

Developing Brand Name as a Measure to Enhance Competitiveness of Commercial Banks

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The Vietnam's accession to the WTO brings about new opportunities and challenges to local companies, especially banking institutions that have enjoyed protectionist policies so far. With specific commitments, some industries will enjoy more advantages while others face greater challenges, and the banking system is within the latter.

As from April 1, 2007, all foreign-owned banks were allowed to open branches in Vietnam and enjoy the same treatment as local ones. This situation allows local banks to get access to modern banking technologies and services, and at the same time, forces them to face keener competition for shares in the market for banking services. Besides such solutions as increasing the legal capital and modernizing banking facilities, developing firm brand names is one of the most important solutions for enhancement of commercial banks' competitiveness.

1. General aspects of brand name

There are three factors that help us recognize a brand name of a bank. They could be seen as elements that constitute the brand name:

- Like other brand names, bank brand name shows the existence of assets stored somewhere and available for use. This element provides the bank with values when it gains prestige in the market. In the banking system, the value of the bank brand name is based mainly on its prestige and customers' trust. Other sub-factors are sources of poten-



tial customers, competitive advantages or geographic location, etc.

- The second element of the bank brand name is the existence of the "added value of the brand name." This value generates some extra income besides ones coming from other tangible and intangible assets of the bank. This extra income has a direct relation to concepts of brand name because it's impossible to link the bank value with any tangible or intangible assets of the bank. This means that we should quantify the income that the brand name could bring to the bank.

- The last element of the bank brand name includes promising estimates of the business performance of the bank in the future based on financial results gained by the bank. This element reflects itself in expectations by investors in the stock exchange. Prices of stocks issued by banks are much higher than their face values. On the OTC market, the price of stocks from the Eximbank rises by 14.2 times;

Đại Á Bank 7.0 times and Sacombank 14.5 times. This shows that investors highly estimate potential values of banks' brand names and they have formed promising predictions of business performance of commercial banks.

From these elements we can draw the following concept of the bank brand name: the bank brand name is the prestige of the bank in the market, an intangible asset with certain value in the banking system. The bank brand name is not built overnight or transferred simply as other tangible assets; and in any cases a long and strategic view at macroeconomic level is required for estimating the value brought about by the bank brand name. That is why the building of an enduring brand name is an urgent task to commercial banks during the international integration.

2. A strong brand name

A strong brand name usually has the following advantages:

- Creating an effective difference from rivals.

- Satisfying material and spiritual needs of customers.

- Gaining consistency in building the brand name as promised.

Building a brand name is difficult but maintaining it is much more difficult. A strong brand name is an effective instrument for improving the competitiveness for banks during the international integration. Relations between elements constituting a brand name are presented in the following figure:

scholarships to university students, sponsoring TV game shows or taking part in charity activities. Banks have stopped waiting for corporate customers and started selecting and getting access to potential customers. The values of their brand names could be seen in the fact that prices of their stocks are skyrocketing on the OTC market in the past few months.

Commercial banks today are trying to build and protect identi-

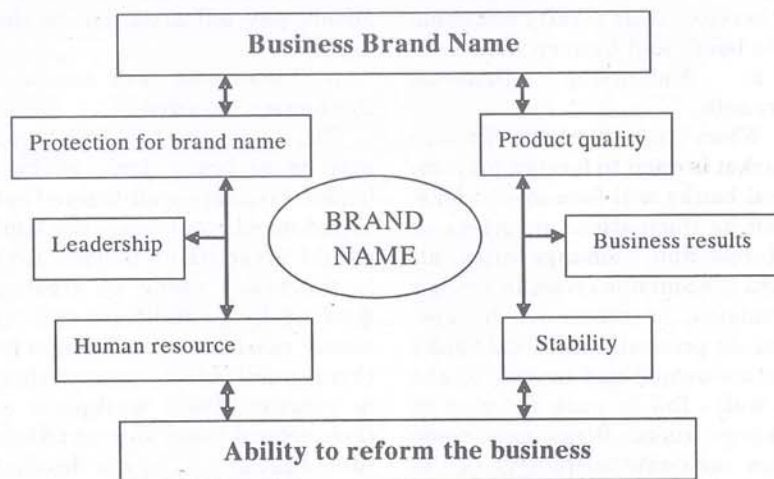
ties of their brand names. The VCB has been chosen as the most excellent bank in payment activities in Vietnam for many years. The ACB is ranked among the top 500 famous brand names in Vietnam. Joint stock banks established lately have built close relations with major players to attract potential customers: EAB cooperating with ACB in issuing credit cards; ANZ cooperating with Sacombank and Phương Nam Joint Stock Bank in offering a wider range of services. Compared with major players with strengths in capital, human resource, technologies and experience, however, local commercial banks still lack strategies to develop enduring brand names and their efforts are usually poorly organized. When their brand names are not enduring enough, some gossips or rumors could cause great harm for their operations. State-owned commercial banks have no plan to cooperate with one another in building their brand names. Besides technical problems, one of great obstacles to their cooperation is their competition. Generally, banks with some advantages in terms of brand names or credit cards are not ready to share their experience, technology or business opportunities with others. Each bank develops its own ATM system, which leads to waste of investment and troubles for customers.

Brand names of most local banks haven't reached the international market yet. The ICB has met with difficulties when registering its brand name of Incombank because it is similar to the brand Inkombank that has been registered by the Russian Aktsionery Bank for years. This fact shows that local banks have never paid attention to protection for their brand names in the world market while this matter is of great importance to survival and development of commercial banks during the international integration.

Campaigns and strategies to develop market shares and brand names of foreign banks in the finance market also cause excitement in 2006. Sacombank, ACB, Techcombank and VPBank have, one by one, found their own foreign partners. This is a wise step taken by foreign banks because it allows them to make the best use of brand names and distribution networks of local banks. In addition, most commercial banks have secured good locations for their head offices and branches, which require much energy, money and time from foreign banks to possess. In the first quarter of 2006, VPBank sold 10% of its capital to OCBC – one

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Figure 1: Relations between elements of a brand name



3. Building of brand names in local commercial banks

TV viewers are very familiar with impressive and attractive ad clips placed by commercial banks. Each bank with its own strategy and goals have chosen suitable slogans to position itself in customers' mind, such as "Customers' business performance is the main goal for BIDV," "We try our best to bring success to customers" by VCB, "For the success of every customer, every family and every company" by ICB, and "Bringing prosperity to customers" by Agribank. Short and memorable slogans of joint stock and foreign banks usually reflect their sensibility and activeness. PR activities are promoted more actively when banks engage in many events, such as offering

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of three most valuable brand names in Singapore; ANZ Bank from Australia spent US\$27 million buying 10% of stocks of Sacombank while other 20% were bought by IFC from the World Bank and Dragon Financial Holdings from England; Standard Chartered Bank from England bought 8.56% of ACB stake at a price of US\$22 million while the rest 21% of stake allowed for foreign partners by law were bought by Connaught Investor and IFC from the World Bank; and the HSBC spent US\$17.3 million buying 10% of equity capital of the Techcombank. Cooperating with a local bank with some good brand name is the shortest way to business success for brand names of both parties. However, international financial groups are not choosing state-owned commercial banks as their partners but paying much attention to joint stock commercial banks because they think they can make the best use of existing bases, such as human resource and corporate culture to make profit soon.

4. Measures to build enduring brand names for local commercial banks

The keener and keener competition requires from the banks not only right concepts and awareness of the brand name but also well-devised strategies to build their own brand names.

a. Maintaining loyalty to the brand name: there are many ways of maintaining customers' loyalty to the brand name:

- Caring and reminding customers of the brand name consistently in every stage of its development.

- Each employee must be an ambassador of the brand name.

- All products and services of the bank, from packets, bags, letters, to quality, advertisements

or sale- promotion programs must be consistent with a view to supporting the development of the brand name.

When supplying services to customers, the bank can make them satisfied, it succeeds in making one of the biggest differences in the market. Customers are always interested in two important aspects of the service: trustworthiness and commitment. When customers start thinking of the brand name with their affection instead of with physical features of the product or service, their loyalty has come into being and become firm.

b. Enhancing financial strength:

When the domestic finance market is open to foreign players, local banks will face many risks, such as fluctuations in prices or interest and exchange rates; effects of economic crises in foreign countries, or errors in the system. At present, most local banks – state-owned and private banks as well – fail to work out plan to manage risks. Risks may come from corporate customers of the bank when they suffer losses. That is why local banks should build mechanisms for controlling risks as soon as possible.

When the crisis takes place, the small-size banks become the most vulnerable, and most local banks are of small size, so they had better carry out radical reforms to improve their financial strength and performance; mobilize local sources of finance; cooperate with other banks to enhance the competitiveness; and select strategic partners in order to attract more capital and get access to new technologies and service networks of these partners.

c. Diversifying bank services and products:

Most local banks only concentrate in traditional services (bank deposit and lending) and

quality of these services is not high enough. Facing foreign competition, they may lose their advantages in supplying retail services based on existing distributing networks and customer base.

To deal with this problem, commercial banks should diversify their services and improve their quality. More services must be introduced to potential customers through well-devised programs and campaigns. Success of banking services depends a lot on trustworthiness and the banks should pay full attention to this aspect.

d. Developing and retaining the human resource:

The presence of foreign banks may cause brain drain in local banks. To retain well-trained and experienced employees, the bank should make its employees loyal to the brand name by creating good working conditions and ensuring reasonable treatments for them in order to encourage them to consider their workplace as their second home and contribute their best efforts to the development of the bank.

e. Building the brand name based on the market development strategy:

Local banks had better make the best use of their existing advantages to find firm footholds in target segments. For example, the Agribank could expand its customer base in rural areas; VCB develops its share in the market for credit cards and international transactions; and ICB pays more attention to small and medium enterprises.

Development of the brand name requires time and energy. Advertisement campaigns could help banks to get access to traditional customers. It's trustworthiness that helps develop good public images in the mind of the public and create their loyalty to the brand name of the bank. ■