The B2B Institute

University of South Australia

Ehrenberg-Bass Institute for Marketing Science

How B2B Brands Grow

By Jenni Romaniuk,
Byron Sharp, John Dawes
and Sahar Faghidno

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Introducing How B2B Brands Grow

The B2B Institute Team

Afiya Addison, Jann Schwarz, Jennifer Shaw-Sweet, Jon Lombardo, Peter Weinberg, Rachel Abbe and Ty Heath

In the decade since Professor Byron Sharp published "*How Brands Grow*" in 2010, very few marketers who read the book have been left unfazed by its groundbreaking new way of thinking about marketing. The provocative ideas laid out in "*How Brands Grow*", and in subsequent research from the Ehrenberg-Bass Institute, have overturned decades of received marketing wisdom.

In the Ehrenberg-Bass marketing universe, there is no room for brand love, loyalty campaigns, differentiation or hyper-targeting. There is only "Mental Availability" and "Physical Availability," a simple but profound mental model, which states that buyers choose brands that are "easy to mind" and "easy to find." According to the Ehrenberg-Bass Institute, brands grow by acquiring new customers, not by increasing customer loyalty. Brands compete through "meaningless distinctiveness" – logos, characters, colors – not through meaningful differentiation. Advertising works by building and refreshing memory structures in the minds of buyers who may not purchase for several years. These "small nudges" add up to big sales effects when done at scale through "sophisticated mass marketing" that reaches every category buyer.

As we have said in the past, the most valuable ideas are "contrarian and right." And by that standard, the Ehrenberg-Bass Institute is a veritable goldmine. For marketers who obsesses over their brand image, churn rates, and targeting inefficiencies, these ideas are about as contrarian as it gets. But the 60+ marketing scientists at the Ehrenberg-Bass Institute do not set out to be contrarian – their goal is to be "right." They hold their work to the highest empirical standards, relying on single source data and constant replication to identify the generalizable "laws" that govern marketing effectiveness.

An increasingly important life skill is the ability to change one's mind when faced with new facts, something that humans find very hard to do. Physics Nobel Laureate Max Planck put it more bluntly:

> *A new scientific truth does not triumph by convincing its opponents and making them see the light, but rather because its opponents eventually die, and a new generation grows up that is familiar with it.*

This grim assessment doesn't have to be true. We founded The B2B Institute because waiting out the status quo is no fun – we prefer to skip ahead and live in the future. Because the future is already here, if you look hard enough for all the good ideas that are still misunderstood.

We are thrilled and honored to partner so closely with our friends at the Ehrenberg-Bass Institute to bring their ideas and scientifically proven insights to the B2B marketing world in a comprehensive way, with specific B2B data, for the first time.

We are hugely grateful to Professors Byron Sharp, Jenni Romaniuk and John Dawes, and all their amazing colleagues at Ehrenberg-Bass who have taught us so much and patiently answered so many of our questions. Thank you.

We encourage you to become Ehrenberg-Bass supporters as well, and we are excited to share the gift of this knowledge with you.

The B2B Institute Team.

About The Authors

Professor Jenni Romaniuk

The Associate Director (International) of the Ehrenberg-Bass Institute, University of South Australia. Jenni is author of Building Distinctive Brand Assets and developer of the Distinctive Asset Grid. She is a pioneer in mental availability measurement and metrics, as well as the identification and use of category entry points. Jenni is a past executive editor of the Journal of Advertising Research, and now sits on the Journal's Senior Advisory Board.

Professor Byron Sharp

The Director of the Ehrenberg-Bass Institute, University of South Australia. Byron's international bestseller How Brands Grow has sold over 120,000 copies and has been translated into more than a dozen languages. He has published over 100 academic papers and is on the editorial board of five journals. With Professor Jerry Wind, he hosted two conferences at the Wharton Business School on the laws of advertising, and co-edited two special issues of the Journal of Advertising Research.

Professor John Dawes

The Associate Director (Operations) of the Ehrenberg-Bass Institute, University of South Australia. John has over 20 years of marketing research experience. His areas of expertise include the effects of price promotions, market structure analysis and repeat-buying loyalty. John's research has been published in many top marketing journals including the Journal of Advertising Research, Journal of Business Research and Journal of Retailing. John's findings have also been published in the Wall Street Journal.

Sahar Faghidno

A Research Associate at The Australian Alliance for Social Enterprise, University of South Australia. She is currently undertaking her PhD focusing on improving individual and household food security in South Australia. Prior to commencing her PhD, Sahar was a Marketing Scientist at the Ehrenberg-Bass Institute, University of South Australia. Her Masters research was focused on the overtime effects of mental availability on brand choice, which was published in 2019.

The Ehrenberg-Bass Institute for Marketing Science

Based at the University of South Australia is the world's largest centre for research into marketing. The Institute's large team of marketing scientists are advancing marketing knowledge and busting pseudo-science and marketing myths. Through books, specialist research services and the Corporate Sponsorship Program, the Ehrenberg-Bass Institute is helping marketers all over the world to develop and benefit from a culture of evidence-based marketing.

www.MarketingScience.info

Mental and Physical Availability

Professor Byron Sharp
Director, Ehrenberg-Bass Institute

Why are they so important?

Over the past twenty years there has been growing appreciation for the intangible assets that underpin the financial value of corporations. These assets can be sold, and they are generally worth far more than a corporation's tangible assets. Mental and physical availability, and the brand's distinctive iconography are assets that can be sold. They are brand equity.

These are market-based assets, in that they come about through trading activity. They are created by marketing. They are assets because they cost money to build, and other companies may purchase them rather than spending the money and time (and taking the risk) to build their own. They are valuable because they provide some surety of future profit.

These market-based assets deliver productivity. Sales calls and advertising work better when there are existing memory structures in viewers' heads – so long as the advertising works with these memory structures. Marketing also works better when the brand has plenty of physical availability. Advertising falls on barren ground when it reaches buyers who aren't near a firm's sales points.

To corporations (and their investors), these market-based assets provide security – next year's sales will be not too dissimilar to this year's.

But what about product and price?

Of course product and price matter - especially if they fall behind the competition. But over years, the main battle for custom is largely about mental and physical availability.

Sometimes we have an advantage over many of our competitors and we deliver superior value, but this seldom lasts in competitive markets.

Unless we are protected by some government monopoly our competitors notice what we have done and copy us.

Innovation when it works does so by expanding mental and physical availability - and rewards us by letting us earn returns after competitors have nullified our product or price advantage.

In the long run, the competition for sales is one of mental and physical availability. Even product innovation largely works (when it works) by enhancing mental availability and gaining further physical distribution. Building mental availability requires distinctiveness and clear branding, while brands seldom compete on meaningful differentiation. This means that marketing attention should be focused on building these assets so that a brand is easier to buy, for more people and in more buying situations. No marketing activity, including innovation, should be seen as a goal in itself, its goal is to hold on to or improve mental and physical availability.

How Salesforce's Trailblazer Campaign Builds Mental Availability

A Case Study By The B2B Institute

The Brand Unawareness Problem

Every brand has a brand awareness problem, but that is just the beginning.

Most marketers would find this statement hard to believe, or at the very least, easy to ignore. A recent LinkedIn survey shows that only 16% of B2B marketers list building brand awareness as a marketing objective. It seems most marketers, and especially marketers at large companies, take brand awareness for granted.

Brand unawareness may seem intuitive for small brands and startups, but you may wonder, “How could it be possible that the biggest, most famous brands in the world have awareness problems?” After all, isn’t fame just awareness at scale?

The story of Salesforce – one of the biggest brands in the world – helps to illustrate how.

salesforce

Build Availability, Not Awareness

Everyone has heard of Salesforce.

Most people are familiar with some aspect of the Salesforce brand: the cloud logo, Salesforce Tower in San Francisco, or Dreamforce – the largest company conference in the world.

In other words, Salesforce is famous. It's famous today, and it was famous when Colin Fleming took the helm as SVP of Global Brand a few years ago.

Sales were climbing, and the once rebellious startup with the fiery "Die Software Die" campaign had established itself as the market leader in CRM. So when it came to brand building, it seemed like there was very little work to be done.

But for all its fame and market share growth, Salesforce had a pesky underlying issue hindering its next phase of growth: did people know what Salesforce actually sold?

The answer was no.

"We discovered most people had heard of Salesforce, but few people knew how we could help their business grow. ***We actually had an awareness problem."***

Colin Fleming, SVP of Global Brand, Salesforce

Despite its fame, Salesforce suffered from a very specific type of awareness problem: a deficit in situational awareness.

General awareness is great, but that alone won't build a brand. It's not about *what* people think of a brand – it's about *when*.

Brands grow when they readily come to a buyer's mind in as many buying situations as possible.

This situational awareness is called "mental availability" and, the more mental availability a brand builds, the more the brand grows.

How Building Mental Availability Grows Brands

The Ehrenberg-Bass Institute defines mental availability as “the propensity of the brand to be thought of, or noticed, in buying situations.” In other words, brands with high mental availability are “easy to mind” in relevant buying situations.

While this seems simple, this school of thought requires a radical reconfiguration in the way B2B marketers think about marketing. Specifically, mental availability requires marketers to become less brand-centric, and more customer-centric.

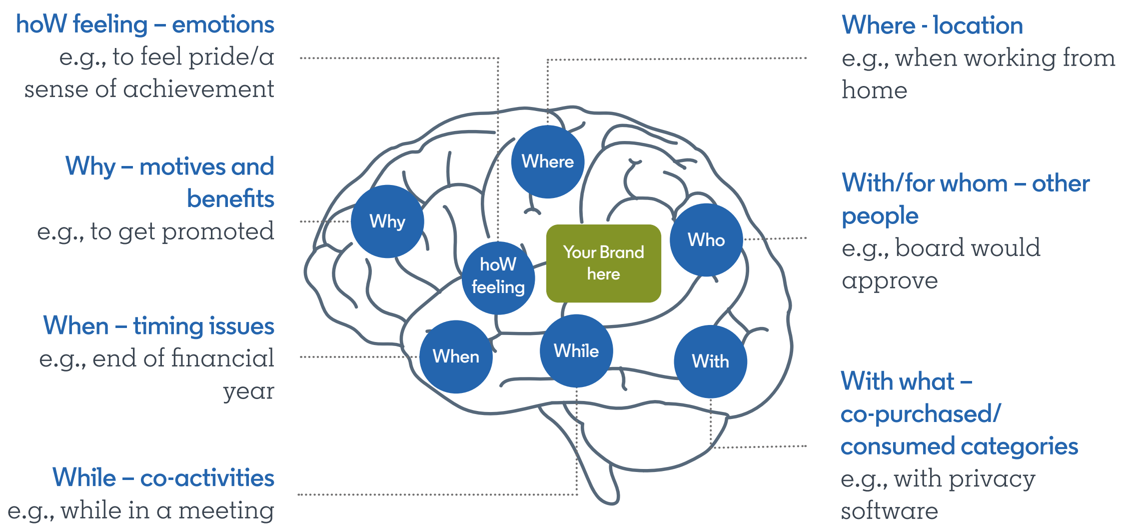
Brand-Centric Framing	Customer-Centric Framing
What do customers think of my brand?	**When do customers think of my brand?**
Ads generate demand.	**Needs generate demand.**
I define my competitive set based on target demographics and product attributes.	**Category Entry Points shape retrieval and define which brands we compete against at each choice context.**
My job is to move customers down the funnel.	**Most customers aren’t even in a funnel, or in-market, at any given time.**
Customers are loyal to brands they love.	**Every brand has a ‘normal’ distribution of buyer feelings – a few that love the brand, a few that reject the brand and most that think it is good enough to buy on occasion.**

Putting yourself in the mind of your customer isn't easy, but it is essential to success. If you can understand the needs and triggers that cause your customers to enter the market – if you can identify those category entry points – you can use them to build mental availability.

A marketing strategy that optimizes for mental availability does so by building more awareness, across more buying situations, in the minds of more buyers.

Do this, and you will grow your customer base, your sales volume, and if you do it better than competitors, your market share.

The Relationship Between Category Entry Points and Mental Availability



A marketing strategy that optimizes for mental availability does so by building more awareness, across more buying situations, in the minds of more buyers.

The Trailblazer Campaign: Moving From Awareness To Mental Availability

Salesforce's Trailblazer campaign, first introduced in 2019, is a best-in-class example of how brand marketers can build mental availability in B2B.

Interestingly, the main characters in the Trailblazer campaign – Astro, Codey, and friends – were originally developed for use in Trailhead, Salesforce's online learning environment. Over time, Fleming and his team observed that the Trailhead community was developing an affinity for these characters:

> *"You saw customers wearing Astro pins on their sweaters and backpacks, and it became pretty obvious there was an opportunity there. We needed to transform the brand, and these characters are a big part of that story ... Astro and friends help us tell stories about our products and create an emotional connection with our customers."*

Astro and friends are powerful brand assets. They are famous and unique, and they help link Salesforce to several CRM buying situations – or category entry points – in a story-telling format that resonates with both in-market and out-market buyers. This helps the advertising effects linger long after exposure.

How To Build Mental Availability - Follow RMB To Stay Remembered

Reach
the whole category

Message
around several category entry points across your campaigns

Brand
everything

The Trailblazer Campaign is a best-in-class example in B2B because it follows the RMB Method:

- **Reach:** use broad segmentation to reach all buyers in the category.
- **Messaging:** use creative advertising with messaging that links to different category entry points.
- **Branding:** use distinctive brand assets with heavily branded messaging to build recall.

The Trailblazer Campaign built mental availability for Salesforce by linking it to key CRM buying situations, and it proved that mind share drives market share. By Fleming's own account,

> "Like any major company, we measure our brand metrics, and since adopting our new look-and-feel and the characters, our numbers have nearly doubled. For a year or two I was shunned from any strategic sales conversation – I was the guy bringing Astro and Codey the bear into the conversation. The dynamic has changed now that we've seen the results in our brand metrics and our business performance."

This success was hard-won. The buttoned-up corporate culture and short-term sales pressure typically found in B2B tend to extinguish any real prospects of building mental availability – which requires bold creativity and is built incrementally over time. In the world of B2B, a focus on low costs and fast results usually wins out.

But efficiency does not equal effectiveness, and advertising effectiveness is what drives long-term market share growth. To better understand the drivers of B2B marketing effectiveness, we partnered with the Ehrenberg-Bass Institute – the leading marketing science research university in the world.

Our findings can be distilled to one key idea: focus on building mental availability with your advertising, and don't get distracted by other advertising objectives.

We hope the following papers and ideas help you keep focus and grow share.

1 | **The 95-5 Rule:** Prime Future Buyers With Brand Ads To Grow.

2 | **B2B Brand Rejection:** Focus On Awareness, Not Perception, To Grow.

3 | **The Duplicate Purchase Law:** Steal Mindshare From Big Brands To Grow.

4 | **The Double Jeopardy Law:** Reach Future Customers To Grow.

The B2B Institute

Advertising effectiveness and the 95-5 rule: most B2B buyers are not in the market right now

Professor John Dawes

University of South Australia
Ehrenberg-Bass Institute for Marketing Science
LinkedIn

Summary

It might surprise you to learn that up to 95% of business clients are not in the market for many goods and services at any one time. This is a deceptively simple fact, but it has a profound implication for advertising. It means that advertising mostly hits B2B buyers who aren't going to buy anytime soon. And in turn, that tells us about how advertising works: it *mainly* works by building and refreshing *memory* links to the brand. These memory links activate when buyers *do* come into the market. So, if your advertising is better at building brand-relevant memories, your brand becomes more competitive. The question to ask is - does our advertising do that?

Introduction

Has your business recently made a significant purchase, like a new phone system, engaged with a new payroll software vendor, signed a contract with a salesforce IT support company - or perhaps even bought new carpet for the office? If you have, then you'll know that you're not in the market for those items now, nor will you be for quite a while. The time between purchases for many goods and services is quite long. Corporations change service providers such as their principal bank or law firm around once every five years on average. That means only 20% of business buyers are 'in the market' over the course of an entire year; something like 5% in a quarter – or put another way, 95% aren't in the market.

So, if your advertising is better at building brand-relevant memories, your brand becomes more competitive.

What does this mean for advertising?

The 95% figure is not meant to be a precise rule. We're using it as a heuristic to get the idea across that the vast majority of businesses, for a large proportion of products, are not in the market in particular time periods. And that fact is profound for advertising. It means that the way advertising 'works' isn't by stimulating us to buy. How can it, if most people who see an ad aren't going to buy the product for perhaps a year or more. Therefore, the way it works must principally be by building a memory link for the brand in buyers' minds. And this memory link will be activated when the buyer does come into the market. Advertising impressions, accumulated over time, affect our memories. So, your advertising has to be designed to create distinct impressions about your brand in people's minds - to be activated later.

Ah, you might say - these days we can target people or organisations that are ready to buy. The trouble with this tactic is that people largely use their memories when buying, rather than searching. And when they do search they strongly prefer brands they're familiar with.

Familiarity is built over time, with consistent messaging. If you focus on hitting people with, say, digital ads only when they're searching the category, your brand is an unknown to them. And we know that lesser-known brands have lower rates of consideration (Rowe, Whittaker, & Agop, 2018; Terui, Ban, & Allenby, 2011). Indeed, clickthrough rates for unfamiliar brands are quite a lot lower than for familiar brands (e.g. Dahlen, 2001).

So, sure - do some targeting for people who are ready to buy, but if that's all you do, you will never build the widespread mental availability needed to become (or remain!) a big brand. To grow a brand, you need to **advertise to people who *aren't* in the market now**, so that when they *do* enter the market your brand is one they are familiar with. And, that they mentally associate your brand with the need or buying situation that brought them into the market. That way, you increase buyers' purchase propensity. And if you can do that across enough buyers, your market share will grow.

To grow a brand, you need to advertise to people who aren't in the market now, so that when they do enter the market your brand is one they are familiar with.

That sounds great, but I have some questions about deploying this idea.

How can I calculate how many buyers are in *my* market at one time?

If you know the average interpurchase time for your category you can readily calculate the proportion of potential buyers who are in-market. Suppose a category has an average interpurchase time of two years. That means 50% are in the market over the course of a (whole) year, or around 13% in any quarter. If that sort of information is not at your fingertips, a straightforward survey can yield the information. All you need to ask is along the lines of, 'How frequently do you purchase X' with simple response categories calibrated to your market (e.g. once in five years or less often... annually... each quarter...).

Does this mean there is a *ceiling* on the number of category buyers we can realistically attract at a time?

Yes, in practical terms if only say, 10% of category buyers are in-market at a point in time, that means there is a ceiling on how many you can acquire in a period. And in turn, what that means is you need to have realistic expectations of what any single campaign can do. It can boost your share of the buyers who are in market at the time, but it can't bring buyers to you who simply aren't in the market. Furthermore, this means that if you spend all your budget in one quarter, you're off the air the rest of the year – and won't be reaching all the other buyers who are in the market then. So, spend with a view to the long-term.

So, a big task for advertising is to build mental availability, but *how long does it take?*

It takes a long time. To appreciate the task, we need to have some understanding of how mental availability is measured. The progressive way to measure it is via the brand's links to 'category entry points' or CEPs – in other words, various situations in which the category could be bought or used (see Romaniuk & Sharp, 2016 Ch. 4). The more people who link your brand to one or more of these CEPs is obviously better. But getting to double-digit figures for mental availability is a multi-year task. Many well-established brands achieve no higher than 20-30% of respondents linking them to a CEP. Even market leaders often only get 50%.

This makes the task sounds difficult, and it is. It takes time, patience, funds and importantly, skill in making good media investments. But those businesses who *can* build mental availability in the minds of their potential buyers enjoy an enduring advantage, because competitors will find it very difficult to catch up.

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The B²B Institute

Brand Rejection in B2B: Incidence, Reasons and Implications

Professor Jenni Romaniuk

University of South Australia

Ehrenberg-Bass Institute for Marketing Science

LinkedIn

Abstract

The Laws of Growth, such as Double Jeopardy, show us acquisition of new customers is essential to growing a B2B business. The next question is how does a B2B company acquire new customers? This paper investigates the extent to which the negative attitudes to buying a B2B brand (referred to as brand rejection) hamper B2B customer acquisition.

The results from two common B2B services categories show the level of brand rejection to be low, at around 10% - with fewer than 1 in 10 business decision makers rejecting each brand. Lack of awareness is a much more likely to hamper growth than active rejection of a B2B brand. Further, even amongst the small group of brand rejectors, there is no single driver of rejection for any brand, or brands in general.

This means that efforts to reduce rejection levels for any single specific reason are likely to have low return on investment in sales growth. Instead focus marketing efforts on reaching potential B2B buyers and building more useful mental structures, ones that speak to why people could buy your brand, in more potential buyers. To build this mental availability means understanding what cues people use to (mentally) shortlist the brands to potentially buy, and link your B2B brand with those cues in marketing material and sales calls.

A one-off comparison to check against other brands in the category can be useful. If your brand's rejection level is low and normal for your category, then you can ignore it until something changes (such as a change to the brand's product range or some negative publicity).

Lack of brand awareness is a bigger barrier to acquisition than non-customer brand rejection.

Background

The Laws of Growth tell us that acquiring more customers is essential for a brand to grow sustainably in the long term (see the Ehrenberg-Bass Institute's *How Brands Grow* books, and our previous report on Double Jeopardy in B2B brand buying). This is not a new objective - companies have been trying to acquire more customers for decades - why aren't more brands doing this more successfully?

Well first is the delusion that growing by loyalty/retention is easier and more cost effective than growing by acquisition. The evidence is that growing by loyalty/retention is simply not a viable growth model. We addressed this in the report 'The Double Jeopardy Law in B2B shows the way to grow' (Romaniuk, Dawes and Faghidno, 2019).

This new report covers another faulty assumption about customer acquisition - that most non-buying behaviours involve active rejection of the brand. The idea is that there is a flaw in the brand that needs to be fixed leads to research to determine the flaws (barriers to purchase); tactical plans to fix the flaw (to address these barriers); and then the co-opting of valuable advertising dollars to communicate these changes. For example, if our flaw is high prices, we lower our price and advertise our low prices, or craft persuasive advertising to convince the market of our value.

The danger of this approach is that the premise of rejection drives the research design and interpretation of results. The 'theory' of brand rejection then becomes a self fulfilling prophesy and respondents, who want to be helpful, become unwitting partners in this process by focusing on (possible) flaws. For example you might ask - what are the barriers to you buying this brand? Which leads respondents to provide some barrier to fit in with the question, but they might not have thought of this barrier before the question was asked.

How important is it to overcome brand rejection to grow the brand? To answer this we need to first know how often do non-buyers actively refuse to buy a brand. Then we need to understand if their reasons for rejection are actually fixable and therefore resources aimed at this will increase the pool of potential buyers the brand could acquire.

But before we get into the B2B results, let's look at evidence from other categories...

We have investigated the incidence of rejection in other categories/buyer types. The results show:

- In B2C markets, testing across 535 brands in 24 categories reveals a median brand rejection level of 9%, with 1/3rd of brands having a rejection rate of 5% or lower;
- For charities (e.g., Red Cross, Unicef) the brand rejection level averages 3%; and
- For disruptor brands (e.g., Airbnb, Uber, Spotify) the average rejection rate is 4%.

Therefore the evidence to date is that the normal level of brand rejection is low, with fewer than 1 in 10 category buyers actively refusing to buy a specific brand. Now we will look at some results for B2B categories - what is the incidence of rejection for B2B brands? Could it be higher because buyers are more informed of the strengths and weaknesses of different alternatives? And because past mistakes are more costly and so therefore more likely to be remembered. We investigate this question using data from two commonly used B2B service categories - Banking and Insurance.

Method

We interviewed 609 buyers of business banking in the UK and 616 buyers of business insurance in the USA via an online panel. The research involved 22 Business Banking brands and 17 Business insurance brands. Table 1 shows some of the key characteristics of the people/businesses we interviewed.

To identify rejectors for each brand, we used a five point verbally anchored question with a response option of *I would refuse to use this brand*. This scale had a separate response for 'don't know/no opinion about the brand' to separate out the decision makers unfamiliar with the brand from those who expressed a negative attitude to buying the brand in the future. Those that claimed to refuse to use the brand were asked an open-ended follow up question about the reason for their refusal. These verbatim comments were coded into themes representing the reasons for rejection.

Table 1: Respondent Characteristics

	UK (n=609)	USA (n=616)
Male	62	56
Under 30 years	12	15
30 - 39 years	26	34
40 - 49 years	25	23
50+ years	37	28
Sole owners	46	51
Employee	40	36
Sole decision maker	55	59
Business under 4 years	20	21
Over 20 years	32	26
Turnover less than GBP$100K/US$250K	21	23
Turnover over than 10M	20	21

Results

Finding 1: Incidence of brand rejection is around 10%.

Brand rejection averages 11% for Business Banking and 7% for Business Insurance, which is similar to the 9% found in B2C markets. The highest single brand rejection across all brands is RBS (Banking UK) at 19%, while none of the Business Insurance brands reach double digits (see Table 2). There is a slight negative relationship between brand penetration and rejection score, with bigger brands having slightly higher rejection than smaller brands, however these differences are trivial compared to relative differences in penetration.

Table 2: B2B customer penetration and rejection level

UK Banking	Customers %	Rejection %	US Insurance	Customers %	Rejection %
Barclays	40	10	State Farm	25	5
HSBC	27	10	Allstate	23	5
Lloyds Bank	25	11	Geico	17	9
NatWest	24	8	Progressive	16	8
Nationwide	20	5	Hartford	15	5
Santander	18	11	Nationwide	13	4
Halifax	17	8	Liberty Mutual	13	5
Metro Bank	12	11	Farmers	12	5
RBS	12	19	Travelers	11	4
TSB	10	10	AIG	11	9
Citibank	9	11	Humana	10	7
Virgin Money	8	12	Allianz	5	7
JP Morgan	7	13	Hanover	5	5
The Co-op Bank	7	12	Hiscox	5	6
Clydesdale Bank	6	9	Zurich	4	7
BNP Paribas	6	14	Chubb	4	7
Crédit Agricole	5	12	Arch	4	8
Deutsche Bank	5	12	CAN	2	9
Yorkshire Bank	4	7	Eire	1	9
Societe Generale	3	11			
Handlesbanken	3	11			
Std Chartered	1	10			
Average (all)	**12**	**11**	**Average (all)**	**10**	**7**
Average (Top 5)	**27**	**8.5**	**Average (Top 5)**	**19**	**6.7**
Average (Bot. 5)	**3**	**10.4**	**Average (Bot. 5)**	**3**	**7.8**

To provide further context for these figures, we can compare the B2B with B2C rejection scores for a subset of banks in the UK (see Table 3) collected previously. From this data we can see that brand rejection in B2B Banking is the same or lower than in B2C.

Table 3: Comparison of UK Bank rejection levels for B2B and B2C

	B2B Rejection %	B2C Rejection %
Barclays	10	24
Halifax	8	12
HSBC	10	12
Lloyds Bank	11	14
NatWest	8	15
RBS	19	21
Santander	11	18
Average	**11**	**17**

BTW The low incidence is not due to no-one responding. A total of 53% of Business Banking customers and 40% of Business Insurance customers rejected at least one brand out of those listed. Most people just do not reject most brands, even when they haven't used them before.

Finding 2: Rejection is higher for lapsed users, but still only 1 in 3 of those who have behaviourally rejected the brand, also have a negative attitude to buying the brand in the future.

For those brands with sufficient sample size, we looked at rejection levels by brand usage groups. Customers were allocated into one of three groups for each brand:

(a) **Current** - identified as a current business customers of the brand for a product in that category;

(b) **Lapsed** - identified as past business customers of the brand but the relationship has been terminated; and

(c) **Never** - identified as businesses who had never been a customer of the brand.

Comparing the rejection levels across usage groups, lapsed B2B users have the highest rejection rate, around three times higher than those who have never bought the brand. However, still two in three lapsed B2B users of UK business banks and four in five lapsed B2B users of US Business Insurance companies do not reject their former brand. Switching B2B brands in the past does not mean a negative attitude to buying that brand in the future.

Table 4: B2B Rejection across brand usage group

	Lapsed	Never	Current		Lapsed	Never	Current
Barclays	27	14	3	**AIG**	21	9	3
Halifax	22	8	4	**Allstate**	16	6	1
HSBC	36	11	2	**Farmers**	11	5	3
Lloyds Bank	33	12	2	**Geico**	17	10	4
Nationwide	29	5	4	**Hartford**	14	5	2
NatWest	29	7	4	**Liberty Mutual**	10	5	0
RBS	50	18	10	**Nationwide**	10	3	2
Santander	30	12	4	**Progressive**	28	9	0
TSB	29	10	2	**State Farm**	15	5	3
Average (all)	**32**	**11**	**4**	**Average (all)**	**16**	**6**	**2**

Finding 3: Around 9 in 10 potential customers who have never been a customer do not actively reject the brand finding.

Of those who have never been a customer, rejection rates average 11% and 6% (see Table 4). This is evidence that the vast majority of a B2B brand's non-buyers do not hold any negative attitudes that could be a barrier to becoming a customer of the brand in the future.

Finding 4: Lack of prompted awareness is a more common barrier to purchase than active rejection, particularly for smaller B2B brands.

As further context to interpret the rejection incidence scores, we compared the percentage rejecting the brand with the percentage unaware of the brand (based on a prompted awareness question). The results show that even the most well-known B2B brands in the category had more potential customers unaware of the brand than actively rejecting it. The ratios are dramatically higher for smaller brands. This suggests the cause of B2B brand being small is not that many potential customers reject it, it is small because most potential customers don't know about it.

Table 5: Comparison of rejectors versus unaware of the B2B brand (subset 12 B2B brands)

	Rejection %	Unaware %	Ratio		Rejection %	Unaware %	Ratio
Barclays	10	16	1.6	State Farm	5	25	4.7
HSBC	10	17	1.7	Allstate	5	27	4.9
Lloyds Bank	11	22	2.1	Liberty Mutual	5	30	6.2
NatWest	8	23	2.9	Nationwide	4	36	9.7
Santander	11	29	2.7	Geico	9	36	3.9
Halifax	8	34	4.3	Farmers	5	37	7.5
RBS	19	34	1.8	Progressive	8	49	5.9
Metro Bank	11	53	4.8	Humana	7	62	8.5
Yorkshire Bank	7	54	7.4	Allianz	7	77	11.5
Deutsche	12	54	4.4	Zurich	7	78	11.4
Std Chartered	10	62	6.5	Hanover	5	78	16.0
Handlesbanken	11	80	6.9	Chubb Corp	7	81	11.6
Average	**11**	**40**	**4.6**	**Average**	**6**	**51**	**8.5**

Finding 5: Reasons for rejection are diffuse and so would be very difficult to redress.

We also asked the reasons for rejection with an open-ended question about why they would refuse to use that brand. The results were coded into themes, whereby one person's comment could be included in mutiple themes if necessary. Due to the low sample sizes for individual brands, the results across all brands are combined.

The most common reason for rejection in both categories is responses that refer to company charactistics such as origin/history/corporate issues. This included comments about the country of origin, the company was too big, too small, too regional or not sufficiently local to handle the needs of the business. History of the brand, such as supporting Apartheid for Barclays, was also mentioned.

After this the rank order of responses varies across categories. For Banking in the UK, service-related issues (particularly lack of branches) and lack of trust/ethics are the next most common reasons for rejection. While for the Insurance category in the US, negative price experiences/ perceptions is the next most common, with four other reasons for rejection close behind.

This splitting of responses were split across a wide range of areas, combined with the low incidence level for any individual brand, make it very difficult for one brand's marketer to have a large impact with actions directed at fixing reasons for rejection. You would have tackle many different issues to reduce the rejection level by even a small amount. Table 6 shows the splits across categories, while Table 7 has examples of the verbatim responses, which makes for some interesting reading.

Table 6: The many, varied reasons for rejection

	Insurance	Banking
Origin/history/corporate issues	17	24
Price/price perception	16	3
Negative past experience	14	10
Service issues	14	19
General negative comment	14	11
Negative publicity/WOM	13	11
Lack of Product Range offering	7	4
Lack of ethics	6	18

Table 7: Verbatim quotes of reasons for rejections

UK Banking	US Insurance
Appalling customer service and lack of support in rural areas.	*From just what I've heard and read over the year's of this company particularly the government bail out.*
I remember its notorious support for the apartheid regime in South Africa in the past.	*Bad experiences in the past as a customer. Unethical and illegal behavior.*
Because BNP Paribas has unethical practices and many of its employees have taken out harassment employment tribunals against them.	*Too expensive. Randomly changes policy terms without warning. Hikes rates for no reason with no explanation.*
Don't trust them, no branch network, and no real stake in this country.	*Bad past experiences and they get no second chance from me.*
I think this is a basic online service and difficult to resolve issues.	*I have heard bad comments about them, so I wouldn't take the risk by using this company.*
I feel they are a smaller bank with less business services, not as much to offer as the bigger brands.	*Heard of bad business practices.*
Bad reputation, couldn't guarantee they would act in my best interests.	*They haven't been in business long enough for me to consider them.*
Because of their irresponsible activities which contributed to the 2008 financial crisis.	*I am not in the East. Being in the midwest may hamper communications.*
For me more of a bank to help homeowners and not businesses.	*I want an older insurance company.*
I find their ad campaigns off-putting - they seem very enthusiastic about every nationality except the British.	*I believe there rates would be higher then some of the other insurance companies, and not as tailored to our companies needs.*
It is not possible to speak to someone who either understands or is sympathetic and knowledgeable.	*Old establishment, not progressive.*
Because I have had previous history with them in a business context and they were outdated in their methods and inflexible.	*They were a sponsor of MSNBC and I feel they supported racism during the Democratic presidential race in blacking out the only Asian candidate.*
I had something to arrange there and the staff seemed snobbish and arrogant. Old 'very British' women who never ever had any financial problems. Felt like they thought it's my pleasure that I had a chance to use their service. Ridiculous.	*I had to deal with them one time and the customer service was horrific. They were non-professional, rude, and patronizing.*
Because of the interest rates they charge.	*Simply because I don't like Payton manning.*
Heard bad things about them-not trustworthy.	*I think their rates for commercial coverage are not in line with our allocated budget.*

Summary of key findings and implications

Brand rejection is not the reason why the vast majority of category buyers do not buy a B2B brand/ company. This means B2B marketers should stop worrying about whether people dislike the company or if people are saying negative things to others. Indeed negative word-of-mouth/ publicity was only one of many reasons for rejection, from the small group of brand rejectors. Instances of B2B brand rejection are relatively rare but because no-one likes negative news, these outliers can easily distract and lead marketers astray. Stop imagining why people might not like the brand and instead focus on building the mental structures so the brand is salient when they could buy (also known as Mental Availability).

If you want to address barriers that matter, then look to dismantle any speed bumps on the road to purchase such that once the brand is thought of, it is easy to buy (also known as Physical Availability). Some aspects of Physical Availability did come up as reasons for rejection, such as lack of presence (branch network in banking) or portfolio (insufficient product range to meet the needs of business customers) and so anything that can be easily done to minimise these barriers to purchase will be helpful. But investments in building Physical Availability are only going to have a growth pay off if marketing and sales has also done the work to make the company Mentally Available for more potential customers.

Advertising and sales messages play an important role here as these build up the B2B brand's mental structures before someone is in the market for a product/service. When reaching out to non-customers, include messages about Category Entry Points - those thoughts that underpin why, where, how, with/ for whom and when the B2B categories are salient for the potential customer - as these will shape which companies are salient when each situation arises. The more people that think of your company in a wider variety of category buying situations, the more acquisition opportunities you will have.

Stop imagining why people might not like the brand and instead focus on building mental structures...

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The B2B Institute

How do Business-to-Business (B2B) brands compete?

An application of the Duplication of Purchase Law

Professor Jenni Romaniuk

University of South Australia

Ehrenberg-Bass Institute for Marketing Science

LinkedIn

Summary

This report looks at how customers buy across brands in B2B categories, and what this means for company growth. It shows how competition in B2B categories is largely defined by competitor share, which is known as the Duplication of Purchase (DoP) Law.

- Every B2B company/brand shares more of its business customers with the larger penetration B2B competitors, and fewer of its customers with smaller penetration B2B competitors.
- Growth will come from gaining more business customers from all other brands, proportionate with competitor share: more customers will be won from bigger competitors and fewer customers will come from smaller competitors.
- Company/brand sharing that is higher than DoP law benchmarks can indicate closer competitors and this can be factored into competitive intelligence.
- Don't get distracted by smaller look-alike competitors unless there is evidence of excess sharing of customers to suggest a higher threat to your business revenue than its market share would otherwise indicate.

This DoP law highlights that no brand has a lock on its customer base, and all category buyers *could* become your customers.

A key implication is that your likely future new customers are currently customers of (other) bigger brands. Their mindset is therefore to have more extensive thoughts and feelings about at least one other big competitor, and heightened propensity to notice at least one other big competitor's marketing activities. Therefore strong branding in all marketing activities is imperative to overcome this natural attention bias towards competitors.

Growth comes from gaining more business customers from all other brands, proportionate with competitor share.

Background

Laws such as Double Jeopardy (as outlined in Sharp 2010; Romaniuk, Dawes & Faghidno 2021) explain why gaining more customers is essential for brand growth. The next question is where do these new customers come from? Old-school views of marketing claim that to grow, you need to attract a special type of customer - one who's needs that matches the product or service you offer. By making sure you have the right offer for that group, you can then lock in their loyalty for the long term and insulate yourself from the competition. This thinking underpins the segmentation, targeting, differentiation, positioning view of the world.

The Duplication of Purchase (DoP) Law upends this logic, by showing us patterns in the overlap between customer bases. The DoP law states that brands share customers with/acquire customers from all other brands, proportional to competitor share. This law also reveals the source of a growing brand's new customers.

This law can be observed at a point of time for multi-brand/supplier purchase markets, or over time for single brand/supplier purchase markets where customers subscribe to one brand/supplier and buying from another brand requires defection from the previous brand/supplier.

The DoP Law means your main competitors will typically be the biggest brands in the category - irrespective of image or positioning. Established in a wide range of B2C categories, from its original inception in Television viewing (Ehrenberg & Goodhardt 1969), it also holds for companies/brands in B2B categories.

The DoP Law means your main competitors will typically be the biggest brands in the category - irrespective of image or positioning.

The DoP law in B2B categories

Table 1 shows an example of the DoP law from US business insurance category, covering 16 different business insurance products including commercial auto insurance, crime coverage, business income interruption insurance, travel insurance, and professional liability insurance. The average sharing figures (at the bottom of the table) reveal how sharing declines in line with brand penetration (correlation of 93%). Any company's business customer base is more likely to also have another policy with State Farm, Allstate or Geico, than with Travelers, AIG or Humana.

Table 1: Sharing of customers for US business insurance (across 16 insurance products).

Data collected by Ehrenberg-Bass Institute, 2019

Business customer of...	*% pen*	% who are also a business customer of...										
		SF	All	Gei	Pro	Hart	NW	LM	Far	Tra	AIG	Hu
Statefarm	*25*		26	18	16	14	14	10	10	13	6	12
Allstate	*23*	27		25	15	14	19	13	16	14	14	13
Geico	*17*	26	34		22	15	23	13	20	12	13	14
Progressive	*16*	26	23	24		19	17	15	11	9	14	11
Hartford	*15*	22	21	17	19		16	12	13	19	13	15
Nationwide	*13*	26	33	29	20	18		15	22	13	7	12
Liberty Mut.	*13*	19	24	18	18	14	15		6	14	13	18
Farmers	*12*	20	31	28	15	16	24	7		15	19	12
Travelers	*11*	30	30	19	13	27	16	16	16		10	21
AIG	*11*	14	30	21	20	18	9	15	21	11		14
Humana	*10*	30	32	25	18	23	17	23	15	23	15	
Average	***12***	**24**	**28**	**22**	**18**	**18**	**17**	**14**	**15**	**14**	**12**	**14**

Sharing declines in line with penetration - this is the Duplication of Purchase Law

To illustrate that this law also holds outside of a services context, Table 2 has reproduced data[1] from Ehrenberg & Uncles (1990) from the B2B Aviation fuel contract category. All airline fuel brands share more airline customers with the largest brand in the category (Shell) and less with the smaller brand in the category, Chevron. This is again, the Duplication of Purchase law.

Table 2 also spotlights another law, the Natural Monopoly Law, which states that big brands will monopolise light category buyers. This law reveals itself in the under-sharing of Shell with all other brands. Shell, as the biggest brand, attracts light category buyers, who buy infrequently and so often only buy one brand[2].

Table 2: Sharing of customers in B2B Aviation fuel contracts category

From Ehrenberg & Uncles (1990)

Cust. of...	*% cust.*	Who are also customers of...					
		Shell	BP	Total	Mobil	Esso	Chevron
Shell	*73*		38	28	26	30	20
BP	*44*	63		43	41	47	28
Total	*28*	76	69		60	53	43
Mobil	*28*	67	63	58		57	39
Esso	*28*	78	72	51	57		38
Chevron	*19*	77	65	63	58	56	
Average	***39***	**72**	**61**	**49**	**48**	**49**	**34**

[1] To aid interpretation, the 'other' category, which is an amalgamation of all small brands, is omitted from this table as it does not show specific brand-to-brand sharing.

[2] Note in the paper, Shell's loyalty is normal so it is not due to over performing in solely loyal buyers.

B2B customer defection and acquisition patterns over time

The DoP law is also apparent in the defection and acquisition patterns over time, as shown in Table 2, from business banking in the UK. Banks are divided into Bigger (such as Barclays, HSBC), Medium (such as Halifax, Nationwide) and Smaller (such as Standard Chartered, Handelsbanken) business banks to more clearly illustrate the pattern. We asked two questions:

- Which bank is your Main Financial Institution (MFI) now? and
- Thinking back 12 months ago, which bank was your MFI?

As Table 3 shows, every sized bank had more of its MFI customers defect to bigger banks and fewer to medium and smaller banks. Also, every sized bank acquired more if its new MFI customers from bigger banks and fewer from medium and smaller banks. This is the DoP law.

Table 3: MFI Business banking defection and acquisition patterns UK (2019)

	% who defected to...					% acquired from...			
Past cust. of	**Big**	**Med**	**Small**	**Total**	**New cust. of**	**Big**	**Med**	**Small**	**Total**
Bigger banks	62	20	18	100	Bigger banks	54	20	26	100
Medium banks	56	25	19	100	Medium banks	58	25	17	100
Smaller banks	70	12	18	100	Smaller banks	54	15	31	100
Average	**63**	**19**	**18**	**100**	**Average**	**55**	**20**	**25**	**100**

Therefore growth comes from acquiring new customers from all other competitors, largely in line with competitor size. If a brand declines, it also loses its customers to all other competitors, largely in line with competitor size. This means your biggest competitors (to stimulate growth or stave off decline) are the biggest brands in the category.

How this law helps your B2B marketing

Understand category structure

The DoP law provides a framework to interpret market structure and identify key competitors. Marketing folklore emphasises the need to be differentiated and offer a unique selling proposition to a target group of customers. This makes it easy to get paranoid about a competitor that looks similar to your company/brand, but actually is too small to substantially impact your company's sales.

Reminds you to avoid distractions - it's the biggest brands that matter

This law serves to identify/remind us of competitive priorities. Small brands, even ones that look very similar to your company/brand, are typically minor competitors. Getting distracted by these smaller brands can lead you to miss the large competitor brands who's marketing activities will have a much greater impact on your firm's bottom line. Acquisition efforts do not get easier if you target the customers of smaller competitors, the return just gets lower.

Helps you align tactics with feasible growth strategies

When crafting growth strategies, the DoP law allows you to better understand the mindset of the customers you want to acquire. Most of your future new customers are current customers of bigger brands, and so have more extensive brand knowledge and are naturally more likely pay attention the many marketing activities from these brands. This highlights the need for:

- Reaching the whole market with marketing efforts as trying to get more efficient through narrow targeting is likely to be counterproductive for growth (for more on this see Kennedy, Sharp & Danenberg 2010).
- Effective branding to ensure any attention you do get from these customers is correctly attributed to your brand.
- Marketing activities that create and refresh mental structures relevant to mental and/or physical availability (for more on these see Romaniuk & Sharp 2016).

Provides useful benchmarks in disruptive times

Another use of the DoP law is to quantify the impact of changes to the category on customer behaviour, which in turn, can help understand what needs addressing/counteracting and what might be ignored. For example, Stern (1994) shows how by examining the behaviour of the prescribing doctors (again a B2B market), the DoP law can be used to assess the extent of the competition that branded pharmaceutical drugs faced from generics. Similarly, the DoP law can help understand how companies/brands that offer new business models/technological innovations compete with legacy brands/business models.

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The B2B Institute

The Double Jeopardy Law in B2B shows the way to grow

Jenni Romaniuk, John Dawes and Sahar Faghidno

University of South Australia
Ehrenberg-Bass Institute for Marketing Science
LinkedIn

Key take-outs

Double Jeopardy law holds, this means:

> ***There is one strategy to grow in B2B - primarily from new customer acquisition, expanding the size of your customer base***
>
> ***Loyalty metrics can be easily predicted, which helps in KPI setting***
>
> ***Deviations from the law can be easily identified, and can be investigated to identify barriers to growth***

This highlights the importance of building mental and physical availability, to make it easier for non-customers to think of your company, and then find and buy you. Rather than obsessing about loyalty, paying attention to removing barriers to getting more customers can be the fastest way to growth.

Abstract

Double Jeopardy is one of the fundamental Laws of (brand) Growth. It speaks to the relationship between market share gain/loss and market penetration (the number of category buyers that buy the brand) and loyalty (behaviours such as purchase frequency, share of wallet or number of product holdings). Double Jeopardy tells us that loyalty is largely a predictable function of market share. It shows that it is normal for smaller share brands to suffer twice - to have **fewer users,** who are **also less loyal** - when compared to their larger share competitors.

Very simply this law tells us one big strategic insight: **it is not possible to sustainably grow by focusing on loyalty alone.** A firm with more market share will have many more buyers who are slightly more loyal. So if we want to be big, we need to get more customers in any time period. But Double Jeopardy does more than that, in giving the path to growth strategic clarity, it helps pinpoint tactics that can help or hinder growth.

In this Ehrenberg-Bass Institute report we provide evidence of Double Jeopardy in a wide range of B2B categories across different countries, category types, and loyalty metrics. We give you simple methods to test for Double Jeopardy in your own category. Then we highlight what this means for B2B marketers - what to do more of, and what to stop worrying about/wasting time on.

A little bit of history

The Double Jeopardy Law is one of the heroes of marketing science. It was first discovered in the 1960's (see McPhee, 1963) and since then has popped up in a wide range of categories, contexts and countries. Examples include packaged goods, retail banking, insurance, luxury products, political voting, automobile buying. At the Ehrenberg-Bass Institute, we find even newly disrupted categories such as music listening, ride-share or vacation accommodation all display Double Jeopardy patterns, and in all countries where data is available.

The Double Jeopardy law matters because it reveals the path to brand growth. There are those who claim there are multiple paths of grow to choose between: that a brand can grow via acquisition, or cross/up-selling/retention, or some preselected mix of the two. The Double Jeopardy law shows us this is an imagined world, a world dreamt up by fanciful consultants. We don't observe sustainable[1] growth coming from a range of different paths. Nor do we see brands of similar market share, but very different penetration and loyalty metrics. The real world shows one clear path to growth: Through getting more customers to buy from you in any time period.

The Double Jeopardy law matters because it reveals the path to brand growth.

[1] We are separating out longer term growth from spikes due to short term activation activities such as price promotions. These spikes are rarely cost effective. For more on this see Dawes, John and John Scriven (2010). What price promotions really do. How Brands Grow. Byron Sharp. Australia, Oxford University Press: 153-170.

Why might B2B marketing be different?

We've been asked many times over the years, "Surely B2B is different to consumer marketing, will your empirical laws like Double Jeopardy hold up there?". We asked marketers why they thought B2B might be completely different to B2C. The answers included:

(Sometimes) there is a limited number of potential customers

Big value of purchases means buyers are more involved

There is a structured purchase cycle, so less reliance on memory

People's jobs and KPIs are about procurement so they are financially motivated to get the 'right' brand/company

Often involve long term contracts so chance to develop deeper relationships

You get advance notice on contract renewal times so can effectively plan retention efforts

There are more switching barriers, and switching costs

Longer purchase cycles

And so on...

But we also need to consider the similarities between the two. What do B2B markets have in common with B2C markets?

Often there is a wide range of options for customers to buy

Decisions are made by humans, who have an inability to process <u>all</u> the information available

While buyers form memories about B2B brands, not all memories are equally accessible, some are fresher than others

Any single buying decision is only a small part of the total buying that any company (or person within that company) has to do

Sometimes something new catches a buyers' eye and they decide to try it, which can mean switching even though the original supplier/brand has done nothing wrong

The more important a purchase is, the more a customer might want to spread the risk by using multiple suppliers

And so on...

It is easy (and common) to focus on the differences rather than the similarities. But the B2B customer is also buying toothpaste, cars, vacations, chocolate, whisky and home insurance, with the same brain. So it need not be too surprising that there are similarities in how brand choices are made, even when the buying context differs dramatically. Indeed we could have written similar/different lists comparing packaged goods with services; services with durables; luxury with non-luxury and so on - all of which where the Double Jeopardy Law holds. So we should not assume that just because the context is different, the path to growth will also differ, otherwise we are failing to learn from science and history.

Types of B2B markets

B2B markets or categories are many and varied, and it's useful to be able to classify them. A broad way to classify categories comes from work by Professors Sharp, Wright and Goodhardt (2002) which talks about *repertoire* and *subscription* categories. The type of category affects the relevant loyalty metrics:

> **Repertoire categories** - where people can satisfy their category requirements with more than one brand (called the 'repertoire') on an ongoing basis. So if you see someone buying widgets from Company X and then on the next purchase buying the same or similar widgets from Company Y, this is not necessarily an indicator they have stopped using Company X, just that they are cycling through the multiple brands on their repertoire (on B2B markets this often gets the fancier name of 'preferred suppliers').
>
> Each purchase is a transaction that requires a distinct choice, timing of purchases is often sporadic, and split loyalty across multiple brands for category buying is normal. Loyalty metrics in these categories are about purchase frequency, share of category requirements and percentage of solely loyal buyers.
>
> **Subscription categories** - this is where people typically use one brand at a time for the category due to its nature. So if someone took out General Liability insurance with Allianz, they would only take out a General Liability policy with Zurich Insurance if they cancelled the Allianz policy.
>
> The timing of purchases is cyclical and using one company to satisfy category requirements is normal. Therefore loyalty metrics are about retention/defection and tenure.

This means there are a wide range of loyalty metrics for B2B categories. Fortunately, brand penetration, or the number of customers a company has, is a single metric that is constant across both types of categories and systematically related to the other metrics. The only complexity for calculating brand penetration is clearly specifying the customer universe ('Who is a category buyer?'). As long as this specification is not too narrow in either type of customer or time frame, and is consistent for all companies and over time, penetration can be measured and used in analysis.

In the next section we explain the background of Double Jeopardy, then show several examples of it in B2B categories. We explain how you can measure it, and summarise how you can use the resultant knowledge to grow.

Knowing if your B2B category is repertoire or subscription helps define the metrics that matter.

What does the law of Double Jeopardy look like in B2B?

The Double Jeopardy Law shows that brands with fewer customers have lower loyalty/ higher defection levels than brands with more customers. Here we show some recent examples of Double Jeopardy in B2B markets - UK Business Banking, and US Business Insurance.

For Banking we show three loyalty metrics: # of banking products with the bank (out of 17 possible products); % of customers solely loyal (just use one bank for all banking products) and attitude to the brand (% of customers saying it is their favourite).

For Insurance, we focus on a defection metric, which is the probability of switching away from the current brand at next renewal (average score on an 11-point Juster Scale, where 0 is little or no probability of switching while 10 is certain/practically certain to switch Insurance suppliers). In this instance, a higher score equals greater chance of defection, therefore lower loyalty.

Of course we see some variation in some instances (eg, Nationwide lower on Solely loyal or TSB higher on % of customers saying it is their favourite bank). Before placing too much importance on these, we recommend checking it is not simply sampling variation, and these are persistent deviations worth investigating further.

The first finding is that the Double Jeopardy Law is evident - brands with fewer customers have lower loyalty/higher defection levels.

The Double Jeopardy Law shows that brands with fewer customers have lower loyalty/ higher defection levels than brands with more customers.

Table 1. UK Business Banking, data collected by the Ehrenberg-Bass Institute

Bank	% B2B customers	No of Business banking products	% of solely loyals	% of customers saying it is favourite
Barclays	41	5.7	27	31
HSBC	30	5.4	29	45
Natwest	25	4.9	27	32
Lloyds	25	5.0	34	39
Nationwide	21	3.9	5	31
Santander	19	3.4	24	34
Halifax	16	3.3	8	31
RBS	13	3.3	10	15
Metro	11	3.2	3	15
TSB	10	3.7	10	23
Average	**21**	**4.2**	**18**	**30**

Brands with lower penetration tend to have lower loyalty metrics compared to bigger brands. Knowing the general pattern allows you to better identify potential exceptions

In Table 2, we see the relationship between loyalty and penetration in action for specific Insurance products. In Accident and Health Insurance, Progressive Commercial is a smaller brand and has a higher defection rate (3.1 compared to 2.1 for the biggest brand in the product category, Allstate).

However when we look at Commercial Property Insurance, Progressive Commercial now has the lower defection rate of a big brand (2.1) while Allstate has the higher defection rate of a smaller brand (3.0). To re-iterate: Loyalty is largely a function of the size of your customer base.

Table 2. US Business insurance brand defection rates, data collected by the Ehrenberg-Bass Institute

Accident and Health Insurance	% B2B customers	Average likely defection rate
Allstate	15	2.1
State Farm	15	2.7
Humana	8	2.5
Liberty Mutual	8	2.6
Progressive Commercial	8	3.1
AIG	7	3.4
Average	**13**	**2.7**
Commercial Property Insurance	**% B2B customers**	**Average likely defection rate**
Progressive Commercial	15	2.1
State Farm	15	2.5
AIG	10	3.3
Allstate	10	3.0
Farmers	8	3.3
Average	**12**	**2.8**
Life insurance	**% B2B customers**	**Average likely defection rate**
State Farm	20	1.8
Allstate	15	3.6
Liberty Mutual	9	3.8
Hartford	8	3.3
Nationwide	8	3.5
AIG	7	4.2
Average	**15**	**3.4**

Firms with larger penetration have lower likely defection rates.

But the Double Jeopardy pattern is not just for B2B services, In Table 3 are two 'durable' B2B examples: Concrete Suppliers and Airplane buying taken from other published sources (Pickford & Goodhardt 2000 and Bennett, Anesbury & Graham 2018). Again the Double Jeopardy pattern is evident.

Table 3. Double Jeopardy in Concrete and Airlines markets

Concrete	% B2B customers	Ave no of contracts	Airlines	% customers	# purchases per buyer
Firm A	50	7.1	Boeing	86	101
Firm B	41	4.3	Airbus	82	95
Firm C	40	3.5	Canadair	18	47
Firm D	35	3.4	Embraer	16	37
Firm E	33	3.5	Other	16	31
Firm F	29	4.2			
Firm G	28	2.9			
Other	10	1.8			
Average	**33**	**3.8**		**44**	**62**

Concrete suppliers with higher penetration tend to have higher loyalty metrics

Some other evidence, in case you still need convincing...

Table 4 lists a range of studies from a diverse set of categories, countries, data collection methods and researchers. All show evidence of Double Jeopardy.

Table 4. Overview of published studies with evidence of Double Jeopardy in the B2B sector

Study	Category	Country	Data	Does Double Jeopardy Hold?
Bennett et al, 2018	Aircraft	Global	9,000 purchase records from 51 Commercial Airlines across 10 years.	**Yes**
McCabe et al, 2013	Coronary and Ureteral Stents	UK	Three year data of hospital surgical purchasing data	**Yes**
Pickford & Goodhardt, 2000	Concrete	UK	Survey of 400 industrial concrete buyers.	**Yes**
Michael & Smith 1999	Attendance at trade shows: Furniture	US	Survey of 1,201 home furnishing trade businesses	**Yes**
Bowman & Lele-Pingle 1997	Foreign exchange	Canada Germany UK and US	Business transactions of 459 foreign exchange customers	**Yes**
Stern, 1994	Prescription pharmaceuticals	UK	Prescription records of 240 doctors over a one year period.	**Yes**
Uncles & Ehrenberg, 1990	Aviation fuel	16 European airports	Aviation fuel contracts between six leading oil companies and 249 airlines.	**Yes**
Ehrenberg, 1975	Aviation fuel	Africa	Data on 35 commercial airfields operating international flights.	**Yes**

"OK, you've almost convinced me, but my market is a bit different so I need that final bit of evidence to confirm this really does apply to my company/brand....?"

One of the challenges of the B2B sector is that good quality, customer centric data across the category is difficult to acquire. Indeed, lack of data has held back research in the sector for a while. How can you overcome this challenge?

A well-constructed survey can obtain all the information you need to examine Double Jeopardy in your market. To do this you need a way to reach a good cross-section of business buyers in your market, not just your customer base. There is no one single sample size recommendation, but just remember that loyalty metrics are taken from each company/brands customer base only, so you need a large enough sample to make sure you have robust loyalty metrics for all competitive brands you are interested in.

The key questions you need to ask are quite easy to construct. Let's use a simplified example of business insurance: and say the main products are professional liability, property, worker's compensation, product liability, vehicle, and business interruption insurance.

1. Find out if the business buys the product / service

So, your survey would ask along the lines of "which types of business insurance does your business have: does it have - Professional liability insurance .... Property insurance ..." and so on. To identify the category buyer universe.

2. Brand Penetration

Next, your survey would ask which providers the business uses, for each of the insurance products that it buys. As this is not designed to be a test of memory, we recommend providing a list of the major providers and then space for someone to add any that are not on the list. From this information you can calculate each brand's penetration: the proportion of category buyers who use each brand.

3. Loyalty metrics

There are several different options you can use for loyalty.

For multi-product categories, examples include:

> *Number of products with each brand - sum of how many times the brand is bought across all products by its customers*
>
> *% solely loyals - the % of a brands customer base that only use one brand across all products*
>
> *% main/lead supplier - % of a brand's customer base that consider it their main/lead supplier*

For single product categories (such as professional liability insurance only), examples include:

> *Past Defection rate - for annual renewal products ask about current supplier and supplier this time last year, and calculate the % who switched on last renewal occasion*
>
> *Future Probability of switching/renewing contract - the Juster probability scale provides an future mean average renewal/defection rate*[2]
>
> *Purchase frequency - the number of times the brand is bought in repeat purchase categories, where companies buy on different occasions and each purchase is a separate transaction.*

Now you have the key information you need for your brand and competitors. Armed with this category wide information, all you need to do is order the brands by penetration, as in Tables 1-3, to see the Double Jeopardy law in action.

[2] Danenberg, Nick J. (1998). Predicting Customer Loyalty: A Probabilistic Approach. School of Marketing. Adelaide, University of South Australia

"What if I see Exceptions/Deviations to the Law?"

So you collect the data and sort the brands in market share order, and perhaps you notice something odd: a brand that has higher or lower loyalty than its similarly-sized neighbours. What does that mean?

Well, first remember, it is the Double Jeopardy Law that allows you to see this exception. An exception doesn't invalidate the law: some brands are a bit different but there is usually a simple reason.

Let's take the example in Table 5 for Commercial Auto Insurance. If you look at the defection metrics you see that Progressive Commercial has a much lower defection rate than other brands that have similar penetration. Therefore it would be useful to know why this has occurred[3].

The Double Jeopardy Law won't explain exceptions, but it will identify them, and help you prioritise what to investigate further. Otherwise you might spend a disproportionate amount of time trying to understand why Geico or AIG have higher defection rates for this product, when it is simply due to them being smaller brands in the category.

Table 5. Exceptions to the rule: One brand with unusual loyalty

Commercial Auto Insurance - USA	% B2B customers	Mean likely defection rate
Allstate	16	3.3
State Farm	13	2.8
Nationwide	11	3.0
Progressive Comm.	11	2.0
AIG	9	3.8
Geico	9	4.0
Average	**12**	**3.2**

[3] The most likely cause for instances of excess loyalty like this is that the firm has restricted distribution, such as operating in a specific geography or sub-market.

Summary

This Ehrenberg-Bass Institute report shows Double Jeopardy Law holds for different B2B categories, and for the majority of brands within those categories. Therefore, despite the differences that exist between B2B to B2C sectors, a fundamental aspect of company performance is the same across them: the Double Jeopardy law holds in both.

This is a step forward for B2B marketing as it points to a clear path to growth, which in turn can help you focus your strategic and tactical options to ones more likely to succeed.

There are some deviations, but these are the exceptions that 'prove' rather than refute the law. The presence of Double Jeopardy allows us to identify the exceptions and investigate them further. Given the rarity of these deviations, your B2B company/brand is more likely to be normal than exceptional. And that is a good thing for growth, as it suggests no barriers to growth.

At the Ehrenberg-Bass Institute, we have also spent a considerable amount of time studying exceptions to the Double Jeopardy Law. A company with what looks like 'excess loyalty' is most likely suffering from a deficit in penetration, which means it is neglecting or cutting some category buyers out of its potential acquisition base. This might be due to the firm's distribution, or its portfolio of offerings. Such a company has a ceiling on its growth potential.

...a clear path to growth, which in turn can help you focus your strategic and tactical options to ones more likely to succeed.

Four steps to use this knowledge to grow your business

Recognise that in order to grow, your business needs to expand the size of its customer base - this is not optional.

Double Jeopardy tells us that growth comes primarily from new customer acquisition. Just marketing to your own customer base will not achieve this objective. Review your marketing plans - how much effort is directed at (only) your customer base, versus reaching the wider base of category buyers? Is that allocation indicative of a company that is going to grow by getting more customers?

It could be easy to interpret this as saying the loyalty from existing customers isn't important. We're not saying that. Of course the fact that you have existing customers who buy from you repetitively over time is important - you need to look after your existing clients - that is necessary, but not sufficient to grow. Instead of being preoccupied with loyalty, look to removing barriers to penetration that will ease the path for acquisition, as this is more likely provide opportunities to grow. Barriers to penetration can be mental (what you are salient for offering) or physical (where, how or what potential customers can buy from you).

Set evidence based KPIs

The results tell us that there are natural ceilings to any loyalty metric. Senior managers cannot just say, we want to increase loyalty by 50% or, we could grow a lot by simply selling all our buyers one more product.

An easily missed (and misinterpreted) point about Double Jeopardy is that while big brands get *some* more loyalty, it's not really about the brand, but the brand's market share. If certain big brands got *substantially* more loyalty than their littler competition, this could imply there are some that are just much better - higher levels of product quality, greater expertise, for example. But they don't. Product quality is not unimportant, it is just not all-important such that you can neglect other areas of marketing and expect to win simply with the best product.

This take-out is surprising for many senior managers who assume that the reason some companies are so successful is to do with being better than competitors (better product, better service, better technology etc). But the ubiquity of Double Jeopardy says this isn't the reason. *You have more loyalty because you are big, rather than you are big because you have more loyalty.*

Double Jeopardy tells you what your loyalty should be (which is usually what it actually is). Not just now, but in the future too, should your company grow or decline in share. *This allows you to set realistic, evidence based, KPIs and forecasts for growth goals.*

Put yourself (and your marketing) in the mind of your non-customers

You need to reach and build the brand among businesses who are category buyers but who do not buy your brand currently, for them to start buying from you. The ways you can do this range from wide reaching advertising and/or setting KPIs for the sales force to talking to prospects. Think about all of the mechanisms you have to connect with non-customers, and then look at how they can be changed to reach more/different non-customers.

For example, advertising in an industry magazine might reach a different set of non-customers than a mail out from your existing marketing database. Also switching out one in four calls to existing customers to be to non-customers will expand your reach to non-customers. Now, you might be concerned that this reduced contact will cost you customers, so to reduce this risk you might space out the contact you have with existing customers so there are no large gaps, or replace the phone call with an email.

There is no single formula for this, it's simply about working out how to use the resources you have in the next quarter to reach more non-customers than you did last quarter.

It's crucial you don't waste that reach because of poor branding quality. Its vital to have clear and prominent branding, so your company is easily identifiable to the most disinterested potential customer. Building strong Distinctive Brand Assets is important here (see Romaniuk, 2018). These are the visual and/or audio elements that automatically trigger the brand, when the brand is not present These help your company's branding to cut through in any environment.

Prioritise Mental and Physical Availability

Overall, the business implication is that to grow, one needs to invest more in making the brand easier to think of in buying situations (Mental Availability), and easier to buy (Physical Availability). There will be more on these two levers in upcoming reports, but essentially they are about:

> **Mental availability** - being thought of, by more customers, in more buying situations. This is a function of the media, branding and message quality of your customer interactions via media or in person via your sales force.
>
> **Physical availability** - being easy to find and buy from. This is a function of the brand's presence and prominence in buying channels, (including sales force coverage) as well as the product portfolio on offer.

Each amplify the effect of the other, and are essential for brand growth in all categories, including B2B.

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Please contact b2binstitute@linkedin.com for further information