

# Branding matters more on the Internet

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co-founded the lab after almost 20 years of experience of working on strategic, planning and marketing issues. She has worked as an inner city business adviser, a health facilities management consultant, and a strategic planning director in a communications agency prior to specialising in brand strategy, organisation and communications. In recent months she has researched the developing e-commerce marketplace and has been focusing on bringing commercial and marketing disciplines to bear on the new online world.

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has 18 years of client-side experience in developing and implementing service brand strategies with blue-chip companies. As head of brand strategy at NatWest she led the brand work stream within a complete overhaul of the group's direction, developing the new brand strategy, internal staff mobilisation and advertising and promotional programmes.

In 1999 she moved to management consulting, initially within NatWest, where she developed the customer proposition and media launch programme for NatWest's Internet bank. She now specialises in bringing the disciplines of conventional marketing to bear on dot.com developments — identifying and delivering cohesive external and internal strategies, activities and staff behaviours to achieve consistent, branded customer service. She regularly lectures on brands and organisational development across Europe.

## Abstract

*The bubble appears to have burst in high-tech stocks — or at the very least has deflated. Investors seem to be returning to the safe long-term bets of the old-economy companies. This correction in the market is an ideal opportunity to review what has been happening to those companies that have been establishing themselves on the Net.*

*This paper takes a look at what lessons the new economy can learn from the old, and also how the Internet is fundamentally changing how companies manage their brands. The basic premise is that on the Internet the brand itself must be at the heart of the business strategy. The emphasis shifts from brand to 'branded experience', and becomes an issue for the whole company. The key principles of how to develop your brand remain the same, but the need for speed means that how you manage it will change forever.*

*This paper draws on the authors' extensive experience of building brands online and offline, and of aligning/integrating internal values and behaviours with external manifestation of the brand.*

'There'll be two types of business in the year 2000: those online ... and those out of business'.

Bill Gates

many attributes in common. One of the chief contributions to their staying power is that they have developed and sustained strong brands.

For many years, branding has been recognised as one of the fundamental tenets of a successful business because good branding confers many advantages on a company. This sounds like the sort of textbook reading from

## SETTING THE SCENE: WHY BRANDING MATTERS TO BUSINESSES

Those companies that have dominated the FTSE or the Fortune 500 have

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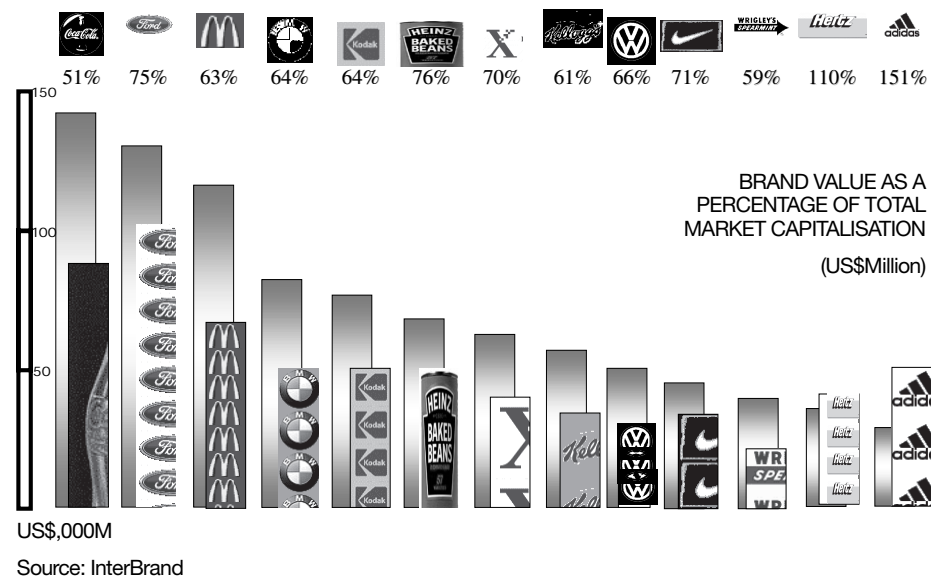


Figure 1 Brand value as a percentage of total market capitalisation

the marketing section of any MBA course, but time and time again strong brands translate into real equity and sustained profitability. How do they do this?

### Benefits of branding

Any even half-savvy consumer will tell you that brands have meanings for them over and above the basic characteristics of the product or service being offered. Coke is not just a brown fizzy liquid but 'the most friendly and ubiquitous drink in the world'; FedEx is not just a parcel delivery service but 'an utterly reliable business partner'. These complex promises are developed over time and often after considerable effort and expense have been spent on ensuring that the brand promise can be delivered and then communicated. The ultimate aim for companies is to create something distinctive that is

able to command a higher price and hence ensure future sales and profits. In the end, strong brands translate directly into superior shareholder returns.

This can be clearly demonstrated by Figure 1, which shows the value attributed to a brand as a proportion of the market capitalisation. Companies such as Coke and Ford, which are among the most highly valued in the world, have more than half of their value accounted for by the brand. Some companies, such as Hertz and Adidas, have a greater proportion of their value attributable to the brand than to their tangible assets.

But brands also confer other advantages. They can be an inspiration for employees and act as a rallying point; they provide a focus for consistency of communications and action; they help to differentiate from competitors; they can act as a touchstone for the development of new products

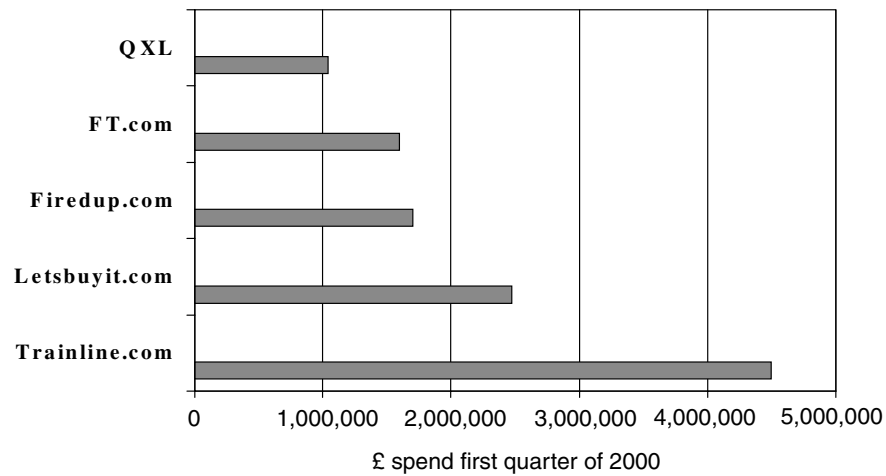


Figure 2 Quarterly advertising expenditure by UK dot.coms, January–March 2000

and services; and they enable companies to appeal appropriately to multiple target audiences.

### BRANDING MATTERS MORE ON THE INTERNET

- There are 7,598,697 websites on the Internet. A new dot.com is launched every half hour.
- The number of Internet connections is expected to increase by a factor of four over the next five years.
- 81% of people will not buy online because fly-by-night retailers worry them.

If the discussion above demonstrates what brands can do for business in general, then they become even more critical in the virtual world. If strong brands are important to companies operating in a world of bricks and mortar, they are even more important in the open market of the Internet.

There are two critical reasons why this is true:

- brands help people to make choices
- branding is transparent on the Internet.

#### Brands help people to make choices

As well as performing several important roles for businesses, brands are also important for customers. One of their fundamental roles is in simplifying choice. People are faced with ever-increasing choices about what to buy in virtually all areas of their lives (there are few real monopolies left). How, then, can they make a decision about what is right for them? One obvious aspect of the decision making is to go for a name they trust; to select a company of which they have heard; one which has a reputation for quality, service and reliability. In the end, to be on the shopping list the buyer has to have heard of you and believe in you.

The Internet magnifies this problem

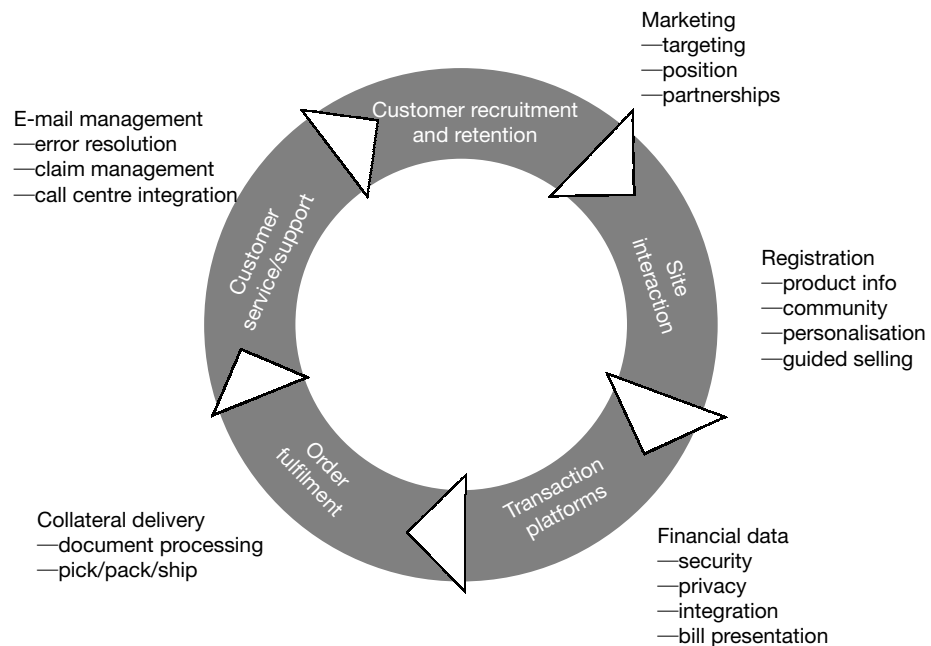


Figure 3 Online experiences: A radical shift in consumer interaction dynamics

tenfold. There are literally thousands of vendors selling their wares. What are buyers going to do? They are going to tap in the name they have heard of and believe in. This obviously gives the established players (often high-street names) an advantage. It explains why so much effort and money goes into securing memorable domain names and why the new breed of dot.com companies is spending so much on conventional advertising (Figure 2). But most have not yet gone beyond awareness to thinking about what they have to do to build the trust and promise required to be a true brand.

### Branding is transparent on the Internet

This brings us to the second reason why branding matters more. The whole process from downloading and navigating the site through to all the

fulfilment and delivery is visible to the consumer (Figure 3), and says something about the way you deliver on your (even implicit) brand promise.

This begins with the way you market to and target potential customers (what you communicate). Once people have accessed your site they need to be able to navigate their way around it easily and quickly and be able to register without it taking up too much time or asking for unnecessary information. Once they have registered and decided to buy, consumers must feel that any financial transaction is safe and private and they will expect the goods to be delivered on time, at a time and place which is convenient and with the right items. Should there be a problem, after sales service needs to be exemplary. All these activities are representative of your brand's promise. It was not that these activities did not occur offline but that online they

are more transparent and very much faster.

### **ARE THERE NEW RULES?**

A growing realisation of the vital role of brands on the Internet is leading people to re-examine the approaches they take to branding on the Internet. Do we need completely new ways of doing things, or are we in danger of throwing the baby out with the bath water? The answer to both questions is 'yes'.

### **THE FUNDAMENTAL PRINCIPLES STAY THE SAME**

Experience tells us that it is unwise to pretend that you are starting with a blank sheet of paper. While the Internet is encouraging people to 'break the rules', 'think out of the box' and seek to make a 'step change', there seems no valid reason why the logic of commerce should disappear altogether. Yet recent newspaper headlines would suggest otherwise. Wiser voices have recommended caution, but the new gold rush fever has proved too great. The recent correction in the market suggests that the sceptics may have been right.

In the authors' view, this is because the following rules of thumb must still apply:

- have a sound economic base (and a clear customer promise) for developing an Internet proposition
- understand and have knowledge of your consumers and customers
- decide what role the Internet is going to play.

This is not rocket science. But if, like

the authors, you have been disappointed when buying from some of the well-known brands now trading on the Internet, you will know that the basic rules warrant reiteration.

### **A sound economic base for the proposition**

#### *Sound economic basis*

The demise of Boo.com, e-Toys and letsbuyit.com has proved to be a wake-up call to many investors in the sector. In the case of Boo.com a good idea on paper was undermined by unrealistic roll-out plans (eight languages in 18 countries), an overly complex ordering process and poor delivery. As with the off-line world, it pays to test the concept out in one area, and iron out the service wrinkles before trying to expand. There is a similar lesson for letsbuyit.com, where the fundamental lessons of a scale threshold seem to have been ignored.

This is the most basic rule of all. The big question is can I provide something better, cheaper or different online than I could anywhere else? Even then, being cheaper may give you a short-term advantage but is not usually a sustainable way to get growth and profits.

Understanding how the Internet will help you to deliver sustained shareholder value (low-cost supply, sophisticated customer management, faster fulfilment, disintermediation,

unique niche offering, for example) is critical to this debate but so too is understanding the 'consumer promise'. At base, great brands satisfy a human need. If the service or product cannot fulfil this basic promise then it will not survive. In other words, the acid test is still can I deliver something genuinely different, more efficiently and effectively than anyone else?

### **Understand and know your consumers and customers**

#### *Know your customers*

Another example of understanding the customer base concerns global brands. If you are global then consumers will have global expectations of you. The Gap is one such brand. It has an excellent website where you can order from a good range of basic clothes . . . if you live in the USA. Yet customers in Europe are also loyal to the brand. Compare this with River Island, which stocks a different range in the USA but will happily mail these clothes to people in the UK.

Again, this sounds like a truism, but it is critical to the success of any enterprise. Maintaining a profound and intuitive insight into human nature and values that goes beyond that of your competitors will help to confer a genuine sustainable advantage. You need to research into emotional as well as rational drivers. This means being tuned in to the needs, wants and dreams of your consumers. It sounds

obvious, but we are dealing with a technical world, where too often the fascination is with a technological capability rather than with meeting real needs.

Many of the companies the authors have worked with have organised themselves around the technology rather than around customer needs. For example, a new start-up based on WAP technology grouped its divisions around the different types of technology delivery rather than around customers who would be signing up for sports services or financial services.

Furthermore, once you have understood the needs and dreams of your customers, can you meet those needs profitably? Understanding the correlation between profitability and the relationship value in your business will help you to decide how far you can realistically go. What are the key indicators of lifetime value — length of relationship/breadth of product take-up/share of customer wallet? Are there clear segments? Is the relationship determined by speed or information or geography? It is important to look at the underlying causal relationship not just the short-term effects, because brand loyalty (unless you have first-mover advantage coupled with first-class customer service and fulfilment) is pretty non-existent on the Internet. Information provided by your users will help you to identify and cherish your best customers, enable you to protect them from competitors and encourage their loyalty.

### **Decide what role the Internet is going to play in your company**

The Internet is providing many companies with a unique opportunity to

rethink their future. For some, the Internet may be working merely as an additional channel through which to sell products or services, for others it may represent a way of simplifying or consolidating the supply chain. But some companies are using it to move them from what they are today to where they want to be. It is enabling them to refresh and reinvent the company and its image.

An excellent example of this is Iceland, which saw the opportunities opened up by the Internet to reposition the brand altogether. Iceland had a reputation for being focused solely on frozen foods and related products, and had an image which was downmarket and narrow. They have used the Internet not merely as a new channel through which to distribute their wares but as an opportunity to revisit the customer value proposition, alter their consumer profile and revamp the company's image. Today, many more people see Iceland as a pioneer in this field and the new customer base is more upmarket and will spend more with them.

### ONLINE BRAND SUCCESS FACTORS

This paper has discussed some of the basic rules of branding which still seem to apply online. But where are we beginning to see some new approaches? There seem to be several issues to reconsider:

- delivering a consistent brand experience
- integrating all the expressions of the brand
- establishing brand awareness
- measuring every new initiative against the brand.

### Delivering a consistent brand experience

#### *Branding the experience*

It may be a mistake to view the Web as just another distribution channel. The Nike swoosh can be seen everywhere, but when Forrester Research surveyed their website they found that it was anything but a hot destination. Why? The site was complex and hard to navigate; the pictures of sports stars took ages to download. The content was not offering a solution, but more importantly it was not offering an experience.

The prevailing wisdom used to be that the consumer relationship was based on the product alone, and we focused on finding its USP and point of difference and ramming this home at every opportunity. The product brand was underpinned by the ability to get distribution. A company that defines itself around a product provided to an ever-changing marketplace is generally reactive and must redefine its business every time a product changes or becomes obsolete (or it goes out of business). Later we came to realise that most brands had a service component as well, and we had to ensure that the level of customer service was commensurate with the brand promise. This evolution was underpinned by the advent of call centres enabling contact to be made on a mass scale.

Now the presence of brands on the Web has meant that we have to brand the experience. Brands have to be useful. They have to offer a solution

to a problem, an experience and an opportunity to interact. There is no way you can provide a rewarding experience without regularly asking for feedback.

The experience *is* the product. The Internet enables you to dimensionalise your brand by forcing you to create interactive, immersive and dynamic experiences for your customers. This impacts on everything you offer, from the navigational flow to the speed of your site and the speed of fulfilment. This evolution is underpinned by technology.

Delivering a consistent brand experience is one of the cardinal rules of branding, which is as true online as offline. But it is made even more important because of the transparent nature of the e-value chain described earlier.

As the lines between shopping and relaxing at home between advertising and entertainment begin to blur and consumers become involved at every stage, so brands become more about the experience not the product. It is no longer enough to communicate and promote awareness of your name, as do Ford, no longer enough to create an image like Tango, nor is it enough to differentiate by product capability and specification, like Direct Line. On the Net you have to orchestrate everything you do to deliver a highly differentiated and consistent positive experience. At the same time, the Internet encourages customers to expect instant gratification without compromising quality, reliability and trust.

Companies in the leisure industry with long experience of handling high customer volumes have evolved simple ways of always seeming to deliver on their promise, such as minimising

apparent queuing time. These techniques reinforce the positive brand values and contrast favourably with the many other service companies which have yet to understand this. There may be no substitute for old-fashioned human intervention when the customer is stuck in a service loop, but the 'call me' button provided by many companies is a step in the right direction.

#### *Reinforcing brand values*

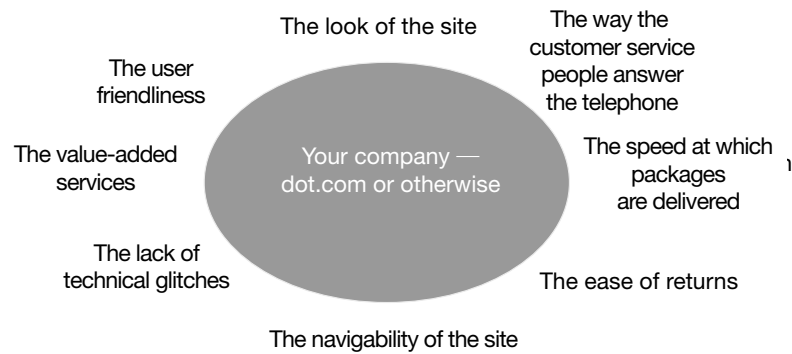
Disney are adept at letting their 'guests' know how long they will be in a queue and delight them with entertainment; Ticket master have learned that they can exceed customer expectations by telling customers that they are 19th in the queue and it will take ten minutes, but in reality the customer is answered within five minutes. Is it possible for the online experience to be similar?

#### **Integrating the online and offline experience through all expressions of the brand**

#### *The Boden experience*

When Boden first went online orders increased massively. Lead times became longer as they struggled to keep up with demand. The problem, it transpired, was that they were used to holding minimal stocks and sizes. The managing director wrote personally to every customer to explain what had





**Figure 4** Expressions of the brand

happened and how they were going to deal with it.

This rapid crisis management appears to have retained the loyal customer base, but also demonstrates how selling on the Net forced Boden to rethink their operational strategy to reduce lead times by moving to a bigger warehouse and changing their stock policy.

employees need to use with customers have to be honed to give a good account of the brand. Ensuring that the brand promise and its implications are widely understood and acted out in every customer interaction is paramount. The foundation for providing a positive brand experience is getting the basics right: accessibility — ease of contact, responsiveness, user friendliness — and reliability — delivering on the promise rationally and emotionally.

Physical, promotional and behavioural manifestations of the brand need to be coherent (Figure 4). While it may not be possible to update all products, processes and outlets to keep pace with developments on the Internet, there is a need to deliver the brand promise clearly and consistently across all touch points.

Service brand managers are well acquainted with the difficulty of coordinating multiple products across multiple touch points, but it is a new challenge for FMCG brands beginning to trade on the Net.

The skills and behaviours that

### **Go beyond establishing brand awareness (and accessibility)**

In the latest round of dot.com start-ups the emphasis seems to have been on hyping the name to build awareness ahead of a rush to the market. But a well-recognised name is not the same as a strong brand, and it is not a guarantee of business success.

The example of lastminute.com demonstrates this point clearly. A good idea on paper, hyped to an extraordinary degree through paid-for media and collateral press comment, it was undermined by a failure to understand the economics of its proposition and genuinely deliver the promise made.

A number of high-tech companies have eschewed traditional advertising in favour of slower-burn options — influencing the influencers, ingredient branding and word-of-mouth campaigns through communities of interest.

#### *Slow-burn marketing*

Nextweekend.com has had a website registering consumer interest since last autumn. They have opted to go for a slow build, generating curiosity, delivering solutions and seeking customer feedback to inform an ongoing programme of product and communication enhancement.

Companies are also beginning to experiment with the way in which the Internet allows them to develop a dialogue with a segment of customers. In particular, developments in the software for electronic customer relationship management (CRM) are enabling companies to not only understand but also influence customer behaviour through relevant communication at the right time with the right offer. These companies are learning that successful customer communication is customer initiated rather than company initiated. Once again, we see the customer seizing control.

It is therefore critical that you make it very easy for customers to find you. People generally know how to find even relatively obscure items on the high street or from Yellow Pages. On the Web consumers tend to head for brands they know and trust.

One way of side-stepping this

difficulty for start-ups is to return to functional brand naming — choose a name that is readily triggered (does what it says on the can . . .). In addition, make good use of third parties — alliances, shared developments, e-promotions — to add visibility and salience to your offer, provided that they fit with your brand.

#### **Measuring every new initiative against the brand**

Online marketing really does give marketing the opportunity to be accountable. Any company should be going online not just for presence but for results, so it is critical that the measures of success are agreed early and up front. There are tools available, so use them.

Like every other new product/channel development, Internet development requires careful evaluation and planning, the setting of robust targets and establishing performance measures in sufficient detail to be actionable.

e-CRM will enable you to find out which of your customers are really valuable to you. Eighty-four per cent of online businesses do not follow up their online customers and 75 per cent do not recognise repeat customers. Yet it is possible to know who goes to your site, how often and what they do when they get there. Making use of fast, continuous customer feedback is a way of increasing involvement and building loyalty.

#### **Measures of brand fit — The acid test**

One of the opportunities offered by the Net is to be able to develop new

services and products at break-neck speed. The new idea looks as if it will deliver against financial performance criteria, but is it right for the brand?

Be absolutely ruthless about not doing things that do not add to the brand, and stop things that detract or distract from positive, managed development.

### **There is real time and there is Internet time**

Big global strategic consultancies are finding that their customers no longer have time to develop a detailed strategy for Internet activity. It has become much more 'seat of the pants stuff'. Yes, you have to move quickly to build a brand on the Net, but you also have to live with the consequences of the brand you build. As this paper has demonstrated, customers take the brand you create and develop their own meanings — so you need to be very sure that the basic brand foundations you build are the right ones.

### **BRANDING IS AT THE HEART OF BUSINESS STRATEGY ON THE NET**

Branding is more than just a label. It is an organising principle that can bring cohesion to the diversity of a company's activities and is central to the ability to compete and survive.

It used to be thought that corporate strategy was entirely separate from the strategy developed for the brand, but in fact they are entirely interconnected. Because brands have both meaning and real monetary value, they impact on every aspect of the business and its operations, and this becomes even truer on the Web. The whole experience for the consumer, from navigating the site through all the fulfilment and delivery, is visible and says something about the trustworthiness of your brand. In the past this chain of activities occurred but was largely hidden from the end user and tended to occur relatively slowly. The Internet is a radical shift, as not only is the consumer actively involved in all stages of the transaction, but also the stages are transparent and happen fast.

Established companies with their big advantages in visibility, recognition and real estate can be huge beneficiaries of the Internet and so can innovative start-ups. The success factor is not where you start from but how you build and maintain your brand.

Despite all the myths, one reality remains — the customer is still at the heart of the business. In the end, brands are for people. Forget this fundamental truth at your peril. Branding is also at the heart of business strategy on the Net. It is probably driving it. A powerful brand promise + consistent delivery = profitable business.

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