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# Marketing Accountability Standards

Measuring (Forecasting & Improving) Return  
from CPG Target Segments using CLV  
Status Report

August 7, 2009

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TBD



Marketing Accountability Standards Board  
of the Marketing Accountability Foundation

# Measuring CPG Target Segments w/CLV (Rick & TBD)

- I. Frame-Up (Emerging Issue Project Abstract)\*
- II. Research
  - A. What is Known/not Known/need to Know
  - B. New Learning
  - C. Preliminary Summary & Conclusions
- III. Review
  - A. Open Debate by MASB (revisions/approval)
  - B. Open Debate by MASAC (revisions/approval)
  - C. Posting for Industry Feedback (revisions)
- IV. Adoption or Acceptance by MASB
- V. Publication
- VI. Education
- VII. Systematic review over time (revisions)

\* Approved by MASB/Chair when \$\$ or Team required; Disclosure to MASB/Chair if not

# Measuring CLV for CPG Target Segments

## Issue

Improvement in target marketing strategies for CPG has been hampered by the inability to measure the return from those targets. This issue will become even more important as TV (cable) will soon be household addressable. We market to consumers but have been measuring at the store, market and product levels...not at the consumer level.

## Background

CPG companies have been marketing to target segments without the ability to directly measure the return from those targets in many situations. This has hampered the ability to accurately forecast and improve the effectiveness of “target marketing” over time. Marketing is planned to reach and appeal to certain targets but the post evaluation does not distinguish effectiveness for the different target segments leaving a gap in the feedback loop for marketing planning. Firms need a better understanding of how marketing impacts the behavior of their target segments in order to improve return from targeting strategies.

# Measuring CLV for CPG Target Segments (cont.)

## Objectives

**Phase I: Document what is known about CLV.**

**Phase II: Conduct a pilot that will demonstrate that the CLV construct and models can be reliably applied to CPG target marketing.**

**Phase III. Determine the extent to which this approach satisfies the MMAP Characteristics (e.g. predictive validity and causality) for use in CPG business practice to improve overall financial performance.**

## Hypotheses

- 1) A metric of Customer Lifetime Value (CLV) can be standardized and used to quantify the short and long-term effects of marketing activities on financial performance for CPG target segments.**
- 2) The CLV structure will allow marketers to better target the right marketing efforts to the right consumers.**
- 3) The measurement components of the CLV construct applied to CPG can be improved over time for more accurate forecasting and process management.**

# Measuring CPG Target Segments w/CLV (cont.)

## Pervasiveness of the Issue

Every industry uses some form of target marketing and has the need to measure the effectiveness of marketing among those targets. The recent proliferation of media channels offers many more targeting opportunities, which, in turn, has driven increased use of target marketing. Many of these new channels are addressable allowing more industries to employ micro or even 1:1 marketing.

## Alternative Solutions

Models have been widely used in marketing to predict brand choice and to make inferences about the impact of marketing mix variables on these choices. Most researchers have followed the pioneering example of Guadagni and Little. But building choice models and drawing inferences from them is conditional on the assumption that the models correctly specify purchase behavior. To the extent that these complex choice models fail to predict actual purchase behavior, inferences from them may be misleading.

# Measuring CPG Target Segments w/CLV (cont.)

## Technical Feasibility

Many direct marketers and contractual relationship businesses have measured customer acquisition, retention and “purchase size” to construct CLV and to estimate the future return from their marketing activities. Extending this method to CPG marketing is important and feasible. The extension should build on the CLV work done by Hanssens and Yoo to demonstrate that this approach can be used in business practice to manage CPG target marketing efforts.

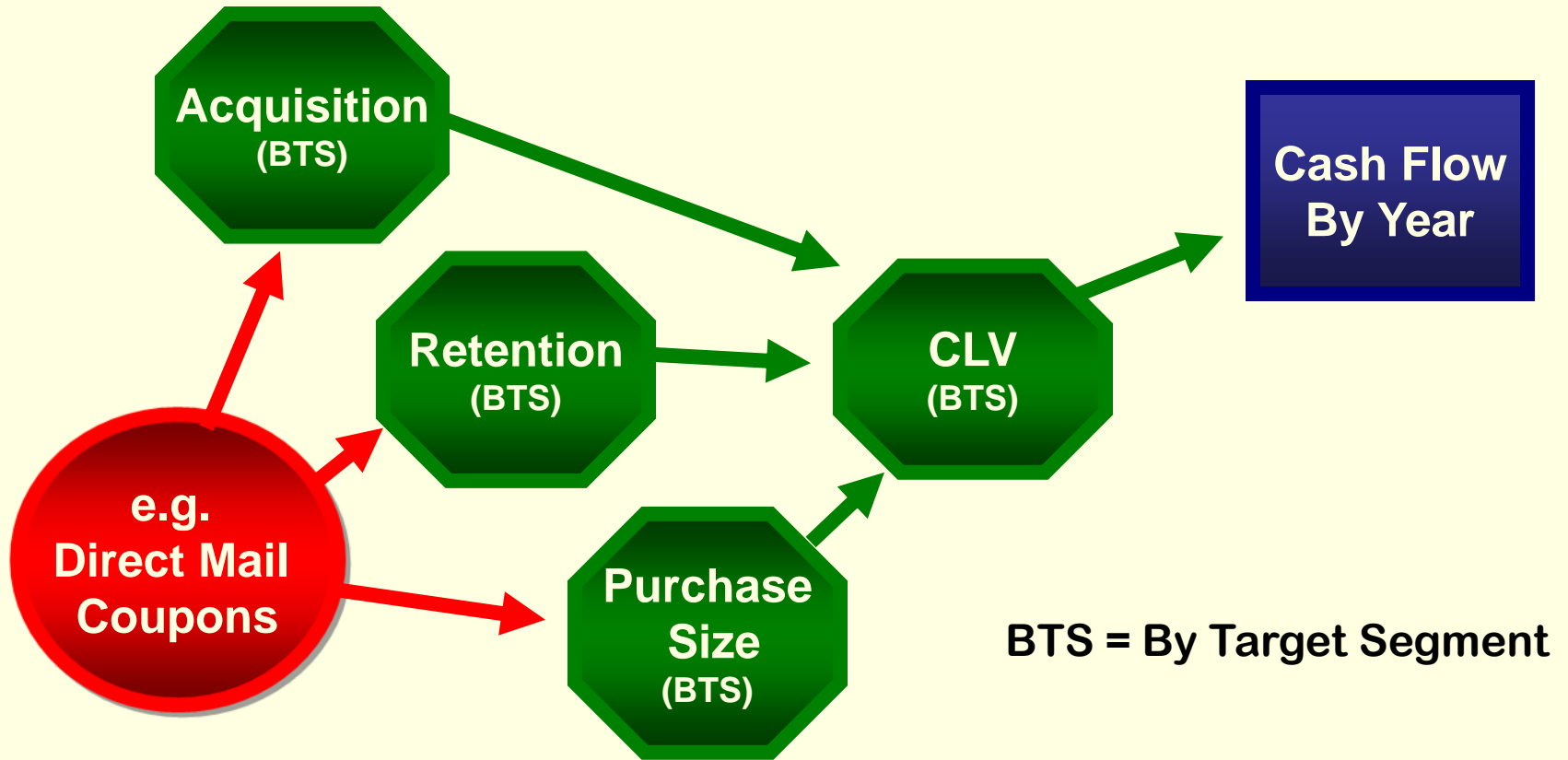
## Objectives

Phase I: Document what is known about target marketing and CLV.

Phase II: Conduct a pilot that will demonstrate that the CLV construct and models can be reliably applied to CPG target marketing.

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# Target Marketing Activity & CLV (Conceptual Links)



# Measuring CPG Target Segments Team Agenda (Aug 09)

- 1) Complete EI Frame-Up for this stand-alone Project (Team - done)
- 2) Invite Team players to Summit & Team Meeting (Rick - done)
- 3) MASB Review of stand-alone Project (Rick 7/9)
- 4) Define metrics, drivers, transfer operations (Rick 7/09)
- 5) MMAP conceptual schematic (Rick & Meg - done)
- 6) **What is Known about CLV (VK 8/7)**
- 7) **Featured Project at Summit (Rick 8/7)**
- 8) **Pilot Test Team Kick-Off Meeting: (Rick 8/7)**
- 9) **Pilot: (Team 9/09 – 4/10)**
- 10) **The Marketing Research Event (Rick 10/09)**
- 11) **MASB review a la MMAP Characteristics (Allan – 7/10)**
- 12) **Post for Industry Feedback (Fall 2010)**



# Measuring CPG Target Segments Project Team

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

**Heroes:** VK Kumar  
Blue Marble  
Safeway  
Kimberly Clark

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

**Meet:** TBD