Book Review

How Brands Grow: What Marketers Don't Know

By Byron Sharp

Oxford University Press (2010): Melbourne, Australia, 978-0-19-557356-5, Hardback, Price £22.50, 228 Pages.

Reviewed by Dr. Peter Reeves, Lecturer in Strategy and Marketing, Salford Business School, University of Salford.

The book is concerned with showing how marketing science and quantitative empirical research can offer a series of generalisations as to how companies can achieve brand growth. To achieve this, the book builds upon seminal work by pioneering marketing scientists such as Ehrenberg and Goodhart, who have greatly influenced the work of this volume's principal author and other researchers at the Ehrenberg-Bass Institute, University of South Australia. It is clear from the outset that this book is a challenging read and is often critical of the way practice, teaching and some instances research adopts 'taken for granted' beliefs about the fundamentals of brand growth without appealing to, and taking notice of empirical evidence that may cast doubt on the such assumptions. Hence the volume is an attempt to critique a number of fundamental brand growth assumptions using as its basis empirical data (displayed in interesting tables) from cross-sectoral industries, and examples relating to countries around the globe.

The narrative begins by challenging the reader to recognise what Sharp (2010) regards as commonly disseminated fundamental errors in contemporary marketing thought. Hence the volume is perceived as 'myth busting' (Sharp, 2010, p. 12) and sets the scene for a reasonably clear structure based upon a series of 'law like reoccurring patterns'(Sharp, 2010, p.14).

'Double jeopardy law' is introduced which Sharp (2010) uses as a basis to empirically prove that brands with smaller market shares, not only have a smaller number of buyers, but these buyers show slightly less brand loyalty than brands with larger market share (see also Ehrenberg, Goodhart and Barwise, 1990). He critiques the sometimes received wisdom that brands of differing sizes have highly differing average purchase frequencies, and shows that brand loyalty does not vary much across various product and geographic markets. The author shows that the bigger the brand, the higher the degree of market penetration. Hence, there is said to be 'double jeopardy' "because smaller brands get 'hit twice': their sales are lower because they have fewer buyers who buy the brand less often" (Sharp, 2010, p. 19). Hence, the author makes clear that faster growing brands do so because of increased market penetration rather than increases in purchase frequency (i.e. targeting brand loyal buyers).Sharp (2010) argues that reducing customer defection is difficult and expensive because of 'retention double jeopardy' (Sharp, 2010, p.216). He suggests that brands with larger market shares suffer from slightly lower levels of customer defection (greater loyalty), and conversely brands with smaller market share have higher rates of customer defection (lower levels of loyalty). Thus put simply: "loyalty declines with market share" (Sharp, 2010, p. 36). Therefore Sharp (2010) presents a case for emphasizing growth in a firm's customer base by acquiring buyers, as this he argues is more beneficial to a firm than reducing customer defection levels. Moreover he suggests that although there may be a small number of very highly committed customers of a brand, this does not have significant strategic importance for a business. Rather it is articulated that the focus should be on the majority of buyers who are significantly less committed to the brand, but nonetheless represent a significant proportion of sales revenue.

The volume also presents a critique of the often received wisdom that 20% of a firm's customer base provides 80% of its sales revenue. The author argues that this is over-stated, and suggests that the top 20% of a firm's customer base only typically provides just over 50% of its sales revenue per year. He argues for a sophisticated mass marketing approach that reaches all buyers in a category (and especially light occasional brand buyers) if a brand is to sustain its market share or grow further. The importance of light occasional buyers is made clear for achieving brand growth given that there are by definition such substantial numbers of this group of buyers, and hence they make a very substantial contribution towards sales revenue. The 'law of buyer moderation' (Sharp, 2010, p.50) is also introduced whereby over time there is said to be a 'regression to the mean' as: (i) heavier users become lighter, (ii)lighter users become heavier buyers of the brand, and; (iii) non-buyers may begin to purchase the brand.

Sharp (2010) also critiques the frequent assertion in marketing that brands have to be differentiated in order to appeal to a specific market segment. Rather it is argued that as market share increases for a brand, the more similar a firm's customer base becomes of the total potential customer base for a given product category in a particular market. Thus brands within a product category sell to very similar customer bases in terms of their aggregated consumer behaviour profiles, and hence potentially compete with all brand in the category. The 'duplication of purchases law' is also introduced which states: "all brands, within a category, share their customer base with other brands in line with the size of those other brands" (Sharp, 2010, p.79). These themes are developed further in a co-authored chapter by Sharp and Romaniuk (2010) that criticise the notion of brand differentiation. Using empirical data, they argue that a significant majority of consumers perceive there to be very weak differentiation between rival brands (a finding which is supported by Ehrenberg, Barnard and Scriven, 1997). Instead they suggest that the focus of branding should be more in terms of building 'distinctive assets' (Sharp and Romaniuk, 2010, p.131) such as logos, colours, celebrity endorsements etc; that enable potential buyers to notice, recognise and recall the brand. This enables Sharp (2010, p. 217) to later advance what he terms the "law of prototypicality [whereby] image attributes that describe the product category score higher" than non-descriptive image attributes.

Up to this point in the book the focus has been on more strategic aspects of enabling brand growth, however in the later stages of the volume the focus turns to more functional and tactical areas of marketing, which include advertising, price promotions, and loyalty programmes. To begin with Sharp (2010) argues that the effects of brand advertising are difficult to measure given that: "advertising sales effects are spread out in time. This means that the effects of today's advertising is layered very thinly across sales figures over a long time period" (Sharp, 2010, p.137). Therefore, successful advertising works by continuously "reaching and nudging" (Sharp, 2010, p.144) light buyers of the brand thereby increasing their propensity to buy the brand in the future.

The book pays attention to loyalty programmes as Sharp (2010) uses empirical evidence from a Ehrenberg-Bass Institute Study (with his arguments supported by other academic studies e.g. Meyer-Waarden and Benavent, 2006; Leenheer et al, 2007; Verhoef, 2003) to argue that loyalty programmes "produce very slight loyalty effects, and do practically nothing to drive growth" (Sharp, 2010, p.175). This is because as Sharp frankly asserts: "loyalty programmes are good at recruiting existing buyers of a brand (both heavy and light category buyers), but lousy at recruiting heavy category buyers who are not current buyers of a brand" (Sharp, 2010, p.177).

Chapter 10 is authored by colleagues of Sharp at the Eherenberg-Bass Institute, and in this chapter Dawes and Scriven (2010) critically appraise the value of price promotions. They draw upon Ehrenberg, Hammond and Goodhardt (1994) to suggest that: "almost everyone who had bought a brand during a price promotion had bought the brand previously" (Dawes and Scriven, p.157). On this basis the authors contend that: "what price promotions do (for established brands) is to jolt the short-term buying propensities of mainly infrequent buyers who take the opportunity to buy the brand cheaply and then resume their normal purchase behaviour afterwards (i.e. to buy sometimes as part of a wider repertoire" (Dawes and Scriven, 2010, p.158). Put simply : "price cutting gives a lot away to people who would buy the brand anyway" (Dawes and Scriven, 2010, p. 168). The authors suggest that if price promotions are done significantly and too frequently then the buyer's 'reference price' for the brand may be lowered.

The book concludes by arguing that the key to brand growth is making the brand both physically available (via depth and breadth of distribution) and mentally available (through clear and distinctive branding) to buyers. The final chapter provides a summary of the laws postulated in the volume, and provides reference to further reading on the NBD-Dirichlet model (e.g. Ehrenberg, Uncles and Goodhart, 2004; Goodhart, Ehrenberg and Chatfield, 1984).

Reviewer's Reflections

Marketing science as a sub-discipline of marketing tends to be highly quantitative using complicated statistical procedures that are often beyond the scope of understanding for all but the most quantitatively able. Hence marketing science curricula is often neglected in undergraduate and postgraduate study in that the content is often perceived by lecturers as being inaccessible because of methodological complexity. This is where the value of this book lies in that it takes some of the fundamental principles of marketing science and presents them and explains them in a way that an intelligent student would be able to grasp. In other words, it opens up the sub-discipline to a wider potential audience. A further strength of the volume is that whilst statistical and algebraic procedure is not detailed in the volume, it is well referenced to the original scholarly sources that the more interested reader may wish to explore. Hence, the book can be regarded as a substantial advancement in that it disseminates and extends key seminal findings in marketing science which are published in scholarly journals and presents them in a book narrative that is more accessible to audiences. There seems to be no other widely available text in the market that covers such marketing science research. The book is perhaps suited to advanced modules in marketing science either on specialist Bachelor's marketing degrees, or specialist Masters degrees in marketing. For the practitioner (which seems to be one of the primary audiences the author/ publisher appears to be targeting), there are many interesting arguments which they may benefit from, but this volume requires a careful considered reading to fully appreciate its value. The volume is of use to marketing academics who are likely to derive future research implications and trajectories. An omission from the bibliography in the volume is however the influential Ehrenberg (1988) book, that may be worth revisiting by marketing scholars in light of Sharp's new publication. However scholars who emanate beyond the traditions of marketing science may feel some degree of intellectual discomfort with arguments throughout Sharp's book (and indeed many other contributions in marketing science) being based on positivistic style laws and rules of marketing.

This reviewer would recommend the purchase of this volume for those who wish to develop their understanding of marketing science further. It is a well presented volume that is of a reasonable length. It represents value for money particularly when there is consideration of the substantive and in-depth research on which it is based.

References

Dawes, J. and J. Scriven (2010) What Price Promotions Really Do, In: B. Sharp (Ed.) *How Brands Grow: What Marketers Don't Know,* (pp. 153-170), Oxford University Press: Melbourne, Australia.

Ehrenberg, A. (1988) *Repeat-Buying: Facts, Theories and Applications,* 2nd Edition, Oxford: Oxford University Press.

Ehrenberg, A., Barnard, N. and J. Scriven (1997) Differentiation or Salience, *Journal of Advertising Research*, 37 (6), pp. 7-14.

Ehrenberg, A., Goodhart, G. and T. Barwise (1990) Double Jeopardy Revisited, *Journal of Marketing,* 54 (3), pp. 82-91.

Ehrenberg, A., Hammond K. and G. Goodhart. (1994). The After-Effects of Price-related Consumer Promotions, *Journal of Advertising Research,* 34 (4), pp. 11-21.

Ehrenberg, A. Uncles, M. and G. Goodhart. (2004) Understanding Brand Performance Measures Using Dirichlet Benchmarks, *Journal of Business Research,* 57 (12), pp. 1307-1325.

Goodhart, G., Ehrenberg, A. and C. Chatfield. (1984) The Dirichlet: A Comprehensive Model of Buyer Behaviour, *Journal of the Royal Statistical Society,* 147 (5), pp. 621-655.

Leenheer, J., Van Heerde, H., Bijmolt, T. and A. Smidts. (2007) Do Loyalty Programmes Really Enhance Behavioral Loyalty? An Empirical Analysis of Accounting for Self-Selecting Members, *International Journal of Research in Marketing,* 24 (1), pp.31-47.

Meyer-Waarden, L. and C. Benavent. (2006). The Impact of Loyalty Programmes on Repeat Purchase Behaviour, *Journal of Marketing Management,* 22 (1/2), pp. 61-88.

Sharp, B. (2010). *How Brands Grow: What Marketers Don't Know,* Oxford University Press: Melbourne, Australia.

Sharp, B. and J. Romaniuk (2010) Differentiation Versus Distinctiveness, In: B. Sharp (Ed.) *How Brands Grow: What Marketers Don't Know,* (pp. 112-133), Oxford University Press: Melbourne, Australia.

Verhoef, P. (2003). Understanding the Effects of Customer Relationship Management Efforts on Customer Retention and Customer Share Development, *Journal of Marketing*, 67 (4), pp. 30-45.