

# *The 11 Immutable Laws of Internet Branding*

## Book Summary and Discussion



By Al and Laura Ries. © 2000 HarperCollins Publishing Inc.

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Summary by Michael Daehn

This book is thought provoking to say the least. Though I am not sure I agree with all of the assertions of the Reis's, they certainly highlight some key issues facing businesses in the Internet age. For each chapter I have written a summary and then ask some questions that I think are worthy of discussion.

### **#1 The Law of Either/Or**

*The Internet can be a business or a medium, not both*

The Internet works well as a complement to current businesses. It facilitates the communication process both internal and external. The Internet is also able to replace or complement traditional media. When transferring a business to the Net, try to keep your name small and easy to spell if possible. Don't compete with yourself on the Net, either move to the Net to reach customers or complement your current business strategy. If you do use the Net as an extension of your market reach, use a different brand name or you can overextend yourself.

Ways to determine if the Net should be a business or a medium for your company:

1. **Is the brand tangible or intangible?** The Internet tends to be a medium for tangible products and a business for intangible products (banks, stocks, insurance, etc.)
2. **Is the brand fashionable or not?** Fashionable products (like clothing) tend to use the Internet as a medium, while non-fashionable products (like computers) tend to use it as a business. For clothes how do you know if it will fit, what it will look like, and if it will be comfortable?
3. **Is the product available in thousands of variations?** If yes then the Internet tends to be a business because it is difficult for a retail store to house thousands of products. Half of customers leave retail stores without making a purchase because the item is not in stock. You should narrow your product line in retail or you will lose customers who cannot find the model they want in stock. If you use the Internet then a wide selection is a competitive advantage.
4. **Is low price a significant factor in the brand's purchase?** If yes, then the Internet tends to be a business. The ability to check many prices quickly is making the Internet a price sensitive medium. This makes it difficult to make money with the Internet as a business.
5. **Are shipping costs a significant factor compared to the purchase price?** If so then the Internet tends to be a medium. Self-service has taken over the marketplace because it is more economical.

Q: Many see the Internet as way to meet and serve your every need. Is self-service dead as many marketing experts are proclaiming?

- A: Not necessarily. Just because something is possible, does not make it likely to occur (i.e. Homegrocer has high selection costs, high delivery costs, and low margin. Inefficient.)
- Q: Some are saying you need an Internet presence and a retail presence to be successful in the future (for returns, etc.) Do you agree? Why or why not?
- A: Reputation, selection and price are more important. It is hard to get connected to a schizophrenic brand/company. Must decide overall strategy and target market.

## #2 The Law of Interactivity

*Without it, your website and your brand will go nowhere*

Interactivity is:

- The ability of a site to furnish information requested, and additional information based on your original query
- Ability to add own information
- Ability of a site to handle complex pricing situations simultaneously
- Ability to perform a wide variety of tests- driving, aptitude, etc.
- Ability to conduct auctions
- Ability to diagnose situation and suggest remedies- ask questions instead of offering a menu of solutions
- Metaphor for the patient-doctor, student-teacher relationship
- Users not viewers

Media have continued to be added over time and layered on top of each other. The original five mass-media are the voice, then the book multiplied the number of people reached, then the periodical added the attribute of news, the radio added the human voice to a wider audience, television added motion (movies are a limited audience comparatively.) The Internet is the first mass-media that is INTERACTIVE. Most print media that have gone to the web have been unsuccessful because it is a different medium that requires interactivity. Most successful Internet companies advertise through other media. Usually what works in one medium as a brand does not transfer into another (magazines on the net, magazines on radio, radio on TV, TV on Cable). If your site does not have interactivity it will get lost in cyberspace.

Q: Will traditional advertising be effective on the Internet?

A: Of course not. People generally do not like advertising and tune it out when possible (i.e. channel surfing, banner blockers.) Off net advertising should funnel users to the site.

Q: How is the Internet different from other mass media?

A: It is interactive.

Q: How can you use the Internet to push people down the funnel?

A: You can customize it to build one-to-one relationships

### #3 The Law of the Common Name

*The kiss of death for an Internet brand is a common name*

The Internet wipes out the visual. To tap into a website one must type in a word, not a visual. Generic or common names are bad because they designate a class. Traditionally the best known, most valuable brand names have been proper nouns. You have to win the mind (positioning!) and the mind treats generic and common names as a category, not as a single site (i.e. all furniture sites are furniture.com's.) Over the past 100 years very, very few generic names have become successful brands. There is also the disadvantage of no physical location. A generic name like The Watch Store can work to an extent if it is at South Coast Plaza because I can point you to the mall and say the one by the foodcourt. Or what if you ask me where I got my car and I say at mycardealer. You still will not understand what company I am referring to because it is a category, not a proper name. Who's on first by Abbot and Costello is a good example of this. In categories that there are not distinct names due to group pressure, there typically is not a leader in the category (i.e. bran flakes.) The idea is to get down the funnel to the niche, not market to broad mass audiences with generic category names. What if I changed my name to Some Person and called you on the phone? "Hello, who is this?" "Some Person." Sounds silly, doesn't it?

Q: Is naming your product the most important marketing decision?

A: The authors say yes. There is good reason to think so. There is the ability to define one's name, regardless of what it is, based on the level of other marketing activities. But, certainly having a good name to start is a step in the right direction and can make the whole process easier. On the Internet however, a name is crucial. Using a proper name makes the most sense.

Q: A few years from now do you think you will see brand names like hamburger.com or cola.com?

A: It is not likely. Whatever happened to the generic aisle at the grocery? Now they have PS select, generic yet still vying for brand recognition, and these new PS products have lasted (Note: even with a higher price!)

Q: What have been the most successful brands on the Internet?

A: Yahoo! not Searchengine.com, AOL, not ISP.com, Monster, Amazon, Bluemountain, etc.

Q: Why do companies continue using generic names?

A: When the Internet was new names like shoes.com worked, like in the first retail stores you asked for shoes, because there was no choice. Today you ask for Nike or Reebok. A common name was an advantage at the start because it was easy to find, but the advantage of a common name is over. People continue to copy this strategy though it no longer makes sense. They are under pressure to conform. There will be a shakeout, and some have already felt the effects.

Q: Aren't these good names for search engines?

A: There can be an advantage in the short-term because a category search for shoes will bring up names like shoes.com. But the idea is to brand your product in someone's mind so that they are looking for Nikes, not shoes. Eventually people will know what they are looking for on the Internet, you want them looking for your brand because you have already differentiated yourself from the pack.

#### #4 The Law of the Proper Name

*Your name stands alone on the Internet, so you'd better have a good one*

Your name is your most valuable asset on the Internet. A name like Priceline is NOT generic. It is a combination of generic terms, used out of context to create a new proper name. Determine the category for your Internet product, and name it something different. Hertz is better than National Rental Car because every chain is national. There are degrees of commonness (i.e. Burger King is not as common as the Burger Place.) There are degrees of Properness (i.e. McDonald's versus Time.) Want website to be uncommon and more proper than competition. Here are 8 other naming guidelines:

- **Name should be short and easy to spell-** People have to type it. Most people, like me, are lazy and can't spell. Nicknames, shortened versions, and multiple names are good. People feel closer to a brand when they are able to use a nickname.
- **Name should be simple- Number of different letters matters.** Coca Cola is 4 letters. Phrasing matters (aut-o-byte-l? what is bytel?)
- **Name should suggest category-** Difficult because you want to suggest without naming a category. Add term like depot, planet, etc. But beware of overused terms like depot, planet, etc.
- **Name should be unique-** easy to remember, common or generic names are not unique by definition.
- **Name should be alliterative-** Alliteration and rhyming are great tools.
- **Name should be speakable-** Word of mouth is crucial, must be able to pronounce. Physical place recommendations you can give a location, Internet you have to be able to spell. Don't write-off dyslexic market-10% of population. Try not to mix letters and numbers because it is harder to recall (i.e. easier to recall phone numbers than license plates.) Listen to how you name sounds, not just how it looks. People can't speak in cool fonts.
- **Name should be shocking-** the name of this book. It gets attention and sets it apart from the crowd. Don't be too shocking or you will offend your audience.
- **Name should be personalized-** Name the site after an individual. This can create publicity (Michael DELL, Donald TRUMP.) Brands are lifeless, only people can communicate their potential. Media want to interview people, not brands. The most famous brands have famous CEO's (Eisner, Gates.)

Q: Do you think common names like cooking.com or furniture.com are hard to remember?

A: I think they get lost in the crowd, but I do remember buy.com, but not because of the name but because of PR and talking about it with friends.

Q: Do you think that you can use all 8 of the naming strategies?

A: It is highly unlikely, but depending on your audience you should take these into consideration and use as many tools as possible.

## **#5 The Law of Singularity**

*At all costs you should avoid being second in your category*

In the outerworld there is room for #2, but not on the Internet. Second brands give retailers leverage against the leader, which keeps down supply costs. It also gives a back-up supplier if there are ever problems. The Internet has no middlemen so the best products tend to be monopolies (i.e. Windows, Word, Quicken.) As sites get bigger they attract more users, get richer, get bigger, and attract more users. This is called friction free retailing. With the disappearance of the second brand comes decreased competition and advertising. The Internet also curbs brand leader backlash (i.e. no one wears Izod anymore, they switched to Polo because it was different.) Internet purchases are fairly anonymous in that nobody knows if I bought my book at Amazon or not. Historically we have seen brand duality (i.e. in 1910 there were 508 American auto makers, today GM and Ford. In 1990, 200 PC makers; today Compaq and Dell.) As time goes on, the leaders dominate more over the other brands, not less. Therefore it is unwise to enter a category that is already dominated by competition. The key to the Internet is to be first in a category (segmentation, i.e. VarsityBooks.com for textbooks vs. Amazon for all books.) Must think category first, and brand second. People think of safe cars before they think Volvo. Tell the customer what the category is in your marketing strategy (i.e. don't leave them guessing what change.com does.)

Q: In the non-Internet world why is there a need for number 2?

A: For the middleman to have leverage, but there is no middleman on the Internet. It's like a football game, the best team, or at least only one team, wins.

Q: Why do you think that the bigger and richer sites attract more users?

A: Of course word of mouth increases, but the key is to continue customization and interactivity to build lasting relationships while adding new ones.

Q: What should you do if you are second in your category?

A: Narrow your focus and specialize in a segment or niche of your market.

## **#6 The Law of Advertising**

*Advertising off the Net will be a lot bigger than advertising on the Net*

Advertisers spent \$49 billion on Broadcast TV and \$17 Billion on Radio in 1999. Websites began with the premise of giving away browsers, search engines, postcards, etc. in order to gain advertising revenue. Some sites started paying users in coupons, free computers and even cash. According to the authors, the Internet will be the first new medium NOT dominated by advertising. This is opposed to the prevailing popular opinion that Internet advertising will continue to increase. Banner ads have lost their novelty. Nielsen/NetRatings says that click rates have dropped from 1.35% to less than half that level in 2000. People can even buy ad-blocking software. With the Internet the target market is fully in charge, and it does not want more advertising. In order to gain more visitors, websites will need to advertise off the net. In fact, off-net advertising rates are on the upswing, while Internet ad rates continue to decline. People have a tendency to forget

what they don't see, out of sight out of mind. Since an Internet site is not a physical product you might see in stores every week, there must be other forms of visibility (i.e. off-net advertising.) Most people do not fall in love with their brands. PR will continue to play an ever-increasing role in Internet success. Publicity first, advertising second is the rule. The name is what people must remember to find a site, and this is what advertising should be focused on communicating to customers.

Q: Do you think Internet advertising will increase or decrease? Why?

A: It should decrease due to the ability of users to edit out advertising content because of the interactive capabilities.

Q: Will advertising in general decline? Why?

A: No. Off-net advertising will increase in order to point people to the site.

Q: What is a brand to most people?

A: A guarantee of quality and a system for saving time. A way of making sure products they buy are decent without spending an inordinate amount of time comparing products.

Q: How do Internet companies who are first have an advantage?

A: Among other things they can take advantage of increased PR.

Q: Why would radio be a good medium for Internet advertisers?

A: Because the name is key, and radio focuses on the spoken word.

Q: How do customers usually interact with advertising? Why is this relevant?

A: They usually turn it off. The Internet is interactive.

## #7 The Law of Globalism

The Internet will demolish all barriers, all boundaries, all borders

The authors feel that communism fell when the Soviet people watched TV and saw the goods and services available in Western countries which they did not have. The global market continues to increase in importance to all companies, the future is in global marketing. While American tastes like McDonald's are being exported, Italian food is the most popular food in the U.S. The globalization is reciprocal. Long-term winners on the Internet will be those that transcend borders (this is another problem with generic names, what does furniture.com mean in Spanish?) The fact that a product can maintain a national identity before being available in a country shows that the brand is more important. English is the international language of business, but this is an issue depending on the market you are entering. You can't appeal to everyone at the same time all the time. If you are not sure, English is the safest route. English sounding brand names in other countries are very popular.

Q: Is a national identity for your brand a good thing?

A: It depends on the product and market. American cars have poor international reputation while Japanese electronics have a good reputation. Perception is more important than reality.

Q: Is having a big brand name the best strategy all the time?

A: Again, it depends on your target. There is always a segment for private labels. Know your customer!

Q: Should you adapt your product or service for the host country?

A: Sometimes. McDonald's is popular because it is authentically American. People are looking for something different. But always make sure that your marketing strategy is aware of the sensitivities of the population.

## **#8 The Law of Time**

*Just do it. You have to be fast. You have to be first. You have to be focused*

Must get into peoples' minds (notice mind not marketplace) first. Perfection in infinite time means nothing, this means a good idea that is never implemented is worthless. Many large companies jump on ideas developed by smaller companies. Historically ideas tend to come to various people at the same time. The first to implement it is the winner. Most people spend too long on testing, surveys and focus groups. It is difficult for respondents to even tell you what they want from an Internet site even if you do ask. Nine out of ten new products fail due to poor timing. Priceline went from nothing to a \$7.9 billion company in less than 2 years, lack of speed kills. The capital investors have been hungry to back the next winning IPO, but as Internet companies begin to fail these funds are getting scarce.

Q: The authors say that the Internet is moving too fast to be measured. Do you agree or disagree?

A: While it is true that no one is sure where the Internet will go from here, it is by far the most measurable media source in history.

Q: What do the authors mean by "anything worth doing is worth doing half-way, while anything not worth doing is not worth doing in a perfect way"?

A: Again they are emphasizing speed to market, and that bad ideas are not worth the time it takes to investigate anyway. You cannot be certain that anything will work for sure, but good ideas must be implemented quickly.

Q: The authors argue that quibbling over finding competitive advantages and distinctives wastes valuable time, do you agree?

A: While the Internet demands urgency, it is still wise to investigate and know your market before investing all of your resources. The point is that these assessments must take place more quickly and efficiently than in the past, because the window of opportunity will close quickly.

## **#9 The Law of Vanity**

*The biggest mistake of all is believing that you can do anything*

Business success inflates egos. As soon as a company experiences success in one area it tries to move into another, usually with little or no success. Once a product is branded in a category it is difficult to change, but why would you want to? A better approach is to introduce a new product that reinforces the perceived brand attributes (i.e. Cadillac failed with small cars, but the Large Escalade SUV did great.) Internet sites believe they can be all things to all people (i.e. Amazon changed from "Earth's Biggest Bookstore to

Earth's Biggest Selection.) Just because it is physically possible to offer "everything" there is still the mentality of consumers of what a brand is best at providing. The main reason for Brand/line extension is to feed the ego of executives who feel they have a Midas touch. What is confusing is that Brand/line extensions are almost always successful, in the short-term. How do you describe your brand when it is all things to all people. Here are some tips:

- **Keep your brand focused**- there are millions of dotcoms. Try to be the best in one market, not several at a time.
- **Increase your share of market**- you are not ready to enter another market until you dominate the one you are in with at least a 25% share.
- **Expand your market**- think of ways to promote and expand your current market to gain a greater share of current customers.
- **Go global**- cross the border to new locations for same branding you currently possess.
- **Dominate the category**- market domination is powerful branding (Coke). Why chase new markets when you can gain a stronger hold on the current one?

A better strategy than line extension is co-branding. Instead of watering down the name of the flagship product, use a new name. Internet companies that continue to try to be everything to everybody will not be around in the future. Big companies can make mistakes like this and stay on top, for a while.

Q: Can you give some examples of companies failing in new markets?

A: Kodak failed in instant Pix, Polaroid failed in 35mm. Xerox failed in computers while IBM failed in copiers.

Q: What is a disadvantage of branding in this situation?

A: Once you are known for a product, it is hard for people to accept you in other categories. Actually you have done a great job of branding if you have this problem.

Q: Can you give some examples of brand extensions failing?

A: Blockbuster music failed, but continues on as Warehouse music (new name, new branding.) Boston Chicken started offering ham and meatloaf so changed its name to Boston Market...and went bankrupt.

Q: Can you name some line/brand extension of popular products?

A: Coke has Sprite, Anheuser-Busch has Michelob, Budweiser, etc. Gap, B- Republic, Old Navy.

Q: Didn't this work for Microsoft?

A: Most companies are unlike Microsoft who controlled 90% of their market. They can also afford to make some mistakes and stay on top, but if they continue poor marketing strategies it will catch up to them eventually.

Q: Why do most companies still choose line extension over co-branding?

A: Vanity, ego, they think their name will let them do anything they want.

## #10 The Law of Divergence

*Everyone talks about convergence, when just the opposite is happening*

Though most people are awaiting more convergence (i.e. video on the net) historically we see divergence in technology. There used to be just TV, today there is broadcast TV, cable TV, Satellite TV, and Pay-Per-View TV. TV did not combine with other mediums, it divided. Just because something is possible does not mean it is practical, and it must be both to work. Divergent products are usually cheaper and easier to use. Convergent products are usually a compromise of multiple applications. The combination boat car drove like a boat and floated like a car.

Q: What is convergence, divergence?

A: Becoming one, splitting apart.

Q: Can you give some other examples of divergence?

A: Telephones, Radio, Computers.

Q: Can you give examples of unsuccessful convergent products?

A: TV/VCR's, Washer/Dryers, Copier/Printer/Fax Machines. None of these sell very well.

Q: What are some drawbacks to TV on the Internet?

A: Besides being slow due to a lag in technology, TV is passive while the Internet is interactive as discussed earlier.

## #11 The Law of Transformation

*The Internet revolution will transform all aspects of our lives*

Like it or not, the Internet will change the way business is done in the future. Some changes predicted by the authors are:

- **Paper directories are doomed-** the *Encyclopedia Britannica* was NOT published for the first time since 1768. Printed materials are outdated the moment they are published, database driven materials can be updated instantaneously at any time.
- **Paper catalogs face an uncertain future-** Mailing costs are rising and catalogs are not interactive. Some companies like L.L. Bean have added websites to catalog sales. Besides the problem of weakening brand identity, it is expensive to operate two distribution channels and sales are not likely to increase when you are competing with yourself. A better solution would be for them to transition their operation to the net completely.
- **Elaborate full color brochures will be rare-** It is cheaper and more up-to-date to use a website.
- **Classified advertising will shift to the web-** Monster.com was able to create a new category "help wanted" that newspapers have been using for years and make over \$100 million in the process. Although Newspapers knew the industry better, it was taken over by somebody new because they failed to recognize the changes.
- **The postal service won't be delivering as much mail-** E-mail is replacing traditional letters. Most letters still being delivered are bills, which is being replaced by electronic transfers.
- **Financial services of all types will shift to the web-** These transactions are simply electronic transferals. It is more convenient and cost effective for banking and investment transactions to take place on the net.

- **Parcel delivery business will soar**- Since so many will be shopping on-line. The only problem now is how to deliver packages to homes when people are at work?
- **Internet retailing will become a price game**- If all a customer wants is the absolute lowest price, the net is the place to shop. Physical retailing has nothing to fear from the Internet, but it has to change its emphasis on low price.
- **Outernet retailing will become a service game**- Must become more touch friendly, and have items in stock.
- **Internet search engines will decline in importance**- As people become familiar with Internet brands they will go straight to the website and bypass search engines.
- **The Internet will change many aspects of the telephone industry**- The Internet will replace some of the tasks being handled inefficiently by phones now.
- **There will be speed bumps on the Internet**- First, the Internet is here to stay, but it is a price game and the market is currently overvalued while trying to figure that out. Second, TAXES!

Q: Will catalogs disappear completely?

A: Not necessarily. There will probably still be niche market to be filled. It is not always a good idea for certain companies to have a site at all, other than for information.

Q: What ways can you solve the problem of deliveries to empty homes?

A: Some are using lock boxes. Evening deliveries might be a good idea. If you can figure this one out, you could have a new business opportunity.

Q: Why does physical retailing need to change their focus on price?

A: Because the Internet is the fastest and easiest way to shop by price.

Q: Why must Outernet stores overcome stocking issues?

A: A major problem with retailers today is not having items in stock. On the Internet everything is (or should be on good sites) in stock. When a retailer has items in stock customers can take immediate control of their purchases as opposed to waiting for ordered items to be delivered.

Q: Can you give an example of skipping search engines to find a brand?

A: People also prefer to call the pizza place they know rather than looking in the phone book under pizza every time they order.

Q: Can you give an example of something telephones do now that the Internet can do better?

A: Wading through ads and menus on Moviefone is much easier on the Internet where you can jump right to the information you need.

## Conclusion

In business there are constantly changes and organizations must adapt. The Internet is a powerful new medium that will affect the way everyone does business both on and off the net.

Michael Daehn is the founder of marketingenious consulting and author of the book *The Seven Keys to Marketing Genius: The Complete Guide to Increasing Your Marketing IQ* available at

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