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The First Step to a Winning Brand Strategy Is Deciding Who You Are

Branding in financial services isn't easy, but amid consolidation and increasing homogeneity it may be just what determines who thrives.

The principles of branding are often misunderstood and even misrepresented. But some of the most prominent companies in the field can teach others useful lessons.

For example, Citibank has managed to become the most respected financial services name in emerging markets. And American Express was able to introduce a platinum card in Asia, even as no-fee credit cards proliferated, that was oversubscribed despite a $1,000 annual fee.

But you don't have to be a Citibank or American Express to build brand equity. Whitney National Bank has been catering to the "carriage class" of New Orleans for over 100 years, remaining highly profitable despite a small market share.

Our brand studies (see also "Your Brand's Best Strategy" in the May 1997 *Harvard Business Review)* have indicated, among other things, that market share alone does not drive profitability.

Consider how the difference between premium and value product categories applies in financial services. J.P. Morgan has thrived in private banking because clients are willing to pay a premium for service and reliability.

Brand strategy should be consistent with category and market share positioning. Consumers of premium products tend to be loyal and willing to pay higher prices. In return, they demand improvements and changes — innovations — that deliver real value.

It follows that cutting costs and prices is not a winning strategy in premium categories. After buying First Interstate Bancorp, Wells Fargo Bank tried to impose a low-cost banking model on a relationship-focused customer base, with disappointing results.

The brand positioning and marketing message must be consistent with strategy. This is an important principle in financial services, where the instinct is often to cut price to gain share. If the strategy is to be the premium service provider, the image should project that, instead of something else like low price.

American Express, through a disciplined approach to branding, has maintained an incredibly consistent image of exclusivity and prestige, allowing it to resist the dramatic price erosion in credit cards.

Dropping fees and suggesting that people use their Amex cards at the corner food mart, while possibly expanding membership, would alienate the valuable (and profitable) customers who have long viewed the card as a status symbol. This kind of focus and discipline allowed American Express to do so well with a super-premium platinum card in Asia — against the grain of the card market.

A more applicable example for midsize banks comes from the $2 billion-asset Whitney. There was a time when people could do business with the Whitney only by invitation. It still stands as the premier bank for wealthy individuals and small and midsize businesses. By reinforcing its hold on the most profitable customers and not diluting the image with price cuts or gimmicks, Whitney consistently enjoys among the best returns in Louisiana despite being only the fourth-largest in the state.

Clearly not every bank can duplicate the successes of American Express or even Whitney, but they steer us toward a few useful principles:

- Branding starts with a clear customer strategy. Which segment(s) are you targeting? Are these premium or value segments? Are you positioned appropriately in terms of price, products, service capabilities, and location to capture that target market?
- Brand image must be consistent with customer strategy. What does the brand image stand for? Are the services, products, and prices you are projecting valued by target customers? Are your organizational units working in concert, or do they send conflicting messages?
- Branding is not about spending lots of money on advertising. It is about delivering against the needs and expectations of the desired customer segment. Advertising can reinforce or focus reality, but it cannot create it. Declaring you are a premier institution does not make it so, and one real-life contrary experience will erase any brand equity that advertising has established with a customer.
- Branding is not about competing on price, unless that is the explicit strategy of the given brand. AIG, the largest U.S. commercial property/casualty insurer, can offer the lowest prices because of its cost structure. It makes no pretense of being a premium provider, and thus attracts a certain price-focused customer group.

Most banks lack the necessary cost structure for price competition and need the discipline to resist it. If you are trying to differentiate with exceptional customer service, don't fall into the price-cutting trap to gain market share. That would hurt profitability, confuse existing customers, and fail to attract the new customers you really want. ◇

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