How brands really grow: It isn't only about acquisition

By Jan Hofmeyr, issued by Kantar

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I am an admirer of the work of Ehrenberg and his colleagues. The law of double jeopardy (DJ) has been so widely confirmed that anyone who ignores its implications for marketing would be foolish. It's a pity then, that the Ehrenberg School do marketing a disservice through their overly narrow (almost religious) application of the law.

For those who don't know, DJ states that small brands suffer in two ways: they are used by fewer people than big brands; and those who use them, use them less. One of the most important aspects of the law is that it links loyalty (that is, the extent to which people use a brand) to penetration (that is, the number of people who use it).

You can see an implication immediately. Many marketers think that they can improve the performance of their services or brands by improving the loyalty of their users. But DJ proves that it's extremely difficult to increase loyalty without increasing penetration. This leads to a sustained attack on the idea that focusing only on the loyalty of your users can lead to an improvement in your business.

DJ patterns apply as much to attitudes as behaviour. In fact, the phrase was coined in 1963 by a social scientist called McPhee when he noticed that less well-known actors were not only known by fewer people, but also less liked. Implication: the idea that you can be 'a not well-known actor' but have a fanatical fan base, is nonsense.

In marketing, the equivalent of a little-known actor with a small but fanatical fan base would be a small brand with unusually loyal users. Are there such brands? In their book, *How Brands Grow*, Sharp and his colleagues look at two obvious candidates: Apple (before it got really big) and Harley Davidson. They report that 77% of Apple's users think there's nothing special about Apple; and that the 10% of Harley owners who are fanatical, account for only 3.5% of Harley's sales. As Sharp and his colleagues say, *"Most of a brand's customers **think and care little** about the brand... (yet) ... represent most of (its) sales."*

This leads to a sustained attack on another idea - that your brand can be 'meaningfully different'; or that it can have a 'unique selling proposition'. Advertisers spend mountains of money trying to persuade people that brands are special in some way. Yet brand image surveys consistently confirm what DJ would predict: people are good at learning objective physical characteristics (like the fact that Coca-Cola has sugar but diet Coke doesn't). But like loyalty, intangible attributions (e.g. 'a fun drink') derive almost entirely from how many users a brand has.

And so marketing reduces to an over-arching imperative: **acquire more users**. And if you ask the question, 'How?', the answer will be: **increase your physical and mental availability**.

These are not revolutionary ideas. The Conversion Model (for which, I'm afraid, I have to take responsibility) was built back in the late 1980's with the same idea in mind. Business success derives from **power in the mind** (that is, mental availability), and **power in the market** (that is, physical availability). We called our approach 'the Conversion Model' because it was about increasing the number of your users. Over the years the words we've used have varied. But the basic framework hasn't changed since 1990.

So far so good. What's the problem?

Well, there are many.

Let's start with the doctrine that brands grow by **acquiring more users**. There is an unfortunate tendency to focus on the word, "acquisition". Sharp himself says, *"In my book,* How Brands Grow*, I emphasise a move towards customer acquisition."* But our research shows that you can't grow a brand just by 'acquiring'.

If you look at customer databases (for services) or panel data (for brands); and you take any timescale - three months, six months, a year, whatever - you'll see that all businesses acquire new users. It's an empirical reality. And yet, most businesses don't grow. The reason is obvious: just as fast as some people increase their use of a service or a brand, others decrease it. And so: **to grow a brand you have to tip the balance** - you have to make sure that the rate at which some people are decreasing their loyalty is slower than the rate at which others are increasing it ...which means, in turn, that reinforcing or increasing the existing loyalty of all your current users - from the low to the high, matters.

I'm not a great fan of a narrow focus on the loyalty of existing users. I prefer strategies that are more expansive. But analysing what to do about the loyalty of existing users while building loyalty among non-users, is obviously more sensible than a narrow focus on either one.

In summary: brand growth comes from ensuring that the rate at which some people are increasing their use of a business, exceeds the rate at which others are decreasing it. In that sense, both retention and acquisition matter.

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