Idea Watch

New Thinking, Research in Progress **hbr.org**

ILLUSTRATION: JACOPO ROSATI

MARKETING

Make Your Best Customers Even Better

Many companies could persuade big spenders to buy even more.

by Eddie Yoon, Steve Carlotti, and Dennis Moore

Just over a year ago, managers at Kraft believed that their Velveeta brand had only moderate growth prospects. With the consumer migration toward natural and organic products, sales of Velveeta—a processed, unrefrigerated "cheese food"—had languished. The customers who did buy it typically used it once or twice a year, usually to make a party dip. But as we began working with Kraft and analyzing supermarket scanner and consumer panel data, we found a hard-core group of Velveeta fans. They constituted 10% of buyers but accounted for 30% to 40% of revenue and more than 50% of profits. In focus groups, these buyers—whom we dubbed superconsumers—said that they think of Velveeta as superior cheese. They love the way it melts smoothly and easily, and they have myriad uses for it, ones that range far beyond dips (one person even claimed to use a little when making fudge). After we finished questioning the superconsumers, they traded recipes, e-mails, and phone numbers with one another—building friendships around their shared passion for Velveeta.

To restart Velveeta's growth, Kraft decided to focus on these superconsumers, a group whose size we estimated at 2.4 million. The product team had recently launched refrigerated Velveeta slices, for use on burgers and sandwiches. It had also introduced refrigerated shredded Velveeta, for use in casseroles. Both launches had been surprisingly strong, but they now took on much more importance in light of the superconsumer strategy. Some retail partners began moving the product to the refrigerated dairy aisle, where products have a much higher rate of sales. The strategy inspired a pipeline of innovations to meet new uses. Kraft also began gathering customers' recipes and finding ways to circulate them among the faithful. "The previous thinking was that the quickest, easiest path to growth was to identify light users or lapsed users," Greg Gallagher, the marketing director at Kraft Foods, recalls. "But when we talked to superconsumers, we learned that in fact they wanted to use Velveeta more—they were starving for it." The new product launches have generated more than $100 million in sales. Just as important, managers believe they have found a viable growth strategy for the first time in years.

Every marketer is familiar with the Pareto principle. Known colloquially as the 80/20 rule, it suggests that one-fifth of a product's buyers are responsible for four-fifths of sales. A similar effect applies to superconsumers. Using Nielsen supermarket scanner data, we analyzed the top 124 consumer packaged goods categories and found that on average, superconsumers represent 10% of a category's customers but account for 30% to 70% of sales and an even higher share of profits. Most managers take care to offer VIP treatment to these big spenders in order to ensure their continued loyalty, but few make them a focus of growth plans. They assume that these customers are already maxed out and can't be persuaded to buy more—or they believe other myths about them. In our work with CPG companies, however, we routinely see brands that are able to grow sales by finding new ways to appeal to these customers. And the phenomenon isn't limited to CPG categories: We have seen companies successfully execute superconsumer strategies in industries as wide-ranging as apparel, consumer durables, and financial services.

FIVE MYTHS ABOUT SUPERCONSUMERS

1 They're just heavy users with a new name.

Unlike traditional heavy users, superconsumers combine big spending with high engagement and deep interest in new uses for a product.

2 They don't exist in my business.

Our data suggest that they exist in most consumer packaged goods categories and in many other markets as well.

3 They aren't normal—they're either wealthy or just weird.

If you talk to superconsumers, you'll learn that most have very logical reasons for their behavior. They simply find more meaning and benefits in a given category than other customers do. In fact, just about everyone is a superconsumer of something.

4 They're impossible to find.

Big data and social media enable you to identify them.

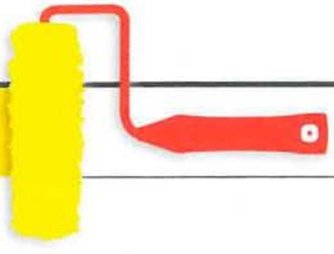
5 They already buy so much—they can't possibly buy more.

This is the biggest myth of all. Superconsumers account for at least three times as much growth as other consumers. And they influence millions through social media and word of mouth.

Reaping Benefits Beyond Sales

It's important to distinguish superconsumers from other segments of buyers. They aren't quite the same as "heavy users"—a product's highest-volume buyers, in traditional marketing terms. Heavy users are defined simply by the quantity of their purchases. Superconsumers are defined by both economics and attitude: They are a subset of heavy users who are highly engaged with a category and a brand. They are especially interested in innovative uses for the product and in new variations on it. They aren't particularly price sensitive. Superconsumers tend to have more occasions and "jobs" for a product. Think about hot dogs: While many consumers view them primarily as a food for backyard barbecues, superconsumers see them as an ideal fast meal or an after-school snack.

In our experience, many managers are quick to dismiss the concept of superconsumers or to regard it with skepticism. But as companies build up their analytic capabilities, they are becoming increasingly adept at identifying and engaging these consumers. When they do, they not only find that these shoppers have good reasons for buying so much, but also often discover a



One Retailer's Approach to Superconsumers

Packaged goods companies aren't the only ones that can profit from added attention to superconsumers. Several years ago we worked with a U.S. hardware store chain (unnamed for reasons of client confidentiality) whose sales were lagging. Its superconsumers were do-it-yourselfers making low-cost home improvements, such as replacing light fixtures. In analyzing how to increase sales among them, managers focused on paint—a high-margin product that is part of many DIY projects, an easy way to spruce up a space, and a purchase for which customers appreciate the kind of advice and personal service that's hard to get at a big-box store.

The retailer reworked its paint merchandising and marketing to be more inspiring. For example, it created "idea cards" and began offering sample jars so that customers could try out colors at home for little cost. These initiatives succeeded, and not just among superconsumers: Paint sales rose 14% the following year.

hidden appetite to buy more—even in the most unlikely product categories.

Staplers are a prime example. Most people have just a single stapler—or maybe two, one at home and one in the office. But in our work with an office supply company, we identified stapler superconsumers, who own eight staplers each, on average. These consumers don't do more stapling than other people. Their stapler buying is related to a need to be highly organized: They believe that the presentation of the papers they staple together matters as much as what is on the papers. So they want just the right stapler for each stapling occasion. They keep different sizes and shapes in various places—their offices, their kitchens, their purses, their cars. Absent these findings, common sense might suggest that there would be little ROI in trying to sell someone who owns eight staplers a ninth or a 10th one. But the analysis proves that selling those additional staplers to superconsumers is a smarter growth strategy than simply selling replacements for broken or lost staplers to "normal" consumers.

Companies that focus on superconsumers can realize benefits far beyond an opportunity to drive sales growth. Because superconsumers are already buying your products, it's easy to reach them. This means that you can dramatically increase the efficiency of your advertising and promotions. Instead of trying to activate lapsed users through expensive mass-market campaigns or paying large sums to deliver coupons to customers who haven't bought your product in months (and probably won't buy it now), you can focus your efforts on a narrow slice of your customer base. Direct and digital marketing are often much more effective with superconsumers than with others. That effectiveness can be especially valuable to large CPG companies, some of which spend billions of dollars a year on advertising—and for which a 1% increase in the efficiency of ad spending can therefore be worth tens of millions of dollars.

Many superconsumers are superb at offering insights that can drive product strategy. Because they are passionate about the category, they are an ideal audience for testing out new-product ideas—and in many cases, they themselves are the source of new ideas. Consider another Kraft brand, Breakstone's sour cream. Shannon Lester, a Kraft brand manager, and his team discovered that many of its superconsumers were blending it with Greek yogurt to create something that tasted like sour cream but had about half the fat and cholesterol and twice the protein and calcium. Breakstone's had once come up with a similar combination, but the mixture had failed to gain traction even inside the company. After Kraft embraced the superconsumer strategy, however, it retested the product, this time targeting its superconsumers, who loved it. Moreover, many of them offered input that helped Kraft optimize the product, and their insights about presentation helped it gain mass appeal. Demand for Breakstone's Greek Style sour cream grew so rapidly that the product was available in 60% of U.S. grocery stores within months of the retest—astonishing speed for the success of a new product.

The most important thing we've learned in our work with companies that have decided to focus on superconsumers is that the new strategy can become a rallying cry for an organization—particularly one that has been marketing an old, slow-growing product perceived as unexciting. Like many of the best strategies, it is simple to explain, it appeals to logic, and it is easy to back up with data. "To be honest, I was a nonbeliever at first," says Cannon Koo, the director of analytics at Kraft Foods. "I thought, *How are these consumers any different from heavy users?* But as we did more and more research, we began uncovering more and more insights that were quite different from what we were used to seeing from heavy users." Today the Velveeta team uses the superconsumer strategy to plan its media buying, trade promotions, and new-product lines. The brand's general manager says that in his nine years at the company, he's never seen a more tightly integrated brand plan.

The superconsumer phenomenon points to a virtuous circle: Often companies can do well by showing more love to the customers who love them the most.

HBR Reprint F1403A

Eddie Yoon is a principal, and **Steve Carlotti** is the CEO, at the Cambridge Group. **Dennis Moore** is the executive vice president of advanced analytics at the Nielsen Company.

ILLUSTRATION: TIAGO RODRIGUES/THENOUNPROJECT.COM