

CLV Roadmap for CPG

Measuring and Improving the Long-term Impact from Marketing for Fast Moving Consumer Goods

MASB Winter Summit

March, 2010

Agenda

- **What we have learned**
- **CPG solution**
- **Project Status**

Hypothesis

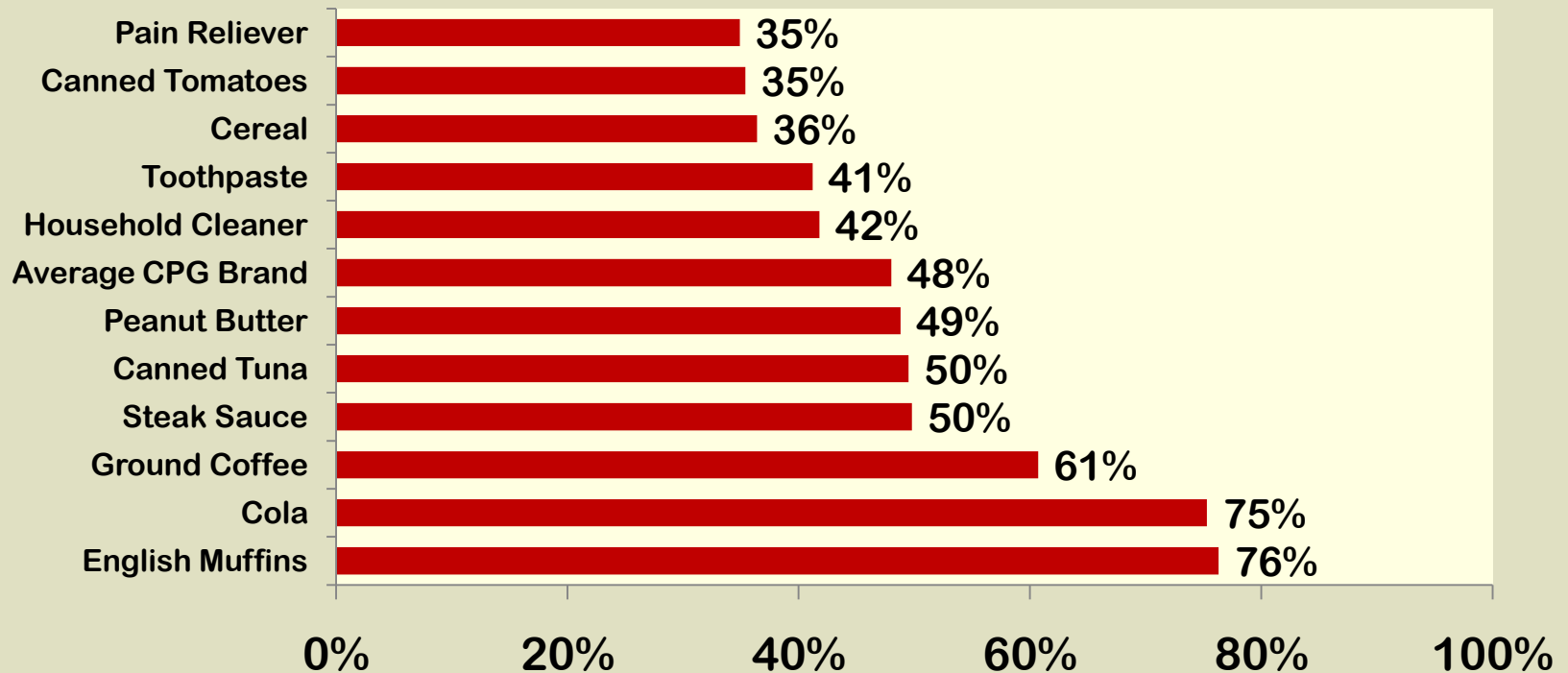
- **CLV metric can be used to understand and manage the long-term impact from marketing**
- **Structure for target marketing effectiveness**
- **Applied to CPG can improved forecasting and process management**

Learning

- 1. Short-term marketing management has eroded brand loyalty**
- 2. CLV captures the customer retention impact of marketing**
- 3. Related to firm value**
- 4. Paradigm transformation**

Low Brand Loyalty

Highly Loyal Buyers Who Remain Loyal



Source: CMO Council and Pointer Media Network (2009), Losing Loyalty: The Consumer Defection Dilemma™ |

Paradigm Shift

	Traditional Approach	CLV Approach
Management Dimension	Sell more products	Acquire and develop loyal customers
Focus	Most profitable products	Most profitable customers
Selling Approach	How many customers can we sell this product to?	How many products can we sell to this customer
Decision Orientation	Historic metrics of past value or profitability	Forward-looking metrics of customer value drivers

Source: V Kumar, 2009 MASB Summer Summit

CPG has been lagging

- The CLV perspective has been mainly applied to relationship-marketing (RM) domain (e.g., banking, telecommunication)
- Academic research tends to focus on the RM domain, too.
 - Insurance (Donkers, Verhoef, De Jong 2007)
 - B2B high-tech manufacturer (Reinartz, Thomas, Kumar 2005)
 - Newspaper (Thomas, Blattberg, Fox 2004)
 - Interactive TV entertainment service (Lemon, White, Winer 2002)
 - Airline pilot membership (Thomas 2001)

Source: Hanssens (2008)

Difficulty in CPG overcome

- **Measurement**
 - CLV and its components successfully measured (Hanssens, 2008)
 - Customer acquisition, retention and purchase size
 - Methods to measure the dynamic and dual causality nature of marketing activities
- **Retention rate is very predictable (Hardie-Fader, 2005)**
- **Marketing activity metrics**
 - More household targeted marketing metrics available

Project Status

Leads: Rick Abens (ConAgra)
Dominique Hanssens(UCLA)

Heroes: VK Kumar
Debi Parcheta
Jamie Richardson
Chris Ciccarello
Craig Gugal
Data and media partner (TBD)

Admin: Allan Kuse (MMAAP Center)
Meg Blair (MAF/MASB)

Meet: 3rd Thursday of the Month



I. Frame Up

II. Research



**A. What is Known/not
Known/need to Know**

B. New Learning

**C. Preliminary Summary &
Conclusions**

III. Review

IV. Adoption or Acceptance

V. Publication

VI. Education

**VII. Systematic review over time
(revisions)**