

THOUGHT LEADERSHIP SERIES

Providing insights on business issues that influence how you manage your brand

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brandlogic

Managing brand performance in financial services

In recent years, corporate brands in financial services businesses – both retail-facing and B2B – have become major factors in the attraction and retention of clients, talent, partners and capital. It has not always been so but in today's crowded, highly competitive global marketplace, a strong brand can be a major advantage. Corporate brand salience has become particularly important in service industries where economic value is delivered through intangibles, and offerings are often seen as interchangeable.

In this article, we will explore why brands matter in financial services, how their role has been changing, and the competencies required to create and sustain competitive brand advantage. We will also discuss the implications for business strategy going forward.

Why have corporate brands come to matter so much in financial services? Much of the answer to this question lies in the growing understanding among corporate executives of what brands actually are and how they add value.

Not so long ago, "brand" might have been defined as an advertised promise linked to a logo and a graphic/visual identity. This definition, while not entirely incorrect, misses the interplay between brand and business strategy, and the link to business economics.

Today, the meaning of "brand" is linked more closely to value creation. A brand is an intangible asset yielding economic returns that is used to attain, over time, a targeted reputation. This is accomplished through management of both the actual experiences delivered to stakeholders and the visual and verbal communications used to express the company's aspiration and value proposition to these stakeholders.

The role of brands in overall reputation management has become much clearer in recent years. Brand management includes defining the targeted experience of customers, as well as capturing and conveying strategic intent to all stakeholders such as clients and prospects, employees and the broader pool of talent, and shareholders and the investment community.

The rise of brands in the financial services industry

Thirty years ago, the corporate brand for a financial services company was something advertising people worried about, something external to the business itself. Corporate brand management in the industry essentially consisted of periodic – or more accurately, episodic – corporate brand image advertising campaigns, perhaps accompanied by a shift in visual branding elements. Funding justification was often based solely on what competitors were spending, rather than on actual return on investment.

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While these elements undoubtedly still factor into brand investment decisions, expectations have changed. Today, industry leaders have come to understand that brands play a much bigger role in achieving and sustaining success than in those days when virtually all brand issues were delegated to the advertising department. Top executives are now under pressure to ensure the corporate brand, or brand portfolio, is managed carefully for shareholder return, just like other corporate assets.

This shift has come about, in part, because of the realization among investors that a growing percentage of a company's financial value, especially in service industries, is accounted for by intangible assets rather than physical assets like real estate, plant and equipment. Intangible assets include the quality of client relationships, employees expertise, intellectual capital, proprietary software and, yes, brands.

The process of realization was accelerated by the rise of the service-based economy and consolidation within industries – not least in financial services – that occurred in the '80s and '90s, and which is again in full swing. The mergers and

acquisitions that marked this period involved placing a value on intangible assets. This raised significant questions about, and subsequent exploration of, the value of brands.

Partly in response to the new emphasis on intangible assets, the brand consulting industry came to the fore to address the need to bring diagnostic, analytical and financial measurement techniques to bear on managing this large – but still nebulous – category of intangible assets called brands. Since then, understanding of the role, influence and monetary value of brands has evolved.

It is now understood that brand strategy and brand management are fundamental aspects of business strategy and business management. Brand decisions are no longer relegated to the advertising department. Most CEOs, divisional heads, corporate strategists, and even finance and accounting departments are now intimately engaged in managing the brand assets of their company.

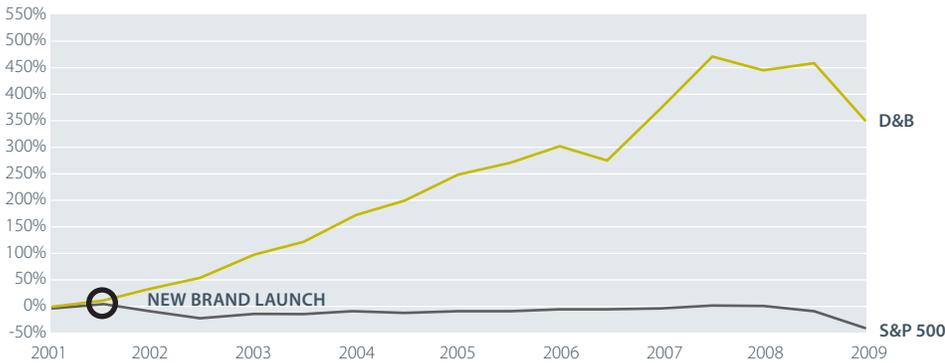
Brand management as a source of competitive advantage

The importance of the brand as a financial asset and a source of financial success is much clearer than it was even ten years ago. Today, the key question should not be whether a brand has real financial value, but rather what skills and level of investment are needed to manage the corporate brand and brand portfolio for optimal financial return.

With this shift of focus, a need emerged for the development and integration of skill sets that enable real and professional management of brand performance. Many companies are finding that achieving excellence requires a careful combination of both internal resources and specialized external expertise. The increasing professionalization of the brand management function has also led to the creation of the same sort of diagnostic, analytic and measurement tools around brand performance that already exist for the management of other assets and functions.

One of the greatest challenges facing executives in this area is that good brand management now requires a wide variety of skills: from the creative to the analytical to the financial. This must be taken into account when considering the backgrounds of CMOs and brand managers, the composition of their teams, and the overall governance of the function within the corporate structure.

D&B STOCK PERFORMANCE VS. THE S&P 500 INDEX



Case study: Dun & Bradstreet

Companies that take on the challenge of brand management early and effectively can reap significant competitive advantage and even create dramatic turnarounds in market position. An excellent example in the financial services industry is Dun & Bradstreet (D&B). The company focused investment and top talent on driving brand performance for competitive advantage. We chose to highlight this example not for its currency but for its longevity of success. The results of a good strategic move are often evident only over time and continued investment in a winning concept is vital to success.

In the late 1990s, D&B was facing a crisis of confidence among investors and demoralization among employees. The company had suffered serious declines in market capital associated with a failed diversification strategy and the erosion of competitive position in its core businesses against lower cost, Internet-based data providers.

This situation led directly to the decision to spin off non-core companies (including Moody's, Donnelly and ACNielsen) and to recruit a new CEO and COO from American Express. These two new, highly brand-conscious leaders placed the revitalization and leveraging of the brand literally at the center of their turnaround strategy for the company.

The new brand strategy refocused the company on its unique core strengths. D&B was shown as a business partner – not simply as financial data source – providing the highest quality, most accurate and tailored information to ensure its customers feel confident in the decisions they make about transacting with other companies.

The brand building effort was directed at customers, investors and employees alike. The turnaround in sentiment toward the company among all three groups was rapid and strong. The CEO and COO credit the rebranding program with helping to increase shareholder value from 2000 to 2008 during a period when the S&P 500 lost value.

Implications for the future

Looking ahead, there will be (as always) internal battles over strategic direction and investment priorities. However, experience gained over the last few decades has clearly shown that the importance of brands in financial services markets cannot be ignored. We are convinced that brand management will continue to be an important part of the leadership agenda for CEOs in financial services.

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In closing, here are a few thoughts about what's needed to properly manage your company's brand for financial success:

- Recognize and embrace the full complement of skills now needed to achieve excellence in brand management, from the analytical to strategic to creative competencies.
- Assemble a crack team to manage the brand, or brand portfolio, performance to the highest standards.
- Achieve and sustain strong brand relevance with customers. Brand differentiation is not enough.
- Discover the right concept and sustain investment behind it over an extended period of time, but be prepared to modify or alter course based on shifting customer values.
- Drive the brand concept through to the experiences delivered to each stakeholder group, not just communications.
- Ensure brand strategy is part of the business strategy across the organization.
- Put in place the metrics to measure market and financial performance of your brand(s).



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James has over 20 years of experience in leading strategy, marketing and brand consulting engagements, in North America and worldwide. His consulting career includes executive posts as the president of Vivaldi Partners, a New York City-based marketing and brand consultancy; as one of the founding partners of FutureBrand; and as a Director with Coopers & Lybrand.

James has been a pioneering thinker and practitioner in corporate, consumer and B2B brand strategies. Prior to his career as a consultant, James worked for BankAmerica, advancing through a number of key strategic planning, marketing and product development positions to become Vice President of Strategy and Marketing for the bank's Latin American Division. James holds an M.B.A. in International Business from the Monterey Institute and a B.A. in Greek Archaeology from Antioch University.

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