

CIBAFI BRIEFING

Rebranding as an expansion strategy for Islamic financial institutions

This briefing considers the role of brand as one of the key factors in establishing the image of the Islamic finance industry and how it can help a bank build its reputation. It also considers how effective branding is in retaining and developing a bank's customer base and to creating shareholder value.

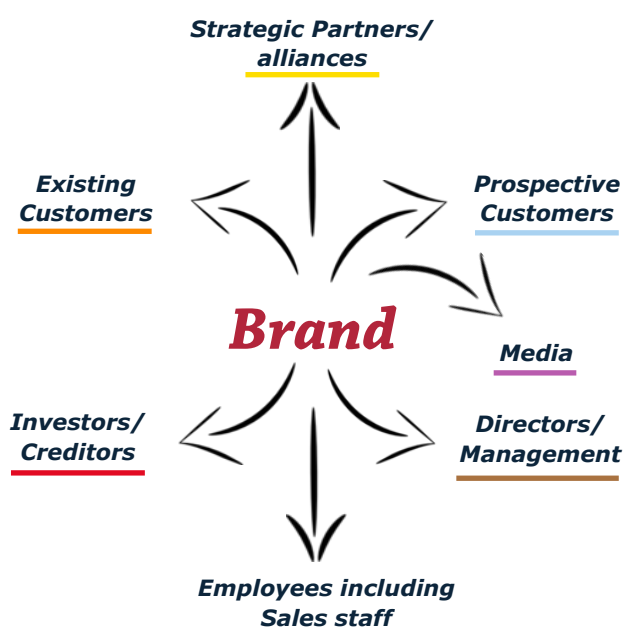
Introduction and purpose of this briefing

With the increasing popularity of Islamic finance around the globe, the branding of Islamic financial institutions (IFIs) is becoming an increasingly important issue. Formulating and maintaining successful and profitable brands will be important for Islamic banks if they intend to achieve global competitiveness, and to ensure that branding differentiates Shariah compliant products and services from their conventional counterparts, combining an appeal to both Muslim and non-Muslim customers. Branding is at the heart of every business and it is vital for Islamic banks to define what their brand stands for in an increasingly competitive financial world. This briefing discusses why branding plays a key role in impacting customers, and examines how Islamic banks can balance modern banking practices with the ethos of Islamic finance. The briefing also discusses strategies for expanding the reach of Islamic banks to all types of customers.

Importance of branding of Islamic financial institutions and its impact on customers

As the Islamic banking proposition gains traction in the global financial industry, branding of Islamic banks will be a key consideration in keeping up with the pace of this recognition. This can strengthen a bank's appeal as an ethical, yet profitable means of achieving the financial and business objectives of its stakeholders, including customers, investors, employees, external parties etc. (Figure 1). Although the Islamic banking system has seen a steady growth in Muslim majority countries, it has also been successful in attracting a great deal of attention from many global financial centres, conventional banks, and investors in search of ethical and value-based financial solutions. Islamic banks are uniquely placed to help provide alternative and viable financial solutions to their stakeholders in different jurisdictions.

Figure 1: Stakeholders of branding



A successful brand is a valuable asset for a bank. It creates not only financial value but also non-financial value for the bank while generating future opportunities for revenue and profitability. It is much more than a logo; this is just the tip of the brand iceberg. It is about reputation and about how banks 'act and behave', and ultimately what their customers experience.

On the most basic level, a good brand commands a much higher price from its customers. This is also true for banks, where brand can contribute billions to the value of a business. A 2017 Brand Finance survey valued Wells Fargo's brand at US\$41.6 billion, and Bank of America's brand at US\$30.2 billion (Figure 2). According to the report, after technology, banking is the largest sector by brand value and financial services brands comprise 20% of the Global 500 valuable brands. Al Rajhi Bank, Dubai Islamic Bank and Kuwait Finance House are among the top Islamic bank brands.

Figure 2: Top Ranking Bank Brands

	Banks	Brand Value (US\$ billion)	2017 Rank
1	ICBC	47.8	1
2	Wells Fargo	41.6	2
3	China Construction Bank	41.4	3
4	Chase	33.7	4
5	Bank of China	31.2	5
6	Bank of America	30.3	6
7	Agricultural Bank Of China	28.5	7
8	Citi	27.7	8
9	HSBC	20.7	9
10	Santander	15.9	10
11	Al Rajhi Bank	2.13	102
12	Dubai Islamic Bank	1.88	110
13	Kuwait Finance House	0.95*	184
14	Abu Dhabi Islamic Bank	0.65*	206
15	Qatar Islamic Bank	0.32*	241

Source: Brand Finance, Global 500 – 2017, *2015 figures

Brand equity has become important for service-based organisations, such as banking in recent years. This emphasises that the brand is not only a tactical aid to generating short-term returns but also a strategic support to a business strategy that adds long-term value to the organisation. As a result, a strong brand will increase the brand equity and valuation of Islamic banks, both in the short and longer term. And since publicly traded banking institutions are subject to constant market scrutiny and valuations, branding of the bank will play a critical role in keeping its shareholders' value intact, strengthened by the goodwill of the bank's position in the market.

Effective branding strategies within individual Islamic banks will bring benefits to the industry as a whole.

Strong branding of Islamic banks will not only facilitate understanding of the underlying Shariah banking principles, but will also tackle mis-conceptions about Islamic banking as a business model by communicating the right message about its value proposition.

Branding Strategies play a vital role

A successful brand strategy considers every aspect of a business, from its online presence, to its corporate design, to its advertising campaigns. In this process, every customer touch point is an opportunity to increase a bank's brand awareness and to improve its market presence and customer acceptance. Effective branding strategies endeavour to build trust with both current and potential customers, and build a strong brand with a loyal customer base, as this provides considerable strategic, competitive and economic benefits to the institution. Customers are more willing to be associated with a bank that is well presented and carries a certain amount of brand status in the market.

Through effective branding strategies, Islamic financial institutions have an opportunity to create a positive impression, particularly to financial industry stakeholders who suffered from unfavourable consequences of the global financial crisis. The brand strength of an Islamic bank goes a long way in determining their customer's future choices about their products and services. Once a customer has had a favourable experience of an Islamic financial brand, they may rely on past experience for selecting future products or services without going through the entire decision-making or vetting process again.

This will significantly lower the acquisition costs of customers. In addition, it will be much easier for an established bank brand to cross-sell other products and services to existing customers when they have a positive preference for the brand. For example, it will be easier to sell a Takaful product to customers with a positive past brand experience of banking services. The lack of an appealing and relevant brand strategy geared towards defined target audiences may often be the cause of low organic growth of banks.

Distinguishing the Islamic Bank Brand

A significant lack of trust in conventional banks by consumers today is no doubt a result of the many banking abuses and failures of the past. Across the board trust and confidence levels have been eroded as evidenced by the Edelman Trust Barometer, which assesses attitudes about the state of trust across 27 countries. In its 2016 report, financial services continue to be the least trusted of all the 8 sectors the barometer measures. In the Brand Finance analysis already mentioned, the brand value of Wells Fargo is shown as having declined by 8% over the previous year, a decline which the authors attribute largely to reputational damage.

Despite efforts to introduce tougher banking regulations and expand in-house compliance teams, a recent vulnerability

study (Millennial Disruption Index 2016) reveals that two out of every three American consumers still believe that "all banks really care about are their own interests". Numbers are even worse amongst millennials, 53% of whom believe that "all banks are the same", according to the Index.

In the light of these abysmal trust ratings and consumer perception of banks, global financial propositions such as ethical finance, Socially Responsible Finance (SRI), sustainable finance etc. have been gaining significance in recent years. With the right branding strategies, Islamic banks will be well placed to deliver and serve a large potential customer market and gain acceptance, including potentially attracting new non-Muslim customers. In order to tap into the desire for a more ethical approach to finance, Islamic banks must now get better at communicating what they stand for, not just addressing their visual identity.

The primary advantage that Islamic banks have over conventional banks is their ability to stress the moral foundations and ethical values on which their business is built, a consideration which is key to bringing about trust with today's sceptical consumers.

From a brand perspective, values such as trust, honesty, fairness, accountability and understanding are core tenets of Shariah and can resonate strongly with both Muslim and non-Muslim consumers across the globe. Given that these values are derived from the religion's core governing principles, the use of the word 'Islamic' as the point of differentiation from conventional banks may seem obvious. However, many Islamic banks are now choosing to drop the term. An example is Dubai based Noor Islamic Bank that rebranded its name to Noor Bank with a strapline "Noor Gets It Done". This may be a sign that many of these institutions have reached a point of maturity.

A parallel can be made with the early global companies in the 70s and 80s that chose to add the term International, World or Global to their name to infer global scale. But today, these types of companies have matured in their approach to branding, and rather than rely on a descriptor in their name, they are deemed to be global through their international presence and the way they act. Think IBM, formally International Business Machines. For Islamic banks in some jurisdictions, dropping the word Islamic from their brand also presents an opportunity to make the bank less exclusive and extend the appeal of the bank to a wider, non-Muslim audience.

Another consideration is that the word 'Islamic' has assumed negative connotations, through an association with the daily reporting of terrorist atrocities. In appealing to non-Muslims, this means there is a bigger education task to do.

While including the word 'Islamic' offers more clarity to primary target customers on what the bank offers, using a word with strong Islamic associations, such as 'Noor'

or 'Baraka' (meaning light and blessing respectively) is relatively neutral. As with any naming initiative, cultural checks are required to ensure ease of pronunciation across different geographies and avoid any use of a negative word in a foreign language. When developing a visual language and identity for an IFI, the use of imagery and symbolism is of paramount importance.

Visual elements typical of the industry often include complex symbols, architectural Islamic geometry and Arabic calligraphy. While these can sometimes be impactful, they might not translate well in attracting a wide variety of customers.

A flexible and easy-to-apply landmark must be able to communicate heritage and be instantly legible in any media: be it an ATM screen, a social media feed, or an app icon.

Important considerations for Islamic bank branding visuals:

Colour: Colour is very important for establishing the initial image of the bank and its values. An estimated 50% of Islamic bank brands are represented by the colour green. Islamic banks need to consider if this really differentiates them from their Islamic counterparts.

Calligraphy and Scripts: Arabic calligraphy is used extensively across many Islamic banks and this may limit their acceptance from potential non-Muslim customers.

Geometry and Visual Elements: It is common to find logos and emblems of Islamic banks that look very similar. Islamic banks should try to portray these visual aspects of the brand more innovatively to interact with their customers.

In an attempt to distinguish themselves from conventional competitors, IFIs have historically relied on these symbols to communicate their identity. Considering the recent growth of the sector, there is a risk that these symbols become visual clichés that fail to differentiate or stand out (Figure 3). There is a balance to be struck between going beyond commonly accepted boundaries and remaining appropriate to banks' identity. Islamic banks must also use appropriate imagery within marketing material and communication collateral. Choosing the right imagery can help reinforce and communicate a bank's positive values.

Figure 3: Similarities in Brand logos of Islamic banks



Broadening Strategies to appeal to customers of all walks of life

IFIs looking to expand their reach may want to explore the opportunity to cater to both Muslim and non-Muslim consumers. Apart from a significant amount of untapped potential in the growing global Islamic economy there are wider non-Muslim majority markets still to be tapped.

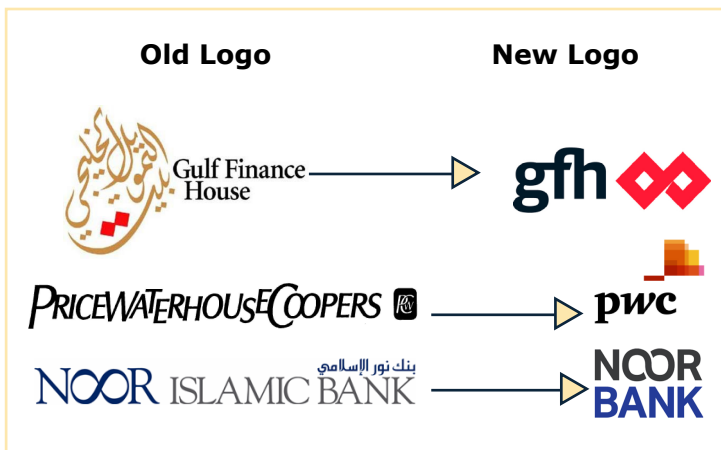
The lives of Muslim consumers are influenced by many factors including financial rules of their shared faith, but these factors are far from homogeneous. Branding should take into consideration the differences in culture, taste and lifestyle in each market. Islamic financial institutions aiming to penetrate existing and newer markets will need to adapt to these differences which necessitates identifying the most attractive customer segments, determining their preferences and creating a service brand that is differentiated from the competition.

Within the wider banking context, bank brands have to adapt to stay relevant in the digital age and institutions that fail to adjust quickly risk becoming obsolete in today's fast-paced financial industry, particularly if their brand is not agile enough to translate to the digital space. In the digital era, it is all about brand experience, underpinned by simplicity and ease. Many financial institutions have started to emphasise a combination of brand purpose and digital services that allows them to stand for something relevant and distinct. These brands have begun to foster more disruptive thinking and a culture of innovation. For example, recognizing the success of M-Pesa in Kenya, Visa introduced its own mobile payments solution, mVisa which made use of Visa's message of inclusion and leveraged its brand's heritage. Below are some of the areas that Islamic banks can deploy in broadening their appeal to customers:

- Insights that can be gleaned from other industries are significant, but most crucial is the deployment of marketing strategies that capitalise on trends and habits unique to both Muslim and non-Muslim consumers locally as well as internationally.
- Maintaining a consistent tone of voice and brand image is a tactic that can be achieved through rigorous brand management, robust strategy as well as dedicated local brand teams.
- Modernising and simplifying the brand with a departure from common Muslim or Islamic connotations can open the brand to attract consumers from different backgrounds. One example is Gulf Finance House (GFH), which rebranded its logo from an Arabic calligraphic to a clearer, bold and modern form (Figure 4).
- Global trends in financial services branding show a distinct move to simple and clear brand images that can work across multiple channels from mobile apps to billboards. The introduction of digital platforms demands a new approach to branding, with dynamic brand elements that can animate and integrate into digital applications. This includes the introduction of motion graphics, dynamic use of colour etc.

- Use of clear language is also an important factor in communicating to customers what the brand stands for and what makes it different. This can be used in advertising messages, such as in their straplines, slogans, punchlines etc.
- Being digitally relevant ensures financial institutions have access to an extensive potential customer base. The brand needs to be dynamic and optimised for today's digital audiences. As an example, in recognition of the importance of being digitally relevant, PwC moved from a traditional looking brand to a modern and contemporary visual language fit for the digital age (Figure 4).
- Markets are also witnessing a totally new approach to naming start-up banks. Free of the traditional use of using geographical and descriptive names, the new generation of digital banks are using simpler and more metaphorical names, such as Monzo, Starling and Atom. Similar to the likes of Google and Twitter, these names are designed to appeal to the digital generation.

Figure 4: Rebranding of financial brands



Differentiating Brand to appeal to wider customer base:

1. Modernise the brand to work for a variety of audiences.
2. Simplify the brand for quicker understanding.
3. Make the brand more dynamic and optimised to digital application.
4. Create a brand name to appeal to a wider class of customers.
5. Use strong, clear and succinct language to communicate.

Challenges and opportunities in Branding for Islamic financial industry

IFIs, however, do face a unique set of challenges when it comes to branding. Islamic principles and values may sometimes place constraints on the brand image that is projected. Stakeholders responsible for branding Islamic banks consider cultural and religious sensitivities when

planning branding campaigns. These challenges will be wide ranging, including their compliance with the principles of Shariah, and their in-house business practices and policies. Certain types of photography or music may be deemed inappropriate in advertising. This may at first glance seem to present tough constraints on an Islamic bank's marketing department. But this should be taken as the starting point for creativity, innovation and imaginative thought processes. IFIs can turn this challenge by making it work to their own advantage. Such constraints on imagery, for example, can allow for banks to project a truthful, honest and decent image, the very values that consumers expect from their banks.

Islamic banks are well placed to position themselves as delivering the ethical and honest services for a more widely accepted 'ethical banking' proposition, and to create value for their institution, both in terms of financial and non-financial opportunities. The practice of social responsibility has been a core principle of the Islamic faith on which Islamic banking principles are based. Many European banks offer ethical banking products and have branded themselves as such, while taking a more purpose-led approach. For example, Triodos Bank has seen its operations expand in the United Kingdom through practicing ethical principles of investment by investing in businesses that make positive impact on society and the environment.

A recent Global Corporate Sustainability Report found that 66% of global consumers were willing to pay more for sustainable brands, and were influenced by key sustainability factors such as a company being environmentally friendly (58%), and being known for its commitment to social value (56%). Islamic banks that embrace principles of risk sharing and responsible investments among others can benefit from this trend. Despite the many challenges that face IFIs today, the opportunities are enormous. With a growing consumer market worldwide, inclined to ethical, sustainable and responsible banking practices, Islamic finance can be positioned as a resilient and robust business model through effective branding. A 2016 Ethical Consumer markets report by Triodos Bank in the UK reported that the value of overall ethical sales grew by 8% up to £38 billion in the UK. The report also showed that 53% of the UK population are choosing to avoid buying products and/or services over concerns about ethical reputation.

Conclusion:

As a growing industry, branding will play a vital role in projecting a clear value proposition to the masses, and taking the Islamic finance industry to the next stage of its development, in which it will be considered as a viable, equitable, transparent and sustainable mode of financial intermediation. Islamic banks must consider branding as part of their long term strategic planning. A successful brand identity has the potential to capture the spirit, ambition and culture of the industry and with the advent of innovative digital and technology applications there is even greater opportunity for the Islamic finance industry to express its role and relevance in consumers' lives. In a fledgling Islamic

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About CIBAFI

CIBAFI is an international organization established in 2001 and Headquartered in the Kingdom of Bahrain. CIBAFI is affiliated with the Organization of Islamic Cooperation (OIC). CIBAFI represents the Islamic financial services industry globally, defending and promoting its role, consolidating co-operation among its members, and with other institutions with similar interests and objectives. With over 120 members from 32 jurisdictions, representing Islamic Banks, market players, international intergovernmental organizations and professional firms, and industry associations, CIBAFI is recognised as a key piece in the international architecture of Islamic finance. In its mission to support Islamic financial services industry by being the leading industry voice advocating regulatory, financial and economic policies that are in the broad interest of our members and that foster the development of the Islamic financial services industry and sound industry practices, CIBAFI is guided by its Strategic Objectives, which are 1. Policy, Regulatory Advocacy, 2. Research and Publications, 3. Awareness and information sharing and 4. Professional Development.

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In cooperation with
industry

finance market, creating bold, effective and appealing brand assets is crucial to establishing awareness, trust and acceptance. Branding an Islamic bank is about laying the foundations for success and ensuring the brand is distinctive, memorable and pragmatic over the long term.

In the aftermath of the global financial crisis, recent high profile scandals and data breaches, banks have suffered a loss of credibility, but a robust branding strategy can help banks steer a path back to regaining trust.

Islamic banks need to align their business objectives with their brand strategy and to develop tools to communicate their brand. In particular, there is an opportunity for Islamic banks to not just enhance their brand presence but to also more overtly communicate their ethical stance. This in turn will help to broaden the appeal of Islamic banks to a wider audience and address some of the misconceptions and negative connotations associated with the word 'Islamic'. As a result, it is up to the industry to manoeuvre with intelligence in building a successful brand image for the industry. With the right mix of digital platforms, human touch and relevant products and services, Islamic banks can connect with consumers and have a meaningful and engaging interaction through their brands.

Key Messages:

1. Islamic banks can better communicate their unique value proposition and project their core values of fairness, risk sharing, honesty and integrity in their branding exercises.
2. Unlock innovation and creativity in branding and avoid traditional and clichéd brand representations.
3. Project the brand to take advantage of commonalities between Islamic and ethical finance to reach a wider base of consumers.
4. Embrace technology and communicate the brand message to digital and tech savvy customers.
5. Take a more holistic approach to inclusiveness and appeal to a wider audience while projecting ethical and social purpose.

