



University of
South Australia

Ehrenberg-Bass
Institute for Marketing Science



Laws Of Growth

Based on Byron Sharp's international bestseller **How Brands Grow**. There are scientific laws in marketing, that every modern marketer should know. A summary of key points from the Ehrenberg-Bass Institute seminar.

Foundation of science

Science works through:

- Making repeated empirical observations across a wide range of conditions.
- Forming scientific "laws" that give prediction and explanation.
- Creating theories on how the world works by weaving laws together into a story.
- Building blocks of knowledge that show how things are related, under what conditions and what matters and doesn't.

Contrary to the orthodox view of marketing and business, scientific laws are not only possible in marketing, but they are widespread. They are everywhere – one just need look for them.

Laws, based on repeated observation, are the essential building blocks of knowledge.

Some wrong thinking in marketing

- ✗ People care deeply for brands. So to grow we must cultivate a legion of advocates.
- ✗ "Loyalty beyond reason" is a formula to turn any product into an object of devotion that customers love; to earn premium profits.
- ✗ Our buyers are different, who have a special reason to buy us.
- ✗ Targeting a segment of the market, based on deep understanding of unique customer segments to forge a real connection with them.
- ✗ Loyalty is a sure-fire path to growth. Heavy customers are the most important.

Reality

- ✓ People are busy, distracted, polygamously loyal and care little about most brands.
- ✓ Customers buy from a repertoire of brands in a category, any of which are able to satisfy their needs.
- ✓ Switchers are just repertoire buyers – what is the normal behaviour.
- ✓ Solely loyal buyers are only a very small proportion of a brand's customer base.
- ✓ Even category leaders have mostly light customers.
- ✓ The customers who are solely loyal are not passionately loyal and beyond reason, they are just very light, infrequent buyers of the category.
- ✓ The more purchases someone makes, the less likely that they are 100% loyal.

Brand loyalty

- Brands vary tremendously in market share, with large variations in penetration (size of customer base); but vary little in their loyalty metrics (behavioural and attitudinal).
- Loyalty hardly varies but does so predictably.
- The Double Jeopardy law shows that smaller brands have fewer customers who buy the brand slightly less often.
- Very popular brands are known by more people who are slightly more likely to say they like it.

Loyalty varies little between competing brands.

How do brands grow?

- To grow, brands must substantially increase their customer base – the number of customers who buy it.
- Targets to substantially or only lift purchase frequency are a fantasy.
- Targeting only a segment of customers can't deliver substantive growth.

Which buyers matter most?

- Most buyers of a brand are very light buyers. Buying only once in a time period is typically the most common purchase rate.
- Even a huge brand like Coca-Cola has less than 5% of its customers buying more than once a month. 30% of cola buyers don't even buy one Coca-Cola in a year. So, heavy buyers are vastly out-numbered by light buyers. If you buy Coca-Cola more than three times a year then you are one of Coca-Cola's heavy buyers!
- The Pareto 80:20 rule is more like 50-60:20. Only 50-60% of sales come from the top 20% of customers. So, although heavy buyers are important, light buyers contribute with about half of the sales.

Targeting only a segment of customers can't deliver substantive growth.





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- Most customers don't buy every year. Over three quarters of a brand's customer base is made up of very light buyers – those who buy once a year or far less. They contribute with almost 40% to total brand sales.
- The purpose of advertising is to remind and attract the vast bulk of the customer base who are light, occasional buyers.

Your buyers are like your competitors' and theirs are like yours.

Are buyers unique?

- Customers of any given brand are typically no different to buyers of a competitor brand - mostly because it's the same customer base buying both.
- Across brands, categories and countries the user bases of competitive brands seldom differ.
- There are only little difference in demographic distribution, psychographics, values, lifestyles, media consumption etc.
- Your buyers are like your competitors' and theirs are like yours.

How do brands compete?

- The Duplication of Purchase law shows that brands share customers with rival brands in line with their size.

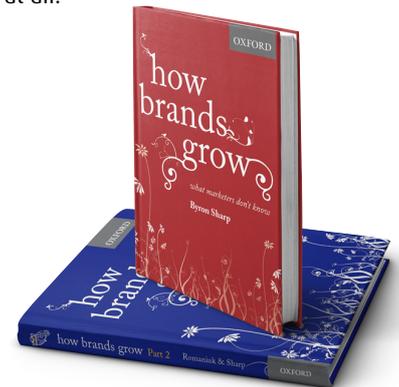
- In any time period, a brand shares much of its customer base with the big brands, and a little with the smaller brands.

Bigger brands have greater mental and physical availability.

Key conclusions

- Brands compete practically 'head on'.
- Buyers are loyal, but polygamous.
- Brands mean little to most buyers
- Penetration is the route to sustainable growth. Mental and physical availability are vital.

- Normal growth is changing the size, not the nature of the customer base.
- The marketing challenge is to get the many lighter buyers to think of the brand at all.



How Brands Grow Part 1 and 2

Further Reading

Online reports

- Report 71: [Fundamental consumer framework](#)
- Report 1: [Understanding Dirichlet type markets](#)
- Report 26: [Double Jeopardy revisited again](#)
- Report 20: [Polygamous brand loyalty](#)
- Report 51: [Who do you really compete with?](#)
- Report 7: [Brand user profiles seldom differ](#)
- Report 42: [There is a Pareto law, but not as you know it](#)
- Report 31: [What happens when brands gain or lose share?](#)
- Report 35: [100% brand loyals exposed](#)
- Report 39: [How brands compete](#)
- Report 89: [Double Jeopardy in service category](#)
- Report 73: [The unbearable lightness of buying](#)
- Report 19: [What car will they buy next?](#)
- Report 62: [What's love got to do with loyalty?](#)
- Report 28: [Impulse purchasing patterns](#)
- Report 61: [Do consumers reject brands?](#)
- Report 97: [High brand loyalty?](#)
- Report 59: [Competing brands have similar personality profiles](#)
- Report 6: [Customer retention & switching in the car market](#)
- Report 88: [Buying in a heavy industrial context](#)

For further reports, journal articles and marketing commentary please visit the [Ehrenberg-Bass Institute](#) website.



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