



Are Brands Losing Their Magic?



By , INSEAD Adjunct Professor of Strategy

In the digital world, a product's substance is more highly valued than the stories woven around it.

I love starting my classes with a statement that students have to vote on. I try to formulate it in a way that will split the group 50/50, for and against. It will come as no surprise that the subsequent discussions amongst 50 self-aware students from 30 countries is rather lively: nine times out of ten they raise arguments which I hadn't even begun to consider during classroom preparation.

One of my favourite discussion propositions is the contention that brands are becoming less important in the digital world. This premise rarely gets a 50/50 reaction, usually 70/30 (with the majority in opposition). Sometimes this is as high as 80/20. The extreme response does not surprise me, given the deference given to brands and the generally agreed upon adage that a strong brand is quite literally worth gold.

The crux of the question is therefore not whether it is better to have a brand or not, but whether, in a world in which an increasing number of buyers orient themselves digitally first, it is better to invest more in the other three Ps of the marketing mix: upgrading the product; reducing the price; and improving placement (availability). After all, the major internet players have found fame without spending large sums of money on brand campaigns - their growth being driven primarily by their product's superior quality and social buzz.

Digital growth through placement and product

When making choices today, consumers more frequently use comparison sites such as Ciao! and Gocompare.com, where complex products are compared quickly and transparently. Customer reviews on TripAdvisor, Holidaycheck, eBay and Amazon, tell the `real' story about products instead of fantastic dreams. Metasearch engines such as Trivago and Skyscanner present all prices for a product, so that you know for sure you are buying from the cheapest provider. For consumers who do not wish to compare, precisely `targeted advertisements' are an effective alternative: these digital advertisements appear at the exact moment your interest in a certain subject is piqued, and lead you to an attractive offer which you can subsequently buy in a few clicks.

All in all, the digital world offers a transparency and ease of use which appears to make brand magic obsolete.

Brands grab attention

However, brand advocates have a few arguments: the stronger the brand, the greater the chance that the consumer will go directly to the product's site rather than indirectly via search engines. There is also an increased likelihood that consumers will click on advertisements of prominent brands over unknown products.

Often, especially when it comes to (new) digital products, there is a strong winner-takes-all effect, which makes it important to ensure brand recognition early on. Brand advocates also point to the scepticism with regard to products offered via the internet and note that a trusted brand is an important reassurance. And, they would argue, in a world where decisions are increasingly being made based on hard facts, the need for stories to differentiate a product is perhaps greater than ever.

Pressure on brand development

It is impossible to name all the pros and cons in a short column like this, but the question remains: should we invest more in brands or less? The answer will vary depending on product category. After all some products are a more emotional purchase than others. However, what applies to all products is that the manner in which a brand is built will change. Sweet visions and blandishments are no longer possible, empty brand promises are ruthlessly uncovered in the digital world. A brand is increasingly determined by what a product does rather than what it says.

Authentic brands that present a believable story easily conquer the internet. Brand campaigns can then be important catalysts. A look in the mirror is therefore desirable for the following marketing campaign: is what you promise also what you have on offer? This is obvious to my students. Now the rest of us must follow.

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