



A Strategy User Manual For
Building Better Outcomes:

HOW TO DETERMINE YOUR BRAND SOURCE OF GROWTH



MilkOS Is a powerful cloud-based strategy operating system that easily keeps everyone aligned on strategy, centralizes all your brand insights, and you to always know what to execute with confidence.

Inspiring. Intuitive. Integrated.



HOW TO DETERMINE YOUR SOURCE OF GROWTH



Purpose:

How To Determine The Right Source of Growth

Which buyer type will deliver the most incremental value? What is the cost, size, receptivity of the target versus their contribution?

Establishing the sources of a brand's growth (new vs existing buyer, loyal vs occasional) sets the foundation to (over) deliver against a brand's goals and puts in place a roadmap to develop comms strategies (including messaging) that deliver the greatest effectiveness.



An Essay:

Unveiling Market Dynamics: An Exploration of Four Core Growth Sources

The trajectory of growth in a market is influenced by various factors, among which customer behavior stands paramount. Delineating customer segments based on their buying behavior and relationship with brands can unearth substantial insights for market expansion.

Four pivotal sources of growth in this context include: new category entrants, switchers, vulnerable repurchasers, and loyalists.



This essay aims to provide a deep dive into these sources of growth, shedding light on their characteristics, impact on market dynamics, and the strategies that can be employed to leverage them for sustainable growth.

An Essay:

Unveiling Market Dynamics: An Exploration of Four Core Growth Sources

1. NEW CATEGORY ENTRANT

New category entrants are individuals who have recently started purchasing products in a particular category. They represent fresh market potential and provide a unique opportunity for brands to establish a foothold. Engaging this segment effectively through targeted marketing and education about the product category can result in creating a long-term customer base. However, capturing their attention amidst a plethora of options might pose a challenge.



An Essay:

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2. SWITCHERS

Switchers are characterized by their propensity to change brands, often in pursuit of better prices, quality, or experience. They present a ripe opportunity for growth by capturing market share from competitors. Crafting compelling value propositions and employing competitive pricing strategies are crucial to enticing switchers. However, retaining them can be challenging due to their inherent brand disloyalty.



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3. VULNERABLE REPURCHASERS

Vulnerable repurchasers are customers who have bought a brand's product before but are susceptible to switching due to various factors such as dissatisfaction or attractive offers from competitors. Implementing strategies like customer feedback loops, improving product quality, and offering loyalty programs can mitigate the risk of losing these customers. This segment requires a balanced approach to both retention and re-engagement to prevent erosion of market share.



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4. LOYALISTS

Loyalists are the cornerstone of sustainable growth, exhibiting a consistent preference for a particular brand. They not only provide a stable revenue stream but also act as brand ambassadors, generating positive word-of-mouth. Nurturing relationships with loyalists through loyalty programs, exclusive offers, and excellent customer service is essential for both retention and organic growth. However, over-reliance on this segment without exploring new growth avenues can stifle market expansion.



An Essay:

Unveiling Market Dynamics: An Exploration of Four Core Growth Sources

The four sources of growth delineated herein offer a nuanced understanding of market dynamics from a customer-centric perspective. By identifying and strategizing around these customer segments, companies can tailor their marketing initiatives to drive sustainable growth. Engaging each segment demands a distinct set of strategies and an in-depth understanding of their behavior and preferences, forming a multifaceted approach to market expansion.



Purpose:

How To Determine The Right Source of Growth

To determine a brand's sources of growth targets, you must first determine the overriding business objective of the brand which serves as the basis for your communications work.

LAUNCH NEW PRODUCT/SUB-BRAND



GROW CATEGORY



GROW MARKET SHARE

MAINTAIN SHARE

Key Considerations:

When Determining The Right Source Of Growth?

There are four empirical observations to consider when determining your source of growth:

Feeding the Funnel



Growth does not come from simply skimming from the top but also from building a market from the bottom up. The most effective way to grow a brand is through market penetration, reaching as many people as possible in the category and bringing in new ones.

Marketing's Jedi Mind Trick



Growth brands lead; they don't follow. The key to successfully breaking through with consumers is through salience, getting them to think of the brand before making a purchase decision.

Heavy Buyers Don't Mean Loyal Buyers



There is the simple fact that a heavy buyer this year may not be a heavy buyer next year this is the much-reported regression to the mean phenomenon working within marketing.¹

Pareto's Law Isn't For Everyone



Pareto's Law which, in a marketing context, is the law that a significant percentage of sales come from a small number of buyers [80/20 rule]; is often cited as rationale for focusing effort against Heavy Purchasers.²

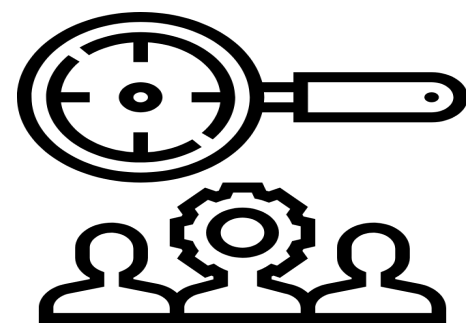
¹Across 139 brands in 15 categories, Ehrenberg Bass Institute found that on average, only about half of a brand's heavy buyers will remain its heavy buyers in the next year.

²Meta-analysis of Nielsen BrandScan data confirms that the true Pareto Law is closer to 50/20 in that the heaviest 20% account for 49% of sales (based on multi-market data). The flip side of this is that over half of the total revenue comes from people that buy infrequently (and likely buy all of the brands competitors).

Decision Rubric:

Determining The Right Source Of Growth

To determine a brand's sources of growth, target/s, we must first determine the overriding business objective of the brand which serves as the basis for our communications work.



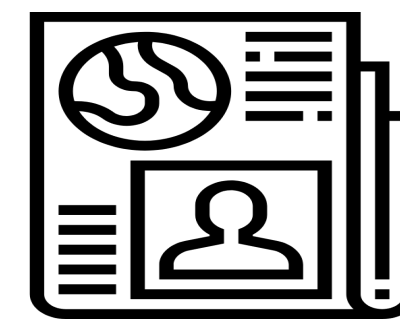
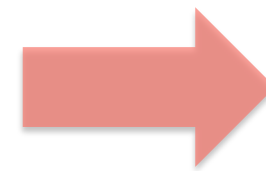
BUSINESS OBJECTIVE

LAUNCH NEW PRODUCT/SUB-BRAND

GROW CATEGORY

GROW SHARE

MAINTAIN SHARE



SOURCES OF GROWTH

NEW CATEGORY ENTRANT

SWITCHER

VULNERABLE REPURCHASER

LOYALISTS



Decision Rubric:

Selecting The Right Source Of Growth

BUYER TYPE	RELATIONSHIP WITH BRAND	BUSINESS OBJECTIVE/ USE CASE	CONSUMER DECISION JOURNEY PHASE
New Category Entrant	<i>Do not buy the category or the brand</i>	Grow Category Launch New Brand/Product	Awareness
Switchers	<i>Buyers of the category; not the brand</i>	Grow Share	Awareness Active Consideration
Vulnerable Repurchasers	<i>Buyers of the category; light/moderate users of the brand</i>	Grow Category	Active Consideration Purchase
Loyalists	<i>Buyers of the category; heavy users of the brand</i>	Maintain Share Launch New Sub-brand/Product	Purchase Loyalty



Decision Rubric:

Selecting The Right Source Of Growth

FACTOR THAT DEFINES BUSINESS OBJECTIVE	WHAT IS IT?	WHAT IT TELL US	GROW SHARE	GROW CATEGORY	MAINTAIN SHARE	LAUNCH NEW PRODUCT
Usage	<i>What % of the pop. uses the category?</i>	How established the market is; if there is room for growth	<50%	50%>	→ <50%>	<i>Grow Share</i> – if entering an existing category
Growth	<i>Is the category growing or contracting?</i>	Market forces; ways to which to grow	Contracting	Growing	Flat	
Familiarity	<i>How long have similar products or services been offered in your market?</i>	Consumers awareness and familiarity with the category or if they require education	Awareness Baseline	Need for Explanation	Established/ New	<i>Grow Category</i> – if launching a new category or disrupting an existing one
Market Share	<i>What is your current market share?</i>	Establishes the brand's position in the market	Low	High	Stable	<i>Grow Share</i> – if launching a sub-brand
Maturity	<i>How mature is your product/brand relative to the category/market?</i>	A brand's mindset/behavior; work to be done for the consumer	Upstart	Established	Mature	<i>Grow Category</i> – if launching a new brand

<p>* When launching a sub-brand</p>	<p>Sources Of Growth:</p>	<p>Switchers</p>	<p>New Entrant Vulnerable Repurchasers</p>	<p>Loyalists</p>	<p>New Entrant Switchers Loyalists*</p>
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Resources:

The Art & Science for Selecting The Right Source Of Growth





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