Why marketing needs marketing science

Colin McDonald and John Scriven outline some key learnings that marketers often prefer to ignore

IN MARCH 2006, the Ehrenberg-Bass Institute for Marketing Science was inaugurated at the University of South Australia, Adelaide. The institute formalises the collaboration between the university's Marketing Science Centre and the Ehrenberg Centre at London's South Bank University, to carry out fundamental research into the behaviour of consumers and markets. This is funded by leading marketing companies, agencies and others.

The name honours two marketing science pioneers: Andrew Ehrenberg for discovering how consumers buy, Frank Bass for his 'diffusion model', which predicts growth patterns for new products. Both share a guiding principle: the importance of empirical generalisation as key to knowledge. By making the same observations in many different markets, we can see common patterns; only then does it make sense to describe these patterns in a 'model', test it against other examples, and observe where deviations occur. This leads to genuine scientific knowledge, based on thousands of observations of what normally happens in markets, under different conditions, and, therefore, what we may expect for our market.

Here, many people switch off. Practical marketers don't give marketing science high priority. Reactions range from weakly positive ('interesting, but I don't have time') to bluntly dismissive ('what's it got to do with my brand?'). Marketers are too busy fighting particular pressures to care about the general. They want to change their market in their favour. They want research to tell them what to do, now; general descriptions of how markets work are remote, or irrelevant.

Faced with this, there is no point in marketing scientists simply carrying on while complaining that people do not pay attention. They have to explain proactively the value of marketing science: without it marketers are operating in a vacuum. Marketing courses and textbooks still encourage myths and misconceptions that are attractive because they chime with 'common sense', but that we know are wrong. If targets or programmes are developed in line with these myths, results are counter-productive and expensive. This is why the Institute and its work are important. Marketing science is easily resented (especially in the advertising world) for setting rules and constraints that frustrate creative impulses. This is illogical. An engineer or architect would not get far. designing a bridge or building without knowing architectural principles and the strengths and weaknesses of materials. These 'constraints' are not an obstacle but a help, because they guide the design in directions where success can be achieved and failure avoided. It is the same in marketing.

Simple relationships

There is more to marketing science than finding and modelling statistical relationships in particular markets. Marketers often use multivariate statistical tools (regression, factor or cluster analysis, and so on) to unravel complex situations, but these are beset with problems of interpretation: how to decide what variables to include, whether a relationship is truly causal, which of several reasonably fitting models to believe. Trying to predict from a 'best fit' model of a single dataset is not science. The scientist, by contrast, looks for simple relationships that hold under a wide range of conditions. S/he likes to make deliberate interventions and observe what happens. Only after observing a pattern that holds robustly, in all sorts of markets and countries, will s/he model it and call it a 'law-like relationship' (Ehrenberg's phrase). Having established what is 'normal', s/he has some hope of understanding any (relatively rare) variations. The marketer can use this knowledge to interpret actual results: are they higher, lower or about the same as the model indicates?

TABLE 1

Key performance metrics for the UK

Toilet soaps, UK Top 10 brands 52 w/e Jan 2005	Market share (%)	Penetration (%)	Purchase per buyer	% Buying Once	% Buying 5+
Dove	24	16	2.9	49	15
Imperial Leather	20	18	2.0	58	7
Tesco	6	5	2.2	64	6
Palmolive	5	4	2.0	65	7
Cussons	4	4	1.8	68	7
Asda	4	4	1.9	64	6
Simple	3	3	2.1	60	10
Pearl (Cussons)	3	3	1.7	71	6
Fairy	3	3	1.7	68	3
Pears	2	2	2.2	67	11
Average	**8**	**6**	**2.1**	**64**	**8**

Source: TNS Superpanel

> people's purchasing of a category
> buyer concentration
> brand buying
> loyalty (and implications for communication strategy)
> competition.

Here are some examples of practical implications derived from understanding the patterns and their underlying cause.

Loyalty

It is commonly argued that it is wasteful to communicate with light or occasional users (let alone non-users) of your brand. The Pareto principle is quoted: that 20% of buyers account for 80% of sales. In fact, the true figure for repertoire products is >

nearer 50% than 80%, but the principle holds: it is said it costs much less, and is more profitable, to retain a customer than attract a new one. Therefore, since these people know the brand and presumably love it, why not talk exclusively to them and get them to buy even more?

Preaching to the converted appeals to our comfort zone. But knowledge of how markets work shows that a strategy based exclusively on this must fail: if talking to our most loyal customers is all we do, the brand will not grow, but eventually decline. The reasoning is simple. While it's important to keep good relations with heavy buyers, it's unrealistic to expect them to buy more, and we risk cutting ourselves off from 80% of our customer base who account for half our sales - let alone category buyers who do not buy us at all.

Most consumers are polygamous buyers, so all brands have more light than heavy buyers. This manifests itself in double jeopardy (DJ): in any market with differing market shares, shares are accounted for mainly by penetration (the number of customers the brand has). Measures of loyalty, like average purchase frequency or category share, also differ, but much less - often hardly at all. The brand leaders show more loyalty, but only slightly more: they have more frequent buyers, but also more occasional buyers, in absolute numbers. Table i is typical.

Here, the biggest brand is bought by nearly ten times more customers than the smallest, but its buyers' loyalty (measured by average purchase frequency) is only 30% higher. Though the numbers vary, this pattern holds for virtually all markets studied globally, including 'high-involvement' purchases like cars and durables: it is found in commodities like petrol, doctors' prescribing habits, channels viewed on TV; between brands and varieties within a market; and whether brands grow or decline. In a study of 72 brands that gained and 79 that lost share between successive years, the gain or loss was two to three times greater, on average, in penetration than in purchase frequency. In typical fmcg markets, where the brand leader's share is no more than 20%, the DJ difference in loyalty measures can be very small indeed.

Underlying DJ is a pattern of behaviour established by Ehrenberg and his colleagues over 30 years ago. People buy a product as often as they need to, some very often (say, once a week), many only occasionally: many grocery products are bought only a few times a year on average. When people buy, they choose from a limited brand repertoire - again, some more often, some less. We say they have propensities to buy (habits of buying) brands in their consideration set. We could call these propensities loyalty: everyone is 'loyal' to brands they buy, and almost everybody switches between them. In most markets, few people are 100% loyal to one brand, and they are mostly infrequent category buyers; the biggest repertoires and most switching belong to frequent, regular buyers.

The constraint DJ puts on market planning is clear. To increase sales, the main thing is to sell to more people: get the brand into more people's repertoires. For this, reach is essential. It is not enough simply to work on loyal customers. This does not mean loyalty is unimportant. A growing brand will grow both user numbers and loyalty. But the smallness of the DJ difference means that the loyalty balance, between lighter and heavier users, cannot change much. Good relationships with heavy buyers are important because we want to keep them, but if we talk only to them, lighter buyers will lose interest and drift away. Since there is always movement, some heavier buyers will shift towards competitors, and with no new input the brand will 'rebalance' downwards and lose share. So, communication only with one's 'most valuable' customers makes it hard to hold position, much less gain.

DJ is a vital benchmark for planning and evaluating new brands, monitoring established ones, and understanding why loyalty schemes, CRM, often fail to

TABLE 2

Buyers of a brand who also buy each other brand (%)

Toilet soaps, UK Top 10 brands 52 w/e Jan 2005	Dove	Imperial Leather	Tesco	Palmoilve	Cussons	Asda	Simple	Pearl	Fairy	Pears
	Who also buy									
Dove	–	18	5	5	5	5	3	4	3	3
Imperial Leather	16	–	6	6	8	4	3	6	5	3
Tesco	16	23	–	7	6	6	6	5	3	5
Palmolive	18	28	8	–	11	4	4	11	9	3
Cussons	18	33	7	11	–	7	4	16	7	2
Asda	20	20	7	5	9	–	4	6	5	2
Simple	16	19	9	6	6	5	–	3	3	4
Pearl (Cussons)	17	31	7	14	21	6	3	–	7	1
Fairy	17	29	4	13	11	6	3	8	–	2
Pears	25	25	13	8	4	5	7	3	3	–
Average	**18**	**25**	**7**	**8**	**9**	**5**	**4**	**7**	**5**	**3**

Source: TNS Superpanel

Colin McDonald has been in market research since 1961, and runs his own consultancy with special interests in advertising effectiveness theory and research.

John Scriven is director of the Ehrenberg Centre for Research in Marketing at London South Bank University.

deliver dramatic sales shifts. It is no good basing a launch plan on achieving a purchase frequency of eight per year if the market average is two and even the leader has no more than four. If Brand X has a low repeat level, it is not necessarily a danger signal: this may be normal for its size.

Differentiation, niche appeal and salience

Another widespread belief is that your brand is different and therefore appeals to different people, so the best approach is to segment the market and target promotion accordingly.

Again, knowledge shows otherwise. The Duplication Law (based on generalisation from hundreds of categories globally, including patterns of TV viewing and choice of next car) shows that the extent to which buyers of one brand will choose any other brand is mainly proportional to, and predictable from, the other brand's share alone. This means brand choices are virtually independent: buyers of Brand A are no more, or less, likely also to buy Brand B than are buyers of Brands C, D or E. And Brand A buyers are not different sorts of people from Brand C or D buyers: there are simply more or fewer of them.

The Duplication Law means that, in brand choices, markets are mainly unsegmented (this does not always apply to product variants). The rule is general, but not immutable: sometimes a duplication table reveals a cluster of above- or below-average duplications (see Table 2). This usually means we have a sub-category: e.g. those who prefer pre-sweetened products within RTE cereals, or fruit-flavoured carbonated drinks. Allowing for this, it seems people do not behave as if brands were different, but as if they were substitutable alternatives: the brand combinations in people's repertoires are quasi-random.

But, you could argue, this 'quasi-randomness' may conceal the possibility that people respond to brands for different reasons. After all, most people like variety: they may be fulfilling a basic need, but want to ring the changes. Their choices may reflect different emotional states or moods, satisfied by different brand 'personalities'. Therefore, it pays marketers to segment potential consumers by psychological or 'lifestyle' factors, to find out which brands appeal to which emotional states, and use advertising to create the required brand personality.

This could be true at the individual level: everyone has their own reasons for their repertoire choice. But it does not seem to generalise. A study of some 400 brands in 40 product fields (from fmcg to airlines) covered on the Target Group Index (TGI) showed no brand-related segmentation in terms of psychological or lifestyle profiling. There is no evidence that what a brand may mean to one person, in emotional terms, is the same as what it means to another. Emotional attachment does not seem to define a brand's market (except that users of a brand mostly like it!). Further, the Duplication Law and patterns of repertoire buying strongly suggest that people do not often have strong emotional bonds with brands: rather, they use branding to help form ftabits that satisfy them with minimal effort. Brands are a way to short-cut the inconvenience of making trivial choices. This is equally true for high-ticket items: around half of repeat-buyers of cars buy the same make again, and the rest switch in line with brand penetration, as the Duplication Law predicts.

Marketers will obviously exploit functional superiorities in their brands where they exist (and have not yet been copied). But many brands with different shares are indistinguishable in blind testing. What drives share and sales is getting the brand more widely known: simply getting as many people as possible to think about it, whether it is 'different' or not. This has important implications for brand-building and advertising. Most media advertising does not present a brand as functionally different (and, another study shows, most advertisements are not perceived as attempting to do that). What it does, when it works, is make the brand visible, 'salient', and therefore more likely to be thought about and trusted. It has long been known that positive evaluations of brands correlate with share. As McPhee recognised in his 'two restaurants' example, behavioural and attitudinal DJ go together. This is why brand leaders are hard to dislodge, and small brands must work harder and spend relatively more on advertising.

These are just two examples of how the Institute's work has established frameworks of knowledge within which marketers can work more effectively. There are many others. Here are some examples:

> Pricing: how to set prices optimally is a major concern, and experimental work at SBU has produced valuable evidence about elasticities, reference prices and when price changes are effective.

> Media: current concerns about fragmentation are shown to be only partly justified: a recent study of US and UK viewing data shows that patterns of TV channel use have- changed little from 20 years ago, though spread over more channels, and there is little programme loyalty - DJ and duplication patterns apply to TV viewing.

Work continues in- all these areas, with the aim of establishing meaningful metrics and benchmarks. Besides these, the Institute's staff and associates are producing original work with relevance to branding, salience and forecasting, media planning, and advertising effectiveness. These include studies into clutter, ad avoidance, individual-level ad effects, reach versus frequency, generalising known patterns in ad awareness, sponsorship and cross-media consumption.

This could not happen without continuing financial support from corporate members across Europe, Australasia, the US, South Africa and Canada. Members receive prior reports of discoveries made by the Institute's teams, and regular tailor-made seminars and in-house briefings explaining their significance and practical consequences. •

colin.mcdonald5@ntlworld.com
john.scriven@lsbu.ac.uk

Fonte: Admap, v.41, n.9, p.37-39, Oct. 2006.