Resource Allocation Process

Resource Allocation Process

- Determine the performance metric?
  - Market share, profits, customer lifetime value, etc.
- Map a system of metrics framework connecting marketing inputs to the performance metric
- Build a econometric (regression) model for the unknown values in the system of metrics framework
  - The regression model will be a function of marketing inputs of interest, e.g., price, advertising, sales calls, etc.

Resource Allocation Process

- Once the regression model is obtained, predict the performance metric using the regression function

- Identify the optimal value of the marketing input that maximizes the performance metric
  - Hint: Solver
  - Hint: Regression function connects marketing inputs to the components of the performance metric
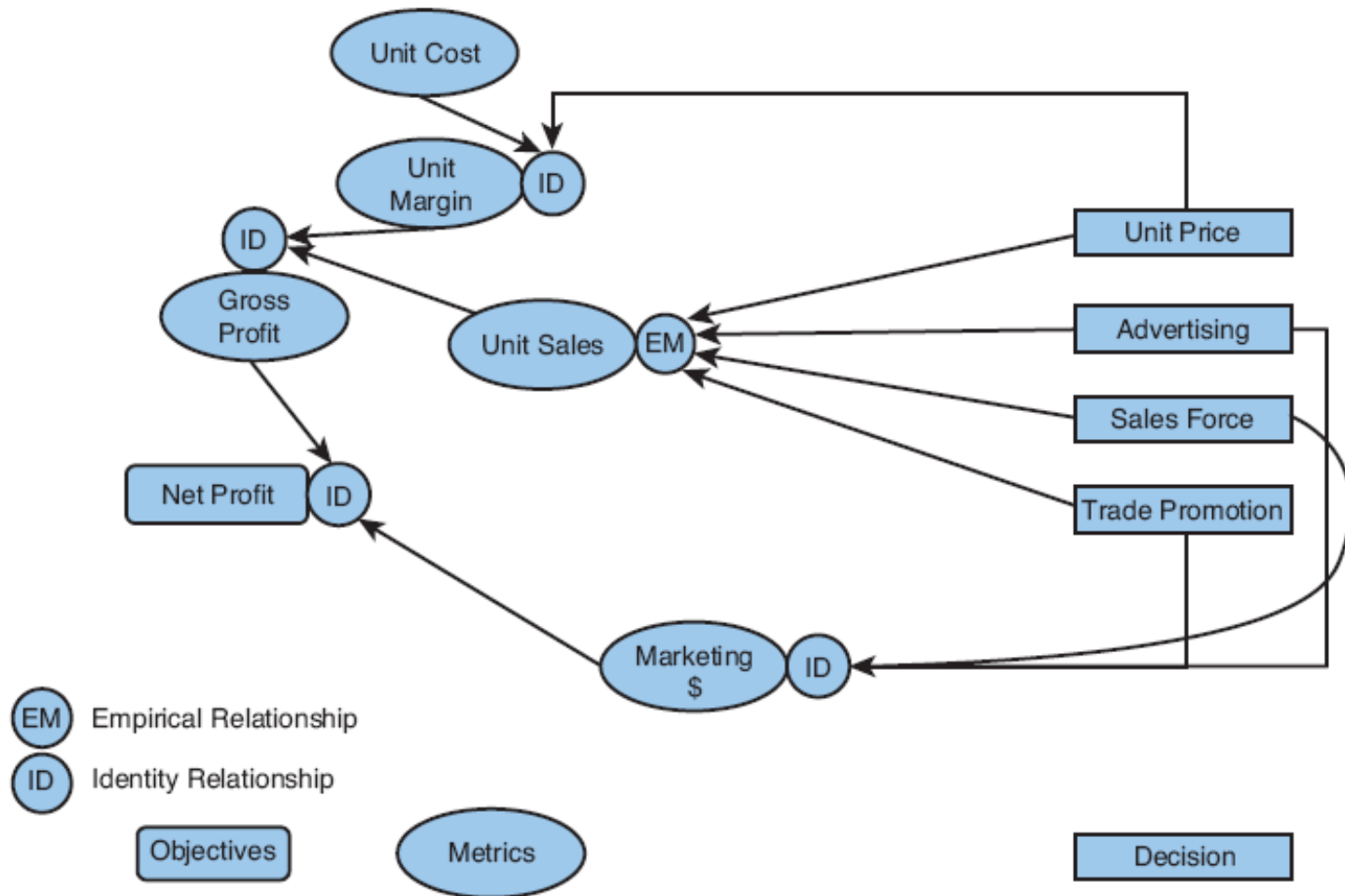
System of Metrics for Net Profit

Figure 12.4   Empirical Relationship with Components of Marketing Outcomes

What is an empirical relationship?