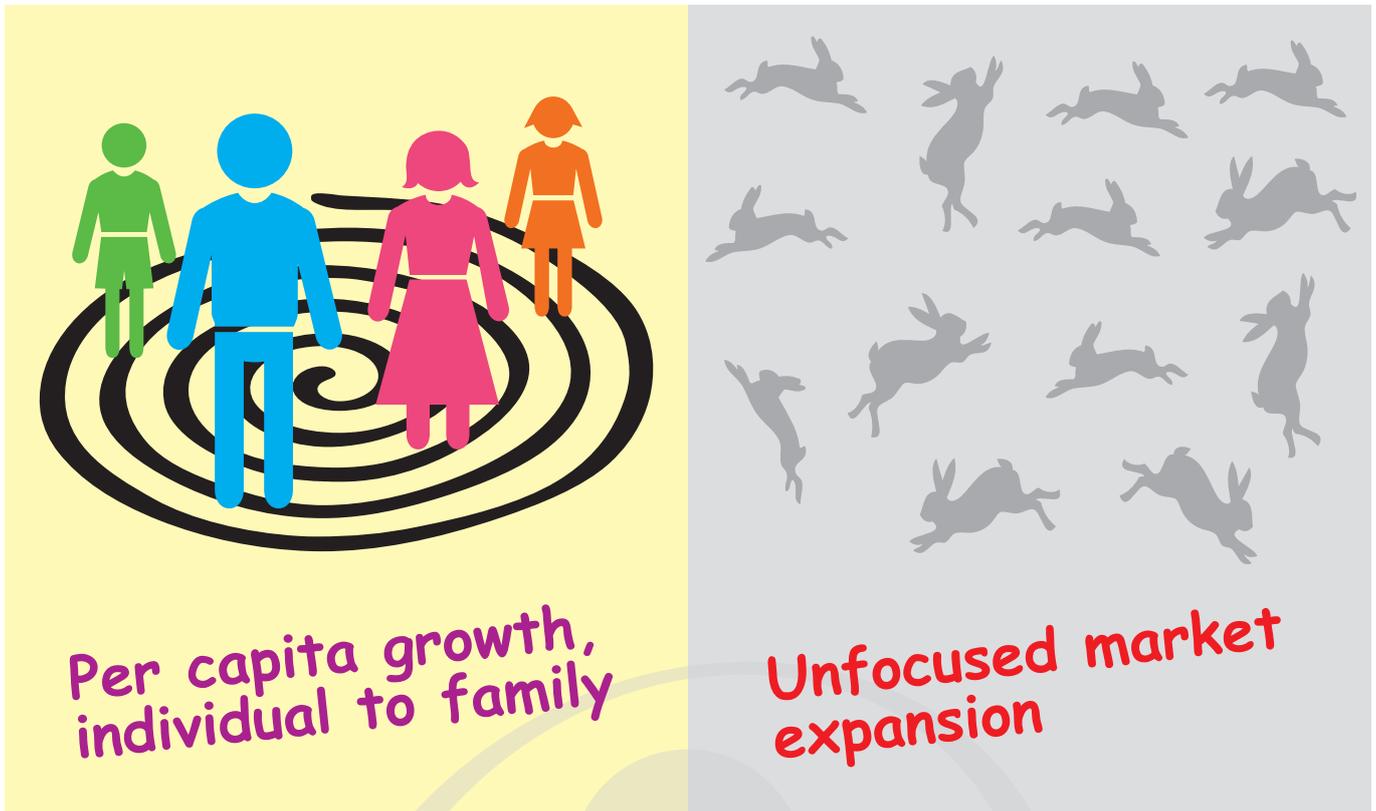


Prioritise your brand's

# per capita growth strategy upto execution



*White paper by Shombit Sen Gupta*



## WITHOUT FIRST ACHIEVING PER CAPITA CONSUMPTION GROWTH, UNFOCUSED MARKET EXPANSION WILL MAKE BUSINESS UNPREDICTABLE

*Most industries in India look for growth from unfocused market expansion, without addressing the science of per capita consumption growth. This means they are not tracking the buying behaviour and usage pattern of repeat purchase customers. As market penetration is not saturated yet, industry takes the advantage to expand into unfocused geographies to display growth. In actual fact, such market growth is not predictable or sustainable. Illustrated below using 3 industries:*

**1. Retail industry:** Currently companies get growth by either adding new retail outlets or increasing price. Loyalty card of the retail store is not attractive enough to regularly bring back the same customers.

**2. FMCG industry:** Selling a big portion of products (brand) through wholesale achieves wide sales without any focus throughout the country. But you don't know who your customer is and whether

that same customer is regularly buying the same product (brand).

**3. Auto industry:** Industry has no database about whether the acquired customer's other family members or their influencers are buying the same brand or not. In the existing customer's next buying cycle, does s/he buy the same brand or its diverse portfolio, or does s/he shift?

## Examples of world famous companies, among others, who care for customer per-capita consumption growth as the company's key driver

**Walmart:** Sam Walton, Chairman founder: "There is only one boss – the customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."

**Toyota:** Nancy Fein, Toyota Motor Sales, Group Vice President of Customer Service: "Our future competitive advantage hinges on customer retention. We need to get our customers back in the dealership for service, to buy parts and—ultimately—to purchase their next vehicle. We're beginning to see the entire organization embrace this philosophy, infusing the voice of the customer in everything we do."

**Coca-cola:** Company's statement: An important measure of our growth potential is per capita consumption—the average number of our beverages that people consume each year in a given market.

### Repeat purchase leading to per capita consumption growth is the real indicator of stable growth of any brand in any industry.

#### What is the scientific benefit of repeat purchase?

Customer repeat purchase reflects a brand's maturity in the market. Only by tracking the repeat purchase of a substantial number of customers can you tell the real performance of your product (brand). Customer "fidelization" = good experience of previous purchase is the first basis for a repurchase decision.

With tracking you find out whether individual or family consumption is increasing or decreasing, how many are lapsed, and why. This data is the crux or religion of customer social science relevant to business, the most important to understand a company's product performance. In the fierce competitive environment, customers have multiple choice, they easily shift. How can that be anticipated?

**Renovate first then innovate:** For long term repeat purchase, an existing product needs continuous renovation, whether in its formulation, engineering, presentation or distribution channels. Renovation is required to make the brand stable through product change so as to adapt to contemporary consumption expectations. The 2 examples below illustrate this point:

**In the automobile industry, Volkswagen Golf and Toyota Corolla, decade after decade, refreshed the product and created new version generations with the same name to retain their category leadership.**

**P&G, decade after decade, regularly renovates their Ariel product, brand and distribution globally to make their product contemporary, creating the world's leading detergent brand.**

**Brand stretching to a new category:** In case you create a totally new category with the same brand, your existing customers, even if they are not going to be buyers here, have to admire that.

They are the real ambassadors to create word-of-mouth of your new category even if it is not for them. That's because their confidence level with your brand will make them the voice ambassadors of the new category.

The key to success is tracking existing customers and verifying their satisfaction level with your renovation or innovation. Putting enormous effort to get the pull of repeat purchase customers will create business sustainability of a product and its brand.

**Time required to adjust the teething troubles of a totally new category, new brand:** In case of entry into a totally new category with its new brand, you need to very quickly track a decent number of customers on how it is serving their usage purpose. Find out if they will go for

a. Repeat purchase in products of a short lifecycle category

b. Recommend to others or influence the purchase of long lifecycle products

During its teething trouble time, first define a customer base then scientifically track customer response and frequency of repeat purchase. Next, adjust the product quality to customer acceptance for repeat purchase for short lifecycle products and recommendation for long lifecycle products.

Without fixing teething troubles, going for large unfocused market expansion is dangerous for the brand's sustainable growth and should be avoided.

## Action areas to track and increase per capita consumption

- ❑ An enterprise has to have an exclusive panel for its products (brand) with a minimum of 5,000 regular buyers as customers who should be tracked as per:
  - **diverse income**
  - **diverse family composition**
  - **different age groups**
- ❑ Need to have 2 deep interactions annually with these repeat purchase customers to diagnose:
  - **usage satisfaction or dissatisfaction**
  - **habit of repeat purchase**
    - buying less, buying the same or buying more
  - **other family members consuming or not**
  - **how much family members are influencing their friends**
  - **in case of lapses, why?**
  - **changing trend with entry of new products**
    - what are the other direct or alternative products (brand) entering the family and why
- ❑ Detailed unbiased scientific benchmarking with a large number of competitors on whether the existing customer is satisfied or unsatisfied, and detailing the reasons for their stated preference.
- ❑ Regular checking of existing offers on parameters such as boring, normal or exciting, and keeping a vigilant eye on whether any new competition is changing the panel customer's mind to shift.
- ❑ If there is a pattern of dissatisfaction with any aspect of your brand or product by a large number of customers, you have to address that very seriously with rectification and **make the change perceptible** at the time of relaunch.

- ❑ At any given time, high performance of product quality in blind tests in the competitive environment will ensure customer repeat purchase.
- ❑ When product becomes the first communication vector, customer fidelity creation is easier. Try product sampling for trials by customers. It is a thousand times cheaper, more focused and effective than any advertising spend.

## Service sector

- ❑ Always treat a customer well because the trust factor of the customer treated decently after a quality problem increases significantly.
- ❑ **eCommerce:** Online business has huge advantage in tracking customers to follow up on their regular repeat purchase. But price, category, variety in a category, and delivery time will more and more become banal, without much differentiation. How do you create differentiation for online business? Study customer social science offline. Form a panel of 5,000-10,000 customers, regularly meet them to understand their psychological need and desire, analyse what's happening and rectify for better online tracking. This can break the faceless virtual mode, overcome the generic character of online shopping and the online brand can become the customer's confidant for repeat purchase.
- ❑ **Go beyond digital CRM:** In case of retail, you need to discreetly acquire relevant personal data of shoppers with regular relationship using soft skills to make them loyal for repeat footfall and increasing bill size. Follow the logic: "I talk better to people I know."

**When you understand the negative or positive aspects of your product from your repeat purchase customer, you will find the key to the sustainable growth of your business. By solidifying per capita consumption growth you will make an extremely strong business foundation to add market expansion surrounding that.**

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