Leveraging corporate identity in the digital age

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Abstract
The emergence of the Internet has completely revolutionised industries and has restructured their value chains. Traditional "bricks and mortar" businesses are facing the prospects of losing their competitive advantage owing to the emergence of new competitors in the "new economy". The regulatory changes in the financial services industry and the explosion in the use of the Internet for e-commerce have given rise to unforeseen competitors in the banking industry – the "non-bank" financial services providers and the "pure" Internet banks. These competitors are not restrained by the high costs of the branch infrastructure and as a result are able to differentiate on the basis of offering high interest rates. These players are fast and flexible. In spite of being newcomers, they have the potential to grow and recast the rules of the banking industry. Yet, incumbent banks still have the strongest sustainable competitive advantage: their corporate identity. Managers in the "new and old economy" must realise that corporate identity is an important strategic element that should be considered in the need to differentiate.

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Introduction

Historically, the banking industry has been characterised by trust, solidity and economies of scale (HSBC, 2000). The entry barriers to this industry were the high infrastructure costs in order to establish geographical presence, the government regulations and the brand equity of the incumbents (www.ft.com). Most of the global players, be it investment banks, merchant banks or retail banks have been in existence for many years. From the consumers' point of view, banking was not commoditised and was more to do with trust and tradition rather than speed of service and convenience. The industry then was stable, and the competition was restricted amongst the existing players. The corporate identity of the existing players was an embodiment of the traditions, the people and the values of the organisation. The objective of this paper is to examine the role of corporate identity amongst the traditional banking providers and the new players in the light of the current explosion of the Internet for e-commerce. Possible implications include the need to take corporate identity into account by both the incumbents and challengers in the design of their future strategic directions, and to realise that this "soft" issue must be given priority in addition to infrastructural changes.

The present

The convergence of technologies, i.e. computing and telephony, has given birth to the Internet. The emergence of e-commerce has the potential of freeing industries and businesses from their geographical moorings giving rise to new rules of competition (Brandenburger and Nalebuff, 1996). In one industry after another, aggressive Internet upstarts are putting established businesses and brands at risk, creating very strong brand recognition and enjoying explosive visitor growth. The banking industry is no exception. In many countries, government regulations, which served as one of the most effective entry barriers, are no longer an issue. Moreover, the new Internet banks enjoy an extremely low cost base as they do not have a physical infrastructure and thus have emerged as a threat to the incumbents (Hagel *et al.*, 1997). The physical branch networks, once an important barrier to competition are rapidly becoming costly signs of obsolescence.

The future

The future can be described in a single word, "uncertain" (Evans and Wurster, 1997). Having said that, in the new economy, the old economic principles and rules still stand. Corporate identity and corporate image are still some of the core building blocks of an organisation's strategy. Competing in the new economy will not only involve rationalising the business processes but also evaluating the attributes of the corporate identity and the consumer perception. The battle in the new economy is also about establishing and developing brand equity as it is about altering cost structures. In fact, the corporate identity and image of the incumbent banks may yet turn out to be the biggest differentiating factor in the new economy.

Corporate identity and image

Corporate identity is defined as the set of meanings by which an organisation allows

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itself to be known and through which it allows people to describe, remember and relate to it (Van Rekom, 1997). The corporate identity mix includes corporate culture, corporate behaviour, market conditions, strategy, products, services and communications as well as design (Schmidt, 1995; Olins, 1978; Balmer and Soenen, 1998; 1999). Most of the world's greatest brands are corporate names. This implies that, broadly speaking, the products/services have the same name as that of the organisation.

In the physical world, the brand/corporate image is the sum, in the consumer's mind, of the personality, presence, and performance of a given product or service. These "3 Ps" are also essential in the new economy. In addition, in the online world, the consumer's experience of the product or service, from first experience through purchase to delivery and beyond, must be managed properly. The consumer's online experiences either good, bad, or indifferent, influence consumer perceptions of a product/service's brand. To put it differently, on the Web, the experience is the brand (Dayal *et al.*, 2000). On the Internet, the concept of banking has been completely revolutionised. First of all, the switching costs for the consumers are non-existent. Second, the convenience of managing all the financial affairs online is very high. Certainly, the banking industry has changed from a supplier to a consumer orientation.

In this context, managing the corporate image presented to the consumers should be based on offering the core promise for a truly distinctive value proposition appealing to the target consumers. Five such promises can be identified (Dayal *et al.*, 2000):

1 convenience;
2 achievement;
3 fun and adventure;
4 self-expression and recognition; and
5 belonging.

For online banking, the promises of convenience, achievement and belonging are particularly important because the target consumers value these promises most.

The incumbents

The existing big banks have been labelled as the dinosaurs of the new economy (*The Economist*, 2000). It is said that they are too slow and inflexible to cope with the pace of the e-commerce revolution. Traditional banks were "slow off the blocks" when it came to accepting e-commerce as a new way of doing business. In fact, they are facing stiff competition from the "pure" Internet start-ups such as Egg, IF and Marbles in the UK which are able to offer high interest rates to consumers due to their low cost structures. However, this would be a simplistic explanation of the potential advantages and disadvantages the competitors have over each other.

In the case of the incumbents, they have three inherent advantages over the newcomers:

1 traffic;
2 trust; and
3 multi-channel access (KPMG, 2000).

First, these banks have the traffic of a large base of customers, which they therefore do not have to build from scratch as the new Internet banks have to do. Second, the established banks have strong, trusted brands built up over decades of delivering solid, reliable banking services. Finally, banks provide the customer with a choice of access points to organise their financial affairs. The underlying driver behind these three advantages is the corporate identity and the corporate brand of the incumbents.

Interestingly, in the banking industry, the different incumbents have chosen different paths to conceptualise and formulate their identity and present their corporate image to the stakeholders. In the UK, Barclays Bank has decided to treat its Internet banking operations as an extension of its offline activities. Undoubtedly, Barclays has chosen to trim down its existing branch network to rationalise the cost structure but its Internet bank operates under the same name. The rationale is that the values of the corporate brand would be transferred to the Internet and would be able to attract and retain online customers. Barclays has achieved a reasonable amount of success as the latest figures show that they have around a million registered customers online. At the other end of the spectrum, incumbents, such as Abbey National have chosen to structure their Internet banking operation as a separate identity which is Cahoot.com. An analysis of these different approaches using the different constituents of the corporate identity mix would provide interesting insights (refer to Figure 1).

Corporate culture

The importance of managing the corporate culture in the new economy and in the face of new competition cannot be overemphasised. According to Joseph G. Sponholz (who is a vice chairman of Chase Manhattan Bank and the head of the new Internet business unit, Chase.com), the most daunting obstacle to the "dot-coming" of Chase Manhattan is not

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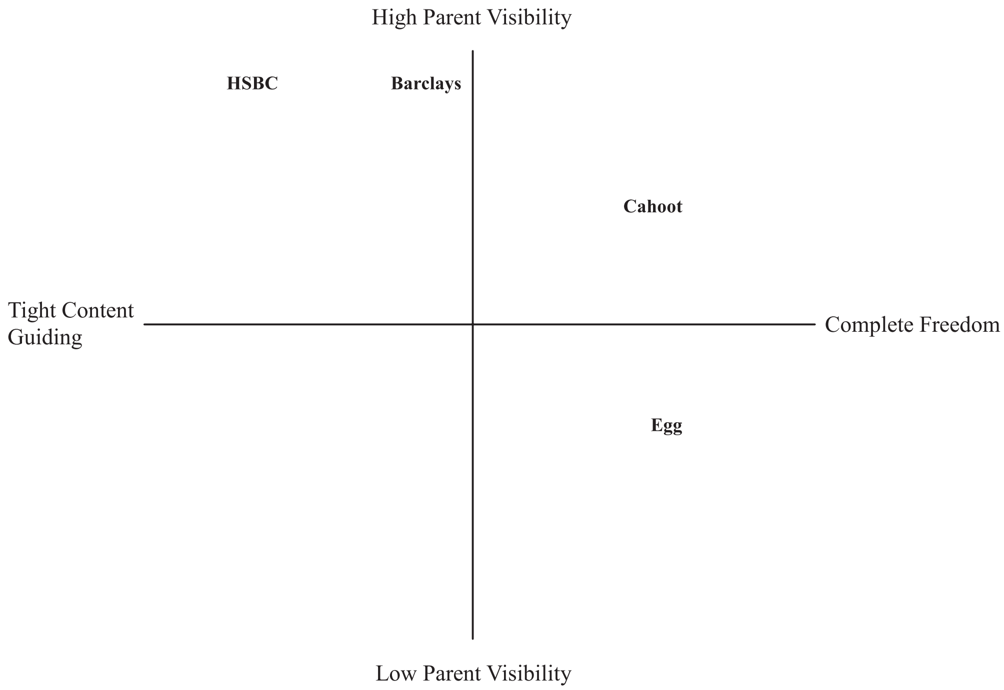
Figure 1
Online brand positioning in the new economy



Source: Adapted from Van Riel (1997)

the technological challenge – it is changing the corporate culture of the massive bank and its 76,000 employees (www.bcg.com). The senior management of the incumbent banks have to accept the change and communicate it across the organisation in order to present the new and dynamic corporate identity. One indicator of Chase's willingness to shake up corporate culture was the new CEO William B. Harrison's mandate to create Chase.com in 1999. The new business unit has 65 employees and is decidedly un-bank-like. Housed in its own location in Manhattan, the new unit is characterised by casual dress, an "anti-hierarchical" working environment built around teams, and stock options to lure new talent (www.bcg.com).

Most of the incumbent banks have initiated steps to develop a new culture that is conducive to change and adaptability. In India, the ICICI bank is one such example, where the change in the corporate culture has been initiated from the top management and the bank has become one of the first online financial service providers (www.indiatoday.com/businesstoday). In the UK, Abbey National and Halifax, for example have set up their Internet banks under a different name and a different group as they wanted to separate the old culture from the new required one (www.ft.com).

Market conditions and strategy

Market conditions are anything but certain and this is reflected in the strategies that different banks have adopted. Some banks belong to the "shapers" category, i.e. they have adopted a strategic posture that aims to drive their industry to a new structure of their own devising (Courtney *et al.*, 1997). In the UK, HSBC can be said to have adopted this strategy. Long before Internet banking had come of age, HSBC had already identified the new arena of competition and has taken a position up within digital interactive TV. HSBC is a part of a consortium involving Sky, Matsushita and BT (HSBC, 2000). It has been predominantly known to be a bank with strong roots in Asia. Over the last few years, it has moved aggressively in the European markets and has presented a new image by adopting shaper strategies (Courtney *et al.*, 1997). By adopting such a posture, the incumbents can present an innovative, forward-looking image of their organisation that sends out positive signals to the stakeholders.

On the other hand, banks like Barclays have adopted the "adapter" strategic posture. "Adapters" take the current industry structure and its future evolution as givens, and they react to the opportunities the market offers (Courtney *et al.*, 1997). At higher levels of uncertainty, their strategies are predicated on the ability to recognise and respond quickly to market developments. Barclays chose to use the same name for its Internet banking. In fact, it has gone one step further and is trying to position itself as a portal, offering links to virtual shopping malls. This is obviously an effort to provide an end-to-end consumer offering. Moreover, it has also taken initiatives in the B2B scenario, offering a host of solutions to the SMEs. Such strategies taken by the incumbents are reflected in their corporate identities and in their corporate visual identity system leveraged in the new economy.

Products/services and communications

In the new economy, traditional industry boundaries are blurring. Banks can no longer afford to be categorised as "retail" or business banks. The incumbents have to offer the consumer a whole range of services spanning from mortgages and loans, to savings and stock trading. Essentially, the Internet has given birth to two types of Webs; the segments and the category. The banks have to make sure that they fulfil the needs of all the segments of the consumers and offer products/services seamlessly. Due to their existing structure and cost base, banks cannot afford to cater to a particular segment or offer a limited range of services. Again banks like HSBC and Barclays have been active on this front. HSBC recently announced the first online forex-trading portal in an alliance with seven of the world's leading banks. It has also announced the start of its online banking operations.

In India, the ICICI bank offers a whole range of services to its clients, right from B2B services to its corporate clients, to online share trading to its small investor client base (Jayakar, 2000). The bank is also talking about starting online trading in government securities and bonds. ICICI's objective is to convert the "brick and mortar" universal bank to a "clicks and bricks" full service provider, a comprehensive online financial service marketplace (Jayakar, 2000).

Banks have taken different stands in terms of marketing communication on the Internet. Some have chosen to maintain a "low parent visibility" by starting the Internet bank as a separate, independent business unit while some have chosen to maintain "high parent visibility" by extending the current offline image to the Internet bank. Such different approaches have been taken as a result of the different perceptions regarding the evolution of the current uncertain market environment.

Design

The corporate visual identity system (CVIS) is the graphic design at the core of a firm's visual identity (Melewar and Saunders, 1998). The elements of a CVIS are corporate name, symbol and/or logotype, typography, colour and slogan (Henrion and Parkin 1967; Melewar and Saunders, 2000). At its best, the CVIS provides the graphic language and discipline for the clear, consistent projection of a firm's visual identity. Most of the traditional banks across the world have a clear and fixed CVIS that has remained consistent through the ages. One important part of the consumer perception of the brand is the design, which consists of the colour, typography and symbol. This does give a distinct advantage to the incumbent banks on the Internet. The particular bank can be identified by the colour of its sign or the name. On the Internet, where there is a case of information overload, the CVIS of banks can pull the customers to their Web sites. Moreover, the same perceptions of trust, security and reliable service can be created on the Internet by the CVIS. The CVIS does give traditional banks a clear competitive advantage over the newcomers.

The challengers

Innovative ideas, no infrastructure costs, non-hierarchical and flexible organisation structures, and complete end-to-end customer value propositions are some of the characteristics of the new Internet banks. The new entrants have re-cast the rules of banking. The new rules of banking in the new economy are lean banking, customer satisfaction, aggressive pricing, customer data management and specialisation (KPMG, 2000). While the new entrants have an advantage in terms of lean banking, aggressive banking and customer data management, they do not have any discernible advantage in terms of consumer satisfaction and brand equity.

Corporate culture

The advantages that these newcomers have are predominantly cost-based driven. Owing to the lack of infrastructure costs, they are able to attract and acquire customers on the basis of high interest rates and convenience. However, these players will have to invest a lot of resources in building up their brand and identity, and projecting the values attached to banking. Since these players are new, their culture is uninhibited by the bureaucratic style generally associated with banking. These banks usually have highly motivated and innovative employees. Players like Schwab and E*Trade have achieved tremendous amount of success in their product segments (mutual funds, mortgages).

Some banks have gone a step further and have designed their offices to reflect their forward looking and innovative culture. In the UK, Egg.com has its offices designed like no other bank. The environment is very colourful and uncluttered reflecting the values of the organisation. This, they claim has a very positive effect on the employee morale. The curious thing, is the choice of the brand/corporate name in some cases. Again, in the case of Egg.com, though the company has been promoted by the well-known financial institution, Prudential, the choice of the corporate name has nothing to do with the parent company. The company probably wanted to project a different image from the normal staid, traditional image associated with financial institutions.

Market conditions and strategy

These newcomers are the initiators that have redefined the banking industry. Yet, the uncertainty as to how the market and the industry will evolve in the new economy affects them too. Again, in terms of scope and scale, these players lag behind the existing banks. Globally, banks like ABN AMRO NV and HSBC enjoy far greater advantages of scale and scope than the newcomers (*The Economist*, 2000). As for formulating a strategy in this environment, they are equally unsure. Some players are talking about aligning with the digital interactive TV services and the mobile Internet providers but all that they are doing is more of the same. Thus "coherence", one of the key elements of the corporate identity, seems to be absent (Olins, 1989). The lack of a well-defined strategy also sends a weak image to the stakeholders. Add to that the current financial market reactions to Internet stocks and the scenario is not as rosy as it was earlier.

During a recent presentation at Warwick Business School, Wendy Schratz from Egg.com, when asked about the future strategies in the face of competition from the incumbents and the evolving technologies, gave the impression that the Internet banks too were uncertain about the future course of action. Banks like Egg are looking at acquiring or forming strategic alliances with other Internet banks across Europe but how they are planning to establish and leverage their corporate image/brand in other countries remains to be seen. One of the fundamental aspects of the digital markets is that there are no barriers to entry for other new players. This is also an area of concern for the newcomers as the only way they can create barriers is by establishing their brand and achieving a critical mass of consumers for scale.

Products/services

Apart from the interest rates, there is no real differentiating factor in the products/services that these banks offer (Labate and Silverman, 2000). The only other issue is the novelty issue for the first-time Internet users. The only way these banks can differentiate is by using new technologies for their customer relationship management, which enables them to offer customers better service, and thus helps them to retain their customers.

Conclusions

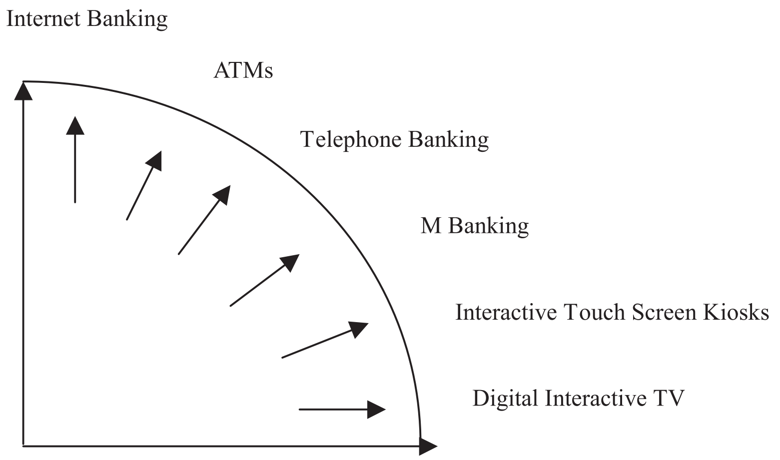
Using the elements of corporate identity, it can be seen that the new entrants, though having a head start in terms of innovative services and attractive interest rates, lack in terms of a well-defined corporate image/brand as compared to the traditional banks. In terms of technology, richness of content, product/service offerings, the traditional banks match the newcomers. As such, there is no clear sustainable competitive advantage that the new competitors have over the incumbents. The only advantages these banks have are the first mover advantage and the cost advantage. These advantages could have been critical in other industries but the banking industry is yet to be commoditised. It is just probably a matter of time before some of the incumbent banks rationalise their cost structure.

In this industry, the corporate identity is synonymous with trust, reliability and security. From this perspective, the incumbents have a distinctive advantage. If the incumbents can manage their consumer value propositions efficiently online, then there is no reason why they should not succeed. Other issues are the economies of scale and the global diversity. Banks such as Citibank, HSBC, ABN AMRO, etc. are spread over the globe in many countries. They have been operating in those countries for many decades. These banks have a head start in the emerging markets like India and China where cultural, linguistic and behavioural factors play a major role. In addition, there are incumbents such as ICICI in India who have taken the lead and are re-positioning themselves as "clicks and bricks" financial service providers. These incumbents have tackled the issues of managing their corporate identities/brands in different countries by either standardisation or localisation of the corporate image projected.

The issue is that the incumbents have already established identities on a global level. Just because the incumbents have been "slow off the blocks" in some markets does not mean that they will be in the other markets that they serve. In spite of the innovation, the banking industry is still driven by economies of scale. Add to this the multi-channel consumer interfaces the traditional banks have, then it becomes a distinct competitive advantage. The rapid acceptance of "m-banking" (mobile banking) and the likely widespread move to digital interactive TV will present a huge opportunity for banks to develop their low-cost e-channels (refer to Figure 2).

The underlying reality is that the customers' trust is still in strong banking brands rather than technology. This is likely to make a critical difference because while newcomers have the technology if not the brand strength, the established banks have both.

Figure 2
Range of futures

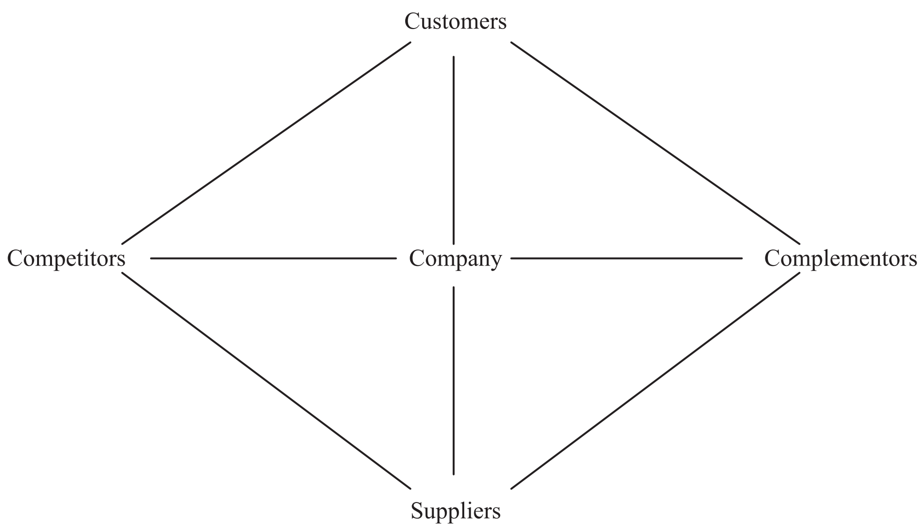


Source: Adapted from Courtney *et al.* (1997)

The end game

It is not necessarily straightforward for the established banks. One of the problems with which financial service providers have to wrestle, as they transfer the majority of their business to e-channels, is the customer appeal of financial services. Customers in general perceive financial services as merely a necessary evil. Customers do not want to spend more than a minimum amount of their increasingly valuable time with an established banking brand on organising their financial affairs. Hence, the most successful Internet banking sites have had to become portals with extensive links to virtual malls, such as MeritaNordbanken's Solo Mall. Thus the brand/corporate image needs to be supplemented by providing additional services on the Internet for consumer satisfaction and retention.

Figure 3
The value net



Source: Brandenburger and Nalebuff (1996)

According to Brandenburger and Nalebuff (1996) in the new economy, economies of scale and scope are achieved by forming a Web of alliances. In such a Web, traditional competitors can turn into complementors and allies can be foes in a different competition. For incumbent banks to compete effectively, they have to form affiliations, to offer competitors' products on their Web sites and to provide a complete portfolio to their consumers. On the Internet, the brand is the experience and the experience is the brand. As a result of this, the margin for error is very limited. To stave off the new entrants, competitors have to become collaborators/complementors in the "new" economy (refer to Figure 3). A recent example is the "oneworldalliance.com" portal formed by eight leading airline companies to prevent the intermediaries from capturing the maximum value in the travel business. In banking, HSBC and Merrill Lynch have recently announced the launch of a new portal that will offer products and services of both the companies (www.ft.com). Another recent alliance announced is between Merrill Lynch and CSFB with a start-up investment bank capital key advisors (*The Institutional Investor Newsletter*, 2000).

Perhaps the biggest alliance between competitors in the banking industry is the one between seven of the world's leading financial institutions to create a multi-bank Forex e-commerce market. The multi-dealer foreign exchange is called "Fxall.com" to give clients low cost access to Forex services (refer to Figure 4). This is an example of traditional competitors becoming complementors to leverage the power of their identities collectively to gain competitive advantage.

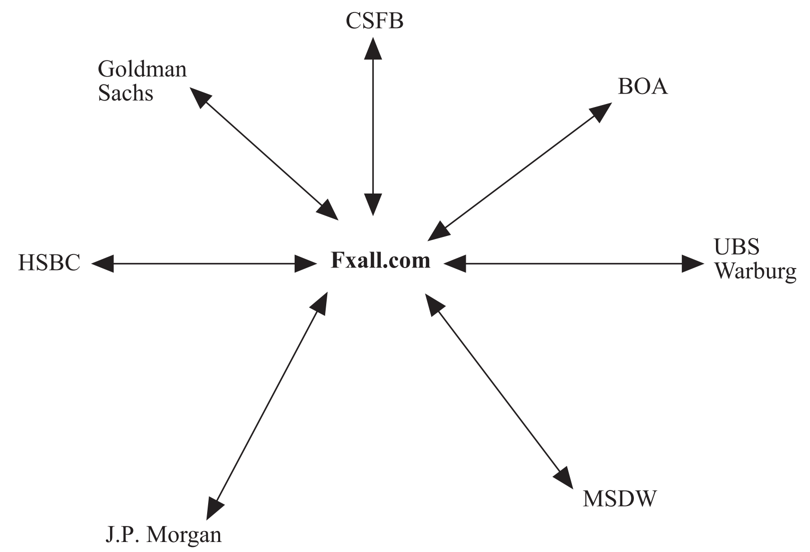
There are six key fronts where banks will need to compete effectively if they are to be winners in this highly competitive new environment:

1 customer relationship management;
2 building and developing the brand;
3 developing capabilities for continuous product innovation;
4 developing "state-of-the-art" e-enabled systems and business process;
5 building integrated multi-channel business; and
6 synchronisation of banking, technology and marketing skills.

It is imperative that big banks embrace the new rules being set by the new economy. Internet banking is very much part of the change but it is far from the whole story. Being a major player today and having an established brand image offers a head start. Other than that there are no guarantees.

In conclusion, both the incumbents and challengers need to leverage their corporate identity in the digital age. Issues of corporate culture, market conditions and strategy, products, services and communications should be taken into account in the design of their Internet strategy. Managers in both the "new and old economy" must realise that corporate identity is an issue which is at the heart of the need to differentiate in the current highly turbulent economic environment. Corporate identity can help focus on the "soft" issues that are all too easily overlooked as management focuses on the infrastructural and hardware changes.

Figure 4
Complementors – the members of the Fxall.com portal



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