Is this the end of Targeted Customer Marketing?

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There has been a bit of a revolution going on in Marketing. Sparked by the remarkable success of a book by Byron Sharp: *How Brands Grow*. Sharp discusses a series of Marketing Laws in an attempt to impose science (or at least empiricism) on marketing. He questions commonly held beliefs including whether Marketers should segment their customer base, the relevance of targeting heavy users and whether loyalty programs have any effect.

Large marketing organisations such as Coca Cola, Mars, Unilever, Colgate, Diageo, P&G and Kellogg's have embraced these learnings: The Global CMO of Mars recently stated *"I'm not a great believer in targeting… Our target is about seven billion people sitting on this planet"*.

We applaud the application of rigorous data approaches to marketing of course, Customer Science® is central to our approach to doing business, best summarised as: 'it's not only how much you know about your customer base, but how much you know about each customer'[1].

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As practitioners of segmented marketing and data-driven customer insights, how do we reconcile this apparent inconsistency between Brand Science and Customer Science?

Sharp's Laws

Let's first take a very high level spin through the research findings presented by Sharp. The Laws are:

- **Double Jeopardy Law:** Brands with less market share have fewer buyers and they are less loyal

- **Retention Double Jeopardy:** Brands lose buyers in proportion with their market share, so large brands lose more customers (but these represent a smaller relative proportion of their base)

- **Pareto Law:** It's 60/20, not the commonly held 80/20. 60% of a brand's sales comes from 20% of buyers (certainly our experience too)

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- **Law of Buyer Moderation:** Highlights the problem of taking 'point in time' measures of customer bases: in subsequent time periods, heavy users buy less often, light buyers buy more and non-buyers buy the brand. The base regresses to the mean.

- **Natural Monopoly Law:** Brands with more market share have a greater proportion of light buyers in their customer base

- **Customer Bases Seldom Vary:** Rival brands sell to very similar customers

- **Attitudes Reflect Behavioural Loyalty:** Consumers know and say more about brands they use. Conversely they think and say little about brands they do not use. Market researchers take note.

- **Usage Drives Attitude:** Buyers of different brands express very similar attitudes about their respective brands (or "I love my mum, you love yours")

- **Duplication of Purchase Law:** A brands customer base overlaps rivals in line with their market share i.e. in any time period a brand will share more of its customers with large share brands

At first blush, there doesn't seem to be a lot of room for targeted marketing approaches in these laws (even allowing for Sharp's focus on CPG/Mass brands). In fact, these laws read as a broad rejection of key marketing tenets such as focusing on high value customers and building differentiated brand attributes.

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Indeed, there has been some debate about the 'ditching' of targeting in marketing after these growth laws were popularised by the South Australian Ehrenberg-Bass Institute.

For example, Marketing Week columnist Mark Ritson recently argued in favour of targeting:

"I recommend the book [How Brands Grow] but, of all the many claims contained within it, the broad rejection of targeting troubles me most… There are still many instances where a clearly identified target segment will make you more money than a mass marketing approach… Smaller companies, for example, without the resources or scale of a Mars [Corporation] would do well to start by taking a smaller, segmented bite of the marketing apple and gradually building their presence."[2]

Sharp's Marketing Rules

In addition to a set of 'Laws', in his book Sharp also presents **Marketing Rules**:

1. Continuously reach all buyers, physically and with communications

2. Make the brand easy to buy

3. Get noticed often

4. Refresh and build brand-linked memory structures

5. Create distinctive communications assets

6. Be consistent but fresh and interesting

7. Stay competitive, give no reasons not to buy

Clearly brand growth does require the acquisition of more light buyers, but if believed, Sharp's 'Laws' and 'Rules' appear to leave little room for what we call 'customer insights' that should guide marketing communications.

Surely the 'Retention Double Jeopardy' Law (that large brands lose more customers) at least points to an opportunity to increase returns by targeting customers at risk of defection?

Or do we surrender, accept that customers will churn to our largest competitors and take the defeatist stance that marketing cannot change specific customers' behaviour?

Is it a Matter of Degree?

Sharp himself agrees we are not seeing the end of Customer Science:

*"Sophisticated mass marketing doesn't mean targeting everyone, nor does it mean treating everyone the same. It means understanding the heterogeneity in your market, and then catering for **only the differences that matter** in order to maximise reach while not eliminating the benefits of scale.*

This is hugely different from deciding that your brand can't appeal to a large part of the market – a surprisingly defeatist strategy that hides under the title of "target marketing", and results in many marketing briefs telling media agencies that the brand's target audience is less than a fifth of the people who actually buy the brand and category…Most of the differences between buyers are of little consequence…."[3]

So perhaps we are not so far apart. We work with many clients who have customers classified into generic economic/geographical/social segments with no 'eureka' insights for marketing. Nor any guide to obvious actions.

We endorse the view that most customer differences are of little consequence. But the differences that matter are not always obvious, not everyone looks, and looking should be systematic and rigorous.

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Crowds vs. Customers

Perhaps the most important difference between the two approaches is that Sharp discusses marketing to crowds, "markets", while we almost exclusively work to know individual customers. Sharp argues against limiting mass market campaigns, while we argue for enriching direct marketing initiatives and customer strategy.

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We look to know what and when and how much… **for each individual.** If we have this information about her, the growing expectation is that we use this to do a better job for her, because this is the customer's expectation. She will reward you with loyalty and increased customer-share if you get this right. We have not given up on the goal of evolving to segments of one.

One of the Ellipsis core beliefs is that there are many ways you can segment your customers, but only a few are truly valuable. Knowing which (and when) is how you make your money with marketing.

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Ellipsis specialise in Customer Experience Management and Loyalty. We help our clients become customer centric, because we believe getting this right is crucial to creating value.

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