

# The Marketing Scientist's Perspective

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(August 16-17, 2007)

**THE  
BOARDROOM PROJECT**

# Why Marketing Analytics?

## Three common marketing dilemmas

1. “Only half the money I spend is working . . .  
But which half?”
2. Unrealistic business objectives
3. How do I know what’s truly different?

**And good measurement is a key ingredient  
to help solve these dilemmas**

# Marketing Dilemma #1 . . . *What to Measure?*

- The typical US consumer is exposed to as many as 3,000 ads every day
- In 1995, 3 TV spots could reach 80% women 18-54, but 97 in 2000
- Consumers sort snail mail next to the waste basket
- 52% of survey respondents screen calls with caller ID
- Pop-ad blockers and email filters are seen as “value-added” services
- The popularity of the FTC “do not call” list
- TIVO, digital media, CGM, In-Store . . . Who knows
- **“Half the money I spend . . .” is wrong . . . It may be 95%**

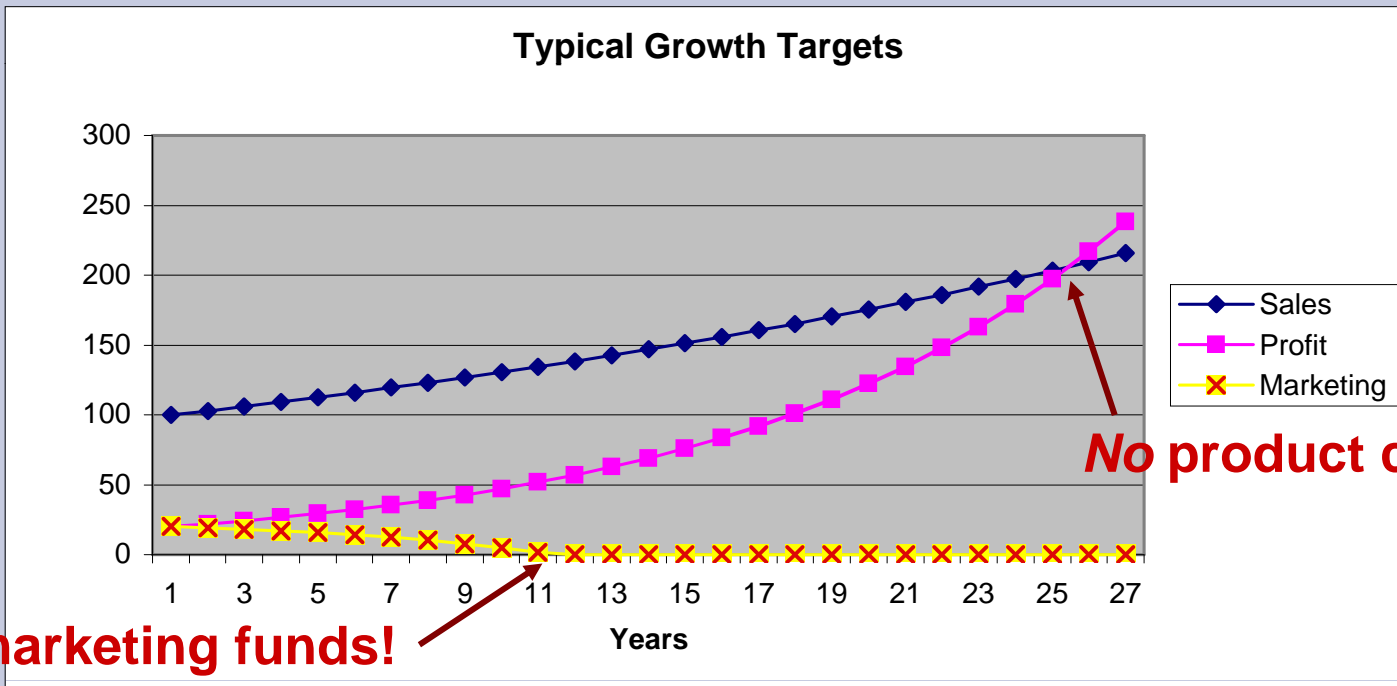
## **A few “*must solve*” problems get in the way of analysis:**

- How do we measure it all . . . Consistently?
- Do we measure what we can, not what we need?
- What do I predict? Product sales, market demand, consumer behavior?
- How do I use the answers?

# Marketing Dilemma #2 . . . Short term thinking

## Rational business objectives often yield un-rational implications

- With 3% volume growth and 10% profit growth targets . . .
- Funds available for marketing drop to **\$0** in ten years or less
- And **all** costs must go to **\$0** in 25 years . . . 100% profit margin!



# Marketing Dilemma #3 . . . True improvement

Is this year's marketing plan really *better*?

Really *different*?

Really going to *deliver*?

*Really*?

“Insanity is doing the ***same thing*** the ***same way***, day after day, and expecting a ***different result***”

*Albert Einstein*

Measurement can be the ***common language*** for consistent comparison and improvement

• "Not everything that counts can be counted, and not everything that can be counted counts." (Sign Einstein's office)

• . . . Or "*We often measure what we can, not always what needs to be measured*" (Duffy's interpretation)

- . . . And this is particularly true when we measure:
  - Consumer attitudes and behavior
  - Marketing strategy and tactics
  - Business performance

Sometimes we need to revisit where we have come from to better understand where we are now.

# Marketing measurement . . . the Kraft example

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  - Limited data . . . mostly financial
  - Geometry, not algebra
  - “We feel good about this campaign . . .”

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Financial Data not linked to what the “Marketing” was . . .  
But how much it cost

Analysis more “*theory*” driven than “*data mining*”

Interpretation of results more *experienced based* than  
*fact based*



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Replaced “*census*” shipments with “*sample*” consumption  
Analysis driven by “*projection*” more than “*prediction*”  
More “*Univariate*” than “*Multivariate*” analysis

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- 90's
  - **Data, data, and more data . . . regression rules**
  - **Some practices better than others**
  - **“Effectiveness, efficiency, and payback”**

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Limitation in the data not clearly recognized

Debate on “*methods*”, not “*input*” or “*interpretation*”

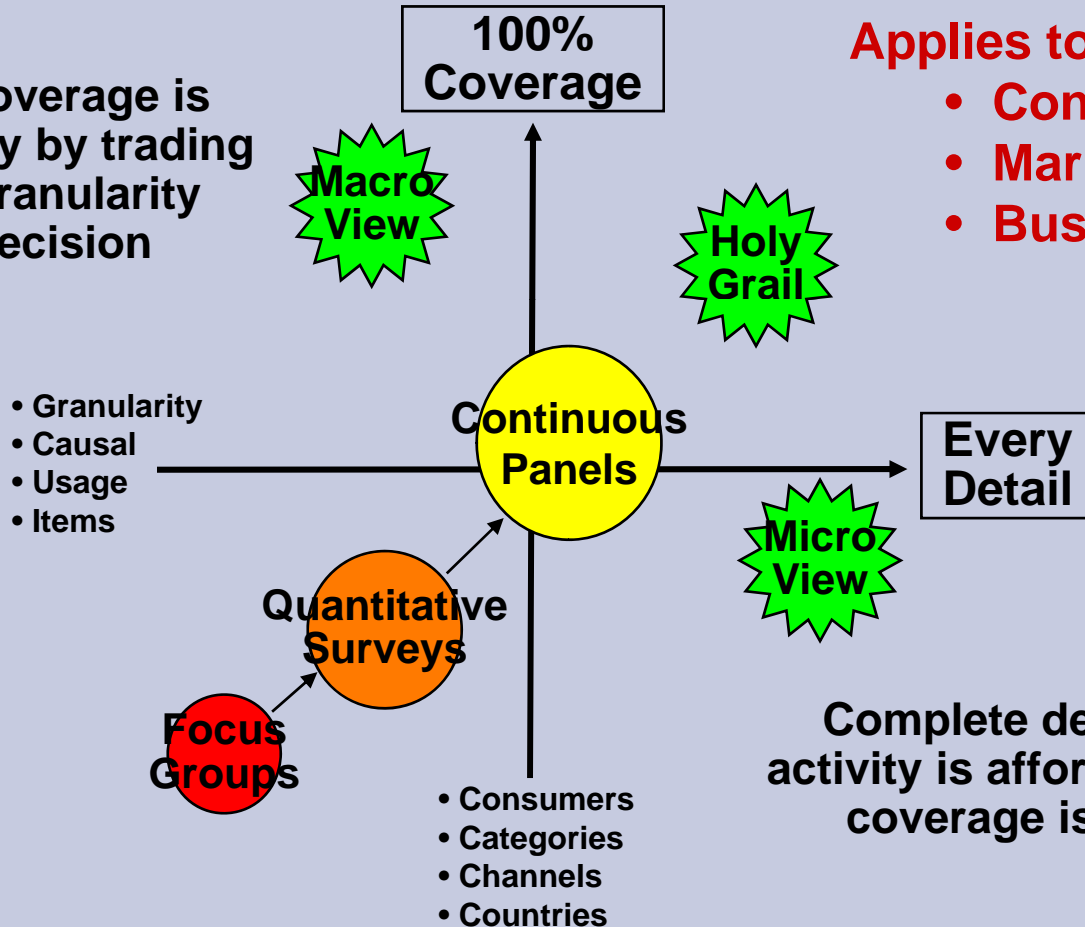
Focus on “*short term*” impact versus “*long term*” effects

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  - **Some practices better than others**
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# Limitations of the data: We often know more and more about less and less

Complete coverage is affordable only by trading for detail, granularity and/or precision



Applies to all measures:

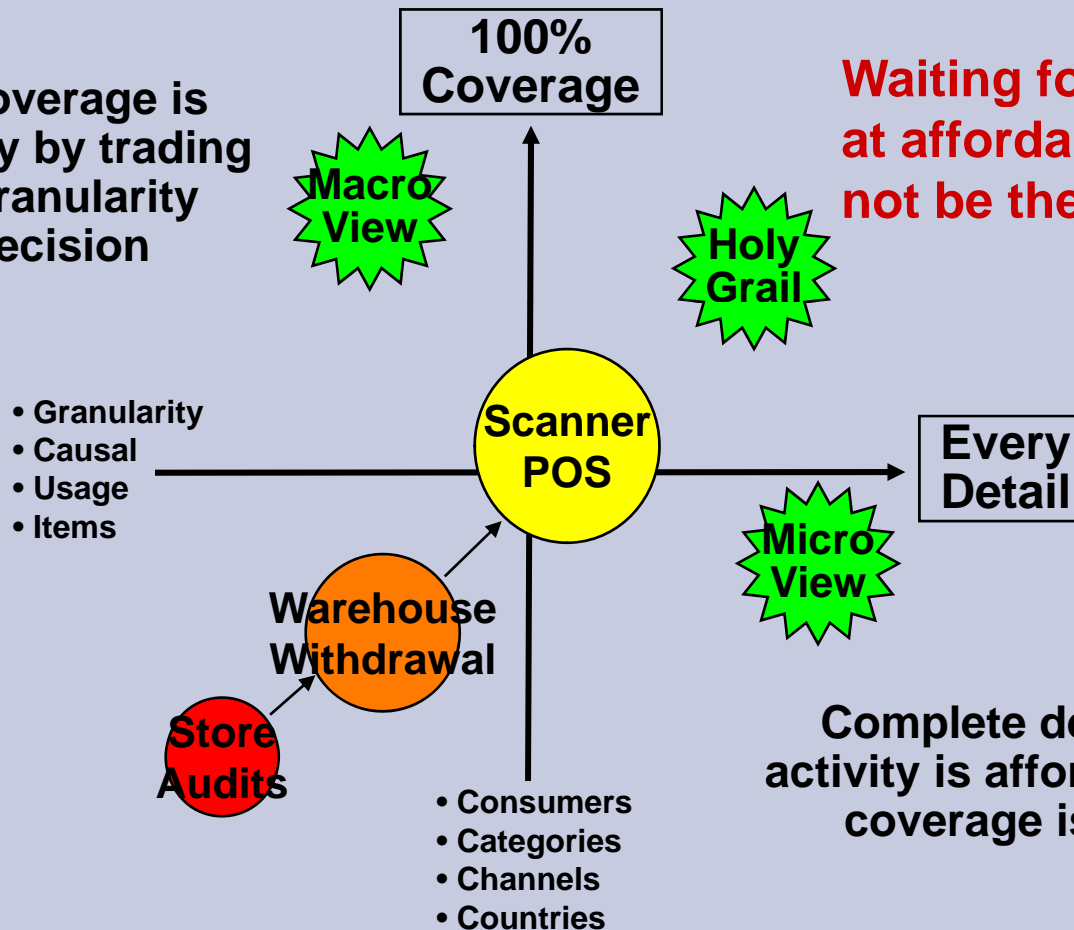
- Consumer
- Marketing
- Business

Complete detail of all activity is affordable when coverage is limited

# We often know more and more about less and less

Complete coverage is affordable only by trading for detail, granularity and/or precision

Waiting for the Holy Grail at affordable prices may not be the best approach

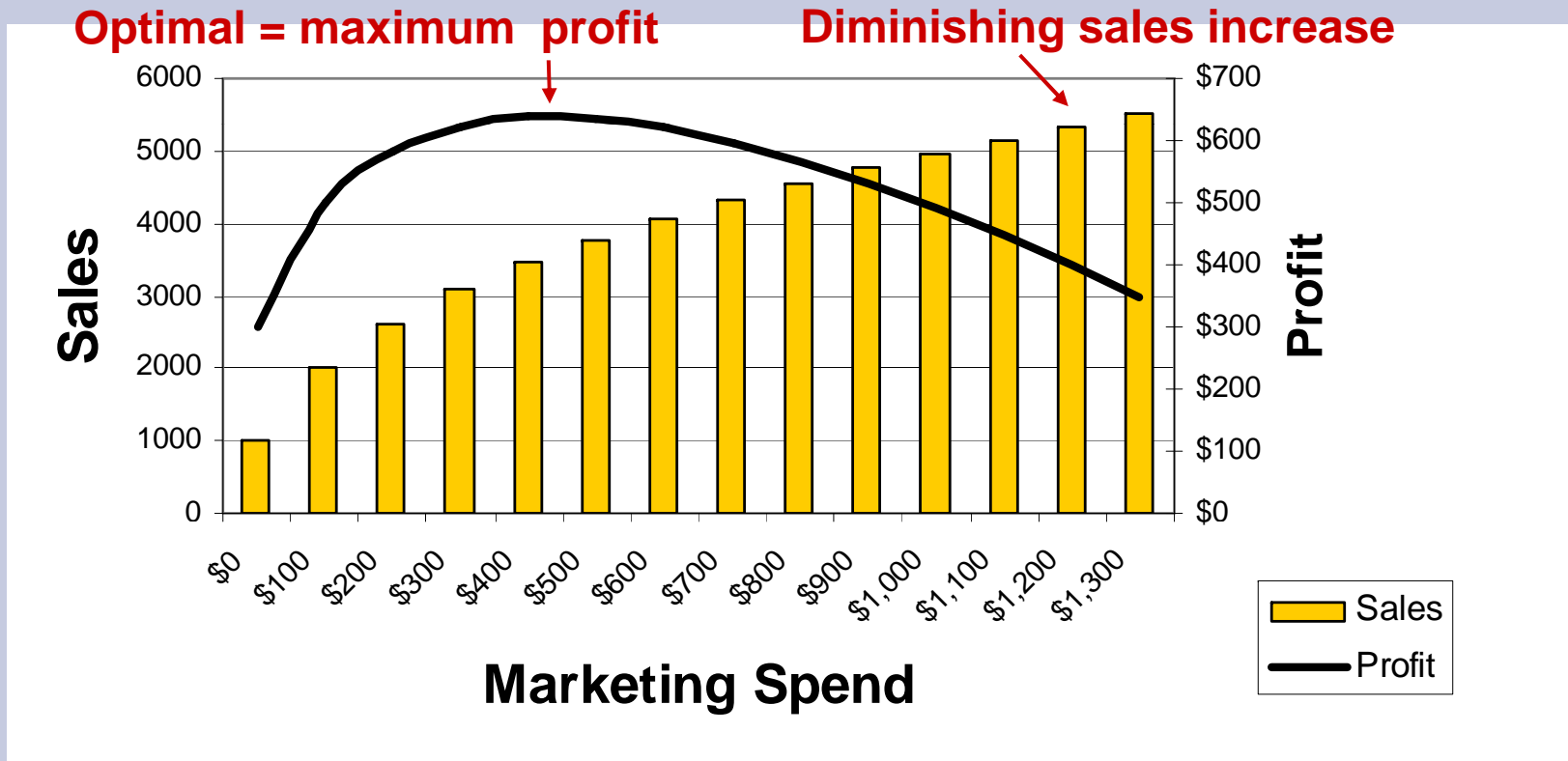


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# But 30 years later . . . the business application is still much the same

Two simple and enduring concepts:

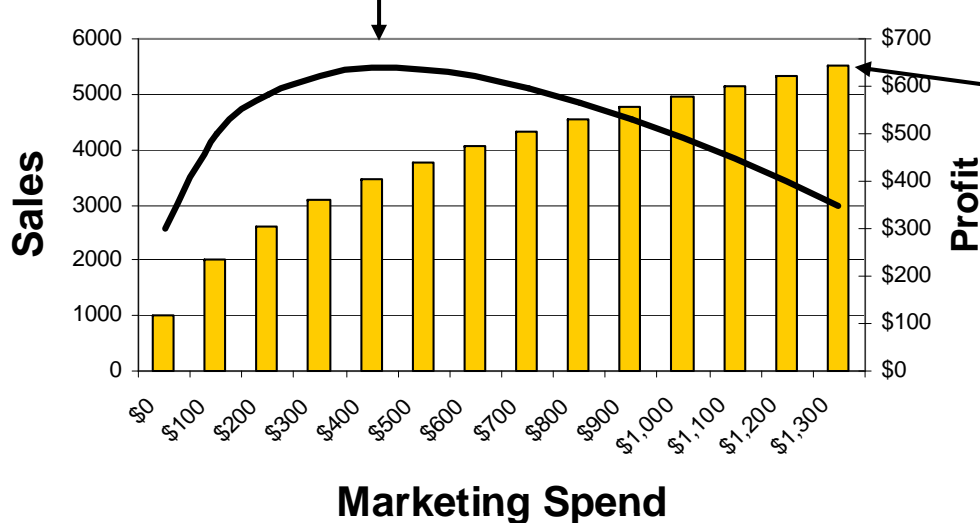
- *Diminishing* rate of return
- *Profit Optimization*



# Trying to answer: “How much should I spend?”

Each marketing element will have a unique relationship between spending and return . . . Price, promotion, advertising, packaging, variety, distribution . . .

- Optimal = maximum profit** The answer can be the amount that *optimizes profitability*
- But a little more when the Brand or Category is growing
  - And a little less when it is declining



## Diminishing sales increase

It is safe to assume that more spending results in *more sales*

- But less improvement at higher levels
- Think of “elasticity” in terms of change *rates*, not dollar amounts



# What has been critical to past measurement success? (Corporate Executive Board 2000 Benchmarking Study)

## 1. Manage Outward:

- Achieve organizational buy-in prior to analysis
- Cross-functional effort, not Market Research project
- Avoid excessive expectations

## 2. Manage Inward:

- Assign process ownership
- Continuously track model fit with recent activity
- Recognize limitations of the data, not just the model

## 3. Manage Forward:

- Incorporate in on-going planning process
- Results necessary, but not sufficient for decisions

# What is critical for future success in measurement?

1. **Extend** the application of measurement
  - *Reach* new constituencies
  - *Influence* new business decisions
2. **Anticipate** the measurement
  - *Predict* trends, not just report them
  - *Drive* ROI, not just measure it
3. Measure the **consumer**, not just the market
  - Individual and aggregate behavior
  - People vs products

Not just more measures, but greater focus on what's measured, for whom, and why.

# 1. Extend the application of measurement . . .

- *Reach* new constituencies
  - Learn the language of sales and marketing functions
  - Agree to common measurement standards
  - Fit the methods to the questions, not vice versa
  - Define links between issues, methods, and resources
- *Influence* more business decisions
  - Focus on *Relative* versus *Absolute* measurement
  - Adopt common measurement practices to enable validation and ensure confidence
  - Establish norms for context and principles

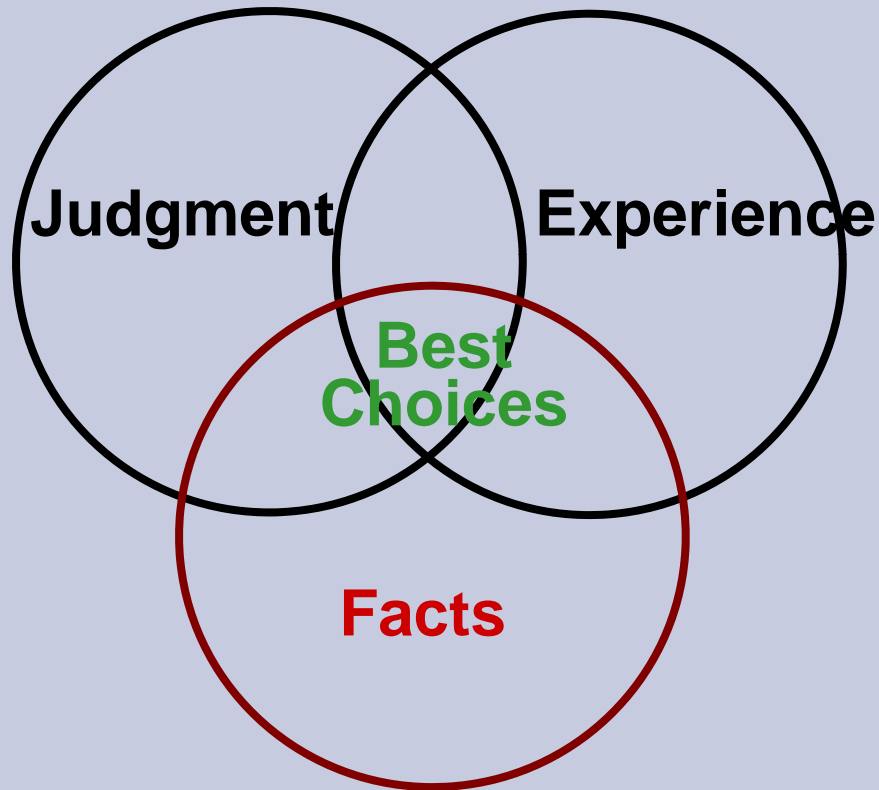
## 2. Anticipate the measurement . . .

- Annual ROI report cards necessary, but ***not sufficient***
- Measurement systems must help ***ensure success***, not explain “near success”
- Establish **intermediate measures**
  - Program execution (*real time*)
  - Marketplace response (*course correction*)
  - ROI (*at the end of the day*)

### 3. Measure the Consumer, not just the Market

- Business growth and profitability ultimately comes from the consumer . . . And nothing else!
  - Measurement must not only reflect what they do, but also the context in which they do it
  - Individual differences can be more instructive than aggregate behavior
- Different constituencies have different perspectives
  - Sales looks at Shoppers
  - Marketing looks at Targets
  - Marketing Services looks at Audiences
  - We must focus on the similarities, not just the differences

# Measurement does not replace, but *augments* Experience and Judgment



## Input to Decisions:

**Judgment:** The capacity to assess situations or circumstances and draw sound conclusions; *good sense*

**Experience:** The accumulation of knowledge or skill that results from direct participation in events or activities; *relevant analogy*

**Facts:** Knowledge or information based on observations of real occurrences; *objective reality*

# Debate and Discussion

**How do we make sure we measure what needs to be measured?**

**What is the role of measurement standards for a creative process?**

**Are there rules to link marketing costs with consumer behavior?**

**What else?**

# But “Best Practice” does not equal “Best Metric”

We must remember . . .

- *Markets* don't actually perform
  - Can you really see a share point?
- *Products* don't sell themselves
  - They don't make decisions . . . Act independently
- But this is what we *measure* and *evaluate*
- It's really about the *Marketing* and the *Consumer*
  - Always difficult to describe with just *numbers*
  - And Marketers often know this better than Analysts do

**Analytic results and marketing interpretation must be grounded in what consumers see and do**



**Thank you!**

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