Court is in Session: The Law of Marketing Small Brands Cannot Overlook

By Jon Morgenstern, Director of Paid Media, VaynerMedia

In the courtroom, Double Jeopardy prevents someone from being convicted twice for the same crime. In marketing, the law of Double Jeopardy states that brands with lower market share tend to not just have fewer buyers, but lower overall brand loyalty, compared to their bigger competitors. Quite a harsh sentence for smaller brands, if you ask me.

The law challenges the idea that a brand with low penetration can maintain a disproportionately high purchase rate in its category. It dispels such claims as "while we don't have many customers, those we do have buy a TON." Compared to larger brands, that's actually not often the case. As such, those that follow the principle focus their marketing efforts squarely on new customer acquisition, with retention efforts leveraged predominantly as a means to capture revenue to re-invest into acquisition.

But back to how this adversely affects small brands specifically. To boil it down, it essentially means: the larger the brand, the more favorable the market is to them. Since purchase rate increases as a function of market share, large brand user lifetime values are higher. This gives bigger brands two advantages: one, holding new customer acquisition costs constant, they are able to capture a higher ROI than their smaller counterparts. And two, they can simply spend more money acquiring each new customer than smaller brands while still remaining profitable.

So what does this mean? **Smaller brands have to seriously outwork and out-market the incumbents to have a shot at large scale success.** The market is literally against them. The same marketing tactics that can prove ROI-positive for large brands often cannot work for smaller brands.

Social media platforms provide some of the most level playing fields possible when it comes to taking on this challenge. And when it comes to paid social media, specifically, this means that smaller brands may want to reconsider just 'nailing the basics' around traditional awareness, consideration, or sales-focused campaigns and, instead, embrace the very behavior they used to grow their business from scratch – out-thinking, out-maneuvering, and generally out-hustling the incumbents to beat the market (and not just copying their general best practices).

So, instead of running a broad Facebook Reach & Frequency buy for awareness with a couple of creative assets, aggressively test creative and audience pairings in the auction, and scale out top-performing pairings with incremental spend, once validated.

Instead of running link ads to a handful of audiences and optimizing for the highest clickthrough rates possible for a top-funnel direct response initiative, **embrace and invest in the power of video** and run video link and video carousel ad variants – they have the ability to both drive users to site who were first primed with strong content as well as create retargeting pools of video viewers that you can re-engage with subsequent content to push them further down the funnel.

Learn and pivot quickly when things fail, embrace emerging social media channels – even tiny ones – that could yield disproportionate advantages and, generally, take risks and turn over as many stones as possible to find untapped opportunities to exploit.

As for larger brands? Imagine if you embraced this same methodology. With more resources and the law of Double Jeopardy as wind at your back, you would solidify your edge against your competitive set and then some. Careful, though, before you get overly confident: Your size is also your main weakness – it tends to make you far slower, and more risk-averse than your smaller rivals. Embracing the challenger mentality may not come easily, but it has the potential to be immensely valuable.

Court is adjourned.

About the Author: *Jon Morgenstern is a director of paid media at VaynerMedia, where he oversees cross-digital media executions for a variety of Fortune 500 brands. Jon specializes in paid social media, and has extensive experience within the social media agency ecosystem. Prior to joining VaynerMedia, Jon spent more than four years at SocialCode, another leading social-first agency.*