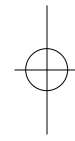


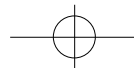
Bank *on the* Brand



The financial services sector is notoriously lacking strong brands.
This summary of a recent global study investigates the value that strong branding can deliver and recommends how to maximise this value, amongst all a company's audiences.

A quantum leap is occurring in the influence of brands in financial services. Mega merger mania and global deregulation is driving the rise of global brands. UBS now dwarfs its local competitors and HSBC is re-branding all its global retail operations under one

corporate brand. In the UK, market shifts such as the increasing consumer interest in financial decision making, the rise of the stakeholder pension, and the internet as a channel, are forcing companies to invest in brand building exercises with consumers.



AT the same time, powerful consumer brands, like Virgin and Sainsbury's in the UK, have successfully launched financial services with no previous experience, but with loyal consumer relationships. Branding is transforming the way financial services are communicated, just as surely as IT systems are transforming the way banks do their business – and assisting new brands to set up banking without branches.

How is that quantum leap reflected in the way financial services companies are defining and managing their brands and their businesses for the future? Interbrand has just conducted a survey designed to answer that question. We asked 24 financial institutions around the world how their principal customer brand is used and managed, both externally and internally.* The answers reinforce the increasingly widely-held view that the brand is fast becoming the major competitive asset for companies. But more importantly, the answers also show that the role of the brand within the management of business is changing dramatically and the way businesses operate is changing as a result.

Although some long-established banks and insurance companies still see their brand merely as an aid to awareness and

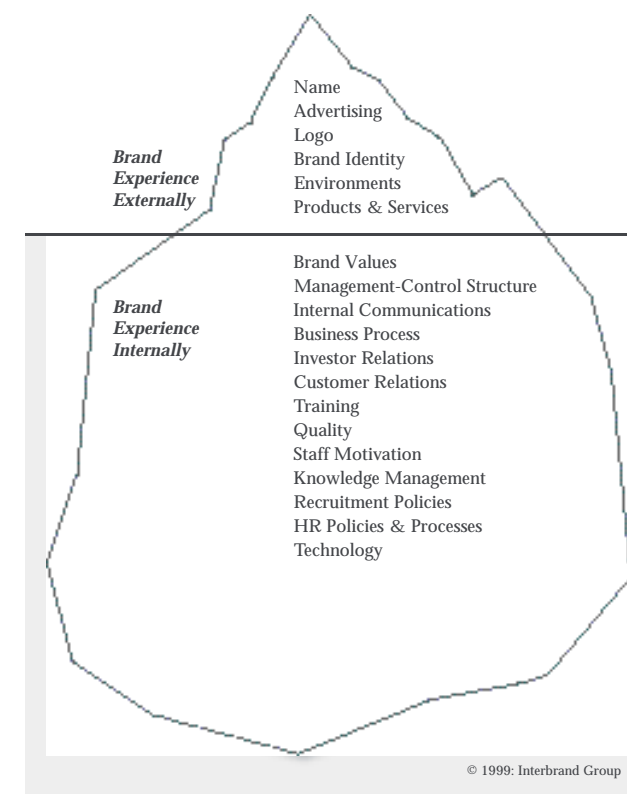
recognition, the new entrants and those institutions that are radically transforming themselves put the brand at the centre of their corporate strategy. This means they are aligning all their communications, their operations and their systems to their brand mission and values – and working to make all of their employees effective ambassadors for their brand. They assert that the brand symbolises all that makes them different, so they are trying to ensure that their individuality is transmitted in all their activities. They are taking the same stance as Kenneth Chennault, Vice-Chairman of American Express, who said in a recent interview, “While there are many directions a financial services company can go today, we will only do that which supports the growth of our brand”.

In other industries it is well accepted that putting the brand at the centre of corporate strategy is critical to success, BMW, Coca Cola and Tesco being good examples. Our survey indicates that some financial services companies now take that line and are working to make it happen. However, many others still have some way to go.

The Changing Role of Brands in Businesses

The changing role of brands from a marketing tool to an organisational principle for business is part of a historical trend. Brands were first regarded merely as trademarks (brand names and logos) which differentiated one product or service from another. This concept of brand differentiation was then extended

Figure 1: The Brand Iceberg

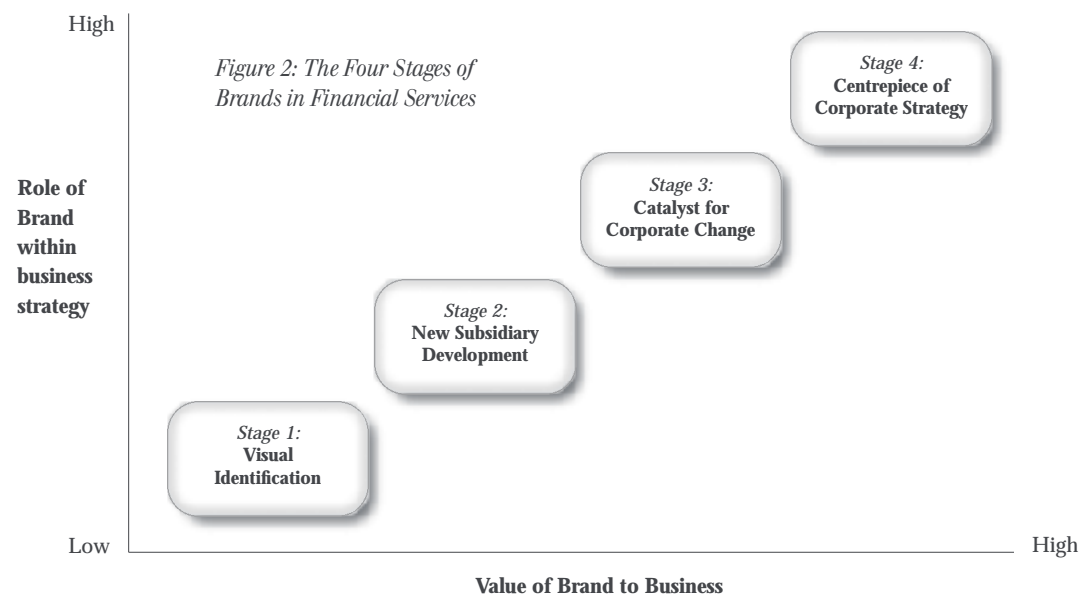
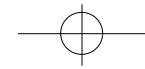


into whole visual identity systems with guidelines for everything from packaging to advertising, seeking always to differentiate the 'look' of the product. More recently, it has been recognised that brands define ongoing relationships through the power of their personalities and values, which further differentiate the branded products/ services from their competitors.

Initially, only the customer relationship was considered. Now, the leaders in brand management recognise that brands define relationships with all their key audiences, notably investors and employees. They also acknowledge that relationships and values relate to behaviours. This means that in the best managed brands, the brand's values are accepted and practised by the workforce, particularly in service businesses like travel, hospitality and, of course, banking and insurance. The employees have a relationship with their brand that is the counterpart of the intended customer relationships.

This recognition that brands now serve as much more than just an identity system can be illustrated by the concept of the "brand iceberg". Like an iceberg, only a small proportion of the brand's mass and power is visible, the rest is intangible and hidden. But effective brand management requires attention to the hidden brand elements as much as to the visible ones.

*Survey respondents were assured anonymity. Survey was conducted in association with the London Business School's MBA programme.



The survey respondents who are most advanced in their brand thinking, endeavour to manage the brand's identity not just through its visual expression but also through intangible elements, such as proactive investor relations and employees who deliver the brand values in customer interactions. Consequently, they ensure that all the interdependent elements of brand management have been revised to reinforce the brand strategy.

The Four Stages of Brands in Financial Services

The survey responses show that there are four clear types of brand use among financial institutions around the world.

They are depicted in *Figure 2*. As you can see, each stage builds to the brand-centric strategy evident at the fourth stage.

The key difference between the first type of brand use and the others is that at the Visual Identification system level, the brand is externally focused only and little attempt is made to incorporate any core brand values within the management of the business itself. At the other levels, a greater or lesser effort is being made to address and inspire the workforce and other audiences (such as investors) through the brand. At the second and third stage, there is an active attempt to inculcate the 'brand values' into employees' working approaches and at the fourth stage, the values have

been integrated into the business processes and into corporate policies.

Stage 1: The brand as a visual identification system

Among our survey sample, a clear brand architecture or hierarchy and a carefully protected brand identity are universal. All have a well-defined brand name and visual identity that is very familiar to both customers and non-customers. Every organisation has someone dedicated to overseeing the expression of that brand, ensuring that it is not distorted or wrongly exploited. A sustainable brand must be clear, consistent, unambiguous and protected. Everybody understands that and works hard to deliver it.

For the companies who are at the first level of brand development, visual identification is the only role described for the corporate brand. These companies have traditionally placed a lower priority on developing and associating values with the brand and have focused on it principally as a naming device, which raises customer/prospect awareness. Consequently, we would argue that they have left much of the brand's potential value 'on the table', by not clearly defining a brand personality or a relationship with all stakeholders, especially employees.

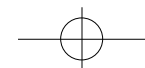
Several respondents from bank marketing departments highlighted the contrast between marketing and banking mentalities as the principal cause of the limited use of the brand. As one put it: 'Marketers think laterally and in colour. Bankers think only in black, white and grey'.

Another commented that, 'Staff are enthusiastic about the brand but are not inspired by it and don't know how to express it (in their work)'.

Further discussion clarified this contrast of mindsets – if revealing some sweeping generalisations. 'Marketers' are orientated around customers and want the bank's services to address their differing needs and preferences. 'Bankers' are orientated around their systems and procedures and want to match customers' requirements to those constraints. Clearly, these two attitudes will trigger very different types of customer relationships – and hence distinct brand personalities.

Stage 2: The brand as focus for stand-alone product development

The second type of brand use we encountered in our survey separates the operating brand from the master brand. The established corporate brand identity is reserved for the traditional offering of financial services and a new daughter



brand is established for a new type of service, e.g. telephone or Internet banking/ insurance like those offered by Smile or Egg or Cahoot. The rationale for this strategy appears to be that while the personality, style and culture of the overall organisation is too entrenched for a radical change, a new service can be developed which is managed in a completely different way and kept separate from the parent. In each instance, the new sub-brand is an integral part of the intended relationship between the brand and its stakeholders.

The survey reveals that in these cases the corporate brand continues to be confined to a name and a visual identity for external communication, as described at stage one. However, in the telephone and Internet-based operations, the sub-brand is heavily used for both internal and external explanation of the service and is seen to be central to the development of the new business. It also enables the new service to be strongly differentiated from the parent organisation and brand.

The critical change occurring is that operations staff (bankers) of the new service, and not just the marketing staff, see the brand as conveying the underlying service promise. The brand communicates the values and nature of the service on offer, and the nature of the relationship

between the brand and the customer. In so doing, it is also informing employees about what they should seek to deliver to customers and encouraging behaviours that reflect the new sub-brand's values.

The difficulty these new branded services face is that they remain part of a parent institution that sees brand solely in terms of visual identity and has a contrasting vision and set of values. Our survey reveals that the organisation infrastructure, such as systems, human resources and premises, is often shared with the parent company, for whom the new organisation's brand values have no currency. The respondents commented that the resulting clash of values and behaviours, sometimes within the same offices, limits the effective delivery of the new brand and the maximisation of brand value.

There are two ways to resolve this difficulty. One is to separate the sub-brand completely from its parent and give it its own premises, HR policies and tailored IT systems, all of which are aligned to the brand vision and values. The other is to re-align the corporate brand so that its vision and values – and consequently its policies and systems – are consistent with those of its successful sub-brand. The latter approach is obviously the better way to capitalise on the experience gained in the

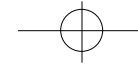
Case Study

'Prudence' is a financial services provider in the southern hemisphere. It faced growing competition in its home market and had identified that a major internal organisational change was needed across all areas of the business to deliver improved performance consistently. The company wanted to develop more of a customer-focused, marketing-driven mindset and reduce the administrative back office banking mindset. It was also concerned to ensure that customers would see a change in procedures and in staff behaviour as well as in attitudes. It saw the corporate brand as the best vehicle to use to drive this change.

The top management defined a vision and set of values for the brand, in consultation with their staff, that reflected the sort of relationship they wanted to establish with their customers. They then set up a Brand Council, with representatives from operating divisions and HR as well as marketing, in order to direct development of the brand, supported by a brand management team of marketing experts to implement the plan and manage the budget.

The council launched an extensive internal communications programme to drive the culture change, coupled to a highly participative programme of sub-projects with retail staff to define how to apply the brand values to daily behaviour in customer interactions. They also led an initiative to redesign training, recruitment and reward policies to reflect the brand values.

In order to sustain the momentum for change, the brand management team are now investigating ways to measure performance that will show how effectively the new brand values and culture are being delivered and lived – and reflected in financial performance. They have given themselves a target of two years for full implementation and adoption of the brand values.



new operation, particularly if the sub-brand is part of a broader strategy for transition from product to customer focus, but is a much greater organisational challenge. As one survey participant commented, “internal jealousies and rivalries often hinder the transfer of best practice between the parent and the new brand”.

Stage 3: The brand as a catalyst for change

The third type of brand use revealed by our survey is seen among financial institutions who are using the corporate brand as a catalyst for a significant organisational and cultural change programme.

The companies in this group have identified a need to improve the competitiveness of their service – primarily through raising their standards of customer service. They have also recognised that the powerful retail brands entering the market are doing so on the back of their association with value and consistent service. So they want to build their brands to compete more effectively. They know that their brands have high awareness, but need to convey stronger relationship characteristics of quality customer service and personality if they are to resist the

competition from new entrants. For an example of this approach, see Case Study on page 6.

In this third type of brand use, the brand is given a more central, strategic role in the parent business than in the other companies discussed so far. It is positioned as an emblem of the vision and values of the whole company and is used to emphasise the importance of customer relationships to the business. It is used as much to motivate staff as it is to communicate with customers and it is managed by a cross-functional team, who have a long term, business-based perspective on its development.

It is clear that this is a transitional stage of brand development. The companies involved all intend to move to the highest level of brand management, placing the brand at the centre of their business strategy, but acknowledge that the sustained shift of values, culture and behaviour will take some time to achieve. The critical issue for these organisations is whether they can sustain the momentum behind the new brand-driven culture until it is universally accepted. It is harder than setting up a new standalone service with a sub-brand, as undertaken by our second group of survey respondents, but has a much higher pay-off, since it will align

the whole organisation, including back office and support functions, to maximising the value of the parent brand.

Stage 4: The brand as the centrepiece of corporate strategy

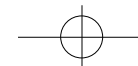
About 25 per cent of the companies surveyed describe a management structure and range of activities which indicate that their master corporate brand is at the centre of their business strategy, corresponding to our top level of brand development. In these companies, the CEO and top team developed and agreed the corporate brand strategy and positioning at the same time as the business vision and strategy. So for these organisations, the brand has become the embodiment of the company vision and direction and the brand mission and values serve as the lenses through which proposed changes and improvements are filtered.

What are the practical implications of positioning the brand at the centre of corporate strategy? These companies have a brand-driven organisational infrastructure, comprising visibly brand-committed senior management teams leading a workforce who live and breathe the brand vision and values in their regular activities. They also have all the features observed in the second level companies

(standalone sub-brands and companies going through organisational transformation) and have been maintaining these disciplines for long enough that they have become part of the intrinsic fabric of the company. For these companies, all the policies and practices described in the Brand Iceberg are regularly monitored to ensure they support, not conflict with, the brand vision.

One of the respondents in this group commented that his management’s view was that: ‘Building a differentiated brand is the only strategy that will lead to long-term value creation’ as well as assisting the success of other interventions, e.g. acquisitions, process improvements. As a consequence, the Chief Executive and the senior management accept responsibility for the brand’s performance and so, in their individual departments, do most of the staff. Their Brand Development team includes service, operations and sales people as well as marketing. Two brand managers share responsibility for customer satisfaction, internal communication and monitoring/evaluation of the brand.

Another institution in this group is arguably expanding its brand use even further. They have a similar brand-driven strategy and organisation and are now planning to use their brand strength as the basis for diversifying beyond



conventional retail banking services into a broader role as an 'intelligence agent/broker'. This is because they know that their systems and processes consistently deliver their brand values and so their brand connotes a quality of relationship, rather than just a collection of banking services. Clearly, at this level, the brand offers a much broader and stronger range of benefits – and higher share-holder value – to its owners than brands do for the financial institutions that use them solely for visual identification.

Key Lessons for Managing the Brand

What are the critical actions for financial institutions that wish to maximise the value of their brands by making their brand strategy an integral element of their corporate strategy and aligning their operations to that strategy? Our research results indicate the following:-

- Understand and bridge the gap between banking and marketing mentalities by establishing the financial value that brands bring to the business.
- Demonstrate ongoing, visible commitment to the brand across the whole senior management team.

- Align internal communications with brand values; make the message meaningful and inspirational; repeat it often and through multiple media.
- Manage the brand with a high and wide degree of participation but control it centrally, until the brand values are second nature to all.
- Build the brand philosophy and values into recruitment, training and HR practices as well as business processes.
- Measure brand performance in a manner that encourages customer bonding and not just awareness; use employee performance appraisals to encourage behaviour in line with the brand values.

Those financial institutions that have succeeded in building a powerful corporate brand have done so through strong management and have used it to generate greater shareholder value, including the power of the brand in mergers.

None of the companies we surveyed had experienced a major change in their ownership, but this is one of the increasing trends in the industry. This suggests that if branding could be used to catalyse a successful merger, acquisition or, in some countries, privatisation, it would drive the creation of substantially more value.

Leveraging the Brand in Mergers

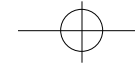
The recent and successful Royal Bank of Scotland bid for NatWest brings a number of issues into sharp focus. So far it seems that both brands will be retained, but our survey suggests that this may make it much harder for the management team to bring about the necessary organisational change. Perhaps they will re-launch each brand with a new brand vision and values (and identity?) which will drive new ways of working and relating to customers. Alternatively the Royal Bank of Scotland brand could be the best way to drive changes through the NatWest organisation? Or a new brand could be created.

Any transformation will require a major positioning and organisational change programme. Its objectives are to reassure customers of the benefits that will flow from the change, to allay the anxieties of employees about their careers and their conditions of work and, not least, to comfort investors that the cost of the acquisition or privatisation will be recovered through clear focus, direction and exploitation of synergies.

The lessons from our survey are clear. The corporate brand is the ideal vehicle through which to signal and drive change. In fact, a strong argument for re-naming (or consolidating around one of the

previous names) is that it provides a visible change which can support a whole new vision, mission and set of brand values, reflecting the organisation's altered position in its markets. The re-launched brand becomes the embodiment of the new mission and values of the changed corporation.

An internal communications programme based around the brand provides the opportunity to get the workforce excited and 'signed up' to the new values and behaviours. A participative change programme entrenches the new values by incorporating them into business processes, systems, HR policies and performance measures. A new visual identity and external communications campaign grabs the attention of customers and explains the new mission to them. And the obvious coherence and professionalism of the overall programme reassures investors and analysts that the company has a clear vision and path to its future.



Conclusions – The Value of Values

The state-of-the-art in strategic management through the corporate brand sees financial services companies using their brand as the uniting symbol of their differentiated direction and values. For the leading practitioners who are already there, we foresee that the next stage will be for them to integrate brand values into their balanced business scorecards or other performance measurement systems. They will set targets for managers and staff related to the delivery of brand values in their daily work and their reward/bonus systems will recognise achievement in upholding brand values. The top level brand practitioners in our survey are already tracking brand performance closely but none have yet tied these measures into their scorecards or bonus schemes.

Having implemented all that, these leading edge companies will then start to report externally on the performance of their brand, demonstrating publicly how they have increased shareholder value. As long as shareholder value continues to be the yardstick by which equity markets evaluate company performance, and as long as intangible assets constitute over 80% of many companies' market value, there will be unceasing pressure on

company directors in financial services, as in other industries, to show effective management of their most important intangible asset, their brand.

Interbrand

Interbrand was established in 1974 and is now the world's leading brand consultancy with 25 offices worldwide. Our disciplines include strategic consultancy, brand valuation, corporate and brand identity, market research, name development, internal brand management, innovation and trade mark law as well as full digital expertise.

We employ over 700 people from a variety of backgrounds: management consulting, strategic planning, brand management, design, copywriting, accounting, market research, and trade mark law. Our services and our people are dedicated to creating, developing and managing our client's most valuable assets – their brands.

Interbrand's aim is to build demonstrably valuable and valued brands for our clients, and for all their audiences, whatever market or sector they operate in.

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