

# Why so Many Metrics?

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# MATF Report

Every other function has been six sigma'ed and TQM'ed into fighting trim.

Marketing cannot fulfill their role as drivers of growth and as satisfiers of consumer needs unless, and until, they prove the financial worth of their function.

The focus on accountability has an ethical aspect...these funds belong to shareholders who have a right to expect more professional stewardship...

The modern marketer is beginning to see marketing as a 'process' with measurable inputs and outputs producing reliable, repeatable results. The process approach which revolutionized the supply side has finally come to the demand side.

ANA: Marketing Accountability Task Force Report, October 2005

# ANA Accountability Report:

## A Sample of Metrics Studied

**Innovation**: % of sales force innovation, profitability of new products, innovation competitiveness, percent of new customers, quality/interest ratings by consumers.

**Customer Centricity**: customer loyalty, customer volume, net promoter, customer rating or ranking, rating on key performance attributes, reputation/trust, preference.

# ANA Accountability Report:

## A Sample of Metrics Studied

**Marketing Efficiency**: LCV divided by marketing spend, recall/awareness per \$, time series of spend vs. sales, customer acquisition costs, trial generation, conversion ratios, ad testing (recall, playback, persuasion).

**Brand Equity**: price premium, brand tracking of attributes/benefits, reputation/image ratings, financial value using discounted cash flow, emotional bonding, preference/purchase interest, engagement, ideal brand gap.

# The Landscape: Davis

New Book:

*Measuring Marketing (103 Key Metrics Every Marketer Needs)\**

400 Page Catalogue of Metrics

Organized Into 3 Overall Themes

103 Specific metrics (e.g. Recall for Advertising)

Some conceptual discussion as to how each metric relates to a desired outcome, but no information as to how they tie to the financial performance of the firm...and no information as to their relative importance if any.

So why should they be mastered in the context of ROMI?

\* John Davis; John Wiley & Sons, 2007

# The Landscape: Reibstein

**New Book: 50+ Metrics Every Executive Should Master\***

**300+ Page Catalogue**

**8 Overall Activities: Leading to Share of Hearts, Minds & Markets?**

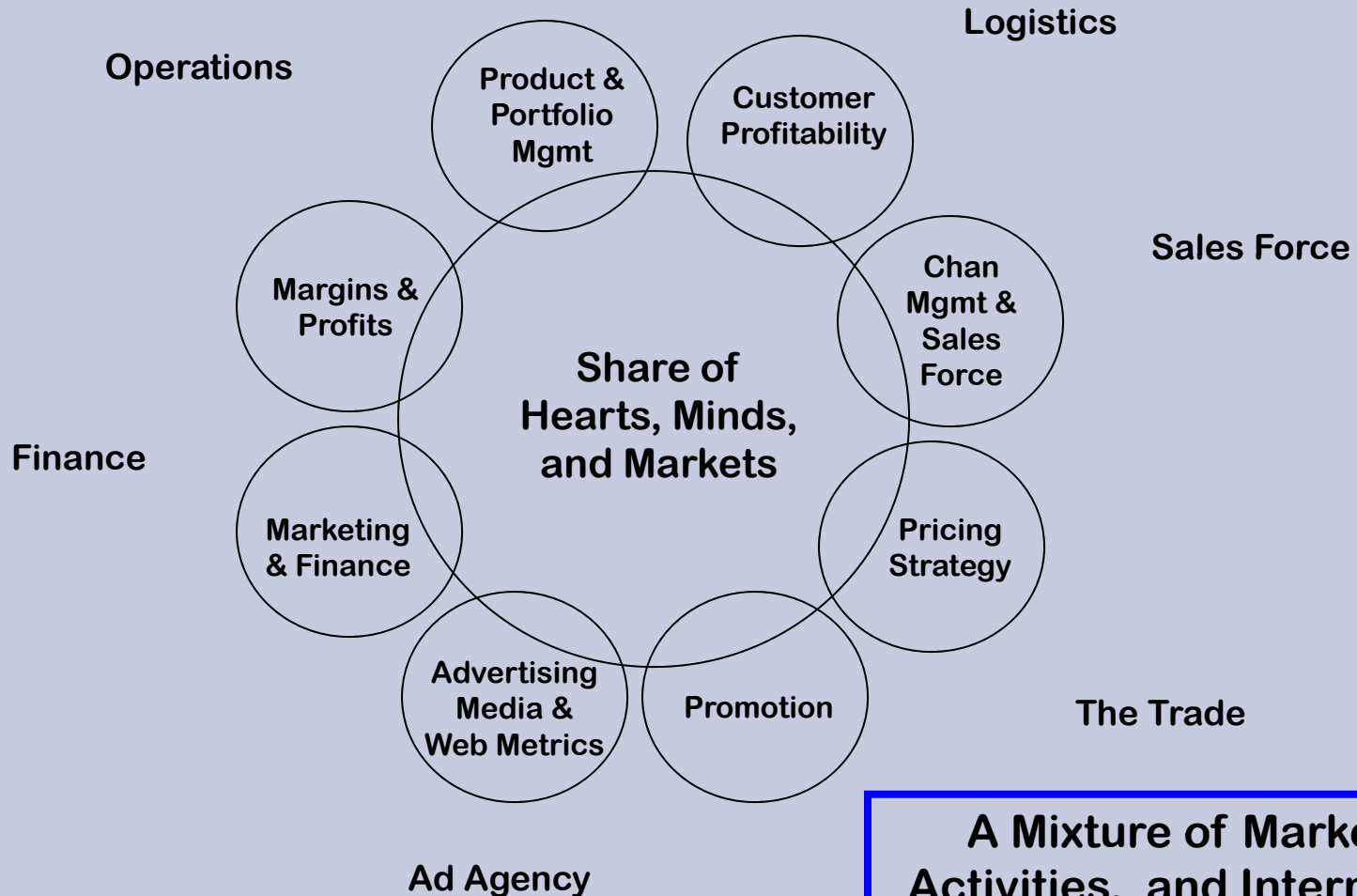
**50 + Specific metrics (e.g. 12 for Advertising Media & Web, all related to the Media, none related to the value of The Message)**

**No information as to how Share of Hearts, Minds, and Markets link to the financial performance of the firm, nor how the metrics tie to SOHMM...nor their relative importance if any.**

**So why should they be mastered in the context of ROMI?**

**\* Farris, Bendle, Pfeifer, Reibstein; Wharton School Publishing, 2006**

# Reibstein: 8 Overall Activities



**A Mixture of Marketing Activities, and Intermediate Outcomes?**

# The Digital Future?

## The On-line Advertising Playbook, 2007

**“The original promise of on-line advertising was its greater accountability compared to other media platforms. The internet allowed more accurate measurement and the ability to optimize performance in real time. While it is true digital media are more trackable and potentially accountable than other forms of advertising, the noise-to-data ratio remains high. The overwhelming number of data points has made it increasingly difficult to discern actionable metrics under such an avalanche of data.”**



# Brand Awareness/Campaign Awareness:

## A stalwart measure for marketing?

- Top of mind
- Unaided
- Prompted
- Recognition
- Familiarity
- Name
- Trademark/Slogan Recognition

# Why do we have so many measures of Marketing and Advertising's value to the firm?

- Ease of measuring?
- History?
- Different Theories?
- Category Uniqueness?
- Changing role of Marketing?
- Researchers seeking proprietary advantage?
- Changing players?

# Marketing as a Key Driver of Cash Flow

## ■ Source

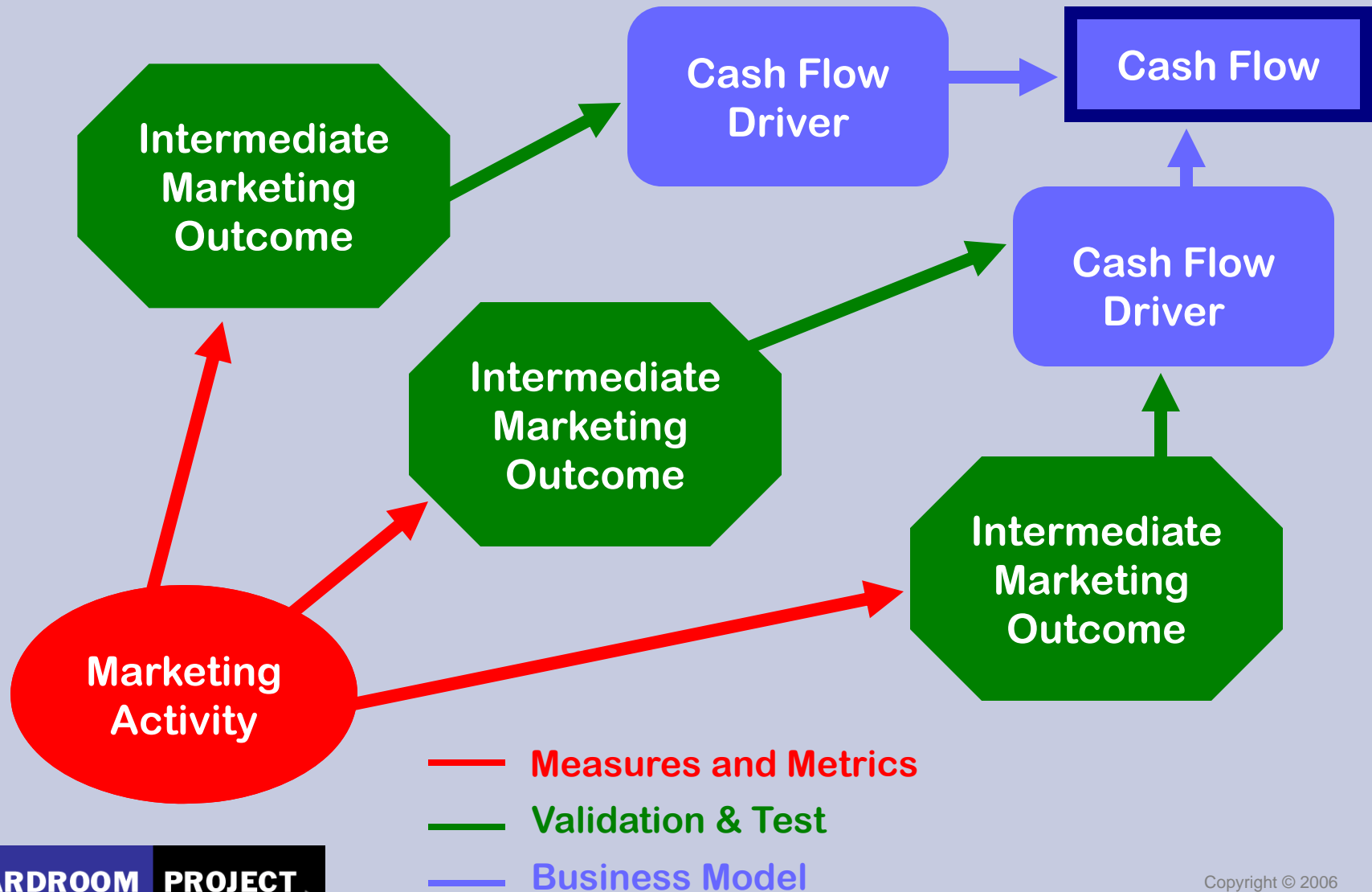
- **Customer Acquisition and Retention:** obtaining new customers and holding current customers (increasing and managing customer base)
- **Share of Wallet within Category:** increasing frequency of purchasing relative to competition and sometimes increasing category consumption (e.g., increasing market share or size of category)
- **Share of Wallet across Categories:** selling additional products/offerings to existing customers (new offering for existing customers; cross selling)


## ■ Business Model

- **Margin:** “profit,” net income divided by sales revenue
  - Net Income/Revenue
- **Velocity:** “asset turns,” amount sold within a given time period
  - Revenue/Assets
- **Leverage:** “equity multiplier,” efficient and effective use of assets
  - Assets/Equity
- **ROE = (Net Income/Revenue) • (Revenue/Assets) • (Assets/Equity)**


Stewart, Young, Weiss. Marketing Champions, Wiley 2006

# Marketing Metrics Audit Protocol (MMAP)





What are the major barriers on the way to consolidation and standardization?



**Some new measures show encouraging correlation with sales and stock value (but have not been fully integrated with financial metrics).**

- **CoreBrand Index**
- **Engagement**
- **Net Promoter**
- **XMOS**
- **Power in Market/Power in Mind**

# Corporate Branding Index®

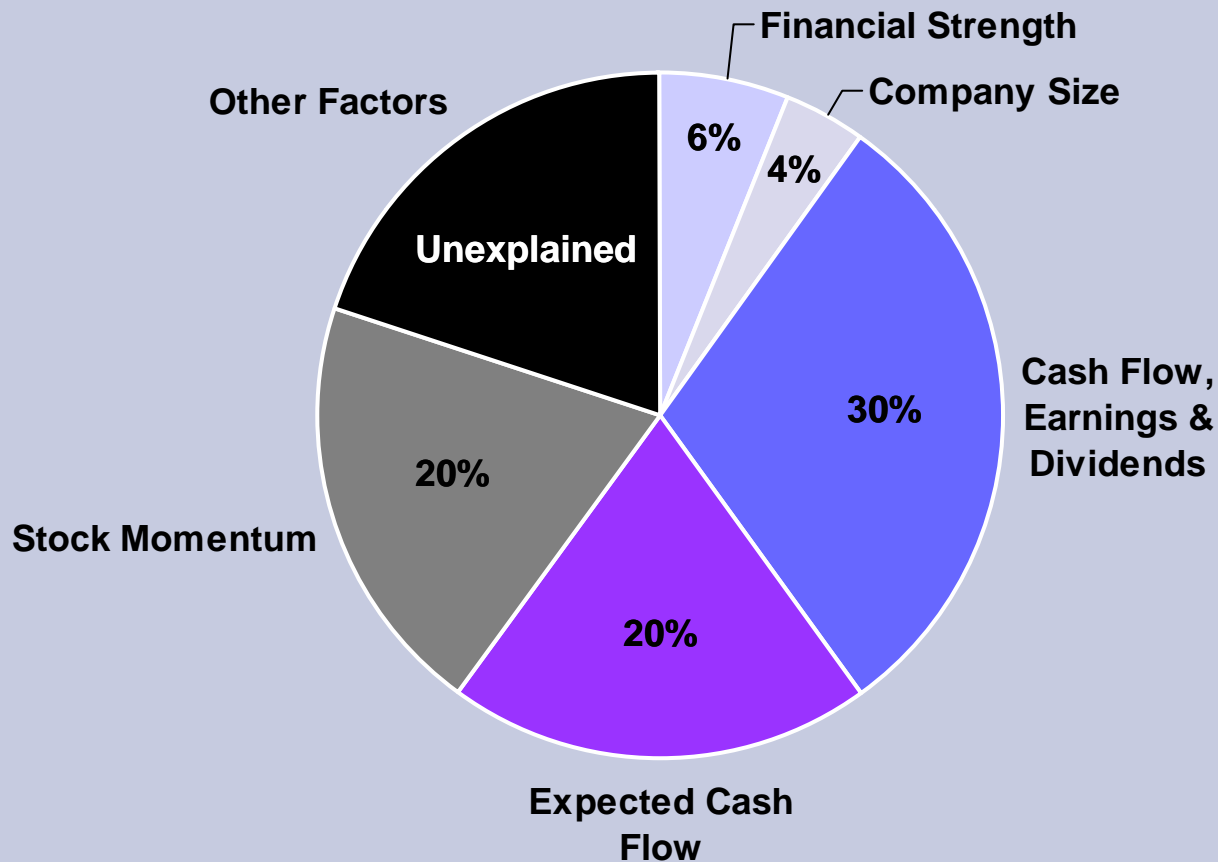


A unique database **1200+ companies** across **47 industries**

**Corporate Branding Index** – 16 year – benchmark tracking

- **Familiarity** – quantitative survey of US business leaders
  - 12,000 telephone surveys a year
- **Favorability Attributes:**
  - Overall Reputation
  - Perceptions of Management
  - Investment Potential
- **Financial Performance** – all reported data
- **Communications Spending** – reported paid media

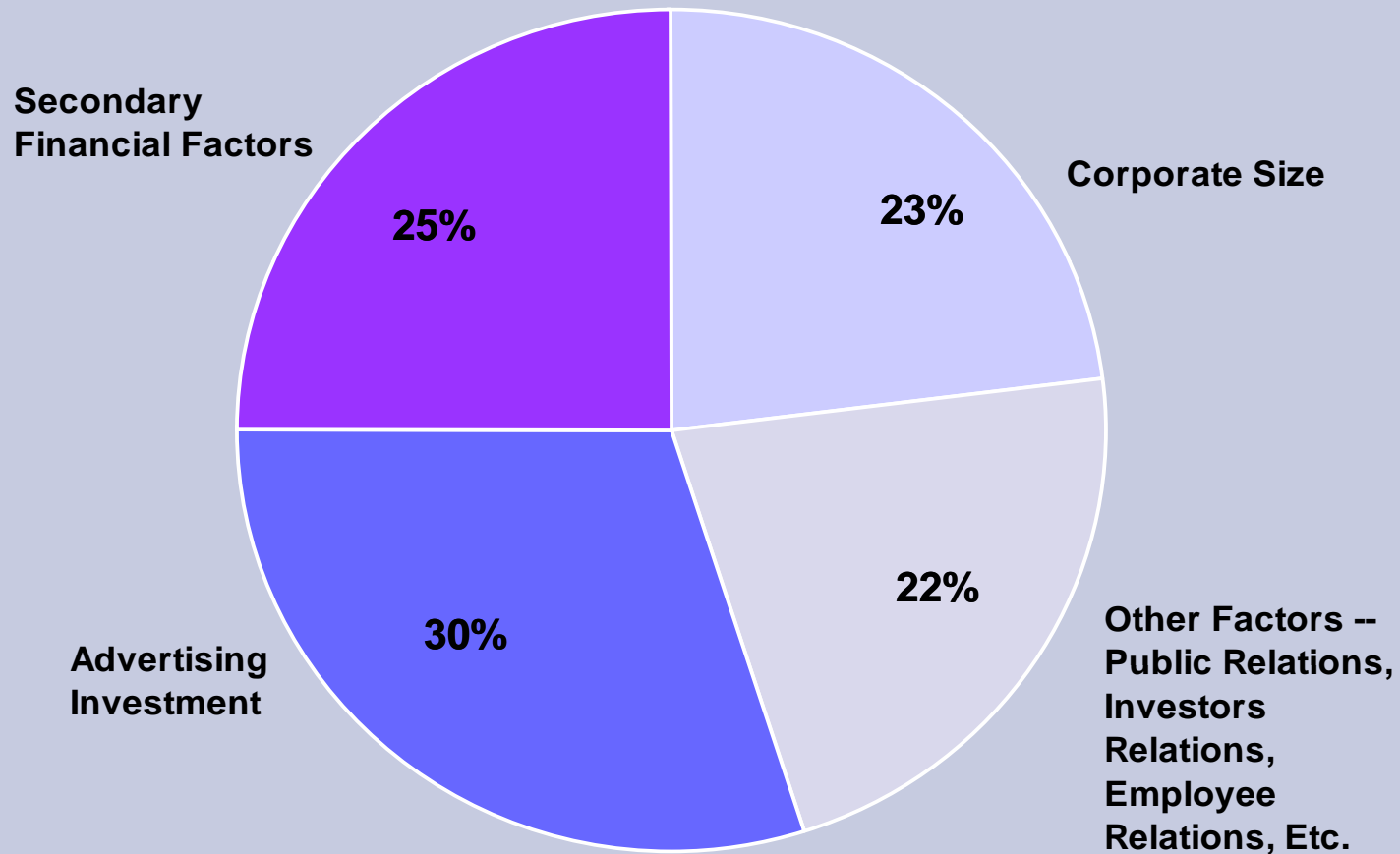
# CoreBrand has studied the financial factors that drive stock price



\* Data Sources: Value Line Investment Survey, Competitive Media Reporting and Corporate Branding Index annual survey



# If brand is a major driver of stock – what drives a brand?



**Factors impacting corporate Brand Power**

# AFLAC – CoreBrand Equity Value



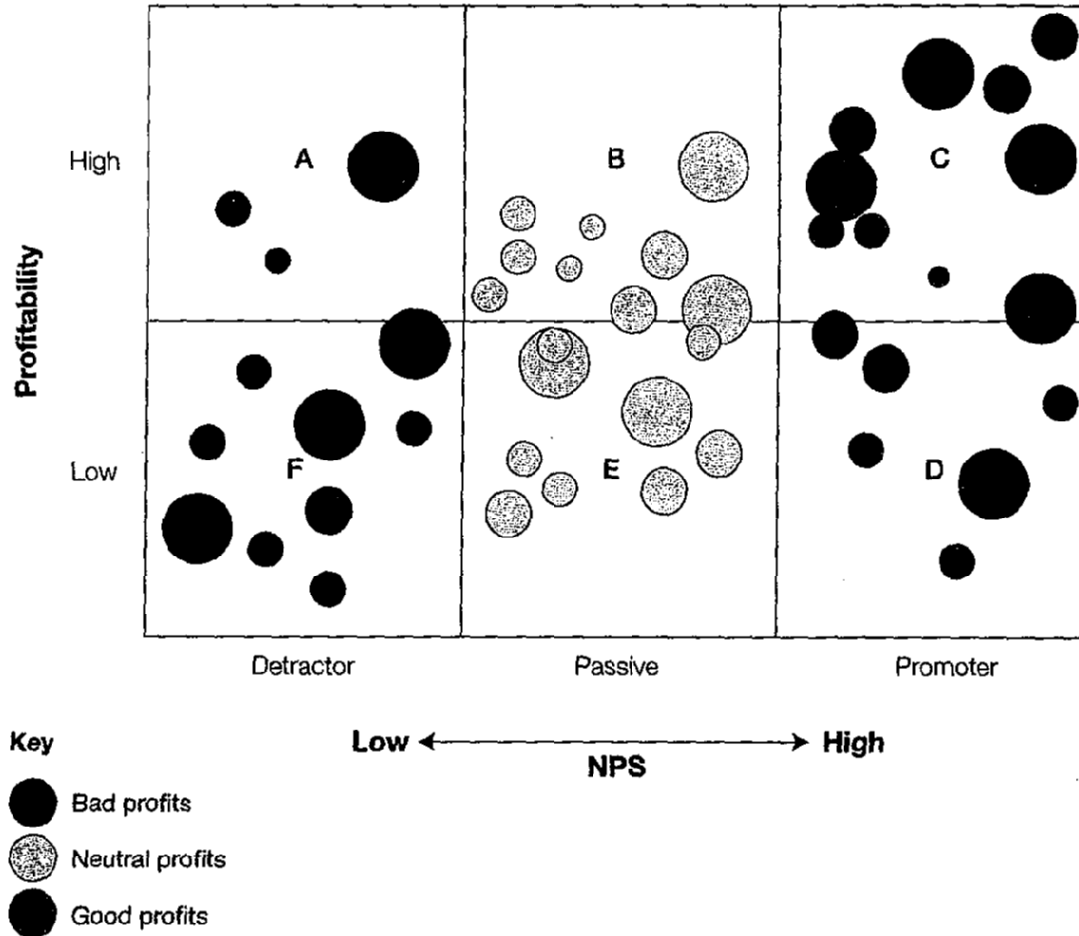
Outperforming the peer group in brand equity and brand value

<u>2002 4thQ</u>	<u>Brand Equity %</u>	<u>BE \$ Value</u>
Industry Average	4.81%	\$0.63 Billion
<b>AFLAC</b>	<b>6.42%</b>	<b>\$0.94 Billion</b>
<u>2005 4thQ</u>		
Industry Average	4.90%	\$1.22 Billion
<b>AFLAC</b>	<b>10.60%</b>	<b>\$2.58 Billion</b>

Source: CoreBrand Directory of Brand Equity



# Net Promoter Score: Separating good profits from bad with the customer grid



# Value of Systematic Rigor: Brand Preference Shift


**Test-Retest Reliability of Method A**  $r^2 \sim .94$

**Relationship to Volume Impacted Method A**  $r^2 \sim .90$

**Correspondence between Methods A & B**  $r^2 \sim .65$

**Same Call between Ads within Brand** **29%**

- **While the metrics are called the same and the methodologies look alike in many ways, they produce very different results over time.**



What are the major benefits to achieving standardization of effectiveness measures?