

A replication and extension of unbearable lightness of buying

Submission for the award of Masters by Research
(Marketing)

Afsana Hossain

Master of Business Analytics (Western Sydney University, Australia)

Supervisors:

Dr Zachary William Anesbury

Associate Professor Giang Trinh

Associate Professor Carl Driesener

Ehrenberg-Bass Institute for Marketing Science

University of South Australia Business

August 2023

Abstract

A business's success in managing its brand sales and driving brand growth depends on understanding the purchasing behaviour of all buyer groups. Previous research has prioritised heavy buyers, as they contribute significantly to the brand and category sales (Anesbury et al. 2020; McCarthy & Winer 2019; Rungie et al. 2002). However, recent studies (Dawes et al. 2022; Graham et al. 2017; Graham & Kennedy 2022) reveal that most buyers are ultra-light over the longer term (i.e., five years) are ultra-light and accounts for around 40% of sales. This study aims to replicate and extend these findings to gain a deeper understanding of the long-term behaviour of ultra-light buyers, building on the work of Dawes et al. (2022).

According to Graham et al. (2017), ultra-light buyers constitute a group of purchasers who buy the brand five times or less in five years (average once a year or less). This thesis aims to contribute to marketing literature by examining ultra-light buyers' cumulative growth and proportion of the buying base, and their sales contributions. The thesis aims to further examine ultra-light buyer behaviour by extending the research of Dawes et al. (2022) by including volume and value (\$) metrics. Additionally, this study will compare the sales contribution of ultra-light buyers across different brand characteristics (i.e., national vs private brands, high-price vs low-price brands, and stable vs growing vs declining brands).

Theoretically, the Pareto law indicates that heavy buyers (the top 20%) contribute 80% of brand sales (Hallberg 1995a). However, empirically, heavy buyers' contribution is closer to 60% of brand sales over the course of a year (McCarthy & Winer 2019). Furthermore, about 50% of this year's heavy buyers are not heavy in the

next year, and their contribution typically decreases by about 5% (Romaniuk & Wight 2015). Heavy buyers become lighter as time passes - a regression to the mean effect (Sharp 2010a). Further contradicting the assumed importance of heavy buyers, recent research found that increasing the number of new buyers and light buyers are critical for brand growth (Dawes 2016; Nenycz-Thiel et al. 2018; Romaniuk et al. 2014a).

According to Sharp (2010a), light buyers, who purchase a brand once or twice a year, often make up approximately 50% of total buyers in one year, yet their impact on long-term brand sales requires further research. Graham et al. (2017) introduced the concept of ultra-light buyers, using United Kingdom (UK) panel data of the top ten brands from 20 consumer goods categories in two five-year periods (i.e., 1999 to 2005 and 2009 to 2014), showing that, on average, eight out of every ten brand buyers purchase the brand only once a year or less often, accounting for 43% of total purchase occasions. Dawes et al. (2022) confirmed these findings, showing that ultra-light buyers are 81% of a brand's buyer base over five years and contribute 39% of brand purchase occasions. Their investigation was based on 200 brands within ten categories within the UK (United Kingdom). More recently, Graham and Kennedy (2022) conducted a study of 55 leading advertised brands of the UK (United Kingdom) market in 12 consumer goods categories and found that ultra-light buyers represent 77% of the brand's buyers and contribute 44% of purchase occasions.

Despite these findings, previous studies on ultra-light buyers have only considered the sales contribution in terms of purchase occasions and ignored the crucial marketing metrics of volume and value (i.e., revenue). Additionally, no studies have examined how the proportion and contribution of ultra-light buyers vary with

different brand characteristics. Hence, it is crucial to examine the behaviour of ultra-light buyers further to deepen marketers' understanding of their importance and create effective brand growth strategies for the industry, given the significance of different buyer types.

To address these gaps, this study examines Kantar UK panel data (Kantar Worldpanel 2022) from 12,407 continuously reporting households and 853 brands from 56 categories between 2010-2014. Prior research (Dawes et al. 2022) have used the same UK data, where considered only 200 brand and 10 categories. To extend the prior research findings considering the critical research gaps, the following four research questions (RQ) are pertinent:

RQ1: How does customer penetration accumulate for a stable brand in a successively longer planning period, for example, from year one to year five?

The results show that, on average, brand penetration more than doubles in five years (an average of 6% in year one to 14% for year five), revealing ongoing buyer acquisition over the long-term. These findings are consistent with previous research (Dawes et al. 2022).

RQ2: What proportion of a brand's long-term buyer base is ultra-light, i.e., buying on average once per year or less?

The results of RQ2 show that, on average, 62% of buyers in five years are ultra-light, varying from 32% to 93% across the categories.

RQ3: What is the sales contribution of ultra-light buyers over five years in terms of occasion, volume, and value?

The results show that, on average, ultra-light buyers contribute 32% of purchase occasion sales, 31% of volume, and 31% of value.

RQ4: Do the sales contributions of ultra-light buyers differ between **(a)** private label vs national brands, **(b)** high vs low-priced brands and stable, and **(c)** declining vs stable vs growing brands?

Findings RQ4a: Ultra-light buyers contribute significantly less to private labels than national brands (28% vs 37%).

Findings RQ4b: Ultra-light buyers contribute slightly more to high-price brands than low-price brands (33% vs 30%).

Findings RQ4c: Ultra-light buyers contribute significantly more to stable brands (about 34%) than declining brands and growing brands (28% and 25%, respectively).

A closer examination of the impact of brand type, price, and trajectory on the contribution of ultra-light buyers shows that brand types (i.e., private vs national brands) interact with price (high vs low) and trajectory (growing, stable, and declining) and affect the contribution of ultra-light buyers. The study also finds that high-priced private labels have more ultra-light than low-priced private labels, whereas low-priced national brands have higher sales contribution (about 40%) than high-priced national brands (i.e., around 36%). As well, the findings revealed that declining and growing private labels have a lower contribution from ultra-light buyers (around 20% and 19%, respectively) than stable private labels (about 30%), while there is no difference between declining and stable national brands (around 38%). In addition, although ultra-light buyers' contributions do not significantly differ in high-price brands across

decline, stable and growing brands, the low-price stable brands (30%) show greater sales contributions than low-price declining and growing brands (around 26% and 20%, respectively); But low-price decline brands have a greater sales contribution of ultra-light buyers than low-price growing brands.

This thesis explores the behaviour of ultra-light buyers, investigating their proportion of buyers and contribution of buying regarding the occasion, volume, and value, and the differences of their contribution across the diverse brand characteristics. This study replicates and expands the work of Dawes et al. (2022) by using more brands and expanding the number of categories in the UK market. This extension will add more knowledge and differentiate the prior knowledge. Furthermore, extensive data from the same source with broaden market scope will ensure more empirical validity and enhance the practical value for advancing theoretical understanding and improving business performance. Theoretically, the findings enrich the knowledge of how a brand's penetration grows over the longer term (i.e., five years), what proportion of buyers are ultra-light, how much they contribute in terms of occasion, volume, and value, and how the contribution varies in different brands. All the obtained knowledge will contribute to the theory of consumer behaviour, specifically regarding the law of Pareto share in marketing and inform brand management strategies. Brands can use the information of ultra-light buyers' contributions and their variations in response to varying brand metrics and conditions to design an effective strategy for their long-term brand growth.

This study also provides practical knowledge to brand managers on the contribution of ultra-light buyers to brand sales. The study shows that a large

proportion of a brand's buyers are ultra-light (62%), highlighting the importance of these buyers to the brand. The study also shows that the contribution of ultra-light buyers to the volume and value of brand sales is almost 31%. Suggested here is that advertising could be a strategic pathway to increase sales to ultra-light buyers since they are not sensitive to price. The research provides empirically derived guidelines for brand managers and agencies to make strategic decisions. The study contributes to the brand growth strategy of national and private label brands by showing the impact of changes in the proportion of ultra-light buyers and the relationship between brand growth and brand types. All groups of customers, including ultra-light buyers, should be managed properly to protect the brand decline and to increase the brand growth.

The outcome of this study suggests almost 32% of sales contribution in five years of consumer buying originated from ultra-light buyers; thereby there is value in future research investigating the contribution of heavy buyers over the longer term. How important are heavy buyers to the brand? Further investigation of heavy and moderate buyers' proportions and contributions is essential to explore long-term buyer behaviour. A key limitation of this study is that it investigated consumer goods brands only and in one market (UK). Future research could extend to different product categories (e.g., durables and services), different countries (e.g., developed and developing countries), and longer periods (e.g., ten years). Above all, whilst the study has made many critical findings as delineated above, future research can consider other important brand characteristics, such as brand size (small vs large brand), brand channels (online vs offline), and category characteristics, like storable vs non-storable, growth vs decline, and high vs low priced categories, to expand our knowledge of this topic.