

**Competitive advantage through relationships in ABSA Private Bank**

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## DECLARATION OF OWN WORK

I, Richard Browne, confirm that this work submitted for assesment in fulfilment of the requirements for the Masters Degree of Business Administration, through UNISA SBL, is my own and expressed in my own words. Any use therin of the works of other authors in any form (for example text, tables, and figures) are properly acknowledged at the point of use, and every effort has been made to avoid plagarism of any kind. A full list of the references to work employed has been included.

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## EXECUTIVE SUMMARY

Private banking is the evolution of traditional retail banking, catering to the financial needs of specifically affluent individuals. ABSA Private Bank (APB) is the largest of the private banks in South Africa, holding 60% of the affluent market, and part of the ABSA Group, which in turn is part of the global Barclay's group. The financial environment has undergone major upheaval, particularly the recent global economic crisis. Clients trust in banks, and the market and onerous regulation and legislation have changed the way in which a bank does business. These challenges and profitability pressures have necessitated banks to look at new ways of marketing, and cost saving, both of which entail strategic changes and a new approach to client engagement. Although the traditional banking is understood to focus on lending and savings, the trend over the last decade has been to offer more financial solutions such as investment and insurance, through what is termed 'bancassurance'. This holistic approach looks for a bank to offer clients a one-stop financial service, whilst taking a deeper share of the client's wallet.

Affluent clients can typically afford more products, and through a longer-term view on profitability, a private bank strategically looks to increase the amount of products held by each client, rather than simply chase more clients in the highly competitive and limited environment. This strategy would consider an approach which would support client retention and consider the collective approach to the client engagement through advice delivery over pure product sales. To deepen understanding and evaluate the potential for success of this approach, this study will therefore consider the following statement:

**“Client-centric financial advisory services develop long term relationships in private banking.”**

Three objectives which to this investigation are identified as of particular relevance to proving the validity of this statement are:

- To examine current perception of a relationship marketing approach on client retention in private banking
- To determine the applicability of current structure and measurement on client centric solutioning by staff
- To investigate the importance of cultural fit on a market-led value proposition in ABSA private banking

Application of theoretical modelling the results support the validity of a business case, and thereafter a research case through application of literature in line with these objectives provides deeper context to the underlying complexity.

The research project takes place in the ABSA Private Bank Gauteng Division, the population of which are private bankers and financial planners involved in the actual client facing engagements. Through a questionnaire sampling 40 client facing staff, responses were gathered followed by deeper investigation into the objectives through interviews of both the direct reporting lines in each of the suites in the province, including the provincial executive. Analysis of the data gathered in line with the research objectives provided the following insights in the field of private banking:

- A relationship marketing approach in a private bank needs to be mutually beneficial to all stakeholders to be sustainable
- Client loyalty and trust are affected by expectations of price and service quality
- Products and (packaged) solutions need to suit the segment requirements in private banking
- A private bank should be selective of specific client segments which promise to be profitable in the long term
- Communication within the banking structure and clients needs to consider cultural ‘appropriateness’
- If specialist support is outsourced, the staff and structure should specifically be aligned with the delivery requirements of private banking demands and culture
- Remuneration misalignment has trust and collaboration implications between the bank and support specialists
- Measurement, management and accountability of specialist support to a private bank, requires a collaborative leadership role, supported by a structure such as matrix reporting
- Financial value to the bank on banker and specialist client delivery needs to be clearly illustrated at all levels of the organisation
- Appropriate measurement and feedback in terms of client-facing objectives needs to be consistent and relevant to the role
- Staff roles should be clearly defined and measured at managerial, support and client facing level in line with an overall group objective
- A specific staff culture should be aligned to the characteristics of strategic segments
- Staff attraction, development and retention need to be in line with organisational culture
- Skills specific to the demands of private banking should align to client culture and developed upon existing individual staff values

- The motivation, management and measurement of staff (including support specialists) within private bank need to be specific to long term relationship-led objectives
- Clients demand a service delivery built is on the tangibles of trust, advice, consistency, and cost

Whilst a relationship marketing approach is found to be strategically appropriate, there remain challenges in ensuring the effectiveness of its implementation. The trust element central to success is more difficult to establish in the current financial environment, where clients demands have been affected. In addition, the resources required in delivery extend beyond the question of availability and the findings in terms of efficient structural allocation, to the emergent influence of the individual on delivery. The requirements for human capital to deliver on the strategic requirements of a relationship marketing approach demands attention to both the skills and incentives appropriate to the private banking segment, plus deeper consideration as to the effect of the underlying culture.

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## CHAPTER 1: ORIENTATION

### 1.1 INTRODUCTION

This study investigates the dynamic and challenging affluent market of the South African banking sector. An evolution in client demands has created a need for a more exclusive banking solution known as *private banking*. Investorwords.com (2011) defines private banking as “the provision of banking services to very wealthy individuals and families, illustrating the qualification criteria of financial service firms for the person or family to have a certain minimum net worth. Banks traditionally derive revenue by supplying transactional products and services to their client base, with ABSA the largest of the retail banking groups in South Africa, offering banking, insurance, loan, savings and investment products and services.

In Britain, according to Maude D (2006), private banking has a long pedigree extending as far back as the seventeenth century. Private Banks operate in a highly competitive market offering holistic financial products and services to the high net worth segment of the market. The approach to engagement with these clients is therefore different to that of a retail bank. When considering private banking, Abratt and Russel (1999) are quoted to have said “Keeping customers by developing relationships with them is crucial to establishing and maintaining competitive advantage in the market”. In contrast to a larger retail segment, the challenge of client retention is therefore arguably more necessary and potentially more difficult.

### 1.2 PROBLEM IN CONTEXT

ABSA Private Bank (APB) is also the largest of the private banks in South Africa, holding 60% of the local market, and as part of the global Barclay’s group has potential to leverage of first world banking solutions and services. The size, structure and strategy, relative to the private banking competitors may offer competitive advantage or weaknesses, however without deeper understanding, the opportunities may be missed and threats poorly managed, preventing APB from becoming the pre-eminent private bank in South Africa.

APB was initially founded as ABSA Personalised Financial Solutions (PFS) in 2000, as a specialist business unit with ABSA Retail. The purpose was to capitalise on the opportunity to offer a differentiated and competitive offering to the affluent clientele, with above average earnings and net asset value. These clients have more complex financial demands, and if the Paerato (check spelling “Pareto?”) principle is to be applied, it can be assumed that this 20% of

the clients would be deemed to control 80% of the market's total income. The bankers' service delivery to the client in delivery of a specialised client-centric service was supported by in-house financial planners reporting into a private bank, as well as external support such as short-term insurance and estate planning specialists reporting into external ABSA divisions.

Operating in the private banking market, the competition such as Investec, Standard Bank and FirstRand (RMB) strive to differentiate themselves through their own service and product offerings. As shown in PWC's private bank peer review, Investec was perceived for the 5th year running to be the best private bank in South Africa, followed by Standard Bank moving from 4<sup>th</sup> to 2<sup>nd</sup>, and ABSA Private Bank following in third position.

Ranking	First	Second	Third	Score	Change
Investec	10	2		34	→
Standard Bank	1	5		13	↗
ABSA	2	3		12	→
Nedbank		2	5	9	↗
FirstRand Bank (RMB)		2	3	7	↘
UBS	1			3	→
Sanlam			1	1	↗

§ Based on 14 banks

Fig 1.1: Private Bank Rankings (Source: Metcalf, B. 2009 PWC Report: Strategic and Emerging Issues in South Banking)

The banking industry has undergone significant challenges, including the global economic crisis, and consequent legislation. Retail and private banking both rely heavily on traditional lending as a core revenue source affected by this legislation. This transactional ability of banks to lend money is dependant on the amount of money held on its balance sheet, which is in turn lent on to clients at a margin. Further, banking profitability has been further affected by competition squeezing product profit margin and a lower interest rate environment.

ABSA Private Bank has had further challenges internally with significant restructure and leadership changes. Similarly, the APB operating model has been affected and adjusted, in line with economic challenges such as cost saving though retrenchment, realignment and re-engineering of staff and processes, typical in the recent financial environment. Financial planning illustrated a key service differentiator and client offering within the APB private banking proposition, was outsourced within ABSA to an alternative support division, ABSA Insurance and Financial Advisers (AIFA), part of ABSA Financial Services (Addendum 1). This example of structural change is an example of the adjustments made in a bank in line with environmental

challenges, arguably to offset risk in APB and outsource the cost of administration to a division which already has these processes in place.

Whilst the value proposition of APB remained relatively consistent, internal changes to structure, leadership, measurement and motivation of staff have not. The current vision and values of APB are reflected below.

<b>Purpose</b>	<b>Enable the <u>ambitions of</u> our customers.</b>	<i>“Reason for existence”</i>
<b>Vision</b>	Deliver <u>exceptional</u> Private Banking in South Africa.	<i>“Ambition or Dream”</i>
<b>Mission</b>	<ul style="list-style-type: none"> <li>• <i>This will be <b>achieved</b> by providing our customers with the best Private Banking offer anchored in well designed banking &amp; trusted advice.</i></li> <li>• <i>This will be <b>delivered</b> by a well combined, optimised, but noticeably different channel mix.</i></li> <li>• <i>This will be <b>enabled</b> by improving on the <u>skills of our people, systems, processes, measurement, models &amp; value tools.</u></i></li> <li>• <i>This will be <b>sustained</b> by growing our profits from our existing customers &amp; consistently delivering on service promises.</i></li> <li>• <i>This will be <b>supported</b> by a transparent leadership team who are determined to execute on exceptional Private Banking.</i></li> </ul>	<i>“Key focus to achieve our Vision”</i>

Fig 1.2: ABSA Private Bank Mission (Source: Presentation: ‘Journey to the exceptional’, Ralibitso M. 2010.)

APB has a value proposition which promises to deliver exceptionally on a clients ambitions, through trusted relationships and the collaboration of specialists. This commitment to the client is further represented in marketing material including the ABSA Private Bank website (Addendum 1). In placing a client-centric service at the centre of the strategy, the client engagement appears far deeper than that of a retail offering. The principle is that the affordability of this segment would allow for a potential take up of more product solutions through a holistic financial service.

A customer orientated approach is central to the APB proposition, typical to the approach promised from a private bank. Delivery would internally depend on a level of interfunctional co-ordination, complicated in market as dynamic as private banking, where an eye on the competition sees Investec remain the benchmark, followed by Standard Bank. As a specialist banking service, a refocus on the original retail product-push type strategy, may address short-term profitability demands relative to the competition, but the impact on a longer term strategic view on profitability towards sustainable competitive advantage, central to success in the private banking approach. Structure and staff are cogs in the banking machine that delivers the service

to the client. As with any machine, if one of the wheels is misaligned, optimal functionality is impaired. The challenge in a differentiated relationship-based service approach to delivery within a larger retail bank is complicated further by the demands of the significantly larger banking group of Barclays, which owns ABSA, adding a global dimension to the complexity.

A relationship marketing approach is one that looks to deepening the commitment of both parties towards a longer term, mutually beneficial collaboration. This approach is typically client centric in nature, and would differentiate a private bank from that of a more retail culture sales objective. Whilst the appropriateness of this marketing approach is implied, this would however entail a potential cultural change. Change in a large organisation such as a bank, with typically formalised processes, may be more challenging than expected, as underlying cultural elements may have a significant effect on the structure and motivation of staff in their client delivery.

### **1.3. THE PROBLEM REVIEW**

The evolution of a retail banking model to that of private banking can be arguably perceived as a paradigm shift the banking industry. When considering this change a related process change and rethink in terms of stakeholder management would need to be considered. Through a collaborative effort of banking and advisory specialists in private banking, the client's specific needs can be identified, and through application of the appropriate advice and tailor made solutions, a client centric proposition can be delivered. It is arguable that success in delivery of this value proposition that will determine whether or not a client will be retained, or take his business elsewhere.

A number of themes emerge from a deeper investigation into the complexity of the challenges to taking a longer term view towards profitability within the client-oriented approach of private banking (See Fishbone: addendum 2). More specifically, the underlying complexity of the problem relating to aspects of and contributing to client relationships and their importance in private banking, could be unravelling through a reflective analysis of issues such as:

- *Client centricity* and the barriers to becoming *market led*
- *Relationship marketing* as an approach to enhance client *retention*
- *Change* in a *value proposition* to exceptional private banking
- *A culture* of holistic solution resolution through appropriate *structure*

- The role of *leadership* in *co-ordinating* and *motivating* an *advice*-led proposition. within a larger retail structured
- The effect of *globalisation* on a *specialist division* with a *retail* organisation

A *market-led organisation* is described as one which has a combination of customer orientation, competitor orientation and inter-function co-ordination. Jaworski and Kohli (1990), arguably key in a gaining competitive advantage and long term profitability in the Private Banking space. This view of an outward focussed organisation is supported by the customer centric orientation, encompassed in a *relationship marketing* approach as reflected in the APB value proposition. ABSA Private Bank operates differently to the high activity sales focus within retail. Economic challenges, the Barclays merger and *structural* changes, plus a conflict between the relationship and sales focus, and the amalgamation of *cultures* and processes has resulted in conflict and change fatigue within the division.

Whilst competitors in private banking target private bank customer segments with earnings in excess of R1,000,000, APB still accepts clients earning in the region of R700,000, and of the 100,000 clients in ABSA Private Bank's client base, many do not actually meet this minimum criteria. The financial environment is continually changing, particularly when one considers the recent global crisis, and local client demands for alternatives to cash in a low interest rate environment. An awareness of the strategic changes and objectives of the competition allows an organisation to adjust accordingly. Inter-functional *co-ordination* of the number of strategic business units (SBU's) within the bank, supporting the banker is necessary when considering efficiency in delivery to the client-centric objective. Bankers and planners are targeted and remunerated with often competing objectives within the same space. These manifests at odds with the customer oriented elements of value proposition and organisational objectives. *Structurally* bankers are targeted on client acquisition and maintaining liabilities on the balance sheet, often in conflict of what is actually best for the client, in terms of appropriate investment, and the personal goals of the financial planners in Private Bank.

In a market led organisation, the *client centric* engagement with a client, particularly in a private bank, arguably necessitates a longer term view on profitability from a client, and retention of this client of the bank and the *relationship marketing* approach which develops a client relationship through trust would consequently be an important consideration. In considering the staff involved in the client engagement, turnover and underperformance are characteristic of an issue in *motivation* within the business. There is an issue reflected in poor staff performance ratings,

the number of sick days taken and resignations of late. Arguably there is a resistance to *change*, or potentially a *culture* misfit. What is clear is that there are strong traditionalists, and new methodologies. *Change* is inevitable, and ABSA Private Bank is currently looking at an operating model which will target growth in a market where new qualifying clients are estimated to grow by 362,400 by 2013 (Ralebitso, M. 2011.APB Leadership Convention). This acquisition growth is to be within cost constraints, and unnecessary wastage on space and fixed overheads are to be refined, through structural and strategic adjustment. With *change* comes unease and often conflict. These changes need to be managed with consideration to culture, and to the roles of *leadership* in this process, particularly with the necessity for *alignment* at all levels of the organisation. Whilst the client remains at the centre of the proposition, the *processes* and measurement of staff drives a different behaviour in practice.

The concept of bancassurance is the term used to describe the concept where an insurance company leverages of the bank sales channel and client base in order to sell insurance products. In South Africa, many of the banks are partnered with life assurance companies, as in the case of ABSA and Sanlam, or owned as in the relationship with Standard bank and Liberty Life. At the 2011 ABSA Insurance and Financial Advisers Gauteng Convention, the Managing Executive Louis Holtzhausen shared the following breakdown of revenue that ABSA Group derives from each business unit.

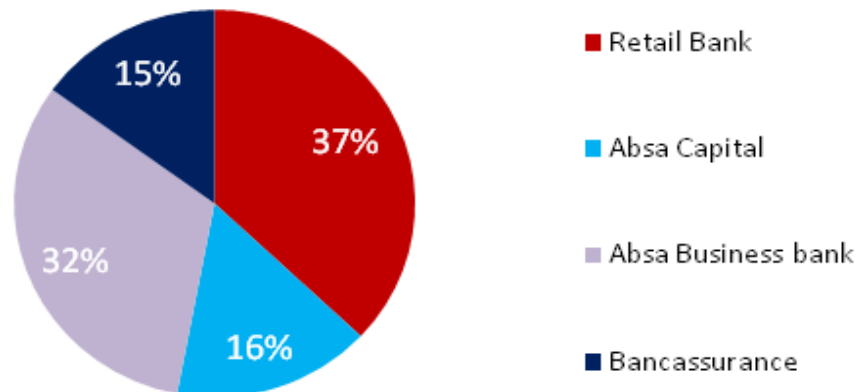


Fig 1.3: ABSA Business Unit Contribution 2010 (Source: Presentation 'AIFA Provincial Conference', Hotzhausen L 2011)

The challenge however is that, whilst a banking business units generates income from lending money based on funds on a balance sheet, insurance companies make money by investing the same money into their own off-balance sheet products. These two objectives appear at odds with one another in competing for the same client. As a core focus banking as a function is central to APB, and whilst the *value proposition* talks to *advice-led* solutioning, the revenue and



consequent profitability to the Private Bank itself as with any business unit, is of importance. Where the financial revenue of a business unit within private bank does not have direct financial spin-off to the private bank relative to the cost, regardless of the contribution to the long term value proposition, questions of the short-term value are raised. The situation is exacerbated by silos of support *structures* and consequent staff *culture* and *motivation* mismatches, as observed in banks operating on a retail chasis, such as in ABSA Private Bank.

From the *international* perspective, Barclays Bank is a majority owner of ABSA group, and the *strategy* followed in their planning division, although more suited to British markets, has bearing on strategic decisions locally. Barclay's recently changed the advisory approach towards their mainstream offering, by revising banking strategy to a more distribution of product, rather than advice delivery model. This means that at general level of client segmented engagement, product sales to the equivalent of AFS, is done directly with a banker, removing the *advice* component altogether. The effect locally is that these considerations will be looked at in certain banking segments, and as illustrated may find appropriate application.

Poor public perceptions and mistrust of the financial market due to poor financial *advice* and media pressures have resulted in financial institutions becoming more governed and *client-centric* in their approach. Bruce Cameron (2003), financial planning consumer watchdog, is quoted in Personal Finance Magazine saying "A financial needs analysis is the cornerstone of your financial plan". This form of thorough analysis performed by a financial planner can determine a client's objectives and needs in all financial aspects. The question may be asked therefore whether it is better to provide correct *advice* on the right product, or sell a client a solution which may be *motivated* by the revenue derived from it by the business unit involved. In principle, working together, an estate or financial planning division supports the value *proposition* of a one-stop offering to banking clients by complementing and protecting financial loss to both the client and bank through cover on liabilities and loans taken by the client, facilitated by the bank.

Naidoo (2011) leads the 11 March issue of The Financial Mail with an article on banking charges and the finance minister Praven Gordon's view of banking charges and the lack of clarity around them (Addendum 4). Whilst these stakeholders place financial pressures on fees, and the necessity for transparency will affect all levels of banking, the question remains on the influence of cost sensitivities in a private banking space where a differentiated service *strategy* would be directed towards the more affluent target market. This study further investigates that

link in delivery of a *value proposition* which offers a client holistic financial *advice*, which can differentiate a private bank from its peers and through *relationship marketing*, sets it apart as a benchmark in the industry. A dynamic environment places changing demands on an organisation. An understanding of what is required within that market to remain relevant is a clear requirement of a bank. As a private banking service, a *client centric* approach is believed to be necessary to deliver the service required to the target market. Sustainable competitive advantage through an appropriate *strategy* requires deeper understanding of the complexity when applying *structure* and staff towards a *client-centric* proposition.

The investigation takes place whilst the financial market is emerging from the most significant crisis of recent times. A deeper understanding of the demands of this market and the consequent *strategic alignment* of a differentiated *proposition* provides opportunity for the bank with the right formula to capitalize and distinguish itself from the competition. An investigation of the correctness of the marketing approach, and of the resources required to deliver towards that engagement promises to contribute to the understanding of that formula.

## 1.4 THE PROBLEM STATEMENT

### **‘Client-centric financial advisory services develop long term client relationships in private banking.’**

The study investigates an area of banking which offers an affluent client more than the typical transactional facilities, encompassing an enhanced holistic service and tailor made financial solutions. Through experience in the private banking and advisory divisions in ABSA, the author’s observations identified a need for deeper understanding of what it is practically that which differentiates a private bank service from that of a mainstream retail offering.

Whilst a bank may call itself a private bank, and have a strategic proposition of what a private bank would professes, it is the delivery towards that proposition that distinguishes itself from its retail roots. The study further investigates what the important differentiators towards client engagements are, whether the key characteristics required are clarified strategically and what are the deeper issues that would contribute to achievement of these objectives? The possible steps required in achieving this strategy and the problem statement itself raise a number of possible research questions, such as:

- How do aligning organisational and individual objectives contribute to competitive advantage in private banking?
- How does a financial planning advisory service enhance a traditional banking value proposition?
- What are the factors affecting staff motivation to deliver on a banking value proposition of pre-eminence?
- What is the importance of a relationship marketing approach to client retention in banking?
- The importance of culture in driving a long term holistic proposition over short term financial objectives
- How does structure affect communication and supports inter-functional alignment of objectives in a financial services provider?
- What is the importance of customer centricity and consumer orientation in penetrating the appropriate affluent target market of private banking?
- How does relationship marketing in overcoming the barriers to being market led financial services provider?

- What is the importance of brand on client relationships in private banking?
- Can a tied agency distribution model provide the appropriate support for best advice to a client?
- What is the impact of a global culture on delivery to a client-oriented banking value proposition?

The private banking market is expected to grow significantly, and with this the demands of clients and competition on a private bank looking to retain competitive advantage. The objective of this study is to understand more deeply the factors that can add to that competitive advantage. The relevance of this study is illustrated in the applicability of its findings in the private banking space, and the deeper understanding of the elements that enhance sustainable relationships and delivery of a private banking service.

## **1.5 RESEARCH OBJECTIVES**

The comprehensive list of research questions above cannot be answered in the limited time available for this research. For this reason a limited number of objectives central to this research encompassing the main elements of the questions above have been chosen, the findings of which will have more relevance and can be applied immediately. The objectives chosen are:

- *To examine current perceptions of a relationship marketing approach on client retention in private banking*
- *To determine the applicability of current structure and measurement on client centric solutioning by staff.*
- *To investigate the importance of cultural fit on a market-led value proposition in ABSA private banking*

## **1.6 THE IMPORTANCE / BENEFITS OF THE STUDY**

The study will contribute to the deeper understanding of the evolution of a traditional banking offering, to one of a holistic financial services provider (FSP). Through this investigation of the current perception and objectives within ABSA Private Bank, insights into factors which promote sustainability and ultimately profitability will be illustrated. In addition, the investigation considers the contribution of enhanced efficiency and effectiveness of staff through cultural fit and aligned

objectives, in an area of study that has limited recent research, particularly in the South African context. The problem statement considers the contributory effect of client centric service, arguably the most important differentiator in a private banking strategy relative to that of retail banking, towards client retention. Further, the relevance of the understanding of each objective individually will provide a deeper understanding of the contributing factors to sustainable client relationships in private banking.

The financial crisis of late damaged trust significantly, and this trust is potentially a key factor in retaining clients. It is arguable that there is no benefit to client, bank or economy if a client is inconsistently sold different products and solutions, replacing previous products in a simple product push fashion, motivated by fees generated by the intermediary or bank. It is advice in the best interest of a client that could be considered ethical prerequisite, and it is the ethics of the industry that has been tarnished. In a market that is emerging from this crisis, a bank would as a collective need to do more than before to attract and retain a client, and through this study these factors would be understood.

Sustainability and trust in the financial markets internationally, were critical factors that prompted political support in stabilising the financial markets following the international crisis of 2010. At a more cellular level, the same elements of sustainability and trust benefit both the client and bank. Delivery towards a mutually beneficial relationship begins at the client facing level. As a provincial manager in ABSA Insurance and Financial Advisers, operating in the Private Bank, and representing on the Gauteng Provincial leadership team, not only are resources and information available to the researcher, but the knowledge and learning's are relevant and can be applied, and the findings of this study intend to provide positive insights towards on future private banking strategy.

## **1.7 LIMITATIONS AND DELIMITATIONS**

The limitations on this study lie within the dependence on primarily qualitative data. The challenge in this approach is that, even whilst every attempt has been made to ensure the confidentiality of the respondents and to instil their confidence in this approach, reservations in feedback may prevail due to fear of reprisal.

Data from the client population has not been sourced directly; rather, the study concentrated on gathering data from a client-facing team and other secondary sources. This was done to simplify the process in the interests of time and clarity, avoiding potential confidentiality challenges and to eliminate a potentially biased perspective. Further, as a business unit within a retail bank owned by a larger international organisation such as Barclays, the effect of additional business rules and strategy add a dimension to the challenges within private banking. For the purpose of this investigation the *international* influence of Barclays has been generally omitted.

The study focuses specifically on the affluent segment of banking, defined in private banking through the parameter of client affordability. Whilst the scope of this investigation is focussed within Gauteng, the application of the findings is further reaching. Alan Baloyi (2011), Provincial Executive of APB Gauteng, shared performance results of his division, illustrating a 50% contribution to the national earnings of private bank, and noted that Gauteng is the financial centre of South Africa, contributing 33% of the national Gross Domestic Product. The outcomes of the study within this region would by nature of this economic weighting find relevance nationally; however, applicability of the findings would provide more specific insights into the affluent metropolitan banking market. Further, as the entrepreneur market segment in ABSA private banking is made up largely of business owners, and although focussed on individual relationships, the findings of this study have implications for business banking, when the mutual benefits of relationships and the aligned demographic in client segments is considered.

## CHAPTER 2: PROBLEM ANALYSIS

### 2.1 INTRODUCTION

To attain competitive advantage, the banking strategy directed at a market where clients would arguably be less cost sensitive, would need to be to differentiate itself through service delivery. The mission of ABSA Private Bank is illustrated as client-centric at a strategic level, with a clear objective to deliver exceptional private banking through enabling the customers' ambitions. The contributing parties to this vision in ABSA Private Bank (APB) are reflected in the product wheel (Addendum 5). Service delivery in APB is therefore dependant on the collaborative effort of a number of specialist stakeholders towards the client-centric solution. In the product wheel, the client is illustrated at the centre of the proposition, illustrating the responsibility of private banker for the relationship, thereafter involving specialists to ensure the correct application of their product and service to the client's specific needs.

Boojihawon and Segal-Horn (2006) list four elements of successful strategy:

- Simple and consistent vision and goals
- Thorough appreciation of the external environment
- Acute awareness of internal resources
- Effective implementation

The complexity in delivery to a private banking type proposition emerges when applying a resource-based approach to strategy, which illustrates the dependancy of the resources available to the organisation to strategic success through its framework. Whilst scope of the product and services available to the client within the product wheel may allude to a wide array resources (yet to be determined), the number of stakeholders involved further illustrates the complexity in delivery of the proposed client centric solution by APB.

A deeper understanding of stakeholder influence and consequent management of the relationship is therefore necessary in understanding the challenges in the delivery of a private banking strategy, as well as implementation of changes. Argenti (2003) cited by Viney (2009), provides a framework of organisational stakeholders, categorising these as either primary or secondary. Primary stakeholders are the managers, employees, customers, shareholders and communities affecting APB. However, they are not the only stakeholder that holds influence on the behaviours and delivery of a private bank. Secondary stakeholders who also need to be

considered are: the media, suppliers, government, creditors and NGO's. The influence of these environmental factors is investigated next through theoretical application to the environment of APB.

## 2.2 THEORETICAL CONSIDERATIONS

APB operates within a highly complex and competitive market which has been affected by turbulent economic conditions, legislative changes and client sensitivities. Fahey and Narayanan's (1986) model contextualises environmental elements, including the aforementioned stakeholders, affecting private banking. The macro environmental categories influencing APB are shown as Social, Political, Technological and Economic factors.

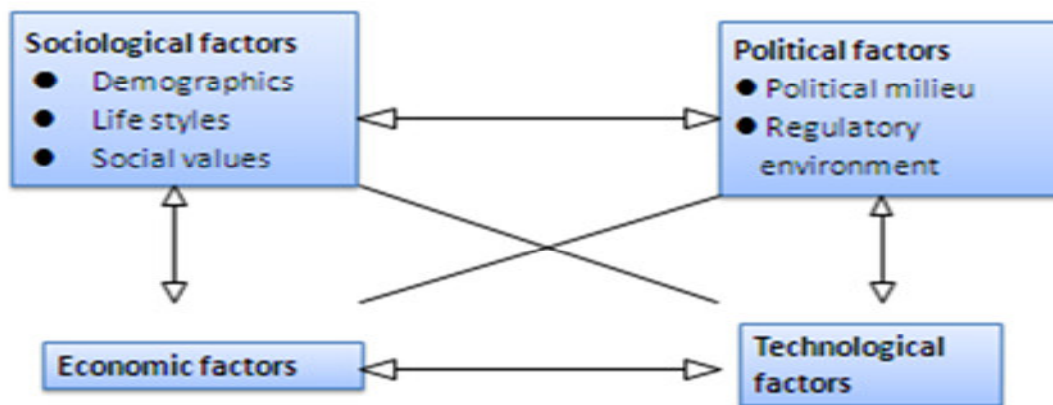


Fig. 2.1: Fahey and Narayanan's Macro-Environment (Source: Bakhru,A 2006)

The underlying considerations of this model suggest a number of factors which affect the private banking client and should be considered. *Sociological Factors* of the target market include new opportunities and demand. The upliftment of the newly emerging "Black Diamond" *demographic*, particularly in the affluent client market, has created a new market with specific needs (that is, extended families). Catering for different religious beliefs in terms of successive and estate planning (that is, Muslim wills) illustrates both challenges and opportunity. The Islamic offering specifically in ABSA Private Bank comprises two percent of the client base, and yet provides six percent of APB's total profit in terms of banking.

Operating within the Private Bank space, the *demographic* of the client stakeholder is affluent, and falls within the private banking defined segments of entrepreneur, professional and retired. Arguably he is less cost-sensitive as affordability is less of an issue, and this client is a generally a more knowledgeable financial minded professional. The clients' *lifestyles* represented in the



life stages graphic, reflect affluent clients which are as a rule ambitious and in financial stages with demands ranging from concern with wealth creation, preservation and protection of their capital. The stage is an important indicator of needs of the client uncovered through a deeper client-centric analysis

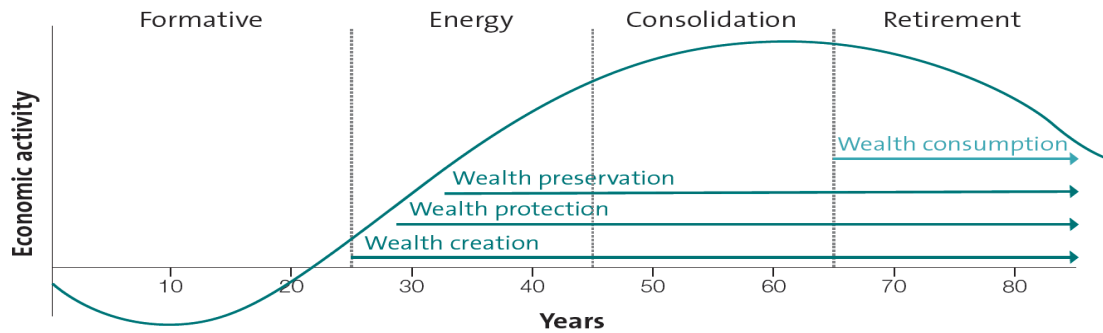


Fig. 2.2: Client Investment Life stages (Source: Presentation: “Investing” Gouws J 2010)

*Social* family values and ambition further affect a clients needs. This affluent demographic has capital to protect and grow. Due to their age they generally have dependants to consider in financial planning. Single parent homes are becoming more prevalent, and specific contingency planning for children is a client need. *Political factors* illustrated include legislation such a FAIS and the consumer protection act which defines specific client rights. The national credit act defines further obligations of the bank to clients in terms of requirements on financial transactions such as lending. Although not legislative, financial publications such as the Financial Mail are significant stakeholders with significant in the financial environment and their role in informing the client has significant influence on the perceptions and processes to which a bank will need to adhere (Addendum 4). As with most financial industries, *technology* has an impact in terms of both delivery and availability of both information and alternatives to the client. The need to have a delivery in line with what the holistic value proposition expected of a private bank offers, is critical to both the client and the bank, bankers and wealth planners, as clients are more informed, and alternatives are easily found. *Economic factors*, specifically recessionary challenges, have had effects on both the business bottom line and the affordability of the individual clients. The global crisis and the general perception of the poor ethics and greed of financial institutions contributing to the sub-prime meltdown, has had a significant influence on both a clients trust and demands from a financial institution.

The underlying complexity is not restricted to purely Macro *environmental* elements. Porter’s framework when applied to this investigation allows us to look deeper into the environmental challenges of a private bank, specifically referring to suppliers, customers and competitors as shown in diagram 1. These are essential stakeholders of influences to consider in a

collaborative effort to a client oriented proposition. The three levels of business strategy are reflected centrally to the model, affected at each level by the same threats, illustrating the necessity for alignment of all units to a single strategy, at all levels and within the organisation.

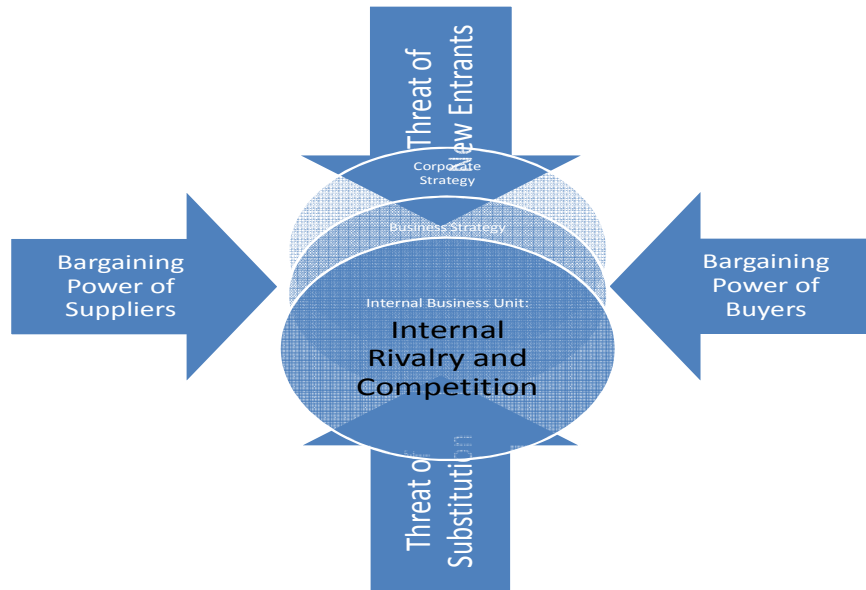


Fig. 2.3: Porter's Five Forces of Industry Competition (Source: Adapted from Bakhru A 2006)

Central to the model, the levels of business strategy are illustrated (see also figure 2.9) revealing the complexity in strategic delivery of a client-centric Private Banking proposition, which at strategic business unit level may find their own short term revenue targets in conflict with the greater objectives of the group. *Supply* of product is available through ABSA divisions in-house. Advisory services such as ABSA Insurance and Financial Services (AIFA) and ABSA Executors and Trustees (AET) are key channels of both distribution of these products and dispensing of advice to the bank (Addendum 3). In some instances however, product supply is outsourced to a third party provider, such as a life assurance organisation. In-house is favoured as there is both more control on delivery, and an additional revenue stream to the business unit.

*Competition* in the private banking target market is significant due to limited client numbers and their high potential value. Clients are often multi-banked with the other bank offering similar proposals. In addition, due to the affluent nature of the client base, many have access to specialist lawyers, tax consultants and other advisors. A bank generates most of its traditional revenue through holding the primary account of a client, and this for the bank is generally where the consequent focus area would lie. Products are required to be transparent in structure (Fig. 5), and are therefore quickly and easily copied. *Substitutes* are readily available with various

costing options characteristic of the financial industry. *Complimentors* abound within a financial services offering, often with a banking product necessitating a financial planning product, such as bond cover. This is a key principle in the bancassurance model capitalising on a one-stop shop of financial services to ring-fence a client, whilst taking a deeper share of the client's wallet. Based on application of the macro-environment model and expanding deeper into the complexity through Porter's model, challenges in strategic delivery emerge.

If the strategic intent is to sustain competitive advantage through delivery of a differentiated service, the ability to sustain this strategy must come with a consideration of both capabilities and costs. Through Grant's model (2002), the emerging complexity to delivery to strategic delivery of APB can be examined. The model illustrates the necessity for resources (tangible, intangible and human) in determining the capabilities of a bank to deliver a service which will facilitate competitive advantage towards the ultimate strategy of the private bank.

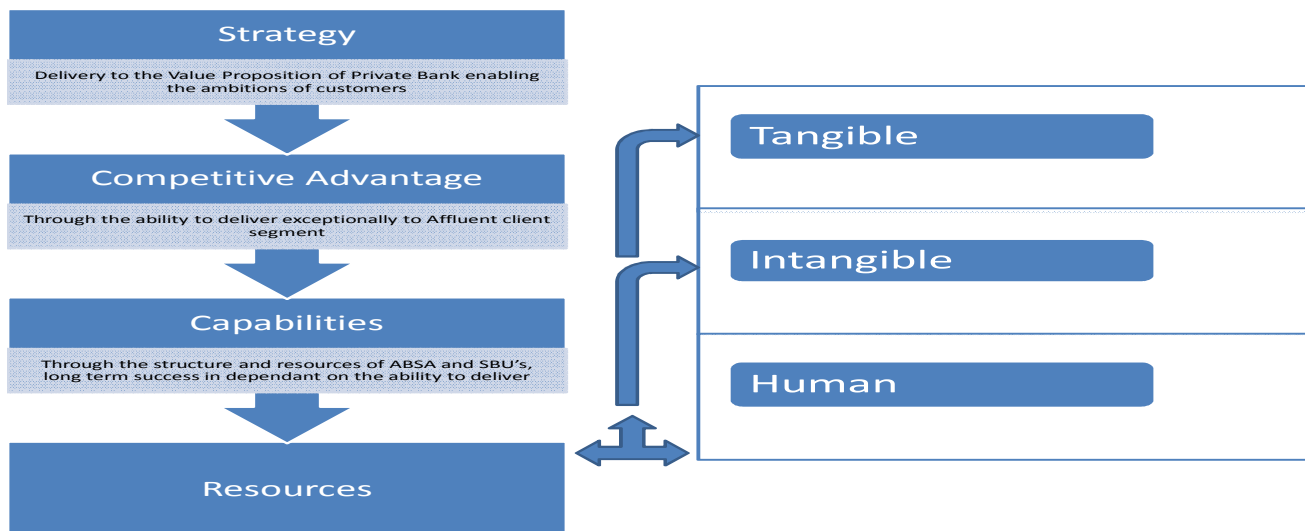


Fig 2.4: Grant's model of the resource-based approach to strategy analysis and resource classification (Source: adapted from Bakhru & Gleadle 2007)

In considering *tangible resources*, ABSA Private Bank has significant *financial assets*, as do the strategic business units (AFS, Addendum 3) operating in a supportive role within that segment. There remain financial obligations in that, as with any business, a return for expenditure is expected, and profitability of each division is measured independently, potentially adding complexity towards collaboration. When further considering the *physical assets*, the ABSA group leverages of infrastructure of the various banking divisions and branches, promoting cost effectiveness. The AET and AIFA specialist divisions' pay a share of profit as rent to be based within the private bank, a strong channel and affluent client base to be aligned with.

Inadequacies however emerge in providing clear accurate valuation of delivery by strategic business units to APB, the client and ABSA group.

*Technology as an Intangible resource* changes rapidly and is an element typically criticised as inefficient in delivery to report value and keep pace with the environment. ABSA has a strong retail *brand*, and yet the smaller Private Bank brand is less known. A brand is a strong contributor where trust and loyalty is to be developed, particularly if client retention is a strategic prerequisite. Further, the *reputation* of private bank is a key determinant in acquisition and retention of clients. Internally, reporting infrastructure, affects the *reputation* of the SBU's within private bank as current information systems cannot adequately show value in the service and delivery to the client. *Culture* itself emerges as significant underlying variable, and the complexity in delivery is increased where retail delivery culture may conflict with the private bank's culture. Culture also has a significant impact on the ability for individuals to make adjustments to changes in the workplace when considering the *human resource* element. The *skills* of the staff in terms of the evolving banker role requirements are critical if the human resource is to be enabled to deliver effectively. The *Manpower* numbers, relative to the client base is of particular importance when considering the capacity required in a relationship based approach. The structure as a resource particularly where *collaboration* of a number of stakeholders is required, illustrates the importance for co-ordination, and the organisations *capacity for communication* would be necessary for both direction, feedback, and engagement with clients.

The underlying complexity of the environment and the required resources to deliver upon the chosen client-centric strategy, reveal a necessity for deeper understanding of the relationship marketing approach, and its appropriateness in application towards a private banking proposition.

**Relationship marketing** is an approach to client engagements which looks towards a long term mutual benefit, for both the client and private bank. As a private bank, APB has put the client at the centre of its engagements, with a strategic objective of deriving long term profitability from the relationship. Intense competition in the private banking market has resulted in the increased choice of financial service provider options, effectively shifting negotiating power in the relationship to the client. The consequence is that not only the effect on a private bank in attracting new clients, but retention becomes more challenging as well. The complexity in applying relationship marketing approach as strategic approach towards sustainable competitive

advantage is considered within the application of the theoretical framework of Morgan & Hunt's Model of Commitment and Trust (1994).

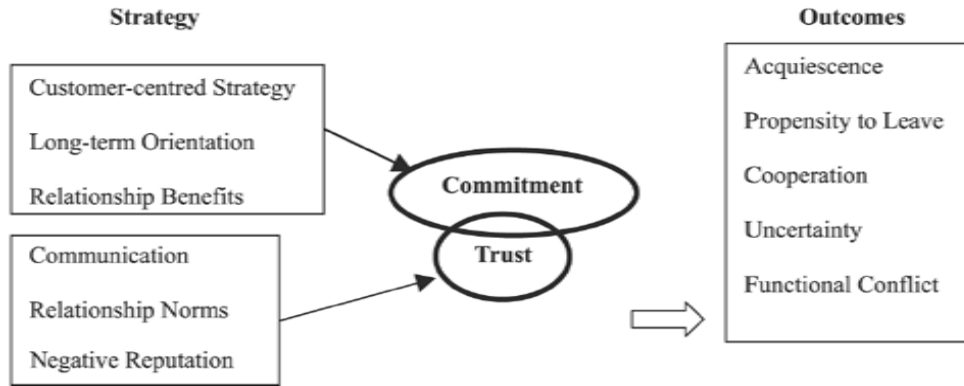


Fig 2.5: Morgan and Hunt's Model of Commitment and Trust (Source: Anderson PH 2001)

The Model of Commitment and Trust (1994), applied by Anderson (2001), illustrates customer centricity and a long term view as a strategic imperative, key in developing the mutual commitment to the banking relationship. The *trust* element crucial to sustain these relationships is shown to only develop through communication, the development of relationship norms, and management of the banks reputation. This re-emphasises the complexity illustrated previously when considering the resources based approach. The outcome client's propensity to stay with the bank is particularly relevant when considering the applicability relationship marketing approach and long term profitability.

In ABSA, as with any service industry, client satisfaction is critical to retention. ABSA Group measures the client's propensity to stay through the Customer Satisfaction Measurement (CSM, Addendum 2), an index which surveys a client's satisfaction specifically in relation to service feedback:

- *Reliability*: Dependability / Accuracy / Consistency
- *Responsiveness*: Promptness / Helpfulness
- *Assurance*: Competence / Courtesy / Credibility
- *Empathy*: Communication / Understanding / Personalised
- *Tangibles*: Physical Site / Appearance / Equipment

The relevance of the CSM index is that it reflects the correlation between customer satisfaction, and the Net Promoter Score (NPS), a gauge of the client relationship and the client's likelihood

to make referrals to a bank. In data shared by Alida Prinsloo (APB Client Satisfaction Forum, Sandton, January 2011), a point increase in the CSM Score resulted in a two percent increase in NPS.

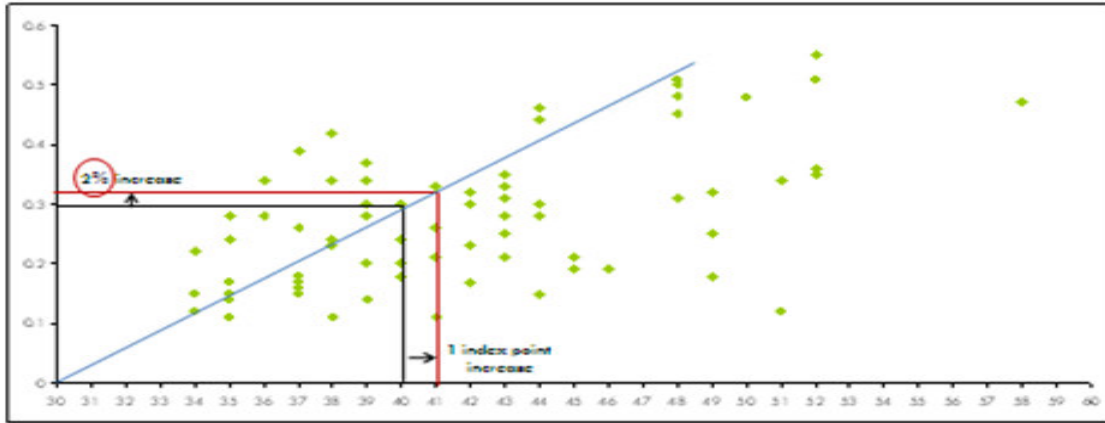


Fig 2.6: The correlation between CSM and NPS (Source: Prinsloo, A. APB Client Satisfaction Forum, Sandton, January 2011)

The net promoter score is explained by Wisskirchen, Vater, Wright, De Backer and Detrick (2006) as a measurement developed by Satmetrix Systems, a software and service firm specialising in customer experience management. Respondents rate their likelihood to make recommendations of the company on a scale of 1 -10, with a score up to 6 as unlikely, 7 – 8 passive, and above likely to refer. Reflected graphically, the Correlation between the personal bankers’ CSM and NPS Scores in APB is 0.85. The relevance of this is in that it would clearly reflect the strength of the client’s relationship with the bank, and the consequent effect of the client himself remaining with the bank and referring others.

Central to the objectives of a relationship marketing approach is deriving the most value out of existing customers with the objective of long-term profitability. When considering the cost to a bank in terms of on boarding a new client (marketing costs, internal processing, etcetera) it would be more expensive than retaining an existing one.

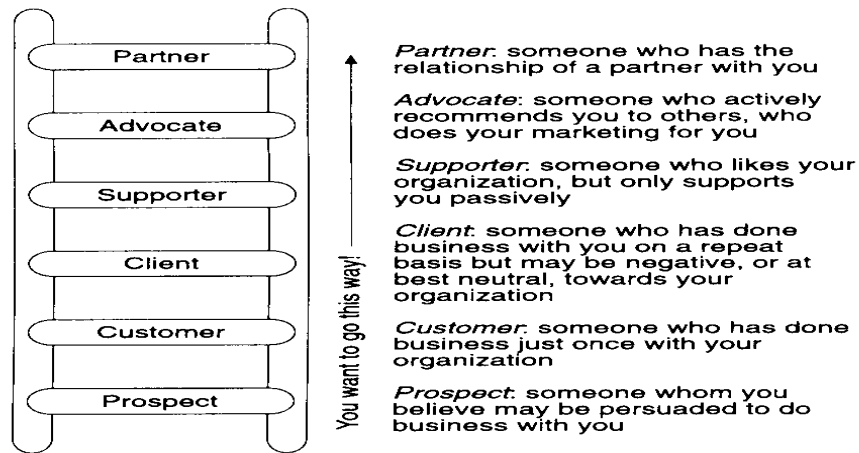


Fig 2.7: Client loyalty ladder (Source: Payne A 1994)

The client loyalty ladder by Payne (1994) shows how by developing the relationship with a client from the level of a customer to that of an advocate or partner, a relationship would reach a stage where a client is most likely to be retained, and to make referrals as reflected in the NPS. The stages in development of a client relationship reflect where a typical client prospect potentially develops through the relationship to the level of business partner within the bank.

The applicability of the relationship marketing approach, and benefits to client retention and the potential for referrals are illustrated in long term profitability to the bank, as is the deepening complexity towards implementing a relationship marketing approach. The model of Beatty, Mayer, Coleman, Reynolds and Lee (1996) reinforces the mutual benefits to both the customer and bank. Beatty *et al.* model however considers more deeply the relationship formation challenges and enhancement model in retailing.

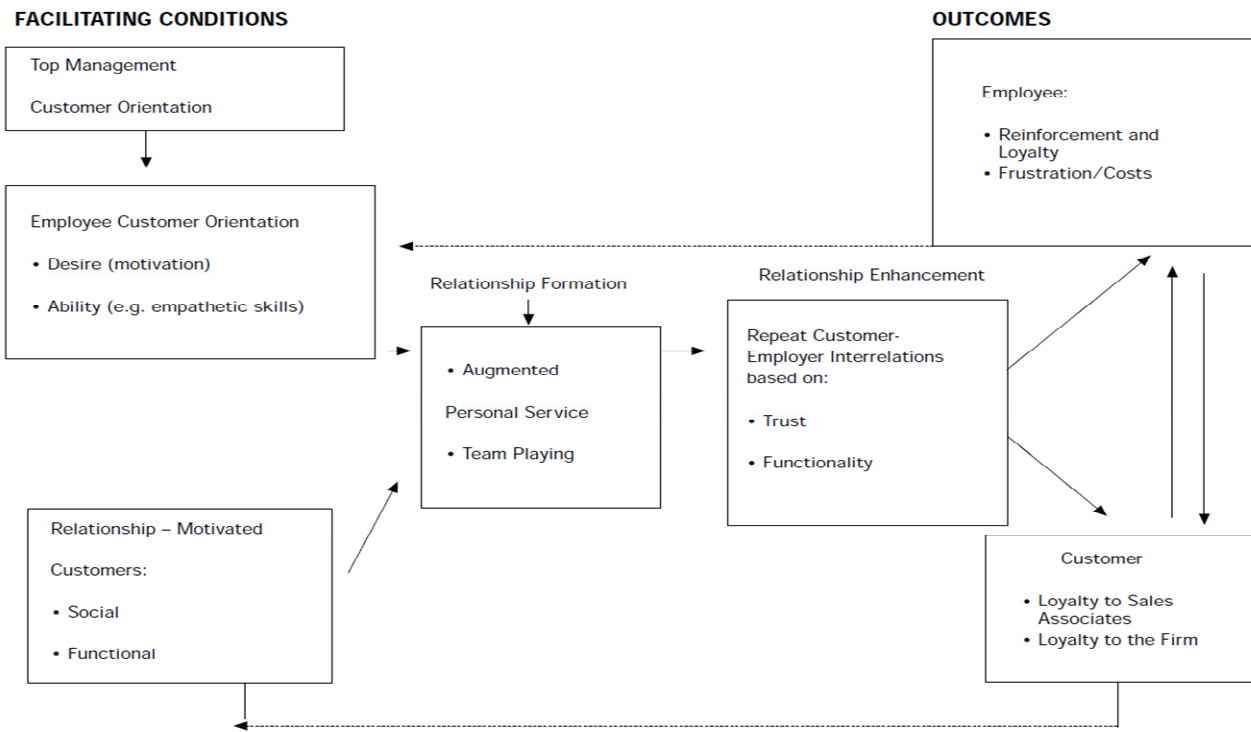


Fig 2.8: Beatty *et al.*(1996): Relationship Formation / enhancement model in retailing. (Source: Abratt & Russel 1999)

Successful relationship marketing is illustrated to be dependant on the presence of the facilitating elements of top management, employee customer orientation, and relationship motivated customers. This reinforces the importance for a company to have both management and staff aligned towards the interests of the right client. The relevance of customer satisfaction as an outcome of this strategy, measured in ABSA through the CSM score, is potentially even more impactful in an environment where competition advantage is potentially determined through client retention.

Whilst theoretical application has provided insights into the requirements of resources necessary to deliver upon a relationship marketing approach, the necessity to investigate more deeply the **alignment of structure and measurement** of these resources towards the client orientation was illustrated by the Beatty *et al.*s. model of Relationship Formation (1996). The complexity in strategic delivery, through alignment of resources identified in the environmental analysis, is understood further when considering Porter’s value chain, applied to show deficiencies in delivery and where these shortcomings can be managed towards a client-oriented solution. Aligned delivery of all business units towards a singular client-centric vision, supported by appropriate processes in line with the client demands in the affluent segment,



would be required at all organisational levels as represented below (Fig 12), for objectives to be achieved.

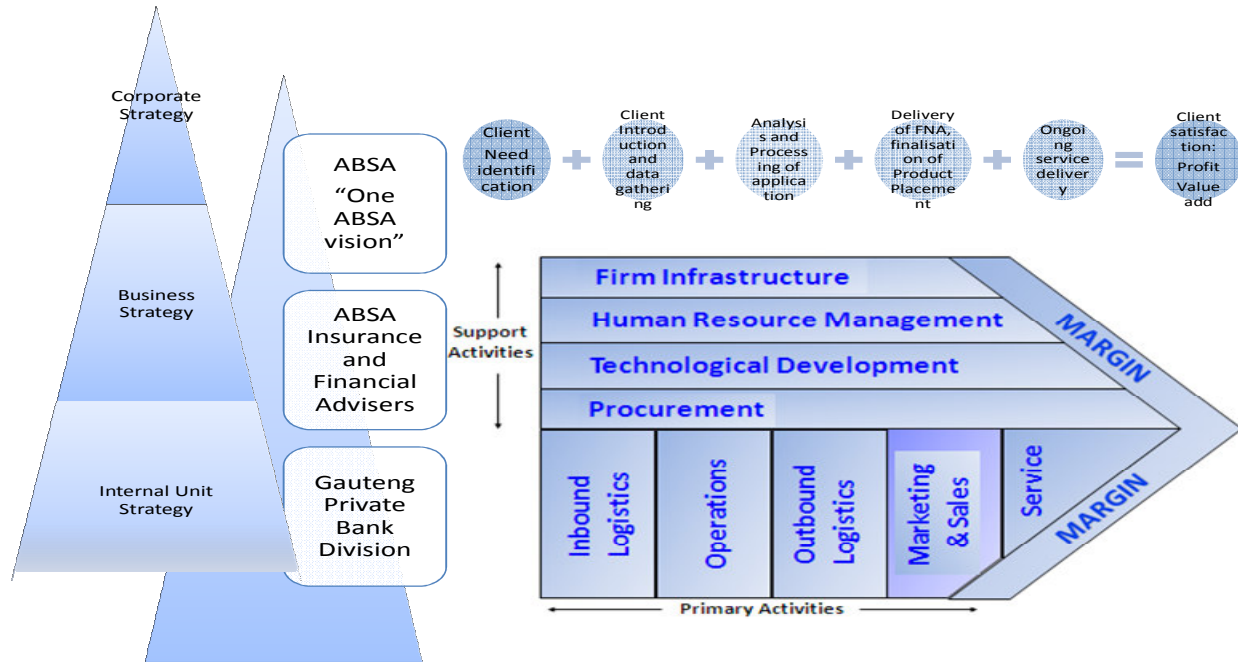


Fig 2.9: Alignment of Porter's Value Chain (1985) (Source: Boojihawon and Segal-horn, 2006. To Organisational Objectives; Source: Adapted from Bakhru and Gleadle, 2007)

This vertical integration is complicated by the requirement for a horizontal alignment of supportive business units, such as financial advisers. A failure in delivery from a supportive business unit to APB would therefore result in a lack of delivery by the client facing banker, which would in turn have an effect on the CSM rating by that client.

ABSA Financial Advisers report into AFS and are remunerated on a commission-only basis motivating sales. The amount of consideration towards and client-oriented objectives would according to this theory be in question. Bankers conversely are salary remunerated, with the potential for bonuses motivated by a bank-focused balance scorecard approach. Complicating the situation from broader global perspective, the larger Barclays Group itself drives a sales focussed approach which brings potential conflicts in culture, and structurally with banker and planner teams drive opposing objectives within the same client engagement. Through theoretical application, these motivational / remuneration emerge as a source of potential misalignment for the bankers, advisers and their management to collaborate towards client-centric delivery. The effect of this misaligned orientation behaviour would, according to Beatty *et al*, potentially damage the trust and motivation of a client to engage with a private bank through a relationship marketing approach. The complexity in alignment of individual and business

objectives toward a singular strategic vision can be understood more deeply through application of the European Foundation for Quality Management’s business excellence model.

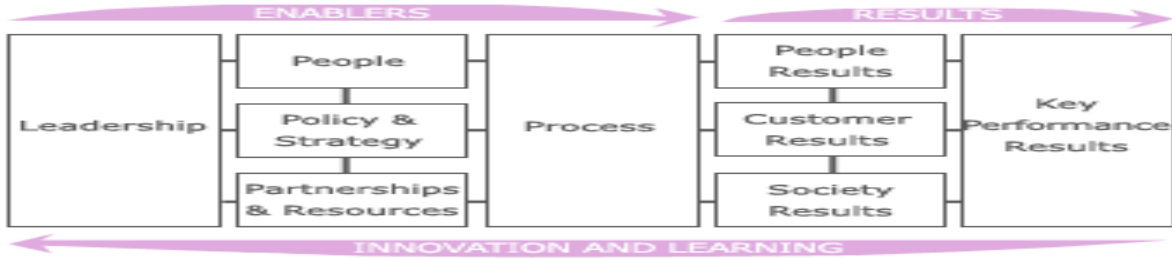


Fig 2.10: EFQM business excellence model (Source: Fenton-O’Creevy 2007)

The model illustrates five enablers (leadership, policy, strategy, people management, partnerships and resources, and processes) which lead to four areas of results (people, customer, society and key performance results). Represented graphically (Fig 16), this illustrates the importance of integrating the staff, in the structure and processes if the desired outcomes are to be achieved. The model itself is used to help organisations to develop their vision and goals as a framework for organisations to understand the systematic nature of their business (structure and inter-functional co-ordination), promote organisations themselves as role models (exceptional private banking) and as a diagnostic tool for organisational health.

When considering the organisation levels and the necessity to align and co-ordinate functions (people, society, customer and performance results) across strategic business units towards a singular client-centric objective, the overall strategy of APB would appear to be the guiding objective to which all business units should aspire, with neither unit achieving or focussing on an objective at the expense of another. Regardless of the strategic business unit to which an individual operating in private bank is employed, further complexities emerge in ensuring his contribution be measured, managed and motivated in line with the key performance results of the strategy central to private banking.

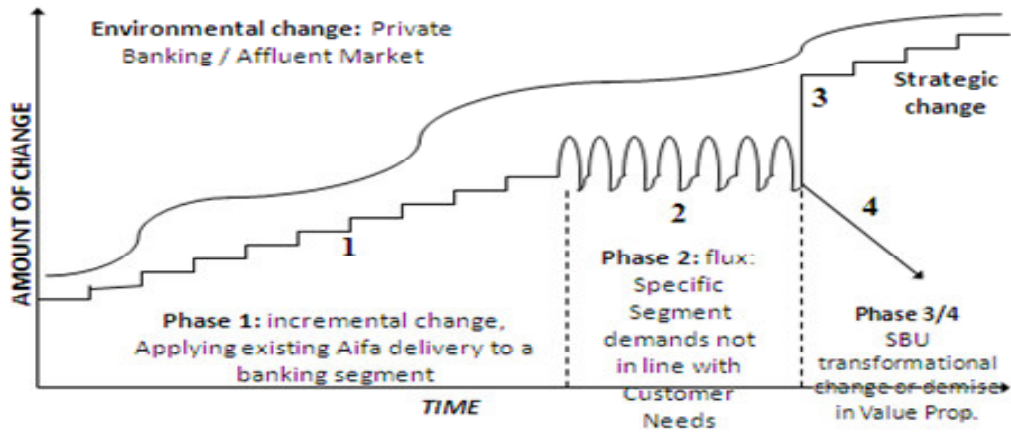


Fig 2.11: Johnson's Model of Strategic Drift (Source: Boojihawon 2006).

Johnson's model of strategic drift (1992) suggests that if the structure and strategy of an organisation or business unit within that organisation does not adjust to its environment, the organisation could potentially realise that ultimate demise is eminent if drastic change does not take place. The necessity and complexity in adjustment to these challenges has been illustrated through theoretical consideration of the dynamic and evolving nature of the financial industry. The structural alignments at all levels coupled with appropriate incentives towards a client oriented approach, would consequently need to consider the requirements to allow for a collaborative effort bankers and planners to capitalise on incremental changes in the environment.

The financial objectives shared at the 2011 APB Leadership Convention are on both top-line growth and management of cost efficiencies. These demands are placed throughout ABSA through stakeholders such as Barclays and local shareholder expectations, are typical demands as an outcome to any private banking strategy. Narver and Slatter's model of Market Orientation (1990) place the same dimensions identified by Jaworski and Kohli in market-led organisations cited by Stapleton (2007), around a long-term profit focus as illustrated.

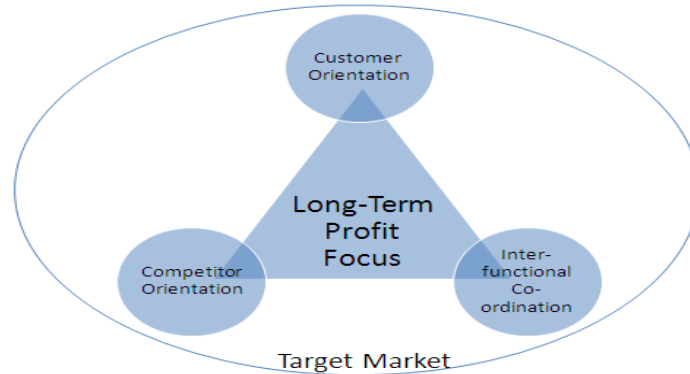


Fig 2.12: Narver and Slatter's model of market orientation (Source: Harris & Piercy 1997)

In understanding the complexity towards a long term profit focus, the model reinforces the contribution of the following elements towards the long term profit focus of a private bank. Competition orientation as an environmental element and client orientation as an approach central to a relationship marketing proposition needs to be underpinned by the element of interfunctional co-ordination. In the context of private banking this emphasises the importance of alignment of the people and structure towards the common objective of long term profitability. Appropriate communication and feedback in line with the set objectives emerge as a consideration necessary on an ongoing basis, whilst ensuring that the current strategy and objectives remain relevant to the environment as illustrated in Johnson's model of strategic drift.

The challenge typically in APB is that client delivery relies on the collaboration of a number of strategic business units, such as the financial or estate planning divisions. Performance of each is measured in line with their own reporting structures, and the financial value accumulated is reported on each SBU's own balance sheet. Inter-function co-ordination relates to the way in which their daily activities are managed, reported and controlled; however the profit focus element central to this model raises a deeper level of complexity in terms of reporting of financial value. Financial value from the engagement of the a supporting business (AFS for example) would therefore need to be reflected on the private banking financial results, as would measurement of the collaborative contribution towards objectives which are not immediately reflected as financial, such as client retention.

Whilst the model of market orientation re-emphasises the importance of internal co-ordination with competitor and client orientation to achieve profitable objectives, Narver and Slatter deepen the complexity in understanding the challenges to sustainable competitive advantage within

private banking, by proposing through their model that market orientation is actually a form of organisational culture.

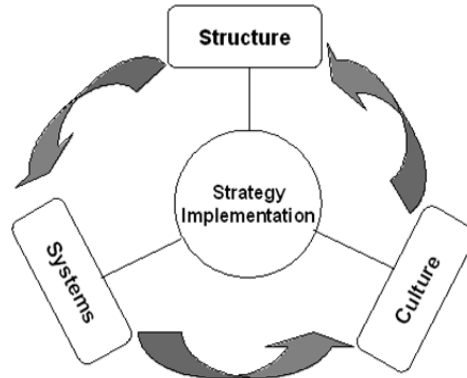


Fig 2.13: Strategic Implementation (Source: Boojihawon 2006).

**Culture** within an organisation has been highlighted as an underlying element (Fig 14) and catalyst linked to the systems and structure necessary in implementing and maintaining strategy of a business or business unit. Culture as such is a significant and yet intangible resource within an organisation. This deepening complexity in the challenges to delivery of a private banking proposition cannot be understood without consideration of the effect and appropriateness of culture within ABSA Private Bank (APB). The approach to client-centric solutioning has been shown to differentiate delivery in a private bank to that of its retail counterparts, and whilst private banking staff may be perceived to be more skilled and experienced to those in retail, the hierarchy of APB still falls within the structure of ABSA Retail Bank. The retail culture of a bank has been described as a traditional numbers focussed sales push environment, whilst in contrast that of private bank is expected to be significantly more client-centred. Similarly, many of the support specialists report into their own divisions (AFS). This potential for conflict in culture is reinforced in where existing reporting and performance is typically in a sales focussed manner, potentially at odds with a long-term view to client-centricity.

The cultural variable is as an intangible human resource, the effect of which is reflected in the customer satisfaction measurable (CSM) of responsiveness, empathy, reliability and assurance (Addendum 7). It is an important element to be understood in changing or implementing strategy in line with the demands of the environment and stakeholders. Johnson's model of strategic drift (Fig 13) illustrated how intended strategy might, due to environmental changes requiring incremental adjustment, form an important consideration in APB where a dynamic and competitive market requires constant awareness and responsiveness. External requirements and internal challenges, including cultural challenges, may have significant effect on the

intended strategy of an organisation. The complexity where necessary adaptation to cultural demands, positive or negative affect the implementation of strategy, are illustrated through the applications Johnson's cultural web - the effect resulting potentially in the emergence of a different, realised strategy, shown in the model of deliberate and emergent Strategies of Mintzberg & Walter's (1985).

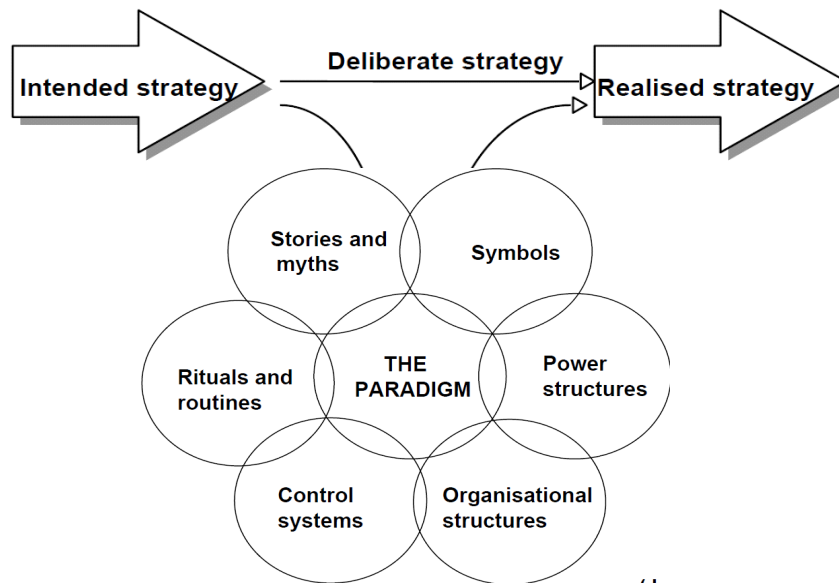


Fig 2.14: Mintzberg and Walter's Deliberate and Emergent Strategies (Source: Adapted from Boojihawon & Segal-Horn 2006, and Johnson's cultural web)(Source: Boojihawon 2006)

Johnson's web (1988) distinguishes a number of underlying cultural elements that contribute to its overall effect. Staff operating in this segment work in a High Net Worth space, exclusive space, and are perceived to be elite, a perception often reinforced with formal *symbols* of recognition such as the executive adviser titles. Regarding *Power structures*, Private Bank Exco governs the organisation directly, whilst strategic business units and product suppliers have their own reporting lines and executive committees with own objectives and targets. Private Bank falls within the retail structure, and most support divisions are part of AFS as reinforced in the *power structure*, reflecting potential for a silo mentality and a misalignment from group objectives.

Legislation has been illustrated to effect compliance measures which govern behaviour, and internal management processes, arguably complicate traditional sales process. The performance objectives and targeting have reflected *control measures* primarily on short-term objectives, whilst communication is reflected as a crucial element to interfunctional co-ordination. The bank itself has a number of *rituals and routines* in the things practically get done

in spite of systems and process. These routines have been learned, and imbedded over a significant period of time. Changes to these are a source of discomfort, such as a change in role of private banking role, or hot-desking practice affecting collaborative processes. *Stories and Myths*, legendary performances, inspirational leaders and mentors exist in all organisations. These may be positive or negative, and influence behaviour as they set an example and benchmark in behaviour, moulding the motivations of existing staff. A *paradigm shift* in the manner in which banking is delivered is reflected in the evolution of retail banking to that of a private bank. The complexity of delivery through a different marketing approach emerges as dependant on the underlying culture of which the influence, appropriateness and ability to change is reflected in Johnson's (1998) cultural web.

In ABSA Private Bank, the success of delivery on the client-centric parameter of a market-led organisation can be measured in line with the expectations of the private banking client. As from a client oriented perspective, it is this client who pays the premium with expectations of the added benefits promised within the value proposition private banking. In the Sandton CSM road show, Van Zyl (2011) explained service quality as "The extent to which a bank *Service Meets Customers Needs or Expectations*." Service Quality can thus be defined as the difference between customer expectations of service and perceived service. If the client expectations are greater than the bank's performance, then perceived quality is less than satisfactory and the resultant customer dissatisfaction would be reflected in weak CSM ratings. Service quality gaps are therefore the difference between what the client was expecting and what the bank delivered. By application of Parasuraman's Quality-gaps model (1985), these areas for improvement of delivery can be contextualised exposing further the complexity relating to the effect of the cultural elements within Johnson's cultural web.



Fig 2.15: Parasuraman's Quality-gaps model (Source: Stapleton 2003 used in Presentation: 'Client Satisfaction', Van Zyl D 2011).

The model identifies five service gaps, which when analysed allows the organisation to concentrate its corrective efforts to closing service delivery to the client-centric proposition. *The knowledge gap* lies where organisation fails to recognise client expectations. Empathy and true understanding of client needs are facilitated through deeper relationships, and trusted communication. This element is not merely what is claimed in a value proposition, but through client facing engagement and the collective delivery of individuals. A culture and organisational structure allowing for clear upward communication and feedback on client requirements could facilitate adaptation to delivery in closing this gap. *The standard gap*, lies between client expectation, and product / service specification design. Cultural web items such as structure and systems affect the tangible deliverables and response expected by the client. *The delivery gap* is the gap between actual delivery and the service standard within the organisation. Responsiveness and reliability as measured in the CSM score are underpinned within the cultural web by the actual routines and methods in the cultural web, and further reinforced in importance as a necessary ability in the model of Beatty *et al.* (1999) in developing customer relationships. *The communication gap* is a critical gap in service, relating to empathy and responsiveness of the CSM rating, as the ongoing communication with a customer, has a significant ongoing engagements also identified by Beatty *et al.* (1999) affecting the trust a customer has in a service relationship.



Finally, the *service gap* also known as the *customer centric gap* is the difference between a customer perception of the value and actual delivery in the service. In a value proposition that differentiates itself from that of traditional retail banking, this gap encompasses all elements measured within the CSM scores plus structural demands such as appropriate product and processes. This gap emerges as an arguably key indicator of whether or not competitive advantage can be sustained in terms of customer satisfaction and consequent retention.

## 2.6 SUMMARY

Theoretical models have been applied to uncover the complexity of the objectives in this study. These models suggest that exceptional private banking requires an exceptional effort of all individuals. Deeper complexity in delivery emerges through investigating the environment and its affect on a private bank and its target market. Resources required to deliver on a strategy appropriate to environment demands has been investigated though further theoretic applications into the appropriateness of a relationship marketing approach and the resultant business requirements of long term profitability. The complexity of this study evolved further into an analysis of the structural and motivational challenges to align successful delivery to this approach. Finally, culture emerged, linking the client and competitive orientation elements of affecting a relationship marketing approach to the structural challenges within interfunctional coordination to a long-term view. As a deeper challenge and resource to be considered entwined within this study, the effect of culture cannot be ignored or completely understood. The study therefore identifies a clear *business case* for this study as the theoretical application that has identified business complexity that has not been resolved.

## CHAPTER 3: LITERATURE REVIEW

### 3.1 INTRODUCTION

The underlying complexity revealed in chapter two has substantiated a business case. These issues however need to be viewed on a broader front, and will be done here through review of existing literature related to the objectives. Foehn (2004) explains private banking as a business area in which high net worth individuals are offered tailor made financial advisory, investment and management services on a long term basis. Typically, the range of private banking services offered by traditional banking and over the past ten years, expanded to include financial planning and investment.

Foehn (2004) believes that, over time private banking clients have also evolved and become increasingly well informed and consequently less loyal. This presents a challenge in sustaining client retention, shown to be a prerequisite to a bank with a marketing approach towards deriving long term value from the client. Gritten (2011) also believes clients have become more financially savvy and politically engaged, adding a deeper perspective to the complexity in reminding us of the effect the financial crisis has had on the confidence of customers on banks, and the real challenge for banks to create open, transparent, sustainable and truthful dialogues with their customers. In line with evolution in demands of clients and environmental challenges including intensified competition, private banks have needed to evolve strategically in their approach towards marketing.

The investigation contributes towards the understanding of the link between client-centric advisory services and client retention. Through relationship marketing a private bank attempts to cultivate this longer-term relationship, and in support of this approach, the necessary structure and motivational elements as well as the appropriateness of organisational culture is investigated.

### 3.2 RELATIONSHIP MARKETING

The relationship marketing process is described as one of establishing, developing and maintaining successful relational exchanges (Morgan & Hunt, 1994). According to Ennew and Binks (1996), as cited by Abratt and Russel (1999), the notion that making the most out of existing customers as essential for long-term profitability is central to this philosophy. Das (2009) adds further context by describing a relationship marketing approach, distinguishing it

from traditional customer relationship management as being more strategic and going beyond the normal relationship with the customer, to involving an entire range of stakeholders.

Clarke and Payne (1995) show the major themes emerging in relationship marketing to be:

- *A relationship over transactional approach*, which is in contrast to a retail product push approach
- *Targeting certain profitable customers*, in line with specific segmentation view in a private banking approach
- *Quality, customer service and marketing need to be deeply integrated*
- *The traditional marketing mix of the 4 P's does not capture the elements required in building long term relationships*
- *Trust* in the bank and their staff is critical. If service delivery to a client is not at acceptable levels, and trust is damaged, a client has alternative options in the market
- *Marketing needs to be considered in a broad-cross functional context*
- *Internal Marketing*, which speaks to staff at all levels buying into a singular objective and value proposition, supporting a specific cultural need

Stapleton (2003) lists a range of objectives against which an organisation may measure its strategic success: profitability, growth, shareholder value, and customer satisfaction. Vavra (1995), stated that it costs approximately five times as much to win a new customer than to retain one, and central to the relationship marketing approach is an orientation to these needs to ensure client retention, linking this application to these strategic outcomes. Further, Adamson, Chan and Handford (2003) cite Morris (1999) in proposing that a successful strategy to attract and retain customers, moves customers up the loyalty ladder to ultimately becoming champions of the organisation. Foehn (2004) supports the importance of nurturing client relationships by referring to an investigation into a Swiss bank, which found that 69 percent of new client acquisitions were via word of mouth referrals, an important consideration when developing a client to the level of an advocate or partner. A referral from a client in a certain target market, would in all likelihood be a client of the same demographic.

In searching for a new way to distinguish themselves in the increasingly competitive world of banking, Hefferson, O'Neill, Travaglione and Droulers (2008) investigated the importance of trust in developing relationships between staff and customers. Trust, central to the model of Morgan and Hunt (1994) was found to be made up of the components of dependability, knowledge and expectations. Furthermore, they discovered a significant correlation between the emotional intelligence and trust, when compared to the performance of the relationship manager.

The importance of trust was reinforced by Clarke and Payne (1995) who define relationship marketing as the business of attracting and enhancing long term relationships, with resources allocated to targeting specific profitable customers, towards deriving full financial benefit over a period of time. Through the relationship of quality, customer service and marketing, Clarke and Payne believe trust can be further enhanced, and through open honest communication the relationship quality can be influenced to the mutual benefit of both parties. Clients with strong relationships are said to be more price insensitive, and this approach is aimed to offset these sensitivities. Abratt and Russel (1999) have a view that, despite their higher net worth, private banking clients are more price sensitive than previously believed.

Terry Vavra (1995), author of "After marketing: How to Keep customers for Life through Relationship Marketing," lists the five 'A's' of after marketing to nurture these trusted client relationships, namely:

- *Acquainting* yourself with your clients needs
- *Acknowledging* customers, through communication
- *Appreciating* customers and their business
- *Analysing* the customers information provided
- *Acting* on what is learnt

Trust needs to be earned over time through a 'valued' client centric service, which differentiates a private bank from its peers. The five 'A's' when related to relationship marketing reflect a client-centric approach and the requirements for delivery through individuals are reinforced in insights shared at the 2011 AIFA Conference. Rob Glenister presented the findings of Celestis, practice management specialists, on what clients want from a financial adviser. The findings which support the importance of a relationship marketing approach were:

- Individualised advice tailored to personal needs

- Service problems addressed and fully rectified
- More frequent contact and relationship management
- Excellence

Anderson (2001) reinforces the appropriateness of relationship marketing in banking as strategy where a bank seeks to increase their share of business with a customer, rather than increase the volume of customer accounts. Anderson illustrated how through increasing retention, a bank could increase its earnings without increasing its market share, but found that a differentiated communication strategy to the traditional sales engagement was required. As the client engagement is now more interactive, with trust and commitment central to the marketing engagement process, means new skills are required by the traditional banker. This is supported further by Trasorras, Weintin and Abratt (2009) who postulate that creating value and keeping customers are critical strategic marketing issues for companies a highly competitive environment. With firms losing customers even when they are thought to be satisfied, a focus on retention / relationships would increase profit over the long term. Trasorras *et al.* cite Vantrappen (1992:53) who states that “Value creation for the customer means that the firm meets the customers, quality, delivery and cost expectations”, with the belief that loyalty is created when a customer believes he has obtained value. Citing Reichert and Sasser (1990), they show findings which reflect a seventy-five percent increase in profit through a five percent increase in client retention.

When considering the client-centric element of a relationship marketing approach, it is necessary to be aware of changes in the market. Jaworki and Kohli (1993) define this market orientation as “The organisation-wide generation, dissemination and responsiveness to market intelligence”. Market orientation is perceived wider than purely the consumer’s needs. It involves encompassing and analyzing the factors which influence the consumer’s needs. The ability of an organisation to deliver on objective arguably lies within the structure and alignment of the organisations objectives toward this customer centric approach, which needs to be understood through further literature review.

### **3.3 STRUCTURE AND MOTIVATION**

Ahmed and Buttle (2002) reflected on the importance of customer retention, and in adding a contingency to previous views on relationship marketing, found the connection between

customer retention and profitability to be tenuous, and that the argument should not be accepted generally. They did however cite the view Dawkins and Reicheld (1990) who claimed higher retention increased a higher net present value of clients. In delving deeper into the complexity within the study, findings of Reichheld found relevance with respect to retention, where it was found that the easiest clients to win over were also the first to defect. Success in retention was found where the right clients were targeted, and the sales force was rewarded for retention. The process of attracting and keeping investors was therefore found to demand a long-term view on investment in people and systems, and that a short-term view on returns was a hindrance to keeping employees and customers.

At the 2011 Provincial AIFA Conference, in the Managing Executive's address, Louis Hotzhausen emphasised the importance for a branch to move from the traditional silo mentality focussed on their own on-balance sheet revenue, to that of looking at the bigger picture and viewing benefits of collaboration to the bank as a whole. This view addresses the challenge of creating an environment in which different business units collaborate towards singular strategy. Trist and Bamforth's (1951) socio technical systems approach, as cited by Fenton-O'Creedy (2007), align to this thinking, illustrating how all parts of the organisation effect one another, and how alignment to strategy (Figure 2.9) would facilitate effective efficiency in meeting the overall objectives of the business.

Boojihawon (2006) believes that strategy and structure are interdependent, and that no single organisational structure is universally effective. Each is unique in size, purpose, outputs, people and culture. The structural alignment towards strategy necessitates alignment of underlying individual objectives. Further, Middleton and Harper (2004) found that organisational alignment is only achieved when the personal interests and values of employees are acknowledged, and there is an explicit effort from the organisation to attend to these. In quoting Jack Welch (2001: 329), CEO of General Electric Corporation in saying "Are we measuring and rewarding the specific behaviour we want? By not aligning the measurement and rewards, you often get what you are not looking for", they emphasise the importance for the organisation to craft systems that ensure the company's goals are also achieved. Perspective of the motivation of staff members is deepened by Fenton-O'Creedy (2003), who show through Herzberg's expectancy theory (1959), that for an individual to behave in a certain way; he must expect a certain benefit, which must be achievable, measurable, and worthwhile. If the value proposition is to be reinforced and staff behaviour to be motivated in line, it would be necessary that the staff be rewarded for behaviours towards this goal.

Silva, Moutinho, Coelho and Marques (2007) have linked the following factors which they believe are required to sustain competitive advantage in private banking:

- *Market Orientation*
- *Customer Orientation*
- *Improvement of staff attitude*
- *The increased success of new products*

A market led organisation looks for opportunities and needs and creates products or services to meet these needs through a client centric approach. In 'Market Orientation is free - the real cost to becoming market led', Harris and Piercy (1997) found that if what matters in market orientation is the performance of the company delivering the goods and services quality to satisfy the customer, then the reward system should be built around these criteria. A view to interfunctional co-ordination would need to address misalignment of structural silo's and in-house competition where conflicting financial objectives are typical. Staff attitude and the motivation towards a client centric approach can be considered both in terms of remuneration and performance management. The increased success of new products is a potentially opposing view in that advice and service have been seen as the areas for private banks to focus to attain competitive advantage.

Co-ordination of an organisation requires clear *communication* for alignment and measurement of objectives. Mohr and Nevin (1990) refer to communication as the glue that holds together an inter-organisational channel of distribution. The size and structure of a private bank therefore needs to be of such a nature that all parties are aligned and working towards a very specific value proposition, focused on a specific market, with a relationship marketing approach within a market led methodology. Further, as most financial service products are purchased infrequently by clients, who according to Davies (1996) are inexperienced with banks and their brands. The complexity of product and the inability to test the service increases the client risk of incorrect purchase. This is coupled with the consequent potential for a client to perceive poor service or benefit in line with the cost necessitates an additional effort by the financial institution in communication and controlling customer expectations.

Clients in the private banking target market are described in terms of wealth, how they earned it (professional) and how much they have (high net worth). Often little consideration is given to their price sensitivity, a trend which Foehn believes to be of concern and is changing in this

market due to price and service quality sensitivities. Loyalty has been shown to be less, and clients are better informed. Valuation of these clients is of importance in terms of the lifetime value, and the client needs to be re-valued and monitored constantly. Both structure and systems within the bank need to be aligned to support this. Clarke and Payne reinforce the view to lifetime valuation of a customer and specifically targeted profitable customers.

Mothilal (2010) suggests it is vital in banking to shift employees within the structure from being product to client centric. He shows that where financial services may be the same, service differentiates institutions through cost of service with minimal variations, less procedural formalities, courteous staff, customer friendly environment with attractive layout and ambience. His view is that these clients will pay a premium for service, which contributes to the survival of the organisation, stating that "Service excellence is a continuous process with strong commitments from every level of the organisation, and could be offered consistently with a customer-centric approach". Further, Colewell, Hogarth Scott, Jiang and Joshi (2009) apply the social exchange theory to explain that an exchange relationship determines a personal attitude and behaviour toward that relationship. To value a relationship, value has to be perceived in terms of costs to benefits. Partners in this exchange relationship create value for each other over time, such as the elements of trust and commitment reflected in the model of Morgan and Hunt. This customer loyalty is an important element of competitive advantage. An organization that possesses this asset enjoys the simultaneous benefits of reduced marketing expenditures and increased share of the customer's wallet, a view supported by Colewell et al. as cited by Reicheld and Teal (1996).

Wisskirchen, Vater, Wright, De Backer and Detrick (2006) refer to a global benchmarking study of Bain and Company which reinforces a view in banking that client retention one of the most important keys to success. They found that, whilst banks have focussed on cost-cutting, this has done little to ignite top-line growth, and may be damaging long-term growth prospects. In referring to the importance of the Net Promoter Score (NPS), which reflects the likelihood of a client to refer a friend or colleague, they illustrate the cost of losing clients, plus the cost of replacing profitable clients with new who will rarely match their profitability, often actually being a drag on earnings. This showed how banks are actually working harder and spending more to stay in the same place. Banks that have been successful in their client-centric engagements, reflected in their retail customer growth and lower defection rates, by developing customer managements systems that permeate all levels of the organisation approaching the customer elements of:

- *designing* the right proposition for the right clients and target segments



- focussing the entire company on *delivering* the right proposition
- continually *developing* their capabilities to delight the customers

The Bain study, as cited by Wisskirchen et al. (2006), found six imperatives that the banks recognised as crucial in attracting and retaining customers: Appeal to the customers hearts and capture their mind, target prospects with precision, win over new customers early, manage the experience, not just the account, dare to be different and let the customers do the talking. Colewell *et al.* (2009) differ slightly in their priority, believing that whilst that traditional incentive structures are geared to the on boarding of new customers, the actual focus should be rather placed on retention. To do this, the incentive system needs to encourage customer retention through customer-oriented behaviours by service personal, such as bankers and advisers. Their research tells managers to concentrate on training and incentives at the personnel level, whilst at the organisational level focus should be placed on structure and cultural issues.

Bruce Whitfield of Finweek (2006) quotes the CEO of RMB Private Bank, Willie Miller in stating that “Without the appropriate structures in place, and without the right people to service clients at the centre of the business model, it just wouldn’t work”. He says that the bank is aware of its limitations, and where certain areas of the clients affairs are too specialised, involving existing relationships with specialists, and these should allowed for, believing states that the bank should do what they do well, and outsource the rest.

### 3.4 CULTURE

In understanding the link between structure and culture, Larsson, Brousseau, Kling and Sweet (2007) found that career and culture-based motivational capital is positively associated with how effective people view the strategy, and how well functioning the structure is. Cameron (2007:47) cites Deal and Kennedy (1982) who define organisational culture as “The way things get done around here”. Sharing a broader definition, Al-Alawi, Al-Marzooqi and Mohammed cite Park *et al.* (2004:24) describe organisational culture as “The shared, basic assumptions that an organisation learnt while coping with the environment and solving problems of external adaptation and internal integration that are taught to new members as the correct way to solve these problems”.

Jaworski & Kohli (1990) believe overcoming the barriers to becoming market-led hold the key to sustainable competitive advantage in private banking, defining a market-led organisation as one which has a combination of customer orientation, competitor orientation and inter-function co-ordination. Further, Stapleton (2003) added that, a market led organisation is driven by the real needs of its customers and is outward-looking for opportunities creating products and services to meet these needs. Whilst the importance of an organisations orientation to the client and market has been shown, it is the importance of Narver and Slater’s (1990) suggestion of market orientation as a form of *organisational culture* which infers that the real obstacle to market orientation lies in the attitude and behaviours of employees and managers of the business.

Maufi (2008) states that organisation values are “the basics of the organisational culture from the interaction of strategy, structure, system, staff, style and skill.” He cites Bourantas, Anagnostelis and Manates (1990) in support of this opinion, defining organisational culture as “the values, ideology, philosophy, trust, ritual, symbols and norm that influence organisational performance. A supportive view is that of Irani, Sharp and Kagioglou (1997) who believe organisational culture to be a set of collective norms, governing the collective behaviours of those in the people within the company. They cite Deal and Kennedy (1982) in illustrating that employees in a strong company culture, have a clearer idea of what it is they should be doing, which results in huge productivity increases.

Culture is shown to be an intangible resource, and challenge in strategic implementation. Jacob (2007) found that when an international bank tried to implement its traditional modes of organisational structure onto a business unit in another county the structure was not appropriate for the management of diversity in cultures. She found that management should adapt to the

underlying culture within an organisation, and further, the cultural heritage of the organisation should have impact on the evolving structure of the organisation.

Employees at all levels of the organisation need to be considered in line with the view on strategy and structure, towards a client oriented proposition within banking. Maufi (2008) cites Noe, Hollenbeck, Gerhart, and Wright (2006), who state that “While all of the strategic types require competent people in a generic sense, each of the strategies also requires different types of employees with different types of behaviours and attitudes”. Role behaviour is the behaviour required of an individual in his or her role as a job holder in a social work environment. This infers the necessity to have a specific type of staff member to be aligned with a specific client segment. The necessity for enhanced client-centric delivery is supported by Mothilal (2010:43) who believes that “Today's customer is busier, socially better connected, informative and inquisitive”, and a bank therefore needs to understand customers deeper and offer products and services to match customers' requirements. He states that private banks therefore need to enhance their levels of customer service to enhance this confidence and trust.

The recruitment and retention of the correct staff to fit this culture, and the requirements of the client in terms of elements such as responsiveness, empathy and reliability, is critical as instability in staff affects both the trust relationship (Morgan and Hunt, 1994) with the client, and heterogeneity of delivery. Davies (1996) suggests the following in terms of a people strategy:

- Designing methods to *attract and retain the best people*
- Using institutional positioning as a method of *internal marketing*
- Improving *staff motivation to encourage responsiveness and empathy*
- Training in the importance of maintaining the *link with the customer after the initial transaction*

People are the key factor in the delivery of a service culture, and according to Davies (1996), through this culture the following combinations can result in an improvement in client evaluation and management of their perceptions, in financial services:

- Making it easier for customers to understand what to expect
- Evidence to support claims, and making service tangible
- Educating the service adviser to guide the client in the right direction
- Adopting a consistent approach to develop trust in relationships

Nazir (2005) illustrates the way culture permeates through all levels of an organisation, alluding to the necessity to consider staff and management at all levels, citing Brown (1995) who states that beliefs and values are shared consistently throughout an organisation. A high performing organisation, would therefore require a high level of staff commitment and involvement, an argument reinforced by applying the perspective of Pfeffer and Rousseau (1995:49) who argue that “An organisation's competitive advantage depends to a degree to which it effectively manages human resources by ensuring both the organisation's and individuals' expectations and values are similar”. Maufi (2008) further reinforced the value of culture citing additional experts such as Besanko, Dranove and Shanley (2000), who have established the link between culture and its effect on an organisation's long-term sustainability, economic performance and profitability, through the commitment and retention of the staff. This was indicated in a congruence of beliefs that created a unifying force that boosted organisational performance.

Organisational culture develops over time, and with this evolution a distinct way of doing things specific to the business emerges. This is of particular relevance, when considering the potential for change or implementation of strategy. In a dynamic environment, the ability to adjust in line with environmental demands and deliver on consumer expectations is influenced by both the structure and systems within an organisation, and the underlying culture within that organisation is a factor that arguably needs to be aligned.

### **3.5 SUMMARY**

There is a strong argument supporting the view that relationship marketing is an appropriate strategy in private banking. Relationship marketing view takes a longer term approach to profitability, hence the necessity to retain clients. The challenge in this approach is that clients are significantly less loyal, and more price sensitive than previously believed. As they are more informed of options than previously before, failing in service or product delivery can potentially irrevocably damage trust in the relationship. It is therefore necessary for a bank to concentrate efforts on those segments of the market that have the potential to be more profitable over time, rather than to waste resources with the distraction of potentially profit-damaging clients.

The structure of an organisation needs to be built around the capabilities to deliver efficiently on a specific client's demands, with advisers pre-empting those needs and applying appropriate competitive potentially packaged product solutions. This approach turn needs to be supported

by management and incentive programmes that direct employee behaviour to this collaborative client-oriented approach. Communication plays a vital role informing both market and client requirements from the banker to the organisation, and client satisfaction and long-term profitability views downwards from management, whilst aligning the collaborative efforts of a number of business units. In relationship marketing at a banker level, deeper communication skills relative to those traditionally needed in sales environment would be required in a relationship approach, as these would provide a deeper understanding of the clients needs, as well as help the bankers manage the client expectations of service delivery through co-ordinating specialist support.

A traditional banking system cannot be simply imposed on a private banking culture. Culture develops over time and can be considered a resource, but also a challenge where change is required. Research shows that the cultural fit plays a significant role in supporting a market-led proposition, a key determinant of the success in both delivery and client relationships. When hiring staff for a role in private bank, it is therefore necessary to consider the cultural characteristics of the staff required to fit the organisation and target market, as this can enhance trust and delivery experienced by a client from his private bank.

## CHAPTER 4: RESEARCH DESIGN AND METHODOLOGY

### 4.1 INTRODUCTION

Important components of research design methodology, according to Gary Giesler (2004) include: *Who or what is to be studied; when is data collected; where does the study take place; issues of reliability and validity; methodology and data types*. The following design and methodology applied in this research attempts to answer these questions, to provide confidence in the process to be followed and the consequent outcomes.

### 4.2 RESEARCH APPROACH

Research may be quantitative or qualitative in its approach. Quantitative research is more mathematical and results can be classified in a stricter, more objective way. A qualitative approach considers the input and perspective of the individuals, and as the objectives within the study focus initially on a marketing issue and the underlying human elements, a quantitative approach is more appropriate. Whilst elements of quantitative data do appear, these are from a secondary source, and are applied to substantiate qualitative analysis. The component of *whom or what is to be studied* encompasses investigation into the relationship between the client and the bank, and within the bank the financial planner and the banker. The issues encircle engagements with individuals, and it is the experience and interpretation of these individuals that would provide the most revealing and relevant insights. For this reason, a qualitative approach to this research project is appropriate and has been followed.

### 4.3 POPULATION AND SAMPLING METHOD

Coldwell and Herbst (2004) define sampling as “The act, process or techniques of selecting a representative part of the population for the purpose of determining parameters or characteristics of the whole population”. The study investigates private banking in South Africa.

Cooper and Schindler (2003) propose the following steps in sample design:

- *What is the target population?* The target population are those individual responsible for client delivery in private banking, specifically the client facing bankers and supportive specialists, as well as their direct reporting lines in the Gauteng province
- *What are the parameters of interest?* Central to the study belies the research objectives which narrow the parameters of interest in this study to the private banking environment, and the related perspectives of the individuals within the target population

- *What is the sampling frame?* ABSA Private bank focusses on high income individuals, differentiates clients according to specific segments such as high income, retired, professional, etcetera. The sample frame is fully representative of all elements within this population. It is important to note banking portfolios do not align exactly to these segments, with an overlap or combination in each banker and planners portfolio
- *What is the appropriate sampling method?* A stratified approach of the population would be taken where representative responses of the planners and bankers would be sourced, at the current ratio of 2,8 bankers to each planner. Whereas the same approach towards banker segment would be approached, elements of a random approach need to be recognised as this alignment is not finalised and portfolios allocation is constantly changing
- *What sample size is needed?* There are currently 65 bankers and 23 financial planners in the Gauteng region. A representative sample of 50 percent is sought, targeting a response of 40 to the questionnaires in this ratio to ensure a clear and fair representation. Sales management from each suite within the province will be interviewed thereafter, as well as a senior executive within the reporting lines.

In illustrating the population of this study, the private bank structure is illustrated below (Fig. 4.1) Within Gauteng are 3 major suites managed by a suite head and sales managers, reporting into the provincial structure senior executive. In the same way that the strategic head reports into a managing executive in private bank, and also into retail provincial structure (matrix reporting), the provincial leader for the financial planners reports into ABSA's financial service division with accountability into private bank.

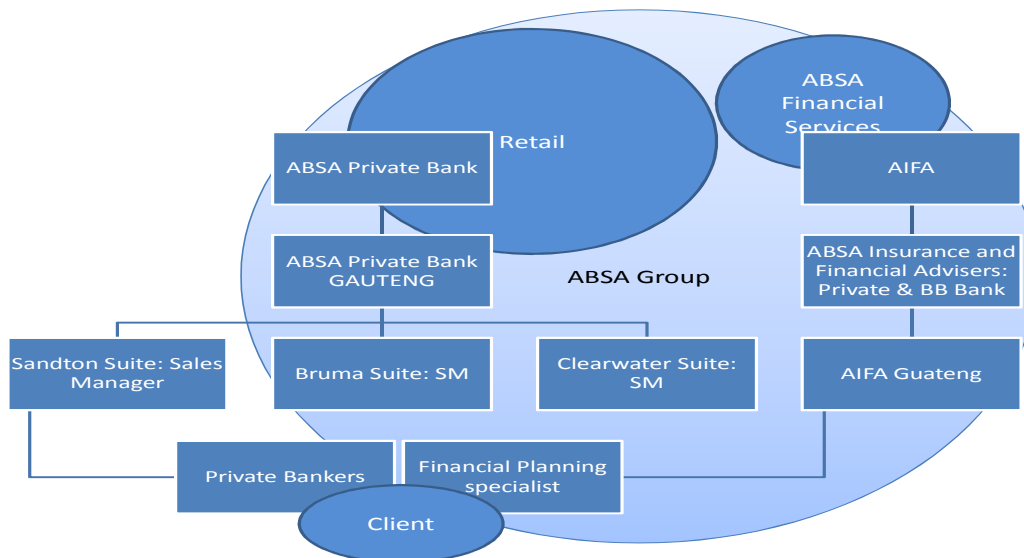


Fig 4.1: Representation of APB Gauteng operational structure

Due to logistical challenges and the need to clearly define the sample, regional management outside of Gauteng will not be represented, nor shall strategic business units which also contribute adhoc in product support to the bankers, such as the home loan consultants or short-term insurance brokers.

#### 4.4 DATA TYPES

Whether quantitative or qualitative, data may be further categorised as primary or secondary. Primary data is that which is gathered directly from the source. It is basic, original and unbiased, relative to secondary data which may be easier to source, may be less appropriate in that it has been gathered for another purpose. This study sources primary qualitative data which may prove more time consuming, but is relevant in that the objectives central to this study require the perspective of this population, defined in a way to refine the typical volume challenges. Elements of secondary data, partly of quantitative nature, do appear to provide context to the study, whilst in effect triangulating on the results.

#### 4.5 DATE COLLECTION TECHNIQUES

Data may be collected through a number of sources techniques, each with its own benefits and challenges. The medium and methodology should be considered in terms of the requirements of the study as represented graphically below.

Table 4.1 : Research Methodologies and benefits

	Methodology	Medium	Project Data Collection	Pros	Cons
<b>A: Asking Questions:</b>	1. Focus Groups	<i>Face to Face</i>	<i>Discuss objectives and present questionnaire for testing, comment and inout to develop and ensure in line with objectives, and pitched at appropriate level</i>	<ul style="list-style-type: none"> <li>• get common impression quickly and reliably</li> <li>• efficient and quick way to get range and depth of info</li> <li>• can convey key info of participants</li> </ul>	<ul style="list-style-type: none"> <li>• difficult to analyse responses</li> <li>• good facilitator key for rapport and closure</li> <li>• difficult to schedule # participants</li> </ul>
	2. Questionnaires	<i>distribution via e-mail, and personal follow up, with support</i>	<i>30 Question survey, relating to 3 objectives, to private banker and financial planner sample</i>	<ul style="list-style-type: none"> <li>• Anonymity</li> <li>• Inexpensive</li> <li>• Easy comparison</li> <li>• Appropriate for large numbers of people</li> <li>• Can get large amounts of data</li> <li>• Many sample questionnaires exist</li> </ul>	<ul style="list-style-type: none"> <li>• Might not get careful feedback</li> <li>• Wording may be bias to clients response</li> <li>• Impersonal</li> <li>• Surveys may need sampling expert</li> <li>• Incomplete picture</li> <li>• Street interviews not of</li> </ul>
	3. Interviews	<i>Face to Face</i>	<i>Open-ended interview with private banker direct sales report line for each suite &amp; with provincial business head</i>	<ul style="list-style-type: none"> <li>• Full range and depth of information</li> <li>• develop relationship with client</li> <li>• street interviews Fine for very short, structured interviews and for finding a general sample</li> </ul>	<ul style="list-style-type: none"> <li>• too flexible</li> <li>• time consuming</li> <li>• hard to analyse and compare</li> <li>• costly</li> <li>• risk of interviewer bias regarding the telephone, not</li> </ul>
<b>B: By Observation:</b>	General Observation	<i>personally, by diaries, through resource collaboration</i>	<i>Joint visit of client, review client statistics, measure retention and profitability, BSC trend analysis, Staff satisfaction figures (EOS), Client Satisfaction, PWR peer review</i>	<ul style="list-style-type: none"> <li>• view actual events happening</li> <li>• adaptability to occurrences as they happen</li> </ul>	<ul style="list-style-type: none"> <li>• difficult to categorise and interpret observations</li> <li>• can influence participants behaviours</li> <li>• expensive</li> </ul>



The *methodology* followed began with a focus group to develop the questionnaire based on the three objectives central to this study. The primary data will be collected via these questionnaires (the sample excludes participants of the focus group). Once sufficient responses have been gathered, interviews will be conducted with the sales management of each suite. The objective is to both probe deeper into the understanding and responses to the objective, whilst substantiating evidence gathered. The interviews will be open ended, and recorded though both notation and digitally.

#### **4.6 BIAS**

The potential for bias exists in research in both statistical and judgemental forms. According to Coldwell *et al.* (2004), sampling bias is usually due to poor research planning, where certain groups with certain characteristics are favoured. The researcher has therefore ensured that sufficient sample from a balanced representation of the population is received. Quantitative data, whilst current and relevant is drawn directly from individual input, and hence the additional risk of non-sampling bias which needs to be recognised and accounted for. Non-sampling bias also includes the risk of researcher bias within the literature and in this study action has been taken to eliminate this influence through awareness, broad application of literary sources and predetermined methodology.

#### **4.7 DATA ANALYSIS TECHNIQUES**

Once data has been gathered, it is necessary to analyse it to make sense of the raw data collected, and generate meaningful findings. This project gathers descriptive statistics via the questionnaire and measures responses on an interval scale of four alternatives in terms of the respondents level of agreement to the statement. The data will then be coded, and represented in a both tabular format for each objective, as well a graphically to allow clearer comparison of responses. Whilst the sample is large enough to be representative of the bankers and planners, interviews follow at leadership levels ensuring credibility and reliability of the findings, whilst deepening perspective to be compared with existing knowledge represented in Chapter 5.

#### **4.8 LIMITATIONS AND DELIMITATIONS**

The limitations are weaknesses which may affect the validity of the study. Through the qualitative approach to this research project, the potential limitations to the findings lie in the nature of individuals to limit their feedback for fear of reprisal. Delimitations in a study refer to

the boundary or scope. For the purpose of this investigation, the *international* influence of Barclays is omitted generally, with focus of this study on the affluent segment of banking, specifically in the Gauteng region.

#### **4.8 ETHICAL ISSUES / CONFIDENTIALITY**

Cooper and Schindler (2001:112), cited by Coldwell *et al.* (2004), say "Ethics is made up of norms or standards of behaviour that guide moral choices about our behaviour and our relationships with others. The goal in research is to ensure that no one is harmed or suffers adverse consequences of research activities". Honesty, lack of coercion, openness and confidentiality, according to Cameron (1991) are key issues, as is privacy, principles considered when initiating contact with the participants. The right to confidentiality of all respondents has been assured in the questionnaire (Addendum 7) to account for both the natural tendency to supply the political response, and ensure open and honest feedback without fear of recrimination.

#### **4.9 VALIDITY, RELIABILITY, GENERALISABILITY**

Coldwell *et al.* (2004) stipulates that data is only useful if it measures what it claims to be measuring. The concept of validity refers to the extent to which the data gathered gives a true picture of what is happening in reality. If data has been proven to be reliable but is not valid, it is of no use; however, this potential *limitation* in feedback from the sample population has been addressed through the research approach towards both confidentiality and methodology. The *delimitations* in this study referred to its external validity and generalisability of its findings. The study has clarified its focus on the private banking space, specifically in the Gauteng region, and through an unbiased approach towards the sample and methodology the outcomes could be repeated, ensuring validity. Furthermore, the size of the population and number of representative sample responses therein support the generalisability of the findings in private banking Gauteng. The outcomes however would also find relevance nationally in metropolitan areas with clients of the same demographic.

#### **4.10 PILOT STUDY**

A pilot study is a smaller 'feasibility' study of the project, designed to test elements of feasibility, reliability, and where necessary gather support. This study itself began through investigation and observation over 5 years ago as strategy evolved in ABSA Private Bank. The research

report has been both funded and approved by senior leadership in ABSA Private Bank, Retail and AIFA (Fig 4.1), feasible through the support offered and role of the author in the organisation. The feasibility and appropriateness of the research *methodology* itself was addressed in the focus group, consisting of three bankers, three planners and a strategic representative, testing and enhancing the questionnaire and the relevance of the ten questions to each objective. The validity and interest in the outcomes are further reinforced by the support, interest and capacity of the participants to respond to the questionnaire, as well as the support of the contributors acknowledged.

#### **4.11 SUMMARY**

Coldwell and Herbst (2004) say that a good research design should be experimental, feasible, flexible and efficient, components which are present within this design. Theory has shown a business case and relevant published literature has been applied the objectives. The steps illustrated within this research design, culminate in the findings which follow, contextualised in line with the objectives defined within this research project.

## CHAPTER 5: RESULTS AND DISCUSSION

### 5.1 INTRODUCTION

The success of a business is determined by its sustainability of competitive advantage. The focus of this article is in the field of private banking, a financial service which through delivery to a specific affluent target market, and sustainability is *arguably* dependant on client retention to ensure long term profitability and consequent survival of ABSA Private Bank (APB). This investigation therefore considers the statement:

**“Client-centric financial advisory services develop long term client relationships in private banking”.**

In testing the validity of this statement, the following objectives of this study were investigated through the research methodology as discussed:

- *To examine current perception of a relationship marketing approach on client retention in private banking*
- *To determine the applicability of current structure and measurement on client centric solutioning by staff.*
- *To investigate the importance of cultural fit on a market-led value proposition in ABSA private banking*

Whilst the theory and literature relevant to private banking exists, the surveys and interviews conducted focussed more specifically on these objectives.

### 5.2 DEMOGRAPHICS

The surveys were conducted with the questionnaire attached as addendum 7, and the responses per question are reflected in detail graphically in Addendum 8, 9 and 10. Forty responses to the questionnaires were received from the population of private bankers and financial planners, representing the 63 bankers and 23 planners in the targeted ratio of 2.8:1 across the three private banking suites in Gauteng, as illustrated.

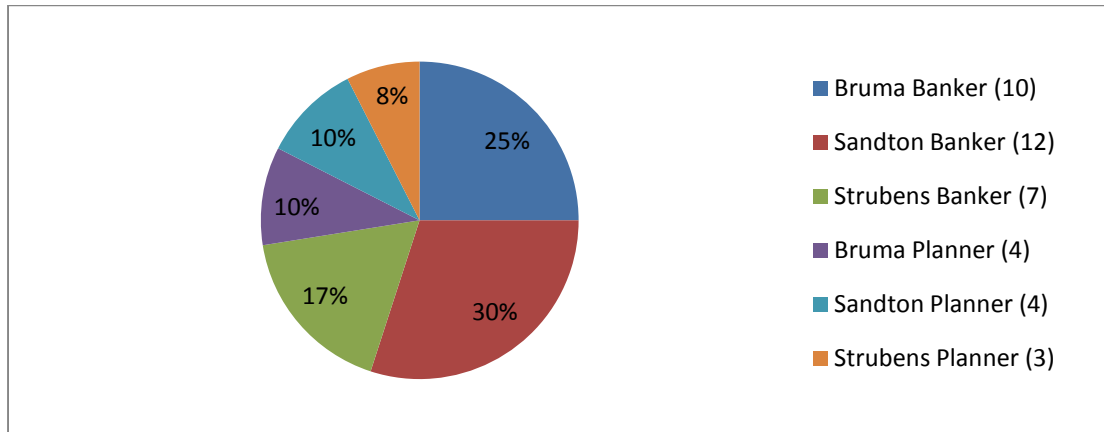


Fig 5.1 Graphical representation of the response demographic (Source: Own source)

Interviews followed with the operational heads to these participants, including senior leadership of the region selected in the study. The results relating to each objective, as related to the literature review follow.

### 5.3 THE CURRENT PERCEPTION OF A RELATIONSHIP MARKETING APPROACH ON CLIENT RETENTION IN PRIVATE BANKING (OBJECTIVE 1)

The collated results relating to the questionnaire specific to the objective which examines the current perception of the relationship marketing approach to client retention are reflected below. Where the responses of sample population of bankers and financial planners surveyed show a general trend towards agreement or disagreement, it is highlighted in orange, and a response majority with a margin of ten or more is reflected in red.

Table 5.1: Questionnaire responses on relationship marketing appropriateness (Source: Own source)

Question	Disagree Strongly	Disagree	Agree	Agree Strongly
1 Personal service is more important than Competitive product	0	9	21	10
2 Clients holding more "product" with the bank have a higher tendency to stay with the bank	0	8	17	15
3 Clients are more likely to stay with the bank if they have a relationship with a specialist in the bank	0	3	10	27
4 Knowledge of a clients personal circumstances will enhance the banks relationship with the client	0	2	15	23
5 Cleint-centred financial planning delivery would improve client retention in private bank	0	3	15	22
6 Clients of private bank value personal messages on special occassions	0	1	26	13
7 Client relationships are an asset in overcoming service shortfalls / complaints	2	9	13	16
8 Clients of Private Bank want a personal relationship	0	0	14	26
9 Availability of a banker / planner enhances trust in a client relationship	0	0	15	25
10 Trust has a mitigating influence on a clients cost sensitivity	0	3	20	17

The questions represented in the table above, are supported graphically with majority responses of 60% or more circled. As illustrated, the general trend in principle is shown in agreement, with detailed results discussed per question in the context of pre-existing literature.

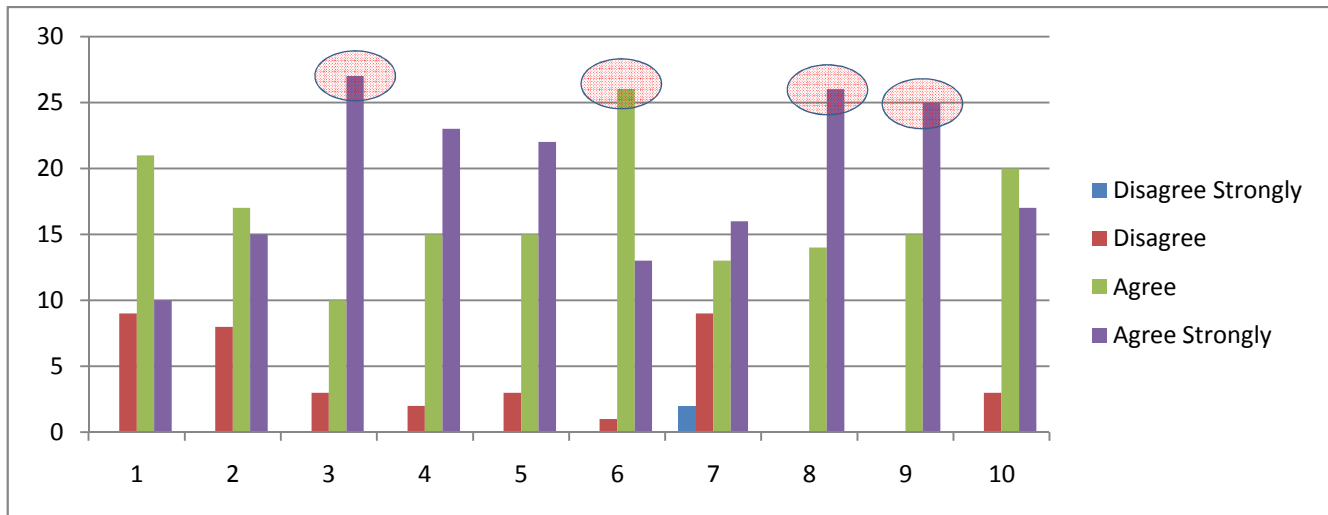


Fig 5.2: Graphic representation of responses on relationship marketing appropriateness. (Source: Questionnaire responses above, adapted from addendum)

The **survey results** show a strong view in support of a relationship marketing approach within ABSA Private Bank (APB), particularly of relevance in differentiated banking where Ahmed and Buttle (2002) remind us that the relationship approach and the link towards profitability, is not always clear in all segments and client approaches. The sample believe that personal service is indeed more important than product (1), reinforcing the view of Mothilal (2010) that employees should be more client than product centric, and that service differentiates banks. Whilst Penn and Sampaio (2001) place emphasis on the importance of *new products*, they too attribute the success of each product to the application and service in a relationship led organisation. It is a common view that the more product a client holds with a bank, the more likely he is to stay (2). However, the converse should be considered in that if a client is likely to stay he would hold take more product, and retention according to Wisskirchen, Vater, Wright, De Backer and Detrick (2006) is one of the most important keys to success. Strong results illustrate the importance of a relationship with a specialist to support client retention (3). The process of establishing, developing and maintaining successful relational exchanges is what Morgan and Hunt (1994) define as the relationship marketing. There is an equally strong view that knowledge of a client's personal circumstance enhances the relationship with that client (4), influenced by the manner in which products are sold, or rather "bought into" by the client. Colewell *et al.* (2004) show how to value a relationship, value has to be perceived in terms of costs to benefits, and this personal relationship (4, 6) is the key element a client pays premium for in private banking. Products themselves need to be sold through personal knowledge, and

the involvement of the appropriate specialist (3, 4, and 6) adds significant value to this process. A relationship with the bank representative can assist in overcoming challenges (7) such as complaints or buyers remorse, necessary which when considering Davies (1996) view on the importance of managing clients expectations through their relative inexperience and lack of knowledge of banking products. Clients are more sensitive to service and price than previously believed (Abratt and Russel, 1999) and a relationship marketing approach is assumed to support retention through managing the client's expectations and requirements better. Client's value relationships (6, 8) and through this responses show a strong view on the level of expectations of the client on responsiveness and availability of a banker, as measured in the CSM score (9). Without this trust would be undermined, and trust is the factor central to successful relationship marketing identified by Davies (1996), as well as Morgan & Hunt (1994), and Clarke & Payne (1995). The relationship benefits of responsiveness and trust potentially overcome the clients need to see a tangible value for the cost. The perception of the survey is that this trust does indeed have a mitigating effect on a client's sensitivity to cost (10), but trust needs to be earned through delivery.

In depth **interviews** were conducted to gain a deeper perspective on the findings within the questionnaire, in effect triangulating on the results. The first interviewee promoted the relationship marketing approach strongly, in emphasising the importance of a "lifetime solution on right advice". This view of the strategic imperative is supported by that of Morris *et al.* who believe that a successful strategy to attract and retain customers, moves customers up the loyalty ladder to ultimately becoming champions of the organisation. Vavra (1995) supports this in his concerns related to the cost of replacing a lost client. Whilst the participant believed that a specialist financial planner may enhance client retention, he does not believe this can happen without a teamed banker, and believes that the key to client delivery lies in collaboration and communication between the support specialists and banker in that this "covers the bank risk whilst enhancing trust between the team. This view is central to the definition of relationship marketing of Das (2009), wherein the collaboration of stakeholders is shown to be crucial to success of a strategic relationship marketing approach.

The second interviewee shares the view of Mothilal (2010) believing that service is more important than product as a differentiator, which in her view leads to client retention. This interviewee feels that the biggest differentiator to delivery is a pro-active banker, which can pre-empt a client's needs. Knowledge of client needs is an important element to client retention as identified in the questionnaire results. The participant has a view that the specialists play a key role in the improved delivery of a solution to a clients needs, particularly where the current level of knowledge of bankers in the client engagement a challenge in APB. New communication

skills were highlighted as a necessity by Davies (1996), and furthermore the importance of emotional intelligence on trust in a relationship was highlighted through Hefferson, O'Neil, Travaglione & Droulers (2008). Further, the respondent feels that the low end clients in private bank are far more cost-sensitive, placing a new deeper perspective of the differing opinions of the literature. This situation exacerbates the capacity challenges of bankers and responsiveness to other clients, in that unsuitable and incorrectly profiled clients are the clients from which there is more complaints and therefore time spent. In application, Colewel *et al.* (2009) explained how an exchange relationship determines a attitude towards that relationship and how value must to be perceived in terms of costs to benefits, creating value for each other over time, from both the banker and client perspective. Clarke and Payne (1995) identified a major theme in relationship marketing which favours an approach *targeting certain profitable customers*. Identification of the potential value of these clients is complicated in APB as many are multi-banked, and their complete financial portfolio is not known without a deeper analysis. This is a situation to which a specialist may be able to gain deeper insight.

The perspective of the third interviewee on the potential for client relationships to offset client price sensitivity was different to the other sales managers, in that the participant's view is that the client is significantly different in Sandton. Foehn (2004) believes client loyalty to be of concern in a dynamic a market with both price and service quality sensitivities. This difference in perspective may be understood when considering Trasorras, Weinstein and Abratts (2009) view on the importance of meeting a specific client's delivery and cost expectations. Whilst improvements to the client-banker relationship can be made through segmentation of the client base, and improvement to the portfolio size, the clients in this space retains cost and service sensitivities. This may be due to the increased options in the Sandton market (multi-banked clients), with a number of competing private banks based in the region, the more financial astute demographic of the client or client demands and complexity as highlighted by Vavra (1995). The respondent interviewed believes there are strategic inconsistencies in delivery of the relationship marketing approach in that 40% of the bankers' measurement is still on short term profit via product sales. Whilst the bank has proposed a longer term view in line with the thinking of Vavra (1995), the ROEC (Return on Equity) model which looks at a longer term revenue, lacks a pricing determinant. This is a necessary consideration of the cost to benefit of the relationship from all parties necessary for sustainable relationships, as per Colewell *et al.* (2009). The client fit itself is different to retail, and therefore the interviewee believes that product, process, structure and people need to be different, and private bank itself is dictated by service, as shown by both Mothilal (2001) and the questionnaire responses above.



From a strategic perspective, the senior participant interviewed promotes a vision which moves reactive transactional engagements to that of proactive relationship. This is in line with Clarke and Payne’s *relationship over transactional approach* (1995), which is in contrast to a typical retail product push approach. Through the banker understanding the client’s needs, the interviewee believes the relationships will develop. Jaworki and Kohli (1993) believe that market orientation is wider than purely the consumer’s needs, but encompasses analyzing the factors which influence the consumer’s needs, and the challenge is to instil the bankers with both the confidence and knowledge to comprehend these client conversations and “Enable the needs of the client”. Anderson (2001) placed the new communication skills as a skill central to the relationship marketing approach. Davies (1996) highlighted the need for clients to see a tangible element in the offering. This respondent believes that it is the reputation of the banker which is the new tangible in developing the trust required to sustain relationships, a necessity within Morgan & Hunt’s (1994) model of commitment and trust.

#### 5.4 THE IMPACT OF ALIGNED STAFF OBJECTIVES AND MECHANISMS ON CLIENT CENTRIC SOLUTIONING (OBJECTIVE 2)

Sigauw (1994) places client orientation central to a private banking value proposition that wished to retain competitive advantage. This staff objectives and structure in support of this ideal has been shown to be a necessary consideration, and is in line with Boojihawon’s (2006) view that strategy and structure are interdependent. The results of the survey related to this objective are represented in the table below.

Table 5.2: Questionnaire responses on alignment of staff objectives (Source: Own source)

Question		Disagree Strongly	Disagree	Agree	Agree Strongly
11	Having a linked financial planner adds value to the banks client offering	0	1	21	19
12	Holistic financial solutioning add value to the banking element of client orientation	0	0	23	17
13	Introducing a support specialist will NOT jeopardise other objectives with the clients	0	4	23	13
14	The bank encourages staff to sell service over product	3	16	16	5
15	The current performance measurement document does not completely supports client-centric solutioning	1	6	30	4
16	I recieve feedback on performace in terms of client satisfaction	4	10	26	0
17	The client relationship is with the bank not the individual	9	22	8	1
18	Alignment of staff and client charactaristics enhance banking engagements	0	1	34	1
19	A financial needs analysis assists with identifying other needs than purely insurance for a client	0	0	22	18
20	Commission focus conflicts with delivery of a client-centric solution	2	19	17	2

As represented graphically, the results of the questionnaire above investigate the impact and current perception of the population on this objective. Significant majority responses are circled,

and as illustrated below, no extreme majority is identified, and in certain instances, the responses are split relatively equally.

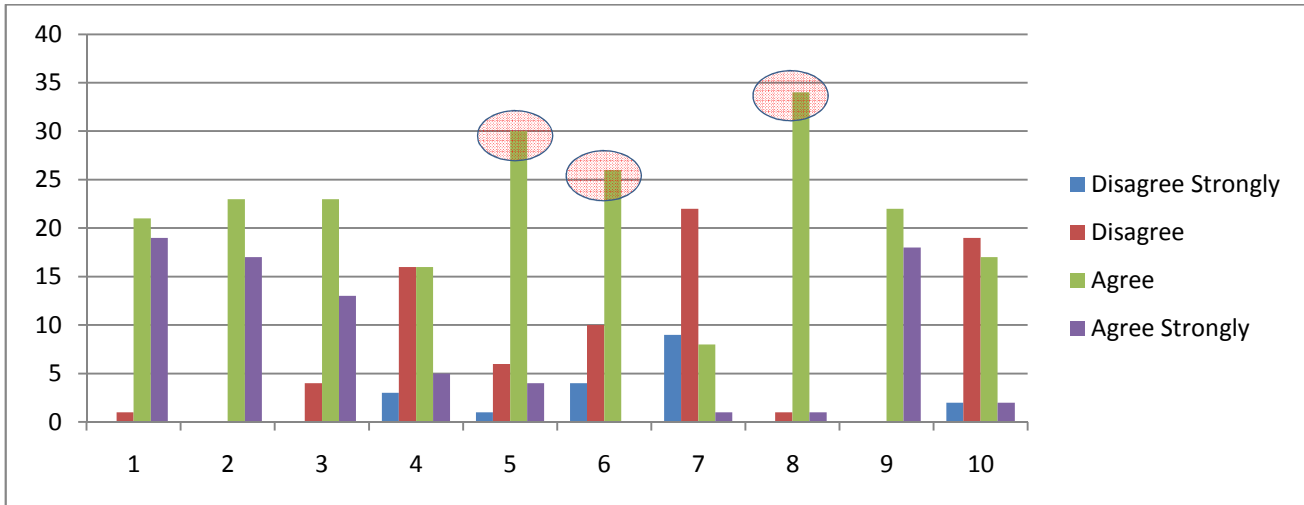


Fig 5.3: Graphical representation of responses to alignment of staff objectives (Source: Own source)

The **survey results** show that there exists a common belief within the sample population of APB in support of the view that holistic financial solutioning is an important part of a client centric offering (12). Jaworski and Kohli (1993) support this orientation in which the factors influencing a clients needs are analysed. The necessity in having the skills to provide this form of analysis is important, hence the survey responses that a financial planning specialist adds value to the client offering of APB (11). These collective engagements are supported with the general view that conflicting objectives are not perceived to exist within these client engagements (13), an important consideration according to Clarke and Payne (1995) who view internal marketing as necessity to ensure that all parties within an organisation have aligned objectives. Responses show that the financial needs analysis completed by the specialist planners actually contribute to identifying other business unit related banking needs (19) and an overwhelming agreement in responses supported this necessity in enhancing banking engagements (18). Opinions on the motivation of planners as commission agents, when considering the social exchange theory used Colewell *et al.* (2009), are divided (20). Considering Welch (2001) questioning the relevance of motivating and regarding the wrong issues, thereby driving inappropriate outcomes, it is interesting to note that opinions are split as to whether the current banking measurement tool supports a client service over product push; (14) with a strong view that the current measurement structure itself does not in fact completely support client-centric solutioning (15). Mohr and Nevin (1990) emphasise the importance of communication as the “Glue that holds the organisation together”. This disconnect between the proposition and measurement is further exacerbated in that whilst most respondents agree that they receive feedback on client satisfaction, there are pockets wherein there is strong

disagreement to information being received on this key focus area. Without this customer orientation and the feedback to manage client satisfaction, relationship and client loyalty, crucial according to Morris (2003) for client retention, would be unlikely. The survey responses show the general belief is that the client holds the relationship with the individual (17) not the bank, emphasising the importance for the right alignment of banker to client segment in the structure. The actual alignment of staff characteristics (18) with clients was viewed as important by the responses, supported by Noe *et al.* (2006) who advocate the alignment of staff characteristics to strategic objectives.

**Interviews** which followed with the leadership representatives of each suite provided further insight into the questionnaire responses. In commenting on the current focus of bankers on product sales, the first interviewee believes this to be a legacy of a banking focus on balance sheet growth. Mothail (2001) emphasised the importance for the bankers to move from a product oriented to client-centric focus. An issue raised by this respondents was that currently the portfolio of clients were too big, and in line with the theme identified by Clarke and Payne (1990) a segmented approach on client segments, specifically focussed on profitable clients (social exchange theory) is necessary. A challenge to client oriented delivery was raised in terms of the necessary change in structure and process, as well as the knowledge of the bankers to deliver. Clarke and Payne (1990) reinforced this requirement emphasising the importance of organisational support to delivery advocating deeply integrated quality, marketing and customer service, with Davies (1996) noting the need for stronger specific communication skills in bankers towards client centric engagements, and Hefferson *et al.* (2008) the importance of emotional intelligence in developing these client relationships. According to this interviewee, the remuneration concerns raised in the questionnaire responses are a motivational misalignment issue and both have positive elements. In recalling the view of Middleton and Harper (2004), that organisational alignment is only achieved once the personal objectives of the staff are acknowledged, one needs to recognise the objectives of each stakeholder as a person, and consider if the outcomes are in line with the goals of the organisation. In the respondent's opinion, the banker is salary remunerated which drives objectives of long term relationships, the value of the relationship measured in the ROEC model, and whilst the planner may be motivated in his view to short term solutions, they are still contributing to the long term value of the bank. There is a gap though, in terms of MIS in that the financial value to group derived by strategic business units such as AIFA is not fully reflected in as income to Private Bank.

The second participant supports the opinion that communication between the parties is key (Mohr and Nevin, 1990) and advocates joint client engagements, believing that that the

remuneration coupled with a Personal Development (balanced Scorecard) drives the contracted behaviours. She does however raise a concern that as planners do not form part of the APB structure, their behaviours are more difficult to control. This speaks to Jaworski and Kohli's (1990) criteria of interfunctional co-ordination, which is a critical element when ensuring that staff objectives are aligned, as well as Clarke & Payne's (1995) view on singular objectives.

The third interviewee had a different view, in that the Personal Development scorecard is not correctly aligned to managerial and strategic objectives at banker level and is still focussed on short-term productivity (40% percent of the scorecard), while the management focus is on relationships. This respondent believes this is due to ABSA retail bank's number led focus and measurements, and because APB reports structurally into ABSA retail. This relates to the finding of Wisskirchen *et al.* (2006) where banks have focussed on short term objectives, such as cost-cutting, with little in the way of igniting top-line growth, potentially damage long-term growth prospects. Mothilal (2010) has shown the importance to shift this employee focus to that of client-centricity, where service is the differentiator in justifying the cost to benefit of a private banking offering over retail.

The senior business leader interviewed believes the banker's role demands an understanding of the client's financial objectives. The 'financial needs analysis' produced by a financial adviser specialist can document this, and through this a collaborative effort offering advice on the clients journey. The individual representing the bank and is the brand, in this respondents opinion, therefore needs to have the ability and motivation to deliver on the clients expectations. This perspective of banking is related to that of Colewel *et al.* (2010), wherein motivation towards a relationship is dependant on parties to that relationship deriving mutual benefit, and that of Trasorras *et al.* (2009) reflecting on the importance of meeting a specific client's delivery and cost expectations. Much of this is a cultural mind shift, and once again refers to Mothilal's (2010) view the importance in shifting a banker, from a traditional mind shift from the retail on balance sheet focus. APB has relative competitive strength in providing traditional transactional banking to its client base. This is referred to as 'on balance sheet', as the revenues contributed directly to APB's own balance sheet, not that of strategic business partners and specialist divisions within ABSA. "This is in contrast to that of other private banks, such as BOE", claimed the respondent "Where the relative strength has been investment and structuring focussed". The market demands have changed, and in a low interest environment clients require and are requesting advice on cash alternatives and investment. Vavra (1995) lists certain necessities to nurture client relationships, and in line with this interviewee, believes that the role of the banker has evolved to acquainting himself with the clients needs, analysing the need, and acting on what has been learned.

### 5.5 TO INVESTIGATE THE IMPORTANCE OF CULTURAL FIT ON A MARKET-LED VALUE PROPOSITION IN ABSA PRIVATE BANKING (OBJECTIVE 3)

Culture is the hidden catalyst to strategic implementation and change. The 40 responses to the questionnaire investigating the cultural fit with APB as a market-led organization are reflected numerically below.

Table 5.3: Questionnaire responses on cultural fit (Source: Own source)

Question		Disagree Strongly	Disagree	Agree	Agree Strongly
21	It is important to align culture with the the target market	0	2	34	6
22	I operate as a team with my colleagues in other business units	0	6	27	7
23	I choose client solutioning over quick win sales	1	3	17	19
24	I support the banks value proposition in all client engagements	1	3	17	19
25	Commission incentivision conflicts with the banks value proposition	1	1	23	15
26	The value proposition delivered is standard throughout ABSA Private Bank	6	12	17	5
27	My value sytem is in line with the banks value proposition	0	5	18	17
28	I am comfortable to introduce my client to my banking / planning partner	0	2	19	19
29	I have a role model in ABSA Private Bank	4	16	14	6
30	I percieve ABSA Private Bank as a market leader in the Private Banking industry	3	20	13	4

Whilst a detailed illustration per question is attached in the Addendum, a combined view is reflected in line with the table, graphically reflected in figure 5.3.

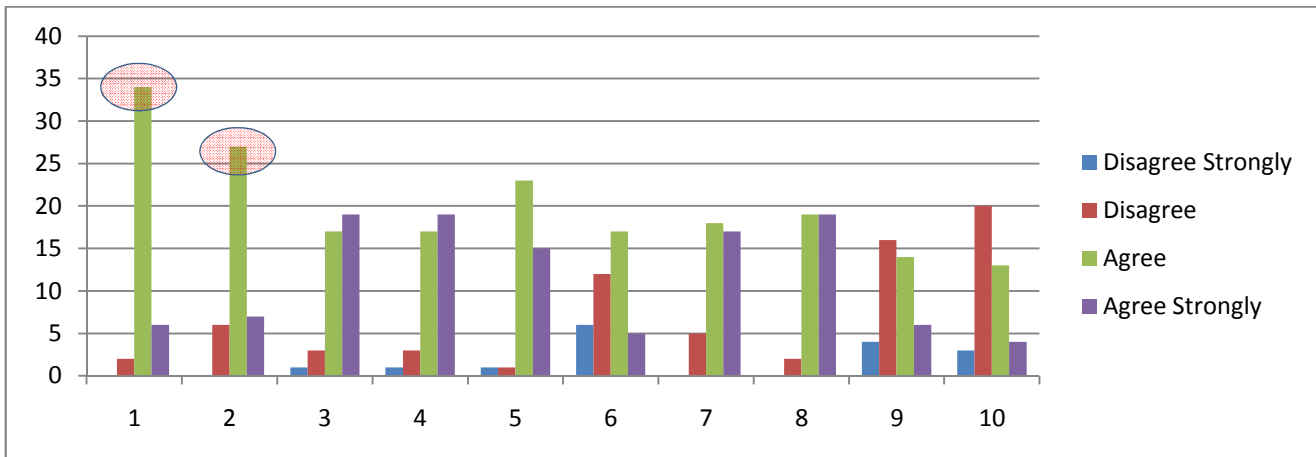


Fig 5.4: Graphical representation of responses to cultural fit (Source: Own source)

**Survey results** from the population sample identified a significantly strong opinion, supporting Noe *et al.* (2006) on the importance to align culture with the specific target markets (21). Maufi

(2008) stated that, an organisation's values are the basics of that organisational culture, and generally the respondents were of the view that their own value system was in line with that of the bank's client centric value proposition (27). This opinion was supported with strong agreement to collaborative efforts, working as a team (22) and introducing business partners (28) reflecting trust and confidence in the abilities of colleagues in supportive business units. Most of the respondents chose client solutioning over quick win sales in their engagements, and although respondents were previously split on as to whether or not commission motivation conflicted with client-centric solutioning, the general view (95%) is now that commission incentivisation is indeed in conflict with the banks value proposition. Besanko *et al.* (2000) spoke of "A congruence of beliefs" which created a unifying culture boosting organisational performance. All but 10% of the respondents supported the banks value proposition in all of their client engagements, and yet the respondents were split in their view as to the consistency of the delivery of this value proposition throughout the bank (26). Davies (1996) identified consistent delivery as an important factor in developing trust in a client relationship.

In the **interviews** which followed the first interviewee raised a concern in the banks profitability model, highlighting challenges to profitability in a sales culture with diminished margins on product sales. Supported by the view of Clarke and Payne (1995) that marketing needs to be cross functional, the respondent believed the contribution of the financial planners, whilst in their personal capacity motivated towards a short term focus, contribute in the long term to the profitability and delivery of a private banking proposition. This respondent commented on the importance of cultural alignment to specific segments, supporting the view of Noe *et al.* (2006) of the benefits of cultural fit in segments. The new demands of the banker role require a change in skills and attitude, and bankers need to be more outward focussed and proactive. This targeted segmented approach and relationship proactivity over transactional fulfilment have been identified by Clarke & Payne (1995) as emerging themes in private banking. Private Bank has seven strategic segments, of which some are significantly more profitable, yet have fundamental cultural differences, namely Islamic banking. Change and restructuring of portfolios in line with these segments has had significant effect on relationships, as clients and bankers have been reassigned. Not only has this affected the trust relationship which has been shown to develop only over a period over time, determined a tangible to private banking (Davies, 1996), but on the morale of the bankers concerned. Jaworski and Kohli (1994) note the need for an improvement in the attitudes of staff, not only in motivation and measurement, but more crucially in culture. The behaviour of the staff is an element the interviewee believes is crucial to develop trust in a banker-client relationship, and has noted some resistance to change believing that there is significant room for improvement in the collaborative effort of business units.

The second interviewee feels that there is an issue in the promotion process of bankers from previous support roles, as not only is the cultural “fit” often incorrect, but development into the role is insufficient. Davies (1996) raises the necessity for training and guidance, supported by Pfeffer and Rousseau (1995) who argue that competitive advantage depends on the degree to which an effectively manages its human resources. Specific emphasis was placed on managing the expectations and values of the staff. Nazir (2005) stated that culture permeates through all levels of an organisation, thereby illustrating the importance in considering staff and management at all levels. From the respondent’s perspective now in Bruma but previously in another region, this interviewee commented on the cultural differences in Sandton, and the possibility that a wrong employee fit in that region may be more suitable elsewhere.

The third respondent alluded to the CSM scores of Sandton, and her belief that client expectations in this region are different, a view pertinent when considering the view of Colewell *et al* (2010) that client expectations, including cost sensitivities, create challenges to developing loyalty and trust necessary to develop relationships. Clarke and Payne (1995) hold the opinion that a trusted relationship would actually offset these price sensitivities, a view contested by Abratt and Russel (1999). These challenges have an impact on the morale of the bankers in Sandton specifically, as fifty percent of the PD scorecard is affected by poor CSM scores. This is a contributing factor according to the interviewee, towards the relatively higher turnover of staff in the region, important in relationship marketing when according to Davies (1996) attraction and retention of the right people is believed necessary to enhance a trust relationship with clients. The interviewee is of the view that the right people do exist within the organisation, and that the challenge is that they are incorrectly managed on activities. Jacob (2007) illustrated the challenges to imposing a reporting structure on a division wherein the cultural fit demands another methodology. Harris and Piercy (1997) found that if what matters in market orientation is the delivery quality of goods and services satisfy the customer, then the reward system should be built on these criteria.

The senior participant in the interviews feels that that much of the change necessary in the new role of bankers is a mind shift towards a client-centric culture, servicing the demands of the clients. Aligned with Mothilal’s (2010) view that today’s customer is busier, socially better connected, informative and inquisitive, the interviewee believes that the bank therefore need to understand customers deeper and offer products and services to match customers’ requirements, in effect pre-empting their needs, developing confidence and trust, and through this a mutually beneficial relationship between the client and private bank.

## 5.6 INTERGRATIVE DISCUSSION OF THE RESULTS

A business needs to be profitable to survive, and through *critical interpretation of the findings*, **relationship marketing** is shown to contribute through long term retention of clients to derive deeper value per client over time. This approach to retention is appropriate in that:

- It is cheaper to retain clients than re-attain
- It potentially identifies similarly profiled referrals from stronger client relationship
- The number of clients are limited in this market, and deeper value from each would therefore be an appropriate financial objective

The challenge however is that client's demands have evolved with both their increased awareness of costs and competitive options, making them far more demanding and fickle. This awareness manifests itself in cost sensitivities, as the client is better informed as to what value he should receive in return for the premium he pays to be part of this banking offering. To overcome this challenge, a bank needs to ensure delivery of a 'tangible' offering, which can only be valued by the client if he/ she receives what he expects, and values what he has. If these expectations are not achieved, the necessary trust and commitment elements necessary to maintain a long term relationship will not be in place. The relationship itself however needs to be mutually beneficial, and the value received by the bank needs to be in line with the cost of service delivered. For this reason a bank needs to be aware of the clients it chooses to partner with, specifically in terms of the potential revenue that can be generated over time, with deeper cross-sell opportunities pursued through better delivery to each client, rather than weaker delivery to more clients. Deeper understanding of this profitability, and specific solutioning suited directly to these sub segments will support the financial fundamentals necessary to ensure sustainability of the relationships.

Training and development of bankers towards the demands required of a relationship marketing role, plus enhancing their skills and capabilities are requirements for efficient delivery of suitable solutioning to defined segments, places demands on organisational **structure**. This client oriented approach requires delivery of product and service specifically in line with the specific demands of each client, within each segment. Efficiency in delivery requires alignment to objectives, and sustainability of this alignment requires both appropriate measurement and **motivation**. As a specialist banking division within ABSA Group, Private Banking therefore requires in contrast to that of a general retail banking offering:

- Processes appropriate to the service demands of clients (turnaround time, confidentiality, tangibles)



- Staff skill at all levels aligned to a client-centric relationship led proposition
- Specialist support in-house or aligned to these additional client requirements
- Aligned accountability of support towards this objective (specialists matrix)
- Motivation towards and measurement of all parties to long term relationships and client centric delivery
- Measurement of the financial and future value of the client to the bank
- Clearer feedback and communication in line with these objectives

It is essential to ensure that within the structure the appropriate staff are recruited, retained and motivated towards the client-centric delivery. Staff turnover has negative impact of the client relationship through damage to trust and commitment, as well as the inconsistency in delivery from APB. Staff at a client-facing level therefore need to be focussed on delivery of advice and service, whilst managing the client's expectations. Management would need to be focussed attracting, and developing the right staff, while motivating activity and communicating direction and results.

This study highlights **culture** as the hidden element that underlies delivery. Whilst a value proposition can be implemented and structure can be adjusted, the underlying culture is significantly harder to change, and arguably structure itself needs to adjust towards cultural demands. Furthermore, a client-centric approach requires a particular underlying culture, and the alignment of structure and measurements cannot substitute the underlying 'congruence of beliefs'. In a private bank it is therefore necessary to source and align the right type of people to this culture, and more so, in a segmented approach to match the culture with the type of client with whom they are to engage. This culture needs to permeate all levels, and is a consideration to be taken into account when recruiting, promoting or on-boarding staff into their various roles, if efficiency and delivery through a relationship are to be optimised. Likewise, delivery of individuals from a specialist unit will be enhanced when the staff and support teams cultural alignment to the demands of both the client and private bank are matched in the same market led value proposition. It is this organisational culture which reflects the shared values, leading to both the commitment and trust required both between the bank and its clients, facilitating client-centric delivery.

## 5.7 SUMMARY

This study investigated the challenges of ABSA Private Bank to deliver on a vision of exceptional client-centric financial services. Through the process, a deeper complexity emerged as the potential themes and questions evolved, and were then refined into the objectives central to the problem statement. The research project delivered successfully on its design and methodology, culminated in the results and integrative discussion which produced new findings, understanding and perspectives, clearly achieving the objectives of this study.

## CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

### 6.1 INTRODUCTION

Private banking evolved from a traditional retail offering, to cater for the specific demands for a differentiated financial service offering which emerged from the affluent individual client market. Strategically, private banks have taken a more client-centric approach in this market with a longer term view towards profitability. The relevance relationship marketing approach is reflected in theory, where trust has been shown to a requirement central to the development of a mutually beneficial relationship towards client retention and private bank profitability. The market has shown however to be both dynamic and highly competitive, and to sustain competitive advantage a bank needs to ensure that they can adapt and deliver efficiently to client demands. Theory illustrated the importance of structural and alignment towards strategic implementation, and furthermore uncovered the hidden elements required from human capital in terms of motivation, skills and culture.

### 6.2 CONCLUSIONS

The strategic implications in a relationship marketing approach is central to this study, and the research therefore sought to gain a deeper understanding of the complexity to delivery through gathering data from the individuals central to the client engagement and their immediate leadership within the structure of ABSA Private Bank, Gauteng. The size of the region in terms of the contribution to revenue nationally, and the proximity to the competition in the financial epicentre of South Africa, makes the generalisability of the outcomes to have relevance beyond the original population, and into private banking in general.

Theoretical application provided the foundation of a business case, pre-empting the literature review and deepening understanding of the complexity within this investigation relative to the objectives:

- *To examine current perception of a relationship marketing approach on client retention in private banking*
- *To determine the applicability of current structure and measurement on client centric solutioning by staff*
- *To investigate the importance of cultural fit on a market-led value proposition in ABSA private banking*

The research project into these objectives provided findings based on data sourced through a sample population representative of the key individuals responsible for client-facing delivery in ABSA Private Bank. An integrated discussion of these results in Chapter 5, contributed a new perspective and deeper understanding to the existing of knowledge of private banking, specifically but not exclusively in South Africa.

Strategically, relationship marketing is an approach not appropriate to all sales environments, but has been shown as an ingredient central to the recipe of sustainable competitive advantage in private banking. If a proposition is to be client centric, the needs of the client need to be truly understood, and the necessary processes and people need to be in place to deliver the right advice and ensure that the appropriate product application. The delivery of the advice needs to be truly client oriented, not simply a step in a product push sales process. The ongoing relationship and consequent trust will always be under threat in a competitive space, and the advice dispensed and product applied easily discredited if found to be inappropriate. To deliver on this client centric offering support of an appropriate structure is required, including alignment and motivation of staff towards a client centric proposition. Furthermore, specific skills are required by staff in this evolved form of client engagement, as are the specific values and attitudes in line with the demands of client and bank. It is therefore shown that for success in private banking, there is a necessity for financial advice to be dispensed by both qualified individuals with the right skills, motivation, qualification and culture, in line with the requirements of specifically targeted clients. Applying these outcomes to the objectives central to this study generally qualifies the problem statement in finding that:

**‘Client-centric financial advisory services develop long term client relationships in private bank.’**

### **6.3 RECOMMENDATIONS**

In line with the positive outcome of this research, and through application of new and existing understanding of the objectives contained within this study, the following recommendations relative to the business of private banking can be substantiated:

- A relationship marketing approach in private bank needs to be mutually beneficial to all stakeholders to be sustainable
- Client loyalty and trust are affected by expectations of price and service quality
- Products and (packaged) solutions need to suit the segment requirements in private banking

- A private bank should be selective of specific client segments which promise to be profitable in the long term
- Communication within the banking structure and clients needs to consider cultural 'appropriateness'.
- If specialist support is outsourced, the staff and structure should specifically be aligned with the delivery requirements of private banking demands and culture
- Remuneration misalignment has trust and collaboration implications between the bank and support specialists
- Measurement, management and accountability of specialist support to a private bank, requires a collaborative leadership role, supported by a structure such as matrix reporting
- Financial value to the bank on banker and specialist client delivery needs to be clearly illustrated at all levels of the organisation
- Appropriate measurement and feedback in terms of client-facing objectives needs to be consistent and relevant to the role.
- Staff roles should be clearly defined and measured at managerial, support and client facing level in line with an overall group objective
- A specific staff culture should be aligned to the characteristics of strategic segments
- Staff attraction, development and retention need to be in line with organisational culture
- Skills specific to the demands of private banking should align to client culture and developed upon existing individual staff values
- The motivation, management and measurement of staff (including support specialists) within private bank need to be specific to long term relationship-led objectives
- Clients demand a service delivery built is on the tangibles of trust, advice, consistency, and cost

Whilst certain key elements were considered in this study, time constraints disallowed broader investigation. Therefore, future research could expand on these findings and the existing outcomes with a more qualitative research methodology, specifically relating to how many clients are retained and cross-sold from each actual 'financial needs analyses' performed, by an

adviser for a client. From this study however, deeper complexity emerged, prompting recommendations for future research relating to the questions of:

- Should the client relationship be built around the advisory specialist or banker?
- Should private bank develop its own advisory division, or focus on traditional competencies and outsource advisory risk?
- Could a single relationship executive be responsible for all face to face advice within the client-centric engagement?
- What is the impact on a relationship marketing approach within a strategic division, when structured within a sales-focused multinational hierarchy?
- What is the effect of a relationship marketing approach on brand when staff resign?
- What is the long term effect on profitability in private banking if a tied-agent product distribution rather than advice model is implemented?

## 6.4 SUMMARY

The affluent client market, whilst potentially profitable from a financial service provider perspective, requires a different approach for a bank to distinguish itself from the competition. Clients in the eclectic financial market are shown to be more *value* sensitive, knowledgeable and arguably less trusting than before. As trust is the elusive element central to sustainable client relationships, success through relationship marketing approach is unlikely without the necessary resources in support. Whilst structure, product and processes are vital, it is the intangible human elements which have emerged as the key differentiator. This has significant impact of strategy as without the right skills and incentives in place, delivery will be neither efficient nor consistent. Furthermore, the hidden element of culture has emerged as the foundation not to be considered merely as an afterthought, but as a precursor to advice and service delivery.

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<b>LIST OF ADDENDUMS</b>
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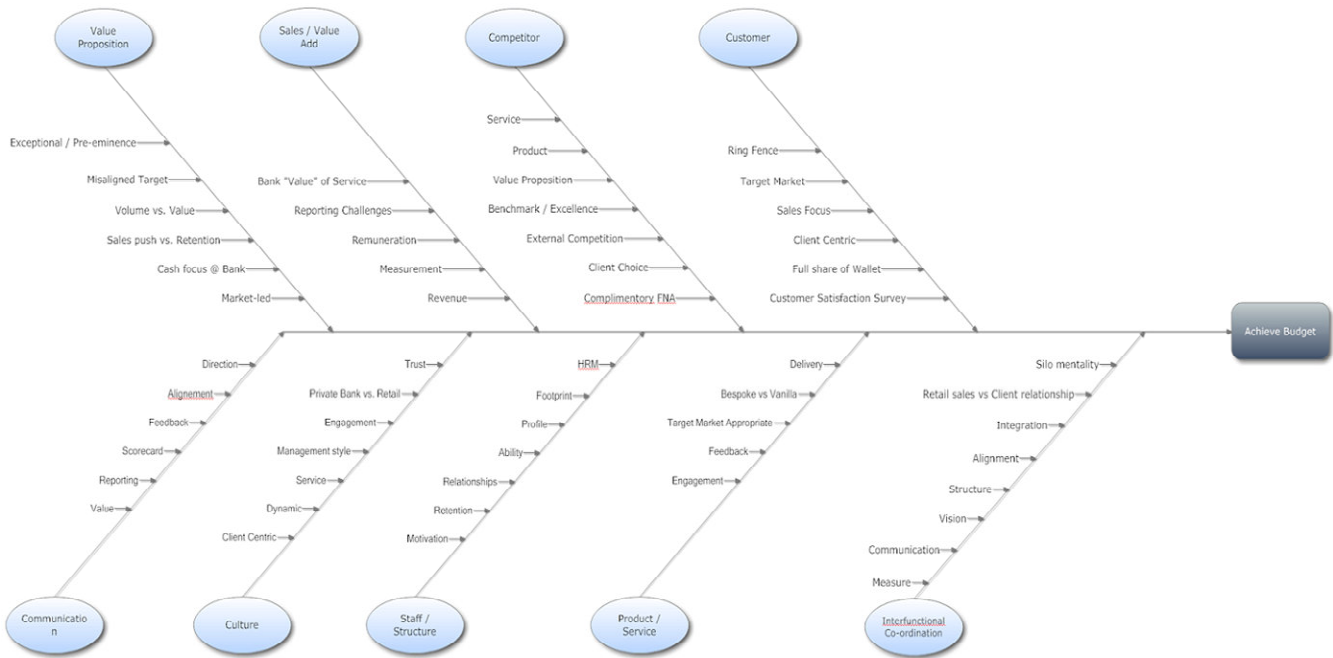
Add 1	ABSA Private Bank Client Offerring	74
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The screenshot displays the ABSA Private Bank website interface. At the top, there is a navigation bar with links for 'Home', 'About Us', 'Contact Us', 'Rates and Fees', 'Apply', 'Calculate', 'Indices', and 'Favourites'. Below this, a main content area is divided into several sections:

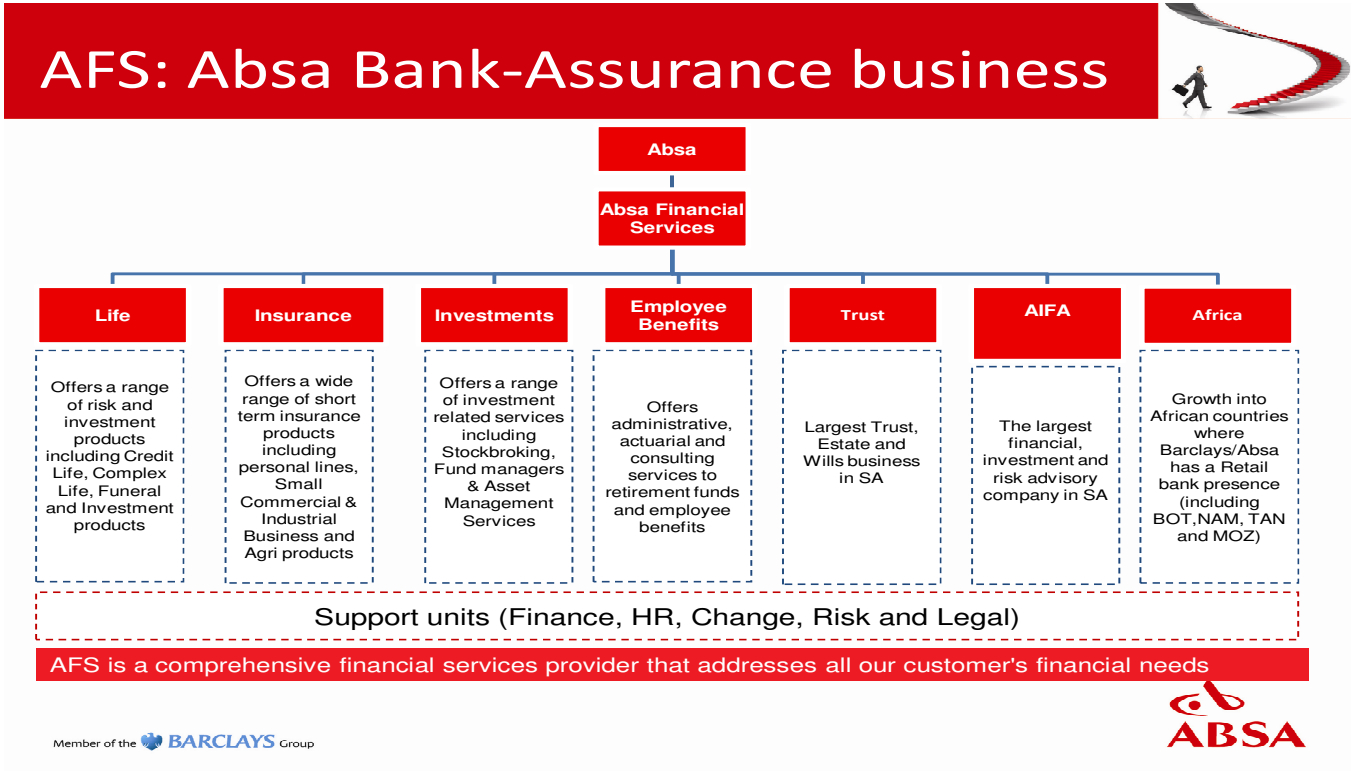
- Top Navigation:** Includes 'Home', 'About Us', 'Contact Us', 'Rates and Fees', 'Apply', 'Calculate', 'Indices', and 'Favourites'.
- Left Sidebar:** Contains 'Wealth Solutions', 'Finance Solutions', and 'Browsing history' with a list of categories: Private Bank, Life Insurance, Retirement, ABSA Accounts, Individual, Consultants and Actuaries, Business Insurance, Health Care Consultants, Public Sector, and Comments.
- Main Content Area:**
  - Header:** 'ABS Private Bank' with a sub-header 'THE NEW PRIVATE BANKING OFFERINGS'. It includes contact information: '0800 1111 55' and 'E-mail us at privatebank@absa.co.za'.
  - Call to Action:** 'Call Me Back' and 'What It Costs' buttons.
  - Services:** 'Visit Us', 'ABS Private Bank states', 'Login to Your Accounts', 'Login to Internet Banking', 'Register for Internet Banking', 'Login to Online Share Trading', 'Manage Your Accounts', 'Internet Banking', 'Identify Me', and 'eStatements'.
  - Text Content:**
    - ABS Private Bank:** 'As a discerning individual you deserve banking and financial solutions that not only reflect your status and achievements in life, but also serve to effectively grow, protect and preserve your personal wealth - providing you with effective management of your finances. At ABS Private Bank, our approach transcends the traditional understanding of banking. This offering, our exclusive private banking experience built on a lasting one-on-one relationship with an ABS Private Banker, and our clear insights into your unique financial and investment objectives and requirements... The result is a range of well-designed banking, finance and investment solutions offered from a solid foundation of local and international private banking experience that work together seamlessly to enable you to achieve your wealth creation, protection and preservation objectives. To enjoy all the benefits and advantages of a relationship-based partnership with a leading private bank, you need to earn an annual gross income of R200,000.'
    - Banking Solutions:** 'In answer to your unique needs, ABS Private Bank offers a suite of exclusive solutions designed to assist you in managing your day-to-day banking.'
    - Wealth Solutions:** 'We ensure that your dedication, ABS Private Banker will assist you every step of the way - from the creation and protection to the preservation of your wealth.'
    - Finance Solutions:** 'Customised financial solutions to meet your exact requirements, through our thorough financial planning process and established partnerships.'
    - Offshore Solutions:** 'Through our established partnership with Bank of Wealth, ABS Private Bank has access to a diverse range of international transactions and investments solutions.'
  - Feedback:** A section titled 'Did you find this information useful?' with a star rating (Poor to Excellent) and a 'Comments' input field.
- Right Sidebar:** A red banner with the text 'Welcome, You have a new message' and a 'Local time: 11:32 AM' indicator.

Addendum 1: ABSA Private Bank Client Offering. Source: Le Grange, C. E-mail 22 March 2011

## Competitive advantage through relationships in ABSA Private Bank



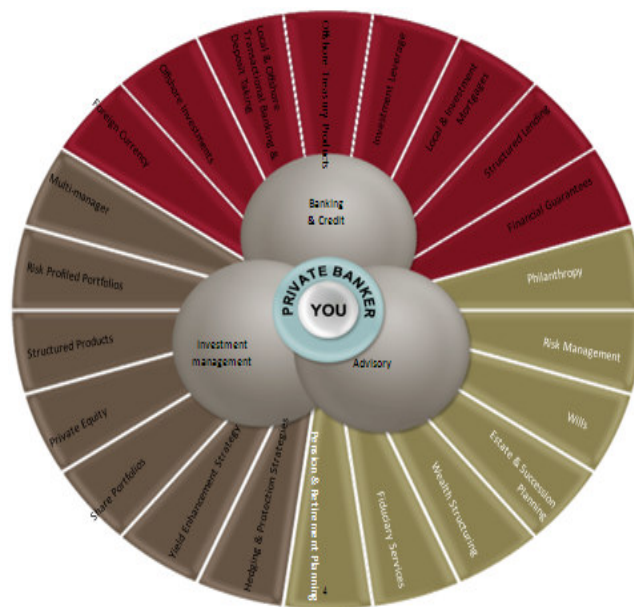
**Addendum 2:** Mind map of emerging themes.



**Addendum 3:** ABSA Financial Services. Source: Holtzhausen, L. AIFA Provincial Conference 2011



**Addendum 4:** Financial Mail Bank Fees Cover Story, Source: Naidoo, S. Financial Mail, 11 March 2011.



**Addendum 5:** The ABSA Private Bank product wheel. Source: Presentation: 'Future Wealth Model' Ralibitso, M. 2011

**CSM - Analysis**

Customers judge the overall service quality by looking at it's five dimensions during all interactions with service providers. Companies need to perform well on all dimensions of service quality to insure a positive overall evaluation.					
	Pvt Bank	Gauteng	Sandton	East	West
<b>Reliability (Dependability, Delivering on promises, Accuracy, Consistency)</b>					
Always performs requests accurately right the first time	53	52	41	54	5
Consistently delivering on promises made to you	55	53	42	54	5
Giving feedback within the agreed timing	51	49	37	52	5
	53	51	40	53	5
The most important service quality dimension to customers is reliability. Reliability is defined as the ability to perform the promised service dependably and accurately. In other words, it means doing what you say you will do. Customers have consistently stated that a company's ability to deliver promises is the most vital factor to providing service quality.					
<b>Responsiveness (Promptness, Helpfulness)</b>					
Always willing to support you when needed	53	52	40	55	5
Always dealing with you in a quick manner that is without delay	51	48	37	51	4
Availability of the PB	43	39	28	43	3
	49	46	35	50	4
Responsiveness is the willingness to help customers and to provide prompt service. Customers judge a company's responsiveness by assessing the amount of time it takes and the attentiveness that is offered in response to their requests, questions, complaints and problems. Companies that use automated phone systems, regularly put customers on hold or consistently have long wait lines tend to be rated low on the responsiveness dimension. Responding quickly to requests or complaints leads to a higher rating on this dimension.					
<b>Assurance (Competence, courtesy, credibility, security)</b>					
Being courteous and professional in dealing with you	64	62	51	65	6
Show his or her ability to determine your exact requirements	44	43	33	46	4
Having the necessary financial expertise to provide you with the most appropriate advice	46	43	32	46	4
Customising solutions to suite your requirements	45	44	33	45	4
Providing information regarding recommended products and services that was of benefit to you	36	34	25	36	3
	47	45	35	48	4
Assurance is defined as employees' knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. The assurance dimension is particularly important in service industries offering high levels of credence qualities, such as auto repair and medical services. The importance of the assurance dimension increases in proportion to the risk, and the greater the liability for a customer to evaluate the service. The expense of an endorser or a particular service provider for a cruise vacation may affect the level of confidence and trust a customer has toward that service.					
<b>Empathy (Easy Access, Good Communication, Customer Understanding, Personalised attention)</b>					
Giving you peace of mind through dealing with you in a confidential manner	57	56	44	59	5
Communicating in an appropriate manner	58	56	44	60	5
Being easy to do business with	59	56	46	59	5
Maintaining a good working relationship with you	52	50	39	53	5
Caring about you as an ABSA Private Bank Customer	48	46	35	49	4
The frequency of contact with your PB	30	29	19	32	2
	51	49	38	52	5
Empathy is defined as the caring, individualized attention the firm provides its customers. Customers perceive the level of a company's empathy by the degree of personalized service offered. Customers want to be known on an individual basis and feel that the company understands and addresses their individual needs. When competing with companies that enjoy economies of scale, small companies can earn greater market share by focusing on empathy. Showing concern for a guest whose luggage is lost is a way to improve the overall perceived service quality.					

**Addendum 6: Private Bank Gauteng CSM Results. Source: Van Zyl, D. Customer Satisfaction Presentation. 2011.**

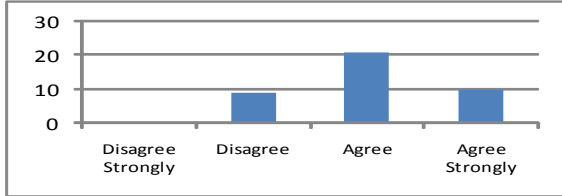
**Addendum 7: Survey Questionnaire**

*The health Index survey seeks to establish perceptions of success factors to client retention in ABSA Private Bank  
The objective here is to examine the delivery of client-centric advice in line with a relationship-led proposition  
The information provided here is totally confidential and no names or other information is required*

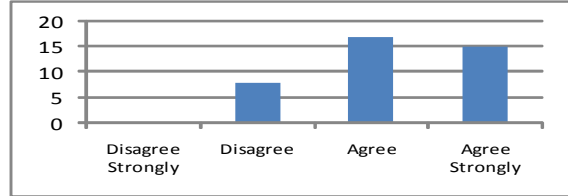
Question	Disagree Strongly	Disagree	Agree	Agree Strongly
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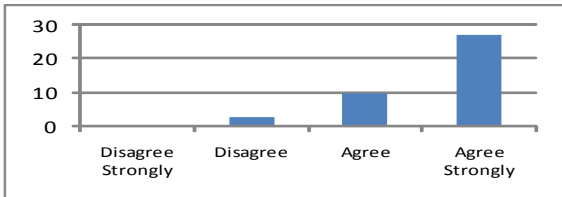
**Objective 1:** To examine current perception of a relationship marketing approach on client retention in private banking.



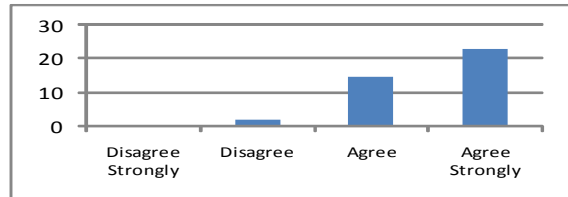
Personal service is more important than Competitive product



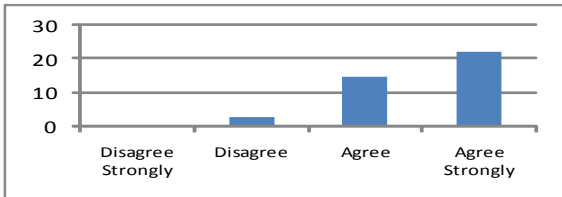
Clients holding more "product" with the bank have a higher tendency to stay with the bank



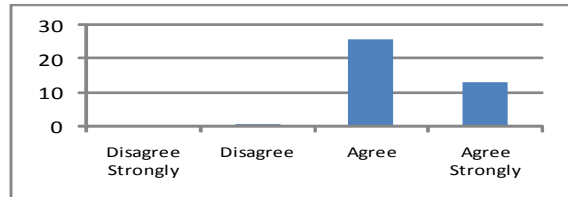
Clients are more likely to stay with the bank if they have a relationship with a specialist in the bank



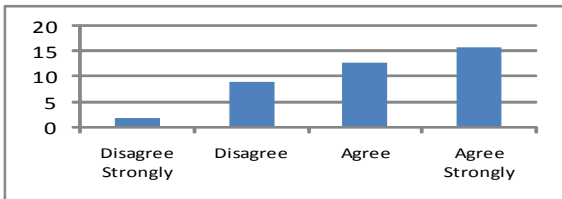
Knowledge of a clients personal circumstances will enhance the banks relationship with the client



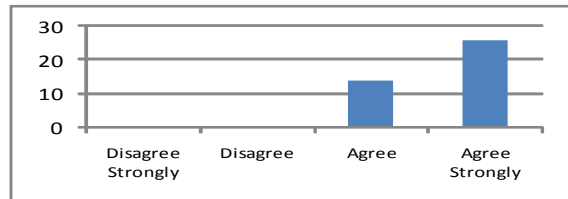
Client-centred financial planning delivery would improve client retention in private bank



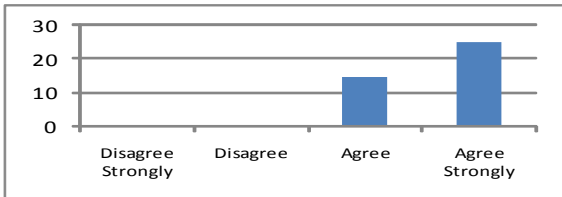
Clients of private bank value personal messages on special occasions



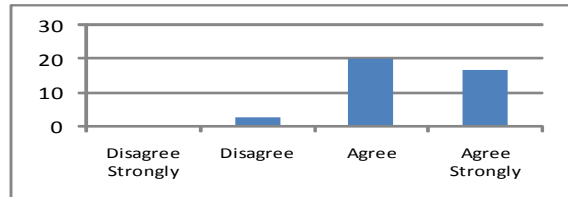
Client relationships are an asset in overcoming service shortfalls / complaints



Clients of Private Bank want a personal relationship



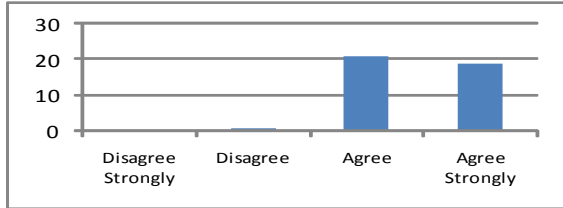
Availability of a banker / planner enhances trust in a client relationship



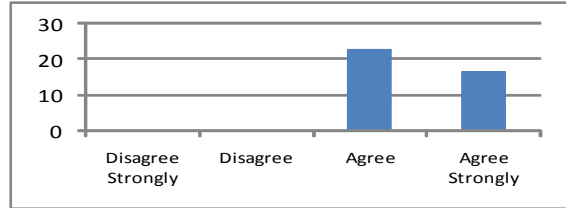
Trust has a mitigating influence on a clients cost sensitivity

**Addendum 8:** Detailed Survey Results for Objective 1

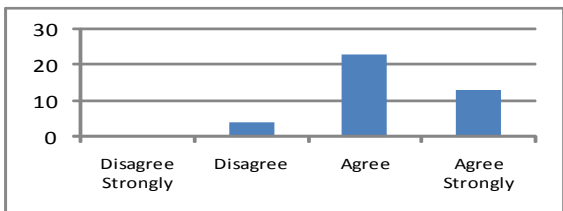
**Objective 2:** To determine the applicability of current structure and measurement on client centric solutioning by staff.



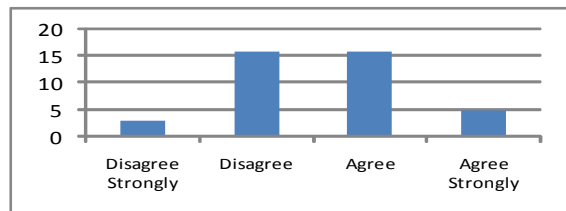
Personal service is more important than Competitive product



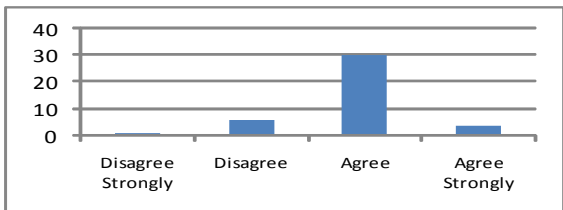
Clients holding more "product" with the bank have a higher tendency to stay with the bank



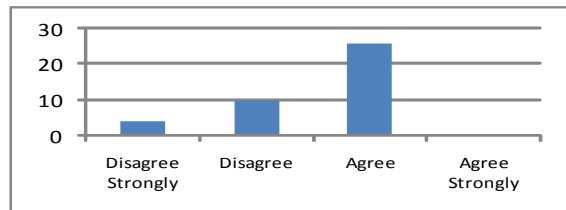
Clients are more likely to stay with the bank if they have a relationship with a specialist in the bank



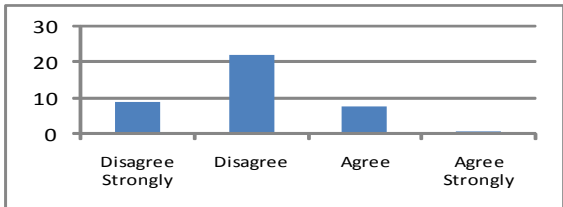
Knowledge of a clients personal circumstances will enhance the banks relationship with the client



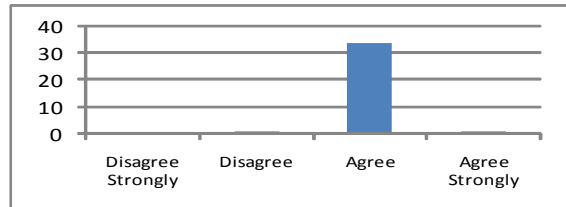
Client-centred financial planning delivery would improve client retention in private bank



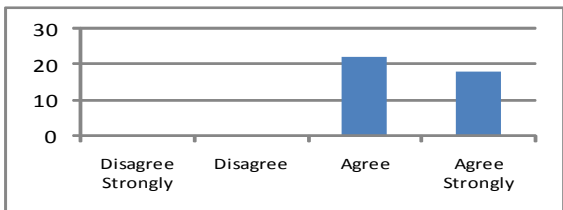
Clients of private bank value personal messages on special occasions



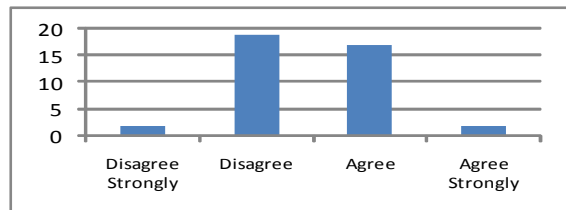
Client relationships are an asset in overcoming service shortfalls / complaints



Clients of Private Bank want a personal relationship



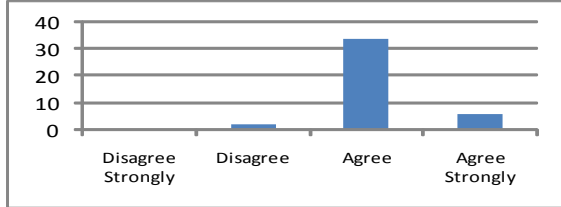
Availability of a banker / planner enhances trust in a client relationship



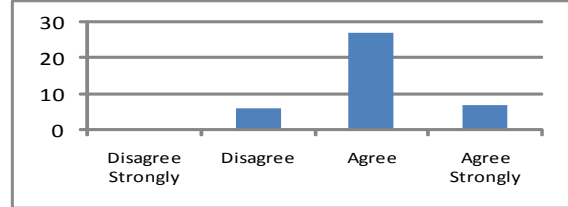
Trust has a mitigating influence on a clients cost sensitivity

**Addendum 9:** Detailed Survey Results for Objective 2

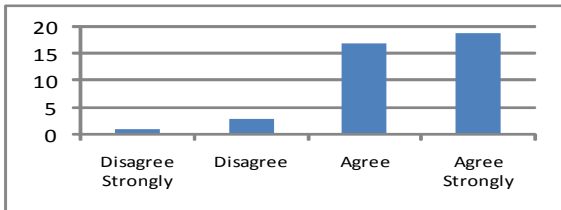
**Objective 3:** To investigate the importance of cultural fit on a market-led value proposition in ABSA private banking



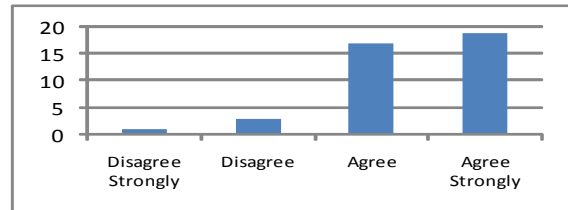
Personal service is more important than Competitive product



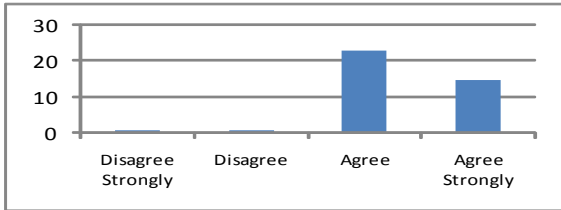
Clients holding more "product" with the bank have a higher tendency to stay with the bank



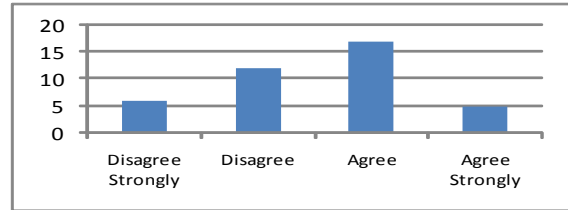
Clients are more likely to stay with the bank if they have a relationship with a specialist in the bank



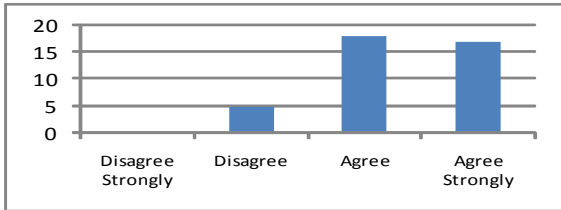
Knowledge of a clients personal circumstances will enhance the banks relationship with the client



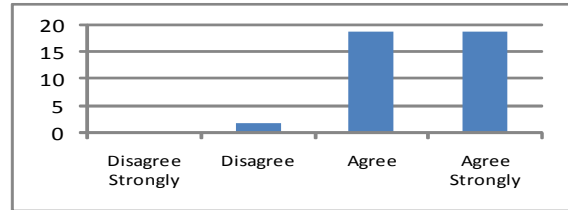
Client-centred financial planning delivery would improve client retention in private bank



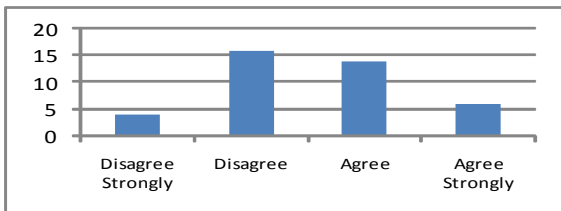
Clients of private bank value personal messages on special occasions



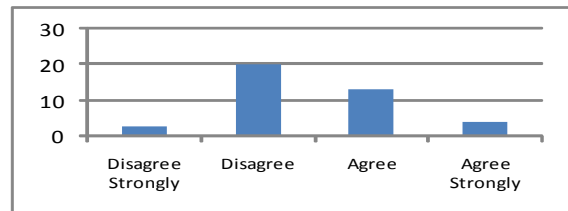
Client relationships are an asset in overcoming service shortfalls / complaints



Clients of Private Bank want a personal relationship



Availability of a banker / planner enhances trust in a client relationship



Trust has a mitigating influence on a clients cost sensitivity

**Addendum 10:** Detailed Survey Results for Objective 3