
MASB **Standards Project**

Common Language in Marketing Activities and Metrics on Wikipedia

Status Report
July 2010

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TBD



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

Project Stages: Common Language

I. Frame-Up (Emerging Issue Abstract)

A. Open Debate by MASB (revisions/approval to move to IIA)*

II. Research

A. MMAP Conceptualization*

B. What is Known/Not Known/Need to Know**

1. Review according to III



2. Determine Project Future/Category *

B. New Learning if warranted

1. Review according to III

2. Determine Project Future/Category*

III. Review & Complete

A. Open Debate by MASB (revisions/approval)*

B. Open Debate by MASAC (revisions/approval)*

C. Paper for Practitioners (revisions/approval)*

D. Posted for Industry Feedback and Published (academic choice)

E. Posted in “Completed” after 1 Year plus (revisions/approval)*

IV. Education

V. Systematic review over time (revisions/approval)*

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

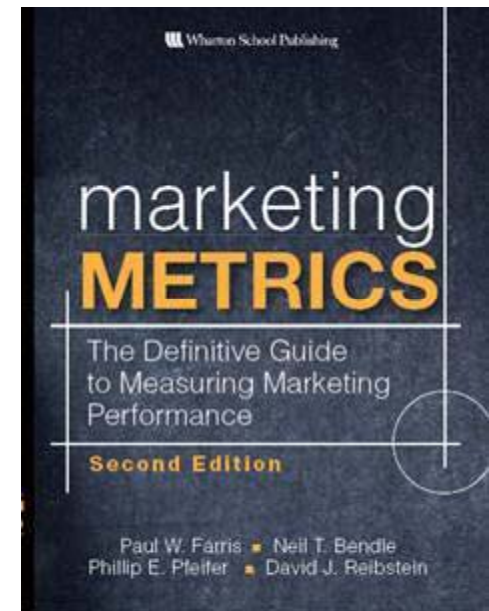
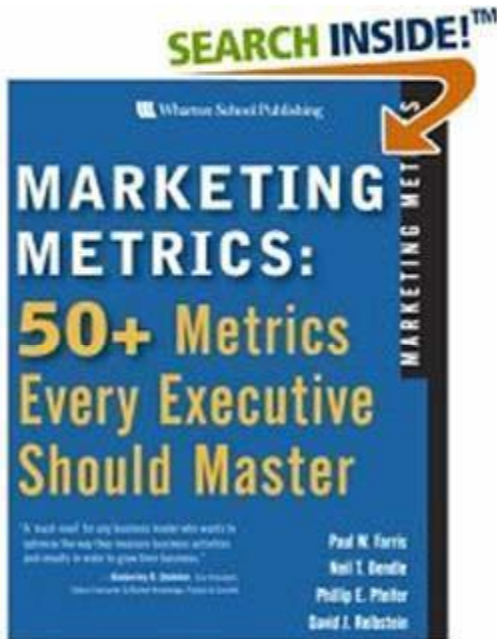
Paul...

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

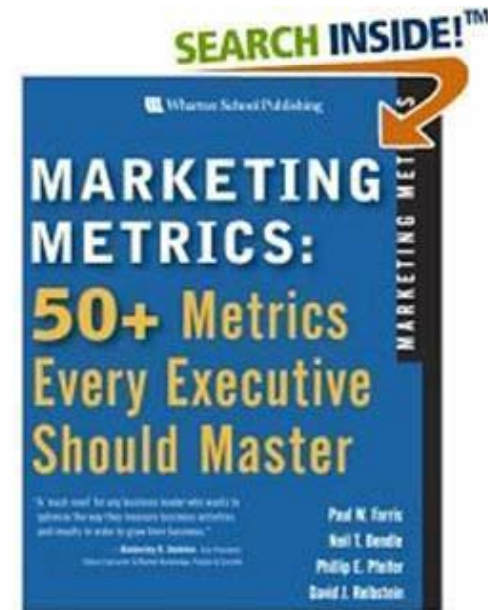
- Marketing constantly invents new terms
 - Exposures, Impressions, Opportunities-to-See
 - Shopper marketing
- Many marketing terms are not well-defined
 - Loyalty, differentiation, advertising intensity, price sensitivity, brand equity
- But quite a few are and that is where we focus the book

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

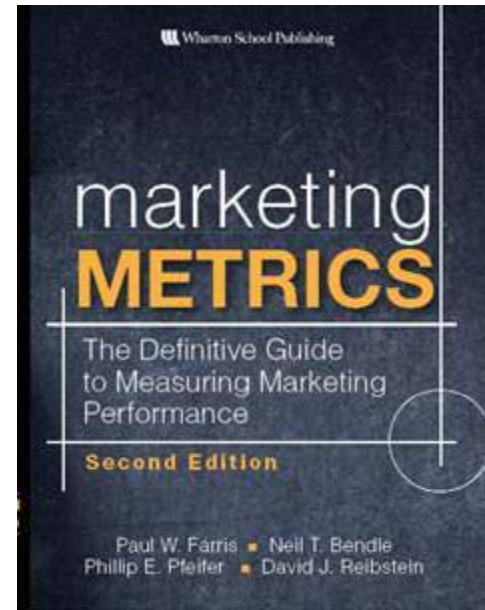
In calculating price premium, managers must first specify a benchmark price. Typically, the price of the brand in question will be included in this benchmark, and all prices in the benchmark will be for an equivalent volume of product (for example, price per liter). There are at least four commonly used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

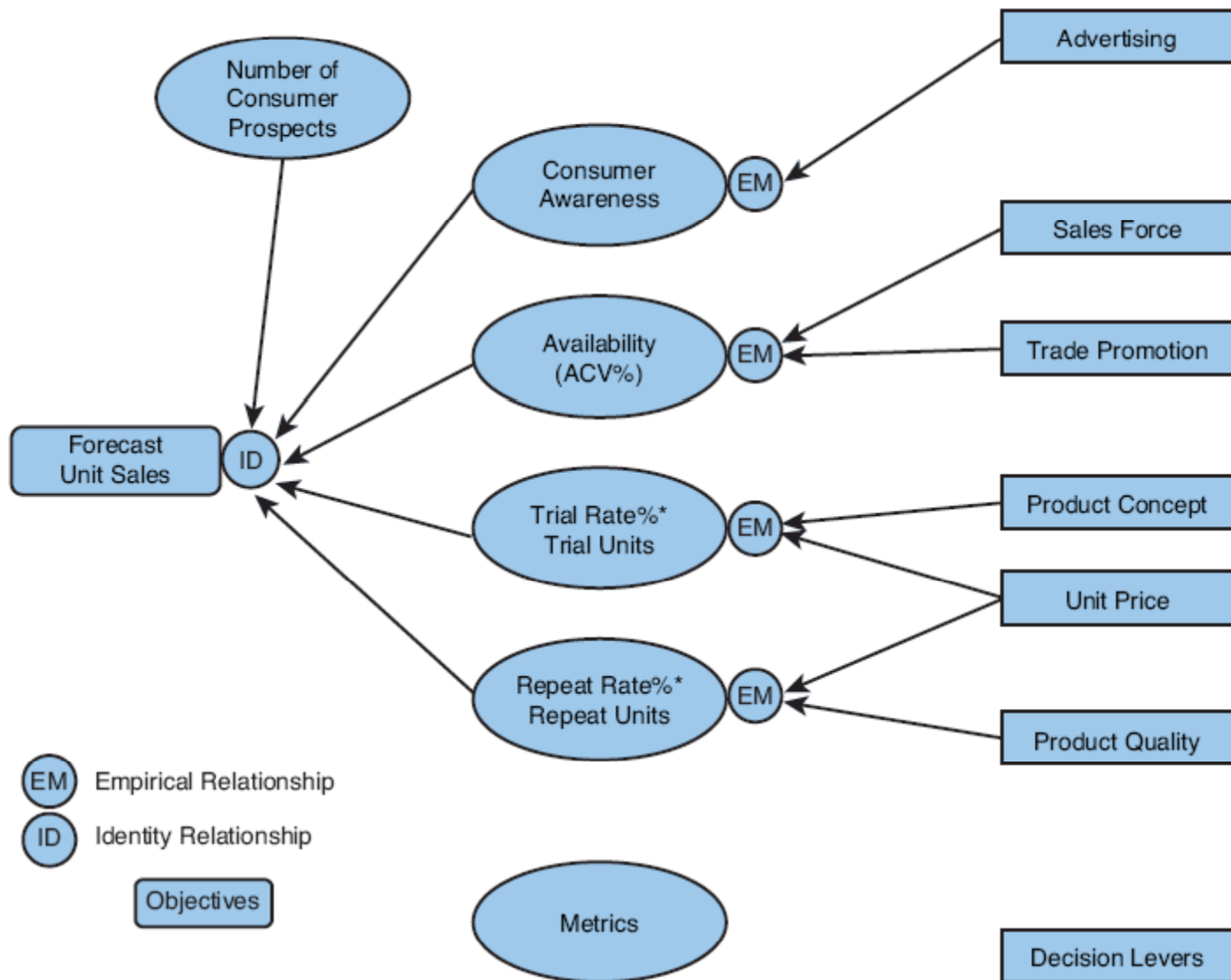


Figure 12.5 Simulated Test Markets Combine Empirical and Identity Relationships

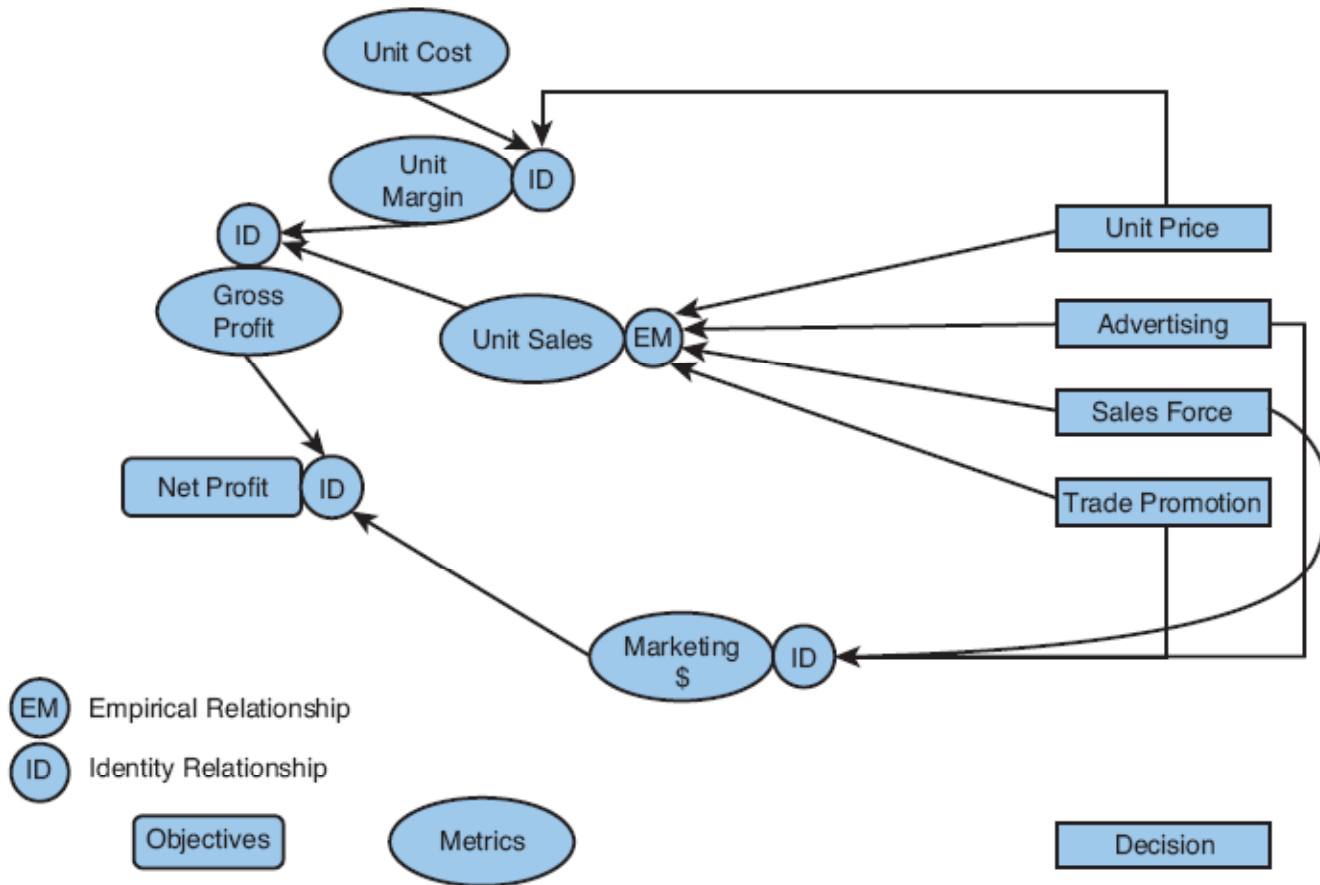
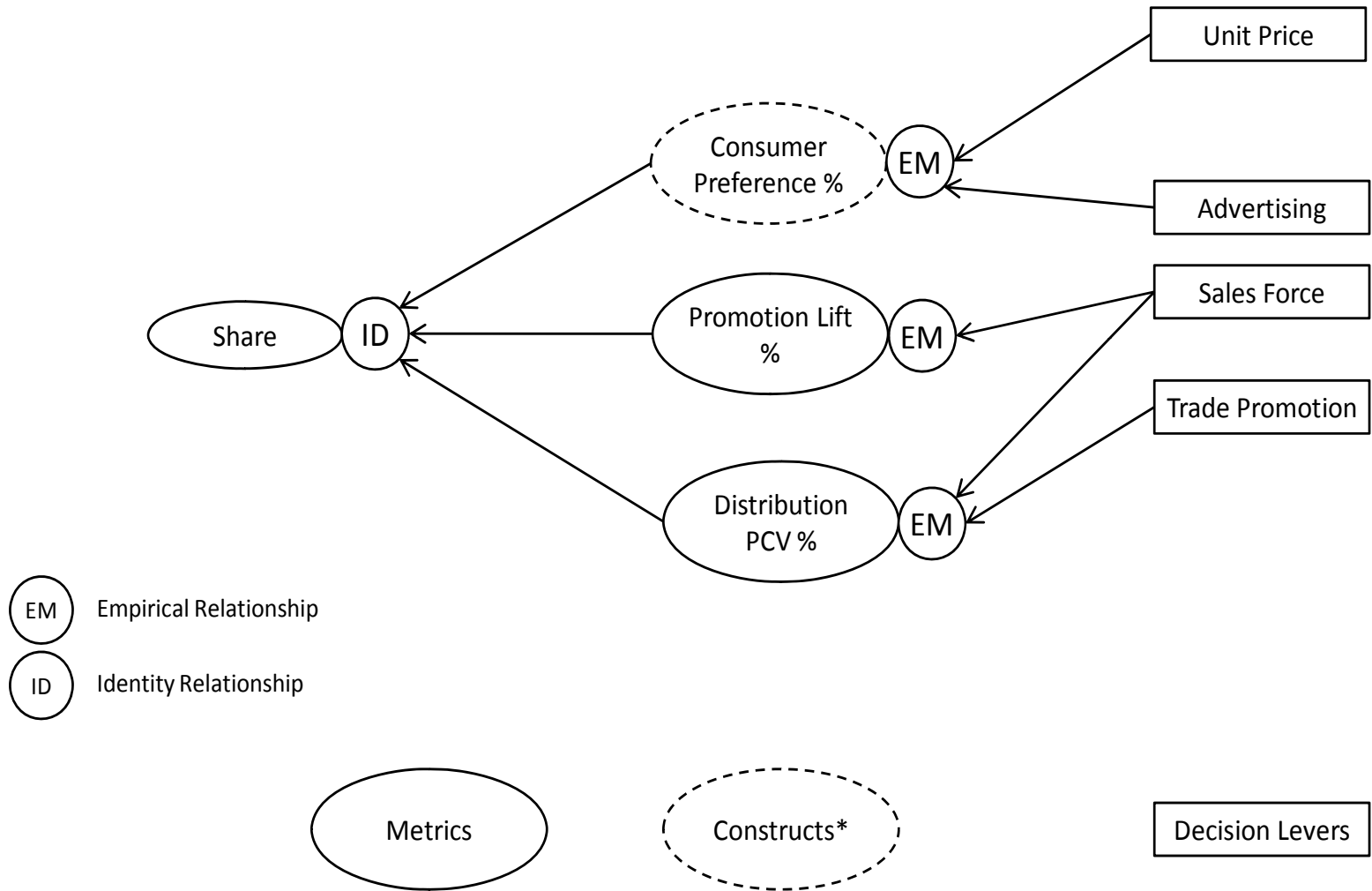


Figure 12.4 Empirical Relationship with Components of Marketing Outcomes

Empirical & Definitional Relationships



In Conclusion

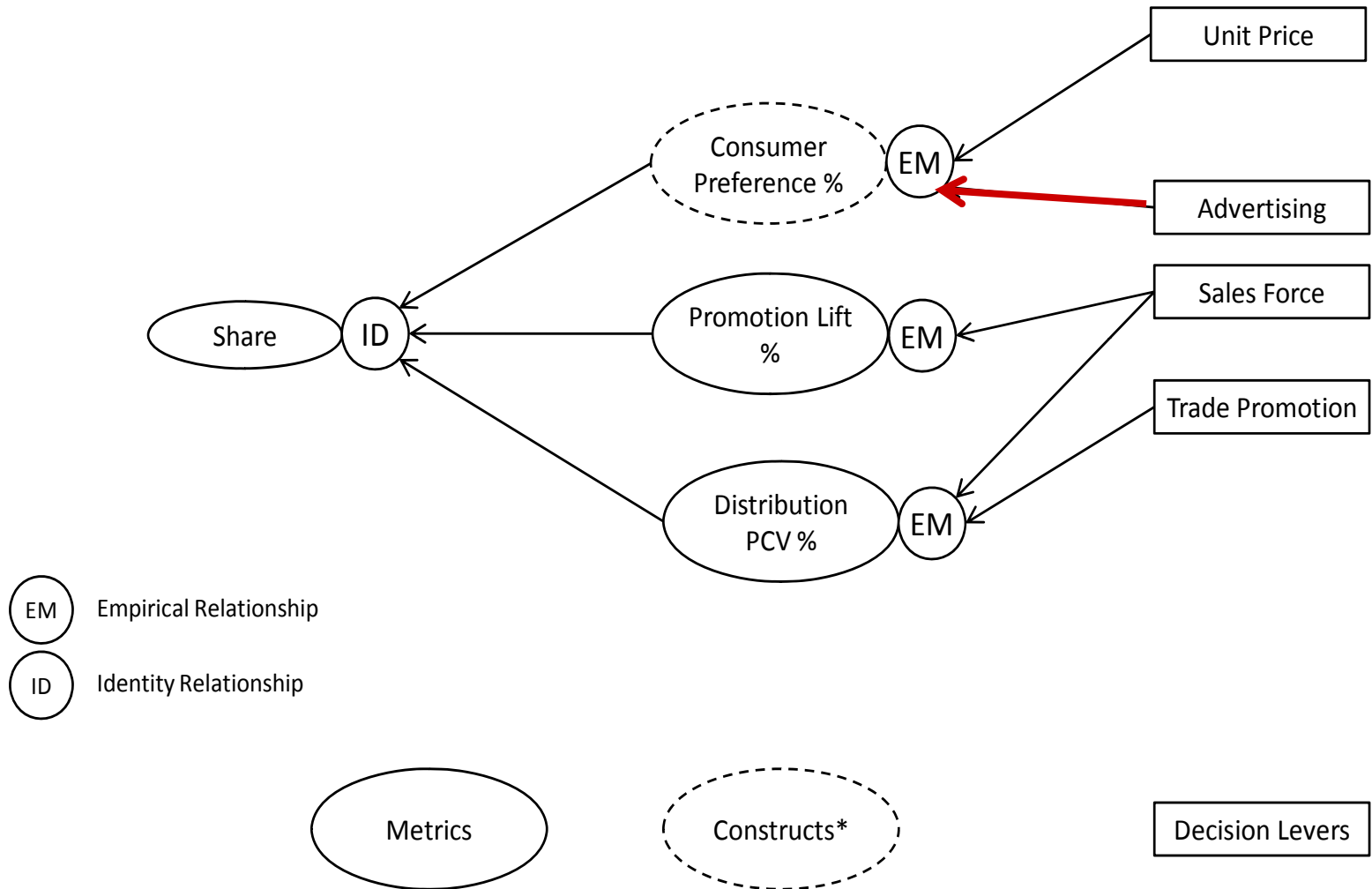
We are delighted to work with the MASB to establish common language in marketing

- 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



Thank you!



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