Technology – An Enabler of the Global Branding of Retail Financial Services

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INTRODUCTION

Today, an increasing number of companies are transacting through **electronic commerce** markets and environments such as the **Internet**. Even though electronic commerce is small, compared with the size of traditional goods and service sectors, it is estimated that sales through this new channel to market could be more than $US 10.23 trillion (approx) by the year 2005. It is also argued that service delivery through global computer networks will dramatically change the nature of service marketing (Rust 1997).

The objective of the paper is to develop a conceptual model based on literature and qualitative findings that describe the role of service brand in electronic commerce environments and how technology induced changes in distribution and consumer market factors have increased the importance of global branding in retail financial services markets.

Technology and its impact on consumers have helped make "global brands matter more now than in the past" **(Quelch 1999, p.1)**. This is especially true in the retail financial services market, where branding is typically based on corporate image and is identified to help reduce consumers' perceived risk when they purchase financial services **(Davies 1996)**. Brand image can be defined as "the framework that establishes for consumers the needs the product will fulfill and thus the meaning they should associate with the brand" **(Roth 1995a, p.58).** As advances in telecommunications and distribution technologies enable financial service providers to expand into foreign markets, the management must decide whether to standardize or customize the branding strategy. For financial services providers, global branding through a consistent corporate image, as opposed to customizing a series of fragmented brands to national markets, offers many advantages. These include economies of scale in advertising costs, lower administrative complexity in managing a single global brand, lower entry cost into new markets due to global reputation, and improved cross-border learning within the company **(Quelch 1999)**.

This article analyzes how technology-induced changes in distribution and consumer market factors have increased the importance of global branding in retail financial services markets. The remainder of the article discusses the conceptual framework in more detail and is divided into five sections based on the supply side and demand side drivers through which technology enables global branding. The first section describes the shift to distribution of retail financial services by technology intensive channels (supply-side driver), and the second section examines the implications of this shift for global branding (supply-side change process and effect). The third section of the article explores the trends in the market for financial services, particularly changing consumer attitudes toward banks and banking (demand-side driver). Increased consumer preferences for trustworthy globally recognized brands are discussed in the fourth section (demand side change process and effect). In the fifth section, conclusions arising from the outcome of the conceptual framework are presented as to the future of global branding given the mass customization of retail financial services.

SUPPLY-SIDE DRIVER: TECHNOLOGY AND THE DISTRIBUTION OF RETAIL FINANCIAL SERVICES

Retail banking entails the marketing of intangible services rather than physical products, the specific services being financial assets and liabilities, such as savings and loan accounts, and transaction services. As such, retail banking can be classified as an "information processing" service, which can be delivered at an arm's length without the need for the customer's physical presence **(Lovelock 1996).** Yet despite this, retail banks have historically delivered financial services through human-staffed branches, which allowed easy access for the geographically dispersed customer base. Protection from competition enabled banks to offset the infrastructure and staff based operating costs of their branch networks with high interest margins between loans and deposits.

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Fig-1: Represents the Conceptual Framework of Technology – Enabled Global Branding

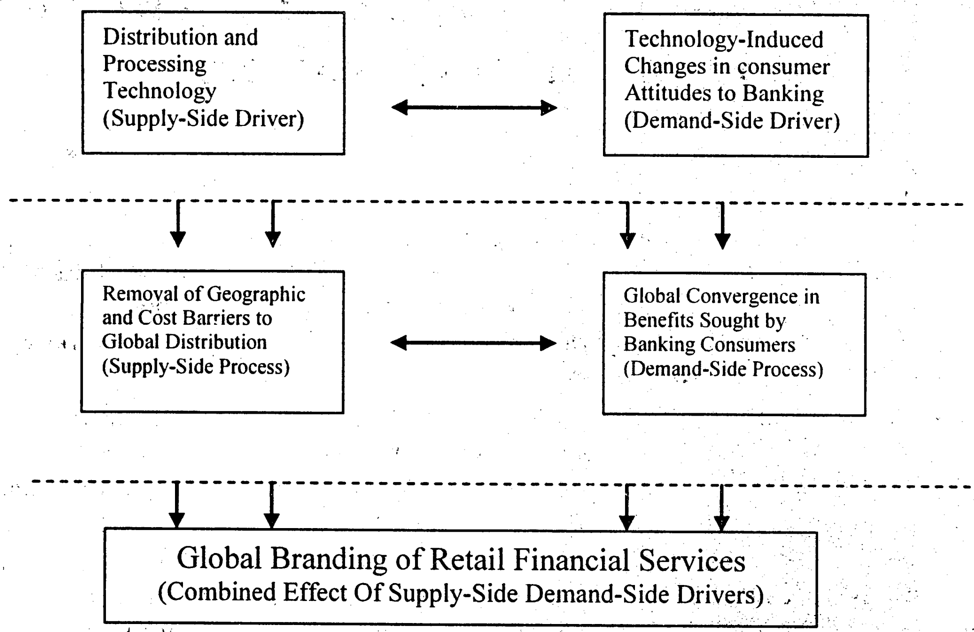
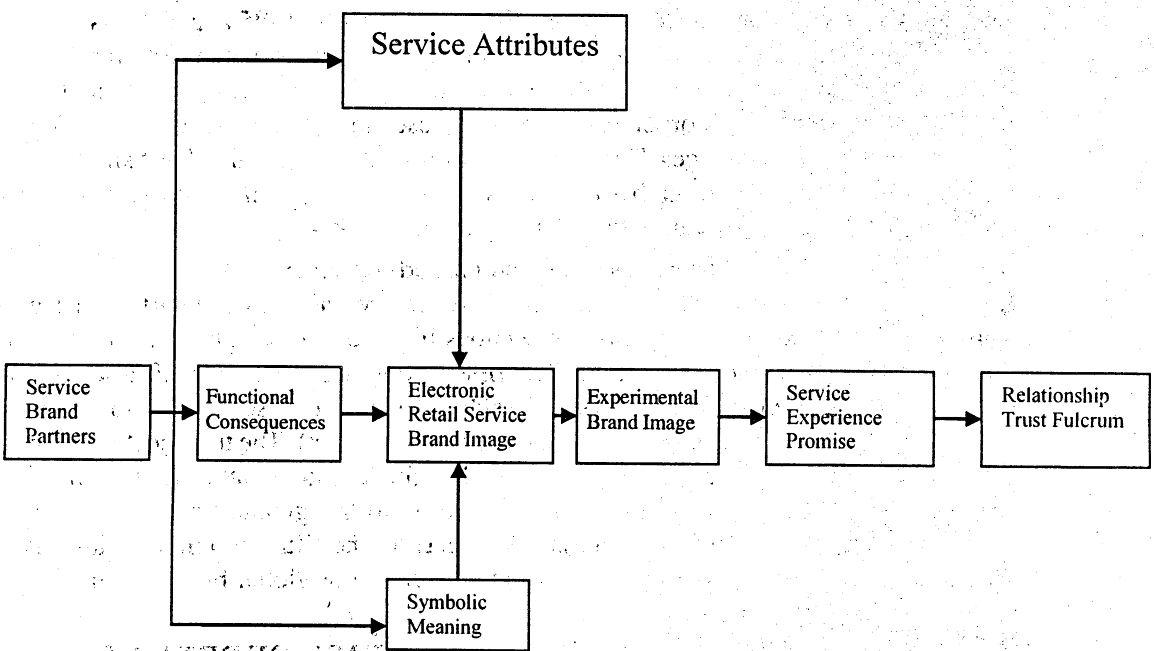


Fig-2: Retail Service Branding in Electronic-Commerce Environments



This late modern industrial period for banking ended in the early 1980's, when deregulation occurred and new competitors entered the financial services market. Similar to the wholesale market, the retail banking market became disinter-mediated, as consumers channeled their savings away from bank deposits into shares, managed funds, and superannuation funds **(Holland, Lockett and Blackman 1998)**. The entry of low priced specialist suppliers, such as mortgage originators in the home lending market, further squeezed bank interest margins. Banks worldwide began to seek ways to reduce costs, and mergers and branch restructuring generated some economies. However, the greatest cost savings could be expected, in theory, to derive from the application of technology to banking distribution, because the operational process for information services requires only arm's-length exchange **(Lovelock 1996)**. Specifically, if advances in technology enabled the instantaneous delivery of financial information to geographically dispersed locations; expensive branches would not be essential and retail banking could be transformed from a high contact service to a low contact one. Customer contact theory **(Chase 1981)** argues that efficiency is improved by reducing the degree of direct customer contact with the service facility, in this case, the bank branch. Low contact services also require fewer human intermediaries, which reduces the variable cost per transaction incurred by banks **(Apte and Vepsalainen 1993)**.

Banking therefore became part of a fundamental shift in the nature of services to self -service delivery, whereby customers interface with technology to produce a service independent of direct involvement by service staff such as bank tellers **(Meuter et al.2000)**. The latest development, Internet Banking, is expected to further replace the historical "marketplace interaction" nature of retail banking with "marketspace transactions" whereas banks initially used the Web as an advertising channel; banks worldwide are now increasingly offering consumers the ability to view accounts, transfer funds, purchase shares and insurance, and apply for credit cards and loans over the Internet, as well as facilitating the development of payments systems for electronic commerce **(Jayawardhena and Foley 2000)**.

Financial institutions worldwide have relocated their back-office operations from branches to centralized processing centers, and non-core activities, such as printing, stationery, and payroll, have been outsourced to save costs **(Beerworth 1998)**. Institutions are also increasingly outsourcing information technology (IT) activities to specialist technology providers or partners. Technology partnerships help the banks achieve further efficiency improvements in back-office processing systems and develop new electronic distribution channels, such as banking through digital *television*, wireless application enabled mobile telephones, and smart cards **(Adriaensssens 2000)**.

SUPPLY-SIDE CHANGE PROCESS AND EFFECT

Technology enables the global branding of retail financial services by removing the geographic and cost barriers to global distribution; this supply-side change process has six major elements. First, given that retail banking involves the creation and exchange of information services rather than physical goods; as soon as telecommunication advances enabled financial information to be digitized, it became globalized **(McLaughlin and Fitzsimmons 1996).** The development of the internet and company intranets means that the internal management information systems in financial institutions are now globally accessible in real-time, a particular bonus for multinational banks that need to communicate, affiliate data and implement globally integrated strategic plans **(Grosse 1997).** A major component of this strategy is the decision to customize or standardize branding. The latter strategy of using global brands hinges on using a single standardized profile or company image in all countries, which necessitates a trade-off between the advantages of a consistent brand image and economies of scale in advertising and the disadvantages of higher managerial and resource costs required to achieve central coordination and control **(Solberg 2000)**. Advanced bank telecommunication systems reduce the coordination and control costs of global branding. These systems also facilitate communication between the head office and local affiliates to assess the need to adapt marketing mix elements in the local market to achieve globally consistent brand image and positioning, which is critical for global branding success **(Medina and Duffy 1998).**

Second, distribution of retail financial services through technology intensive delivery channels reduces a constraint on global branding. As **Motameni and Shahrokhi (1998)** emphasize distribution factors, including the availability and length of channels, can constrain global branding. This was certainly the case when retail banking required physical branch networks. However, the introduction of electronic distribution channels, particularly Internet banking, has effectively rendered time and place irrelevant in the delivery of retail banking services **(Jayawardhena and Foley 2000)**.

Third, technology is also accelerating the globalization of brands through its impact on advertising and promotion **(Motameni and Shahrokhi (1998)**. Financial services Web sites further strengthen the terrestrial bank brand name and develop an online brand name **(Jayawardhena and Foley 2000)**. In addition, given that customers "interact" with Web sites, the level of brand awareness produced from Internet promotion exceeds that from television or print media. However, portals, rather than simple Web sites, offer the greatest promotion and selling opportunities for global brands. Global branding is therefore equally important in the business-to-business market for financial services companies such as MasterCard, which supplies a virtual credit card to Citibank **(Stanco 2000)**.

Fourth, for several decades, multinational banks have competed in the wholesale markets of host countries, but the entrenched branch networks of domestic banks have proved a major barrier to retail banking **(Bun 2000)**. Whereas traditionally banks took a geography-based, product-based, and/or customer-focused strategic pathway to enter global markets, banks can now use an Internet-based pathway, which offers the potential to "leapfrog" over more established institutions and level the playing. As in other consumer goods markets, the development of strong retail brand in the domestic market is a precursor to this global expansion. The trusted brand image of Citibank, one of the largest U.S. banks in terms of assets, has fueled the international expansion of Citibank's Direct Access online service, which is now used by 750,000 of its customers in 14 countries.

Fifth, in addition to supporting the expansion of multinational banks into domestic retail markets, technology is expected to increase the size and scope of these multinational players by driving further mergers. An example of this is the merger between Chase Manhattan bank and investment banker J.P. Morgan and Co. According to Antony Leung, Chase Manhattan's chairman for Asia-Pacific, "because online banking allows banks to serve customers around the world, it is accelerating the globalization of banking. Only a few large banks will be able to attract enough revenue to build a worldwide IT infrastructure for Internet banking" **(Lawson 2000)**. Mergers are a symptom that retail banking is following the trend of fast moving consumer goods markets, as well as the automobile and aircraft industries, and will become dominated by giant globally oriented conglomerates, or what **Da Silva (1997)** calls "global masters". "Experts predict that less than a dozen financial services firms globally will have the brand recognition, scale, and versatility to succeed in the long run as universal banks, which attempt to satisfy all of a customer's banking, insurance, and other financial needs **(Hardman 2000)**. Smaller financial institutions are predicted to become niche marketers or specialists in products, distribution, or infrastructure.

Sixth, and perhaps most important, technology has increased the centrality of branding as a competitive advantage. Instead of increasing the ability of financial service providers to generate competitive advantage from differentiated products and distribution channels, technology reduces the likelihood of firms sustaining such an advantage. "Copy-cat" products will be quickly introduced on the internet **(Birch and Young 1997)** and partnerships and alliances with technology companies allow all financial services providers, including small banks, cost-effective access to the latest innovations **(Holland, Lockett, and Blackman 1998)**. In this environment, brands become an important competitive advantage to build customer awareness and loyalty, which in turn ensures demand and future cash flows **(Motameni and Shahrokhi 1998)**. Global brands offer the greatest potential image and cost advantages. The use of a corporate brand name or logo across national markets reinforces the global corporate identity and helps consolidate the brand image, which strengthens the firm's competitive positioning **(Craig and Douglas 2000)**.

DEMAND-SIDE DRIVER: TECHNOLOGY AND CONSUMER ATTITUDES TOWARD RETAIL FINANCIAL SERVICES

Consumer attitudes to banks and banking have changed in response to technology, competition, and globalization **(Holland, Lockett, and Blackman 1998)**. The delivery model adopted by banks has a major impact on demand behavior and perception, as consumer's imaginations and desires are constrained by the existing environment and the current set of products **(Birch and Young 1997)**. When banks introduced technology intensive delivery channels, this raised consumer awareness of possible alternatives to the traditional branch delivery model. The desire for convenience in an increasingly time-poor lifestyle, coupled with the proliferation of computers and technology in society, overcame the initial reluctance of many consumers to adopt the new channels **(Jayawardhena and Foley 2000)**. Consumers now expect a bank to offer electronic delivery in addition to branch delivery **(Holland, Lockett, and Blackman 1998)**.

Technology has therefore caused an expansion in the customer contact strategy of retail banks from sole relationship based contact, as facilitated by tellers in branches, to include transaction based contact **(Apte and Vepsalainen 1993)**. Although such a strategy was successful in lowering operating costs, it also loosened the banker-customer relationship. Loyalty was enhanced by the nature of financial services, which involve a series of two-way transactions over an extended time period rather than one-off purchases **(McKechnie 1992)**. Consumers were stayers, rather than switchers; their consumer behavior was best described as "passive loyalty" **(Ganesh, Arnold and Reynolds 2000)**.

Technology and its impact on retail banking competition lowered consumer's switching costs **(Bun 2000)**. Consumers became more sophisticated and learned to seek out and maximize value when purchasing retail banking services by making explicit value trade-offs among product/service features, convenience, flexibility, and price. Such trade-offs require informed decision making, which technology has made possible by lowering the cost of external information search. Comprehensive media reporting of financial information and the technology of Internet search agents enable consumers to compare competitor's prices and product offerings easily.

The end result is a new age of consumerism in banking. Research shows that consumers are less loyal and are more willing to switch providers when dissatisfied **(McDougall and Levesque 1994)**. They are price sensitive, and surveys indicate that though segments with different needs continue to exist; all consumers now seek competitive interest rates **(Krishnan et al. 1999; McDougall and Levesque 1994)**. The introduction of transaction and account fees has further increased switching. Multiple banking relationships are common because consumers have become more task oriented and less interaction oriented **(Holstius and Kaynak 1995)**. This new age of consumerism in retail banking has caused a global convergence in benefits sought by banking consumers, which is the demand-side change process that enables global branding.

DEMAND-SIDE CHANGE PROCESS AND EFFECT: CONSUMERISM

Extensive research, as summarized by **Birch and Young 1997**, indicates that, in general, financial services consumers in developed countries desire the following attributes: convenience; efficient, courteous, and reliable delivery of basic transactions; competitive prices; choice of products and services; and confidentiality. Other attributes include reputation and availability of innovations **(Holstius and Kaynak 1995)** and functionality and security of technology-intensive delivery channels **(Krishnan et al.1999)**. Although the relative weighting of each attribute differs among individual consumers and among types of financial services, retail banking consumer's trend worldwide toward valuing similar benefits makes it easier to identify similar segments of consumers across different country markets. Cross-border population mobility and mass media access have also contributed to a global convergence in consumer tastes and created an environment conducive to successful global branding **(Quelch 1999)**. This is why Visa Credit Card Company uses a standardized brand image of "worldwide acceptance" **(Aaker and Joachimsthaler 1999)**. Given that 97% of all Web payments are made by credit card, Visa is attempting to leverage its brand image into online payment technologies and smart cards through eVisa **(Stanco 2000)**.

Technology induced consumerism enables global branding of retail financial services in other ways. Although the literature reports that distinct banking customer segments may be identified on the basis on benefit and loyalty variables **(Ganesh, Arnold and Reynolds 2000;Holstius and Kaynak 1995;McDougall and Levesque 1994)**, the simplest division is between customers who prefer branch banking and those who prefer new technology-intensive delivery channels, such as Internet banking. Consumers in the latter segment seek convenience; are typically young, computer literate, affluent, and well educated; and are expected to grow in most industrialized countries at the expense of the older branch segment **(Mols 1999)**. Younger consumers are also the main consumers of global brands **(Quelch 1999)** and often belong to global consumer culture that perceives these brands as representing membership in a globally cosmopolitan and modern segment **(Alden, Steenkamp, and Batra 1999)**.

Recent adopters of the Internet, who are less proficient in searching for product information, are more likely to rely on brands **(Ward and Lee 2000)**. Functional brand images that reflect the brand's ability to solve problems **(Roth 1995b)** are likely to appeal to this segment. These consumers are curiosity seekers rather than technically savvy users and are frustrated by online banking that is not friendly or interactive **(Robinson 2000)**. In addition, as **Birch and Young (1997)** argue, when comparing the product offerings of Internet and online banking providers, real differentiators such as convenience, service, and price, decrease in significance, increases the need for and impact of established brands.

Increased consumer awareness and preference for global brands may seem somewhat anomalous for today's informed, value seeking financial services consumers, who now "focus on the product, not the institution" **(Beerworth 1998, p.11)**. Yet the faceless nature of banking technology and the Internet, coupled with the ongoing need for security and reliability when performing financial transactions, drives consumers to place value on brands that have established images as trusted parties **(O'Connell 2000)**. Traditional financial institutions do not have a monopoly on trusted brands or on established customer distribution franchises.

CONCLUSION

Distribution and processing technologies on the supply side, coupled with growing consumerism on the demand side, have blurred the distinction between banks and other retail financial service providers and have increased the importance of global branding through the removal of geographic and cost barriers to global distribution and through the stimulation of global branding and through the interaction of these supply-side and demand-side change processes.

For retail financial services providers, the major implication of the conceptual framework discussed in this article is the need for customer focused marketing strategies. Designing such strategies has been made easier by new database technologies. These technologies help the financial service provider uncover the attributes that are valued by an individual customer and then use this knowledge to customize the design and delivery of financial products and services to maximize customer-delivered value **(Hall 1998)**. This development heralds a new mode of global operation of mass customization that, by combining the benefits of standardization and customization, effectively ends the debate between these two schools of thought **(Lazer and Shaw 2000)**. Globally recognized brands are an integral element in the mass customization of retail financial services, because strong brands have the established customer and distributor franchise that is needed to initially build, and later capitalize on, the database. In addition, global brands are a means for consumers to identify reassuring and trustworthy products and services, which is critical in today's increasingly turbulent and crowded retail financial services market **(Beerworth 1998)**.

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