The Brand Building of Chinese National Commercial Banks

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Abstract

Branding has been an important issue in both marketing research and practice. The development of strong brands is especially important in Asia (Henderson et al., 2003) as most Asian brands have to face the challenges from the strong international brands and from perceptions by some that Asian brands are inferior (Jacob, 1993; Schmitt and Pan, 1994; Schutte and Ciarlante, 1998).

In spite of the importance of the Asian branding, the research focusing on such topic is highly lacking, especially financial service brand building. This study investigates the development of brand building at major national commercial banks in China and attempts to suggest effective strategies in brand building for Chinese commercial banks. In this paper, 17 commercial banks are defined as "national commercial banks" in China. These 17 commercial banks meet the following standard. Each of them has an approval from Chinese banking regulator to operate as a nationwide commercial bank. So they could do business all across the country and enjoy more flexibilities by opening branches and offices at any place in China.

Among these 17 banks, five of them are state-owned commercial banks (SOCBs) and held by the state government. Industrial and Commercial Bank of China (ICBC), Bank of China (BOC), China Construction Bank (CCB), Agricultural Bank of China (ABC) and Bank of Communications (BOCOM) are the five big state-owned commercial banks (SOCBs) in China. Based on the employee numbers, total assets, and the numbers of branches all across the nation, "big 5" controls a large share of Chinese domestic banking market.

In this research, 12 commercial banks are defined as "non-state-owned commercial banks" in China. The list includes Hua Xia Bank, China Everbright Bank, China Minsheng Bank, China International Trust and Investment Corporation (CITIC) Bank, Industrial Bank in Fujian province, Guangdong Development Bank, Shenzhen Development Bank, China Merchants Bank, Evergrowing Bank based in Shandong province, Shanghai Pudong Development Bank, China Bohai Bank in Tianjing and China Zheshang Bank in Zhejiang province. Second, they are the commercial banks that are not owned by the state government. These banks are also called non-state-owned joint-stock commercial banks in China (JSCBs).

The impacts of two factors are studied for Chinese commercial bank brand building strategies. The first one is the logo effect. Most research on Asian branding has focused on verbal elements (Henderson, 2003). For example, Schmitt and Simonson (1997) supported that English names used for Asian brands associate with consumers' product quality perceptions. However, less attention has been paid to the visual aspects of Asian brands (Tavassoli, 1000,

2001; Tavassoli and Han, 2000, 2002), although visual stimuli are a critical part of any branding strategies (Henderson, et al., 2003).

In the American and European marketing literatures, there has been an agreement that logo, one of the visual stimuli of the brand, can speed up recognition of a company or brand (Peter, 1989). This is because that human brains process pictures faster than words. In addition, logo can add value to the reputation of an organization as it functions as a more efficient management tool to organize the desired features that the organization wants to emphasize to its stakeholders (van Riel and van den Ban, 2001). In this study, the knowledge of logo effect on branding developed in the western countries are applied to Asian market to see whether it plays significant roles in Chinese market as well in terms of brand awareness (familiarity) and brand attitudes.

The second factor is whether or not a bank had the initial public offering (IPO) process or plan to do so. Most of major national Chinese commercial banks had IPOs in the past few years. The IPO could increase a bank's capitals to expand rapidly. At the same time, the publicly-traded status would also increase the name recognition and image building for a company, especially for a financial institution.

Until year 2008, China has more than 100 million stockholders for all public companies listed in the 2 national stock exchanges in mainland China-Shanghai Stock Exchange and Shenzhen Stock Exchange. Most of these stockholders are urban residents and live in the cities. They have been accumulating a lot of personal wealth in past decades and becoming the backbone of new Chinese middle-class. These people are the big target for domestic and international financial institutions. For instance, 4 out of "big 5" are currently listed in the stock exchanges. The time table of initial public offering (IPO) is followed by—Bank of Communications (BOCOM) in June 2005, China Construction Bank (CCB) in October 2005, Bank of China (BOC) in May 2006, and Industrial and Commercial Bank of China (ICBC) in October 2006. Agricultural Bank of China (ABC) is waiting for the IPO approval from the regulators since it has more operating problems.

Based on the theoretical background discussed above, we hypothesize that
H1: The higher the level of awareness (familiarity) of the logos, the higher the level of awareness (familiarity) of the brands.
H2: The more positive the attitudes toward the logos, the more positive attitudes toward the brands.
H3: Whether a brand has IPO positively impacts on consumers' awareness (familiarity) of the bands.
H4: Whether a brand has IPO positively impacts on consumers' attitudes toward the brands.

In terms of methodology, subjects are recruited using a convenience sampling strategy. They are asked to rate their levels of awareness (familiarity) and attitudes toward the logos and the brands of these 17 Chinese commercial banks. In addition, consumer' demographical information, such as age, gender, education, career, work experience, marital status, and income, is also collected. Multiple regression and logistic regression are used to test the hypotheses, and ANOVAs are used to test the differences on the levels of awareness (familiarity) of logos and the attitudes toward the brands across different demographic groups.

The findings via regression analyses suggest financial service practitioners more effective branding strategies in Chinese market, especially in taking advantages of the logo effect and IPO effect. In addition, the ANOVA results help practitioners with financial service marketing segmentation strategy in China. At the end, the limitation and the future research are discussed as well.

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* References are available upon request.