Banking on it

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Interbrand

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Once upon a time banks were synonymous with public trust and confidence. The practice of banking originated from one of the most basic of basic human needs: security. The earliest settled societies needed somewhere safe to store their grain and other commodities. In ancient Mesopotamia, for example, royal palaces and temples assumed this role before private institutions took over. Anthropologists testify that banks, and the money they deal in, always had a role and significance beyond simply the economic. Socially and culturally, banks fulfilled psychological needs for security, while also helping to reallocate capital and promote economic activity. Credit and loans were a natural extension of this, helping to redistribute wealth and create opportunities.

For many the current global meltdown in financial markets has led to a recalibration of their relationship with both their own money and with the banks that look after it. Instead of stuffing notes under the mattress, we have always been encouraged to entrust our cash to these seemingly impenetrable fortresses – the safe houses on high street where we could stash our cash in vaults – and in turn gain peace of mind. Of course banks have been taking risks with our money for a very long time, but for most of us the symbolic power of their individual brands outweighed our need to understand the murky reality of excessive risk taking that goes on behind the scenes.

Since the summer of 2007, things have been changing. Mighty institutions that before exhibited no signs of vulnerability have since cracked and crumbled into dust, or been nationalized in whole or part. The whys and the wherefores of the crisis have been much discussed. They are not the subjects of this article. Nor is the discussion around what regulators should do to avoid a new crisis in 10 or 20 years time.

Instead we ask: How can banks regain stakeholders' trust and what, in particular, can the practice of corporate branding contribute to this effort?

A tale of two Citis

Citigroup – once the world's biggest bank by assets – lost US$ 253 billion of its market value in two years. Towards the end of 2008 it was valued at US$ 20 billion at a share price of US$ 4 (from US$ 55 in 2006). After reducing its work force by 52,000, it is splitting the group in two. Citicorp will continue with the universal bank's operations, and Citi Holdings will keep, among other things, the loss-making assets. Even so, the US government might take up to 40 percent stake in the bank. The fall of the empire has been attributed to several factors including: a high exposure to subprime mortgages, high costs, and unfocused growth through badly integrated M&A activities. (Bowler, 2009) Two years ago nobody would have dared say that Citi was not a sound and reputable business. But nowadays the sense is: if this happened to Citi, then no bank is safe.

The financial implications of Citi's dramatic disintegration have made plenty of headlines, but the people issues less so. The CEO of Citigroup in the USA, Vikram Pandit, recently announced he would take a token pay of US$ 1 until the company returns to profitability. While this signals to shareholders that leaders are taking this seriously, much more needs to be done to rebuild trust internally and externally. That's where corporate branding comes in. Brands create the tangible link between an organization and its people. This connection is not static. Rather, it is co-created and reinforced with each interaction. Consistent, positive interaction between a bank and its stakeholders makes good brands great. This is why those who want to regain trust must start by repairing these connections. Stakeholder management is an intrinsic part of the corporate branding process. From inception through to delivery and ongoing management, leading brands must know how to:

- Identify their most influential stakeholders, i.e. those with the greatest power to build or undermine the brand internally or externally
- Understand and respond to what these people need and value, and the way they perceive the brand
- Engage them in ways designed to make the greatest impact on brand perceptions and advocacy: anything from innovative, targeted communications to branded environments (real and virtual), from people who enact the brand through their behavior, to top quality differentiated products and services.

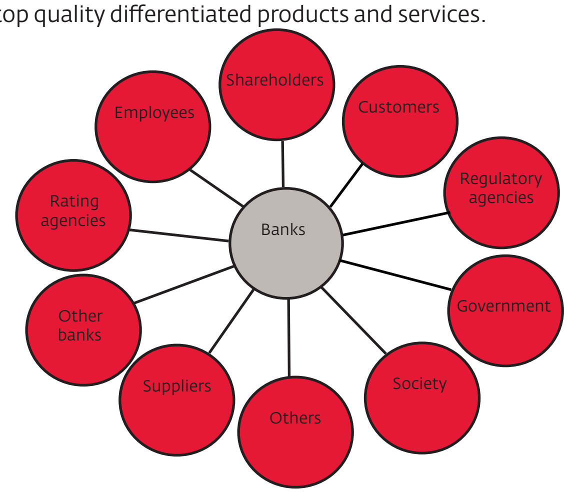

Figure 1. - Typical stakeholders for Financial Services Industry

Brands must also anticipate and manage risks against the relationship established with these stakeholders. The stronger this bond, the easier it is to defend against inevitable bumps on the road. Maybe this is where it all went wrong for banks. No matter what they deliver, there is almost always a negative undercurrent in stakeholders' perceptions – this idea that banks exist to make massive (though sometimes artificial) profits. Stakeholders may have been forgiving, or at least turned a blind eye to this when it didn't impact them personally, but now that they are paying the price it is quite a different story.

In the past months investors' needs have taken center-stage. But there is a real need for more robust stakeholder management in other groups: customers, employees, and wider society.

Trust and consumers

While brands are made real to us through a company's products, services, people, behavior, environments, and communication, they work on a level that is largely intangible. Speaking the language of hearts and minds gives us access to the fundamental needs driving consumers today. For most consumers, the relationship they have with their money is highly complex and individual. The very notion of money is a web of associations: muddled, highly charged, and replete with meaning and emotion. The choice of where to bank is a decision that heart and head make together. While consumers certainly expect competitive interest rates, top quality products and services, convenience and so on, they also need to feel confident that the bank of choice has their best interests at heart. Banking should always feel safe; underneath every deal is the tacit reassurance that their money is in a safe place and at their disposal when needed. So trust is the most important factor.

This is where the corporate brand comes in. Traditionally, branding has been the preserve of marketing and communications people. But in recent years the public has become much more demanding. The brands that share people's values and deliver on their promises are rewarded with loyalty and advocacy. In the wake of the 2008 meltdown, the actions taken by those in charge of the world's largest financial institutions have eroded trust and now consumers are lost. They don't recognize their bank anymore among the avalanche of negative press about the financial services crisis. On the RBS Group's website, for example, it says, "we run our business with integrity and openness to deliver sustainable value." Yet, in January 2009 the group announced UK£ 28 billion losses and received additional UK£ 20 billion from the government, increasing the government stake in the group to 70 percent. Not exactly the sustainability promised to customers.

As in any relationship, trust is not a given – it must be earned in the context of an open, transparent relationship. Bankers could do more, for example, to educate consumers who are unfamiliar with the abstract nature of the banking system and industry or the real reasons behind the crisis. It is precisely this lack of a "human face" that has led to bankers being seen as villainous. We are deeply suspicious of things we do not understand. Left in the dark we rally around things we can understand, clinging to evidence of their irresponsibility and decrying the fact that some companies are still paying out bonuses or redecorating their offices. This is frivolous at best; immoral at worst. Cutting such expenses won't solve the crisis, but somehow it just feels wrong and we mark their cards. What people really need is to hear from bankers directly and be reassured that they are taking action.

This is not about manufactured brand messages; it's about honest dialogue. Some banks already do this, but the crisis necessitates a new level of candor. For consumers, open communication – especially face-to-face contact - will break down some of the distance that has been created over the past months and any negative perceptions of bankers overall. Lloyds TSB (now the Lloyds Group), for example, responded swiftly to the crisis by trumpeting its credentials as the UK's most trusted bank (it ranked sixth in the World's Safest Bank Awards by Global Finance Magazine 2008, was voted Britain's most trusted bank for the eighth year running by Reader's Digest 2008, and Bank of the Year for four years running by The FD's Excellence Awards 2008). And yet, it also supported this by taking action in its branches and offering free money management advice to struggling customers. Both activities added to its image as the "trust bank," while also reinforcing its new brand proposition "for the journey," which positions Lloyds TSB as a helpful partner to customers wishing to keep themselves on track. The true test will be in how this brand is then extended to other stakeholders, especially employees.

Trust and employees

Through providing the service, the staff embodies the brand to consumers. They are the frontline: the first ambassadors and advocates whose behavior must be appropriate employee behavior to drive successful service interactions. (Bitner, 2003) No matter what the business, the same rule applies: building trust and advocacy will have a positive impact on customer behavior. But what about when this trust has broken down?

Employees of today's financial institutions are divided. On one side sit the "masters of the universe," the so-called "greedy investment bankers" capable of creating extremely sophisticated products and trading them at the best "high risk, high return" motto. On the other side sit the ordinary employees who focus more on keeping the business running smoothly, whether that's delivering a good customer service, selling products and services, managing the bank's accounts and risks, or even guaranteeing compliance with regulatory requirements. Unlike the first group, they are not afforded godlike status; they are foot soldiers that do not earn exorbitant bonuses. Their actions did very little to provoke the current financial crisis but when the snows fell in London in February 2009, the media reported tellers being heavily pelted with snowballs to cries of: "War on bankers!"

The mismatch of cultures can be even more evident in mergers and acquisitions, a hot topic among banks since the beginning of the crisis. Bank of America, for example, is struggling to incorporate the "losses and bonus" culture it is uncovering at Merrill Lynch, the investment bank it rescued in 2008. (Connon, 2009)

Bank employees need engaging more than ever during this crisis. Despite being pilloried by the media, bankers are people too and while some may be laughing this off, the crisis will no doubt be affecting morale and internal engagement. This in turn will impact productivity and retention rates. Top talent will always be in demand. It is dangerous to assume that employees will remain loyal during times of crisis. The most adept will get all the training they can until the market stabilizes, and then be off. Those in charge of big financial institutions should be building trust externally as well as internally. For example, despite all the financial turmoil, the risk-reward group is still worried about their bonuses, while ordinary workers are paying with their jobs.

If banks are as serious about retaining talented employees as they are about giving return to investors and retaining their customers, they need to rebuild relationships. Embracing reciprocity is the first step. To truly trust their employers, employees must feel there is a balance of give and take. They should be educated about the brand and understand the actions they can take to deliver the brand promise to customers and build trust. In return employees will benefit from a rewarding employment experience where their needs are met and they feel trusted and valued. In 2008 Lloyds TSB (now, Lloyds Group) ranked 608th in the Best Companies Index (BCI) and was pegged as "one to watch" owing to strong workplace culture (83 percent of staff surveyed said their teams were fun to work with) and leadership (79 percent agreed their managers spoke honestly and openly with them). Focusing on improving the connection between their external brand promise and the internal employment experience is one way to accelerate their progress.

For banks, demonstrating commitment to society has never been more critical.

The route to sustaining profitable growth lies in taking an inside out, outside in approach: becoming both a leading brand that consumers stay loyal to and an employer of choice that talented people want to work for. They are two sides of the same coin. Attending to employee engagement will increase their resilience to the raft of internal challenges they are set to face over the coming months and years (e.g. nationalization, increasing regulation, and structural and cultural impact of mergers and acquisitions).

Trust and wider society

The final piece of the puzzle is the hardest to address. Most banks these days have a corporate social responsibility strategy in place, and while the more cynical would have said this was simply a green wash – good for the company reputation, but essentially a sop – demonstrating commitment to society has never been more critical. When in 2008 the European and American governments began debating bail-out plans, taxpayers woke up to the fact that their hard earned cash would be used to cover the losses, which continue to mount in 2009.

In the current context, rebuilding trust with wider society will be less about doing charitable works or saving polar bears and more about behaving responsibly towards consumers in general, for instance by refusing to charge a massive premium for loans requested by small businesses or first-time home buyers with a clean credit history. And of course ideally, it means doing everything within their power to limit the need for financial assistance from governments whose resources should be invested in public services such as education and health care.

In Asia, banks operate – and are regarded by consumers – as part of the fabric of society, not apart from it. Rather than faceless, singular corporations they are seen as key players in economic development. In the current global crisis, it could be argued that confidence in Asian financial services institutions has not been challenged to the extent that it has in Europe and the US.

Some British banks have already spotted this opportunity. For example, Lloyds Banking Group plans to "ditch the high-risk property and private equity lending book acquired with his acquisition of the HBOS banking group" in favor of "back-to-basics banking." (Connon, 2009) The mutually owned Co-operative bank recently merged with the Britannia building society to create what it describes as "a unique ethical alternative to shareholder and government-owned banks."

Conclusion: More than Money

In the midst of the current financial crisis the press, consumers and governments are calling for a more balanced approach. In conceptual terms, we want our financial institutions to care as much about behaving honorably as they do about making money for investors. In this sense branding is not just about reputation; it's about using the brand as a central organizing principle, the focus that directs decision-making and positive action on both the individual and company level.

In conclusion, here are five top tips for those planning to rebuild trust and strengthen their brands:

1. Align brand and business strategy

   Consistency builds trust. The first step is to make sure that your brand strategy and business strategy (including vision, mission and values) are all pointing in the same direction. With this in place, systematic alignment of operational processes, internal culture and employee behavior with the brand will help you to consistently deliver on your promises.

2. Know the value of your brand

   Get your brand valued, and make sure that you understand how you are perceived by the wider world, and in particular what is driving specific stakeholders (investors, customers and employees) to join or defect. Measuring brand equity on an ongoing basis will give you the ability to make informed decisions and investments to improve your brand experience and reputation.

3. Manage for the long-term

In times of crisis, people – and the governments and companies they work for – often make reactive decisions based on a short-term time horizon, fixing the symptom and not the cause. For example, when World Com and Enron went bust those companies recruited CFOs who were expert in accountancy (nobody wanted dead bodies in the balance sheets) but lacked experience in handling sophisticated financial products or complex relationships with banks. Today, most companies are run by executives with little idea of how to manage during a recession or undo the damage to their business caused by insecure financial products. And while the banks are busy dealing with these pressing issues, they risk neglecting the broader needs of their stakeholders in whose hands their long-term future ultimately rests.

4. Be human

The banking crisis has shown the complexity of the system and reinforced the distance between consumers and corporations. Lessons from emotional branding, such as Gobé's "Ten Commandments" below, can help banks build trust through internal and external activities (Gobé, 2001):

- Shift from consumers to people
- From product to experience
- From honesty to trust
- From quality to preference
- From notoriety to aspiration
- From identity to personality
- From function to feel
- From ubiquity to presence
- From communication to dialogue
- From service to relationship

5. Lead the change

Big global brands can show leadership by getting out there – on TV, in the press, even into communities – educating people about how the banking system works, explaining why we're in this mess, and offering solutions. Taking active control demonstrates that you are serious about real organizational changes and accountability if you fail to deliver your promises. The need for internal engagement and leadership is never greater than after a spate of redundancies. Leadership also means reminding a sense of purpose that created financial services institutions in the first place: capital allocation to promote social and economic development.

If we accept that unfettered growth is a fact of modern life, responsible financial institutions will need to show stakeholders that they are trustworthy. Trust is the basis of any brand. It is something that has to be built over time through engaging stakeholders and by adopting a responsible approach to commerce. Without trust there is no relationship, no loyalty, no pride, and no advocacy. It is essential to the long-term survival of any business. Achieving a balance of forces and needs will help financial services organizations achieve sustainable profitable growth in both financial and human terms. For society to prosper banks would do well to revisit their original purpose and start again to offer a safe place for people to store their precious assets, making a healthy profit, yet remaining connected to the needs of society as a whole.

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