Which brands are having success with their Internet business?

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Traditional companies selling through the net are generating more confidence and security than their dotcom rivals amongst users, given that they can rely on a prestigious and well-established brand name.

Brand names have an undeniable effect on what one buys. According to Taylor Nelson Sofres, the penetration of Danone in Spanish homes is almost a hundred percent, with eighty-one percent for Coca-Cola. However, some characteristics of the Internet, like the decrease in the amount of time spent searching for a product and the ease with which one can change supplier depending on price, seem to anticipate possible changes in the future.

The decrease in time and energy spent searching the Internet is due to the fact that the distance separating a company from its competitors is now only a simple click away. Thus users can compare the prices and products of different brands with the minimum of effort. This phenomenon has been on the increase since the appearance of robots or search engines such as buybuddy.com or mysimon.com on the international scene and kelkoo.com or zzspirit.com in Spain. These tools allow one, in a matter of minutes, to find the best product offers on the net. Furthermore, they have given a boost to a tendency that has been gathering steam since the eighties in the retail sector: purchasing power has been shifting from the producer to the distributors, and now, thanks to the Internet, it has finally reached the consumer.

The most tangible example of this change is the online auction, for example viajarbajoprecio.com and priceline.com, in which customers propose a price which they are willing to pay for a product or a service (in this case a holiday). It is then the suppliers who have to make an offer according to the demand. Faced with this prospect, companies, which have traditionally invested huge resources in the creation and consolidation of their brands, have been forced to ask themselves a series of questions. Will this increase in consumer power and more transparency in the market cause an erosion in the market position of the established brands? Will it affect the predisposition of the user to pay extra for a brand name? The majority of the experts in the field agree that, in spite of the amount of information on the Internet, the brand still acts implicitly as a substitute for a search and as a summary of information for users, given that it creates confidence and security in the mind of the consumer.

This added value, characteristic of the brand, is essential in a climate where feelings of insecurity and distrust constitute the principal inhibitor to electronic commerce. According to data from the Spanish Association of Electronic Commerce (AECE),
25.5% of Spanish users distrust existing systems of payment, 24.3% fear the misuse of their personal details, and 17.3% have doubts about whether they will receive exactly what they have paid for.

**Supply**
The range of products on offer on the Internet is increasing, which is making the process of choosing what to buy more difficult. The simple act of searching for a new supplier means a risk of the unknown, the need to take advice, and a transformation of habits. For the majority of products, the fear of the unknown is still a greater factor than the possible advantages to the user of changing their habits.

This tends to make consumers remain loyal to a particular brand or product. More than representing and showing the attributes of a product, brands usually have an emotional connection with the consumer. The case which best illustrates this phenomenon is that of the brands Pepsi and Coca-Cola, which enjoy a high level of brand loyalty from their customers. Consumers of these soft drinks are prepared to pay more rather than change their consumption habits. But the power of the traditional brands is not only limited to direct consumption. Traditional companies with established brand names can also rely on a drawing power on the Internet superior to that of their dotcom rivals.

According to Nielsen NetRatings, the five biggest retail chains in the United States (Walmart, JC Penney, Kmart, Target and Sears) accounted for 71% of online sales in 2001. The estimated eighteen million euro turnover of the El Corte Ingles website in 2001 is also an indicator of the fact that the customer is prepared to pay more for the guarantee that a recognised brand name provides.

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**The Question**

"Is the Internet eroding the brand?"

**Both sides of the Net**

**Lluis Renart, IESE teacher**
The Internet allows the dissemination and strengthening of a brand, contributing to a fortification of the links between the company, its brand, its products, the channels of distribution and its customers. One could actually come to create a real interactive community of users, providing that the company is able to satisfy its needs. An example of this can be found at, www.harley-davidson.com, www.jeep.com, and www.lladro.com. However if the product or the service is defective, and the customer feels dissatisfied or badly-treated, the Internet can become the kudospeaker through which the customer can voice their dissatisfaction. An example of this can be found at www.untied.com with complaints about United Airlines, and at www.mcs spotlight.org about McDonald's. Be they bona fide complaints or unfounded rumours the Internet can also be a medium to attack and erode a brand on a global scale. In such a situation the company has limited possibilities of defending itself.

**Towards two equal worlds**

**Juan Pérez-Vilaplana, Director of Technology and e-Business solutions of PwC**
An erroneous commercial strategy, product supply not in line with its target audience, an imbalance between quality and price, and a badly designed advertising campaign are some of the things that could cause an erosion in the power of a brand. Business on the Internet has taken these concepts of business management into account and so is well aware of them. The balance between the confidence that a brand name inspires, the ease and convenience of the commercial operation and the adequate design of the product is the key which allows the setting of a market sensitive price. Price was one of the principal factors in the early days of the Internet. Today, knowledge of shopping habits and market behaviour is what sets the framework of supply and ensures that prices are set at the appropriate level at all times. Today, market reality is the same in the world of the Internet and in the wider business world offline.