



Is More Research Is Needed?

Academic articles rarely conclude without calling for more research. We've been known to make the same plea.

However, many principles about consumer behavior and marketing effects are well-established by now. We don't need yet more research to confirm them.

A spiffy name for such principles is "empirical generalizations" (EGs). We have been enjoying a recent compilation of EGs in the *Journal of Advertising Research* (June 2009) and in a similar volume published by the Marketing Science Institute. They got us digging into other literature as well. We'll share a few important EGs in the issue, but are available to come present a larger collection at your convenience.

Nothing Predicts Advertising Success as Well as "Liking" for the Ad

The verdict is in and only fools ignore it. Entertainment is not enough, but the odds of success increases to the degree that consumers have a favorable emotional response to an ad.

Modern neuroscience is consistent with the marketing data. We are bombarded with countless external stimuli, including advertising. We would be paralyzed if our conscious brain had to react to all of them. Instead, our unconscious mind does a great deal of culling so that we only recognize and possibly remember stimuli the lower brain finds interesting. Fear can cut through the clutter too, but it is better for the stimulus to be liked. If you test ads at all, always include a measure of liking for the ad itself.

High Share Brands Enjoy Higher Repeat Rates and More Loyalty

If yours is a follower brand, expect to be disappointed by your repeat rate versus larger brands, and by lower loyalty. This may not seem fair, but that's the way it is.

Particularly for frequently-purchased packaged goods, there are mathematical reasons for this pattern. The principle is known as "Double Jeopardy" as has been in the literature for a long time. Yet many who should know it don't!

While you may need more research to quantify things like repeat or loyalty, you don't need to spend much of your budget trying to find out why your small brand has a thinner franchise than the big ones. It's normal. The wise product manager does not wager her bonus on improving a low repeat rate on a small brand.

Those who know this principle well tell us that the path to growth is getting more users, not trying to squeeze more volume out of current (often light) buyers.

Being Large Doesn't Mean Being Profitable

So maybe life is fair after all? Share and profit tend to have common drivers, but one does not guarantee the other.

Building share and building the bottom line are separate marketing goals, though a brand that meets needs well should achieve both. The mistake would be "buying" market share in the hope that profit will follow automatically. As the saying goes "There is no limit to how much you can give away."

Raise Prices, Lose Share

No, really?! Those in packaged goods need to know that price elasticity averages -2.6 for established products. That is, a one percent change in price results in a 2.6 percent change in volume (all else being equal). All else rarely is equal, but this is an important rule of thumb to remember. And it comes from "real" in-market data rather than survey-based models.

New products show even more price elasticity, in the range of -4.0.

Rising Tides and All That

Again in packaged goods, the evidence is strong that short-term promotions have different effects from everyday lower prices.

And as a rule, promotions increase category purchasing rather than just shifting it between brands. A competitor's promotion will hurt you, but their gain is not entirely your loss. An average of a third of the effect is due to brand switching compared to two-thirds due to incremental purchases.

What Do You Know?

It is not an empirical generalization in the same class as the others, but we can't say often enough how critical simple familiarity is to brand equity. It is the foundation upon which everything else is built. Yes/no awareness is a crude indicator, but we prefer scales ranging from "never heard of" to "use and know well."

Consumer willingness to consider and purchase a product parallels how much he/she "knows" about it. For starters, the unconscious mind will pay more attention to things about which it has already memories. We have observed that brand users usually have better recall of that brand's advertising. Does that mean they were exposed more and hence bought more? It could well be the other way around: Your current buyers simply notice and remember your ads because they ring more bells!

That first level of familiarity (awareness) is emotionally neutral. Eventually we build up a store of memories about a brand that have positive or negative dimensions, and here is where the whole enterprise of brand building comes into play.

If you are a researcher tasked with assessing a brand's competitive position, you must consider both the "table stakes" of familiarity and the richer content (if any) of what that brand means to consumers. You will treat them as the separate phenomena that they are.

On the Web

For the last time in a while, we hope, we've had our company website redesigned. See what you think at www.action-research.com. A little attitude isn't so bad, is it? (Kudos to Minneapolis Web Design and writer Jeff Mueller).

An Old Friend Passes

The business pages recently reported that SPSS had been sold to IBM. FYI, that's a lot of initials. More years ago than we want to remember, the Statistical Package for the Social Sciences was a big deal and huge boon to social science types who had no good mainframe tools for crunching surveys. The original authors were political scientists, etc.

In time the company went corporate and started offering a wider array of software. Like many smaller firms (and academics), we continue to rely on the versatile core desktop package. The comment that SPSS sold "data mining software" says it all. That's where the money is, and what IBM wanted to own. We don't look for anything of much use to come our way from now on.

