A Study on the Concept of Branding In Banking Services

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Abstract – Branding of a product or service ensures legal protection for the brand name and offers differentiation in comparison to the competitors 'offering in the market place. In markets where competition is rare, goods can be sold as commodities and the name of the maker may not matter much. However situation is different in highly competitive markets, where competitors are vying for the attention of customers with similar product offerings and it is difficult to create product differentiation.

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INTRODUCTION

Banking sector was chosen for the study as it is classified as pure service (under section C of Service Classification by Central Statistical Office). Moreover, the competition in the Indian banking sector is increasing after the liberalization of the economy in 1991. Liberalization has also intensified competition in the banking sector after the new guidelines were issued by the Reserve Bank of India (RBI). In the post liberalized era, the Indian customers have a wide choice of banking service providers in the market and the more knowledgeable and discerning among them tend to opt for the best in terms of quality and reliability and which are at par with international standard. New players have adopted modern technology and international best practices, which offer wide product range to corporate and retail customers. Further, liberalization will allow entry of many more reputed foreign banks, bringing in strong corporate governance, leading-edge technological expertise, and experience in providing retail banking services in other developed economies and the global economy as a whole. As it is difficult to create differentiation in the services offered by banks and as services can be easily copied, it becomes difficult for banks to differentiate themselves from their competitors. As the banking sector is witnessing high competition in India, a study on services branding is appropriate and relevant for this sector.

Differentiation created through functional advantages also can be easily copied by the competitors. As substantial product differentiation is difficult in financial services, it is very critical that they are branded. As each of the benefit offered by a bank can be easily copied by a competitor, branding becomes essential for service differentiation. Unlike products, services are highly intangible, so it becomes crucial that desirable image is created. Unique image, based on salient attributes can transform a commodity into a branded service. While commodity is an undifferentiated product, product is a value added, differentiated commodity. Branding assures buyers of uniform service quality and gives the marketer the price advantage. As banking is a pure service, it is critical to have a clear brand identity so that customers can differentiate each service provider in his/her mind space. Berry proposed leveraging the freedom factor of custom-fit which is a result of the service provider and the customer entering into direct contact. It is people service that differentiates one bank from the other. Berry suggested that service organizations need to practice internal marketing, not just external marketing. Internal marketing can be viewed as attracting, motivating and retaining qualified personnel (internal customers) through job products designed to satisfy their wants and needs Drawing on the comments of Berry, Saunders & Watters and de Chernatony & Segal Horn , internal and external brand orientations were found to be important in services branding. Banks should ideally focus on building both internal and external brand equity by satisfying employees as well as customers.

Banks mostly follow the brand architecture style of branded houses where every product from the bank carries the name of the corporate brand. Brand architecture of a firm refers to the structure in which brands are managed within a firm. There are two brand architecture styles which are named as branded housesand house of brands In the branded houseformat, the brands from the firm carry the corporate brands name whereas the in house of brandsstyle, where the brands carry individual brand names and not the corporate brand's name. FMCG products have mostly adopted the house of brands architecture whereas service firms have adopted the brand housesarchitecture. In the branded house architecture, the different services offered by the same firm will carry the name of the corporate brand. In the financial services arena, we have mostly witnessed the phenomena of corporate branding. The corporate brand name transcends its brand image to all service products offered by the bank. The corporate brand perspective supports, and could be a consequence of, the strategic view of brands. King is considered to be one of the first authors to make a clear distinction between product and corporate brands, emphasizing the importance of a multidisciplinary approach in order to manage them. Aaker defined a corporate brand as a brand that represents an organization and reflects its heritage, values, culture, people and strategy. Balmer and Gray recommended that corporate brands lead to the development of a new branch of marketing which should be known as corporate-level marketing In other words, an organization‘s core values must be the guiding light of the brand building process, both internally and externally. De Chernatony et al , suggested that in comparison with the goods model for brand building, more work is required in terms of organizational culture and internal branding when building service brands. Successful services-branding models do not only stress an external orientation, as evident in goods branding, but have a balanced internal and external orientation. Effective organizational brand are built externally as well as internally. Hence strong bank brands should have a branding orientation which creates strong employee based brand equity as well as customer based brand equity.

Marketing of service firms require the development of brand experiences and unique imagery leading to the critical role of brand building in service firms. A strong brand scores high on brand awareness, brand service quality perceptions, and customer satisfaction. Brands communicate their brand name, functional benefits, inherent values and cues on brand experiences to customers which lead to strong customer based brand equity for the firm. The external orientation in branding focuses on building strong brand equity among customers. Developing employee based brand equity has gained momentum in service branding literature as employees play crucial role in facilitating brand experiences, perceptions and relationships that customers may have with the firm. The internal brand orientation focuses on building a strong brand orientation enabling employees to understand and imbibe the brand values of the firm. Competitors can copy the performance of the service brand but the intangible values such as employees‘ attachment, trust and commitment towards the brand, customers‘ trust and loyalty and the unique, favorable association towards the brand cannot be copied. This thesis outlines how service brand strength can be measured by assessing the internal brand strength (employee perspective) and the external brand strength (the customer perspective) individually and provides a methodology for the same by undertaking a study on banks in India. A strong service brand enjoys strong external as well as internal brand equity. India was selected for the study as it is an emerging market economy where the growth opportunities are considered to be large (Jin etal., 2010). Moreover the Indian service sector has grown considerably during the last few years and has been globally recognized for its high growth and development.

NEED FOR THE STUDY:

The equity of the bank brand decides how far the brand factor has contributed in successfully marketing the bank so that the bank brand achieves unique, favorable and strong positioning and customer acceptance. This study measures the influence of internal and external brand on employee satisfaction and customers‘brand verdict respectively. The strength of the internal brand is measured thorough employees‘perception of the bank; the external brand is measured through customers‘perception of the brand. Such a study is relevant in the services sector, especially in the banking sector, which did not have adequate brand strength measurement methodology that measures both the external and internal orientation, though authors such as De Chernatony and Berry cautioned about such orientations in their published work. The study revealed internal factors which constitute a strong internal brand as well as external factors which build a strong external brand. Such a study was the need of the hour as Indian banking industry had taken up strong branding initiatives in recent years and would compare the brand building activities of private, public sector and foreign banks.

Indian banking sector can be broadly classified into (a) public sector (b) private sector (c) foreign banks and (d) co-operative banks. Co-operative banks in India are mostly regional/local players. Hence, in the national scene, private, public and foreign banks compete with each other. Hence this study on service branding of banks focuses on public, private and foreign banks. Overall internal and external brand evaluation of banks belonging to these three categories was studied. Employee‘s satisfaction and customer‘s brand verdict have been taken as indicators of well marketed banks. Many variables such as the age of the bank, number of branches, promotional budgets etc along with branding activities may influence the marketing of the banks. However, the scope of this study is limited to branding of banking services; hence other variables influencing the marketing of banking services were not included in this study.

OBJECTIVES OF THE STUDY:

1. To create a service branding model for banks.

2. To identify drivers for strong service brands.

3. To reveal and validate factors which constitute internal and external brands for banking services brand.

CONCEPT OF BRANDING:

Branding has been around for centuries as a means to distinguish the products of one producer from those of another. The word brand is derived from the Old Norse word, brand which means to burn. Whiskey distillers, in the sixteenth century shipped their products in wooden barrels with the name of the producer burned or ―branded‖ into the top of each barrel. The brand name identified the maker to the consumer and prevented substitution of cheaper product by tavern owners. It was not until twentieth century that branding became central to competition in the marketplace.

The American Marketing Association (AMA) first published a brand definition in the 1960s which considered a brand as ―a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors AMA redefined ―brand as ―a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name. This definition fails to account for the powerful role, emotions play in brand development. Considering the brand as a name, logo or other outward symbols can be regarded as an oversimplification. Porter suggested a simple equation which defines a brand. S=P X D X AV, Where S=Successful brand, P= Effective product, D= Distinctive Identity & AV=Added Value. de Chernatony and Dall'Olmo Riley described brand as a multi-dimensional construct having nine dimensions which were classified under 3 categories viz. input, output and evolutionary perspectives. The input perspective is company oriented, the output perspective is customer oriented while the evolutionary perspectives is the long term orientation of the brand as an evolving identity. The nine brand dimensions are Legal instrument, Logo, Company, Identity, Image, Personality, Relationship, Added Value, and Evolving entity. The input perspective presents the brand as a legal instrument, logo, and the organization which owns the brand, or as an identity system developed by the company. This perspective purely looks at the brand in a non-emotional way and does not allocate any importance to the attachment between the brand and the customer. A specification of brand limiting itself to the input perspective may not be holistic. de Chernatony and Dall‗Olmo Riley enlarged their view of 1997 by considering a brand also as a *shorthand device* that facilitates the recall of brand benefits from memory, a *risk reducer* with increasing brand familiarity and as *value systems,* that is a system or ―cluster of values which represents the brand. Such additions can be considered as ‗input ‗interpretations of brand (i.e. something the marketer creates).

The output perspective of the brand consists of Image, Personality, Relationship and Added Value. The output perspective establishes the customer centric nature of the brand. Here the brand represents the image it enjoys in the minds of customers as adding value to the purchase, as a personality which portrays the brand as a living being and as a relationship which the brand enjoys with the consumer. The brand as an Evolving Entity has been classified under the evolutionary perspective of branding which portrays the evolving nature of the brand. As and when years pass by more and more values may get attached to the brand. Hence defining the brand under these three perspectives through nine different dimensions have been a major mile stone in the branding literature. de Chernatony and Riley proposed that a brand represents the matching of functional and emotional values devised by a firm with performance and psychosocial benefits sought by consumers. The closer the match between the values of the brand and consumers‘ rational and emotional needs, the more successful the brand becomes.A positive brand image is created by marketing, which succeeds in creating strong links between favorable and distinct associations of the brand in the minds of consumers emphasizing the needs of the consumers. Goodyear conceptualized brands as evolving, or meta-morphosizing, through sequential stages, where, in the final stage, through customer driven marketing‘, the brand becomes meaningful symbols for whole sectors of society.

Kunde noted that brands are not static but evolve over time. According to him, branding moves from being something the brand owner does *to* the consumer to something the consumer does *with* the brand. Expanding on de Chernatony and Dall‗Olmo Riley‘s work, de Chernatony also considered brands in terms of *positioning,* so the brand is instantaneously associated with a certain benefit in relation to its competitors and a *vision* which provides brand direction, focus and purpose.

Einwiller and Will (2002) defined corporate branding as: ―a systematically planned and implemented process of creating and maintaining favourable images and consequently a favourable reputation of the company as a whole by sending signals to all stakeholders by managing behaviour, communication and symbolism.Urde (2003) stated that corporate brands must reflect organizational values. Aaker (2004) defined a corporate brand as a brand that represents an organization and reflects its heritage, values, culture, people, and strategy. In the case of corporate or service branding the organization‘s name is central in the brand building process. In the case of product branding, the brand name of the product is central to the brand building process.

Corporate approach to branding contrasts with classical line of branding. With the latter, a product line or product is the primary brand , branding tends to focus on consumers , employee interaction with customers is less notable while values tend to be enacted via advertising, distribution, user imagery or the physical product and its packaging. However, in the context of corporate branding values are largely enacted via employee behaviour to a broader range of *stakeholders*. The importance of employees in the service branding and corporate branding is dealt in detail in the section on internal branding. For service brands, it is particularly important that employees‘ behavior is consistent with how the organization wants the brand to be perceived. Consequently, employees play a central role in enacting the brand as part of the corporate branding process. To promote brand consistent behavior across multiple interfaces various human resource mechanisms‘ exist which service brand marketers‘ can look to utilize. These include recruitment, induction, training and culture, or more accurately cultures.. Consequently, corporate branding can be regarded as more ‗multi‘ or ‗inter‘ disciplinary in scope than traditional product based branding , given marketers‘ need for corporate brands to engage in human resource activities that foster employee behaviour to propagate the brand. The marketing communications of corporate brands, which is aimed at multiple stakeholders has to reflect the organization‘s value to stakeholders. Internal communications aims at engaging employees in the branding process, as this stakeholder group is of utmost importance in such organizations.

SIGNIFICANCE OF THE STUDY:

This study provides a methodology for measuring the brand equity of banks. The internal brand equity measurement has revealed factors which can be acted upon to create strong service brands leading to employee satisfaction and enabling employees to deliver the brand promise and ultimately customer satisfaction and increased profitability for the bank. The study also provides a comparison among public sector, private sector and foreign banks in terms of their employee satisfaction, customer satisfaction, and customers‘ verdict about the their services and whether it offers unique benefits.

CONCLUSION:

1. While building a service brand, firms should focus on building both the internal and external brand by instilling in employees a strong attachment to the brand along with developing a strong customer base. This can be done by strengthening the brand‘s relationship with the customers and ensuring customer loyalty.

2. A service brand organization should conduct internal as well as external brand audit.

3. Employee satisfaction and customer satisfaction are the antecedents for a strong internal and external brand respectively.

4. Theoretical framework for service branding proposed that banking service brand consists of internal and external brand which is suitable for measuring the brand strength of banking services.

5. Internal brand of banking services consists of factors such as the bank‘s corporate brand, reputation, modernity, effective human interface and customer satisfaction.

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