

## LEAD TUTOR ARTICLE

### CUSTOMERS AND THEIR NEEDS

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#### Brands and branding

Financial services organisations seeking to attract customers and succeed in today's competitive environment must differentiate themselves, and their offerings, from those of the competition. One of the key elements of a firm's differentiation approach is its branding strategy. Therefore, banks and similar organisations need to provide a consistent brand experience to prevent customers from switching to their rivals.

##### What is a brand?

A brand is a product that occupies a distinct position in the marketplace. According to Kotler (1997):

*'A brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.'*

McDonald (2002) adds that a brand is about a relationship with the customer and in particular, a relationship that is personified either by the company's name or by the brand name on the product itself. McDonald also emphasises the symbolic nature of a brand and highlights the point that a successful brand is associated with sustainable competitive advantage, as illustrated by his definition of a brand:

*'A brand is a name or a symbol which identifies a product. A successful brand identifies a product as having a sustainable, competitive advantage.'*

Developing and maintaining a brand (branding) is important to suppliers, since individual brands are recognised by many customers. Branding a product or a service allows that particular offering to take on an additional 'personality', so in a sense a brand is rather like a unique individual. A brand communicates with customers in various ways and it can also be associated with certain values. If a supplier can match the values of the brand to the values and perceptions of a particular market segment, such a firm gains the opportunity to appeal to a particular market.

Branding can make it easier for a manufacturer to match a product or range of products to a market. However, it must be said that before a brand can be successfully established, there is usually a high cost involved. This is because a brand must be established and built-up over time, usually by undertaking extensive advertising and promotion.

Some of the world's most successful and, therefore, widely-known brands include the following (which are not in any order of priority):

- Coca-Cola
- McDonald's
- Intel
- Kellogg's
- Microsoft
- Mercedes

### Brand factors

Brands play a significant role in consumer and business banking. The world economy has a significant over-supply of products and services in all sectors and so differentiation through strong branding is more important than ever.

Aaker (2004) identifies some key internal brand factors that drive successful brands. These important factors also drive successful financial services brands and are illustrated in the diagram below.



Figure 1 The key brand factors that drive successful brands

Source: Adapted from Aaker D A (2004), 'Leveraging the corporate brand', *California Management Review*, 46(3), Spring.

### The types of brand

There are many different options open to an organisation when it comes to branding. Some firms such as BMW use one brand name, while other motor manufacturers like General Motors use many brand names including Buick, Cadillac, Chevrolet and Hummer (USA), Opel (Europe) and Vauxhall (UK).

Some of the common brand strategies adopted by various organisations are listed below:

- co-brand, eg The Anfield Saver (co-operation between Liverpool Football Club and Britannia Building Society in order to provide a savings account exclusively for under 18 Liverpool Football Club fans) or; the LFC Credit Card, which is a co-branding arrangement between Liverpool Football Club and the credit card issuer MBNA Europe Bank Limited;
- corporate brand (sometimes called a manufacturer brand), eg BMW as the name of the company and the brand are the same;
- dual brand (sometimes called a family brand or an endorsed brand), eg Microsoft Windows or Sony Playstation because the first endorses the second element;
- family brand (sometimes called a house or store brand), eg Amazon.com which now has a very extensive 'family';
- generic brand, eg generics sold by supermarkets that do not actually have a brand name of their own;
- individual brand (sometimes called multi-branding), eg Acer because it uses individual brands such as Packard Bell to target different market segments – hence it is also known as a multi-brand approach;
- licensed brand, eg Calvin Klein sunglasses and Harley-Davidson clothing;
- umbrella brand, eg Kellogg's and also Barclays (as in Barclaycard and Barclayloan) because the name covers a range of products.

### Building a brand

When building a brand, financial services marketers should remember that the brand must communicate with the target market and offer some form of value to the customer targets, in addition to the benefits offered by the core product or service.

One way of building and maintaining a brand is to foster the attributes that are shared by successful brands. The following checklist for brand development is based on some of the key attributes that are shared by the world's strongest brands according to Kotler and Keller (2006):

1. Excel at delivering benefits consumers desire (maximise the customer's product and service experiences).
2. Ensure the brand stays relevant (keep in touch with customers and trends).
3. Price on consumer perceptions of value (optimise price, cost and quality and aim to exceed customer expectations).
4. Position the brand appropriately (it must reflect competitor offerings and customer preferences).
5. Maintain brand consistency (avoid conflicting marketing communications).
6. Ensure managers understand the brand (especially what the brand means to customers).
7. Support the brand (support and resources must be sufficient and sustained).
8. Monitor the sources of brand equity (ensure brand equity is understood and preserved).

Source: Adapted from Kotler and Keller (2006).

## The top 10 most valuable banking brands

According to Brand Finance plc, in its 2007 Global 100 Financial Brands Index (an annual review of the top banking brands in the world), the top 10 bank brands were:

1. HSBC
2. Citi
3. Bank of America
4. Santander
5. American Express
6. Chase
7. BNP Paribas
8. Wells Fargo & Co
9. Goldman Sachs
10. Credit Suisse

Barclays was placed 11th and NatWest was placed 20th in the rankings.

In the last 10 years a small number of banks such as HSBC and Citi have created strong global brands. These two organisations are good examples of how fragmented and undifferentiated banks have become well-liked and valuable international bank brands.

Source: Adapted from 'Global 100 Most Valuable Banking Brands' (2007) <http://www.brandfinance.com>.

## Brand extension

Brand extension is the application of a brand beyond its initial range of products, or outside of its traditional category. For example, easyJet extended the 'easy' brand into various other areas and the 'Virgin' brand has also been extended into different sectors including the financial services sector.

The 'Virgin' brand established by entrepreneur Sir Richard Branson, is often quoted as an example of how a brand can be stretched to new products and even to new markets, while still maintaining the original core values associated with the brand. Virgin moved into airlines, financial services, cola, alcohol-based drinks and various other sectors although this move was not without its risks.

For various reasons, some brands may never be extended.

## Eight types of brand extensions

In studying more than 300 brand extensions, Brand Extension Research (2004) determined that there are eight types of brand extension. Each has its own unique type of leverage as indicated below:

1. Similar product in a different form from the original parent product, eg Snickers ice cream bars.
2. Distinctive flavour or component in the new item, eg Cadbury's hot chocolate.
3. Benefit/attribute/feature owned, eg some time ago Lucozade was extended beyond the health attributes the brand was originally associated with, to offer benefits to sports people, and even more recently to the sharpening of people's mental performance via 'Lucozade Alert'.

4. Expertise, eg Honda's reputation for expertise in reliable engines led to lawn mowers, gas powered generators and a variety of other gasoline powered devices.
5. Companion products, eg Aunt Jemima (the pancake mix brand) launched pancake syrup, as a companion to compete with Log Cabin syrup.
6. Vertical extensions, eg Rice Krispies have always been used in children's treats. Kellogg's offered Rice Krispies Treats ready-to-eat.
7. Same customer base, eg VISA launched travellers cheques directed to its credit card customers.
9. Designer image/status, eg Harley Davidson developed its extensive collection of licensed lifestyle items that go well beyond any expertise inherent in the brand.

Source: Adapted from Brand Extension Research (2004) <http://www.brandextension.org>.

Many issues must be considered before extending a brand including the following:

- Is the brand extension based on a carefully prepared plan and clearly defined objectives?
- Has appropriate research been undertaken to support the plan?
- Is the brand already well-known and does it have a good reputation in the new target market?
- Is the brand extension logical and does it also match consumer expectations?
- Will the brand extension create positive synergy for the parent brand?
- Will the brand extension enable the firm to enter a new category efficiently and successfully?
- Does the brand extension make sound business and commercial sense?

If the answers to any of the above questions are 'no', then this could give some cause for concern. The brand may not have sufficient leverage and the brand extension could create confusion or have a negative affect on the existing brand image (and the firm). It is often tempting to stretch the brand, although stretching it into too many diverse categories may end up diluting the parent brand.

## Summary

A brand can be a name, term, sign, symbol, or design, or any combination of them and it is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. In today's competitive environment, a firm's brand is likely to be one of the key elements of its differentiation approach. Brands and branding play a significant role in consumer and business banking because there is a significant over-supply of financial products and services and so differentiation through strong branding is more important than ever. Some of the key internal brand factors that drive successful brands include the firm's heritage, its assets and capabilities, people and also its values and priorities.

## References

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