Are Big Brands Dying?

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Fact or fiction?

Big brands pay the salaries and provide investment returns for many millions of people via pension funds. So if anyone declares that big brands are dying they receive a great deal of attention.

There is quite a long history of such alarms, going back at least to 1993's "Malboro Friday". Recently, there have been claims that big/global brands are losing to small/local brands. Theories have hastily been put forward why this might be, leading to marketing strategy recommendations.

But what is fact and what is fiction? And what strategies make sense for big brands? We report extensive new analyses along with the scientific research (published in peer-reviewed journals).

We specifically investigate the following assertions:

	Assertion	Evidence
1	Big/global brands are declining. While small/ local brands are growing.	There is no universal pattern. Some big brands have gained share while some have lost share. But the share losses are mostly in growing categories so more big brands have grown, than lost sales revenue. Some small brands are growing, some have failed and disappeared
2	Brand loyalty is declining.	Evidence refutes this.
3	People increasingly distrust and reject big brands.	Evidence refutes this.
4	Small brands command high levels of loyalty.	Myth. Small brands actually attract less loyalty.
5	Digital media has given small brands a cheap way to reach consumers - "levelling the playing field". Big brands need to use more new media.	Wrong interpretation. Actually wasted advertising spend on unproven new media has probably hurt large brands more than small.
6	Small brands are successful without advertising.	Misleading. It's long been true that some fortunate small brands can grow without mass advertising – but then they need advertising to stay big. Most new brands need mass reach in advertising and routes to market.
7	E-commerce has opened up direct-to-consumer opportunities for small brands.	E-commerce has helped some small brands get started.

The notion that large brands are dying is simply not true. Nor has the world fundamentally changed in a way that favours small brands over big.

We conclude that there have been some shifts in the marketing environment that have created new opportunities for some new comers, but some of the current claims are over-stated and others are blatantly wrong. There have also been changes that are potentially advantageous for large brands.

We end with listing six strategic mistakes that big brands have made over the past 10-20 years, but conclude that these can be, and are being, corrected. Big brands must play to their strengths, and avoid knee-jerk reactions to myths and specious claims.

1. Big/global brands are declining. While small/local brands are growing.

In 2013, IRI reported that between 2009-12 extra-small, small, and medium sized US packaged goods firms had taken 1.4 share points from the largest players, which were left with (just) 60.6% share. This year, Nielsen reported that the value share held by the largest manufacturers in developed markets over the last 12 months was essentially the same as the previous two years, while the smallest manufacturers and store brands each gained almost a percentage point of share.

It's easy to confuse, oneself or others, when analysing growth. Growth/decline in category share does not necessarily mean growth/decline in sales revenue because overall category sales can also grow or shrink. Hence, in this report, we will be very specific about what we are talking about, as we discuss $ share and $ sales.

In growing categories it is expected that big brands lose some share, as category growth attracts competition, and the Duplication of Purchase Law (Ehrenberg and Goodhardt, 1979; Lomax, 1996) tells us to expect that more of a [new] brand's sales will come from buyers of a larger brand than a smaller brand. However, losing share in a growing category can still mean healthy sales gains for big brands, e.g. Apple has lost a dramatic amount of share in the smartphone category while simultaneously experiencing dramatic growth in sales revenue.

Small brands are able to post higher percentage growth than large brands because any growth is from a low sales base. But they are also more likely to fall completely out of the market than big brands. 'Survivor bias' can cause another error in analysing growth: it's only the shares of surviving small brands that are tracked so the average performance of small brands is inflated.

Big brands are more secure and their sales are less variable than small brands. This makes them more valuable to investors. One might also fear that the natural trajectory of leading brands is downwards – yet the resilience of leading brands has been rather astonishing in the face of much social and technological change; the lists of top brands in many consumer goods categories look remarkably similar decade after decade. This, ironically, is what gives new brands motivation to invest to try to win share because if they get big they might be able to stay big.

Findings

We analysed 4-5 years[1] of recent Nielsen store scanner data from 21 packaged goods categories in the US market, from baby food to beer. The 105 leading brands we report on here are all in the top 5 national brands in each category.

We considered a leading brand to be in **share decline (or growth)** if its share of category sales revenue was at least 0.1 of a percentage point lower (or higher) in the final year than the first. We deemed this was sufficient to account for trivial market vagaries.

We considered a category or brand to be in **sales revenue decline** if sales were lower at the end of the 4-5 years than at the start. While we classed a category or brand as **growing revenue** only if its total revenue was higher than 5% in the final year than the first[2]. The 5% hurdle at least partially accounts for the (low) rate of price inflation for the packaged goods we analysed.

These hurdles for growth meant that of the seven categories classed as stable all but one of them (soft drinks) actually grew in sales revenue somewhat (just less than 5%). Similarly most brands grew in nominal dollar sales over the period.

We found that:

- 48% of the top 5 national brands grew sales revenue (more than 5%), while 40% lost some revenue. This is in the face of competition from private labels, new brand launches, and smaller brands. Of those that lost some of their revenue, it varied greatly from -0.3% for Sun in laundry care to -93% for White Cloud in diapers.
- The combined value share of the top 5 national brands in each category is usually very large (around 63% of the total market including private labels). Of these leading national brands, 44% lost value share, while 44% grew share.
- Whether any brand is growing or not depends on category dynamics – growth, decline, or stability. If the category is growing then brands are also more likely to be growing in sales revenue. If the category is growing then big brands that lose share may still be growing revenue.
  - In the yogurt category, which experienced high growth recently, Yoplait (#1 in 2011) has managed to maintain sales revenue but lost much share, while Danone (#2) grew both sales revenue and value share (in spite of the rise of Chobani).
  - Some brands managed to lose sales and share e.g. Folgers and Maxwell House lost both, likely due to being confined to instant coffee which is not a growing part of the coffee market. In the beer category none of the top 5 brands did well recently, with four out of five top brands losing both $ share and some $ sales revenue. Gerber in baby food, also lost some share (it has a massive 60% share) and sales revenue, probably partly a consequence of Plum Organics recording outstanding growth from 1% of value share to 7% (2011-2016).

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1 (7 categories, till Q2 2016; 14 categories, year-to-date 2017).

2 These differences in threshold mean that in the categories that were classed as stable there was actually one brand (of the 35) that grew share but not enough in sales to be counted as growing. And there were two brands that lost sales revenue in stable categories but not enough to be classed as losing share. We don't show this detail in the stable categories column of Table 1 so as not to confuse readers.

- In stable categories a leading brand has the challenging job of winning share if it is to grow its sales revenue. An impressive 43% of the leading brands in stable categories managed to do this (in the face of competition from small brands and private label). Then again, 40% lost share in these categories.
- In a category where sales decline, any brand that fails to win share is guaranteed sales losses. In soft drinks, the sole category in our data set that declined in sales revenues[3], Pepsi lost share and, of course, sales revenue. While Coca-Cola managed to maintain, and Sprite even succeeded in growing its sales revenue (by 7%) and share (1pp). So even in categories in overall sales decline it is not guaranteed that a leading brand will lose revenue.

Table 1: Performance of leading (top 5) brands in 21 categories (USA)

Leading Brands:	in growing (13) categories	in the sole declining category	in stable (7) categories	Total results for leading brands
# of brands	65	5	35	105
grew share	45%	40%	43%	44%
grew sales	54%	20%	(same as above, by definition)	48%
lost share	46%	40%	40%	44%
lost sales	35%	60%	(same as above, by definition)	40%

- In categories where premium new entrants have seized opportunity, such as yogurt (where US consumption is 50% lower than Europe) or beer (where average prices were lower than elsewhere in the world), some large brands have indeed lost share to some successful new comers, such as Chobani in yogurt, while beer has been disrupted by a wave of craft brands, not a single brand. In these instances, the category is in value growth largely because premium new introductions have pushed average prices up and as in the case of yogurt, provided offerings covering a range of new consumption occasions.
- Finally, it's important to note the influence of private labels on these results. We see many large and often growing private labels. The acceptance of private labels has risen over time, due to growing awareness and also improved quality – e.g. better ingredients, more attractive packaging. Of course they have stolen sales from the leading national brands. They are also able to quickly copy well performing small new comers and unlike these new comers don't face delays in obtaining distribution.

[3] *It is worth noting that "carbonated soft drinks" (CSD) is a traditionally and rather narrowly defined category, it does not include specialty waters, iced coffees, nor a myriad of other drinks. With a broader definition it is unlikely that the category is in decline.*

In summary, some leading brands are losing share, some are gaining share. Most that have lost share have done so in growing categories, so while they are losing share of category revenue their sales revenue is often still rising.

Related to this finding, we see no evidence that there has been any major change in the success of new launches. Our data from 10 categories in the US (2013-2015) shows that apart from soft drinks, which experienced growth in SKU introductions, there was no major change in the number of new SKUs introduced to the market in these four years, with an average change p.a. being -1.6 SKUs. The proportion of sales revenue coming from the new hasn't changed either and if anything, it was decreasing by -1% p.a.. Introducing new launches and keeping them on shelf has always been difficult and there is no existing evidence that this is changing. There is no evidence of an avalanche of successful new brands up-ending market shares.

2. Brand loyalty is declining.

This is a very old myth.

Dekimpe et al (1997) examined 21 categories over two years in Holland and reported "little support is found for the often-heard contention that brand loyalty is gradually declining over time" and "the brand-loyalty pattern for market-share leaders is found to be more stable than for other brands". Recently Institute researchers examined 26 fast-moving-consumer-goods categories in the USA and UK over 6-13 years (Dawes et al 2015), no general decline in brand loyalty was observed. In categories where there has been an increase in the number of SKUs a small decrease in loyalty was observed. New research from Denmark reports the same result (Casteran et al, unpublished).

3. Young people increasingly distrust and reject big brands.

Brand rejection is remarkably low, and it is usually due to unfamiliarity. Studies of brand attitudes shows that unless you are a private label, or an extremely polarising offering, rejection is rarely an issue (see Nenycz-Thiel, 2011). Truong et al. (2011) analysed 186 consumer goods brands from ten categories in 11 countries finding the average brand rejection rate was only 13%. Faulkner et al. (2015) analysed 29 Australian charity brands, finding the average rejection rate was just 3%.

There are more organic and fair-trade brands in the market – both big and small, and private labels too. Recently it has been claimed that consumers are rejecting 'corporate' brands and seeking out eco/purpose/hipster brands. While it is certainly a trend for brands to signal such virtues, the evidence that consumers are flocking to such brands is lacking. Indeed Wheeler et al. (2013) examined the rejection rates of green brands and discovered a statistically significant higher rejection (47% compared with 30%) for green brands. However, it is important to note that the dominant reason for rejection was unfamiliarity.

Another important finding was that non-green brands were practically never rejected for not being green: "Out of the reasons given for rejection of non-green brands, on average a brand not being 'green' attained only 1% incidence" (p.108). The reasons for rejection of green and non-green brands were highly similar.

Turning to buying behaviour, it is easy to exaggerate the tendency of young buyers to determine trends, at least when it comes to brand buying. New hipster coffee shops in New York selling single-origin soy lattes and Australian "flat whites" attract both young and old – while millennials and younger still also drink at Starbucks and even Dunkin' Donuts.

A decade ago the Ehrenberg-Bass Institute documented the natural tendency for new (therefore small) brands to have a customer base slightly skewed to younger category buyers (Sharp and Anderson, 2008; Anderson and Sharp, 2010). This is because new brands win more than their historic share (which was zero) of consumers entering the category and buying for the first time. Recently we extended this research to examine 1,950 sub-brands in 19 consumer goods categories (Anesbury, et al., 2017a). Again, we found that new sub-brands had a slight skew towards younger category consumers, though less than previously documented. With age, and if the sub-brands are successful in growing, this slight skew will disappear.

In order to test if younger consumers are behaviourally rejecting big brands, new research for this report examined the brand shares and penetrations among younger consumers (defined as those aged 18-24) and those aged over 25 for the top 5 brands of fourteen categories[4], [5].

Our results show that there are minimal differences in how many consumers aged under 25 purchase leading brands compared to older people. In over 40% of category/year analyses, leading (top 5) brands actually have a higher market share among younger consumers sales than among older consumers.

However, the main finding is that any skews towards or away from any age group tend to be tiny and can vary from year-to-year. For example, Dorset Cereals is a small company with a green agenda ("a good honest desire to make the world better"). In the first year of analysis it had a higher share among younger buyers, but then it skewed away from them for the next two years. But the largest skew it ever achieved was to have 1.2% share among 18-25 year olds compared to 1.7% among over-25 year olds. Unilever's Lynx (Axe in other markets) body spray, the market leader in body sprays and deodorants, shows a similar pattern.

Our findings are in line with extensive prior award-winning research, showing that rival brands vary little in the composition of their user profiles (Kennedy et al., 2000; Ehrenberg and Kennedy, 2000, Uncles et al, 2012). Recent investigations of over 700 brands in more than 60 consumer packaged goods categories, for more than 160 variables found that brand user profiles seldom differ (Anesbury et al., 2017b). So brand growth requires recruiting all types of buyers.

The overwhelming empirical evidence shows that younger consumers neither distrust nor reject big brands. They certainly continue to buy them.

4. Small brands command high levels of loyalty.

Contrary to popular belief the well-established Double Jeopardy Law tells us that smaller brands have lower loyalty than larger brands – fewer buyers and slightly lower loyalties amongst those who buy the brand (see Sharp 2010).

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[4] In the UK, over three to five years from the period 2008-14.

[5] We also examined top 10, middle 10, and next 10 brands, the same pattern was observed. This analysis forms part of a larger Institute project looking at how to reach young consumers with advertising, this age group has always been a difficult group to reach, hence our research.

Our latest research (Franke et al 2017[6]) reveals that, even after accounting for Double Jeopardy, only one in ten small brands (excluding private labels) have loyalty levels higher than expected, and none higher than large brands. While 60% of small brands have loyalty levels even lower than expected (an expectation which is already lower than for large brands).

When a small brand grows, its loyalty metrics rise along with its vast increased size of customer base. This is in line with the Double Jeopardy Law. Chobani was small, now it is big, and so now has a higher loyalty level, as it should have now that it is the largest brand in greek yoghurt and second largest in the whole yogurt category.

5. Digital media has given small brands a cheap way to reach consumers - "levelling the playing field".

It is now well established that the value of 'free' earned media for brand building was substantially over-valued. Earned media tends to be lower value in that it reaches the brand's most easy to reach heaviest most loyal customers (see Nelson-Field et al 2012). Few brand videos ever go viral, and total sharing is strongly driven by buying exposures.

About half of digital media spend is on search and directory advertising, something long available to small brands. The shift of this advertising to online has not disadvantaged large brands – though they could certainly over-spend on it. Much of the other half of digital media spend is largely paid display and video on YouTube and Facebook, where leading brands should suffer no disadvantage. The rest of digital media is display advertising largely bought programmatically.

These second two areas, especially the latter, have been plagued with problems of fraud, non-human exposures (wastage), 'middle man' costs, and lack of ad viewability (see Hoffman 2015, and recent examples [7] and [8]). Leading brands have probably lost more marketing dollars in this area than start-up companies/brands. Partly because start-ups were more cautious with their advertising spend, some barely did any advertising (see next point), and most simply didn't have the size or complexity of spend to have a need for programmatic ad buys.

A major advantage of leading brands is that they can afford outstanding creative and fast & vast media options, which gives great reach at low cost per contact. But this advantage only exists if it is exploited. It's true that many large brands over the past 5+ years moved large portions of their advertising budgets into new untested media options, and away from big consistent creative campaigns. There have been many failures, though only a few have been publicised/documented (e.g. the Pepsi refresh project (Sharp 2013, p.183)).

6. Small brands are successful without advertising.

Marketing history features a number of brands that grew without advertising, due to their technological superiority (Google) and/or a major demographic trend favouring them. When the US, at last, joined the rest of the developed world in drinking espresso-based coffees, Starbucks rode the wave well, rightly focussing on opening new stores rather than advertising. Eventually it opened too many new stores,

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[6] *Data source: TNS UK, 15,000 household panel, 12 months 2014, 35 categories, 255 small brands.*

[7] *https://digiday.com/media/ft-warns-advertisers-discovering-ad-fraud-site/*

[8] *https://www.marketingmag.com.au/news-c/guardian-programmatic-advertising/*

and had to retract some, and it had to begin advertising to hold its market share (from 2011 to 2016 Starbucks has increased its marketing spend by 55%[9]).

Many growth success stories, such as Chobani or Blue Buffalo, advertise on TV and other platforms. In 2014 the Wall Street Journal reported "When it comes to advertising Greek yogurt, there's no contest between Chobani and Oikos."[10] Chobani spent $56million in the US alone that year, and has been spending more since.

7. E-commerce has opened up direct-to-consumer opportunities for small brands.

E-commerce is becoming increasingly important. Having noted this, it is difficult for a small packaged goods brand to become a leading brand while depending solely on e-commerce. Even Amazon now has decided it needed a substantial bricks & mortar presence by opening book stores and acquiring Whole Foods Market (interestingly following the same pattern as Sears, one hundred years ago[11]).

Large and convenience retailers favour stocking large brands. This means that new brands are likely to look to selling direct-to-consumer. Some have been successful at this (e.g. Harrys), others have disappeared (e.g. 800Razors). In some cases this is a strategic choice designed to "disrupt" entrenched markets, but more often such distribution arrangements are the result of new entrants, a) not being able to secure distribution in traditional channels, and b) not having the scale to meet the requirements of widespread distribution even if given the opportunity.

Large brands had the same opportunity – they were slower in realising this opportunity until it become a threat.

Perhaps because large brands depend heavily on sales through large retailers they may be reluctant to sell direct to consumers for fear of upsetting their relationship with these very large retail channels. One solution may be to use different brands for different channels as previously done to satisfy specialist retailers not wishing to stock supermarket brands (e.g. Unilever brand TIGI "by hairdressers, for hairdressers", and Mars specialty pet-food brand Royal Canin).

Mistakes of the past

Big brands have made mistakes over the past 10-20 years:

- Increasing trade expenditure (mostly price discounting) at the expense of out-of-store advertising expenditure.
- Excessive SKUs proliferation cannibalising core offerings; overcomplicated and confusing ranges making it easier for consumers to buy rival brands.
- Allocating too much advertising expenditure to overly targeted new digital media with unproven abilities to reach consumers and build mental availability.

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9 https://www.statista.com/statistics/289357/starbucks-marketing-spending-worldwide/
https://www.bizjournals.com/seattle/news/2016/11/21/starbucks-boosts-marketing-spend-2016-takeaways.html

10 https://blogs.wsj.com/cmo/2014/05/01/chobani-outspends-oikos-in-yogurt-ad-battle/

11 https://www.theatlantic.com/business/archive/2017/09/sears-predicts-amazon/540888/

- Creating too much low quality advertising content in an effort to cater for media fragmentation and capitalise on the (over-estimated) value of targeting. The effect has been to increase the percentage of non-working media spend.
- Failing to develop channel expertise and gain their share of physical availability in the fastest growing distribution channels.

In developing, fast growth countries the effects of these mistakes were more difficult to see until recently.

Globally the two most important consumer trends have been increased wealth, and, in developed countries, an ageing population. These two trends create both opportunities for big brands and for small. Big brands have benefited from rising wealth in developing countries. Luxury brands in particular have benefited. However, major packaged goods marketers have been less successful in exploiting opportunities for 'premiumisation' in developed markets – cases such as the rise of craft beers and premium hamburgers have left some established brands looking sluggish.

These mistakes can be corrected.

In short, the future looks to be benign-to-bright for large brands with proven consumer acceptance, and valuable mental and physical availability. Consumers are busier and wealthier than ever before in human history. As much as ever consumers globally are looking to highly available brands to simplify their lives.

And, of course, there will always be a few small brands that manage to grow mental and physical availability to become leading brands. This has long been a difficult, but not impossible feat.

Thank you to the following people for peer review and comments on earlier drafts: Professor Phil Stern (Exeter University Business School), Professor Jerry Wind (The Wharton School), Professor Patrick Barwise (London Business School), Dr Thomas Bayne (Mountain View Learning), and our Institute colleagues. Any errors in the final manuscript are the sole responsibly of the authors.

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