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Do Marketing Professionals Care about the Pareto Principle?

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## **Master Thesis**

# **Do Marketing Professionals Care about the Pareto Principle?**

*“The Pareto Principle: The opportunities and consequences for FMCG brands of relying on a Pareto-distributed small core of consumers for a large portion of sales.”*

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## Abstract

The purpose of this thesis is to explore whether and how marketing practitioners use the Pareto Principle by studying the thesis statement: *“The Pareto Principle: The opportunities and consequences for FMCG brands of relying on a Pareto-distributed small core of consumers for a large portion of sales.”* This study explores the existence and use of the principle in terms of labeling, segmentation, detriments, and potential of the trivial many. This is done through an exploratory qualitative study using semi-structured interviews of marketing practitioners within the FMCG industry in Norway. The findings indicate that marketing practitioners are generally unaware of the term Pareto Principle and refer to it as the 80/20 rule. They have limited knowledge about the small core, and therefore do not consider the principle when conducting marketing activities. Further, marketers feel a sense of responsibility towards their consumers and are concerned about the health and environmental impact of consumers’ overconsumption. Finally, the findings show that marketing practitioners are not dependent on the small core, in contrast to the assumption of academics, and believe in the potential of the trivial many. One implication of this study for marketing practitioners is that a data-driven approach should be taken to identify the small core and the trivial many. This approach would allow for usage-based segmentation and effective targeting in order to increase the potential sales from both groups. Another implication is that marketers should be aware of the potential detrimental effects of heavy use; a balance should be struck between wanting to sell their products and selling something that is not detrimental to consumers.

**Keywords:** Pareto Principle, 80/20 rule, marketing practitioners, FMCG

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# 1. Introduction

The Pareto Principle was coined by Joseph Juran after he observed that a claim made about wealth distribution in Italy by Vilfredo Pareto in 1895 was universal (Juran Editors, 2019; Kim et al., 2017; Sanders, 1987). Pareto claimed that 80% of land was distributed among 20% of the population (Kim et al., 2017). Based on this, the Pareto Principle is the idea that 80% of certain effects occur because of 20% of certain causes (Juran Editors, 2019; Illes-Seifert & Paech, 2009), and is therefore often referred to as the 80/20 rule. In relation to the Pareto Principle, Juran coined the terms ‘the vital few’ and ‘the trivial many’ (Juran Editors, 2019), where a small core contributes more significantly than the larger group. This principle is often thought to be applicable to any context and apply to any population (Juran, 1975). Since its inception, the Pareto Principle has been commonly discussed in marketing textbooks and has been accepted by academics as a marketing truth although there is limited reputable empirical academic research to confirm or refute it (Wimby, 2020). As Craft and Leake (2002) stated, it has become an “...*accepted standard or heuristic (i.e., “rule of thumb”)*” (p. 730). The Pareto Principle has been discussed theoretically, in terms of its existence and the ratio itself. Academics have also found evidence that the Pareto ratio holds in the areas of project management (Craft & Leake, 2002), world gross domestic product (GDP) (Dunford et al., 2014), online gambling (Tom et al., 2014), and fast-moving consumer goods (FMCG) (Ruangthammakit & Wongsurawat, 2019; Goldsmith & d’Hauteville, 1998).

A common interpretation of the principle within marketing is that 20% of consumers are responsible for 80% of sales. The Pareto Principle can act as a tool for growth through enabling marketers to identify a small core of consumers which can help brands increase their profits (Lavinsky, 2014). Craft and Leake (2002) argued that the use of the principle, despite its possible inaccuracies, is better than having no rules to guide behavior and decision-making, which has arguably contributed to the popularity of the Pareto Principle among academics. Moreover, the recent rise of the Big Data phenomenon has further given life to the Pareto Principle by making it easier to identify, segment, and target the small core. Thus, a data-driven approach may enable brands to increase sales earned from the small core (Schrage, 2013).

Not all academics make a case for the value of the Pareto Principle. For example, Wimby (2020) argued for debunking the Pareto Principle based on new research and renewed thinking. He claims that the 80/20 rule, similar to many other statements of “*truth*” in marketing, has been overlooked by critical thinkers and has simply been accepted as fact by academics. Further, he argues that the ratio has become a buzzword, and despite the lack of empirical evidence marketers have been encouraged to focus resources on this 20% group of consumers who make up 80% of a brand’s business. Overall, academics appear to assume universal acceptance of the principle among marketing practitioners, despite not having investigated whether or not and to what extent marketing practitioners use the principle in their marketing efforts, as “...*consumer theorists have largely ignored this subject*” (Goldsmith & d’Hauteville, 1998, p. 188). The importance of studying the Pareto Principle lies in the existence of this academic-practitioner gap (Nyilasy & Reid, 2009). As a result of this gap in the research, little is known about what knowledge marketing practitioners have about the characteristics, attitudes, and behavior differentiating the small core from the trivial many.

Research is also lacking on whether marketing practitioners are aware of or concerned about the small core overconsuming to the point of detriment. Examples of detrimental consumption can be found within gambling where up to 67% of the small core showed signs of gambling-related problems as opposed to up to 35% of the trivial many (Tom et al., 2014) and within the categories of tobacco and energy-dense food where overconsumption was found to lead to cancer and obesity (Håkansson, 2014). The financial or health issues that may arise from overconsumption have been studied from a consumer standpoint, but not from a marketer’s point of view in terms of looking at what feeling of responsibility marketers have for their consumers. Further, the potential to increase sales within the trivial many has not been studied as the focus has been on the small core. This raises the question of whether the potential is considered by academics and practitioners. As such, this study aims to narrow the identified academic-practitioner gap and look into marketers’ perceptions and use of the Pareto Principle.

This study explores the existence and use of the principle in terms of labeling, segmentation, detriments, and potential of the trivial many with the thesis statement: “*The Pareto Principle: The opportunities and consequences for*

*FMCG brands of relying on a Pareto-distributed small core of consumers for a large portion of sales.”* This topic is explored through an exploratory qualitative study which utilizes semi-structured in-depth interviews with marketing practitioners as the main source of information. We take the marketers’, and not the consumers’, point of view as this is an angle that has seldom been considered. For the purpose of this study, we discuss the Pareto Principle in terms of a minority of consumers being responsible for a majority of sales rather than looking at other marketing units such as products or profits. Moreover, the study focuses on the FMCG industry, specifically food, beverages, home care, and personal care products.

The results of this study are significant as they bridge the gap between a principle that is accepted by academics and assumed accepted by marketers without empirical evidence. Further, they are significant as they explore the use of the principle in practice by marketing practitioners beyond its impact as a marketing theory.

## 2. Theoretical Background

### 2.1 Pareto Principle

Academics have assumed that the Pareto Principle is accepted by practitioners (Wimby, 2020; Goldsmith & d’Hauteville, 1998) although evidence of the principle in practice, marketers’ awareness of its existence, and the definition and labeling of it within the FMCG market is lacking. Mizuno et al. (2008) found that the principle held within a convenience store chain and Kim et al. (2017) stated that the principle held in the consumer packaged goods industry. However, the existence of this rule when accepted is often debated in terms of how it is defined as a ratio. Juran highlighted the existence of other ratios as the core aspect of the principle is that a minority of consumers, products, or other marketing units, account for a majority of the sales, profits, or sales volumes (Juran Editors, 2019).

Although the value of the principle does not lie in the exact ratio, discussions regarding the ratio have flourished. The Ehrenberg-Bass Institute for Marketing Science argued that based on research over the last 12 years, it is “*It’s wrong to talk about an 80/20 law in marketing*” as there are several extraneous variables that affect the exact ratio (Hasan, 2020). Evidence has mainly pointed towards the small



core accounting for a smaller percentage of sales than 80% (Sanders, 1987; Wimby 2020; Hasan, 2020). Other findings have pointed towards a larger small core. McCarthy and Winer (2019) argued for a 70/30 ratio, which they found to be true across almost two dozen consumer packaged goods categories. On the other hand, Koch (2011) argued for a shift in the opposite direction, stating that the ratio is moving towards 90/10 as positive feedback loops are increasing the importance of the vital few while decreasing the size of the group. Finally, Dubinsky and Hansen (1982) argued that marketers have the ability to alter the ratio to a more profitable ratio. Despite the disagreement regarding the ratio in research in later years, academics do not appear to have approached practitioners regarding whether their perception of the ratio has changed.

As a result of the disagreement regarding the exact ratio, interchangeably used labels have been created for the small core and trivial many such as ‘heavy half’ or ‘heavy users’ and ‘light half’ or ‘light users’, respectively (Morrison, 1968; Cook & Mindak, 1984). The heavy user label was first discussed by Twedt (1964) who found that the heavy half buys more, buys more often, and buys more varied brands than lighter users. For clarification, the heavy user and light user labels will not be used in the remainder of the theoretical background, instead the small core and trivial many labels will be used as these were coined by the creator of the Pareto Principle (Juran Editors, 2019). The value of the principle goes beyond how the small core is labeled and what the exact ratio is (Craft & Leake, 2002; Sharp et al., 2019). Instead, research should be conducted on the knowledge marketing practitioners have of the principle and whether they have seen evidence of it in practice. Moreover, further research is needed in categories such as food, beverages, and personal care (Ruangthammakit & Wongsurawat, 2019). This leads us to our first research question:

RQ1: Are marketing practitioners aware of the Pareto Principle in their market and if so, how do they define it and label it?

## 2.2 Marketing Practitioner Knowledge of the Small Core

For marketers to be effective in their segmentation, targeting, and marketing activities toward the small core, they first need to be able to identify these

consumers. However, there is a lack of research and best practices known about the characteristics, attitudes, and behavior of the small core.

### 2.2.1 Segmentation

Twedt (1964) stated that, despite there being a clear small core of heavy users, this segment could not be defined based on regular factors such as age or income. Therefore, the small core can only be identified in hindsight by using consumer usage levels, allowing for usage-based segmentation (Twedt, 1964; Morrison, 1968). However, usage-based segmentation can only be used if accurate historical data is available about consumers' purchasing patterns allowing marketers to see where and how to target the small core effectively (Morrison, 1968). On the other hand, Wimby (2020) argued that consumers do not always tend to stay in the same user category over time making it difficult to use historical data to segment the small core. As such, the Pareto Principle should be used in practice, but with a grain of salt to avoid overlooking the trivial many who may be in the small core segment at a later time (Sanders, 1987; Wimby, 2020).

Frank et al. (1967) found that in most of the 57 product categories they studied demographic and socioeconomic factors were not accurate predictors of consumption. Instead, they suggest segmenting based on consumer usage levels. Further, it was found that personality factors, behavior, and spending play a larger role in differentiating the small core than lifestyle or demographic factors (Wansink & Park, 2000; Shim & Mahoney, 1992). These studies show that to identify the small core, factors beyond the demographic and socioeconomic must be taken into consideration.

An attribute that has been heavily discussed regarding the small core, is loyalty. Tucker (1964) found that continued and frequent consumption of a particular brand was linked to brand loyalty. However, González-Benito and Martos-Partal (2012) found that the relationship between brand loyalty and number of purchases had an inverted u-shape, as frequent purchasing was positively linked to loyalty up to a certain point where this then declined. Similarly, Karremans et al. (2016) found a negative correlation between overconsumption and evaluation of the brand, buying intentions, and self-reported likelihood of future purchase. These opposing views on the loyalty of the small core presented by academics highlight the value of exploring what points of view marketing practitioners have on this subject.

Other findings about the attributes of the small core indicate that these consumers are more enthusiastic, involved, innovative, and knowledgeable about their chosen product than the trivial many as a result of increased usage of a product or product category (Goldsmith & Litvin, 1999; Goldsmith & d’Hauteville, 1998; Goldsmith, 1998; Pleshko & Al-Houti, 2012; Thach & Olsen, 2015; Ruangthammakit & Wongsurawat, 2019). However, this research is not exhaustive, and more studies are needed on the characteristics and behavior of the small core (Goldsmith & d’Hauteville, 1998; Pleshko & Al-Houti, 2012) in order to establish a shared definition of a typical heavy user (Goldsmith, 1998). Furthermore, research has not looked into what types of attributes marketers utilize when attempting to segment the small core or the effectiveness of these approaches in practice.

There is also a lack of research on the effect that the Big Data phenomenon may have on the use of the Pareto Principle by practitioners. Current access to large amounts of data may allow for more effective usage-based segmentation (Schrage, 2013). Companies that utilize data effectively have the ability to both identify their small core and increase the sales resulting from this group (Schrage, 2017). However, the most commonly cited literature on the Pareto Principle was written before the existence of big data and may no longer be relevant. Studies have yet to revisit the Pareto Principle from the perspective of marketers who have access to big data. The availability and use of data may enable marketers to gain insight into the characteristics, attributes, and behavior of the small core.

### 2.2.2 Targeting and Marketing Activities

Despite not being able to segment the small core using demographic factors, Twedt (1964) found that these consumers are of vital importance to a marketing strategy. He argued that investment into targeting the small core is money well spent and will result in a larger return than if using a broad targeting strategy. Ruangthammakit and Wongsurawat (2019) found that marketers should focus on the small core to increase sales in FMCG as they were more economically viable to target. Their findings showed, in line with Twedt’s (1964) initial assessment, that targeting the small core can be a valuable way to increase profits (Ruangthammakit & Wongsurawat, 2019; Goldsmith & Litvin, 1999; Goldsmith & d’Hauteville, 1998; Weinstein, 2002).

As the characteristics of the trivial many and small core differ, the targeted marketing activities should be adjusted accordingly (Weinstein, 2002). Several studies have found that marketing activities with appeals to innovativeness, enthusiasm, differentiation, knowledge, and affect-factors are key to engaging the small core (Goldsmith, 1998; Pleshko & Al-Houti, 2012; Crask & Reynolds, 1978; Jewell & Unnava, 2004). Furthermore, gaining insight into the small core's preferences and behavior can help brands develop an effective marketing strategy which can ultimately increase sales and margins across all segments (Yoon, 2009). The China-based e-retailer Alibaba has identified their small core and targeted them accordingly (Wang, 2016). To increase retention, trial and sales, the company sought out their heaviest users and created a membership club in which the members can share shopping tips, shopping lists, and inspirational content. This acts as an example of an effective way to target the small core segment through marketing activities (Goldsmith & Litvin, 1999). Findings such as these show the importance that research into the Pareto Principle can have for brands and their segmentation, targeting, and use of marketing activities. However, other studies have been focused on criticizing ineffective methods of segmenting the small core and have suggested untested approaches to segmentation rather than exploring new and effective methods. The practice of targeting the small core has mainly been studied in the retail and travel industries while this study will shed some light on the FMCG industry. This lack of research on marketing practitioners' knowledge of the small core leads us to our next research question:

RQ2: What do marketing practitioners know about the characteristics, attitudes, and behavior of the small core and why they buy or use so much of the product, and how does this knowledge impact marketing activities?

### 2.3 Detrimental Effects of Overconsumption

Heavy use, as seen within the small core, can lead to overconsumption to the point of detriment. However, whether this is a concern marketers share has largely been ignored with research instead focusing on the impact on consumers and the characteristics that can lead to this detrimental overconsumption. Overconsumption is defined by Håkansson (2014) as the “...consumption of hedonic goods by individuals with undesirable personality traits, low moral or belonging to minority groups” (p. 692). He continues by stating this overconsumption may have

significant negative effects on the individual, as well as society and the environment. A similar view is taken by De Witt Huberts et al. (2012), who found that possible detrimental effects on the individual include regret, loss of community, financial issues, and health issues. The detrimental effects of overconsumption have been studied in terms of hedonic goods and vices such as substance abuse, gambling, and food, with the resulting effects of addiction, financial issues, and obesity (Tom et al., 2014; Håkansson, 2014). In some cases, the heavy consumption of the product itself can be worrisome as with food or alcohol. The heaviest users of fast-food burger outlets were found to visit nine or more times per month (Pleshko & Al-Houti, 2012). The heaviest users of wine consume the beverage more than once a week, and in the USA this small core is responsible for 81% of all wine consumption (Thach & Olsen, 2015). In other categories, such as personal care products, it may not be the excessive amount of a product that is detrimental, but instead the compulsive behavior of the small core. For example, being a shopaholic was found to have a significant negative financial impact on the consumer (Meltzer et al., 2011; Nepomuceno & Laroche, 2015; Bhatia, 2019). In addition, Meltzer et al. (2011) stated that being a shopaholic can lead to negative psychological effects, as an increased risk of suicidal thoughts was found. However, other studies regarding shopaholics have mainly focused on identifying this group for segmentation purposes (Shim & Mahoney, 1992; Crask & Reynolds, 1978) with little consideration of the possible detrimental effects of being a part of this small core or whether marketers are concerned about these effects. Tom et al. (2014) argued for more research to be done on the characteristics of individuals who overconsume to the point of detriment both within the small core and trivial many consumer groups.

The research on detrimental overuse of products mainly places blame on the individual, as overconsumption has been found to be a problem that stems from privilege or is correlated with self-reported undesirable factors and weak individuals (Håkansson, 2014). Brougham et al. (2011) also stated materialism and emotional instability as contributing factors. The role that marketers play, through their encouragement of consumption and possible concerns they may have regarding detrimental effects, has been overlooked in the past, perhaps allowing firms to distance themselves from the potential detriments to consumers from overconsumption. This leads us to our third research question:

RQ3: What concerns do marketing practitioners have regarding the small core's potential for overconsumption to the point of detriment given their heavy use?

## 2.4 Potential of the Trivial Many

In academic research, the potential of the trivial many has largely been ignored. However, Dubinsky and Hansen (1982) went beyond what most academics have done in terms of the Pareto Principle and looked at the wasted potential of the trivial many and how the profitability of these consumers can be increased. They suggested that the 80/20 ratio does not have to be blindly accepted and as such, firms can utilize their marketing resources to change the ratio. Pierson (2019) argued that in order to be able to alter the 80/20 ratio a company first needs to identify who the most profitable consumers are (i.e., the small core) through the use of consumer value analytics and Customer Lifetime Value (CLV) calculations. This would then enable marketers to target consumers with the appropriate products in the right channels, which in turn can convert more potential consumers, avoid churn of the small core, and increase return on investment (ROI).

On the other hand, Johnson and Selnes (2005) questioned whether it is desirable to alter this ratio. They discussed the customer portfolio lifetime value model which makes a distinction between weak, intermediate, and close relationships. This model argues for the importance of having a large group of consumers with which you have weak relationships, as these provide a foundation from which close and profitable relationships can be built, in addition to providing for economies of scale. However, the authors also noted that companies are applying more effort to increase the profitability of consumers that they have weak relationships with without altering the strength of the relationship. Thus, brands may have both weak and strong relationships with consumers within both the small core and the trivial many. As most studies focus on the potential of the small core, there is a clear gap in whether and how a brand should capture the potential of the trivial many.

RQ4: Based on marketing practitioners' dependence on the small core, do they believe there is much potential to expand sales or use by the trivial many?

## 3. Methodology

### 3.1 Data collection

An exploratory approach was taken for this study in order to provide insight into and an understanding of the Pareto Principle (Malhotra, 2020), as the use of the principle in practice has not been extensively explored in previous research (Kim et al., 2017). A qualitative design using semi-structured in-depth interviews was deemed most appropriate (Malhotra, 2020), as this allowed for practitioner theory to be combined with academic insight (Nyilasy & Reid, 2009).

#### 3.1.1 Sampling

Interview subjects were selected using judgement sampling based on our access to current practitioners within the FMCG market, and due to a desire for breadth and variety in the participant pool (Malhotra, 2020). This sampling method resulted in a positive response rate of 47%. Eight marketing practitioners were interviewed until theoretical saturation was reached. The participants were ensured complete anonymity, and thus full position titles and company names will not be included in this report. The gender ratio was two men to six women, which can be assumed to reflect the ratio of men to women within the marketing industry (Webber, 2017). Information about the resulting pool of participants can be seen in Table 1.

**Table 1.***Interview Participants*

	<b>Position</b>	<b>Gender</b>	<b>Years in Industry</b>	<b>Marketing Education</b>	<b>Company Size</b>	<b>Category</b>
BM1	Brand Manager	Female	2.5	No	Large	Personal Care
BM2	Brand Manager	Female	4	Yes	Large	Personal Care
BM3	Brand Manager	Female	2	Yes	Medium	Beverages
BM4	Brand Manager	Female	5	No	Medium	Beverages
BM5	Brand Manager	Male	5	Yes	Medium	Beverages
CM1	Category Manager	Female	21	Yes	Small	Beverages and Home Care
MM1	Marketing Manager	Male	17	No	Medium	Food
MM2	Marketing Manager	Female	12	No	Small	Food

Prior to the interviews, the participants were given only the following statement: “*Our thesis topic is on the concentration of sales activity across consumer segments in the FMCG industry*”, as a way to ensure all opinions given represented their general working knowledge of the topic and not researched information.

### 3.1.2 Developing the interview guide

An interview guide was built around the thesis statement and the four research questions, starting with general demographic questions before narrowing down to the more specific topics (see Appendix A). The interview guide included both open and closed questions and suggestions for appropriate prompts in order to encourage discussion and allow for unforeseen topics to emerge (Adams, 2015). After the first two interviews, we added additional follow-up questions in order to accommodate participants with less experience with the topics of the study.



### 3.1.3 Conducting the interviews

The interviews were conducted online using a video conferencing tool over a five-week period. Online interviews help to reduce stress and increase the feeling of anonymity for the participants, increasing the likelihood that they would share their honest opinions (Gruber et al., 2008; Salmons, 2015). Additionally, the participants were given the choice of whether they preferred a video or audio call, which allowed for further comfort and a feeling of control for the participants (Salmons, 2015).

The interviews lasted for an average of 33 minutes, which is within the typical range of semi-structured interviews (Malhotra, 2020), and helped limit fatigue for all involved parties (Adams, 2015). The interviews were recorded, which enabled transcription after completion and ensured that interviewer memory was not a limitation (Braun & Clarke, 2006). All the interviews were conducted in the same manner. Prompts and silent probes were used where appropriate, and the participants were boosted and reassured frequently to encourage conversation and meaningful responses (Malhotra, 2020; Kallio et al., 2016).

## 3.2 Data Analysis

A realist method of thematic analysis was chosen to analyze the data collected, as it allowed for flexibility and unexpected insights to appear (Malhotra, 2020). Braun and Clarke (2006) define thematic analysis as “...a method for identifying, analyzing, and reporting patterns (themes) within data” (p. 79). They presented six phases of thematic analysis, of which the first five were used as a guideline for this process. The sixth phase is reporting the results.

### Phase 1: Familiarizing Yourself with the Data

We manually transcribed all the interviews using a verbatim approach, which resulted in orthographic transcripts. As such, issues related to paraphrasing and summarizing answers were avoided (Malhotra, 2020).

### Phase 2: Generating Initial Codes

Next, we coded all the data without the use of predefined codes or themes. We coded with the intent to preserve as much detail as possible, which helped ensure no significant data was lost or overlooked which could have limited the impending

analysis (Malhotra, 2020). Then, all the codes were compared and cross-checked to ensure consistency within the coding process.

### Phase 3: Searching for Themes

We grouped the codes under more general codes to begin identifying emerging themes. This allowed us to retain detail by also including codes that only appeared a few times (Malhotra, 2020). The general codes were then sorted into subthemes; no exclusions were made at this point. Therefore, a miscellaneous theme was created to temporarily include codes that had no evident place of belonging.

### Phase 4: Reviewing Themes

We made sure that the subthemes were mutually exclusive and collectively exhaustive (Malhotra, 2020; Patton, 1990). The transcripts were also reread to check for any data that should have originally been coded and organized within a subtheme, and to ensure that the subthemes accurately represented the data that had been collected.

### Phase 5: Defining and Naming Themes

The subthemes were sorted underneath the four research questions, as main themes: Pareto Principle, Small Core, Detrimental Effects, and Potential of the Trivial Many (see Appendix B). As such, themes were created through a theoretical, not inductive, process with the research questions providing an overarching umbrella. Further, we standardized the codes and checked for the number of repetitions in order to establish relevance, prevalence, and significance (Braun & Clarke, 2006). We excluded subthemes that were not relevant to our research questions. However, some of the excluded subthemes contained interesting data points that were utilized in the following discussions and implications where appropriate.

## 4. Findings

In the following section, the findings from our interviews are presented. The findings are structured around our four research questions with the following themes: Pareto Principle, Small Core, Detrimental Effects, and Potential of the Trivial Many. In this section, the heavy and light user labels will be used, instead of the small core and trivial many, as these labels were exclusively used by the

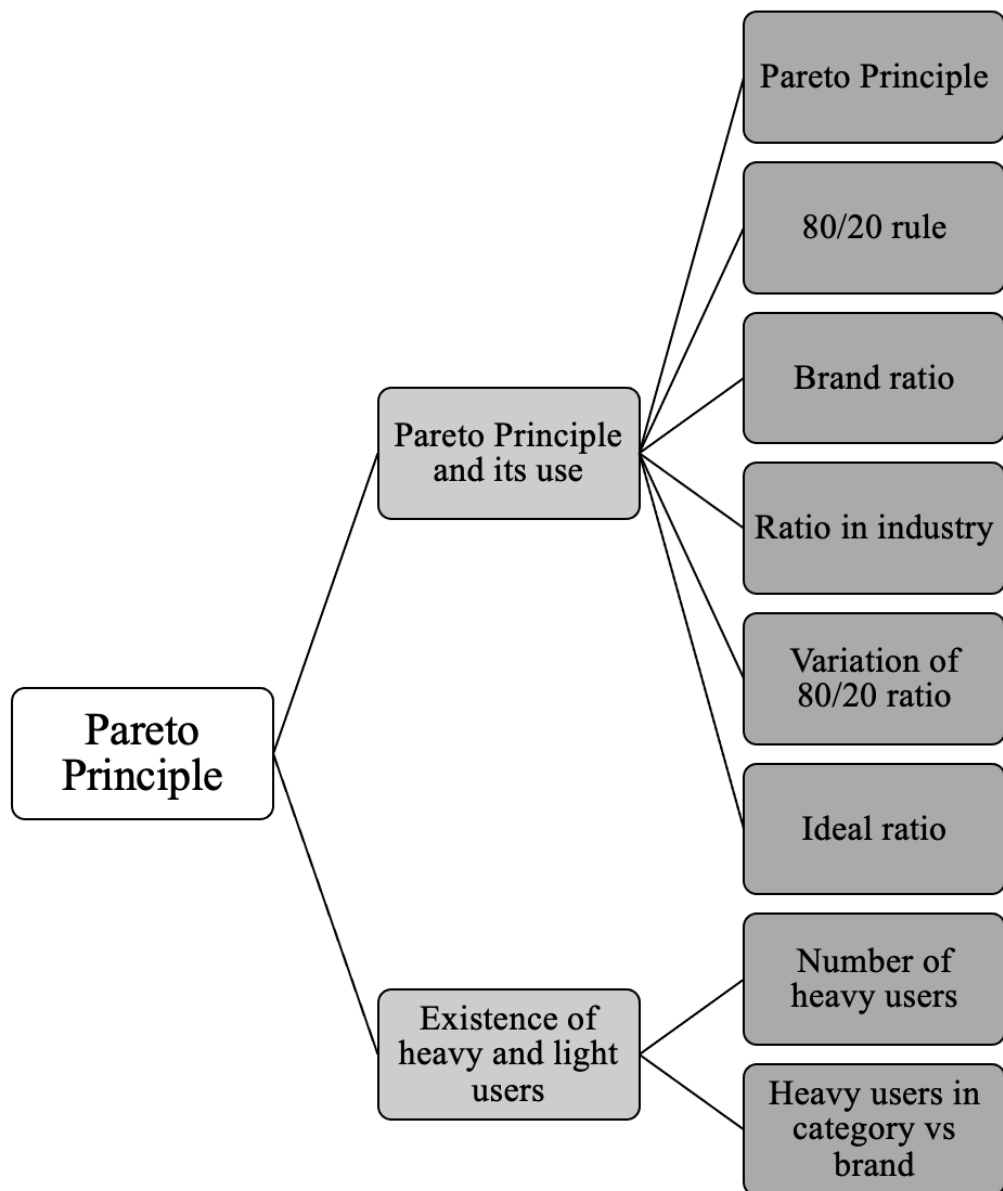
participants. This terminology more accurately reflects the language used by marketers in practice, which is likely due to the descriptive nature of the labels.

### 4.1 Pareto Principle

Through our data analysis we found that the Pareto Principle theme had the following subthemes: Pareto Principle and its use, and existence of heavy and light users (see Figure 1). Findings related to these subthemes are presented in this section.

**Figure 1.**

*Pareto Principle Theme*



#### 4.1.1 Pareto Principle and its Use

The findings show that 75% of the participants had not heard of the Pareto Principle; only BM4 and BM5 recognized the term. However, 87.5% had heard of the 80/20 rule, with only BM3 being unfamiliar with the concept. This indicates that the term ‘80/20 rule’ is more commonly utilized than ‘the Pareto Principle’. It was also mentioned by 25% of the participants that the 80/20 rule is accepted as marketing truth, as previously claimed by Wimby (2020). CM1 said, *“I think it covers it pretty well... I think no one has challenged it either.”* Further, MM2 stated, *“...I think it’s too narrow from our side to say that we have 80/20, but of course it’s a quote that we use a lot internally, but we haven’t done any research to see, or analyzed sales, to see if they reflect the 80/20 rule.”*

Although 75% of the participants did not know whether the ratio applied to their brand, BM5 said, *“If I’m not mistaken, I think the heaviest users of my brands contribute with, I can say, approximately 5 to 10 percent of our sales”* and CM1 had confirmed the validity of the 80/20 ratio using available data. In terms of validity of the ratio in their industry, uncertainty was expressed by 37.5% of the participants. Another 37.5% of the participants gave a ratio they believed applied to their industry: 80/20 (CM1), 70/30 (BM4) and 60/40 (BM2). These suggested ratios echo the consensus among academics that the light users account for more of sales than claimed by the Pareto Principle (Sanders, 1987; Wimby, 2020; Hasan, 2020). 37.5% of the participants argued that the 80/20 ratio is true for niche market products rather than for mass market products, and others mentioned that the ratio is linked to high competition (BM3) and commodities (BM2). This shows a general belief among the practitioners that the 80/20 ratio varies, and thus that the 80/20 rule is not universally applicable.

50% of the participants were uncertain about the validity of the 80/20 rule as a general concept and were therefore asked to present what they believe the ideal ratio to be. This resulted in various responses, where 62.5% of the participants expressed uncertainty about the ideal ratio, and MM2 claimed that it varies. 25% of the participants stated that 80/20 is the ideal ratio, and MM1 argued for a dynamic 80/20 ratio: *“I think that [the 80/20] ratio is probably the ideal one. But I think as long as you are aware that it’s not static, it’s dynamic and of those 10-20% you’ll lose a few of these during the year, switching to another brand, going off that diet*

*whatever. Or maybe your products aren't performing well enough, you have new competitors on the market with a better proposition.*" This differs from the academic perception that the ratio is static (Sanders, 1987). Contrastingly, one participant argued for 50/20 as the ideal ratio (BM3). All the participants admitted to not having spent much time contemplating the actual or ideal ratio.

#### 4.1.2 Existence of Heavy and Light Users

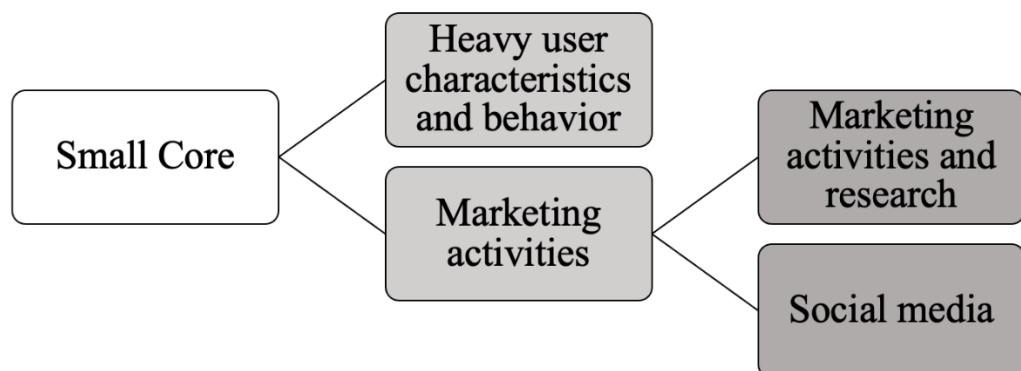
Even though 50% of the participants are uncertain about the validity of the Pareto Principle, they all recognize the existence of heavy and light users. As MM2 said, *"...we've seen from numbers that there's a lot of loyal consumers, and heavy users as we call it."* Thus, they showed a preference for the heavy user label presented by Twedt (1964). The participants reported various numbers of heavy users within their brands, and BM3 claimed that it differs depending on the product category. 50% of the participants said that heavy users are more apparent in product categories rather than the brand itself, echoing Twedt's (1964) claim that heavy users buy varied brands. However, BM2 acknowledged the existence of heavy users within a brand when discussing efforts to grow their heavy user group.

#### 4.2 Small Core

Through our data analysis we found that the Small Core theme had the following subthemes: heavy user characteristics and behavior, and marketing activities (see Figure 2). Findings related to these subthemes are presented in this section.

**Figure 2.**

*Small Core Theme*



#### 4.2.1 Heavy User Characteristics and Behavior

Overall, the participants only had general knowledge about the characteristics, attitudes, and behavior of the small core, referred to by all as heavy users. This was likely due to the participants' limited access to data, as mentioned by 62.5% of the participants. MM1 said, *"Well we don't know that much about them, we don't have any access to big data when it comes to our purchasing, we don't have any loyalty programs where we can directly talk to them."* Despite this, 87.5% of the participants were able to give examples of what characteristics heavy users typically have. However, only BM4 mentioned usage levels when describing their heavy users: *"We often segment into how many times a week a customer is buying the product, so a heavy user will buy more than 2 times a week."* This shows a lack of knowledge among the other participants about how much heavy users consume.

The consensus among the participants was that heavy user characteristics vary. However, the characteristics mentioned most frequently by the participants were that heavy users are often particularly interested in the category (25%) as suggested by Goldsmith and Litvin (1999), they have a heightened sense of community (37.5%), and they feel a sense of status (75%). Brand loyalty was also mentioned by the participants with disagreeing views, where 25% of the participants claimed that heavy users are loyal. 37.5% of the participants used the terms heavy user and loyal users interchangeably, indicating that they believe that heavy users are loyal consumers. On the other hand, 25% of the participants do not believe that heavy users are loyal, which is in line with Twedt's (1964) findings. BM2 highlighted both sides of the discussion, *"...I think a lot of people might be heavy users, but always searching to find new things to try..."* and, *"But also, you have the heavy users that are just like, I'm happy with this, this is working for me, this is what I am going to stick to."* This could be seen in relation to González-Benito and Martos-Partal's (2012) findings that the relationship between brand loyalty and number of purchases has an inverted U-shape. Certain heavy users may not be brand loyal as their purchasing levels within a brand have increased to a peak point alongside their interest in the category, resulting in an exploration of other brands within the category and thus a lack of brand loyalty. Further, the participants disagreed on whether heavy users are aware of their consumption levels. 25% of the participants mentioned that heavy users are at least aware of their status as a heavy user,

indicating an awareness relative to others and not an awareness of their actual consumption.

All the participants were able to present an example of a typical heavy user within their brands. The participants used demographic factors such as age (75%), gender (50%), education (25%), and life situation (50%) most often to describe the typical heavy users. However, when looking at specific characteristics and behavior, the responses differed greatly from one another. BM5 identified typical heavy users within a specific category in FMCG as young male risk takers and tech enthusiasts who are students or unemployed. On the other hand, BM4 described typical heavy users within another subcategory of FMCG as sociable 30- to 40-year-old consumers of all genders with no children and medium level income. These different examples indicate a lack of a shared definition of a typical heavy user among marketers.

62.5% of the participants use demographic segmentation and only 25% utilize usage-based segmentation. However, as Twedt (1964) discussed, the small core cannot be properly identified and segmented using typical demographic factors such as age and gender. The focus on these typical factors may be why marketers struggle to identify similarities between heavy users across categories and instead believe that heavy user characteristics vary. Wansink and Park (2000) suggested the use of personality factors to identify the small core. However, the structure of the FMCG industry limits marketers' access to personal data regarding specific end-consumers, making usage-based segmentation difficult. As MM1 says, *"...also what we don't have is the actual purchase data, we don't know who has bought what."* The issue is that the marketers' customers, the grocery stores, control access to data. This was further highlighted by BM2: *"...our sales are not directly from us, they are going through grocery stores, we only have indications. So, we don't actually have exact data saying these people actually do buy."* This lack of access to data when looking into heavy users was not perceived as an issue for MM1 who argued against the need for big data: *"We don't really see the need to invest a lot in big data because we are so in touch with what we know our fans want, and as long as we stay true to, you know, having products with great taste, affordable price and getting the distribution out, then we are going to be ok."* Additionally, MM1 stated, *"...we know that the heavy users of [product] will more likely be young, male, and gamers...you don't really need big data to see this."*

## 4.2.2 Marketing Activities

The data shows that none of the participants target the small core specifically with their marketing activities. MM1 explained this choice with the assumption that heavy users will buy anyway: *“We can say that the heavy users you already have, so what you want to do is to increase your penetration, increase your reach to get more people to try and if the product is doing its job, then they will most likely try again.”* Instead, 87.5% of the participants said they focus their marketing activities on the mass market. BM5 highlighted the importance of this stance: *“...since most of the products we are selling or I am responsible for, they have quite broad consumer bases. So, with the volumes we are looking at it's important not to get too narrow, both in terms of communication and also products.”* Thus, the participants presented a conflicting view to that of Twedt (1964), who argued for a larger ROI when targeting heavy users. However, despite a lack of focus on heavy users, 25% of the participants mentioned efforts to increase purchasing frequency among all consumers indicating that heavy users are in fact being targeted as part of a mass market approach.

The findings show that all the participants have access to consumer data or conduct consumer research to varying degrees. Yet, as mentioned, access to specific usage level data, purchasing data, and consumer characteristic data is minimal among the participants. The lack of data limits the participants' knowledge about their heavy users, which further limits the participants' ability to segment based on consumer consumption levels and target the identified groups accordingly as recommended by Frank et al. (1967). However, 50% of the participants appeared to utilize certain marketing activities that impact heavy users. BM4 discussed long term brand-building communications targeted at heavy users reminding them to make purchases. Additionally, 50% of the participants reported that consumers have positive feelings associated with their brands, which the brands can build upon through their marketing efforts. Such feelings-based marketing efforts are more likely to appeal to heavy users than lighter users (Jewell & Unnava, 2004). It was not established whether the participants are aware of this.

Social media marketing is conducted to varying degrees by all companies represented in this study. When asked about consumers' social media use, 50% of practitioners stated that social media engages heavy users more than lighter users,



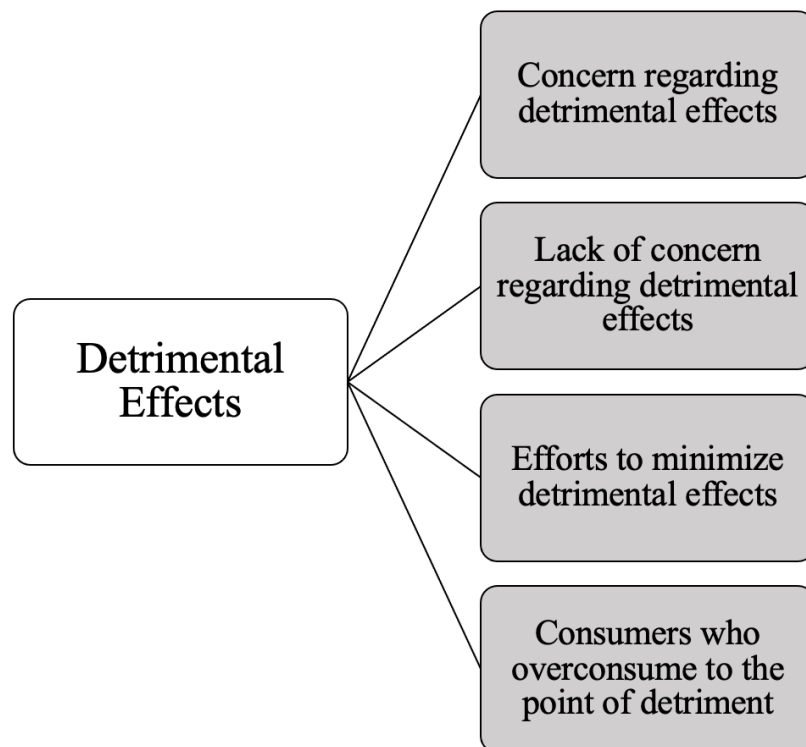
as exemplified by heavy users' higher rate of participation in social media competitions. Indulgent products (CM1), and sustainability and consumer struggles (BM2) were also said to increase engagement on social media. This indicates that social media is a useful tool for brands to maintain consumer relationships and communicate with their heavy users.

### 4.3 Detrimental Effects

Through our data analysis we found that the Detrimental Effects theme had the following subthemes: concern regarding detrimental effects, lack of concern regarding detrimental effects, efforts to minimize detrimental effects, and consumers who overconsume to the point of detriment (see Figure 3). Findings related to these subthemes are presented in this section.

**Figure 3.**

*Detrimental Effects Theme*



#### 4.3.1 Concern Regarding Detrimental Effects

All the participants agreed that marketers have a responsibility to consumers and their well-being. The participants' main concerns regarding potential detrimental

overconsumption of their products are the consumers' health (50%), followed by environmental (37.5%) concerns. The main health concern the participants have is related to certain ingredients in the food and beverage categories, such as excess salt, fats, and sugar. BM5 said, *"...my products are in no way healthy or necessary. So, in every aspect it's bad for the consumer."* Obesity and other health-related problems were pointed out as detrimental effects of overconsumption. For example, MM1 stated, *"You don't want obesity in kids."* Moreover, in the personal care category, product ingredients were also mentioned as an environmental concern. Most other environmental concerns of detrimental use were related to packaging and the materials used. Further, 25% of the participants highlighted the importance of moderation, and as BM3 stated, *"...I don't think a lot of anything is good for anyone,"* a sentiment echoed by BM5: *"...I wouldn't recommend heavy use of anything to anyone."*

Another main concern for 87.5% of the participants is finding the moral balance between wanting to sell their products and selling something that is not detrimental to consumers. As MM1 put it: *"...you would target your communication to those who are more likely to buy your products... on the other side you need to know that your products are not detrimental to their health."* Also, BM1 mentioned that within food and personal care some potentially detrimental ingredients, when consumed in excess, are included to make the product perform as it should.

#### 4.3.2 Lack of Concern Regarding Detrimental Effects

Despite claiming to have a responsibility for consumers' well-being, 37.5% of the participants also expressed a lack of concern for their consumers. CM1 and MM1 emphasized the fact that consumption is the consumers' choice, and that consumers will always end up buying the products they prefer in the FMCG market. CM1 argued that consumers have the ability to evaluate whether a product is harmful to them or not and thus can make their own purchasing decisions. This opinion was echoed by MM1: *"...as long as it's a product that is legal all you can do is... say that you're trying to make consumers enjoy themselves, so in the end it's their choice."* Moreover, MM2 believed that overconsumption in their own category is less of a concern than in others and argued, *"...we don't work in categories where we have tobacco or alcohol where you have to be aware of those consequences."*

The participants expressed a lack of concern for health (25%) and financial issues (25%) in relation to their product category. The lack of financial concern, further evidenced by the participants' rarely mentioning this issue, is reflected in academic research. Although research has explored the financial impact on certain types of heavy users, such as shopaholics (Shim & Mahoney, 1992; Crask & Reynolds, 1978), the financial detrimental effects of overconsumption in general have largely been ignored. The reason for the participants' lack of financial concern could be due to a focus on the low cost of their own products as well as the wealth of consumers in the Norwegian market. CM1 stated, "Overall, *I think when it comes to grocery, especially in Norway where the average income is pretty good, I think most people will choose mostly what they actually want.*" This narrow mindset does not encompass the overall spending consumers have within FMCG. A heavy user will, according to Frank et al. (1967), buy a lot across product categories, which means that despite low per item costs, their overall grocery cost may be quite high. The potential for consumers overspending in the grocery category was not discussed by the participants even though heavy users of grocery products have been found to struggle financially (Thi, 2018). 25% of the participants argued that, at the end of the day, profits need to be made and sometimes the importance of selling trumps the potential detrimental effects. As BM5 stated, "*Unfortunately, money always speaks loudest so it would never be possible for me to downscale my sales of [product] without having some sort of replacement.*"

#### 4.3.3 Efforts to Minimize Detrimental Effects

The participants mentioned a number of ways in which they attempt to minimize the detrimental effects their products may have when consumed heavily. They discussed the environmental focus within their companies and in the FMCG industry at large (25%), product improvements (50%), and various health actions they take (37.5%). The marketers' environmental focus is, as mentioned previously, on packaging and reducing the use of plastic (BM1 and CM1). The product improvements include efforts such as reducing sugar, fat, or salt in various food and beverage products. BM5 said, "*On the products side we are mostly working with sugar reduction.*" In regard to health actions, BM4 argued that having two products that are the same, where one is healthier than the other, allows marketers to uphold their responsibility towards consumers by providing a healthier option while still being able to sell their original, more profitable product. This may be seen as an

attempt to minimize detrimental effects of overconsumption based on the assumption that consumers make rational choices.

25% of the participants mentioned the importance of credible information being shared from the company, and that their efforts to minimize detrimental effects need to be followed by credible communication from the brand. BM1 claimed that “...we need to be aware of the information we give consumers, to make sure it’s correct and credible, and that people will believe it over random things that they see online.” Also, BM2 mentioned the importance of educating their consumers on the use of their products to ensure safe consumption. On the other hand, BM5 said they do not educate their consumers specifically. 37.5% of the participants expressed that they use packaging information as a means of communication about safety of use. As MM2 argued, “...on most products, when it’s not recommended to eat a big portion, it’s all stated on our packs.” BM5 and BM3 also used this argumentation in terms of minimizing detrimental effects, thus showing a limit to the responsibility marketers feel they have towards their consumers.

#### 4.3.4 Consumers Who Overconsume to the Point of Detriment

The participants were also asked which consumers are most likely to overconsume to the point of detriment. There were variations in the marketers’ responses, as was the case with the previously discussed general heavy user characteristics. 62.5% of the participants were able to give examples of detrimental heavy users. They were described as consumers that may have addictive personality traits (BM2), potentially have mental health issues such as eating disorders or obsessive-compulsive disorder (BM2), have low education levels (CM1), and are unable to see the consequences of their actions (CM1). Additionally, the participants mentioned that these consumers often live in rural environments (BM4) and are frequently in socially isolated situations (BM3 and BM5). These identified traits corroborate Håkansson’s (2014) findings about the heavy users who are most likely to overconsume. Further, 25% of the participants mentioned loss of community when describing a typical detrimental heavy user, which reflects De Witt Huberts et al.’s (2012) findings. This loss of community for the individual was discussed in relation to specific brands that have a strong following, and high loyalty and engagement. Heavy users of these brands often feel they are part of a brand community, but similarly to González-Benito and Martos-Partal’s (2012) findings,

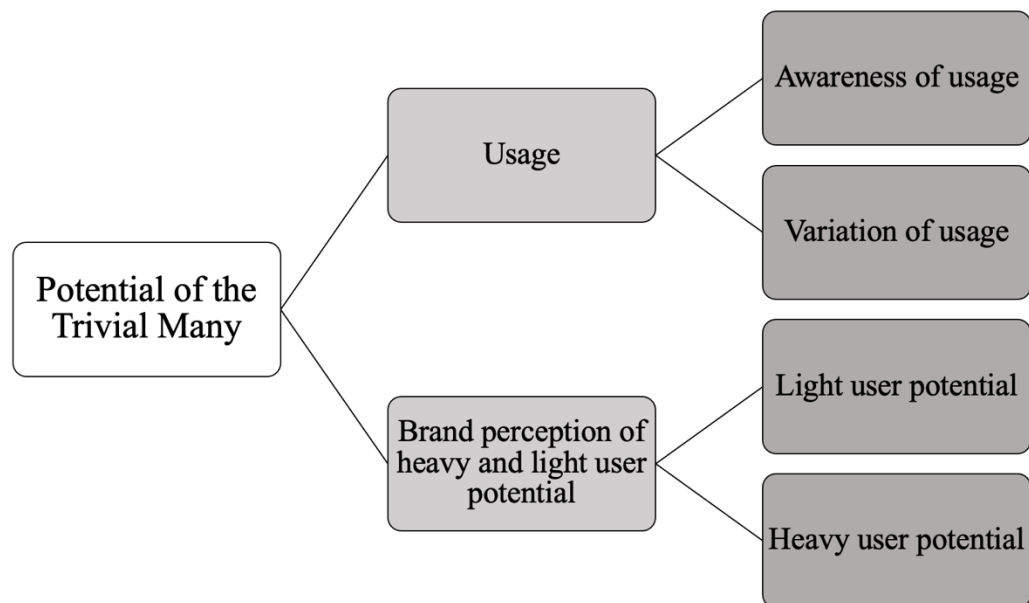
only up to a certain point where their overconsumption leads to isolation and loss of community.

#### 4.4 Potential of the Trivial Many

Through our data analysis we found that the Potential of the Trivial Many theme had the following subthemes: usage and brand perception of heavy and light user potential (see Figure 4). Findings related to these subthemes are presented in this section.

**Figure 4.**

*Potential of the Trivial Many Theme*



##### 4.4.1 Usage

25% of the participants argued that consumers are unaware of how much they actually use of different products. Moreover, 62.5% of the participants said that usage is a dynamic state, meaning that whether a consumer falls into the heavy or light user category will change over time. 50% of the participants made arguments about how, throughout life, a consumer will vary between being a heavy or light user in a category. For example, some products will be purchased more frequently by consumers when they are students, and others will be bought more frequently when they become parents. The change in consumers' purchasing behavior and their level of interest over the course of their lifetime was said to be due to

demographic factors such as age (BM3, BM4, and BM5), location (BM4), and situational lifestyle factors such as illnesses or starting a family (CM1) and dietary choices (BM4).

#### 4.4.2 Brand Perception of Heavy and Light User Potential

All the participants said they focus their marketing activities on light users to increase penetration, trial, and frequency of purchase, and BM3 expressed that they think this is a common strategy among marketing practitioners. 25% of the participants stated that heavy users need to be targeted with marketing activities alongside light users, and BM3 said the importance of this lies in the fact that heavy users are more loyal. On the other hand, 75% of the participants argued that the light users are more important, as the heavy users are already a part of the paying consumer group and thus are only important insofar they continue to be paying consumers. BM4 argued, *“I think it's better to get more users than to try to make ten users buy even more”* and, *“We see that increased penetration gives us more sales in the long-run.”* All the participants aim to increase purchases made by light users and 50% gave specific examples of how they do this: BM5 and MM2 discussed the use of product launches, and BM4 and CM1 mentioned using short term sales promotions to reach light users. This focus on light users is in line with Dubinsky and Hansen's (1982) research on the wasted potential of the trivial many and may indicate that in recent years the practitioner focus has shifted over to light users rather than heavy users, but that academics have overlooked this (Goldsmith & d'Hauteville, 1998; Ruangthammakit & Wongsurawat, 2019).

Furthermore, 37.5% of the participants claimed that there is limited growth potential among heavy users and that there is a cap on consumption, which again reflects the potential of the trivial many. This is exemplified by BM3: *“...there is much more potential in getting the light users over to becoming heavy users, or loyals at least, than just focusing on what you already have.”* Additionally, BM5 stated that, *“...the proportion of our products that they are already consuming is so large, it at some point has to stop or flatten out.”* Although BM2 said that they would prefer more heavy users, this was seen as less realistic. Instead, focusing on the trivial many, by becoming a top-of-mind brand (37.5%) and increasing penetration (25%), was of higher importance to the participants.

## 5. Discussion

This study aimed to provide insight into the thesis statement “*The Pareto Principle: The opportunities and consequences for FMCG brands of relying on a Pareto-distributed small core of consumers for a large portion of sales*” and the four corresponding research questions:

RQ1: Are marketing practitioners aware of the Pareto Principle in their market and if so, how do they define it and label it?

RQ2: What do marketing practitioners know about the characteristics, attitudes, and behavior of the small core and why they buy or use so much of the product, and how does this knowledge impact marketing activities?

RQ3: What concerns do marketing practitioners have regarding the small core’s potential for overconsumption to the point of detriment given their heavy use?

RQ4: Based on marketing practitioners’ dependence on the small core, do they believe there is much potential to expand sales or use by the trivial many?

Overall, the findings show a lack of consistent understanding of the Pareto Principle among marketing practitioners, in terms of both its existence and use, highlighting that academics have mistakenly assumed that marketers rely on the principle. The first set of findings indicate that marketing practitioners are generally not aware of the Pareto Principle in their industry, prefer the term 80/20 rule, and agree that this ratio varies across categories. Secondly, they only have surface level knowledge, partially due to a lack of data, about the characteristics, attitudes, and behavior of the small core, and agree that the attributes of these consumers vary. Thus, knowledge about the small core is not applied to marketing activities. Thirdly, the participants agree that marketers have a responsibility for their consumers’ well-being, and the main concerns for overconsumption are related to health and environmental issues. Finally, the practitioners do not seem to be dependent on the small core for their sales. Instead, they believe that there is a potential to expand sales and use by the trivial many.

In analyzing the findings, certain discrepancies were found in the participants’ answers. One main discrepancy was that 25% of the participants highlighted the

importance of focusing on the small core alongside the trivial many; however, only BM4 knew the purchase frequency of the small core. None of the participants appeared to know much about the small core, with knowledge being limited to untested stereotypes. This lack of insight appeared to stem from a menial use of data even among the 25% of the participants who mentioned having an in-house insights department. A reluctance to utilize a data-driven approach was seen with MM1, a more experienced marketer, as they expressed that they know their consumers well and believe that their own experiences and knowledge minimize the need for data. Overall, strategic data-driven thinking does not appear to be applied to segmentation efforts and corresponding marketing activities and goals by the participants. Further, only 25% of the participants segment based on usage, while the other practitioners take a mass market approach, aiming to reach all consumers with the same strategy. The participants thus seem to take a more traditional approach to marketing, basing their actions on intuition and prior knowledge as opposed to data.

Another discrepancy found was that despite agreeing that marketers have a responsibility towards their consumers, several of the participants attempted to distance themselves from this responsibility and the possible detrimental effects of consumers' overconsumption. 25% of the participants distanced themselves through saying that it is the consumers' responsibility to consume appropriate amounts. 37.5% of the participants rely on packaging information to inform consumers about the detrimental effects of overconsumption, thus putting the responsibility for overconsumption on the consumer. Therefore, the participants seemed to imply that their responsibility towards consumers is upheld due to the information given on the product packaging. Furthermore, 50% of the participants claimed that their products do no harm as they are considered healthy or "good" as opposed to "bad" categories, such as alcohol, tobacco, fast-food, and sugary products. However, "good" products can also have detrimental effects, such as financial struggles or health issues, when overconsumed. This was not taken into consideration when marketers discussed their responsibility towards consumers. Interestingly, the marketers with the most experience were the ones who had the least amount of concern for detrimental effects. This could perhaps be due to generational differences or, as the experienced marketers noted, that they recognize that at the end of the day the bottom line is most important.



## 5.1 Managerial Implications

Based on the findings presented in this study, several managerial implications have been identified. The findings related to the use of the Pareto Principle concept lead to the managerial implication that marketers could benefit from using data to look into the 80/20 ratio and identify the different usage segments. Distinguishing between the small core and the trivial many is important for marketers in order to be able to target these consumers effectively and increase the potential sales from both groups.

When looking at the small core, the main managerial implication is that efforts should be placed towards identifying what characterizes this group and how they can most effectively be segmented and targeted, as data-driven knowledge about the small core is lacking. In order to do so, marketers should more actively utilize the data they have available in addition to collaborating with their customers, the grocery chains and other outlets, to access more detailed data about the end consumers. Further, by gathering data about consumers, focusing on their personality (Wansink & Park, 2000) and how they interact with brands, marketers could learn more about the characteristics, attitudes, and behavior of the small core and trivial many. Gathering and utilizing data about consumers may also contribute to creating a shared definition of a typical heavy user. Moreover, it may allow marketers to shift from a gut-feeling based approach to a more effective, data-driven approach to segmentation. This may result in higher consumer acquisition and retention rates, leading to increased sales and a higher ROI.

Regarding potential detrimental effects of overconsumption, the first implication is the importance of marketers maintaining a balance between wanting to sell their products and selling something that is not detrimental to consumers. Currently, marketing practitioners' efforts to minimize detrimental effects are guided by governmental laws and regulations. For example, within regulated categories, such as alcohol, packaging information is required to include consumption recommendations and calls to consume responsibly. However, this is generally not the case in other categories, such as food products, where only nutritional information and serving sizes are required in regard to consumption. Efforts are not made beyond this, as marketers appear only to be concerned for consumers' well-being insofar as they are following current laws and regulations. This top-down approach may result in missed opportunities to impact consumer behavior and

match consumer preferences. Instead, taking a bottom-up customer-centric approach when implementing innovative initiatives that are related to reducing the detrimental effects of overconsumption will help marketers stay ahead of consumer and societal trends and create value for consumers (Shah et al., 2006; Deshpandé, 2014). Marketers can capitalize on this added value created for consumers to increase sales. Therefore, taking a customer-centric approach will allow marketers to maintain the balance between wanting to sell and selling something that is not detrimental to consumers. A second implication is that marketers should recognize that all products can be detrimental in some way when overconsumed, despite not generally being deemed “bad” (Tom et al., 2014; Håkansson, 2014). When asked about the detrimental effects of overconsumption, a number of the participants said they are only concerned about “bad” categories. However, even within “bad” categories the participants argued that they are doing their part by also offering healthier options. Through looking into data related to the small core, for example how they consume, to what extent they consume, and why they consume, marketers may gain insight into the possible detrimental effects of overconsumption.

In terms of the potential of the trivial many, there are two managerial implications to be discussed. Firstly, marketing practitioners should recognize the value of targeting the trivial many through usage-based segmentation instead of the mass market approach that is usually taken in FMCG. It is important for companies to have a large group of consumers with which they have weak relationships. Johnson and Selnes (2005) highlight the value of the trivial many, as even when a weak relationship with these consumers exists, specific brands may still be top-of-mind for these consumers. Thus, every time they buy a product, they may choose the same brand. This habitual purchasing varies depending on the relationship type that exists between consumers and the different brands and how much effort marketers put into these relationships. As such, awareness of consumers’ usage levels and adjusting marketing activities accordingly will help increase sales. The brand will stay top-of-mind while the consumer is a part of the trivial many, and as usage is dynamic (Wimby, 2020), marketers will reap the benefits if the consumer becomes a part of the small core. A final managerial implication is that marketers should look more closely at the value that the small core can provide in terms of increased sales. Academic research has highlighted the value of these consumers and assumed that marketers have focused their marketing activities accordingly

(Ruangthammakit & Wongsurawat, 2019); however, our findings indicate otherwise. Pierson (2019) suggested that CLV should be used to increase sales and thus ROI into the small core. In order to capture this ROI, marketers should prioritize gaining access to consumer data allowing for CLV calculations. This data-driven approach may also allow marketers to increase the value captured from the trivial many.

## 5.2 Limitations

Consistent with any academic research, certain limitations to the study are to be expected. Firstly, the exploratory nature of the study may have led to researcher bias when interpreting the results. Secondly, while geographic saturation or breadth is not to be expected in a qualitative study (Nyilasy & Reid, 2009), lack of evidence from other areas may have limited the validity and generalizability of our findings. Thirdly, the sample was limited by our connections in the marketing field, and we were reliant on help from secured participants to gain access to other potential leads. A fourth limitation relates to the positions held by the participants. Interviewing other professionals with access to more data, for example from analytics or consumer insights departments, might tell a different, more data-driven story. Finally, although the information gathered from the participants was valuable, the data may have differed if other FMCG marketers were interviewed. For example, some participants claimed that the principle was more relevant in niche markets (Kim et al., 2017), thus interviewing marketers working for niche brands rather than for mass market products may result in other answers about the use and relevance of the Pareto Principle.

## 5.3 Future Research

Future research should be conducted in order to continue closing the large academic-practitioner gap which this study began to address. Firstly, the findings of this study reveal that practitioners do not seem to have a consistent use or understanding of the Pareto Principle commonly found in marketing textbooks and literature, which suggests a vast future research stream in trying to understand why. This would contribute to furthering the understanding of the practical use of the Pareto Principle by marketers and the value of the small core and trivial many. Secondly, this study could be replicated with marketing practitioners who have

direct access to and use big data in their decision-making as they may have a different perspective on the Pareto Principle. Thirdly, future research could explore whether similar themes and perceptions are present in other industries beyond FMCG as minimal prior research has explored marketing practitioners' view on and use of the Pareto Principle. Fourthly, as this was beyond the scope of our study, further research on the characteristics of the small core in FMCG could prove to be fruitful (Goldsmith & d'Hauteville, 1998). Several participants and previous research alluded to an assumption that characteristics of the small core vary according to the type of product category and that personality types can be used to identify the small core (Wansink & Park, 2000), which are points that can be studied in future research on the topic. Finally, an exploration of the CLV of the small core versus the trivial many could add value to the discussion of where marketing efforts should be directed in order to increase sales, as this study identified an uncertainty among practitioners in regard to which segment has the highest sales potential.

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## 7. Appendices

### 7.1 Appendix A - Interview Guide

#### **Greetings and introduction**

--- START RECORDING ---

Thank you for agreeing to participate in this interview. We are writing our master thesis for BI Norwegian Business School. Your answers will remain completely anonymous, and we will not include any identifying information in the final thesis report.

Ask about industry and short explanation of their position/job:

- Which industry are you currently working within?
- What is your current position?
- How long have you been in your current position?

Thank you for sharing. As you know our thesis topic is on sales activity across different consumer segments in the FMCG industry so segmentation is what we will talk about now.

#### **Introductory questions and segmentation**

- 1) How do you segment your end consumers?
- 2) Have you ever considered segmenting based on customer sales or usage levels?
  - a) If yes, ask them about what they know about heavy versus lighter users.
    - i) Do you know what proportions of total sales are represented by the different usage groups?
    - b) If you do not use sales/usage-based segmentation, do you have any indication that your sales are evenly spread throughout the market or that some relatively small group of consumers represent a large portion of your sales?
      - i) What do you know about them?
      - ii) How would you go about targeting this small core?
- 3) Can you give an example of a typical heavy user within your product category?
- 4) If you have identified heavy users for different brands/categories, do similarities/differences exist within these heavy user groups?
  - a) Industry/product dependent?

- b) Hedonic vs utilitarian goods?
  - c) Are heavy or light users more involved in any brand communities, brand forums, or any specific types of product related activities?
- 5) Does your firm have the data needed to identify the small core of heavy users?
- a) Who handles/works with this data?
  - b) Do you actively use this data in your marketing activities?
- 6) Do you think that the two groups are static, or are they more dynamic with consumers moving between the segments over time?
- a) If you think it is more dynamic, how often or quickly do these changes occur?
  - b) How does this affect your relationship building with your consumers?
- 7) How does your awareness (and possible data) of this ratio/small core impact your marketing efforts?
- a) What consumer knowledge/which groups are your efforts based on?

### **Potential**

- 8) In general, do you think the best potential to achieve marketing goals is to put more effort/resources to increase sales from heavy users or to try to get light users to buy more?
- a) Why?
  - b) If you want to focus on other consumers - Do you have the means to do this?
    - i) How would you do it?
- 9) Which group do you perceive as more loyal to your brand?
- a) How do you measure/determine this?
  - b) Do you consider the lack of loyalty in the other group a concern?
    - i) Why?
- 10) How much awareness do you think that consumers have about which group they belong in?
- a) Would they/you benefit from them knowing this?
- 11) Do you think being a heavy user evokes certain feelings or emotions?
- a) Is becoming a heavy user an attractive status for a light user to attain for your product market?

### **Detrimental effects**

- 12) Do you think heavy use has an impact on your consumers, how so?
  - a) E.g., finance, health, addiction, environmental concerns?
  - b) In these types of situations, do you think there is a specific type of person who is more likely to overconsume to the point of endangering or hurting themselves in some way?
    - i) Consumer (personality type, finances), social pressure etc.
- 13) What responsibility, if any, do you think that marketers have in terms of the wellbeing of their consumers?
  - a) Probe “bad” products
- 14) Those are some good points! We are getting close to the end, and by now you may have realized that we are looking at heavy and light users. The topic of our thesis is the Pareto Principle.

### **Pareto label / ratio**

- 15) Are you familiar with the Pareto Principle?
  - a) We explain if not: 80/20
  - b) 80% of certain effects occur because of 20% of certain causes.
  - c) Examples - 20% brands give 80% of profits, 20% of consumers account for 80% of sales.
- 16) Are you aware of such a ratio in your industry?
- 17) If so, what do you consider this ratio to be?
- 18) Do you think there is an ideal ratio? Why?
- 19) Finally, we want to ask you a few questions about your career and education to round off the interview.

### **Demographics / personal information**

- 20) What was your highest level of education and in what field?
- 21) Which industries have you worked within?
- 22) How long have you worked in the industry?

We are done! Today we have talked about *\*insert topics here\**. Do you have anything to add or expand on? (*Adjust based on timing and what was said*). Thank you so much for your participation, your help is highly appreciated, and your responses have been recorded. Again, your responses will be anonymous, only used

for the purpose of this paper and no identifying information will be used in our thesis. Once our thesis will have been handed in in June, all recordings of the interview will be deleted. Please contact us if you want your information erased before that time. Do you have any last questions for us?

We will now stop recording.

--- STOP RECORDING ---

If you want to see the results of our research, please let us know and we will send you the final result once it is finished.

Thank you again, bye.

## 7.2 Appendix B - General Codes and Themes

\*Green text indicates general codes that have been included in the framework and red text indicates that the data has not been included in the framework, only in the findings and discussion where relevant.

1. Pareto Principle	
Pareto Principle and its use	
<ul style="list-style-type: none"> <li>● Not heard of Pareto Principle (6)</li> <li>● Has heard of Pareto Principle (2)</li> </ul>	Pareto Principle
<ul style="list-style-type: none"> <li>● Agreement with 80/20 ratio (1)</li> <li>● Has used data to check ratio (1)</li> <li>● Has heard of 80/20 rule (7)</li> <li>● Has not heard of 80/20 rule (1)</li> <li>● Do not use 80/20 (1)</li> <li>● Base operations on 80/20 ratio (1)</li> <li>● Accepts 80/20 rule (1)</li> <li>● 80/20 rule accepted as marketing truth (2)</li> <li>● 80/20 signals overconsumption (3)</li> </ul>	80/20 rule
<ul style="list-style-type: none"> <li>● Denies 80/20 ratio for brand (1)</li> <li>● Heavy users of brand contribute 5-10% of sales (1)</li> </ul>	Brand ratio
<ul style="list-style-type: none"> <li>● Uncertainty regarding exact ratio in industry (3)</li> <li>● Uncertainty of validity of 80/20 rule in industry (1)</li> <li>● Denies 80/20 ratio in industry (1)</li> <li>● Has not heard of 80/20 in industry (2)</li> <li>● Sees 80/20 rule in industry (1)</li> <li>● 60/40 ratio in industry (1)</li> <li>● 70/30 ratio in industry (1)</li> <li>● 80/20 does not apply to mass market (2)</li> <li>● 80/20 true for niche markets (1)</li> </ul>	Ratio in industry

<ul style="list-style-type: none"> <li>● Ratio depends on if product is commodity or not (1)</li> <li>● Heavy user contribution to sales is low for mass market products (1)</li> <li>● 80/20 ratio is dynamic (1)</li> <li>● 80/20 ratio linked to high competition (1)</li> </ul>	<p>Variation of 80/20 ratio</p>
<ul style="list-style-type: none"> <li>● Ideal ratio varies (1)</li> <li>● Uncertainty regarding ideal ratio (5)</li> <li>● 50/20 is ideal ratio (1)</li> <li>● 80/20 is ideal ratio (2)</li> </ul>	<p>Ideal ratio</p>
<p>Existence of heavy and light users</p>	
<ul style="list-style-type: none"> <li>● Heavy user leakage (1)</li> <li>● Many heavy users (2)</li> <li>● Small heavy user proportion (1)</li> <li>● Long tail of consumers (3)</li> <li>● Number of heavy users is subcategory dependent (2)</li> </ul>	<p>Number of heavy users</p>
<ul style="list-style-type: none"> <li>● Heavy users exist in category, not brand (4)</li> <li>● Heavy users exist for brand, not category (1)</li> <li>● Difficult to get heavy users of a brand to switch brands (1)</li> </ul>	<p>Heavy users in category vs brand</p>
<p>2. Small Core</p>	
<p>Heavy user characteristics and behavior</p>	
<ul style="list-style-type: none"> <li>● Heavy user characteristics vary (4)</li> <li>● Heavy user characteristics do not vary (1)</li> <li>● Uncertainty regarding whether heavy user characteristics vary (1)</li> <li>● Heavy users are more loyal (3)</li> <li>● Heavy user ≠ loyal (2)</li> <li>● Some heavy users are brand loyal (1)</li> </ul>	<p>Heavy user characteristics and behavior</p>



<ul style="list-style-type: none"> <li>● Heavy use impacts sense of community (1)</li> <li>● Heavy users are especially interested (2)</li> <li>● Impulse buying relates to heavy usage (2)</li> <li>● Heavy use relates to status (5)</li> <li>● Heavy users aware of consumption (2)</li> <li>● Light users unaware of consumption (1)</li> <li>● Heavy users are aware of usage state (2)</li> <li>● Typical heavy user example (12)</li> <li>● Uncertainty about typical heavy user (1)</li> <li>● Heavy users buy high volumes (2)</li> </ul>	
<p><b>Marketing activities</b></p>	
<ul style="list-style-type: none"> <li>● Marketing activities (9)</li> <li>● Digital marketing activities (6)</li> <li>● Traditional marketing activities (4)</li> <li>● Consumer research (6)</li> </ul>	<p>Marketing activity types and research</p>
<ul style="list-style-type: none"> <li>● Localization of marketing activities (6)</li> <li>● Minimal localization of marketing activities (3)</li> <li>● Communication is globally aligned (2)</li> </ul>	<p>Local vs global marketing</p>
<ul style="list-style-type: none"> <li>● Heavy users engage more on social media (4)</li> <li>● Uncertainty regarding engagement on social media (1)</li> <li>● Competitions leads to engagement (3)</li> <li>● Indulgent products have higher response on social media (1)</li> <li>● Problems and issues foster conversation (1)</li> <li>● Company active on social media (10)</li> </ul>	<p>Social media</p>

<ul style="list-style-type: none"> <li>● Consumers active on social media (3)</li> </ul>	
<p><b>Segmentation and targeting</b></p>	
<ul style="list-style-type: none"> <li>● Usage-based segmentation (4)</li> <li>● No usage-based segmentation (1)</li> <li>● Segmentation based on data (1)</li> <li>● Geographic segmentation (1)</li> <li>● Demographic segmentation (8)</li> <li>● Situational segmentation (1)</li> <li>● Interest-based segmentation (1)</li> </ul>	<p>Types of segmentation</p>
<ul style="list-style-type: none"> <li>● Broad target group (11)</li> <li>● Narrow target group (2)</li> <li>● Female target group (3)</li> <li>● Young target group (4)</li> </ul>	<p>Target group</p>
<ul style="list-style-type: none"> <li>● Targeted marketing activities (1)</li> <li>● Lack of heavy users makes targeting difficult (1)</li> <li>● Some heavy users outside main target group (2)</li> </ul>	<p>Targeting</p>
<p><b>Consumer behavior</b></p>	
<ul style="list-style-type: none"> <li>● Pride in brand consumption (3)</li> <li>● Positive feelings associated with brand (4)</li> <li>● Negative feelings associated with brand (1)</li> <li>● Few feelings towards brand (1)</li> <li>● Feelings vary across usage states (1)</li> <li>● Consumers' perception of status depends on brand (1)</li> <li>● Status related to consumption (2)</li> <li>● Price related to status (1)</li> <li>● Price impacts quality perception (1)</li> </ul>	<p>Feelings and perceptions</p>
<ul style="list-style-type: none"> <li>● Brand choice factors (7)</li> <li>● Consumer's awareness of purchase level depends on price (1)</li> <li>● High interest = high frequency (1)</li> <li>● Low involvement (8)</li> </ul>	<p>Brand purchasing</p>

<ul style="list-style-type: none"> <li>● High degree of interest in product category (1)</li> <li>● Habitual purchasing (5)</li> <li>● Difficulty changing consumer habits (1)</li> <li>● Brand switching (8)</li> <li>● Basket size increases with families (1)</li> <li>● Information search drives product trial (1)</li> </ul>	
<ul style="list-style-type: none"> <li>● Brand loyalty varies (7)</li> <li>● Lack of loyalty (2)</li> <li>● Trust relates to loyalty (3)</li> <li>● Certain brands have high loyalty (3)</li> </ul>	<p>Brand loyalty</p>
<ul style="list-style-type: none"> <li>● Brand community (3)</li> <li>● Status of being part of a community (1)</li> <li>● Between-consumer trust (2)</li> <li>● Heavy users influence lighter users (1)</li> </ul>	<p>Consumer relations</p>
<p>Availability and use of data</p>	
<ul style="list-style-type: none"> <li>● Access to data (15)</li> <li>● No access to data (1)</li> <li>● Knowledge of consumers without data (2)</li> </ul>	<p>Access to data</p>
<ul style="list-style-type: none"> <li>● Data on intended behavior not actual behavior (1)</li> <li>● No purchasing data (3)</li> <li>● Limited access to data (5)</li> <li>● Does not have data on heavy users (1)</li> <li>● Limited sharing of data from grocery stores (1)</li> </ul>	<p>Limited availability of data</p>

3. Detrimental Effects	
Concern regarding consumption	
<ul style="list-style-type: none"> <li>● Health concerns (8)</li> <li>● Top-down health focus (5)</li> <li>● Top-down environmental focus (3)</li> <li>● Environmental concerns (3)</li> <li>● Balance between wanting to sell and selling something that is not detrimental to consumers (5)</li> <li>● Concern about effects of product on consumers (1)</li> <li>● Importance of safety and credibility of products (1)</li> <li>● Marketers have a responsibility to consumers (8)</li> <li>● Everything in moderation (3)</li> <li>● Light usage is healthier (1)</li> </ul>	Brand concerns
<ul style="list-style-type: none"> <li>● Consumer environmental concern (2)</li> <li>● Environmental trend (2)</li> </ul>	Consumer concerns
Lack of concern for consumption	
<ul style="list-style-type: none"> <li>● No health concerns (2)</li> <li>● No financial concerns (3)</li> <li>● Lack of concern about overconsumption (4)</li> <li>● Belief that overconsumption in own category is less of a concern than others (1)</li> <li>● Detrimental effects only a concern in “bad” categories (1)</li> <li>● Importance of selling over concerns for detrimental effects (1)</li> </ul>	Lack of brand concern
Efforts to minimize detrimental effects	
<ul style="list-style-type: none"> <li>● Product innovation (9)</li> </ul>	Brand efforts

<ul style="list-style-type: none"> <li>● Product improvements (2)</li> <li>● Health actions (2)</li> <li>● Environmental actions (3)</li> <li>● Reliance on packaging information (3)</li> <li>● Importance of credible information from brand being heard (2)</li> </ul>	
<ul style="list-style-type: none"> <li>● Governmental health actions (1)</li> <li>● Ingredients regulated by law (3)</li> <li>● Marketing regulated by law (1)</li> </ul>	Governmental efforts
Consumers who overconsume to the point of detriment	
<ul style="list-style-type: none"> <li>● Detrimental heavy user example (5)</li> </ul>	Consumers who overconsume to the point of detriment
<b>4. Potential of the Trivial Many</b>	
Usage	
<ul style="list-style-type: none"> <li>● Uncertainty of effect of consumers' awareness of own usage (1)</li> <li>● Consumers have an idea of how much they should use (1)</li> <li>● Users are not aware of own usage levels (2)</li> </ul>	Awareness of usage
<ul style="list-style-type: none"> <li>● Usage is a dynamic state (7)</li> <li>● Usage is a static state (3)</li> <li>● Usage is seasonal (1)</li> <li>● Usage varies according to life situation (10)</li> </ul>	Variation of usage
Brand perception of heavy and light user potential	
<ul style="list-style-type: none"> <li>● Light users give high volumes (1)</li> <li>● Medium users give high volumes (2)</li> <li>● Focus on light users (10)</li> <li>● Importance of light users (1)</li> <li>● Assumed common opinion about light user potential (1)</li> </ul>	Light user potential

<ul style="list-style-type: none"> <li>● Limited growth potential among heavy users (3)</li> <li>● Cap on consumption (3)</li> </ul>	
<ul style="list-style-type: none"> <li>● Need to maintain heavy users (1)</li> <li>● Focus on heavy users (1)</li> </ul>	<p>Heavy user potential</p>
<p>Marketing goals and strategies</p>	
<ul style="list-style-type: none"> <li>● Focus on recruiting new consumers to low-tier products (1)</li> <li>● Goal is to maintain and level up consumers (1)</li> <li>● Goal is more loyal consumers (2)</li> <li>● Would prefer more heavy users (1)</li> <li>● For new products, awareness, frequency, and trial are important (1)</li> </ul>	<p>Goal is to get more consumers</p>
<ul style="list-style-type: none"> <li>● Importance of penetration (3)</li> <li>● High penetration (3)</li> <li>● Consumer purchase level is lower than desired by brand (1)</li> <li>● Increase penetration (2)</li> </ul>	<p>Market penetration</p>
<ul style="list-style-type: none"> <li>● High interest leads to high trial (1)</li> <li>● High trial (9)</li> <li>● High engagement leads to high trial (1)</li> <li>● Information search drives product trial (1)</li> <li>● Low frequency of purchase (1)</li> <li>● Frequency of purchase is most important (1)</li> <li>● Difficult to get high frequency of purchase (2)</li> <li>● Loyalty is more important than frequency (1)</li> </ul>	<p>Trial and frequency</p>
<ul style="list-style-type: none"> <li>● Importance of building consumer relationships (1)</li> <li>● Long tail of products (2)</li> <li>● Product range is important for maintaining consumer base (1)</li> <li>● Little focus on building loyalty (1)</li> <li>● Uncertainty regarding loyalty (1)</li> </ul>	<p>Loyalty and relationship building</p>

<ul style="list-style-type: none"> <li>● Difficulty building awareness and loyalty (1)</li> </ul>	
<ul style="list-style-type: none"> <li>● Importance of top-of-mind (4)</li> <li>● Brand is top-of-mind (1)</li> <li>● Goal is to be chosen brand (1)</li> <li>● Brand as friend (2)</li> </ul>	Brand building activities
5. Uncategorized	
<ul style="list-style-type: none"> <li>● Impact of Covid</li> </ul>	Impact of Covid
Marketing theories	
<ul style="list-style-type: none"> <li>● 4p approach (1)</li> <li>● Law of growth (3)</li> <li>● Product life cycle (1)</li> <li>● Focus on consumer life cycle (2)</li> </ul>	Marketing theories