
Roadmap to Customer Lifetime Value for CPG

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Marketing Accountability Standards Board
of the Marketing Accountability Foundation

Marketing is still customer focused, as far as I can tell . . .

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

American Marketing Association. October, 2007

. . . But metrics in CPG are focused on the product

CPG Metrics

- Brand sales lifts
- Category and Portfolio sales lifts
- Aggregated purchase transactions
- Historical

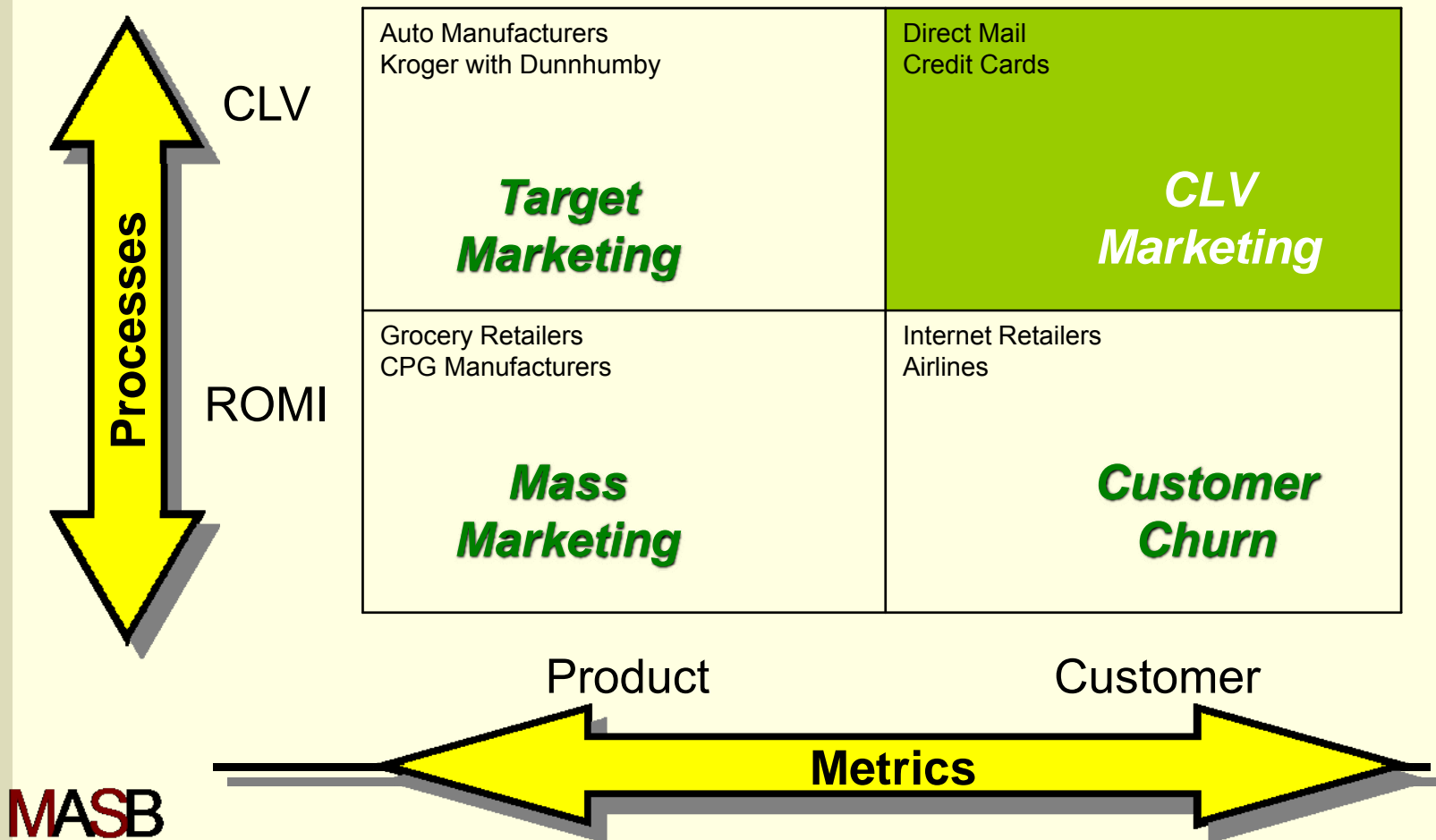
CLV

- Changes in customer value
- Long-term impacts
- Patterns of individual purchase transactions
- Forward-looking

Map Quest (or Agenda)

- Two directions to CLV
- Navigating metrics
- Driving CLV processes
- Arriving at the destination

Companies need to develop both customer metrics and CLV processes



The frequently used metrics are helpful for tracking but not for planning

Metric		Planning Need
Share	≠	Product Opportunity Assessment
Price & PE	≈	Pricing Strategies and Tactics
Lift	≠	Promotion Planning
Distribution	≈	Assortment Plans
ROMI	≠	Brand Equity Building

Even ROMI Metrics used by CPG are limiting in CLV practices

Metric

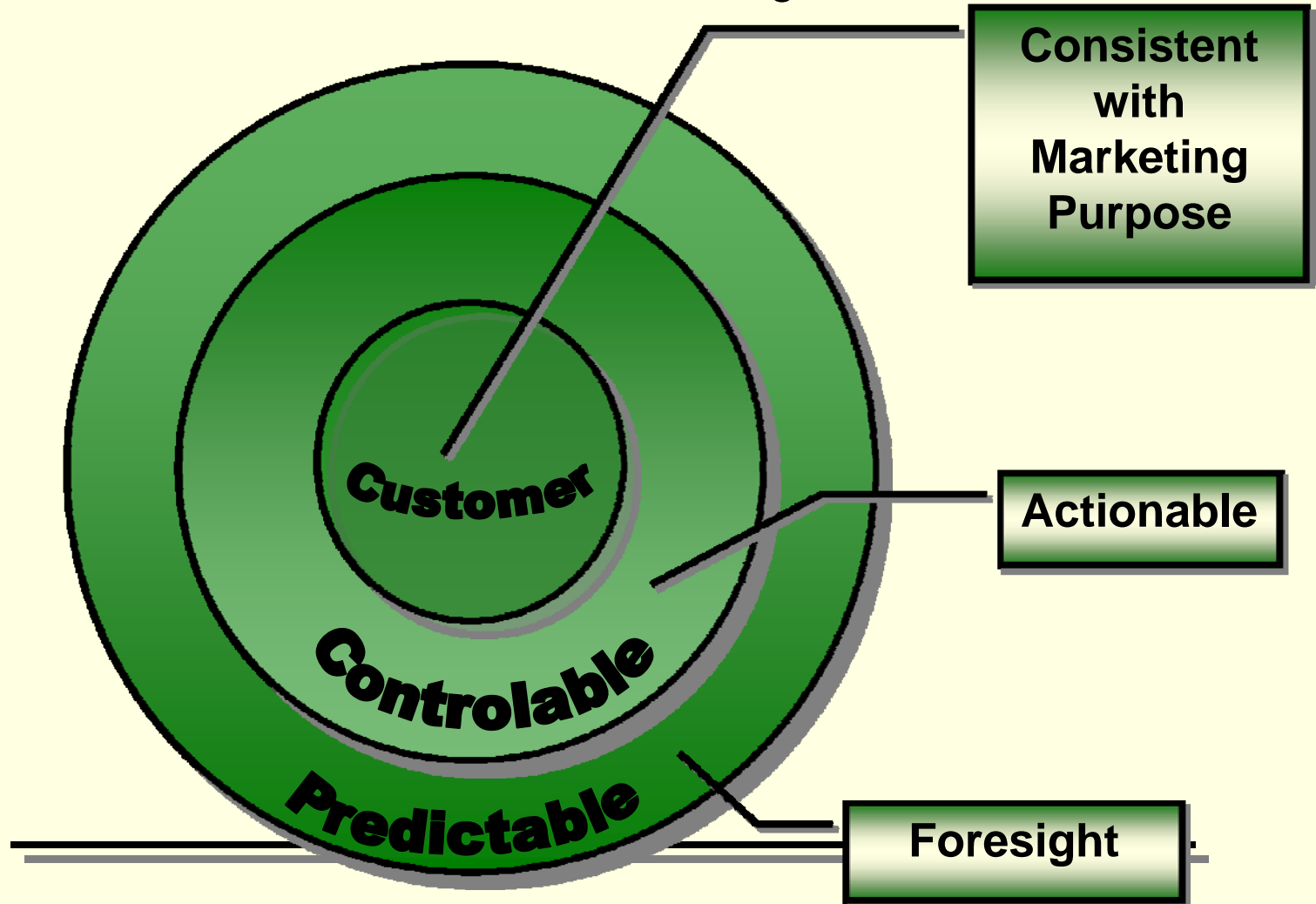
- Product sales
- Promotion Lifts
- Advertising Response
- ROI
- Price Elasticity

CLV Limitation

- Descriptive, aggregated
- Historical
- 30-50% coverage of full impact
- Short-term
- Synergies between price and marketing are not yet quantifiable

Metric Characteristics

- FSP data meet the criteria for CLV marketing

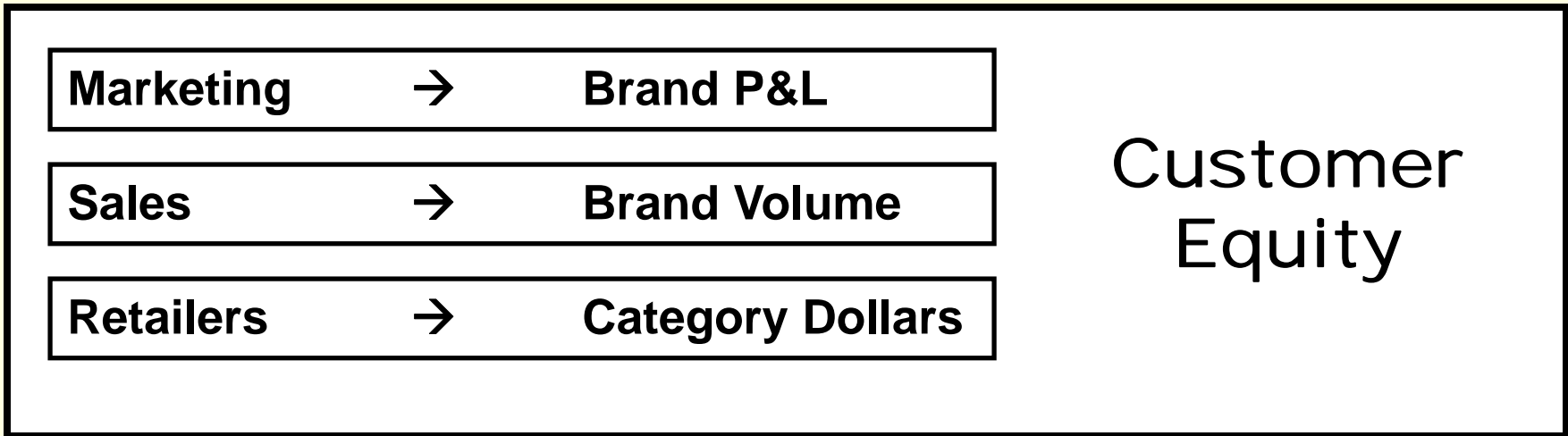


Collaboration between retailers and manufacturers is key

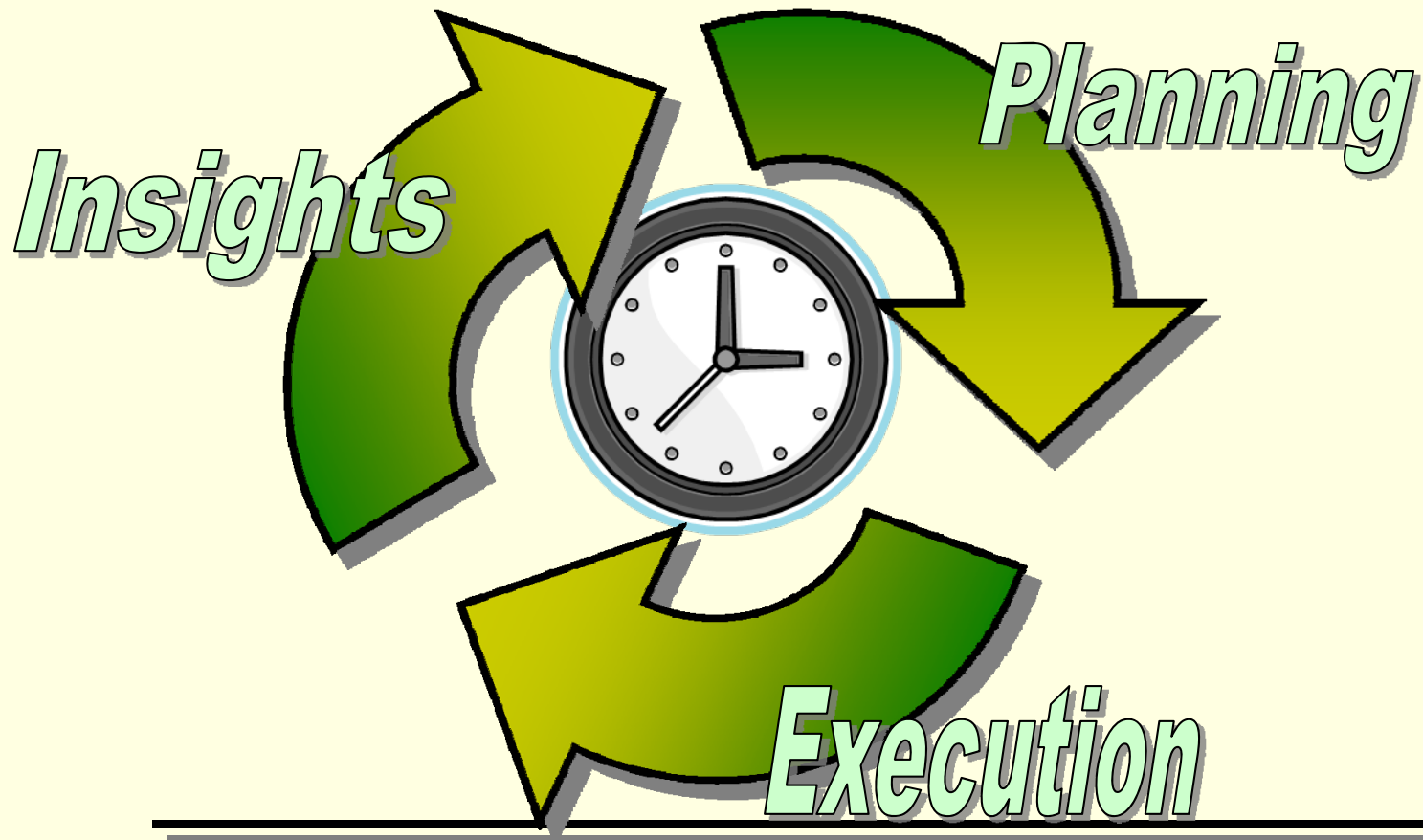
- Some industries have end-user purchase transaction data
 - These industries practice CLV
 - Direct Mail, Financial, Membership Services
- CPG must rely on third-party sample data or FSP data from a retailer

Parochial objectives get in the way

- Though customer equity is shared

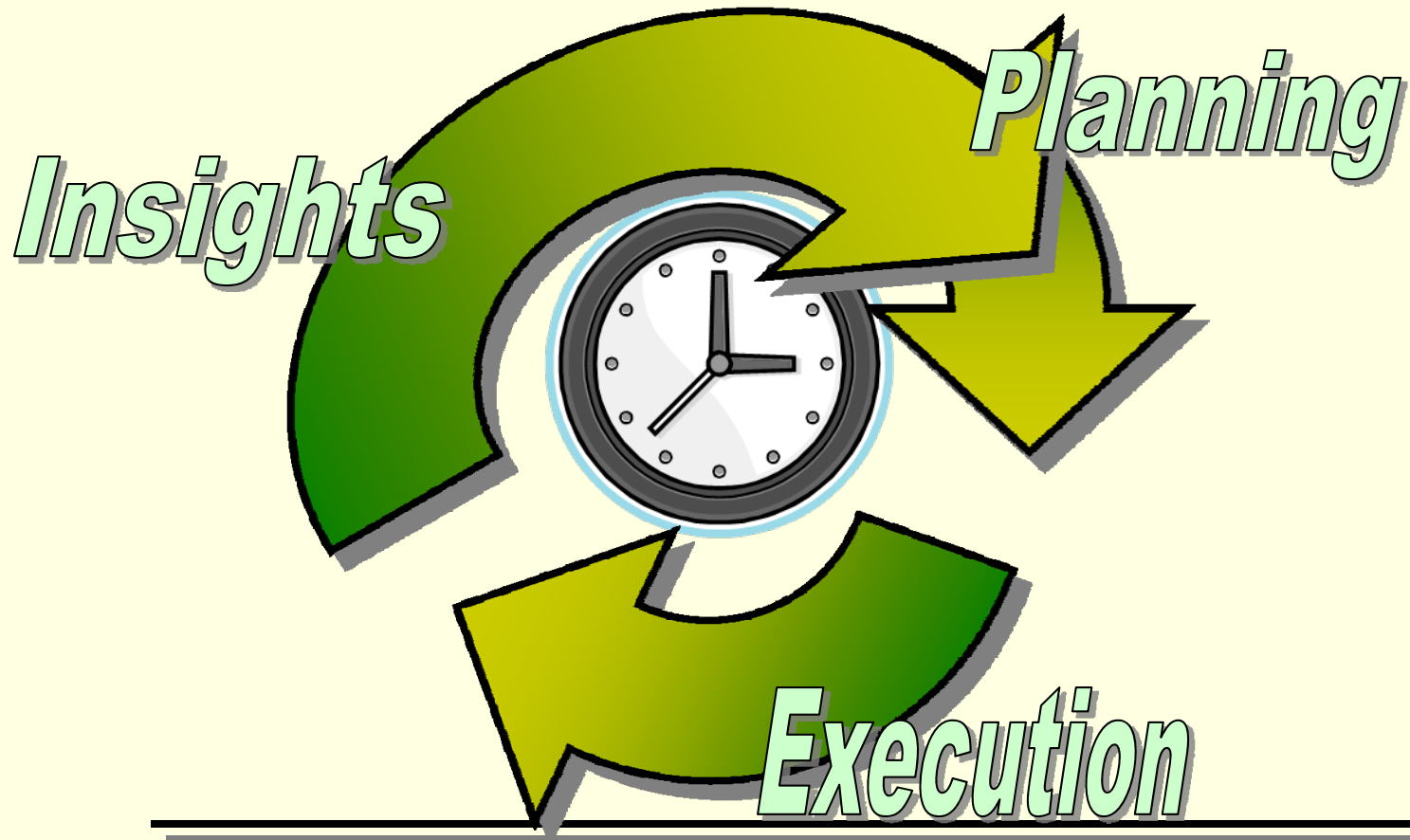


The measurement and insights must be delivered in time for planning



Insights too late are too late

- Cannot wait 4 weeks for syndicated consumer purchase data
- 12 weeks for modeling is too long



ROMI is rear-window driving



Judgment must be used with ROMI to provide the foresight for marketing planning

- CLV is forward-looking



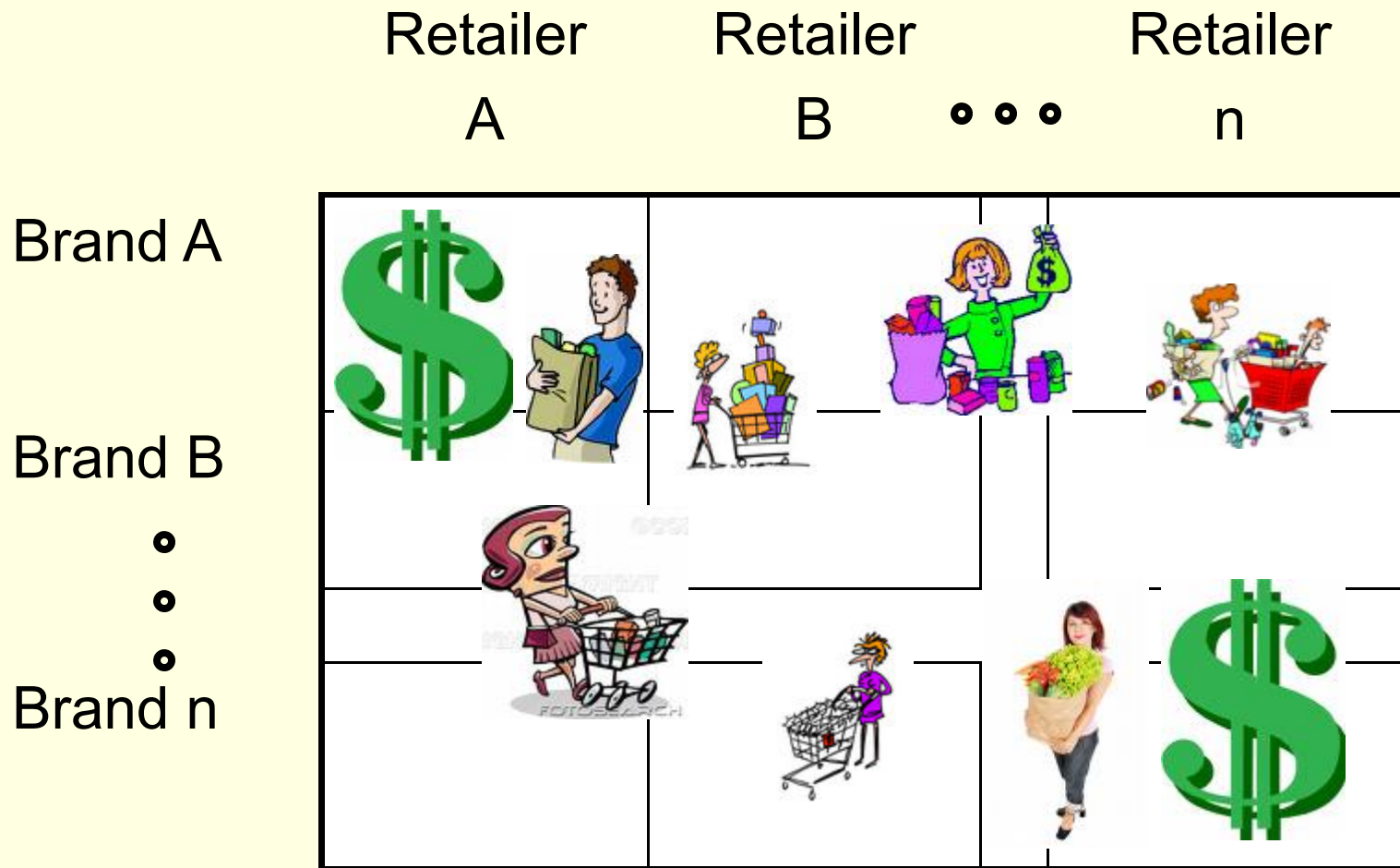
Retailers and manufacturers have collaborated many times as the industry has evolved



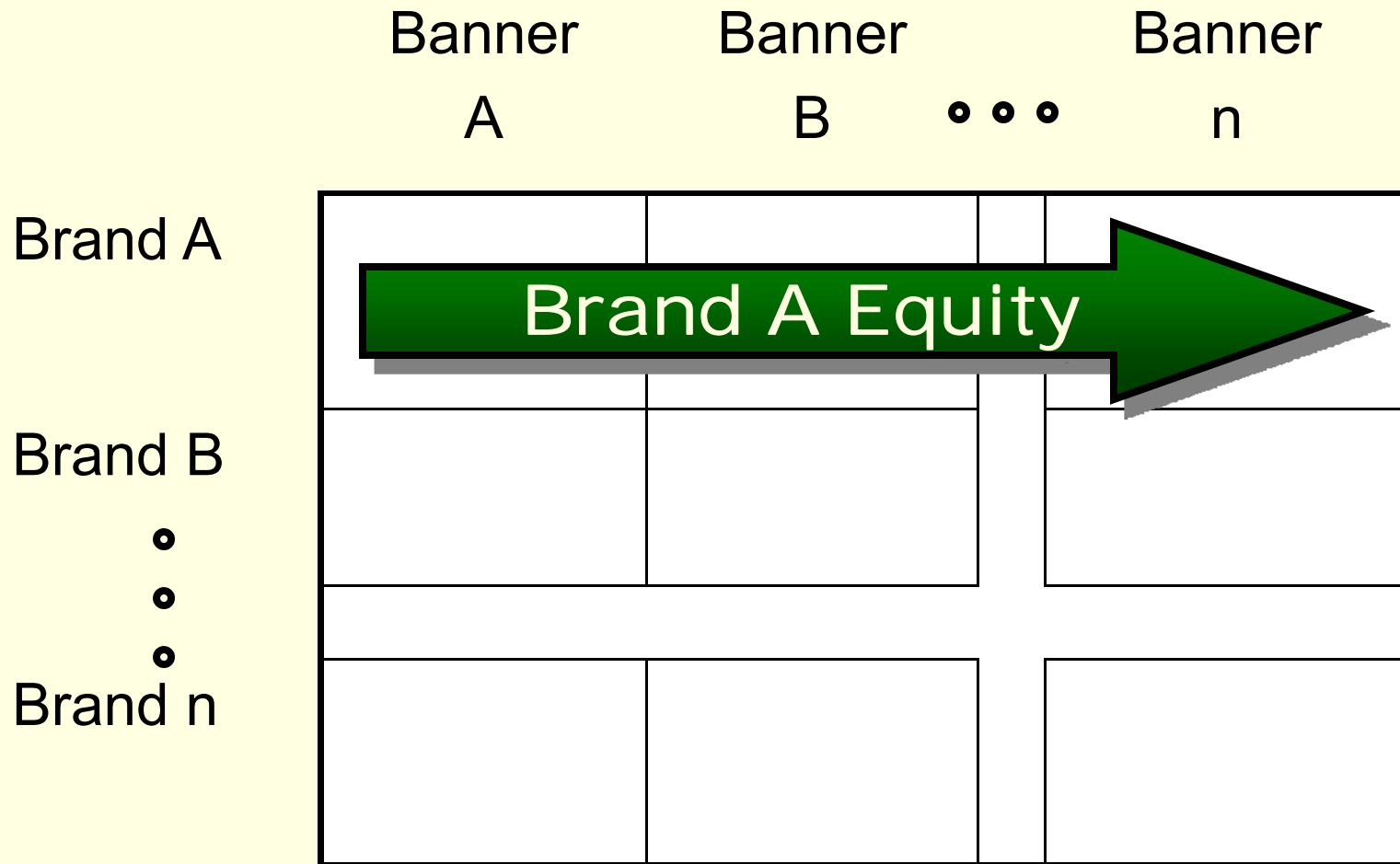
Customer equity collaboration seems inevitable



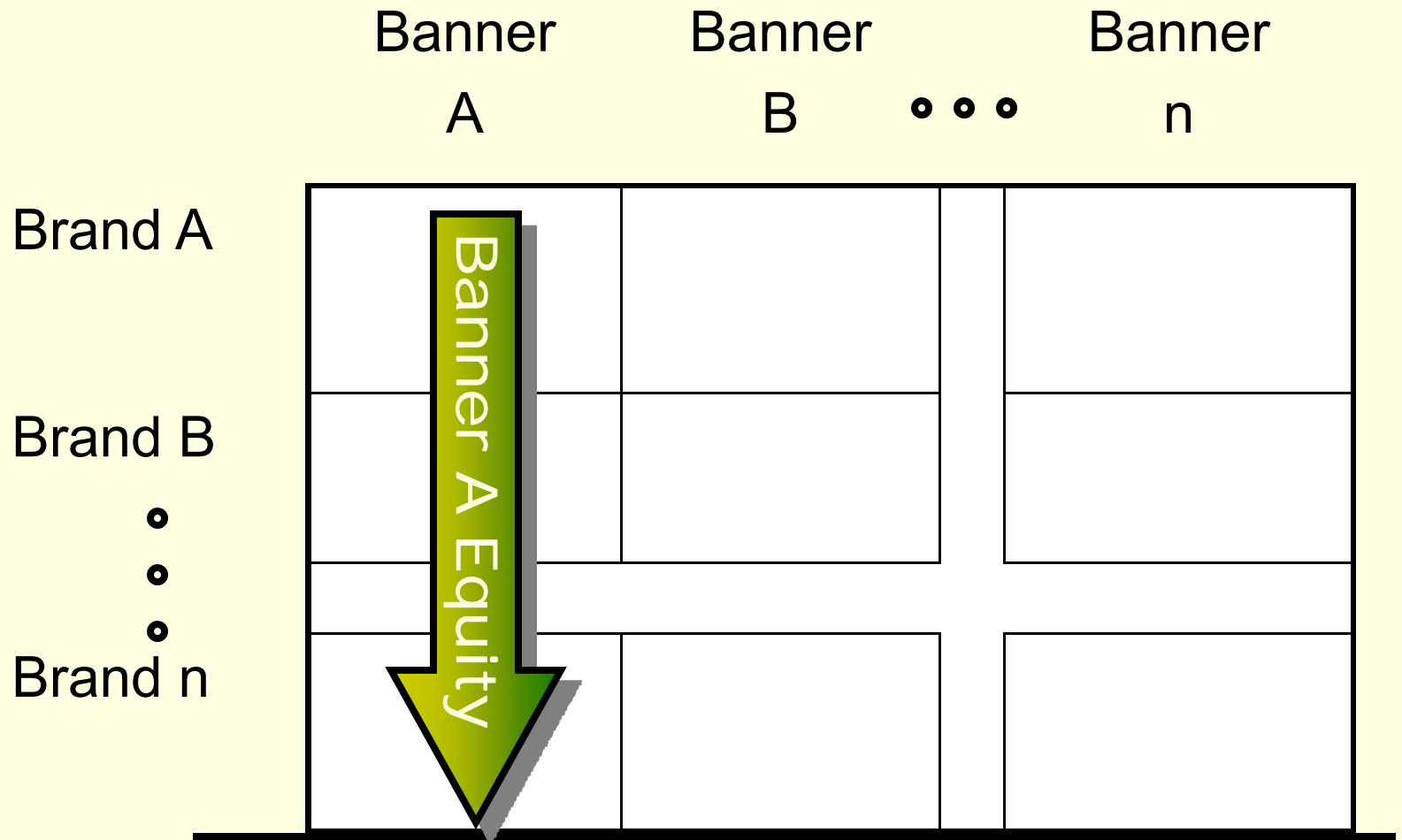
Retailers and Manufacturers share customers



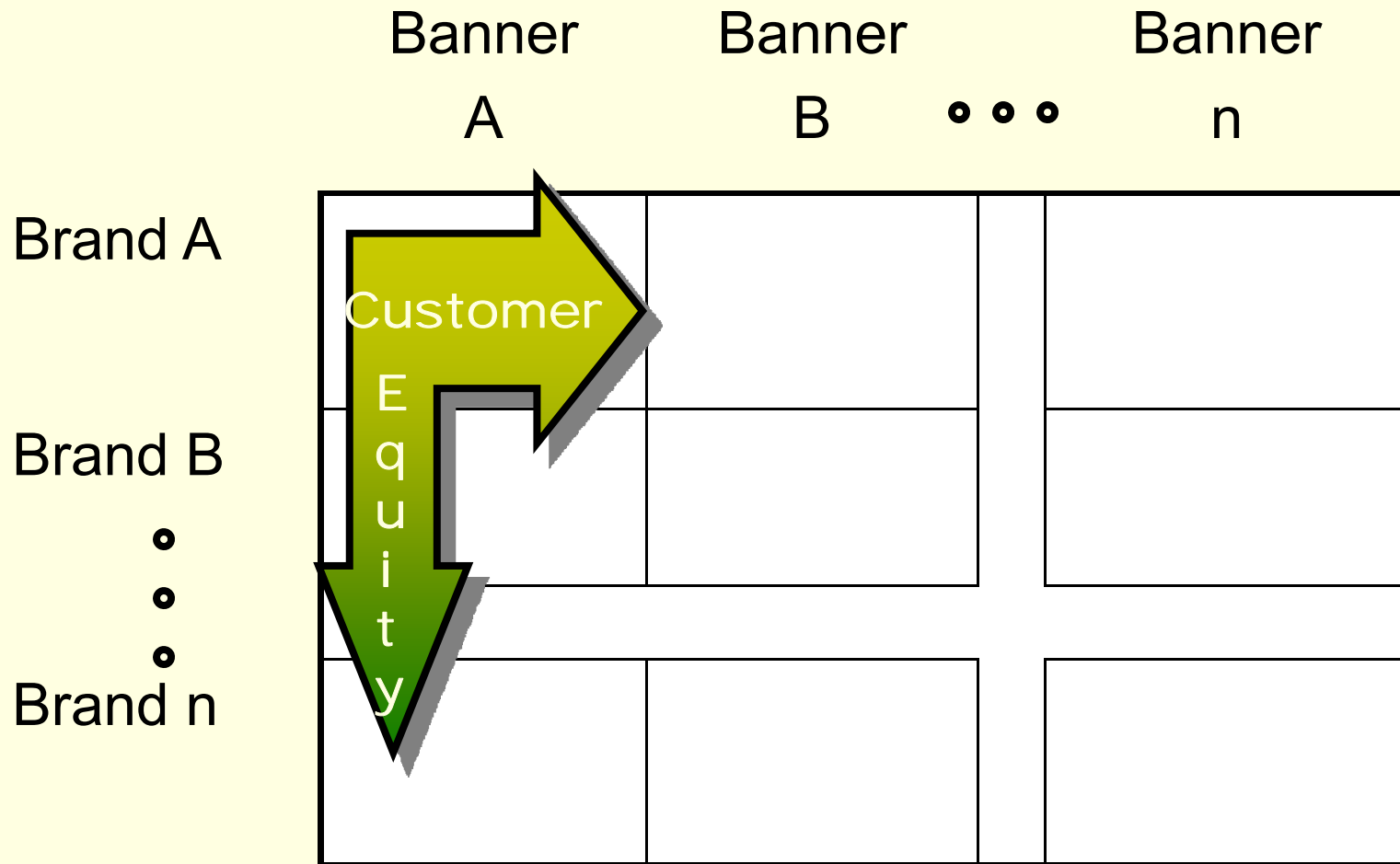
Brand Equity is a sum of the equity across stores



Equity for a retailer banner can also be assessed



FSP data can assess customer equity for a Banner and a Brand, one banner at a time



Summary

1. ROMI management helps short-term marketing decisions
2. CLV is more consistent with the purpose of marketing
3. Metrics must be consumer focused vs product metrics, controllable and predictable
4. Retailer and Manufacturers must collaborate with data and analyses to manage the CE for each of their organizations



Thank-you!



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