



Beyond the Blur:  
Correcting the Vision  
of Internet Brands

ONLINE  INSIGHT™

**AC** Andersen  
Consulting

*Renamed. Redefined.  
Reborn as Accenture.  
01. 01. 01*

# perception

*"The trouble with people is not that they don't know  
but that they know so much that ain't so."*

attributed to Josh Billings

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# I. Introduction: Back to Basics

In the absence of solid evidence about what drives value for online brands, managers have relied on their gut instinct and prevailing wisdom to guide multimillion dollar e-Branding programs. Rules of thumb were followed, not because they were true, but because a constant drumbeat suggested they were. Clearly, companies facing the challenge of building more effective online brands needed better information about what constitutes value for online consumers. So Andersen Consulting recently examined the online buying habits of 2,000 US consumers across 17 industry segments in order to find the facts behind brand value online. This unprecedented study, conducted with Online Insight, an eCRM technology company, found that the facts are, in many cases, exactly the opposite of the mythical assumptions on which many branding decisions have been based.

Driven by the belief that online shoppers were extremely price sensitive, dozens of dot coms (e.g. Buy.com, Brandwise.com, Halfpricecds.com, Valueamerica.com) bled red ink as they strove to build market share by offering extremely low prices – or even free merchandise. Yet the new data shows conclusively that the most avid online consumers are the least likely to be paying attention to price and that price is a minor consideration in most online purchases. Some companies have spent enormous amounts of money – as much as four to five times their annual sales revenue – to develop “brand awareness.” Yet the new study strongly suggests that such spending may be wasted. While brand familiarity is not unimportant, only one of the five online market segments identified in this study makes its buying decisions mainly on the basis of brand familiarity.

Moreover, contrary to conventional wisdom, online shoppers generally aren't young and hip; the most frequent online buyers are between 35 and 44 years of age.

Nor are most of them impressed with the technological bells and whistles that have lately proliferated on commercial web sites. The data shows that, with the exception of the most experienced shoppers, online consumers want speed and convenience – not a media-rich and interactive extravaganza.

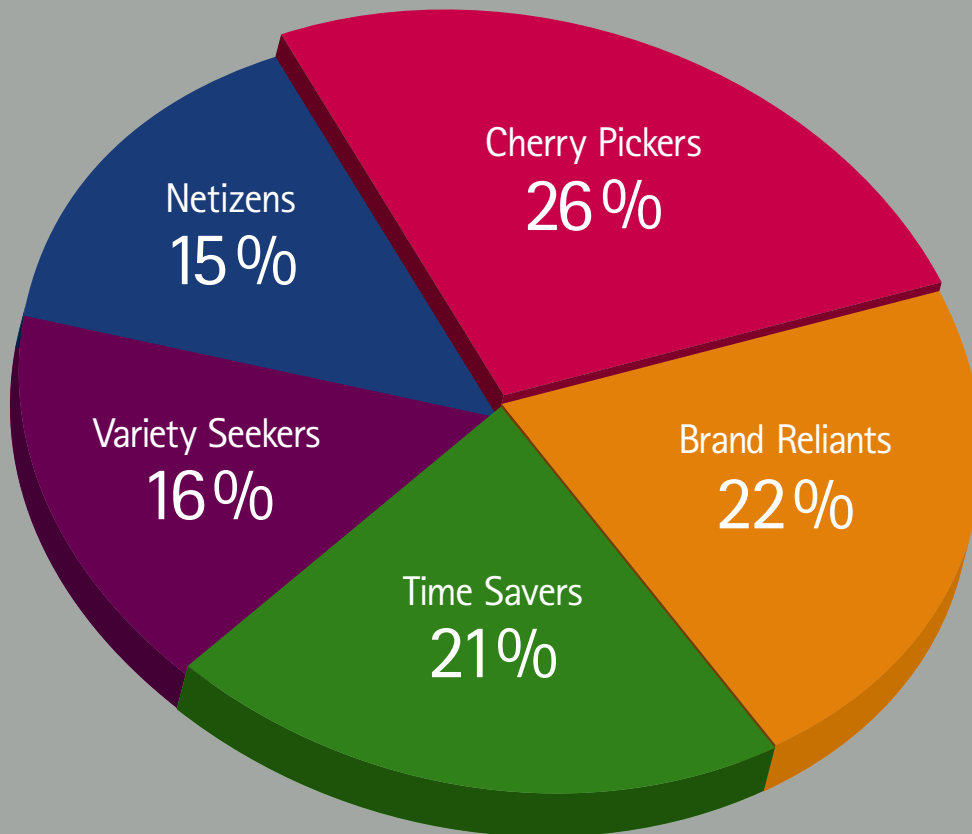
And by the way, although personalized marketing to the much-vaunted “segment of one” has been the Holy Grail of many a web developer, such personalization may alienate more customers than it attracts, due to consumer concerns over privacy.

These are but a few of the myths debunked by the new study.

Online marketers can hardly be blamed for getting so many things wrong. It is understandable that the astonishing success of such firms as eBay, Amazon.com, Dell and other prodigies would have spawned a horde of conjectures and hypotheses about the secrets of success in the brand-new online market. Pundits, prognosticators, investors and analysts – forgetting for a while that their job was to be skeptical and conservative – pushed many executives to trim their sails to the prevailing wind and move fast to discard old ways of thinking. “The Internet changes everything!” they were told. But clearly, it doesn't. In fact, the Internet changes only a few things. It's important to know what those things are and Andersen Consulting's analysis does suggest several new metrics suited to measuring the success of online brand-building efforts.

Much of what was true offline is just as true online. For several wild and crazy years, managers were told that their training was obsolete on the bold frontiers of cyberspace. Now it's clearly safe – and smart – to get back to basics.

## II. B2C Needs-Based Segments



Although it seemed for a time that the Internet would make market segmentation obsolete, the data shows that online consumers fall neatly into five distinct segments, each defined by a unique set of purchasing needs and preferences. Crucially, each segment contains consumers from across all demographic groups. This highlights the importance of incorporating needs into customer segmentation. Of the 13 buyer needs covered in the study, three

are so important that they account for most of the differentiation among these segments. They are:

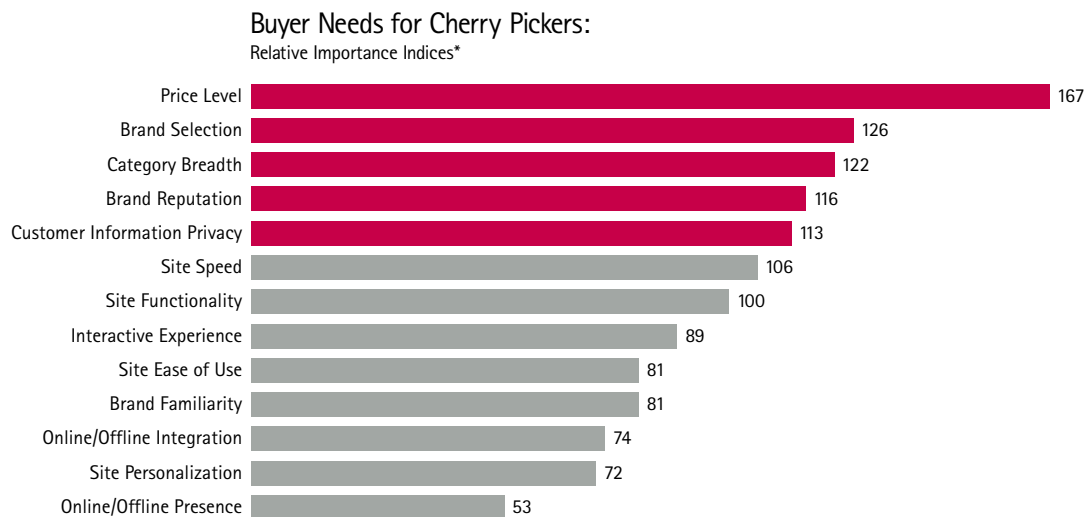
- I. Price
- II. Brand selection
- III. Site functionality

Attitude toward price is an important factor in defining the online consumer segments, but in only one of the five segments is price the overwhelming consideration in the buying decision.

Even in that segment, competitive pricing accounts for less than 13% of total e-Brand value.

In this section, we will discuss the characteristics and attitudes of each of the five online segments identified by the study. For a more detailed explanation of the methodology and sample used in the study (including definitions of the 13 buying needs), see Section V below.

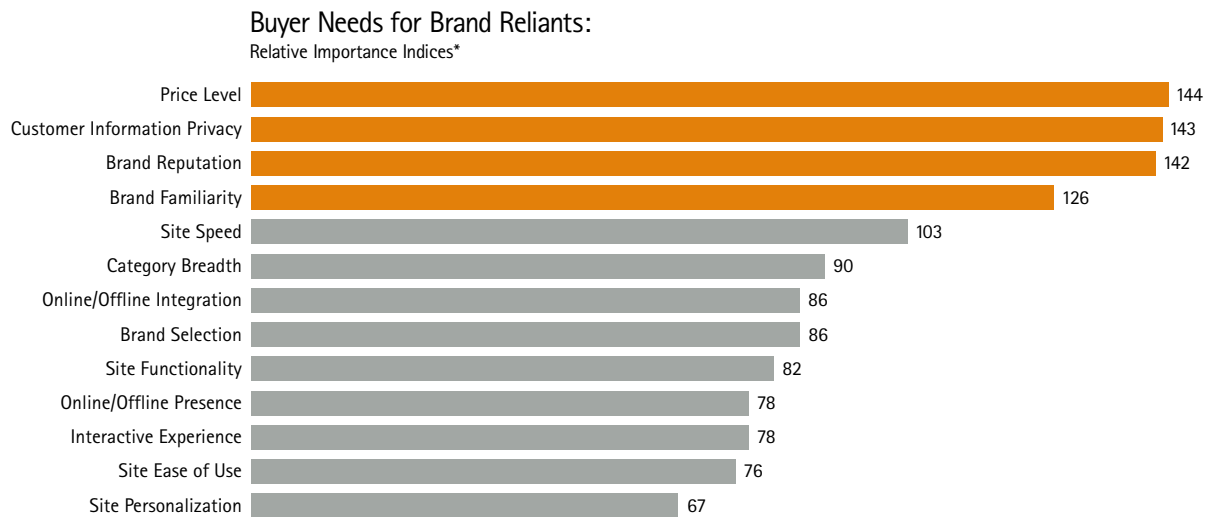
# Cherry Pickers:



The Cherry Pickers segment includes 26% of online consumers and is the largest segment identified in this study. Cherry Pickers are bargain hunters: they want a wide selection of brands and a diversity of products. Price, the highest priority buying need, indexes at 167 vs. the average buying need. Brand Selection, Category Breadth and Brand Reputation index at 126, 122, and 116, respectively.

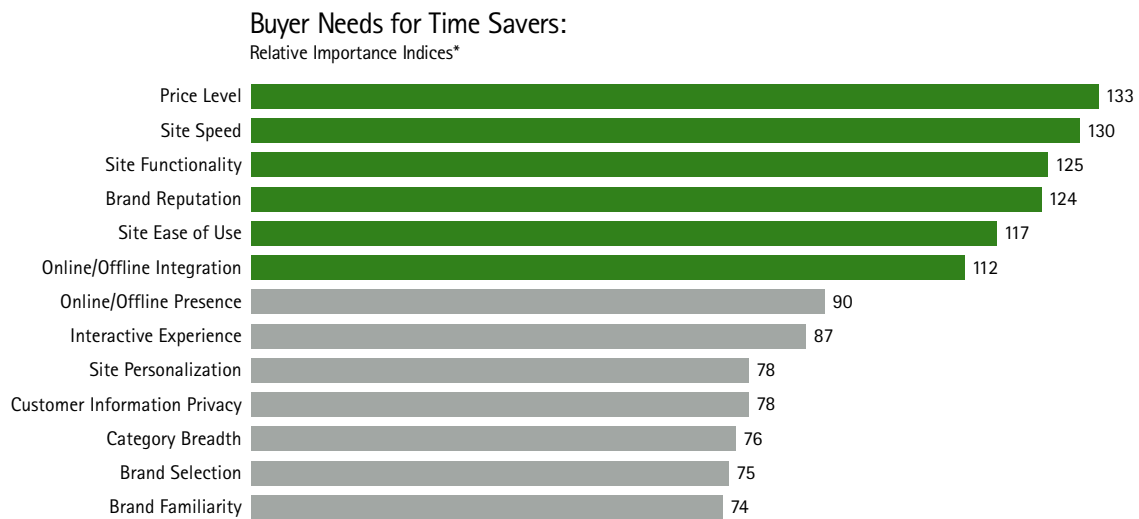
The Cherry Pickers, like other segments, are not a distinctive demographic group. They have little in common besides their buying preferences, though the segment skews somewhat towards the young and educated. 47% of the Cherry Pickers are under 35 years of age and this segment has a higher proportion of college graduates (42%) than any other segment identified by the study.

# Brand Reliants



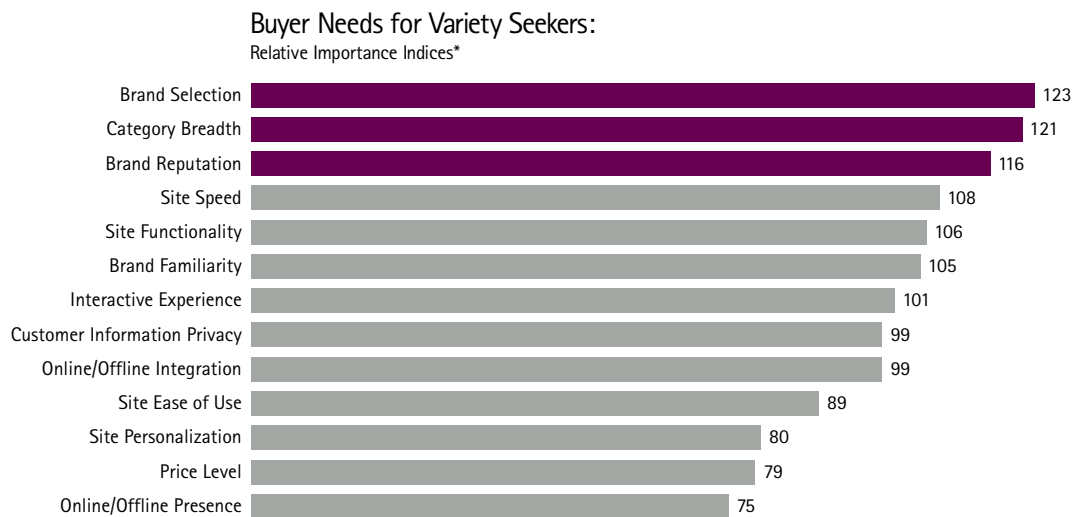
Some 22% of consumers belong to the Brand Reliant segment. While they value competitive pricing, members of this segment are equally concerned with brand reputation and privacy of personal information. Price, privacy, and Brand Reputation index at virtually the same levels – 144, 143, and 142, respectively. Brand Familiarity, next in their hierarchy of needs, weighs in at 126.

# Time Savers



The Time Savers segment comprises 21% of online shoppers. Price (index = 133) is the most important single factor in their set of needs, but a good price is only about a tenth of what they look for in a brand. In total, they like speed and convenience even more. These shoppers don't want to wait while web pages load. They do want functional sites; speed, functionality and ease of use combined are almost three times as important as price to them. Convenience is more important than brand reputation or product selection.

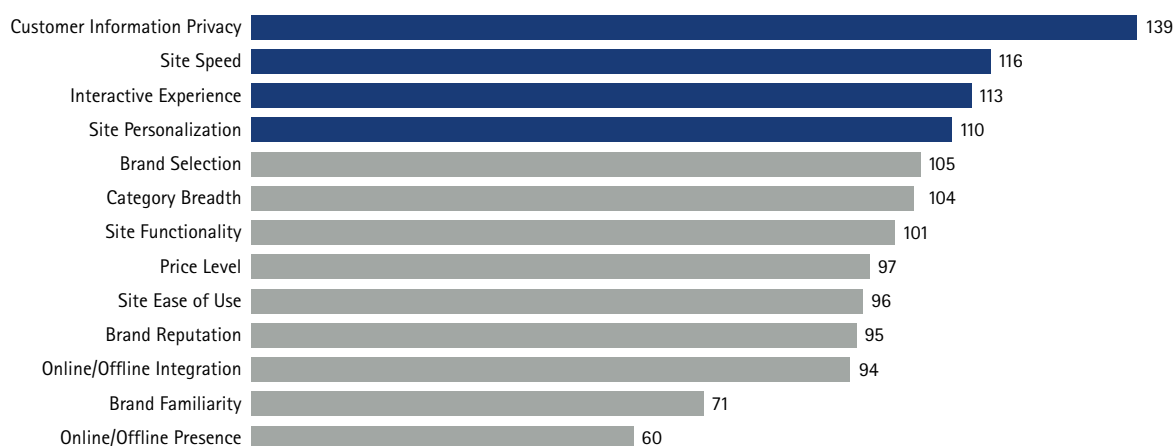
# Variety Seekers



Variety Seekers are the shoppers and browsers of the online marketplace. They want a comprehensive selection of reputable brands, along with broad products and customized offerings ... and they want it fast. Site Speed is far more important than price to this group; they rank speed (index = 108) fourth in order of importance, but competitive pricing (index = 79) does not even make their top-ten list. Variety Seekers are 16% of the online market.

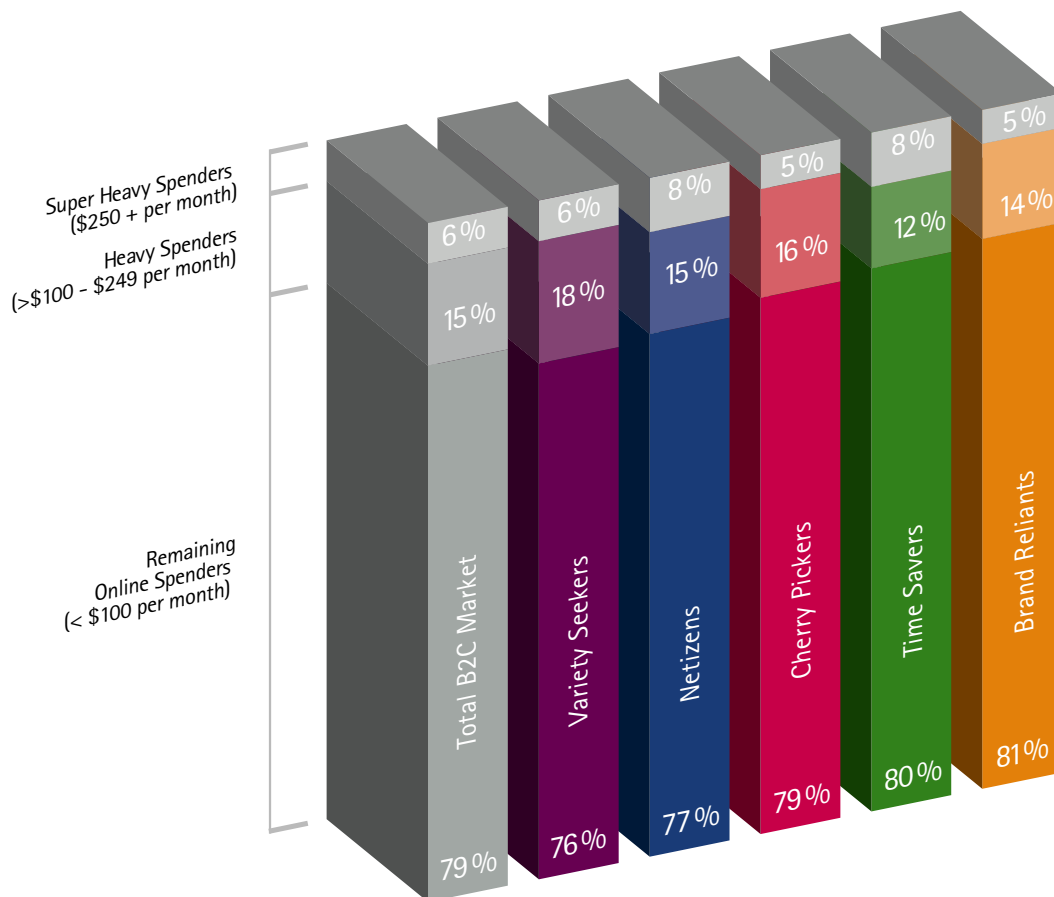
## Buyer Needs for Netizens:

Relative Importance Indices\*



Netizens (15% of online consumers) are at home in the Internet, but aware of the risks that surround them. Thus, their single most important need is security of personal information (index = 139). One of the surest ways to destroy brand value with this group is to share their personal information with third parties. Site Speed, a rich Interactive Experience, and Site Personalization run almost neck-and-neck for second place. Although price is among their top ten concerns, it ranks a lowly eighth (index = 97).

# B2C Heavy Spenders by Segment



'Heavy spenders' are spread across the main segments identified in the study. The proportion of heavy spenders (more than \$100.00 per month) in each segment ranges from 19-24%, and very heavy spenders (more than \$250.00 per month) constitute 5-8% of each segment. The heavy spenders are likelier to be middle-aged than young. People who earn more money are, as one would expect, likelier to spend more money online; it's probably more than coincidence, then, that people with higher levels of education are also likely to spend more money online. Experienced internet users who go online several times a day are likelier to spend more online than less experienced users who go online less often. Broadband access to the internet also seems to drive higher levels of online spending.

# III. B2C Myths and Facts

Whether Online or Off, "Brand" Means the Sum Total of the Consumer's Experience With a Product or Service.

A very few years ago, the Internet was a well-kept secret of a few university researchers, which did not so much evolve as explode to become a powerful social and commercial force. Blind faith, gut instinct and Kentucky windage were the entire analytical repertoire of the e-Commerce pioneers. Information about this new frontier was worse than incomplete, it was all but non-existent. But the market was moving fast, so decisions had to be made and often the justifications and

rationales for the decisions were only thought through after the fact. No one knew what was true, so people made decisions on the basis of what they thought might be true, and if things worked out well, the idea on which decisions had been based became a guiding principle for future decisions.

Anthropologists say that a "myth" is an attempt to explain reality; it's not a falsehood or a fairy tale, but a way of grappling with the unknowable. So our

reference to "myths" of e-Branding should not be interpreted as a criticism or a denigration of those who have succeeded or failed at e-Commerce by pinning their hopes to those myths.

Yet when the knowable is known, and the unquantifiable finally quantified, the old folkloric myths must be scrutinized and tested against the facts.

So in this section, we will show why some of the most popular and widely-



accepted guidelines for building value in an e-Brand are no longer valid or trustworthy. These are the discredited myths of e-Commerce.

**The Myth:** It's all about price.

**The Fact:** Pricing contributes no more than 10% to e-Brand value in the aggregate.

While pricing is somewhat more important in some segments, it never constitutes more than 13% of the needs of any segment. Thus, 90% of what builds value in an e-Brand has nothing to do with price. Lowering prices may build some volume, but the payoff from investing in brand selection, site speed and other performance dimensions is greater. One suspects that the earnings and profitability picture might have been much healthier for dot coms, and the eventual stock market correction less severe, had fewer entrepreneurs been deluded by this myth.

**The Myth:** Advertising doesn't cost, it pays; brand awareness is worth the price.

**The Fact:** Brand familiarity ranks tenth among the top ten buying needs for the total market and in some segments ranks even lower.

Overall, brand familiarity accounts for only 7% of the online consumer's set of needs. Moreover, brand familiarity doesn't correlate with customer satisfaction - some of the most familiar brands have some of the lowest satisfaction scores. Most online buyers learn about new sites from links and search engines - not from offline media, so the impact of offline advertising is less than once thought. Thus, instead of spending heavily to build brand awareness, e-Brand marketers should focus on more important value drivers.

**The Myth:** Marketing is the key to brand building.

**The Fact:** The consumer experience is the product - and the data shows that consumers value product more than price, placement or promotion.

Product experience is the most common reason why consumers stick to, or switch, sites. Thus, e-Brands can build more value by emphasizing the consumer experience and by developing a range of experiences tailored to identified segments.

**The Myth:** Bricks and mortar make a relationship solid.

**The Fact:** Online consumers are all but indifferent to a brand's presence offline.

Online/offline presence ranks dead last among buyer needs for the market as a whole. For "clicks only" brands, building a "bricks" presence will deliver varying levels of impact from segment to segment - but the payoff from building online brand reputation

is much greater. An offline presence adds value to be sure... but it may not be worth the added cost. Investment dollars focused on online experience would almost certainly earn a higher return.

**The Myth:** The consumer experience must be consistent.

**The Fact:** Individual consumers behave differently depending on what they are buying.

A Cherry Picker in one industry may be a Variety Seeker in another. The share of market for each of the five consumer segments varies in every industry studied. The data shows that companies operating in multiple categories do not achieve uniformly high levels of brand reputation. The online travel booking service, Expedia, has high brand reputation scores for hotel reservations, but relatively low scores for car rental. Similarly, AT&T has impressive brand reputation scores in long distance service, but not in wireless.

Because consumers are inconsistent at the individual level, and online market segments are inconsistent at the aggregate level, e-Brand managers can only bring home the game if they think like duck hunters – pick a target for each shot, don't blast away at the whole flock.

**The Myth:** Rich video and interactive technology will really turn consumers on.

**The Fact:** Interactivity ranks eighth of the thirteen buying needs studied on a total market basis, and in only one of the five identified segments – the Netizens – does it rank among the top five.

Even broadband users don't prefer highly interactive sites. The data clearly shows that site speed trumps interactive technology. The exception to this is in media and entertainment and Internet service providers' sites where the interactive, rich experience is more important.

**The Myth:** Speed is the business of the ISP's, not the e-Brand.

**The Fact:** Site speed is one of the most important assets for an e-Brand, so it should be among the top concerns of e-Brand builders.

"Pure" broadband users (who have access to broadband both at home and at work) spend disproportionately more money online than dial-up users. One implication: subsidizing broadband access for target customers may spur growth in online sales.

**The Myth:** Personalization! That's the ticket!

**The Fact:** Personalization is a risky strategy.

Site personalization is second to last among all buyer needs studied and only one segment – the Netizens – ranks it higher than ninth. Moreover, across all segments, consumers expressed strong concerns about the privacy of their personal information. These concerns can be assuaged somewhat by privacy statements or cash rewards, but the most meaningful action businesses can take is to not profit from sharing consumers' personal information externally.

Managers should see a blinking yellow light when they hear proposals to tap users' personal information, even for internal marketing use ... and a red warning light when it's for external use.

**The Myth:** Target the young.

**The Fact:** Those online consumers who are actually buying things haven't shaved their heads – they're naturally bald.

44% of heavy spenders online are over thirty-five and another 36% are over 25. Think back braces, not nose rings. Online consumer segments are defined by needs, not age.

**The Myth:** Grab all the customers you can – size of market matters.

**The Fact:** Merely 10% of the US population accounts for 70% of online buying.

Most internet users don't spend much online. It makes more sense to grow share-of-wallet among the small sub-segment of big spenders than to build a populous market of penny-pinchers.

**The Myth:** Go it alone and protect your turf.

**The Fact:** Broadband selection is one of the most important buyer needs in the market as a whole and in nearly every segment identified.

Because consumers place such a high value on variety and selection, it behooves e-Branders to learn to cooperate with each other.

# summary



## IV. Where Do We Go From Here?

We noted above that "Brand" is the sum total of the consumer's experience with a product or service. Guided by the myths of online brand value, companies have invested heavily in initiatives that deliver the wrong experiences to the wrong consumers – if indeed they deliver anything at all.

The new Andersen Consulting study makes it clear that a sound strategy of segmentation is the prudent first step to building e-Brand value, customer

preference AND profit. But it is important to recognize that online market segments are defined by needs and preferences, not just by demographics and behaviors. Thus, business strategies for the online market should offer experiences designed to meet the distinctive needs and preferences of the segments identified by this study.

It is important to remember that online marketing is now just beginning to move from the "Dark Ages" in which

myth ruled, to the "Enlightenment" in which facts and reason hold sway. Though there have been some impressive early successes, to date no company can be said to have thoroughly mastered the online market.

Offline, it is well understood that one product or one experience will not work for everyone. So, companies typically offer multiple brands or brand experiences. Think, for instance, about the Marriott Hotel chain, which offers its

customers several choices of accommodation. Each choice, for example, Ritz-Carlton; Marriott Courtyard; Marriott Renaissance, offers consumers a different value proposition and a different experience.

Equally, one size does not fit all online market segments. Thus, companies seeking to build brand value online have three options:

**1. Develop one brand  
to target one segment:**

eBrands seeking to dominate a market niche should tailor their experience to the particular needs of a single segment. An e-business focusing on Cherry Pickers, for example, should maximize product and brand selection, while minimizing price. Online examples of this are rare. However, the traditional bricks and mortar discount proposition has translated successfully to the online environment. Wal-Mart's site, for instance, offers low prices and a broad selection of products. This proposition targets Cherry Pickers very well, but with its emphasis on reputable brands and product selection, also draws in Variety Seekers. Unfortunately, it likely under-leverages the Variety Seekers' relative lack of concern over price. Other eBrands tend to gain through focusing on more apparent needs. Mothercare, for instance, adroitly targets new and expectant mothers.

Lacking, however, are sites focused on other needs-based segments, notably the two which are least price sensitive i.e. Netizens and Variety Seekers.

**2. Target several segments  
with a different brand  
(and experience) for each:**

In the bricks and mortar world, companies recognize that multiple brands are required to adequately address the needs of different segments. Procter & Gamble's numerous product specific web sites, for example, target product-based segments. And, similar to its bricks and mortar sister, Federated Department Stores offers different web

experiences for each of its brand names, e.g. Macy's and Bloomingdales.

But this doesn't go far enough to capture the profit opportunities available through clearly focusing on delivering against consumer needs and preferences. Since consumer needs change by purchase occasion, these companies may be better served by offering different brands more closely tailored to different segment needs. Just as the Marriott Corporation offers the same consumer different hotel experiences under different names, e.g., Ritz, Courtyard, Renaissance etc, an online company might do the same, focusing its market efforts on drawing in those consumers most likely to be attracted by that proposition.

**3. Offer different experiences  
under the umbrella of  
a single brand:**

The third option is to offer varied experiences under a familiar umbrella. A fictitious example could be "Macy's in a Hurry" for consumers in a Time Savers purchasing occasion, or "Macy's Basement" for consumers in a Cherry Pickers purchasing occasion.

Personalization today only goes part way, offering slightly different options around the same needs, but not around essentially different needs. At Marriott, you get personalization – smoking or non-smoking, king-size bed or two doubles etc – but you can't get a Ritz or Renaissance experience unless you go there. Web sites of the future will no doubt move this way as needs assessment tools, such as those offered by Online Insight, guide companies to knowing which consumers should get offered which experiences, based on needs. Currently, technology offers the ability to 'morph' the site. For example, in addition to saying "Hello Valued Customer," Amazon could emphasize savings to the Cherry Pickers, time savings and streamlining to Time Savers, and Oprah's recommendations to Brand Reliants.

This approach is visible at least in embryonic form in E\*Trade's

segmentation strategy. Active traders, who may trade dozens of times every day, represent one segment of the online brokerage market. Active traders demand faster executions and more timely information than run-of-the-mill investors, and Power E\*Trade offers services tailored to their exacting demands. This is not simply a matter of offering better prices to big spenders. The active traders get a distinctive package of services and benefits available and of probably little interest to less avid market players.

It is to be expected that as the online market matures, mastery of needs-based segmentation will separate the winners from the also-rans. The following section discusses the study's methodology.

## Authors' Note

As this summary was being written in November of 2000, curious happenings in Florida dominated television screens and front pages worldwide. Yet one item of business news managed to break through the media obsession with the "undecided" U.S. Presidential election - news that layoffs at dot com companies had broken yet another monthly record. Meanwhile, deep in the business pages, skeptical stories discussed the continued unprofitability of bellwether online brands that had long managed to combine losses with high stock prices. Clearly, the age of Internet innocence has ended. The Internet won't change everything. Instead, reality will change the Internet. Tough times demand hard facts. Now, for the first time, businesses seeking to build online brands can get them. This study has dispelled the myths and discovered the facts that businesses need to know in order create and grow value online.

## V. Study Methodology

The study set out to answer a few important questions about e-Brands:

- What is "value" in an Internet brand?
- How is that value built?
- Does an e-Brand add or detract from an offline brand?
- How important is price?
- What are the best e-Brand strategies?

And it covered the following B2C industries and segments:

Automotive, Industrial, Transportation (Cars/SUVs; Airlines; Hotels; Car rental)

Retail (Electronics; Apparel; Toys)

Communications (Wireless; Internet service; Long-distance) High Tech (Hardware)

Media and Entertainment (Online information services)

Financial Services and Insurance (Auto insurance; Mortgages; Investments/brokerage; Credit cards)

Healthcare (Healthcare information services)

With the assistance of Online Insight, Andersen Consulting screened two panels of over 75,000 Internet users to select a sample of 2,000 people in the United States who had purchased and used the relevant products and whose online activity qualified them to answer a series of questions.

Half of the respondents were men, half were women. Over half were married, just over a tenth had been married, and slightly more than a third were single. By comparison, singles account for only 24% of the total US population and 28% of the online population. Characteristically for Internet users, these respondents were somewhat younger and somewhat wealthier than the general US population. Seventy percent were employed, slightly less than the proportion employed in the population at large since the number of young people and college students responding to the survey was disproportionately high.

The panel was also better educated than either the US population or the online population generally. Over 80% of the respondents had at least some college, and over 40% had a college degree. Eighty percent of the respon-

dents had been using the Internet for over three years; less than half of the total population of online users has that much Internet experience. But the respondents closely resembled the general online population in terms of frequency of Internet use, with approximately three-quarters using the Internet several times a day. Slightly less than half of the respondents had broadband access to the Internet at home or at work, a much greater proportion than the online population at large.

A quarter of the respondents purchased products online at least once a month and a fifth of them spent over \$1200 a year online.

The web-based study included both traditional survey questions on usage, satisfaction, etc. and an extensive conjoint (trade-off) exercise. In a conjoint study, survey participants trade off groupings of paired needs indicating the strength of their preference for particular combinations of needs.

**This study focused on the following buyer needs:**

- Price Level - the provider's price level relative to other providers in the same industry.
- Brand Reputation - the overall value offered by the provider relative to other providers in the same industry.
- Personal Information Privacy - a provider's policies and practices regarding the collection and use of customer information.
- Site Speed - the amount of wait time for loading provider's web site pages.
- Brand Selection - the variety of brands available for any given product/service category offered by a provider.
- Category Breadth - the variety of product/service categories offered by a provider.
- Site Functionality - the range of activities that a customer can perform on a provider's web site.
- Interactive Experience - the extent to which a provider uses

text, graphics, audio, video, and two-way communication on its web site.

- Online/Offline Integration - the extent to which a provider enables seamless, integrated customer transaction services through its online and offline channels.
- Brand Familiarity - the extent to which the respondent has heard of, or had experience with, the provider.
- Site Ease of Use - the extent to which the respondent can easily navigate the provider's web site without assistance or previous experience on the site.
- Site Personalization - the extent to which the provider's website can be personalized, either by the user's choice, or in response to learned user behavior.
- Online/Offline Presence - the extent to which the provider has online (website) and offline (e.g. retail outlets, catalogs, kiosks) points of access for its customers.

Because 17 industry segments were being covered, 17 tailored surveys were presented to 17 groups of

respondents, each group containing 120 members. The surveys were similar in format and style, but each contained questions pertinent to a distinct industry segment.

A statistical analysis of each response assigned a "utility score" to each buyer need. Further analysis grouped those survey participants who share the same opinion of the relative importance of these needs into needs-based segments.

In this study, the responses were also analyzed to determine whether gender, age, income, household size, marital status, education, employment status, frequency of internet usage, length of internet experience, broadband access, online purchase amount or online purchase frequency influenced consumer preferences.

It's noteworthy that membership in these segments is not static. Thus, the same individual may be a Cherry Picker in one industry, a Brand Reliant in another, a Variety Seeker in a third, etc. Moreover, the share of market among segments also varies from industry to industry.

# About Andersen Consulting

On January 1, 2001, Andersen Consulting, the \$8.9 billion global management and technology consulting organization, will change its name to Accenture (pronounced: ak-SEN-chure, similar to "adventure" and stressing "accent" + "future"). The firm is reinventing itself to become the market maker, architect and builder of the new economy, bringing innovations to improve the way the world works and lives. More than 65,000 people in 48 countries deliver a wide range of specialized capabilities and solutions to clients across all industries. Under its strategy, the firm is building a network of businesses to meet the full range of client needs -- consulting, technology, outsourcing, alliances and venture capital.

Andersen Consulting's home page address is <http://www.ac.com>.

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