Inventing the Future, Honoring the Past

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Heavy Buyers:
Are They Even More Important Than Generally Thought?
DEB RAPACZ & MARTIN REILLY

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HEAVY BUYERS: ARE THEY EVEN MORE IMPORTANT THAN GENERALLY THOUGHT?

by Deb Rapacz and Martin Reilly

ABSTRACT
No segment is more valuable to a brand than the relatively small set of buyers who deliver the majority of revenue and profit. While no marketers would claim that they undervalue their Heavy Buyers, it is surprising how many brands cannot provide an in-depth picture of their Heavy Buyers nor how the brand is performing with this segment. This article will discuss why these buyers are even more important than generally given credit for – and a recipe for outperforming the competition with this segment that will make a brand grow faster and become more unassailable in its category.

The case for Heavy Buyer focus
If a brand is about to spend even an iota of time or any resources on a person who is not, or can not become, one of its heaviest buyers, we say stop and reconsider.

The 30 percent of consumers who are a brand’s heaviest buyers will typically represent 70 percent of annual sales. They are the brand’s Core. Brands that get intimately informed about this consumer set, and equally intimate with the brand’s performance among these buyers, are best prepared to drive their marketing to achieve stronger competitive advantage.

Heavy Buyers are even more valuable than they are generally credited for. They are far more important than contributions to the majority of annual sales. They are the foundation for future sales. Additionally, the Core consumer group is the keeper of the brand’s equities and insights that drive the bulk of a brand’s volume. Lessons from current Core buyers provide powerful clues about how to best appeal to those prospective buyers who are most likely to become the next dedicated buyers of the brand.

Marketing to and from this Heavy Buyer Core, as a central guiding focus, is a powerful approach to accelerating brand growth. This article will share how to better align marketing with the powerful purpose of growing the brand’s absolute number of Core Heavy Buyers.

Three elements of Core power
I. Core Heavy Buyers are worth more economically than delivering the majority of this year’s sales.

II. Core Heavy Buyers are worth more than typically thought because they hold the brand’s equities that really count. They define the brand’s reason for existing.

III. Core Heavy Buyer performance trends are the strongest indicator of brand health. These trends predict future health, highlight competitive distinctions and reveal the brand’s category power.
1. Fully valuing Heavy Buyers economically

Everyone understands that Heavy Buyers generate the majority of sales in any given year. However, to fully appreciate the brand power Heavy Buyers deliver, brands should also consider the following additional economic factors:

Core Heavy Buyers are most economically valuable
Observations of many fast-moving consumer brands show they typically get 70 percent of their annual revenue from 30 percent of their heaviest buyers. Figure 1 supports this 70/30 ratio and shows consumer data from six randomly-selected leading consumer brands illustrating the percentage of volume generated by top purchasers. Every brand should understand their ratio—it is usually not as extreme as the familiar 80/20 principle.

<table>
<thead>
<tr>
<th>Type of Brand</th>
<th>% of Consumers</th>
<th>% of Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pain Reliever</td>
<td>30%</td>
<td>64%</td>
</tr>
<tr>
<td>Low Calorie Sweetener</td>
<td>32%</td>
<td>74%</td>
</tr>
<tr>
<td>Diarrhea Medication</td>
<td>29%</td>
<td>72%</td>
</tr>
<tr>
<td>Motor Oil</td>
<td>25%</td>
<td>59%</td>
</tr>
<tr>
<td>Allergy Treatment</td>
<td>24%</td>
<td>68%</td>
</tr>
<tr>
<td>Frozen Dinner</td>
<td>35%</td>
<td>71%</td>
</tr>
</tbody>
</table>

Figure 1 Small set of buyers generate the majority of volume.

70/30 ratio and shows consumer data from six randomly-selected leading consumer brands illustrating the percentage of volume generated by top purchasers. Every brand should understand their ratio—it is usually not as extreme as the familiar 80/20 principle.

Figure 2 shows that by using the 70/30 split and calculating the ratio of value of an average Heavy Buyer, the heavy buyer demonstrates almost 5 ½ times higher value than for the average non-heavy buyer.

Core Heavy Buyers may be a brand’s only “profitable” consumers
By completing an exercise that distributes selling, general and administrative expenses on a ‘per customer’ basis rather than a ‘per unit of goods’ basis, Heavy Buyers’ financial impact is apparent. On this basis, Core Heavy Buyers are the only profitable consumers. Brands tend to break-even with the next tier of medium consumers and lose money on the largest group of consumers, the light buyers.

Core Heavy Buyers disproportionately contribute to next year
Core Heavy Buyers tend to have longer tenures with the brand and jump-start next year’s growth. Typically, a greater percentage of Heavy Buyers will stay with the brand from this year to next than will lighter buyers. A majority of Heavy Buyers will maintain their profit level. These customers do not require re-acquisition spending, making them valuable beyond what was contributed to the brand’s performance this year.

Take for example the year 1 vs. year 2 retention data reported on buyers of a ready-to-drink beverage shown in Figure 3. It shows how dramatic this comparison can be.

<table>
<thead>
<tr>
<th>% Volume</th>
<th>% Buyers</th>
<th>% Vol/%Buyer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Buyers</td>
<td>70</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>2.3/.43 ≈ 5.4x making a Heavy Buyer 5.4x more valuable than a non-heavy buyer</td>
<td></td>
</tr>
<tr>
<td>Non-heavy buyers</td>
<td>30</td>
<td>70</td>
</tr>
</tbody>
</table>

Figure 2 Calculating the value of a Heavy Buyer vs. non-heavy buyer
Core Heavy Buyers return, after an absence or drop off, at higher rates

Similar household panel data shows that previous Core Heavy Buyers tend to return to the brand Core more regularly after a purchase lapse compared to other buyers. In addition, those who were previously Heavy Buyers and who temporarily reduced their buying rate, typically re-achieve a heavy rate more often than other user segments.

Core Heavy Buyers are more committed to a brand

Heavy Buyers are typically more loyal to a brand; whether measured by share of category requirements, brand commitment or retention rates. This commitment also translates into Heavy Buyers purchasing less “on deal” than other buying groups.

Consider how much higher brand loyalty is for Heavy Buyers compared to medium and light buyers for a leading over-the-counter medication in Chart 4. Here, loyalty is reported as the buyer’s share of category volume provided by the brand (“share of requirements”). This means that Heavy Buyers sourced a much higher percentage of their category needs with the brand than light buyers. These results are typical across other consumer categories.

2. The brand equities valuation story

Since Heavy Buyers use the product most, they are the most familiar with brand positioning, performance and benefits. Thus, they appreciate the brand and own the most critical of all the brand’s equities. These factors contribute to these Core buyers being more valuable in numerous ways.

Core Heavy Buyers comprise the fountain of brand truth.

A “Brand” is not what the brand’s theorists decide it is, or what the creatives put forth in a brief or a campaign. A “Brand” is the feelings held in the minds of buyers as a result of all previous marketing efforts and consumer experiences.

However, not all brand impressions count equally. The brand equities held by those who contribute the bulk of sales volume define the brand. The brand equities, as held by other buyers, are interesting and may be important but the brand truth lies in the minds of the Heavy Buyers.

<table>
<thead>
<tr>
<th>User Segment (% buyers)</th>
<th>% Stay in Franchise</th>
<th>% Left Franchise</th>
<th>Comment about those who stayed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Buyers (12%)</td>
<td>87%</td>
<td>13%</td>
<td>Most remained Heavy Buyers</td>
</tr>
<tr>
<td>Medium Buyers (37%)</td>
<td>64%</td>
<td>36%</td>
<td>Some became Heavy Buyers, most remained Medium Buyers</td>
</tr>
<tr>
<td>Light Buyers (51%)</td>
<td>15%</td>
<td>85%</td>
<td>Very Few became Heavier Buyers, most remained Light Buyers</td>
</tr>
</tbody>
</table>

**Figure 3** Year 1 vs. Year 2 Retention by User Segment
Source: Syndicated National Household Panel Data

<table>
<thead>
<tr>
<th>Segment</th>
<th>Brand Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Buyers</td>
<td>65%</td>
</tr>
<tr>
<td>Medium Buyers</td>
<td>47%</td>
</tr>
<tr>
<td>Light Buyers</td>
<td>28%</td>
</tr>
</tbody>
</table>

**Figure 4** Brand Loyalty by User Group shown by Share of Requirements. Source: Syndicated National Household Panel Data
Core Heavy Buyers can have distinctly different profiles
Core Heavy Buyers can be very different from non-heavy buyers in both demographic and psychographic ways. Usually, a brand’s Heavy Buyers are a breed apart; yet many brands don’t intimately understand the distinction between heavy and lighter buyers. If brands are not fully informed with this understanding, marketing is more likely a miss.

Core Heavy Buyers’ needs are more intense and of longer standing
While the buying rate of Heavy Buyers reflects functional need, the depth of this need assures larger psychological needs are being met, too. Brands often find that heavier buyers’ needs remain stagnant more consistently than the rest of the audience. Brands could view these lighter buyers as “Brand Visitors.” Until and unless these visitors’ needs rise, how would they be expected to raise their purchase rate?

Win the category heavies and win the category.

3. Brand health and category power
Win the category heavies and win the category. Brands that focus on Heavy Buyer performance metrics will understand better than their competitors how to build the brand’s power by getting an “unfair” share of this scarce set of consumers. Tracking and trending also provide a brand with an ultimate, logical set of tools to report brand progress and prospects to senior management.

We use the term “Category Power” instead of just jumping to an “increased sales” assumption, because there are many ways for a brand to enhance value. Some brands will elect to increase unit volume and share; others elect to leverage pricing power for margin improvement, while some might find marketing efficiencies can result in lower marketing expense.

Core Heavy Buyers provide best monitor of brand health
When a brand tracks trends and understands the value and momentum of its Core, it has a powerful perspective on the health of the brand. A growing Core of Heavy Buyers will almost certainly assure an increase in brand power, even when other metrics are static or in retreat. Conversely, a declining Core can indicate a significant deterioration in brand power. Knowing a brand’s trends are key to managing category position.

Tracking the Core power metrics
Most brands will need to develop a detailed set of metrics to measure success and failure in their Core. There are two dimensions to this:

1. Performance within the brand itself
2. Performance of the brand in its category

Those who can get the nearest to real-time and move averages may fare even better. Unfortunately, traditional performance metrics may mask what’s going on in the brand’s Core.

Correlating insights and metrics with actions
The last critical step is to correlate findings of Core insights and Core metrics with markets and brand’s activities over the time periods studied. An example of this is illustrated in the accompanying Slim•Fast case study.

Why are Heavy Buyers undervalued?
Why do so many marketers under-appreciate and underserve this segment? Often, managers of many national brands have surprisingly little understanding about the makeup of their Heavy Buyers and the specific performances among them. Brand teams typically focus on growing the quantity of average users versus a smaller set of quality users. Are traditional thinking and aging paradigms to blame? Here are some common sources of industry inertia and resistance and counter-thinking to help overcome the fears inherent in these objections.
Fear of not following the advertising agency’s advice

Brands rely strongly on agencies to guide primary brand strategy and advertising. However, many agencies aren’t trained or rewarded for narrowing the focus to a sub-segment of customers. Their thinking is traditionally guided to the lowest common denominator, projecting the brand’s appeal across the largest possible cross-section of a market and facilitating media efficiencies.

Counterpoint: If more agencies applied their expertise and planning processes with a stronger focus on Heavy Buyers, results for their brand clients would improve. However, this shift will likely require strong direction from brand management.

Fear of “out of the box” approaches

Organizations are filled with people who have been trained in traditional marketing approaches. Researchers are not often asked to isolate Heavy Buyers and define them deeply. Psychographic modeling is not driven from a volume behavior platform. Financial models do not isolate behavioral sub-segments of customers. In addition, it doesn’t seem like too many people want to explain innovative marketing approaches to the executive suite. So, things continue, business as usual.

Counterpoint: Err on the side of concentrated volume, not the side of the bulk of buyers (the Brand Visitors). Take a risk and dare to change the organization’s focus on to the bulk of volume.

Fear of “ignoring” Mediums and Lights

“We can’t ignore our Medium and Light buyers. They represent 70 percent of our buyers.” This common argument rolls off the tongue of brand and research people without much thought.

Counterpoint: Heavy Buyers can serve as beacons for Mediums and Lights. Lighter buyers often view Core Heavy Buyers as “experts” so marketing with Heavy Buyer focus is a powerful way to represent the brand to all buyers. The reverse, marketing to the assumed point of view of the Medium and Light buyers is riskier. It risks disconnecting current and prospective Heavy Buyers and causing a decline in the Core.

“We have all the Heavy Buyers we’re going to get. Where can we possibly get more?”

Counterpoint: It is true that Heavy Buyers are scarce. However, national household panel data typically shows that around 50 percent of a consumer brand’s Heavy Buyers are not in that group the following year. This means two things:

1. Brands have room for improvement to better hold onto their own heavies.
2. A significant number of other brands’ Heavy Buyers are vulnerable.

In addition, there are always new buyers reaching the heavy level, and a brand’s goal should be to win the battle for these. Yes, the numbers are relatively small; however the volume they represent is anything but.

Fear that there is nothing more that can be done with Heavies

This objection is especially prevalent for brands with Loyalty and Relationship Marketing programs that believe that they are fully satisfying the needs of Heavy Buyers with an ongoing program.

Counterpoint: With significant Heavy Buyer attrition and brands having many Heavy
Buyers with less than 100 percent share of requirements, the opportunity gap is considerable. Heavy Buyer loyalty should be built with initiatives integrated across the marketing mix because: not all Heavy Buyers want to be in a “program,” and loyalty needs to be fully developed before it can be sustained.

Winning in the market

With this enhanced perspective on the importance of the Core Heavy Buyers in mind, here is a re-cap looking at examples of how it might enhance marketing actions:

Primary Advertising Design

- While new Core Heavy Buyers will come from current lighter buyers and non-buyers, consider that they will look like current Heavy Buyers and respond to what enticed them. This carries tremendous implications for those planning primary acquisition campaigns.

Web

- Sites should have depth and breadth. A potential Heavy Buyer wants to be comfortable they can stick with the brand and forget others. If the site is too shallow, the brand shows it does not fully understand the Core Heavy Buyer.

Social Networking/Communities

- Learn how to gear efforts toward uniting Heavy Buyers and weighing their opinions and ideas more than non-heavy buyers.

Relationship/Loyalty Programs

- Be mindful that Core Heavy Buyers’ brand loyalty can actually be eroded by some programs. Be sure to reinforce the Heavy Buyer core equities of the brand, deliver on-target recognition and avoid discount schemes that feel manipulative and disrespectful to Heavy Buyers.

Promotion

- Heavy Buyers can rebel at promotions that seem to benefit cherry-picking Brand Visitors. Brands must ask, “How will this promotion make the Heavy Buyers feel?”

THE SLIM • FAST STORY

Slim • Fast assessed the value and momentum of the core of their franchise after a decline in sales during the low-carb craze. A close and isolated look at Core Heavy Buyer data pinpointed a significant loss in momentum from the brand Core. It also revealed that their marketing messaging was off-course. Similarly, so were their strategic brand assumptions.

For example, a shallow read of national consumer panel data “showed” that retention was the problem. Actually, retention in their Core was their strength — it was the failure to add to the Core that was the problem. The brand had an acquisition problem, not a retention problem.

The primary advertising campaign run at this time was targeted at the majority of their consumers — younger women, 10 to 30 pounds overweight, rather than those who contributed the majority of their volume. One iteration of the campaign message was “Lose 10 pounds for Swimsuit Season.” The trouble turned out to be that the highly-loyal, long-tenured Core Heavy Buyers who provided the brand with the bulk of its revenue was a group of older women who had more than 100 pounds to lose.

The campaign did achieve against the chosen lighter target, and the brand added a lot of young, light, casual users. These people bought a little, used a little, and then disappeared. In the meantime, the truly valuable women with over 100 pounds to lose were not being brought on board — at least not at the rate the brand had achieved previously. So, results on the surface seemed encouraging, but the results in the Core showed an entirely different story.

Once the brand team understood the problems in their Core they dove deeper into understanding what was going on in the metrics and who these critical Core consumers were demographically and psychographically. Armed with this new perspective, they started to successfully re-shape the brand.

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Heavy Buyers need to feel special in the overall scheme.

**Innovation**
- A brand that deeply understands its Heavy Buyers can center innovation activities on filling this special audience’s unmet needs.
- Distinctions between Core Heavy Buyers and lighter buyers can also uncover another product or brand that would hit the lighter users’ specific and differentiated needs—without disturbing the current Core.

**Research**
- Deeply profile Heavy Buyers and uncover any contrast to lighter buyers and competitive Heavy Buyers—know this ahead of the competition.
- Set up mechanisms to track the growth or decline in the Heavy Buyer base.
- Measure whether the Brand’s share of Heavy Buyers is greater than its market share.

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**The anchor for integrating marketing activities**

The focus of beating the competition to an unfair share of category Heavy Buyers will provide measurable sales results and growing category power. Beyond that, it will provide an anchor around which to manage the integration of all marketing activities.

When the question “How will this marketing project help generate and hold on to more Core Heavy Buyers?” is enforced on all initiatives, the answers will keep all resources aligned on a singular objective that can only build brand strength.

Core Heavy Buyers are significantly different from the rest of the brand’s buyers. They represent a huge percentage of sales, but they are even more valuable. Brands must commit to knowing the Core members intimately. Brands must commit to tracking all the specific results of how they are performing with this Core.

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**Reilly and Rapacz** is a brand acceleration consultancy based in Chicago, Ill. Deb Rapacz and Martin Reilly have taken two careers’ worth of insight and observations to craft innovative strategic processes that help national brands build a solid Core of valuable, highly committed buyers. They enjoy guiding brands to their Core and helping to re-orient brands’ teams around a discipline whose mission is to own more than its fair share of the most valuable buyers in the category.

**Martin Reilly** earned a BBA from the University of Kentucky.

**Deb Rapacz** earned a Master of Science in IMC from Northwestern University and a BBA from the University of Illinois.