



Internet banking brand strategies amongst German commercial banks since the 1990s

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To be presented at the 15th Conference “New Challenges in Economic and Business Development 2023” on 12 May 2023 at University of Latvia in Riga.



- Germany's banking system can be described as a three-pillar system, consisting of commercial banks, savings banks (*Sparkassen*) and cooperative banks (*Volksbanken, Raiffeisenbanken, Sparda-Bank*).
- We limit our investigation to commercial banks in Germany which hold 41% of total banking system assets.
- German commercial banks are licensed as universal banks conducting all or most types of banking transactions.
- In the 1990s, young generation (Xers) rebelled not only against
 - constraints of fixed opening hours, but also against
 - stodgy image of traditional brands.
- On one side, banks were able to meet this demand due to their enormous efforts in digitalisation of banking.
- On the other side, the image problem had not yet been solved.



- In many cases, commercial banks decided to establish their internet banking activities in specially created “direct bank” subsidiaries.
- These direct banks allowed to market internet banking with its own distinct branding and image.
- For the owner of the direct bank, the central management challenge was to choose and define a suitable brand strategy.
- We aim to examine the internet banking brand strategies of German commercial banks since the 1990s.
- Building upon the relevant literature, we develop a set of propositions to address the following three questions:



- Q1: What brand strategies were employed at the birth of internet banking roughly 30 years ago?
- Q2: In the years since then, have merger and acquisition transactions involving internet or “direct” banking businesses only come to fruition where the direct bank was previously under a specific brand strategy (umbrella, combined, multiple-brand strategy)?
- Q3: Where there have been changes in internet banking brand strategy, have these invariably been in the ultimate direction of one particular brand strategy (umbrella, combined, multiple-brand strategy)?



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- Brands can be viewed from various perspectives.
- From a legal point of view, a brand may be protected as a trademark, if it is capable of distinguishing goods and services of one company from those of other companies.
- This includes words, personal names, images, letters, numbers, sounds, colours, colour combinations, shapes of goods or of their packaging.
- Brand strategies are long-term plans to establish and develop brands to create a competitive advantage.
- The most fundamental choice to be made is whether to present the full range of bank's offerings under one and the same brand
 - ↳ **umbrella brand strategy** or...
- ...whether to divide the bank's offerings under multiple and different brands
 - ↳ **multiple-brand strategy**.



- If an umbrella or multiple-brand strategy is not consistently pursued, but rather a combination of elements of both strategies, then we face a ↪ ***combined brand strategy***.
- There are numerous advantages and disadvantages of branding strategies.
- Since in the abstract, umbrella brand and multiple-brand strategies are exact opposites, the advantages of one strategy are at the same time the disadvantages of the other.



Advantages	Disadvantages
High and ongoing costs of maintaining and growing of brand are spread over bank's full range of business.	"Badwill" and costs of technical problems or business failure are spread to all bank's offerings.
Customers gain a long-term experience and develop confidence as well as loyalty to a brand.	Difficulties to attribute market images of internet banking through a distinctive brand profile.
Surety of rapid customer acceptance of new bank's offerings.	Difficulties of coordinating all bank's offerings.
	Erosion of brand profile.
	Difficulties in case of corporate merger or acquisition transaction (change of brand).



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Proposition 1



- Banking transactions require explanation and a very high level of trust, which are both expansive and time consuming to achieve.
- Therefore, banks with already established brands are supposed to transfer their well-known market images of quality and trust to new sales procurement channels.
- Thus, internet banking business should be offered via an umbrella brand strategy.
- But this strategy contains the risk of a brand overuse as well as the risk of overstretching the established umbrella brand.
- Moreover, risk averse bank executives might be afraid of “badwill” transfer effects from the rapid technological innovation (internet banking) to bank’s other offerings.



- Such “badwill” transfer effects could be the result of
 - an incorrect or a delayed execution of banking transaction,
 - a website crash down or
 - a close down of internet banking business due to a lack of profitability (particularly if it happens soon after launch).
- We can distil these thoughts into the following two propositions which we will subsequently accept or not accept on the basis of our empirical findings:

<i>Proposition 1a</i>	<i>When launching their internet banking businesses, German commercial banks never employed an umbrella brand strategy.</i>
<i>Proposition 1b</i>	<i>When launching their internet banking businesses, German commercial banks always employed a multi-brand strategy.</i>

Proposition 2



- Where internet banking business is operated by a legally independent and separately listed direct bank subsidiary, various merger and acquisition situations may arise:
 - if two parent banks merge, divestiture of one of two redundant direct banks,
 - if a parent bank is in financial distress, it might be willing to sell its direct bank.
- If the direct bank was operated under an umbrella or a combined brand, considerable costs of rebranding arise for the buyer.
- In case of a multiple-brand strategy, the buyer could continue with the old brand and save costs.
- Potential buyers of an internet-based direct bank would rationally choose a target previously operated under a multiple-brand strategy.

Proposition 2

German direct banks were only sold to domestic or foreign competitors where the parent bank had previously been operating the direct bank under a multi-brand strategy.

Proposition 3



- Lambkin and Muzellec (2008) identified in their informative case study on branding strategies in the banking sector
 - that banks – like all service providers – tend towards umbrella brands,
 - that in M&A-transactions, there is considerable disparity in size with large buyers and small targets.
- They suggest that
“the likelihood of rebranding of targets by acquirers is inversely correlated with the relative size and marketing strength of the target. Small weak targets will tend to be rebranded while large, strong targets will not”.
- We validate this finding in the context of our present question involving (small) direct banks with internet banking business.

Proposition 3

Where there was a change in the brand strategy at German direct banks over the course of time, the switch was always in the direction of an umbrella brand strategy.



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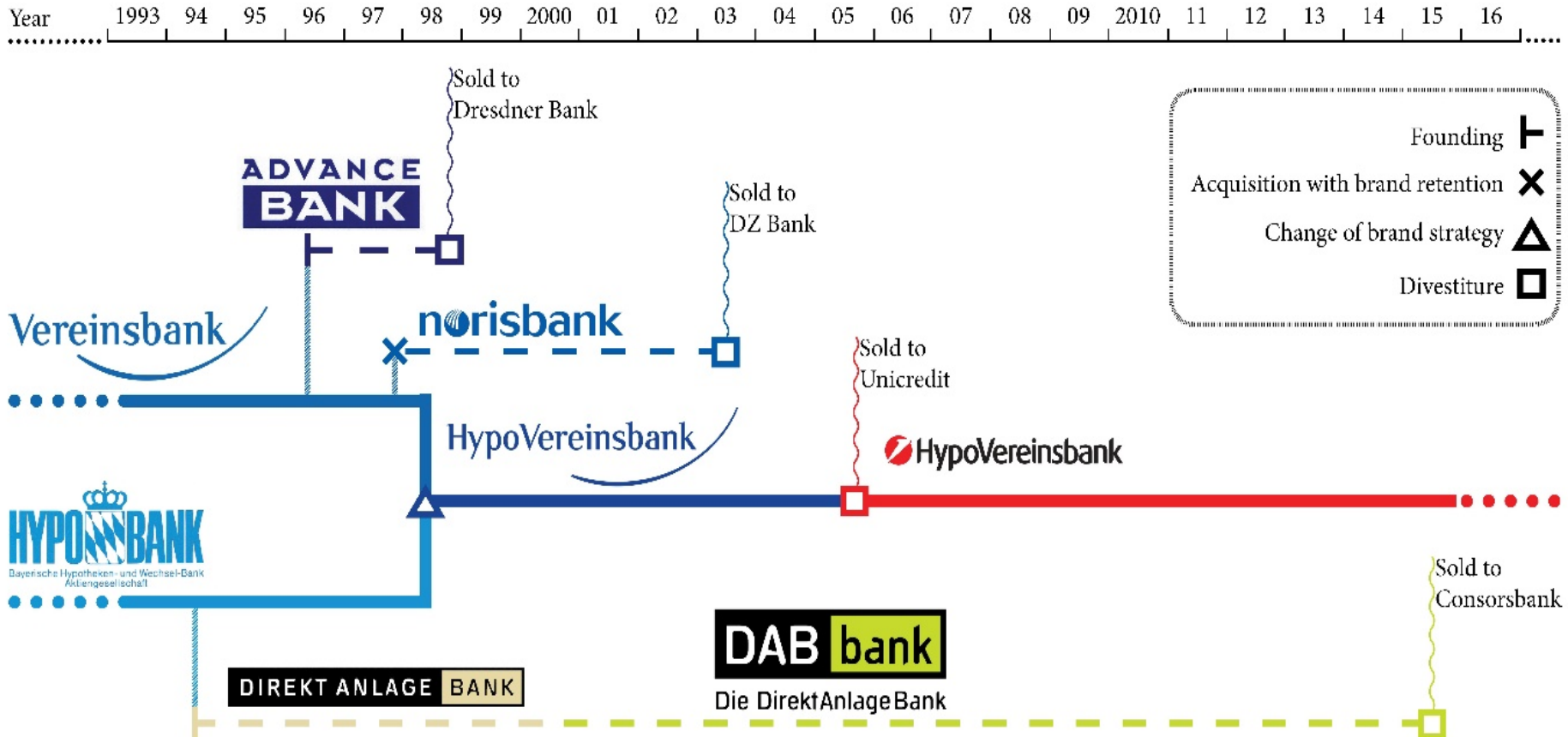


- We use case study analysis as a research approach for two reasons:
- Firstly, our research questions are exploratory in nature, because the internet banking brand strategies have not yet been examined in any detail (particularly of German commercial banks since the inception of internet banking in the 1990s).
- Secondly, the small number of cases leads only to preliminary and tentative findings.
- A significantly larger sample size is needed to derive general conclusions.
- However, our preliminary findings are helpful to generate tentative conclusions.
- They may lead to empirically testable hypothesis using more rigorous statistical methods.

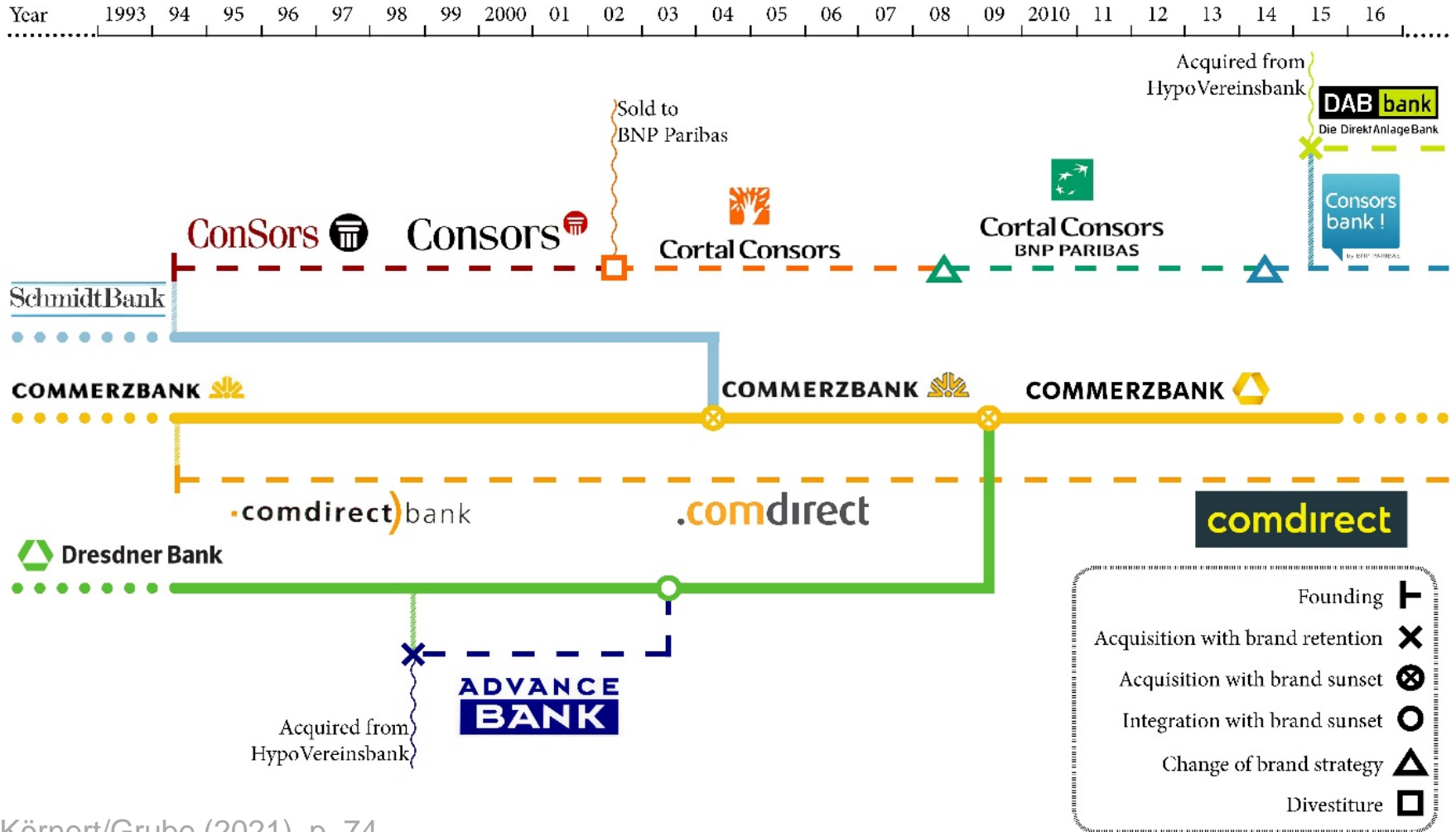


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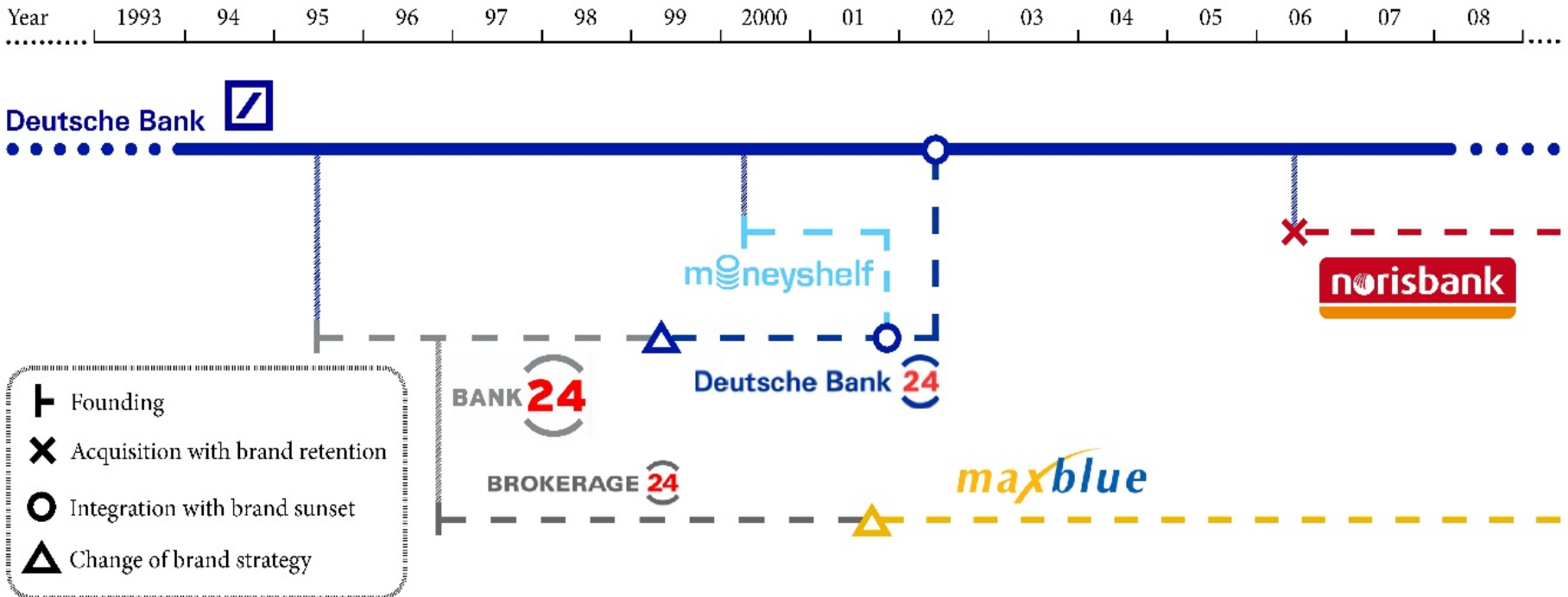
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 - Hypobank, Vereinsbank
 - Commerzbank, Schmidtbank, Dresdner Bank
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Körnert/Grube (2021), p. 73.



Körnert/Grube (2021), p. 74.



Körnert/Grube (2021), p. 77.



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- Table shows the internet banking brand strategies for direct banking businesses of German commercial banks in year of founding or acquisition:

Year	Commercial bank	Combined brand strategy	Multiple-brand strategy
1994	Commerzbank	Comdirect	
	Schmidtbank		Consors
	Hypobank		Direkt Anlage Bank
1995	Deutsche Bank	Moneyshef (2000) Maxblue (2001)	Bank 24 Norisbank (2006)
1996	Vereinsbank		Advance Bank
1998	Dresdner Bank		Advance Bank

Outcome of empirical validation concerning propositions 1a and 1b



P1a	When launching their internet banking businesses, German commercial banks never employed an umbrella brand strategy.	Accepted
P1b	When launching their internet banking businesses, German commercial banks always employed a multi-brand strategy.	Not accepted

- See previous slide with no umbrella brand strategy (P1a) and three combined brand strategies (P1b).

Outcome of empirical validation concerning proposition 2



P2	German direct banks were only sold to domestic or foreign competitors where the parent bank had previously been operating the direct bank under a multi-brand strategy.	Accepted
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Year	Direct bank	Sold by	Sold to	Brand
1998	Advance Bank	Hypovereinsbank	Dresdner Bank	multiple
2002	Consors	Schmidtbank	BNP Paribas	multiple
2015	Direkt Anlage Bank	Hypovereinsbank	Consorsbank (BNP Paribas)	multiple

Outcome of empirical validation concerning proposition 3



P3	Where there was a change in the brand strategy at German direct banks over the course of time, the switch was always in the direction of an umbrella brand strategy.	Accepted
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1999	Bank 24 → renamed to Deutsche Bank 24	multiple-brand → combined brand
2001	Brokerage 24 → renamed to Maxblue	multiple-brand → combined brand
2002	Deutsche Bank 24 → integrated in Deutsche Bank	combined brand → umbrella brand
2003	Advance Bank → integrated in Dresdner Bank	multiple-brand → umbrella brand



We have learned that:

- A1: German commercial banks invariably launched their internet banking businesses some 30 years ago under either a combined brand strategy or a multi-brand strategy, with not a single one opting for an umbrella brand strategy.
- A2: Acquisition transactions involving internet-based direct banks in Germany only took place if the direct bank had previously been operated by the selling parent bank under a multiple-brand strategy.
- A3: Wherever there was a change in the brand strategy of a direct bank, it was invariably in the direction of the umbrella brand end of the brand strategy spectrum.

Our results are published in: Jan Körnert and Klemens Grube, Internet banking brand strategies amongst German commercial banks since the 1990s. *Journal of Historical Research in Marketing (JHRM)*, Emerald, Bingley, ISSN 1755-750X, vol. 13 (2021), no. 2, pp. 65–84 (<https://doi.org/10.1108/JHRM-04-2020-0017>).