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GLOBAL RECESSION & GLOBAL FINANCIAL INSTITUTIONS: EVIDENCE FROM TOP 100 GLOBAL BRANDS (2001 – 2015)

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Abstract:
This paper aims to present the brand equity trends among top banks and financial brands during 2001-15. The research uses the data published by world's leading brand consultancy Interbrand. During 2001-2015, a total of 19 financial brands from seven countries appeared in the top 100 global brands list. Analyses were made on the basis of cumulative brand equity, average brand equity and growth patterns. Some major trends presented in this paper are; (a) global economic recession (2008-2009) affected the financial brands more than other sectors; (b) different clusters of financial institutions moved differently during recession and afterwards (c) dominance of American financial brands remained the key observation.

JEL: D02, E02, G21, F01

Keywords: brand equity, financial institutions, global recession

1. Introduction

The concept of brand equity has been emerged in marketing and management since 1990. The term brand equity refers the value that the brand name brings to the producers, retailers and consumers of the brand. In marketing brand equity referred to as the intangible brand properties. Brand equity arose from customer brand name awareness, brand loyalty, perceived brand quality, favorable brand symbolisms and

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associations that provide a platform for a competitive advantage and future earning streams (Aaker, 19991). Further it important consideration that brand equity requires extension in the context of marketing because of the differences between goods and services (Zenithal et al, 1985).

The growth of service sector is heavily dependent on the opinion of the customers about brand and image of the organization, especially in the perspective of growing competition. Of course, there's no substitute for a strong brand reputation. It takes time to build, and it's hard to regain if it falters. That sentiment has special relevance for banks and financial sector industry, as many customers around the world are feeling frustrated by their recent experiences. Whether because of hidden costs, hard-to-understand contract terms, a lack of customer service or awareness of instances of corruption around the industry, their confidence in their financial sector has been shaken. And as choice increases, customer perceptions about individual brands are becoming increasingly important for long-term success. There's been no shortage of signals for the banks to heed since the crash of 2007-8. There is a long debate on the causes of crises and its effects. But from whichever angle we may discuss it; one fact is at the center of it. The financial sector was at the epicenter of the crises. Many of the institution lost their existence and a huge chunk undergo reputation damage.

The objective of the study is to examine the brand equity trends among top banks and financial brands during 2001-15. In this study, we use the data published by world's leading brand consultancy Interbrand. For the period 2001 to 2015, a total of 19 financial brands from seven countries appeared in the top 100 global brands list. We further analyze on the basis of cumulative brand equity, average brand equity and growth patterns. Some of the major conclusions drawn from the study are; that global economic recession (2008-2009) affected the financial brands more than other sectors. The he growth rate of brand equity for financial institutions went as low as -21% during the 2008 crises period. Moreover, we observed dominance of American financial brands in the list of top brands.

The rest of the paper is organized as follows; section 2 presents some insight into literature for brand equity with special reference to financial institutions. Section 3 describes the methodology and analysis of the study whereas key findings are given in section 4 of the study.

2. Literature Review

Brand equity measurement has been identified as one of the significant topic for future research in brand management (Keller & Lehman, 2006). Much has been written about brand equity measurement but most of literature on this issue is still evolving and it might evolve further (Berthon, Capon, Hulbert, Murgolo-Poore, Pitt, & Keating, 2001). There are number of perspectives available in literature discussing the concept of brand equity.

One of the most commonly used perspectives of brand equity is the "customer-based perspective" which is also known as "perception perspective". This model takes a cognitive psychological approach in defining brand equity. It asserts that brand equity is created through consumer perceptions and that the customer's willingness to pay higher prices for brands with a favorable image. Further, it says that brand equity is an added value to the product and is an outcome of how customers respond when a brand is being marketed (Keller, 1993). The major criticism of this model is that it does not offer a financial value for brand equity and it is non-financial. Another perspective is "premium perspective" which suggests that brand equity is reflected in the price or the revenue of the product. This model recognizes brand loyalty, name awareness, perceived quality and associations as significant items that affect the brand value of a product (Aaker, 1991). Under this model, it is assumed that the changes in the consumer behavior are reflected in the price differences and total revenue between the selected and the benchmarked goods/services (Anderson, 2011). However, according to critics determining price and revenue can be problematic under this model. Financial market value of a firm is also deemed as a possible determinant in valuing brand equity. This perspective estimates the value of a brand based on the assets of the company (Sullivan, 1993). However, in this perspective computing the value of individual product-level is problematic and it excludes certain macro-economic influences. The "Perpetuity perspective" is another model, which takes the form of a financial approach in determining the value of brand equity (Anderson, 2011). In this model, a financial value is assigned to brand equity, considering the total revenue that a business could generate, in response to marketing of its brand to its customers, with the capital available in the business.

The business world in recent times is very competitive and this is especially true for financial services. The creation of solid core brand benefits is no longer sufficient to carve a competitive advantage in the face of intense competition and increasing deregulation (Debling, 1998). The studies like Akram et al (2014) examine the impact of financial performance on brand equity of Japanese financial institutions using the perpetuity perspective. For this research, authors selected a sample of large (internationally operated) and local Japanese banks for a period of 2005 to 2011. Using the panel data regression the authors found that that financial performance affects brand equity, both positively and negatively. Furthermore, both Japanese mega and local banks behave homogeneously.

Marinova and Marinov (2008) conducted a qualitative research focusing on the brand equity of Chinese banking sector. The main aim of the study was to investigate and develop insights into the management and consumer relevance of branding and relationship issues within retail financial services in China. The study concluded that in Chinese retail banking, both managers and consumers in the study sample consider branding to be most important in their decisions. However, a lack of brand differentiation is observed in the banking sector in china. Furthermore, it was presumed that in the selected industry customer relationships can influence brand equity. Other similar type of study is conducted by Farhana and Islam (2012) for Bangladeshi banks where they evaluated the brand equity of banking services. They concluded that the when customers get emotionally attached to a brand (brand feeling), they go on to create strong association with the brand. The quality of the services of a brand, its credibility, and its presence in the choice set of customers (together what is called Brand Judgment) also lead to customers' strong association with a brand.

There is also a moderate level of researches available discussing the relationship of financial performance of the firm and customer level assets, like customer equity and brand equity etc. (Fornell et al 2006). More precisely, the brand equity of a firm is considered to have a more meaningful impact on the performance of a share in the stock market. Studies like Barth et al (1998) used the data for more than thousand global brand value estimates and concluded that these brand values have positive impact on the stock price and return in the stock market. Madden, et al (2006) compared a portfolio of 111 firms' brands from the Interbrand list of most valuable brands between 1994 and 2001 to a benchmark market portfolio and observed higher returns and lower risk for the Interbrand set of brands selected in the sample. Similarly Rego et al (2009) used the data set from another important brand index EquiTrend. They used the data for 252 firms for the period 2000 to 2006. The results indicate that firm with high brand equity reduce the volatility and risk related to the stock in the stock market.

As our study is related to performance of top brand equities in the period of crises, so it is worth mentioning here another similar study conducted by Johansson and Dimofte (2010). The study selected 58 top global brands to examine during 2008 crises. The results were contrary to what earlier studies suggested. On average, the top global brands performed worse than the market. The 29 global brands with highest equity performed slightly better than the 29 with lower equity. Controlling for fundamental financial factors and industry effects shows that global brands have no advantage over other brands in a down market.

3. Methodology

The data has been taken from the top 100 global brands list published by Interbrand from 2001 to 2015. During the period under consideration, a total of 19 Banks and Financial brands from seven countries (Table 2) appeared in the top 100 global brands list.

Interbrand's Brand Valuation methodology has been considered as the most prominent method for brand equity measurement. Their estimates are based on the basis of projected branded earnings / profits discounted to a present value amount (Perrier, 1997). Based on their valuation they have generated the annual ranking of the world's top brands in conjunction with Business Week (Chu & Keh, 2006). This annual brand equity ranking is well accepted by both academicians and corporate users and emerged as a reliable benchmark for brand equity measurements (Ward, & Perrier, 1998). Top 100 global brands ranking list by Interbrand requires four major criteria to be met; (a) the brand has to be solely global with at least one-third of earnings comes from outside of its parent country; (b) the brand must be a market-facing brand and must not have a purely monophonic condition with no wider awareness; (c) the parent firm of the brand must be a publicly held and there must be substantial publicly available financial data; (d) the Economic Value Added (EVA) must be positive and overall brand value must be greater than US $ 1 billion (Interbrand, 2011).

The 2008 financial downturn provides a natural setting for testing the performance of these financial institutions and its effect on their brand equity. The current research investigates what occurred to the brand equity of financial institutions of stronger stature in this critical period.

4. Analyses and Findings

Analyses were made on the basis of Cumulative Brand Equity (CBE), number of brands, Average Brand Equity (ABE) and Growth Patterns in Cumulative Brand Equity (Siddiqui, 2011; Siddiqui & Sibghatullah, 2014). Cumulative Brand Equity (CBE) represents summation of brand equities for all financial brands while ABE represents CBE divided by number of financial brands. Interbrand's 15-year longitudinal data provides enormous opportunities for researchers to analyze short and long trends in it. Major trends of financial sector institutions among top 100 global brands are discussed in next section.

Table 1 represents region-wise summary of financial institutions included in Top 100 Global brand list for period 2001 to 2015. During this period, 20 brands for financial institutions were successful in making their place among top 100 brands during the sample period. The major chunks of these financial institutions (10) were US brands. The rest of the ten brands belong to different European countries. Country-wise and years-wise summary of number of financial institutions included in Top 100 global brands is given in table 2. It is quite evident that US financial brands kept their top position during the sample periods i.e. these brands appeared consistently. Whereas, all the other available brands, although comparatively low in number, on this timeline belongs to other European region. If we observe

If we observe the cumulative brand equity of all sector brands included in top 100 global brand list there is a general upward trend in it. Although, a dip may be observed during 2008 but overall top 100 brands recovered and continued with an upward trend. However the effect of 2008 crises was quite intense on the cumulative brand equity of financial institutions included in Top 100 Global Brand List (see table 5). Although majority of the industries were affected by the global financial crisis, but the banking and financial sector was among the worst hit and is still nursing the wounds nearly eight years on.

The financial crisis that began in 2008 decimated the financial or particularly banking sector. A number of banks went under crises, others had to be bailed out by governments and still others were forced into mergers with stronger partners. The common stocks of banks got crushed, their preferred stocks were also crumpled, dividends were slashed and lots of investors lost part or all of their money.

The stock markets in general were on downturn. Especially in the four-month period from early September through the end of December the financial sector trembled. With a 38.5% loss, 2008 was the worst year for the Standard & Poor's 500 since 1937 and the worst since 1931 for the Dow Jones Industrials, which dropped 33.8%. The vast majority of stocks (almost 9 out of 10 of those in the S&P 1500 and more than 90% of those in the S&P 500) lost value during the year. On average, these losing stocks dropped more than 40% of their value and almost $7 trillion in market value was wiped out. Big brands like Lehman Brothers failed whereas, other big names like Merrill Lynch, AIG, Freddie Mac, Fannie Mae, HBOS, Royal Bank of Scotland, Bradford & Bingley, Fortis, Hypo and Alliance & Leicester all came within a whisker of doing so and had to be rescued. In a nutshell, the brand equity of financial sector suffers the most. For reference (see table 5) the cumulative brand equity of the financial institutions included in top 100 global brand list witnessed a sharp decline which could not recovered even after years.

The analysis of year wise trend in growth rate of brand equity provides even better picture of what happened with brand equity of banks and financial institutions (table 6). Generally, the growth rate of Brand equity for financial institutions stays on positive note before and after 2008 crises. However, in year 2008 and 2009 the growth rate of brand equity for financial institutions went as low as -21%. It indicates the extent of reputation and performance loss was much higher for financial institution compared to all top brands in the list. These brand equity growth sufferings were unmatched in these years. Although the growth rate for brand equity of all top 100 brands (including financial sector) also dropped to -3.5% in year 2009 but the damage to brand equity of financial equities was very significant. Furthermore, the year-wise trends in average brand equity of financial institutions remained low compared to all brands. The trend in the all brands absorbed the shock of 2008 crises and start showing improvement in post crises period. However, post crises declining trend can be witnessed in case of financial institutions in brand equity.

We further divided the financial institutions included in top 100 global brand lists in four clusters based on their consistency to stay in the list. First cluster consists of those financial brands which appeared in global brand list in 2015 and were consistent for last more than 10 years. These are mostly US brands including, American Express, Citi, Goldman Sachs, JP Morgan and Morgan Stanley etc. Only one UK based European brand HSBC was able to stay consistent. In second cluster those who appeared in the list for less than 10 years are both US and European brands including, AXA from France, Allianz from Germany, Santander from Spain against MasterCard, PayPal and Visa from USA. European brands like Credit Suisse, UBS, Zurich and Barclays disappeared from Global Brand List in 2011/12. Whereas certain brands like ING from Netherland and AIG & Merill from US could not absorb the shock of financial crises and disappear from Global Brand List in 2008.

6. Conclusion

Brand Equity ranking is an important element in judging the performance and customer preference of an organization. This statement is true for service sector and particularly important for financial brands due to high competition. Most financial brands enjoy name awareness, customer satisfaction and high turnover due to brand image. Consequently, the first step to achieve competitive advantages and customer preference will be building a sound corporate image in the stakeholders' mind (Johnson and Wilson, 1993; de Chernatony and Cottam, 2006).

At the same time, any change in the overall business climate in the country or problem in any major sector of the economy affects the financial sector and its strength directly, so this brand image is at stake due to spillover effects. This study highlights this variance in the brand equity of financial institutions during 2001-15 in general and 2008 crises in particular. In this study, we analyze the brand equity trends among top banks and financial brands for the period 2001 to 2015. We base our analysis on the data published by world's leading brand consultancy Interbrand. Our main findings indicate that during 2001-2015, a total of 19 financial brands from seven countries appeared in the top 100 global brands list. We further analyzed these brands on the basis of cumulative brand equity, average brand equity and growth patterns. We concluded that global economic recession (2008-2009) affected the financial brands more than other sectors. Furthermore different clusters of financial institutions moved differently during recession and afterwards. Finally, we observed dominance of American financial brands in the list of top brands.

Table 1: Region-wise Summary of
Financial Institutions included in Top 100 Global Brand List (2001-15)

American Brands		European Brands	
Financial Institutions	**Country**	**Financial Institutions**	**Country**
AIG	USA	AXA	France
American Express	USA	Allianz	Germany
Citi	USA	ING	Netherland
Goldman Sache	USA	Santander	Spain
JPMorgan	USA	Credit Suisse	Switzerland
MasterCard	USA	UBS	Switzerland
Merrill	USA	Zurich	Switzerland
Morgan Stanley	USA	Barclays	UK
PayPal	USA	HSBC	UK
Visa	USA		

Table 2: Country-wise/Years-wise summary of number of
Financial Institutions included in +Top 100 Global Brand List (2001-15)

Country	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15
US	4	6	6	6	6	6	7	8	6	6	6	7	7	7	8
UK			1	1	1	1	1	1	1	2	2	1	1	1	1
Germany							1	1	1	1	1	1	1	1	1
France							1	1	1	1	1	1	1	1	1
Spain										1	1	1	1	1	1
Switzerland				1	1	1	1	1	1	3	3	1			
Netherland				1	1	1	1	1							
Total	**4**	**6**	**7**	**9**	**9**	**9**	**12**	**13**	**10**	**14**	**14**	**12**	**11**	**11**	**12**

Table 3: Four clusters of Financial Institutions included in Top 100 Global Brand List (2001-15)

Cluster	Description	Brands	Country
1	Those appear in Global Brand List in 2015 and consistent for last more than 10 years	American Express	US
		Citi	US
		Goldman Sache	US
		JPMorgan	US
		Morgan Stanley	US
		HSBC	UK
2	Those appear in Global Brand List in 2015 and included in the list for less than 10 years.	AXA	France
		Allianz	Germany
		Santander	Spain
		MasterCard	US
		PayPal	US
		Visa	US
3	Those disappear from Global Brand List in 2011/12	Credit Suisse	Switzerland
		UBS	Switzerland
		Zurich	Switzerland
		Barclays	UK
4	Those disappear from Global Brand List in 2008	ING	Netherland
		AIG	US
		Merrill	US

Table 4: Year-wise Trend in Cumulative Brand Equity of all sectors included in Top 100 Global Brand List (2001-15)

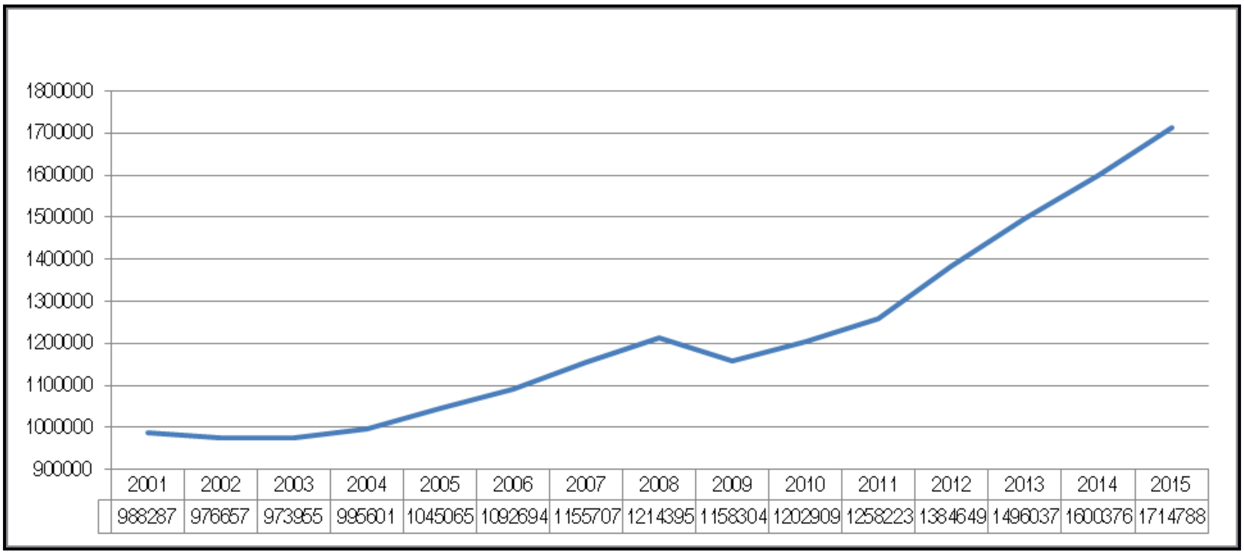
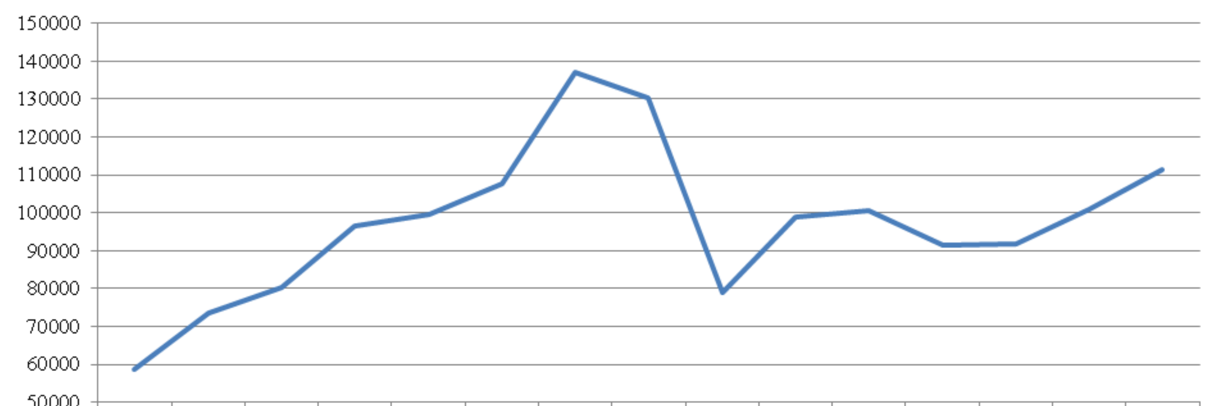
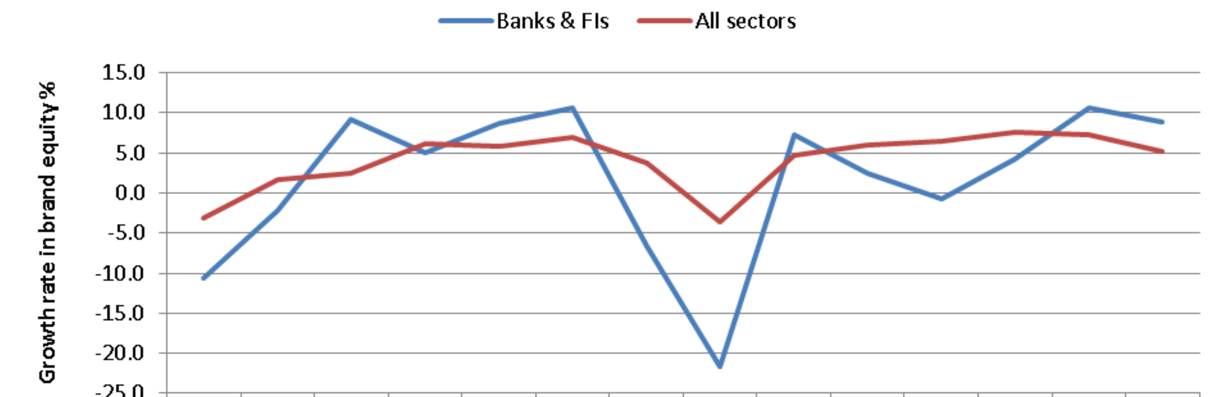


Table 5: Year-wise Trend in Cumulative Brand Equity of
Financial Institutions included in Top 100 Global Brand List (2001-15)



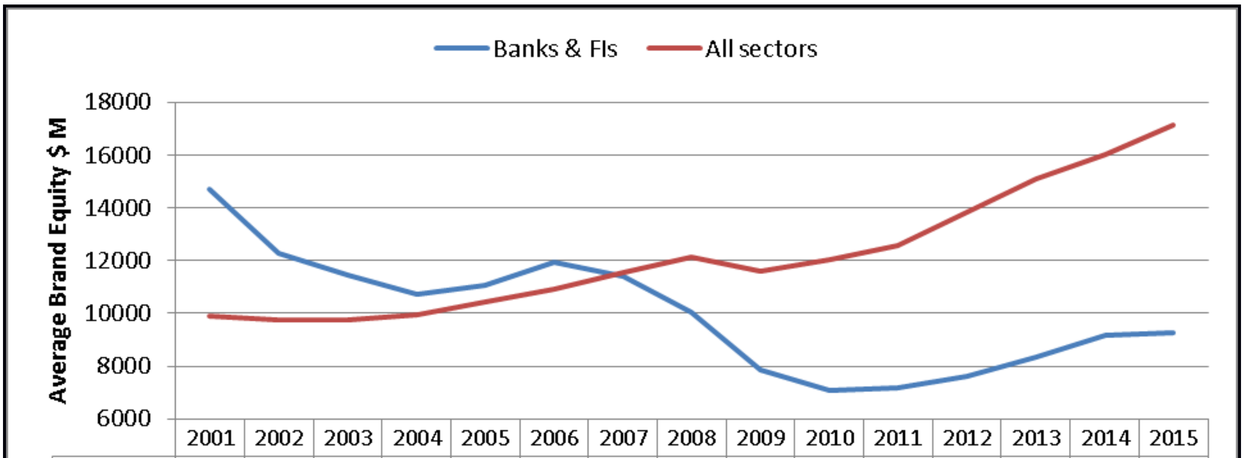
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
58801	73675	80340	96448	99442	107537	137103	130358	78828	98967	100668	91347	91655	100897	111241

Table 6: Year-wise trend in growth rate in brand equity of
Financial Institutions versus all sectors included in Top 100 Global Brand List (2001-15)



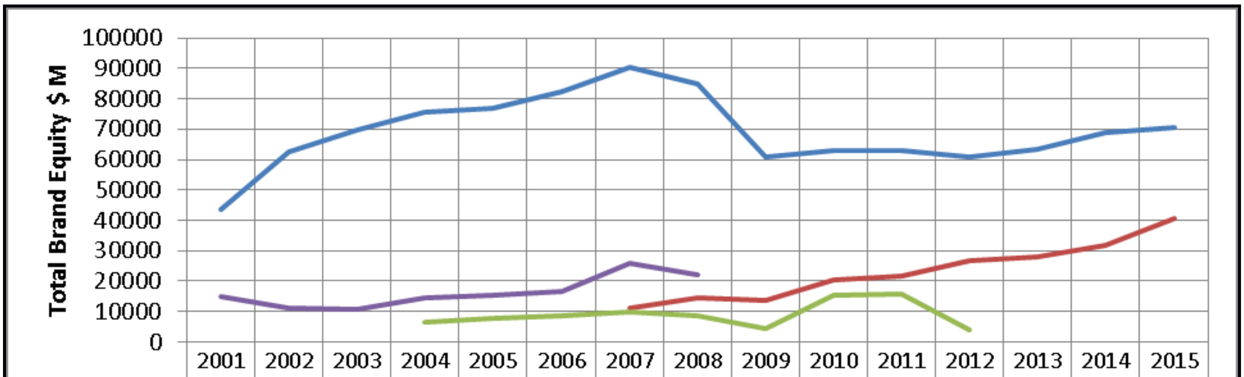
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Banks & FIs	-10.6	-2.1	9.2	5.0	8.8	10.6	-6.7	-21.6	7.2	2.4	-0.7	4.2	10.7	8.9
All sectors	-3.0	1.7	2.4	6.1	5.8	6.9	3.8	-3.6	4.7	6.0	6.5	7.6	7.3	5.1

Table 7: Year-wise trends in average brand equity of
Financial Institutions versus all sectors included in Top 100 Global Brand List (2001-15)



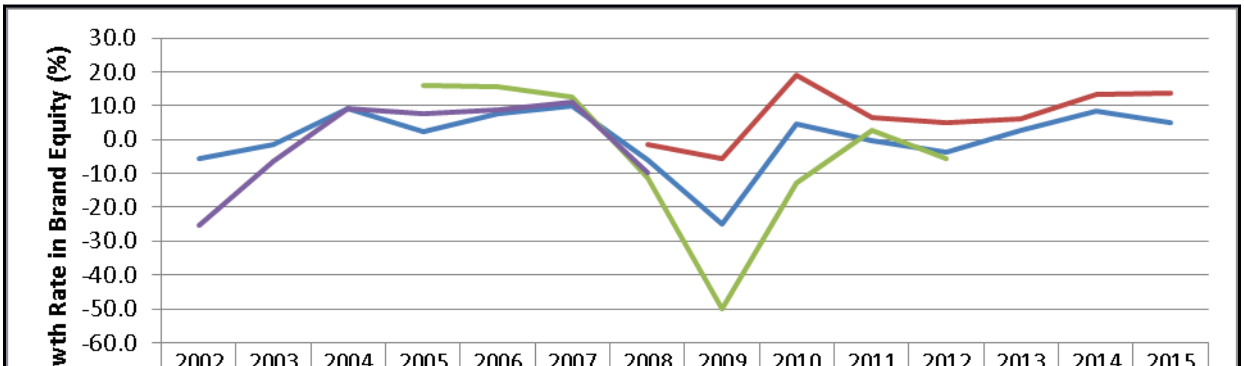
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Banks & FIs	14700	12279	11477	10716	11049	11949	11425	10028	7883	7069	7191	7612	8332	9172	9270
All sectors	9883	9767	9740	9956	10451	10927	11557	12144	11583	12029	12582	13846	15111	16004	17148

Table 8: Year-wise Cluster-wise trends in Total Brand Equity of
Financial Institutions included in Top 100 Global Brand List (2001-15)



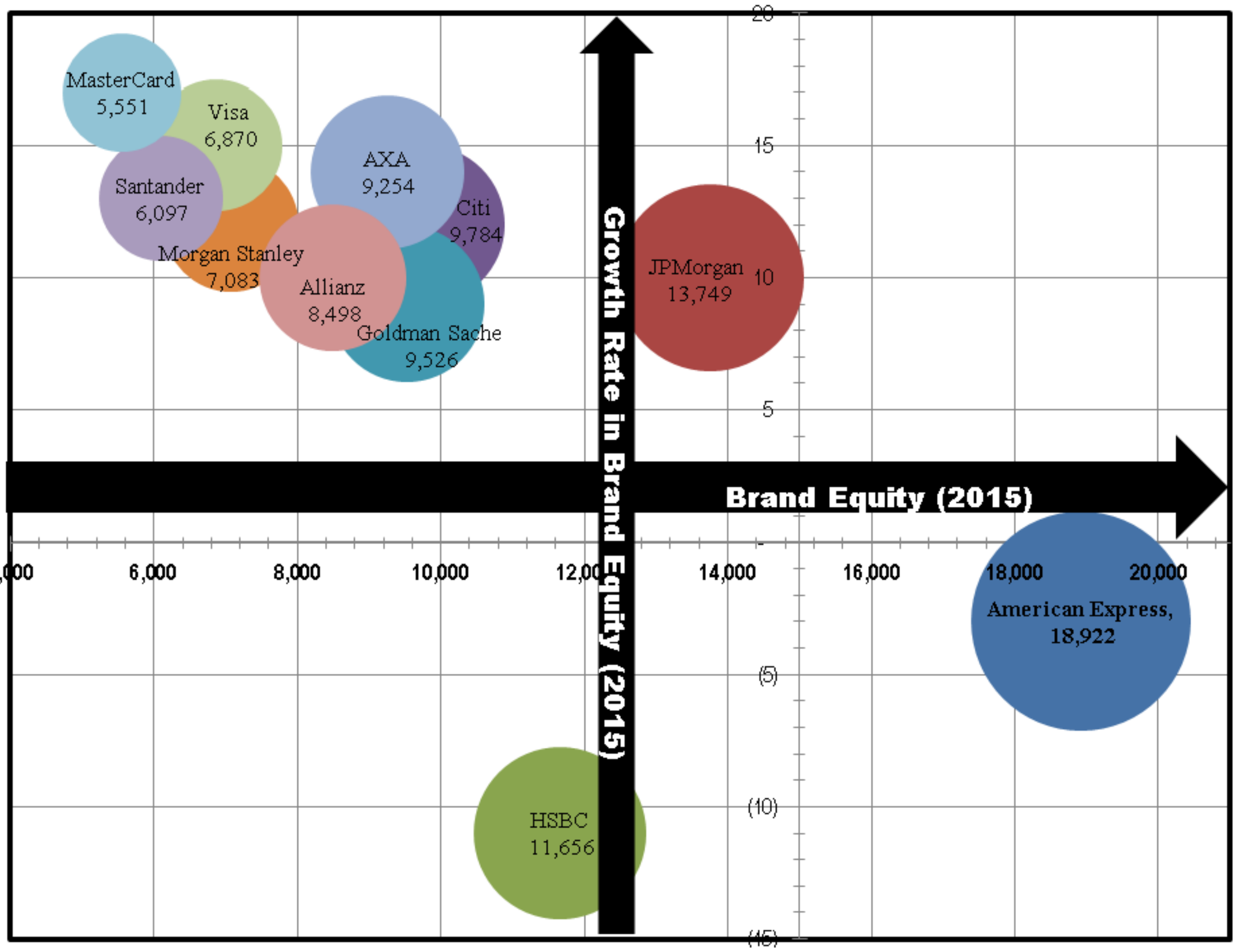
Clusterss	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	43786	62445	69819	75559	76682	82328	90268	85057	60932	62989	63146	60938	63518	68937	70720
2							11284	14372	13526	20442	21605	26543	28137	31960	40521
3				6526	7565	8734	9838	8740	4370	15536	15917	3866			
4	15015	11230	10521	14363	15195	16475	25713	22189							

Table 9: Year-wise Cluster-wise trends in growth in brand equity of Financial Institutions included in Top 100 Global Brand List (2001-15)



Clusters	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	-5.7	-1.3	9.2	2.3	7.7	10.1	-6.1	-24.9	4.7	-0.4	-3.9	2.7	8.3	4.8
2							-1.3	-5.6	18.9	6.5	5.2	6.0	13.5	13.8
3				15.9	15.5	12.6	-11.2	-50.0	-12.8	2.6	-5.5			
4	-25.2	-6.3	9.3	7.7	8.8	11.0	-9.9							

Table 10: Brand Equity and growth rate in brand equity of Financial Institutions included in Top 100 Global Brand List (2015)



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