**MN6055 ASSIGNMENT BRIEF, BASED ON THE CO-OP BANK CASE STUDY / Autumn/Spring 2019-20:**

**Individual Report:** Your task is to write an individual report (2,000 words maximum), aimed at the Board of the Co-op Bank, where you set out in full detail your corporate communication plans for the Co-op Bank. How the Co-op Bank can best prepare for its sale, and how it can continue to enhance and manage its long-term corporate reputation – for all its stakeholders - when sold. The suggested structure is as follows:

* Introduction (approx 200 words), where you analyse the Co-op Bank’s corporate reputational problems
* Main Body (approx 1,500 words), where you analyse how to:
1. *improve the company’s overall identity, image, brand, and reputation*
2. *ensure the company gains positive publicity, as it prepares to be sold*
3. *develop and manage a strong corporate reputation for the company overall, after it has been sold, and beyond 2020*
* Conclusion and Recommendations (approx 200 words), where you explain how not only the Co-op Bank, but other corporations in general, can benefit from enhancing their long-term strategic corporation reputation management, despite being in financial difficulty
* Bibliography / References, using the Harvard referencing system (see below)

You must include and apply appropriate academic / theoretical frameworks, concepts, and models to justify your recommendations, taking in into consideration the various needs of the many and diverse stakeholder / audience groups. Also, you must augment your 2,000-words of text with images, graphs, tables, and charts, to make the report visually appealing.

Deadline: **3pm, Thursday 14th May 2020 (Week 13),** submitted via WebLearn / Turnitin

**Additional Academic Guidance:**

London Metropolitan University Guide to Report Writing: <http://learning.londonmet.ac.uk/studyhub/pdfs/a_quick_guide_to_report_writing.pdf>

London Metropolitan University Guide to Harvard Referencing: [Click here for the Harvard Referencing Quick Guide](https://student.londonmet.ac.uk/media/london-metropolitan-university/london-met-documents/professional-service-departments/library-services/referencing/Harvard-Referencing-Quick-Guide.pdf)

**Notes**: You are expected to read and research widely beyond the case study, as news on the Co-op is live, plus use and apply a wide range of appropriate academic / theoretical frameworks, concepts, and therefore you will have a large number of references (books, journal articles, industry publications, media / newspapers). There are a large number of links within the case study, which you will need to open, read, study, and apply. Plus, the case study has three (3) media articles, and two (2) press releases, for you to also read, study, and apply within your report. If you have any questions about your coursework please ask your tutor. See the feedback sheet(s) below for the Assessment Criteria.

Finally, enjoy your assignment!

Barry Dwyer b.dwyer@londonmet.ac.uk

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| London Metropolitan UniversityLondon Guildhall School of Business & Law (GSBL)  |
| MN6055 Managing Corporate Reputation, Autumn/Spring 2019-20Assignment 2: Individual Report (70%) |
| Student name: | Student ID:  |
| Tutor: Barry Dwyer | Due: **Week 13, Thursday 14th May 2020, 3pm** |
| ***Assessment Criteria*** | ***Comments & Feedback*** |
| Use and application of theories, models, concepts, and techniques to the company |  |
| Identification and analysis of the key stakeholders and reputational issues  |
| Evidence of additional individual research  |
| Effectiveness and appropriateness of communication proposals |
| Quality of report: structure, academic language, presentation, Harvard referencing, and use of images |
| Overall Comments / 2nd-marker comments |
| Agreed Mark:  | Signed / date:  |

**MN6055 Managing Corporate Reputation / Autumn/Spring 2019-20 Case Study**

**Co-op Bank main page:** [**http://www.co-operativebank.co.uk**](http://www.co-operativebank.co.uk) **/**

**Co-op Bank Press releases:** [**https://www.co-operativebank.co.uk/news**](https://www.co-operativebank.co.uk/news)

**Co-op Bank Twitter:** [**https://twitter.com/cooperativebank?lang=en**](https://twitter.com/cooperativebank?lang=en)

**Introduction:**

Originally formed as far back as 1844, and part of the ethical-based iconic and much-loved Co-op Group, the Co-op Bank (<http://www.co-operativebank.co.uk>), in 2018, continues to be in crisis. In February 2017, the bank reluctantly announced that it is for sale, and actively sought bidders to buy it (see: <https://www.theguardian.com/business/2017/feb/13/for-sale-co-op-bank-looks-for-buyers>). While 2017 saw some improvements, its problems continue.

**Financial Performance**:

These issues (some would say a ‘crisis’) comes after years of problems regarding the bank’s poor financial and corporate performance. The global financial crisis of 2007 / 2008 damaged the performance of all UK banks. But the ethical-based Co-op Bank, feeling confident, ambitiously merged with the Britannia Building Society in 2009, which started off well, but resulted in losses for the Co-op Bank of over £700 million by 2013, the biggest loss in British banking history. Also in 2013, its ambitious plans to buy over 600 branches of Lloyds banks collapsed, wasting four years of plans and negotiations with Lloyds, which began optimistically back in 2009. Incredibly, the Co-op Bank’s Chief Executive, Paul Flowers, was then convicted of drug dealing, fined, and was forced to resign, causing huge embarrassment and reputational damage for the ethical bank. More recently, for year-ending 2016, the Co-op Bank announced further losses of over £477 million, and closed many of its branches, in an attempt to reduce costs. The Bank of England then stated, in February 2017, that the Co-op Bank was at risk, and so it was forced, reluctantly, to put itself up for sale, causing unease for the Co-op Bank’s 4 million customers (see also: <https://www.theguardian.com/business/2015/jun/23/cooperative-bank-timeline-troubles>).

However, things picked up, 2017 was a better year than 2016 in some respects, and for year-ending 2017 losses were down to £174 million, compared with losses of £477 million in 2016 (see: <https://www.telegraph.co.uk/business/2018/03/14/losses-co-op-bank-narrow-cost-cutting>). This reduction in profits for the Co-op Bank has come primarily from cutting costs, by closing many more of its local branches (see: <https://www.verdict.co.uk/retail-banker-international/news/one-4-cooperative-bank-branches-axed-network-shrinks-68-outlets> / and also see: <http://www.thisismoney.co.uk/money/markets/article-5499471/Co-op-Bank-narrows-annual-losses-branch-closures-continue.html>). While closing branches reduces costs, it does not help re-build reputation, brand, or perceptions of customer service.

Also, in June 2017, a £700m ‘financial rescue-package’ was put in place. This meant that the Co-op Bank was no longer up for sale, but instead has been re-capitalised by a number of USA-based venture capital and hedge-fund investors (see: <https://www.theguardian.com/business/2017/jun/28/co-op-bank-rescue-deal-co-operative-group-hedge-funds>. Again, while this secures the Co-op Bank financially in the short-term, it does not help re-build its reputation, brand, or perceptions of customer service, and long-term it will still need to find a buyer.

**Reputation Management**:

Reputation, brand, trust, ethics, and customer service is what the Co-op Bank is known for. This poor financial and corporate performance is in stark contrast to its strong performance with regard to its branding, reputation, marketing, awards for excellent customer service, and its ethics-based strategy. Long before the term ‘Corporate Social Responsibility’ (CSR) became trendy, the Co-op Bank launched its customer-led ethical guidelines back in 1992, which is still the basis of the bank’s strategy today (see: [www.cooperativebank.co.uk/aboutus/ourbusiness/ethicalpolicy?int\_cmp=topnav\_whoweare\_ethicsvalues](http://www.cooperativebank.co.uk/aboutus/ourbusiness/ethicalpolicy?int_cmp=topnav_whoweare_ethicsvalues)). The bank’s on-line version ‘Smile’ (see: <http://www.smile.co.uk>) was a digital pioneer, being the UK’s first fully on-line bank when it was launched in 1999, winning awards for customer service. The bank has won many awards over the years, and in November 2015, it won three more awards for customer service (see: <http://www.co-operativebank.co.uk/news/2015/bank-scoop-three-customer-service-awards>). The Co-op Bank was also awarded ‘Most Improved Brand’ as recently as April 2016 by the YouGov Index (see: <http://www.managementtoday.co.uk/uks-top-10-brands/article/1379166>, plus a March 2017 study by Alva showed that the bank’s corporate reputation has been only slightly damaged, and is not as bad as many critics predicted (see: <http://www.alva-group.com/en/co-op-bank-case-study-reputation-analysis>). This is in line with another current report from YouGov, February 2017, stating that the Co-op Bank’s customer perception ranking remains high (see: <https://yougov.co.uk/news/2017/02/15/it-welcomes-buyers-how-co-op-banks-image-has-gradu/>). Also, throughout 2016, the Co-op Bank launched a creative and radical marketing campaign entitled ‘It’s Good to be Different’, across both mainstream media and social media (see: <https://www.youtube.com/watch?v=t_-I7ka3dgQ>). This all resulted in more awards, this time for ‘Most Effective Social Media Campaign’ for 2016 (see: [http://www.mycleveragency.com/blog/2016/12/latest-award-winning-campaigns-2 /](http://www.mycleveragency.com/blog/2016/12/latest-award-winning-campaigns-2%20/) also see: <https://www.mycleveragency.com/work/brand-planning/co-operative-bank>).

More recently, the Co-op Bank celebrated 25 of its pioneering ‘ethical policy’ (see: <https://www.prolificnorth.co.uk/marketing-services/news/2017/09/co-op-bank-launches-new-campaign-mark-25-years-ethical-policy>), plus it re-launched it mortgage service with a marketing re-brand (see: <http://www.financialreporter.co.uk/finance-news/co-ops-platform-launches-intermediary-marketing-campaign-in-rebrand.html>).

**The future**:

So, despite the Co-op Bank’s ethics-based strategy, its long and proud history, its many awards for customer service, marketing, advertising, and media, the bank’s financial problems appear to be overwhelming, and it continues to struggle financially. Which corporation buys the bank in the long run, how the bank will be managed, how it will be branded (will it be re-named?), whether it can remain strong to its ethics-based strategy, are all major issues for its corporate communications-management team.

Plus, the Co-op Bank’s long-term success all depends on how the corporate communications team handles the next few weeks and months, both behind the scenes (in the B2B world), and in the more public domain (the B2C world). The media, always looking for a good story, is waiting for news, along with the Co-op Bank’s 4 million worried customers.

**Selected Media Analysis, x 3**

**1. Ogilvy / 16th March 2017 / Source**: <https://ogilvy.co.uk/news/so-who-needs-ethics-%E2%80%9Cpost-co-op-bank%E2%80%9D-world>

By Dan Parkinson, Senior Planner at Coley Porter Bell

So who needs ethics is a ‘post Co-op Bank’ world?

 *After the news broke that Co-op was selling its bank, Coley Porter Bell's Senior Planner, Dan Parkinson, questions whether ethical brands still matter in financial services, when The Co-op Bank has shown that it can’t make the finances add up.*

Branding, first and foremost, is about trust. Brands exist because humans find it easier to commit themselves to entities that they’re familiar with and that they trust will deliver.

Brands are a shortcut to a quick decision. Few things are more stressful than having to make choices, so anything that can help us decide quicker earns a favoured place in our day to day life.

In a world of increased transparency and feedback, brands need to have a clearer purpose than ever. Consumers don’t just need to believe in the end result of your product or service, they need to engage with *why* you’re doing it in the first place.

No-where is this more necessary that in the world of financial services, which deals with critical and significant aspects of our lives and our futures. We’ve been massively stung (emotionally and fiscally) by the financial shocks of the last decade, and trust in financial services is at a low ebb.

Brands and businesses with a consistent higher purpose do so well in other spheres (Nike, Google, Unilever), surely there’s mileage for integrity and purpose in what ought to be the most ethical sector of them all?

It’s surprising then that the Co-op’s staunchly ethical status looks like it may be a sticking point in their proposed sale, as this ethos is exactly the kind of transparency that “the people” have been calling for. It isn’t easy being principled, so it will be a shame if it proves a factor in the brand’s downfall.

It could be used as a brand point of difference than a point of contention – wouldn’t it be nice if there was good money in being good; if our banks could be commercial AND ethical, rather than one or the other?

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**Selected Media Analysis, x 3**

**2. The Economist / 16th February 2017 / Source**: <http://www.economist.com/news/britain/21717088-task-recovering-past-errors-goes-and-co-op-bank-puts-itself-up-sale>

# **Ethical finance**

# **The Co-op Bank puts itself up for sale**

*The task of recovering from past errors goes on. And on*



LIKE other businesses, banks are easily wrecked. They are less easily repaired. In June 2013 the Co-operative Bank, a smallish lender but a familiar name on British high streets, confessed to a £1.5bn ($2.3bn) shortage of capital. It was rescued by American hedge funds. The stake of the Co-operative Group, its erstwhile owner, was reduced to just 20%. The bank has since cut costs by more than a fifth, stripped out lots of unwanted loans and spruced up its creaking computer systems.

It’s not fixed yet. The Co-op Bank expects to report a loss for 2016, its fifth in a row, and needs more capital to stay on the right side of regulators in the next few years. On February 13th it put itself on sale; it is also exploring other ways of raising money. One reason for its continuing woe is that interest rates have stayed low for longer than it bargained for, which has crimped its ability to accrue capital from retained profits. Another is that the repair job has been costlier than expected.

The bank’s problems go back to 2009, when it merged with the Britannia building society, another mutually owned lender. Although the Co-op Bank entered the financial crisis of 2008 in good shape, its partner did not. Britannia’s lending had spread beyond residential mortgages, the staple fare of building societies, into commercial property, prices of which were collapsing even as the merger was discussed. A report in 2014 by Sir Christopher Kelly, an ex-civil servant, concluded that the Co-op Bank, eager for Britannia’s retail customers and branches, did not look closely enough. Bad management and bad luck—a weak economy and demands for more capital from regulators—made matters worse.

Why buy it? Improved IT could be a draw: the bank has just shifted its core mainframes to data centres run by IBM. So might its 4m customers, many of them loyal to its “ethical” brand, a legacy from the co-operative movement. Most stayed despite the bank’s purchase by—horrors!—hedge funds and the trashing its name took under the old management. Along with less high-minded lenders, it set aside hundreds of millions to cover claims of mis-selling payment-protection insurance for loans. Paul Flowers, its chairman until June 2013 and, at the time, a minister of religion, was filmed buying drugs (and dubbed the “Crystal Methodist”).

Some suggest that there may be interest from TSB, which was spun out of Lloyds, Britain’s biggest retail banking group, in 2013 to provide competition for bigger lenders. But TSB is absorbed in a huge IT project of its own: 1,600 engineers are working flat out to separate its systems from those of Lloyds by the end of the year. With that, it already has a full plate. Others may be tempted. But if interest rates stay low, profits may be hard to come by.

The repairs at the Co-op Bank are far from Britain’s longest or dearest. On February 24th the Royal Bank of Scotland, which was bailed out by the state in 2008, is certain to report losses for the ninth year running. Its underlying business has been making £1bn a quarter, but the bills from past transgressions keep rolling in. Last month it said it was setting aside another £3.1bn, anticipating possible fines in America for mis-selling mortgage-backed securities before the crisis. Further cost cuts, of around £800m, are thought to be on the way. At least the Co-op’s bosses have only been a burden on the private sector.

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**Selected Media Analysis, x 3**

**3. BBC Business News / 13th February 2017 / Source:** <http://www.bbc.co.uk/news/business-38954115>

# The Co-op Bank puts itself up for sale / By Bill Wilson, Business reporter



**The Co-op Bank says it is putting itself up for sale and is inviting offers to buy all of its shares.**

The bank, 20% owned by the Co-operative Group, almost collapsed in 2013, and was bailed out by US hedge funds. The bank has four million customers and is well known for its ethical standpoint, which it says makes it "a strong franchise with significant potential" when it comes to a sale. It has not been able to strengthen its finances because of low interest rates.

A spokesman for the Bank of England's Prudential Regulation Authority said it welcomed the action announced today by the Co-operative Bank. "We will continue to assess the bank's progress in building greater financial resilience over the coming months," it added. From among potential buyers, the TSB has told the BBC that although it is focused on completing the separation of their IT systems from Lloyds, it would be interested if the price was right.

The Co-operative Bank merged with the Britannia building society in 2009. The deal was later held responsible for the near collapse of the bank. In 2013, the bank revealed a £1.5bn black hole in its accounts, which led to its rescue. Bank chairman Paul Flowers also stepped down over concerns about expenses in 2013, before pleading guilty to drug possession the following year.

And in January 2016 the Bank of England banned two former Co-operative Bank executives - former chief executive Barry Tootell and former managing director Keith Alderson - from holding senior banking positions. In the autumn of 2015 the Co-op Bank said it would remain loss-making until the end of 2017.

Dennis Holt, bank chairman, said: "Customers value the Co-operative Bank and our ethical brand is a point of difference that sets us apart in the market."While our plan has been impacted by lower for longer interest rates, the costs associated with the sheer scale of the transformation and the legacy issues we faced in 2013, there is considerable potential to build the bank's retail franchise further using the strength of the brand, its reputation for strong customer service and distinctive ethical position." The bank also said it had made considerable progress in delivering its continuing turnaround plan. And it says it is considering ways to raise funds from existing and new providers.

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**Selected Co-op Bank Press Releases, x 2:**

**Press Release 1 / 14th March 2018 / Annual Report for 2017 / Source**: <https://www.co-operativebank.co.uk/investorrelations/financialresults>

*CHAIRMAN’S STATEMENT*

*2017 was an important year for The Co-operative Bank. In February we launched a sale process alongside considering alternative options to build capital, resulting in a Restructuring and Recapitalisation that concluded on 1 September 2017. This delivered a significant improvement in the key CET1 ratio and total capital ratio to 24.7%. It has also provided the basis to progress to fully meet individual capital guidance (ICG) compliance in December 2017.*

*Over the past four years, the Bank has faced extensive challenges, a number of which were a result of legacy issues and the consequences of the merger with Britannia Building Society (Britannia) in 2009. We have made significant progress in tackling these and have delivered major change, establishing stronger governance, embedding robust risk management, creating a better IT infrastructure and substantially mitigating legacy conduct issues. We have reshaped our business to focus on Retail and SME customers, investing in our digital offering, and in our ethical brand, while continuing to provide the service that is highly valued by our customers.*

*This will require further relentless focus on simplification and cost reduction; systematic improvements to our offering and nurturing our differentiated ethical brand. We will prioritise our successful mortgage and savings businesses and at the same time continue to build on the valued service we provide to small business, co-operative and charity customers.*

*In particular, the dedication and commitment of our front-line colleagues, which continued to be recognised in numerous industry awards and surveys over the past year, has been absolutely vital - thank you.*

*Dennis Holt Chairman 13 March 2018*

Full details are in the 2017 Annual Report, available here:

<https://www.co-operativebank.co.uk/investorrelations/financialresults>

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**Selected Co-op Bank Press Releases, x 2:**

**Press Release 2 / 26th March 2015 / Source:** <http://www.co-operativebank.co.uk/assets/pdf/bank/news/Brand-campaign-revival-final.pdf>

*CO-OPERATIVE BANK CONTINUES BRAND REVIVAL. NEW ADVERTISING CAMPAIGN CENTRES ON ETHICAL CREDENTIALS AND BRINGS TO LIFE THE BENEFITS OF CURRENT ACCOUNT SWITCHING OFFER FOR CUSTOMERS*

The Co-operative Bank is today launching a major new advertising campaign as part of its continued reinvestment in its brand. The campaign aims to bring to life the Bank’s ethical credentials and drive customer acquisition of its current account by demonstrating its switching offer, where eligible customers who switch receive £100 and a further £25 is donated to a choice of seven selected charities.

The Co-operative Bank worked closely with Oxfam, one of its selected charities, and identified Malambo in Tanzania as an authentic location. The Bank also worked with the local community to select Thomas, an elder to represent the village in the film. In the TV ad, Thomas demonstrates some of the benefits of the Bank’s current accounts, such as mobile banking and UK call centres, whilst showing how a range of charities can be supported both at home and abroad.

Alastair Pegg, Marketing Director at The Co-operative Bank, comments “As a bank we believe that the decisions we make will not only help create positive change in our communities, but the wider world too. This is firmly rooted in our values and in our customer-led Ethical Policy. Our new advertising campaign shows how our products benefit customers financially, whilst supporting charities of their choice and the good work they do both at home and abroad. “This campaign continues our reinvestment in our brand and reaffirms to both existing and potential customers, if you want an ethical bank then we still remain the bank of choice for you.”

Suzanne Jeffrey from Oxfam's Corporate Partnerships Team, comments: "This is a fantastic opportunity for bank customers to make their money work for some of the world's poorest people. Just £25 can make a big difference to Oxfam's work. It could, for example, pay to fix a well in a community like Thomas' or provide the labour, tools and training to maintain it in the future. We are grateful to the Co-operative Bank for offering their customers the chance to join the fight against extreme poverty."

The new through-the-line campaign was devised with Leo Burnett and Dinosaur. The TV ad will first air on Thursday 26 March at 7.15pm on ITV during Emmerdale. The Bank has invested c£6 million in the campaign which will run for five weeks and spans off and online media, with a national and regional focus, encompassing TV, press, outdoor and digital channels including a strong social presence. The Bank has also produced a short film for use in social media to show the making of the TV ad to continue to demonstrate the authenticity of the overall piece. The campaign maintains the theme of ‘For all the right reasons’ and builds on the TV advertising launched in October last year. Customers must move at least two Direct Debits and pay in at least £800 within 31 days of the switch.

See: “It’s Good to be Different” Campaign Showreel / [www.youtube.com/watch?v=X16rGrFwuVA](https://www.youtube.com/watch?v=X16rGrFwuVA)

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