

Building a Powerful Financial Services Brand

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As the business environment becomes increasingly hostile, more and more companies are discovering the value of brand as a strategic asset and a source of competitive advantage. According to a study by the consulting firm Brand Finance, nearly 72% of shareholder value is tied to intangible assets. And in most cases, brands are the most significant intangible assets.

Traditionally, financial institutions have enjoyed an enviable position where they were faced with little competition. But in an increasingly competitive financial services arena, these traditional advantages have virtually disappeared. As the entry barriers in terms of regulatory restrictions have decreased, making it easier for new firms to enter, consumers are presented with a plethora of options from both traditional and non-traditional players. Due to increased competition, product or service innovations have ceased to be a sustainable source of differentiation. In such a scenario, competition often revolves around price, thus depressing the margins for all the players in the industry.

In such a scenario, brands can serve as an important means of differentiation. But the financial services industry is notoriously lacking strong brands. A consumer research done by Interbrand, the leading brand management consultancy, in mid 1999, revealed that only two financial services firms - Citigroup and American Express Co., figured in a list of world's 60 best-known brands. A similar study by Booz Allen Hamilton studied the measures of brand strength and brand recognition. It was found that while brands such as Sears and Coca-Cola were recognized by 94% of the surveyed group, financial services brands were recognized by only 29% of the respondents.

The traditional business model in the financial services industry has been somewhat antithetical to branding efforts mainly because of the perception that brand building is expensive and carries no assurance of guaranteed returns. There is skepticism among fund companies about the applicability of traditional packaged-goods marketing and branding theory to financial services. But the value of a financial services brand is real. Booz Allen calculated the value of a financial services client's brand equity based on brand related revenues and expenses. The institution's brand equity translated to \$ 4 billion in market capitalization.

The changing market scenario coupled with the value that a brand can generate makes it imperative for financial services companies to initiate brand-building efforts. Their ability to attract and retain customers will now depend upon how fast they can strengthen and communicate their brands. Products or services in this industry revolve around something that is extremely important to customers: money. Thus, trust is an important factor influencing their decisions. And this is where a strong and well-recognized brand plays an important role. Moreover, the increasing complexity of financial products increases the importance of the brand as a tool for disseminating important information to the customers. For financial institutions today, the strength of their brand has become one of the critical parameters for differentiation and success. A strong brand influences customer preferences, maximizes return on investments in marketing efforts and strengthens the bottomline. The players, who are able to build and communicate strong brands, will be best posi-

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tioned to gain substantial competitive advantage in the marketplace.

However, not many financial service organizations have adopted a strategic approach to brand building. Some established organizations still see brand as an aid to awareness and recognition. Many brand-building initiatives in these organizations are characterized by sporadic, unplanned and uncoordinated efforts. But some new aggressive entrants view brand as a centerpiece of their corporate strategy and are aligning all their communications, operations and systems to deliver their brand promise. Interbrand, the leading brand consultancy firm conducted a survey to study how financial services firms are defining and managing their brands. The survey results revealed that there are four types of brand use among financial institutions:

- **The brand as a visual identification system:** For the companies that are at the first level of brand development, brand is seen only as a means of generating awareness and recognition. These companies place very little emphasis on developing and associating any values with the brand.
- **The brand as a focus for stand-alone product development:** In the second type of brand use, the operating brand is usually separated from the parent brand. The established brand is used for traditional services while a new brand is created for new services like telephone banking, Internet banking etc. The rationale for this strategy is that it takes a long time to change the underlying beliefs of an organization; therefore, the new brand needs to be separated from the parent brand so that it can be managed professionally.
- **The brand as a catalyst for organizational change:** These companies recognize the need for building a strong brand. These companies want to enhance their competitiveness by raising the standards of their customer service. They have also realized that powerful brands emerging in the market derive their strength from superior customer service. So, they focus on building their brands to compete more effectively. In these companies, the brand has a central, strategic role to play.
- **The brand as a centerpiece of corporate strategy:** Here, the brand is an embodiment of company's vision. Corporate brand is used as a vehicle to drive change. These companies are characterized by a brand driven organizational infrastructure, comprising of a senior management, which is visibly committed to the brand. The brand vision is deeply rooted in the organizational culture and the brand values are reflected in everyday activities.

Most Indian financial service organizations would fall in the first category. Though many of them have initiated some brand building activity, the objective of most of these initiatives is to generate awareness and recognition. However, if these organizations want to leverage their brand as a source of competitive advantage, they need to view the brand as a centerpiece of their corporate strategy.

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Creating and nurturing a financial services brand is a long and investment intensive process that goes through following steps:

- Defining the role of the brand in the business and outlining the leverage that it provides across markets.
- Choosing a suitable positioning strategy which clearly defines how the brand is different from competitor's brand
- Planning all the brand building programs and communication
- Organizing to support these brand -building activities
- Constant monitoring and tracking of the brand value

Defining the role of a brand

The first step in the brand building process is to clearly define the role of the brand in the business. The role of a brand can be to inform customers and to generate awareness about the product, to communicate product attributes or to create a differentiated position in the marketplace.

To understand the role of a brand, the marketer should understand how its customers and employees perceive their brand vis-à-vis the competitor's brand. For instance, in the case of a complicated financial product, a well recognized brand serves as a shorthand way of communicating critical product attributes and helps to present the offering in a simplified way. On the other hand, brand can also be used for highlighting unique product attributes. When Citibank launched its Suvidha savings account scheme in India, the Suvidha brand name was used to highlight its unique attributes that distinguished it from the competition.

Positioning the brand

The primary objective of brand building is to carve a niche for the company in the marketplace and own a distinctive position in the minds of the customers. When a brand is built, branding efforts should focus on owning a word in the prospect's mind. A word that nobody else owns. Once a brand owns a word, it is almost impossible for a competitor to take that word away from the brand. For example, Mercedes is strongly associated with "prestige", "safety" is owned by Volvo. Now, it would be a Herculean task for any new competitor in the marketplace to position itself on these attributes.

A brand's positioning strategy helps it differentiate itself in the marketplace. A brand's positioning platform defines the space that it wants to occupy in the customer's mind. It is an invisible basis that gives long-term

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identity to the brands. A distinctive positioning in the marketplace helps maintain 'distance' and dissimilarity between brands in the 'perceptual space' of the prospect.

The marketplace realities demand that financial services firms discard the traditional product based value proposition and compete on the basis of their core competencies. These core competencies can be a source of differentiation in the marketplace and can serve as their positioning platform. According to a framework suggested by IBM research, financial services firms can adopt any of the following four business models:

- **Customer Centric Model:** Building and nurturing customer relationships is the core competence of the companies embracing this model. These players understand customer needs very well and generally control the point of interaction with the customer. They empower the customer through education, knowledge and convenience and fulfill customer needs by partnering with fulfillment organizations.

A US based company, myCFO, offers a set of tailored personal financial management solutions via online interactions. This company is adding the physical channel as well by developing brick and mortar locations. Sony also plans to leverage its knowledge of customers by entering the financial services industry through an online bank. It has tied up with JP Morgan and Sakura bank for industry expertise and channel support. Such developments pose a threat to traditional financial services players. They can regain control over customer relationships only if they create customer centric organizations that deliver superior customer value. Companies like Citibank are well positioned to adopt this model. These companies can then leverage this core competence and position their brands on superior customer service and experience.

- **Production Centric Model:** The companies who operate on the basis of this model have developed competencies in production of financial products or services. They either meet the customer needs directly or serve as a resource for other business models. These businesses compete on the basis of price, quality or convenience and they can position their brands on any or all of these attributes.

For example, the Royal bank of Scotland group outsources its backend banking functions to companies offering such services. RBSG views its backend operations as a production centric line of business. The primary focus of the companies offering these services is production efficiencies and they take advantage of economies of scale to reduce their costs.

- **Market Centric Model:** These businesses offer value added services to both buyers and sellers. Often they provide a platform for transactions. They can also provide infrastructure, price discovery mechanism or supply chain support. E-bay, the online auction house exemplifies this market centric model. It understands the needs of both buyers and sellers and provides them with a platform to transact. The ability of these businesses to understand the needs of buyers and sellers can serve as their

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positioning platform.

- **Fulfillment Centric Model:** Businesses that are fulfillment centric, focus on identifying and fulfilling the needs of buyers and sellers. Their expertise lies in transaction completion and settlement. They provide distribution conveniences, fair price relative to the speed of delivery, reliability and dependability and post fulfillment services. Ito-Yokado, one of Japan's largest retailers is entering the financial services domain with its venture IY bank, which will enable customers to withdraw funds from IY bank or any other bank from ATMs installed in Ito - Yokado stores. Such businesses differentiate themselves on supply chain and infrastructure efficiencies and the intelligent use of next generation technologies to enable enhanced payment and transaction processes.

A coherent and consistent positioning strategy is a prerequisite for building a strong brand. The positioning strategy should clearly communicate the product benefits to its target segment. In the Indian financial services arena, though many players have stepped up their brand building efforts through advertising, not many players have been able to carve out a unique position for themselves. A few like ICICI, who have succeeded have identified their value proposition clearly.

Planning brand building programs

Once a brand's positioning platform has been clearly defined, the main challenge before financial services companies is to communicate this brand to the customers. Communication involves all points of contact between the brand and the audience, including product design, new products, and distribution strategy. A product story is usually communicated through advertisements, publicity and personal selling. It is often misunderstood that building brands is nothing more than advertising. In fact, brands can be built through variety of media, which include promotions, publicity, direct marketing, retail branches, the web, and sponsorships.

Advertisements

It is one of the most potent tools for building a strong brand. Financial services companies, which were hitherto protected from competition, did not feel a need to advertise. However, with the intensification of competition, they have become vulnerable to the attacks of more aggressive competitors who have inundated different media with their advertisements. Therefore, it has become imperative for other players to increase their advertising expenditure.

The most important component of a brand's advertising campaign is the message conveyed to the customers. The questions that need to be answered first are: what should be the message conveyed to the customers? What will the communication campaign focus on - product features or emotional benefits? The next important decision is the choice of the media to convey this message.

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The choice of the message is primarily governed by the positioning strategy. For instance, if a bank has chosen to position itself on the customer service platform, the message should be centered on attributes such as convenience, fast and efficient service and friendly staff. In the Indian market, ICICI bank has adopted this positioning strategy and its advertisements depict a friendly and convenient bank that is also a one-stop shop for all financial products.

The media mix traditionally chosen by financial services firms has also undergone a significant change. Traditionally, print media used to feature predominantly in the media plan. Now the changing competitive scenario has necessitated the use of electronic media as well. Media like television and the Internet are being extensively used by financial services firms.

Promotions

Promotions, which were once considered appropriate only for consumer goods marketing, are increasingly being embraced by financial services marketers. Promotional tools like reduced fees, zero balance accounts, pre-approved loans are used to lure customers to try the product.

Publicity

The general role of publicity is similar to advertising, but publicity usually addresses a wider public than the firm's customers. Press releases, news conferences and the offer of some exclusive features are different ways of seeking publicity. Publicity is more powerful in brand campaign because for customers and other stakeholders it is important to know that what others say about your brand. In spite of the growing Internet blaze and new advertising trends, publicity works best in brand campaigns. Global marketing power houses - Microsoft, Intel, Dell, Compaq, Cisco, SAP and Sun Microsystems - were created in the pages of The Wall Street Journal, Business Week, Forbes and Fortune, by publicity, not by advertising.

Strong brands are created through brand building programs that are coherent and consistent. The message should be relevant and powerful and the media chosen should be able to reach the target audience effectively.

Organizing for brand building

For delivering the brand promise, it is essential to create an organization that includes the right skills and structure to execute the brand strategy. Citibank, for example, has recruited a number of people with brand-building skills, including William Campbell, formerly the marketer behind many of Philip Morris' successes.

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It is not enough to create a brand management department and entrust the entire brand building responsibility to it. The brand image, especially in case of services, is primarily determined by the customer's entire experience with the brand. In case of financial services, the employees play a crucial role in delivering the brand promise. Therefore, it is important to rally the entire organization behind the brand. All the employees must understand and believe in the brand promise and work towards delivering that promise. Internal communication is as important as external communication. Moreover, senior management commitment lends a lot of support and credibility to brand building programs and helps the brand message percolate through the entire organization. The organization must be aligned with the people, products and services, physical network and service level required to communicate and reinforce the brand message every time a customer comes in contact with the organization.

The staff represent the "face" of the corporate brand. They meet, greet and serve customers in a variety of different ways, face-to-face, on-line, via telephone and so on. Customer relationships depend on their attitude and their loyalty. If there is less loyalty between the employee and the employer, then the employee's approach becomes transactional which threatens the longevity of customer relationships. To build a motivated team of employees who are committed to the brand promise, it is necessary for communication to flow horizontally and vertically to all staff levels. This process of communication should include the brand mission, philosophy and core values. The staff should be empowered to make decisions related to the level of customer service. This process is even more critical in enterprises that are going through some form of transformation- mergers, alliances, downsizing.

Monitoring and tracking the brand

Finally, for a brand to be effective in the marketplace, the brand should continue to reinvent itself with the changing customer needs and preferences. Once a brand-building program is implemented, the results should be constantly tracked to determine how the brand is performing in the marketplace.

Sometimes, due to the noise in the marketplace, the message that the marketer wants to convey to the customers might get distorted. Consequently, the customers might create a brand image that is different from what the marketer intended. Financial services marketers have to guard against this as it renders most of the brand building programs ineffective. An effective solution to this problem is to constantly track the brand image as perceived by the customers and compare it with the brand identity that the marketer wanted to convey. If there is any mismatch, corrective action should be taken immediately.

Moreover, in a marketplace where customer tastes, technology and competitive landscape, all are changing at a lightening fast pace, the primary challenge for marketers is to keep their brand relevant. This requires an understanding of the nature, impact and magnitude of these changes and then repositioning the brand to reflect these changes.

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Experience Branding

As already discussed, most financial services firms equate branding with awareness and name recognition. This approach is the lowest common denominator of branding. It creates awareness but does not provide a compelling reason for customers to choose one brand over another. The next step is functional branding where product features are sufficiently differentiated and brand communications emphasize different product attributes. This position, however, is very difficult to defend as the competitors can easily copy the product features. Another approach is image branding where the focus is on creating an image that appeals to the aspirations of customers. But given the abstract nature of financial services this approach is very difficult to implement. In financial services industry, the most appropriate brand building approach is experience branding, i.e., orchestrating a superior customer experience through all the points of contact with the customer. This position, though difficult to achieve, can be a source of sustainable competitive advantage.

Experience branding is possible in financial services industry because the customer has frequent contact with the company. The image of the brand as perceived by the customer is primarily determined by his or her experience with the brand. A consistent and satisfying experience can create a strong brand. The effort of the company should be to provide a highly differentiated, consistent and positive experience across all the channels.

To ensure a reasonable return of investment, the level of customer service and therefore the customer experience, needs to be differentiated according to each customer's profitability. A high net worth customer would expect and should be given fast, efficient and personalized service. Value added services like advisory services would be extremely important for such a customer. On the other hand, a transaction-oriented customer requires a no-frills, but fast and efficient service. Financial services companies need to analyze and segment their customers on the basis of their profitability and offer them differentiated levels of service.

Brand building on the web

Financial services companies are facing a considerable threat due to globalization and deregulation. These realities have forced them to identify new ways to offer value to their increasingly diverse and demanding customers. The Internet and other emerging technologies such as wireless hold a lot of promise for this industry. Many financial services firms have identified marketing their services online as a strategic imperative. According to one recent study, financial services companies across the globe will spend an estimated \$200 billion on e-businesses in the next three years.

Though the usage of these technologies in India has been slow to take off due to a variety of reasons, the rate of adoption in other parts of the world is very high. Industry analysts estimate that 27 million Americans—one in 10—now do at least some of their banking online, up from 9 million a year earlier. European

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customers have also moved online. According to Jupiter Communications, Europeans will open a projected 34 million online banking accounts and 12 million online trading accounts by 2003.

This growing customer base is surely attractive but in addition to this online banking is lucrative because according to a Goldman Sachs study, it provides more revenue per customer and costs less per transaction than other methods of access. For example, Wells Fargo earns 1.5 times more revenue from online customers than it earns from other customers. Moreover, cost per online transaction is 86% of the offline transaction. According to a McKinsey & Co. estimate in 2002 online financial services will contribute 10 percent of the total \$400 billion in gross revenue of the financial services industry.

Though the scenario in India is not so attractive at present, the future seems to hold a lot of promise. Therefore, the players in Indian market need to redouble their efforts to build an online brand. The principles of branding followed in the physical world are equally relevant in the virtual world. A strong brand is based on five key ingredients: a financially-optimal customer target; a powerful positioning; clear and consistent communication of the brand's "reason to buy" message; communication of the company's marketing message using an effective mix of promotional vehicles; and delivery on the brand's promise through exceptional products and services.

A strategic issue while branding on the web is whether traditional brands should merely extend themselves online or create an entirely new identity, as Bank One did when it adopted the name Wingspan for its online venture. Although there are divergent perspectives on this issue, the fact is that customers want a trusted, traditional name in banking. Therefore, for incumbent firms it makes sense to leverage their strong brand online.

Another critical issue is the alignment of offline and online brand image. Most companies see online and offline branding efforts as two separate initiatives which are often driven by different brand building strategies. This creates an inconsistency in the brand image across the physical and online channel. Both online and offline brand building programs should be a part of holistic brand building strategy which attempts to create a consistent and positive brand image across all the channels.

A strong brand is a strategic asset that provides tremendous leverage in the marketplace. A strong brand translates into price premium and also enhances the efficiency and effectiveness of marketing expenditure. Building a strong brand requires appropriate senior management commitment, carefully crafted positioning strategy and well-designed communication programs. Branding a financial services brand is more a "business science" than "marketing art".

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