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Acquisition effects in private banking: avoiding client losses

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Abstract

The credit crunch of 2009 has had significant impact on the financial services, and the effects on customer service are only now becoming apparent. Private Banks offer a custom-made and individual financial service with a close personal relationship between customer and bank. During a process of acquisition a significant percentage of an acquired private bank's client base is lost and, therefore, client retention is important in this context. This paper takes notice of this circumstance during the credit crunch when unplanned acquisitions were occurring. It uses a qualitative content analysis and interview data. Although the owners of the bank have changed, the bank is urgently advised to design sustainable client relationships based on the knowledge of their clients' perceptions. It proposes a new model of private banking consumer perception that identifies determinants of client migration. This model will be of use for researchers and practitioners in this area of management.

Keywords: Acquisition; Private Banking; Qualitative; Determinants; Client Migration, Customer Perception

Biographical notes:

Dr. Stefan K. Finken (MBA) was born 1981 in Trier, Germany. He undertook several distance studies in Germany and England and graduated in 2013 to a Doctorate in Business Administration at the University of Gloucestershire, England. In 2007 he joined the private bank Sal. Oppenheim jr. & Cie in Luxembourg. In his last role at Oppenheim he worked as a project manager in Zürich, Switzerland, on different legal and compliance, settlement and payments projects. Since 2012 Stefan is working at UBS AG in Zürich as a Lead Program Business Analyst in the advisory area for Switzerland, Germany and APAC.

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I. INTRODUCTION

The credit crunch has had significant impact on the financial services and their methods of operation. Whilst the changes in financial regulations have been extensively debated the impacts on customer service are only now becoming apparent. During the credit crunch, in 2009 the biggest private bank in Europe, Sal. Oppenheim Jr. & Cie, lost its independence. This was a shocking event as this bank had been independent and managed by family members since 1789 (Szalay, 2009). Private Banks offer private banking service constituting a custom-made and individual service with a close personal kind of relation between customer and bank (Rock-Mach, 1994) predominantly to wealthy clients (Schierenbeck, 1998). Several analysts said that the acquisition of the private bank Sal. Oppenheim by German giant Deutsche Bank was associated with high risk due to the lack of private banking employees and the lack of clients on behalf of the acquirer (Welp & Katzensteiner, 2009). Casting dark clouds on this kind of acquisition, consumers might leave Sal. Oppenheim motivated by their possible perception that the service quality might deteriorate after the implantation of Deutsche Bank's corporate policy. This policy is not regarded as focussed on traditional Private Banking expertise. Most acquisitions in private banking and wealth management are undertaken to increase the size of the client segments and to expand the product and service portfolio and expertise. However, up to 20 per cent (Miles & Rouse, 2011) of an acquired private bank's client base is lost within the first year of acquisition during a merger or acquisition. The retention of key clients was identified as a critical factor for successful acquisition by several authors (Cohen, Gan, Yong, & Choong, 2006; Miles & Rouse, 2011). This paper also takes advantage of the particular circumstance during the credit crunch when unplanned acquisitions were occurring. Consolidation of the banking industry has taken place over a number of years, often driven by the higher liquidity requirements and the greater transparency in the industry. Innovatively, this paper provides understanding of the clients' private banking consumer perceptions with regard to acquisition, a topic so far not considered in literature. Based on this understanding, Bankers involved in acquisitions are enabled to avoid a loss of their most important assets, the High Net Worth Individuals. Although the owners of the bank have changed and new policies are going to be implemented, the bank is urgently advised to design sustainable client relationships based on the knowledge of their clients' perceptions.

In the first part of this paper, a literature review in narrative form is used to provide background information and to design an initial model for private banking consumer perception. A narrative review will have the aim of conducting a conceptual exploration of the topic. This review will be wide ranging in scope (Bryman & Bell, 2007) and will outline the parameters of the study. The second part consists of a systematic literature review on private banking consumer perceptions and expectations. This review will determine the extent of the research on the conceptual framework developed in the first review. To gather primary data, a holistic case study based on the Swiss and German private banking market was used. This type of case study offers the researcher a holistic view (Patton, 1990) on the present subject as it considers all parties which have an influence on the topic under investigation. The first phase of the case study consisted of non-participant observation at a finance fair. Private banking consumers, relationship managers and consultants were observed. In the next phase semi-structured interviews were undertaken with relationship managers, banking managers, private banking clients and lawyers. Both phases were qualitative in its nature. To analyze the qualitative data findings, content analysis was used.

II. LITERATURE REVIEW

1. Narrative Literature review

The aim of this narrative literature review is to provide an interpretation of the concepts which underpin this research. Private banking is defined as a "deliberate program to attract and serve the affluent individual market" (Gardner & Mills, 1994, p. 340). It is a custom-made and individual service with a personal kind of relation between customer and bank and offered by the provider to their wealthy clients (Schierenbeck, 1998). In marketing, perception is defined by Creamer (2007) as a process by which an individual receives, selects, organizes and interprets information to create a meaningful picture of the world (Creamer, 2007). In this view the perception of the consumer depends on internal factors such as beliefs, experiences, needs, moods and expectations. Further, consumer perception is influenced by the characteristics of a stimulus (like intensity) and by the context in which it is seen or heard (Belch & Belch, 2009). Apart from that it is contended that perception of the service is influenced by a set of emotional values like social status, exclusivity, friendliness, responsiveness or the degree to which expectations towards the service are met (Recklies, 2006). If a product or service is better than expected (positive disconfirmation) it will result in post-purchase satisfaction or, vice versa, if a product or service is worse than expected (negative disconfirmation) the consumer will be dissatisfied (Oliver, 1980). Acquisition implies the development of strategies to take over ownership of another organization (Johnson, Scholes, & Whittington, 2006). It is therefore contains a significant element of strategic anticipation; how the organisation will be improved after the acquisition. This period will be longer or shorter depending on the circumstances. An acquisition is defined as a takeover in which the bidder directly negotiates with the target company's board of directors (Hubbard, 2001). The taken-over firms are called acquirees, target or even 'victims' whereas firms that initiate the takeover are called acquirer or predators (Pike & Neale, 2006). Organizational culture is defined by Schein (1992, p. 6) as "basic assumptions and beliefs that are shared by members of an organisation that operate unconsciously and define in a basic taken-for-granted fashion an organisation's view of itself and its environment". Processes are taken-for-granted (routines) and accumulate over time. The taken-for-granted assumption has an impact on the strategy of an organisation as it guides how people in an organisation view that organisation and it tends to constrain what is seen as appropriate behaviour and activity (Johnson, Scholes, & Whittington, 2006). Having considered the concepts of private banking, consumer perception, acquisition and organizational culture it was noted that (1) no perception model was found which dealt with the perception of private banking or bank consumers in general nor (2) with acquisition in particular. As the banking sector is a service industry the authors used the service quality model from Parasuraman et al. (1985) as a model initially guiding the research. The model summarizes criteria determinants or categories used by consumers to evaluate service quality (see appendix 1). This model is particularly dominant in the service quality literature and therefore could be used as a comparator for this research. This model of perceived service quality was used as a theoretical working model for private banking consumer perception. During the following systematic literature review the factors which influence the private banking consumer perceptions are related to the determinants of Parasuraman's et al's. model (1985) where possible and an amended initial conceptualization on private banking consumer perception developed (see Figure 1).

2. Systematic literature review

Following the review it was decided to search for relevant literature on customer satisfaction and private banking or close substitutes. The following search terms in English and German were used to discover different relevant literature, in online libraries/databases and internet search engines:
'Wealth management' OR 'Private banking' OR Bank* AND Consumer OR Customer OR Client AND Perception*

Additionally, references of research texts have been analyzed (snowballing) to elicit relevant resources. Based on a time frame set for the literature ranging from 1995 to 2010, 35 papers were selected for further elaboration. Although the search strategy focused on private banking studies, retail banking studies were considered too, as the private banking literature on consumer perception was rare, and additional literature in retail banking was required to enhance understanding. Based on a checklist consisting of quality measurements, three articles did not pass the quality assessment criteria, and, consequently, 32 articles were chosen for data extraction. In the following review, a formalized data extraction approach, which uses a protocol-driven manual process to extract the data, was applied.

2.1 Synthesis

In the present review, narrative synthesis was used. This method relies on the use of words and texts by summarizing and explaining findings of multiple studies. Narrative synthesis involves the juxtaposition of findings from the studies included in the review (Pope, Mays, & Popay, 2007).

Relationship between customer and bank and/or relationship manager. Sources from the literature collated stated that the relationship in private banking between bank and client is particularly important (Akerlund, 2005; Bhalakrishnan, n. d.), supported by other sources stressing the importance of relationship on an individual/personal basis between staff/relationship manager and client (Bhalakrishnan, n. d.; Abratt & Russell, 1999; Akerlund, 2005; Molyneux & Omarini, 2005; Bruhn, Georgi, & Tuzovic, 2009; Gratwohl, 2011). Therefore, it seemed necessary to empirically research at a later stage if the relationship between bank and client, relationship manager and client or both might have an influence on consumer perception.

Courtesy and emotional values. A private banking study concluded sympathy to be an important driver for the client relationship (Cocca, 2010). This can be partially interpreted as the Parasuraman et al. (1985) service determinant **"courtesy"** described as involving politeness, friendliness and respect. Supporting Cocca's (2010) view, the importance of personal touches was mentioned by Roberts and Campbell (2007) indicating the involvement of emotional values like friendliness, exclusivity and responsiveness or the degree to which the expectations are met (Recklies, 2006). Those values go beyond the courtesy factor in emotional terms. Therefore, **"emotional values"** might have an influence on the perception and expectations of the consumer and were added as a determinant of private banking consumer perception. In addition, emotional values and courtesy are part of the determinant relationship as personal touches including smiling and eye contact give customers the feeling that they are being understood and that their transaction matters which creates the foundation for long-term relationships.

Access and communication. The literature referred to frequent meetings with the client and the service provider (Akerlund, 2005) as well as easy access to the bank (Abratt & Russell, 1999) and banking staff (Akerlund, 2005) as characteristics for private banking services corresponding with the determinant **"access"**. This determinant was defined by Parasuraman et al. (1985, p. 47) as "ease of contact". Furthermore, as those meetings are frequent, this factor fits to the determinant **"communication"** defined by Parasuraman et al. (1985, p. 47) as "keeping customers informed". Implicitly, for the relationship to function effectively, access and regular communication between relationship manager and consumer and/or bank and consumer are factors to be included.

Responsiveness and understanding the customer. Clients do often not communicate if they are unsatisfied with the service offered (Macdonald, 1995), and relationship managers do often not ask the right questions (Piske, 2009). Hence, it is difficult for relationship managers to know clients' needs and expectations. This makes clients perceive the banking service as not being responsive to their requests and feel to be misunderstood. The factor "responsiveness" becomes apparent described by Parasuraman et al. (1985, p. 47) as the "willingness or readiness of employees to provide service". Furthermore, relationship managers do not respond to the requests of their clients perhaps indicating that they do not understand them. This equates to the determinant "understanding the customer" described by Parasuraman et al. (1985, p.47)) as "learning the customer's specific requirements". Both determinants, "responsiveness" as well as "understanding the customer" are regarded sub-determinants and part of the determinant relationship.

Winner/killer elements. A framework displaying the relationship between fulfilment of performance dimensions and client satisfaction was developed by Galasso (1999). The performance dimensions were divided into killer and winner elements. Some dimensions were seen as a standard or a sort of basic service by the client. An over average performance in these dimensions is not required as these will not be additionally rewarded by the consumer. However, if one of these basic dimensions is missing, it could lead to serious consequences for the bank as clients will be very annoyed. These services are called killer elements and banks should just make sure to comply with them (e.g. discretion, error free transactions). "Winner and killer" elements were not mentioned by Parasuraman et al. (1985) as a determinant and will be added to the model of private banking consumer perception.

Security. Clients range from politically exposed persons to those with rich heritages and successful business managers or family companies (Gratwohl, 2011). For the clientele it is important to be treated discretely so that as little information as possible goes public (e.g. that they are a client of a specific bank). "Security" was mentioned as a determinant by Parasuraman et al. (1985) involving financial security and confidentiality. How security will be influenced by an acqusition will be explored by empirical research at a later stage.

Competence and reliability. As the most important value rated by clients, Bick et al., (2004) referred to problem-free, convenient and efficient banking. Banks need to ensure, especially during the credit crisis, to continually review their strategies, business models and route to markets that they are responding to these customer expectations (Kailash, 2011). The efficient and problem free banking could be interpreted as the determinant of "competence" which was defined as "possession of the required skills and knowledge to perform the service" (Parasuraman et al., 1985, p. 47). Interrelated to this factor, "reliability" was described by Parasuraman et al. (1985, p.47) as the firm performing "the service right the first time", which could be interpreted as efficient and error-free banking (Bick et al., 2003). As these determinants are derived from retail banking studies, it will be researched by empirical research if reliability and competence influence private banking consumer perception.

Price. Price determines customer expectation and perception to a large extent. Therefore, the price must be chosen with a view to emitting the right quality signals especially as most of the clients valued the service in private banking as too expensive (Mogicato, 2008). The overall price awareness was related to both, higher expectations and higher perceptions of quality received (Putz, 2002). A determinant "price" was not mentioned by Parasuraman's et al's (1985) model but influences the expectation and perception of the client.

Credibility. Some studies dealt with the customers' perception on the image and reputation of the bank. It was elicited in one study that clients' evaluation criteria, to start a relationship with a bank, included the bank's service reputation (Abratt & Russell, 1999). Molyneux and Omarini (2005, p.17) stated that "the image of the bank, as far as trust is concerned, is represented through the esteem and the familiarity that the customer might summarize by saying: 'I can trust my bank'" . Parasuraman et al. (1985) did mention image, reputation and trust as the service quality perception determinant "credibility". How image and credibility will be influenced by an acquisition will be examined by empirical research at a later stage.

Word of mouth. Studies undertaken in the private banking sector stated that word-of-mouth (WOM) communication is very relevant (Abratt & Russell, 1999; Putz, 2002). The service sectors rely more on word of mouth promotion than on other media, and the chances of receiving word of mouth promotion in private banking can be maximized by providing excellent service and knowing their clients well (Abratt & Russell, 1999). Consequently, the literature confirmed that the attributes word of mouth and past experience of clients have an impact on the expectations of the customer as stated by Parasuraman et al. (1985).

Customer satisfaction. As mentioned before, the consumers' comparison of expectations prior to purchase with performance perception after a purchase results in a degree of customer satisfaction representing a mental state. This mental state is a cognitive judgement which can either result in low or high levels of satisfaction (Bhalakrishnan, n. d.). "Expectation" will be added to the model of private banking consumer perception. As stated, the consumer's comparison of expectations prior to purchase with performance perception after a purchase results in a degree of customer satisfaction.

Internal training of staff. The training of staff was identified as an important topic in the studies of Galasso (1999) and Putz (2002). The individuality, advisory quality and competence are one of the most crucial factors in private banking and, hence, the role of the client advisor is a key element (Putz, 2002). Internal marketing is conditional for the organizational culture, strategy, structure and processes. Organizational development, is a general concept which consists of factors that influence and modify organizational culture, such as internal training, will be added to the model of private banking consumer perception due to its perceived importance.

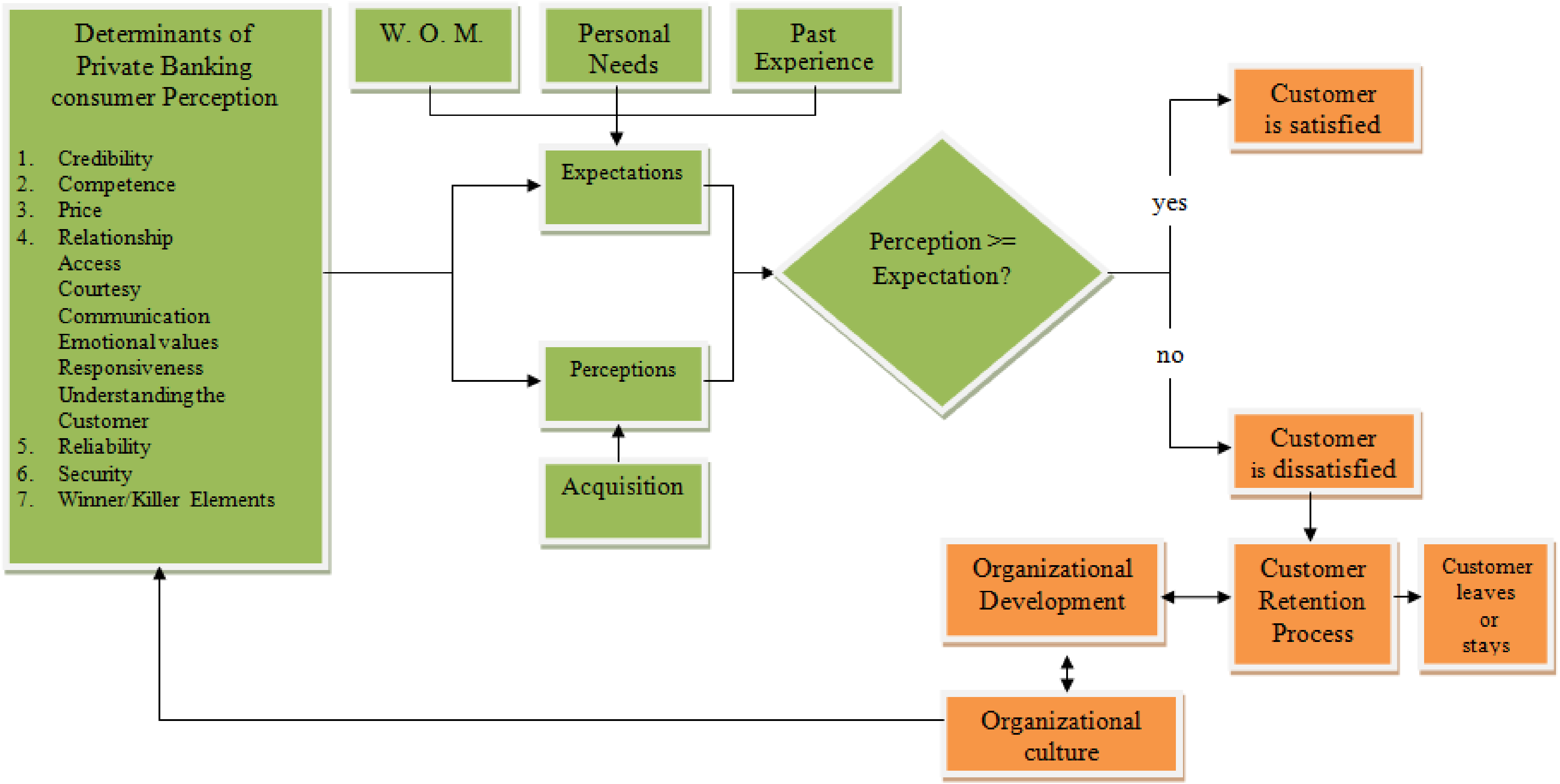
Customer retention. Many studies in private banking confirm that it is far more expensive to acquire new customers than to retain existing ones through relationship marketing (Lassar, Manolis, & Winsor, 2000b; Fraering & Minor, 2005; Ziekursch, 2010). The authors stated that the costs to 'hunt' for new customers are about ten times (Fraering & Minor, 2005) as high than to retain them. Therefore, the retention process reduces costs and increases the profitability of the bank. "Client retention process" will be added to the model of private banking consumer perception and is regarded very relevant, especially if a client is dissatisfied.

Acquisition. No literature was discovered which dealt with the change of private-banking customer perception due to acquisition strongly pointing to the need for exploratory research for the following reasons. An acquisition might have an impact on the changes in private banking consumer perceptions: the banks image or reputation (defined as determinant credibility) might change (e. g. depending on the reasons for the acquisition) having, in turn, an impact on external marketing tools. Furthermore, banks are encouraged to have a retention process to reduce customer turnover. Hence, the present research will examine the impact of acquisition on private banking consumer perception through empirical research at a later stage.

3. Conceptualized model of private banking consumer perception

The reviewed literature as well as Parasuraman's et al.'s model mentioned that word of mouth, personal needs and past experience have an influence on the clients' expectations. Additionally, the other determinants of perceived service quality access, communication, courtesy, competence, credibility, reliability, responsiveness, security, and understanding the customer are also regarded to be used as determinants for private banking consumer perceptions. However, the model did neither consider emotional values nor price nor relationship nor winner/killer elements. All of the four determinants were mentioned in the literature as attributes which influence perception and expectation. Therefore, these attributes are suggested to be added to the current determinants. In addition, the factor organizational culture needs to be considered by the theoretical working model as organizational culture drives many of the determinants. Apart from that, it was explored that fulfilled or exceeded expectations lead to satisfaction which needs to be considered as well. An initial conceptual model is given here (Figure 1).

Figure 1: Initial conceptual model of private banking consumer perception



As implied by the literature review, the customer related aspects, like the determinants, expectations and perception process are displayed in green colour. Company related aspects are coloured in orange. As the literature of private banking consumer perception is relatively rare, it can be assumed that further private banking consumer determinants exist and need to be discovered and validated by empirical research. Due to this, the researchers constructed the following research questions (RQ1): What are the determinants of private banking consumer perception? Importantly, the acquisition might have an influence on the perception of the consumers due to aspects like image, branding, reputation (defined as determinant credibility) and pricing etc., too. Consequently, the following additional research question (RQ2) was constructed: Does the acquisition of a private banking service provider influence the private banking consumer perception? Summarizing, only limited literature sources focused on private banking consumer perception. No literature was found which explained or dealt with the factors of private banking consumer perceptions or even defined the term private banking consumer perception. Therefore, the determinants of private banking consumer perception which were gathered by the literature review will be validated by empirical research. Furthermore, none of the studies dealt with the changes of private-banking client perceptions due to an acquisition. The significance of this study is that it provides an empirical investigation of an under researched area. In this respect, further research is required because more and more banks - especially private banks - have been acquired by large banks.

III. EMPIRICAL RESEARCH STRATEGY AND METHODOLOGY

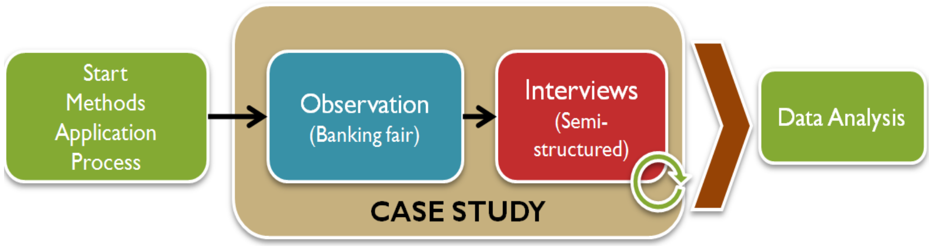
1. Research objectives

The authors were able to collect determinants of consumer perceptions which might be used to define private banking consumer perception. The present research will validate the determinants elicited by the literature review (Figure 1) by empirical research (RO1). A further research objective is to investigate as to how acquisition influences or changes private banking consumer perception (RO2). In detail, acquisition might change aspects like image, branding, and pricing. Additionally, from the literature, the authors gathered information about private banking perceptions, aligned these determinants to a model of consumer perception, and created a new conceptualized model of private banking consumer perception. The researchers will validate this model by empirical research (RO3).

2. Explanations of methods and methodology

The present research has applied the case study method (Yin, 1984) to conduct primary qualitative research. The aim of a case study is to explore phenomena and understand them within a particular context. As repeatedly mentioned, the researcher analysed changes of private banking consumer perception within the context of an acquisition. The researchers used in his case study non-participant observations and semi-structured interviews (Figure 2).

Figure 2: Methods and the application process (own creation)



The researchers applied the philosophical standpoint of critical realism. The manifesto of critical realism is to recognize the reality of the natural order, events and discourses of the social world (Bryman & Bell, 2007). This philosophical approach consists of two steps to experience the world: first, the thing itself and the sensations it conveys. Second, a mental process which starts after sensation meets our senses. Unlike critical realism (CR), direct realism consists only of the first step, and the world is seen as relatively unchanging. Whereas the critical realists' believe that the social world is constantly changing (Saunders, Lewis, & Thornhill, 2009).

The current research took place in the context of the European Banking Crisis, which influenced the perception of the private banking consumer (e.g. the bad market situation had a negative effect on the client asset portfolio). Furthermore, there are many parties involved in the process of an acquisition, and these parties have an influence on the perceptions of private banking consumers as they form the context and influence internal factors such as beliefs, needs, moods, etc. Thus, all parties which have an influence on the topic under investigation were the units of research and were observed and/or interviewed. Due to the consideration of relevant groups of actors and interactions and relations between them, case studies are a multi-perspectival analysis and allow the researcher to understand the perception from the viewpoint of the 'elite' (Feagin, Orum, & Sojberg, 1991) who have the biggest influence on the topic at hand. This offers the researcher a holistic view (Patton, 1990) on the present subject. The holistic case study is shaped by the principles of qualitative research and serves the evaluation of complex procedures that are not treated effectively with quantitative designs (Scholz & Tietje, 2002). The researcher collected qualitative data that allowed him to use small and context rich samples. Due to discretion it was assumed that access to private banking people is difficult. 14 participants were observed on a finance fair in Germany by using non-participant observation. The observed people were senior consultants, journalist of economic journals and banking managers. On the finance fair private bank representatives discussed current topics and introduced new products to their clients which allowed the researchers to discover the relationships between the different people. In the next stage, 14 people were interviewed consisting of five clients, two relationship managers, one relationship manager assistant and six banking managers. Interviews were undertaken until data saturation was reached. The observations and semi-structured interviews were recorded on tape and the tapes were transcribed. As the work used in the first phase non-participant observations and in the second phase semi-structured interviews to gather primary data; between-method triangulation was achieved which is a sub-type of methodological triangulation (Denzin, 1978). In business research triangulation allows the researcher to get a fuller picture and a better understanding of the study under investigation as different perspectives are used (Denzin, 1978; Thurmond, 2001).

3. Data Analysis

Content analysis was used to analyse the primary data, which is "a method of collecting data where text is systematically converted to numerical variables for quantitative data analysis" (Collis & Hussey, 2003, p. 345). This technique "allows the researcher to process data texts that are significant, meaningful, informative, and even representational to others" (Krippendorff, 2004, p. 41). As qualitative data is subjective and relies on interpretation of the researcher (Klenke, 2008) the context is very important and has a big influence on the data interpretation. The author used inductive content analysis which is appropriate for studies that intend to develop theory (Trochim, 2006; Burney, 2008). As the study is based on a preliminary model an initial list of coding categories was developed from the model, and this model was modified within the course of analysis as new categories emerged inductively (Miles & Huberman, 1994 cited by Zahng & Wildemuth, 2009). New categories emerged by identifying new topics and themes from the primary data. If a theme or topic did not fit to an existing category, a new category needed to be created (Vickers & Offredy, 2010).

IV. SUMMARY OF THE FINDINGS

1. The determinants of private banking consumer perception?

The primary research confirmed determinants by empirical research that were previously discovered by banking literature and discovered further determinants. All in all, 14 private banking determinants were gathered by empirical research:

Access. Interviews stated that the banking staff's availability is important especially during difficult market periods: For example, P8 mentioned: *"It is appeasing for them [clients] if they have someone they can talk to about the markets and who delivers them a little bit of security. […] This gives them the feeling that someone is available who goes WITH them through the hard times."* (Assistant for relationship managers (assistant vice president)). This view was supported by twelve interview participants and three observation participants. It can be concluded that high accessibility of contact personal creates trust. Therefore, the determinant access is regarded part of credibility which additionally consists of trust.

Communication. The primary data revealed that pro-active communication is expected by the clients in relation to problems: *"In bad market times we agreed to inform the customers more often than in good market periods. […] This leads in the first stage to trust and clients know if there is something wrong and action is required, he will inform me."* (P1, Asset management advisor private banking (assistant vice president)), a view supported by 14 interview participants and nine speakers during the observations.

Competence. The primary data findings confirmed the literature review. The determinant competence consists of the knowledge of the banking staff, especially of the relationship manager to perform the private banking service. *"He [relationship manager] should have a good knowledge, work with understandable reasons because I am not a banker and he can discuss with technical impressions that I do not understand."* (P7, client). This view was supported by 14 interview participants and ten observation participants.

Courtesy. According to the primary data courtesy consists of the appearance and friendliness of the bank and staff. Primary data found that courtesy is a seen as precondition by the client. *"Courtesy is the absolute minimum. I have to behave correctly and in a friendly manner. This is something that clients expect."* (P1, asset management advisor private banking (assistant vice president)). This view was supported by ten interview participants and 14 observation participants.

Credibility. Expectedly, trust was repeatedly stated a crucial factor, especially for the relationship. In addition, it was found that the more a client trusts his relationship manager, the easier it is for her/him to advise the client. Furthermore, long-term relationships are based on trust. "*Well, it [financial contracts] includes very far-ranging decisions. There are many influential factors which cannot be judged by me [as a client]. In turn, this means I must totally trust my counterpart [relationship manager]."* (S2, senior consultant). This view was supported by twelve interview and nine observation participants.

Emotional/Social values. Emotional/social values were not mentioned by existing literature but discovered by empirical research. Emotional/social values are important during the private banking consultation process as clients' investment actions are influenced by emotional involvement. *"A client, who made a loss of 30%, wants to sell the product. He wants to get rid of the stress. He is making the wrong decision."* (S5, member of the executive board of an acquired asset management company). This view was supported by ten interview participants and two observation participants. In addition to that the emotional/social skills are required by the relationship manager to create a personal relationship.

Independence/Individuality. Independence and individuality was not mentioned by existing literature but discovered by the empirical research. It was investigated that clients perceive the advice on asset management of relationship managers from large banks as not independent as relationship managers get commission for selling their bank's own products: *"If I realize that the relationship manager just wants to sell me something, I am not convinced of, I will give thought to the commission he might get and I will be careful."* (P4, client). This was a view supported by twelve interview participants. Hence, external asset management companies hold a competitive advantage as their advice is not dependent on commission but on assets under management (AuM) and, hence, their advice is perceived independent.

Macroeconomics. The determinant macroeconomics was not mentioned by existing literature but discovered by empirical research. The determinant macroeconomics contains the influences of national banks, lawmakers/government as well as the political stability. *"On the one hand there are protectors, like lawmakers and consumer protection. These parties say they need to protect humans. On the other hand we have the investors that want to be sure what happens with their money. As a third party we have the industry. We [industry] must deal with the question how do we work correctly so that it is fine for our clients."* (S1, senior consultant). This view supported by eleven interview participants and six observation participants. This determinant is important for the diversification of the client portfolio and the risk awareness of the client.

Price. We found by empirical research that clients tend to be more price sensitive in bear markets than in bull markets. The determinant price includes all fees, commissions and costs associated with the private banking service. Clients in private banking are price sensitive: *"It is important that I can state to him [relationship manager] I do not accept any fee for money transfers and transactions, this means to make compromises."* (P4, client), a view supported by twelve interview participants and two observation participants.

Products. The factor Products was not mentioned by existing literature but discovered by empirical research. Interestingly, the Products determinant not only includes funds, stocks but also reports and statistics used to provide the private banking service. Some clients perceive specific products as untrustworthy and some as secure. *"It is important for me to have products that are based on security and not speculative"* (P4, client), supported by 13 interview participants and eight observation participants.

Relationship. The primary data clarified that the relationship between clients and relationship managers is one of the key factors in private banking. Most clients and relationship managers define their relationship as a friendship: *"I know most of my clients privately; mostly I could say we are friends."* (P1, asset management advisor private banking (assistant vice president)). This view was supported by 14 interview participants and four observation participants.

Reliability. In this respect, clients expect prompt response of service requests as well as fast and error-free execution of services. Further, the present research found that reliability is part of competence as a high level of competence is required to provide error-free service. *"At first, I think error free transactions and tasks, like money transfers, standing orders or something else which are standard services, must be done error free."* (P5, branch manager of an asset management company). This view was supported by 13 interview participants and one observation participants.

Security. This factor was also confirmed by the empirical research. In addition, it was found that "security" consists of the security of the bank, assets as well as discretion. *"Discretion is from my point very important that nothing leaves the bank."* (P4, client), a view supported by 13 interview participants and five observation participants. Lawmakers are advised to create policies to ensure security for both parties, for clients and for the banks.

Understanding the customer. It was found that relationship managers must understand their clients by giving them individual attention. *"It is about the question of the needs of the person sitting opposite me [client]. He's an individual. These are as coloured as all the ties we have here today. To see the human being […]."* (S1, senior consultant), a view supported by 14 interview participants and seven observation participants.

2. The Influence of acquisition of a private banking service provider on the private banking consumer perception

It was explored by empirical research that an acquisition can influence all determinants of private banking consumer perception. The determinants of private banking consumer perception most influenced, however, are communication, credibility, individuality/independence, products, relationship and security. Thus, banks need to ensure during and after an acquisition process that consumers perceive these determinants as fulfilled or exceeded in terms of consumers' expectations.

Communication. During an acquisition process it is important to inform clients as soon as possible about the acquisition and the associated major changes. This is necessary to eliminate rumours in the market about the acquisition process and to alleviate clients' insecurity. *"Clients expect to get enlightened. […] As our bank was acquired our clients heard the rumours"* (P8, assistant for relationship managers (assistant vice president)). Poor communication also results in a loss of relationship managers and, due to this, a lack of clients. Hence, to ensure a proper acquisition process the communication steps and strategy need to be planned and executed well in due advance. This view was supported by eleven interview participants.

Credibility. The image and reputation of the bank might be influenced depending on the reason for the acquisition. Relationship managers are able to place the acquisition in a positive light by highlighting advantages of the acquisition process which results in keeping a positive reputation for the bank. *"This depends on the bank and on the reason. If a client has chosen a bank because of the brand name then the acquisition of such a bank might lead to reputation damage."* (P1, asset management advisor private banking (assistant vice president)). This view was supported by ten interview participants.

Individuality/Independence. It is paramount for the independent banks to be perceived independent from the acquiree as otherwise the private bank might be used to distribute the products of the acquirer: *"As the process started, many clients stated questions like how does the future look like. Will it be the same as when I was at a large bank and change due to this? […] That it is like an automatism - were you offered large bank X products every day?"* (P8, Assistant for relationship managers (Assistant Vice President)). This view was supported by eleven interview participants.

Products. The acquisition process influences the private banking clients' perception in terms of products. Clients might be afraid that their products will be worthless if the issuer is bankrupt. In addition to that, the distribution of products from the acquirer via the acquiree might be forced. *"I think, in the end, products will be created to use the scaling benefits and to push these in the portfolio of the people. I express this* *negatively and it will lead to a standardisation which this type of client does not get along with very well."* (P11, client). This view was supported by eleven interview participants.

Relationship. To keep the same relationship manager during an acquisition process was repeatedly mentioned by interviewees. If the relationship manager leaves the bank, it is very likely that the client will leave too, as relationship managers have built up the relationship with the client and not the bank. *"I think the personal relationship is very important, of course. I have changed to a private because my relationship manager has changed."* (P11, client). Hence, banks need to ensure they retain the relationship managers to avoid customer base loss. This view was supported by 13 interview participants.

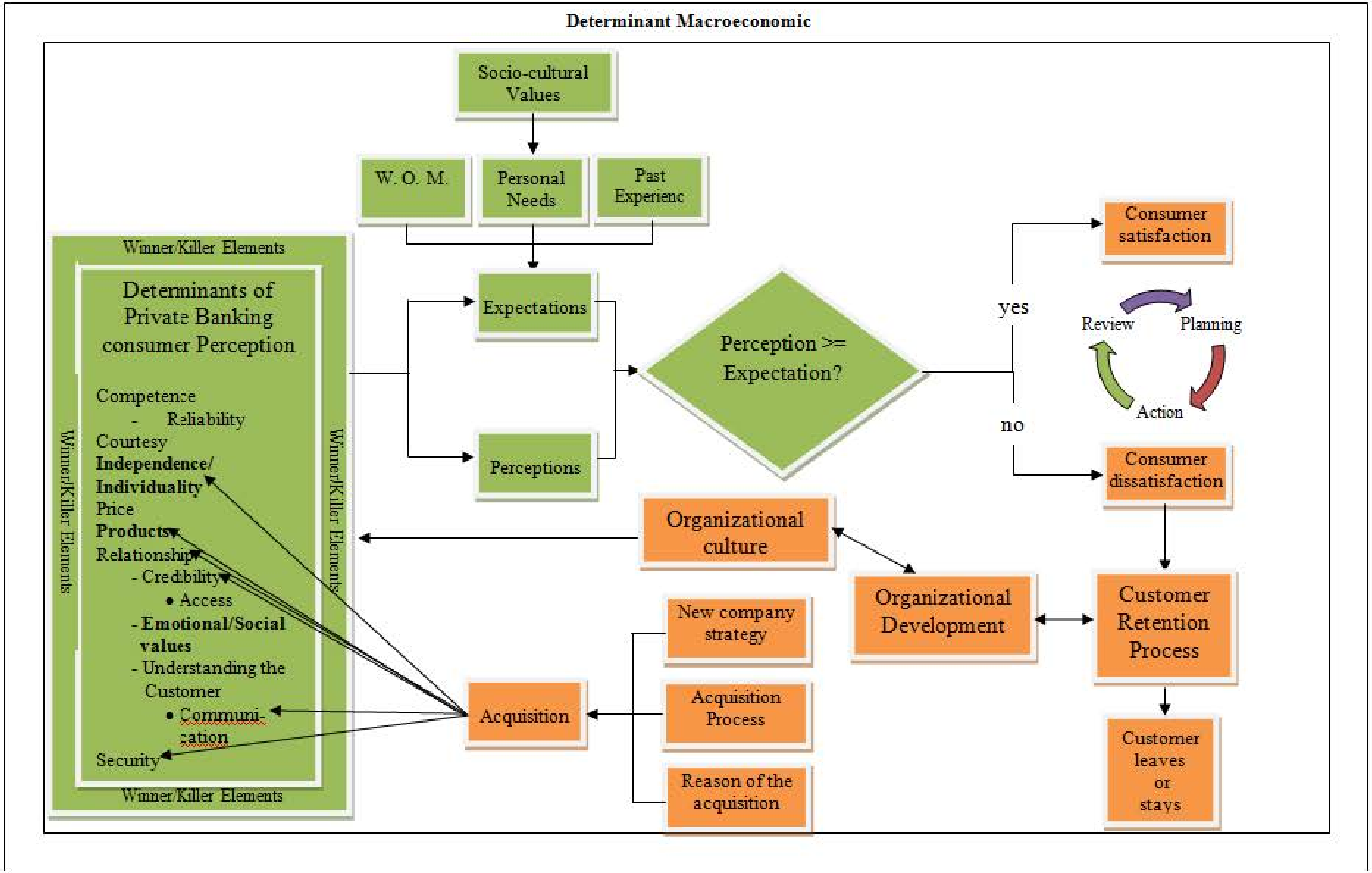
Security. Clients were worried about security during an acquisition in terms of their assets and liquidity of the bank and they insisted that account details remain with the private bank and not are transferred to the acquirer. *"For the client it is very important that the acquirer does not forward any account information [...] that their names are discrete."* (P10, relationship manager of a private bank). This view was supported by nine interview participants.

Context of an acquisition. In addition to the determinants it was discovered that the context of an acquisition influences the private banking consumer perception. The research explored that an acquisition due to a bankruptcy of the acquiree influences the consumer perception negatively in terms of image/reputation (credibility). During the acquisition process relationship managers might be able to place the acquisition in a positive light: *"[..] as it happened with the partners and the bank was acquired by large bank X, client were amazed. It was necessary to invest in the sense of the acquisition that we have a stronger partner with large bank X. We had to place it in a positive light."* (P13, director and relationship manager of a private bank). In addition, it must be ensured that relationship managers are kept as they own the relationship with the clients. The information about the acquisition should be provided fast which reduces rumours and insecurity. Basically, clients tend to accept the acquisition if this is in line with the current banking strategy and strengthens the substance of the bank. Further, it was perceived positively by the interviewees if the acquirer has the same cultural background so that it fits to the current company culture. It must be ensured that the new company structure is compatible with the acquirer and acquiree (e.g. acquirer and acquiree are private banking providers instead of a retail bank acquires a private bank). *"There is a difference if a bank gets normally acquired e.g. Rabobank states we will sell the unit because it does not fit to our business as we are a large bank from The Netherlands and an exclusive private bank does not fit to our strategy."* (P6, CEO and reliable partner of an asset management company; private banking and financial market expert). This view was supported by twelve interview participants.

3. The new model of private banking consumer perception

A continuously adapted and new model of private banking consumer perception (Figure 3) was created that displays the different determinants, the acquisition influence and the influence of expectations and perceptions of the client. The determinants "emotional/social values", "independence/individuality", "macroeconomics" and "products" were not mentioned by existing literature but are considered by the new model of private banking consumer perception and are therefore a new contribution to knowledge (displayed in bold) in the model of private banking consumer perception. As displayed in the model, the determinant "relationship" consists of the sub-determinants "credibility", "emotional/social values" and "understanding the customer". Further, the sub-determinant "credibility" consists of a sub-determinant "access" and the sub-determinant "understanding the customer" consists of the sub-determinant "communication". It was found by empirical research, to establish a proper relationship with their clients, relationship managers need to at least fulfil or better exceed clients expectations' of the determinant relationship, the sub-determinants of relationship and its further sub-determinants. Consumers perceive a determinant as fulfilled if all the corresponding sub-determinants are fulfilled. Reliability is part of the determinant competence. Some specific determinants are winner (are perceived as a bonus by the client) and some are killer (are seen as a must by the client) elements. Each bank must define their killer and winner elements. Socio-cultural values influence personal needs. Personal needs, as well as word of mouth and past experience influence the expectation of the client. Additionally, the acquisition influences the expectation and perception of the client. Depending on the context of the acquisition different determinants are influenced. The customer related aspects are displayed in green colour and company related aspects are coloured in orange.

Figure 3: Model of private banking Consumer Perception



Furthermore, no model existed so far that displayed the influence of acquisition on private banking consumer perception which is a further contribution to knowledge. From a practical viewpoint, the model is useful for private banking providers to understand private banking consumer perception in general and the influence of acquisition on the private banking consumer perception in particular. Further, it supports private banking service providers to develop and create efficient internal (e.g. training of staff) and external (e.g. promotion) marketing methods. During an acquisition process banks need to be able to undertake their marketing (internal and external) to keep the right culture in place and to present the bank to the clients.

V. LIMITATIONS AND AREAS OF FUTURE RESEARCH

The research was undertaken in German-speaking countries, which are defined as low context cultures. If the research can be transferred to high context cultures (e.g. China, Arab countries) must be discovered by further research and was not part of the present dissertation.

The constructed model of private banking consumer perception is useful for companies to understand private banking consumer perception and it can help to develop and create efficient internal and external marketing methods. Which specific marketing methods are most suitable for banks cannot be said as it is not part of this research and needs to be analysed by undertaking further research.

VII. CONCLUSION

This study provides important insights into the development of marketing strategies in a situation of acquisition. A triangulation research approach resulted in an innovative Private Banking Consumer Perception model consisting of 14 determinants (access, communication, competence, courtesy, credibility, emotional/social values, independence/individuality, macroeconomics, price, products, relationship, reliability, security and understanding the customer). Researched for the first time, the primary data revealed that acquisition can influence private banking consumer perception and depends on the context of an acquisition. Depending on the new company strategy, the reason for the acquisition and the implementation of the acquisition process, different private banking consumer perception determinants are influenced. If the banking strategies as well as the relationship managers are retained, no changes during an acquisition process will be perceived by the clients. Implementing the model, the acquiring bank assures to be a continuous owner of its most precious asset: private banking clients.

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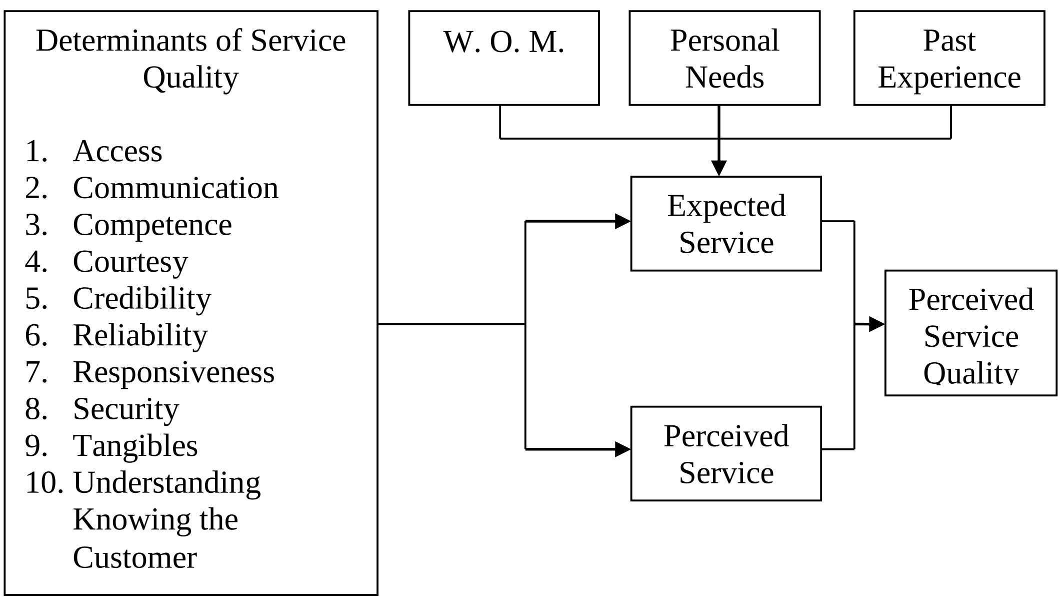
Appendix

Figure A1: Determinants of Perceived Service Quality



Source: Parasuraman et al. (1985)