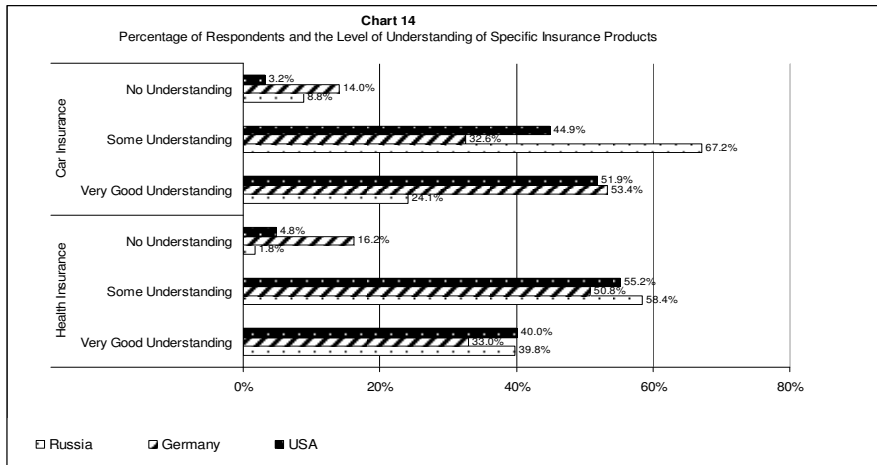
Chart 13
Percentage of Repondents and The Usage of Specific Types of Insurance Products

Car Insurance	96.5% / 80.9% / 67.5%
Health Insurance	83.8% / 95.0% / 86.4%
Property Insurance	62.0% / 65.8% / 8.6%
Life Insurance	57.5% / 48.5% / 6.1%

☐ Russia   ◩ Germany   ■ USA

The Chi Square test shows a significant relation between country of origin of respondent and the type of insurance product used (p<.001).

14. Level of Understanding Specific Insurance Products

Next, the survey asked the subjects about their level of understanding for different insurance products. The results are summarized in Chart 14. The Chi-Square test shows that the relation between country of origin and level of understanding is significant at the 99% confidence level. Across the three different groups of respondents, the information level for car and health insurance is mostly medium to high but only a few respondents have not understanding for these types of insurance products. Of the three groups of respondents, the Germans have the highest response rate for "no understanding" (14% for car insurance and 16.2% for health insurance). Education of clients by insurance companies may be a successful way to attract insurance business in Germany. Although health insurance is socialized in Germany, private health insurance is available to those who choose to pay for this premium coverage. Interestingly, Chart 14 also shows that a large percentage of the Russian respondents (over two thirds) indicate that they have no understanding of either life or property insurance. This result is not surprising as only few of the respondents are covered by either life or property insurance (see Chart 13: 6.1% of Russian subjects are covered by life and 8.6% by property insurance).

Charts 13 and 14 in conjunction show that across the three countries the insurance product for which people have a high level of understanding also has a higher level of usage. Education of the public may be the key to securing more business in the insurance industry across the three countries. Particularly in Russia, life and property insurance products seem to have a large growth potential, an important insight for a marketer of such products.

Chart 14
Percentage of Respondents and the Level of Understanding of Specific Insurance Products

Chart 14 continued
Percentage of Respondents and the Level of Understanding of Specific Insurance Products
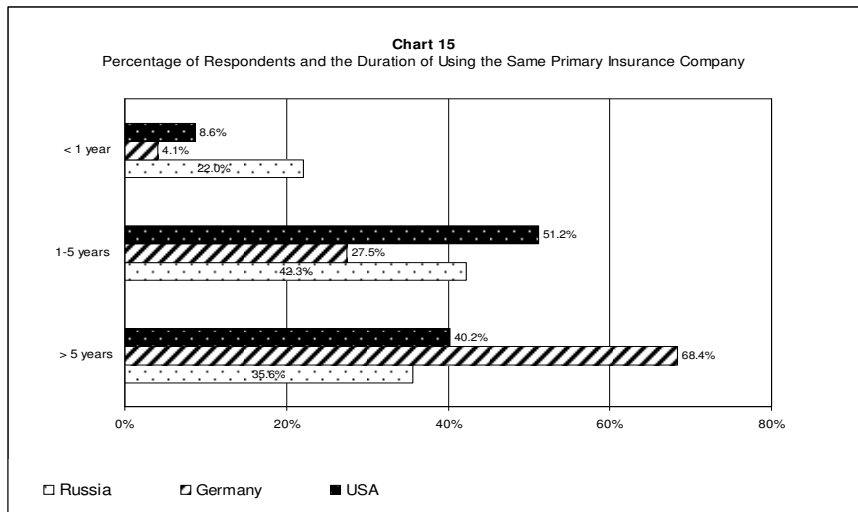
The Chi Square test shows a significant relation between country of origin of respondent and the level of understanding about specific insurance products (p<.001).

15. Duration of Belonging to the Primary Insurance Company

The final question asked the respondents how long an individual has been using an insurance company. The results in Chart 15 are very similar to the ones in Chart 5, which asked the same question pertaining to financial institutions, in general. When asked how long one has been a client of a particular insurance company, 68.4% of the German respondents claim that they have been clients for more than 5 years, whereas the largest percentage of Americans (51.2%) and Russians (27.5%) have been clients for only 1-5 years. These results are significantly at the 99% confidence level using the Chi-Square test. Both Charts 5 and 15 are indicative that Germans are showing the most loyalty to not only their banks (Chart 5) but also to their insurance company (Chart 15).   Once an insurance company has attracted a client in Germany it is likely to keep the client for a long term. The highest percentage of respondents who claimed that they were clients of an insurance company for less than 1 year where from Russia. This result may be due to the infancy stage that the Russian insurance industry is in. A focus on

consumer retention is therefore less important in an insurance company's marketing campaign aimed at German as opposed to American and Russian consumers.

Chart 15
Percentage of Respondents and the Duration of Using the Same Primary Insurance Company

< 1 year	USA 8.6%, Germany 4.1%, Russia 22.0%
1-5 years	USA 51.2%, Germany 27.5%, Russia 42.3%
> 5 years	USA 40.2%, Germany 68.4%, Russia 35.6%

☐ Russia   ☐ Germany   ■ USA

The Chi Square test shows a significant relation between country of origin of respondent and the duration of using an insurance company (p<.001).

CONCLUSION

This study used a survey to investigate the differences in consumer preferences for financial services between the three countries US, Germany, and Russia. Since cultural, ethnical, socio-economic, behavioral, and political differences exist in these countries, differences of consumer attitudes and preferences are likely to exist in the financial sector, including the insurance sector. Identifying these differences and similarities are an important part in the formulation of an effective and successful marketing strategy for firms doing business in these countries.

We find that trust in the financial institution is the most important attribute across the different countries. While stability, financial conditions, and performance rank among the most important attributes in all three countries, technologically-related attributes, such as online-banking are unimportant in Russia. This implies that a global or standardized marketing approach is more appropriate for marketing stability, financial conditions, and performance rank, and a more localized marketing approach seems to be more appropriate with regard to technologically-related attributes for a marketer in these international markets.

While Russians and Americans feel that monthly is the most preferred frequency of contact with bank representatives, German prefer to be contacted only yearly. Face-to-face is the preferred method of communication with the customers in all three countries, e-mail takes on only a somewhat important role in the US, a small role in Germany and no role at all in Russia. Russians consider the offering of mortgages by a bank more important than Americans and Germans. Some interest exists in all three countries for innovative services that could be offered by banks. Germans have more loyalty to their banks and insurance company, and are customers for longer periods of time, than are Americans and Russians. Most Germans also trust their banks with their investment decisions, while only few Americans and Russians do so. Financial consultants seem to be most popular in Germany; however, even there only few people use them. Consequently, the

financial consultant industry has large growth potential in all three countries. Most Russians admit they have no understanding of specific investment products and are therefore also unlikely to use investments. The level of understanding of investment products is surprisingly low across all three countries' respondents, which is a sign that educational programs offered by financial institutions may attract business for investment products.

After asking the respondents questions regarding their insurance company, we find that speed of claims payment is the most important attribute, along with trust and financial condition across all three countries. While personal relationship is the least important attribute for the Russian respondents in their selection of an insurance company, look of facility is the least important attribute for the American and German respondents. These findings shed light on characteristics which insurance companies should either focus on (speed and ease of claims payments) or neglect (personal relationship and look of facility) in their day-to-day operations and marketing campaigns. The survey also unveils that while car and health insurance products are widespread across the three countries, life and property insurance are almost non-existent in Russia. This indicates market growth potential in Russia for these types of insurance products and a need for customer education.

While this study only investigates a small sample of consumers in the three countries we studied it, sheds light on important differences and similarities in cross-cultural consumer preferences. Further research with larger samples can have profound impact and important implications for the product and service selection, marketing campaigns, and operating procedures for multinational financial institutions and insurance companies.

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