

The Marketing Scientist's Perspective

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**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%**

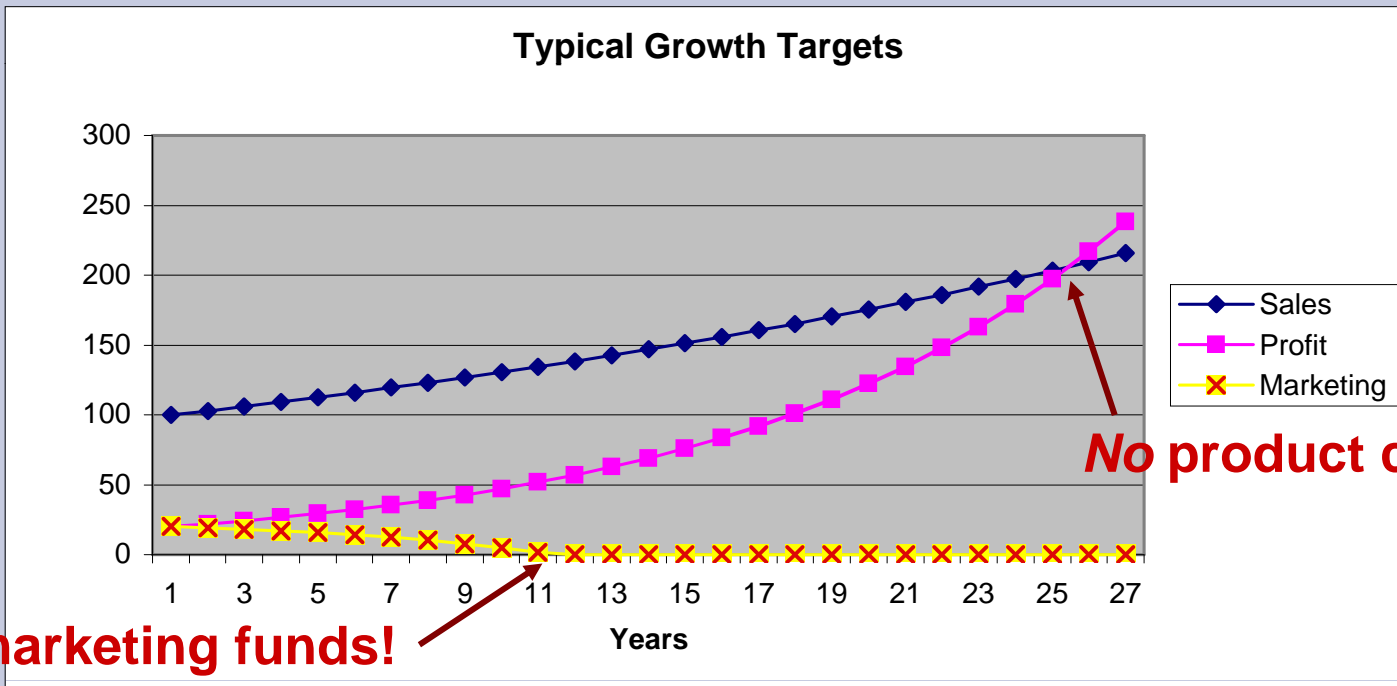
A few “*must solve*” problems get in the way of analysis:

- 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?

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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.

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 - Limited data . . . mostly financial
 - Geometry, not algebra
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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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 - **In-market testing . . . ANCOVA**
 - **“Price up . . . Spend back”**

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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*”

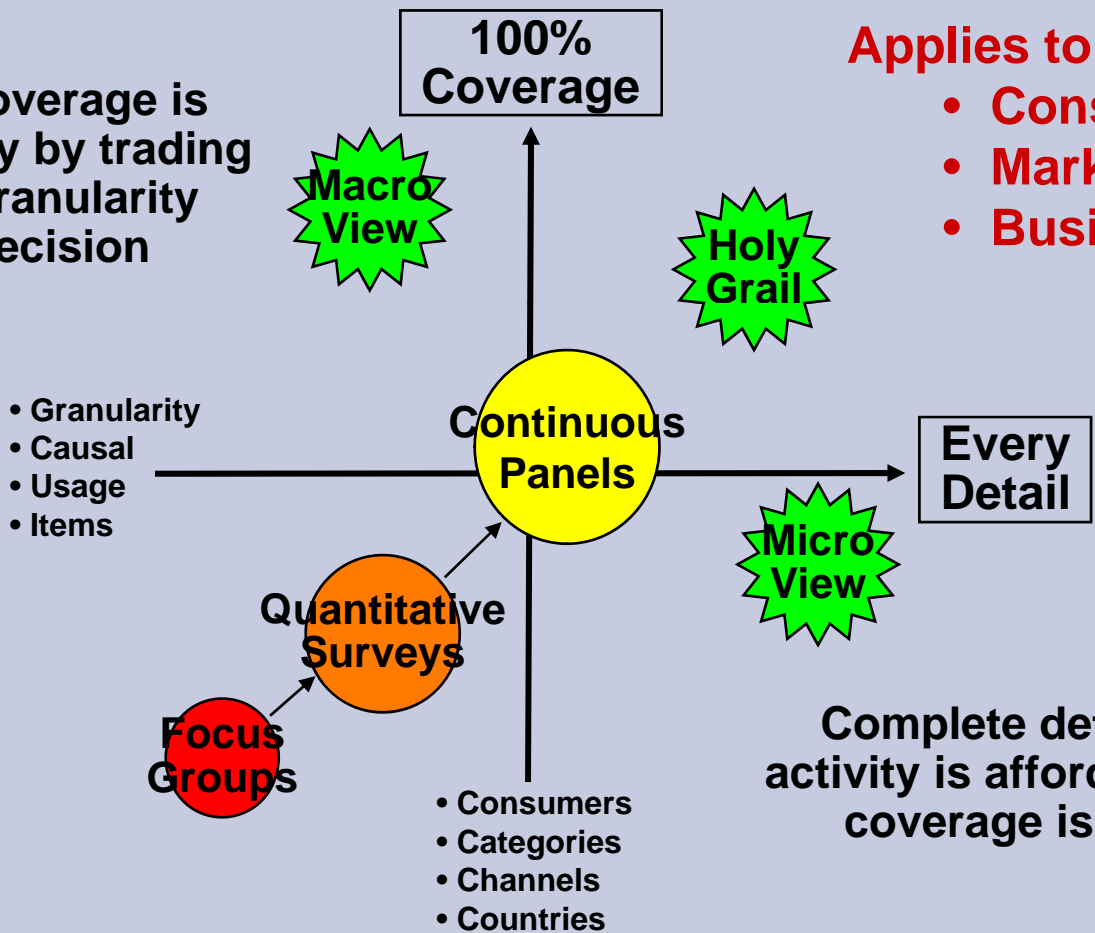
Focus on “*short term*” impact versus “*long term*” effects

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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:

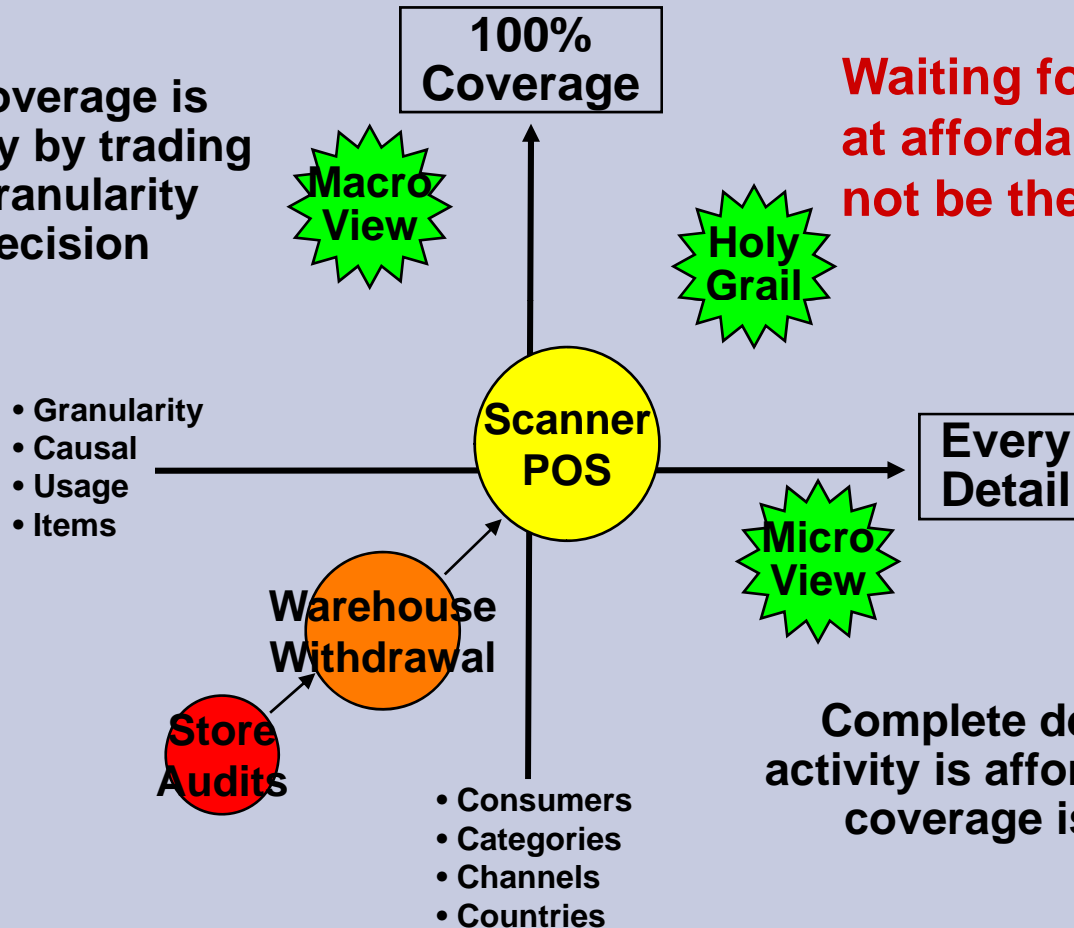
- **Consumer**
- **Marketing**
- **Business**

Complete detail of all activity is affordable when coverage is limited

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

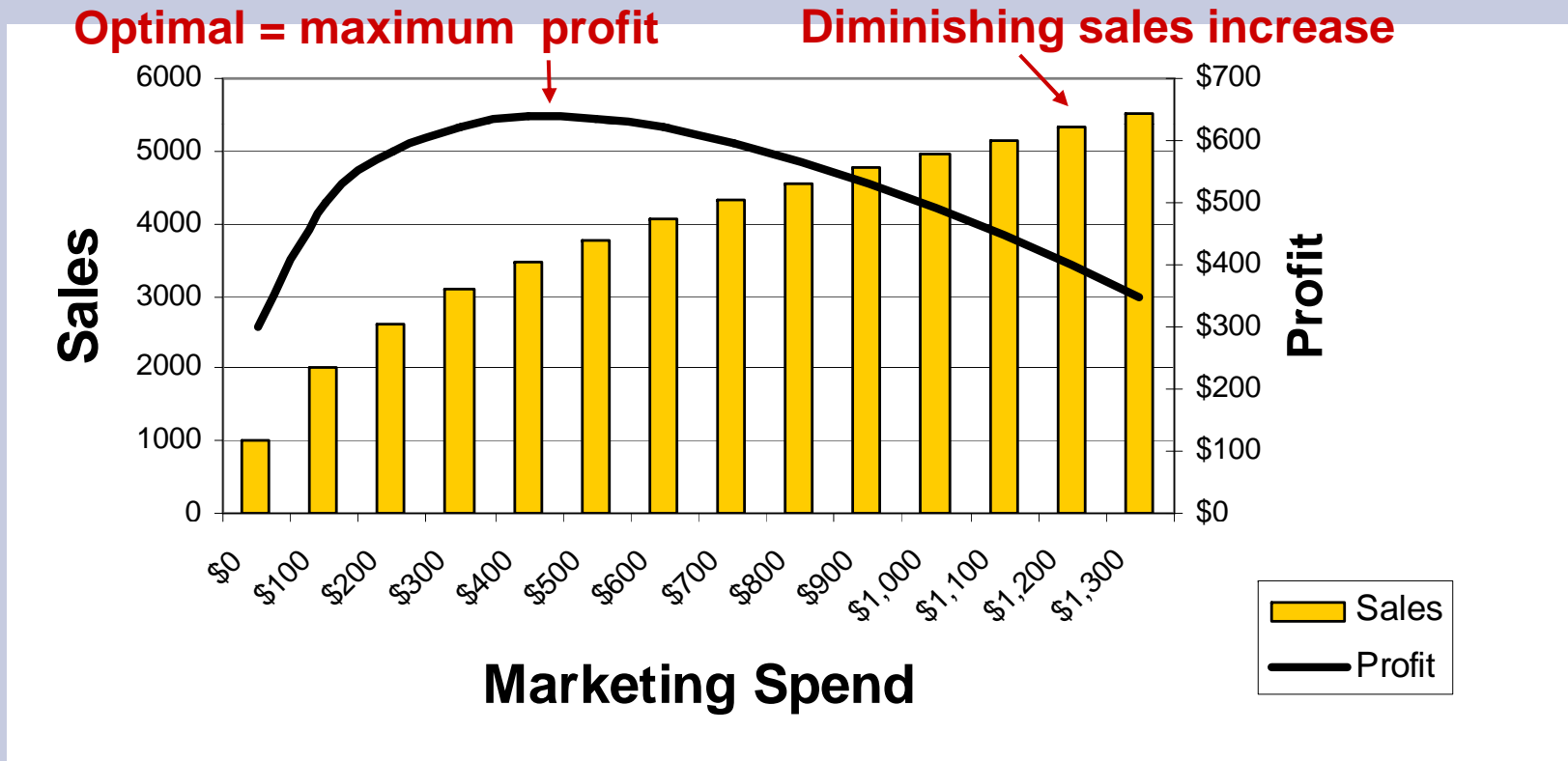


Complete detail of all activity is affordable when coverage is limited

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

Two simple and enduring concepts:

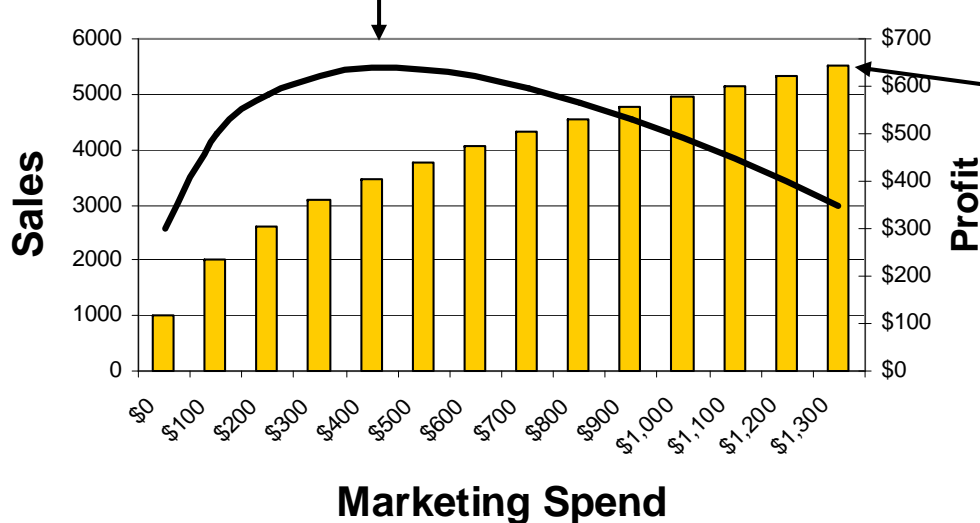
- *Diminishing* rate of return
- *Profit Optimization*



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
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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

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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

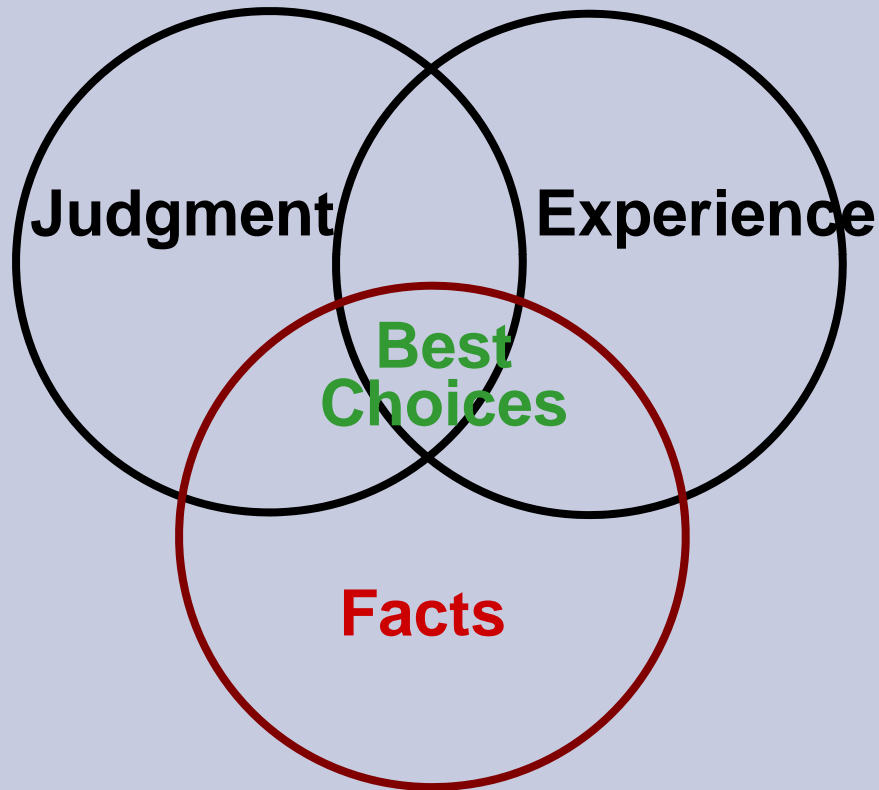
2. Anticipate the measurement . . .

- 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