by Malcolm McDonald
Emeritus Professor of Marketing

Banking on the Brand

"The large majority of consumers cannot differentiate significantly between the brands of major banks and insurance companies, in spite of the billions of pounds spent each year on image advertising."

You will read in the interview with Santander's Mark Selby (p26), that at least some financial service companies are at last taking branding seriously – not before time! In the financial and insurance sectors, very few brands have managed to create a complete set of perceptions in people's minds. A question such as "What does Barclays offer which is different from Lloyds TSB?" would probably lead to a puzzled silence. The large majority of consumers cannot differentiate significantly between the brands of major banks and insurance companies, in spite of the billions of pounds spent each year on advertising. Exceptions such as First Direct are rare, whereas in the airline industry, there is a clear differentiation between Virgin, Lufthansa and Singapore Airlines.

The infamous British Airways advert "We take more care of you" failed precisely because they forgot to tell their staff!

The challenges marketers face when establishing service brands is illustrated by the history of the UK insurance sector during the last twenty five years. Characterised by complex products, pushy salespeople and little understanding of the role of marketing, this translated into a low degree of brand differentiation. Most companies appointed advertising agencies with a fast-moving consumer goods (FMCG) background, which led to name awareness adverts rather than communicating the benefits of the different insurance brands.

The result was that consumers regarded the products as commodities and intermediaries could therefore easily eliminate a brand from their product portfolio because no one really cared. Just imagine what would happen if Tesco tried to eliminate Heinz, Kellogg's, Mars and Persil from their portfolio!

The deregulation of the UK financial services market in 1986 increased the degree of competition in the insurance sector, allowing other players such as banks to enter the market. This decreased the importance of insurance brokers and responsibility for choosing insurance products moved inexorably towards the consumer. Insurance companies, however, failed to adapt their communication strategies, their point-of-sale material, or their follow-up literature in response to this new consumer power, which positioned the product's generic features in largely technical language at the expense of any competitive brand positioning.

With consumers' ever increasing demand for better quality, enhanced service and greater convenience, banks and other financial services providers need to learn from companies like Tesco how to transform a commodity into a strong brand. This raises the question about what constitutes a powerful brand and why the financial services sector needs to move away from the traditional FMCG model.

Firstly, a brand is a name, symbol or design on a product, service, person or place. A successful brand, however, creates sustainable competitive advantage for its owner through superior market performance because users perceive unique, relevant added values which match their needs most closely. As Tim Mason, the former Tesco UK marketing director said: "Pseudo brands are not brands. They are manufacturers' labels. They are 'me too' and have poor positioning, quality and support." IBM, Cadbury's and Tesco are excellent examples of successful corporate brand names, whilst Persil, Nescafé, Dulux, Castrol GTX and Intel are excellent examples of product brand names.

Secondly, financial service companies need to realise that the brand is more important than the products they sell. Like the grocery market, banks lack a physical product. A service brand, therefore, is based entirely on the way the company does things and on its values and culture. This is because a customer's perception of the brand depends on individual interactions with the staff of the company.

So brand building needs to be undertaken from the bottom up and involves a profound analysis of every aspect of the interaction between the customer and the company.

Aviva, formerly Norwich Union, subtly and gradually changed its logo to replace lots of regional brands. But it also undertook top to bottom development training at Cranfield to underpin its rebranding with company-wide customer orientation.

The current lack of differentiated powerful brands in the financial services sector clearly illustrates the overall challenges associated with services branding and the need for a new mindset. A successful service brand has to be based on a clear competitive position, requiring the involvement of the entire company. The brand's positioning and benefits should then be communicated to target market segments, taking account of the differing preferences of the members of these segments. This is precisely what differentiates Tesco from ASDA and which accounts for their phenomenal success. MF

For further information contact the author at m.mcdonald@cranfield.ac.uk

