

By Joseph Gelman

The global financial services crisis raises issues for CMOs who now find themselves with new brands in their portfolios. Short term, commercial banks that acquire independent banks need to decide whether to maintain brands like Merrill Lynch or Lehman Brothers, or to migrate their business towards the parent's existing brand. Longer term, once the dust has settled, they must define how to use the new brands in their portfolio to strengthen their client relationships and ultimately attract new customers.

Within the private banking sector, businesses focused on a B2B environment (investment banking, sales and trading, etc.) might be good candidates to be migrated toward the brand of their acquirer. Clients of this type of business—mainly companies and corporations—are highly rational in their decision-making processes. Furthermore, investment banks' services can also be credibly offered by the commercial bank's brand, and there are obvious synergies to be gained by integrating their separate business lines.

However, there's no clear solution in private banking itself (wealth management, private client services, etc.). Can a "main street" commercial bank brand, such as Bank of America, attract a wealthy client whose assets have so far been managed by Merrill Lynch in a very exclusive manner? Different models exist. Citi, for example, has endorsed and maintained the private banking brand Smith Barney since its acquisition in 1998. Yet the Paine Webber brand, acquired in 2000 by UBS, has completely disappeared, its clients integrated within the Swiss bank's master brand model.

The matter is complicated by today's environment, where the majority of financial industry brands have lost the trust and confidence of their customers. Thus, private banking brands need the endorsement of the commercial banking brands, but given the difficulties commercial banks have faced, the endorsement or integration might not be a sufficient guarantee for the worried client. Situations like Morgan Stanley's acquisition by Wachovia, which itself was then put on the block to avoid bankruptcy, negate the "magnitude = solidity/stability = trust" equation that

traditionally was the brand essence of many financial institutions.

The brand strategies adopted in these situations must be analyzed on a case-by-case basis, using some key considerations as guides:

Client needs: The acquiring bank must understand the differences between the needs of the acquired brand's client base and its own, on both a functional and an emotional level. Generally speaking, the more similar they are, the easier it will be to migrate them. But if client profiles—and especially their needs—show major differences, the commercial bank should consider maintaining both brands, with different models for customer service, communication efforts, business management, etc.

Strength of the acquired brand: The acquiring bank must understand perceptions of the acquired brand among current clients and prospects, especially in light of the current environment of mistrust and anxiety. It's also important to consider if some of the negative attributes now associated with the independent banking brands may disappear, resulting in a return to more positive, pre-crisis images. As a general rule, those brands that have been relevant and differential for the client and have not suffered extensive damage during the times of crisis should be maintained as separate brands.

Other realities of the acquiring commercial bank: The acquiring entity's current brand architecture, its brand strength, the relevance of its own private banking business, etc., all represent other important factors guiding the brand strategy. For example, if the acquiring commercial bank has a strong brand under the single brand model (where it also integrated the clients of its own private banking business), it is quite probable that the acquired private banking brand and its clients will be migrated into its existing brand.

The big question is around the best-known Wall Street brands. The majority of wealthy clients expect special and exclusive treatment and attention; the richest people on earth don't typically carry a Bank of America credit card. However, some of the major financial institutions

have captured a number of high net worth clients through extensions of their commercial brands. Especially in the short term, the well-known commercial banking brands can be a quality seal delivering clients the peace of mind over the security of their assets. And pragmatically, the damage to some of the acquired brands during the crisis might be irreversible.

Looking at some of Wall Street's big brands of the independent banking sector within this context, here's what might be predicted for their future:

Lehman Brothers: It is quite debatable which of the banks that have acquired parts of this firm's assets can actually use the brand, from a legal point of view. Even if this legal discussion is solved, it is quite probable that the brand will disappear due to the damage caused by the scandal of its bankruptcy.

Goldman Sachs: In case Goldman Sachs is acquired by, or merges with, a commercial bank, its strong brand might be a very valuable asset. Even more, if Goldman Sachs can emerge healthy from the current crisis, it's likely that any acquirer would make Goldman Sachs its main brand (similar to what happened when Chase acquired JP Morgan).

Morgan Stanley: Similar to Goldman Sachs, it is probable that the brand would survive as the private banking brand of the acquiring commercial bank—unless the acquisition was related to a major scandal or turmoil.

Merrill Lynch: Of the four brands operating in the independent private banking segment, Merrill Lynch is perhaps the least "exclusive" in terms of client base (which seems to include a broader range as far as assets per customer are concerned). Therefore, it would be quite reasonable for at least some of its clients to be integrated in the private banking unit of Bank of America.

The world economic landscape is increasingly rocky today, and financial services players occupy the most precarious position in traversing it. Actions undertaken to protect brand equities of all the players—whether acquirers or acquired—must be carefully considered against a backdrop of customers, comparative health issues, and strategic compatibilities. Measured decisions that factor in short- and long-term implications won't ensure that concerns emerge from the turmoil unscathed, but may help blunt the damage.

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