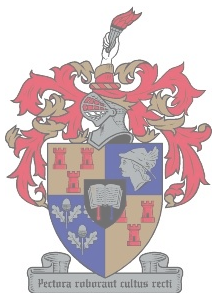


Branding of Services, with special reference to the Financial Services Sector: A preliminary study

Assignment presented in partial fulfilment of the requirements for the degree of Master of
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Declaration

I, the undersigned, hereby declare that the work contained in this assignment is my own original work and has not previously in its entirety or in part been submitted at any university for a degree.

Date: October 25th, 1999

For my parents.

Abstract

Services permeate all aspects of peoples lives, privately and at work. Modern society relies on an increasing number of services. Financial services within this group play a major role in transacting business, in shielding people against risks and in managing assets. The rising importance of services and financial services especially raises the question of the extent to which services have to be marketed differently from tangible products. Branding is one of the most powerful tools for today's marketers, but the question can be asked to what extent brand concepts, mainly developed for tangibles, can be used for services and especially financial services. Other questions that arise appertain to the requirements to be met, the importance of brands for services in comparison with goods, the trends in branding and steps to be done for the creation of a strong brands in the financial service business.

The author discusses these and other questions, beginning with an analysis of terminological issues regarding services, with the main focus on the financial services sector, on the one hand, and brands and branding, on the other hand. In spite of some similarities between goods and services, brand management for financial services has to deal only with limited sources of identity. Product characteristics, normally one of the main sources of identity, are not obvious, perceivable and seldom understood. These facts plus the rapidity of product innovation makes product branding in this sector an extremely difficult task. Preliminary findings indicate that the branding of financial services involves more corporate branding, using the corporation as a guarantee for product quality and customer value.

The branding process, as analysed by the author, commences with setting up a brand management team, followed by the creation of a brand vision, brand auditing, internal and external brand communication, adoption and control. The service provider's staff is of central importance within the branding process, because they are the ones who deliver the service and create primarily brand perceptions.

An empirical study is introduced to prove several hypotheses about branding practices in the financial services sector. The author observed widely underdeveloped branding skills and management, but the empirical findings have drawn a more sophisticated preliminary picture of South Africa's financial services sector in reality. The last chapter summarises major findings and provides recommendations for further research.

Zusammenfassung

Dienstleistungen durchdringen das gesellschaftliche Leben, - privat und beruflich. Moderne Gesellschaften sind auf eine immer schneller wachsende Anzahl von Dienstleistungen angewiesen. Finanzdienstleistungen spielen dabei eine wichtige Rolle, um Geschäfte abzuwickeln, Risiken abzusichern und Vermögen zu verwalten. Die steigende Bedeutung von Dienstleistungen wirft die Frage auf, in welchem Maße sich die Vermarktung von Dienstleistungen von der Vermarktung von greifbaren Produkten unterscheiden muß. Markenmanagement ist eins der besten Werkzeuge für erfolgreiche Vermarkter, doch ist es fraglich, ob Markenmanagementkonzepte, die hauptsächlich für greifbare Produkte entwickelt worden sind, auch für Dienstleistungen und ganz speziell für Finanzdienstleistungen erfolgreich anwendbar sind. Weiterhin stellen sich Fragen nach der Bedeutung der Marke für Dienstleistungen im Vergleich zu Gütern, nach der Entwicklungstrends im Markenmanagement und nach den Bedingungen und Handlungsempfehlungen für die Entwicklung von starken Marken im Finanzdienstleistungssektor.

Der Autor diskutiert diese und andere Fragestellungen beginnend mit einer begrifflichen Abgrenzung zum einen von „Dienstleistungen“ mit einem Fokus auf „Finanzdienstleistungen“ und zum anderen von „Marke“ und „Markenmanagement“. Trotz viele Gemeinsamkeiten zwischen Waren und Dienstleistungen sind die Möglichkeiten des Markenmanagements für Finanzdienstleistungen auf eine begrenzte Anzahl von Identitätsfaktoren limitiert. Produktcharakteristika -- für Waren die Hauptquelle der Markenidentität -- sind bei Finanzdienstleistungen nicht offensichtlich, greifbar und werden nur selten verstanden. Dieser Sachverhalt zusammen mit der immer größeren Geschwindigkeit der Produktinnovation macht die Markengestaltung für einzelne Produkte in diesem Sektor zu einer extrem schwierigen Aufgabe. Analysen zeigen, daß mehr „Corporate Branding“ für Finanzdienstleistungen genutzt wird. Hierbei steht das Unternehmen als Garant von Produktqualität und Wert.

Der Markenmanagementprozeß wird vom Autor analysiert, beginnend mit der Bildung eines Markenmanagementteams, gefolgt von der Entwicklung einer Markenvision, Markenauditierung, interne und externe Kommunikation der Marke und abschließend mit der Kontrolle und Anpassung. In diesem Prozeß hat das Personal des Serviceanbieters eine zentrale Bedeutung, da die Mitarbeiter, die den Service erbringen bzw. überbringen, mangels greifbaren und sichtbaren Produkteigenschaften von Finanzdienstleistungen die Wahrnehmung der Marke durch den Kunden maßgeblich beeinflussen.

Eine Feldstudie wird angeführt, um Hypothesen über Markenmanagementpraktiken im Finanzdienstleistungssektor zu überprüfen. Der Autor beobachtete meist unzureichende Markenmanagementpraktiken, doch zeichnet die Feldstudie ein wesentlich feineres Bild von Finanzdienstleistungssektor in Südafrika. Im letzten Kapitel werden die Ergebnisse nochmals zusammengefaßt sowie Schlußfolgerungen und Anregungen für weitere akademische Forschung auf diesem Gebiet gegeben.

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1 Introduction

1.1 Background to the Study

Services permeate every aspect of people's lives. Every single day they use a large number of services. They rely on the telephone for private calls and at work; they use postal and courier services; and they make use of new information services to keep themselves up to date and to carry on business. Doctors and dentists look after their health, lawyers after their legal problems and they try to shield themselves financially with insurance against risks. Banks and booking services conduct business and private financial interactions. In their leisure time they go out to pubs and restaurants, cinemas or other places of entertainment or relax at home in front of the TV; while travelling they use transportation services and hotels. Consultants assist companies and sometimes handle parts of their clients' business. Services are embedded in everybody's life and take place in every business transaction.

Many of the services mentioned have existed since the earliest times, but the importance of services has increased rapidly since the industrial revolution. With the arrival of new technologies, the complexity and diversity of services have increased.

The services sector is, besides being the production sector, the most important sector in the modern economy. The recent rapid rise of this sector is the driving force of the global economy. Services account for 60% of the world GDP (World Bank (ed.), 1999: 194). They contribute over 70% of the GNP of the leading industrial nations and the same percentage share to the employment of human resources (op. cit.: 194). Even in poorly developed countries services account for more than a third of the GNP (op. cit.: 194, 61). The world economy is in transition towards becoming a totally service-dominated one. Leading institutes like the US Bureau for Labour Statistics expect that the services sector will account for all net job growth through 2005, while the total number of employees in manufacturing is declining (U.S. Department of Labour Statistics (ed.), 1997).

The market for services is characterised by growing international competition and is driven by new technologies. Every single services tenderer, whether commercial or non-commercial, is confronted with these challenges to improve their performance to participate on the market. This has led to a rapidly growing interest in the marketing of services.

The best known marketing principles were developed for tangible goods during the time of the emerging competition in the markets. Yet it is widely known that services are quite different from goods and that they should be marketed differently, too. The inseparability and intangible nature of services, which will be described later on, require new marketing approaches and adapted methods. A number of well known authors, e.g. C.H. Lovelock, V.H. Zeithamel and Adrian Palmer to name just a few (Lovelock, C., 1996; Palmer, A. & Cole, C., 1995; Zeithamel, V., Parasuraman & Berry, L., 1985) have written on this topic. But these representative authors do not elaborate significantly on a topic of major importance for marketing services: the aspects of branding.

“The marketing battle will be a battle of brands, a competition for brand dominance. Businesses and investors will recognise brands as most valuable assets...”, according to a marketing research professional on the question of his perspective on marketing (Mole, C., 1997). Just two decades ago branding was mainly the domain of consumer goods e.g. Coca Cola, Nestlé or His Master’s Voice, whereas nowadays it is becoming more and more essential for services.

Considerable effort has been made to establish distinctive brands in almost every services sector. Avis, British Airways, McDonald’s, Club Med, Citibank and Visa are well known all over the world and are good examples of successful brands. The question arises about the kind of concepts laying behind these developments.

Brand management is a trendy answer. Questions can be asked to the process, to the requirements to be met and to the facts to be taken into account when manager want to brand and market services. Is the emerging role of branding really the “revolution of the brand” (Kapferer, J., 1992a: 15) or is its importance over-estimated?

Marketing academics like Kapferer, Murphy, Aaker, Randall *et al.* have been working in this field. But the greater part of their interest has been directed to products with physical forms rather than to services.

The financial services sector within the services sector is characterised by rapidly rising competition in terms of the market and by a high degree of intangibility in terms of services. These two characteristics make the branding of financial services a challenging enterprise.

This thesis evaluates the role of branding in financial services and tries to advance -- besides academic insights -- a practical analysis of how to develop a successful brand in this growing sector.

1.2 Objectives

The objective of the study is a preliminary study of marketing of services, with special emphasis on branding in the financial services sector.

With respect to the very limited published material on this topic, the author aims to highlight major requirements and preliminary guidelines about managing and marketing financial service brands. Branding of services is brought into perspective in terms of its value, importance and its role within the marketing discipline. An empirical study monitors the priority given to branding in the financial sector. Possible directions of developments of branding financial services in the future are also considered.

1.3 Hypotheses

(Hi) The management of most companies in South Africa’s financial services sector is not aware of the priority of branding in a rapidly changing environment.

- (Hii) The skills and methods used by companies to brand financial services are undeveloped and sometimes inadequate.
- (Hiii) Branding strategies for financial services, if these exist, are orientated towards short-term goals and not towards long-term goals.
- (Hiv) The financial services companies communicate brands mostly externally as a rule, and neglect internal communication.

1.4 Scope of the study

The scope of the study can broadly be grouped into three areas:

Geographical:

Due to the trends of increasing internationalisation of service companies, the orientation of the study will be international. Findings in the South African, German, British and American literature and South African and international financial service providing companies will underline major findings through a review of practical examples.

Functional:

Marketing and branding as an aspect of marketing are of critical importance for a number of service providers. This study focuses on the important issues of creation, management and maintaining financial services marketing with a focus on brands.

Typological:

In accordance with the topic of this thesis, only marketing and brand management of the service industry, as defined in this study, are considered. Limiting the study to the financial service industry will avoid a too broad orientation, and therefore too great a level of generalisation.

1.5 Methodology

The study is based on primary and secondary sources of information.

1.5.1 Secondary Sources of Information

The secondary research included the study of international literature and publications. Further information has been gathered from the internet to source information directly and to participate in newsgroups dealing with branding. The literature study has been done to obtain insight into the present stage of research and application, both nationally and internationally, of the subject of the study.

1.5.2 Primary Sources of Information

Primary information has been generated by interviews, questionnaires and e-mail inquiries with branding experts.

- Opinion seeking. Branding experts such as marketing executives, researchers and corporate individuals were interviewed to obtain background information about the branding methods and approaches used in the financial service field. (See Appendix: List of Interview Partners)
- Survey. Executives of 15 corporations of three subsectors of the financial service field were part of a mail survey to monitor the state of the art of branding financial services in South Africa.

The empirical study was conducted to examine the present situation regarding the application and knowledge of branding in the financial services sector. The author has concentrated on companies providing:

- long-term insurance services
- short-term insurance services
- bank services.

In these three subsectors, characterised by a high level of competition, branding is more important than in others. Companies of these subsectors are increasingly entering the field of the other subsectors. For example, most banks are changing their businesses from providing banking services exclusively towards offering total financial service packages including long-term insurance, short-term insurance and union trusts.

Companies identified as potential source of primary information were:

For long-term insurance:

Liberty
Southern Life
Old Mutual
Metropolitan
Norwich

For short-term insurance:

Alliance
Mutual & Federal
SA Eagle
Guardian National
Santam

For Banks:

Boland Bank
Standard Bank
Absa Bank Group
NedBank

Permanent Bank

The response to the survey was not satisfactory. Perhaps because of the personal introduction of the survey via telephone and attached letters, only 53% of the contacted managers replied. The reason for this was perhaps not lack of interest, but rather due to lack of knowledge; in the author's view the cause of the non-participation was that respondents were only in the initial stages of introducing branding.

Branding and advertising consultants were interviewed from following companies :

Interbrand

Young & Rubicam

Ogilvy & Mather Rightford Searle-Tripp & Makin

Hunters Lascaris

Research Surveys

1.6 Structure of Presentation

The thesis is structured in five parts with several sub-chapters.

Chapter 1 contains a problem identification and provides an introduction to the study as well as concise background information. The objectives, scope, limitations and the methodology of the study are defined.

Chapter 2 defines the most important terms necessary for understanding the subsequent sections by reviewing selected marketing literature. Especially the terminology of services, marketing and branding will be analysed in detail.

The third chapter provides an extensive overview of major topics dealing with marketing and branding of services in the financial services business context; it also discusses important issues of managing service brands and provides a logical framework. The themes discussed in this chapter are oriented to a greater extent towards practical management issues rather than academic insights. A logical guideline for managing brands is presented.

The fourth chapter introduces the empirical research with its methods, approaches and goals to monitor the awareness and management skills in the business field.

The fifth chapter states a conclusion, summarises major findings and suggests future prospects for the branding of financial services.

2 Services, Brands and Branding: Terminological Issues

2.1 Introduction

Any discussion of services marketing and especially branding necessarily needs a definition of the key terms. This chapter provides a detailed discussion of the terms *services* and *branding*. After reading this chapter the reader have a greater understanding of the essential characteristics, the genesis and the typology of the main terms as mentioned.

2.2 Terminological Issues Regarding Services

Studies on services are recent phenomena in the history of the economic sciences. Early economists were relatively uninterested in them; they regarded them as unproductive - adding no extra value to an economy. Adam Smith, the most famous economist of the 18th century, rated services in his well known book *The Wealth of a Nations* as production without tangible output. In his opinion, services - national defence, medicine, the judiciary and others - were “unproductive of any value”, but he did see the contribution of some services like education to the wealth of a society (Smith. A., 1975: 162, 163, 298).

This view remained unchanged until the time of Alfred Marshall later in the 19th century. He saw the essence of services for tangible production. To Marshall tangible production is not possible without a number of services in order to manufacture commodities and to distribute them to the consumers. He emphasised the manufacturing-assistance function of services (Palmer, A. & Cole, C., 1995: 32).

Currently services are not seen in the role of merely assisting manufacturing any longer. Its importance is realised and it is seen as undoubtedly the driver for more wealth.

2.2.1 Definitions of Services

There are a number of definitions in the economic literature, but no clear description is widely accepted.

The definitions in the German literature can be categorised into three different types of definition-propositions: potential-orientated, process-orientated and a result-orientated definition, which are described as follows:

A service is potential-orientated when the ability and the readiness of the service provider are evident; this refers to the ability to produce a deliberate change in the consumer or his physical possessions or to maintain the current condition of these. In this case a service is a potential to serve, a promise of performance (Meyer, 1983: 221).

In case of the process-orientated definition, the service process released by the consumer is in centre of interest (op. cit.).

The result-orientated definition revolves around a service as an immaterial result of servicing actions. The results are shown in the effects on the state of external factors. The

result could be a change (constructive or destructive) or maintenance of the state of the external factor in the factual, temporal, spatial and/or judicial sense (Corsten, H., 1993: 765 - 766). These definitions are in general too restrictive with regard to the nature of services.

Heribert Meffert, a well known German marketing expert, provides a more useful definition. Meffert defines services as “selbständig marktfähige Leistungen, die auf die Bereitstellung (z.B. Versicherung) und/oder den Einsatz von Potentialfaktoren (z.B. Fahrschule) gerichtet sind. Die Faktorkombination des Diensteanbieters (Einrichtung, Ausrüstung) vollzieht an einem Dienstobjekt (Kunde, Objekt des Kunden, z.B. Auto) nutzenstiftende Verrichtungen (z.B. Taxifahrt, Autoinspektion, Banküberweisung” (Meffert, H., 1988:43).

He identifies the characteristics of services as follows:

- services must be marketable for themselves;
- a service is based on the usage and/or preparation of potential factors;
- the input of a service is executed on a service-object;
- the service is a process of creation of utility;
- the service is customer-orientated.

This definition excludes a number of services which are closely related with goods – such as pizza-services or fast food restaurants, for example. The quality of delivery or the cleanliness of fast food restaurants, for example, is not marketable in itself. In practice it is very difficult to distinguish what the customer is buying: the service or the product.

In reality the customer is buying both. For example, a restaurant customer buys a meal as a combination of tangible goods (the food and the physical surrounding) and the intangible services (delivery, food preparation, entertainment, etc.). On the other hand, a purchaser of a vehicle consumes pre-sale and after-sale services included in the price for the tangible product. So it could be more appropriate to have a closer look at the degree of service orientation than to try to define the services sector.

Figure 1 shows schematically the linkages between goods and services in presenting a continuum of goods and services with the degree of (in)tangibility.

Every productive process can be grouped as being in between being a full service with no tangible outcome and a pure good. As Palmer and Cole have stated, most products and services can be categorised as “in between” (Palmer, A. & Cole, C., 1995: 23). In this context Levitt’s finding is relevant: he pointed out that “... there is no such a thing as service industries. There are only industries where service components are greater or less than those of other industries” (Levitt, T., 1972: 50).

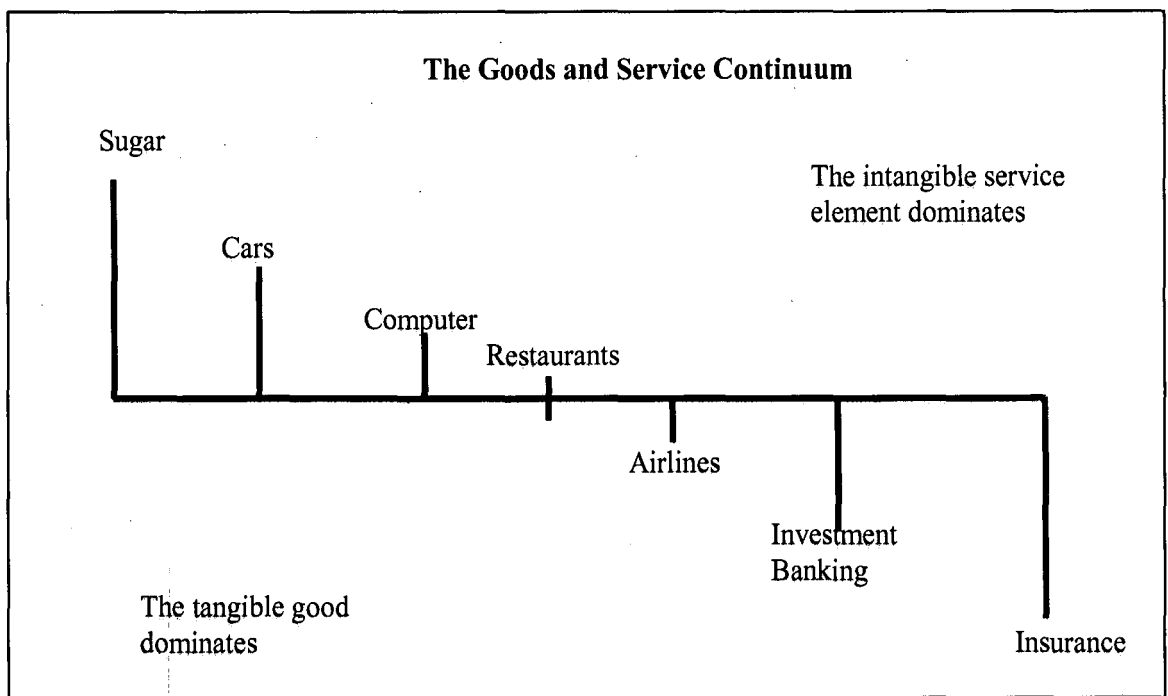


Figure 1: The Goods and Services Continuum

(Source: Own figure, compare: Palmer, A. & Cole, C., 1995: 34, Payne, A., 1993: 8, Hugo, M., 1992: 100)

John Bateson, one of Lovelock's former students and currently an expert in the field of services marketing, uses the word "service" for products whose customer benefits are rather in the service than in the good (Bateson, J., 1995: 15). This definition recognises the area in between the two extremes: the pure service and the pure good. The term "product" is the comprehensive category subsuming services and goods as subcategories and is used below in this broad sense describing both goods and services (Payne, A., 1993: 124).

Palmer and Cole go a step further; they have defined services as:

"The production of an essentially intangible benefit, either in its own right or as significant element of a tangible product, which through some form of exchange satisfies an identified consumer need" (Palmer, A. & Cole, C., 1995: 30).

This definition includes the services of non-commercial organisations such as religious organisations, environmental activists and political parties. These organisations just announce their ideas without the transaction of value. For example, a taxpayer pays at least indirectly for governmental services like national defence, educational services, etc. When a group of activists enters an oil rig to demonstrate against the politics of a company or when political groups demonstrate against or in favour of a task, no value is exchanged; the satisfaction of customer needs is further questionable. This extreme example shows that there are "products" which do not fit in the continuum between goods and services at all.

For the purposes of this study the services of non-commercial organisations, religious and political activists can be ignored. Payne's definition describes the definition of service of the author, but he is also aware of the limitations of any definition:

“A service is an activity which has some element of intangibility associated with it, which involves some interaction with the customers or with property in their possession, and does not result in a transfer of ownership. A change in condition may occur and production of the service may or may not be closely associated with a physical product” (Payne, A., 1993: 6).

This study will concentrate on the marketing and branding aspects of service products. Tangible products of which service is an element to a lesser extent will not be analysed. In this context the term “product” means utility-providing processes or objects. Goods and services are just elements of a product.

The extreme difficulty of defining the term “service” has been shown. No commonly accepted definition dominates the discussion about services – there is more agreement among economists on the question of the characteristics of services. Identification of service characteristics helps the economic scientist and the services manager to understand better their products, their organisation and their relationship with its customers.

2.2.2 Characteristics of Services

V. Zeithaml, A. Parasuraman and L. Berry offer a conceptual framework summarising the unique and distinctive characteristics of services cited in the literature and the problems stemming from them. They have described these characteristics as:

- intangibility,
- inseparability,
- variability and
- perishability

(Zeithaml, V., Parasuraman, A. & Berry, L., 1985: 33)

Some authors add ownership to the catalogue of characteristics to describe the distinctiveness of services (Palmer, A. & Cole, C. (1995: 34, 35).

Each of the mentioned characteristics will be introduced briefly. The following paragraphs 2.2.2.1 - 2.2.2.4 refer mainly to Palmer, A & Cole, C. (1995) and to Zeithamel, V., Parasuraman, A. and Berry, L.(1985); other authors are explicitly mentioned.

2.2.2.1 Intangibility

Most services cannot be experienced *ex ante*¹ in the physical sense. Characteristics of commodities do not fit all services in general, they cannot be seen, touched or tasted, and they are abstract. This characteristic has to be seen in relation to absolute terms.

Services tend to be more intangible than goods as it has been shown in the goods and service continuum. Because of the intangibility an objective assessment - even after the service is experienced - is extremely difficult. The lack of measurable features leads uncertainty among consumers confronting alternative service offers. This service characteristic has important implications for the marketing of services. Services marketing

¹ In this context *ex ante* means before purchasing the service.



has to reduce consumer uncertainty by creating tangible service elements and strong brands. Tangible elements and brands reduce the complexity of the service decision.

2.2.2.2 Inseparability

The production and the consumption of goods is separable; the production can be done in one location, while sale and consumption happen in another location without the producer's involvement. Most commodities are first produced, sold and then consumed. For most services this is impossible. Services are usually first sold and then consumed and produced at the same time. Quality control for services is very difficult. Whereas the quality of goods can be checked after manufacturing and before the sale, the quality control for services must occur simultaneously with the consumption and production process (Lovelock, C., 1995: 17). An often cited but appropriate quotation from a former goods marketer, who changed to the hotel business, illustrates this dilemma:

“We can't control the quality of our product as well as a Procter and Gamble control engineer on a production line can control the quality of his product. When you buy a box of Tide, you can be reasonably be 99 and 44/100 percent sure that this stuff will work to get your cloth clean. When you buy a Holiday Inn room, you're sure at some lesser percentage that it will work to give you a good night's sleep without any hassle, or people banging on the walls and all the bad things that can happen in a hotel” (Knisely, G., 1997: 13).

His words show the problem of the customer's involvement and of customer groups. The customer participates in the process of service creation; this interference of consumers is necessary for transacting the service benefits. To give some mundane examples: the customer needs to be present when he or she wants to be provided with the service of a barber, a doctor, an airline or even to draw money.

Inseparability is an imperative when the service-object is human - in contrast to the service producer, who doesn't need to be human. An automatic teller machine or an internet server are good examples.

Centralised service provision is not possible, nor is centralised quality control. The service customer needs to interact with the service-producing object to benefit from it.

2.2.2.3 Variability

The service product can differ as well as the production process. Both are the result of the involvement of humans in the production and consumption of services.

A lot of employees provide the service product in total; for example, the whole airline team: those on board, the catering team and the staff at the check-in counter providing a travel service. The travel experience depends on a lot of different people, who are exchanged on their field in which they are in. It is human to do things differently; even if the same person provides the service, a guaranteed consistent outcome it is not certain. It is not only the human factor on the producer side that creates heterogeneity, but also the involvement of other consumers. The consumer can be involved actively, for example, when he or she is helping in the service production process or more passively when he or she is accompanying the creation of the service, for example, other waiting people in a

queue or people in the same subway. Even when they are just passively involved, they become part of the service product, a part of the service experience. An unmannerly guest in a restaurant, for instance, destroys the positive service experience of others, or a meeting by chance of people in a restaurant could create a very positive service experience. This heterogeneity makes it very difficult to guarantee standards and to create a service brand.

2.2.2.4 Perishability

Services, in contrast to goods, cannot be stored. A certain product that cannot be sold in a given period can easily be stored and sold in the next period. Services lack this attribute. The non-utilisation of a bus cannot be stored away for an hour. Like any other transportation service an empty seat is lost when the transport starts. Inventorability of services requires an adaptation to meet the demand with the provided capacity. To direct service demand is one central task of services marketing. Seasonal tariffs in the tourist sector as such or the “Happy Hours” in pubs, restaurants or cinemas are an attempt to combat the problem on the marketing side.

Some authors like Payne add the characteristic of ownership to the list of service features. The inability to own a service is contained in the perishability and in the intangibility of services. Ownership hasn’t taken into account the list of service attributes; it is just mentioned for the sake of completeness.

After having analysed major characteristics of service and main distinctions of goods, a classification should help to understand and to structure the marketing problems associated with services.

2.2.3 Classification of Services

Classification is an interdisciplinary practice to structure problems and to generate insights. Simply dividing the economy just into goods and services sectors is not appropriate for classification: the generation of insights, the isolation of common problems and the detection of inherent laws.

Like goods, which can be grouped according to their consumption purposes, production processes, their way of distribution etc., a whole set of service classification schemes can be identified. A number of scientists have developed classifications² using a wide range of factors such as:

- Type of service, seller or purchaser
- Demand characteristics
- Equipment-based versus people-based
- Amount of customer contact
- Service delivery requirements
- and others.

Most approaches fail to assist managers when they are developing marketing strategies. Rather than discussing all the approaches, the classification scheme of Lovelock will be

²For a detailed overview on previous classification schemes for services compare Lovelock, C. (1983) : 8 - 20 and Bowen, J. (1990): 43 - 49.

discussed in particular. He assumes that simple classification schemes using single variables are too simple to offer any insights, so his approach is based on a combination of sophisticated classification methods (Lovelock, C., 1983: 10, 1996: 33).

Each of the following sections combines different schemes in a matrix and yields strategic insights.

- The nature of the service act
- The nature of demand and supply for services
- The type of relationship of the service organisation with its customers
- Possibilities for customisation and judgement of services
- The delivery of services

The Nature of the Service Act

Matrix 1 considers the degree of intangibility of service products and their recipients. The illustration of these two dimensions results in a four-way classification scheme as shown in Figure 2. These two questions lead to a four-field matrix with the following quadrants:

1. Tangible actions to physically present people
2. Tangible actions to goods and other physical possessions
3. Intangible actions to mentally present people
4. Intangible actions directed at peoples intangible assets.

Classification in this way helps to gain a better understanding about the operational service process, the provided benefits and the behaviours and experiences of the customers served by the service. This knowledge can be used to restructure the distribution and to redesign the production process. It identifies the business the company is operating in.

Understanding the Nature of the Service Act		
Who or What is the Direct Recipient of the Service?		
What is the Nature of the Service Act?	People	Things
Tangible Actions	Services directed at people's bodies: * health care * restaurants * beauty salons * exercise clinics * passenger transportation	Services directed at goods and other physical possessions: * freight transportation * industrial equipment repair * laundry * landscaping
Intangible Actions	Services directed at peoples minds: * education * broadcasting * information services * museums	Services directed at intangible assets: * banking * legal services * accounting * insurance

Figure 2: The Nature of the Service Act
(Source: Lovelock, C., 1983: 12)

The Nature of Demand and Supply

This classification lists the extent to which supply is constrained and the extent of demand fluctuation over time. Services cannot be inventoried. If customers cannot be served they are possibly lost for the future. Visualisation of established demand patterns over time assists in understanding why these patterns exist and also in considering strategic alternatives to meet the demand. For most marketers managing the demand is the key task, regardless of the sector.

Nature of Demand and Supply of Services		
Extent of Demand Fluctuations over time		
Extent to Which supply is constrained	wide	narrow
Peak demand usually be met without major delay	<ul style="list-style-type: none"> * electricity * natural gas * telephone * police and fire emergencies * hospital maternity units 	<ul style="list-style-type: none"> * insurance * legal services * banking * banking
Peak Demand Regularly exceeds capacity	<ul style="list-style-type: none"> * accounting and tax preparation * passenger transportation * hotels and motels * restaurants * theaters 	*services similar to those above but which have insufficient capacity for their base level of business

Figure 3: The Nature of Demand and Supply of Services
(Source: Lovelock, C., 1983: 12)

The Type of Relationship of the Service Organisation with its Customers

Figure 4 combines the nature of service delivery with the degree of formalisation of the relationship between service provider and consumer. Membership organisations benefit from the information about their members; they can also address their customers personally. Market segmentation becomes easier and building up loyalties to the corporation becomes easier as well. Non-membership service providers are aware of the need to build up a formal relationship with their clients in order to gain information and promote loyalty. The miles-and-more packages of numerous airlines are a typical example.

Relationship with Customers		
Type of relationship between the Service Organisation and Its customers		
Nature of service delivery	„Membership“ relation	No formal relation
Continuous Delivery of Service	<ul style="list-style-type: none"> * insurance * telephone subscription * banking * Automobile Clubs 	<ul style="list-style-type: none"> * TV station * public highway * police protection
Discrete Transactions	<ul style="list-style-type: none"> * long distance phone calls * theater series subscription * transit pass 	<ul style="list-style-type: none"> * car rental * postal services * toll high way * public transportation

Figure 4: Relationships with Customers
(Source: Lovelock, C., 1983: 13)

Possibilities for Customisation and Judgement of Services

Most goods are purchased as standard products “off the shelf”. Consumption and production of the service at the same time opens the opportunity for customers to get the

product tailor-made. The matrix of Figure 5 contrasts the degree of customisation of service characteristics with the extent of judgement required by customer contact staff.

Customization and Judgement in Service Delivery		
Extent to Which Service Characteristics are Customised		
Extent to Which Customer Contact Personnel Exercise Judgement in Meeting Individual Customer Needs	high	low
	high	<ul style="list-style-type: none"> * legal services * health care * real estate agency * plumber * taxi service
low	<ul style="list-style-type: none"> * telephone service * hotel * retail banking * good restaurant 	<ul style="list-style-type: none"> * public transportation * routine appliance repair * cinema * spectator sports

Figure 5: Customisation and Judgement in Service Delivery
(Source: Lovelock, C., 1983: 12)

The Delivery of Services

The final classification shows the current method of delivery and the number of distribution sites. The matrix of Figure 6 reviews whether service organisations should have single or multiple outlets and considers alternative interaction opportunities to enhance consumer convenience. The convenience is at the lowest degree when the consumer has to come to one single outlet store.

Splitting a service into components apart from the delivery of the core service and handling them separately helps to optimise consumer convenience. For example, private banking services can be structured into: opening an account, transacting money and information enquiries. Telephone banking and internet banking avoid the situation of a client having to make a personal visit to the bank to transfer money and to get required information such as account status, etc. It is only for opening the account that the customer needs to pay the bank a visit.

Also the question of the use of intermediaries to widen the geographical range can be considered.

Nature of Interaction between Customer and Service Organisation	Method of Service Delivery	
	Availability of Service Outlets	
	Single Site	Multiple Set
Customer goes to service organisation	<ul style="list-style-type: none"> * theater * barbershop 	<ul style="list-style-type: none"> * bus service * fastfood chain
Service organisation comes to customer	<ul style="list-style-type: none"> * lawn care service * taxi 	<ul style="list-style-type: none"> * mail delivery * AA emergency repairs
Customer and service organisation transact at arm's length (mail, phone or new media)	<ul style="list-style-type: none"> * credit card * electronic banking * telephone broking 	<ul style="list-style-type: none"> * broadcast network * telephone

Figure 6: Method of Service Delivery
(Source: Lovelock, C., 1983: 17)

Lovelock's classification systems as presented above helps service managers to gain insights into their own businesses and to discover their characteristics. They can also identify similarities with other apparently at first sight unrelated sectors, which widens the field for searching for transferable marketing solutions outside the particular sector.

2.2.4 The Marketing Mix for Services

Most marketing plans usually follow Borden, who has described marketing as a mix of ingredients and coined the term "marketing mix" (Lovelock, C., 1996: 311). Marketing mixes are developed around the 4 Ps, which stands for product, price, place (for distribution) and promotion. Some authors add a 5th P for probe, which refers to research and development. For services especially probe in the sense of market research and R & D is important for service innovations. When the service is capable of sustaining continuous improvement and replacing old service products in favour of new ones, it will be able to maintain and sustain its competitive position. However, marketing of services needs additional elements. Randall adds 3 additional elements, namely (Randall, G., 1997: 164):

- people
- processes
- physical evidence

Some elements of the marketing mix are analysed briefly below.

2.2.4.1 The Service Product

As has been described, services differ from goods; therefore the marketing of services also has to be adapted. In discussions of marketing problems for goods, services and products there is often confusion about the terminology. A product is an overall concept of objectives or processes which provide some value to customers; goods and services are just subcategories as stated in section 2.2.1. Customers are not buying goods or services; they buy specific values from the total offer.

The offer can be monitored at distinguishable interrelated levels:

- the core product; this consists the basic service, e.g. an account in a bank;
- the expected product; this consists of the core product together with minimal purchase conditions. In the case of opening an account, the consumer expects immediate monetary transactions, pleasant personnel service and a comfortable waiting area in the bank.
- The augmented product; this is the area of differentiation within products. Reputation and the values of the service provider enhance the expected product to the augmented product.

2.2.4.2 People

The success of marketing a service is closely related to the selection, training, motivation and management of people. Personnel becomes the most important element in delivering the service experience to customers. Whether they are providers or consumers,

management and control are of crucial importance in the process design, change and operating quality.

It is essential to meet customers' expectations and to standardise services especially in the training of the contact personnel - from the frontline staff, the switchboard personnel up to their superiors, who are infrequent contact personnel. Internally the relationship management between frontline and backroom staff is more important to create overall consumer satisfaction (Randall, G., 1997: 165). The management has to create an understanding of the internal customer and everybody's role as external and internal suppliers in the service process. Wide understanding reduces conflicts between functional areas of the service organisation.

People are an important part of perceived competitive product differentiation and customer value (Bateson, J., 1995: 122). A lot of service bundles are similar to each other; for example, an account has almost the same conditions as transaction fees and interest rates, banks operating from similar locations and offering the same kind of accounts. Some critical differentiation in the service providing process can come from the staffing level and from the physical systems supporting the staff.

People as a separate element of the marketing mix need the creation of monetary and non-monetary incentives to get their best possible contribution to the overall service process. For example, even the way of responding to customers by telephone, mail, fax and e-mail can add customer value.

Shostack suggests that both motivation and human behaviour are controlled by the design of the process itself; in the same way the effectiveness of people is interrelated with processes (Shostack, L., 1987: 36).

Internal marketing is not an easy task; highly developed communication skills are therefore required. The top management must share their decisions with the employees to get wide understanding and commitment in the workforce. Demand performance and commitment need the offer of sense.

Auditing of the service skills of the employees can reveal shortcomings in the service level and make evident the need for training and internal communication. Auditing by means of staff observation (e.g. by "mystery shopping") is a useful tool to control the effects of internal marketing on the contact staff. Market research for customer perception is also valuable in this context.

According to a study by Helman and Payne, internal marketing is fairly rare within service organisations (Helmann, D. & Payne, A., 1992: 2 ff.). The survey for this thesis has highlighted these issues for the South African financial sector. Results are summarised in Chapter 4.

2.2.4.3 Processes

"All work activity is process" (Payne, A., 1993: 168). Processes include all formalised procedures and activities by which a product is created and delivered to the customer. It is

mainly the delivery process that drives consumer perception and opinion about the service quality.

For services with their inseparability and their perishability processes are central. Without satisfying process performance no consumer will develop loyalty for the provider. Inadequate process performance -- for example, a long queue in front of a bank teller -- will result in a group of unhappy customers. The same happens when the opening of an account causes confusion; the customer will perceive further service more critically than would be the case with an uncomplicated opening operation.

Processes are also important to ensure service quality; standardised service processes should stabilise quality and the substitution of labour with machinery targets the same goal. Automatic teller machines and computerised banking provide service standardisation of mundane banking services, while the staff labour is limited to dealing with the more complex problems of clients. People as processors and processes are closely related in the marketing mix; changes in processes need changes in people, too.

2.2.4.4 Physical Evidence

Physical evidence describes the process of making some intangible elements of a service tangible and visible (Palmer, A. & Cole, C., 1995: 71). Many services are delivered in physical environments created by the service provider. The outlet design of the branches gives services tangibility and communicates or supports the company's positioning. For instance, McDonald's world-wide standardised outlet stores are well known in this context and a guarantee of its uniqueness and quality. Moreover, the customer is familiar with the restaurant, so the location doesn't matter. Banks have built up big, decorative buildings with stylish interiors and traditionally dressed staff to communicate their substance and solidity (Payne, A., 1993: 130).

Physical characteristics are part of the service experience and add value to the product. The physical environmental characteristics provide the customer with information and can affect their behaviour radically (Bateson, J., 1995).

Disorientation occurs when the customer does not longer receives clearly signals from the environment. Similar designs or similar styled logos of competing bank branches confuse the consumer and do not help to build up a special corporate identity. Physical evidence is one of the main sources of identity and supports market positioning if well tailored.

After analysing the different elements of services, financial services become the focus of the following section.

2.2.5 Financial Services

This subchapter will indicate what financial services are and what trends influence the financial services sector at present and in future.

2.2.5.1 Definition of Financial Services

The WTO lists under financial services (WTO (ed.), 1997: 53):

- a) Insurance and insurance related services – Direct insurance: life and non-life insurance; reinsurance and retrocession; insurance intermediation, such as brokerage and agency; service auxiliary to insurance, such as consultancy, risk assessment and claim settlement services.
- b) Banking and other financial services (shortened): - acceptance of deposits; lending of all types including factoring and financing of commercial transactions; financial leasing; all payment and money transmission services; guarantees and commitments; trading in money market instruments: foreign exchange, derivatives, exchange and interest rate instruments, including products such as swaps, forward rate agreements; money broking; asset management; settlement and clearing services for financial assets; provisions and transfer of financial information and financial data processing; advisory and other auxiliary services.

Handling the issue of branding for the whole set of financial services and service providing companies is not possible and would go beyond the scope of an academic thesis.

The focus here will be on banks, and long- and short-term insurance providers. The author does not claim completeness for his work on branding. Just the most important aspects of branding financial services will be highlighted in a concise manner for the most important parts of the financial services sector. The results have validity for most of the other financial services and other services sectors as well.

2.2.5.2 Trends in the Financial Services Sector

Trends can be analysed by using a fourfold approach similar to Yip's industry globalisation drivers (Yip, G., 1995:7 ff.). The four types of trends are not discrete. They must be seen in an interrelated and integrated context.

Just a few trends in the financial services sector will be highlighted to describe the environment of the sector and of branding within it. Price Waterhouse has investigated market trends for the banking sector in Europe (Price Waterhouse (ed.), 1996: 3 - 6), which are important as well for the South African market with just a few modifications. The imperatives to manage market change and to improve services may vary across different countries and different market segments but the trends are similar; only the pace seems to be different.

2.2.5.2.1 Market Trends

General market trends

Financial services are the guarantee for the efficient functioning of the world trade in goods and services. Every international and most national trades increasingly require financial services in the form of credit, insurance, capital and foreign exchange. The WTO estimates the volume of daily transactions to be US\$ 1,2 trillion in foreign exchange transactions.

International financing extended by banks around the world reported to the Bank of International Settlements is estimated at US\$ 6,4 trillion, including 4,6 trillion net international loans (WTO (ed.), 1997: 2).

World banking assets are estimated at US\$ 15 trillion and insurance premiums at US\$ 2 trillion (WTO (ed.), 1997: 7). The enormous amounts of money floating around have prompted a whole group of innovations - just a few years ago nobody would have predicted the great role of derivative instruments.

The widening of the social networks in most western countries increases the demand for self-responsibility to shield against risks and to take precautions for pensions. This development led to a rising demand for long-term insurance, union trusts and others.

Revenues are expected to grow

Revenue growth is expected to be very high. Especially with the growth of wealth of black and coloured people in South Africa a whole new group of clients will become incorporated into this market. Whites will also have to invest more in retention funds, life insurance and investment funds to protect themselves against social risks and to maintain their standard of living when they retire. The expected revenues lure new competitors (e.g. Pick 'n Pay and Marks and Spencer into banking services) in all financial service segments and pushes the existing national and international companies to enlarge their businesses in other until now neglected segments (the banks enlarge their product ranges towards funds, long- and short-term insurance).

Clients are becoming more demanding and sophisticated

Clients are becoming much more sophisticated and demanding in terms of service, performance and in case of wealthy clients in the global nature of their needs. This is a significant challenge. More and more global consumers in the business field are pushing the financial services enterprises to adapt accordingly. For example, the Alliance AG, one of the biggest European insurers, followed its clients around the world and also entered the South African market like several others to maintain and protect their market position.

Clients are less loyal

Clients are becoming less loyal than in the past. To have a lifetime relation with a bank or insurance company will become something of the past. Through their much greater ability to compare products, offers and prices for products and transactions, customers tend to change their financial service provider as the need arises. The trend to use more than one financial service provider is also obvious; customers use investment performers for their capital investments, while doing their daily transactions with a transmission account from another service provider and they insure themselves with somebody else. Internet banking allows a easy change of financial service providers and support the trend of acting less loyal.

2.2.5.2.2 Competitive Trends

Following competitive trends influence the market for financial services.

Competition increasing in intensity

Competition in the financial services sector has grown in intensity over the last ten years. Aggressive acquisitions and mergers reduced the number of players in the global market but within each local market the number of competitors has increased and is still increasing (Saunders, J. & Watters, R., 1993: 37). The latter situation is caused by the increased globalisation and by the horizontal expansion of financial services companies towards other categories. The lines dividing banks from building societies, insurance companies, brokers and union trusts are becoming increasingly blurred and each one is nowadays in the other's market. Banks and insurance companies are expanding geographically, using similar consumer needs as the basis for globalisation. In the South African market there are a number of European and American players that display a growth tendency. Citibank, Alliance and SA Eagle, just to name a few, are well-known players in South Africa but owned and managed from overseas.

The established service providers enlarge their field of business by entering other financial subsectors. Citibank is an excellent example of service providers entering into cross-selling. Even vehicle insurance can be taken out with Citibank brand as well as long-term insurance and leasing contracts for jets. They are offering bank cards for optimisation of travel expense management of its corporate clients (Citibank (ed.), 1997: 45, 67)

The financial services sector has been entered not only by established international and national service providers, but several newcomers are entering the market round the world. Retailers are using their outstanding market positions for cross-selling to launch financial services, starting with bank and insurance services. This trend has grown within the last few years. Marks & Spencer in the United Kingdom, Karstadt in Germany and Pick 'n Pay in South Africa, just to name a few, have entered the financial markets successfully and are looking for a greater market share. Other industries like the automotive industry are establishing in-house banking facilities, for example, opening the customers credit or leasing packages without consulting banks any longer.

During the last decade the demarcation lines between subsectors of the financial services sector have been blurred. With the loss of differences between the different types of institutions, it becomes increasingly important for the actors in the financial services sector to manage customers' perceptions of what the respective sectors are. The promotional expenses within the marketing mix are rapidly escalating and show the pressure of the battle for the consumer; the financial services sector has been on the peak of advertisement growth sectors in the last decade (Saunders, J & Watters, R., 1993: 38)

2.2.5.2.3 Governmental Trends

GATS

The General Agreement on Trade in Services (GATS) liberalised the exchange of financial services; talks on the basis of this agreement started in April 1997 to continue the process of progressive liberalisation (WTO (ed.), 1997: 1). Significant globalisation has taken place since 1995. Regulations about acquisitions are almost absent; thus in the future any financial service company may acquire others in any state.

Compliance and regulatory issues are becoming more demanding.

This costly matter reflects the increased requirements from more sophisticated and complex products. The rapid pace of globalisation is mirrored in multiple-jurisdictional regulatory environments and tougher client vetting procedures.

2.2.5.2.4 Technological Trends

Technology is improving rapidly. New information technology and new media open a wide field of commercial use for financial services. Electronic transactions have shrunk the investment and stock markets, capital is moving fast as the crises in the former tiger economies as well as in Brazil and Russia show dramatically. The achievement of commercial advantage through effective application and management of new technology is one of the bigger challenges for the focused sector. The promotion mix also needs to be adapted to information technology developments.

2.3 Terminological Issues regarding Brands and Branding

„A product is something that is made in a factory; a brand is something that is bought by the customer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated; a successful brand is timeless.” (Stephen King : 1, quoted by Aaker, D., 1991: 1)

2.3.1 Genesis and Developments of Branding

The word “brand” derives from the Old Norse word *brandr*, meaning “to burn”. Branding was and is still in many countries the common method of marking livestock to proclaim ownership. From branding livestock these practices moved towards marking other commodities. Several kinds of these markings have been found on Egyptian, Greek and Chinese commodities like jewellery, pottery, bricks and even foodstuffs, presenting proof of origin (Affinity Advertising and Publishing CC (ed.) 1993: 9).

This practice has allowed customers from the earliest times to distinguish the products of preferred artisans, artists or origin from the rest. According to Heever (from Affinity), there is historical evidence that even in Roman times producers began to advertise their products with writing and putting into circulation small messages, which described the nature and the quality of their commodities (Affinity Advertising and Publishing CC (ed.), 1993: 9)

Service providers like barbers, pharmacists and others also displayed their products. Branch-unifying symbols like the striped pole for barbers or the green cross for pharmacists are good examples of the shape of branch labels.

Customers began at quite an early stage to develop preferences for products and services of some traders, manufactures and service providers, leading to loyalty for certain businesses what could have generated income for many years - a fact already known in the first century AD, when the Roman Publius Syrus made the observation that a good reputation is more valuable than money (Old Mutual, 1994: 3). Loyalties and product knowledge were limited generally to a small geographical area because of the very limited and expensive

transport possibilities as well as the lack of mass production and communication facilities. Only expensive products, which are able to cover the immense transportation costs, were traded internationally, such as spices from India, Chinese porcelain or amber from the Baltic area. International brands did not exist; the area of origin was a kind of trademark (Room, A., 1987: 13).

Mediaeval guilds established early “industry standards” through the setting of quality standards for the products and in the prescription of educational requirements for the people who wanted to become members of the guild.

But the very limited knowledge of production and co-ordination made it impossible for single manufacturers to produce large quantities of products with constant quality (Meffert, H., Burmann, C., 1996: 4).

In spite of the early presence of brands, branding has undergone most progress in the last 150 years (Stobart, P., 1994: 1). The industrial revolution with its rapid progress in production, transportation, communication and the dramatic change of socio-demographics has changed the business field dramatically.

Mass production enabled the production of higher numbers of “branded” goods, increased and cheaper transportation facilities (railway, steamships, etc.) facilitated distribution and allowed a wider selling area. Rising production caused a loss of direct customer contact with the manufacturer in favour of the trading sector. The growing number of products and people increased the need for the producers to mark products in an identifiable way to stand out of the proliferating crowd of goods and services. Therefore producers began to brand their products to a greater extent so that people all over the country could recognise the products (Room, A., 1987: 14). At that stage the understanding of branding was characterised by the process of marking goods.

In the US Procter & Gamble soap products, Kraft foodstuff and Coca Cola have competed extremely successfully against lower-quality unbranded products and established market leadership in the different segments distributing in product-line over the whole country. Nestlé also started in Switzerland with branded milk products and then selling them in Western Europe and the UK and just a few years later also in America, Argentina, Australia, the Netherlands, East Indies, Mexico and Russia under the Nestlé’s milk food label (Heer, J., 1966: 45).

With the increasing number of new brands and their sophistication it became necessary to establish a formal legal registration and protection system to shield established brands against copying. In 1875 the British Parliament passed a trademark act for brand registration and protection. This act was the first one in the history of Europe. Similar trademark, label, design and other laws affecting branding have come into effect in many countries since then (Affinity Advertising and Publishing [publ.], 1993: 10).

In this context the classical brand concept for consumer items has been developed. This concept can be characterised as one of the earliest branding concepts. The aim of the concept, developed mainly from Domizlaff, was to communicate via the brand and accompanying advertisement indirectly with the consumer to enlarge the selling area and to increase the influence on the wholesaling sector (Gueldenberg, G., 1995: 80 ff.). For the

most parts innovations have been at the heart of brand building and brand communication. The economic boom and the situation of a seller market enhanced the diffusion of the classic brand concept. The wholesaling sector has supported brand concepts, because brands -- and with this the manufacturing sector -- took some of the load off the wholesalers by taking over dimension, information, packaging and quality assurance functions for the traded commodities (Meffert, H. & Burmann, C., 1996: 5). The concept explains only a branding technique for proprietary articles in the form of consumer items; services, investment goods or ingredients have been excluded. The classical brand concept identifies the characteristics of proprietary goods rather than explain branding procedures with critical success factors in detail (op. cit.).

The recessive tendencies of the mid-1960s changed the market environment rapidly; the sellers market changed into a buyers market. The sales function and not the production function was the critical narrow pass factor (Meffert, H., 1994: 4). A brand was not a collection of characteristics any longer. The task of branding has been enlarged by means of market research, product development, pricing decisions and distribution policy as additional integrated elements (Meffert, H. & Burmann, C., 1996: 8).

The period from the middle of the seventies until the middle of the eighties was characterised by market saturation, harder horizontal and vertical competition, the rapid pace of innovation and imitation and along with that shorter product life cycles and brand inflation. Customers have become more critical and price-sensitive. The wholesaling sector reacted to this change of consumer behaviour with the introduction of their own brands, mostly for a whole product line or used as banner brands (Meffert, H. & Bruhn, M., 1984: 7 ff.). The products became more homogeneous, distinguishing themselves from other products by way of innovations and maintaining excellent quality became more difficult. Aspects of the image came into focus with branding and services companies have explored these too (Murphy, A., 1987: 1). The awareness of the importance of image has been the fundamental change from the traditional point of view of branding as method of sale - not objectively determinable aspects but aspects of behaviour and perception became important.

The last stage of development was influenced by further alignments of products and qualities. Most products are nowadays homogeneous in quality. The market side is determined by a growing "information overload" for the consumer. Rapid developments of information and communication technology are one of the main driving forces for more competition, easier information and internationalisation of businesses. Service providers and investment goods manufacturers explore the possibilities of branding to an ever greater extent. Even suppliers using branding ("ingredient branding") -- Nutrasweet, Intel, GoreTex and others -- are successful examples of this practice (Simon, H., 1994: 578).

A large number of weak single product brands have led to a devaluation of the single product brands and have strengthened the importance of corporate brands, umbrella brands, endorsing brands and line brands³. The increasing costs of brand introduction and strengthening in form of high minimum advertisement expenses for positioning and maintaining a brand are increasing the pressure on this trend (Meffert, H. & Burmann, C., 1994: 2, 12).

³ For a detailed explanation of the single terms refer to section 2.2.4.

Management trends towards lean management, lean marketing, Total Quality Management (TQM) and others have led to shortcomings in integrated brand management, despite the well-developed knowledge in this discipline. The orientation towards short-term goals and success resulted in only an operational and not a strategic influence on image parameters. The decreasing amount of expenditure on advertising on the total marketing budget confirms this trend (Landler, M., Schiller, Z. & Therrien, L., 1991: 66, 67).

2.3.2 Definition of Brands and Branding

Different definitions of brands and branding reflect the developments described in 2.3.1.

A brand is a distinguishing name, term or symbol (such as a logo, trademark etc.) intended to identify the products of either one seller or a group of sellers and to differentiate the products from those of the competitors. (Aaker, D., 1991: 7, Kotler, P., 1986: 302) In this sense branding is just the external process of labelling a product with the label of the company.

Jean-Noel Kapferer, the internationally well known French branding expert, defines a brand completely differently. He understands a brand more broadly and more philosophically as: “..the product’s source, its meaning, and its direction, and it defines its identity in time and space” (Kapferer, J., 1992: 11). To him brands are the language of the world’s economy and far more than just a convenient way to distinguish one product from another. Brands are the companies’ personalities, their identities and their most valuable assets. They do not really exist obviously - they exist to great extent in the customer’s minds and in the minds of other stakeholders (op. cit.). A strong brand identity is the centre of interest. It is strong brand identity what allows the building of customer confidence in a brand and along with that the building of loyalties (Meffert, H. & Burmann, C., 1994: 13).

What both views have in common is that a brand must be at least something different from a product. Products are the core of every brand and can be analysed in terms of their tangible and intangible functional capabilities. A brand makes products unique and shield them against cloning by competitors copying them.

Following recent developments, branding can be defined as an internally and externally directed management process with the goal to reach a strong brand identity by the cross-functional integration of decisions related to aspects of brands. Brand management is thus the planning, realisation, co-ordination and control of all measures to reach the target image by the relevant internal and external interest groups (Barich, H. & Kotler, P., 1991: 96)

Perhaps regions and people could be seen as brands as well, but these questions are not dealt with in the rest of this thesis. The focus is rather on a description of the elements of a brand projected in products.

2.3.3 The Benefits of Brands

A threefold analysis of the benefits structures the benefits by groups of beneficiaries (Blackett, T., 1990: 28-29, Macrae, C., 1997: 236):

Benefits for the consumer:

- brands are identifiers which fulfil a core role played in making a choice;
- brands signify which choice can be trusted;
- brands remove uncertainty and give security by acting as a guarantee of origin, quality, consistency and form a relation to the product.

Benefits for the intermediaries:

- well known-brands provide a guarantee of sales and can contribute significantly to the image of the intermediaries;
- the seller can enjoy a higher margin from the sale of branded products than unbranded ones which in turn also offers a means of risk avoidance;
- brands provide a reference and can therefore be imitated and sold using a private label under that name;
- brands are substitutes for craftsmanship, with the brand speaking for the retailer;
- brands can be used as tools in price competition.

To the producer/provider:

- brands help the producer/provider to communicate messages to the consumer;
- brands provide producers with a means to compete by influencing the customer and not being at the mercy of the intermediary;
- brands are also a key to customer loyalty and provide consumers with a way to repurchase particular products;
- brands provide the base for a higher price and create consumer preferences, which makes them more resistant against price competition;
- brands supply a possible platform for extensions for new products;
- brands can be protected from the exploitation of competitors by specific and legal titles;
- brands provide a guarantee of future income;
- strong brands give the producer/provider the time to withstand innovation from a competitor, to marshal forces and strike back;
- brands can play a key role in recruiting and motivating a company's staff;
- branding helps a company to access joint ventures with most suitable partners.

The benefits are interdependent and show the value added by brands. Most of the benefits will be analysed further in later sections. This brief list summarises the benefits *ex ante* to demonstrate the value of brands.

2.3.4 Dimensions of Brands

If one wants to manage brands properly, it is necessary to understand them fully. It is wrong to concentrate on the competitors and to copy the blueprints of their marketing and branding concepts, nor is it sufficient only to concentrate on the image of the brand. Understanding the individuality of a brand and its identity is the essential core of the marketing process. Insights into the brand identity allows a successful tuning of the marketing mix.

Brand image and brand identity must be distinguished.

2.3.4.1 Brand identity

Brand identity is what is transmitted from the company to the marketplace; it is under the brand owner's control. It is the set of images transmitted consciously or unconsciously to the environment characterising a brand (Kapferer, J., 1992a: 44, Meffert, H. & Burmann, C., 1996: 36).

The social sciences define three basic attributes for strong identities (Wiedmann, K., 1994: 1040 ff.): continuity, consistency, individuality.

Continuity

This describes the retention of elementary and essential characteristics of a person, a group or, in the case of a brand, an object over a longer period of at least a few years. Without this set of core characteristics it is impossible to identify the nature of the person, group or object.

Consistency

In contrast to continuity, the attribute consistency is moment variable. Consistency appears if the set of characteristics of a brand is free of contradictions. Only a contradiction-free combination of identity elements leads to a strong brand identity.

Individuality

Individuality describes the uniqueness of the identity object in some characteristics or their combination. A lot of brands are just copies of others ("me too brands") and so perceived by customers as weak because of what they have in common with other brands.

Only if these necessary criteria are fulfilled can strong identities exist; they are the foundation from which the sources of identity can be analysed (Kapferer, J., 1992: 50ff.).

As described, brand identity is a combination of interrelated, consistent attributes. Potential components of identity are:

- the brand concept
- the kind and quality of the branded product(s)
- the pricing level
- the shape of the products
- brand name, logos, symbols and slogans
- the behaviour of the human resource
- geographical and cultural surroundings
- the history of the brand
- brand communication
- the business field
- the presentation at the point of sale.

It has to be taken into account that the significance of the various components mentioned can differ from the focused group of interest. For example, the affiliation to a big company

is an important source of identity for the employees -- for the end consumer this feature is of minor importance independently of the focused sector.

Each of the mentioned criteria is discussed briefly, with special consideration of financial services.

2.3.4.1.1 The Brand Concept

The brand concepts formulate the idea explicitly, the content and the central attributes of a brand in the form of a brand model. This brand philosophy will comprise the central consumer benefits which the brand should fulfil, the special competency, the brand vision, the basic values, norms and targets and the relation to internal and external groups of interest (Kapferer, J., 1992a: 111, Meffert, H. & Burmann, M., 1996: 40)

2.3.4.1.2 Kind and Quality of the Branded Products

For all kinds of commercial commodity brands these are the important components of identity. The width and depth of the product programme as the quality of the product belongs under this point, too. But in service industries with their intangible outputs, the products become more unimportant. Especially in financial services people expect the products (an account, for instance) to function effectively and they do not get excited about it. Treatment by staff makes the difference. With growing product homogeneity -- as mentioned earlier -- and the boom of more than one business field with brands, the degree of importance attached to product kind and quality is shrinking in the financial services sector.

2.3.4.1.3 The Pricing Level

The pricing level and along with it exclusivity are a further potential source of identity. High prices ensure prestige and a differentiated customer profile; low prices lead to a popularisation of products. The difficulty of comparisons and the general unsuspectingness if the costs of financial services dilute pricing as identity source for the focused kind of services. The necessity of swanking cannot be fulfilled with financial products.

2.3.4.1.4 Shape of the Products

The shape of service products is negligible because of their intangibility – it is only for commodities that visual shape is an important source of identity. The support equipment necessary to deliver the service is noticeable, but in case of financial services these are standardised – for example, bank cards, cheque books, savings books, insurance policies, etc.

2.3.4.1.5 The Trademark: Brand-names, Logos, Symbols and Slogans

2.3.4.1.5.1 Brands and Trademarks

Successful brands draw the attention of competitors and some may respond with illegal reproduction or with imitation in a similar way. To protect their valuable assets, trademark

registration offers legal protection against competitors who want to imitate the trademark (De Chernatony, L., 1995: 395).

2.3.4.1.5.la Definition of Trademarks

“A trademark is a sign or symbol which distinguishes the goods or services provided by an enterprise” (op. cit.). It can consist of a word, words or a slogan, letters, numbers, symbols, monograms, signatures, colours or combinations of colours. Trademarks are not to be confused with “patent” or “copyright”, which provide protection in a different way from trademarks and provide protection normally over a limited period, whereas trademarks protect over an unlimited period.

“Trademark” as a term is not interchangeable with the term “brand”, but its invariability make it a foundation upon the brand identity is built on.

A trademark has three functions (Clarke, G. & Peroff, M., 1987: 32):

- to distinguish the products of an enterprise from those of another;
- to indicate the source of origin of products;
- to represent the goodwill of the trademark owner.

Selecting a trademark is a careful process. Especially the brand name is of major importance; some authors even argue that the decision about the name is one of the most important in the marketing management field and the most important branding decision (Landler, M., Schiller, Z. & Therrien, L., 1991: 66). The intangibility characteristic of services suggests that the decision about the brand name is even more crucial for services than for goods.

A well-chosen brand name can produce a number of advantages like contribution to the brand identity, implication of quality, evocation of feelings of trust, confidence, security, strength, speed, status and exclusivity, etc. (Turely, L. & Moore, A., 1995: 42).

To achieve legal protection the registration of a trademark is necessary. The registration takes place in the governmental trademark office⁴ and provides rights to the owner. Registered trademarks are protected against infringement and allow legal action to be taken against misuse. If the trademark is unregistered the owner has no rights, not even when the trademark has been used by him.

2.3.4.1.5.lb Different Types of Trademarks

According to Clarke & Peroff there is a hierarchy of trademarks ranging from strong to weak Clarke, G. & Peroff, M., 1987: 33):

- invented or arbitrary
- alpha-numeric
- descriptive
- generic.

⁴ Referred to differently in different parts of the world.

Invented or Arbitrary Trademarks

An invented or arbitrary trademark is a created word that has never existed before and is especially created. Kodak and Exxon are best known examples in the market for tangible products and Citibank for financial services. Arbitrary marks are different; these words do exist, but the choice of product is arbitrary: e.g. Jägermeister for spirits, Apple for computers, Lion for matches and Impala for flour products. These names are distinctive, but may require a large amount of advertising to establish them in the mind of the consumer (Turley, L. & Moore, A., 1995: 45).

Alpha-Numeric Names

This approach uses the combination of letters and numbers (either in numerical form or in script) to describe a service brand. They are sometimes used because numbers have different connotations to words. They are commonly used by banks internationally -- First National, for example.

Descriptive Marks

These marks have a natural advantage as the name describes a benefit or a key aspect of the service. In spite of the easier communication of descriptive marks, it is more difficult to gain protection. Examples for descriptive names are Kwik-Fit, 7-Eleven or Alliance for insurance. In some countries like the US protection for descriptive names is not generally excluded. The applicant has to prove the secondary meaning, which should distinguish the product, product group or company.

Generic Marks

These are marks with a generic meaning, - trust, computer or insurance, for example; they can not be really protected.

Generic marks as descriptive marks are legally weak and should be avoided.

In addition to descriptive and generic brand names there are other categories that are difficult to protect and have disadvantages. Some of them are noted below.

Geographical Names

Geographical brand names. This approach uses local or regional folklore to create patriotic feelings for the service -- Boland Bank for example. The information carried by the name contends that "We are one of you", not a person from somewhere else or a foreigner. For many small service providers a geographical name helps to connect the market it serves better than a less connotative "nationally appropriate" name might. However, geographical names are not advisable; they could hamper geographical expansion of the service and this choice could be regretted at a later stage (Berry, L., Lefkowich, E. & Clark, T., 1988: 28). Standard Bank won't have a problem expanding in the Cape, for example, or in foreign countries, whereas Boland might experience problems. The Bank of the Netherlands learned this lesson long ago, changing their relatively long name into the short brand name NedBank. In times of rapid globalisation geographic names as brand names are not advisable.

Surnames

Person-based brands normally use the owner's name as the brand name. These names personalise and make tangible what are intangible services -- Arthur Andersen or some private bank names, for example. Disadvantages of these names are their relative length and in case of common surnames they are difficult to protect by law.

Apart from the difficulties of judicial protection, brand names should be short. A good brand name should be easy to spell, to pronounce and to remember. It should be distinctive and free of negative connotations. Furthermore the issue of the name being linked to a symbol or a slogan is relevant. A Japanese Bank now termed "the Tomato Bank" uses a tomato as its symbol and the slogan reads "The time is ripe for a new concept of banking" (Kapferer, J., 1991: 191).

In spite of obviously inappropriate brand names some have grown out of a tradition and heritage; especially in the financial services field most providers have been in the market for at least a few decades. Violating a traditional brand name in some way could lead to customer insecurity and confusion.

It has shown that naming of services and service providers is an important and complicated process. The name is one of the main sources of brand identity.

2.3.4.1.5.II Logos and Symbols

Logos and symbols help the brand name to generate associations; they are the visual corporate signature of brands and should communicate brand characteristics, their personality and their culture. For example, the umbrella of a well-known South African insurance company conveys associations like protection or a shield against other elements. In the services sector where products and companies are sometimes difficult to differentiate, logos allow one to distinguish between competitors and they may be the differentiating key characteristic.

Logos and symbols should be tested by recognition tasks. According to Aaker, logos should be exposed for a fraction of a second along with a set of other logos. The question is how long the exposure must last until correct recognition occurs (Aaker, D., 1991: 20). A distinctive logo will do well in such a test.

Even companies with already successfully established logos and symbols must be aware of upgrading logos to avoid negative connotations like being static or, even worse, old-fashioned. World logos like the crane coat of arms of Lufthansa, the Master Card logo or the nest of Nestlé have been upgraded several times to conform to the styles of the times. Upgrading a logo communicates dynamism and renovation internally and externally. Adaptation is necessary to meet the requirements of changed corporate identities.

2.3.4.1.5.III Slogans

Names and logos can also be important parts of the brand character, but they are limited in their meanings, especially when tradition and heritage prohibit a change of the brand name

or the symbol slogans can be tailored to the market positioning strategy. An advantage is that slogans have fewer legal and other limitations (Aaker, D., 1991: 204); they carry additional associations for the brand. A slogan may encapsulate the corporate brand philosophy as a shorthand communication of what the company is, what it does or how it does it (Hankinson, J. & Cowing, P., 1996: 75).

As with the name and the logo, a slogan is most effective when it is individually specific to the service and memorable. The importance of slogans comes to mind when we think about internationally well-known slogans like “Vorsprung durch Technik”, “In touch with tomorrow”, “The world’s favourite airline” or in financial services “The Citi never sleeps”.

According to research done in the UK in 1993 70% of companies use a kind of slogan to underline products, the whole corporation or both (Molian, G., 1993: 50). Molian asked participants to list important factors for the effectiveness of a corporate slogan. The answers are ranked in importance:

1. Easy to remember
2. Makes a distinctive claim
3. Easily understandable
4. Highlights customer benefits
5. Credible
6. Informative.

In the international context it must be added that the translatability of a slogan or a strapline is the hardest hurdle to overcome. It is very difficult to translate slogans without losing parts of the message, the intention or its memorable quality in another language and another culture.

In conclusion, it is noticeable that an effective slogan is a support for a logo; together they encapsulate a company’s corporate identity and communicate many elements of it.

2.3.4.1.5.IV The Adequate Usage of Trademarks

Clarke and Peroff have developed some rules for the proper use of trademarks. Positive actions should be taken by the trademark owner to see that the mark is always used properly by the members of the organisation itself and by third parties.

The following rules should be followed (Clarke, G. & Peroff, M, 1987):

- A trademark -- wherever it appears in print -- must be distinguishable from the surrounding text.
- Always follow the trademark with the common generic name of the product.
- Trademarks should always be used as adjectives never as nouns.
- A trademark should never be used in the plural.
- The graphic design of a trademark should always be strictly adhered to.
- Do not use a proliferation of different graphic treatments for the same trademark.
- The spelling of a trademark should never be changed; a new word should not be formed from it and its form should never be modified.

2.3.4.1.6 The Behaviour of Human Resources

„Most brands...have to be delivered, irritatingly, by things that walk around on two legs. It is a human thing and you know humans have to be motivated in order to keep on performing at a high level” (Mole,C., 1997).

Of supreme importance as the source of brand identity for financial services is the brand-specific behaviour of the human resources employed (Meffert, H. & Burmann, M., 1996:47, Bateson, J., 1995: 122). If a surly shop assistant serves a customer a Mars Bar, this does not reflect in any way on the Mars brand, but if a similarly surly sales person deals with a customer in an insurance agency, all the effort involved in building a brand and attracting consumers may be thwarted. The unique way of treating clients -- for example, a maximum of two telephone rings before answering a call or the constant friendliness of the frontline staff -- communicate an identity. Service brands are experienced through people and the trust people invest in brands is earned to a very large extent by the staff.

2.3.4.1.7 Cultural Anchoring and Geographical Surroundings

Culture belongs either to the product itself or to the parent company (Kapferer, J., 1992: 40). Every product or product range is created out of a culture, out of a value system. Mercedes Benz rates engineering and solidity highly; style is more subordinate. Culture links the brand with the firm, especially when it is a corporate brand.

In spite of globalisation the country of origin influences the culture to an large extent. Coca Cola is American, like Mercedes is German or Toyota Japanese. Alliance symbolises German attributes like reliability and correctness, Coke the American way of living. A few companies don't have a cultural identity in this sense of origin. ABB or Hewlett Packard are not derived out of a national culture; the same applies to Citibank.

2.3.4.1.8 The History of a Brand

History, a further core source of identity, is especially important for corporate brands. A growing number of customers appreciate old brands as a point of reference in these dynamic times characterised by an very wide offer of products. The turning back to old well-known brands gives certainty and orientation and is in line with the trend to cultivate nostalgia. (Voigt, K., 1995: 56).

According to Voigt this trend is an indicator for the rising public disaffection with the ever-shorter innovation and product life-cycles; the consumer demands something timeless. Memories of brands with a rich tradition give the brand a high degree of identity with a degree of emotionality.

The time of market entry is also a source of identity belonging to the brand history. The pioneering role of an enterprise for building up a new category of products or new style of processing (electronic banking, like Bank 24 in Germany) influences the employees' way of seeing themselves and their behaviour as it does the consumer's perceptions and behaviour too (Alpert, F. & Kamins, M., 1995: 42).

The consumer reflects his/her self-image in the decisions he/she takes in choosing a brand; the affinity of the characteristics of the brand with their own characteristics are the reason for this (Kapferer, J., 1992: 40). The consumers identify themselves through the brands they choose.

2.3.4.1.9 Brand Communication

In discussion branding and brand identity with practitioners, the importance of effective communication became obvious. In spite of the unquestionable importance of the policies for external communication, an isolated concentration on this issue is the wrong way to understand and to maintain brand identity. The job of brand communication in the process of identity generation lies in the choice of strategy-adequate message elements, communication mix and communication styles. With the trend of growing market fragmentation, a target group is increasingly addressed and balanced communication becomes more important. Internal communication is also of major importance to ensure that the employees are acting in a brand-consistent way. The author will discuss the issues of communication more extensively under chapter 3.5.

2.3.4.1.10 The Business Field

The business field can be a source of identity, especially when the established brand is enhanced with horizontal diversification. Brand transfer strategies only make sense if the new products can profit from the identity of the original established brand and the business field. Pick 'n Pay Financial Services will still be associated with the wholesaler business.

2.3.4.1.11 Presentation at the Point of Sale

In the contact to the offices of intermediaries (in the case of insurance) or bank branches (in the case of banking services), the building is often linked to the brand perception of the consumer in the services field. The surroundings of the offices -- like exterior and interior design and architecture -- are often one of the directly perceivable characteristics of a brand. The meaning of brand presentation at the point of sale becomes obvious when the branches of Volkskas, Trustbank and NedBank⁵ are compared with each other. NedBank presents unique stylish interiors, demonstrating seriousness and business manners. Volkskas and Trustbank have more functionally designed interiors and architecture. They do not differentiate at the point of sale. This kind of similarity confuses the consumer with the result that disorientation may occur.

To summarise the findings of analysing the different components of brand identity; it has to be underlined that the shape of the brand identity is dependent on the individual case.

The main determinants of brand identity are the category of product, the structure of the target market segments and the brand identity of main competitors.

⁵ For non-RSA residents Volkskas and Trustbank, now united under the ABSA brand, and Nedbank are two of the leading banks in South Africa.

2.3.4.2 Brand Image

Brand image is an element on the receiver's side; it is the result of subjective perceptions -- of decoding the perceived information about a brand. It is the sum of information about a brand generated from experience, communication programmes and public opinion. The image refers to the perception skills and previous opinions which modify the information (Kapferer, J., 1992: 34). The image is what exists, the base where brand managers have to work on and from. "...an ounce of image is worth a pound of performance"(Sampson, J., 1994: 7). This quotation crystallises the value of image.

As mentioned before, an understanding of brand image and brand identity is essential for managing brands appropriately. Therefore a systematic analyse is necessary, a process referred to as brand auditing. Chapter 3 provides a detailed overview of this aspect.

2.3.5 Classification of Brands

The range of application of branding to the firm is wide. It can be applied to different levels of the firm. Several typologies can be identified that categorise brands by:

- product categories (drinks and cigarettes, foods, fashion, household, leisure and cultural, retail, agency and credit, etc.);
- brand markets (North America, Europe, Asia, etc.);
- psychological perceptions (masculine, feminine);
- the namer of the product and its position in the value chain;
- the range of products which it covers.

The last category yields useful insights into brand management. The different types of brands provided by Randall are unfortunately not entirely precise as they in the sense overlap each other. But Randall's list helps to understand the different levels of product(s) and product groups branded by the same brand. He arranges brands by the extent of designation of the brand name.

- Product brand or stand-alone brand. In this form the brand is identical with a single product. Many companies use this approach. Procter & Gamble named their products all individually. Some of these brands are divided into sub-categories, for example Colgate toothpaste or diapers. So there is an overlap with:
- Line brands. A group of products of the same quality, value level and product family like the StudioLine of L'Oréal or Du Darfst (diet foods) from Kraft.
- Umbrella or pillar brands give protection to a wider range of products of different product families.
- Corporate brands. These forms of branding with the product provider are common.
- Andersen Consulting, Sony and Citibank exemplify some corporate company brands.

- Endorsing company or banner brand. In this case the company name appears as endorsement and guarantee. Nestlé products like Kit Cat are branded discretely with the Nestlé trademark.

There are also other typologies of brands; they can be grouped according to the namer of the product and their function in the value-chain:

- designer labels such as Armani or Porsche Design;
- retailers' brands;
- manufacturer's brands.

Furthermore, there are some more qualitative typologies which group brands into genders or other psychologically perceptual characteristics (Alrech, P., 1994: 6 ff.). This form of typology is not essential for the understanding of brands.

2.4 Summary

As has been shown, services are to a large extent different from goods.

Services are to a high degree:

- intangible
- perishable
- variable
- inseparable.

Thus additional problems arise for marketing and branding services. When a customer buys cigarettes, the quality of service doesn't affect his or her perception of the product quality, because the customer has the cigarettes with standardised packages, outfit and product quality. But in a services sector the personnel create the service and the brand at every consumer contact -- directly via face to face contact or indirectly via mail. "Everyone in the company is the marketing department". This sentence from the Avis manager Bob Townsend characterises the difficulty of marketing services and reflects the importance of the staff in branding services as well.

It has been seen that financial services markets with their highly intangible and complex products are to a large extent driven by rapid competition, innovation and globalisation. Branding offers a possibility to stand out among competitors. For the creation of strong brands three factors have to be kept in mind:

- consistency
- individuality
- constancy.

These three factors have to be addressed when managing the different sources of brand identity. The main determinants which affect the design of brand identity are the category of products, the structure of the target market segments and the brand identity of the main competitors.

The brand identity is built by the following set of factors:

- the brand concept
- the kind and quality of the branded product(s)
- the pricing level
- the shape of the products
- brand name, logos, symbols and slogans
- the behaviour of the human resources
- geographical and cultural surroundings
- the history of the brand
- brand communication
- the business field
- the presentation at the point of sale.

The different sources of the brand identity are received on the market and company internally as the brand image -- the status quo from where the brand management has to start its work.

The work required in brand management will be described in the following chapter.

3 Managing Financial Brands in Practice

3.1 Introduction: The Challenge to Branding Financial Services

Financial services are highly intangible, as was seen in chapter 2.2.2.1; they cannot be distinguished by taste, feel, colour and appearance. Understanding what drives branding in this field is a difficult task.

Brand management is a multi-disciplinary field, including management, marketing, research, psychological and sometimes judicial skills. Brand management for financial services also has to deal with a process that has only limited sources of identity. The usual main source for brand identity, namely the differentiated product, isn't visible and doesn't symbolise uniqueness with obvious product characteristics and constant attributes. Furthermore, the service product attributes, like interest rates on an account or a loan, the access or other insurance conditions are normally in a constant state of change.

The service is perceived through a number of facets and factors which are difficult to control, such as the behaviour of staff and other consumers, to name a few. The pace at which service product innovations in this sector can be copied is incredible -- according to Saunders and Watters (Saunders, J. & Watters, R., 1993: 33) the speed of imitation is faster than for fast-moving consumer goods. Products and its names are short-lived within this sector.

So the corporate brand becomes the focus of interest. "Today the corporate brand is the cornerstone or umbrella of all marketing activities, especially in the financial services sector" (Sampson, J., 1994: 1). The corporate name has to be used for the delivery of more generalised benefits of quality, value and integrity. In the following section the emphasis is on managing corporate brands.

To align the limited and unstable sources of brand identity and to form a stable, consistent and unique brand identity is the challenge involved in the branding of financial services in a dynamic environment.

This chapter provides some guidelines for handling the main tasks regarding the branding of financial services, beginning with setting up a brand management task force, brand auditing and developing a brand vision, and the implementation and management of a branding strategy. A digression about the financial value of brands is introduced in order to have a look on brands in relation to accounting. A summary will underline major findings.

The author wants to concentrate more on the management of existing brands such as the ones typically used for the majority of financial services brands than on the creation of new brands from scratch.

It is impossible to highlight every single facet of this extensive process -- the diversity of brands is too great. In this chapter a more generalised framework for brand management should be developed, dealing with the main issues of branding financial services.

3.2 Organisational Set-Up

Branding doesn't occur by itself; it needs to be managed by a management team, which has to be organisationally implemented within the organisation. The main tasks are co-ordination, alignment and controlling of the main measures according to manage the brand. This permanent team should consist of managers representing the functional units most important for branding within the corporation and the most important core businesses, a member of the board of managers and possibly a member of an external organisation like a brand management consulting firm to buy in branding knowledge that may be lacking.

The functional units which have the strongest influence on the brand are marketing, sales and personnel development -- the major internal and external brand communicators. The presence of the board within the team is important to gain acceptance in this highest body of the corporation and to implement its point of view and vision into the team. The internal selection of team members has to be handled with sensitivity -- the personalities and mutual acceptance of the members determines the agreement on and commitment to the brand policies driven forward by the team. It also depends on the consistency and on the personality of the team members to access the capacity, knowledge and abilities of the staff.

Especially when the company is relatively inexperienced in brand management, the consultation of branding specialists is advantageous to close the knowledge gap. Normally existing skills are inadequate, therefore the utilisation of external assistance could save the company from expensive experiments.

In addition, it is the responsibility of the brand management team to ensure that the implications and information moves downwards in the sense that everybody who speaks on behalf of the brand has understood the brand vision and character. The author will discuss these issues later in a more detailed way. The subchapter on internal communication will provide additional insights into this subject.

The brand management team should work together on a regular basis and has to report to the board. One member has to be responsible for reporting the work of the committee externally and internally and to organise the operational issues of the teamwork, such as invitations, correspondence, setting-up the agenda, etc.

This team should gain the right to access almost all sources of information; this means not only information on request -- the company's units have to report to the branding team.

Furthermore, it needs to have the authority to issue directives important for most branding tasks, in every case for internal and external communication, tone of voice, style and contents. It doesn't mean that every small promotion has to be co-ordinated and managed by the team; the main issue is the development of guidelines for daily business.

Multiplying and leveraging experiences is also a task of the team. When some branches and units have gained strong learning curve effects concerning brand management -- e.g. by the strong use of media -- this experience must be transferred by communicating it to the other units.

On account on the high number of financial services providers and different internal organisational forms, it is impossible to give universal directions to constitute a branding team and its formal and legal architecture.

It has to be noted that some tasks have to be done from external sources in view of the lack of adequate skills and human resources. The board of directors should allow the branding team its own budget. Especially controlling and auditing a brand entail costs. To ease the process of getting the approval for some expenses, the team's own budget should be sufficient. Such budgets secure the work of the team over the long term, even in times when the company is under pressure to cut costs.

The work of the branding team has to be evaluated over a long term, just as investments have to be evaluated. An orientation towards short-term goals threatens the work of the team. Short-term goals could damage the brand identity if continuity is sacrificed for a rapid change of the brand identity.

A branding team is not the panacea for solving all sorts of marketing and identity problems, but it can be the seed of a new comprehension of internal and external interrelations and of a new way for the stakeholders to see the company.

3.3 Creating a Brand Vision

When analysing strong brands, the sector doesn't matter; one similar fact is obvious: they have all been led by a strong and clear vision. A brand vision is the overall aligning and integrating of the element of all branding actions within a corporation, which allows the employees of different offices to work together for the same thing. It defines the future character of a brand with all its facets and also the future role of the brand. The vision is the outcome of a strategy development process, involving all parts of marketing management with the assistance of external agencies (Chernatony, L., 1990: 2).

Managers could ask about the need for a brand vision because old brands have been developed without a vision, too. Maybe they did not have an explicitly formulated vision, but a vision was in mind of the founder, who developed these well-established brands with strict alignment the whole organisation according to the original vision. Trustbank is a good example; the bank performed well because of the founder's clear management vision of an organisation which fitted into his target -- his vision of a particular kind of bank.

A lot of market failures have been the result of unclear visions or a non-communicated vision. The failure of the ABSA brand is, in opinion of the author, partly the result of an unclear vision. The merger created a new brand of four strong individual brands under the roof of ABSA. The lack of a brand vision caused unco-ordinated but expensive marketing actions led by following short-term goals. Now the consumer is more confused about the brand and what it stands for.

Even well-established and admired brands need to develop by following a vision. As Kapferer (Kapferer, J., 1992: 71) stated: "...a brand, which does not develop becomes fossilised and loses its significance." Orientation towards today's customers and markets is

not enough; strategists have to develop foresight and the ability to dream realistically for their own business.⁶

Brand managers have to ask themselves (Macrae, C., 1996: 94):

- *What sorts of products will our brand have or need to represent to be valued as leaders in a few years time?
- *Who will be our brand's competitors, consumers, partners and markets?
- *What fundamental discontinuities and changes will we need to leverage?
- *What do we need to do now to accelerate the future?
- *How do we want to be perceived in the future?
- *Where does our brand need to be in a view years time?

To answer these questions a careful analysis of the sector and its drivers, of the environment outside the company, of market segments and of the own brand is necessary⁷. This part is more qualitative than quantitative in nature. Analysing the brand will be described in more detail in the following section about brand auditing.

Foresight and innovative thinking are required to determine the brand destiny *ex ante*. Trends need to be anticipated or created.

A clear vision consists of a clear description of qualitative characteristics related to where the brand should be in a few years time. A clear verbalisation of the vision is very important for communicating and sharing it. The vision should be designed in a concise manner to keep it user-friendly.

There is a German saying that states: running is not enough on its own; the direction is important. It is the vision which directs all actions.

As in every strategic management discipline a goal or a target allows the benchmarking of that what is reached and to enable one to measure the distance from where the corporation is now to what it still has to reach.

3.4 Brand Auditing

When a brand vision is developed, brand auditing benchmarks the existing brand with its facets against the brand vision. Brand auditing may also be used to generate insights for developing the brand vision.

Brand Auditing is the planned process of measuring and discovering the character and the perennial temperament of the existing brand (Chevron, J. (1985): 48). The existing beliefs, associations, images, relationships with the brand and value perceptions of and around a brand have to be routed back to the corporation's stakeholders to base the brand management on (Old Mutual (ed.), 1996: 3). Brand auditing gathers information about the existing brand images as the desired ones. Involvement of competitors in the audit process

⁶ Cf. Hamel, G. & Prahalad, C. (1994): Competing for the future.

⁷ For the analysis of the environment and the industry cf. Fahey, R./Randall, R. (1994): Chapters 6 and 7.

is very important to generate relative rankings within the market field. Brand auditing may also be used to get detailed market information about drivers and perceptions.

The stakeholders involved in this process can be identified as:

- internal stakeholders:
 - the internal staff like frontliners and sales people;
 - senior managers, as long-term drivers of the brand management.
- external stakeholders:
 - clients and potential clients representing all target market segments which are covered by the brand;
 - intermediaries (for insurance of importance);
 - opinion builders and multipliers like financial journalists and union leaders, etc.

It is the responsibility of the branding team to balance the structure of the participants to generate valid representative results.

Categories which have to be considered in the auditing process are:

- associations about the specific market in general;
- rational and emotional decision drivers for market interaction, like decision for a product or causes for brand switches (only for externals)
- brand awareness and ranking of the company's own brand in the field of competitors in the market;
- ideal images of a fictional provider in the market;
- associations about characteristics of the brand and of its competitors;
- emotional involvement with the brand;
- values (real and ideal) the brand stands for;
- image builders and communicators.

The best way to gather this information is interviews and inquiries. A number of tools can be used to identify the nature, characteristics and dimensions of the brand as described before:

- qualitative structured group discussions
- structured interviews
- depth interviews
- questionnaires and inquiries and
- telephone inquiries.

With regard to the design of the discussion guides, interview guidelines and inquiry sheets, the consultation of experienced market researchers or psychologists is valuable. Experts have a better overview of which psychological and statistical methods yield the best insights, how to analyse the outcome and how to generate results. Because of the confidentiality of the methods, techniques and questionnaires for brand auditing, a more detailed discussion on this topic cannot be provided here. A number of brand consultants

have developed standardised tools for brand auditing, for example, the HBCQ^{TM8} of JRC&A or the Conversion ModelTM of Research Surveys, to name just a few (Chevron, J. (1985): 50, Hofmeyr, J. & Rice, B., 1996: 4). The advantage of standardised models is the more or less proven validity and standardised, IT-supported evaluation of the generated audit results. A negative aspect is the high prices the consultants charge for their work and their experience.

The number and kind of participants and the extent and depth of the inquiry are dependent on the resources the company is willing to spend on this process, but the importance of a clear diagnosis of where the brand stands -- also in comparison to competitors -- is obvious.

When analysing auditing results, an evaluation for each group of stakeholder yields findings on different images and reveals shortcomings. Furthermore, an analysis by region may uncover sophisticated regional brand perceptions which may be caused by not aligned branding actions of regional branches. Further analysis by client groups sorted by age, social class, etc. yields further insights, but the costs and the rising complexity have to be noted when structuring the audit. A too general analysis of the audit also leads to broad statements, which are not useful for tailoring further branding actions. Differences in brand perceptions have to be rooted back. Analysing the corporate heritage helps in this process.

Visualisation of the outcome of the audit process in the form of character profiles is valuable. This kind of presentation facilitates comprehension and allows comparisons of brand characteristics with fictional and competitive brand characters.

When the audit results are compared with the brand vision, gaps and shortcomings become obvious. It is the job of the branding team to identify fields which require actions most urgently. It doesn't make sense to start to work on all aspects; confusion of the internal and external stakeholders would follow. The brand management team has to be aware that strong brands can be created only with continuity⁹. So a cautious movement forward is in any case the best option.

After identification of the need for actions, tailoring the different tools of brand management is the next task. Giving a general valid plan of actions is impossible, but in general the commitment of internal stakeholders has to be gained before actions relating to externals come into focus.

3.5 Communication

Brand communication is a sharing of experiences between the source or a sender of a message and the recipient with the objectives to (Hankinson, G. & Cowing, P., 1996: 91):

- Gain awareness;
- Create, build, reinforce or modify brand propositions.

⁸ Heptadimensional Brand Character Questionnaire

⁹ Cf. 2.3.4.1

Communication is the tool to ensure that the brand identity will be understood. An analysis of communication can be structured into external and internal communication. All the means of communication and the messages transmitted must be co-ordinated to make sure that they mean the same thing to keep the different elements of brand identity consistent. A problem in this process is the integration of the communication mix because of the different suppliers providing communication.

Furthermore, the political correctness of all communication is significant for the success of the action, especially in South Africa. Political correctness is defined as follows: "an ideology which prescribes specific viewpoints on issues such as race, gender, sexual affinity and the environment, as espoused by groups which represent the interests concerning these issues" (Katsanis, L., 1994: 5). All communication have to be designed in a way which is socially responsible, as well as highlighting social issues of concern, such as sexism, racism and the environment. Especially the correct handling of the different races is a hypersensitive issue in South Africa. In the opinion of the author the formerly underprivileged groups expect communication that fits their needs and which is tailored for them, while the whites -- still the most profitable client group in the financial services sector -- keep watch with regard to the external communication; they think that they are treated in the same way as the other clients and that their needs are valued equally. So the company must overcome the rift between maintaining continuity and paying attention to the new political correctness and changed political surroundings by communication.

Prevention and proactive moves are most effective to avoid brands coming under fire because they are politically incorrect in their communication (Katsanis, L., 1994: 12). By following these rules, brand managers will not run into difficulties with respect to political correctness and can maintain their brands (op. cit.):

- 1.) Careful examination of the brand's current or planned communication programmes.
 - Are there unanticipated signals generated by any of the brand's activities?
 - Is any part of the message potentially offensive or in bad taste to at least 20 percent of the general audience not in the target market?
 - Can the brand's communication mix be construed as racist or sexist?
 - If the answer is yes the team has to rethink the communication strategy.
- 2.) Be a responsible marketer: this means displaying sensitivity to those outside the targeted segment and the company, especially when humour is used for transmitting messages.

Not every kind of communication is potentially politically incorrect, but in sensitive product categories like financial services it is the best option to be conservative.

It is not possible to create strong corporate brands just by keeping control over the issue of political correctness, but it is more likely to solve the issue of creating a strong brand with a politically correct design of the communication.

After discussing the requirements which have to be met by communication, external and internal communication has to be considered.

3.5.1 Internal Communication

Failures of brands are sometimes not the result of poor strategy and brand planning. Often flawed or inadequate internal communication is the cause. Internal communication can be defined as the sum of communication actions addressed primarily to internal recipients with the objective that the brand is understood and respected, especially by anyone who speaks for the brand (Randall, G., 1997: 130). Marketing is associated with service firms and primarily with financial services: a number of staff of different branches and divisions deliver the service. For example, frontliners in a bank, switchboard and hot-line staff and employees working as telephone-bankers are the ones who deliver the service and the brand. So it is essential in financial brand management that everybody within the company understands in detail what the brand is.

The internal communication is an important part of the branding process. Several interrelated tools can be used for internal communication. The most important ones are training and internal advertising. The senior management plays an important role in internal communication, too. In the following section the author will discuss training and the role which the senior management has to play in this process.

3.5.1.1 Training

Every employee is trained on a more or less regular basis. Especially newcomers have to be taught extensively about the brand identity, its history, its values, etc. to get a feeling of what it is what drives the brand, especially in the competing landscape. The employees have to be convinced and committed to the organisation they work for and the brand they create with their participation in serving clients. The training mentor has to create a consciousness in everybody's mind that it is everybody's responsibility to maintain and strengthen the brand and its reputation.

When some comprehension of the brand identity is built up by, for example, welcoming seminars for new employees or by a period of work in the back office, the individual training for the job starts. As far as staff with high customer contact frequency are concerned, the author is against early on-the-job training in the sense of releasing employees on their own to deal with the clients. After some poor-quality service to the customer, clients can be disappointed and their loyalty to the company may be weakened. Training without customer contact is sufficient until the trainee has understood the standard elements of the main services. After that the employee has to work with strong assistance of the mentor, who helps the trainee and can iron out some mistakes of the newcomer. A well-designed and extensive welcoming programme helps the trainee to identify with the corporation. It creates commitment and team spirit, because the newcomer is treated as a member of a team.

Some readers may disagree with this extensive training for newcomers, as it could be seen as too costly in the sense of committing too many human resources to the task, etc. But these readers have to keep in mind that customers will in this way be protected against bad service, which in turn saves money in the end. Without training, continuity of service cannot be guaranteed. It is necessary to remember that continuity is one of the three basic elements of brand identity¹⁰.

¹⁰ Cf 2.3.4.1

Ongoing internal advertisements in form of Employee of the Month competitions, articles in the house newspaper, flyers and posters are tools to keep the core values and the philosophy of the brand in the minds of the human resources. This form of training, teaching and informing staff is not tailor-made for the individual, but they are cheap and effective tools for internal communication.

Further training for employees in communication is important for brand creation, e.g. the way of interacting by phone or mail with a consistent tone of voice and style. Only with consistent direct customer communication can the brand identity be maintained.

Furthermore, a sound training programme builds up motivation and a sense of the brand as representing the corporation. This will pay off as employees will work with greater efficiency and deliver higher-quality services.

3.5.1.2 The Role of the Management

Besides its role in creating the brand vision, top-managers and other superiors have an important role to play in internal communication as the godfathers of the brand. The staff is very sensitive to whether the top-managers are only paying lip-service or whether they are standing behind the brand concept. Top managers have to set an example for demonstrating brand vision in their behaviour and actions in life.

The example of Ray Kroc -- the founder of McDonald's franchising -- demonstrates his vision of cleanliness:

“On his way back to the office from an important lunch in the best place in town, Ray Kroc asked his driver to pass through several parking lots. In one parking lot he spots papers caught up in the windscreen of shrubs along the outer fence. He goes to the nearest pay phone and calls the office, gets the name of the local manager, and calls the manager to offer to help him pick up the trash in the parking lot. Both Ray Krock, the owner of the McDonald's chain (...), and the young manager of the store meet in the parking lot and get on their hands and knees to pick up the papers” (Macrae, C., 1996: 275).

According to Macrae, this story is told thousands of times in the McDonalds chain to emphasise the importance of the shared vision of cleanliness.

Managers have to be servants to help the employee who has the most contact with the clients to serve the customer in the best way they can.

3.5.2 External Communication

Every communication targeted primarily to recipients outside the company can be defined as external communication. The main elements which form the backbone of external communication are advertising, sponsorship and direct marketing. The role of tangibles in the communication process will also be discussed in this respect.

The author stresses that only the main elements of external communication are listed and discussed, while being aware of the fact that there are a number of other external communication elements.

In planning each external communication tool an integrated view of the brand as a whole is needed to maintain the brand. The separate elements have to be consistent with the other sources of brand identity. Also the competitive environment has to be taken into account: the communicated messages have to be unique and individual, and not simply a duplication of other service providers.

3.5.2.1 The Role of Advertising for Brand Building

Advertising is paid for persuasive communication in the main media of television, the press, posters, flyers, cinema and radio. Every brand must communicate with its existing and potential customers; that may not be advertising, but it must be direct and controllable (Randall, G., 1997: 69).

But the importance of advertising is overestimated as an instrument to gain uncommitted customers as a study of Research Surveys, an internationally well-known brand consulting company, has shown. The survey came to the conclusion that advertising is relatively inefficient to improve the commitment of uncommitted customers. Their study of financial institutions shows that the relationship with a brand has a major impact on the propensity to see and like advertising. 61% of the committed participants have liked the advertisements and only 32% of the uncommitted ones liked them (Richards, T., 1996: 16).

It is also a myth that companies can battle their competitors by outspending them in extensive advertising. In the UK the Prudential was fighting to hang on to its leadership of the UK insurance market in the face of an eroding client base and increased competition from banks, building societies and direct marketers. Research showed that Prudential, which had spent 42 million pounds in advertising between 1991 and the middle of 1994s did not even reach the top ten for recall in the insurance sector's 1994 survey. However, Scottish widows, who had spent only 8 million during the same period, was running the most successful insurance campaign, achieving 69 % recall and placed at #2 in the top ten. This created uncertainty about the right strategy to follow, with the old guard at Prudential wanting to push sales as opposed to others who supported a brand-building campaign. Then questions arose about the company's commitment to the marketing efforts and they found that one group of managers has wanted to target the middle-aged, middle-market consumer, while another group sought a younger up-market positioning. This conflict was the cause of the failure of their campaign (Sampson, J., 1994: 5 f.).

The example above shows the importance of timely information to staff about the targets and goals of advertisement campaigns. A single-minded, committed workforce which stands behind a campaign counts far more than an extraordinary advertising budget.

The job of the branding team is to prevent such failures by an integrated approach. Advertisements must be aligned with the brand vision and the shortcomings identified by the brand audit. Extensive internal communication about the goal and contents of the campaign before starting the advertisements in the media has to be provided.

Conformity of the campaign with the brand vision has to be the ultimate criterion. Advertisement agencies, which are often not aware of the branding policy and the long-term goals, must be informed by the branding team or the marketing department about the brand vision statement. Co-ordination of information could be done in two interrelated ways:

1. The branding teams formulate general rules and guidelines, which declare what kinds of special corporate needs have to be fulfilled by the commercials, etc. from the agencies. This type of co-ordination by general rules is sufficient to align the adverts and all other external communication of local branches and subsidiaries, for instance, by prescription of design requirements and of the use of logos which have to be met by the advertisements in local newspapers.
2. The branding team works directly in a team with the advertising agencies. This is sufficient when essential questions about the direction, aim and the goal of an important campaign need to be answered, for example, a nation-wide advertising campaign. Early involvement prevents contradictions in the campaign and allows the different needs to be expressed.

Early teamwork prevents an expensive loss of reputation. The message of the advertisements needs to be communicated internally so that the behaviour of the human resources employed by the branded company fits to the externally communicated messages. Companies are tested by their customers to see if they can keep the promises of their advertisements. The employees have to deliver the contents to fulfil the promises; if not, the campaign fails and the brand suffers.

3.5.2.2 Sponsorship, Charity and Community Development

Communication of brands through sponsorship, charity and community development has grown in South Africa. In the era of Apartheid sponsorship concentrated more on “white” sports and cultural events. The presence of more black-supported sports like soccer in the media was not extensive. With the empowerment of the other races and with their growing wealth the black and coloured customers became the focus of the industry, of financial services in particular. Companies had and still have to build up their social reputation to show their sense of responsibility for the people.

Sponsorship works by creating links between the sponsored event and the sponsoring brand (in our case the corporation) in the way that the attributes and values of each are pooled and become a shared resource (Hankinson, G. & Cowing, P., 1996: 101).

With the still different preferences of the distinctive groups of people of South Africa. it is possible to tailor the communication by choosing the event to sponsor for the target groups.

Sponsors have to be aware of the risk of being politically incorrect. For example, if a company were sponsor mainly white sports such as cricket or mainly black sport such as soccer, disorientation and disappointment of the other client groups might occur.

Politically correct sports include athletics, for example. Every race has access to this sport; no one is privileged or underprivileged. Supporting this kind of sport has no negative side-effects for other client groups.

By supporting, for example, a national choir festival the proportion of people reached is very high. Even people in the rural areas participate in the preliminary festivals. A number of South African people cannot be reached by ads and other commercials on account of illiteracy and the lack of access to media, but this form of sponsorship reaches them.

The importance of brand communication by sponsoring has increased because of the following factors (Hankinson, G. & Cowing, P., 1996: 101):

- Escalating costs of advertising;
- Proven ability of sponsorship to achieve marketing objectives;
- Increased, wide ranging sports and arts opportunities available;
- Greater media coverage of sports and arts activities.

Community development and charity events are an adequate form of communication to demonstrate social responsibility and gain acceptance among the formerly underprivileged parts of the population. Acceptance of the main branches in the community is important, otherwise the development of the corporation may be hampered by the local population.

3.6 The Role of Tangibles

Many financial services are delivered in physical environments created by the service provider. The outlet design of the branches gives services tangibility and communicates and supports the company's positioning. Banks and insurance companies have built large, decorative buildings with stylish interiors and traditionally dressed staff in such a way as to communicate substance and solidity (Payne, A. 1993: 130).

But in opinion of the author it is questionable if the competition for the highest, newest and most stylish main branches is paying off in enhancing image and commitment. On opinion of the author clients wonder about the huge amounts of money that financial service providers pay for buildings and they are not unduly concerned about a couple of additional floors more than other banks have.

More important than size is the interior décor of the branches. Communicated values like customer friendliness and good service have to be mirrored in the interior as well, otherwise the set of identity builders is not consistent. The branches in different locations with all of their support equipment like automatic teller machines, tellers, etc. have to be designed in a similar way. The client wants to be familiar with the service provider all over the country. Unique interiors, but which are similar for the same company, help to build up a relation from the client to the brand. But not only the clients have to be kept in mind when designing a branch; other groups may also be important. By building a small playground for children within a branch, positive associations and thus commitment to the corporate brand can be built up in a client group, which becomes significant in the future. This shows that brand building is a process which has to be directed towards a set of stakeholders, following middle- and long-term goals. Short-track orientation towards short-

term goals is not sufficient for building brands, neither in financial services nor in other sectors.

Besides the branch design product tangibles like insurance policies, cheque books, bank cards and application forms have to maintain the corporate brand in such a way that these product tangibles are perceived as non-doubtful parts of the corporation using trademarks, company colours, symbols and the same print in a familiar way.

3.7 Adoption and Control

All branding actions have to be aligned and have to fit the surroundings. A brand determines its outstanding position in a set of market factors such as competing brands, customers and others. A change in the environment needs an adaptation of the branding actions, if this change covers the perception of the stakeholders. The brand management task force has to be sensitive to this and react in a flexible way to environmental changes. That does not mean that they should sacrifice the whole set of branding actions in case of small changes, but when a market determinant has changed, this has to be taken into account in the set of branding actions.

The success of branding actions can be measured by qualitative and quantitative investigations. Measuring the brand awareness is one of the easiest methods. But it has to be kept in mind that branding is normally more complex than just increasing the brand awareness. All economic success is measured in terms of financial indicators; qualitative data can be quantified and generated to a value indicator. It is also possible to measure the financial outcome of branding actions. Part 3.8 will investigate the evaluation of brands further.

3.8 Excursus: The Financial Value of brands

Philip Morris bought Kraft and its portfolio for 5 times more than its tangible assets, Nestlé bought the sweets manufacturer Rowntree for 5 times more the tangible assets value and RJR Nabisco was bought by Kohlberg Kravis Roberts for 24 billion US\$, a price several times above RJR Nabisco's tangible assets. (Kapferer, J. 1992a, Affinity Advertising and Publishing CC [publ.], 1993: 29).

The enormous amounts of money companies are willing to pay for companies which own well-known brands raise the question of how to evaluate the financial value of a brand. Brands are normally not valued separately and seldom appear nowadays in the companies' balance sheets. But a brand adds monetary value to a product; a branded product can be sold for a higher price than unbranded ones or products from relatively unknown providers (Yovowich, B., 1988: 19 ff). Assessing brand value is also an issue for control purposes.

3.8.1 Measuring the Financial Value of Brands

There are two kinds of approaches to valuing brands:

- the accounting/economic approach
- the multiple criteria method.

3.8.1.1 The Accounting/Economic Method

3.8.1.1.1 Economic Use Valuation

Like every economic asset the value of a brand is the worth of the current benefits of future ownership (Birkin, M., 1994: 209). The net financial benefits in the form of its future cash flow must be discounted by the interest rate plus a risk component which is closely related to the qualitative elements like the strength of a brand. High-strength brands suggest a high level of confidence in the brand to maintain the brand earnings in the future. So a rather small risk component is deducted. The forecast of future earnings is a difficult task and will contain elements of subjectivity by determining the payment series. Furthermore this approach neglects any other uses of the brand such as brand extension (Blackett, T., 1991: 31).

3.8.1.1.2 Replacement Cost Evaluation

Another accounting approach is to determine the evaluation of the replacement cost, i.e. of the cost necessary to create a similar brand. A problem of this approach is the subjectivity of the calculation. Nobody is able to calculate the costs of re-creating a brand. Because of the large number of market failures of newly introduced brands a determination of replacement seems impossible to predict. The recreation of mega-brands like Coca Cola, MicroSoft, Visa or Marlboro is without any doubt not achievable any longer. The absolute and relative market share, the image and the brand awareness are examples of just a few factors of the total profile that have to be taken into account. Theoretically this evaluation may be correct; practically it is not of any use because of the complexity of this calculation (Kapferer, J., 1992: 194 f.)

3.8.1.1.3 Historical Cost

Historical cost valuation is based on the aggregate cost of all marketing, advertising and research, and the development expenditures devoted to a brand. Advertising has two purposes: to increase sales now and to maintain an image or brand awareness, and to increase future sales. Accordingly, the inclusion of all advertising expenditure is inappropriate. The historic cost approach ignores the non-guaranteed success of brand building. As mentioned earlier on a successful creation of a new brand is a complex task. A lot of new brands fail; the approach ignores the fact that the current value of a brand is usually only to a small extent related to the cost of bringing the brand into its current state. The historic costs have to include the costs for brand failures as well; in a company with a number of brands it is impossible to account for the expenses to the right cost carrying brands. A lot of brands are very old -- some are even more than 100 years old, e.g. Nestlé or Coca Cola. It is impossible to determine all costs *ex post* and an appropriate discount rate. The current financial position of the brand, future perspectives and legal aspects of protection are also not taken into account in this evaluation model (Blackett, T., 1991: 29, 30).

3.8.1.1.4 Market Value

This approach involves arriving at a value for the brand on the basis of what it might be sold for in an open market. The problem is that these transactions do not happen every day. In any case, brands are unique in nature and therefore it is difficult to apply lessons learned taken from one market transaction and assume it will apply to another.

3.8.1.1.5 Premium Pricing

The brand value is based on the extra price or profit which a branded product may command over another unbranded or generic counterpart. However, the primary purpose of owning brands is not necessarily to obtain a price premium but rather to secure future demand. The profitability of a brand is achieved by securing future volumes rather than securing a premium price (Samuels, S. *et al*, 1997: 37, Kapferer, J., 1992: 197).

Only some fashion and cosmetic brands (e.g. Dior, Lagerfeld) are priced at high premiums. Price propositions are brand equity of these brands. But for most brands it is sales volume and not premium price that is an objective.

A further difficulty of the premium price valuation method is that a lot of brands do not have a generic equivalent.

The concept of premium profit, however, is relevant and it is used also for Interbrand's multi-factor approach, which is discussed later.

3.8.1.1.6 Royalty Relief

This approach values a brand by reference to the amount of royalty that the owner has been relieved from paying to a third party. Because the brand owner owns the brand, no royalties are payable. Future hypothetical payments are discounted back to the appropriate rate to arrive at brand value. The problem in this approach -- as in the market value and premium price approach -- is that royalty data for brands are not available (Kapferer, J., 1992: 197).

3.8.1.1.7 Brand Value Based Upon Stock Price Movements

Another method developed by finance theory is to use stock price as a basis to evaluate the value of the brands of a firm (Aaker, D., 1991: 25). The approach is based on the assumption that the stock market will anticipate future earnings and reflect the current value.

The stock prices are multiplied by the number of shares and the replacement costs of the tangible assets are subtracted. The generated balance represents three types of intangibles (op. cit.):

- the value of the brand(s);
- the value of non brand factors (like R&D, patents etc.);
- the value of industrial factors (such as concentration and regulation).

The value of the brand is a function of the age of the brand and its order of entry into the market, the cumulative advertising and the current share of industry advertising.

This approach fails to isolate the correct values; the stock price is influenced by a pool of causes and general market developments. Market trends (house, baisse) mislead in the valuation of brands.

3.8.1.2 Multiple Factor Approach

This method has been developed by Interbrand, an international branding consultant firm, and is widely used in similar forms to evaluate brands all over the world. The multi-causality of brand value is implemented in this approach. Interbrand's concept of brand value is based on the assumption that brands provide their owners with security of demand and with that the future earnings that they would not enjoy without the brands (Samuels, S. et al., 1997: 37). The aim of this approach is to assess earnings now and in the future and to identify an appropriate discount rate to scale down the forecast cash flows of a brand. Three basic key factors are involved (Birkin, M. 1994: 209 ff., Blackett, T., 1991: 32ff.):

- brand strength
- brand earnings
- earnings multiple.

Besides the financial and marketing evaluation, the background and the characteristics are evaluated implicitly.

Such a brand valuation contains four elements (Samuels, S., et al., 1997: 38):

1. A financial analysis to determine business earnings;
2. A market analysis to determine what proportion of those earnings is attributable to the brand -- the role of a branding index.
3. A detailed brand analysis to evaluate the reliability of the brand franchise with customers and end consumers -- the brand strength score.
4. A legal analysis to ensure that the brand is true, legal enforceable property

3.8.1.2.1 Brand Earnings

The brand earnings are considered *ex post* by determining and discounting the brand profits of the last five years. To take account of trends the earnings of the current year and the year before are weighed with a bigger factor than the previous ones. From the historic base a 5-year revenue forecast can be assessed. Further just earnings directly attributable to the brand are taken into consideration to evaluate the isolated brand without private label production. These earnings may be separately identified by the company's accounting system; alternatively such earnings must be eliminated by a careful evaluation and judgement of production volumes, sales values and others (Birkin, M., 1994: 211, Samuels, S., 1997: 39).

To avoid over-valuation of the brand it is necessary to withdraw a certain amount of earnings for the tangible assets and the distribution network. This process eliminates the return on capital which would have been achieved on the production of unbranded products. This method provides a residual return based on the intangible assets of the company, primarily of the brand. The next step aims at the elimination of the earnings

based on other intangible assets such as patents, sales forces, data, etc. According to Samuels, in heavily branded markets with a high degree of branded products the residual earnings are the brand earnings. But this is rather the exception than the rule. In more technically orientated businesses or those which are dependent on distribution (like banking) the ability to earn in excess of a base return on tangible assets is partly a function of branding but much more of other intangibles. It is necessary to identify what it is that drives the success of the business -- the brand itself or other intangibles; with this it is possible to estimate the isolated financial potential of the brand being lost as an asset in a business. The results are incorporated into the role of branding index; with this applied to earnings based on intangibles, brand earnings can be estimated (Samuels, S., 1997: 39).

The discount rate is always applied to post-tax brand earnings. Use of a mid-term effective tax rate of a company gives transparency in generating post-tax earnings (Birkin, M., 1994: 212).

To shield against over- or under-estimation of future cash flow, a sensitive analysis with alternative scenarios, using different market developments, gives transparency about the brand's robustness and often reveals more than generated averages.

3.8.1.2.2 Brand Strength

The determination of the earnings multiple or discount rate is derived from an in-depth assessment of brand strength. It is obvious that a brand has greater value when it is strong, reliable and market leading than another with the same brand earnings but which has been recently launched. The strength of a brand determines the reliability and the risk of the brand future cash flow. Brands strength is a composite of seven weighed key factors (Birkin, M., 1994: 215):

- (i) Leadership: a brand which leads its market is generally more stable and invulnerable than others. To score a highly a brand must therefore dominate the market in form of leadership in setting price points, distribution and resist against competitive attacks;
- (ii) Stability: Long established brands which command consumer loyalties and have become part of the "fabric" of their lives and are particularly valuable;
- (iii) Market: Brands in consumer markets are stronger than those in technical markets like computers. These brands are more vulnerable to technical progress.
- (iv) Geographical/International: Internationally strong brands are normally stronger compared to regional or local brands. This does not mean that all brands are capable of crossing cultural and national barriers. This is particularly true with regard to the financial services sector;
- (v) Trend: The overall long-term trend of the brand is an important measure of its capacity to remain contemporary;
- (vi) Support: Brands which have received consistent investment and focused support are regarded as more valuable than those without;

- (vii) Protection: Registered trademarks are critical in assessing their overall strength. If the legal base of a brand is uncertain, it may be impossible to apply a value to the brand at all.

Each of the criteria varies between 5 and 25, relative to their importance. An ideal brand would score a maximum of 25 points. To generate the multiple out of the summed up total score Interbrand has developed a relationship between the brand strength and its ability to command future income. The stronger the brand, the longer it can be expected to generate profits, resulting in a higher score, in turn resulting in a higher multiple/discount rate.

However, a perfect brand would attract a discount rate of 5 percent, still higher than the long-term interest rate for a risk-free investment. At the other end, a weak brand with zero strength attracts an infinitive multiple, implying a valueless brand.

Birkin argues for an S-form of the evaluation curve, taking into account that new brands with less strength develop slowly, but when they become members of the leading brands they grow rapidly, developing strength. When brands become number one in their segment, there is a diminishing rate at which the brand can continue to strengthen values.

The cause for the S-form of the evaluation curve is based on the following assumptions:

- a new brand grows slowly in its early stages;
- passing from national to international recognition, its growth is exponential;
- on entering the world market, its progress slows down once more.

Having determined the correct multiple, the brand value derived as:

Earnings multiple x brand earning = brand value

On the one hand, the method is simple, understandable and transparent, but on the other hand, it is subjective in determining and weighing of the input factors. A small variation in the chosen multiple leads to huge differences in brand evaluation.

Also, the accuracy of the forecast of the cash flow is not easy to ascertain. This problem is not really a problem for brand evaluation; every decision based on forecasts like corporate investments and stock brooking has to deal with it.

The value of the brand is heavily dependent on the ownership of the brand. The owner uses the brand in his context for his applications. The transferability of the brand value to other applications is questionable and needs careful evaluation (Samuels, S., 1997: 44).

Furthermore, it is very difficult to isolate the influences of a corporate brand from these of other product brands. The estimator needs to have a lot of experience to estimate these values. Thus the method is normally not adequate for the in-house use for companies. Specialists like Interbrand and other consultants are able to handle the difficult task of evaluation.

3.8.2 Overview and Future Perspectives

This short introduction to brand evaluation shows the difficulty in assessing and evaluating brands. The current methods are not satisfactory; they are still capable of improvements and they need further research to strengthen their validity. Furthermore, they don't indicate why that equity exists or what a company should do in order to enhance the equity of a brand. Further research is definitely needed.

3.9 Brands, Accounting and the Balance Sheet

Having discussed the different possibilities in evaluating the brand value, the listing of brands on balance sheets will be discussed briefly. Normally important financial performance indicators like ROI or ROE are generated out of the book values of the listed tangible and intangible assets, which ignores the investments in assets that are not listed, such as human resources and brands. The book value doesn't reflect all of the company's assets. Organically grown goodwill is not included and, in the case of acquisitions, goodwill is usually written off against equity. So addition of the value of brands and other intangibles would correct the failures of the normal indicators of the balance sheet towards more realistic ones by adding back goodwill.

The normal accounting approaches to deal with goodwill created do not allow the adduction of the expenses of brand creation to the activa. So "investments" in developing brands reduce the profit directly, along with the capital bases of the company and the decrease of the financial indicators for credit-worthiness. Through the accounting methods companies with self-developed brands are disadvantaged compared to companies who bought a brand. In most countries the accounting standards allow capitalisation and written off over a limited period from four years (in the case of Germany) up to 40 years (in the case of the USA) (Samuels, S., 1997: 48, Kapferer, J., 1992: 208). Therefore the investments in goodwill that has not been self-created and, along with that, brands are treated differently than bought ones. The balance sheet of companies with developed brands does not reflect the real value and the failure to include these parts of the assets contravenes the notion of faithfulness and sincerity normally aimed at by financial statements like the balance sheet (Kapferer, J., 1992: 210). It is also very difficult to evaluate intangibles, as has been shown in discussing the different possibilities in evaluating brands.

The German HGB (Handelsgesetzbuch = Trade Law, which regulates accounting and other aspects of business) prescribes separability of the inventory items in terms of separate usage possibility (§ 253 HGB), what is questionable for many brands .

A lot of questions arise in dealing with accounting brands. It needs an adoption of accounting standards to consider the increasing importance of intangibles, and within the brands, on the balance sheet. The author does not think that homogeneous brand accounting practices are achievable. So the brands have to appear more in the annexures to the final annual account to give the shareholders a true picture of the financial status of the companies.

3.10 Summary

Branding of services is more complex than branding tangibles. Several aspects can be distinguished within the branding process:

- organisational set-up
- creation of a brand vision
- brand auditing
- internal and external brand communication
- adoption and control.

The phases are interrelated and do not follow each other consecutively; simultaneous work on several parts of the branding process - except the organisational set-up - is closer to the reality.

The branding team is the driver and co-ordinator of all branding actions. Externals like consultants close knowledge gaps; external branding experts are very experienced, especially in investigating the brand character in the auditing phases.

Brand auditing is the process of determining the existing brand character, the status quo of the existing brand, which is where all branding actions have to start from.

Brand communication aims to influence external and internal stakeholders of the existing brands. Internal communication is very important for branding financial services; it has been shown that employees are the most important source of identity. Employees create the customers' perception of the brand; staff members are the multipliers and communicators of brands. Tailored internal communication enhances motivation and builds up commitment.

External communication is aimed at all external stakeholder: existing customers, potential customers, opinion builders, potential employees and other groups of the society. The communication mix has to be politically correct, especially in the new South Africa with its large number of very different socio-economic groups of people.

Branding is not static; changes in the environment may force a company to adapt its branding strategy. The financial value of brands has to be considered for control purposes. Among the questionable evaluation methods, perhaps financial indicators are the most comprehensive in the evaluation of brands. It is the author view that brands appear on the balance sheets to a greater extent and there is recognition in the accounting of the importance of these intangible assets.

4 Preliminary Empirical Investigation of Existing Brand Strategies and Brand Management Skills in the South African Financial Services Sector

4.1 Introduction

As has been shown, brand management is one of the core marketing tools in the financial services sector. Brand management with its requirements has been described in the earlier chapters. But in the opinion of the author the theoretical discussion and the limited academic literature on branding in financial services lack information on the practical side of branding and how far the branding skills are developed in the financial services sector.

This study was undertaken to determine to what extent companies in the financial services sector are aware of the importance of brand management and in what way these companies did and do manage their brands. This study also tries to identify management skills, approaches and practices used in the companies such as communication practices, decision drivers, management drivers and decision takers of branding in companies of the financial services sector. The focus of the study is South Africa, but the reader has to take into account that participants of the survey operate internationally and/or are owned by foreign companies. Thus the results are not only valid for South Africa.

Unfortunately the response rate was only 53%, so the results of this study can't be taken as representative, but trends and tendencies can be shown. The low participant rate shows the level of awareness of branding within the company. Interestingly all persons asked to answer the questionnaire were contacted in advance and expressed great interest in the topic, promising their commitment and assistance. After receiving the questionnaire, the opinion of a number of participants changed, obviously to cover shortcomings in their understanding of branding. Most respondents needed to be urged to reply. The author became convinced that branding as a topic is of incredible topicality; a lot of companies are working on this topic at the moment, discovering the opportunities and the value of brands. The answers have to be carefully studied; it seems that the majority of the respondents are quite advanced in their skills within the sector; therefore some superficially good results are not representative and possibly misleading.

The design of the research project commenced with an opinion seeking exercise. Discussions with several marketing managers, branding consultants and marketing researchers were undertaken to gain an insight into South African brand management practices. The discussion of branding strengthened the author's opinion that the sophistication of the knowledge of branding and branding practices, especially within the financial services sector, varies to a high degree. The idea for the survey was born from the desire to test this opinion empirically.

4.2 Survey Results

The survey is divided into five sections. The results of each section are presented as follows:

4.2.1 Section 1: Brand, Image and Identity

The survey showed the trend away from the stand-alone brand with the equation 1 brand = 1 product towards multiple product brands. 57% of the responding companies do not follow a clear concept in the sense of a clear profession towards corporate or other branding strategies. This group uses at least two brand concepts, with mixed brands and corporate brands as the favourite concepts. Endorsing brands and stand-alone brands (single branded products are not used very often anymore; just less than 30% are still using these brand concepts. 71% of the financial services providers use corporate and mixed brand strategies. Figure 7 represents the results.

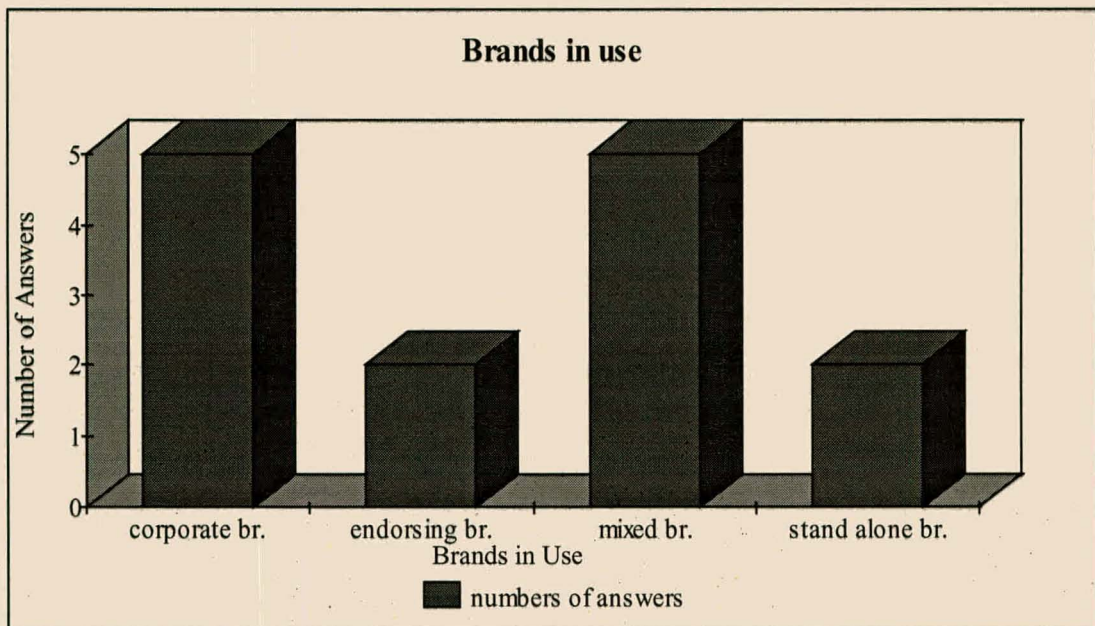


Figure 7: Brands in Use

The participants answered question 1.2 about a change in their brand identity within the last five years with a surprisingly high percentage by indicating yes; six participants (86%) agreed; only one participant (14%) answered that his company has maintained their basic identity within the last five years.

The answers for the sources of identity change are not unambiguous. Relatively peripheral identity elements like names and slogans dominate, which reveals shortcomings in the comprehension of brand identity, but other elements were also part of the identity change (see Figure 8). Just one participant followed an integrated approach, changing all elements of the identity included in the survey.

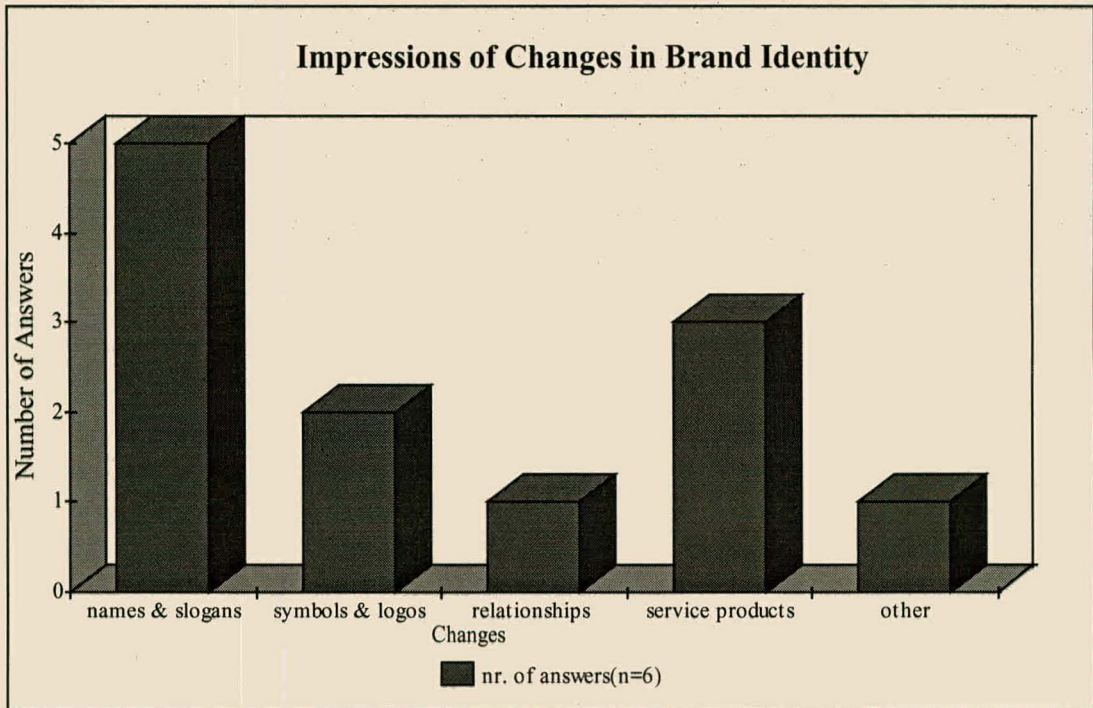


Figure 8: Impressions of Changes in Brand Identity

To question 1.2.2 on the participant's own impressions of whether their change of brand identity is more proactive or reactive, five out of six answered by indicating proactive changes. In the author's opinion this high number of proactive identity changes is misleading; most answered that decision drivers for identity changes have been market dynamics and market requirements. They can be interpreted as the causal elements for reactive change. Everybody wants to be seen as promoting progress and to be regarded more as trend-setters rather than as trend-followers.

It has been shown that auditing of the image as the reflected picture of brand identity is necessary to ascertain how the brand is perceived at the receiver's side, to classify the image *ex ante* and control *ex post* identity actions. Five out of seven measure the images of their corporate or endorsing brands. Most groups engaged in image monitoring are shown in Figure 9. External groups participate most frequently in image measurements. Internal groups are not at the centre of interest. In the opinion of the author, internal image monitoring is very important in this human resource-intensive sector. Especially the front-line staff are the image multipliers and should be controlled to enable the company to rectify shortcomings. The importance of non-users has not been ascertained yet; this group could prove to be of interest in identifying image shortcomings and inconsistency.

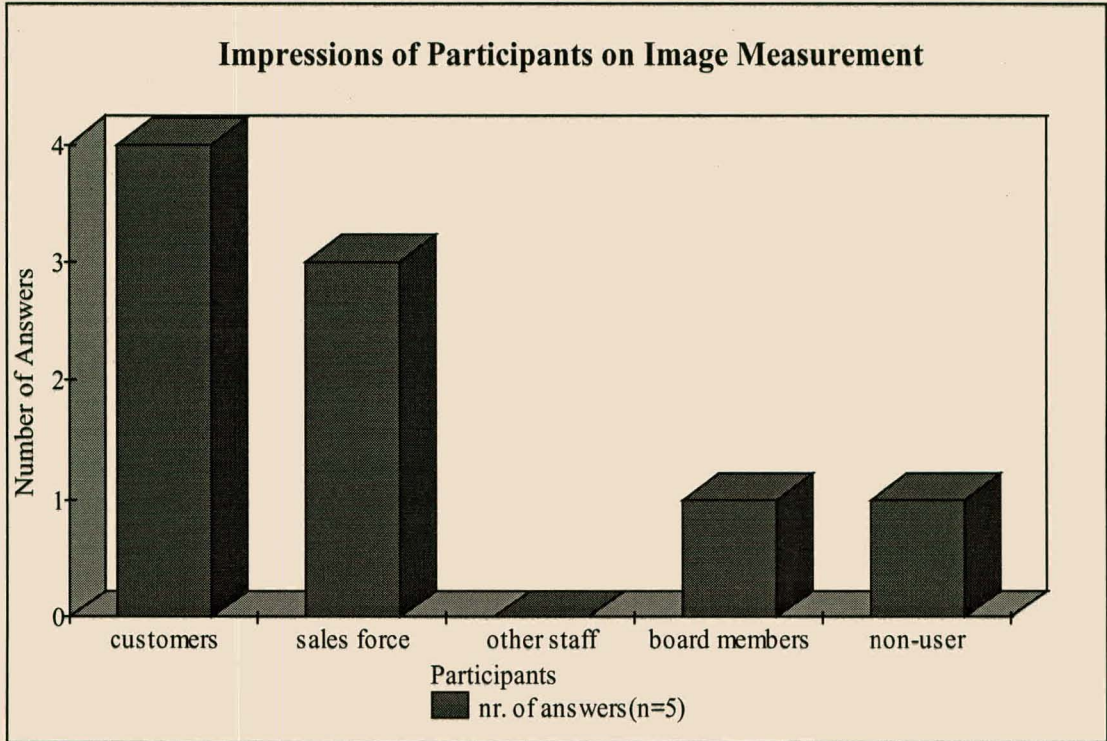


Figure 9: Impressions of Participants on Image Measurement

The frequency of image monitoring is represented in Figure 10. Shorter periods in between the monitoring circles are advisable to take note of the rapidly changing market conditions. Interestingly, the period in between brand image measurements is quite long. Normally the author would expect image measurement on a quarterly basis to control the effects of marketing actions and competition regularly.

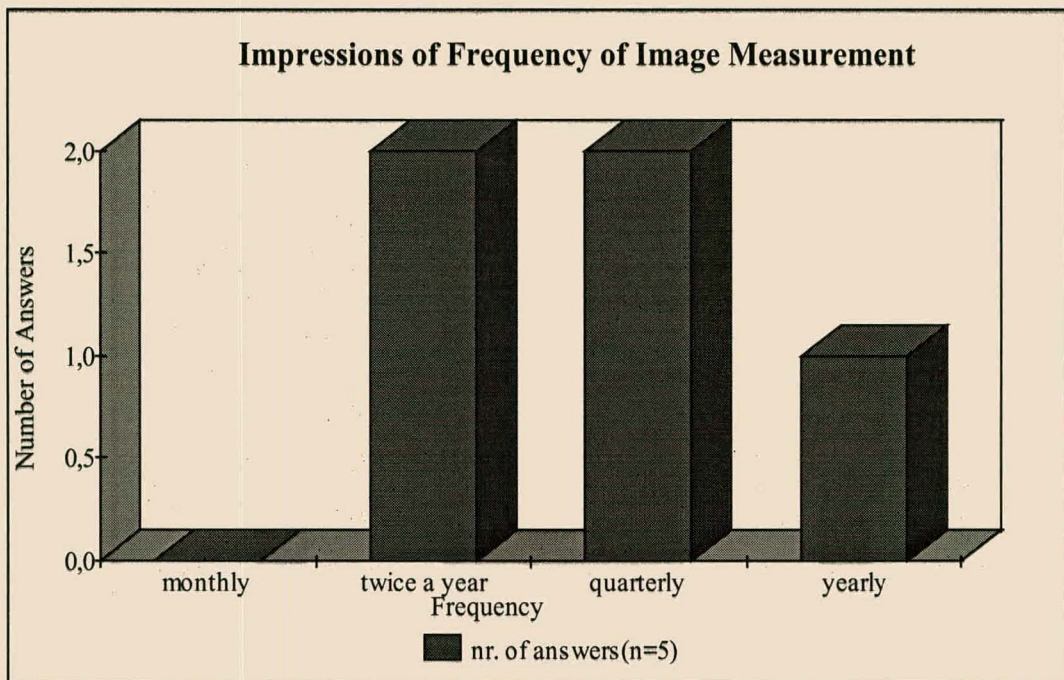


Figure 10: Impressions of Frequency of Image Measurement

Six out of seven declared their brand's position has been reached by a planning process (see Figure 11). This is a high result in favour of planning, but very questionable as is shown in the following section.

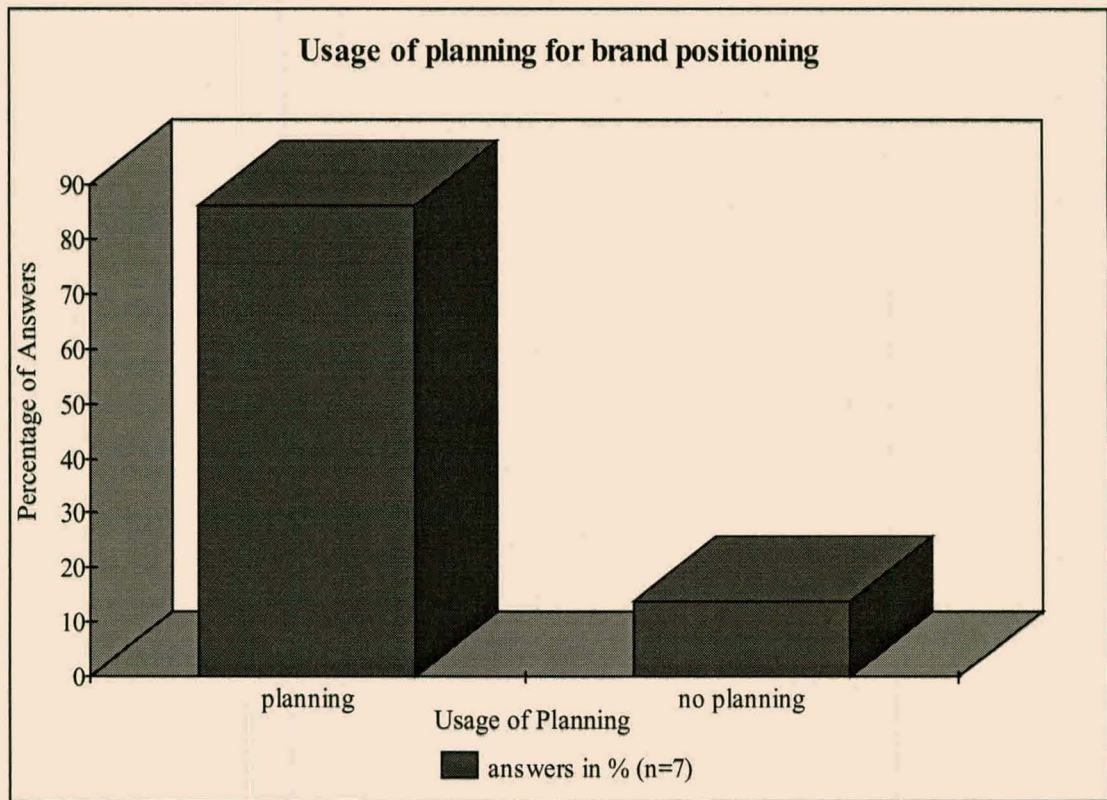


Figure 11: Usage of Planning for Brand Positioning

4.2.2 Section 2: Strategy

Only five out of seven answered that they have an explicitly formulated branding strategy. Because of the answers provided before these results are not consistent - the outcome of brand planning is a brand strategy with an ideal image which has to be reached. The participants may have wanted to veil possibly flawed brand planning and strategy skills. However, in opinion of the author the questions about planning and strategy were one of the main reasons for the low participation rate of this survey.

Question 2.1.1 also revealed inconsistencies. Only four out of five companies with explicitly formulated branding strategies admit inclusion of future developments. The question is: what is included in the branding strategy of the others if no future developments are excluded?

The answers on the time range of the strategies represented in Figure 12 show a trend towards middle- to long-term ranges from two to five years. On account of the very limited number of participants (just four participants for this question), the results are not extensive enough to establish validity.

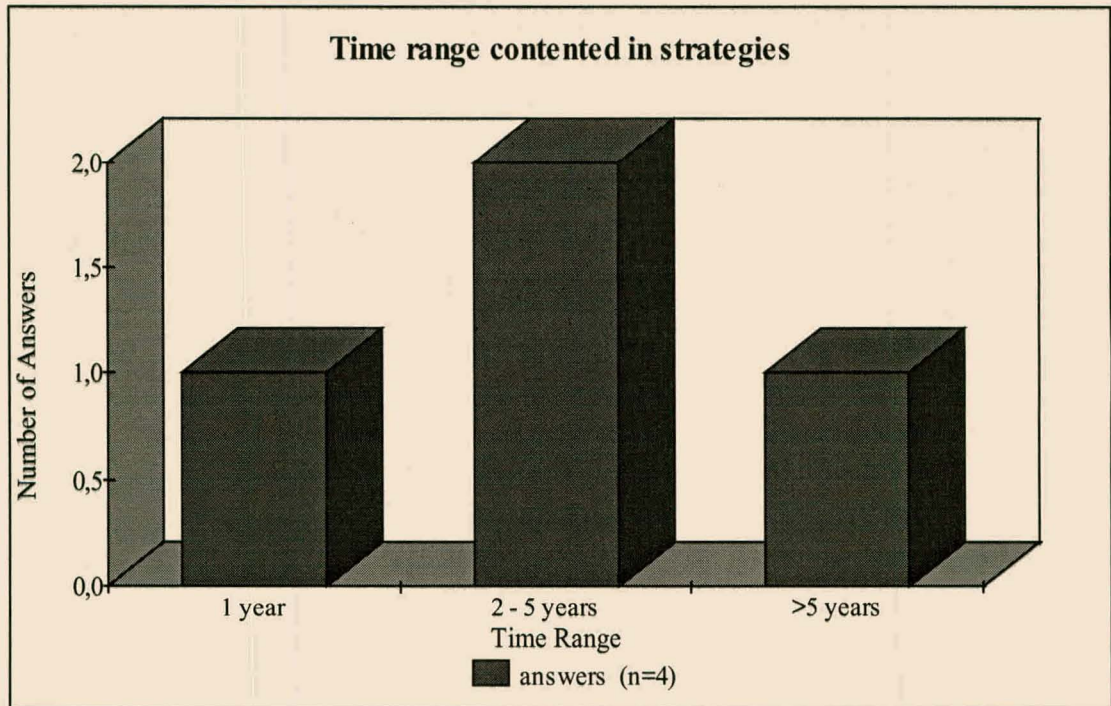


Figure 12: Time Range of the Strategies

Also the managing responsibilities and the developing authorities are resting on a number of shoulders. The answers varied from just one person with responsibilities to a group consisting several people (refer to Figure 13). A brand manager is in most companies responsible or co-responsible for branding and branding strategy. Interestingly, the board and the CEO are less involved, especially in strategy questions. This was not expected. Consultants in charge of brand strategy are mentioned more often than the board or the CEO. This shows that many top managers do not have adequate knowledge to bear the responsibility for brand strategy, so they have to buy top know-how in by hiring consultants.

Further research with focused questions according to the strategy adopted for several kinds of brands would provide greater insight into how far the top management underestimates the importance of branding strategies.

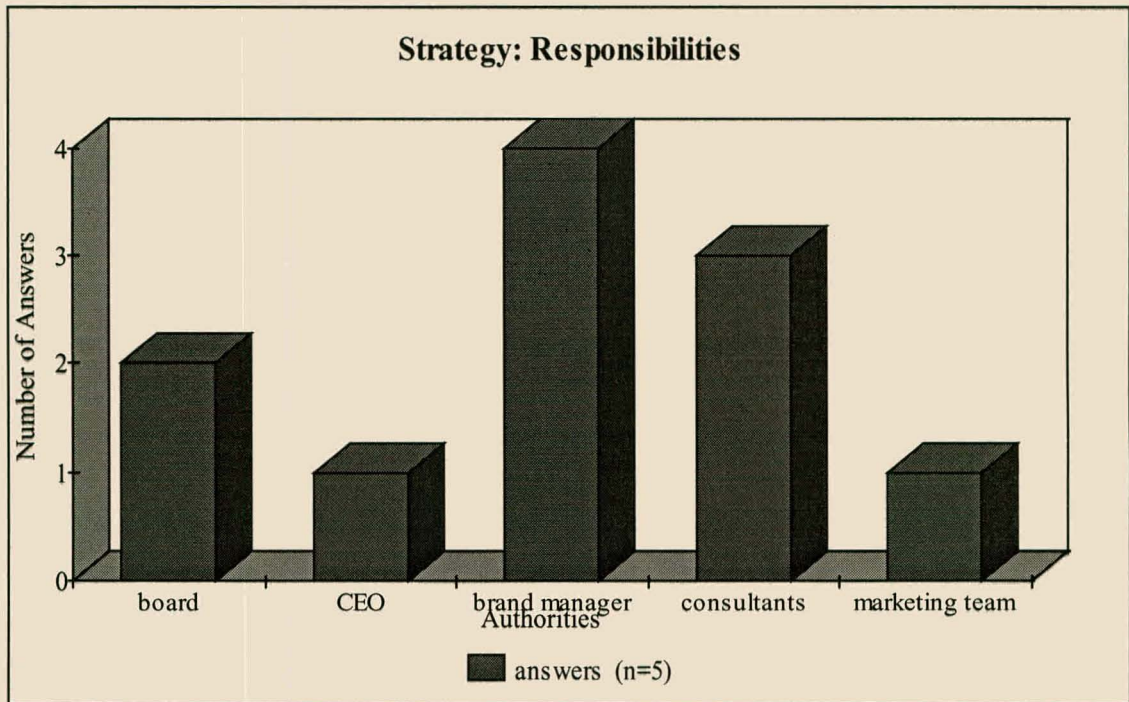


Figure13: Strategy: Responsibilities

4.2.3 Section 3: Communication

The third section of the questionnaire investigated the different ways of communicating brand identity. Figure 14 shows the importance of internal and external communication given by the participants.

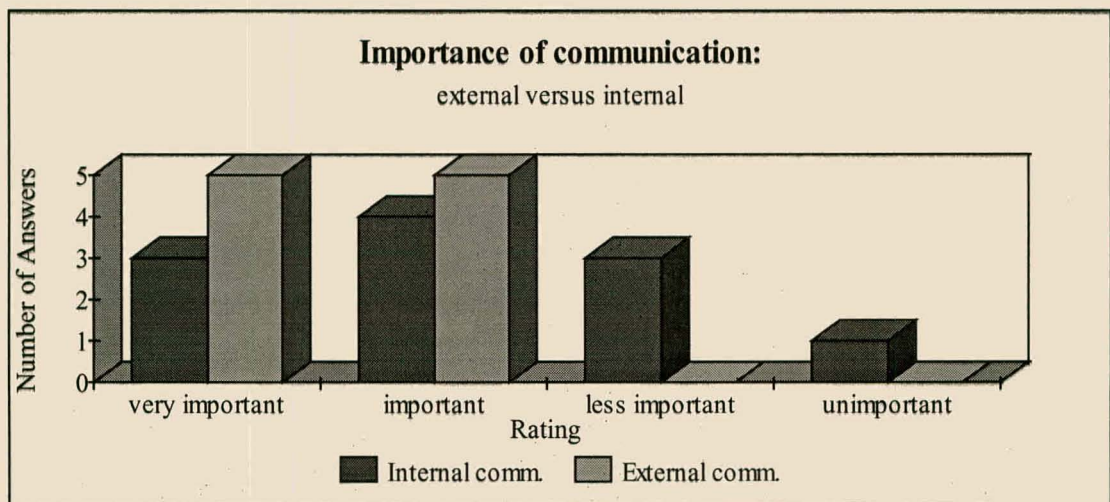


Figure 14: Importance of Communication

Figure 14 indicates that external communication is given a higher priority than internal communication. These results support hypothesis (Hiv) and show the underestimation of the importance of internal communication of brand identity and reflect shortcomings in internal brand communication. The work force as the core source of brand identity is ignored by a number of the participants.

Each company that responded to the survey communicates brand identity in a conscious way. The instruments used for this are listed below.

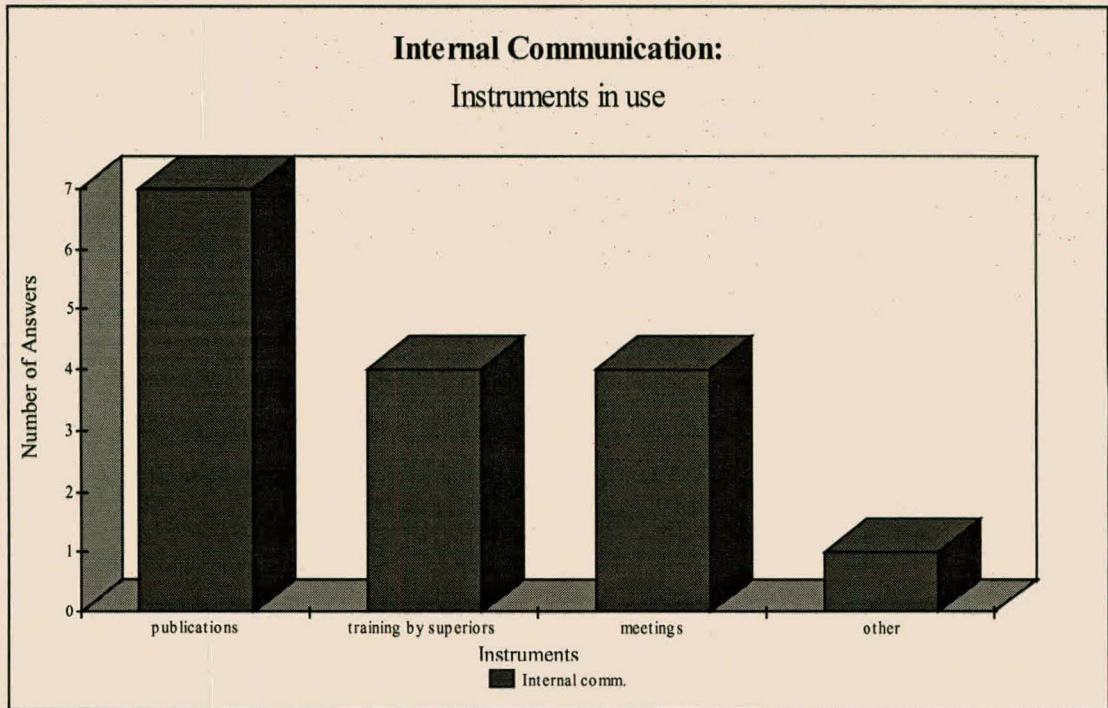


Figure 15: Internal Communication

Publications are most often used for internal brand communication. Training by superiors was mentioned second. The author is convinced that brand identity is communicated by superiors more unconsciously. The question has raised the issue of training by superiors in the minds of the survey participants. Employees just experience brand identity incidentally.

The instruments used for external communication are different. More tools of the communication mix are in use. The results reflect the spreading of the different media. Advertisements are most often used for the transmission of a brand identity.

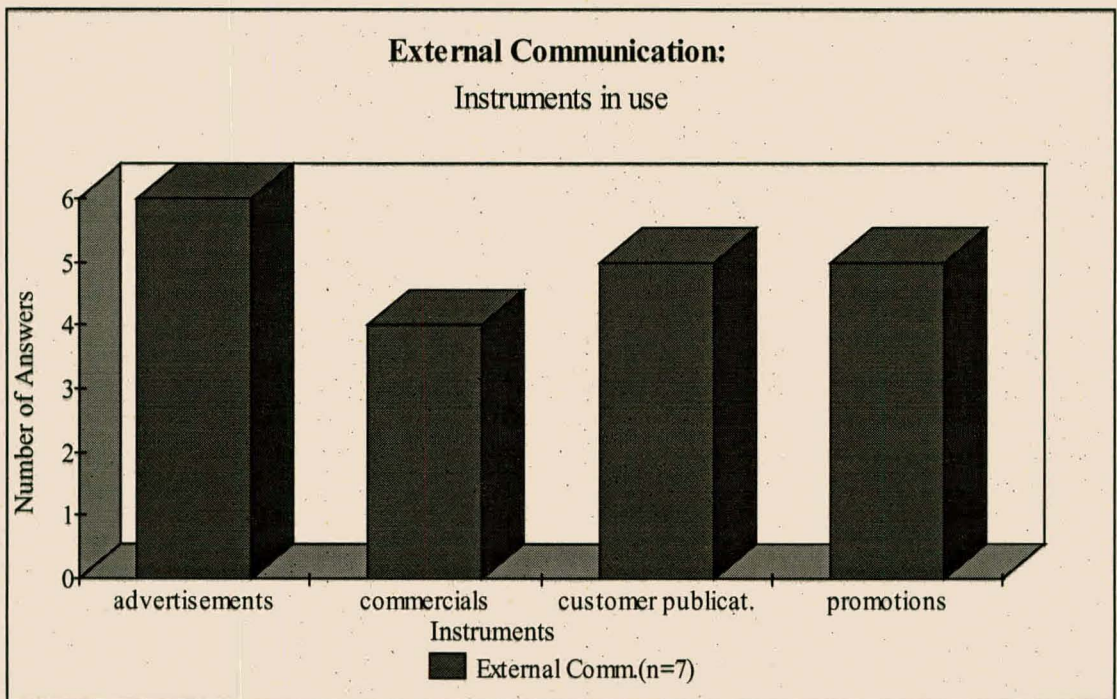


Figure 16: External Communication

4.2.4 Sections 4, 5 and 6: Brand Value, Critical Success Factors and Others

The results of the answers from the section dealing with brand value and critical success factors are not valuable and have no statistical significance. For instance, each participant had a different understanding of brand value and its measurement.

The results of the answers of critical success factors for managing brands in the financial services sector have also not produced statistical frequencies of certain aspects. Service is the only criterion mentioned often. A short list of the answers of critical success factors identified in managing and developing a brand is given below:

- consistency
- senior management support
- a unique positioning
- quality of products
- *et al.*

A higher number of respondents would have produced more valuable and statistically valid results.

4.3 Summary of the survey results

The author put forward several hypotheses for branding in the financial services sector which were to be tested by the research. It has to be emphasised that this is a preliminary study, with testing of hypotheses therefore providing only first-level indications.

(Hi) The management of most companies in South Africa's financial services sector is not aware of the priority of branding in the rapid changing environment.

The hypothesis is partly proven by the questionnaire. Every company identified branding as an important topic. But management is discovering the value of strong brands slowly and some still reveal shortcomings in sense of a limited comprehension of brands. Some companies put the responsibility for their brands in the hands of external consultants.

(Hii) Skills and methods used by the companies to brand financial services are under-developed and sometimes inadequate.

Some companies show excellent brand management skills; others have inadequate skills. But in opinion of the author these companies are catching up. Therefore the hypothesis cannot hold in this form any longer. The reality shows a more differentiated picture.

(Hiii) Branding strategies for financial services, if they exist, are orientated towards short-term goals and not long-term goals.

This hypothesis is flawed; the results have shown a striving to meet medium-term goals.

(Hiv) The financial service companies communicate brands mostly externally and neglect internal communication.

The survey has confirmed this hypothesis and identified shortcomings in the understanding of the value of internal communication. External communication is seen as the main tool for communicating a brand.

The survey has shown a very differentiated picture of the branding skills, methods and experiences in the financial services sector of South Africa. In the opinion of the author, the results are of value (in spite of the limited number of participants) and not only representative for South African service providers, but also for others in different locations of the world. A large number of participants have strong linkages abroad and are often led from countries outside South Africa. For instance, Alliance and South African Eagle are owned by foreign companies based in Europe.

The participants are aware of the task of branding and are addressing this issue with great intensity. Further research with more participants is needed to get representative, statistically more valid results. According to the author personal interviews will lead to better results and can put pressure on the participants to answer the questions.

It would be interesting to research this topic in different international regions to analyse brand comprehension, knowledge, skills and practices around the world.

Definitely more research with a wider number of participants is needed to gain a more precise picture on brand management in practice. It would be also interesting to repeat this survey after a medium-time period to highlight management changes. In the opinion of the author, most shortcomings and inadequate management skills will have been eliminated within a short period of time.

5 Summary, Conclusion and Recommendations

This preliminary study has discussed the branding of financial services with especial emphasis on the financial services sector, including a preliminary empirical investigation.

5.1 Summary

Chapter 1 introduced the topic briefly. Besides the objectives and the chosen methodology, the scope, hypotheses, the background and the structure of presentation are covered here.

Chapter 2 gave a basic introduction to the terminology of services and of branding. It was shown that the marketing of services is a more complex field than the marketing of tangible products. The perishability, variability, intangibility and inseparability of services makes marketing services such a complex issue.

Chapter 3 discussed brand management for financial services in practice and revealed the different requirements which have to be met to succeed in branding.

The results of an analysis of a survey presented in Chapter 4 show that the existing branding skills and knowledge are very sophisticated within the financial services sector of South Africa; thus very differentiated brand practices exist in the same market. The low participation rate of the survey shows the actuality and the extremely explosive nature of this subject. It seems that almost all financial services providers keep on working on this topic and are continually discovering the value of brands in this competitive market.

Chapter 5 provides a concise summary, draws conclusions and gives recommendations.

5.2 Conclusions

Because of the characteristics of services the marketing mix for services consists of 3 additional elements, namely people, processes and physical elements. As was demonstrated in the subsequent sections, people are of major importance for the branding process of financial services. The staff constitutes a major part of the branding in the quality of the service given to the client in the everyday running of the business. Aligning the work force towards a consistent brand identity is an important but difficult issue for brand builders.

The market of financial services can be described in terms of market, competitive, technological and governmental trends, leading towards stronger competition and complexity of the products driven by innovation and globalisation. Branding is a possibility to enable a company to stand out over its competitors.

A brand has been described as "...the product's source, its meaning and it defines its identity in time and space" (Kapferer, J., 1992:11). This can be the anchor for clients and

staff in the competitive services market. Strong brands are identified by three hygienic factors which have to be kept in mind:

- consistency;
- individuality;
- constancy.

These three factors have to be addressed when managing the different sources of brand identity. The main determinants which affect the design of brand identity are the category of products, the structure of the target market segments and the brand identity of the main competitors.

The brand identity is built by a set of factors as listed and described under 2.3.4.1. The different sources of the brand identity are received on the market and company internally as the brand image -- the status quo from where the brand management team has to start their work. The classic brand concept (Kapferer, J., 1992: 85) is based on the equation:

1 brand = 1 product = 1 promise or customer/consumer benefit

This definition was reconsidered, especially in the financial services sector, where corporate brands are the focus of interest of brand managers.

Brand management has to start with setting up a brand management task force, the guarantor of effectiveness within this process. But setting up a team is not enough, it must be integrated within the organisation and needs the commitment of the board of directors. The team needs to have the authority to gain access to all kind of information essential for branding and, in addition, the right to issue directives via guidelines and decisions around branding.

The brand management team sets up a brand vision, which determines the brand identity to be achieved in the course of time, and it assesses the present and future environment in this creation process. This vision is not static -- changed surroundings may force the company to adapt its vision over time.

Brand auditing is the revolving processes of measuring the determinants of a brand -- internally and externally -- to develop awareness of the status quo of the brand. The team needs to audit the brand on a regular basis to foresee trends at an early stage and to be in control of the measurements of the brand. In the highly competitive and rapid changing markets of financial services continuous auditing is essential for successful branding.

When auditing has uncovered gaps between the targeted image and the reality or shortcomings in clients' commitment, it is the job of the branding team to tailor actions to align the brand. Internal and external communication are the main tools in this process. Only when the company is able to communicate the individual benefits, advantages and characteristics of the brand, will the customer and staff develop loyalty and commitment to the brand.

The company's own workforce is one of the core targets for communication; only when the workforce is committed and has understood the brand fully, will they act as multipliers of

the brand identity. Human resources deliver the highest value and keep up the relation with the customer in the financial services sector. Only with their support can a brand be maintained.

Like every management process control and adaptation close the brand management circle. Continuous measurement allows perception of what has been achieved against what is targeted and allows management to adapt strategies. This process requires a great deal of sensitivity to strengthen the brand over the long term. A narrow-minded call for the short-term success of the brand management hampers effective and efficient work. All branding efforts have to be seen as an investment which pays off over the long term.

The accounting of brands helps to determine the value of investments, but the existing methods - as has been emphasised -- are still inadequate and need further research and development. Research on different accounting methods and the valuation of brands could be a further field for academic investigation. The debate on a brand as an asset continues and international accounting standards will be set up in the future.

The described process is not only of practical value for financial services providers but, the findings also have a practical significance for branding in other sectors.

Unsurprisingly, a number of respondents on the questionnaire had only a limited comprehension of branding. They saw, for example, the main issues in communicating the brand externally, but neglected the importance of internal communication. Further research will be necessary to reach statistically more valid results. A comparison of brand management skills between different countries would provide insights into the sophisticated stages of development of branding around the world. A field study with a high statistical population of participants will therefore yield important insights.

5.3 Recommendations

Marketing and management sciences haven't paid much attention to branding of services. This made the work on this thesis a more difficult task than the author had expected when investigating this topic. So some sections deal with branding in more general terms than with the branding of financial services specifically. The reluctance, or perhaps one should say the discretion, with which the practical aspects of branding were discussed also hampered the generation of insights into the process. More extensive work on the branding issue is necessary. Working together with marketing consultants on the issue of branding financial services would yield additional knowledge of brand management skills in South Africa.

With the progress of information technology and the rapid increasing importance of the internet in marketing and selling service products a investigation of the role of this media is promising.

The importance of branding in the financial services sector will emerge in the next decade. Creation of strong brands in the dynamic environment of the financial services sector will

be the biggest determinant of success within this sector and the greatest challenge for marketers.

A number of brands in the financial services market will struggle and fall into insignificance in the battle of the brands. But some marketers will learn the lesson about branding and keep on maintaining, developing and upgrading their brands, and hence gain brand acceptance, awareness and loyalty in the world. As in other sectors, these brands are the first true globally understood world language of the economy.

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Appendix A

Personal Interview Partners:

Reg Smith, Communication Consultant, Cape Town: 15 October 1997

Helen Ceasey, Brand Manager, Old Mutual, Cape Town: 24 October 1997

J.P. Du Toit, Prof. at the Department for Industrial Psychology, Stellenbosch: 27 October 1997

J. Hofmeyr, Marketing Research Expert, Research Surveys, Cape Town: 03 November 1997

Rob Hill, Marketing Consultant, Ogiilvy & Mather, Cape Town: 10 November 1997

Prof. S Terreblanche, Prof. at the Department of Economics, Stellenbosch: 12 November 1997

Gerald Eckstein, Marketing Communication Consultant, Hunters Lascaris, Cape Town: 14 November 1997

Appendix B

Companies contacted telephonically and involved in the survey

Long-term insurance companies:

Liberty
Southern Life
Old Mutual
Metropolitan
Norwich

Short-term insurance companies:

Alliance
Mutual & Federal
SA Eagle
Guardian National
Santam

Banks:

Boland Bank
Standard Bank
Absa Bank Group
NedBank
Permanent Bank

Appendix C

Questionnaire used for the field study

Questionnaire: Brands and Branding of Financial Services

November 1997

Name of the company
Name of the respondent
Position held

1 Brand, Image and Identity

- 1.1 What kind of brands do you use in the company? Corporate brands (the company name dominates over products and divisions)
 Endorsing brands (the product name[s] dominate[s] corporate names)
 Mixed brands (two names given equal prominence)
 Stand alone brands (single branded product)

Please answer the following questions for your corporate brand or your endorsing brand:

- 1.2 Have you changed the brand identity within the past five years? y n

If yes:

- 1.2.1 What have you changed? Names and slogans
 symbols and logos
 relationships with the customer
 service products
 others.....

- 1.2.2 Would you describe your change of the brand more proactive (pro) or reactive (re)?
 pro re

- 1.3 What have your decision drivers been to change or to maintain the brand identity?
.....
.....
.....

- 1.4 Do you monitor your brand identity? y n

- 1.5 Do you measure the image of your brand to analyse the brand perception? y n

If Yes:

- 1.5.1 What facets of the image do you measure especially? Please name the 5 most important ones.

.....
.....

- 1.5.2 Which method do you use for it?

1.5.3 Who do you ask for brand perceptions?

- Customers
- sales forces
- other staff
- board members
- others.....

1.5.4 How often do you measure the image?

- monthly
- twice a year
- yearly
- other.....

1.6 Is your current brand's position reached by a planning process?

- y n

2 Brand strategy

2.1 Does your company have an explicitly formulated branding strategy? y n

If yes:

2.1.1 Does the branding strategy include future developments?

- y n

If yes, what time range is contended

- 1 years
- 2 - 5 years
- >5 years

2.1.2 Who develops the branding strategy?

- The board
- The CEO
- a brand manager
- consultants
- other.....

2.2 Who has brand managing responsibility within the company ?

- The board
- The CEO
- A brand manager
- Consultants
- other.....

3 Communication

3.1 In what direction do you communicate your brand identity ?

- external
- external and internal
- internal

3.2 Internal communication

3.2.1 What importance has internal communication for brand management?

- very important
- important
- less important
- unimportant

3.2.2 What instruments do you use for internal communication?

- publications
- training by superiors
- meetings
- others.....

3.3 External Communication

3.3.1 What importance has external communication for brand management within your company?

- very important
- important
- less important
- unimportant

3.3.2 What instruments do you use for external communication?

- advertisements
- commercials
- customer publications
- promotions
- sponsoring
- others.....

4 Brand Value

Does your company measure the value of its brands?

- y
- n

If yes:

What methods do you use for it?

.....
.....

5 Critical success factors

What critical success factors have you identified in developing and managing a brand in the financial services sector?

.....
.....
.....

6 Other

What other comments would you like to add regarding this topic?

.....
.....
.....

Thank you for your commitment.

Appendix D
Letter accompanying the questionnaire

Markus Degener

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Re: Assistance for Information for Master Thesis
Attention:

Dear Sirs,

in reference to my telephone call I would like to request your assistance. Firstly let me introduce myself. My name is Markus Degener, I have studied management science on the well known Westfalian Wilhelms-University of Münster/Germany and have finished at the end of last year with a Master-degree. Right now I am studying in Stellenbosch for my Master of Commerce degree in business management. I work on a thesis concerning the Branding of Financial Services. Prof Leibold is promoter of this thesis. Please find the attached letter.

For the completion of my thesis I would therefore require your assistance and co-operation in completion of the attached questionnaire. A short description of your brand(s) in form of a brand identity statement would be highly appreciated. Aim of this survey is to highlight approaches and brand management in the entire financial services sector.

On account of the unreliable post system I would highly appreciate the transmission of the completed questionnaire via fax (021 808 2226) to ensure the reception of the papers on my side. I would be most thankful if you could find the time to answer within the next 7 calendar days.

Please call me in case of any requests.

Respondents will receive a summary of the findings of the research.

Thank you for your co-operation