
MASB **Standards Project**

Common Language in Marketing Activities and Metrics on Wikipedia

Status Report
July 2010

Carl Spaulding
TBD



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

Background and Issue

- ❑ One of the hurdles to effective marketing accountability is the lack of agreed upon definitions of marketing activities and associated metrics and measures for evaluating outcomes in the marketing industry.
- ❑ There are numerous metrics in the marketing literature and even more measures in practice. Measures of the same or similar name quite often differ from one another in their construction, collection and sensitivity in measuring the intended marketing activity and are poorly documented in this regard.

Common Language Wikipedia Project

Objective

Eliminate ambiguity in marketing terminology and definitional differences between marketing and other functions within firms and across firms engaged in the practice of marketing through MASB endorsed common language and definitions (standards) using Wikipedia as the technology & publishing platform.

Expected Results

Establishing and maintaining MASB endorsed common language, definitions and metrics will encourage trust and collaboration within and across the marketing industry and business communities.

Project Status

- Jan 2009 – project was proposed and Emerging Issue document drafted and accepted by Board
- Aug 2009 – explored combining project with Metrics Catalogue project (concluded projects were linked but not the same)
- Feb 2010 – presentation by MASB at AMA Educator's Conference did not result in much interest for project
- Summer 2010 – new opportunity to jumpstart the project

Cooperative Opportunity

- ❑ Paul Farris and David Reibstein have published two editions of their *Marketing Metrics* book
- ❑ They have agreed to the use of their book content as the starting point for the project
- ❑ Paul is here today to share
 - ❑ The purpose in writing the book
 - ❑ Results of a survey on the importance of the metrics to marketing managers and executives
 - ❑ Issues in connecting the metrics to financial performance

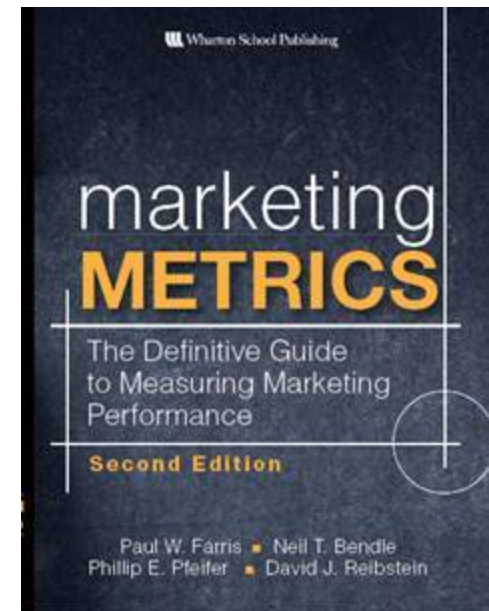
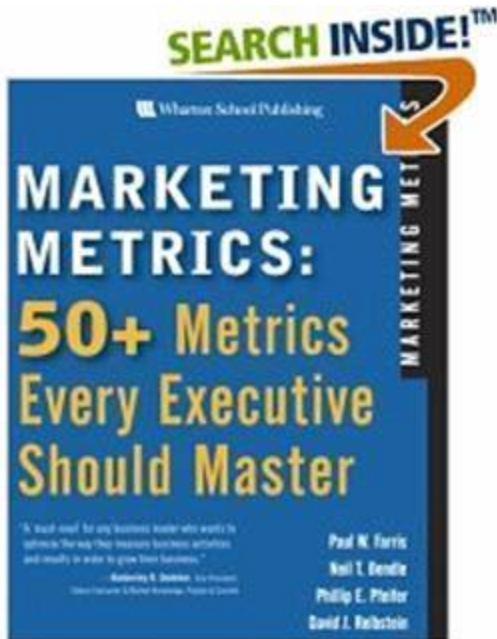
Paul...

Marketing Metrics

MASB Summit

Boston – August 13, 2010

Paul Farris,
Neil Bendle,
Philip Pfeifer,
David Reibstein



Book Concept: Help Students and Managers Master the Language of Marketing Metrics

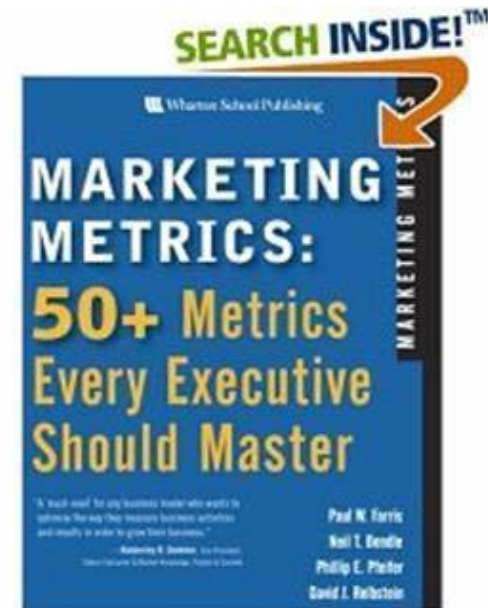
- Marketing constantly invents new terms
 - Exposures, Impressions, Opportunities-to-See
 - Shopper marketing
- Many marketing terms are not well-defined
 - Loyalty, differentiation, advertising intensity, price sensitivity, brand equity
- But quite a few are and that is where we focus the book

So What is a “Metric”

- “a measuring system that quantifies a trend, dynamic, or characteristic.”
(www.wordreference.com)
- “a business metric is any type of measurement used to gauge some quantifiable component of a company’s performance..”
(www.bitpipe.com)

Organization of Marketing Metrics

- Share of Hearts, Minds, and Market
- Margins and Profits
- Product and Portfolio Management
- Customer Profitability
- Sales Force and Channel Management
- Pricing Strategy
- Promotion
- Advertising Media and Web Metrics
- Marketing and Finance
- Marketing Metrics X-ray (dashboards)



7

PRICING STRATEGY

Introduction

Key concepts covered in this chapter:

Price Premium	Optimal Prices, Linear and Constant Demand
Reservation Price	
Percent Good Value	“Own,” “Cross,” and “Residual” Price Elasticity
Price Elasticity of Demand	

“The cost of . . . lack of sophistication in pricing is growing day by day. Customers and Competitors operating globally in a generally more complex marketing environment are making mundane thinking about pricing a serious threat to the firm’s financial well being.”¹

A full-fledged evaluation of pricing strategies and tactics is well beyond the scope of this book. However, there are certain key metrics and concepts that are fundamental to the analysis of pricing alternatives, and this chapter addresses them.

First we describe several of the more common methods of calculating price premiums—also called relative prices.

Next, we discuss the concepts that form the foundation of price-quantity schedules—also known as demand functions or demand curves. These include reservation prices and percent good value.

In the third section, we explain the definition and calculation of price elasticity, a frequently used index of market response to changes in price. This relatively simple ratio

Illustration

- List key concepts
- Definition & calculation
- Purpose of metric
- Construction of metric
- Example

Definition and Calculation of Metric: Price Premium

7.1 Price Premium

Price premium, or relative price, is the percentage by which a product's selling price exceeds (or falls short of) a benchmark price.

$$\text{Price Premium (\%)} = \frac{[\text{Brand A Price (\$)} - \text{Benchmark Price (\$)}]}{\text{Benchmark Price (\$)}}$$

Marketers need to monitor price premiums as early indicators of competitive pricing strategies. Changes in price premiums can also be signs of product shortages, excess inventories, or other changes in the relationships between supply and demand.

Construction of Metric: Price Premium

Construction

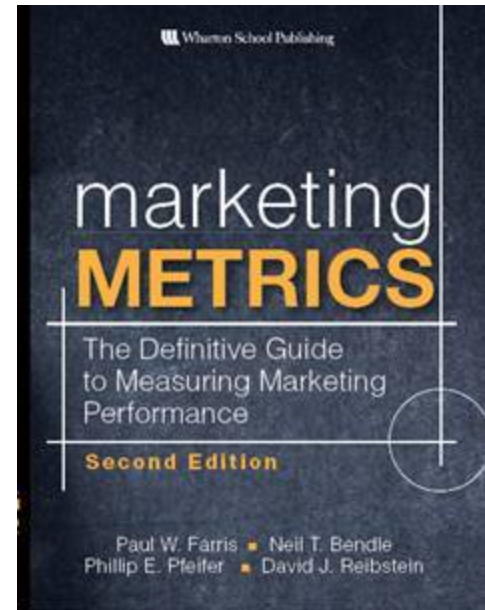
In calculating price premium, managers must first specify a benchmark price. Typically, the price of the brand in question will be included in this benchmark, and all prices in the benchmark will be for an equivalent volume of product (for example, price per liter). There are at least four commonly used benchmarks:

- The price of a specified competitor or competitors.
- Average price paid: The unit-sales weighted average price in the category.
- Average price displayed: The display-weighted average price in the category.
- Average price charged: The simple (unweighted) average price in the category.

Price of a Specified Competitor: *The simplest calculation of price premium involves the comparison of a brand's price to that of a direct competitor.*

2. What's New in the 2nd Edition...

- New metrics: Net Promoter, Y&R's BAV, bounce rate, social marketing (e.g., friends)
- Results of surveying senior marketing managers on which metrics matter most
- More on relationships among metrics, e.g., pricing and margins & marketing components of sales



Metrics Survey – Metrics That Matter

Overview:

- Metrics survey was administered to a sample of 194 senior marketing managers and executives
 - More than half of all respondents held the title of Vice President/ Director/ Manager or “Head” of Marketing
 - Convenience sample allows for limited interpretation of results
- Respondents came from a diverse range of industries, with no more than ten responses recorded from a single industry. (e.g., banking, consumer goods, construction, consulting, education, government, health care, insurance, information technology, manufacturing, medical devices, retailing, etc.)
- B2B respondents composed a large percentage of respondents, with nearly half of respondents coming from companies that sold to other businesses
- Goal of survey was to determine what metrics are considered the most important in monitoring and managing their business

Metrics Survey – Metrics That Matter

Top Ten Metrics

Rank	Metric	% Sample Saying Very Useful
1	Net Profit	91%
2	Margin %	78%
3	Return on Investment	77%
4	Customer Satisfaction	71%
5	Target Revenues	71%
6	Sales Total	70%
7	Target Volumes	70%
8	Return on Sales	69%
9	Loyalty	69%
10	Annual Growth %	69%

Metrics Survey – Metrics That Matter

Key conclusions:

- Overall, we found that despite more than a decade of marketing research focused on tying marketing activities to firm value, senior managers, on average, remain to be convinced that non-financial marketing metrics are close to being as useful as the more financially based metrics
- Much work still needs to be done to market marketing metrics
- There are undoubtedly some useful metrics that are currently undervalued by senior managers
 - Research suggests that the message of the value of metrics such as CLV or return on marketing budgets, still needs to be communicated more vigorously to end users

3. Relationships Among Metrics

- Marketers generally rely on a portfolio or “dashboard” of metrics to better assess market dynamics and derive focused strategies and solutions.
- We believe that marketers should appreciate the relationship between and among metrics as well as the limitations inherent in each.
 - A. Definition and decomposition - identity
 - B. Empirical relationships

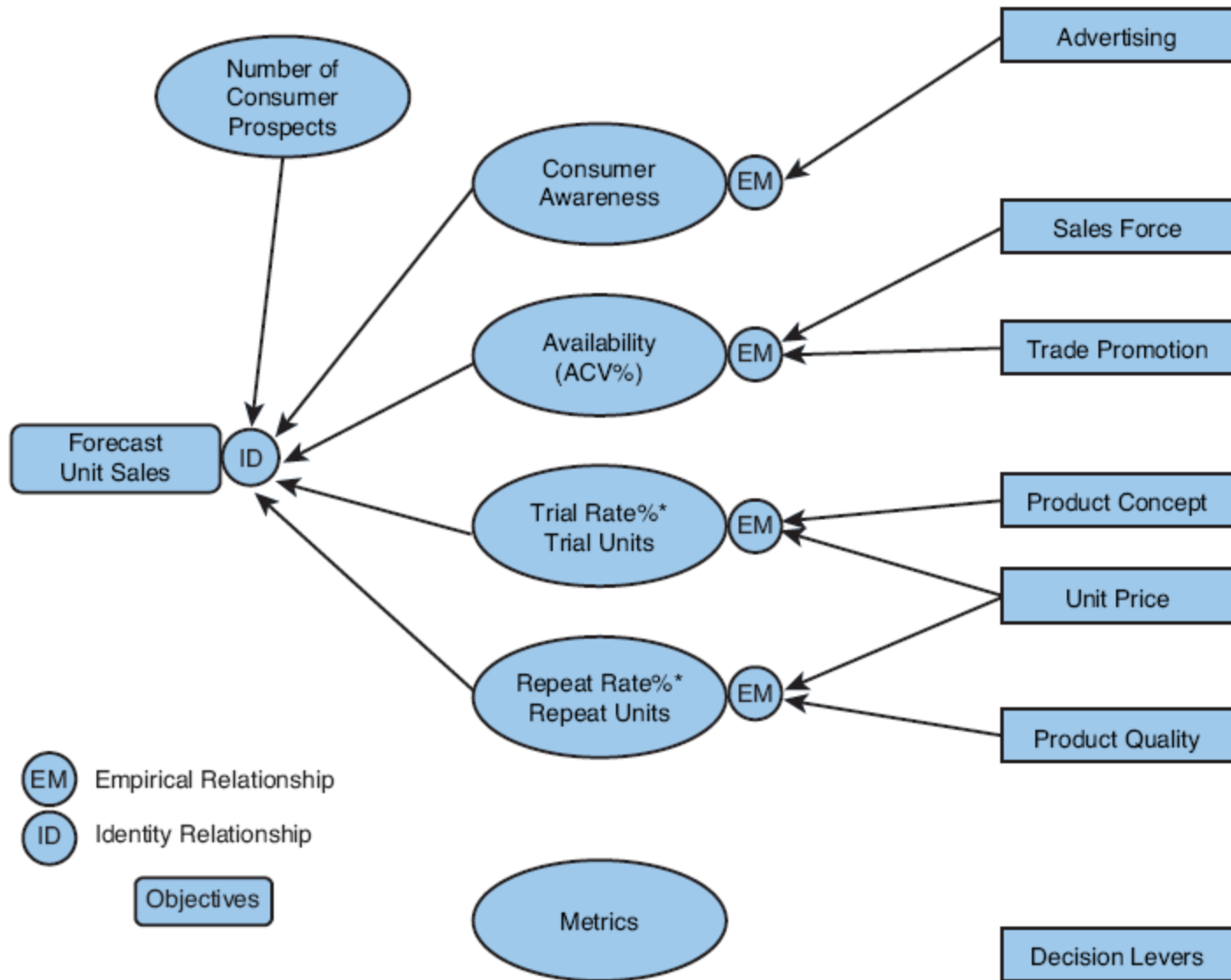
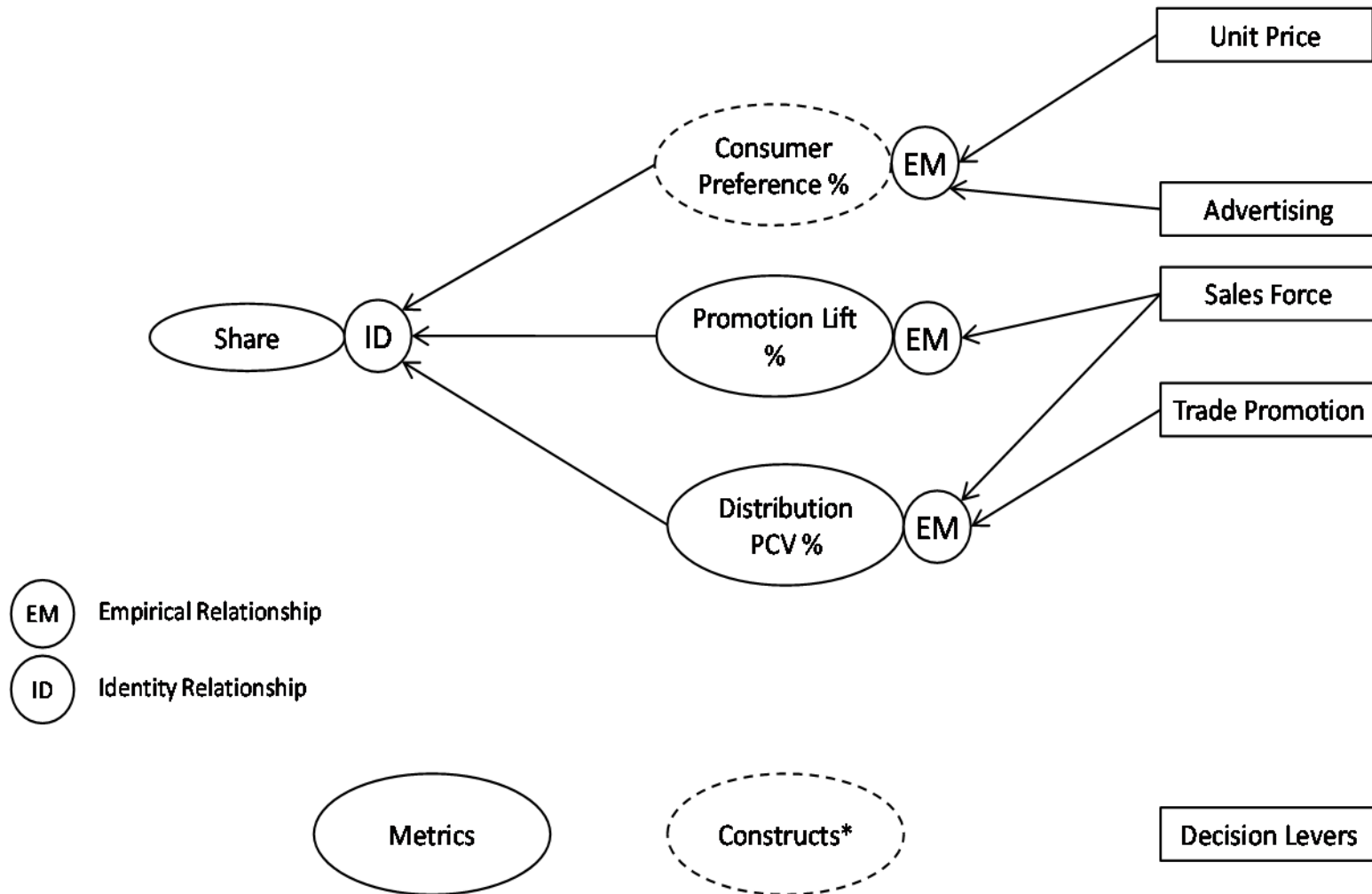


Figure 12.5 Simulated Test Markets Combine Empirical and Identity Relationships

Empirical & Definitional Relationships



In Conclusion

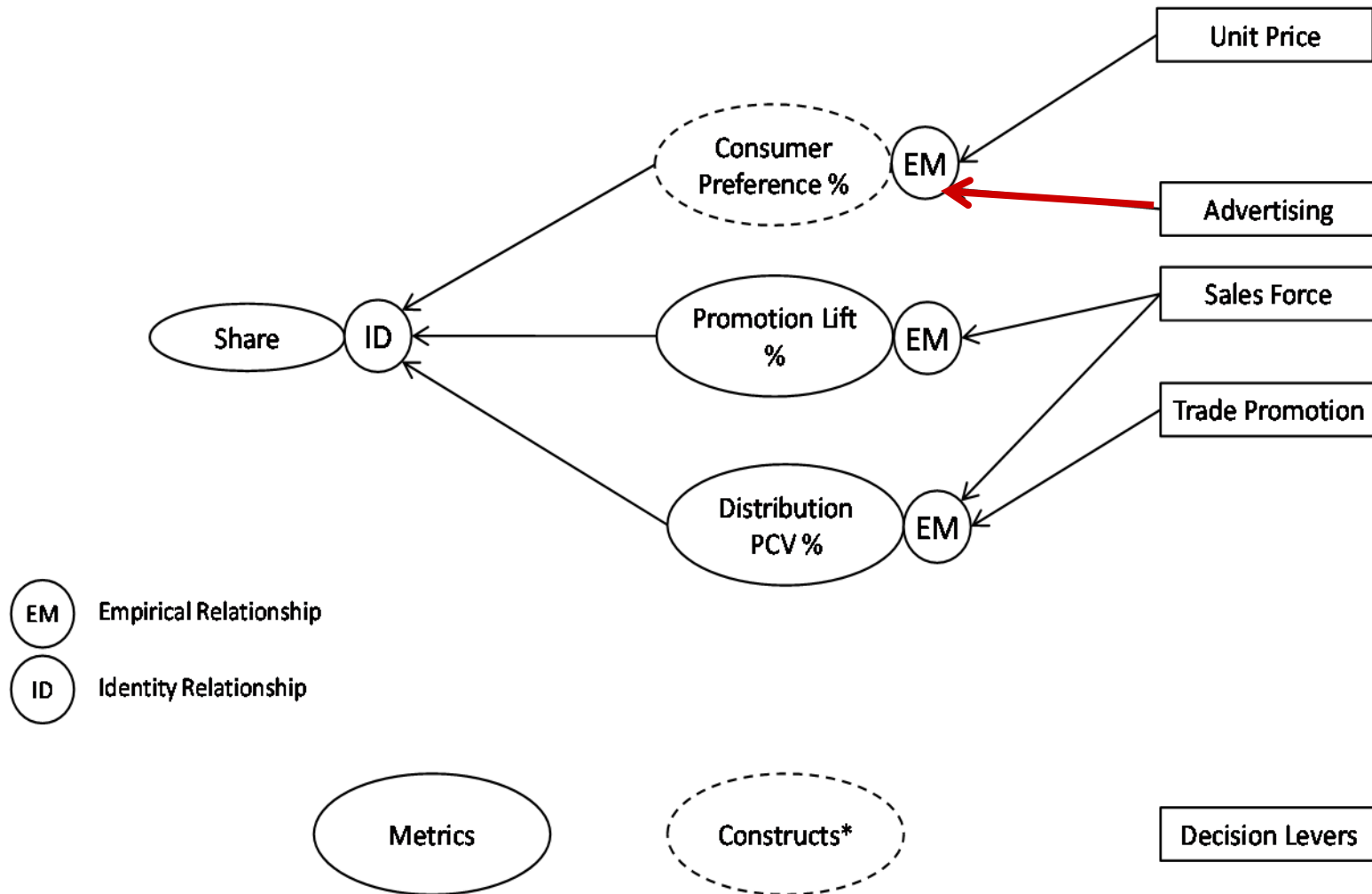
We are delighted to work with the MASB to establish common language in marketing

- by providing our set of metric definitions for posting on Wikipedia
- to convince senior marketers that sound marketing metrics can be as useful as traditional financially based metrics

Allan...

Questions So Far?

Empirical & Definitional Relationships





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The Free Encyclopedia

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APM Facts (marketing metric)

From Wikipedia, the free encyclopedia

APM Facts is a behavioral measure of TV advertising's impact on consumer brand preference (choice). ^(1, 2)

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Purpose

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1. Quantify likelihood and magnitude of TV advertising's impact on future sales volume and market share for advertised brand and brand portfolio (halos).
2. Quantify appropriate level of GRP spending for discrete executions to optimize media investments.
3. Allocate GRP spending for discrete executions within and across brands to optimize return for brand, division, company.

Construction

[\[edit\]](#)

APM Facts is calculated by subtracting the percentage of consumers choosing the advertised brand/product over competition before exposure to television material from the percent choosing the advertised product after exposure — the net effect of retention and attraction as a result of the advertising stimulus.

$$\text{APM Facts} = \text{Percentage of consumers choosing the product post-exposure (\%)} - \text{Percentage of consumers choosing the product pre-exposure (\%)}$$

For example, if 25% of the consumers chose the brand/product before exposure to advertising and 30% chose the brand/product after exposure, the APM Facts for the ad is 30 - 25 = 5.

MMAP Profile

[\[edit\]](#)

The APM Facts metric has been audited and profiled by the Marketing Accountability Standards Board ([MASB](#)) using the Marketing Metric Audit Protocol ([MMAP](#)).⁽³⁾

References

[\[edit\]](#)

- (1) Farris, Paul W.; Bendle, Neil T.; Pfeifer, Philip E.; Reibstein, David J. (forthcoming). *Marketing Metrics: The Definitive Guide to Measuring Marketing Performance. Third Edition*. Wharton School Publishing.
- (2) Marketing Accountability Standards Board (MASB) (Draft VII: April 2008). *Marketing Accountability Standards: Measuring and Improving the Return from TV Advertising Example*.
- (3) Marketing Accountability Standards Board (MASB) (February 2009). *Statement of Marketing Accountability Standards No. 1: Marketing Metric Audit Protocol (MMAP)*.

MASB Marketing Accountability Standards Board of the Marketing Accountability Foundation

PROTOTYPE

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MMAP Metric Profiles

APM Facts

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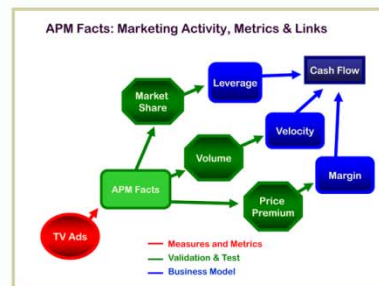
[Limitations](#)

[Relationship to Financial Metrics](#)

[How Does It Meet the MMAP Characteristics of an Ideal Metric?](#)

[How Does It Fit Overall Guidelines for Measures of Marketing Productivity?](#)

[Source Documents](#)



FEATURED CONTENT

These strategies have moved in cycles of approximately 20-25 years. At the end, there is often a recession or depression. The old tactics fail, opening up the possibility for a new group of managers to step forward and produce a new path.
[Read Year II Report >](#)

The MASB 2010 Summer Board Meeting & Summit will be held August 12-13...The Game Changers
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FOR FEEDBACK

The Marketing Metric Audit Protocol (MMAP) is a formal process for connecting marketing activities to the financial performance of the firm.
[Read MMAP >](#)

An example of how to evaluate marketing metrics according to MMAP, the learning from using an "ideal" metric over time, and how to improve return by applying to better marketing practice (process management).
[Read TV Example >](#)

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MMAP Metric Profiles

Name: **APM Facts**

Provider
ARSGroup

Definition
APM Facts is a behavioral measure of TV advertising's impact on consumer brand preference/choice

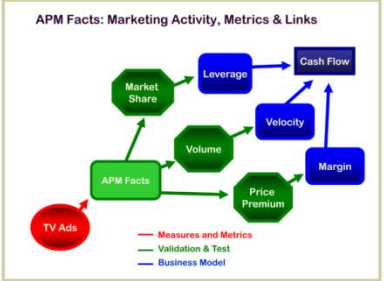
Source Data
Using a large randomly selected sample, brand preferences/choices are collected before and after incidental, clutter exposure to TV material

How Derived
 $APM\ Facts = \% \text{ Brand Preference Post} - \% \text{ Brand Preference Pre}$

- How Used/Activities
APM Facts is used to:
1. Quantify likelihood and magnitude of TV advertising's impact on future sales volume and market share for advertised brand and brand portfolio (halos). For next four weeks and next business quarter.
 2. Quantify appropriate level of GRP spending for discrete executions to optimize media investments.
 3. Allocate GRP spending for discrete executions within and across brands to optimize return for brand, division, company.

Strengths
APM Facts has withstood the test of time and been proven: Reliable, Relevant, Valid, Calibrated, Empowering, Hygiened

- Limitations
1. Currently applicable to only TV advertising
 2. Limited validation for "new to the world" categories



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Welcome to MASB

where marketing and finance align on measurement...

As the era of "financial engineering" for growth winds down, marketing professionals are stepping up, beginning to master and apply the science of measurement and process management to the art of marketing. This fundamental change will usher in a new era of marketing accountability that will drive consistent growth, with improved methods for measuring, forecasting and improving the effectiveness of marketing activities and a narrowing of the gap between marketing efforts and financial outcomes.

MASB is enabling this transformation by serving as the independent, private sector, self-governing body, establishing measurement and accountability standards across industry and domain for continuous improvement in financial return... *attending to measurement* as the foundation and catalyst for advancement.

It began with [The Boardroom Project](#), a visionary initiative by industry professionals and academics who saw an opportunity to increase the contribution of the marketing function through the development of standards for measurement and processes that link marketing activities more objectively and more closely to the financial performance of the firm.

The development of generally accepted and common standards will enhance the credibility of the marketing discipline, improve the effectiveness and efficiency of marketing activities, and enable continuous improvement over time.

MASB represents an unprecedented opportunity to make a significant contribution to the marketing profession, business overall, and society at large. All are encouraged to engage with MASB and contribute to the realization of this vision.

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MASB Metrics Catalogue

Status Report
August 2010

Allan Kuse
MMAP Center



Marketing Accountability Standards Board
of the Marketing Accountability Foundation

Marketing Metrics Catalogue

Objective

Create a Catalogue of Marketing Metrics that provides detailed documentation regarding the psychometric properties of the measures and specific information with respect to reliability, validity, range of use, sensitivity . . . particularly in terms of validity and sensitivity with respect to financial criteria.

Issue

Two interns engaged in the initial stages of the project encountered problems finding specific measures offered by commercial providers.

This is not a problem in the academic literature, but not surprisingly, most commercial providers offer little detail about their measures.

Most of the publicly available information focuses on integrated suites of products and services with little technical information or reference to characteristics of specific measures that would allow profiling according to MMAP.

Alternative Solution

Use the MMAP Training and Advisory Services to populate the Metrics Catalogue, as metric providers have their offerings audited and profiled.

Metrics Catalogue Status

- Design template for web publishing (prototype)
- Publish APM Facts to Catalogue (prototype)
- Include other Metrics as they are profiled (2010+)

Questions?



Thank you!



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of the Marketing Accountability Foundation**