SIXTY SECONDS ON

DIFFERENTIATION BETWEEN BRANDS IN FINANCIAL SERVICES

Branding amongst financial services companies is still in its infancy and suffers from not being taken seriously.

Brands in financial services still have a long way to go

While many financial services brands are poorly differentiated, I don't believe that there is no differentiation at all between brands. Financial services brands do exist in their proper sense, albeit few and far between.

The role of a brand in any market is to create identity and to influence choice. A true brand represents something distinctive in consumers' minds and a promise of consistency. In the financial services market trust is a key factor in consumer decision-making.

But the problem with financial brands is that they're messy. They don't depend on neat boxes sold in a controlled way, but on the staff, intermediaries and technologies which represent them. This creates a far greater challenge for branding. Unless all these 'purveyors' of the brand's values are absolutely consistent, and that's a massively difficult thing to achieve, the brand will be at best diluted, and at worst, confused. It only takes one person to have a bad day for the whole brand experience to be blown apart.

The other factor to take into account about brands is that image adds value to the reality of the 'product' and vice versa. Ultimately consumers will not keep on buying products or services that don't live up to expectation or their billing. Yet financial services products are notoriously intangible, infrequently bought, and often nothing more than a promise to be realised at a later date. This has led financial brands to differentiate through service values, fraught with the problems described.

Many financial services brands have taken refuge in attempting differentiation through the easy route of advertising or marketing campaigns, but have failed to deliver the promises that make these stick. It's not surprising that consumers feel that many financial services brands are 'the same' and that they consistently let them down when the advertising and marketing messages don't reflect reality.

Ironically, technology is coming to the rescue, because as more business is done direct, the more the consumer experience can be controlled to deliver the brand. ING is a good example of a brand that has successfully differentiated itself with the help of technology, and is now reaping the benefits as it moves into new product areas.

ING is built on the simple promise of a good deal on savings for all its customers, irrespective of savings power. It offers competitive rates but without any of the usual myriad ties and terms and conditions – and it is very easy for anyone to buy. The brand message for its savings account has been consistently and clearly communicated in broadcast media, and ING has since added mortgages and ISAs to its portfolio, all with the same simplicity and sense of fairness for consumers. The ING brand is a seamless experience.

But there are other, more complex financial services brands that have also succeeded in differentiation. NatWest is one of these and again, its brand genuinely lives in the consumer experience. NatWest has recognised that many consumers like the reassurance of a bank branch and don't want to deal with overseas call centres. So it has bitten the bullet and bucked the trend and is building its brand on this stand.

In short, there are differentiated financial services brands, and they have themes in common. They understand what consumers want, they deliver this simply and clearly and they ensure that the brand lives right the way through the customer experience.

Nick Crossman MARKETING DIRECTOR IFA LIFESEARCH AND BAIGRIE DAVIES

Companies can tap into the past to build brand image

Over the years, the physical attributes of financial institutions – bank headquarters, stock exchanges, and government finance buildings – have played an important role in projecting a proper commercial image for the industry. Today, financial institutions are in the business of building brands as much as constructing buildings.

Certainly, banks are no longer primarily physical places – they are name brands that occupy space in the consumer's mind. In this way, architecture functions as an efficient guide for consumers in a cluttered marketplace of images. It is not necessary for customers to identify columns as 'Corinthian' or 'Ionic', or know much about the history of architecture, for marketing communication to work as a reference to traditional and timeless values.

Bank buildings help express and communicate qualities such as stability over time, financial and material strength, and financial and physical security. Each of these strategic values – stability, strength, and security – has a psychological dimension as well as a material solution.

Stability, expressed in visual form by a sturdy structure, provides a metaphor for long-term endurance. Colossal columns, heavy materials, and symmetrical form contribute to a building's appearance of strength. Of course, bank customers also desire financial strength, and an ability to withstand economic cycles. Security, for so long largely dependent on architectural fortresses, walled cities, and massive structures, also relates to psychological anxiety about financial matters. The closed form of most bank buildings was meant to signal protection – a secure institution to entrust one's future. Banks are not just depositories of money. They are repositories of hopes, dreams, and anxieties – a modern temple.

However, many customers no longer enter bank buildings – they do their banking online, and expect financial services to come to them via post, email, and online access. Therefore, a change might be expected in brand communication, as architectural motifs might seem outmoded or old-fashioned for contemporary customers.

Indeed, my research on financial services marketing reveals a shift in focus from the building to the marketing message. Contemporary brand campaigns often creatively adopt architectural symbols for use in digitized images that carry on the communicative tradition of architectural forms. Advertising, Internet sites, and ATM banking still incorporate abstracted architectural symbols, and buildings continue to provide many metaphors for the banking industry.

For example, Yahoo! Finance utilized an icon of a Greek temple to introduce their online services in the early 2000s, the Bank of England's current homepage prominently features its monumental headquarters, UBS embraces classicism in its long running print campaign, and Logica CMG financial services software shows a classical column on its Website.

VeriSign – an online financial security firm – echoes these architectural themes in their brand communication, which features images of classical buildings – but not their buildings. A recent VeriSign ad's copy refers to the brand promise of stability, strength and security. The ad shows an immense classical atrium with a beautiful, ornate dome.

The copy states, "You trust that the ravages of 400 years have not weakened the bases. You trust the granite bases to support the 24-foot high Corinthian columns. You trust nothing more than eight columns to sustain a 15,000-ton dome above your head. Yet you're wary of using a credit card online?"

Here, we might consider that trusting, "the ravages of 400 years have not weakened the bases," obliquely refers to stability. Trusting, "the granite bases to support the 24-foot high Corinthian columns," to strength, and, "nothing more than eight columns to sustain a 15,000 dome above your head," to security.

In this way, VeriSign offers a playful invocation of the classical values of bank architecture, promoting their brand as a contemporary, safe solution to long-standing financial concerns. Thus, the high-tech, electronic VeriSign brand invokes the legacy of the classical form in a neat comparative statement that marries the old and the new, placing an Internet business within the long legacy of architectural heritage.

Understanding the classical codes of banking communication helps brand managers position their firm in a cluttered marketplace. For example, Egg bank specifically rejected traditional appearances in their marketing campaign and successful online bank – no classical columns here, as Egg positioned themselves as a new and different type of bank.

The local bank of the past, where customers knew the tellers, and met personally with the loan officer to discuss their mortgage, is mostly gone – replaced by ATM machines, online banking and secondary markets for mortgages. More efficient, certainly, but possibly less human.

Perhaps this points to the continuing strategic significance of classical architecture in contemporary brand efforts. It alone remains to symbolize contemporary financial institutions' connection with the past by tapping into architecture as a powerful branding tool. Although the premises of banking have changed, the promises of the financial services industry have not.

Jonathan Schroeder PROFESSOR OF MARKETING SCHOOL OF BUSINESS AND ECONOMICS UNIVERSITY OF EXETER

Know your strengths

In the last ten years or so financial services companies in the UK have finally woken up to the importance of brand values in stating to clients what is special about a firm's proposition, offering, or products, and differentiating that from the rest of the market.

This shift may partly have been promoted by companies reacting to the deteriorating reputation the industry as a whole suffered in the eyes of the public throughout the eighties and nineties.

But it also owes something to the increased awareness of successful marketing techniques deployed in other markets and the real value that a well-marketed brand can bring. And the great thing is that if you focus on good brand values and consistently promote and reinforce them, consumers do get it.

There has certainly been clear brand definition in markets such as the automotive industry for a number of years and finance directors have seen the bottom line value of that. Volvo says security and safety. Mercedes screams quality.

Consistency of application and communication have driven those brands and consistency is about doing the right things again and again over time – and time cannot be bought. Skoda, for example, has made big strides towards shedding its old image and focusing on quality and the awards their cars have achieved in recent years. But they do need more time to convince sufficient numbers of consumers that they really mean it when they focus on quality.

Success in brand projection rarely happens overnight, especially when you are trying to shift previously held perceptions. But it is important to remember that there is real financial benefit in focusing on brand definition, communication and delivery.

Marketing directors in financial services have understood this of course. They have become increasingly focused on delivery of clear and consistent brand values over the last ten to twenty years, and in particular bringing others on side.

A good finance director can recognise that investing in brand promotion and delivery more than pays for itself over time, but accepts the need for a long-term view. A good board can allow the marketing team time and space to demonstrate progress in client perceptions and ultimately the amount and quality of business written.

Financial services companies, while not yet up to the standard of brand delivery in FMCG markets, are more aware of these factors and considerably more brand conscious than ever before. The banks and building societies have led the way. Halifax has featured large numbers of people in every ad for years – well before Howard came along – to emphasise their financial strength. The biggest, the strongest – the ads don't actually say that but the consumer infers it.

Natwest recognised early on in the move to mass use of call centres (after some notable customer feedback) that service continued to be crucial in what clients wanted from a bank. So they embarked on emphasising access to human beings and the local branch. Having taken that space and continued consistently to project that message, the public associate the message with Natwest and it is harder for other banks to shout that they may do that too.

The general insurance and mortgage markets are dominated by brands focusing on price, but as Hiscox, for example, has shown, it is not the sole differentiator. When it comes to high quality advice that is an area on which we at Wesleyan focus. But it is important to consider how to differentiate that advice further in the consumer's mind.

At Wesleyan, we have an enduring heritage going back to the nineteenth century and our core brand values are insight, performance and trust. But living up to these values does come at a price and it is why we have been investing heavily in our infrastructure and only market to specific niche professional groups such as doctors.

There our specially trained financial advisers can demonstrate a distinctive depth of insight into the client's specific professional needs. These are often tailored requirements, and we support that depth of insight through delivery and trust from our head office functions.

We communicate that message, research our effectiveness and operate a continuous improvement policy to try and refine what we are doing to live up to the high expectations our clients naturally have of us. It's not easy but it is worth doing and even the finance director sees the value!

Callum Girvan DIRECTOR OF MARKETING WESLEYAN ASSURANCE SOCIETY

Corporate branding can succeed in an undifferentiated financial services market

One of the strategic roles of branding, either at product or corporate level, is differentiation. Corporate and product brand differentiation provides the platform on which firms distinguish themselves and their products from competitors.

Whether in theory or practice, corporate and product brand differentiation drives firms and products towards unique positions in the minds of customers and stakeholders. Although product brand differentiation has been a major aspect of marketing practice since the 1950s, corporate brand differentiation only emerged as a major marketing profession in the mid 1980s.

Many of the key operators in the financial services industry in Europe, and most importantly the United Kingdom, have since the mid 1980s appreciated the importance of corporate brand differentiation. Since then, financial services industry companies known to possess very strong generic corporate brands, have consciously sought ways of differentiating themselves from competitors.

Several operators in the financial services industry have deployed exquisite corporate visual identities to break the generic mould that dominated the industry. Yet, there remains a strong generic corporate identity (the nucleus of a corporate brand) dominating this industry.

While financial services firms might have been remotely successful in differentiating themselves visually, it would appear that these operators are unable to differentiate their product brands successfully. These firms continue to use functional and emotional values as the core strategy for differentiating their products. Consequently a strong generic product brand holds sway. A number of factors notably imitation and institutional coercion are deemed to be responsible for the dominance of such a strong generic corporate and product brand in this industry.

Imitation is a common business phenomenon that occurs when financial services firms model themselves, product and services after other firms and product perceived to be superior and more successful – regardless of whether such business practices are compatible to theirs. When firms imitate themselves and their products, they exhibit similarities in names, strategy, corporate behaviour, visuals, values, product benefits etc. This becomes a common approach among operators. Thus a strong generic corporate and product brand emerges.

At the corporate level, imitation has occurred in Britain's financial services industry given the need to checkmate successful corporate brands and forestall falling behind emerging competition. Firms resort to imitation at the product level in response to the need for similar products which have been introduced initially by competitors. Imitation of products also occurs when firms operate under conditions of doubt, uncertainty and ambiguity and when the challenges of adopting new product brands are becoming greater than envisaged.

Institutional coercions are formal and informal unified pressures of forces and persuasion exerted by regulatory institutions on firms to conform and comply with a specific set of business regulations upon which they are dependent. Institutional coercions are unified financial policy measures enforced on financial services firms by the Bank of England.

In effect, the use of a common system of rules, policies and common legal framework in which organizations comply, affects many aspects of organizational behaviours, processes and structure. Unified compliance to the Bank of England's monetary policy guidelines on interest rates has led to the exhibition of common, standardised and identical characteristics in business behaviour, product pricing, distribution, product benefits core values etc. Thus a generic corporate and product brand emerges.

But differentiation can be achieved at the corporate and product level. At the corporate level, operators in the financial services industry can successfully differentiate themselves from competitors by making a comprehensive review of common, inimitable characteristics in business portfolios, which binds the firm cohesively. Once this is achieved it may be useful to ensure a comprehensive employee assimilation of binding characteristics. Expectedly, binding characteristics are expressed externally through the formal lines of corporate communications.

Successful brand differentiation at the product level is achievable if, right from the outset, factors of ethics and business responsibility are firmly rooted and constructively integrated into the heart of the benefits that customers derive from the consumption of financial products.

In order to achieve this, financial services firms need to marshal and develop ethical consumerist policies in their sales policies with a special consumerist ethics campaign. Inevitably, the product campaign will send strong signals that differentiate the products from an ethical angle or viewpoint.

T.C. Melewar PROFESSOR OF MARKETING AND STRATEGY BRUNEL UNIVERSITY LONDON

It's the retail brands that show financial services the way

Bearing in mind that I work for Egg as Head of Brand Communications, I would be mad if I agreed that there's no differentiation between brands in financial services. However, I don't think there's a great deal of it around.

Before I go into detail on this, I think a really simple definition is needed, on how I view differentiation. For me, it's making consumers view your brand/product/service in a different light compared with competitor offerings. This can be done through visual identity (logo, packaging, colour etc), purchase channel, tone of voice or to a lesser extent price. So, assuming you're offering something that meets a consumer need, and all other things remain equal, differentiation should result in you selling more of your offering as you will have achieved greater standout. Simple.

OK – now take a minute and ask yourself, who has launched a really differentiated financial services brand, product or service in the last 10 years? Anything coming to mind? I'd argue there have been only a handful of companies who've bucked the trend for being just another faceless financial services brand and chief amongst these is ING.

It has created a strong visual identity through consistent use of colour in its work, created a distinctive 'life buoy' logo/identifier, it's clear in it's offerings, it has a great tagline in 'It's your money' and whilst it relied on price for the launch of its savings account, this wasn't the case for its mortgage activity. Clear, simple and instantly distinctive – it's a winner.

Looking through the personal finance sections of the Sunday papers, it struck me how many brands were running 'wallpaper' advertising – most of the work just looks the same. It also reminded me of an exercise that's very useful to try out on your brand. It's 'The Thumb Test' and relies upon you having a big enough thumb to hide the logo of your (or your competitor's) logo on any press work, direct mail or printouts of web pages, emails etc.

Now with your thumb firmly in place over the logo, ask your colleagues which brand the work is from. I guarantee that even though they work in the industry, they won't get it 100% correct – and if they won't, then think what it must be like for consumers who only dedicate a small percentage of their time and attention to us financial services brands.

But you've also got to work at maintaining your level of differentiation. Look at the drop in Barclaycard's UK market share over the last 10 years and you'll see why this is important. Companies are becoming more responsive in copying 'the best bits' of their competitors' offerings and the Internet has only made this easier.

The competition isn't just coming from the big high street banks, as there's also the unstoppable march of the retail brands into the financial services arena by the likes of M&S, Tesco and Virgin. They understand that you need to submerge your customers in the brand and that through experiencing this, people will see the difference in the products and services for themselves. It's these companies who truly understand the power of branding and differentiation, and that's why they're probably the biggest threat to the established players.

Differentiation exists to a limited extent – but it can disappear in a flash. Would you bet against Tesco launching a current account that rewarded customers with Club Card points at some time in the near future? I wouldn't. Would that be differentiated? I think so. Would it be a great success? I can't see into the future, but I suspect we all know the answer

Daniel Sector **HEAD OF BRAND COMMUNICATIONS EGG**

Passionate, trustworthy and consistent delivery is the key

I'm not sure if true brands exist in financial services. So at the risk of teaching my grannies how to suck eggs, I'd like to outline my own view of what makes a brand and the state of affairs when it comes to financial services.

There's a lot of money spent on promotion in the financial services sector, and as a result, there's a lot of reasonably well known names. But the question is, do these financial organisations translate this name awareness into positive, meaningful brands? Or do they stand out by their names and logos alone, and beyond that disappear into the homogeneous lump of a community that is financial services?

We all know that brand is so much more than a name and a logo. It's a whole customer experience that is both recognisable and consistently delivered time and again. As a result customers will be loyal, and perhaps more importantly in financial services, be advocates of the brand.

To create a brand, a company has to have a clear business proposition and focus, along with a clear set of principles and values which are used in all parts of the business. But for a brand then to be built, the messages need to be well explained and communicated to employees. That way, employees will understand the importance of their role in delivering the brand to the customer and they will be passionate, consistent and relentless in the delivery of a trustworthy brand.

It's the people in the business that will turn a well known name into a brand. But that will only happen if you recruit the right people - those who share the brand values and basic desire to build a brand and do the right thing for the customer. Skills can be taught, but attitude and beliefs are inbuilt and can rarely be changed.

Unfortunately I suspect that a passionate, trustworthy and consistent delivery, based on a clear understanding of the objectives of the brand, isn't often found in financial services. Customers are more likely to describe our industry as lacking in passion, untrustworthy and completely inconsistent.

So it appears that it would be very simple for a financial services brand to differentiate itself. All they need to do is the right thing for customers, do it well, do it consistently and with passion. It's not complicated, so why are more not doing it?

Back then to the original proposition, 'There is no brand differentiation in the financial services sector.' Having established what I believe makes a brand, I hope you can see why I don't think there are many true brands in financial services.

Even within the well known names, those who differentiate themselves seem to be few and far between. But why? Perhaps the frequency and volume of the mergers and acquisitions in the sector have diluted the potential for some of the big names to create brands. It is difficult to have a set of clear positive messages when the corporate background is forever changing. Maintaining a clear and consistent brand becomes a huge challenge, both when it comes to helping employees to understand and deliver it, and managing the customers' expectations and impressions.

If brand messages aren't clear, or frequently change, and the passion isn't maintained among employees, both existing and new, then a company is left with a name and a huge ad spend that does not necessarily equate to building a strong brand and goodwill. It'll be interesting to see if the FSA's 'Treating Customers Fairly' programme, or the ABI's 'Customer Impact Scheme' help to address the lack of trust and clear the way for brands to be built. For some companies I fear it will be like turning a tanker mid-ocean - with legacy systems, products, process, people and thinking all set on a very different course.

Susan Sneddon **COMMUNICATIONS DIRECTOR BRIGHT GREY**