

BUILDING BRAND IDENTITY IN A CONSOLIDATING AND CONVERGING FINANCIAL SECTOR

CHANCES ARE YOUR BANK HAS MERGED WITH ANOTHER BANK (OR SOME OTHER FINANCIAL SERVICES ENTITY) IN THE PAST FEW YEARS. MANY WELL KNOWN BRANDS HAVE CEASED TO EXIST OR HAVE BECOME PART OF EVEN LARGER ORGANIZATIONS—CONSIDER PRUDENTIAL, FIRST UNION, PAINWEBBER, THE TRAVELERS, FIRST CHICAGO, FIRST OF AMERICA, AND Nations Bank. This consolidation of the banking industry has been going on for some time, and shows no signs of slowing. Interestingly, even as the pace of mergers has been strong, there continues to be strong growth of new bank charters, suggesting that the competitive environment remains rich.

While consolidation has certainly changed the landscape of the financial sector, the convergence trend has picked up in the last decade. Financial institutions are crossing lines that used to prohibit involvement in other financial sectors. This convergence of financial services entities (and brands) has created some successful conglomerates. Yet at the same time, these companies are under considerable scrutiny in the wake of the fallout from the collapse of the technology boom and the corporate scandals that have followed and touched many financial institutions.

Another challenge these firms face is the notion that financial services brands are blurred. Do you still consider your bank a "bank" now that you can purchase insurance at your local branch? How about your broker—now that he/she can hook you up with a checking account. Does that mean you still need a traditional bank? It boils down to this: Are major financial services brands still relevant, or are they so hazy that they don't really stand for anything that is meaningful and differentiated in the mind of the consumer? Our research points to the latter.

In this Wirthlin Report, we will provide a synopsis and update of the causes of this convergence phenomenon, how it has been manifesting itself across products, geographies and brands, and how financial services firms can take advantage of this environment to concretely establish their brands. In uncertain financial times, it helps to be clear who you are if you are a financial institution, but it's even more important that your customers know who you are.

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Firms must create a strong, clear identity throughout the organization.

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Leadership traits like caring, trustworthiness, and effectiveness are key.

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About WirthlinWorldwide





“A strategic imperative for firms is a strong, clear identity that carries throughout the organization— an identity that requires increasing attention as an organization diversifies and creates sub-brands from within.”
-Anne Aldrich, Financial Services Consultancy Leader

CONVERGENCE AND IDENTITY

Convergence is manifested in a number of ways:

1. Mergers and acquisitions
 - Firms have merged because of the greater efficiencies that result from larger organizations.
 - Companies are leveraging technology by spreading the cost over a large customer base.
2. Products and services
 - The abolition of the Glass Steagal Act and other laws resulted in an integration of products and services, blurring the boundaries between types of financial services firms.
 - Interstate banking and branching has resulted in more opportunities to deliver products and services throughout the US.

3. Geographic

- Not only has the U.S. landscape changed to resemble other countries with more "national" banks, but there is also increasing globalization of banks and other financial institutions (consider Citibank, UBS and JP Morgan).

A strategic imperative for firms at this juncture is a strong, clear identity that carries throughout the organization—an identity that requires increasing attention as an organization diversifies and creates sub-brands from within. Financial services firms can create a clear and unmistakable identity by managing their perceptual equities (positives) and disequities (negatives). We can define successful brands in the following way:

To be successful, brands must:

- Stand for *something*
- Stand for something *different*, and
- Stand for something *different that's important*

In other words, brands must have *personal relevance*.

MAINTAINING PERSONAL RELEVANCE IN CONVERGENCE

To provide a window on what is important, different and personally relevant to consumers, we surveyed consumers from June 6th - 9th, 2003 on a national Internet Omnibus study (N=1,112). While we understand that convergence and consolidation affect many different businesses and that myriad stakeholders in the financial

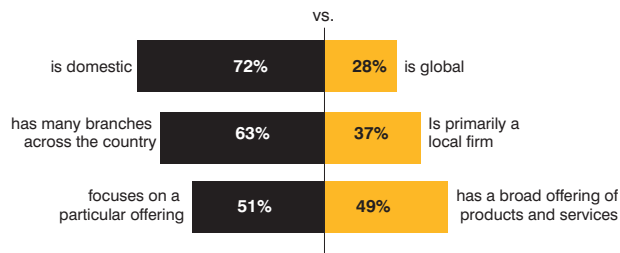
sector are impacted by the repercussions, our survey focused on the American consumer's position on these issues. In particular, we honed in on their perceptions of the by-product of convergence— financial services conglomerates. We also offer insights from a global perspective based on other research we have conducted among this audience.

Our Internet survey asked American consumers to compare a number of different scenarios, contrasting convergence within the industry with more traditional structures. Asked specifically whether they prefer a company with a broad offering of products and services to one that focuses on a particular offering, Americans are basically split on the issue, with 51% of Americans preferring a company that focuses on a particular offering (banking, investment/brokerage, or insurance), versus 49% preferring a company with a broad offering of financial products and services, the latter more descriptive of the financial services conglomerates that predominate today's market.

When asked to rate singularly focused firms (those focused on a specific product or service) and financial services conglomerates (those with a broad array of products and services under its umbrella), on a scale of 1 to 10 on a number of key leadership characteristics, consumers more closely associate three of the four traits we queried with singularly focused firms: being *Trustworthy* (53% vs. 40% ratings of 8, 9 or 10), *Caring* (50% vs. 39%), and *Effective* (54% vs. 42%). The only leadership

Converging Issues

QUESTION: For each statement, please indicate whether you prefer a company that...



51%

OF THOSE SURVEYED PREFER A COMPANY THAT FOCUSES ON A PARTICULAR OFFERING (BANKING, INVESTMENT/BROKERAGE, OR INSURANCE).

trait on which financial services conglomerates are rated higher is *Innovative* (45% conglomerates vs. 37% singularly focused firms).

We could infer that singular focused firms offer more personalized service; while conglomerates have the advantage of convenience. Consumers have often opted for convenience in the retail sector which has put the "Mom and Pop" stores out of business by the larger, more readily available retail chains.

However, in the broader financial services sector, consumers are not quite ready to sacrifice personalization for convenience, although they do appreciate the greater levels of innovation arising out of the firms with larger scope. So, traits like caring, trustworthiness and effectiveness become

more salient for consumers, which can create an opportunity for larger, broader scoped firms to address those issues to differentiate themselves from the clutter.

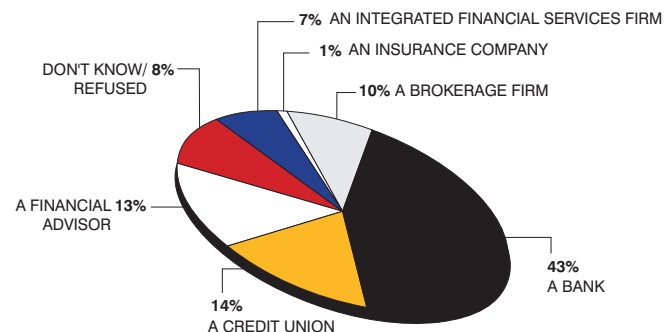
Americans' first choice appears to be doing banking the traditional way—at a bank. A majority of Americans see banks as the entity that is most important in helping them handle their financial needs. Overall, 43% of consumers look to banks for financial services, while 14% use a credit union and 13% turn to a financial advisor or a brokerage firm. Notably, only 7% of consumers turn to integrated financial services firms for help.

7%

OF AMERICANS TURN TO INTEGRATED FINANCIAL SERVICES FIRMS FOR HELP WITH THEIR FINANCIAL NEEDS.

Banking on Banks

QUESTION: How do you refer to the entity that is most important in helping you handle your financial needs? Is it...



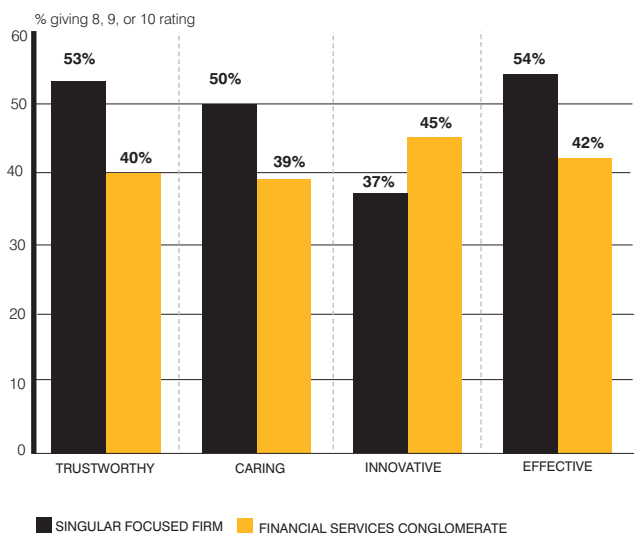
GOING GLOBAL

In our recent study, when Americans were asked about their preference for a company that is domestic versus one that is global, an overwhelming 72% prefer domestic, with just over one in five favoring global financial services firms.

It's not that U.S. consumers dislike geographic expansion *per se*. In fact, they have very favorable perceptions about larger companies which have many branches across the country (63% favor) versus those that are more regional in scope (37% favor). This bodes well for companies planning further expansion on the national level. This point of view is shared among Asian consumers, for whom the size and stability of the financial services firm are very important attributes, more so than among consumers in other parts of the world.

Characterizing Corporations

QUESTION: Following is a list of characteristics. Please rate how much you associate each characteristic with a firm that has a singular focus (whether it is banking, brokerage, or insurance) or one that is more consolidated that has integrated all products and services under its umbrella. Use a scale of 1 to 10, with 1 meaning you do not associate that trait at all with the type of firm, and 10 meaning you strongly associate that trait with that type of firm.



Among those who own long-term investments, a majority of investors plan to participate in some way in the market.

INVESTING CONFIDENTLY

American investors are not shying away from further investing, despite economic uncertainty. Our study found among those who own long-term investments, a majority of investors (61%) plan to participate in some way in the market. A plurality of investors (38%) say they are "fully invested in the market and plan to stick it out," while 23% indicate they are "looking for buying opportunities to put more money into the market." Only a fifth are either staying out of the market until it looks more stable (22%), or are getting out of the market

because they think it will take a long time to recover (3%).

On the other hand, recent research for clients indicates that investors in Europe and Asia, are very nervous about any stock market/equity type investments because of the current financial environment. So even though they believe the stock market will go up, they don't feel they have to rush to take advantage of it in case they "miss the boat."

suspect that the difference in the ratings between banks and brokerage firms may have been more dramatic a few years ago but the gap is closing. Despite the fact that they are still ahead, favorability in brokerage firms may be on the decline. This finding and the others above make it imperative that these firms—including banks—work on their brands, their identity and how they are differentiated from each other.

IT'S A MATTER OF TRUST

While a majority of Americans (63%) say they are very confident in the security of their investments, they do indicate a lack of trust in the institutions that manage their money. Banks get the highest rating on this dimension, with 49% of consumers saying they have "a great deal" or "quite a lot" of confidence in these firms. However just one in five report feeling similarly about personal financial advisors. Similarly, confidence in the NYSE and NASDAQ (31% and 28% respectively) are lower than the rating for banks.

To put these confidence ratings into context, by contrast, 66% of Americans report that they have high confidence in the U.S. Military. It seems the financial sector has some work cut out for itself.

In spite of consumers' relatively high confidence in banks, when asked to rate, by name, a number of prominent banking and brokerage firms in terms of overall favorability, brokerage firms scored higher than banks. The average rating on a 10-point scale for traditional brokerage firms was 5.9, compared to only 5.6 for banks. We

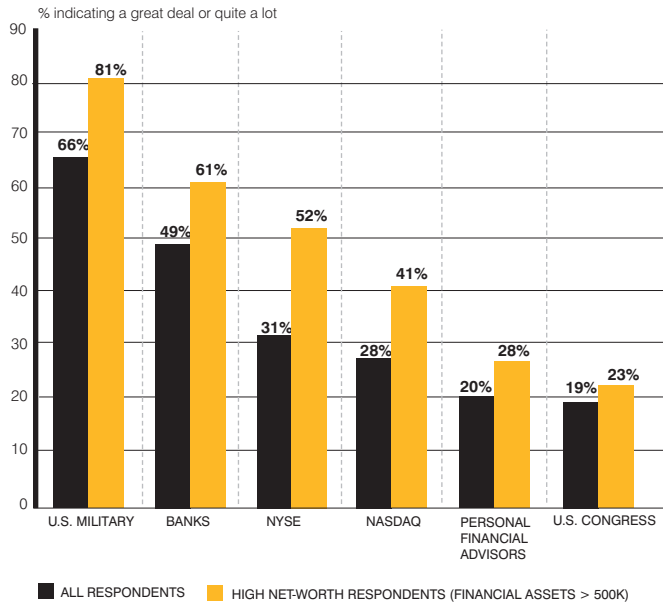
FOCUSING ON HIGH NET-WORTH CONSUMERS

When speaking with clients and others in the financial industry, we've noticed a preoccupation with the very rich. This market commands so much attention nowadays that a new category has been created to target this group of individuals specifically. It's no wonder. Globally, high net-worth individuals (HNWI), defined as those who have investable assets of over \$500,000, comprised 7.2 million individuals in 2000, holding \$27 trillion in assets. This market is expected to grow at 8% annually to reach \$39.7 trillion by 2005. In the U.S., HNWIs already comprise 5% of the national population. In North America, HNWI wealth declined 2.1%, or \$200 billion over 2002. However, the decline in their wealth was substantially less than the 22% drop in the value of the Standard & Poor's 500 index over 2002, indicating that HNWI had strategies in place for wealth preservation

According to our survey, HNWIs have attitudes similar to the general population on some aspects of convergence:

Confidence in Financial Institutions

QUESTION: Below is a list of institutions in American society. Please indicate how much confidence you, yourself, have in each one.



5.9

ON A 10-POINT SCALE, THE AVERAGE RATING FOR TRADITIONAL BROKERAGE FIRMS, COMPARED TO 5.6 FOR BANKS.

- About half prefer financial firms that have a specific focus (i.e. banking, brokerage, or insurance), and the other half prefer a company with a broad offering of financial products and services.
- High net-worth individuals are similar to the rest of the population in that they prefer a domestic financial services firm over one that is global.

But the wealthy do vary from others in some interesting ways. More high net-worth investors are very confident in the security of their investments than average investors (81% compared to 63%). Similarly, those with high investable assets are significantly more likely than the rest of us to be on the lookout for buying opportunities to put more money into the market (42% vs. 22%).

Among high net-worth individuals, 26% view banks as the entity that is most indispensable to them in financial matters, while 22% say a financial advisor or a brokerage firm. Notably, 13% of high net-worth individuals turn to integrated financial service firms most for their financial services needs, nearly twice the average.

Financial firms are certainly targeting this group of individuals, and we see some interesting patterns in the data we have collected. HNWIs, for example, are more likely than those with lower amounts of investable assets to give favorable ratings to firms that are either brokers or traditional investment firms instead of banks.

BUILDING BRAND EQUITY

There are a number of critical components of brand management in the financial services sector as well as other industries. From our consulting work on corporate image and branding across industries, we have determined that there are seven dimensions of leadership that are critical to stakeholders of any organization. These include: *Trustworthy, Caring, Innovative, Effective, Heritage, Popular, Visionary*. In the study we cited in this report, we found the importance of these traits differ by the type of financial services firm (for example, singularly focused firms are more closely linked with trustworthiness, while larger firms are associated with innovation). It's critical to know how important these elements are to your key stakeholders, how well your company performs on each of these traits, and which ones are believable when linked with your brand image.

Another important dimension to managing brand equity is understanding how your brand is perceived by various key stakeholders. Perceptions of brands vary based on the loyalty constituents feel toward the brand, and it's critical that customers who account for significant portions of your revenue/profitability—think of the old 80/20 rule, where 80% of your revenues come from the top 20% of your customers—feel strong loyalty toward your brand.

The best companies/brands have communications that have both rational and emotional components to motivate their audiences. Consider the power of your Perceptual Equity, which we define as "the value to an enterprise of the totality of perceptions associated with that enterprise by key stakeholders." In other words, it is the net of perceptual equities (positives) minus perceptual disequities (negatives). You build measurable value by proactively managing perceptual equity, i.e., by undertaking strategies and tactics that will maximize your equities and minimize your disequities. At WirthlinWorldwide, we make two promises to our clients:

- To identify the strategic imperatives that will enable you to add significant, measurable value to your enterprise, and
- To facilitate and counsel with you on how to translate those strategic imperatives into effective, tactical action plans.

For more information on how you can manage your Perceptual Equity, contact Anne Aldrich, Financial Services Consultancy Leader, at 616.954.0200 or a Wirthlin Senior Research Executive near you.

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SURVEY METHODOLOGY

The study referenced in this report was conducted using Greenfield Online's weekly omnibus study, June 6 - June 9, 2003. This survey was conducted among an Internet representative sample of 1,112 members of Greenfield's 1.2 million-member Internet household panel. The results are weighted by age, gender, region and other factors to reflect the characteristics of the online population in general.

ABOUT THE FINANCIAL SERVICES CONSULTANCY

WirthlinWorldwide's Financial Services Consultancy includes individuals with significant experience in the financial services sector, including client-side experience as well as research and consulting with organizations in all key sectors, including banking, credit cards, brokerages, insurance, and other institutions.

We work with companies at critical stages in the corporate life cycle, such as merge integration, entering new markets, establishing new businesses or building customer relationships. Assignments include corporate image, branding and positioning, customer satisfaction, and communications.

ABOUT WIRTHLINWORLDWIDE

WirthlinWorldwide is one of the world's leading strategic opinion research and consulting firms.

Our approach is based on a value-building framework known as Strategic Equity Management™. Many of the world's top corporations and organizations look to WirthlinWorldwide to identify the strategic imperatives that will build measurable value for their enterprise, and consult with them on how to translate those imperatives into effective tactical action plans.

WirthlinWorldwide is a three-time winner of the prestigious David Ogilvy Research Award from the U.S. Advertising Research Foundation, recognizing "outstanding contributions to the development of creative and successful advertising campaigns."

With a focus on marketing and communications strategy development, our range of services includes branding and positioning, advertising assessment, employee alignment, new product development, customer satisfaction, crisis management, Internet strategy and online research.

WirthlinWORLDWIDE

RESTON, VA
(703) 480-1900

NEW YORK, NY
(212) 370-9096

CHICAGO, IL
(630) 472-9500

GRAND RAPIDS, MI
(616) 954-0200

SALT LAKE CITY, UT
(801) 523-2553

DETROIT, MI
(734) 542-1480

CINCINNATI, OH
(513) 489-9000

DALLAS, TX
(972) 818-5237

MANCHESTER, UK
(44-1663) 765-115

LONDON, UK
(44-207) 421-6110

BRUSSELS, BELGIUM
(32-2) 647-24-21

HONG KONG
(852) 2832-9707

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