

November 20, 2008
Moscow

Russians choose to pay bills via distant channels

According to ZAO KB Citibank, the number of customers using remote access to pay for their utilities is growing by the month at an average of 13%, and tripled in the first ten months of 2008. Customers are being attracted by speed, simplicity and accessibility of modern payment channels.

Previous research, conducted by Citibank a year ago showed that more than half (58%) of those surveyed were not satisfied with the traditional method of paying their bills, via bank payment desks. Among the reasons for dissatisfaction most frequently cited were queues, the inconvenient location of payment points, limited operating hours and bad service. Moreover, the average time spent by respondents to pay their bills, taking into account travelling time, queues and filling in forms, was 42 minutes (about 22% of respondents spent more than an hour paying bills, and just 8% of those surveyed usually completed the task in 10 minutes). 78% responded that they would be happy to use remote payment methods, if they had that opportunity.

If just a few years ago ATMs were mainly used to withdraw cash from payroll accounts, now many users have become interested in the additional functions of bank cards. The idea of utilising new finance technologies is no longer surprising and frightening to Russian clients. It turns out that the menu options 'Mobile Communications', 'Satellite TV', 'Internet' and 'Utilities' hide very simple procedures, and the money reaches the recipient far faster than with traditional transfers performed by a bank clerk. Moreover, the time of day is of no importance — it just takes a few minutes to bring back to life one's telephone or Internet access. The only thing you really need is to have sufficient funds in your account.

Current statistics show growth across the board in the popularity of [remote payment](#), although different types of service are seeing different growth rates. Since the beginning of 1998, the number of clients paying for household utilities and the Internet (including satellite TV) remotely has more than tripled, and the number of people paying for mobile telephone services in the same way has almost tripled. The slowest growth is in the segment of customers paying for their landline telephones (+126% since January of 2008).

Services	Growth in the number of users (Jan-Oct 08)	Share of the total volume of payments	Average bill
Mobile phone services	245%	79%	\$24
Internet + TV	535%	7%	\$36
Landline telephone	126%	3%	\$18
Utilities	446%	11%	\$73

Banks are most interested, naturally, in customers paying their domestic utility bills: the average bill is \$73, although the actual demand for this service is, so far, fairly small (11%). The remote payment service most in demand is payment for mobile telephones (79% of Citibank customers). On average, each customer spends about \$24 each month for mobile use. However, people do more than paying for their mobile telephone subscriptions.

Research has revealed that 43% of Citibank's clients use the Internet to pay their bills. However, the most common payment method remains ATMs (52%). The average card transaction at an ATM is \$24, which is almost \$7 less than the average bill paid via the telephone system, and \$3 less than bills paid via Internet banking. This does not mean that people trust ATMs less than they do their home telephone or the Internet. But the factors of convenience and an unhurried environment appear to prompt greater spending.

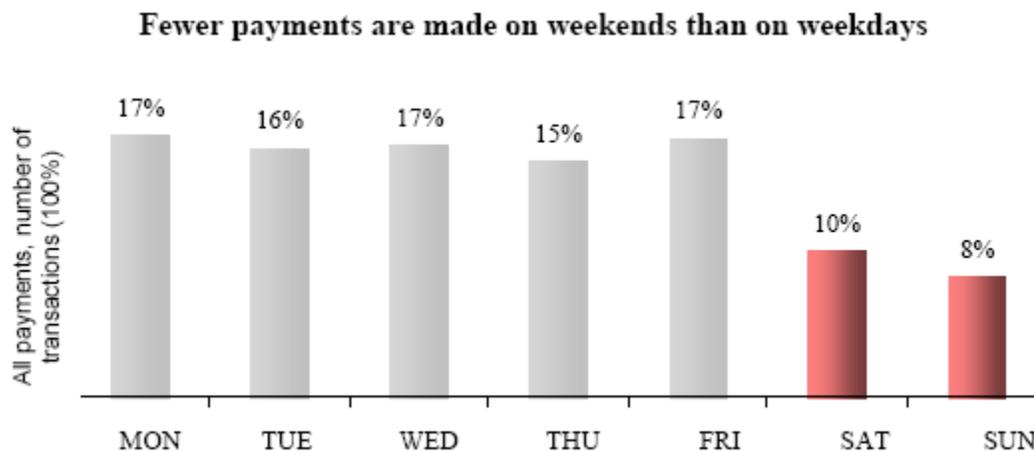
It is interesting that the newest (launched in summer 2008) and, possibly for this reason, the least popular (less than

1% of payments) entails the largest average transaction size—more than \$37; this form of remote payment is instructions for automatic payment, when a customer instructs his bank to automatically pay a certain sum.

Means of payment	Share of all transactions	Average transaction volume
ATM	52%	\$24
Internet	43%	\$27
Telephone	4%	\$32
Automatic payment	Less than 1%	\$37

Although an average of twice the number of customers prefer to use debit cards to pay for household utilities, owners of [credit cards](#) with bonus programs (such as [Miles & More](#), Cash Back and others) try to put as many payments as possible on their [credit cards](#), in order to get a little closer to a free airline ticket or other bonuses.

It is worth noting that the majority of payments are made on workdays. Clients prefer to perform the maximum number of transactions on Friday, or on Monday. On weekends and holidays the volume of payments falls to about half.



Residents of large cities are the first to receive—and utilize—opportunities to simplify their day-to-day chores. By the number of remote payments and the sum of the average bill Moscow, of course, is in first place (75%; \$24). However, some large towns are seeing faster growth in the use of such practices, than even in Moscow. Volgograd is a prime example (since the beginning of 2008, the number of transactions grew by an average of 36% per month), as is Nizhniy Novgorod (35%). Meanwhile, Yekaterinburg has even overtaken Moscow, with an average payment of \$29.

City	Average monthly growth in the number of transactions	Average payment
Moscow	20%	\$24
St. Petersburg	24%	\$19
Yekaterinburg	26%	\$29
Nizhniy Novgorod	35%	\$15
Rostov-na-Don	27%	\$12

Samara	27%	\$14
Volgograd	36%	\$13

Our main conclusion is that in 2008 a confident growth trend is being observed, in the number of transactions per person per month. This portion of clients, who performed two or more transactions per month, grew since the beginning of 2008 from 7.8% to 14.3%.