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# The 2004 ISMS Practice Prize Competition

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## Special Section Introduction: The 2004 ISMS Practice Prize Competition

Gary L. Lilien

The two reports and two articles (as well as a Commentary) that follow are the finalists from the 2004 ISMS Practice Prize Competition, representing the best examples of rigor plus relevance that our profession produces.

*Key words:* marketing science practice; sales territory design; sales forecasting; optimal product mix; advertising models

*History:* Processed by Gary L. Lilien, 2004 ISMS Practice Prize Editor.

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## Background

ISMS's bylaws state that its purpose "...is to foster the development, dissemination, and implementation of knowledge, basic and applied research, and science and technologies that improve the understanding and practice of marketing."

To highlight and recognize the practice and implementation aspects cited in the society's charter, the society established the ISMS Practice Prize in 2003. According to the Prize protocol:

The Practice Prize is awarded for an outstanding implementation of marketing science concepts and methods. The methodology used must be sound and appropriate to the problem and organization, and the work should have had significant, verifiable, and preferably, quantitative impact on the performance of the client organization. Any work completed in recent years is

eligible; prior publication of the work does not disqualify it.

In other words, the award is designed to recognize both the rigor of the work and its focus on relevance and organizational impact. Specifically, the following criteria have driven the selection of finalists and the winner:

- Implementation—who uses it, for what, and how
- Impact—organization and what value
- Methodological quality—leading edge/appropriateness
- Technical originality—uniqueness and flair
- Difficulty—problem(s), politics, and technical challenge
- Transportability—use in other applications or similar organizations
- Charm—impact on society or newsworthiness

The two articles and two reports (as well as a Commentary) that follow represent the finalists in the 2004 ISMS Practice Prize Competition.

## The Competition

The prize committee, composed of Manfred Krafft, Gary Lilien (chair), John Little, Leigh McAlister (representing the Marketing Science Institute, a sponsor of the prize), Jagmohan Raju (as ISMS president), Jorge Silva-Risso, and Steve Shugan (as *Marketing Science* editor-in-chief) received a number of excellent entries, each of which described both the work itself and the impact that the work has had on the client organization.

From that set of entries, the judges selected the four finalists, whose work is reproduced here. Those finalists presented their work at the Marketing Science Conference at Erasmus University in June 2004.

The reader will note that there are two articles and two reports here (as well as a Commentary). The articles have gone through the traditional refereeing process at *Marketing Science* in addition to the rigorous screening of the competition. The reports represent work that either has been or is under consideration to be published elsewhere. In each case, the emphasis in the sequel is in line with the focus on practice, heavily weighted toward the organizational, impact, and transportability aspects of the work.

## The Four Finalists

The winning entry, by Andris A. Zoltners and Prabhakant Sinha, is entitled “Sales Territory Design: Thirty Years of Modeling and Implementation.” The authors, founders and principals at ZS Associates, a large marketing science consulting firm, trace the evolution of models and processes over a 30-year period. During that time, the firm developed and implemented their sales territory alignment approaches in more than 1,500 projects for more than 500 companies in 39 countries and designed an estimated 500,000 sales territories. Those implementations have led to revenue increases of 2%–7% for these companies, or more than \$5 billion in total. The increase in effective selling time with their approach has a capacity equivalent to the work of 12,500 added salespeople. Technology has enabled the models to get closer to sales managers, and the authors describe an effective implementation process that enhances the model-based answer and generates sales manager buy-in at the same time. They describe a process that first creates a model-based answer, then integrates field manager input in a structured way by having the manager work one-on-one with an alignment expert and the model. This process led to a 100% implementation rate for the models.

Leonard M. Lodish, one of our field’s leaders in both the academic and the practitioner community, provides commentary on the Zoltners-Sinha contribution—but one that applies to all the work here—entitled “A Business School Should Combine Academic Research and Its Application to the Real World.” While it is hard to argue with the thesis in the title, Lodish develops the theme, essentially concluding that if we want our (academic) work to actually be used, we really need more material in our academic literature that provides both the substance and the organizational challenges and context of the problem. We have a challenge pedagogically to incorporate *both* the best academic thinking/newest models and the lessons learned in the work presented here and elsewhere into our teaching. Our challenge is to develop innovative mechanisms to do so that are also cost-effective.

Suresh Divakar, Brian T. Ratchford, and Venkatesh Shankar’s contribution is entitled “CHAN4CAST: A Multichannel, Multiregion Sales Forecasting Model and Decision Support System for Consumer Packaged Goods.” They report on a model and decision support system called CHAN4CAST to forecast sales for consumer packaged goods, which they developed for and implemented at Pepsico. The model decomposes sales into several channels, including grocery, drug, convenience and gas, fountain, and the like. The model also incorporates holidays, temperature, trading day effects, and new product introductions. The model’s mean percentage forecast error for the grocery channel in 2003 was  $-0.4\%$ . The associated DSS allows product managers both to plan for forecast sales volumes and to simulate the effect of different firm and competitors’ actions on those sales. The tool includes a scorecard by account, channel, and region that allows Pepsico to continually track its sales against forecast. The company estimates benefits at well over 1,000% return on the model investment.

Ashish Sinha, J. Jeffrey Inman, Yantao Wang, and Joonwook Park contribute “Attribute Drivers: A Factor Analytic Choice Map Approach for Understanding Choices Among SKUs.” They report on the development and impact of a product developed by IRI called attribute drivers, which is used by a number of IRI’s key clients to understand consumers’ choices among SKUs. The application of this approach at Campbell’s Soup helped Campbell’s grow revenues at twice the category growth rate during a climate of high product proliferation, a slow economy, and a five-year decline in sales. The model helped the company make decisions pertaining to restaging one of the brands in the portfolio and fueled a decision support system that enabled the company to identify the optimal mix of products at the national level as well as at the account level (e.g., Kroger). The model

has been used in the shaving category to understand the price gap between the client's brand and the premium brand in the category, thereby helping the client make more effective pricing decisions and, in the salty snack category, to support the addition and deletion of SKUs. The model has been successfully applied to twenty two client situations across twelve companies.

Gerard J. Tellis, Rajesh K. Chandy, Deborah MacInnis, and Pattana Thaivanich provide us with "Modeling the Microeffects of Television Advertising: Which Ad Works, When, Where, For How Long, and Why?" The authors developed an integrated model to address the issues in the title of the paper, addressing, for the first time, the full range of issues associated with managing advertising effectiveness. They report on their application of this approach at Futuredontics, a dentist referral service (1-800-DENTIST) that advertises its service in more than 60 major markets in the United States, with a multimillion-dollar advertising budget that includes more than 3,500 TV ad exposures per month. The firm was concerned about more efficient spending. The authors' approach determines which particular ads are effective, when (at what times), where (in which medium), and for how long, an analysis at the highly disaggregate hourly level. The firm used the results about baseline sales and advertising carryover to assess call center staffing and to schedule call center operators in a manner that minimizes wait times. It also adopted an advertising schedule that focused on heavier advertising in the early part of the week, a Sunday-to-Tuesday schedule or a Monday-to-Wednesday schedule, and completely dropped advertising on Thursdays, Fridays, and Saturdays, providing a savings of 10% to 15% of media expenditures, or approximately \$1 million

annually. The approach has been applied by other firms, including Best Buy, and is also the basis of an entrepreneurial start-up venture.

## Comment

As I write this, I am in the process of reviewing another set of outstanding examples of the practice of marketing science for the 2005 competition. That work, as well as the work reported here (along with the work published in the Spring 2004 issue of *Marketing Science*, representing the inaugural competition), should provide both validation and inspiration for us all. The validation comes from the documentation of the value and the impact of the work our field produces. The inspiration is, I hope, most germane for the more junior members of the profession, because the papers that follow demonstrate that rigorous marketing science work *can* be highly relevant and have significant impact as well.

To conclude, I thank the Practice Prize Committee for all their work in helping to make this competition such a successful one and both the Marketing Science Institute and the Brand Science Institute for helping to sponsor the competition. On behalf of the Practice Prize Committee, I congratulate the finalists and winners for their outstanding work and contributions to the practice of marketing science.

*Note:* Excellent DVDs of these presentations, in careful chapter format, are available for illustration or classroom use. Those DVDs also have the PowerPoint presentations the presenters used at the competition. To acquire the videos, go to <http://www.informs.org/Edu/MarketingScience>.