How Brands Grow

by Byron Sharp

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Reviews of How Brands Grow

"Highly practical...includes many groundbreaking ideas."

CHOICE

“More than anything else, I’m just plain envious. It’s a book I wish I had the intelligence to write.... Reading Sharp's critique of the cult of differentiation made me smile. And I laughed out loud at his characterisation of supposedly committed consumers as uncaring cognitive misers.”

Marketing Week (UK)

"Marketers need to move beyond the psycho-babble and read this book... or be left hopelessly behind."

Joseph Tripodi, Chief Marketing & Commercial Officer
The Coca-Cola Company, Atlanta USA

"Until every marketer applies these learnings, there will be a competitive advantage for those who do."

Mitch Barns, CEO
The Nielsen Company

"A scientific journey that reveals and explains with great rigour the Laws of Growth."

Bruce McColl, Chief Marketing Officer
Mars Inc.

"This book puts marketing's myth-makers, of which there are many, in their proper place."

Thomas Bayne, CEO
MountainView Learning, London.

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Byron has published over 100 academic papers and is on the editorial board of five journals. He recently co-hosted with Professor Jerry Wind two conferences at the Wharton Business School on the laws of advertising, and co-edited the 2009 and 2013 special issues of the *Journal of Advertising Research* on scientific laws of advertising.

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Preface

Marketing is a creative profession. So is architecture: architects design masterpieces like the Taj Mahal and the Sydney Opera House, but architects use their creativity within a framework of physical laws. Architects must design buildings that will not collapse under their own weight or blow over in a breeze; they cannot choose to ignore the law of gravity, or hope their building is immune to the laws of physics.

Marketers, even senior marketing academics, like to say that there can be no laws concerned with marketing. These people argue that consumers are far too individual and unpredictable. Research has shown this is utter nonsense. This ill-founded belief stops academics doing their job and searching for law-like patterns in buying behaviour and marketing effects. It also allows marketers to carry on with 'anything goes' marketing plans. Imagine if architects designed 'anything goes' plans – “Let's build out of fairy-floss', 'Let's add another 68 floors!”

Marketers argue with each other about things that have nothing to do with the creativity of the discipline; about things that should be known for certain. It's time for this to stop. This book reveals the predictable patterns in how buyers buy, and how sales grow – things all marketers should know, not argue about.

These patterns are valuable knowledge. It's often thought that great marketing strategy is obvious – with hindsight everyone can see what you did and copy you. This might be true for new products or some advertising campaigns, but in reality marketing offers the ability to outperform competitors while they scratch their heads wondering why on earth you are doing so well. Unfortunately, marketers themselves often have no idea why one of their own campaigns worked and others did not. Their explanations as to what they got right or wrong are often wide of the mark because their assumptions (the theories in their head) are wrong.

This book is for marketers who are willing to learn new things based on classical science, and to shake off the superstition (and unfounded speculation) that today passes for marketing theory.

Read the assumptions in Table 1.

Table 1: Marketing assumptions

Strategic Assumptions	True, False, or Don't Know?
Differentiating our brand is a vital marketing task?	
Loyalty metrics reflect the strength, not size, of our brand?	
Customer retention is cheaper than acquisition?	
Price promotions boost penetration not loyalty?	
Who we compete with depends on the positioning of our brand image?	
Mass marketing is dead, no longer competitive?	
Our buyers have a special reason why they buy our brand?	
Our consumers are a distinctive type of person?	
Our heaviest 20% of customers deliver at least 80% of our sales?	

If you believe that most of these are true, you are operating under many false assumptions. This book will give you the evidence. If it changes your mind it might revolutionise your marketing.

Table 2: Towards a new view of marketing priorities

Past World View	New World View
Positioning	Salience
Differentiation	Distinctiveness
Message Comprehension	Getting noticed, emotional response
Unique Selling Propositions	Relevant associations
Persuasion	Refreshing & building memory structures
Teaching	Reaching
Rational involved viewers	Emotional distracted viewers

The most important knowledge contained in this book

No marketing activity, including innovation, should be seen as a goal in itself, its goal is to hold on to or improve mental and physical availability.

Decades of research into how buyers buy and how brands compete has led to these surprising conclusions:

1. Growth in market share comes by increasing popularity; that is, by gaining many more buyers (of all types), most of whom are light customers buying the brand only very occasionally.

2. Brands, even though they are usually slightly differentiated, mainly compete as if they are near lookalikes; though they vary in popularity (and hence market share).
3. Brand competition and growth is largely about building two market-based assets: physical availability and mental availability. Brands that are easier to buy – for more people, in more situations – have more market share. Innovation and differentiation (when they work) build market-based assets, which last after competitors copy the innovation.

Therefore, marketers need to improve the branding of their product (i.e. it needs to look like them and only them) and to continuously reach large audiences of light buyers cost effectively. Marketers need to research what their distinctive brand assets are (colours, logos, tone, fonts, etc.); they need to use and protect these. Managers also need to research how buyers buy their brand, when they think of and notice it, and how it fits into their lives (and shopping). Marketers need to manage media and distribution in line with this knowledge.

Advertising works largely by refreshing, and occasionally building, memory structures (and less by convincing rational minds or winning emotional hearts). Marketers need to research these memory structures and ensure that their advertising refreshes these structures by consistently using the brand's distinctive assets.

In short, there is a great deal to learn, and much to be discovered, about sophisticated mass marketing.

Tables 3, 4 and 5 summarise old and new aspects of marketing.

Table 3: Consumer behaviour

Consumer Behavior						
Past World View	Attitude Drives Behavior	Brand Loyals	Brand Switchers	Deeply Committed Buyers	Involvement	Rational Involved Viewers
New World View	Behavior Drives Attitude	Loyal Switchers	Loyal Switchers	Uncaring Cognitive Misers	Heuristics	Emotional Distracted Viewers

Table 4: Brand performance

Brand Performance					
Past World View	Growth Through Targeting Brand Loyals	Obscure Proprietary Metrics	Price Promotions Win New Customers	Target Marketing	Differentiation
New World View	Growth Through Penetration	Predictable Transparent Metrics	Price Promotions Only Reach Existing Loyal Customers	Sophisticated Mass Marketing	Distinctiveness

Table 5: Advertising

Advertising						
Past World View	Positioning	Message Comprehension	Unique Selling Propositions	Persuasion	Teaching	Campaign Bursts
New World View	Salience	Getting Noticed, Emotional Response	Relevant Associations	Refreshing & Building Memory Structures	Reaching	Continuous Presence

Examples in this book

The scientific laws presented in this book apply to many categories:

- products and services
- industrial products
- supermarket packaged goods
- national and retailer brands
- brand buyingand store choice.

The laws apply across countries and have held for decades. This is why they can provide useful predictions.

I've tried to demonstrate the breadth of generalisation by deliberately using diverse examples; for example, retention levels for both cars in France and banks in Australia. I am grateful to Nielsen and Kantar for providing data spanning many countries. Please don't infer that just because the example refers to, say, UK store brands, that the law doesn't apply to your category. If you are in doubt, please refer to the cited references, as these will provide further examples that illustrate the breadth of the law.

Acknowledgements

The empirical laws in this book might not have been discovered without the years of research that has been funded by corporations around the world. In particular I would like to thank the following corporations for their many years of continuing support of the Ehrenberg-Bass Institute:

ABC	Advertising Research Foundation	AkzoNobel
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CBS	Colgate-Palmolive	Commonwealth Bank of Australia
Coca-Cola	Distell	Dulux
ConAgra Foods	ESPN	FirstRand
Elders	General Mills	General Motors
Fonterra Brands	Highland Distillers	Hills Industries

Special thanks

Thank you to the readers of the original version of this book for making it such a success. Thank you for your kind words, and your very interesting questions - please keep asking them, you can contact me through the book's official website.

I would like especially to thank my wife Anne and daughter Lilith, and my colleagues in the Ehrenberg-Bass Institute, University of South Australia. I would also like to thank our collaborators at universities around the world – especially Professor Jerry Wind at Wharton.

Special thanks also are due to Dr Thomas Bayne at Mountainview Learning for working with me to introduce behavioural science to marketing executives around the world. The graduates from this training are ushering in a new era of evidence-based marketing for the corporations they work for.

E-book version

Hundreds of small improvements have been made to this new version. New material has been added on:

- category growth
- profitability and loyalty
- industrial buying
- an additional law on physical availability and growth
- a 'Frequently Asked Questions' chapter
- an expanded bibliography pointing readers to the many relevant peer-reviewed scientific publications.

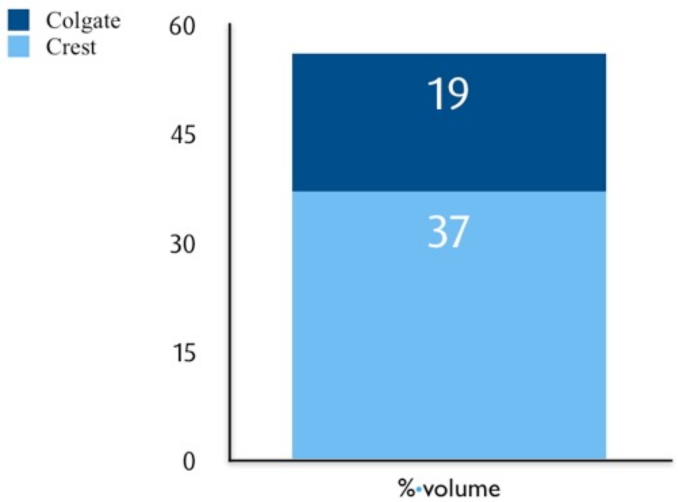
There are new examples and data, for example, new tables showing Apple's brand loyalty. A number of tables have been updated. This should allay any fears that the scientific laws might not continue to apply.

Chapter 1:
Evidence-based Marketing

Byron Sharp

Imagine you are the Insights Director of Colgate Palmolive. Margaret, the Senior Category Manager for toothpaste, is standing at your office door and she is obviously distressed. She is waving a recently received report from your global market research supplier, and this is what it shows:[1]

Figure 1.1: Toothpaste brands: US market shares (volume)

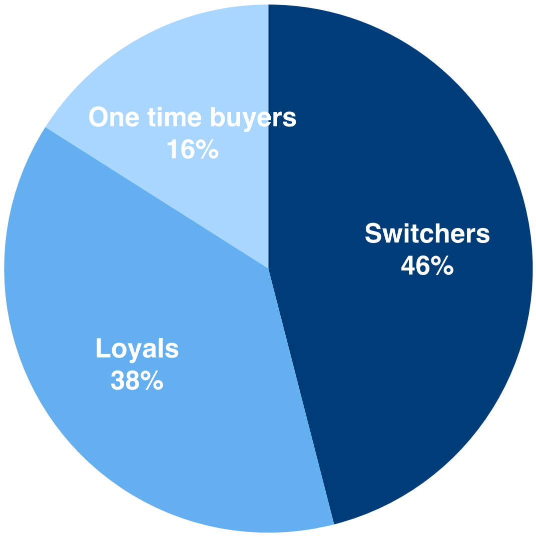


Data source: Spaeth & Hess 1989.

The market research shows that Procter & Gamble's Crest brand of toothpaste has double the market share of Colgate in the US. However, this has long been known and is not the reason why Margaret is upset. It's the next couple of graphs that have her worried (see Figures 1.2 and 1.3).

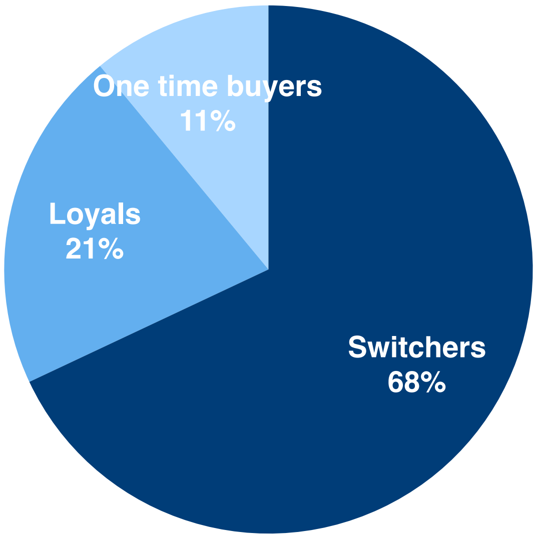
Figure 1.2: Crest consumer base

This is real data from a Chicago panel reported in Spaeth and Hess (1989).



Data source: Spaeth & Hess 1989.

Figure 1.3: Colgate consumer base



Data source: Spaeth & Hess 1989.

These charts decompose the sales volume of each rival brand according to the recent repeat-buying behaviour of their consumers.

The percentage of Colgate's sales that came from loyal customers is almost half that of Crest's loyals ('loyals' being people who bought the brand for the majority of their toothpaste purchasing during the analysis period). Colgate's sales come much more from 'switchers' – people who bought Colgate at least once in the analysis period, although most of their buying was of other brands.

Margaret is demanding an explanation. What does this mean? Why is Colgate's sales base so unhealthy? Is the brand doomed? What does this mean for her ambitious growth targets?

How would you answer?

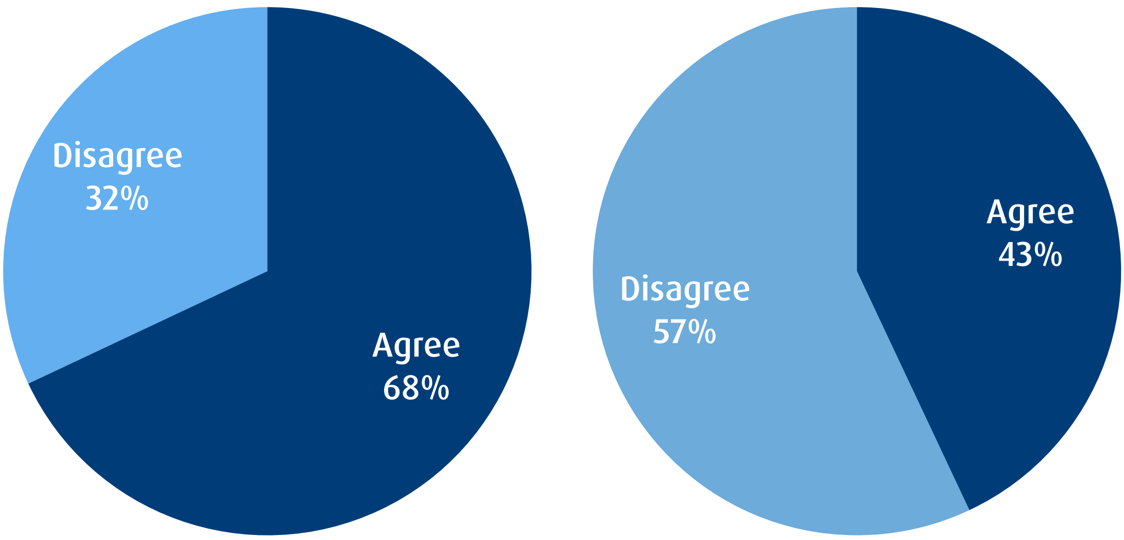
Of course, you would call for more research. It's an Insight Director's prerogative.

The additional research further breaks down the market share of each company by analysing the switchers within both the Crest and Colgate customer bases.

The additional research consists of a survey; the first question of which asks customers about their attitudinal loyalty. Figure 1.4 reports the percentage of switchers who agree with the statement: "This is my preferred brand", (the switcher group is the interesting one, as we can safely assume that both Crest's and Colgate's loyals will report that their brand is their preferred one.) As you can see, Figure 1.4 shows that Crest switchers are substantially more likely to say that Crest is their preferred brand.

The survey's second question asks customers about their perceptions of quality. Figure 1.5 reports the quality perceptions of the switchers in each customer base. Both Crest and Colgate buyers perceive both brands to be quality products – as they should, because these are both well researched and well-made products.

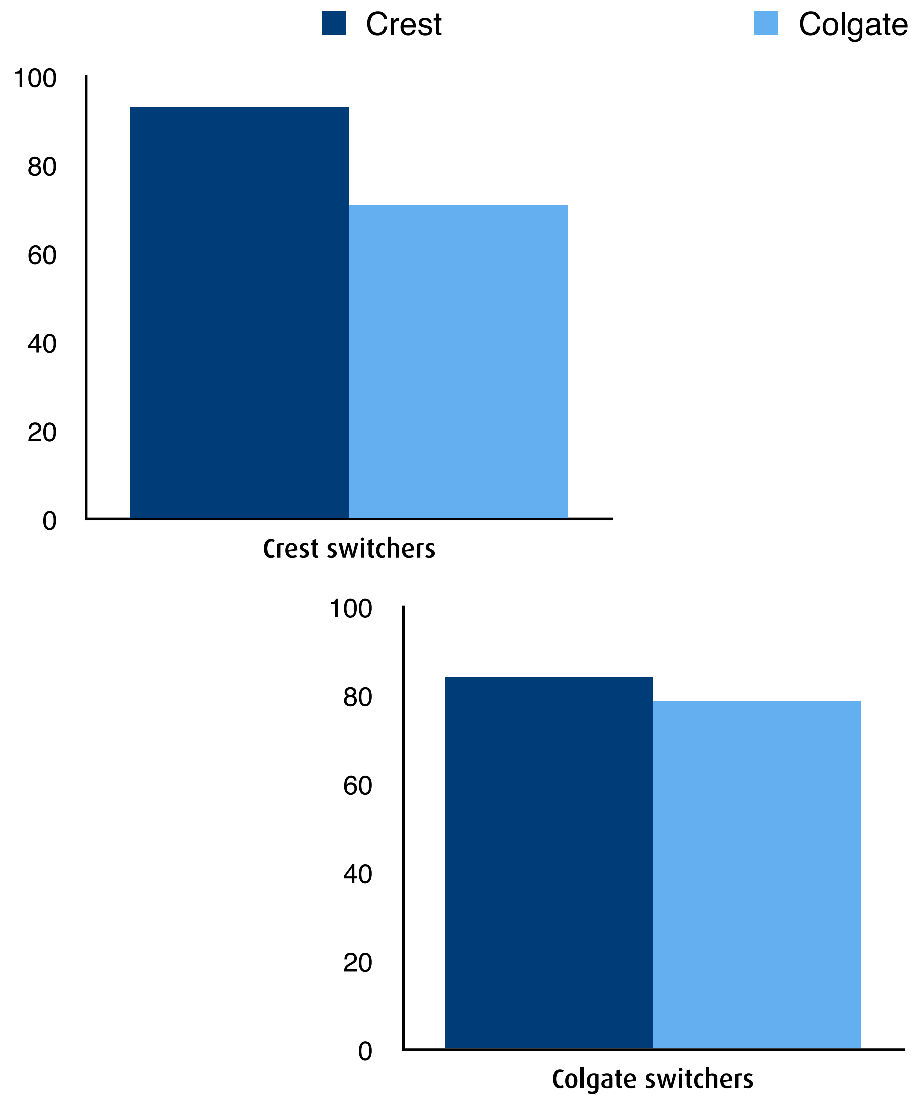
Figure 1.4: Percentage of brand buyers who say "This is my preferred brand"



Crest switchers **Colgate switchers**

Data source: Spaeth & Hess 1989.

Figure 1.5: Percentage of brand buyers who say "This is a quality product"



Data source: Spaeth & Hess 1989.

Here are the 'brand insights' the market research agency reports:

- Colgate's sales volume comes mostly from non-loyal buyers
- Colgate is 50% more dependent on switchers than Crest
- Colgate buyers are less loyal, both behaviourally and attitudinally
- Even Colgate buyers think Crest is a quality product
- Colgate is a quality product but it has perception problems and lacks loyalty
- Colgate is attracting the wrong sort of buyer.

These insights are translated into the following action recommendations. Colgate needs:

- more persuasive advertising that stresses Colgate's quality
- comparative advertisements against Crest (common in the USA)
- media schedules that emphasise frequency of exposure (to shift attitudes)
- research to profile Colgate 'loyals' with the aim of attracting more people like this.

All this sounds perfectly normal. It happens in marketing departments around the world every day. You personally may have come up with a somewhat different marketing strategy, depending on your own experience, preferences, and creativity, but the insights and the strategy appear reasonable, and not unusual. Except that they are wrong.

The 'insights' suggested here reflect ignorance of relevant scientific laws about buyer behaviour and marketing metrics, laws that we'll cover in this book.

Consequently, Colgate's fictional Insights Director is jumping at shadows, and overly worrying Margaret. Colgate's loyalty metrics, both attitudinal and behavioural, are normal for a brand with half the market share of Crest. Indeed all the other research findings are essentially repeating the findings of the first graph (Figure 1.1), that is, that Colgate is half the size of Crest in this market. These metrics don't show why it is half the size; they are what they are because of Colgate's size. All will be explained in the forthcoming chapters (if you can't wait, turn to the end of the book for a list of laws including those that relate to this Colgate case study)

Note: this case study could have been written from the Crest (Procter & Gamble) perspective, where the danger would be in patting oneself on the back for having such a 'strong' brand with highly loyal buyers. Brand equity consultancies make money flattering owners of large market share brands that they are not just large but also strong with attitudinally committed consumers.

Are marketers bleeding the companies that employ them?

I am in awe of the modern market economy and the diversity and quality of products that marketers deliver. This modern economy is the product of one of the most incredible social experiments: in the twentieth century classical, planned economies were tried alongside market economies (Hunt & Morgan 1995). The results were startling. Market economies won by a mile, as they provide people with more choice, fewer queues, and better, cheaper products and services[2]. For example, within a few hundred metres of where I am sitting I have a choice of multiple grocery stores, bakeries, pharmacies, cafes, wine stores, even several fine chocolate shops. Not bad!

Once when I was in Thailand my charming host Professor Tasman Smith asked if we had many Thai restaurants back home in Adelaide, Australia. I did a quick mental count and tactlessly replied, "Yes, there are four within a short walk from our house". My faux pas illustrates the fact that those who live in developed market economies are spoilt for choice – we can eat pizza in Thailand, or order a curry in Paris, if we want to. This is because today's marketers do an amazing job of getting attractive goods to market.

Yet marketing is far from perfect; there is much waste. This matters because marketing activities consume a vast amount of our time. As Robert Louis Stevenson said, "Everybody lives by selling something". Poor marketing wastes an incalculable amount of resources, and it prevents and slows the uptake of life-enhancing products and social initiatives.

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[2] *Yet the world's largest selling economics textbook by Paul Samuelson (the first American economist to win the Nobel prize) even as late as its 13th edition said "The Soviet economy is proof to the contrary to what many skeptics had earlier believed, a Socialist command economy can function and even thrive". This in 1989 the year that the Berlin wall fell! It seems university textbooks can be hopelessly out-of-date, and stubbornly cling to theory in spite of the facts. The facts in this case being the tens of millions who starved as the historic command economies of Russia and China failed to produce and distribute enough of even basic necessities.*

Marketing practice, for all its advances, has never been strong on R&D into marketing practices; there is plenty of ineffectiveness and room for improvement. Response rates to advertising are perhaps in indicator of inefficiency. However you define a consumer response – from clicking on a web ad to driving to a store – response levels are extremely low, and in some places falling. It's even more scary if you look at the impact of advertising on memory. For example, one of our yet-to-be-published studies[3] on advertising productivity examined 143 ads on Australian television that were screened on consecutive weeknight evenings. That weekend respondents were telephoned and those who watched the programs during which the ads were played were asked if they recognised the particular television commercial (i.e. each ad was verbally described to only those people who had an opportunity to see it). The average recognition score for a television ad was barely 40% (i.e. 40% of potential viewers noticed the ad when it aired). Those respondents who recognised the ad were then asked what brand it was for, and on average the correct brand was linked to only approximately 40% of the ads. Consider that for an ad to work, at the very least, it needs to be noticed, processed and be linked to the correct brand. So only around 16% of these advertising exposures passed the two necessary hurdles; put another way, there was 84% wastage! [4]

Note that the effectiveness of the ads varied widely. Some were noticed by more viewers, and correctly branded too. But most were not. This suggests that there is much to gain from learning how to make better advertising.

Though hard to see, the advertiser here is actually ASB Bank, they are trying to knock a competitor Kiwi Bank (who should be laughing...all the way to the bank)

There is much to learn about marketing. Even very senior marketers (and marketing academics) believe many things that are wrong, and there are many important facts that simply aren't widely known. Many well-paid marketers are operating with wrong assumptions, so they are making mistakes and wasting money, without even knowing it.

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[3] *Study led by Kate Newstead & Jenni Romaniuk.*

[4] *Near identical results are reported 15 years ago in du Plessis (1994). A figure around 16% is also not uncommon in advertising recall (i.e. where the brand name is the cue for recalling the ad). And in 2015 Nielsen reported an average of 25% being able to recall the ad and the brand that was advertised (the day after potential exposure) based on Nielsen's measurement of 1.7 million TV ads over the past 13 years (Beard 2015, http://www.nielsen.com/us/en/insights/news/2015/uncommon-sense-the-case-for-resonance.html).*

Marketing professionals today are better educated than in the past, and they have access to much more data on buying behaviour. But the study of marketing is so young that we would be arrogant to believe that we know it all, or even that we have got the basics right yet. We can draw an analogy with medical practice. For centuries this noble profession has attracted some of the best and brightest people in society, who were typically far better educated than other professionals. Yet for 2,500 years these experts enthusiastically and universally taught and practised bloodletting (a generally useless and often fatal 'cure'). Only very recently, about 80 years ago, medical professionals started doing the very opposite, and today blood transfusions save numerous lives each and every day. Marketing managers operate a bit like medieval doctors – working on anecdotal experience, impressions and myth-based explanations.

It would be arrogant to think that the current marketing 'best practice' does not contain many mistakes and erroneous assumptions. I used to teach some erroneous stuff to my university students; I know how easy it is to parrot a falsehood simply because that's what we were taught to think and because it appears to make sense. This book challenges some of the conventional wisdom with empirical evidence. I hope you find this 'myth-busting' knowledge as liberating as it is useful.

Marketing textbooks

Marketing prides itself on being a practical discipline, so marketing texts (textbooks, marketing magazines, consultant reports, etc.) should be full of answers to practical questions, such as:

- What will happen to sales if I change the price of the product?
- Why can I see the effect of price promotions in the sales data, but the advertising campaigns barely show up, if at all? Is advertising not generating sales?
- What is a reasonable cross-selling target?
- Will the new brand cannibalise sales from the current brand? If so, by how much?
- Should I pay double for a full-page newspaper ad or buy the half-page ad instead?
- When should 15-second television ads be used?

Yet it is difficult to find answers to such practical questions, let alone to find explanatory and predictive theories that can be used to provide the solutions.

A good colleague of mine, Scott Armstrong, Professor at the Wharton School, once put marketing principles texts to the test (Armstrong & Schultz 1992, pp. 253-65). He asked four doctoral students to independently go through nine leading texts looking for managerial principles. They found many (566) normative ('you should do') statements, but the texts failed to accompany the statements with supporting empirical evidence. The students only found twenty statements that were clear and meaningful. When these twenty statements were sent to marketing professors they rated only half as true, and said they knew of supporting evidence for only two. Only one single statement was universally rated as true, supported by evidence, as well as being considered managerially useful. But this principle was also rated as "unsurprising, even to someone who had never taken a marketing course". [5]

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[5] *The statement said that in conducting advertising experiments, test cities should be isolated so that promotions in one city don't influence sales in another.*

We could dismiss our texts as harmless introductions to marketing practice, but marketing texts aren't harmless, because they routinely lead managers astray. Texts tell us what to worry about (customer satisfaction, image perceptions, brand equity, loyalty), what we should be doing (segmentation, targeting), what techniques to use, and what metrics to measure. Marketing texts largely reflect and reinforce current practice and existing beliefs. They contain a lot of good basic information, like telling us that if we want to advertise we should remember to book the media. But texts are also full of myths; the sort of myths that sap the effectiveness and productivity of marketing departments.

Many of the things that we've been told are important, such as loyalty programs, are not (see Chapter 11). Many of the 'facts' marketing people believe, particularly about brand buying, are incorrect. Furthermore, many marketers lack the deep knowledge necessary to ask the questions that will lead to new valuable insights.

Take the following test on strategic assumptions (Table 1.1). Marketing professionals agree that these assumptions really matter and underpin strategic marketing decisions that are linked to substantial expenditure. How would you and your marketing colleagues answer these questions? Would there be consensus? If your answers were questioned, could you point to anything more than anecdotes to support your view?

Table 1.1: Strategic assumptions test

Strategic Assumptions	**True, False, or Don't Know?**
Differentiating our brand is a vital marketing task?	
Loyalty metrics reflect the strength, not size, of our brand?	
Customer retention is cheaper than acquisition?	
Price promotions boost penetration not loyalty?	
Who we compete with depends on the positioning of our brand image?	
Mass marketing is dead, no longer competitive?	
Our buyers have a special reason why they buy our brand?	
Our consumers are distinctive type of person?	
Our heaviest 20% of our customers deliver at least 80% of our sales?	

If you answer true to most of the questions above then you are operating under false assumptions. This book will give you the evidence. As Mark Twain wrote in his notebook in 1898: "Education consists mainly of what we have unlearned".

False assumptions have led us astray in the past

"a theory requires some facts, Captain"
- Mr Spock, Star Trek episode 'Space Seed'

Science's systematic approach to discovery is a relatively recent practice that didn't really get going until around the 1700s. Prior to that, knowledge largely came from myth, folk-tale, and from experts in authority (chiefs, priests, kings and queens). How these 'experts' acquired their knowledge no-one knew or dared ask. Most of the time their understanding was wrong and there were glaring gaps. This lack of accurate knowledge meant we didn't think to ask useful questions. So for millions of years humans made little progress; life was typically short, painful and we were hungry and cold much of the time. In the past few hundred years we've made extraordinary progress. Our combined knowledge has grown in leaps and bounds, and we live in comparative luxury.

Let's return for a moment to the case of our learned but bloodletting doctors. For centuries they bled patients for almost every possible ailment, indeed many advocated bleeding simply to maintain good health. For most of the last millennium bloodletting was as trusted and popular in Europe as aspirin is today (Starr 1998). [6]

Over the years, doctors must have killed hundreds of thousands of patients. Among them was US President George Washington, who died when his doctors bled him vigorously to cure a sore throat. The doctor of another US legislator once wrote that he had treated his patient by relieving him of 165 ounces of blood in five days (almost all the blood in his body!). The doctor wrote, 'he died ... had we taken a still greater quantity [of blood] the event might perhaps have been more fortunate' (Starr, 1998). Apart from a few rare medical conditions, bleeding does no good whatsoever. So how did these well-meaning and well-educated doctors get it so terribly wrong for so long?

First, it was because they believed untested theories that advocated bleeding. Like all practitioners they were, probably without realising it, deeply theoretical. The ancient Greeks (e.g. Hippocrates) developed a theory that all illness resulted from an imbalance of humours; bleeding and purging were common ways of addressing such imbalances. This humoural imbalance theory dominated medical thinking in Europe and the Middle East for 2000 years because no one tested if this really was the cause of illness.

Second, bleeding continued because no-one conducted systematic research into its effects. If patients recovered from their illness then bleeding was credited as the cure; if they died ... well they were sick after all! Doctors worked using their impressions, assumptions, common-sense, accepted

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[6] *Aspirin was not only one of the very first drugs to actually have proven affect, it was also the first to benefit from mass marketing. Every doctor in the UK was mailed information on the new drug which dramatically sped its adoption, much to the relief of early patients.*

wisdom, and scattered bits of data. This is very similar to the working practice of marketing managers today.

Adding to the danger, doctors overestimated how much blood was in the human body – no-one checked properly. And they underestimated how long it would take the body to manufacture new blood – again no one checked.

Douglas Starr (1998) argues that bleeding was also popular because it gave doctors a sense of control. It produced dramatic results – patients fainted (for a long while this was considered a good thing). Patients demanded that doctors be seen to do something, and bleeding fulfilled this requirement. It's not hard to see similarities with many marketing interventions (like price promotions, bursts of advertising, and rushing into 'new media' like proverbial lemmings[7]).

The scientific revolution transformed medical practice as doctors, and statisticians such as Florence Nightingale, started compiling detailed records and case histories. The numbers they recorded started to generate insight into causes and effects, and germ theory eventually triumphed over humoural imbalance theory. Medical experiments gradually started separating the effectual from the ineffectual and the downright dangerous.

Today marketing managers operate a bit like nineteenth century doctors; they are affected by the scientific revolution, but are not yet governed by it. Even 'best practice' is still dominated by impressions and untested assumptions. Texts still contain untested, ungrounded theories and myths. And serious experimentation is rare.

The marketing equivalent of humoural imbalance theory may be the Kotlerian 'differentiate or die' world view where marketing success is entirely about creating superior products, selling these at a premium price, targeting the most likely buyers, and advertising to bring people's minds around to the product's superiority.

You are reading a book about real-world facts and law-like relationships that challenge the fundamental tenets of modern marketing theory; the widespread beliefs that affect not just the decisions of marketing managers, but also how marketers see the world.

Commonplace marketing mistakes

Even the most intelligent marketers, in the best organisations, routinely make mistakes. Because many marketers operate using incorrect assumptions about how buyers buy and how marketing works, they emphasise the wrong things and ignore important points, consequently making mistakes such as:

- changing packaging in ways that reduce the brand's ability to be noticed
- creating advertising that doesn't build or refresh relevant memory structures
- failing to research what memory structures are devoted to the brand
- failing to research what makes the brand distinctive and noticeable

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[7] *Actually it is a myth that lemmings commit mass suicide, but it is a useful analogy.*

- creating advertising that isn't branded (other than a flash of the brand name)
- investing countless hours and many dollars on pointless tracking research that informs no decisions
- over-investing in already highly loyal consumers, while neglecting to reach new buyers
- pricing too high then trying to compensate with very regular price discounts
- teaching consumers to buy when the brand is discounted
- burning media dollars in advertising bursts then going silent for long periods (when consumers are still buying)
- paying premiums for low-reach 'niche' media.

It's not that there is anything wrong with the intelligence of marketers, but like all professionals they need some empirically grounded guidance.

Law-like reoccurring patterns

The research that underpins this book is different from commercial market research because it focuses on finding fundamental patterns, not one-off events. These are findings that have a long use-by date because they have been found to hold for long periods of time, across all sorts of conditions (including across product and service categories, and countries). This research is also very different from most academic research, where each study is typically based on one single set of data, collected in one particular set of conditions, and so tells us almost nothing about the generalisability of the finding (where it holds and where it does not). [8]

Uncovering patterns that generalise is the fundamental work of science. It is only because we know that these scientific laws hold across a wide range of conditions that they can be used for prediction. And by knowing the many factors that do not affect the laws, and maybe the few that do, we gain deep explanatory insight into why things are the way they are, and how things work.

This is how science works.

Where do these discoveries come from?

This book draws largely from the work of researchers at the Ehrenberg-Bass Institute for Marketing Science. The early discoveries come from work started by Professor Andrew Ehrenberg and Professor Gerald Goodhardt five decades ago. Today this fundamental research continues at the Ehrenberg-Bass Institute at the University of South Australia. There are also plenty of like-minded researchers working inside and outside universities around the world. These efforts receive encouragement and financial support from progressive corporations around the world including

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[8] *It's a common mistake, made even by senior academics, to think that statistical significance tests tell us something about generalisability, i.e. if or where the result will hold again. They don't, and this isn't their purpose. Rather, they merely tell us something about the possibility that our result was merely an artefact of random sampling variation, that is, because we examined a small sample not a population census. Statistical significance tests don't tell us which population our result might represent, or anything about the conditions where the result would vary. A highly (statistically) significant result may apply only in the particular conditions that the study was done, e.g. in one place and time.*

Turner Broadcasting, Mars, Colgate, Kraft, Procter & Gamble, General Motors, CBS, ESPN, Mountainview Learning and many others. We are very grateful for this ongoing support.

Many of the findings in this book are emotionally confronting, because they clash with conventional wisdom. In order to make readers feel more psychologically comfortable with this 'myth busting' I have attempted to give a good feel for the empirical data[9] and how the analysis was done. I've done this by completely avoiding complicated obscuring statistics and algebra; there are no 'black box' (or 'trust me') techniques used, and references are supplied so that interested readers can delve further.

There is much potential for science to improve the effectiveness of marketing. The great advances in marketing that will be made this century won't be due to computers or sophisticated statistics. As in other professions, the real advances will come from the development and application of well established scientific laws (empirical generalisations). On behalf of my colleagues and co-authors I hope you find the new knowledge presented in this book exciting; I hope it also changes the way you see, and do, marketing.

Chapter 2:
How Do Brands Grow?

Byron Sharp

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[9] *All the tables in this book try to conform to Andrew Ehrenberg's principles of data reduction; see Ehrenberg (1998, 1999, 2000).*