

# Sberbank's Big Plan to Become Russia's Consumer Goliath Takes Shape

The state-owned lender will launch an online retail giant in 2021, as it aims to be the main player in almost every sphere of Russian life.

By [Jake Cordell](#)

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Sberbank — founded in 1841 — was the Soviet Union's monopoly savings bank. It now wants to become Russia's answer to Silicon Valley. **Vladimir Gerdo / TASS**

Not satisfied with just being Russia's largest financial institution and most valuable company, Sberbank is now going all in on its ultra-ambitious technology transformation, aiming to become the country's biggest e-commerce player.

That was the plan at the core of the bank's new strategy — unveiled this week in a glitzy two-day online event for investors — that will see Sberbank invest billions of dollars in an aggressive drive into practically every corner of Russia's consumer economy.

If successful, it will see the 179-year old institution become even more central to Russians'

everyday lives than it already is — making it the most popular bank and the equivalent of Amazon, Uber, Netflix and Deliveroo all rolled into one company.

“We don’t want to just be boring bankers,” said Sberbank CEO German Gref, the former Economy Minister who is now guiding the lender through its third economic crisis since he [took over in 2007](#).

“We are playing in a new league. We have become a technology company.”

### **‘Very Very Ambitious’**

The bank’s [technology ambitions](#) have long been clear, and Gref has made no secret of his goal to transform the historic financial services giant. But this is the first time the bank’s management team has outlined the scale and depth of its plans to investors — adding a strategic narrative, investment plans and financial targets to the previous rebrand.

The aim is to become no less than an e-commerce goliath — “one of Russia’s top-three online retailers by 2023,” Gref said. And it has its sights set on the top spot within the next decade.

“This is a very, very ambitious goal,” Lev Khasis, the bank’s first deputy chairman responsible for all non-financial products added.

Analysts don’t disagree. “Ambitious” was the word of the day in the smattering of [research notes](#) published shortly after the presentation analyzing Gref’s new strategy for the bank, which runs until 2023 when his term as CEO ends.

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Sberbank is targeting 500 billion rubles (\$6.6 billion) of gross merchandise value (GMV) — the leading e-commerce metric which measures the total value of goods sold through a merchant’s platform — for its yet-to-be launched online marketplace.

No Russian online retailer has ever notched up that amount. Market leader Wildberries might become the first this year. But second-placed Ozon, which has just raised more than \$1 billion in a [hugely-successful initial public offering](#) (IPO) in New York and is growing exponentially, isn’t forecast to pass the 500-billion ruble mark until 2022 — just 12 months before Sberbank hopes to get there.

After false starts, including a [failed partnership](#) with Russian technology giant Yandex and an attempt to buy a chunk of Ozon, Sberbank now plans to launch its own online marketplace sometime in 2021, Khasis said. It has already lined up significant warehouse space, he added, though refused to give specific details, citing the watchful eyes of competitors. SberLogistics, which will form the backbone of the e-commerce delivery network, is set to handle seven million orders this year.

For Gref, the decision to move into the space is now or never — before the market consolidates around only a few players.

“In the American or Chinese markets, we would never be able to do this,” he said, saying the barriers to entry would be too high to compete with a dominant player like Amazon or Alibaba.

While e-commerce is set to be at the center of Sber’s non-financial empire, it will complement a [sprawling network](#) of other initiatives, Gref outlined. In many, Sberbank is already a market leader thanks to a fast-paced expansion drive over recent years.

It already has stakes in one of Russia’s top online streaming services, the country’s largest fast food delivery app, a ride-hailing and taxi firm, two rapidly-growing express grocery delivery outfits, a logistics arm, mapping and GPS services, a headhunting service, a host of popular online media outlets and an online education service being used by half a million Russian schoolchildren.

## **Banking stronghold**

Sberbank’s dominance in its home sector gives it some huge competitive advantages as it embarks on its transformation, analysts say. At the same time, its unique position in Russia’s economic, corporate and political landscape could also be its biggest [drawback](#).

The scale of Sberbank’s quasi-monopoly status is bewildering. It has some 98 million clients — representing more than 80% of all Russian adults. It issues more mortgages than every other Russian bank combined, and oversees almost half of the country’s entire bank deposits and retail loan portfolio.

It has more than 14,000 branches across the country, and there are only two apps more popular in Russia than Sberbank’s mobile banking service with its 30 million daily users — WhatsApp and YouTube.

That banking stronghold gives Sberbank plenty of cash to invest. Over the next three years, analysts expect the bank to clear \$30 billion worth of profits. Even after its [obligation](#) to pay half in dividends, that comfortably leaves enough for a well-funded technology expansion. Investments in non-finance will account for 4% of the bank’s equity by 2023, Khasis said — equivalent to around \$3 billion at current share prices.

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But the banking dominance — which will remain entrenched under the new strategy — has raised a twin set of questions. Will management be diverting too much attention away from its primary profit center? And does it have the energy and time to devote to non-financial products?

The numbers presented in the online conference underlined this developing dichotomy.

Sberbank will double the proportion of its workforce in its technology and non-finance departments over the next three years, it said. But banking staff will still account for 77% of the headcount. Earnings from its plethora of non-finance products should double in each of the next three years. But even that will only see them contribute 5% of the bank’s total profits.

Meanwhile, Sberbank's "net interest income" — the core banking metric which measures the difference between the amount a lender earns from interest paid on loans and what it pays out to depositors and savers — will still account for 68% of profits in 2023, down slightly from 75% today.

Gref insisted that the new strategy does not divide up the financial and non-financial parts of the empire and said the two are complementary. Moreover, he said the transformation should be seen over a much longer horizon than this three-year strategy.

By the end of the decade, non-banking profits could contribute a significant 20-30% of the group's total income. The bank also wants its non-finance operations to be worth the same, in terms of market capitalization, as its core banking arm.

At its current share price, Sberbank is worth \$76 billion — making it Russia's most valuable company.

## **Social obligations**

But the bottom line is not the only factor in Sberbank's aggressive technology pivot. The lender is also acting in its role as a state-owned organization with a considerable responsibility to help implement Russia's socio-economic policies — which have taken on even more significance this year.

"Our main goal is to be a trusted navigator in a changing world, for businesses, people and the government," Gref said Monday.

"Sber is a support for the government to develop the economy. We help the population, develop small businesses, share our technologies, transform industries and prompt digitization."

Russia's fast-growing, high-potential online space is an area of Russia's centralized economy where the Kremlin has less direct ownership of the main players. A commanding role for Sberbank would go some way to addressing that.

Gref himself acknowledged the importance of boosting the competitiveness of "[home-grown ecosystems](#)" in comments to reporters Monday.

"Foreign ecosystems are a serious competitor," he said, citing Google, China's Alibaba and Facebook's plans for financial services. He then held up his phone to acknowledge the likes of Apple, Samsung and Huawei. With its position in Russia's banking market secure, it is these companies that Sberbank — and Russia — see as competition.

"Either Russia can feed foreign ecosystems or we can develop domestic ones," Gref said.

He also took aim at the idea that Sberbank's tech ambitions are just a tool to retain its banking clients in the face of new competition from tech firms — a consensus that has started to emerge among analysts.

"We are not defensive, we are offensive," he said. "We are wading onto somebody else's turf, and we are being successful on somebody else's turf."

The new approach, he said Monday, is simply an opportunity too good to ignore.

“If I was a shareholder, and we didn’t do this — with all our talent and experience — I’d be asking why. ... You can’t always measure it, but sometimes you just have a gut feeling that you are doing the right thing.”

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