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Q&A: For Nikolai Fetisov, It's Always Been a Matter of Trust

By Jonathan Earle

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Fetisov thinks smaller players can succeed, even though they have no say. **Igor Tabakov**

The lobby of National Bank Trust's headquarters in downtown Moscow is your typical polished, corporate lobby with one exception: Hollywood actor Bruce Willis stands beside the front desk with crossed arms and a discerning expression on his face. No explosions this time: His life-size cardboard cutout would like to have a word with you about banking.

Trust is best known for posting Willis' bald head around the city — an unprecedented marketing campaign that was partly the brainchild of the bank's Western-trained president, Nikolai Fetisov. But Fetisov, 41, says building a reputation in banking was much harder than buying the help of a famous actor, even for a bank called "Trust."

Like the characters Willis tends to play, Fetisov is a straight-talker, and he pulls no punches when describing Russia's challenging business environment.

Nikolai Fetisov

Education

1992 – Moscow Engineering Physics Institute, applied mathematical physics
1996 – University of Minnesota, MBA in finance

Work Experience

1996-97 – trader then London specialist at Cargill Financial Markets, Minneapolis
1997-2001 – vice president of the derivatives division at Donaldson, Lufkin & Jenrette (DLJ) International in London
2001 – vice president of the developing markets division at Credit Suisse First Boston, London
2001-03 – managing vice president of National Bank Trust, Moscow
2003-Present – president of National Bank Trust

Favorite book: "History of the Russian State" by Vasily Klyuchevsky
Reading now: books authored by Peter Hamilton
Movie pick: "Star Wars"
Favorite Moscow restaurant: Seiji

A native Muscovite, he was an aspiring physicist when the Soviet Union collapsed and demand for scientists dried up almost overnight. Like many in his situation, he left the country in search of something better, finally turning his eye to business and earning an MBA in 1996 from the University of Minnesota. After, he took a job with agriculture giant Cargill's financial division, then moved to the investment bank Donaldson, Lufkin & Jenrette, and later Credit Suisse First Boston.

By 2001, Fetisov had a flourishing career in London, but something wasn't right. He missed home, and with the business environment stabilizing in the wake of the "wild" '90s, he decided to return to Russia to join Trust, then a small investment bank.

By this time, the retail-banking sector, which was hit hard in the 1998 financial meltdown, was well into its recovery. Fetisov was named president of Trust in 2003 and helped restructure the company from an investment bank to a retail bank, capitalizing on the growth of Russia's middle class and steering the company up the rankings and through the 2008 financial crisis.

Today, retail banking is one of the most competitive sectors in the economy, and while state-backed giants like Sberbank and VTB crowd the top, scores of domestic and foreign brands compete for market share.

The sector is lucrative enough to draw major foreign players such as Citibank, Barclays, HSBC and UniCredit. But despite their deep pockets, success has been elusive, and several have been forced to close their retail-banking operations amid disappointing results.

As the president of a medium-sized bank — Kommersant Dengi ranked Trust 27th in the country by net assets — Fetisov has seen these successes and failures from the inside, and the advice he offers to potential investors looking to avoid the missteps of those that came before

is pretty fundamental: Do your homework and build local partnerships.

He warns against the hubris of assuming that a brand's success in the West is enough to guarantee results in the Russian market. The reality, he says, is that local players — especially in the well-developed retail-banking business — have existing relationships and word-of-mouth on their side. Overcoming that takes a smart strategy and often lots of cash.

Fetisov has applied skills honed in the West to build a thriving business back home, but he has no illusions about Russia's shortcomings. He sees corruption everywhere and bemoans the disenfranchisement of small and medium businesses, saying the ruling elite doesn't give companies like Trust a voice in how the economy develops.

His hobby of participating in long-distance off-road car rallies has given him patience and a sense of perspective on his native country, as well as an appreciation for his fellow Russians. "The friendliness of people is in direct proportion to their distance from Moscow," he said.

In a recent interview with The Moscow Times, he provided blunt insights into how things work here. It has been edited for length and clarity.

Q: How did you go from an aspiring scientist in the early '90s to where you are now?

A: In the Soviet Union, technical universities and technical professions provided for a much higher degree of personal freedom. Many people with brains chose to become physicists and chemists so they wouldn't have to do the brain-dead stuff that was being done in the humanities.

Between 1990 and 1992, when I graduated from university, everything changed. My whole plan of becoming a scientist went to ashes. I spent two years studying business, then got a job at Cargill, which invested billions in emerging market economies like Mexico, Russia and Brazil. I moved to London where I worked for the investment bank Donaldson, Lufkin & Jenrette (DLJ), then to Credit Suisse First Boston when they bought DLJ.

At this point, I was already thinking hard about coming back to Russia. I missed home and thought it would be nice to come back and live here after being away for several years. I think it was the right business call, too. Things were really changing for the better. Many people who criticize Putin right now don't remember what Russia was like when he was stepping into power.

Q: How do you convince people to trust a bank called "Trust"?

A: Word-of-mouth is our main driver, not advertising or PR. One guy comes to the bank, he's happy, and his friends, family and co-workers tend to take this personal recommendation much more seriously than they would an advertisement. We believe that about half of our new clients come to us because they have heard positive reviews from existing clients. Advertising helps, of course; it makes people generally aware that you're a market player that's not going to disappear tomorrow.

Q: Why did you choose Bruce Willis to be your official spokesman?

A: We looked through Russia's celebrities and couldn't find a "face of the people," a solid man, a guy who instills confidence in a normal way, not some sort of bulgy guy or a flashy MTV type. We needed someone people could relate to, someone who could be my neighbor, my co-worker, my boss, the guy I play football with on Saturday. We couldn't find a single Russian celebrity who fit that description.

I was surprised that nobody in Russia had used an A-rated Western movie star before.

Q: How do you see the announced presidential candidacy of Prime Minister Vladimir Putin affecting the business climate and foreign companies' ability to succeed?

A: The announcement was expected. I don't think anyone seriously thought that there would be any changes in the business climate. Foreign investors have figured out that if you're not ExxonMobil or Coca-Cola, there isn't much space for you. You need protection from the top, or else you're exposed to all the lawlessness and "wild-wild West" that exists out there."

The foreign banks that withdrew from Russia did so not because they couldn't compete with large state banks. They couldn't compete in the industry in general. Something was wrong with how they approached this market. Among foreign banks, you only see two success stories: Citibank and Raiffeisen.

Those that failed threw money around, hired the wrong people and didn't have the right product or risk management. HSBC thought that because it's one of the biggest banks in the world and has a fabulous brand name, all the people who've been banking with Alfa Bank and Raiffeisen and UniCredit for a decade will suddenly switch to it. Barclays made the same mistake. That's why they failed.

Q: Why did Barclays fail in the retail-banking sector?

A: Barclays entered the market by buying a local bank, Expobank, in 2008. They thought Expobank was a retail bank. Turned out it wasn't. Expobank had about as many retail clients as we acquire every two days. They paid a high price, and when they realized that some things were missing from the equation, they spent a lot of time and energy trying to save the business. But the market didn't wait for them to catch up.

There are two approaches to running a foreign banking operation in Russia, and we have successful examples of both.

One is Raiffeisen, which is basically a Russian bank with foreign shareholders. They've been able to compete successfully with large state banks, large commercial banks and other foreign banks because they understand the standards and the risks.

Another approach is Citibank, which is not a Russian bank, meaning that risk management, marketing and other operations take place outside of Russia. But Citibank has deep pockets, and they've used their resources to build a nice operation, acquiring over 1 million people in the market segment they wanted. This approach takes time: If you expect to start making profits in two to three years, you're going to be disappointed.

In general, big brands can't assume that because they're big elsewhere, they'll be big in Russia. Clients need a good reason to abandon a local bank or another foreign bank that

they're satisfied with.

Q: What advice can you give a foreign businessman who's interested in doing business in Russia?

A: If you represent a sizable company, then conditions in Russia are not much worse than they are in other places I've worked, like Turkey and Mexico. You analyze the market, you size up the competition in your industry, and, yes, you have to build up a relationship with government officials, which is not that difficult in our experience.

To sell anything, you need a local partner. If you're a midsize company, or a Western entrepreneur running a small business, I recommend finding a local partner first. There's no formula for finding the right partner; it's always a customized process.

Q: Do you ever worry that somebody's going to come through that door and say, "This is ours now"?

A: Well, yes and no. Laws do provide some protection here, of course. It's not as bad as the Western media make it seem. General instability is more of a concern than the prospect of a guy showing up and saying, "It's mine now." Given that corruption is all around, if you steal something, you can't really expect that it's not going to get stolen from you.

Q: What keeps you up at night?

A: In Russia, general market instability very quickly causes people's confidence in banks to drop, a sign that they generally mistrust them. Once instability starts, Russians tend to run on the banks much faster than people in other countries.

Q: What kind of trouble or instability could Russia encounter in the near future?

A: Capital flight. In the short term, nobody sees this as a problem because the country is generating capital like crazy. People have to stash it away someplace, and they naturally choose to invest it abroad. If they receive the right opportunities and protections here, they might bring it back to Russia. The problem isn't with oligarchs or large companies taking money out, it's with hundreds of thousands of people — businessmen and upper-middle class people — sending small- and medium-sized sums abroad.

Q: How do you stop capital flight?

A: Laws have to work, police have to protect people. The whole society has to work. You shouldn't have criminals running half the country. You have to address general corruption and the general level of lies in a society, which in my view is approaching or even surpassing Soviet levels.

Q: What can businesspeople do to make Russia a better place to do business?

A: Second-tier businesses have exactly zero influence, zip. Unfortunately, in the eyes of people who've been running the country for a while, the future wealth and wellbeing of the country is linked to state-owned companies and investment programs, not private businesses. I don't see this changing.

Q: Why do you enjoy participating in long-distance road rallies?

A: It's a good opportunity to forget the signs of civilization. You get to know your own country from an angle that's usually inaccessible to Muscovites.

In Russia, friendliness increases in direct proportion to the distance from Moscow. In the countryside, people are cooler and calmer than they are here.

Q: What's a key lesson you've learned that's helped you succeed?

A: Don't think that you're smarter than people around you. The moment you start thinking, "I'm so cool, unbelievably smart and successful," a major screw-up is just around the corner. That has to do with your relationship with partners and your general approach to business. It doesn't mean shoot low and keep quiet, but I've seen lots of people make very big mistakes when they start thinking that the sky's the limit. So, be nice to people, and people will be nice to you.

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