BRAND GROWTH: THE RULES FOR SUCCESS

THOUGHTS ON...

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BRAND GROWTH: FINDING A SUCCESSFUL STRATEGY

Most FMCG marketers will be aware that penetration is considered the most important measure for a consumer brand. However, knowing that the biggest brands have the most buyers and that attracting extra customers is the best route to growth is not, on its own, enough.

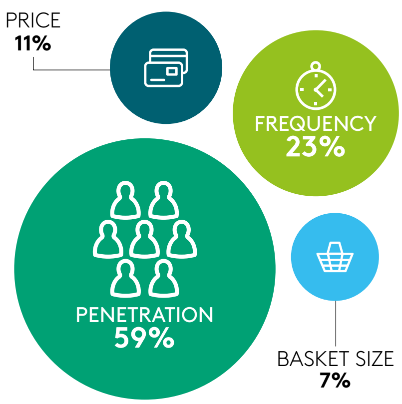
Anyone seeking to grow their brand – regardless of its size – must first and foremost be convinced that this premise is true for their brand, in their category. Next, they must understand how this fits in the context of real-world consumer decisions and behaviours, where people are influenced by the sheer volume of brands available to them and the multitude of adverts they are exposed to. Finally, once this has been understood, marketing investment must truly support this commercial objective of reaching more shoppers, more often.

There are four clear rules derived from observed shopper behaviour that should inform how to consider brand growth.

Rule one: growth comes from new shoppers

Among the UK's 3,000 largest take-home brands, the change in the number of buyers is the primary driver of year-on-year performance in six out of ten cases. Additionally, of all brands in growth, 80% are succeeding by attracting more buyers; and, conversely, 80% of brands in decline are losing shoppers. Increasing frequency, upping the number of units purchased on a trip, or changing prices can all certainly contribute to growth, but without increasing penetration the odds are firmly stacked against growing brand sales and market share.

Primary driver of brand performance



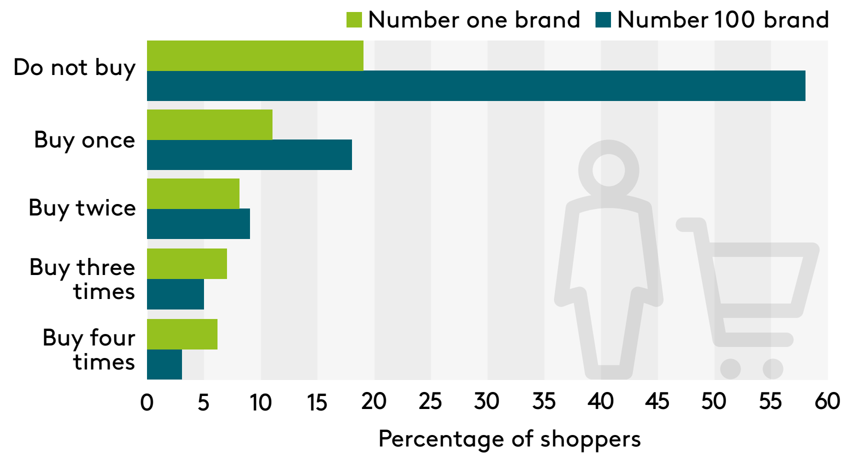
Few brands have little opportunity to increase their penetration. Even a brand like Heinz, which across its range of products is chosen by 89% of British shoppers in the course of a year, is left with more than three million households which it can target for additional brand growth. In fact, only 27 brands reach more than half the nation annually, meaning most have considerable headroom to grow.

Rule two: most shoppers buy your brand only once

The most popular single behaviour among brand buyers is to purchase individual brands only once a year. Rather than focusing their efforts on upselling to more regular purchasers, brand managers should instead concentrate on this larger shopper base – the infrequent buyers.
In fact for most brands, the single most common behaviour among consumers is that they don't currently buy the brand at all, and these are the shoppers who are essential to future growth.

It's tempting to think of the challenge of brand growth as a mission to make shoppers purchase a product more frequently. Yet once we consider those who don't buy into a brand at all, it becomes clear that splitting activity into 'penetration driving' and 'frequency driving' is a false dichotomy: the very same activity will encourage non-buyers to purchase the brand and infrequent shoppers to buy more often.

Similar purchase patterns observed irrespective of brand size



Rule three: your shoppers don't belong to you

'What do our buyers look like?' is a common question from brand managers. However, evidence shows that shoppers are typically disloyal to brands, so one brand's buyers might be broadly similar to another's. Given the opportunity – and a prompt such as competitor availability, price, or simply a better fit with their needs at that point in time – shoppers will quite easily make different brand choices day in, day out.

In fact, it is worth questioning if FMCG brand loyalty exists at all or if it is simply a result of brand size. Given that the brands with the most buyers typically enjoy the highest levels of loyalty, it is not clear that trying to achieve greater loyalty without increasing buyers is a realistic strategy for brands to take.

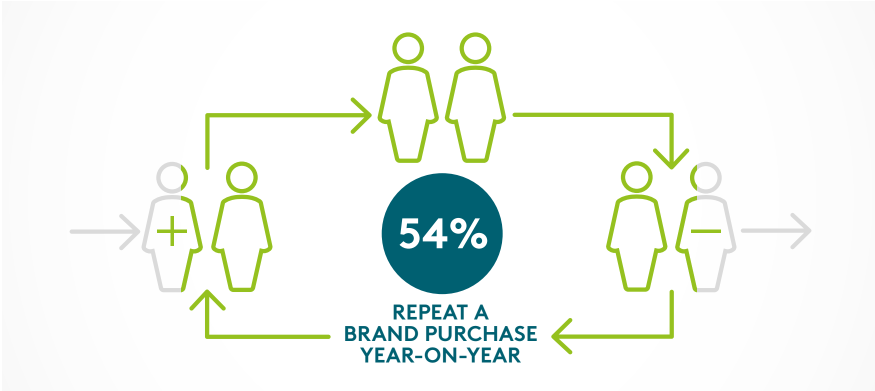
Even the top 10 biggest brands only command an average spend loyalty of

36%

Rule four: your buyer base is in constant churn

Britain's one thousand largest brands see an average of only 54% of buyers repeating their purchase from one year to the next. While at times this is a conscious rejection of a product, more often than not it is simply circumstantial: the brand was not available in store or a competitor was selling at a better price. This means that shopper recruitment isn't just necessary for brand growth – it's vital even to hold brand penetration at current levels.

Almost half a typical brand's buyers will leave in a year, so brands must recruit new shoppers to even maintain penetration at current levels



How should these four rules and their application to a specific brand guide marketing plans?

The first step is to understand who to target, especially among those not already buying the brand, as finding and converting these people will be essential for growth. Brands need to carefully observe consumer needs and apply this knowledge to correctly define the categories in which their products sit, using this information to ensure they're targeting the right people. If these categories are defined too narrowly then the target group will be limited, made up of shoppers who will happily fulfil their wider needs with other brands. Defined too broadly, the brand might be stretched too far – taken beyond its core essence and fighting too many competitors. A well-defined category will open up growth targets which can be achieved by brand managers asking a simple question: 'How many shoppers, spending how much money, do I need to attract?'

At the moment of truth, physical availability is the key to a product being picked at the shelf. This means that for smaller brands increased distribution is a priority, while brands which are already widely available need to increase their domination of the store display to grow. However, in turn these brands are more vulnerable to competitor initiatives and retailer range rationalisation.

Identifying and being able to meet different consumer needs is more likely to achieve long-term success for brands with a larger variety of products.

Other options include finding additional space in store in areas a product wouldn't traditionally be placed – for example selling bottles of gin alongside cucumber and mint in the vegetable section, rather than in the alcohol aisle.

Alternatively, reworking a brand's packaging format or tweaking its proposition can change the way it is used by consumers, moving it into a different category and aisle in store – something a number of dairy-free brands have achieved successfully by positioning themselves as puddings instead.

Promotions and advertising

The surest way to increase sales in the short term is to drop the price – this is a powerful way to increase both share and the number of brand buyers. However, evidence shows that promotions have no impact in the longer term for either metric – remove the deal and shoppers go back to competitors.

Advertising a brand over time clearly generates awareness, preference and trust, evidenced by the fact that FMCG brands still make up nearly half of what we buy in the UK despite the widespread availability of own-label lines.

HOW TO TRANSLATE THE FOUR RULES INTO BRAND GROWTH:

- Know how many shoppers your brand needs to acquire to meet your growth targets
- Understand non-buyers of a brand as well as current consumers
- Make sure your marketing spend is primarily focused on finding these additional buyers through all the means you have available:
  - How can you entice new shoppers to make their very first purchase?
  - In which retailers can you win more buyers?
  - What should you say and who should you target when you advertise?
  - What is your price and promotional plan to attract shoppers?
  - Where is there space for new product development?
- Ensure the whole organisation understands your overarching consumer goals, because the language of frequency, loyalty and retention can divert attention and investment away from shopper acquisition

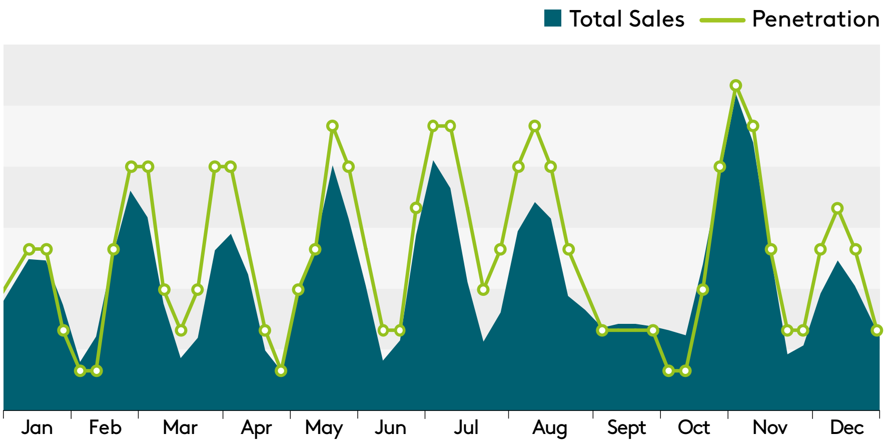
Short term, the effect of advertising without trade support is minimal. Even over longer periods, while marketing campaigns alone could generate results, it is generally accepted that doing so in tandem with increasing in-store availability will have a much greater impact.

On their own, neither promotions nor advertising will create the medium-term conditions for brand growth. However, they can help lay the foundations.

As a bare minimum, being price competitive will maintain retailer listings and ideally create the short-term growth which allows new line distribution opportunities.

Likewise, advertising should be aligned to other ways of attracting new buyers: for example, maximising sales by marketing the fact that your brand now fulfils an additional need and simultaneously supporting this with trade activity such as a promotion.

Promotions successfully raise penetration in the short term only



METHODOLOGY

All primary data used in this report comes from our grocery shopper panel, which continually measures the purchasing behaviour of 30,000 demographically representative households in Great Britain [England, Scotland and Wales].

We collect information on what they are buying, where they have bought it and why. This allows us to develop a detailed picture of the British retail market.

The potential level of detail available on the panel goes well beyond that used in this report to help manufacturers and retailers really understand their performance at a granular shopper level.

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