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That 80% of Sales Comes from Some 2% of Buyers

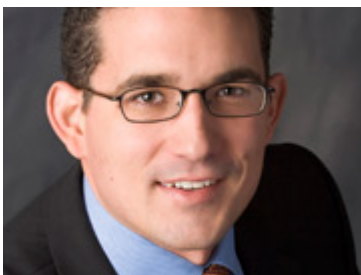
Study: Package-Goods Brands' Consumer Bases Very Small, Yet Diverse

By [Jack Neff](#)

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BATAVIA, Ohio (AdAge.com) -- Forget the old B-school nostrum that 20% of customers account for 80% of sales: It's a gross overstatement even for mass-market package-goods brands.

Only 2.5% of consumers account for 80% of sales for the average package-goods brand, according to a yearlong study of more than 1,300 brands and 54 million shoppers by Catalina Marketing, operator of the Checkout Coupon system, and the CMO Council.



Todd Morris, senior VP of Catalina Marketing and Pointer Media

More amazing, even targets so small are diverse enough that standard demographic media buys fail to reach substantial portions of them. In many cases, brands' targeting schemes are excluding half or more of their biggest consumers, said Todd Morris, senior VP of Catalina Marketing and Pointer Media, a new unit Catalina is creating to leverage the company's database.

To help launch the new unit, Catalina is making a database of more than 1,300 brands and the size of their core consumer base, or so-called pivot point consumers available online Dec. 8 at PointerMediaNetwork.com.

Of course, Pointer is also hoping to use the interest generated by the research to sell its services -- not only cash-register coupons and purchase-generated color ads, but also as a

planning tool for use in targeting other marketing, such as addressable TV. Mr. Morris believes the tiny consumer segments identified by the research helps make a compelling case for use of highly targeted media and customer relationship marketing efforts.

Concentrated spending

The research also identified that brands' core consumers spend big. In the case of Iams pet food, the 1% of consumers who account for 80% of volume spend \$93 a year on the brand, Pointer found. And the 1.2% of shoppers who account for 80% of Budweiser sales buy a whopping \$170 worth of Bud annually. (The actual totals may be even higher considering that Catalina, which represents \$400 billion in annual sales, works primarily with supermarkets, but misses big and faster-growing retailers such as Walmart, club, dollar stores -- and also pet-care chains and liquor stores where Iams and Bud, respectively, are often purchased).

Numbers like those start to make a strong case for broader use of customer-relationship management among package-goods players who've questioned its applicability because of the high cost per consumer.

"We think the findings will be very significant to brand managers and consumer package-goods CMOs, and I think surprising to most to find the degree to which their products and brands are relying on relatively small and very diverse consumers groups to drive volume," said Dave Murray, exec VP of the CMO Council and program director on the project. The group is a peer networking organization of 4,000 marketing executives across all industries.

Of the 1,364 brands studied, only 25 had a consumer base of more than 10% that accounted for 80% of volume.

Long tail

The thin sliver of consumers for most package-goods products is an outgrowth of the increasingly long tail of product offerings, said Mr. Morris. "Products have so proliferated that the needs marketers are reaching are becoming ever more personalized and specific," Mr. Morris said. "There are now 30 different types of Tide. There used to be one box."

Tide, in fact, has one of the bigger consumer bases, with 12.2% of consumers accounting for 80% of volume. Yet sub-brands of Tide have much smaller bases, such as 1.4% for Tide to Go or 0.8% for Tide Pure Essentials. And while the overall Coke brand gets 80% of its volume from 18.8% of consumers, among the sub-brands, only Coke Classic, at 12.2%, had a base of more than 10%. Coke Zero's base was only 2.9%.

Yet despite the narrowing of consumer targets, they're not nearly as narrow as marketers sometimes believe. One eye-opening experience came with a frozen-food brand, he said. Its target consumer was women ages 25 to 55 with two or more kids and household incomes of \$50,000 or more. As package-goods marketers increasingly are prone to do,

the brand had named its target "Emily," identifying her as health-concerned and career-oriented.

Yet sweaty weightlifters actually muscled out Emily at the checkout stand. "It turned out that a sub-target that made up a very large part of their volume were young protein-seeking men, what you would call gym rats -- people who were just looking for easy ways to get protein," said Mr. Morris.

What Catalina's research identifies may be more about improper messaging than bad media choices, said Gregg Ambach, managing director of Analytic Partners, a marketing-analytics firm in Cincinnati.

Even the most targeted media plans still reach a lot of people outside their targets, he said, so unexpected core consumers may still be getting the message. The trouble, he said, is that they're often getting the wrong one. "Copy quality is the No. 1 driver of advertising response," said Mr. Ambach. "If you've got your eyes too focused on a [demographic] target, you're probably leaving out a lot of strong buyers."