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eBrands: Building an Internet Business at Breakneck Speed

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Book Review

John Callister

Phil Carpenter, eBrands: Building an Internet Business at Breakneck Speed, Boston: Harvard Business School Press, 2000.

Coming from the technology side of the entrepreneurship field, I'm not that familiar with the jargon in the marketing field. I was somewhat confused by the relatively recent use of the word "brand" without a modifier, particularly when referring to Internet businesses. Long ago, when I went to business school, a *brand name* was a title or logo to denote the goods or services provided by a company or division, like "Buick." *Brand equity* was the extra, intangible value built into the products or services sold under a brand name through reputation, positioning, and marketing. *Brand*, on the other hand, was something one might see on a cow in Montana!

Phil Carpenter sets me straight in the introduction to his new book ("brand" can stand for either brand name or brand equity), and I am grateful for that. He also states that this book is about what we used to call brand equity. And so it is.

The book consists, more or less in its entirety, of six in-depth case studies of Internet firms. Hence, *eBrands* is both less and more than its title may suggest. For one, it is not a guide or conceptual treatment of the unique features of building brand equity in an Internet firm. Rather, the reader is left the task of teasing out the common threads and other lessons that Mr. Carpenter offers, in a more or less narrative form, as he discusses each company in depth. And that is the book's strength: the depth of the material that Mr. Carpenter gathered for each company is impressive, and is not found elsewhere, as much of the information was collected via personal interviews with each company's principals.

The companies discussed here are relatively well known. There is iVillage, the web site for women, which is mainly a content and community site. FogDog, the sporting goods retailer, is another. Also discussed are Yahoo!, the famous web portal; Onsale, the auction and surplus goods site, which recently merged with Egghead.com; CDNOW, the music retailer; and Barnesandnoble.com, the Internet arm of the New York bookseller.

Why worry about brand equity? Mr. Carpenter claims that the increased choice available to consumers in the

Internet space will strengthen customer/company relationships for those who have crafted premium brands. That is, faced with a bewildering array of options, the consumer will seek the comfort of a well-known brand. While this is true to some extent today, will this continue? I argue that it remains to be seen if the shopping agents or "bots" such as MySimon.com, will significantly erode the power of a brand, with savvy consumers gleaning product information from premium, content-rich sites, then making their actual purchases at a site offering the lowest price. Mr. Carpenter feels there are other, significant additions to the value equation, and that price is only one consideration.

He lists these as the best practices in building brand equity:

1. Focus on building brand [name] recognition.
2. Cultivate customer commitment.
3. Forge strong distribution and content alliances.
4. Move early and keep moving fast.
5. Develop an intimate knowledge of the market and the customers.
6. Build a good reputation.
7. Deliver outstanding value. (This is defined as the ratio of total value delivered to the customer divided by the cost of the product or service. In addition to the product itself, other attributes add to value, such as fast, secure shipping or a generous return policy.)

In *eBrands*, each company is examined in depth, and the sustainable competitive advantages of each company, as well as prominent threats, are analyzed. I found the analysis of the competitive advantages and threats to be a particular strength of the book.

In the case of iVillage, the well-known problems of their high personnel turnover and staggering cash burn rate are cited. But the author also mentions iVillage's failure to establish the umbrella brand early on as a weakness. I agree that this is a problem, especially since iVillage lacks a big-name celebrity like Oprah Winfrey or Martha Stewart to lend it brand name awareness. Building brand name awareness is a big expense, and one usually gets only one chance to get it right.

iVillage is interesting in that it has many content and commerce alliances. This is one aspect of Internet businesses that cannot be easily matched by traditional off-line businesses. It often gives the firm a distinct competitive advantage, if only for the length of term of the alliance. We

will likely see intensified bidding for contracts with the major alliance partners, such as AOL and Yahoo!, in the near future.

In the profile of the music seller CDNOW, we learn that their Album Advisor service and *Rolling Stone* reviews help the consumer make purchase choices. I agree that this is a big advantage, even if the reviews are dated in many cases, and lack hotlinks when referring to other albums. CDNOW's fate depends more on the future of downloadable music than with competition from the booksellers. CDNOW also needs to build more brand awareness. Their early advertising was largely confined to the Howard Stern radio program, which has a rather limited appeal. Mr. Carpenter finds fault with CDNOW's recent plan to add community to its existing commerce and content model, and I agree. Upgrading the content would be more effective. Community on a music web site often sinks to just a fans versus foes flame war.

Barnesandnoble.com is included as an example of a click-and-mortar firm, with both Internet and traditional storefronts. Actually, I feel that Barnesandnoble.com is a strong #2 mainly because of its deals with AOL and the New York Times. They have not leveraged the offline brand assets very well, primarily because they must keep the operations separate to avoid paying state sales taxes on-line. At any rate, the appeal of being able to return a book to a physical store is somewhat less than to return a clothing item that does not fit. Barnesandnoble.com's model is similar to its traditional storefront counterpart: price bestsellers as loss leaders, and pick up better margins on the nonbest-sellers. Will this model continue to work, with the emergence of cut-rate booksellers like half.com and Allbooks4less.com?

The web portal Yahoo! is discussed at length. As a portal with great name recognition, it should do well for

some time. As users become more savvy, they tend to use Yahoo! less, migrating to google.com or raring.com for searches, for example. However, Yahoo's alliances with computer manufacturers, including Hewlett Packard, make their brand nearly ubiquitous. eBrands has more information on Yahoo! than you may wish to know, but it certainly is a complete analysis.

eBrands also discusses FogDog, the online sporting goods store. I think that Mr. Carpenter underemphasizes the threat to FogDog from both the single sport web sites, with their superior selection for enthusiasts, and from click-and-mortar companies like The Sports Authority, who can accept returns from online purchases at their physical stores. The sporting goods area is an interesting one, and it remains to be seen if a single major player will emerge.

eBrands concludes with an analysis of Onsale. The merger with Egghead.com, which I expect occurred after Mr. Carpenter began researching the company, complicates this story. As such, it is the weakest of the six. The name recognition of Egghead.com was touted as a good thing to tie to the Onsale brand, and the author does not explicitly disagree. I do, as it merely confuses the brand identity. Egghead is remembered as a brick-and-mortar software store, and those days are long gone. Coupling the firm's jumbled identity with the fierce competition in this space, I would say that Onsale is doomed after it burns the one year of cash it has left.

All in all, eBrands is a jargon-free, careful analysis of the brand equity being built by six Internet companies. The completeness and detail are quite remarkable. While I found myself wishing for another chapter to outline and summarize the main findings, this was not a major shortcoming. I found this book to be particularly thought provoking, and I recommend it to anyone interested in building brand equity for an Internet company.



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