

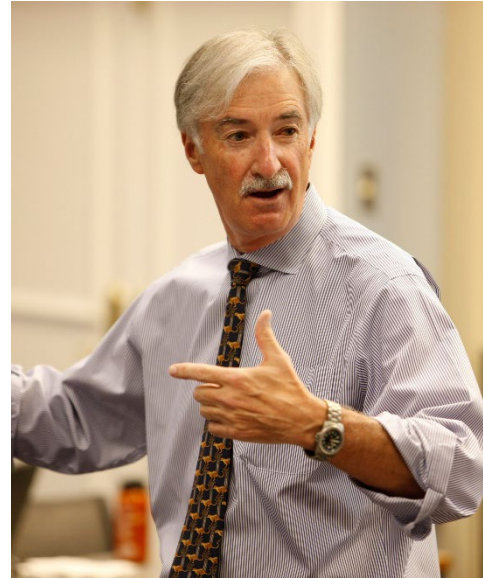
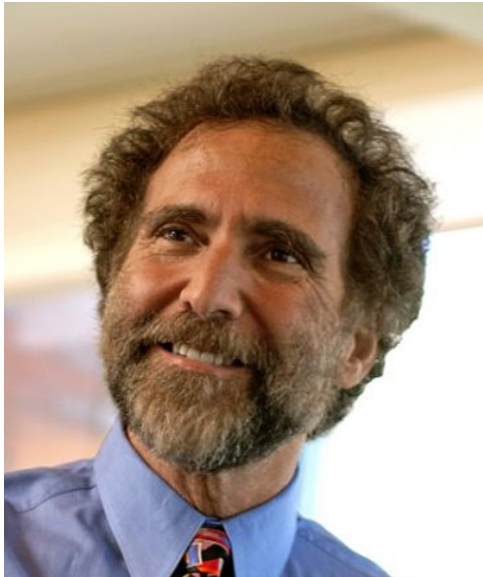
# What Do You Know Of Marketing Metrics?

DEC 10, 1:00 PM (EASTERN)

MSI

# Who We Are?

Dave Reibstein  
University of Pennsylvania



Paul Farris  
University of Virginia

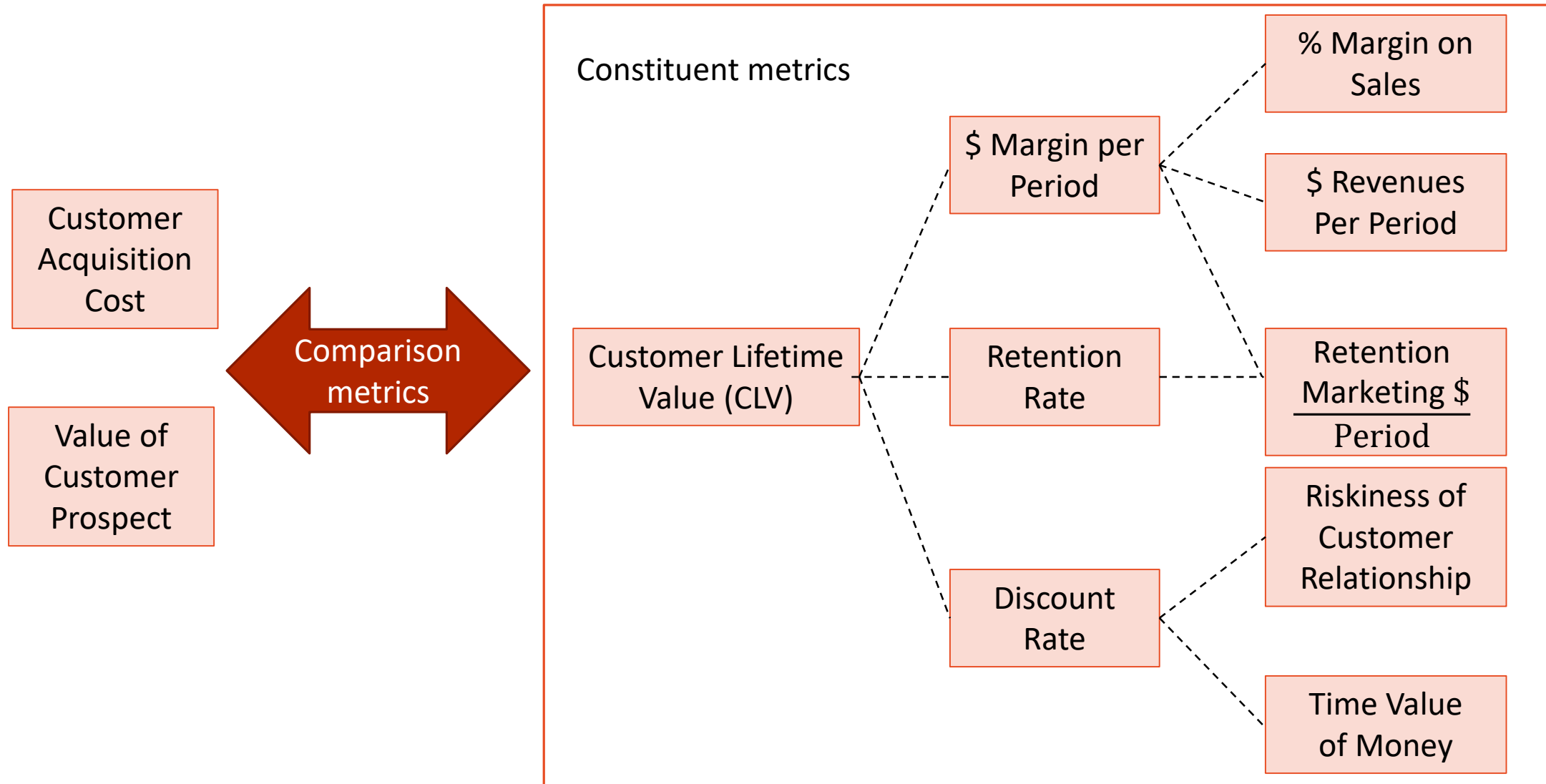
Neil Bendle  
University of Georgia



## Why You Might Need a Marketing Metrics Desk Reference?

- Almost all marketing metrics have particular situations in which they are most valuable and others in which they should be viewed with caution
  - We should appreciate both the weakness and strengths of metrics we use
- Business situations change & so the metrics that are most useful will change
- The number of marketing metrics and their variants grow each day as new sources of data and marketing tactics grow
- Most summary marketing metrics such as Customer Lifetime Value, Marketing Return on Investment, and Simulated Test Market projections rely on a host of other marketing metrics for their construction

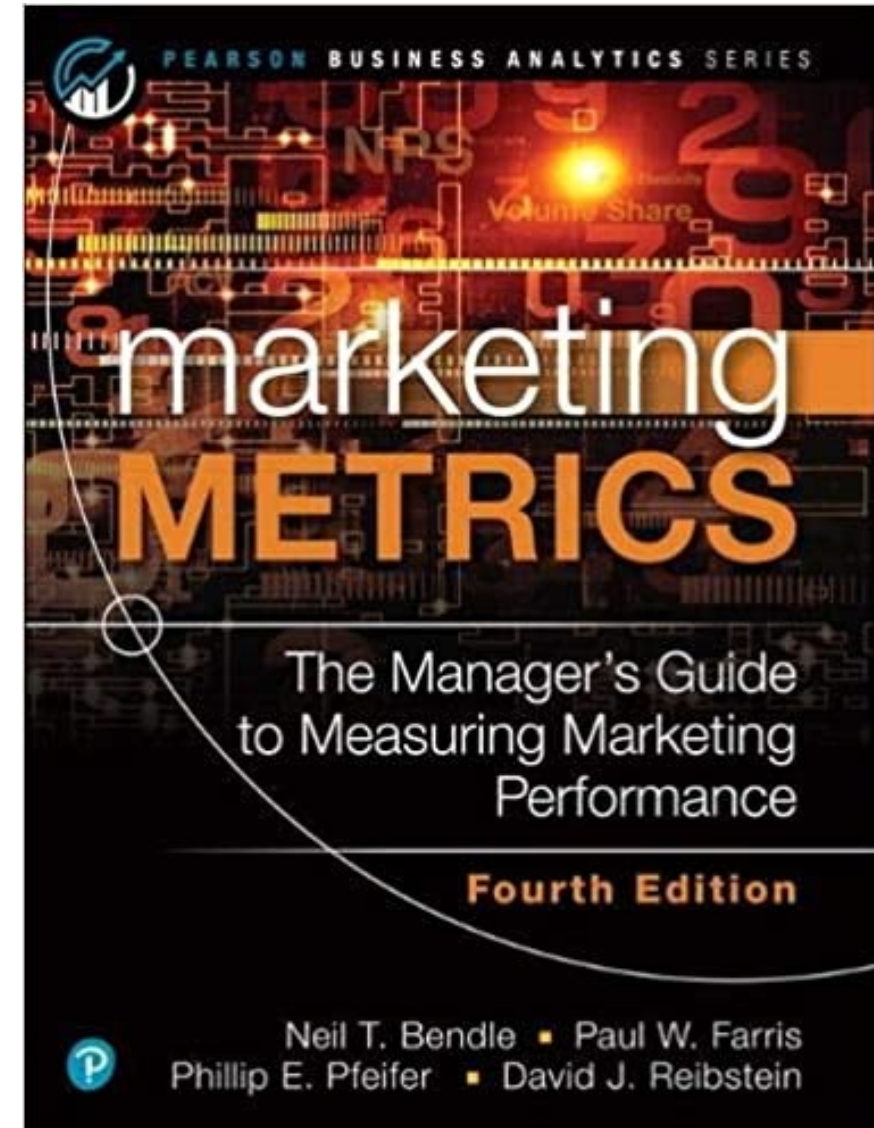
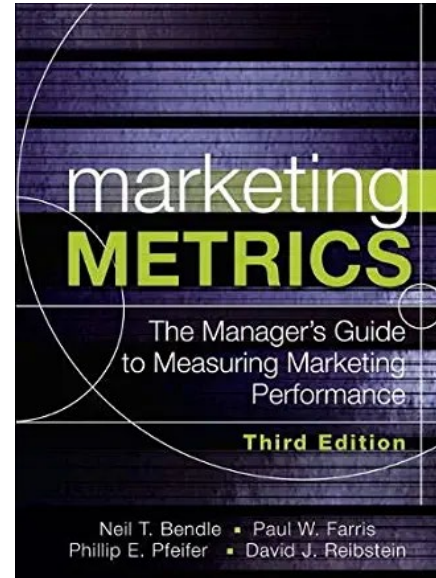
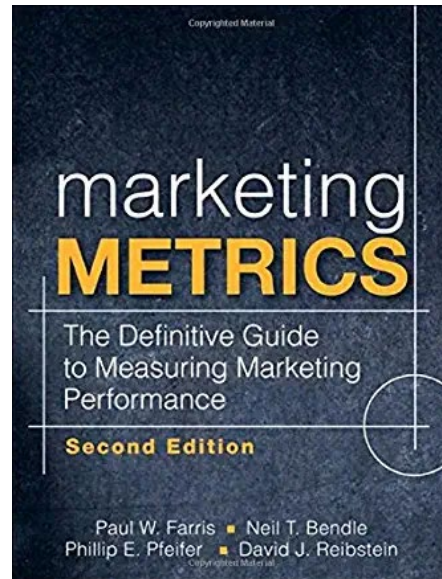
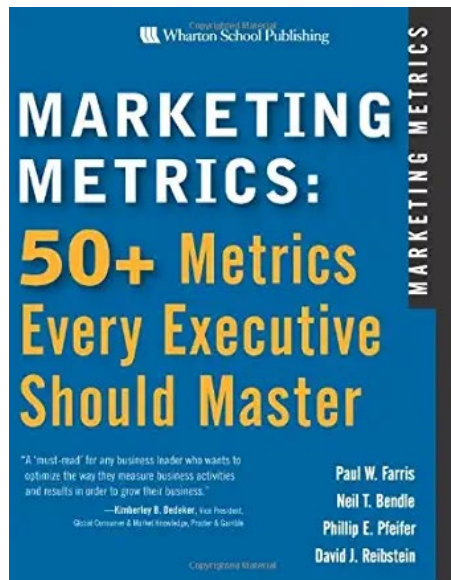
# Metrics Relate To Each Other



# Marketing Metrics 4<sup>th</sup> Edition: Organization

- Introduction and Overview
- Share of Hearts, Minds, and Markets
- Margins and Profits
- Product and Portfolio Management
- Customer Profitability
- Sales Force Management
- Channel Management
- Pricing Strategies
- Promotion
- Advertising and Sponsorship
- Online, Email, and Mobile Metrics
- Marketing and Finance
- Marketing Metrics X-Ray and Testing
- Systems of Metrics

# A Bit Of History



# What Is New In The 4<sup>th</sup> Edition?

- First Edition: This got everything going, with the '50+' metrics
  - This had a great reception, we were convinced even more of the need for the book
- Second Edition: Increased treatment of social media, Internet, & brand
- Third Edition: We removed the survey of marketing managers
  - Added neuro measures, advertising elasticities, more on testing & value of information
- Fourth Edition: Now 130 or so metrics
  - Added in details of sponsorship metrics and omni-channel metrics
  - Metrics linked to finance and share progress driving marketing accountability

## Structure of Each Section & Sample Metric (Section 4.3 of book)

- Aim has always been to ensure Marketing Metrics is more than just a dictionary
- Term definitions, and purposes for groups of metrics : e.g., Cannibalization Rate
- Construction (equations and examples) = 
$$\frac{\text{Sales Lost From Existing Products (\#, \$)}}{\text{Sales of New Product (\#, \$)}}$$
- Data Sources, Complications, and Cautions
  - Sales are your sales – you cannot cannibalize someone else
  - No universally acceptable cannibalization rate. Depends on other factors, e.g. margins
  - Expected future market dynamics matter: will you keep sales if you don't cannibalize?
- Related Metrics and Concepts
  - Fair Share Draw: Assumption that sales lost to entrant proportional to current shares
  - Incremental Sales: If introducing product boosts sales of a complementary product



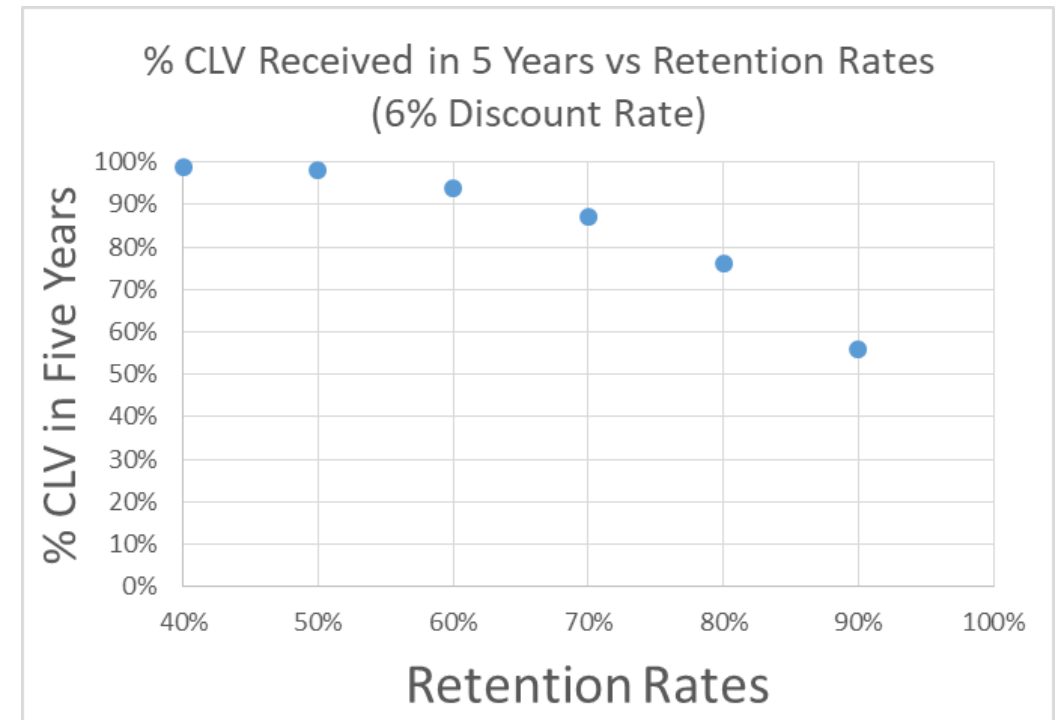
# Quiz Time

METRICS JEOPARDY

# 1) CLV And Retention Rate Jeopardy

- Higher retention rates → more reliable Customer Lifetime Value (CLV) estimates  
True or False?

- Likely false
- True, high retention rates are better than low retention rates
- However, high retention rates also mean companies require a longer time period to capture full customer lifetime value



- Longer periods mean market conditions more likely to change and, further, there may be more downside, than upside, to customer loyalty

## 2) Media Metrics Jeopardy

- Three common media reach metrics are “*opportunities to see (OTS)*”, “*exposures*”, and “*impressions.*” Which of the below is true?
  - A. Opportunities to see are least valuable, exposures are next, and impressions the most valuable
  - B. Relative impact of the three depends on media in question
  - C. Impressions are the only one of the three metrics that reflect changes in perceptions or attitudes
  - D. They are all about the same and are simply terms to quantify estimated audience size
- Answer D: These terms are all used interchangeably so in effect they mean the same thing

### 3) Price Elasticity Jeopardy

- If you have reliable measures of a product's price elasticity, you don't need costs to set prices. True or False?
- True if you don't care about profits...
- Otherwise, False – price elasticity AND unit variable (or marginal) costs are essential for determining profit-maximizing prices
- Price elasticities are guides to setting profit-optimal percentage margins on sales
- But unit dollars costs are needed to convert those margins into dollar prices

## 4) Sales Velocity Jeopardy

- In order to measure sales velocity you need:
  - A. measures of sales and distribution
  - B. sales per week
  - C. sales and shelf space
  - D. share of requirements
- Answer A: Velocity is the ratio of sales or share to distribution
- This is important in helping marketers understand whether a product is in danger of being discontinued by retailers or is potentially capable of growing sales through a wider distribution network

## 5) Price Elasticity Jeopardy II

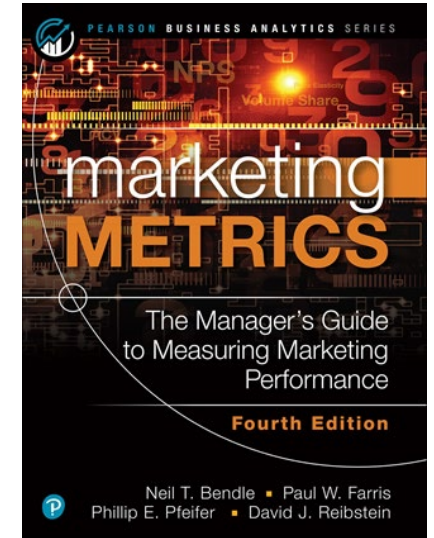
- Reliable estimates of *manufacturers'* product price elasticities are derived from short-term (weekly, monthly) sales changes in retail prices, sales volume, & market share. True or False?
- Likely false
- In many retail stores, substantial short-term changes in price and sales are usually reflect temporary promotions and price reductions
- Changes in retail prices can be  $\leq$  or  $=$  or  $\geq$  manufacturers' price differences on promotions depending on extent to which manufacturer discounts are passed along by retailers
- Increases in retail sales on promotion can come from non-promoting competing retailers or consumers stockpiling for future consumption. These promotion elasticities may bear little relationship to the effects of long-term, changes in manufacturers' prices. For the latter, competitor reactions are also important

## 6) MROI Jeopardy

- Maximizing annual MROI is one of the best goals for a marketing manager
- True, False, or Maybe ?
- Likely true IF the marketing budget is more or less fixed.
- **However** maximizing ROI is not a guideline for setting budgets
  - Diminishing returns mean that additional spending will typically result in lower overall MROI
- Also certain strategic goals, such as encouraging new customer trial, gaining additional distribution, countering aggressive competitor actions, and balancing push and pull may trump our ability to measure with precision the long-term effects on sales and profits

# Thank You And Questions

- Want to get your own copy?
  - Save 35% @ [informit.com/marketing-metrics](http://informit.com/marketing-metrics) -- enter checkout code **METRICS**
  - Also available at Amazon etc..
- Facebook: <https://www.facebook.com/MarketingMetricsBook>



## Keep up with the authors

- Paul Farris: Get Getting Multi-Channel Distribution Right by Kusum L. Ailawadi and Paul
- Dave Reibstein: Listen to Dave's radio show on SiriusXM, Measured Thoughts, [www.measuredthoughts.com](http://www.measuredthoughts.com)
  - Follow him at [www.linkedin.com/in/david-reibstein-34269/](http://www.linkedin.com/in/david-reibstein-34269/)
- Neil Bendle: Visit his website for more on metrics and marketing [www.neilbendle.com](http://www.neilbendle.com)
  - Follow him on Twitter @neilbendle or [www.linkedin.com/in/neilbendle/](http://www.linkedin.com/in/neilbendle/)