

Amazon – lost in the jungle?

Nicole Kennedy

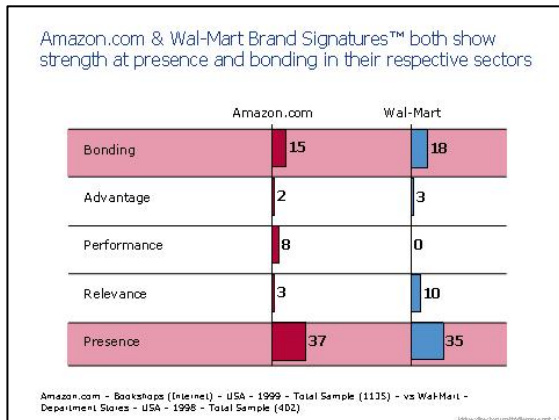
The importance of building brand affinity

In December 1999, Amazon.com was assigned a market value of \$30 Billion by Wall Street. Similarly the WPP BrandZ™ study – which measures brand equity based on consumer loyalty towards brands – showed that in 1999 Amazon had achieved Olympic status in just four years. Current US Olympic brands include Wal-Mart, Nike, Microsoft, Mc Donalds and Coca-Cola. Olympics are big, strong brands which tend to be a long established, integral part of consumer culture. So for Amazon reaching Olympic status in such a short space of time was a huge achievement.

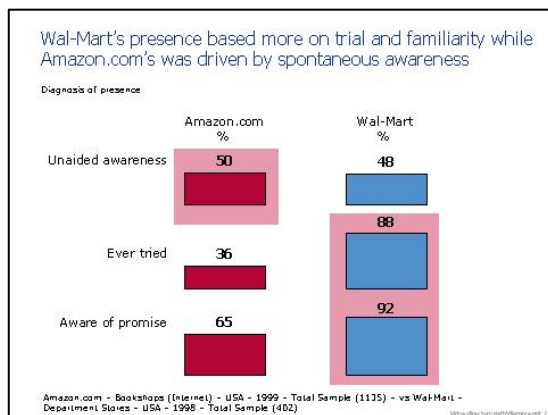
From sapling to jungle giant

In his paper 'Amazon.com – the Making of a Brand at Internet Speed' (Dec 1999), Phil Herr from Millward Brown USA contrasts Amazon and Wal-Mart's Olympic status. He illustrates how Amazon got to its position so quickly by using a different approach to Wal-Mart. Wal-Mart did it the 'old fashioned' way through building trial while Amazon got there by generating noise.

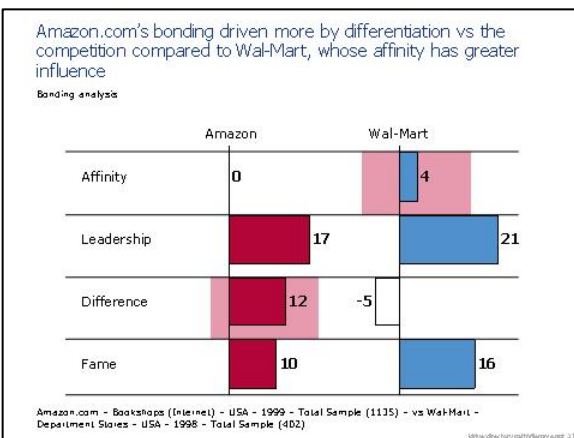
In the late 1990's, both Amazon and Wal-Mart stood out in their respective sectors for being well known and for having a particularly loyal following. The BrandZ™ Brand Signature™ illustrates where a brand is strong or weak versus the competition at converting consumers up to loyalty. Both Amazon and Wal-Mart's Brand Signatures™ were characterised by strength at presence – awareness – and at the highest level of loyalty – bonding – where consumers believe that nothing else can beat it.



Interestingly the nature of Amazon and Wal-Mart's presence was different. Wal-Mart had much higher levels of trial relative to its unaided awareness and in contrast Amazon's presence was based more on unaided awareness (fewer people had tried it than were spontaneously aware of it). More people also had some knowledge of Wal-Mart's offering (in BrandZ™ termed 'aware of promise') but this was much more sketchy for Amazon.



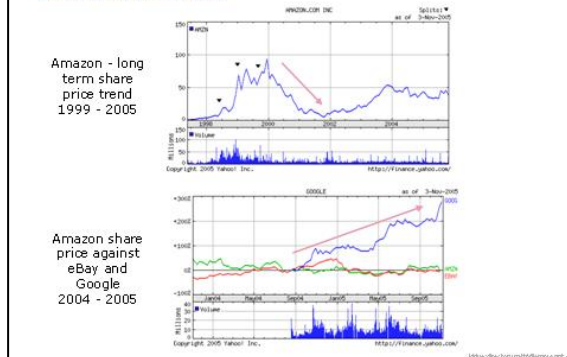
In addition, the strong bonding seen for each brand was primarily driven by different aspects. Detailed analysis of the 24,000+ brands in the BrandZ™ database has shown that people bond to brands for a number of different reasons – through affinity (both rational and emotional), their price, portrayal of fame or leadership credentials or because they offer them something different to the competition. Amazon's strong bonding in 1999 was driven by a mixture of leadership (setting trends), difference and fame (unaided awareness). The 'difference' it offered in particular stood out versus bricks and mortar Wal-Mart. In contrast, Wal-Mart's bonding had a greater emotional underpinning (affinity) – including higher opinion and appeal.



New plants in the forest

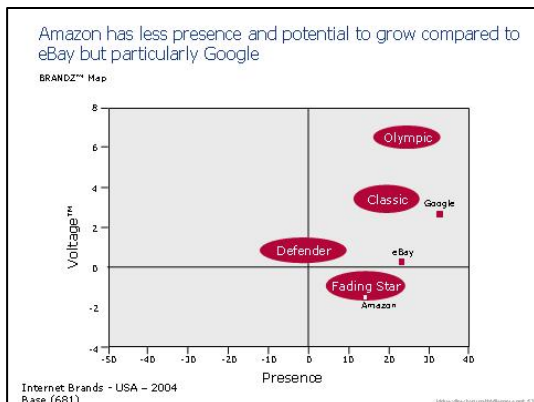
Since 2000, the online shopping market has changed considerably. Amazon has broadened its offering to include cars, health & beauty and toys but at the same time there has been a rise in other successful Internet brands such as Google and eBay. Over the past year Google has seen its share price continue to rise rapidly while Amazon has never fully recovered since its quick descent following a high point at the end of 1999.

Google's share price has risen rapidly over the last year while Amazon has never fully recovered from the decline following its high point at the end of 1999

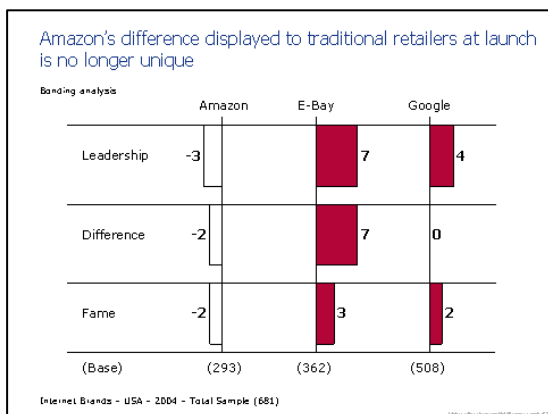


2004 US BrandZ™ data for Internet brands also highlights Google's rapid rise to fame and Amazon's struggle. Amazon remains a big, well known brand but its absolute level of bonding is weak in comparison to Google and eBay – 3%, 38% and 10% respectively. Amazon now displays characteristics more of a Fading Star than an Olympic brand. Studying thousands of BrandZ™ Brand Signatures™ has identified 8 typical types or typologies of brands. 'Fading Stars' are one of these typologies and are characterised by brands that have high levels of presence, are relevant to a wide audience but have lost appeal and have little product or image based advantage over competitors. In essence the lack of conversion from presence up to bonding has led to a lack of momentum for Amazon.

Plotting presence against the BrandZ™ measure of momentum (Voltage™) clearly illustrates Amazon's position versus eBay and Google. Google in particular is well known and forward moving. eBay occupies a middle ground but is also caught up in the battle. Amazon has lower presence and in addition is lacking the momentum to lift itself out of its predicament.



The difference Amazon displayed to traditional retailers at launch is no longer unique and brands such as Google and eBay now display stronger leadership and fame status amongst those who are bonded to them.



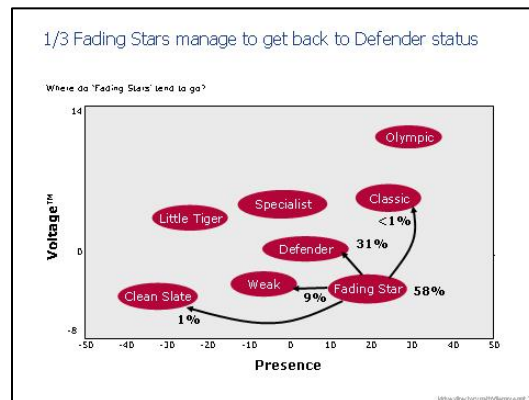
Emerging through the undergrowth

In order to break through the dense jungle of the new Internet world and re-establish itself Amazon must re-build its competitive edge. From studying the progress over a couple of years of thousands of brands in the BrandZ™ database we know that many Fading Stars can struggle to re-find their way.

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Includes extracts from Phil Herr's paper 'Amazon.com – the Making of a Brand at Internet Speed', Dec 1999, Millward Brown USA

However, around 1/3 do manage to get back to Defender status. Defenders operate more in centre field (eBay's territory in 2004) where they are less open to immediate threats and therefore have a stronger foundation from which to challenge the Classic and Olympic brands.



For a brand like Amazon the first challenge is to fully understand what is at the root of its fall from favour as the product appears to be losing its unique appeal. Has focus on the core values wavered? What exactly does it stand for? Is it becoming a generalist department store in a world of specialists?

The user experience is clearly very positive (BrandZ™ numbers show a better than average 'Performance' rating) and building affinity for the brand endorsed by users could be a way forward. Once the path through the jungle is clear, the brand will need to maintain visibility and a clear, consistent dialogue.

This investment in the brand will have Wall Street buying futures in the Amazon basin.

BrandZ is the WPP funded global brand equity study available to clients and potential clients via WPP owned companies. It is validated against sales and quantifies and diagnoses the strengths and weaknesses of brands.