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Ipsos Laboratories

Brand Growth: more people, more often or both?

The contribution of existing customers to brand growth

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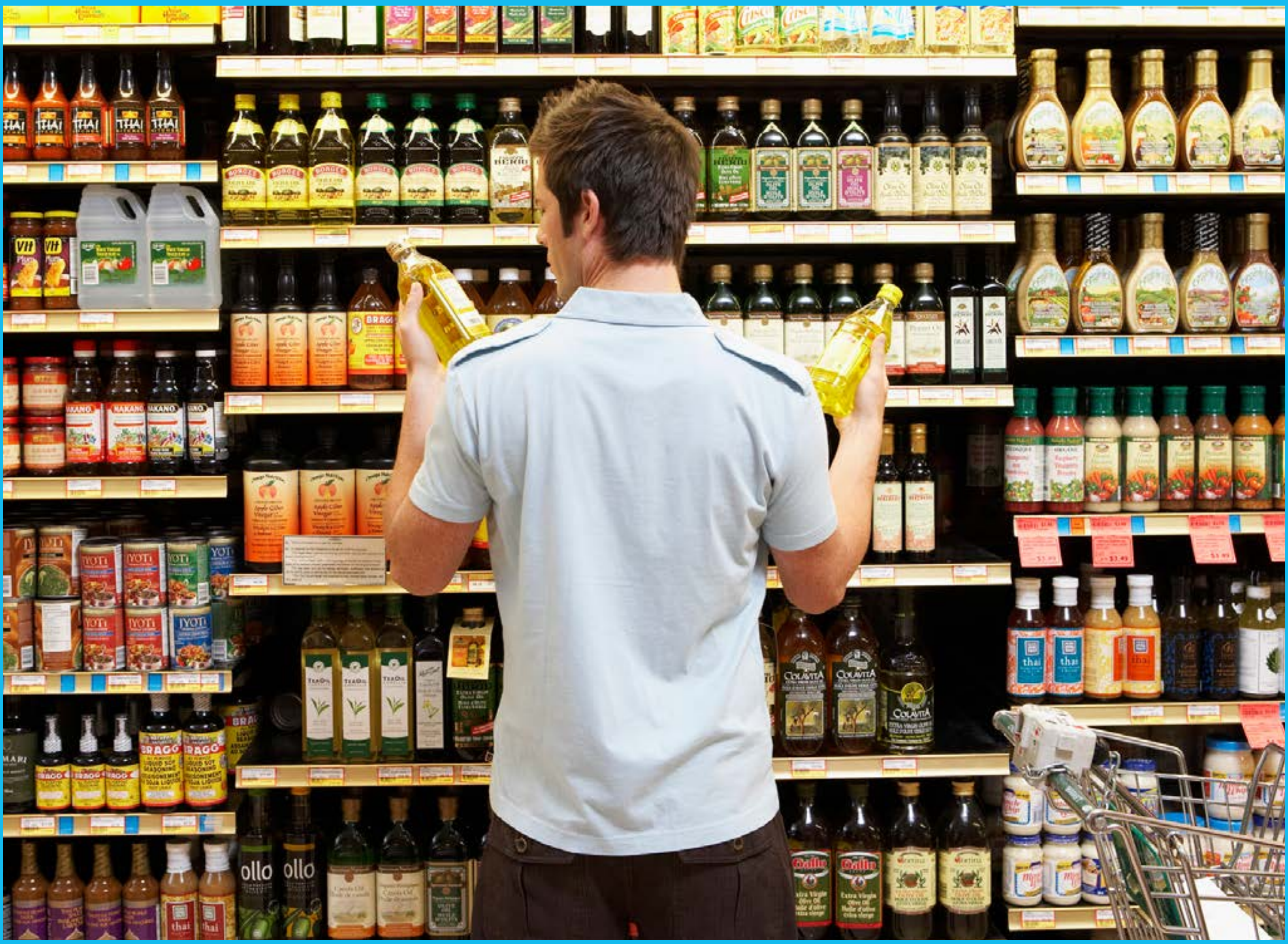
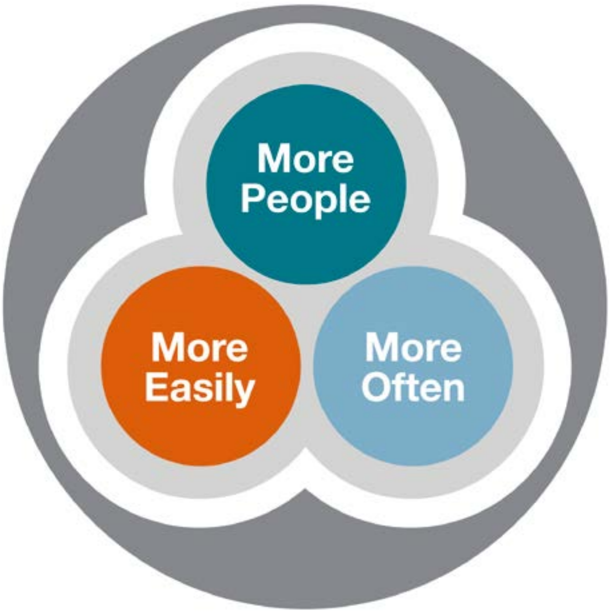


Understanding and explaining how brands grow is top of mind in the industry. For decades, Ipsos has been helping our clients answer the question, "How do I grow my brand?"

GAME CHANGERS

At Ipsos we believe that brand growth comes from having **more people** buying your brand, **more often**, and **more easily**.

- 'More people' is primarily about brand penetration
- 'More often' relates to the level and/or share of spend that you get from your existing customers
- 'More easily' is about accessibility – the more people perceive that they can easily obtain one option versus another similar option, the more likely it is to be selected.



Building brand desire is about building strong mental networks for the brand: creating saliency (brands coming readily to mind in the moments that matter) and brand relationships (meeting functional and emotional needs that establish brand connections).

However, there is currently a prominent point of view in the industry stating that *increasing brand penetration is sufficient for brand growth* - the equivalent of simply getting more people to buy a brand. The purpose of this thought piece is to provide evidence that brand growth is not solely about increased customer penetration, but also about maintaining (or increasing) the levels of spend from existing customers.

Analysis

We set out to investigate the importance of 'more people' versus 'more often' by posing the question: *"What contribution do existing customers make to brand growth or brand decline?"*

We addressed this overarching question by looking at the purchase behaviour of consumers over time. We analysed datasets across six categories (shower gel, retail, toothpaste, chocolate, laundry detergent and sugar) and four countries (Australia, France, Italy and the UK). In total we tracked the individual longitudinal buying behaviour of about 10,000 people across 207 brands over a 12-month period.

For each brand we were able to identify the contributions to brand share change from:

- New customers (who were not buying the brand at the beginning of the evaluation period)
- Lapsed customers (who were buying at the beginning, but not at the end)
- Existing customers – and how much their level of spend changed (either increased or decreased)

For the purpose of the analysis we split the brands into ones that had grown their market share over the period, and those that had declined. For each group we were able to identify the amount of brand share change that came from existing customers (the net effect of people increasing/decreasing spend) versus the net effect of new/lapsed customers (brand penetration).

Findings

We found that among growing brands, **25.2% of growth** in brand share came from existing customers buying more, one year later. Similarly, among brands that declined, **24.8% of decline** in brand share was accounted for by existing customers buying less, but not lapsing - they were still customers of the relevant brand. This highlights the importance of the **more often** concept, with growth not being only accounted for by **more people**.

It is important to also consider the brand in context of in-market factors as well as its competitor activity, as both have an impact on the availability (both mentally and physically) of the brand to the customer – the 'more easily' part of the brand growth equation. The 'accessibility' aspect of brand growth is outside the scope of this analysis.

Finally, it is worth a note on stable brands – ones that did not show significant increase or decline in brand share over the evaluation period. These brands demonstrated a wide range of customer turnover; some were maintaining a stable customer base while others had much higher (but roughly equal) amounts of new and lapsed customers. Given the widely accepted maxim that ***"it costs ten times as much to acquire a new customer than to retain an existing one"*** it is financially advantageous to keep customer turnover to a minimum – even for brands with a stable market share. Once again this means looking after your existing customers!

Conclusion

Although 'more people' (or fewer people) is the predominant factor in brand share changes, about one quarter of brand growth/decline is accounted for by existing customers buying either more or less of the brand. So brand penetration alone is not sufficient for growth – changes in the level of spend among existing customers also plays a significant role.

The success formula is contingent on <u>each</u> of **more people**, **more often** and **more easily**; brand penetration is important, but ignore your existing customers at your peril!