branding for banks

Ideas that engage, inform and inspire.

time to get real

Ask a bank CEO to choose between budgeting $450,000 for brand building and hiring three or four lenders, and he or she will always give the latter the green light. It's because most bankers typically believe that their success is built exclusively on personal contact—there's no way the formula for success can be driven by anything other than one-on-one, eye-to-eye relationship building.

As a result, when it comes to effective branding, the banking industry has been among the worst to achieve it. There are many who believe that bank branding just isn't practical because, for the most part, banks are virtually identical, providing a similar range of products and services at equivalent prices in environments that are more or less the same. Yet that is exactly the environment in which strong brands have historically prevailed (think Intel or Southwest Airlines).

the essence of a brand

"Ultimately, a brand is the things people say about you when you're not there," says Jeff Bezos, CEO of Amazon.com.

With so much brand jargon being thrown around these days, it is hard to understand what a brand really means to a business. It's often associated with slogans, advertising campaigns, logos and organizational names. But as Bezos points out, a brand is much more emotional in nature because it is tied to ideas of reputation, trust and the quality of an institution.

We follow the view that a brand is what a person feels after repeated interactions with any aspect of a product or service. Since the brand is so connected to what the marketplace believes and feels, it represents a promise to consumers to deliver a set of experiences. Over time, delivering on this promise leads to customers having an emotional preference for the brand.

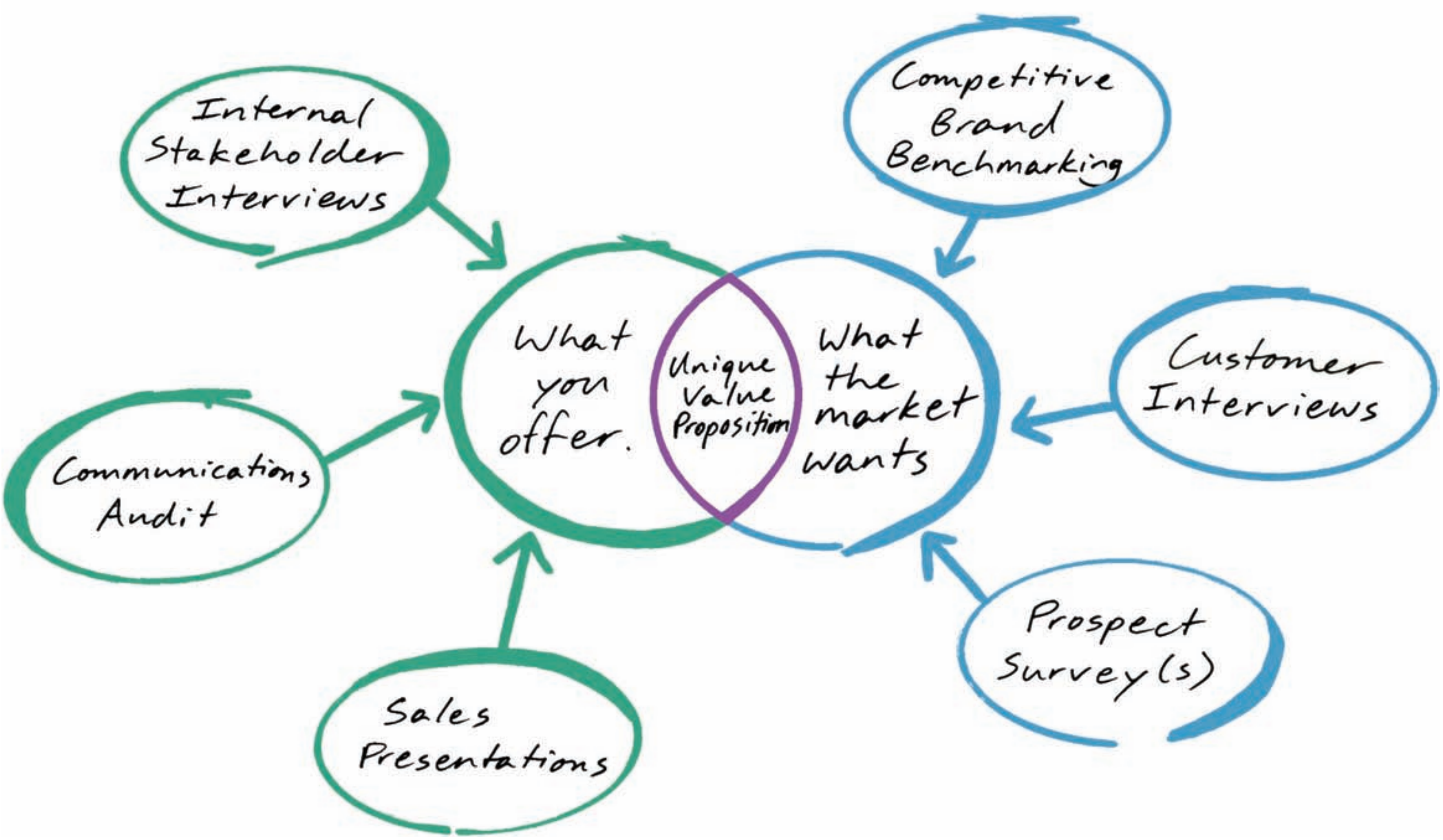
So how can banks and other institutions in competitive environments create brands that inspire emotional connections and loyalty? The first, and most critical step, is gaining a thorough understanding of how your bank's brand fits in the marketplace. The following is an exercise that can help you identify this.

defining your brand's unique value proposition

In the branding process, one of the most important assets to define is your Unique Value Proposition.

In other words, what special quality does your brand possess that differentiates you from competitors? While this seems like a simple question, many companies and organizations struggle to come up with a definitive answer.

Here's an exercise that can help you get the information you need to identify your brand's Unique Value Proposition.



what you offer

The first item on your agenda will be to find out "What You Offer." These are the internal perceptions of what your brand offers and what it stands for. Here are several ways to get a deeper understanding of "What You Offer."

1. Internal Stakeholder Interviews

Through a series of one-on-one interviews or small focus groups with key employees or leaders in your company, find out how your people currently perceive your brand and think about the important differentiators your brand offers. You'll need to develop a questionnaire specific to your brand and product category that uncovers your strengths and weaknesses, personality traits, potential, vision and mission, target audiences, market positioning and more.

2. Communications Audit

Next, gather all existing marketing communications materials to understand how your organization has presented itself to date. In these materials, you want to focus on high-level messages and how key features and benefits are conveyed. During this audit, you'll also want to chart out your company's complete product and service offerings and look for patterns, as well as inconsistencies, in brand messaging and identity.

3. Sales Presentations

Have your salespeople walk you through their presentations and sales pitches. Find out how they position the company, what they feel are the unique qualities of the brand and what customers and prospects think of the brand.

There are other modes of research to potentially employ in this phase as well, but these steps are a good start.

Once you've gathered all of this information, you need to boil it down to a few simple statements that accurately reflect your most significant product or service offerings and why your brand stands out in the marketplace.

what the market wants

The next step is to find out "What the Market Wants." You need to know how the marketplace perceives your brand and if it's in line with what prospects and customers really want in your competitive category. Here are several methodologies for getting that information.

1. Competitive Brand Benchmarking

You'll need to conduct desk research of the competitive landscape to understand how other banks position and brand themselves. Do a thorough review of competitors' websites, online banner ads, print campaigns, TV and radio campaigns, and even collateral materials. Look at their high-level messaging and how it applies to their product offerings. Keep track of competitors' "best practices." All of this is key information that will go a long way toward guiding the positioning for your brand.

2. Customer Interviews

Just as you did with your employees and staff, you'll need to conduct interviews or small focus groups among your customers. Find out how they think about the qualities that differentiate you from competitors. Again, you'll want to develop a questionnaire that's specific to your brand and product category that gets to the heart of how customers make their buying decisions, what drives their loyalty and what you can improve moving forward.

3. Prospect Surveys

Getting insights from prospects can provide valuable information on what these people like or dislike about their experiences with your competitors, in addition to perceptions of your brand. This can help you formulate a branding strategy that attacks competitor weaknesses, avoids head-to-head comparisons on strengths and/or identifies new territory that has yet to be claimed. Surveys can be done over the phone, online, by mail or with handouts. The key is to get a critical mass of completed surveys in order to see noticeable trends and draw reasonable conclusions.

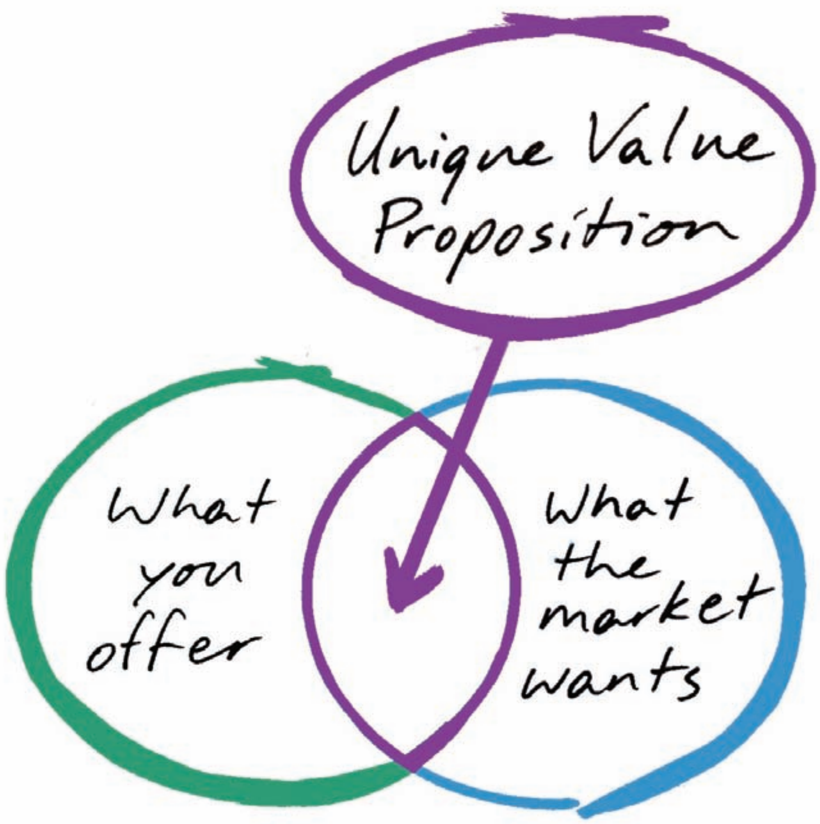
Again, there are other modes of research to employ during this phase of discovery. But these steps will deliver a lot of data and insight to work with. You need to condense all of this external information down to a few statements that illustrate how your offering is "What the Market Wants" and why it's special enough to warrant someone making it his or her preference.

unique value proposition

Now that you're armed with a clear idea of "What You Offer" and "What the Market Wants," you're ready to define your Unique Value Proposition.

When you merge the information from these two circles, you should see at least one statement, and perhaps more, that is common to both. **This overlap is your brand's Unique Value Proposition. It might need some additional refinement, but you should have at least a more focused picture of where you stand in your competitive category.**

The Unique Value Proposition must demonstrate an active competitive advantage. This advantage answers the question of "why should I care?" from the perspective of the end user.



why branding is important

The following illustrates how investing in a robust brand results in a variety of benefits and improved economies for a bank brand.

1. Lower acquisition costs

A strong bank brand reduces acquisition costs because clients and customers are much more likely to re-purchase a product/service they have come to trust than one that is new or unfamiliar. This directly affects the bottom line; evidence shows acquiring a new customer can cost almost five times more than keeping an existing one.

Also, it's much easier to cross-sell other bank products to existing customers when they have an emotional preference for your brand.

2. Fewer purchase barriers

Consumers have shown that they are happy to pay a premium price, or even be inconvenienced, for a strong brand. This has been proven time and time again. Take Apple. Its products are consistently priced significantly higher than competitors, yet are almost always the runaway sales leaders in their categories. And whenever a new Apple product is introduced, many people are willing to camp outside stores, often days in advance, in order to be among the first owners.

In addition, a strong brand often trumps size, location and other advantages competitors may have. It's not surprising today to see small community banks thrive against large, multi-branch national banks within markets they share.

3. Simplified decision making

A strong brand makes client choices easier. Once a client has purchased a brand, he/she will not need to go through the entire decision-making or vetting process again, but instead will rely on past experience for guidance. Strong brands help to reinforce a client's decision to choose a firm and to stay with it over time.

4. A tool to steal market share

The main reason bank branding is such a challenge is that there is little to no differentiation between the industry's players. All talk about free checking, good rates, low fees, reward programs, good service, etc. Even customers looking to switch rarely have any meaningful reason to do so.

With most markets already saturated with competitors, banks have no other way to grow other than to steal market share. However, this can be achieved by changing the conversation with customers. Rather than being forced to re-hash all of the same tired message points that every other bank does, a well-branded bank has a unique positioning platform that gives it a competitive edge.

5. Improved brand equity

Every dollar spent on branding for a bank can be counted in the valuation of the company—that is a dollar-for-dollar valuation. Over time, as the brand becomes top-of-mind in the marketplace, consumer preference for the brand can multiply the dollar valuation by a factor of 10 to 1 and often more.

Brand equity is a real and increasingly important factor in business valuation. It falls under the accounting concept of "goodwill"—meaning the value of an entity over and above the value of its assets. The term was originally used in accounting to express the intangible but quantifiable "prudent value" of an ongoing business beyond its assets, resulting from the "reputation" the firm enjoyed within the marketplace.

For example, a bank may have net assets (loans, equipment, facilities) valued at $1 million, but the company's overall value (including brand, customers, intellectual capital) could actually be $10 million. Anyone buying that bank would book $10 million in total assets acquired, comprising $1 million physical assets and $9 million in goodwill. In a private company, goodwill has no predetermined value prior to the acquisition; a publicly traded company, by contrast, is subject to a constant process of market valuation—so goodwill will always be apparent.

6. Attraction for top-notch people

The benefits of strong brands are not limited to external business performance—the organization's workforce benefits as well. Career-minded people are naturally attracted to firms with strong brands, which translates to a better pool of talent applying for positions. When new employees join a company that has a powerful market presence and proactively manages its brand, they will be compelled to support those efforts and take it upon themselves to be brand stewards as well.

conclusion

Most banks earmark very little of their annual operating budgets to brand building and management when compared to infrastructure allocations (facilities, equipment, information technology, etc.)—and it shows. On the other hand, Nike, one of the world's strongest brands, spends on average more than three times as much for marketing and promotions as it does for capital investments. And that shows as well, when it comes to global brand recognition, customer loyalty and market dominance.

Scott Bedbury, former Starbuck's marketing head and Nike advertising director, states in his book, *A New Brand World: Eight Principles for Brand Leadership in the Twenty-First Century,* "I can think of no better organizing principle for a company than the brand itself." He illustrates how a well thought-out and managed brand mobilizes all of a company's stakeholders (employees, customers, investors, etc.) to create value. We couldn't agree more.

A branding expert

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