

# After the recession: Resurrecting the reputation of the banks



**Keith Lucas looks at the car crash that is the collective reputation of 'The Banks', arguing that not only must the traditional banks take this damage seriously, but that consumer appetites for new ways of doing things open the door to new offerings from more reliable sources.**

If your car let you down catastrophically and then cost a fortune to fix, you probably wouldn't hesitate to switch brands and warn your friends against buying one. Yet although your bank is a considerably more important purchase decision and there is a good chance that it has let you down catastrophically and expensively in recent months, odds are you are still with the same brand that you have been with for years. It seems that choosing a bank is one of those 'necessary evil' categories that we only really think about when we open our first account, then we breathe a sigh of relief and let the inertia build. Before we know it, we have committed a lifetime to the same brand, perhaps the only product category in which we are prepared to behave with such apparent indifference. But times are changing.

## **Where loyalty lies**

Blind loyalty to the bank brands belongs in an era when they, like the church, the government and the BBC, were the respected, unchallenged pillars of the establishment. The other pillars have already been eroded; now it is the turn of the banks. Inertia is no substitute for loyalty, and the recent spectacle of seeing the big banks caught with their financial trousers down has been a rude awakening for many customers whose expectations have been redefined. It is not simply the financial bubble that has burst, but the status and



respect that the banks had been taking for granted for far too long.

Remember the days when renewing your annual car or home insurance simply meant sending a cheque when the renewal notice came? That was before the power of marketing broke through to create customer-oriented brands like Direct Line, Privilege and More Than. It revolutionised the sector and today we are so spoilt for choice that new brands like Go Compare and Confused have emerged to help us make our decision. Similarly, the only credit cards in your wallet used to be the standard-issue Visa or Access cards provided by your bank (and, perhaps, an American Express card if you were well-off) while, today, you are likely to have a wallet brimming with lifestyle-defining card brands, from the curiously alluring (Cahoot, Egg, Mint, etc.) to the trusted and familiar (Sky, M&S, Amazon, etc.).

Meanwhile, the same handful of undifferentiated bank brands continues to offer essentially the same financial products, with the same lack of customer focus and in the same perfunctory manner, that they have for decades. While the music and animation of their TV commercial may be entertaining, does anyone seriously believe that Lloyds bank offers any distinct benefits on 'the journey'? Perhaps even more hollow is NatWest's claim to offer us 'another way' when it was its parent, RBS, whose financial waywardness

was described by the BBC's business editor, Robert Peston, as "spectacularly stupid and foolish."

The fact is that the traditional banking brands have been fooling themselves for years that they have become customer-focused. Yet, while their marketing departments have been allowed to fiddle with the image, behind their glossy new facades the same old financial minders have been calling the shots and failing to deliver against the marketing promises: the classic 'lipstick on a gorilla' syndrome.

Customers have become so dissatisfied that the banks have been forced to accept a new FSA watchdog to replace former voluntary codes, and will now face fines for poor treatment of their customers. What is more, the new rules will include measures to make it much easier for customers to switch their accounts between banks, opening the way for new brands to enter the marketplace and provide the kind of consumer choices that we have seen emerging in the other financial sectors mentioned earlier.

## **New competition**

But from where will these new competitors come? First of all, we may have become used to overestimating the difficulty of setting up and running a bank. The barriers to entry would appear to have become temptingly low and, given sufficient capital, it would now appear to be an appealingly open



market. Given the current negativity and lack of trust in the traditional banks, perhaps the most obvious opportunity is for those brands with high levels of consumer confidence to extend their offer into the banking sector.

The first wave of brands are, after all, already there. Marks & Spencer, John Lewis and Sainsbury's have all been leveraging their customer relationships to provide targeted financial services that they know are in tune with their customers. They also have the customer empathy and marketing sophistication to anticipate and respond to their needs in a way no bank ever could. Virgin has also capitalised on its brand appeal to offer financial services and this is, of course, just the beginning.

What is to stop a lifestyle brand like, for example, Apple from doing banking? If you were one of the brand's many devoted customers and Apple did banking, would you not love to open an account? If you are familiar with the brand's values you can probably already imagine a bank with a straightforward 'can do' attitude, a freedom from bureaucracy and form filling, your account access integrated into your iPhone's mail program and calendar, and the cool white space in the Apple Bank leading to the 'Financial Genius Bar' where every complex financial question is made refreshingly clear.

You leave with a tactile satin aluminium credit card in your wallet and feel like a million dollars even if you only have £100 left in your account! Truly great, well-focused brands understand and are intimately linked with their customers; they know how to make them smile and have the power to turn even banking into a 'feel good' experience.

The point here is really to implore banking brands to strive to become popular brands rather than for popular brands to diversify into banking. Banks need to be working much harder than ever to project the values that will, in time, generate trust and earn customer advocacy.

That said, there are already a couple of banking brands in the UK that demonstrate how customer focus, and therefore marketing orientation, can add value. Most notable among these is first direct from HSBC. It has always focused exclusively on the particular needs of its relatively affluent, professional customers, and its highly trained staff are, literally, on first-name terms with every single one. The level of loyalty it commands, from the segment least likely to give it, is ample evidence that it is succeeding.

The Co-operative Bank also focuses on delivering a product dedicated to the particular needs of its audience, which, in this case, is motivated by ethical considerations.

## Conclusion

So, in conclusion, what advice should be recommended for the banking community? Keep your customers close. Seek customer intimacy, get to know their needs and motivations, then over-deliver to demonstrate your commitment.

- ▶ Keep your competitors closer still. New entrants may well change customer expectations for the whole sector. In the words of the Jeremy Bullmore, 'the tiresome thing about competitors, other than their very existence, is that what they do has a significant effect on your own reputation.'
- ▶ Don't take anything for granted. There has never been an easier time to break into the market and there has rarely been a market with such an appetite for change.
- ▶ Know your values and live them across your operation. Your brand will be defined by the people that deliver it as well as the products and services you are offering.

As the inertia against change evaporates, banks will be forced to earn their customers' loyalty or face losing them to more responsive competitors. Given how long this can take and how far they have fallen, they cannot start too soon!

### Some functional ways to differentiate a bank

Banks have adopted digital technology hugely in the last ten years. But they have used it to cut costs, rather than to differentiate themselves. Banks are acutely aware that a face-to-face transaction with a customer can cost them as much as fifty pounds; a postal transaction can cost a few pounds, but a digital or ATM transaction costs them just pence.

And so they have driven their customers out of their branches to the ATMs outside. If a customer does venture into the bank nowadays, the helpful people have been replaced by aggressive loan salesmen. Throughout the world, ATMs and online banking portals offer exactly the same services. And the smart stuff in banking – like putting credit card functionality into mobile phones – are being driven by payment systems like Visa, not by the banks themselves. Differentiation levels at banks have therefore collapsed.

But no bank need remain undifferentiated. A break-the-rules bank like ING Direct, which enters new countries with an online deposit account with a market leading rate of interest, always ends up highly differentiated. Small savings banks like Spain's cajas and Germany's Sparkassen have been growing in differentiation for the past five years – not because they have done anything different, just because they have kept their local branches and customer service while their larger competitors have shut branches and told their customers to 'talk to the machine' outside.

#### What else could banks do?

- Even back in 1980, ATMs allowed you to check your balance, order a cheque book and withdraw money. Moore's Law means that, today, computers are a million times faster, smarter and more sophisticated. But ATMs offer nothing more than they did then. ATMs need to move with the times, rebuilding the distinctive relationship that no longer happens in the branch.
- Similarly bank internet portals are no smarter than they were ten years ago. Yes, banks need to keep their security levels up to avoid phishing and other attacks. But they are leaving the development of smart banking portals to outsiders, like mint.com, which looks at your banking transactions, analyses them by type and gives you smart, intuitively helpful commentary on your spending habits.
- Many banks are currently asking their customers to elect not to have paper statements, arguing that it is greener not to, and that it eliminates a source of identity theft. But those banks should be careful. Eliminating the paper statement is one more way banks will lose their relationship with their customer.
- Banks would connect better with their customers if they better understood their customers' motivations and appetite for risk, rather than mailing out applications for loans, credit and mutual funds to them indiscriminately.

Source: Y&R booklet 'Day of the Clones', [www.pubs.yr.com/clones.pdf](http://www.pubs.yr.com/clones.pdf)

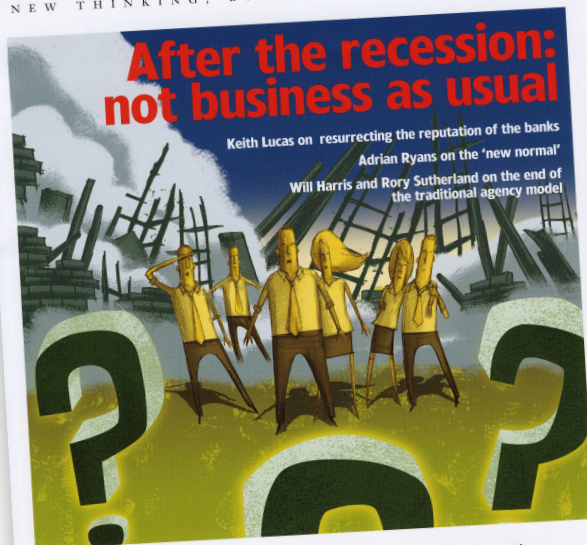


QUARTER 3

JUNE 2009

# Market Leader

NEW THINKING. DIFFERENT PERSPECTIVES



Keith Lucas on resurrecting the reputation of the banks  
Adrian Ryans on the 'new normal'

Will Harris and Rory Sutherland on the end of the traditional agency model

Simon Silvester on why brand differentiation means brand strength  
Collette Dunkley explains why marketers are missing a trick with women  
From bags to riches: how Radley became a success story



## NOT BUSINESS AS USUAL



### After the recession: resurrecting the reputations of the banks

Keith Lucas looks at the car crash that is the collective reputation of 'The Banks', arguing that not only must the traditional banks like this damage seriously, but that consumer appetites for new ways of doing things open the door to new things from reliable sources.

IF YOUR CAR let you down catastrophically and then cost a fortune to fix, you probably wouldn't hesitate to switch one. Yet although your bank is a considerably more important purchase decision and there is a good chance that it has let you down catastrophically and expensively in recent months, odds are you are still with the same brand that you have been with for years. It seems that choosing a bank is one of those 'necessary evil' categories that we only really think about when we open our first account, then we breathe a sigh of relief and let the inertia build. Before we know it, we have committed a lifetime to the same brand, perhaps the only product category in which we are prepared to behave with such apparent indifference. But times are changing.

#### Where loyalty lies

Blind loyalty to the bank brands belongs in an era when they, like the church, the government and the BBC, were the respected, unchallenged pillars of the establishment. The other pillars have already been eroded; now it is the turn of the banks. Inertia is no substitute for loyalty, and the recent spectacle of seeing the big banks caught with their financial trousers down has been a rude awakening for many customers whose expectations have been redefined. It is not simply the financial bubble that has burst, but the

loyalty to the bank brands belongs in when they, like the church, the government and the BBC, were the respected, unchallenged pillars of the establishment

status and respect that the banks had been taking for granted for far too long.

Remember the days when renewing your annual car or home insurance simply meant sending a cheque when the renewal notice came? That was before the power of marketing broke through to create customer-oriented brands like Direct Line, Privilege and More Than. It revolutionised the sector and today we are so spoilt for choice that new brands like Go Compare and Confused have emerged to help us make our decision.

Similarly, the only credit cards in your wallet used to be the standard-issue Visa or Access cards provided by your bank (and, perhaps, an American Express card if you were well-off) while, today, you are likely to have a variety of credit cards from the curiously alluring (Cahoot, Egg, Mint, etc.) to the trusted and familiar (Sly, M&S, Amazon, etc.).

Meanwhile, the same handful of undifferentiated bank brands continues to offer essentially the same financial products, with the same lack of customer focus and in the same perfunctory manner, that they have for decades. While the music and animation of their TV commercials may be entertaining, does anyone seriously believe that Lloyds' parent, RBS, whose financial waywardness was described by the BBC's business editor, Robert Peston, as "spectacularly stupid and foolish."

The fact is that the traditional banking brands have been fooling themselves for years that they have become customer-focused. Yet, while their marketing departments have been allowed to fiddle with the image, behind their glossy new facades the same old financial

Market Leader Quarter 3, 2009

#### New competition

But from where will these new competitors come? First of all, we may have become used

## INNESS AS USUAL

to overestimating the difficulty of setting up and running a bank. The barriers to entry would appear to have become temptingly low and, given sufficient capital, it would now appear to be an appealingly open market. Given the current negativity and lack of trust in the traditional banks, perhaps the most obvious opportunity is for those brands with high levels of consumer confidence to extend their offer into the banking sector.

The first wave of brands are, after all, already there. Marks & Spencer, John Lewis and Sainsbury's have all been leveraging their customer relationships to provide targeted financial services that they know are in tune with their customers. They also have the customer empathy and marketing sophistication to anticipate and respond to their needs in a way no bank ever could. Virgin has also capitalised on its brand appeal to offer financial services and this is, of course, just the beginning.

What is to stop a lifestyle brand like, for example, Apple from doing banking? If you were one of the brand's many devoted customers and Apple did banking, would you not love to open an account? If you are familiar with the brand's values you can probably already imagine a bank with a straightforward 'can do' attitude, a freedom from bureaucracy and form filling, your account access integrated into your iPhone's mail program and calendar, and the cool white space in the Apple Bank leading to the 'Financial Genius Bar' where every complex financial question is made refreshingly clear.

You leave with a tactile satin aluminium credit card in your wallet and feel like a million dollars even if you only have £100 left in your account! Truly great, well-focused brands understand and are intimately linked with their customers; they know how to make them smile and have the power to turn even banking into a 'feel good' experience.

The point here is really to implore banking brands to strive to become popular brands rather than for popular brands to diversify into banking. Banks need to be working much harder than ever to project the values that will, in time, generate trust and earn customer advocacy.

That said, there are already a couple of banking brands in the UK that demonstrate how customer focus, and therefore marketing orientation, can add value. Most notable among these is first direct from HSBC. It has always focused exclusively on the particular needs of its relatively affluent, professional customers, and its highly trained staff are, literally, on first-name terms with every single one. The level of loyalty it commands, from the segment least likely to give it, is ample evidence that it is succeeding.

The Co-operative Bank also focuses on delivering a product dedicated to the particular needs of its audience, which, in this case, is motivated by ethical considerations.

#### Conclusion

So, in conclusion, what advice should be recommended for the banking community?

- Keep your customers close. Seek customer intimacy, get to know their needs and motivations, then over-deliver to demonstrate your commitment.
- Keep your competitors closer still. New entrants may well change customer expectations for the whole sector. In the words of the Jeremy Bullimore, 'the tire-some thing about competitors, other than their very existence, is that what they do has a significant effect on your own reputation.'
- Don't take anything for granted. There has never been an easier time to break into the market and there has rarely been a market with such an appetite for change.
- Know your values and live them across your operation. Your brand will be defined by the people that deliver it as well as the products and services you are offering.
- As the inertia against change evaporates, banks will be forced to earn their customers' loyalty or face losing them to more responsive competitors. Given how long this can take and how far they have fallen, they cannot start too soon!

Keith Lucas is Founder and Managing Director of Lucasbrand  
keith.lucas@lucasbrand.com

Market Leader Quarter 3, 2009

First published in Market Leader magazine  
(The journal of the Marketing Society). 2009, Q3



## Keith Lucas

MA, DipCAM (Hons); DipM, FCIM



Founder and Managing Director of Lucasbrand, a UK-based strategic brand consultancy with a diverse international client base. Lucasbrand typically connects at a senior level with firms looking for a fresh perspective on reputation, corporate personality or brand strategy. Its professional expertise and proprietary skills have added significant value to the businesses of many clients.

Brands with which Keith Lucas has personally been engaged include: BBC, Rolex, BAA, Discovery Channel, Firmenich, Farrer & Company, Reed Elsevier, BP, Ford, Jaguar, Citroën, McKinsey & Company, Goldman Sachs, Towers Watson, BT Global Services, Hitachi, Samsung and Motorola.

Lucasbrand has created, developed and repositioned brands across many sectors including broadcast, publishing, airlines, airports, luxury goods, perfumery, telecoms, cars, energy, consumer electronics, professional services and banking.

To find-out more, contact Keith Lucas directly:

Website:	<a href="http://www.lucasbrand.com">http://www.lucasbrand.com</a>
Email:	<a href="mailto:keith.lucas@lucasbrand.com">keith.lucas@lucasbrand.com</a>
Telephone:	+44 1494 442 122 / +44 7747 756 116
Blog:	<a href="http://www.blog.lucasbrand.com">http://www.blog.lucasbrand.com</a>
LinkedIn:	<a href="http://www.linkedin.com/in/keithlucas">http://www.linkedin.com/in/keithlucas</a>
Skype:	keithlucas
Twitter:	keithlucas