
Marketing Accountability Standards

**Measuring (Forecasting & Improving)
Return from CPG Target Segments using CLV**

March, 2012

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Rick Abens**



**Marketing Accountability Standards Board
of the Marketing Accountability Foundation**

Measuring CLV for CPG Target Segments

Issue

Improvement in target marketing strategies for CPG has been hampered by the inability to measure the return from those targets. This issue will become even more important as TV (cable) will soon be household addressable. We market to consumers but have been measuring at the store, market and product levels...not at the consumer level.

Background

CPG companies have been marketing to target segments without the ability to directly measure the return from those targets in many situations. This has hampered the ability to accurately forecast and improve the effectiveness of “target marketing” over time. Marketing is planned to reach and appeal to certain targets but the post evaluation does not distinguish effectiveness for the different target segments leaving a gap in the feedback loop for marketing planning. Firms need a better understanding of how marketing impacts the behavior of their target segments in order to improve return from targeting strategies.

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Technical Feasibility

Many direct marketers and contractual relationship businesses have measured customer acquisition, retention and “purchase size” to construct CLV and to estimate the future return from their marketing activities. Extending this method to CPG marketing is important and feasible. The extension should build on the CLV work done by Hanssens and Yoo to demonstrate that this approach can be used in business practice to manage CPG target marketing efforts.

Practical Consequences

The promise of this project is to demonstrate the ability of CPG marketers to accurately forecast and improve the effectiveness of “target marketing” over time and to distinguish effectiveness for the different target segments.

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Objectives

Phase I: Document what is known about CLV.

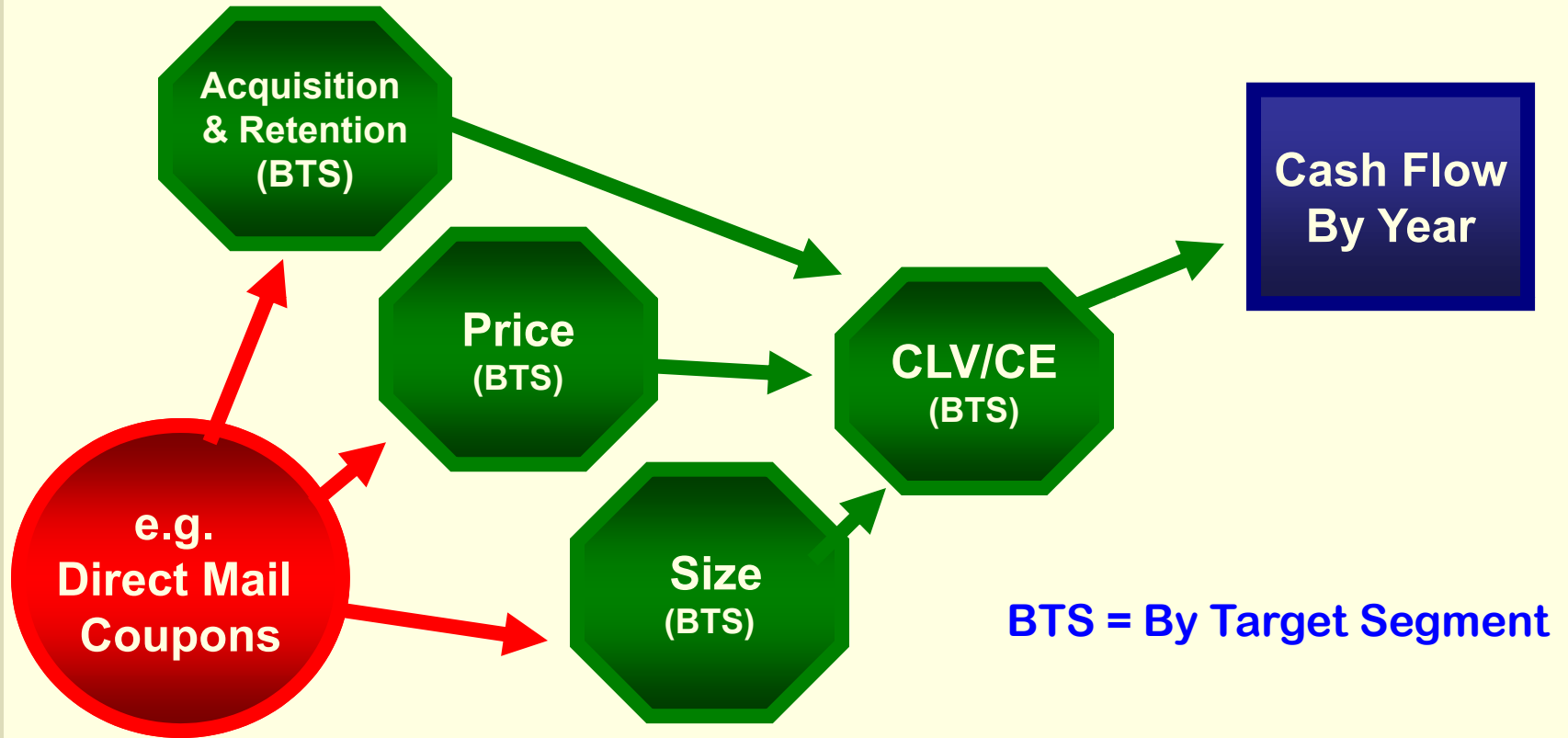
Phase II: **Conduct a pilot and test that will demonstrate that the CLV construct and models can be reliably applied to CPG and target marketing.**

Phase III. Determine the extent to which this approach satisfies the MMAP Characteristics (e.g. predictive validity and causality) for use in CPG business practice to improve overall financial performance.

Hypotheses

- 1) A metric of Customer Lifetime Value (CLV) can be standardized and used to quantify the short and long-term effects of marketing activities on financial performance for CPG target segments.
- 2) The CLV structure will allow marketers to better target the right marketing efforts to the right consumers.
- 3) The measurement components of the CLV construct applied to CPG can be improved over time for more accurate forecasting and process management.

Target Marketing Activity & CLV (Conceptual Links)



Action Plan for CLV Team (March, 2012)

- I. Final version of NDA by all (2/11)
- II. Review panel data each brand (3/11)
- III. Revise Pilot Schedule (3/11)
- IV. **Complete MASB Pilot**
 - A. **Standardized Measures; 3-Year projections (Done)**
 - 1. CE Trends (participating brand) (w/1-2 major competitors)
 - 2. SO CEs & SO Market
 - 3. CLV Trends by Retention & Acquisition; CE Trends Total
 - 4. Components (Transactions) (Purchase Size) (Price)
 - B. **Hygiene**
 - 1. Solve variability issue
 - 2. Check Mathematics (Blue Marble 9-stage testing regimen – Jan)
 - 3. Logic checks (size of brands, etc)
 - 4. Label charts clearly
 - 5. Static panel effects
 - C. **Can models be applied to CPG (and target marketing)?**
 - 1. Apply to CPG (yes); (target marketing - not demonstrated in pilot?)
 - D. **Implications for CPG Managerial Inferences (Mike)**
 - 1. Identify/document which interpretations are clear and appropriate:
 - Trends versus competitors (stay course/change course)
 - E. **MMAP on Pilot CLV/CE (Allan, April)**
 - 1. Including validity check
 - F. **Paper (Debi & Mike H, March-April)**
- V. **Deliver insights to each brand (Mike) (March)**
 - A. TCCC: **date**
 - B. K-C: **date**
 - C. CA: **date**
- VI. **Podiums**
 - A. **Winter Summit (Mike, Feb)**
 - B. **IIR (Kate and Rick, Apr or May)**
- VII. **Design “Single Source” Test: Metric Replication/Targets/Drivers (April-May)**
 - A. **Define objectives of full test w/Nielsen Catalina (Team)**

MMAP: 10 Characteristics of an Ideal Metric

- 1. Relevant...addresses specific (pending) action**
- 2. Predictive...accurately predicts outcome of (pending) action**
- 3. Objective...not subject to personal interpretation**
- 4. Calibrated...means the same across conditions & cultures**
- 5. Reliable...dependable & stable over time**
- 6. Sensitive...identifies meaningful differences in outcomes**
- 7. Simple...uncomplicated meaning & implications clear**
- 8. Causal...course of action leads to improvement**
- 9. Transparent...subject to independent audit**
- 10. Quality Assured...formal/on-going processes to assure 1-9**

CLV Project Team

- Leads:** Rick Abens (Foresight ROI)
Kate Sirkin (SMG)
Dominique Hanssens (UCLA)
- Heroes:** Jamie Richardson (Kimberly Clark)
Chris Ciccarello (ConAgra Foods)
Shubu Mitra (Coke)
Eric Schmidt (Coke)
Debra Parcheta (Blue Marble)
Michael Hugo (Nielsen)
Leslie Wood (Nielsen/Catalina)
Nakhil Taparia (ConAgra Foods)
Brock Trautvetter (Nielsen)
Craig Gugel (At Large)
- Counsel:** V Kumar (GSU & AMA)
Paul Flugel (At Large)
- Admin:** Allan Kuse (MMAP Center)
Meg Blair (MAF/MASB)
- Meet:** Monthly on 3rd Friday at 10:30 am ET



Thank-you!



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