Retail and Marketing Analytics

Session 4

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Agenda

- Background to marketing metrics
- Mindset metrics: conceptual model
- Four criteria
- Case study: Personal care brand
- Q&A

Which digital KPI?

- # followers
- # impressions
- # clicks
- # likes
- # time spent on site
- # app downloads
- # leads
- sales

Social media impact

Social media impact

Starbucks UK ✔ @StarbucksUK · Sep 25
YAY – no more waiting. The #PSL is back! 🍁👏 @mollymaehague can't pick a fave between #TheOriginalPSL, #Vegan or #Frappuccino® – what's yours?

194   102   ♡ 789

Retweeted by:

1m followers

15 followers

Which metrics?

Digital metrics   --proxy for--   **Funnel metrics**

Brand mentions,
Visits
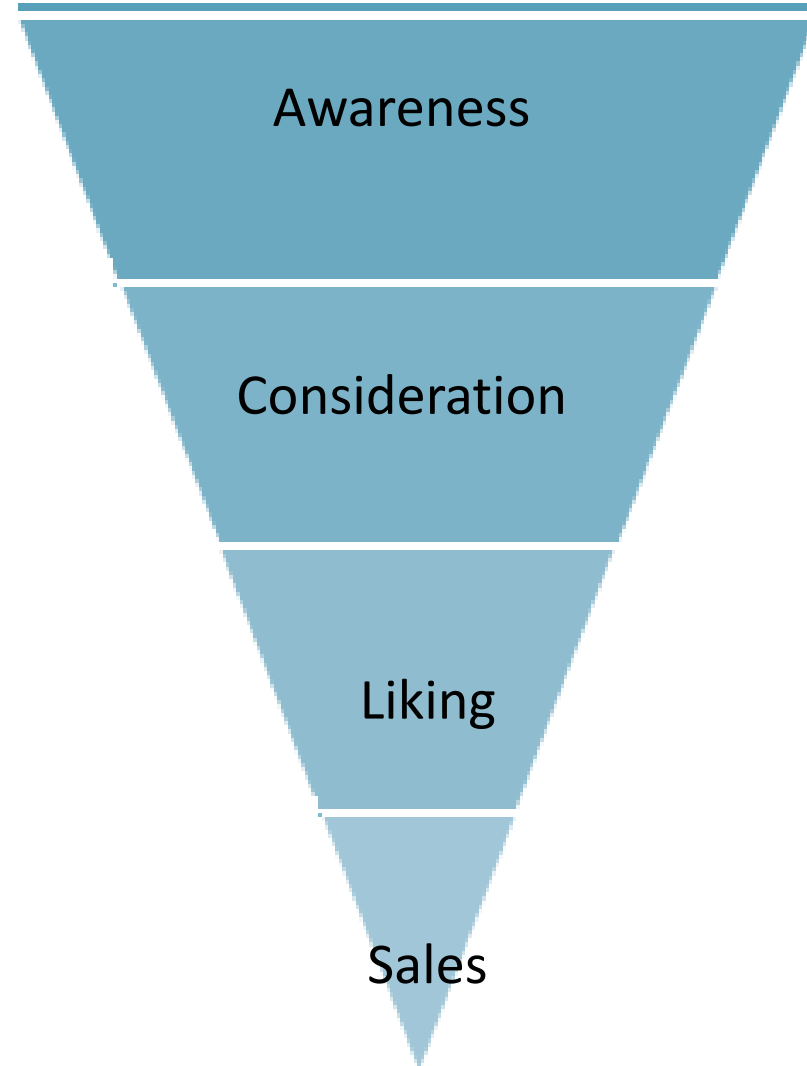
Awareness

Leads &
Quotes

Consideration

Likes – Dislikes
Sentiment

Liking

Orders

Sales

How can I act on these metrics?

Guiding marketing mix

How can I **improve** marketing mix actions by **examining** attitude metrics?

What to do when I know that brand consideration stands at 70% while brand liking stands at 40%?

What to do in our marketing mix?

Conventional wisdom says invest in the weakest metric.

BUT...

Guiding marketing mix

Consideration could be **more responsive** to marketing actions than brand liking.

Any **gains in brand liking** may be **short-lived** due to **fickle consumers** or **tough competitors**, while **gains in consideration** could be **longer-lasting**.

Consideration gains may **convert** into sales **at a higher rate** than liking gains do.

Q: How to use consumer attitude information to guide marketing strategies and actions?

Conceptual model

What marketers & competitors do

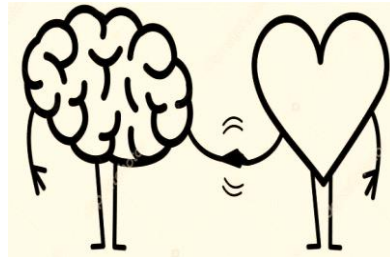- Advertising
- Price
- Promotions
- Distribution

What customers do

- Brand Purchases

Transactions Route

Conceptual model

What marketers & competitors do		What customers think and feel		What customers do
• Advertising • Price • Promotions • Distribution	Building Attitudes →	• Awareness • Consideration • Liking	Converting them to sales →	• Brand Purchases

Mindset Route

Mindset Route

Conceptual model

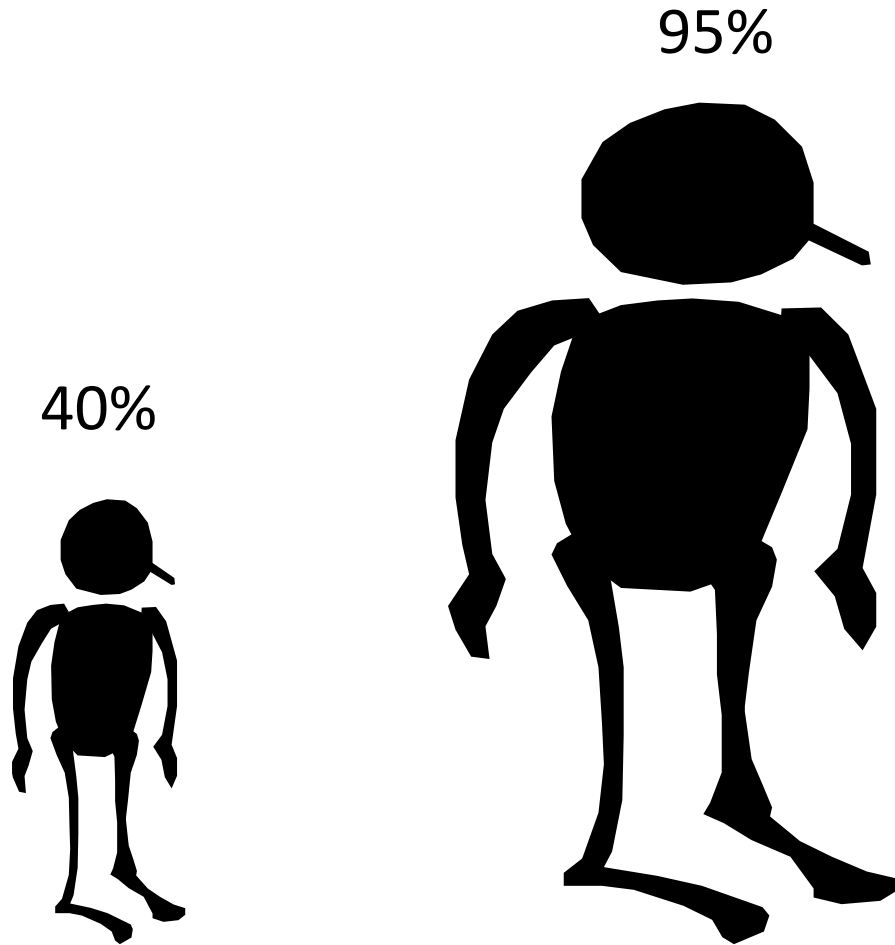| *What marketers & competitors do*	*What customers think and feel*	*What customers do*
• Advertising • Price • Promotions • Distribution	• Awareness • Consideration • Liking	• Brand Purchases

Building Attitudes

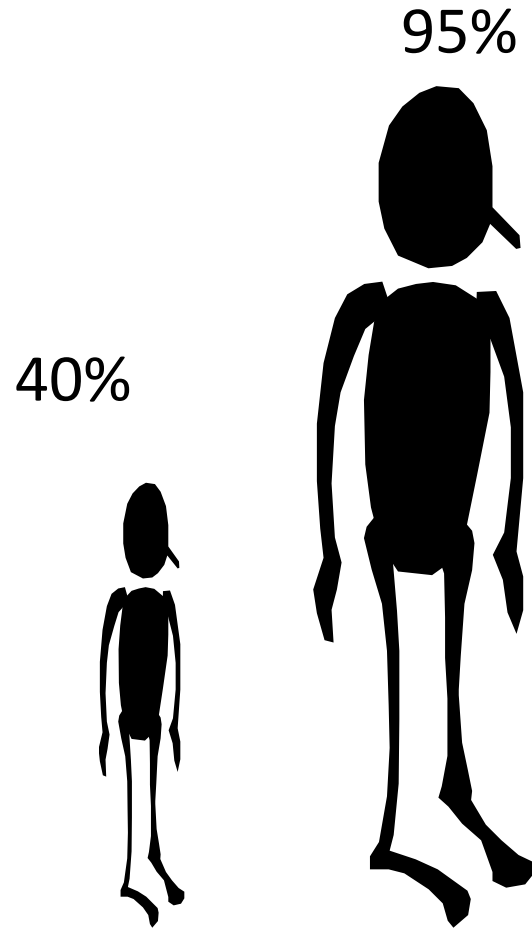Converting them to sales

Mindset Route

Mindset Route

Transactions Route

1. Potential

95%
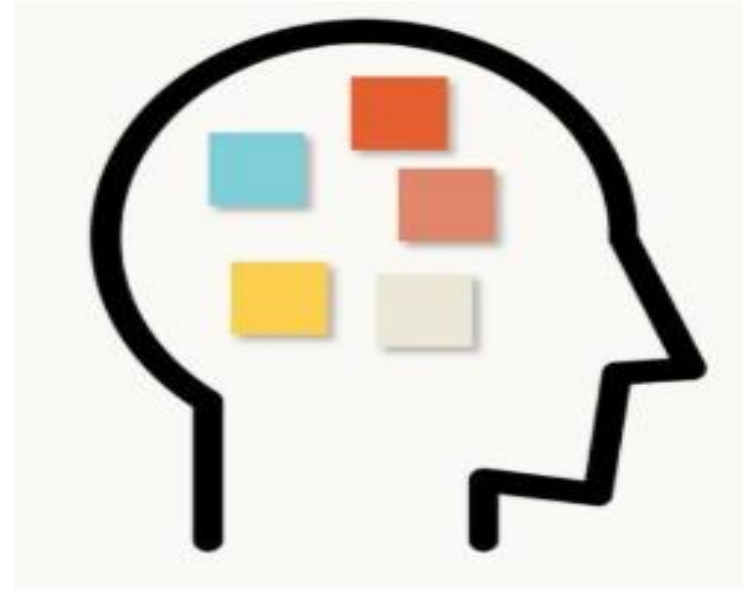
40%

Does metric have room to grow ?

Does attitude have room to grow ?

95%

40%

$$POT_t = \frac{[MAX - A_{t-1}]}{MAX}$$

2. Stickiness

Does a change in metric stay long?

Does a change in attitude stay long?

$$A_t = c + \boxed{\sum_{i=1}^{p} \varphi_i A_{t-i}} + \varepsilon_t$$
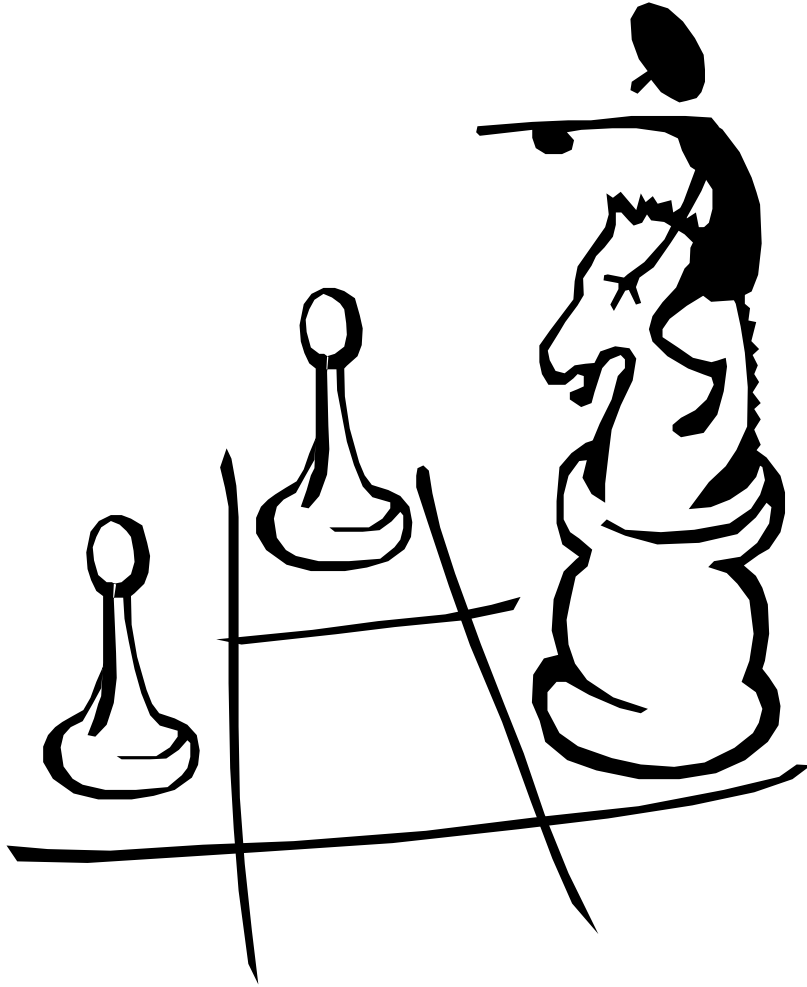
$\longrightarrow$ Stickiness

Example:

$$\text{Cons}_t = c + \varphi_1 \text{Cons}_{t-1} + \varphi_2 \text{Cons}_{t-2} + \varepsilon_t$$

$$\widehat{\text{Cons}}_t = 10.2 + 0.6\,\text{Cons}_{t-1} + 0.15\text{Cons}_{t-2}$$
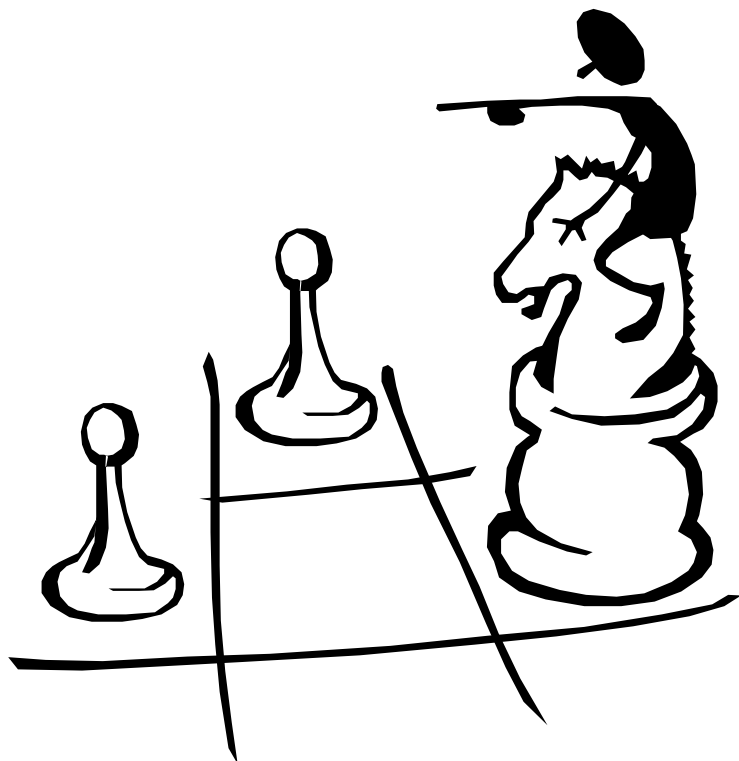
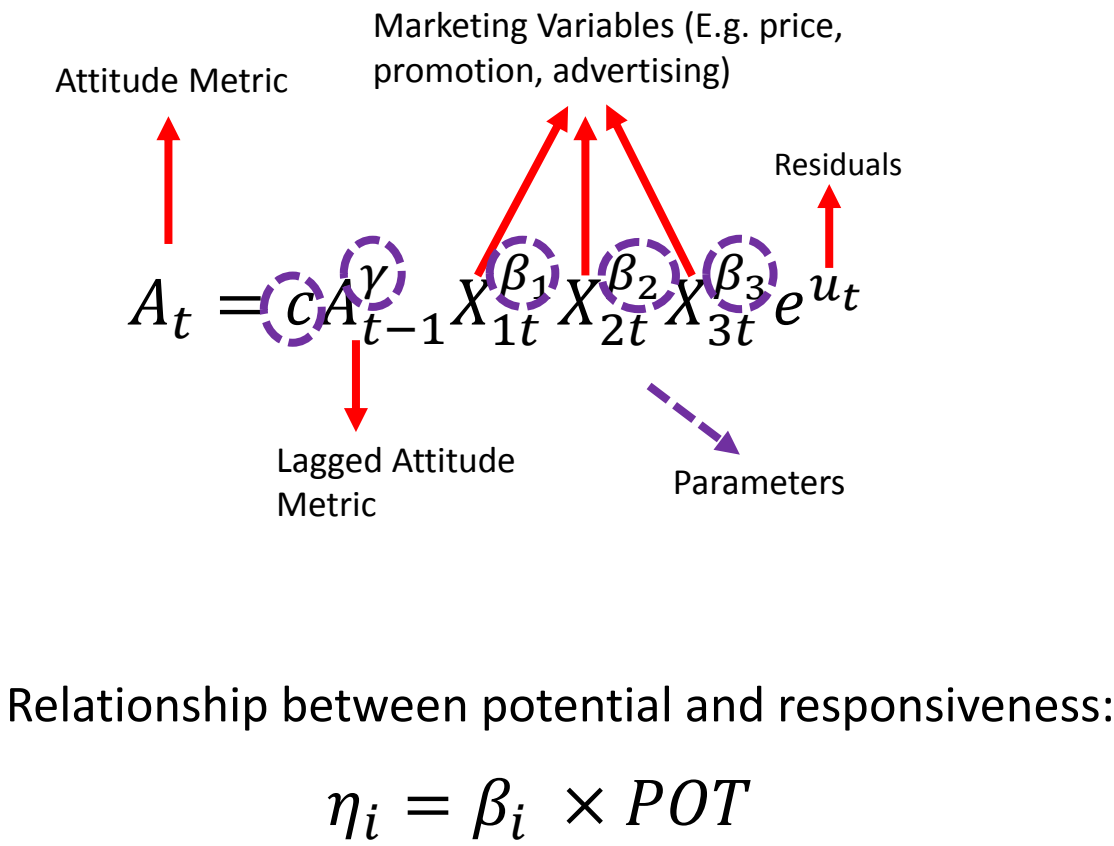$$\text{Stickiness} = 0.75$$

3. Responsiveness

Can we move it?

Can we move it?

Attitude Metric

Marketing Variables (E.g. price, promotion, advertising)

Residuals

$$A_t = c A_{t-1}^{\gamma} X_{1t}^{\beta_1} X_{2t}^{\beta_2} X_{3t}^{\beta_3} e^{u_t}$$

Lagged Attitude Metric

Parameters

Relationship between potential and responsiveness:

$$\eta_i = \beta_i \times POT$$

EXAMPLE:

Awareness	$\beta_{Facebook}$	$\eta_{Facebook}$
0%	0.2	0.2
40%		**0.12**

4. Conversion

Does it translate into sales/profits ?

Does it translate into sales/profits ?

$$S_t = c S_{t-1}^{\rho} A_t^{\theta_1} C_t^{\theta_2} L_t^{\theta_3} e^{v_t}$$

Sales

Past Sales

Awareness

Consideration

Liking

Residuals

Conversion Parameters

Combining the criteria
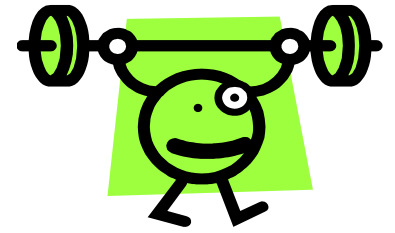
Long-run impact of each marketing mix element **i** for each attitude metric **k**

$$LR\ impact_k^{(i)} = Potential_k \times Responsiveness_k^{(i)} \times 1/(1 - Stickiness_k), \qquad \forall k \in K$$

Short-term
Response

Long-run multiplier

The marketing investment appeal for marketing mix element **i** :

$$Appeal^{(i)} = \sum_{k=1}^{K} LR\ impact_k^{(i)} \times Conversion_k$$

Marketing Investment Appeal

GOOGLE ADWORDS **VS** SOCIAL MEDIA

	Awareness		Consideration	
	Brand A	*Brand B*	*Brand A*	*Brand B*
Beginning level	0.8	0.3	0.4	0.5
Potential	0.2	0.7	0.6	0.5
Stickiness	0.9	0.9	0.5	0.5
Response to Google Adwords	0.01	0.035	0.18	0.15
Response to Social Media	0.04	0.175	0.06	0.1
Sales Conversion	0.15	0.2	0.4	0.5
Marketing Investment Appeal*				
Google Adwords	0.003	0.049	0.086	0.075
Social Media	0.012	0.245	0.029	0.050

?

Real-world application

Winning customers' minds, hearts and sales:

A personal care brand

How should I guide my marketing mix decisions for the same brand in emerging and mature markets?
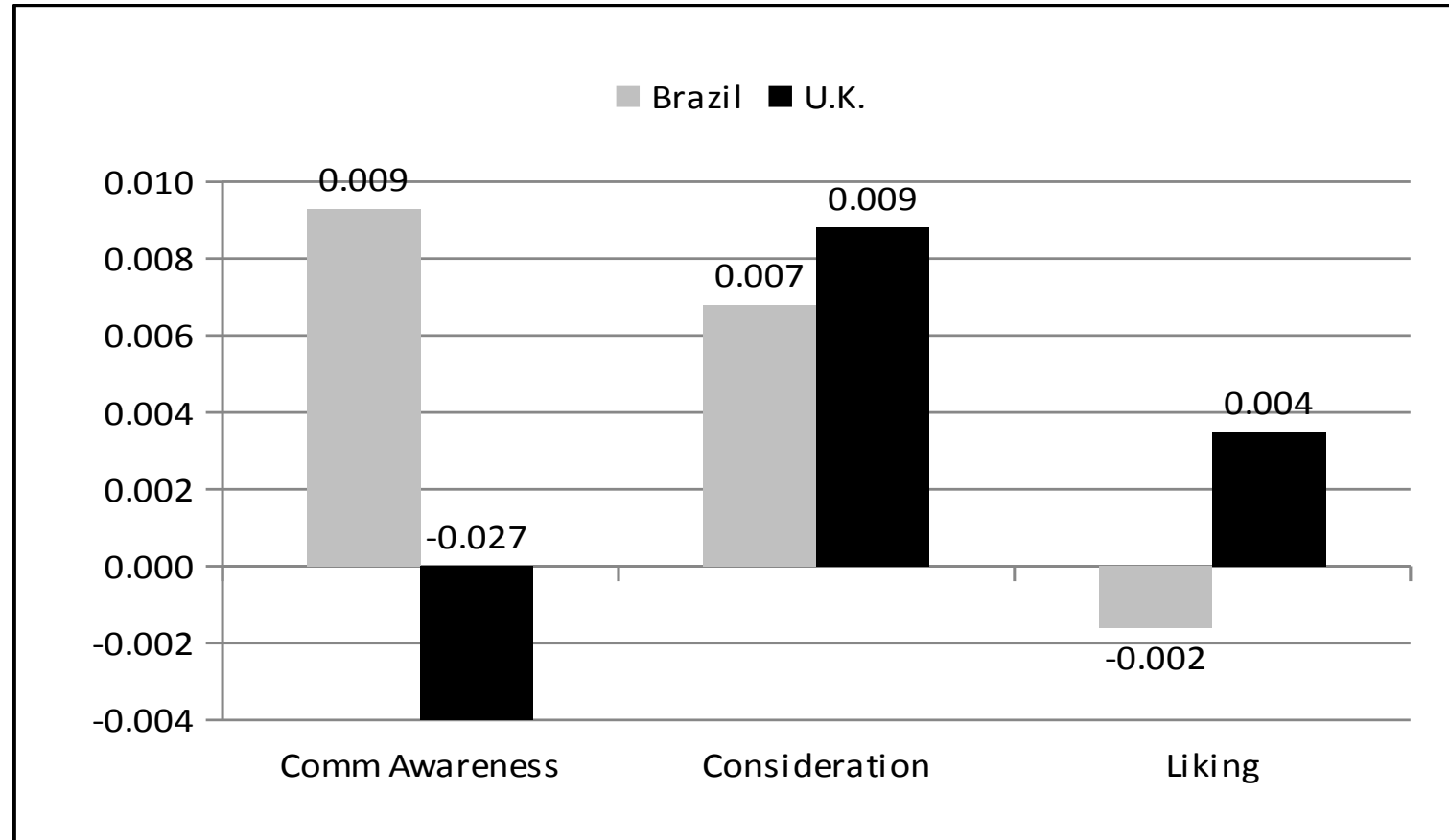
Case Study

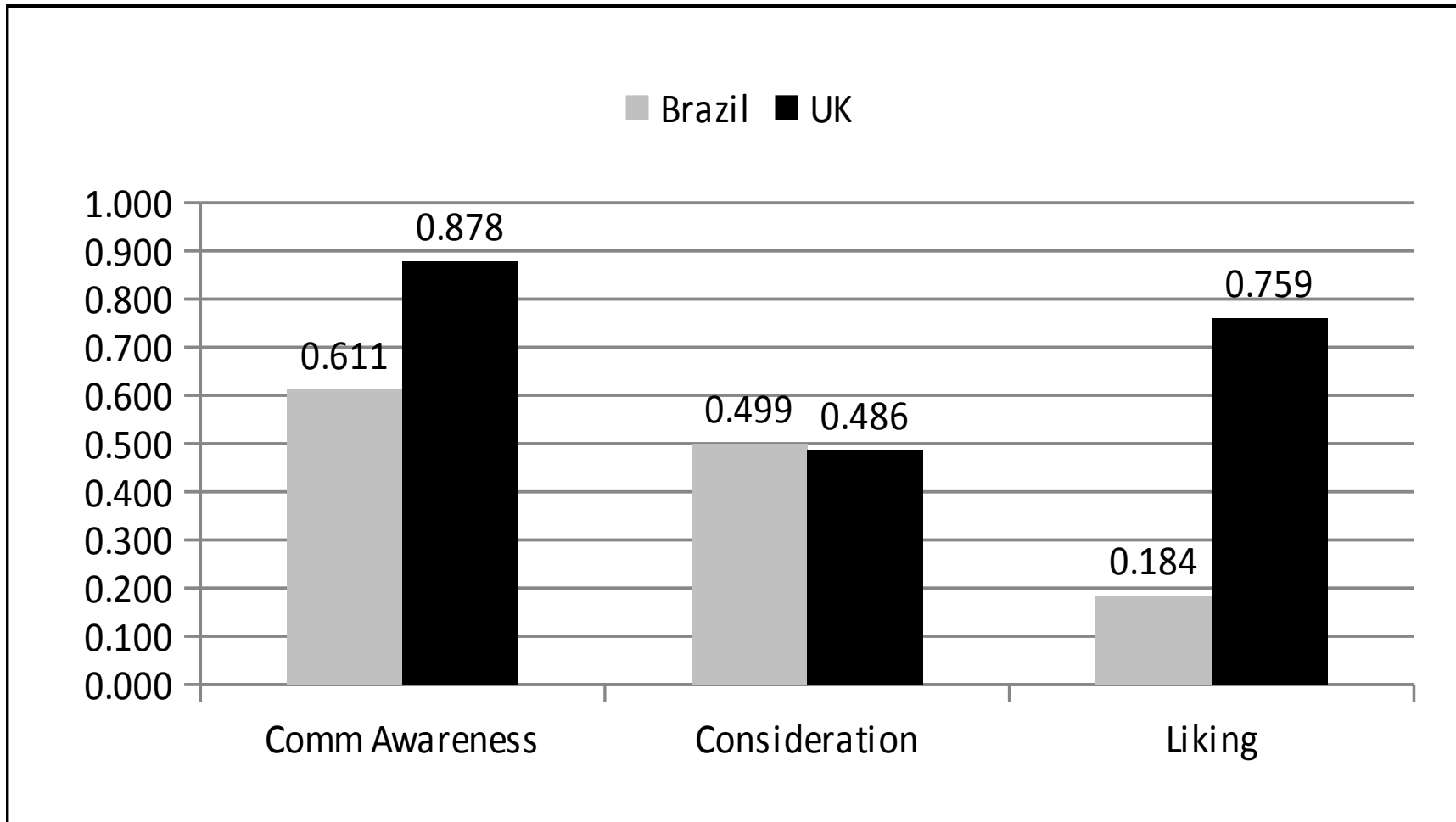Personal care category

U.K. and Brazil markets

Variables:
- **Marketing mix** : Relative price, Advertising (GRP),
  Distribution (weighted ACV)
- **Performance** : Sales volume
- **Mindset metrics**: Advertising awareness, brand consideration, brand liking
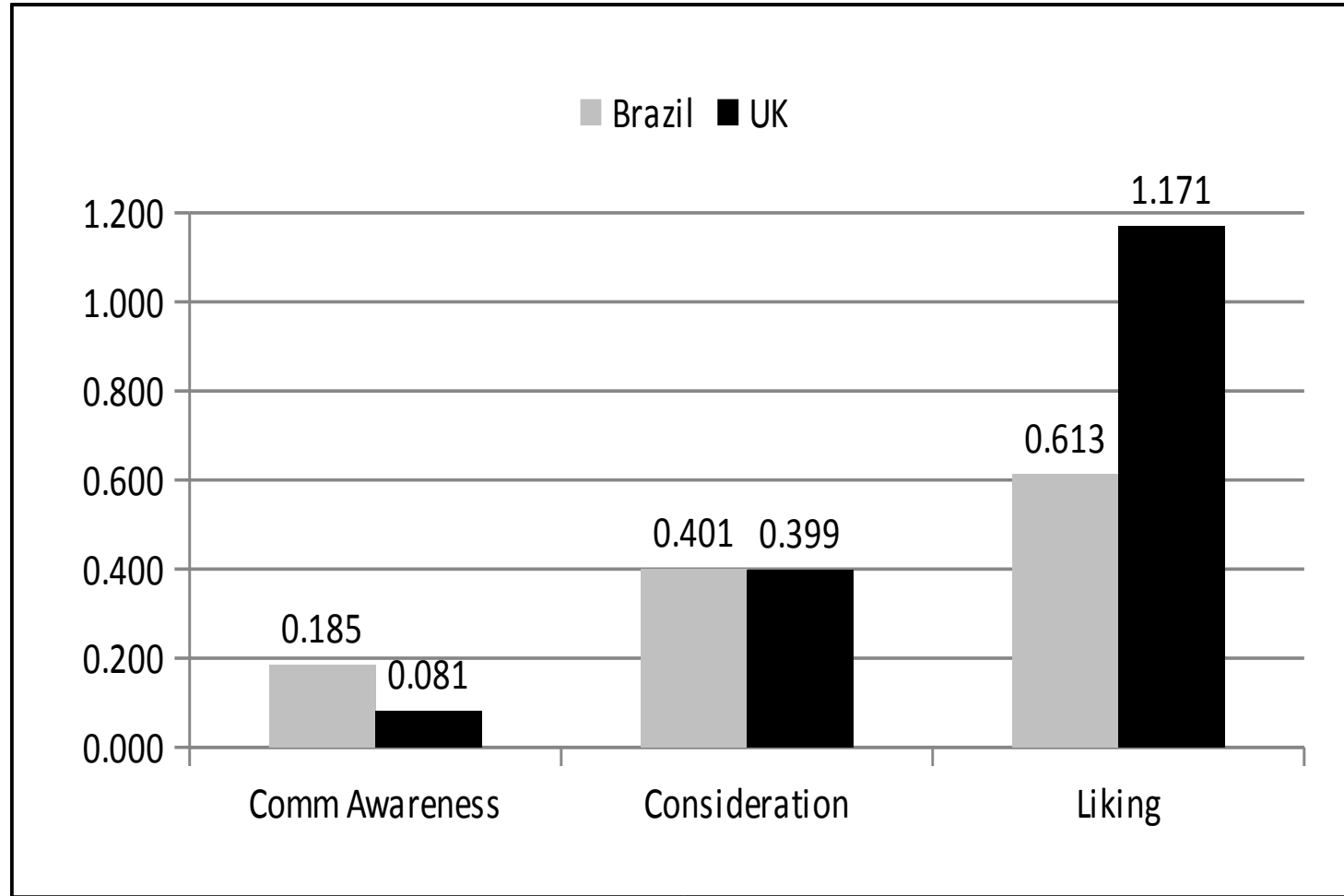
Responsiveness of Mindset Metrics to Advertising

Legend: Brazil (gray), U.K. (black)

Metric	Brazil	U.K.
Comm Awareness	0.009	-0.027
Consideration	0.007	0.009
Liking	-0.002	0.004

Stickiness of Mindset Metrics

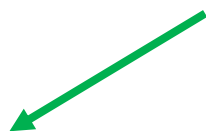# Sales Conversion of Mindset Metrics

Which marketing action is more appealing?

Sales Impact of Liking : 10% increase in distribution				
Country	Start	new	LT gain	Sales Conversion*
Brazil	0.054	0.540	0.662	0.406
UK	0.100	1.000	4.149	4.859

Responsiveness model coefficients

Updated responsiveness after a 10% increase in distribution

New values are multiplied by the long-term multiplier: 1/(1-Stickiness)

LT liking gain is multiplied by sales conversion parameter from the model.

Which marketing action is more appealing?

Sales Impact of Liking : 10% increase in distribution				
Country	Start	new	LT gain	Sales Conversion*
Brazil	0.054	0.540	0.662	0.406
UK	0.100	1.000	4.149	4.859

Sales Impact of Liking: half pricing				
Country	Start	new	LT gain	Sales conversion
Brazil	0.127	0.064	0.078	0.048
UK	0.126	0.063	0.261	0.306

Sales Impact of Liking: 10% decrease in advertising				
Country	Start	new	LT gain	Sales conversion
Brazil	-0.002	0.000	0.000	0.000
UK	0.004	0.040	0.166	0.194

Summary

Mindset metrics and marketing mix
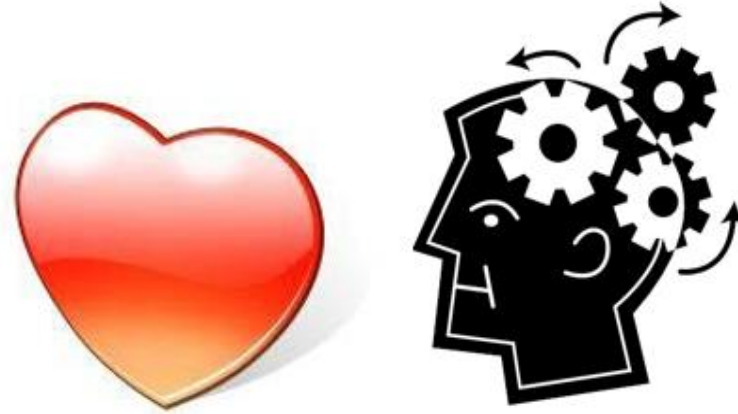
Marketing Execs
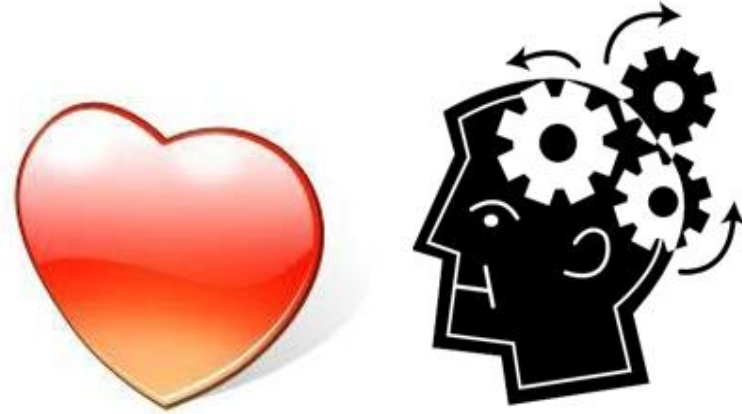
Mindset metrics and marketing mix

Top Management

Marketing Execs

Mindset metrics and marketing mix

Top Management

Marketing Execs

Mindset metrics and marketing mix

Top Management   Marketing Execs

Mindset metrics and marketing mix

Marketing's role:

- Get a strong position in customers' hearts and minds
- Get a sales conversion

Philip Kotler:

"…How do you know if you are doing a good job for the customer? It is not shown in your profits this year but in your share of the customer's mind and heart. Companies that make steady gains in mind share and heart share will inevitably make gains in market share and profitability…"

Attitude metrics matter because…

They are **brand health indicators** that assess brand performance from a **customer's perspective**.

Early warnings of performance of brands.

- They may diagnose a decline in interest and thus provide **management a chance for remedial action**.

We can verify if **marketing moved customers** in the right direction by **examining the mindset (attitude) metrics**.

Takeaways

Does the metric matter?

Evaluate purchase funnel metrics (awareness, consideration, liking and sales) with four criteria:

- Potential
- Stickiness
- Responsiveness
- Conversion

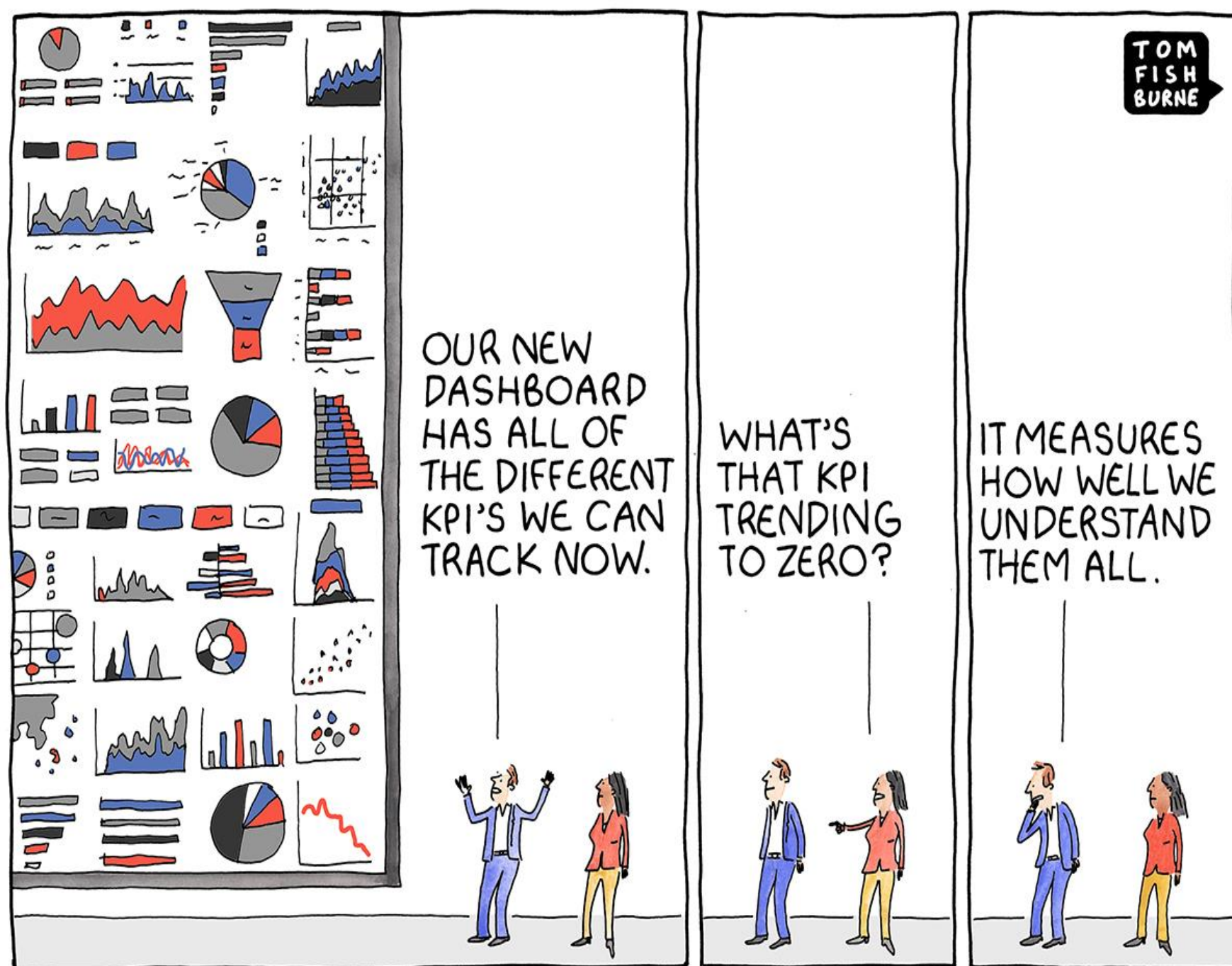Do scenario analysis to guide your marketing mix strategies.

Source: https://productlessons.substack.com/p/what-to-do-when-your-metrics-dip

Thank you!

R you ready?

- Analyse the marketing investment appeal for advertising and promotion decisions for the shampoo brand.

- Which is more effective strategy to improve consumer awareness, consideration, and liking: advertising or promotions?

- What would happen if the brand manager decides to double/fivefold her investment in promotion/advertising?

- What is the long-term sales lift that can be attributed to mind-set metrics?