

## **Banks and Retailing: Appearances Do Matter**

The 2004 Christmas retailing season ended with somewhat lackluster overall sales. However, within the totals there were plenty of stories of success and failure. This got me thinking about the characteristics that make a great retailer — one that performs year in and year out. In this article, I will identify a few successful retailers and then try to determine some of the keys to their performance. From this, I hope to offer some insights for branch banking — which, after all, is essentially a mass-market retail business.

### Winners and Losers

In any list of great retailers, Wal-Mart has to rank near the top. Even though they apparently stumbled in the weekend after Thanksgiving, they quickly changed their tactics and ended the year with a strong push. Kmart should be so lucky. In fact, the only retailer that has successfully competed with Wal-Mart in the discount category is Target.

Other successful retailers appear in more focused categories. This year's standout, according to news reports, was Neiman Marcus. There could hardly be a more obvious contrast to the Wal-Mart approach. And by all accounts, the most successful retail product this past Christmas season was Apple's iPod. Other Mp3 players (less expensive or with equal or better features) languished on retailers' shelves.

It appears to be a challenge to make much sense out of this performance, but let me try. I believe that brand definition and consistency can explain what is going on.

### Branding

When one thinks of Wal-Mart, there are very clear images that come to mind. First, there is the slogan, "Always low prices." Second, there are the large stores with huge amounts of merchandise. To reinforce the brand, the prices really are low and the stores are clearly no frills. Furthermore, the commercials you see for Wal-Mart are pretty unsophisticated and somewhat clichéd. Their flyers are also relatively cheaply produced. Every piece of evidence that could have an impact on the image one has of Wal-Mart is consistent — they don't spend money on anything extra. In fact, if we were confronted by a highly produced television commercial with a celebrity spokesperson rather than the yellow smiley face, or a glossy advertising insert, we might actually question whether we could still expect low prices.

Target has exploited this image to offer a somewhat different value proposition. The Target logo is ubiquitous on their stores, their shopping bags, and advertising. In addition, although Target also has large stores, they are very different in appearance. The lighting is much better, the aisles are wider, and there are specific products designed for Target that exude style rather than low price. Nevertheless, the prices at Target are still in the discount category. Once again, the brand is consistent with all of the cues consumers would encounter.

Neiman Marcus has promoted itself in yet a different fashion. Low prices are clearly not the message. In fact, the annual Neiman Marcus catalog is famous (or infamous) for putting ridiculously expensive one-of-a-kind items on the cover. These items are not really meant to be sold to the target audience, but rather to promote the store's cachet. This, along with personal service that reinforces the point, projects an image that says, "if you bought it at Neiman Marcus, the gift is exclusive." The stores are on message as well. They are located in high-rent districts

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and are well-appointed. Their salespeople are dressed better and more stylishly than are most of the customers. (Wal-Mart employees wear smocks, Target uses knit shirts).

Apple takes the design concept one step further. The iPod is one of the most successful electronic gadgets in history. It is both immediately recognizable and intuitive to use. Based on initial success with the music player, Apple has extended its brand in two ways. First, it has opened stores (also in upscale locations) to “sell” its products. But there is an important difference. The stores are designed to project a certain image and to encourage hands-on use by customers. Knowledgeable salespeople are there to answer questions and drive the customer to use the products. “Sales” per se are not the only goal. Apple is the only manufacturer of the products it sells. If a customer tests out a product and then goes elsewhere to buy it, the sale is not really lost. The stores, therefore, are more interested in selling a certain image, and they do so with plenty of open space and a single-minded focus on the Apple products. And that brings us to the second part of the equation. The new iMac computer looks suspiciously like an iPod. Design is carrying through the whole product line. Once again, a consistency in building the brand is key.

### What about Banks?

As I review the information on those retailers that have generated success, I am struck by three things.

1. One size does not fit all.
2. Branding requires consistency of message and delivery.
3. Design encompasses multiple points of interaction with the customer.

We can easily contrast how a typical bank approaches interaction with the customer. Let’s look at the branding of a community bank. The key criteria would probably include:

- Local decision-makers
- Involvement in the community
- Personal service

Of course, many other prerequisites are necessary to compete effectively today such as good pricing, a full complement of products, up-to-date technology, etc., but I want to concentrate on branding here. Taking a page from the examples above, we should be asking questions about at least three areas:

1. People
2. Locations
3. Advertising and informational materials

As we look at these areas, we should keep in mind that we need to include all of the potential customer interactions. Do all of the bank’s employees know and understand the brand you are trying to promote? Are they dressed consistently with the value proposition of the bank and with each other? Are they local and involved in the community? Do they deliver personal service? How do you know they do?

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How about your branch locations? First of all, are they located in communities? Some community banks put their branches in suburban locations that have no community center. Do the branches all have a consistent design theme? Does the bank have a color pattern and a quality of furniture and fixtures that is consistent from location to location and with the value proposition you are promoting? If you are promoting personal service, is the first thing a customer sees when entering an office a customer service person or a teller line? Do all of your locations have drive-thrus and ATMs or do customers have to guess which ones do and don't? Are your hours consistent?

That brings us to advertising and promotional material. Do you have a logo, and if so, is it visually appealing? Does it appear consistently on all of your signage, printed materials, website, etc.? This consistency is necessary to grab the attention of the consumer. After all, she is bombarded with visual stimulus from all sides. Is the quality of the advertising and the copy in handout materials consistent with your brand or is it generic "regulatory-ese"?

I would argue that few community banks project an image consistent with the three criteria I have listed above. It may be, of course, that this is not part of your brand, but if it is, it is likely that some of your people, locations, and promotional materials are at variance with the presumed message. This leads customers to conclude, quite rightly, that the typical community bank is really no different from the regional or super-regional bank just down the street. Without a clear differentiation, why would a consumer believe otherwise?

My observations of successful retailers suggest that brand image is critical. The best ones do everything they can to reinforce the brand at all points of customer contact. If your bank has defined a value proposition for retail and a brand to match, it is just as important for you to view all of the possible points of customer contact as opportunities to either support or confuse the message.

This is the follow-on step to the transformation from order-taking to sales and service culture that many banks have pursued over the last decade. I fear far too many have assumed that changing just one aspect of the customer experience is enough to transform the bank into a retailer. It isn't. Playing a me-too game with mixed messages will fail. (The number of bankrupt retailers testifies to this.) Appearances — people, physical locations, promotional materials — do matter. Now is a good time to take an inventory of those appearances and make sure you have designed them to build your brand image.

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