Editorial

How the Internet impacts on brand management

How will the Internet impact on the status and strength of brands? How should corporations react to this likely impact so that they benefit from its positive effects and minimise its negative effects? Interestingly, in the FMCG markets, the former revolution brought by giant hypermarkets that was associated with the concentration of distribution has led to a weakening of brands. As a result, they are forced to retreat to the upper end of each market, thus leaving the bulk of the market to the distributors' brands. How could the Internet revolution impact on the foundations of brand power?

THE SOURCE OF BRAND POWER

In fact, brands have thrived because of consumers' imperfect information. Confronted with a wide array of products, often outwardly very similar, consumers would need to spend an enormous amount of time and energy to become fully informed and examine, for example, all the alternatives in a number of stores before making their choice. In addition, this painstaking process is not without risk and carries no guarantee that the final choice from such a safari is the best. This is why, today, it is irrational for a normal consumer to be rational. In addition, most FMCGs are low involvement products and, as such, consumers are not willing to expend much time and energy in researching and comparing products.

Brands provided a heuristic route to facilitate the decision-making process as brand awareness and image enabled consumers to restrict their choice to a small number of alternatives, called, in precise terms, the 'evoked set'. By their position at the front of the consumer's mental shelf, brands were more likely to profit from this influence over consumers' decision-making processes.

FROM OPACITY TO TRANSPARENCY

The first dramatic impact of the Internet is to create market transparency. It is now possible for any consumer, from the comfort of home, to compare brands and products. In those cases where there is a lack of perceived expertise, consumers now find portals or infomediaries ready to help them define their problems and specify the purchase criteria. These infomediaries can quickly become trustworthy sources, unlike the brands themselves. Brand sites are certainly attractive but have the disadvantage that they only provide information, which can be biased, about their own products. Certainly many women will visit the Lancôme website and eventually purchase there. A majority will, however, be interested in looking at the advice of the major cosmetic and beauty portals which have gained awareness and public recognition (in other words having themselves become service brands). These portals will make comparisons between products of both well-known and also less well-known brands, often revealing that the less well-known brands are better quality and better value for money. The publicity gained by a report in a French consumer magazine, for example, disclosed that the inexpensive Nivea moisturising cream was as good as that of its glamourous competitors. It is known that rumour is rife on the web. Any unexpected and revealing information will circulate and also encourage new types of consumer behaviour. The Internet lowers the barriers to entry into the consideration set of consumers. As a consequence, the brands should audit all their product lines and eliminate those whose performance is not up to expectation. A second consequence should be that brands should unite to build portals that will become the source of information for their market. The Internet means that competing brands must combine their energy and resources and launch the service brand of their category. In any event, distributors will also do this, with the result that manufacturer's brands may well be unfavourably compared with their own.

RE-CAPTURING THE CLIENT

Brands are much more than products: they are networks of information and prescription. This is typically the case for construction brands such as Redland or Blue Circle, or for all brands with a selective distribution channel such as cosmetic, pharmaceutical or luxury brands. Since the Internet, in the first instance, revolutionises all sectors said to be 'information intensive' (for example, banking, insurance and the travel industry) it is likely that the former type of brands will also be impacted. Why bother to visit a perfumery where, often, the salesperson is not an expert and provides poor personal advice? It may well be more rewarding to go directly to the expert website, either a beauty portal or the brand website itself.

In some markets, brands have been weakened by the fact that the distributors now refuse to pass on to the consumer the information delivered by the brands. For instance in France, Kingfisher's Darty is the leading store chain for white and brown goods. However, all the manufacturers' documentation included, for example, with washing machines or posted is removed by Darty's staff. The distributor wants to have full control of the consumer and to be the sole source of his/her information in the store.

The web provides a fantastic opportunity to learn more about our consumers' tastes and desires. It will also provide the brands with a further opportunity to pass information to consumers. But this masks its most important impact, which is to re-capture the consumers that brands themselves have, after all, created but who have been diverted by distributors.

COMPLEMENTARITY OR CANNIBALISATION?

Even if many brands are reluctant to sell direct at this time (such as Lacoste), or retreated recently (such as Levi's), in the future all sites will be an opportunity for e-commerce. This creates, however, considerable problems for those brands whose strategy has been based on the control of their own distribution. Louis Vuitton, for instance, sells only through authorised dealers and exclusive Vuitton shops. In May 2000 a major portal has been launched in USA: e-luxury, funded by the major luxury group LVMH. Naturally, Vuitton does have a corner in this site to sell direct to the world. It should bring in additional consumers because not all consumers have a Vuitton shop close to them, and many consumers do not have time to go there, or are just too timid to cross the threshold of such temples of luxury. They may also buy more through the virtual shop. In fact, each buyer at the Lancôme site purchases, on average, 30 per cent more than buyers in Lancôme outlets within major US department stores. In a real store, factors like noise, stress and crowds call for a quick visit which reduces the amount of purchase per capita.

This is the positive side of the Internet but there is a negative side. Taking again Vuitton or Lancôme — whose image is based on excellence and highly selective distribution and information channels — how will these brands avoid being referenced by other portals and more or less pirated by those who buy merchandise on the grey market? On what legal grounds can these brands refuse to discounter's sites what they thought acceptable for e-luxury? Since one of the main reasons for surfing the Internet is to find a bargain, how will these brands maintain their prices at reasonable levels from one site to another, not to mention the prices in the real brick and mortar shops?

Jean-Noël Kapferer, Editorial Board