

Using Double Jeopardy to Forecast Small Brand Growth

An investigation into the relationship between small brands and deviations from the Double Jeopardy line

Alicia Barker

Bachelor of Business (Marketing)

Supervisors:

Professor Byron Sharp

Associate Professor Armando Maria Corsi

Dr Steven Dunn

Dr Charles Graham

A thesis submitted for the degree of Masters by Research (Marketing)

Ehrenberg-Bass Institute for Marketing Science

University of South Australia



alicia.barker@marketingscience.info

University of South Australia, North Terrace, Adelaide, SA 5001

February 2021

Acknowledgements

Firstly, this thesis would not be possible without the support and guidance from my supervision team. Byron, Armando, Steve and Charles – I cannot begin to express how grateful I am for your encouragement over the past two years. This thesis has challenged me in more ways than I thought possible, but together, with your understanding, kindness, and knowledge, we have made it to the finish line. Thank you all so much!

Secondly, I express a huge thank you to my colleagues and friends at the Ehrenberg-Bass Institute. Thank you for all the office chats, coffee runs, surprise choccies, wine times, and “working” lunch dates. This thesis is evidence that we do work hard (sometimes) in between all the fun.

Finally, thank you to my family. To Mum, Dad and Sarah, thank you for supporting my Uni journey from day one. I am forever grateful for your reassurance and generosity over the past few years.

And to Tyler – none of this would be possible without your encouragement over this period. I think it’s fair to say we experienced the highs-and-lows of the thesis process together. But thanks to you we have come out the other side stronger than ever. Here’s to the next adventure!

I declare that this thesis presents work carried out by myself and does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university. Nor does it, to the best of my knowledge, contain any materials previously published or written by another person except where due reference is made in the text. All substantive contributions by others to the work presented are clearly acknowledged.



Alicia Barker,
February 2021

Research Abstract

Small brands have proliferated in recent years in certain markets (McRoskey et al., 2018). This has led to a surge in interest in understanding how small brands grow. Industry and (some) academic publications claim that ‘niche’ *positioning* strategies - described as aiming for unequivocal loyalty from a handful of specially targeted consumers - best situates a small brand for growth (e.g., Millbrooks 2020, Petro 2019, Kotler 2003). However, this challenges the widely observed empirical pattern known as Double Jeopardy, which illustrates that growth is actually achieved more so through penetration than loyalty (Ehrenberg et al., 1990, McPhee 1963). Double Jeopardy shows that true ‘niche’ brands are those that achieve ‘niche’ *outcomes* by acquiring excess loyalty than what is expected for their brand size. This is one of five known deviations from Double Jeopardy, along with its counterpart ‘change-of-pace’ or deficit loyalty (Kahn et al., 1988). Furthermore, there is also evidence to show that benchmarking a small brand against the Double Jeopardy line could indicate the future potential for share growth or decline (Franke et al., 2019).

Furthermore, while Double Jeopardy is robust amongst countless categories, including fast-moving consumer goods, media, store choice, automobiles, trade show activities, and political parties, among others (e.g., Ehrenberg et al., 1990); it is not often explored from the context of very small brands. In undertaking Double Jeopardy research, small brands are typically aggregated into inflated ‘all other brands’ groupings or are even removed from analysis all together. Consequently, while there is ample evidence to argue that loyalty-increasing strategies are ineffective for growth, ‘niche’ *positioning* may actually work to grow small brands after all, as their use is under-researched from the context of empirical marketing laws.

The objective of this thesis is, therefore, to examine how small brands grow. It is assumed they grow in much the same way as larger brands, through penetration-building activities, but this cannot be said for certain without including small brands in Double Jeopardy analysis. The thesis also explores the possibility of using Double Jeopardy as a growth forecasting tool, given this is a new avenue of research requiring further examinations to validate and extend findings. Finally, it investigates how brands deviate from the Double Jeopardy pattern, as is such the case for ‘niche’ brands. If small brands are found to grow from excess loyalty, then it is prudent to understand how they may achieve such a position in the first place.

The Dirichlet model – an amalgamation of several previous regularities and models of consumer behaviour (Goodhardt et al., 1984) – is used to output theoretical brand performance metrics for 20 FMCG categories across five years in the Dutch market. These outputs are paired against observed metrics, from which deviations are identified to be discrepancies beyond +/-10 percent (Kahn et al., 1988). The occurrence of deviations is benchmarked for large, small and micro-sized manufacturer brands. Proceeding this, relative

and absolute market share changes are benchmarked by brand size and loyalty tier; followed by median values and relative changes in price, pack size, distribution and functional differences. All analysis is supported by suitable significance testing to highlight meaningful results.

The key findings of this research are as follows:

1. Double Jeopardy benchmarking indicates that small brands relatively equally fall into the three groups of across normal, deficit, and excess loyalty. Micro brand loyalty is far more skewed towards deficit loyalty, while large brands mostly show normal loyalty. Therefore, 'niche' *outcomes* are uncommon regardless of brand size. Furthermore, the Double Jeopardy pattern is not as robust in micro sized brands, though it is unclear if this is due to a systematic deviation relating to the Dirichlet model, sampling error, misalignments in Mental and Physical Availability, or another unknown factor.
2. Proportionately, small brands with normal or excess loyalty show a slightly increased propensity to decline, while those with deficit loyalty show an equal propensity to grow or decline. Micro brands with normal or excess loyalty show an equal propensity to grow or decline, while those with deficit loyalty show a greater propensity to grow than decline. All large brands showed normal loyalty and remained stable in the long-term. Thus, 'niche' *positioning* strategies may lead to share growth, but 'niche' *outcomes* rarely occur in the first place, leading to an ineffective growth strategy. It also shows that brands can survive in the market with deficit loyalty.
3. Furthermore, a small or micro brand may have an increased propensity to grow market share if it changes from deficit to normal loyalty, and an increased propensity to decline in share if it changes from normal to deficit loyalty. These changes arise from changes in penetration and purchase frequency, though at different rates for small and micro brands. This implies that smaller brand growth may be more complex than first believed, though still emphasises that penetration drives share growth in smaller brands.
4. Price, pack size, distribution and functional brand differences are not major drivers of deviations from the Double Jeopardy pattern. Nor are they repetitive drivers of inhibited market share growth, within the contexts of a stationary and continuous market. This challenges 'niche' *positioning* activities put forth in the literature.

This thesis provides a significant contribution towards the understanding of deviations from Double Jeopardy. It is the first comprehensive study to explore how brands with market shares below one percent are predicted using Dirichlet modelling and perform over time. It also shows that 'niche' *positioning* strategies are ineffective for growth as few small or micro

brands exhibit 'niche' *outcomes* in the first place. Finally, the most significant contribution of this study is the knowledge that small brands grow through penetration in much the same way as larger brands, despite commonly showing deficit loyalty for their size. This discovery opens the door to extensive further investigations about how generalisable it is across different conditions.

Keywords

Small Brands, Double Jeopardy, Dirichlet Model, Brand Growth, Brand Loyalty