

Growth: Three Ways

Penetration, Frequency, Premiumisation

A Forge Perspective



01 /03

Penetration



The Quest for Growth

Growth is rarely straightforward.

As an industry, marketing has never been short of ideas about where top-line growth will come from.

Navigating this flood of ideas – many of which are simply tactics – leads many marketers astray.

But when you boil it down, there are just three ways to achieve revenue growth for your brand.

You need to either:

- 01 win more people, (increase penetration)
- 02 win more often (increase frequency)
- 03 win more money (premiumise)

And while it's true that these approaches are not mutually exclusive, it can be helpful to think about them as three separate levers.

Over the course of three articles, we'll look at each of these levers in turn. We will explore what's involved and give you practical advice to make the growth challenge less overwhelming.

Part 1: Increasing Penetration – Win More People

When seeking to win more people and increase your penetration, the first step is to decide who it is you are trying to attract. It's simply not worthwhile (or possible), to use a limited budget to effectively target everyone, you need to start with a clear idea of who you are seeking to recruit and why you think they will be attracted to your offer.

The penetration challenge requires you to have a clear idea of who you are targeting.

Penetration is what you achieve when you have intentionally sought to win more customers. To achieve penetration, you need to drive appeal among your target customers and then find more ways to 'invite' more people in.

Note: when we hear people dissent from this view it is usually based on a misunderstanding of Sharpian theory. Sharp has never suggested that you approach the penetration challenge by targeting everyone – he is simply suggesting that in a world where people are less loyal you should provide opportunities for more customers to find and choose you.

Mars is a great example of a business who understands this.

It has a portfolio of brands that are precisely targeted at a core set of customers; having then established its saliency with those customers, Mars focuses on finding more ways to bring more people in – often by exploiting seasonality and format - think Mars Bunnys, Mars Duo etc.

So, if you are a brand that believes it has the headroom to win new customers, how do you approach this challenge?

Key is to segment your category to understand who your brand should be targeting and how you can meet the needs of your priority customers. This typically involves 4 steps.

i) Segmenting your category to identify all the segments that exist

When seeking to win more customers, it usually makes sense to segment at a category level vs. a brand level. That way you may find valuable, previously unknown segments and your evaluation won't be constrained simply by the customers you already have.

An effective segmentation will also take account of needs and attitudes that permeate across different genders, age groups and socio-economic classes, revealing emerging trends that may be impacting a whole category.

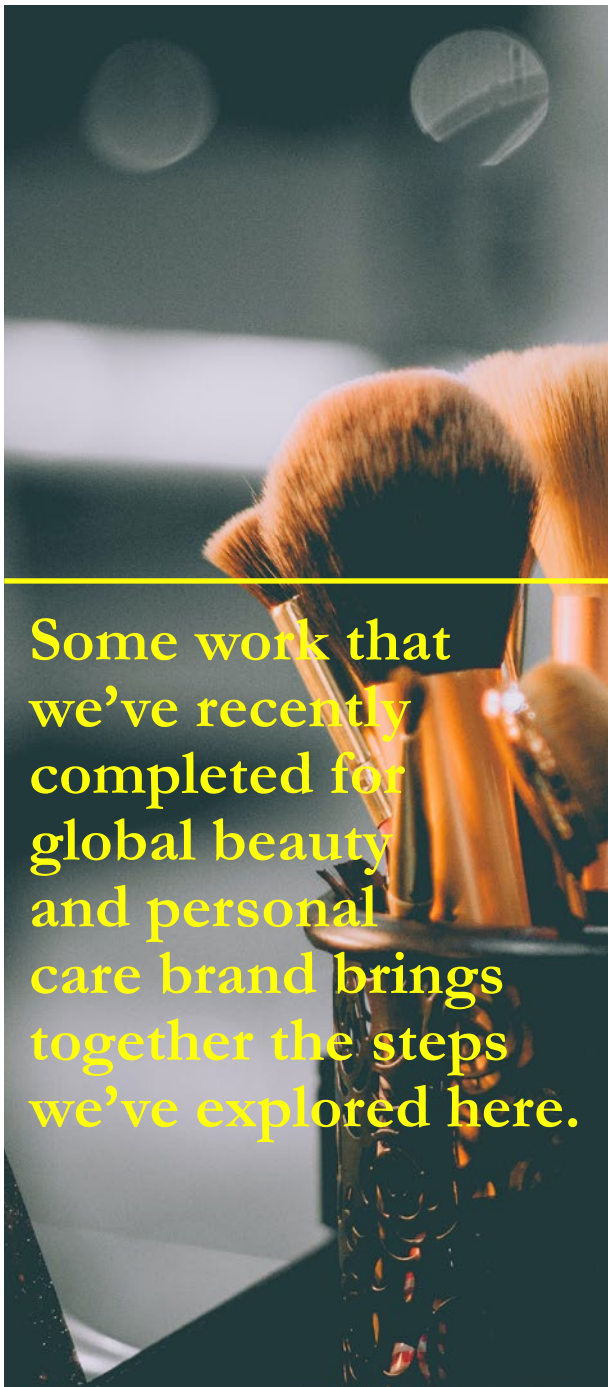
ii) Prioritise segments based on the size of the prize and fit with your brand / proposition

With a much clearer idea of the total addressable value of the segments that exist, you can begin the process of deciding who you should target. The decisions around which segments should be prioritised, will be based on several factors, including size, spend etc. but key to the decision will be the relevance or 'fit' of your brand among those segments that appear to offer the best opportunity for growth. When it comes to this assessment, understanding your own intrinsic qualities e.g., product truths, heritage and values can make these decisions much easier.

iii) Organise your portfolio of brands/ products/services to align with your priority segments

Once you are clear about which segments to target, you need to ensure you have organised your portfolio, (or aligned your product or services) in such a way that it fits with needs of your priority segments. This may mean setting clear swim-lanes for a specific portfolio, and/or sharpening the proposition or offer being made to the customer.

Start with a clear idea of who you are seeking to recruit and why you think they will be attracted to your offer



Some work that we've recently completed for global beauty and personal care brand brings together the steps we've explored here.

iv) Innovate new products / reposition brands / adjust channel strategy to attract attention and meet the needs of the new target segments

Sometimes it will become evident that you aren't able to meet all the needs of your priority customers within the confines of your existing portfolio. In these instances, it may make sense to think about introducing new offers, repositioning brands, or adjusting a specific channel strategy. The skill is to understand what is possible within the portfolio that you have and then using the segmentation to meaningfully inform the creation of new sources of value.

How we helped a cosmetics business win more customers

A cosmetics client wished to grow their brands by winning more customers. We approached this challenge by helping them conduct a large-scale, multi-market segmentation of the beauty and personal care category. **By focusing on attitudes and propensity to spend, we were able to identify 8 core segments, but direct them to the 3 that offered them the best potential to win more customers.**

A renewed focus on 3 core segments is now helping them to sharpen its 5Ps and bring greater clarity and focus to the whole organisation.

This work has also helped them understand that specific segments are motivated by different drivers, e.g., those motivated primarily by science will tend to be more resistant to natural propositions vs. other segments where naturals will potentially have a greater role to play.

Let's recap

Pursuing growth and driving penetration involves understanding i) who you are targeting, ii) how much headroom they offer, and iii) a clear understanding of what you can meaningfully offer to your consumer.

Once you're successfully addressing your target, you can then devote some time and attention to also exploring the ways in which you can invite even more people to the party.

Coming next

This is the first in a series of three articles about how to achieve growth for your brand. Next we will look at increasing frequency, before covering premiumisation in the final article.

If you would like to discuss any of the topics discussed within these articles you can reach us at hello@theforge-uk.com.