Inaugural speech at NMMU – Rootman (11 July 2017)

[Full lecture]

Research in financial services: Professing a way forward

Outline
What do we know about financial services research?
What is the current state of financial services in South Africa?
Professing the way forward for financial services research

You can screen the structure of my presentation, but I will start with a few thank you notes.

(Thank you introduction done by Prof C Rootman)

The question is: why am I here tonight? Well, it is because of quotes from ordinary people, consumers like me and you:
"I am so disappointed with my bank's service."
"I think it is time to look for a new financial advisor. I hear nothing from mine…, no new investment news, financial options for me or a regular revision of my financial needs and plans…"
"I waited in a queue for 20 minutes and they could not assist me!"
"They said they will call me back in the afternoon…that was two days ago!"

Ladies and gentlemen, I am sure that all of us have experienced something similar to this before: when we engaged with or communicated with financial services providers – a bank, a financial advisor/planner or maybe an insurance company. That is where my research journey started 14 years ago. Around 2004, so many people "complained" about poor service delivery in the financial services industry. There were even many newspaper articles on poor service delivery from banks, and together with my supervisors at the time I decided that I want to investigate financial services providers. As a young researcher I wanted to change the world, and ensure service excellence delivered by all financial services providers… Well, I did not exactly change the world (… yet!).

However, throughout the years I did some valuable work among financial services providers and tonight I would like to share with you the just of my research in the field and my ideas for the way forward for financial services providers and researchers interested in these firms' product/service delivery.

For the purpose of my presentation tonight it is important that I define financial services providers, or as I would use the acronym tonight, FSPs. According to The Financial Advisory and Intermediary Services Act (37 of 2002) (the FAIS Act) a FSP is any person or organisation that furnishes advice and/or renders any intermediary service relating to the selling, administering and/or servicing of a financial product; including providing recommendations, guidance and proposals of a financial nature (FSB n.d.:3-4).

Financial services are economic services relating to the management of money, and therefore FSPs include banks, financial advisors/planners, insurance companies as well as credit-card companies and accounting firms, to mention a few. The Financial Services Board (FSB) is the independent body, established in 1991, that supervises and regulates the non-banking financial services industry in the public's interest (FSB in perspective 2015; South Africa's economy: Key sectors n.d.). On the other hand, the South African Reserve Bank (SARB) is the country's central bank and part of its responsibility is to specifically ensure bank regulation and supervision to achieve a sound, efficient banking system (South African Reserve Bank 2016).

With regards to FSP regulation, FAIS affects the way in which a FSP conducts business and interacts with consumers, as well as guides consumers in their daily dealings with their chosen FSPs (The Banking Association 2016[a]). There are also other Acts and Codes of Conduct stipulating how FSPs should conduct business. These regulatory guidelines include the Financial Sector Charter (FSC), the Banks Amendment Act (2015), the National Credit Act (NCA), The Financial Intelligence Centre Act (38 of 2001) (the FIC Act), the Treating Customers Fairly (TCF) approach as well as, specifically for banks, the Code of Banking Practice (South African Reserve Bank 2016; The Banking Association 2016[b,c,d,e,f]). Some banks also have their own guidelines to ensure superior offerings, for example, ABSA established its own Customer Charter to guide the FSP in delivering the best products/services (Kotler, Armstrong & Tait 2016:19).

An on a lighter note, I speak so often abut FSPs in my home, specifically about banks, that my son might ask something like this: “If money doesn’t grow on trees, then why do banks have branches?”

But, why am I so concerned about the financial services industry and FSPs? Why do we have all of these Acts and Codes for the industry? I first need to convince you about the importance of the financial services industry.
Service firms, including FSPs, are major contributors towards the growth of the South African economy, especially with respect to its Gross Domestic Product (GDP) and employment levels. FSPs are part of the economic sector which contributed approximately 21.5% of South Africa’s GDP in 2013 (South Africa’s economy: Key sectors n.d.). The financial services industry, with all its role players, has proven to be a pillar of the country’s economic growth over many years. FSPs role in employment creation is also evident. For example, in 2015 the banking industry employed 177 173 individuals (BankSETA Skills Sector Plan 2015/2016:28). According to The Banking Association of South Africa, BankSETA estimates that over 11 000 new jobs were created in the banking industry alone between 2012 and 2014 (The Banking Association South Africa 2015:17). The financial services industry also plays a big part in the transformation of employment in the country. For example, in the banking industry transformation has progressed well, with African females accounting for 30% of the workforce and African males 18% (The Banking Association South Africa 2015:17). In addition, the youth under 35 years old, account for 53% of the industry employees (The Banking Association South Africa 2015:17).
According to PwC (2014:8), financial market sophistication is set to continue in South Africa, and this will further enhance this key industry’s already impressive contribution to the economy, specifically on a regional basis.

However, despite the importance of the industry and beyond the Acts and Codes governing FSPs’ operations, what do we find in the financial services industry? I am sure all of you heard the famous quote of Mahatma Gandhi:

*"A customer is the most important visitor on our premises. He"/*she" *is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so."*

So customers, the term often used when firms market products, or clients, the term more commonly used when firms render services, are key stakeholders.

So, here are a couple of questions concerning the financial services industry… How do clients feel? How do clients perceive FSPs? How do clients experience the products/services offered by FSPs? Does the management of FSPs and clients have the same perceptions and ideas about product/service delivery, and about firm-client relationships? Are all the role players in the industry "happy", "satisfied" or "delighted" with the industry?

These questions remain unanswered, and even if researched, do the results make a difference to what is happening in the industry?
I cannot give you the answers to these questions, well…at least not so soon in the presentation… However, based on the motivations, and these questions, I started conducting research on FSPs. So let us take a step back and have a look at previous research conducted relating to financial services.

The Sabinet database shows all research studies conducted in South Africa, as well as some other African countries including Ethiopia, Ghana, Kenia, Lesotho, Mauritius, Nigeria, Tanzania, Uganda, Zambia and Zimbabwe, under the auspices of South African universities. By checking this, a clear trend emerges when considering studies about the financial services industry.

It is clear that research about FSPs over the last two decades focused on their levels of service quality and their relationships with clients.
The trend clearly starts with many studies concerned about service quality (SQ) levels. According to Parasuraman, Zeithaml and Berry (1985:42), seminal work on SQ by Grönroos (1982) states that an evaluation on SQ occurs when consumers

compare the service they expect with perceptions of the service they receive. SQ refers to the consistency with which clients' expectations, of how a service should be offered, are met (Berndt & Tait 2014:55).

From the seminal SERVQUAL model it is proposed that clients evaluate services based on five dimensions, namely the service provider's reliability, responsiveness, assurance, empathy and tangibles (Berndt & Tait 2014:56-57; Jordaan & Samuels 2015:74). The Gap Model of Service Quality (Parasuraman et al. 1985:44) also show the five possible gaps there can exist between firm and consumers relating to client perceptions, expectations and the actual service delivered. Many researchers used these models to study SQ.

Since 1990, 18 African FSP SQ studies were recorded.

As it turned out that FSP clients are not only evaluating services, but also FSP products on offer, FSP research moved more towards studies on customer satisfaction (CS). Therefore, following the vast number of research studies on service quality, researchers' attention turned to the concept of CS.

CS is the feeling/judgement/response to whether a product/service has met or exceeded a consumer's expectations (Lamb, Hair, McDaniel, Boshoff, Terblanche, Elliott & Klopper 2015:5,6; Kotler et al. 2016:14).

Therefore, CS relates to Performance vs Expectations and can thus be explained by the Disconfirmation Paradigm; as investigated by various researchers (Gilbert, Gilbert, Churchill & Surprenant 1982; Lamb et al. 2015:5 IN Smith & Houston 1983). CS research studies have also considered the ACSI model of CS to see how quality, expectations and value lead to satisfaction, and how satisfaction in turn leads to less complaints and higher loyalty. The CS of South African consumers is measured using the South African Customer Satisfaction Index (SAcsi), where satisfaction scores are based on the ACSI methodology (Jordaan & Samuels 2015:79).

The number of African FSP CS studies since 1996 amounts to 10.

But the link between CS and customer loyalty (CL), as considered by researchers, brings me to the next phase in the trend of FSP research.

There is clearly a relationship between CS and CL (Kotler et al. 2016:19). FSP researchers explicitly considered CL and customer retention (CR) in the industry.

CL occurs when consumers are committed to (have a bond with) a firm and are not open to advances made by competitor firms (Berndt & Tait 2014:32). According to Jordaan and Samuels (2015:50) CL is a combination of consumers' commitment to repurchase from a firm in the future, and the likelihood to purchase products/services at various price points, thus there exist price tolerance.

CR refers to a firm's aim of keeping loyal consumers. CR occurs when a firm has durable relationships with loyal consumers (Berndt & Tait 2014:33).

Due to the closely related conceptual definitions, the terms CL and CR are often used interchangeably by authors and researchers.

Loyal and retained consumers ensure long-term survival, growth, higher profits, price premiums, referrals, lower acquisition costs and cost savings (Lamb et al. 2015:9).

However, many firms still lose up to 50% of their consumers in a period of five years (Lamb et al. 2015:9).

Therefore, many FSP studies focused on CL/CR by using the Loyalty model. However, the latest CL/CR research is based on the Relationship Marketing Ladder of Loyalty, which identified the stages of consumers' loyalty to firms (Berndt & Tait 2014:40).

It is important to also mention that many researchers combined the study of CS and CL in their research to develop consumer models or build a Loyalty/Satisfaction matrix in a specific industry or for a specific firm.

Specifically, since 1999, 14 African FSP CL/CR studies were conducted.

However, the 'buzz words' in marketing is relationship marketing (RM) and customer relationship management (CRM) (Berndt & Tait 2014:3). RM developed from the marketing concept, and therefore from all the previous concepts discussed. However, the focus on RM is emphasised by the fact that between 1990 and 2014, excluding financial services, approximately 72 studies were conducted in South Africa on aspects relating to RM in various industries. The research focus of FSP's also shifted to RM. Berry was the first scholar to use the term 'relationship marketing' for the idea of building relationships with consumers and managing those relationships (Berry 1983 IN Berndt & Tait 2014:7). RM can be defined as the process of building and maintaining profitable consumer relationships by delivering superior offerings to clients (Berndt & Tait 2014:8). RM is thus also build on the premise that it costs more to recruit a new client than to retain an existing one

(Jordaan & Samuels 2015:52). Also on the slide are some seminal definitions for the concept of RM developed by marketing authors (e.g. Christopher, Payne & Ballantyne 1991; Porter 1993; Grönroos 1994; Gummesson 1994; Morgan & Hunt 1994; Sheth 1994). Although RM was probably practised (although to a lesser extent) long before scholars recognised its presence and gave it a name (Berndt & Tait 2014:7), it is clear from research records that the focus on RM (or CRM through technology) only happened around 2004. My research here at NMMU also started with the aim to find the link between the SQ and RM of FSPs (Rootman, Tait & Bosch 2006[a]).

Due to the closeness of RM and CRM these terms have been used interchangeably by authors and researchers.

Unfortunately, there is no single recognised RM/CRM model in literature. Some researchers considered the practical implementation of RM by designing a RM System; others focused studies on the Six Markets model to have a broader view of RM. Some researchers aimed to identify the factors influencing firms' RM, and others wanted to determine the components of RM, and coined these as, for example, trust, communication and knowledgeability of employees. There are also other aspects and focus areas on which RM is based, and on which some studies were conducted, such as customer knowledge, customer information, customisation, the concept of a learning relationship, relationship quality and customer lifetime value (CLV), to name a few, but we will be here for three nights if I go into more detail on each of these…

Considering the research, it is clear that firms now aim to achieve all the previous marketing concepts, such as SQ, CS, CL/CR, by means of implementing a firm-wide RM strategy.

The FS industry clearly took RM to heart as a possible focus area, as many FSPs have dedicated employees with position titles of 'Relationship Manager' or 'Relationship Consultant' or 'Customer Care Consultant'. If you think about some of our major banks' slogans, the focus of RM is also evident: "Today, Tomorrow, Together" and "How can we help?" Linking to FSPs' RM, The African Financial Services Journal of PwC (2014:55) indicated that most FSP CEOs said that growing their customer base (71%) and enhancing their customer service (60%) are key investment priorities.

Specifically, since 1989, 22 African FSP RM studies were conducted. However, only five of these were conducted before 2000, with most of the studies being conducted between 2004 and 2013. Approximately only 8 academics in South African can be regarded as RM research experts.

Famous author Kiyosaki emphasises that: “Today, RM is recognised by many experts and accomplished business people as one of the fastest growing business models (concepts) in the world”.

Some scholars (e.g. Kotler 1992; Christopher, Payne & Ballantyne 1991) enhanced the RM concept to state that relationships should be formed not only with clients, but with other stakeholders as well. However, it is important to note that only a few studies looked at relationships of FSPs with parties other than their clients, which means these studies considered FSPs stakeholder relationships with employees, unions, suppliers, intermediaries, competitors, government authorities, non-profit organisations and the community (Berndt & Tait 2014:155). Of the other stakeholders, research on FSPs mainly focused on research about their employees, with 25 South African studies between 1986 and 2013 relating to FSP employees. However, these studies did not necessarily focus directly on how employees can contribute to successful RM. Research in this area rather considered FSP employees’ job satisfaction, commitment, retention, remuneration, motivation and coaching, stress, skills, organisational culture, issues of affirmative action and the concept of internal marketing. Very interestingly, only 2 of these employee studies in financial services related to one of the marketing concepts discussed earlier, namely SQ.

This timeline shows the trend and focus of financial services research. Here and there between 1985 and 2012 some limited studies also focused on FSPs with topics relating to their operations, strategic alliances, legal relationships and BEE processes as well as service recovery, advertising, customer acquisition and information, branding, product classification, financial access, technology in financial services and their employees. However, the main marketing trend: following SQ, the focus of FSP research shifted to FSPs’ CS, CL/CR levels; and it moved towards a focus on client relationships and how these are formed through RM.

More or less the same trend of FSP research is evident elsewhere in the world. I cannot give you information on all the international studies – we will then be here all night, and I would not be popular…
Some international studies also touched on other subject matters, as you can see in the smaller text on the slide, and lately more studies are considering aspects such as technology, financial access and literacy as well as corporate social responsibility (CSR) in financial services. However, most studies focused on the marketing topics I elaborated on earlier. Therefore, the same trend in FSP research is evident in South Africa and internationally.

These international studies on financial services and FSPs have been conducted in numerous countries, and since 2005 research on FSPs in over 33 counties have been documented – ranging from Albania to Belgium, China, Egypt, India, Iran, New Zealand, Russia, Taiwan and the United Kingdom (UK), just to mention a few.
As you can see, my country-flag slide was just big enough…

Specifically in Canada, studies on the RM of banks were prominent, because over the last few years Canadian banks have won several awards, and received high CS ratings (Customers Finally Adjusting to Shifting Bank Fee Structures; Mobile Adding Value across the Banking Experience, J.D. Power Study Finds 2016). The Royal Bank of Canada (RBC) has the highest CS rating and has also won awards over the past few years, to mention only a few, in categories such as “Best 50 Corporate Citizens”, “Best Workplaces in Canada”, “Top Green Companies in the World” and “Most Valuable Brand” (RCB: Awards and Recognition 2016). In my PhD and other related research outputs where colleagues and I compared the RM and CR of South African banks with that of international banks, we looked at Canadian banks and banks in the UK. Results showed that Canadian clients are more satisfied with banks’ RM efforts, and display higher CR levels than South African banking clients (Rootman, Tait & Sharp 2013; Rootman 2011). It became evident that we can use best practices from other developed countries as examples for implementation in South Africa. It is valuable to scrutinise internationally-focused studies and to consider the researchers’ findings, as our South African and African FSPs can learn from international best practices. However, we need to identify how strategies are relevant to the South African context.

The South African business environment, and specifically the financial services environment, is different, when compared to others elsewhere in the world. Over the last two decades the financial services industry has seen various changes, including the placement of Saambou under curatorship in 2003 (What happened to Saambou 2003), prominent amalgamations (the formation of ABSA in 1991, which was then acquired by Barclays in 2005, is just one example) (ABSA History 2016) as well as the recent downgrade of South African banks to non-investment grade in April 2017 to be in line with agencies' rating of the country (Full Statement: S&P downgrades SA banks 2017). According to experts, this might accelerate FSP's credit losses as well as lead to lower profits and returns on equity (Full Statement: S&P downgrades SA banks 2017). South Africa is also classified as an emerging market economy, a developing country, now part of BRICS, and our consumers are different – different in terms of culture, other demographic characteristics and behavioural characteristics. In addition to the demographics of clients, our economy and infrastructure (including our technological infrastructure) are different than those in developed countries, just to name a few. So what can we learn from successful RM applications in other emerging markets? Questions like these should be asked. PwC (2015[a]:95) concurs by stating that unique African challenges (and I suggest unique South African challenges), call for unique African, and South African, FSP solutions. Research among FSPs has come a long way, from different angles, but to my mind contextualised research in the financial services industry, specifically in South Africa and Africa, still has a far way to go.

Therefore, ladies and gentlemen, my previous discussions tonight refer, and I present my first three statements:

(1) <u>Questions on clients'</u> perceptions of/level of "delight" with FSPs remain <u>unanswered</u>

(2) It is clear that the focus of FSP research has changed over the years, with a more <u>recent focus on firm-client relationships/RM</u> (there is a shift in the trend of FSP research)

(3) FSP research needs to be <u>contextualised</u> for South African/African FSPs

In addition to these three reasons, I want to put on the table more facts about FSPs in South Africa to emphasise my cry for more FSP research.

African/South African specific financial services statistics

- High percentage of population still not making use of formal financial services

An analysis report by PwC (2016[a]:1) shows that FSP CEOs are concerned about firm growth. Currently they have the highest level of concern in five years' time. One reason for this could be the realisation of FSPs of the many untapped markets. The unbanked are those citizens who lack access to basic financial services (PwC 2015[a]:100). The underbanked are those citizens who have access to bank accounts but they underutilise these services and often rely on alternative financial services, which can be more expensive (PwC 2015[a]:100). In a report for KPMG, Lamikanra (2015) states that despite banking industry growth a large proportion of the population throughout Africa still does not make use of formal financial services. The fact that the reach of banks – in terms of branches and ATMs as a proportion of the population – remains well below global averages, is certainly not helpful in this regard (Lamikanra 2015). That said, bank branches and ATMs are costly and most efficient in areas with high population density and are thus not really suited to serve the large dispersed unbanked populations (Lamikanra 2015).

The 2015 South African FinScope survey showed a slight improvement with 32.5 million adults financially included in 2015 versus the 31.4 million in 2014 (FinScope 2015:18). However, the FinScope survey also showed that 50% of the South African respondents can be classified, in terms of their quality of financial inclusion based on saving, insuring, borrowing and transacting, as "thinly served" (FinScope 2015:11). This means that these citizens have non-optimised portfolios of financial products. To bridge this gap, FSPs operating on the African continent have started to explore alternative operating models, including online, mobile and cardless banking, mobile branches and using third-party agents, such as supermarkets and/or post offices, wherever accessible and appropriate to offer financial products/services.

Monadjem (2015) says that although plenty of progress has been made on increasing the size of Africa's banked population, is it time for a reality check. In 2015, McKinsey & Company (Monadjem 2015) projected that around 80% of the continent's population is still not connected to formal financial services. It is proposed that an increase in the number of people who participate in the formal financial system will help to reduce poverty (PwC 2015[a]:99). More investment in financial literacy and more effort on the part of FSPs and governments will bring more people into the formal financial sector (PwC 2015[a]:99).

An increasing number of FSPs have woken up to the massive potential that lies within Africa's consumer base. PwC (2016[b]:31) confirms that finding ways to serve underbanked markets is a major trend in the financial services industry.
Coetzee (2009:448) found that banks, when aiming to bank the unbanked, are currently using an integrated approach combining personal and remote interaction and emphasising the promotion of financial literacy. It remains to be seen whether this approach truly adds value for the unbanked. It is recommended that further research be done to establish exactly what the behavioural characteristics of the previously unbanked are over a period of their continuous use of bank products/services in order to adapt marketing efforts and financial products/services aimed at them accordingly.

Should FSPs be able to tap into the large unbanked/underbanked and uninsured populations across the continent, it could lead to a significant increase in new deposits and premiums, respectively (Inclusive growth achievable through banking Africa's 'unbanked' population 2015). Even at lower profit margins, the benefits associated with leveraging economies of scale should contribute to returns on the bottom line (Inclusive growth achievable through banking Africa's 'unbanked' population 2015). PwC (2015[b]:9) confer that opportunities remain largely unlocked in high-growth African markets. So, while not without challenges, FSPs have compelling opportunities in Africa.

- Still slow adoption of online financial services by clients, however disruption in the industry due to FinTechs

Online marketing research agency Columinate's statistics in 2014 revealed that of around 14 million of banked South Africans have internet access, but only 2.3 million of these use internet banking services (Van Zyl 2015). It is no secret that even in countries where online financial services and the use of mobile money is slow in adoption, banks are watching with keen interest and driven by fear of being left behind (Meyer 2016). According to a recent industry analysis conducted by PwC

(2016[a]:1), FSPs are “under attack” due to technological risk factors and due to the fact that new competitors are challenging traditional ways of operations. FSP CEOs knows that technological changes create daunting tasks for industry players (PwC 2016[a]:1). Rapid developments in digital, mobile and related technologies continue to spur FSPs’ product and channel innovation (PwC 2015[b]:7). This is especially necessary, as PwC (2015[b]:39) predicts that by 2020 47% of the population will be digital natives, which means that they were born or bought up in the era of digital technology and are familiar with computers and the internet from an early age.

FSPs are now also competing with financial technology (FinTech) firms. The March 2016 Global FinTech Report by PwC (2016[b]:1) states that more than 20% of FSPs are at risk to FinTechs by 2020. For example, where South African banks are currently focusing on the application of technology to their financial processes, non-banking FinTech firms are competing in a different manner – by aiming to apply financial processes to their unique technologies (PwC 2016[a]:7). New digital technologies developed and implemented by FinTechs are in the process of reshaping the value proposition of existing financial products/services (PwC 2016[b]:5). FinTechs reshape the way clients engage with FSPs by altering how, when and where financial services are provided (PwC 2016[b]:29). An executive at a global FSP recently commented: “We thought we knew our customers, but FinTechs REALLY know OUR customers...” (PwC 2016[b]:5). The PwC Global FinTech Survey in 2016 (PwC 2016b:8) showed that 75% of FSPs indicate that the biggest impact that FinTechs will have on their businesses relates to FinTechs’ increased focus on clients, being able to meet clients’ changing needs. Specifically, banks are of the opinion that they could lose up to 24% of their market share to FinTechs, within the next five years (PwC 2016[b]:11). PwC (2016[a]:33) found that FSP CEOs do recognise that RM technologies generate the greatest return in terms of engagement with various stakeholders.

FSPs will need to embrace, for example, mobile money and not view it as a solution for the unbanked or underbanked, but as a solution for all. I suggest that a system like Zapper, now used by firms in various industries, has shown that the South African population are ready to use their mobile devices to make payments. They might be just as ready to use their mobile devices for other financial services. The questions FSPs would legitimately ask are – is mobile money processes, or any other technologically advanced system to be used to offer financial services, profitable and does it pose a security concern? According to a PwC (2016[c]:23) report, cyber-security is one of the top risks facing FSPs, and this needs to be kept in mind.

However, changes due to technology are evident in the industry. The pace of change that is required by FSPs is relentless (The Banking Association South Africa 2015:17). A 2014 study highlighted substantial shifts in the financial services industry, especially in the banking environment. The majority of South Africans still access their bank accounts through ATMs (97% in 2012 and 94% in 2013), and branch visits (83% in 2012 and 84% in 2013) (Mobile banking the big winner in SA mobility study 2014). The biggest shifts however – although in small bases - were the growth in channels that are facilitated by cellphones (26% in 2012 and 32% in 2013 – including internet banking on cellphones (11% in 2012 and 12% in 2013), and the use of mobile financial services application or apps (1% in 2012 and 9% in 2013) (Mobile banking the big winner in SA mobility study 2014).

It has thus become clear that when it comes to banking, mobile banking poses major growth opportunities. Bill Gates observed that digital banking will give the poor more control over their assets and help them transform their lives, and by 2030, 2 billion people who do not have a bank account currently will be storing money and making payments with their phones (Meyer 2015). Johan Meyer, CEO of software company Wallettec, says Gates is spot on and the future of mobile money is inevitable; this has some of the major FSPs running scared (Meyer 2015). South Africa has one of the highest mobile penetrations in the world with 87% of the population with individual mobile phone ownership, with 36% of those being smart phone owners – according to the Mobile in South Africa 2014 AMPS Report (Meyer 2015). The 2015 FinScope survey (FinScope 2015:24) also showed that 51% of respondents have smartphones, but of this group only 13% uses internet banking and only 31% uses cellphone banking. Therefore, FSPs have the option to enhance the uptake of online financial services.

Numerous FSPs are now providing mobile money (the making or receiving of payments on a cell phone) with applications including ABSA CashSend, FNB eWallet, M-Pesa (Vodacom's mobile platform), Standard Bank Instant Money, MTN Mobile Money, FNB Geopay, FNB Pay2Cell and Google's PayPal, just to mention a few. Linking to this, FNB has even launched its own branded smartphones in August 2016 (Venktess 2016), showing innovation from a FSP. While currently the majority (66%) of FSP respondents of a PwC report (2016[b]:24) indicated that not more than 40% of their clients use financial services mobile applications, 61% of the FSPs believe that over the next five years, more than 60% of their clients will be using mobile applications to access financial services.

Partnerships with FinTechs are thus a possibility for FSPs. Partnerships with FinTechs could increase the efficiency of FSPs, as a recent PwC (2016[b]:21) report shows that these partnerships could decrease FSPs costs, ensure differentiated offerings, and assist with CR efforts. The problem is however, that 25% of FSPs do not liaise with FinTechs at all (PwC 2016[b]:26). Although partnerships may come with challenges FSPs should look for strategic acquisitions or partnerships with firms across different industries, such as mobile operators and technology firms, to assist them in the battle for RM dominance (PwC 2015[b]:93).

- Decreased rankings for FSPs

In 2015 the South African CS Index (SAcsi) found that Capitec, the South African bank just outside the "Big Four" banks, has outperformed its competitors in a number of areas which relate to overall CS, including quality, perceived value, low levels of complaints and high rates of complaint resolution (Here are the best and worst banks in South Africa 2016). However, when it comes to CL it is a different story. Capitec and FNB clients are notably more price tolerant, and thus loyal, than the industry average, however, overall CL in the banking industry has declined (Here are the best and worst banks in South Africa 2016). When viewed as a three year trend, CL is declining in the industry.

The current rankings of FSPs in terms of brand value are also not painting a colourful picture. According to Brand Finance in association with The Banker, all but two of South Africans banks have slipped down the rankings of the top 500 banking institutions in the world (Most valuable banking brands in South Africa 2015). Just

considering South African banks, over the last year Standard Bank lost its number one brand value position to ABSA and FNB. In addition, the remaining South African banks – Nedbank, Investec, WesBank and RMB – all slipped down the list, having lost brand value according to Brand Finance's metric (Most valuable banking brands in South Africa 2015).
Also in terms of their cost-to-income ratios and return on equity (ROE) figures, South African banks' figures deteriorated in 2015, showing the challenges relating to FSPs cost management and efficiency strategies (PwC 2016[a]:5).

- What do clients really want?

The PwC Retail Banking Survey showed that 61% of banks believe that a customer-centric model, thus focusing on RM, is "very important", 75% of banks invest in implementing this kind of business model, but only 17% of banks feel "very prepared" to succeed with this kind of business model (PwC 2016[c]:35). FSPs relationships are fundamentally changing with clients in terms of engagement and value expectations (PwC 2015[b]:39). The most recent PwC analysis report (PwC 2016[a]:1) mentions that FSP CEOs realise that client expectations are a key variable relating to industry changes. Clients are becoming more demanding and less loyal (PwC 2016[c]:18). The internet ensures that clients can more easily compare FSPs, and faster switching means that client relationships can be brief and largely transactional (PwC 2016[c]:18).

A new report shows that it is not benefits, or rewards, or a cheaper alternative that would make clients move or switch to another bank – but rather impolite, rude or uninterested employees (What frustrates us most about banks – and why we switch 2015). A CL study commissioned by Verint found that only 24% of the 18 000 consumers surveyed in nine countries indicated that their bank delivered good service (What frustrates us most about banks – and why we switch 2015). In South Africa, customer service and price were particularly important; however, impolite, rude or uninterested employees (23%) was seen as a more important reason for switching from one bank brand to another, than finding a cheaper alternative (19%) (What frustrates us most about banks – and why we switch 2015).

In South Africa, the trend to switch banks has increased from 34% in 2011 to 39% in 2012 (Ernst & Young 2012:8 IN Coetzee 2014:998). Coetzee (2014:998) highlights that another study by PwC found that South African clients are "more enabled to switch to a competitor bank at the slightest dissatisfaction or enticement." FinScope identified that in 2015, 6% of client respondents switched to another bank (FinScope 2015:45). These studies suggest that clients are becoming more demanding, less loyal, and engaging in multiple banking relationships that is eroding bank profitability. The FinScope 2015 survey also showed that only 44% of the respondents indicated that they are satisfied with the financial products/services from FSPs (FinScope 2015:44). Of concern is also that the number of South Africans with insurance products has declined in all provinces from 2014 to 2015 (FinScope 2015:31). If FSPs aim to maximise the revenue generated per client and want to avoid losing clients to competitors, they need to create an environment that is conducive to RM.

Coetzee (2014:997) explains that client-centricity (which is linked to RM) is not only about identifying client needs but addressing them speedily. The study by Coetzee (2014:997) showed that contact employees regard their respective banks as enforcing a client-centric strategy. They do however feel that the support from administrative employees and the processes that support the sales environment are not always conducive to client-centric principles (Coetzee 2014:997). At 58%, employee costs remain the largest contributor to the major banks' total costs (PwC 2015[b]:5). Therefore, it is important that FSPs correctly empower contact employees to better address the needs of clients and become more client-centric in focus. Perhaps that is why, as I showed earlier, many employee related studies were conducted among FSPs. However, unfortunately, very few studies linked RM with FSPs' employees.

However, some of our studies here at NMMU aimed at identifying how FSPs RM could possibly be influenced by FSP employees.

We measured aspects such as employee motivation, satisfaction and commitment in the financial services industry. We found that FSPs employees are satisfied and committed if they participate in decisions (thus they are empowered), their jobs are interesting and important, they receive feedback on their work performance, and if valid working policies are in place (Rootman, Krüger & Matchaba-hove 2016; Krüger

& Rootman 2014). As the links between employee or job satisfaction and CS as well as CR have been proven (Berndt & Tait 2014:35), it can be argued that if FSP employees are satisfied with and committed to their jobs, FSPs RM with clients would improve. So a focus area for FSPs should be their employees. However, the point in case is… we often see retrenchments in the industry…due to various reasons. I am not saying FSPs cannot undergo times where retrenchments are the only option. I am arguing that if FSPs say they focus on RM, a wider perspective is necessary: a human resources (HR) focus is also needed in order to successfully implement RM.

Our most important studies, however, related to the identification of what clients really what in terms of RM when it comes to FSPs. We found that even if we consider various banking aspects (we even had a look at fees, and found it to be not significantly important to clients when it comes to RM, CL/CR) – the two main aspects influencing client relationships were linked to employees – the attitudes of and knowledgeability displayed by employees (Rootman, Tait & Bosch 2009; Rootman, Tait & Bosch 2008; Rootman, Tait & Bosch 2006[a]; Rootman, Tait & Bosch 2006[b]).

For FSPs to be trusted by clients and for clients to be retained, clients want convenience, justifiable fees, ethical FSPs and two-way communication (Rootman, Oosthuizen & Dippenaar 2014; Zeka & Rootman 2014). In other studies conducted within the financial services industry we found that to improve CS, CR and RM, the following aspects are important for clients: FSPs' communication, ethical behaviour, technology, and linked to that, the FSPs' products/services' security (Rootman & Krüger 2013; Rootman & Tait 2013; Krüger & Rootman 2011; Rootman, Tait & Sharp 2011[a]; Rootman, Tait & Mojalefa 2009). Another important factor for clients in terms of RM and CR efforts, as evident from our studies, is the way in which FSPs are able to personalise financial products/services (Rootman, Tait & Sharp 2013; Rootman, Tait & Sharp 2010; Rootman, Tait & Mojalefa 2009).

Through our research it also became evident that clients' use of FSPs are influenced by their level of trust and image of FSPs as well as their levels of awareness of the FSPs and their offerings (Rootman, Krüger, Bakhuis & Fourie 2014). Clearly many of the RM aspects that clients are focused on, relates to FSPs employees.

Clients' behaviour and perceptions of FSPs are also influenced by FSPs use of social media. For example, the purpose and ease of use of FSPs Facebook and Twitter pages influenced client perspectives (Krüger & Rootman 2016). The use of social media by FSPs could however, according to clients, increase CS and CR, if the benefits of using social media platforms are evident to clients and if FSPs display trustworthy content on the social media platforms (Rootman & Cupp 2016).

Linked to clients' behaviour and their perceptions of FSPs, is clients' financial needs, and this is often linked to clients' financial literacy. In our research we found that those clients making use of formal sources of financial advice, such as FSPs, have higher levels of financial literacy (Rootman & Antoni 2015[a]). These clients can therefore make better, informed financial decisions. Also, if FSPs want clients to display better savings behaviour and responsible spending patterns, the focus of financial literacy programmes should be on improving clients' and potential clients' financial knowledge, skills and confidence, as well as on how FSPs foster financial inclusion (Rootman & Antoni 2015[b]).

This brings me to the point that we also found that FSPs cannot treat all clients in the same way. For clients in different age groups, in different life-cycles, with different financial needs: different marketing and RM strategies are relevant, e.g. social media marketing is much more relevant for younger financial services clients. One of our studies in the banking industry found that clients in different age groups have different perspectives on RM, in fact RM is more important for older, female clients (Rootman, Tait & Bosch 2007).

We also found that different client groups have different perspectives on investment vehicles such as unit trusts. Different clients have different needs. Clients of different age groups, with different employment statuses, and with different levels of education have different views on the benefits and accessibility of, as well as their intention to use unit trusts (Rootman & Krüger 2016; Krüger & Rootman 2015).

It may seem that these things are logical; however, the question is how do FSPs operate currently? Really according to different client groups? I would argue no. FSP offerings are mainly differentiated based on the income levels of clients, no other measure.

Personalised, tailored financial products and services were once reserved for only the highly profitable clients, however, now technology has opened up financial services personalisation options to the masses of clients (PwC 2016[b]:11; PwC 2016[c]:18). However, our research have shown that Canadian clients are much more satisfied with FSPs personalisation efforts than South African clients – even though South African FSPs managers perceived their personalisation efforts as being good and acceptable to clients (Rootman, Tait & Sharp 2011[b]). A gap is evident between FSP clients' and managers' views on what clients really want.
Our NMMU studies have shown that South African clients only moderately agree that they will be retained by FSPs (Rootman & Cupp 2016). Clients are willing to switch. This same study however showed that FSP managers believed that CR levels are high (Rootman & Cupp 2016). Clients are more negative than managers regarding FSPs RM activities and with regards to FSPs CR levels (Rootman 2011). In addition, we found that South African clients are less satisfied with FSP fees than their UK counterparts; however, South African FSPs managers thought that FSPs have reasonable fee structures (Rootman, Tait & Sharp 2011[c]). Therefore, more practical and relevant gaps exist in the financial services industry.

It is evident that some of our most valuable studies compared the views of clients with that of FSPs, specifically with regards to RM aspects. It was evident that what clients regard as important from FSPs is not always what FSPs regard as important – what clients want to improve FSP client relationships is not what FSPs focus on to offer, and what FSPs are ready for. There is a gap between theory and research on the one hand, and practice on the other.

So if the answer to the question: "Do clients receive what they expect, or really want, from FSPs?" is 'No'…well, then more research and consultation with FSPs are necessary to improve our financial services industry – but, improve the industry for all role players or stakeholders: FSPs, clients, potential clients which includes the unbanked/underbanked or those financially excluded, FSP employees and the economy as a whole.

Through the statistics I shared relevant to the financial services industry, it is evident that we have stable FSPs in terms of their survival, even in turbulent economic times, but these FSP are not stable in terms of client support. So I add to my earlier statements:

(Statement number 4) African/SA specific reasons (unbanked, FinTechs but slow adoption, decreased rankings, what clients really want) warrant more financial services research.

Ladies and gentleman, believe it or not, I am not yet finished…

Porter and Kramer (2011) purposed in an edition of the Harvard Business Review that the focus of firms or organisations, whether profit-orientated or non-profit oriented, should change. In order to survive, firms, including FSPs, should take to heart the concept of shared value. I see the merit in this.

Only 5 studies were conducted in South Africa from 1991 to 2011 to consider FSPs CSR or social investment. Moon (n.d.:3) states that CSR is a dynamic concept of which definitions changed throughout the years. However, most definitions explain CSR as business actions or the forming of stakeholder relationships that appear to further some social or common good, beyond the interest of the firm and that which is required by law (Basu & Palazzo 2008:124; McWilliams & Siegel 2001:117). CSR is linked to the focus and reporting of firms on their triple bottom line (TBL) which incorporates their economic, social and environmental responsibilities. However, there is a general perception that many firms treat CSR as an "add on", just another part of their operations. According to Porter and Kramer (2011:64), many firms remain in this CSR or "social responsibility" mind-set where societal issues are not the core of their focus.

The Harvard researchers suggest that the focus of firms should go further than an "add on" focus on CSR. The whole outlook of firms, including FSPs, should revolve around creating shared value. This means that firms' policies and operations are developed and implemented to enhance the competitiveness of the firm, while simultaneously advancing the economic and social conditions in the communities in which it operates (Porter & Kramer 2011:66,76). Although it is important to mention that the shared value concept has received criticism (e.g. by Crane, Palazzo, Spence & Matten 2014), the shared value approach should be considered by FSPs. A focus and "all round" implementation of shared value will result in benefits for all stakeholders, not only clients.

This also brings me to the point that we have to share our research results and findings. We have to share our conclusions and brainstorm with various other stakeholders and role players in the industry. Parties should be open with each other and find ways to filter strategies through to various departments and geographical areas of FSPs, for implementation as instructed from head offices to all branches. In my experience FSPs are open to researchers' input. We have to come up with solutions and practical recommendations to ensure the way in which financial services are offered to citizens improve, and that FSPs act in the best interest of all involved. That is the only way FSPs will implement change and we will see change in FSPs – change in employee behaviour, change in marketing strategies, change in the markets FSPs serve, positive changes in FSPs brand values, CS as well as CL and CR levels. Therefore, there will be positive, worthwhile RM efforts.

Research cannot stand still, it has to evolve – it has to move forward based on gaps in the literature or in the industry. My research suggestions, to profess the way forward are as follows:

Research studies should consider the current state of and reasons for the unbanked population. How can we decrease the percentage of unbanked/underbanked citizens? What are the characteristics of unbanked/underbanked citizens? If we know this, we can actually better serve financial products/services to them. Issues such as financial literacy should be considered and strategies to address these issues should be developed, shared and implemented. How can we increase citizens' financial literacy, and thus increase the use of financial products/services? Linked to this, studies on why the use of financial products/services decrease are needed, for example, did South Africans' use of insurance products decreased only due to financial or economic reasons? We also need to find ways of improving South Africans' financial behaviour – their spending, saving and debt levels; how can FSPs contribute to this? Why are South Africans not ready for retirement? My one PhD student, Bomikazi Zeka, is investigating this.

I also argue that more research, linked specifically to online financial services, should be conducted. Studies should investigate which online applications are preferred by clients. The use of internet banking, mobile banking and mobile money platforms should be researched. Many FSPs are spending large amounts of capital on technological developments – how can we ensure citizens optimally make use of these financial services technological developments, for their own convenience and benefits, as well as to the advantage of FSPs? Studies regarding technology acceptance of FSP clients and employees could be valuable. How can FSPs use technology to improve their RM? How can and should traditional FSPs partner with FinTechs?

The decreased rankings of FSPs in various areas relating to their service offerings and client relationships should receive attention. Linked to this is the concept of financial sustainability that needs to be investigated; one of my PhD students, Vuyo Nyembezi, is focusing on this. Institution-specific studies could be conducted to identify reasons for plummeting FSP rankings, and to identify solutions for the related problem areas. Research studies are regularly needed to identify why clients switch, and how FSP switching can be prevented.

Considering the importance of FSP employees, studies could determine the most appropriate HR approach for FSPs to implement in order to excel in RM.

The gap between client and manager views regarding RM should be eliminated. For better client relationships, for more successful FSPs, for a stronger industry contributing to the country's economic growth, for financial benefits to clients (which would mean to all clients and thus contributing to more financially strong communities), research should be done to better align client expectations with FSP managers' and employees' focus areas. Therefore, one of my key research focus areas currently is to identify other aspects influencing clients' use of FSPs (which in effect will influence FSPs relationships with clients). Aspects such as clients' levels of financial literacy, their financial behaviour due to, for example demographic factors and culture, should be considered. The use of and appropriate services for Islamic banking should be researched. Also, investigations are needed to identify how different clients (based on age groups, educational levels and employment statuses) have different FSP expectations. If FSPs better understand these concepts, characteristics and situations, as well as how it relates to their clients, their offerings, and how they market it; ultimately their client relationships would improve (to their benefit, and to that of their clients).

Finally, how the shared value approach could be adopted and followed by FSPs should be investigated.

So ladies and gentleman, to ensure the success of FSPs in South Africa, to provide better financial services to all clients and to ensure shared value to all stakeholders in the financial services industry, I invite you to do research with me. This will benefit individuals, FSPs, the greater society and the economy, as financial literacy levels might improve, financial behaviour might be more positive, FSPs might be more successful, and the financial services industry might contribute, even more, to economic growth. And hopefully, next time you interact with a FSP, you would not experience the quotes we started off with tonight, but your interactions would be positive.

Thank you.

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