

Is Brand Loyalty Declining?

March 2021
Paul Donato

https://www.iab.com/wp-content/uploads/2019/02/IAB_Direct-Brand-Economy-2019-Report-Short-Form-2019_2_11_FINAL-3.pdf

In most categories, **direct brands** are stealing share from incumbents...



- More than 100 "bed-in-a-box" companies like Casper, Leesa, and Purple doubled U.S. market share between 2016-2018, to about 10%, as leading incumbent Tempur Sealy saw sales decline 4.6% in the first half of 2018 and the largest American retailer, Mattress Firm, declared bankruptcy.

A More Subtle Proposal

Numbers, Please

Will Digital Commerce and Analytics Be the Death of Traditional Brands?

GIAN M. FULGONI

comScore, Inc.

gianfulgoni@comscore.com

INTRODUCTION

Digital commerce, enabled by digital analytics, has created and satisfied consumers' insatiable desire for immediate gratification. "Consumers today want what they want when they want it and they don't expect to pay a premium to get it fast," Mark Mathews of the National Retail Federation told conference attendees in January (Shearman and Smith, 2018).

of this data bounty—perhaps because they are merchants first and foremost, rather than experts at digital analytics.

As if the digital challenge from Amazon wasn't enough, store retailers now have to contend with Amazon on their home turf. The company acquired Whole Foods in 2017 for \$13.7 billion and launched its analytics-driven Amazon Go stores in 2018 (Wingfield, 2018).

Is Brand Loyalty Really in Decline?



- IRI has provided a 10-year dataset of weekly purchase (2010 – 2019)
 - Short Cycle: Salty Snacks
 - Mid Cycle: Pasta Sauces
 - Long Cycle: Deodorants



- NCS has provided a 5-year dataset of weekly purchase (2015 – 2020)
 - Short Cycle: Cookies, Snacks & Candy
 - Mid Cycle: Shelf Stable
 - Long Cycle: Personal Care
 - + Baby, Beauty, Beer Wine & Spirits, Beverages, Deli, Frozen, Laundry, Meat, Medicines, Paper, Pet

Is Brand Loyalty Really in Decline?



- Consecutive Purchases Annualized
- Penetration Share
- Brand Dollar Share
- Brand Buy Rate

$$\text{Penetration Share (PS)} = \frac{\sum \text{Number of brand buyers}}{\sum \text{Number of category buyers}}$$

$$\text{Brand Buy Rate (BBR)} = \frac{\sum \text{Brand sales amount}}{\sum \text{Number of brand buyers}}$$



- Trial and Depth of Repeat
- Penetration Share
- Brand Dollar Share
- Brand Buy Rate

$$\text{Brand Dollar Share (BDS)} = \frac{\sum \text{Brand sales amount}}{\sum \text{Category sales amount}}$$

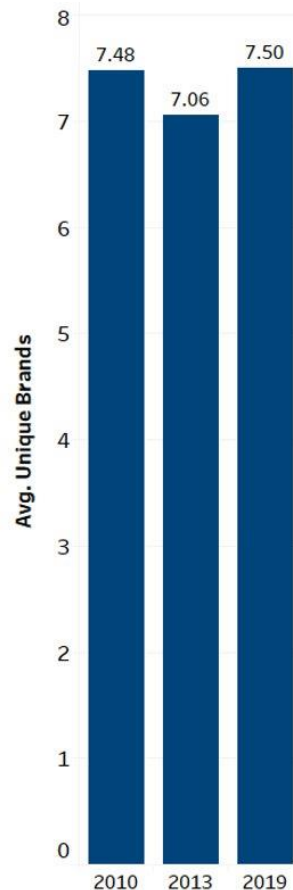


Category	Tiers	Brand Market Share	Tier Market Share	Number of Brands
Salty Snack	Top	>= 5%	50 %	6
Salty Snack	Middle	2-3 %	17 %	6
Salty Snack	Bottom	<= 1%	33 %	169
Spaghetti Sauce	Top	>= 10%	65 %	4
Spaghetti Sauce	Middle	3-7 %	24 %	5
Spaghetti Sauce	Bottom	<=1 %	11 %	37
Deodorant	Top	>= 10%	56 %	4
Deodorant	Middle	4-6 %	28 %	6
Deodorant	Bottom	<= 2%	16 %	164

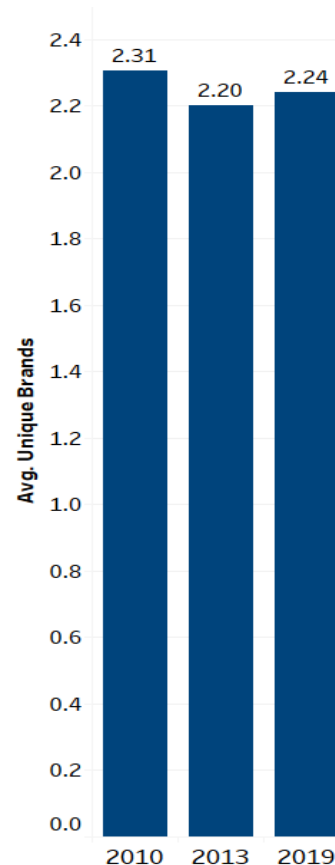
Categories	Number of Brands Analyzed
Cookies, Snacks and Candy	6
Shelf Stable	4
Personal Care	9
Additional Categories	31

All Data Deseasonalized

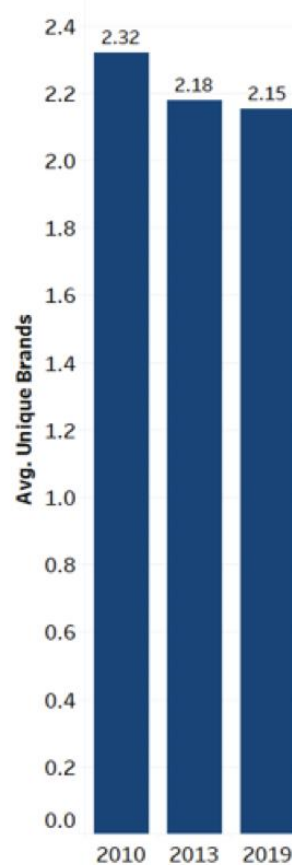
Number of Unique Brands Purchased



Salty Snacks

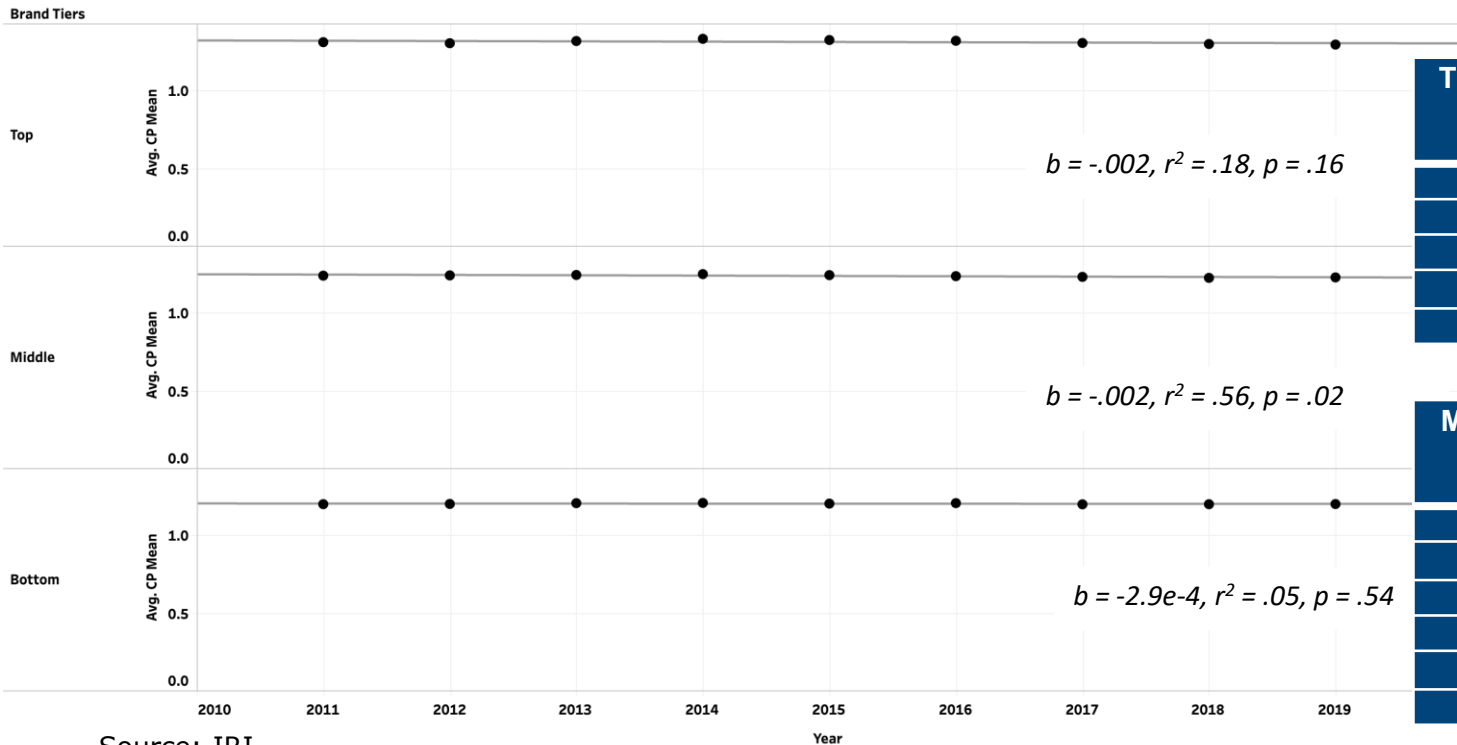


Pasta Sauces



Deodorants

Salty Snacks: Consecutive Purchases

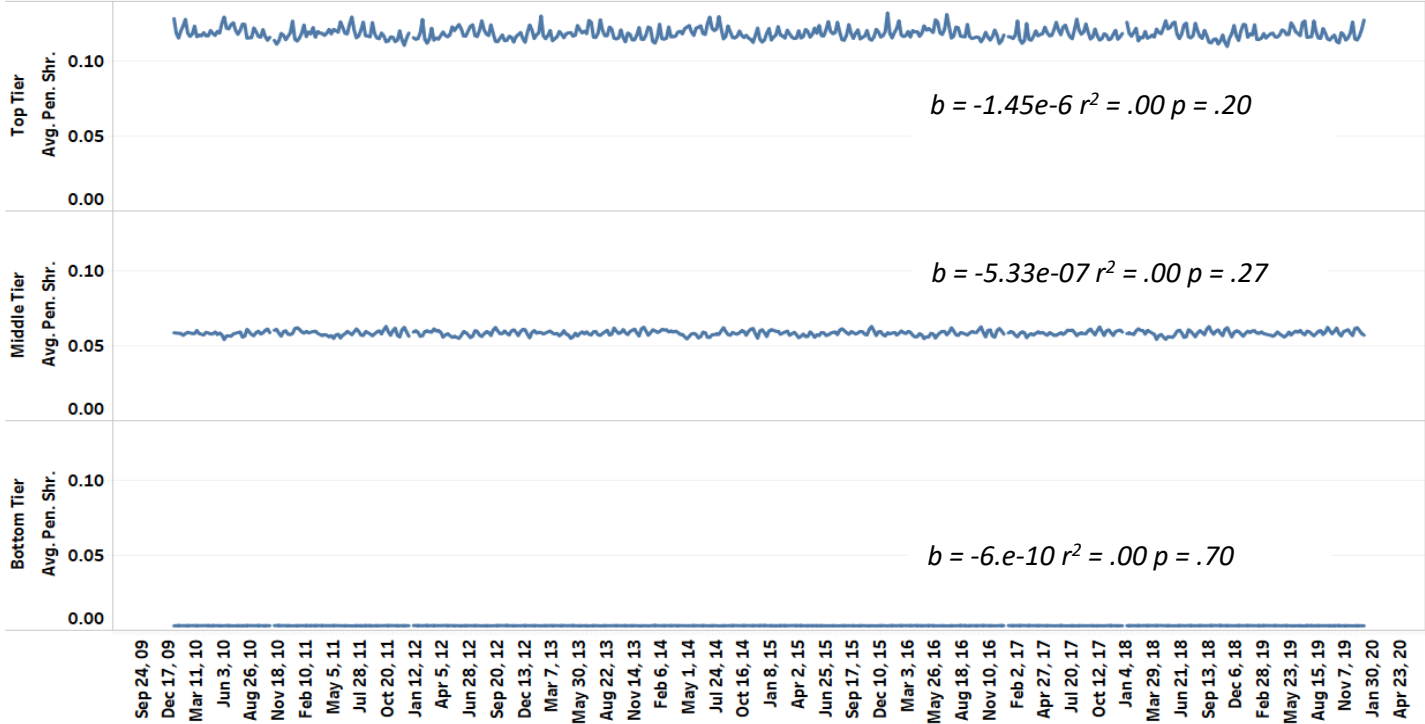


Top Tier Brands	Consecutive Purchase
A	-.006*
B	-.001
C	.000
D	.000
E	.004*

Mid Tier Brands	Consecutive Purchase
A	-.012*
B	-.004*
C	-.004*
D	-.002*
E	-.001
F	.002*

Salty Snacks: Penetration Share

$$Penetration\ Share\ (PS) = \frac{\sum Number\ of\ brand\ buyers}{\sum Number\ of\ category\ buyers}$$

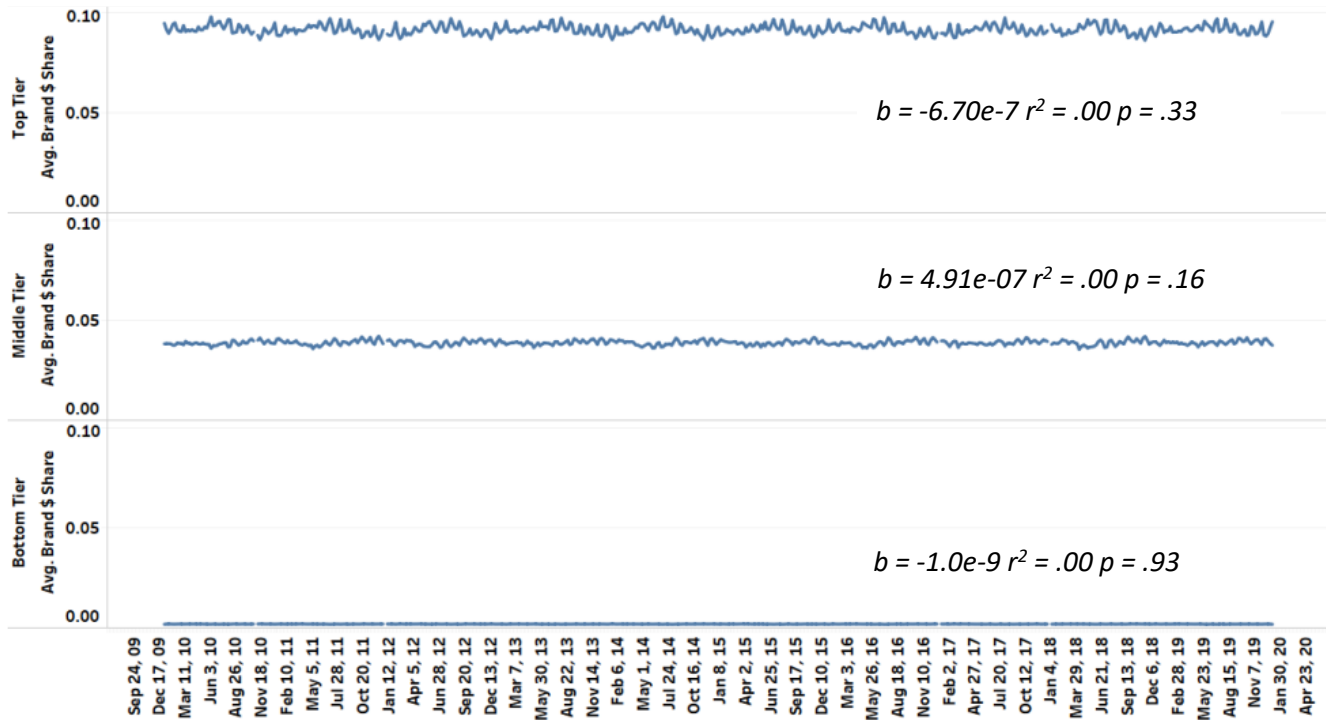


Top Tier Brands	Brand Penetration Share
A	-1.0e-4*
B	-1.3e-5*
C	-7.4e-6
D	1.6e-6
E	3.6e-5*

Mid Tier Brands	Brand Penetration Share
A	-3.9e-6*
B	-3.3e-5*
C	-1.6e-5*
D	-2.5e-5*
E	1.2e-5*
F	1.1e-5*

Salty Snacks: Brand Dollar Share

$$\text{Brand Dollar Share (BDS)} = \frac{\sum \text{Brand sales amount}}{\sum \text{Category sales amount}}$$

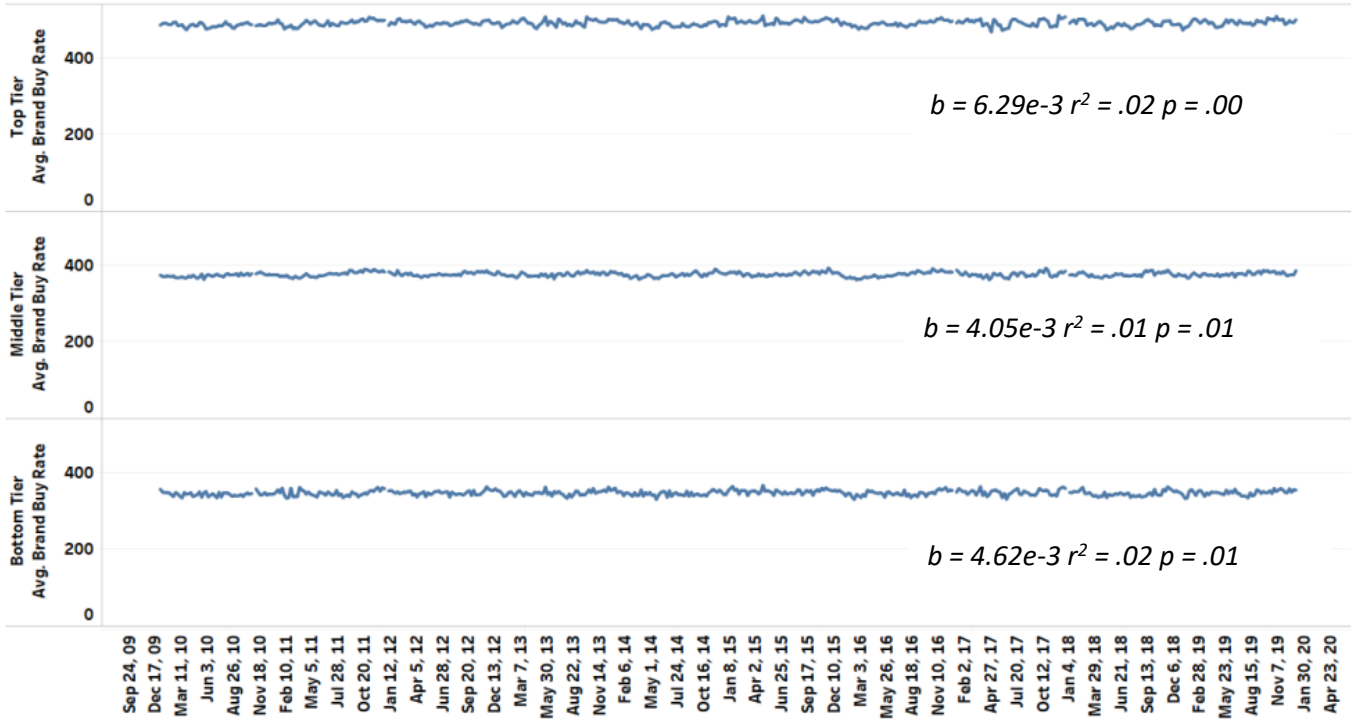


Top Tier Brands	Brand Dollar Share
A	-9.5e-5*
B	3.5e-6*
C	-1.3e-5*
D	2.3e-5*
E	3.2e-5*

Mid Tier Brands	Brand Dollar Share
A	2.8e-6*
B	-2.3e-5*
C	-9.6e-6
D	-4.1e-6*
E	7.8e-6*
F	2.4e-6*

Salty Snacks: Brand Buy Rate

$$\text{Brand Buy Rate (BBR)} = \frac{\sum \text{Brand sales amount}}{\sum \text{Number of brand buyers}}$$



Top Tier Brands	Brand Buy Rate
A	-.02*
B	.10*
C	-.03*
D	.36*
E	.06*

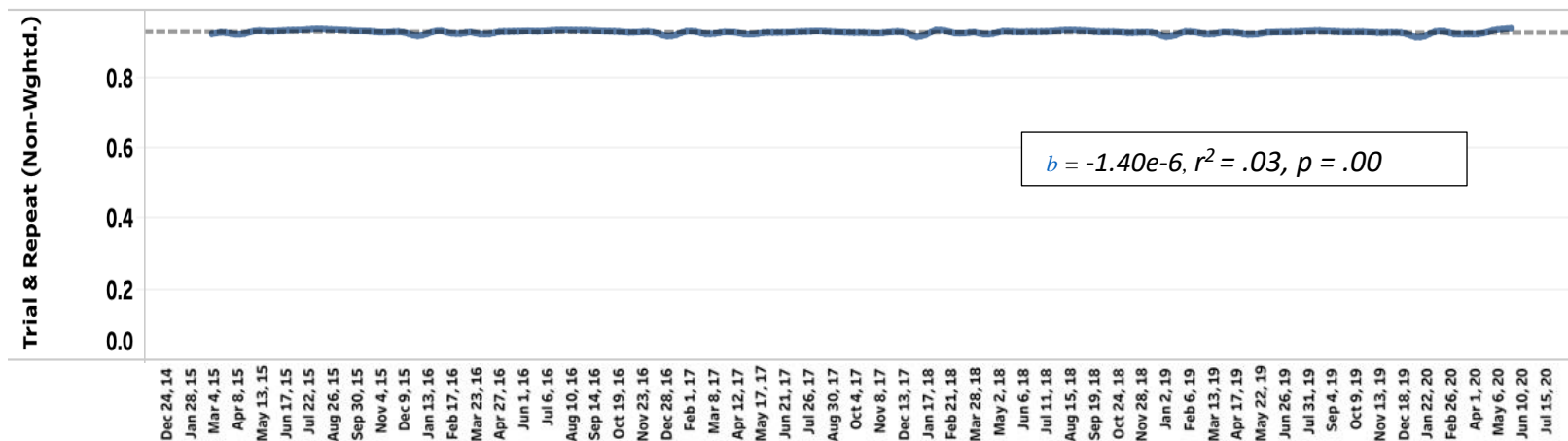
Mid Tier Brands	Brand Buy Rate
A	.11*
B	.01
C	.05*
D	.13*
E	.03*
F	-.04*

Salty Snacks: Regression Coefficients

Top Tier Brands	Consecutive Purchase	Brand Penetration Share	Brand Dollar Share	Brand Buy Rate
A	-.006*	-1.0e-4*	-9.5e-5*	-.02*
B	-.001	-1.3e-5*	3.5e-6*	.10*
C	.000	-7.4e-6	-1.3e-5*	-.03*
D	.000	1.6e-6	2.3e-5*	.36*
E	.004*	3.6e-5*	3.2e-5*	.06*

Mid Tier Brands	Consecutive Purchase	Brand Penetration Share	Brand Dollar Share	Brand Buy Rate
A	-.012*	-3.9e-6*	2.8e-6*	.11*
B	-.004*	-3.3e-5*	-2.3e-5*	.01
C	-.004*	-1.6e-5*	-9.6e-6	.05*
D	-.002*	-2.5e-5*	-4.1e-6*	.13*
E	-.001	1.2e-5*	7.8e-6*	.03*
F	.002*	1.1e-5*	2.4e-6*	-.04*

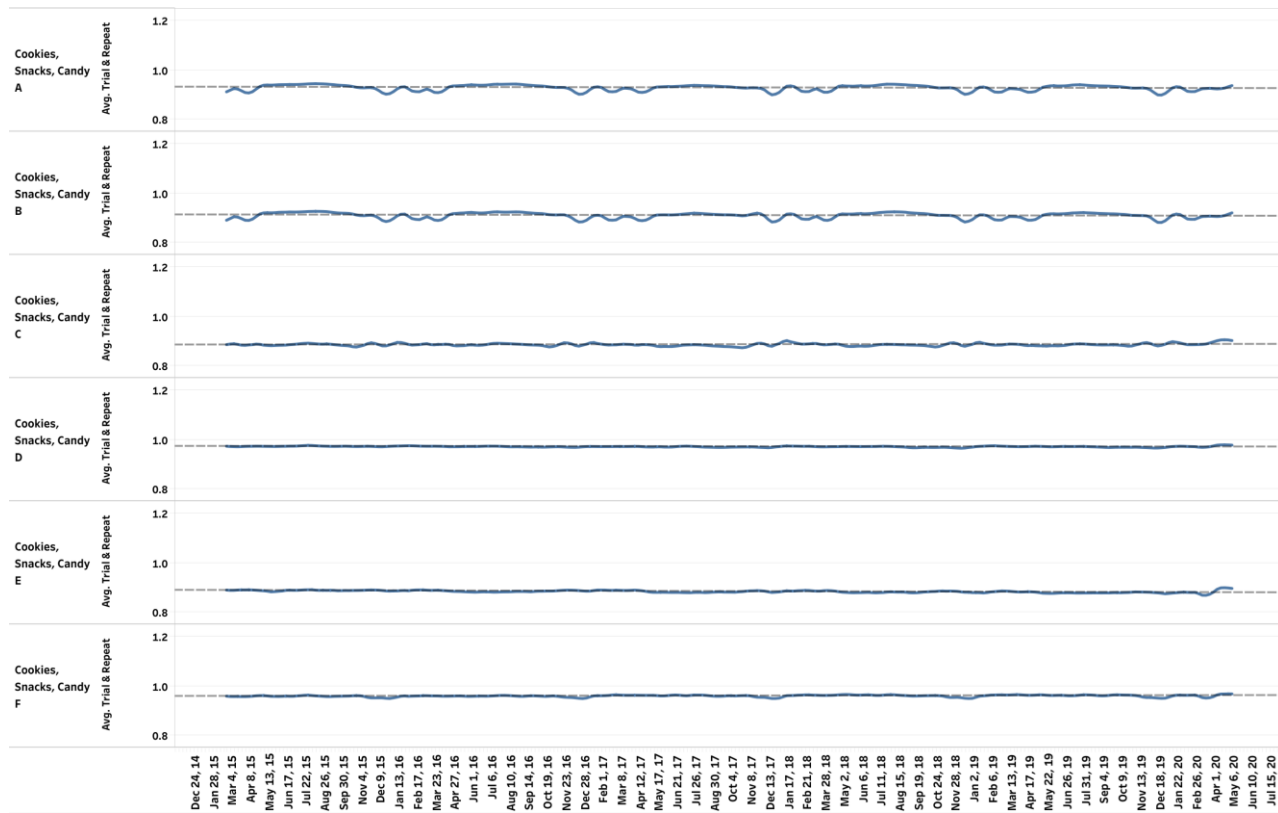
Cookies, Snacks and Candy: Trial and Repeat



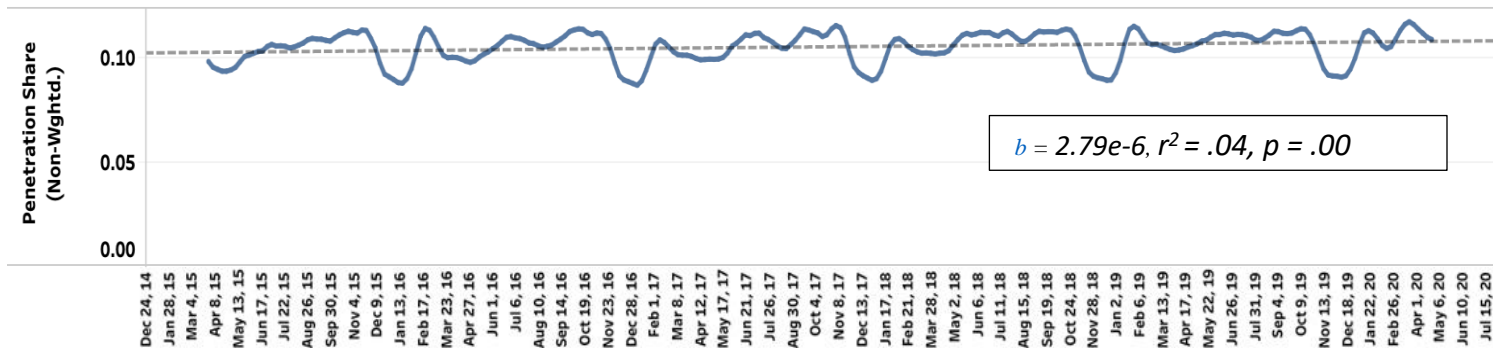
- No perceptible decline in major brand trial and repeat rates
- Trial and repeat consistent with levels of consecutive purchase

Cookies, Snacks and Candy: Trial and Repeat

- No perceptible decline in any major brand trial and repeat rates
- Trial and Repeat consistent across brands



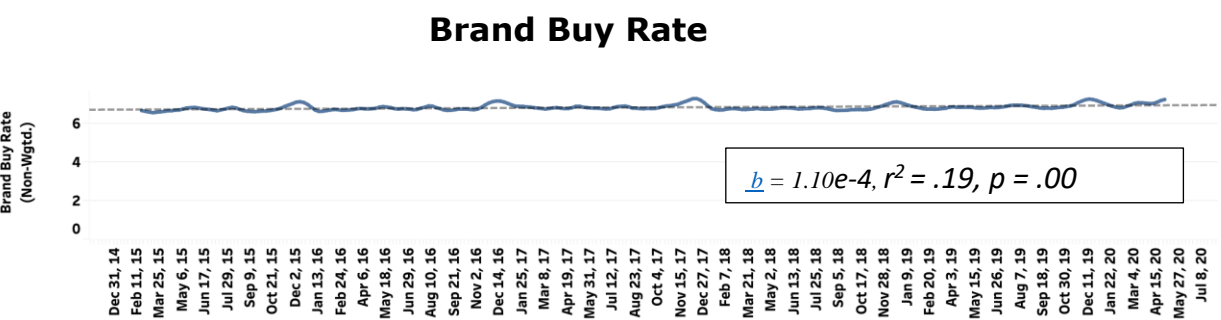
Cookies, Snacks and Candy: Penetration Share







Personal Care



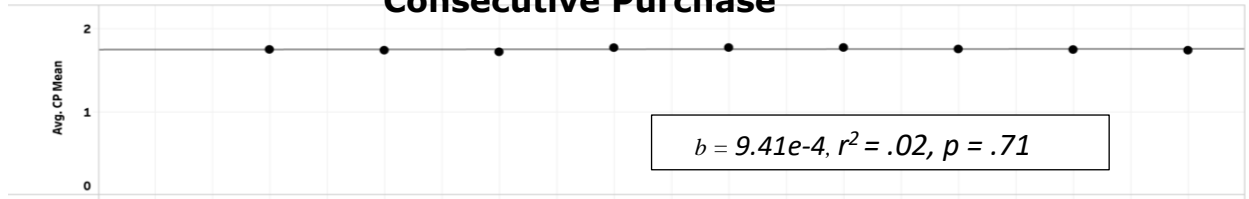


Pasta Sauce

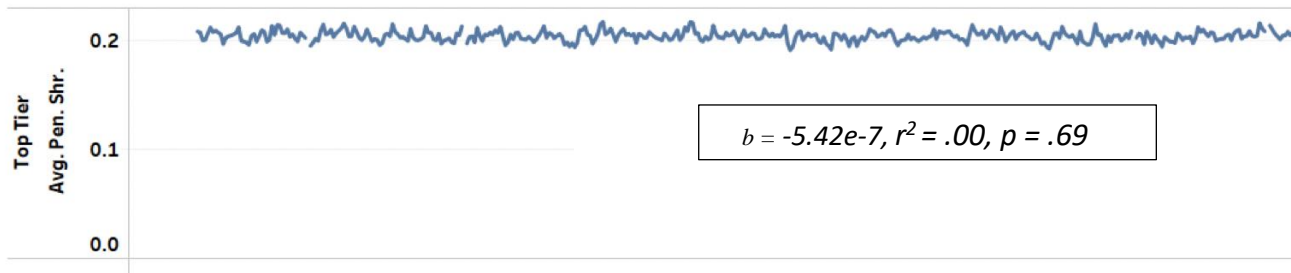


Source: IRI

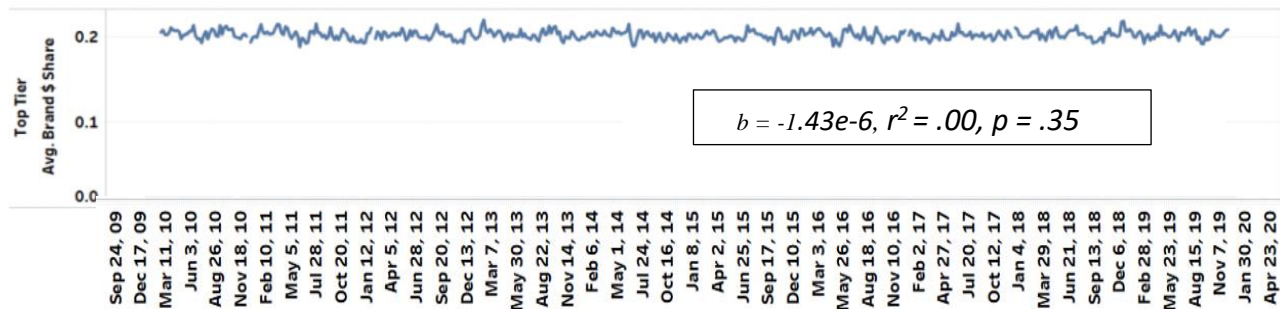
Consecutive Purchase



Penetration Share



Brand \$ Share



Conclusions

- No evidence of significant decline in loyalty to traditional brands
 - But very slight declines can yield significant increases to tiny DTC brands
- High consistency between panel and loyalty card
- 2020 requires separate analysis into 2021, 2022, ...
 - ARF's ***What Brands Did In 2020***



<https://www.mmaglobal.com/thegreatdebate/leslie-wood-building-brands>

www.iriworldwide.com/en-US/Insights/Subscribe