

CHAPTER 5 – ABSA BANK ENVIRONMENT

5.1 INTRODUCTION

Amalgamated Banks of South Africa was formed when Allied, United and Volkskas groups merged in 1991 with the subsequent merger with Bankorp (including Trust Bank and Bankfin), in 1992. For the first seven years the four commercial banks in the ABSA Group - Allied Bank, Trust Bank, United Bank and Volkskas, traded under their original brand names. In 1997 the names of the holding company, Amalgamated Banks of South Africa Limited was changed to ABSA Group Limited, consisting of three main operating divisions. In 1998 the United, Volkskas, Allied and Trust Bank brands were consolidated into a single brand and ABSA adopted a new corporate identity.

In the past four and a half years a new Group Operating model was developed and implemented, with the primary focus on creating a customer centric organisation. The Groups Vision was changed to emphasise the primary focus. As a group they recognised the importance of creating a balanced focus in terms of segment, product, channel and brand. This required a high level of senior management involvement and new economy leadership structures. Within the past 4 years new divisions were successfully introduced. The Group offers a complete range of products and services in personal, commercial and corporate banking, and also in insurance and financial services.

ABSA applies a customer-centric business model with targeted business units serving specific market segments. The Group interacts with its customers through a combination of physical and electronic channels, offering the full spectrum of banking services, from basic products and services for the low-income personal market to customised solutions for the commercial and corporate market. Refer to Figure 5.1 indicating the different focused segmentation SBU'S in ABSA bank.

Personal Financial Services (PFS) was one of the newly established segment strategic business units (SBU). The focus of PFS is to service the “Mass Affluent Market” initially in South Africa and later moving into selected parts of Africa and Europe.

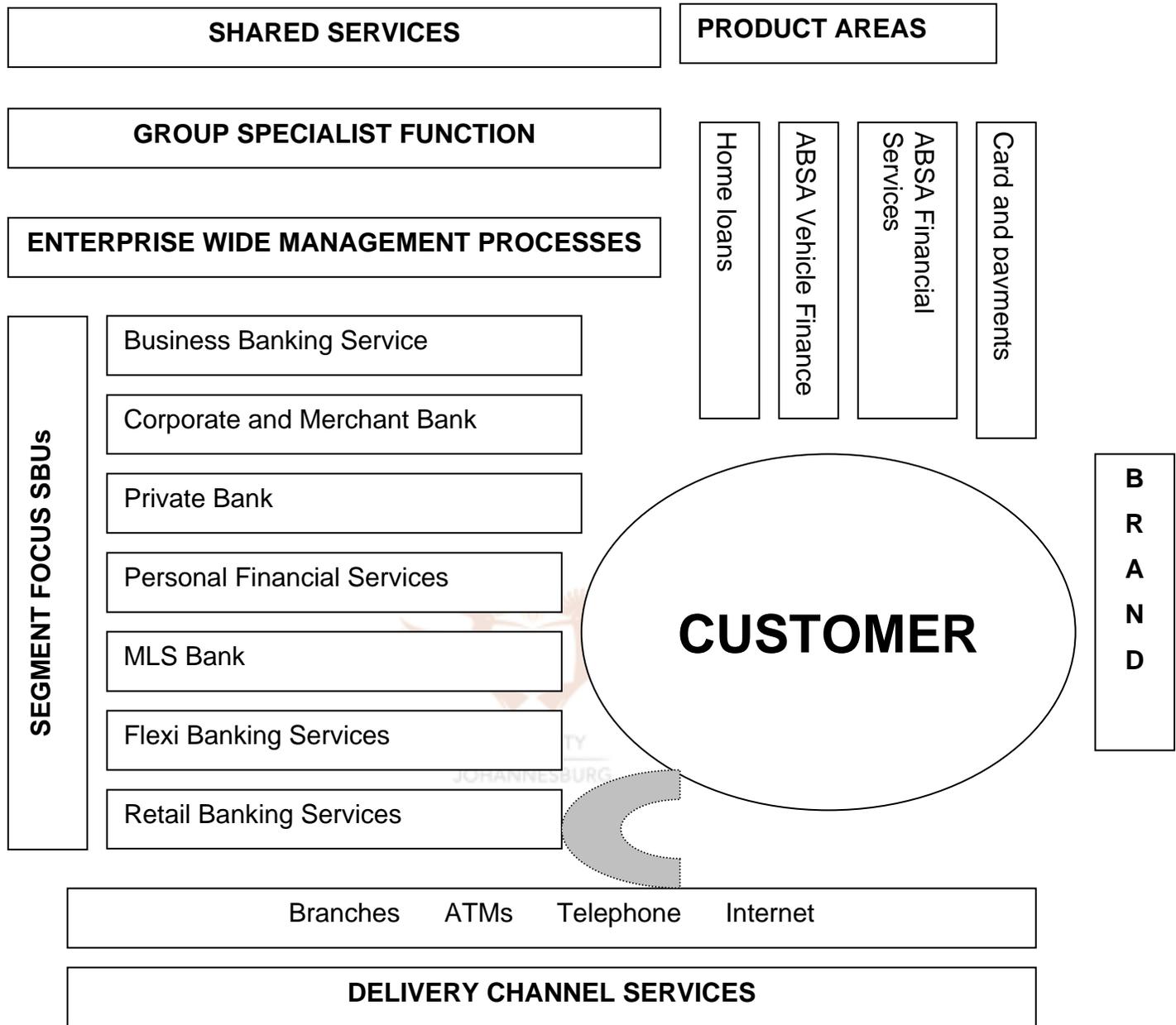
PFS is striving to differentiate itself in the mass affluent market offering Genuine Client Relationships via a dedicated team of relationship managers and financial planners. This team approach will set us apart from the competition.

What is required is an integrated approach towards understanding our clients. This will require an assessment of the clients total lifetime value across all products and services. In order to achieve this, the group operating model needs to evolve to the next level. The creation and maintenance of a “web of relationships” is crucial for PFS to deliver on its promises to the market. PFS is very much reliant on the ABSA Group to deliver the correct levels of service to the Mass Affluent market at each and every client touch point, whether this be through the multiple delivery channels, through product houses such as ABSA Vehicle and Asset finance, Credit Card, Home Loans or through the other client SBUs such as Retail Banking Services, Business Banking Services and Private bank.

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The Affluent Market remains a much sought after market segment in the Financial Services Industry. The competition within the Affluent Market continues to intensify given that there is a limited group of clients to be serviced by all the players in the Affluent Market. It is evident that clients are willing to pay for value and hence will be willing to pay for advice, provided that the advice is appropriate and has a real value-add.

Figure 5.1: Segment focused SBU's



Source: [ABSA PFS 2004]

5.2 ABSA PERSONAL FINANCIAL SERVICES

ABSA Personal financial Services (PFS) is a strategic business unit within ABSA. Its sole purpose is to provide a full range of financial services in order to meet the needs of the affluent market, backed up by extensive client relationship management. PFS integrates transactional and lending products together with comprehensive financial planning and expertise into one single delivery channel. PFS consists of specialist teams comprising a financial planner and a relationship manager who are dedicated to meeting your financial needs. A relationship manager assists the client with cash flow and funding requirements necessary to maintain his/her wealth, while a financial planner has the expertise to provide the client with the best financial advice regarding the creation and preservation of the client's wealth.

5.2.1 Priority, Focus and Speed

These three variables best describe the vision for ABSA PFS and the way we conduct our business. Priority is at the top of the organisation's list. They provide financial advice which empowers the client to make rational decisions on maintaining, creating and preserving the client's wealth for the future. That's why "Tomorrow's wealth is today's decision." The focus is on providing you with excellent financial advice and dedicated relationship management services. This ensures performance driven products and "best of class" transactional services. Speed coupled with the accuracy and accessibility of our dedicated team is at the heart of the service we offer the client.

5.3 MISSION AND VISION STATEMENT

5.3.1 Mission statement

An organisation's mission focuses on their business and the reason for its existence – it is what we believe we can do (De Bruyn & Kruger 1994:25). A clearly defined mission statement should have the following characteristics:

- It must involve the business philosophy of the strategic decision maker.
- It implies how the business would like to be viewed from outside
- It reflects the business's own image

- It must mention the most important products or services provided by the business
- It must mention the primary customer needs which need to be satisfied

Bateman and Snell (1999:131) state that the mission is the basic purpose and values of the organisation, as well as its scope of operations. It is a statement of the organisation's reason to exist.

5.3.2 Vision statement

Bateman et al. (1999:132) states that the vision statement clarifies the long-term direction of the company and its strategic intent.

Customer relationships and value added services became an integral part of the ABSA Personal Financial Services mission and vision statement which reads as following;

- **ABSA PFS Mission**

By being the leading provider of wealth management solutions to the Affluent and High Net Worth Markets of South Africa



- **ABSA PFS Vision**

To deliver genuine client relationship to the Affluent and High Net Worth Markets

5.4 ABSA PFS VALUE PROPOSITION

One of PFS' primary competitive advantages is its service delivery through the allocation of clients to a team consisting of a dedicated relationship manager and a financial planner. Personalised and customised service remains a key driver in the mass affluent market. PFS is in the business of relationships. ABSA PFS strives to build genuine client relationships with its clients. The nature of the PFS client dictates that they utilise various delivery channels for conducting their transactions as well as for seeking advice. A core aspect of relationships is appropriate advice. Both the local and international market trends points to advice as being the cornerstone of any offering in the future. PFS provides clients with holistic integrated financial

solutions. In order to achieve this PFS utilises three main categories of solutions. The main categories are as follow;

Platinum Banking Solutions whereby the client's transactional and lending requirements are addressed. In this instance the Relationship Manager plays the main role.

- Platinum Investment Solutions whereby the investment needs of a client are addressed. PFS strives to guarantee the most appropriate advice based on the client's needs. The PFS Investment Model – Platinum Invest - forms an integral part of the financial planning value proposition and a multi-manager approach is followed where the best independent managers on- and offshore are selected. Platinum Invest ensures a common approach and reliable methodology to providing consistent advice across PFS.
- The third category is Platinum Risk Solutions. It is imperative that clients start early to make provision for retirement, medical care, estate planning and life cover. PFS provides its clients with appropriate advice in order to source the best available product in the market to suit the individual client's needs. PFS has mandates from various product suppliers to market or use their products to deliver appropriate advice.

5.5 CLIENT RELATIONSHIPS

ABSA PFS is in the business of building and delivering genuine client relationships. The long term success of PFS hinges on being able to deliver on relationships. Client relationships in ABSA PFS are based on twelve components:

- (i) Proactive analysis and client contact
- (ii) Knowing and understanding the clients needs and wants
- (iii) Regular client communication
- (iv) Addressing client expectations and setting boundaries
- (v) Knowledge, professionalism and expertise
- (vi) Availability in terms of service delivery

- (vii) Reliability
- (viii) Accountability – single point of entry (RM/FP team)
- (ix) Honesty and Integrity
- (x) Transparency
- (xi) Mutual Trust
- (xii) Value added products and services

5.6 SEGMENTATION

By identifying similar groups of clients based on their attitudes and behaviours a deeper understanding of the client is gained to effectively target products, services and tailored communications towards these clients. The PFS sub-segmentation model is based on a better understanding of the Affluent Market's behaviour and preferences.

Client life stages forms the foundation of the sub-segmentation model. Identifying broad client life stage segments will allow PFS to better deliver the PFS value proposition to these clients. Based on the life stage of a client, targeted solutions can be delivered in the way and time appropriate to these segments.

The above sub-segments will be used to dissect and analyse the current PFS client base. It will also supply the necessary direction in terms of acquisition of new clients in the Affluent Market. It is important to note that sub-segmentation and qualifying criteria are two different issues and should not be confused. Qualifying criteria refers to the criteria a client requires to fulfil in order to enter PFS. Refer to Table 5.1 for the qualification criteria to enter PFS. The sub-segmentation model will supply the direction as to what market segment to target, the design to this market and the service delivery to these market segments.

By overlaying the sub-segmentation model onto the PFS client database, PFS will follow a life stage segmentation approach. A life stage approach refers to tailoring solutions and the service delivery per sub-segment based on the different life stage a client is in. Refer to Figure 5.2 for the life stage segmentation model.

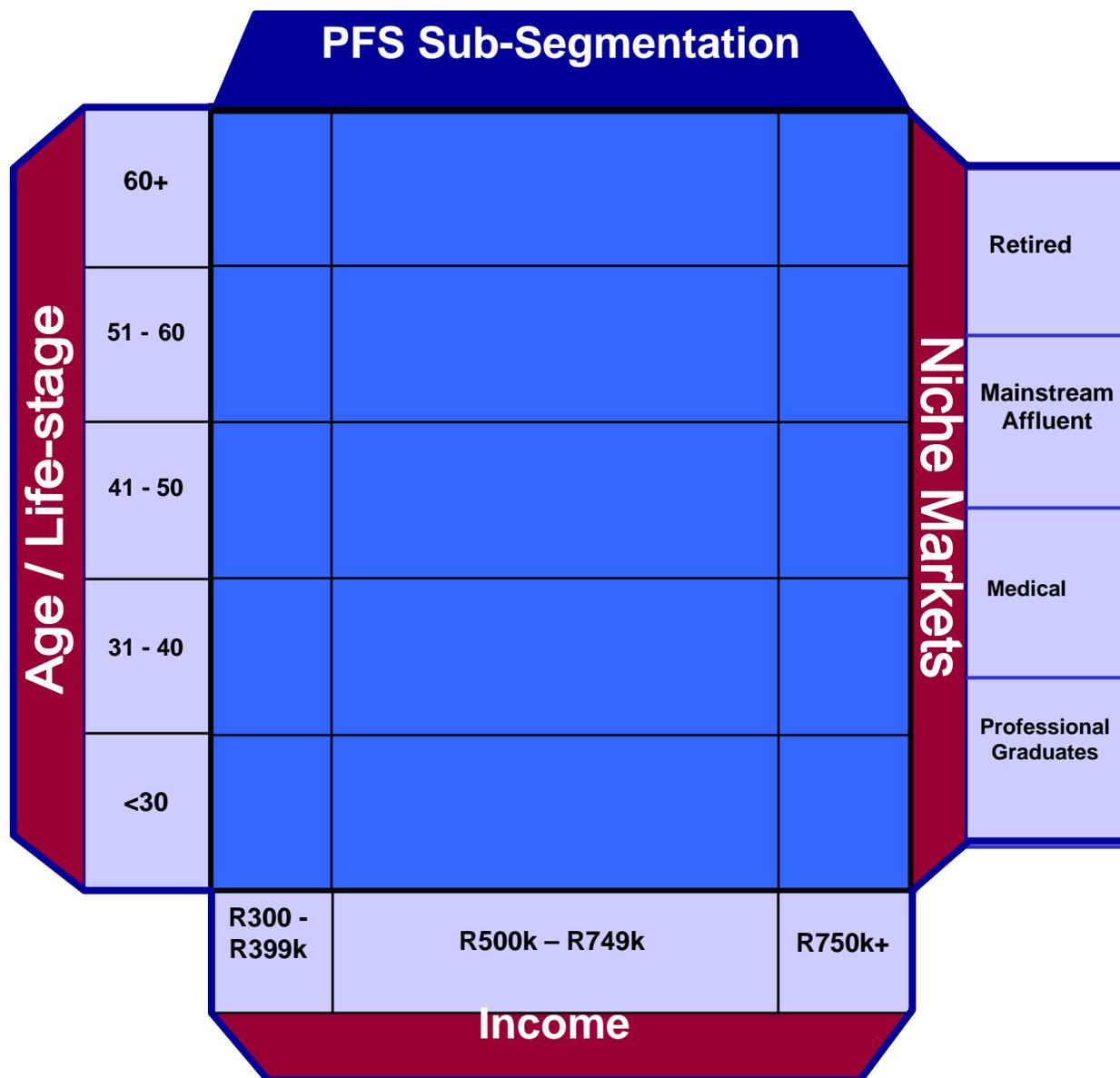
Table 5.1: Personal Financial Services qualifying criteria

PRODUCT	CRITERIA
Platinum One	All individuals earning in excess of Gross income of R500 000.00 p.a. and a minimum property value of R500 000.00 (non metro areas R300 000.00)
Platinum Cheque Account	<ul style="list-style-type: none"> • All individuals earning in excess of a Gross annual income of R500 000.00 p.a. <p>OR</p> <ul style="list-style-type: none"> • CA's or Article Clerks that have passed the first Board exams. • General practitioners (GP's) can qualify once they have completed their studies, and are doing their internships - Specialists - Dentists - Vets
Platinum Cheque Senior	Gross annual income of R500 000.00 p.a. and over the age of 60 years old with an investment of R30 000.00 in ABSA, 12 months or longer in a Fixed Deposit, or Bonus Deposit, or Money Market Fund or Money Builder.

SOURCE: [Qualifying criteria for ABSA PFS 2004]

The figure below gives a graphical view of the PFS sub-segmentation model

Figure 5.2: PFS sub-segmentation model



Source: [B o'Donnell ABSA:2004]

5.7 ABSA PEOPLE MANAGEMENT

The most critical success factor in PFS is its people. ABSA as a group and in specific ABSA PFS therefore focus on developing and attracting talent, leadership development, valuing and building and developing intellectual capital, diversity, developing technical and business skills, growing the SBU's ability to deal with change and transformation, and employing a strategically relevant remuneration and reward strategy. The main aspect of the value proposition of ABSA PFS is to build genuine client relationships. Knowledgeable, professional and skilled people are needed to ensure that relationships are developed and maintained. It is also vital to have these skills in people that will create credibility and trustworthy relations with the clients to the extent that our advice will be accepted and valued.

A culture that encourages entrepreneurship needs to be established by PFS. Relationship managers and financial planners must be empowered to make decisions. The following climate needs to be created where employees can:

- Easily access information about Divisions, regions, sub-regions, cell and portfolio performance.
- Are rewarded for good performance and are recognized.
- Have the knowledge and skills to understand and contribute to PFS' performance.
- Have the power to make decisions that can influence the direction and performance of PFS.

5.8 CLIENT RELATIONSHIP PROGRAMME (CRP)

Brendan o'Donnell executive director of ASBA PFS has introduced a client relationship programme in July 2004. The main theme of this programme was to add real value to the clients. As mentioned previously this requires understanding their needs then developing a proposition to meet these needs. A good product at a fair or competitive price will not on its own translate into value for ABSA PFS clients. Rather client value creation will take place when clients receive something more from the Relationship Manager/ Financial Planner servicing them, when they are made to feel important, respected and appreciated. In addition to focussing on product, price

and promotion management need to extend the marketing teams focus into retention, relationships, referrals (leads) and recovery.

Client relationship programme will support building client relationships that will lead to retention. Retention will lead to referrals and will result in easier acquisition of clients. The client relationship programme is based on the following four principles;

(i) Retention involves keeping those clients we want by meeting and exceeding their needs.

(ii) Relationships means getting close to clients in an attempt to understand and service them better. In PFS it will be more important to place more emphasis on relationships with our clients than with other aspects of our business.

(iii) Referrals in our market address the word-of-mouth that we need to create as a result of good service and client satisfaction.

(iv) Recovery must be a critical component of our CRP. Mistakes happen. However mistakes can be changed into opportunities to impress clients and win their loyalty. Recovering from a mistake will reaffirm a loyal client's commitment and show a new client our commitment to client service and satisfaction.

The client relationship programme is built on three pillars;

- Client strategy forums
- Processes & services forum
- Leadership forum

5.8.1 Client strategy forum

Client strategy forum is a meeting which ensures that you talk about your clients, their needs and how best to translate the value proposition in order to meet these needs.

These client centric meetings are institutionalised at both a Regional and Suite level. Participants in the regional client strategy forum are as follow:

- Region general managers
- All regional managers
- Business development managers are participating in the regional client strategy forum.
- Regional managers, business development managers

Participants in the Platinum suite are as follow:

- Regional manager
- Business development manager
- Manager financial planning support
- All the relationship managers in the suite
- All financial planners in the suite

The client strategy forums will assist the client relationship programme in understanding the PFS client, initiate revenue generating actions, structured measurement, change management and knowledge transfer. ASBA PFS want to achieve the following with client strategy forums;

- Design client interactions around selling and servicing
- Analyse information to derive client insight
- Identify new innovative opportunities in the market segment
- Facilitate 'knowing & understanding' the client
- Ensure execution of these appropriate interaction activities
- Measure the success of our interactions

5.8.2 Processes and service forums

These meetings ensure that client centric processes, procedures, measurement and management of service in PFS are introduced. These initiatives are being pursued from both a business and technology point of view and underpinned by a change management and workforce enablement philosophy.

5.8.3 Leadership Forums

The challenge is to ensure that every single employee in PFS understands the dynamics of entrenching and implementing a comprehensive client relationship programme.

The client relationship programme will require total commitment by everyone in PFS. The benefit within PFS is that we are building from a position of strength given that the vision, culture and philosophy underpinning how we do things is still relatively new and flexible.

The success of implementing a Client Relationship Programme begins with the commitment from the top. From a Leadership perspective the key challenge is to continually build the programme with all its components in such a way that everyone understands the benefits, commits and communicate the process and drives the various initiatives. The success of the client relationship programme will be enhanced by the adoption of new economy leadership and culture transformation in the organisation.

5.9 PERFORMANCE MANAGEMENT

Performance management plays an integral part of the success in building client relationships. Performance management must serve as a cornerstone to ensure the success of PFS's client relationship programme and its long term sustainability. Currently the ABSA Group and within PFS, the core measures of performance is still predominantly based, on growth in assets, liabilities plus non-interest income. Additions to the individual performance have been made such as service, retention, management, leadership and learning and development. As mentioned in Chapter 3 retention is a critical aspect of client profitability. The key to managing client profitability is to understand the behaviour of our clients and their usage patterns on the products they own.

5.10 BEEHIVE MODEL

ABSA PFS top management in conjunction with an outside consultant has developed the Beehive model to entrench change and high performance in the culture of the organisation. The strategic Beehive model or Beehive model is a theoretical model, in a beehive formation, highlighting seven sets of workplace practices. Each of the

seven sets of critical workplace practices have eight pairs of indicators, in a questionnaire format, used to obtain a snapshot of how the evaluated department unit performs within each of the seven critical workplace practices as well as overall. The snapshot obtained of these workplace practices in evaluating an organisation reflects a level of conformance to the indicators of each workplace practice on a sliding scale. The sliding scale varies from a very accurate description of current practices within the organisation that represents achievements, to a very accurate description of current practices with the organisation that represents challenges or problems. The model focuses on the internal and underlying processes related to the strategic and critical workplace practices when designing and implementing an organisational strategy in establishing superior performance.

Once an evaluation has been done the results are rated to obtain a profile of the organisation's/department's unit's performance that can be compared to current best practices as applicable to the specific business, giving the organisation/department unit the opportunity to rethink their strategy and in this way improve performance and competitiveness. It is a starting point for the improvement of the organisational/departmental unit performance and competitiveness within the context of the seven critical workplace practices as clustered around the strategy formulation and implementation practices.

The seven sets of critical workplace practices and/or institutions are:

- Strategy: The ways in which strategy is formulated and utilised as a primary driver of performance within the organisation.
- Structures: The extent to which structures are designed to reinforce and drive performance by optimising the organisation's supply chain and the fulfilment of accountability at all levels.
- People Capacity: Workplace practices and disciplines that ensure the optimum development and utilisation of people and their ability to contribute to performance.

- **Business Processes:** The adoption and widespread use of a set of integrated business processes that reinforce and cause high performance.
- **Stakeholder Commitment:** Developing the alignment of all stakeholders so that they operate as active contributors to the competitiveness of the organisation.
- **Pay and Incentives:** The alignment of pay and incentive systems that attract, retain, and enhance the commitment of people across all levels.
- **Change Leadership:** The use of proven leadership and processes for implementing change and turning strategy into operational action that delivers competitive performance.

5.11 ASSESSMENT OF NEW ECONOMY LEADERSHIP BEHAVIOUR

The Leadership Behaviour Inventory (LBI) is a tool that individuals can use for self-development, in line with the principles of new economy leadership behaviour, which is one of the drivers of Leading the ABSA Way. The individual is assessed on a 360 basis by co-workers and the results are fed back directly to the individual. Lepsinger and Lucia (1997:6) describes the 360 feedback process as the involvement of collecting perceptions about a person's behaviour and the impact of that behaviour from the person's boss or bosses, direct reports and colleagues.

ABSA PFS uses this method of feedback as a development process. It is therefore important to choose those people who will provide you with critical feedback. A selection of five people is needed that know you well enough to evaluate the individual leadership behaviour.

5.12 CONCLUSION

In order for PFS to be successful and ensure a sustainable offering to its clients now and in the future, it was essential to develop and implement a comprehensive client relationship programme. All financial services organisations are striving towards offering the best service in town. Within the “Mass Affluent Market” given the complexity and higher value/ return, the expectations and demands of these clients are even greater. Relationship Management (CRM) has been embraced by all ABSA PFS competitors and to a degree within the greater ABSA Group. The challenge with CRM is to keep it simple, pragmatic and affordable. Within PFS we now have a solid foundation, substantial client information, a focused leadership team, a well trained sales force and good products.

Clients who experience our genuine relationship proposition will continue to do business with us over the long term and will be more profitable.

Chapter six outlines a systematic exposition of the procedures and methodology that were followed in order to achieve the research objectives set out in Chapter one.

