Corporate Marketing and Service brands: Moving beyond the fast moving consumer goods model

By Malcolm McDonald and Leslie de Chermetony

Abstract

The purpose of this paper is to examine the issues associated with the creation and development of service brands. It initially considers the increasing importance of the services sector in modern economies and how service organisations have challenged the traditional approach to business. By analysing the success and failure of brands in the financial services sector, the paper goes on to illustrate the major challenges associated with service branding. Then the paper outlines the differences between product and service branding and how the fast-moving consumer goods (FMCG) approach to branding needs to be adjusted before being applied to the services sector. Particular emphasis is placed on the intangible nature of services and how problems linked to intangible offerings can be overcome. The paper then provides an analysis of the roles of employees and customers in the delivery of the service and how these roles can be strategically designed to strengthen services brands.

The paper concludes with a discussion of whether corporate or individual branding is appropriate.

The Importance of Brands

The rise of relationship marketing as a topic of scholary research has established forever that the link between suppliers and customers is not just a physical product or service, but a relationship that encourages the elements shown in Figure 1.

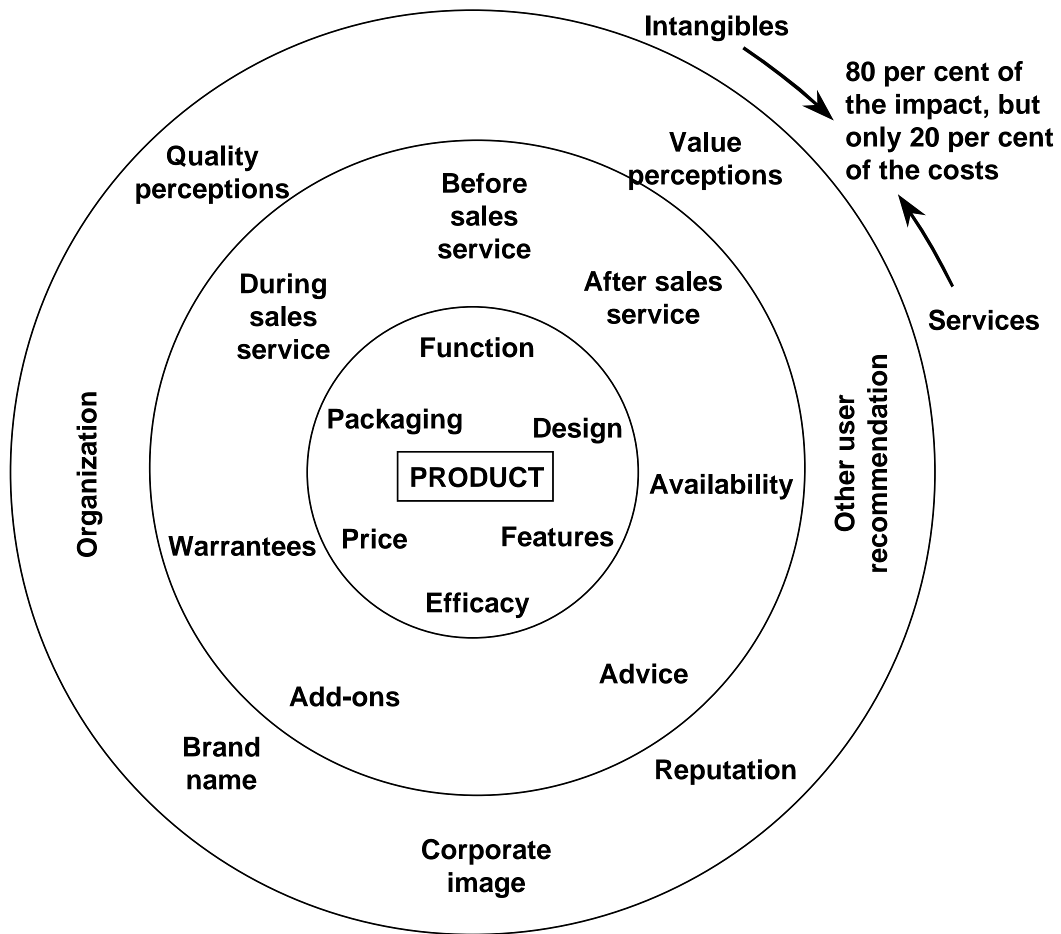

Figure 1.1 **From: Christopoher, M.G. and McDonald, M.H.B., 1995**

This relationship is personified by the organisations' name, or by the brand name on the product itself. ICI, IBM, BMW, KODAK and Cadburys are excellent examples of company brand names. Persil, Nescafe, Dulux and Fosters are excellent examples of product brand names. This raises the issue of the difference between a brand and a successful brand. The Sinclair C5, the Coop and Accrington Stanley are all examples of well known brands, but they are not <u>successful</u> brands which must conform to the following criteria:

1. A successful brand has a name, symbol or design (or source combination) which identifies the "product" of an organisation as having sustainable competitive advantage, such as Coca Cola, Microsoft, Marks and Spencer.
2. A successful brand results in superior profit and market performance (PIMS)
3. A successful brand is only an asset if it leads to sustainable competitive advantage.
4. A successful brand, like other assets will depreciate without further investment.

As the Marketing Director of Tesco said (1992) "Pseudo brands are not brands. They are manufacturer's labels. They are "Me Toos" and have poor positioning, poor quality and poor support. Such manufacturers no longer understand the consumer and see retailers solely as a channel for distribution".

De Chematory and McDonald (1998) define a successful brand as " An identifiable product, service, person or place augmented in such a way that the buyer or user perceives relevant, unique added values which match their needs most closely. Its success results from being able to sustain these added values against competitors"

Thus names on many products and services do not prevent them from being commodities which are characterised by the lack of perceived differentiation by customers between competing offerings. Products like milk, tin, iron ore and potatoes come to mind, where purchase decisions tend to be taken on the basis of price or availability and not on the basis of the brand or the manufacturers' name. Thus, one could argue that petrol falls into the commodity category and whilst the manufacturers do promote their products, they inevitably end up relying either on price or on promotions such as wine glasses and games to generate repeat purchase.

First, then, when we refer to the term "brand" in this paper, we use it to encompass not only cusumer products, but a whole host of offerings which include people (such as pop stars and politicians), places (such as Paris), ships (such as the Queen Elizabeth), industrial service and retail products, although the focus of this paper is on service brands.

The importance of services

The services sector has become a dominant force in the economy of many Western countries and has created a wealth of new jobs: in the UK the two-thirds of the workforce

are now employed in service companies, in the USA three-quarters (Monthly Digest of Statistics and Employment Gazette 1995). The services sector has not only spurred economic growth, it has also challenged the traditional approach of doing business by creating revolutionary service solutions. Innovative entrepreneurs have set new standards of service quality in markets where their competitors failed to please today's demanding customers. In the airline industry, for example, Easyjet has questioned the assumption that all air travellers are prepared to pay for a meal and drinks during their flights. The company has identified a segment of price sensitive travellers torn between the punctuality of business airlines and the low prices of charter flights. It has then offered these travellers a welcome compromise of punctual no-frills flights at lower prices. In the banking sector, companies like First Direct have responded to the reluctance of many British banking customers to visit their local retail branch and queue in front of the cashier. After discovering that most customers would rather complete all bank transactions by telephone, First Direct has created a Bank without branches that still offers all standard retail banking services, 24 hours a day, 365 days a year. First Direct's rapidly growing customer base and the large number of financial institutions copying their strategy illustrate the revolution they have initiated in the banking system.

The success of service organisations such as First Direct and Easyjet has been stimulated by dramatic global trends, which created opportunities to gain sustainable competitive advantage. **Computerisation and technical innovation,** especially in telecommunications, enabled companies to establish service brands by radically innovating the way they do business with customers (McDonald 1999). Becoming the first bank to use modern call-centre technology allowed First Direct to become the leading 'direct' banking brand.

The **deregulation** of many industries and the **privatisation of public corporations** have also been important factors in the UK and other European countries, and more recently in some Asian and Latin American nations. This deregulation allowed new brands to enter the market and forced established companies to cut costs and refocus on their customers. The impact of privatisation on service quality is well illustrated by the BT brand, which has been transformed from a sluggish monolith to a world-class performer.

The changes in the services sector have also caused many manufacturing companies to create service profit-centres, which operate independently from their parent companies. For example, General Electric and Ford have become important players in the financial services industry through the development of their credit financing and leasing divisions. Furthermore, as physical products alone are no longer sufficient to gain competitive advantage, many companies focus on providing customers with high levels of services. In the computer industry, for example, the service support provided by IBM is an integral part of the brand strength.

Finally, the use of franchising agreements and the worldwide trend to remove trade barriers have allowed many service businesses to profit from increased **globalisation** of their operations. Service providers such as airlines, hotel chains or car rental firms are now able to deliver their services internationally through distribution systems owned by local investors. It is, however, very difficult to standardise staff-

customer interactions across cultures. Neglecting cultural issues can have disastrous consequences even for strong and popular brands, as Disney learnt from the EuroDisney experience when it tried to use service principles popular in America, for example, by not allowing alcohol on site when in France wine is a standard part of a meal.

The nature of Services Marketing

Much of what has been written about marketing is equally appropriate to either a product or a service and, whilst there is no need to repeat here the differences between a product and a service, there are nonetheless some issues which need to be addressed in relation to the meaning of the term "services" (for a full discussion of the differences between a product and a service, see de Chernatony 1998). For example, the explosive and somewhat erratic growth of the services sector has led to a diversity of types of service businesses, some of which do not readily fit into any neat definition.

One of the problems of defining a service is to do with the fact that, whereas a product is seen to be tangible and a service intangible, there are in reality many variations on the degree of tangibility.

Kotler (1991) identified four categories, varying from a 'pure' product to a 'pure' service.

(i) A pure tangible product. A tangible offer, such as sugar, coal, or tea. No services are bought with the product. A tangible product with Accompanying services such as commissioning, training, maintenance. Here, the offer has built-in services to enhance its customer appeal, e.g. computers, machine tools. A service with accompanying minor goods (or services). Here, the offer is basically a service but has a product element, e.g. property surveyors, whose expert inspection is encapsulated in a report. Similarly, airlines offer in-flight meals, or entertainment. A pure service where one buys expertise. Here, the offer is a stand-alone service such as psycho analysis.

These categories can be placed on a continuum which embraces all possible degrees of intangibility.

Figure 1.2 identifies the continuum of tangible-intangible possibilities (Payne A 1993). Point (a) on the left had side of this figure illustrates an offer where there is no service element and so the product is highly tangible. At the other end of the continuum, point (d) illustrates a product which is entirely a service and is therefore highly intangible. Points (b) and (c) show varying mixes of tangibility/intangibility. For example, point (b) illustrates the mix of tangibility and intangibility for a computer company. Computer hardware and programmes are highly tangible and might be regarded as commodities; however, the service elements of user training and troubleshooting are largely intangible.

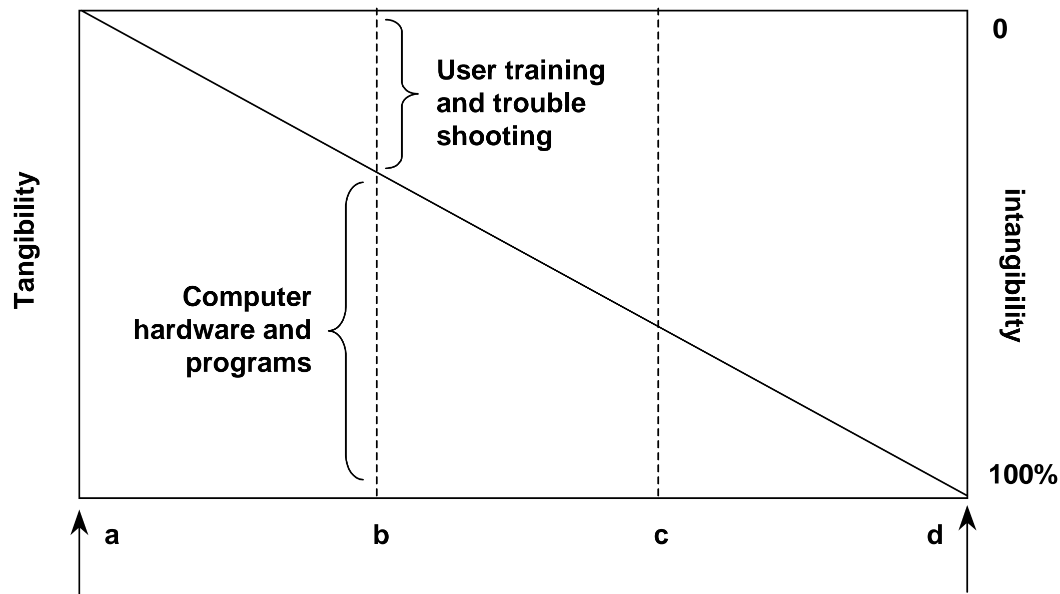

Figure 1.2 **Continuum of tangible-intangible possibilities**

Viewed in this way, the difference between a product and a service becomes far less discrete. It follows that to define services as being confined only to service industries is not strictly true.

There is an increasing trend towards differentiating what were once considered to be tangible products by exploiting the intangible service elements of the offer. The service elements can be added to provide unique features matching customer needs. For example, in the highly competitive photocopier business, service has become a major factor in the buying decision. Photocopiers are leased or sold with service contracts which tie customers to the supplier.

This trend has itself a new piece of jargon – the "servitisation" of business, coined by Vandemerce and Rada (1998), which can be achieved by any combination of the following: Training; consultancy; service contracts; troubleshooting; financing; delivery; guarantees; stockholding; computer links; etc.

Nevertheless, it will be difficult to proceed without attempting to define a service in some way. Therefore, while recognising that any definition might prove to be unduly restrictive, and that somewhere a service may exist which does not conform to what we say, our definition is:

> A service is an activity which has some element of intangibility associated with it. It involves some interaction with customers or property in their possession, and does not result in a transfer of ownership. A change of condition may occur and provision of the service may not be closely associated with a physical product.

Classification of services

There have been a number of approaches used to develop a classification scheme for services (e.g. Bowen J 1990, Gronroos C 1990).

Lovelock (1983) developed a classification framework which yields valuable strategic marketing insights in response to five crucial questions.

1. What is the nature of the 'service' act?
2. What style of relationship does the service organisation have with its customers? (e.g. 'member', informal)
3. How much room is there for customisation and judgement?
4. What is the nature of supply and demand for the service?
5. How is the service delivered?

Lovelock's five questions (and associated sub-questions) clearly raise a number of interesting and important issues for the service provider. The advantage of this particular method of classification is that it can cut across service industry barriers, thus enabling comparisons to be made with, and lessons to be learned from, service companies in other business fields. They also highlight key issues that need to be addressed in the marketing of service organisations.

Services and the Marketing Mix

In recent years, those charged with developing the application of marketing in the service sector have questioned whether the 4Ps approach to the marketing mix was sufficiently comprehensive (for example, Boons and Bitner (1981))

Added to the original 4Ps are:

Customer service As customers demand higher levels of service, this element becomes a competitive weapon with which a company can differentiate itself. In the longer term it helps to build closer and more enduring relationships with customers.

People Since people are an essential element in the production and delivery of services, the quality of the service is largely determined by the quality and behaviour of the company's staff. This is particularly true in respect of those whose jobs involve high levels of customer contact.

Processes The procedures, routines and policies, which influence how a service is created and delivered to customers, can clearly be instrumental in determining how 'customer friendly' the company is perceived to be.

This expanded marketing mix will be found to be robust enough to cover most service marketing situations. Of course, with the diversity of services which exist, there could still be a few situations where it might be necessary to vary the constituent elements of this new marketing mix, but they will be relatively rare.

The challenge of services branding

The increased competition in services industries has made many companies realise that a strong service brand is an essential part of their competitive advantage. Unfortunately, the understanding of service branding has not kept pace with the growth of the services

sector (Watters R and Wright D (1994)). Service-based brands, as opposed to product-based brands such as washing powder or breakfast cereals, involve a multiple interface with the consumer, where the consumer experiences the brand at various levels. The initial response of service marketers to the new challenges was based on the assumption that the principles of product branding would equally apply to service branding (Shostak G L 1977). They soon discovered, however, that the specific nature of services requires tailored concepts and approaches and that product branding is unlikely to be effective if its principles are transferred to services without any adaptation (Levy M 1996). The authors of this paper, however, do not believe that a whole new theory should be developed for services branding. Rather, the existing product branding theories should be fine-tuned and adapted to the service environment.

According to the traditional view of product branding, a brand consists of a set of perceptions which serve to differentiate the product from the competition. The brand strength depends on the extent to which these perceptions are consistent, positive and shared by consumers. To improve the brand strength, managers need to shape this set of perceptions so that the target audience will think of the brand in positive terms. In the case of services, however, this process can become more complex and problematic.

In the financial and insurance sectors for example, very few brands have managed to create a complete set of perceptions in people's minds (Denby Jones 1995). A question such as 'What does Barclays offer which is different from NatWest?' would probably lead to a puzzled silence. The large majority of consumers cannot differentiate significantly between the brands of major banks, building societies and insurance companies. The fact that the financial services industry spends about £1 bn each year on image advertising with little results, apart from few exceptions such as Prudential, Halifax, First Direct and Direct Line, highlights the difficulties of building a service brand. However, the airline industry has demonstrated that it is possible to achieve a clear differentiation of service brands. If travellers were asked to rank Virgin, Lufthansa or Singapore Airlines according to punctuality, in-flight entertainment and attentive cabin staff, they are very likely to give similar answers without hesitation.

The challenges marketers have to face when establishing service brands can be illustrated by the history of the British insurance sector during the last twenty years. The insurance industry used to be characterised by complex products, pushy salespeople and little understanding of the role of marketing. The feeble marketing efforts failed to overcome the traditional lack of interest of consumers in insurance products, which translated into a low degree of brand differentiation. Most insurance companies appointed advertising agencies with traditional FMCG backgrounds, which followed the FMCG approach of building name awareness, rather than communicating the benefits of the different insurance brands. Little was done to develop brand distinction. Furthermore, advertising was mainly targeted at insurance brokers, not at the end customers, who regarded the products as a commodity. The intermediaries were in a very strong position and could easily eliminate a brand from their portfolio, because the final customers could not distinguish between the different insurance brands and their benefits.

The deregulation of the UK financial services market in 1986 and subsequent legislation have increased the degree of competition in the insurance sector, allowing

other players such as banks to enter the market. These changes have significantly decreased the importance of insurance brokers, as the responsibility for choosing insurance brands has shifted more towards the end customers. However, the insurance companies failed to adapt their communication strategies, their point-of-sale material and their follow-up literature in response to the increased importance of the end customers (Boyd W 1994). These materials used to emphasise the generic features of the insurance policy at the expense of any competitive brand position and were often written in technical jargon. In this context, it is unlikely that UK insurance companies can survive unless they develop proper brands to differentiate each other and establish their competitive position in the consumer's mind.

Factors like deregulation and increased competition, which led to the changes in the insurance industry, as described above, also affect the financial services sector. British banks now face the same challenges as the grocery market did twenty years ago (Free C 1996). It has become a commodity market that needs to satisfy their customers' ever-increasing demand for better quality, enhanced service and greater convenience. Banks and building societies need to learn from the likes of Tesco and Sainsbury how to transform a commodity into a strong brand.

First of all, financial services companies need to realise that the brand is even more important for services than the goods. Like the grocery market, banks lack a physical product, which embodies a large part, or even all of the brand and its values. Therefore, a financial service brand is based entirely on 'the way the company does things' and on the company's values and culture. This means that a brand personality cannot just be designed by a marketing department, but depends on the whole company, from the Chief Executive to anyone who has contact with the customers. This is because customers' perceptions of the brand depend highly on individual interactions with the staff of the company, so particular emphasis has to be placed on the consistent delivery of the service. Brand building needs to be undertaken from the bottom up and involves a profound analysis of every aspect of the interaction between the customer and the company. (For a full discussion of this, see Knox, S. and Mackland, S. 1998)

Finally, the brands of financial institutions should reflect the fact that most customers purchase financial products not as an end in itself, but rather as a means to acquire completely different, non-financial products, such as a car or a holiday. After all customers do not really want a Halifax or Abbey National mortgage, but they do want to buy a house and need a mortgage to finance it.

The current lack of powerful brands in the financial services sector clearly illustrates the overall challenges associated with service branding and the need for a new mindset when developing service brands. A service brand has to be based on a clear competitive position, which in turn has to be derived from the corporate strategy. This requires a holistic approach and the involvement of the entire company. The brand positioning and benefits should then be communicated to the target market segments and real evidence has to be delivered of the brand's ability to satisfy customer needs.

Moving beyond the fast moving consumer goods model

The previous section has highlighted various difficulties associated with service branding and in particular the danger of applying the traditional fast moving goods consumer model without adapting it to the characteristics of the service sector. The following two cases illustrate how the product branding concept can be wisely adjusted for the development of successful service brands.

According to research by Brooks in 1996, product brands and service brands can be developed through a broadly similar process:

- setting of clear brand objectives;
- definition of clear positioning;
- selection of appropriate values.

Brooks based his findings on an analysis of the Liverpool Victoria Friendly Society. (LVFS), a company founded in 1843, which now has over one million premium-paying members and manages funds of about £3bn. With most customers over sixty years old, the company faced the problem of how to rejuvenate its clientele by winning younger customers. On the other hand, because of its size and history, LVFS had the opportunity to become the financial services company for the working class. In this situation, LVFS opted for a clear strategy of rebranding and repositioning the company. During the branding process the company followed a product branding approach and followed three objectives: developing a well- recognised identity; having a strong positioning; and proving a clear message to existing and new members.

The company then proceeded to examine the competitive environment, which confirmed that the company should focus on the traditional market of financially unsophisticated people, as most retail banks were moving away from this market to win high net worth individuals. As a next step, LVFS analysed the existing relationships among the company's head office, the agents and the customers to identify the most appropriate brand values. It emerged that the central office had generally poor communications with the other parties, whereas the relationship between customers and agents was very good. From this dialogue between customers and agents, positive and negative values were identified, especially in relation to the fact that LVFS was the biggest provider of home services with the longest tradition of financial stability and friendliness:

- home service in familiar surroundings;
- family tradition over many generations;
- close contacts between agents and customers;
- profile similarity between customers and employees;
- serving customers according to their needs in the language they understand.

These values formed the basis of a clear brand identity and were translated into a brand that reflected the new positioning of the friendly society.

The development of the new brand was followed by exhaustive training of all staff to ensure their commitment to and their understanding of the brand benefits. A booklet explaining the brand values was distributed to staff and customers and the entire

LVFS literature was rewritten to reflect the newly launched brand. Sponsorship of a national snooker event as well as local charities guaranteed in-depth advertising coverage to communicate the brand value to customers. The brand benefits were conveyed very effectively and led to excellent results: sales increased by up to 70 per cent; customers' propensity to consider LVFS doubled in the largest regions; brand awareness rose by 10 per cent; and staff morale improved remarkably.

The new LVFS brand was developed through a partially modified FMCG branding approach: the modification was limited to the fact that the brand values were derived not from a product or from the perceptions of a product, but from an analysis of the complete interaction between the customer and the service organisation.

The following case shows how successful service brands can be developed even more independently from the FMCG model. This example illustrates the changes undertaken by NatWest to develop a new niche brand: NatWest Small Business Adviser. The increased competition in the financial services sector made NatWest marketers more aware of the complexity and blurred demarcations of their products. As a consequence, they turned to the FMCG market for marketing experience and techniques, but soon realised that the FMCG model needed to be adjusted to take the specific nature of the financial services sector into account:

- *Product definition* Financial products are not so well-defined as FMCG products. A current account is not a single physical entity, but consists of a collection of several elements, from the chequebook to the conversation with the cashier.
- *Brand differentiation* FMCG marketers strive to differentiate their brands by communicating a competitive edge or USP and by avoiding launching 'me-too' products. Marketers in financial services, however, focus on building long-term relationships with their customers in as many ways as possible. Since the maintenance of existing relationships lies at the core of their strategy, copying competitors and their products can be appropriate.
- *Consumer motivation* While in FMCG markets customer loyalty is hard to win and retain, consumers in the financial sector are very reluctant to switch between companies because they perceive the differences as negligible and not worth the possible disruptions.
- *Measurement of brand strength* Methods such as awareness levels and propensity to repurchase allow a reasonably accurate measurement of brand strength in FMCG. With financial brands, the concept of repeat purchase is less meaningful, as it needs to be measured over years. Likewise, brand loyalty is hardly relevant, as inertia prevents customers from switching. Thus marketers of financial services should focus on qualitative data about the interactions with existing customers.
- *Product benefits* Although product features can help to attract consumers, they are not the obvious brand discriminator. Furthermore, in financial brands these extra features can even confuse an already reluctant customer about the true benefits of the brand and provide them with an excuse to reject it.

NatWest took all these factors into account to ensure the successful launch and establishment of the new brand NatWest Small Business Adviser. In the early '80s NatWest identified the 'small business' market as a highly attractive target for a new

financial niche brand. An increasing number of entrepreneurs was setting up their own businesses, all having similar needs and attitudes during the initial stage. Because of this group's typically low involvement in financial products, the critical task was to select the key factors which would help the entrepreneurs distinguish the new brand. Three areas were chosen: the current account; lending; and service. A separate account was often regarded as an important first symbol of a business start-up and loans, overdraft facilities and a high level of advice were simply vital for their success. These three factors were further analysed through qualitative research to identify the best factor on which to focus the development of the brand. It emerged that customers perceived lending and the current account as integral parts of every bank's business and as such were unlikely to provide an element of distinctiveness. On the other hand, NatWest's advice services were regarded as an essential support during the starting-up phase of small businesses. Further qualitative research focused on concrete aspects of the interaction between customers and the bank, such as the type of questions customers were likely to ask and the level of security they were prepared to accept. It revealed, for example that entrepreneurs felt threatened by initial contacts with senior managers and preferred to deal with someone competent but less authoritative. This kind of information and all other results of the analysis were then filtered to produce a limited number of critical attributes. These attributes were assembled into the Small Business Adviser brand to target a well-defined audience. By recognising the need to adjust the brand development process according to the specific characteristics of the financial services sector, NatWest has been able to launch the new brand successfully and even to use it for cross-selling other products.

It is important to note that NatWest has decided to launch a specifically developed niche brand, rather than to market their offering to entrepreneurs under the corporate brand name. The NatWest marketers have realised that it has become virtually impossible to create new mass-market brands, apart from brands for entirely new products and services such as Microsoft and Direct Line. In today's fragmented society, consumers are more reluctant to join mass movements and do not want to be associated with too many people unlike themselves. Successful new brands like Haagan Dasz are almost invariably niche brands and address a well-defined target market, based not only on demographics but also on attitudinal and behavioural criteria.

The previous cases show some of the difficulties faced by marketers when developing services brands. Although the brand development process for services is similar to the one for FMCG, brand managers need to adapt it carefully to the services sector. The intangible nature of services implies a greater risk of being regarded as commodities and makes the development of distinctively relevant brands vital.

"Branding to make tangible the intangible

One of the most problematic aspects associated with service brands is that consumers have to deal with intangible offerings. In an attempt to overcome this problem, marketers put a lot of emphasis on the company as a brand, especially in sectors such as financial services, since this is one way of making the service more tangible. A study by Boyd et al (1994) in the financial services sector has shown that consumers know little about

specific products, often they do not want to know more and they are content to assume that the best-known companies have the best financial products. This further compounds the problem of service branding. Boyd's study showed that the most important criterion for customers selecting a bank is reputation, and the next most important the interest on savings accounts.

Because of their intangible nature, service brands run the risk of being perceived as commodities. To overcome this problem, strong brands with a clear set of values which result in positive perceptions amongst consumers are essential. However, these common and consistent perceptions amongst consumers are difficult to establish for intangible offerings. Service brands need to be made tangible to provide consumers with well-defined reference points.

An effective way to make brands tangible is to use as many physical elements as possible that can be associated with the brand, such as staff uniforms, office decor, and the type of music played to customers waiting on the telephone. A service brand can project its values through physical symbols and representations, as Virgin airlines has so successfully done with its vibrant red colour reflecting the dynamic, challenging position being adopted. The first points of contact with a service organisation, such as car parking, design of building and appearance of the reception area, all interact to give consumers clues about what the service brand will be like. Other ways that brands communicate with consumers are through tangible elements such as stationery, the way employees dress and brochures. One major retailer had a full-length mirror that all its staff passed as they left the canteen to go into the store. Above the mirror was a sign saying, 'This is what the customer sees', to draw their attention to the importance of thinking about the tangible cues consumers are presented with as representative of the brand.

Package design plays an important role for branded goods, and in service brands this likewise represents an opportunity for more effective differentiation. McDonald's boxes for children's' meals, for instance, have been shaped as toy houses to reflect the playful element associated with the experience of a lunch in the fast-food chain. The tangible elements surrounding the brand can also serve to facilitate the service performance: the setting within which the service is delivered may either enhance or inhibit the efficient flow of activities. The yellow and blue stripes in IKEA stores, for example, not only allude to the Scandinavian tradition of the company but also guide consumers through the different sections. The design of the surroundings also plays a socialisation function, informing consumers about their expected behaviour, the roles expected of staff and the extent to which interactions are encouraged between them. Club Med dining facilities are structured so that customers can easily meet and get to know each other. Finally, the design of the physical facilities may be used to *differentiate* the service brand from its competition. The polished steel interiors of Pret-a Manger restaurants allow consumers to distinguish them clearly from other sandwich bars and bistros.

The tangible elements of a service brand encourage and discourage particular types of consumer behaviour. For example, a 7-Eleven store played classical symphonies as background music to retain their 'wealthier' customers while driving away teenagers who tended to browse the shelves rather than spend any money. Different aromas can elicit emotional responses and thereby influence consumer behaviour – some food

retailers pump the fragrance of freshly baked bread into their stores, evoking a more relaxed, homely feeling.

The previous examples have shown different ways in which service organisation can make their brands more tangible. The approach adopted when ‘tangibalising’ the service brand must be consistent with the service and should not promise more than the service will actually deliver. BA ensures that the perceptions of their consumers are affected in a consistent manner by taking a holistic approach to presenting their brand: they use the same music from their television advertising while customers are put on hold on the phone. The elegant uniforms worn by sales assistants at Marks & Spencer clearly communicate the brand message of fashion and excellence, and the staff dress at Woolworths is representative of good value-for-money core brand values.

Consistent service brands through staff

Even though the service organisation may have developed a well conceived positioning for their brand and devised a good communication programme, the brand can still flounder because of insufficient attention to the role the staff play in producing and delivering the service.

Staff embody the service brand in the consumer's eyes. In many cases the service staff are the only point of contact for the consumer and by thoroughly training staff and ensuring their commitment to the brand, its chance of succeeding are greater. The success of the Disney brand results from the firm's insistence that employees recognise they are always 'on stage' whenever in public, encouraging them to think of themselves as actors who have learnt their roles and are contributing to the performance and the enjoyment of visitors.

The staff of a service organisation can positively enhance the perception consumers have of the service quality through their:

- *Reliability* – For example, Lufthansa pilots strive to ensure that their brand has an outstanding track-record of punctuality.
- *Responsiveness* – A member of cabin staff may be sympathetic to the family who have been split up on their flight and take the initiative to enable them to sit together.
- *Assurance* – While the plane is kept waiting before taking off, the pilot informs travellers of the reason, the expected length of delay and that all is being done to minimalise the delay.
- *Empathy* – Cabin staff may show empathy by comforting a crying child who is flying for the first time.
- *Appearance* – The uniform worn by the Alitalia crew is perceived as particularly elegant and fashionable as some travellers recognise that it is designed by Armani.

Failing to take heed of these factors can have a negative impact on the perceived quality of the service.

Empirical analysis has shown that not only are the actions of employees fundamental to a high-quality delivery of the service, but also that the morale of staff influence consumer satisfaction with a service brand. A study about a British bank revealed that the branches with the lowest staff turnover and absenteeism were also those with the highest levels of profitability and customer retention. A good example of the link between satisfied staff and satisfied consumers is shown by Southwest Airlines. In 1995, the employees of this airline paid $60 000 for an advertisement in USA *Today* to thank Herb Kelleher, their CEO, for the success of the company.

By addressing the issues of recruitment, training and support services a company can establish a more customer-focused service culture, which is a prerequisite for delivering consistently high-quality services and for building successful service brands. A customer-centred focus should pervade the whole organisation so that the commitment to customers becomes second nature for all employees. The development of a genuine service culture is neither easy nor quick, but companies that have overcome this

challenge have been duly rewarded. The development of a service culture at SAS, for example, contributed to turning the loss-making business into a successful brand.

Service brands with the optimum consumer participation

While the previous section has shown how service organisations can enhance their brands by building on the role employees play during the service delivery, this section focuses on how consumers themselves contribute to the development of the service brand. The way consumers evaluate a service brand depends largely on the extent to which they participate in the delivery of the service.

If the service performance requires a high degree of consumer involvement, it is vitally important that consumers understand their roles, and are willing and able to perform their roles, otherwise their inevitable frustration will weaken the brand. Large, easy to read signs and displays at the entrance of IKEA stores inform consumers how they are supposed to take measurements, select pieces of furniture and collect them.

The level of consumer participation varies across services. In service sectors such as airlines and fast-food restaurants, the level of consumer participation is low, as all that is required is the consumer's physical presence and the employees of the organisation perform the whole service. In sectors such as banking and insurance, consumers participate moderately and provide an input to the service creation through providing information about their physical possessions. When consumers are highly involved in the service, for example participating in WeightWatchers, they need to be fully committed and actively participate.

Consumers can be regarded as productive resources and even as partial employees of the service organisation, because they provide effort, time and other input for the performance of the service. They are also contributors to the quality and value of the service thereby influencing their assessments about the service brand. Consumers who believe they have played their part well in contributing to the service tend to be more satisfied. The IKEA brand is built on the principle that consumers are willing to be involved in 'creating' the service, not just in consuming it. Since actively-involved consumers feel the responsibility is theirs when the service turns out to be unsatisfactory, they are particularly pleased when the service provider attempts to redress the problem.

To involve consumers in the service-delivery process, organisations can implement different strategies which are based on the following three factors:

- defining the role of consumers;
- recruiting, educating and rewarding consumers;
- managing the consumer mix;

The organisation needs to determine the level of customer participation by defining the consumer's 'job'. Some strong brands such as Federal Express and DHL are built on low consumer involvement, as consumers rarely see the service provider's facilities and have only very brief phone contact with its employees. In these cases, as consumers are minimally involved in the service delivery process and their role is

extremely limited, strong service brands can be developed through standardised offerings and precisely defined procedures. On the other hand, for service organisations like business schools and health clubs, there are higher levels of consumer participation and more tailored offerings can be developed.

Effective consumer participation may require that consumers go through a process similar to a new company employee – a process of recruitment, education and reward. In telephone banking, consumers are first recruited, and then they receive formal training and information about the service. Only then will they be rewarded with easier access to financial services. Brands such as First Direct have been successful because they have effectively communicated the benefits consumers can gain from their participation. Service brands can be strengthened through an effective management of the mix of consumers who simultaneously experience the service. All major airlines, for example, are aware of the need to separate different segments.

Corporate or individual product branding for services?

To build strong brands, service marketers have to take into account a further difference from FMCG markets. While FMCG brands often focus on individual products, services companies must decide whether to build the brand on a specific product or on the corporate identity. Service providers such as LVFS and NatWest believe that they can offer all their products through brands that are built on their corporate image. Financial institutions should probably follow this strategy for well-established products and for new market segments which fit into their existing customer base. In this way they avoid confusing their customers, who would otherwise see the same staff and the same physical evidence for differently named offerings.

This line of thought, however, can inhibit a company from successfully expanding into new market segments or products. Holiday Inn, for example, successfully offers several tailored brands to different target markets; and Crowne Plaza and Embassy Suite for upscale business travellers.

The targeting of radically new market segments often requires the use of product-specific brands, so that the existing brands are not negatively affected by a different image, or vice versa. Likewise, product-specific brands are appropriate for genuinely new products or services, such as First Direct, since consumers expect a fresh approach rather than the adaptation of traditional values and operating methods. In the case of First Direct, the corporate brand HSBC Bank is concealed from the customers to emphasise the innovative nature of the product.

It is clear that consumers seek to reduce the complexity of buying situations by cutting through the vast amount of information to focus on a few key pieces of information (see de Chematony L and McDonald M (1998) for a full literature review). A brand name is, from the consumer's perspective, a very important piece of information and is often the key piece. It is, therefore, essential that an appropriate brand name is chosen which will reinforce the brand's desired positioning by associating it with the relevant attributes that influence buying behaviour.

When examining brand names, it is possible to categorise them broadly along a spectrum, with a company name at one end (e.g. British Telecom, Halifax), right the way through to individual brand names which do not have a link with the manufacturer (e.g. Ariel, Dreft, Daz, Bold and Tide emanating from Procter & Gamble). This is shown in Figure 1.2.

There are varying degrees of company associations with the brand name – there are brand names with strong company endorsement, such as Cadbury's Dairy Milk, Castrol GTX, Sainsbury's Baked Beans, and brand names with weak company endorsement, such as KitKat from Nestle.

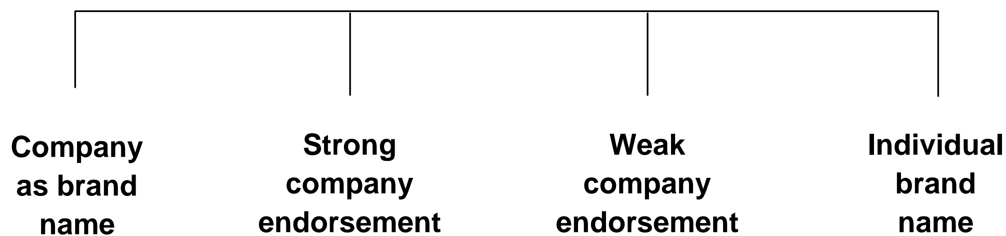

Figure 1.3 **Brand name spectrum**

There are many advantages to be gained from tying the brand name in with the firm's name. With the goodwill that has been built up over the years from continuous advertising and a commitment to consistency, new brand additions can gain instant acceptance by being linked with the heritage. Consumers feel more confident trying a brand which draws upon the name of a well established firm.

In the financial services sector, it is very common to see brands being strongly tied to the corporation (e.g. American Express, Guardian Royal Exchange's Choices, Abbey National 5 Star Account, etc.). With the Financial Services and Building Societies Act during the 1980's enabling more institutions to sell financial services, branding is quite a new concept in this sector. Consumers and financial advisers have traditionally evaluated policies by considering the parent corporation's historical performances, so company-linked brand names in this sector are common.

Nonetheless, whilst a brand can gain from an umbrella of benefits by being linked with a company name, the specific values of each brand still need to be conveyed. For example, whist organisations such as HSBC have been promoting the benefits associated with their corporate name, there is a danger of not adequately promoting the benefits of the individual brands (e.g. Meridian, Vector, Orchard) leading to the possibility of consumer confusion. Interestingly, when a corporation has developed a particularly novel concept, then the brand is launched without such a strong corporate name time. Midland's First Direct is a very different approach to banking and the brand was launched very much as a stand-alone brand using the black and white logo to communicate the no-nonsense approach.

There are obvious advantages in all aspects of communication to be gained from economies of scale when organisation ties a brand name in with its corporate name. This advantage is sometimes given an undue importance weighting by firms thinking of extending their brands into new markets. This whole question of brand extension

is a complex issue which involves more than just the name and is dealt with in more detail elsewhere (see, for example, de Chematony 1998).

There are also very good reasons why in certain circumstances it is advisable to follow the individual brand name route. As in the case of Procter & Gamble this allows the marketer to develop formulations and positionings to appeal to different segments in different markets. However, the economics of this need to be carefully considered, since firms may, on closer analysis, find that by trying to appeal to different small segments through different brand offerings, they are encountering higher marketing costs resulting in reduced brand profitability.

Another advantage of using individual brand names is that if the new line should fail the firm would experience less damage to its image than if the new brand had been tied to the corporation. The following example shows how a failed brand extension damaged the whole company's image. Continental Airlines, inspired by the success of Southwest, decided to enter the low-budget, no-frill cheap flights marketing using the brand, Continental Lite. However, at the same time it continued to offer a full service under the original Continental brand. The company believed that it was possible to serve both markets and ignored the inevitable trade-offs on cost, service and efficiency. When continental Lite was ultimately forced to withdraw from the market, consumers became aware of the failure of this venture and, due to the common use of 'Continental', there were some adverse perceptions about the parent corporation.

Conclusions

The growing importance of the services sector has made firms aware that the creation and development of service brands represents a source of sustainable competitive advantage. Despite similarities between the principles of branding for goods and services, the specific nature of services requires tailored approaches. The case studies of the insurance and financial services sectors have illustrated some of the challenges marketers face when establishing service brands. The Liverpool Victoria Friendly Society and the NatWest Small Business Adviser brands are examples of how strong service brands can be developed by adjusting the traditional FMCG branding model to the service sector.

We have argued for a fine-tuning of the existing branding theories, as opposed to the creation of a whole new theory, and examined the distinctive differences between goods and services to help managers fine-tune the brand development process. Since every service is based on a series of performances, service brands run the risk of being perceived as commodities. To overcome this problem, service brands need to be made tangible to provide consumers with a favourable set of perceptions. An effective way to do this is to use the physical components associated with the service. These representations, which need to be compatible with the added-value message the brand aims to convey, can be used to inform staff and consumers about their expected roles and to differentiate the service brand.

Consumer's appreciation of service brands depends on a variety of factors such as the role played by the staff; the role consumers play and the interaction between

consumers. All employees, as they embody the organisation in consumer's eyes, can influence perceptions of the service brand. Marketers therefore need to consider their recruitment processes carefully, the role staff are expected to play and their technical support to ensure they are able and motivated to deliver high-quality services.

Consumers can contribute to the development of a service brand. Though their level of participation may vary, it can be a fundamental aspect of building service brands. Organisations can determine the level of consumer participation by defining their role, by recruiting, educating and rewarding them and by managing the consumer mix.

References

Booms, B.H. and Bitner, M.J. (1981) *'Marketing Strategies and Organistional Structures for Service Firms'* in J.H. Donnelly and W.R. George (eds) Marketing of Services, AMA Proceedings Series, Chicago, p.48

Bowen, J/ (1990) '*Development of a Taxonomy of Services to Gain Strategic Marketing Insights'*, Journal of the Academy of Marketing Sciences, 18 (1) 43-49

Boyd WL (1994) '*Customer Preferences For Financial Services: an analysis',* International Journal Of Bank Marketing 12 (1) 9-12

Brooks J (1996) '*Awaking the Sleeping Dinosaur: a case study of the Liverpool Victoria Friendly Society Limited,'* The Journal Of Brand Management. 3 (5) 306-12

de Chernatony, L. and McDonald, M. '*Creating Powerful Brands'*, 2nd edition, Butterworth-Heinemann, Oxford, pages 214-222

de Chernatony, L. and McDonald, M. *'Creating Powerful Brands'*, 2nd edition, Butterworth-Heinemann, pages 67-109

de Chernatony, L. and McDonald, M. *'Creating Powerful Brands*', 2nd edition, Butterworth-Heinemann, pages 314-318

Denby-Jones (1995) *Retail Banking: Mind The Gap* The Banker Vol 145/828, 66-69

Free C (1996) *Building a Financial Brand You Can Bank On:* The Journal Of Brand Management 4 (1) 29-34

Gronroos, C. (1990) *'Services Management and Marketing'*, Lexington Books, Lexington, MA

Knox S and Macklan (1998), *'Competition Value: Bridging the gap between branding and customer value'*, F.T. Pitman

Kotler, P. (1991) *'Marketing Management: analysis planning and control'*, 7th edition, Prentice Hall, Englewood Cliffs, NJ

Levy M (1996) *Current Accounts and Baked Beans: Translating FMCG Priciples To The Financial Sector,* The Journal Of Brand Management 4 (2) 95-9

Lovelock, C.H. (1983) *'Classifying Services to Gain Strategic Marketing Insights'*, Journal of Marketing, 47, Summer, 9-20

Marketing Globe, Vol. 2, No. 10, 1992

McDonald, M. and Wilson, H. *'Improving Marketing Effectivness Through IT'*, FT Pitman/Cranfield Management Research Series

Monthly Digest of Statistics and Employees Gazette, 1995, HMSO

Payne, A.F.T. (1993) *'The Essence of Services Marketing'*, Prentice Hall, Englewood Cliffs, NJ, Chatper 6
Shostak, G.L. (1977) *'Breaking Free frm Product Marketing'*, Journal of Marketing, 41 (4), pages 73-80
Vandermerve, S. and Rada, J. (1988) *'Servitization of Business: Adding Value by Adding Service'*, European Management Journal, 6 (4) 314-423
Walters, R. and Wright, D. (1994) *'Why has branding failed in the UK Insurance Industry?"* In ESOMAR Seminar: Banking and Insurance, 137-151, Amsterdam

Cranfield University

CERES Research Repository **https://dspace.lib.cranfield.ac.uk/**

School of Management (SoM) Staff publications (SoM)

Corporate marketing and service brands - Moving beyond the fast-moving consumer goods model.

McDonald, Malcolm

2001

McDonald MHB, de Chernatony L, Harris F. (2001) Corporate marketing and service brands - Moving beyond the fast-moving consumer goods model. European Journal of Marketing, Volume 35, Issue 3/4, pp. 335-352

http://hdl.handle.net/1826/1045

Downloaded from CERES Research Repository, Cranfield University