Target the (Whole) Market to Grow Your Brands

Introduction:

The digital age has brought with it a seemingly endless supply of data and targeting opportunities. But when is a marketing strategy *too* targeted? And when does a focus on 'loyal customers' cease to be a growth strategy but a limiting, or even damaging endeavour?

Byron Sharp famously challenged a number of traditionally held marketing beliefs in his ground-breaking book *How Brands Grow* (and *How Brands Grow: Part 2*, 2016). This research paper, produced with MediaCom Business Science, reviews some of Byron's top marketing principles with a media lens.

One of Sharp's key arguments is that loyalty is not a path to success – that in fact it is <u>not possible</u> to grow market share without reaching category buyers who never, or seldom buy your brand. He also stresses the importance of mental availability, and the critical role that reach has in a media strategy. What does that mean for your marketing plan? A lot of TV.

With its unparalleled reach and emotional impact, TV is not only the most effective media tool when applying Sharp's principles, it is also the most efficient, driving 2.7x the value of any of any other media platform.

Key Points:

Key Marketing Principles extracted from the books:

- **Market Penetration** is the most important factor for growth
- Real sales growth comes from **marketing to light and non-buyers**
- **Increased Mental Availability** drives favourable buying decisions
- All of the above require extended **reach**

When media planning against these principles, television advertising emerges as the best and most effective tool for driving growth. As we will outline in this paper, TV provides direct support to each of these principles through the following benefits:

1. Advertising on TV has a direct impact on sales growth and is the most effective investment for **driving market share**
2. TV helps you **reach a wider range of category buyers**
3. TV advertising **builds memory structures** that influence buying decisions
4. TV's **cost effective reach** is at the heart of a sound media strategy.

Section 1: Market Penetration

Market Penetration is the most important factor for growth

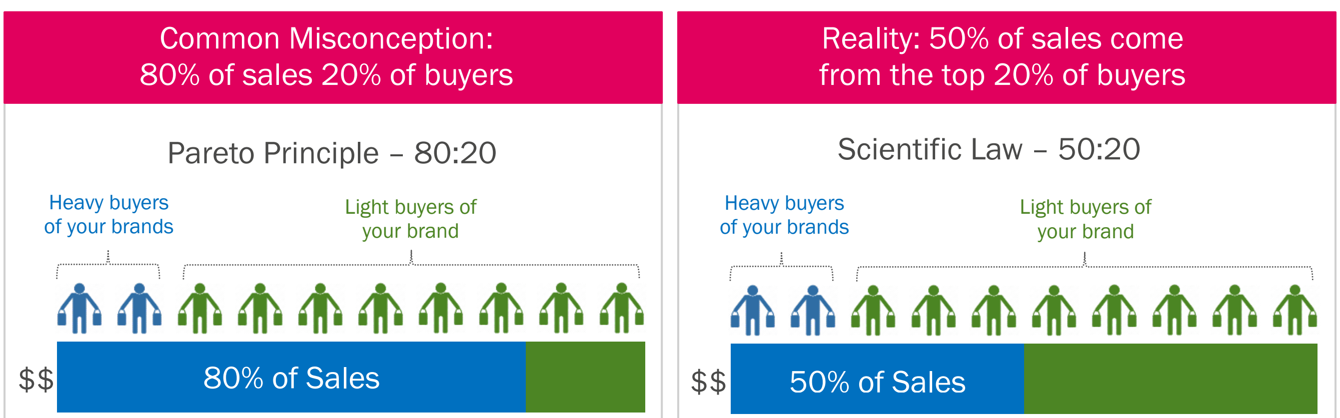
Sharp argues that increasing market penetration – attracting new buyers -- will drive far more growth than loyalty-based initiatives.

Loyalty, though important, is limiting for several reasons:

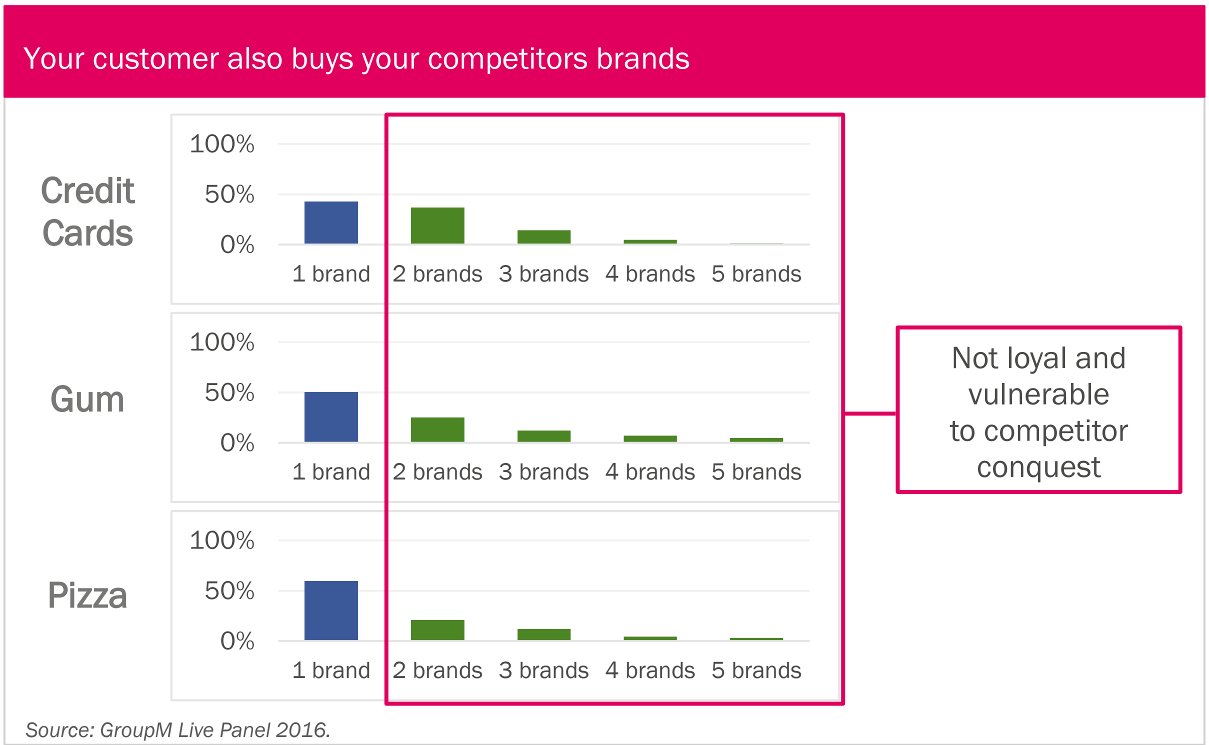
1. Your loyal customers – or heavy buyers – are low in numbers
2. By definition, a heavy buyer is someone who already buys a lot – they're limited in how much more they can buy
3. Your loyal customers aren't as loyal as you think they are

The Pareto Principle in the 21st century

The Pareto Principle – also known as the 80/20 rule – states that, for many events, roughly 80% of the effects come from 20% of the causes. It's become a common rule of thumb in business; "80% of your sales come from 20% of your clients." But after extensive research, Sharp found that on average, the top 20% of buyers account for only 50% of sales. That means that **a focus on loyalty ignores the group responsible for 50% of your sales** [1].



Furthermore, customer loyalty can be fleeting, and even your existing customers may not be as loyal as you think they are. Customers in most categories flirt with a number of competing brands. For example, 57% of consumers have more than one credit card; 49% of gum buyers consume more than one brand of gum; and 40% of pizza consumers purchase more than one brand of pizza.

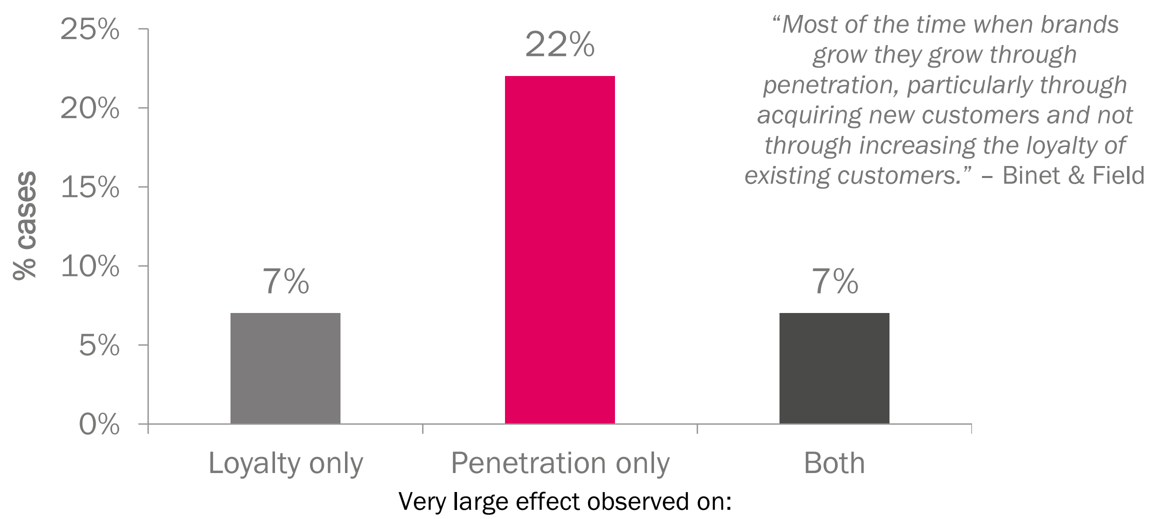


Additionally, Sharp found that 20% of loyal customers are inevitably worth less the following year: some have changed their preferences, left the country, or have grown out of the category, providing an even more diminished value of the top 20%.

Penetration over loyalty

In addition to the examples Sharp puts forward in his book, recent IPA Research came to the same conclusion: penetration is three times more likely to be the main driver of growth and profit versus loyalty-driven campaigns.

Penetration is three times more likely to be the main driver of growth



Source: IPA, Marketing in the Digital Age, Field & Binet, 2016

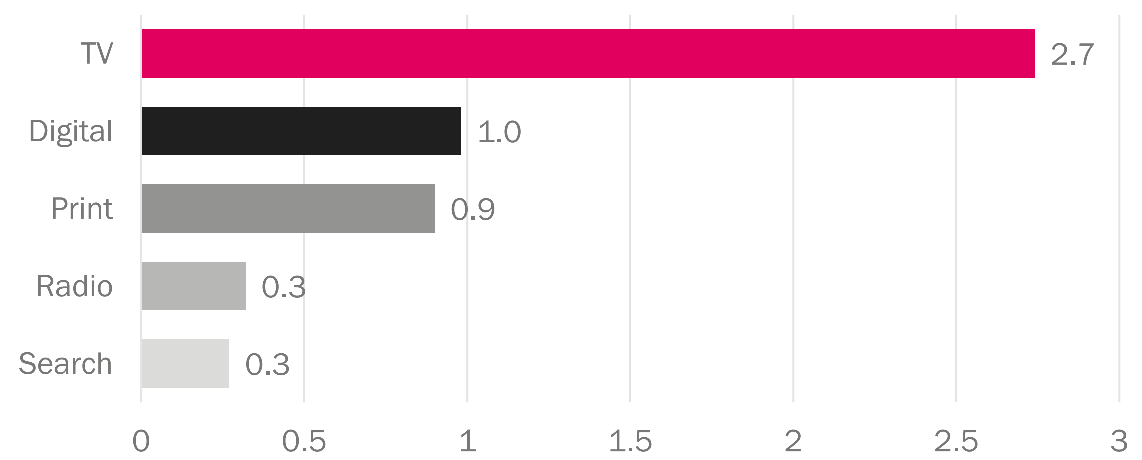
IPA's Binet and Field's found that 22% of cases saw very large business effects through penetration, compared to only 7% that focused on loyalty alone.

Advertising on TV has a direct impact on sales growth

Driving market penetration means widening your customer base, making a broad reach strategy vital. TV's reach is just one reason why advertising on television has such an impressive lift factor on outcomes.

GroupM Canada econometric modelling across five key categories shows that TV has the highest contribution to business outcomes, including revenue, unit sales, e-commerce and branded search.

TV reaches all category buyers and delivers highest relative business outcomes



Source: GroupM Canada, GroupM, 2015-16. [2]

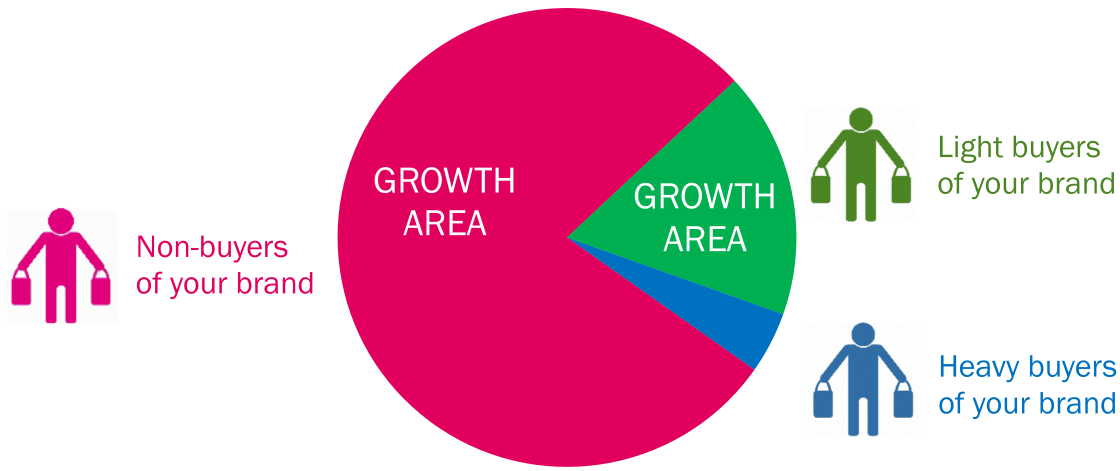
Section 2: Target the Whole Market

Sales growth comes from marketing to light and non-buyers

> *"It is not possible to grow market share without reaching category buyers who never, or seldom buy your brand"*
> (Sharp, *How Brands Grow: Part 2*)

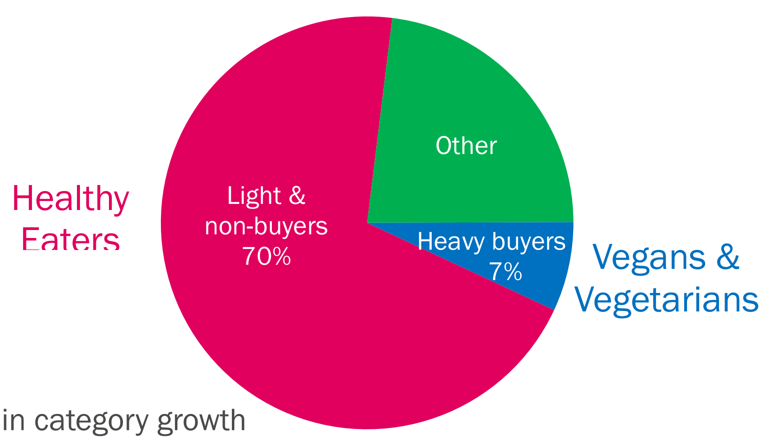
Where to find the new buyers essential for increasing market penetration? Sharp has shown that the best road to sales growth is to market to light and non-buyers – primarily because there are more of them.

The biggest growth will come from targeting the light and non-buyers of your brand [3]



As an example, Sharp references Quorn, a meat substitute product from the UK. Originally targeted to vegetarians, the product market was limited to 7% of UK households. In order to increase market penetration, Quorn extended their target beyond vegetarians to customers interested in healthy eating. While healthy eaters may buy the product far less frequently than vegetarians, this strategy increased their target market from 7% of UK households to 70% – and subsequently drove a significant increase in sales.

Reach light and non-buyers to grow market penetration [4]



Business Result:

- +62% in category growth
- +£6.8 million in sales

Section 3: Mental Availability

Sharp determined that buyers are more likely to buy what they remember – whether consciously or unconsciously. He refers to this as mental availability, and suggests that a brand's mental availability plays a critical role in growing market penetration.

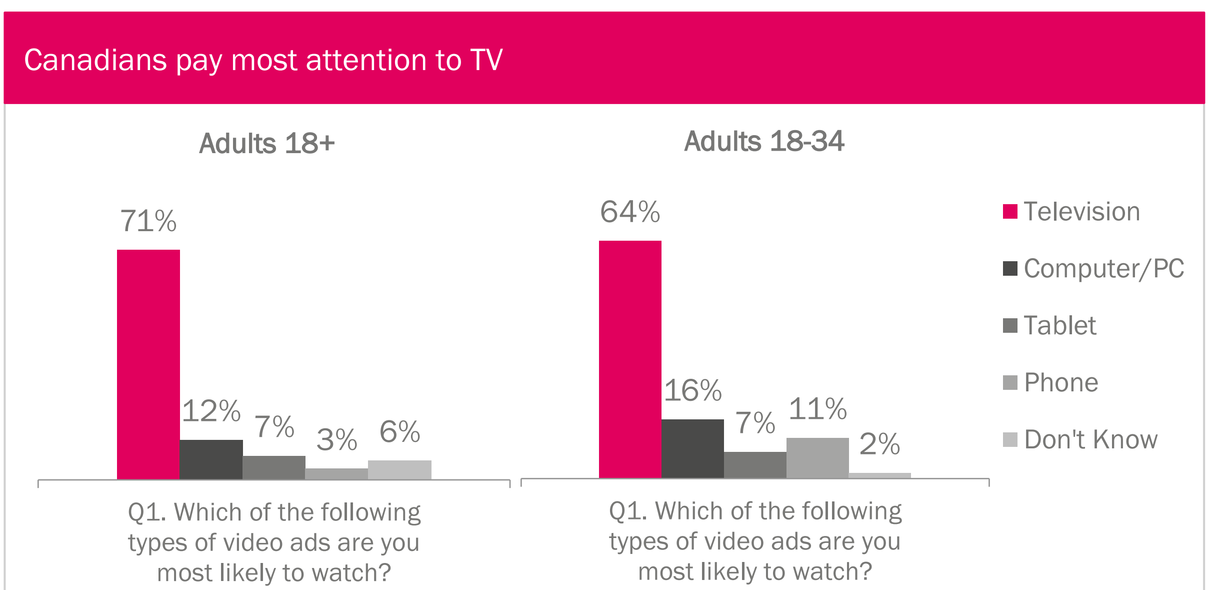
Mental Availability is comprised of three key elements:

- The brand must be easy to think of/remember (brand salience)
- In as many situations as possible (consistently building and refreshing memory)
- By as many people as possible (reach)

Advertising is a key tool in increasing a product's brand salience. Advertising works by building and refreshing memory structures relating to the brand.

TV advertising builds memory structures that influence buying decisions

Structuring long-term memory in the minds of consumers requires that brands first capture attention -- and Canadians pay most attention to video advertisements when viewed in TV content on TV sets. When asked "which type of video advertising are you most likely to watch," Canadians of all ages overwhelmingly picked TV.

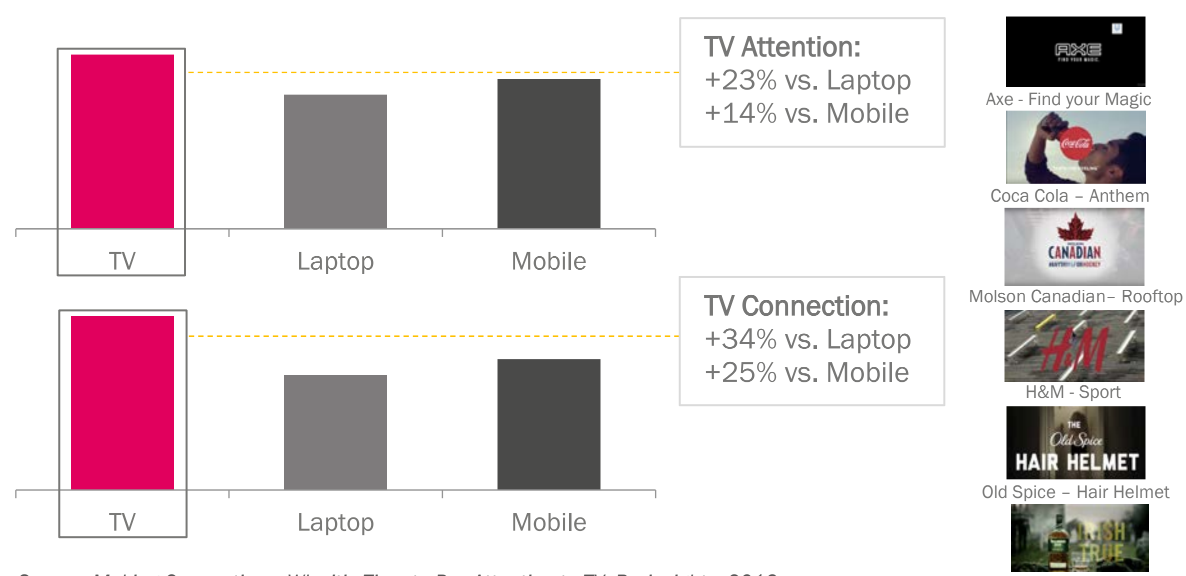


Source: NLogic, omniVU, September 2015.

But in a world where products compete with near lookalikes, branding and story-telling are essential. Getting attention is a start, but for a commercial to be truly impactful it needs to go beyond attention and make a meaningful brand connection.

A neuroscience study by Brainsights that measured the impact of ads on different platforms found that TV produced a significant increase in both Attention and Connection compared to mobile screens. This effect was found across a variety of leading brands.

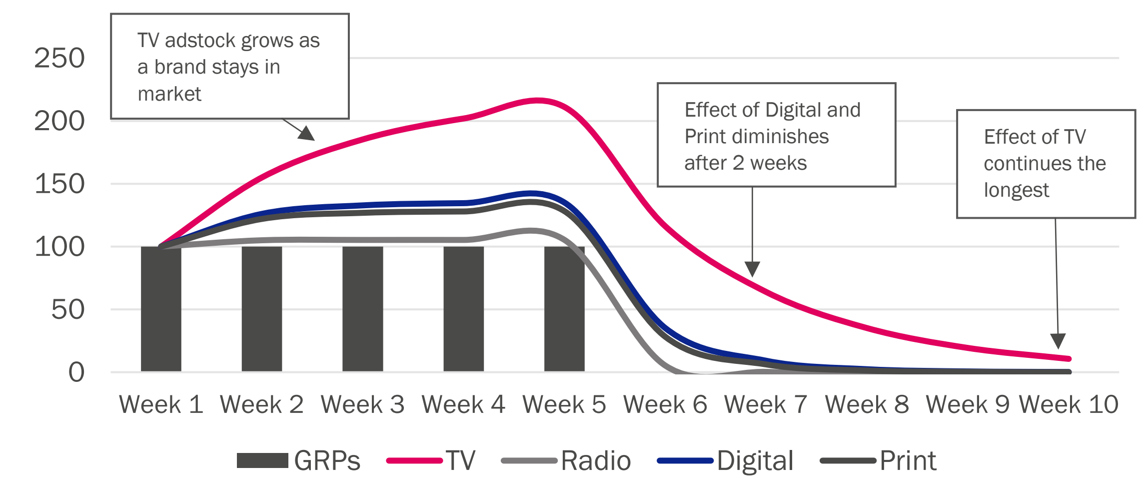
Brand-focused ads on TV outperform digital on building Attention, and more importantly, Connection



Source: Making Connections: Why it's Time to Pay Attention to TV, Brainsights, 2016

TV's ability to capture the most attention and make the biggest connection explains why television has the highest adstock amongst advertising vehicles.

The adstock of a TV spot grows faster and lasts 2.5x longer than any other channel

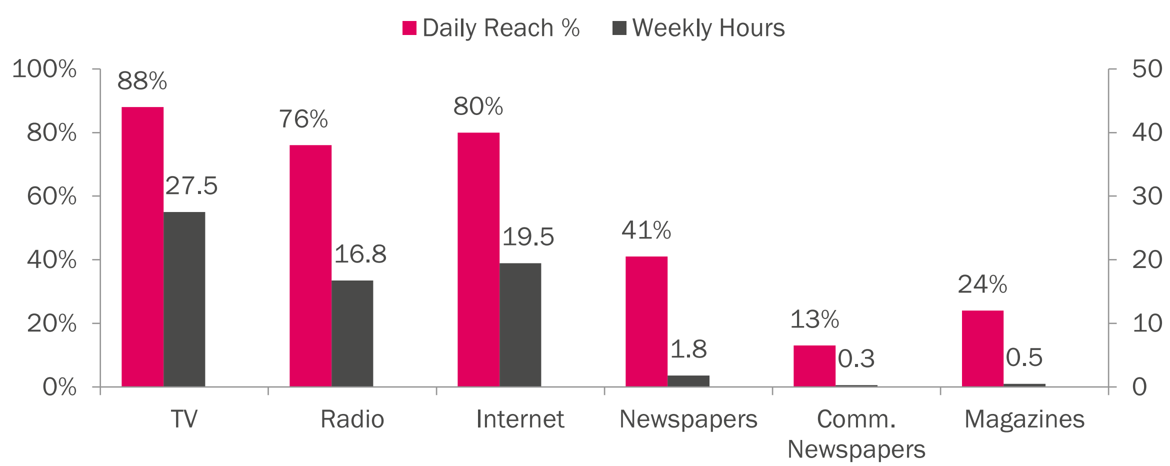


Source: GroupM Canada, 2016. Marketing Mix models across Consumer Electronics, Retail, Finance, Auto and CPG.

Section 4: Reach

Market penetration, attracting light and non-buyers, and growing mental availability all require reach. And nothing reaches Canadians better than TV – not just effectively, but cost efficiently as well.

Reach and time spent: Adults 18+



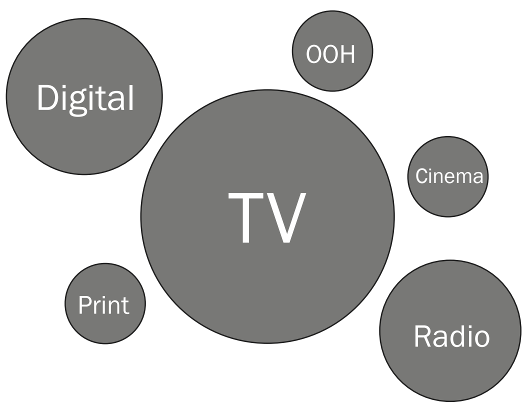
Source: Numeris, RTS, comScore [5]

To maximize reach, it is important to consider duplication. **Aim for the biggest reach medium first, and then add to it.** Today, television continues to be the dominant mass-reach channel that captures most of the buyers in any category. Sacrificing spend on TV to spend on other channels is more likely to increase frequency, than it is to increase reach.

TV-first approach guarantees maximum reach and minimum duplication

Ineffective View of Channels

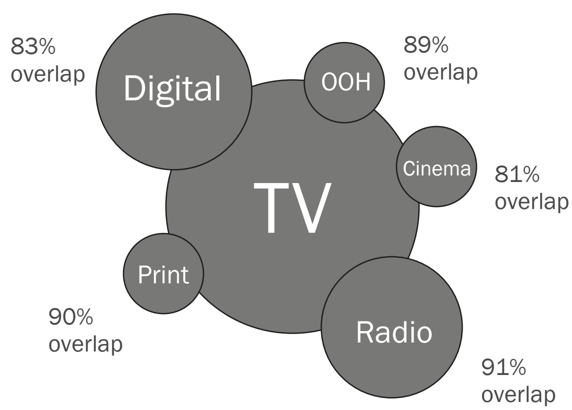
A siloed approach to investing doesn't account for the fact that customers are on all channels.



Source: GroupM LivePanel September, 2016

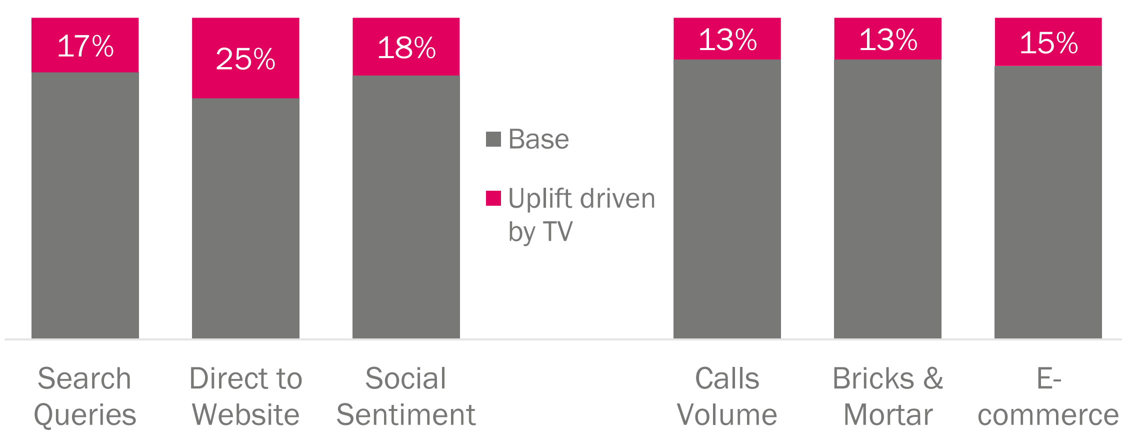
The Reality

TV audiences overlap with audiences on the other channels. A TV first approach guarantees maximum reach.



And TV has a tremendous impact on other activities, from search queries and e-commerce to visits to brick-and-mortar locations.

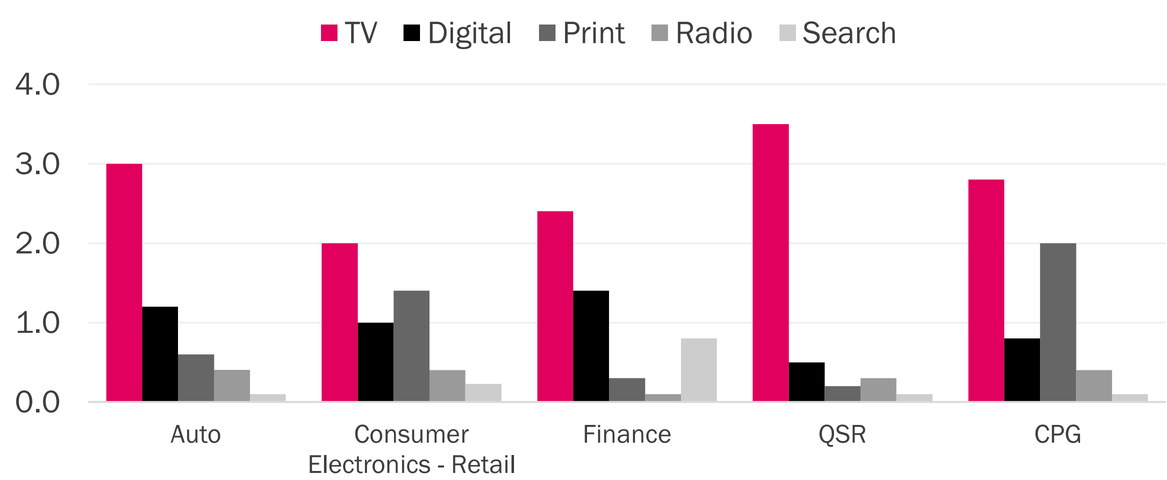
TV boosts the performance of other channels down the path to purchase



Source: TV Response: new rules, new roles, 2015, GroupM/Thinkbox. Based on 8 brands.

TV's effectiveness – achieved through reach, connection and cross-channel impact – can be seen across all outcome factors including revenue, unit sales, e-commerce sales and branded search. Significant uplift is seen across key categories.

TV has the highest lift factor on outcomes



Source: GroupM Canada, GroupM, 2015-16 [6]

Section 5: Implications for your Marketing Strategy

When targeting, target the whole market, and to grow your business consider Sharp's rules for growth:

1. Focus on increasing **your market penetration** by attracting new buyers
2. Target all category buyers, not just existing or loyal consumers. **Light and non-users of your brand provide the biggest upside**
3. Connect with potential consumers frequently to create memory structures that **drive mental availability and brand consideration**
4. Implement a broad **reach** media strategy

How do you do it? Put TV advertising at the centre of your media strategy. TV provides the reach, impact and efficiency required to drive your message – and your business.

Seven Rules for Brand Growth

1. **Continuously reach all buyers of the category** (communication and distribution) – avoid being silent
2. **Ensure the brand is easy to buy** (communicate how the brand fits with the user's life)
3. Get noticed (grab attention and focus on brand salience to prime the user's mind)
4. **Refresh and build memory structures** (respect existing associations that make the brand easy to notice and easy to buy)
5. **Create and use distinctive brand assets** (use sensory cues to get noticed and stay top of mind)
6. **Be consistent** (avoid unnecessary changes, while keeping the brands fresh and interesting)
7. **Stay competitive** (keep the brand easy to buy and avoid giving excuses not to buy (i.e. by targeting a particular group)

Sources:

- [1] *How Brands Grow, Part 2*, p.30-31
- [2] GroupM Canada, GroupM, 2015-16 Econometric Marketing Mix Models of clients across 5 categories: Finance, QSR, Retail, Consumer Electronics and Auto.
- [3] *How Brands Grow, Part 2*, p.3
- [4] *How Brands Grow, Part 2*, p.41
- [5] Television: Numeris PPM, Total Canada, Total TV, Mo-Su 2a-2a, Consolidated, All Locations, BY 2015-16 (Aug. 31, 2015 – Aug. 28, 2016). Radio, Daily Newspaper, Magazine, Community Newspaper: Numeris RTS, Spring 2016. Online mobile, online video, cinema: GroupM Live Panel. Internet Daily Reach: Numeris RTS, Spring 2016. Internet Average Weekly Hours: comScore Media Metrix, Multi-Platform, Sep 2015 - Jul 2016. *
  **Note: Numeris population estimates for each demographic group used to calculate average weekly hours per capita*
- [6] GroupM Canada, GroupM, 2015-16: Econometric Marketing Mix Models of clients across 5 categories: Auto, Retail Consumer Electronics, Finance and QSR.