MARKETING METRICS

SECOND EDITION
This page intentionally left blank
Marketing metrics: The Definitive Guide to Measuring Marketing Performance/ Paul W. Farris ... [et al.].

Includes bibliographical references and index.
HFS415.2.M358343 2010
658.8'3—dc22

2009040210
We dedicate this book to our students, colleagues, and consulting clients who convinced us that a book like this would fill a real need.
CONTENTS

Acknowledgments ix
About the Authors xi
Foreword xiii
Foreword to Second Edition xv

1
INTRODUCTION 1

2
SHARE OF HEARTS, MINDS, AND MARKETS 27

3
MARGINS AND PROFITS 65

4
PRODUCT AND PORTFOLIO MANAGEMENT 109

5
CUSTOMER PROFITABILITY 153

6
SALES FORCE AND CHANNEL MANAGEMENT 181
ACKNOWLEDGMENTS

We hope this book will be a step, however modest, toward clarifying the language, construction, and meaning of many of our important marketing metrics. If we have succeeded in making such a step, we owe thanks to a number of people.

Jerry Wind reviewed our initial concept and encouraged us to set our sights higher. Rob Northrop, Simon Bendle, and Vince Choe read early drafts and gave valuable feedback on the most important chapters. Eric Larson, Jordan Mitchell, Tom Disantis, and Francisco Simon helped develop material for important sections and provided their research skills. Gerry Allan and Alan Rimm-Kauffman allowed us to cite liberally from their materials on customers and Internet marketing. We thank Valerie Redd and Kelly Brandon for their help in designing, testing, and administering the survey of the metrics that senior marketing managers use to monitor and manage their businesses.

Marc Goldstein combined business savvy with deft editing touches that improved the readability of almost every chapter. Paula Sinnott, Tim Moore, Kayla Dugger, and their colleagues also made significant improvements in moving from a raw manuscript to the book in your hands.

Erv Shames, Erjen van Nierop, Peter Hedlund, Fred Telegdy, Judy Jordan, Lee Pilemier, and Richard Johnson have collaborated on our “Allocator” management simulation and “Management by the Numbers” online tutorials. That work helped us set the stage for this volume. Finally, we thank Kate, Emily, Donna, and Karen, who graciously tolerated the time sacrificed from home and social lives for the writing of this book.
This page intentionally left blank
ABOUT THE AUTHORS

Paul W. Farris is Landmark Communications Professor and Professor of Marketing at The Darden Graduate Business School, University of Virginia, where he has taught since 1980. Professor Farris’s research has produced award-winning articles on retail power and the measurement of advertising effects. He has published more than 50 articles in journals such as the Harvard Business Review, Journal of Marketing, Journal of Advertising Research, and Marketing Science. He is currently developing improved techniques for integrating marketing and financial metrics and is coauthor of several books, including The Profit Impact of Marketing Strategy Project: Retrospect and Prospects. Farris’s consulting clients have ranged from Apple and IBM to Procter & Gamble and Unilever. He has served on boards of manufacturers, retailers, and e-Business companies. Currently, he is a director of GSI Group, Sto Corp., and The Ohio Art Company.

Neil T. Bendle is a Ph.D. candidate in marketing at the Carlson School of Management, University of Minnesota. While studying for his Ph.D. he has won awards for his teaching, and his thesis has focused on managers’ difficulties in understanding consumer tastes. He holds an MBA from Darden and has nearly a decade’s experience in marketing management, consulting, business systems improvement, and financial management. He was responsible for measuring the success of marketing campaigns for the British Labour Party.

Phillip E. Pfeifer, Richard S. Reynolds Professor of Business Administration at The Darden Graduate Business School, currently specializes in direct/interactive marketing. He has published a popular MBA textbook and more than 35 refereed articles in journals such as the Journal of Interactive Marketing, Journal of Database Marketing, Decision Sciences, and the Journal of Forecasting. In addition to academic articles and a textbook, Mr. Pfeifer is a prolific case writer, having been recognized in 2004 as the Darden School’s faculty leader in terms of external case sales, and in 2008 with a Wachovia Award for Distinguished Case writer. His teaching has won student awards and has been recognized in Business Week’s Guide to the Best Business Schools. Recent consulting clients include Circuit City, Procter & Gamble, and CarMax.

David J. Reibstein is Managing Director of CMO Partners and William Stewart Woodside Professor of Marketing at the Wharton School. Regarded as one of the world’s leading authorities on marketing, he served as Executive Director of the Marketing Sciences Institute, and co-founded Wharton’s CMO Summit, which brings together leading CMOs to address their most pressing challenges. Reibstein architected and
teaches the Wharton Executive Education course on marketing metrics. He has an extensive track record consulting with leading businesses, including GE, AT&T Wireless, Shell Oil, HP, Novartis, Johnson & Johnson, Merck, and Major League Baseball. He has served as Vice Dean and Director of Wharton’s Graduate Division, as visiting professor at Stanford and INSEAD, and as faculty member at Harvard. He serves on the Board of Directors of Shopzilla, And1, and several other organizations.
Despite its importance, marketing is one of the least understood, least measurable functions at many companies. With sales force costs, it accounts for 10 percent or more of operating budgets at a wide range of public firms. Its effectiveness is fundamental to stock market valuations, which often rest upon aggressive assumptions for customer acquisition and organic growth. Nevertheless, many corporate boards lack the understanding to evaluate marketing strategies and expenditures. Most directors—and a rising percentage of Fortune 500 CEOs—lack deep experience in this field.

Marketing executives, for their part, often fail to develop the quantitative, analytical skills needed to manage productivity. Right-brain thinkers may devise creative campaigns to drive sales but show little interest in the wider financial impact of their work. Frequently, they resist being held accountable even for top-line performance, asserting that factors beyond their control—including competition—make it difficult to monitor the results of their programs.

In this context, marketing decisions are often made without the information, expertise, and measurable feedback needed. As Procter & Gamble’s Chief Marketing Officer has said, “Marketing is a $450 billion industry, and we are making decisions with less data and discipline than we apply to $100,000 decisions in other aspects of our business.” This is a troubling state of affairs. But it can change.

In a recent article in The Wall Street Journal, I called on marketing managers to take concrete steps to correct it. I urged them to gather and analyze basic market data, measure the core factors that drive their business models, analyze the profitability of individual customer accounts, and optimize resource allocation among increasingly fragmented media. These are analytical, data-intensive, left-brain practices. Going forward, I believe they’ll be crucial to the success of marketing executives and their employers. As I concluded in the Journal:

“Today’s boards want chief marketing officers who can speak the language of productivity and return on investment and are willing to be held accountable. In recent years, manufacturing, procurement and logistics have all tightened their belts in the cause of improved productivity. As a result, marketing expenditures account for a larger percentage of many corporate cost structures than ever before. Today’s boards don’t need chief marketing officers who have creative flair but no financial discipline. They need ambidextrous marketers who offer both.”
In *Marketing Metrics*, Farris, Bendle, Pfeifer, and Reibstein have given us a valuable means toward this end. In a single volume, and with impressive clarity, they have outlined the sources, strengths, and weaknesses of a broad array of marketing metrics. They have explained how to harness those data for insight. Most importantly, they have explained how to act on this insight—how to apply it not only in planning campaigns, but also in measuring their impact, correcting their courses, and optimizing their results. In essence, *Marketing Metrics* is a key reference for managers who aim to become skilled in both right- and left-brain marketing. I highly recommend it for all ambidextrous marketers.

**John A. Quelch**, Lincoln Filene Professor of Business Administration and Senior Associate Dean for International Development, Harvard Business School
FOREWORD TO THE SECOND EDITION

At Google, we have a saying we use quite frequently: “Data beats opinion.” In practice, this means that for any endeavor, we first determine our key success metrics and then measure how we are doing against them on a regular basis. This allows us to optimize and expand those programs that are working, while sunsetting those that are not.

In today’s hyper-competitive business landscape, most marketers are compelled to take this approach versus relying on conventional wisdom, rules of thumb, or intuition that may have been sufficient in the past.

The challenge, of course, is knowing what to measure and exactly how to measure it. That’s where *Marketing Metrics* comes in. It is the most comprehensive and authoritative guide to defining, constructing, and using the metrics every marketer needs today. This second edition adds advice on how to measure emerging topics such as social marketing and brand equity, in addition to explaining indispensable marketing metrics ranging from Return on Sales to Cannibalization Rate.

Perhaps the most pressing question in marketing today is not simply how to measure any single outcome, but understanding how all the various metrics interconnect—and the resulting financial consequences of your marketing decisions. *Marketing Metrics* moves this discussion a major step forward by reviewing alternative integrated marketing measurement systems and how companies are assembling such systems for better diagnostics and more transparent marketing models. I predict that those enterprises who develop a deep understanding of this marketing interconnectivity will gain a significant competitive advantage over time.

What does your boss or client think about all this? *Marketing Metrics* surveyed senior marketing managers on the metrics they use to monitor and manage their business. The results tellingly reveal that your boss and client think you should already know what to measure and how to measure it, so there’s a sense of urgency for all of us to become masters of marketing metrics.

In our experience at Google, marketers who move with speed, center their messages around relevance, and use data (it beats opinion!) are best-positioned for success with today’s buyers and modern media vehicles. I therefore heartily recommend *Marketing Metrics* as the foundation of the data portion of this three-pronged marketing strategy!

Jim Lecinski
Managing Director, U.S. Sales & Service, Google
1
INTRODUCTION

In recent years, data-based marketing has swept through the business world. In its wake, measurable performance and accountability have become the keys to marketing success. However, few managers appreciate the range of metrics by which they can evaluate marketing strategies and dynamics. Fewer still understand the pros, cons, and nuances of each.

In this environment, we have come to recognize that marketers, general managers, and business students need a comprehensive, practical reference on the metrics used to judge marketing programs and quantify their results. In this book, we seek to provide that reference. We wish our readers great success with it.

1.1 What Is a Metric?
A metric is a measuring system that quantifies a trend, dynamic, or characteristic.¹ In virtually all disciplines, practitioners use metrics to explain phenomena, diagnose causes, share findings, and project the results of future events. Throughout the worlds of science, business, and government, metrics encourage rigor and objectivity. They make it possible to compare observations across regions and time periods. They facilitate understanding and collaboration.

1.2 Why Do You Need Metrics?
“When you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind: it may be the beginning of knowledge, but you have scarcely, in your thoughts, advanced to the stage of science.”—William Thomson, Lord Kelvin, Popular Lectures and Addresses (1891–94)²
Lord Kelvin, a British physicist and the manager of the laying of the first successful transatlantic cable, was one of history’s great advocates for quantitative investigation. In his day, however, mathematical rigor had not yet spread widely beyond the worlds of science, engineering, and finance. Much has changed since then.

Today, numerical fluency is a crucial skill for every business leader. Managers must quantify market opportunities and competitive threats. They must justify the financial risks and benefits of their decisions. They must evaluate plans, explain variances, judge performance, and identify leverage points for improvement—all in numeric terms. These responsibilities require a strong command of measurements and of the systems and formulas that generate them. In short, they require metrics.

Managers must select, calculate, and explain key business metrics. They must understand how each is constructed and how to use it in decision-making. Witness the following, more recent quotes from management experts:

“...every metric, whether it is used explicitly to influence behavior, to evaluate future strategies, or simply to take stock, will affect actions and decisions.”

“If you can’t measure it, you can’t manage it.”

1.3 Marketing Metrics: Opportunities, Performance, and Accountability

Marketers are by no means immune to the drive toward quantitative planning and evaluation. Marketing may once have been regarded as more an art than a science. Executives may once have cheerfully admitted that they knew they wasted half the money they spent on advertising, but they didn’t know which half. Those days, however, are gone.

Today, marketers must understand their addressable markets quantitatively. They must measure new opportunities and the investment needed to realize them. Marketers must quantify the value of products, customers, and distribution channels—all under various pricing and promotional scenarios. Increasingly, marketers are held accountable for the financial ramifications of their decisions. Observers have noted this trend in graphic terms:

“For years, corporate marketers have walked into budget meetings like neighborhood junkies. They couldn’t always justify how well they spent past handouts or what difference it all made. They just wanted more money—for flashy TV ads, for big-ticket events, for, you know, getting out the message and building up the brand. But those heady days of blind budget increases are fast being replaced with a new mantra: measurement and accountability.”
1.4 Choosing the Right Numbers

The numeric imperative represents a challenge, however. In business and economics, many metrics are complex and difficult to master. Some are highly specialized and best suited to specific analyses. Many require data that may be approximate, incomplete, or unavailable.

Under these circumstances, no single metric is likely to be perfect. For this reason, we recommend that marketers use a portfolio or “dashboard” of metrics. By doing so, they can view market dynamics from various perspectives and arrive at “triangulated” strategies and solutions. Additionally, with multiple metrics, marketers can use each as a check on the others. In this way, they can maximize the accuracy of their knowledge. They can also estimate or project one data point on the basis of others. Of course, to use multiple metrics effectively, marketers must appreciate the relations between them and the limitations inherent in each.

When this understanding is achieved, however, metrics can help a firm maintain a productive focus on customers and markets. They can help managers identify the strengths and weaknesses in both strategies and execution. Mathematically defined and widely disseminated, metrics can become part of a precise, operational language within a firm.

Data Availability and Globalization of Metrics

A further challenge in metrics stems from wide variations in the availability of data between industries and geographies. Recognizing these variations, we have tried to suggest alternative sources and procedures for estimating some of the metrics in this book.

Fortunately, although both the range and type of marketing metrics may vary between countries, these differences are shrinking rapidly. Ambler, for example, reports that performance metrics have become a common language among marketers, and that they are now used to rally teams and benchmark efforts internationally.

1.5 Mastering Metrics

Being able to “crunch the numbers” is vital to success in marketing. Knowing which numbers to crunch, however, is a skill that develops over time. Toward that end, managers must practice the use of metrics and learn from their mistakes. By working through the examples in this book, we hope our readers will gain both confidence and a firm understanding of the fundamentals of data-based marketing. With time and
experience, we trust that you will also develop an intuition about metrics, and learn to dig deeper when calculations appear suspect or puzzling.

Ultimately, with regard to metrics, we believe many of our readers will require not only familiarity but also fluency. That is, managers should be able to perform relevant calculations on the fly—under pressure, in board meetings, and during strategic deliberations and negotiations. Although not all readers will require that level of fluency, we believe it will be increasingly expected of candidates for senior management positions, especially those with significant financial responsibility. We anticipate that a mastery of data-based marketing will become a means for many of our readers to differentiate and position themselves for career advancement in an ever more challenging environment.

Organization of the Text

This book is organized into chapters that correspond to the various roles played by marketing metrics in enterprise management. Individual chapters are dedicated to metrics used in promotional strategy, advertising, and distribution, for example. Each chapter is composed of sections devoted to specific concepts and calculations.

We must present these metrics in a sequence that will appear somewhat arbitrary. In organizing this text, we have sought to strike a balance between two goals: (1) to establish core concepts first and build gradually toward increasing sophistication, and (2) to group related metrics in clusters, helping our readers recognize patterns of mutual reinforcement and interdependence. In Figure 1.1, we offer a graphical presentation of this structure, demonstrating the interlocking nature of all marketing metrics—indeed of all marketing programs—as well as the central role of the customer.

The central issues addressed by the metrics in this book are as follows:

- **Chapter 2—Share of Hearts, Minds, and Markets:** Customer perceptions, market share, and competitive analysis.
- **Chapter 3—Margins and Profits:** Revenues, cost structures, and profitability.
- **Chapter 4—Product and Portfolio Management:** The metrics behind product strategy, including measures of trial, growth, cannibalization, and brand equity.
- **Chapter 5—Customer Profitability:** The value of individual customers and relationships.
- **Chapter 6—Sales Force and Channel Management:** Sales force organization, performance, and compensation. Distribution coverage and logistics.
- **Chapter 7—Pricing Strategy:** Price sensitivity and optimization, with an eye toward setting prices to maximize profits.
Chapter 8—Promotion: Temporary price promotions, coupons, rebates, and trade allowances.

Chapter 9—Advertising Media and Web Metrics: The central measures of advertising coverage and effectiveness, including reach, frequency, rating points, and impressions. Models for consumer response to advertising. Specialized metrics for Web-based campaigns.

Chapter 10—Marketing and Finance: Financial evaluation of marketing programs.


Chapter 12—System of Metrics: Decomposing marketing metrics into component parts can improve measurement accuracy, add managerial insight into problems, and assist marketing model building.
Components of Each Chapter

As shown in Table 1.1, the chapters are composed of multiple sections, each dedicated to specific marketing concepts or metrics. Within each section, we open with definitions, formulas, and a brief description of the metrics covered. Next, in a passage titled Construction, we explore the issues surrounding these metrics, including their formulation, application, interpretation, and strategic ramifications. We provide examples to illustrate calculations, reinforce concepts, and help readers verify their understanding of key formulas. That done, in a passage titled Data Sources, Complications, and Cautions, we probe the limitations of the metrics under consideration and potential pitfalls in their use. Toward that end, we also examine the assumptions underlying these metrics. Finally, we close each section with a brief survey of Related Metrics and Concepts.

In organizing the text in this way, our goal is straightforward: Most of the metrics in this book have broad implications and multiple layers of interpretation. Doctoral theses could be devoted to many of them, and have been written about some. In this book, however, we want to offer an accessible, practical reference. If the devil is in the details, we want to identify, locate, and warn readers against him, but not to elaborate his entire demonology. Consequently, we discuss each metric in stages, working progressively toward increasing levels of sophistication. We invite our readers to sample this information as they see fit, exploring each metric to the depth that they find most useful and rewarding.

With an eye toward accessibility, we have also avoided advanced mathematical notation. Most of the calculations in this book can be performed by hand, on the back of the proverbial envelope. More complex or intensive computations may require a spreadsheet. Nothing further should be needed.

Reference Materials

Throughout this text, we have highlighted formulas and definitions for easy reference. We have also included outlines of key terms at the beginning of each chapter and section. Within each formula, we have followed this notation to define all inputs and outputs.

$—(Dollar Terms): A monetary value. We have used the dollar sign and “dollar terms” for brevity, but any other currency, including the euro, yen, dinar, or yuan, would be equally appropriate.

%—(Percentage): Used as the equivalent of fractions or decimals. For readability, we have intentionally omitted the step of multiplying decimals by 100 to obtain percentages.
#—(Count): Used for such measures as unit sales or number of competitors.

R—(Rating): Expressed on a scale that translates qualitative judgments or preferences into numeric ratings. Example: A survey in which customers are asked to assign a rating of “1” to items that they find least satisfactory and “5” to those that are most satisfactory. Ratings have no intrinsic meaning without reference to their scale and context.

I—(Index): A comparative figure, often linked to or expressive of a market average. Example: the consumer price index. Indexes are often interpreted as a percentage.

References and Suggested Further Reading


<table>
<thead>
<tr>
<th>Section</th>
<th>Metric</th>
<th>Section</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Share of Hearts, Minds, and Markets</em></td>
<td></td>
<td>2.1</td>
<td>Revenue Market Share</td>
</tr>
<tr>
<td>2.1</td>
<td>Unit Market Share</td>
<td>2.1</td>
<td>Unit Market Share</td>
</tr>
<tr>
<td>2.2</td>
<td>Relative Market Share</td>
<td>2.2</td>
<td>Relative Market Share</td>
</tr>
<tr>
<td>2.3</td>
<td>Brand Development Index</td>
<td>2.3</td>
<td>Brand Development Index</td>
</tr>
<tr>
<td>2.3</td>
<td>Category Development Index</td>
<td>2.3</td>
<td>Category Development Index</td>
</tr>
<tr>
<td>2.4–2.6</td>
<td>Decomposition of Market Share</td>
<td>2.4</td>
<td>Market Penetration</td>
</tr>
<tr>
<td>2.4</td>
<td>Penetration Share</td>
<td>2.4</td>
<td>Penetration Share</td>
</tr>
<tr>
<td>2.5</td>
<td>Share of Requirements</td>
<td>2.5</td>
<td>Share of Requirements</td>
</tr>
<tr>
<td>2.6</td>
<td>Heavy Usage Index</td>
<td>2.6</td>
<td>Heavy Usage Index</td>
</tr>
<tr>
<td>2.7</td>
<td>Hierarchy of Effects</td>
<td>2.7</td>
<td>Hierarchy of Effects</td>
</tr>
<tr>
<td>2.7</td>
<td>Awareness</td>
<td>2.7</td>
<td>Awareness</td>
</tr>
<tr>
<td>2.7</td>
<td>Top of Mind</td>
<td>2.7</td>
<td>Top of Mind</td>
</tr>
<tr>
<td>2.7</td>
<td>Ad Awareness</td>
<td>2.7</td>
<td>Ad Awareness</td>
</tr>
<tr>
<td>2.7</td>
<td>Knowledge</td>
<td>2.7</td>
<td>Knowledge</td>
</tr>
<tr>
<td>2.7</td>
<td>Consumer Beliefs</td>
<td>2.7</td>
<td>Consumer Beliefs</td>
</tr>
<tr>
<td>2.7</td>
<td>Purchase Intentions</td>
<td>2.7</td>
<td>Purchase Intentions</td>
</tr>
<tr>
<td>2.7</td>
<td>Purchase Habits</td>
<td>2.7</td>
<td>Purchase Habits</td>
</tr>
<tr>
<td>2.7</td>
<td>Loyalty</td>
<td>2.7</td>
<td>Loyalty</td>
</tr>
<tr>
<td>2.7</td>
<td>Likeability</td>
<td>2.7</td>
<td>Likeability</td>
</tr>
<tr>
<td>2.8</td>
<td>Willingness to Recommend</td>
<td>2.8</td>
<td>Willingness to Recommend</td>
</tr>
<tr>
<td>2.8</td>
<td>Customer Satisfaction</td>
<td>2.8</td>
<td>Customer Satisfaction</td>
</tr>
<tr>
<td>2.9</td>
<td>Net Promoter</td>
<td>2.9</td>
<td>Net Promoter</td>
</tr>
<tr>
<td>2.10</td>
<td>Willingness to Search</td>
<td>2.10</td>
<td>Willingness to Search</td>
</tr>
<tr>
<td><em>Margins and Profits</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Unit Margin</td>
<td>3.1</td>
<td>Unit Margin</td>
</tr>
<tr>
<td>3.1</td>
<td>Margin (%)</td>
<td>3.1</td>
<td>Margin (%)</td>
</tr>
<tr>
<td>3.2</td>
<td>Channel Margins</td>
<td>3.2</td>
<td>Channel Margins</td>
</tr>
<tr>
<td>3.3</td>
<td>Average Price per Unit</td>
<td>3.3</td>
<td>Average Price per Unit</td>
</tr>
<tr>
<td>3.3</td>
<td>Price Per Statistical Unit</td>
<td>3.3</td>
<td>Price Per Statistical Unit</td>
</tr>
<tr>
<td>3.4</td>
<td>Variable and Fixed Costs</td>
<td>3.4</td>
<td>Variable and Fixed Costs</td>
</tr>
<tr>
<td>3.5</td>
<td>Marketing Spending</td>
<td>3.5</td>
<td>Marketing Spending</td>
</tr>
<tr>
<td>3.6</td>
<td>Contribution per Unit</td>
<td>3.6</td>
<td>Contribution per Unit</td>
</tr>
<tr>
<td>3.6</td>
<td>Contribution Margin (%)</td>
<td>3.6</td>
<td>Contribution Margin (%)</td>
</tr>
<tr>
<td>3.6</td>
<td>Break-Even Sales</td>
<td>3.6</td>
<td>Break-Even Sales</td>
</tr>
<tr>
<td>3.7</td>
<td>Target Volume</td>
<td>3.7</td>
<td>Target Volume</td>
</tr>
<tr>
<td>3.7</td>
<td>Target Revenues</td>
<td>3.7</td>
<td>Target Revenues</td>
</tr>
<tr>
<td><em>Product and Portfolio Management</em></td>
<td></td>
<td>4.1</td>
<td>Trial</td>
</tr>
<tr>
<td>4.1</td>
<td>Repeat Volume</td>
<td>4.1</td>
<td>Repeat Volume</td>
</tr>
<tr>
<td>4.1</td>
<td>Penetration</td>
<td>4.1</td>
<td>Penetration</td>
</tr>
<tr>
<td>4.1</td>
<td>Volume Projections</td>
<td>4.1</td>
<td>Volume Projections</td>
</tr>
<tr>
<td>4.2</td>
<td>Year-on-Year Growth</td>
<td>4.2</td>
<td>Year-on-Year Growth</td>
</tr>
<tr>
<td>4.2</td>
<td>Compound Annual Growth Rate (CAGR)</td>
<td>4.2</td>
<td>Compound Annual Growth Rate (CAGR)</td>
</tr>
<tr>
<td>4.3</td>
<td>Cannibalization Rate</td>
<td>4.3</td>
<td>Cannibalization Rate</td>
</tr>
<tr>
<td>4.3</td>
<td>Fair Share Draw Rate</td>
<td>4.3</td>
<td>Fair Share Draw Rate</td>
</tr>
<tr>
<td>4.4</td>
<td>Brand Equity Metrics</td>
<td>4.4</td>
<td>Brand Equity Metrics</td>
</tr>
<tr>
<td>4.5</td>
<td>Conjoint Utilities</td>
<td>4.5</td>
<td>Conjoint Utilities</td>
</tr>
<tr>
<td>4.6</td>
<td>Segment Utilities</td>
<td>4.6</td>
<td>Segment Utilities</td>
</tr>
<tr>
<td>4.7</td>
<td>Conjoint Utilities and Volume Projections</td>
<td>4.7</td>
<td>Conjoint Utilities and Volume Projections</td>
</tr>
<tr>
<td><em>Customer Profitability</em></td>
<td></td>
<td>5.1</td>
<td>Customers</td>
</tr>
<tr>
<td>5.1</td>
<td>Recency</td>
<td>5.1</td>
<td>Recency</td>
</tr>
<tr>
<td>5.1</td>
<td>Retention Rate</td>
<td>5.1</td>
<td>Retention Rate</td>
</tr>
<tr>
<td>5.2</td>
<td>Customer Profit</td>
<td>5.2</td>
<td>Customer Profit</td>
</tr>
<tr>
<td>5.3</td>
<td>Customer Lifetime Value</td>
<td>5.3</td>
<td>Customer Lifetime Value</td>
</tr>
</tbody>
</table>

8 MARKETING METRICS
Table 1.1  Continued

<table>
<thead>
<tr>
<th>Section</th>
<th>Metric</th>
<th>Section</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.4</td>
<td>Prospect Lifetime Value</td>
<td>7.3</td>
<td>Price Elasticity of Demand</td>
</tr>
<tr>
<td>5.5</td>
<td>Average Acquisition Cost</td>
<td>7.4</td>
<td>Optimal Price</td>
</tr>
<tr>
<td>5.5</td>
<td>Average Retention Cost</td>
<td>7.5</td>
<td>Residual Elasticity</td>
</tr>
</tbody>
</table>

**Sales Force and Channel Management**

<table>
<thead>
<tr>
<th>Section</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1</td>
<td>Workload</td>
</tr>
<tr>
<td>6.1</td>
<td>Sales Potential Forecast</td>
</tr>
<tr>
<td>6.2</td>
<td>Sales Goal</td>
</tr>
<tr>
<td>6.3</td>
<td>Sales Force Effectiveness</td>
</tr>
<tr>
<td>6.4</td>
<td>Compensation</td>
</tr>
<tr>
<td>6.4</td>
<td>Break-Even Number of Employees</td>
</tr>
<tr>
<td>6.5</td>
<td>Sales Funnel, Sales Pipeline</td>
</tr>
<tr>
<td>6.6</td>
<td>Numeric Distribution</td>
</tr>
<tr>
<td>6.6</td>
<td>All Commodity Volume (ACV)</td>
</tr>
<tr>
<td>6.6</td>
<td>Product Category Volume (PCV)</td>
</tr>
<tr>
<td>6.6</td>
<td>Total Distribution</td>
</tr>
<tr>
<td>6.6</td>
<td>Category Performance Ratio</td>
</tr>
<tr>
<td>6.7</td>
<td>Out of Stock</td>
</tr>
<tr>
<td>6.7</td>
<td>Inventories</td>
</tr>
<tr>
<td>6.8</td>
<td>Markdowns</td>
</tr>
<tr>
<td>6.8</td>
<td>Direct Product Profitability (DPP)</td>
</tr>
<tr>
<td>6.8</td>
<td>Gross Margin Return on Inventory Investment (GMROII)</td>
</tr>
</tbody>
</table>

**Promotion**

<table>
<thead>
<tr>
<th>Section</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>Price Premium</td>
</tr>
<tr>
<td>7.2</td>
<td>Reservation Price</td>
</tr>
<tr>
<td>7.2</td>
<td>Percent Good Value</td>
</tr>
</tbody>
</table>

**Advertising Media and Web Metrics**

<table>
<thead>
<tr>
<th>Section</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1</td>
<td>Impressions</td>
</tr>
<tr>
<td>9.1</td>
<td>Gross Rating Points (GRPs)</td>
</tr>
<tr>
<td>9.2</td>
<td>Cost per Thousand Impressions (CPM)</td>
</tr>
<tr>
<td>9.3</td>
<td>Net Reach</td>
</tr>
<tr>
<td>9.3</td>
<td>Average Frequency</td>
</tr>
<tr>
<td>9.4</td>
<td>Frequency Response Functions</td>
</tr>
<tr>
<td>9.5</td>
<td>Effective Reach</td>
</tr>
<tr>
<td>9.5</td>
<td>Effective Frequency</td>
</tr>
<tr>
<td>9.6</td>
<td>Share of Voice</td>
</tr>
<tr>
<td>9.7</td>
<td>Pageviews</td>
</tr>
<tr>
<td>9.8</td>
<td>Rich Media Display Time</td>
</tr>
</tbody>
</table>
### Table 1.1  
Continued

<table>
<thead>
<tr>
<th>Section</th>
<th>Metric</th>
<th>Section</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.9</td>
<td>Rich Media Interaction Rate</td>
<td>10.1</td>
<td>Net Profit</td>
</tr>
<tr>
<td>9.10</td>
<td>Clickthrough Rate</td>
<td>10.1</td>
<td>Return on Sales (ROS)</td>
</tr>
<tr>
<td>9.11</td>
<td>Cost per Click</td>
<td>10.1</td>
<td>Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)</td>
</tr>
<tr>
<td>9.11</td>
<td>Cost per Order</td>
<td>10.1</td>
<td>Economic Profit (aka EVA®)</td>
</tr>
<tr>
<td>9.11</td>
<td>Cost per Customer Acquired</td>
<td>10.2</td>
<td>Return on Investment (ROI)</td>
</tr>
<tr>
<td>9.12</td>
<td>Visits</td>
<td>10.3</td>
<td>Payback</td>
</tr>
<tr>
<td>9.12</td>
<td>Visitors</td>
<td>10.3</td>
<td>Economic Profit (aka EVA®)</td>
</tr>
<tr>
<td>9.12</td>
<td>Abandonment Rate</td>
<td>10.4</td>
<td>Payback</td>
</tr>
<tr>
<td>9.13</td>
<td>Bounce Rate</td>
<td>10.4</td>
<td>Net Present Value (NPV)</td>
</tr>
<tr>
<td>9.14</td>
<td>Friends/Followers/Supporters</td>
<td>10.4</td>
<td>Internal Rate of Return (IRR)</td>
</tr>
<tr>
<td>9.15</td>
<td>Downloads</td>
<td>10.5</td>
<td>Return on Marketing Investment (ROMI); Revenue</td>
</tr>
</tbody>
</table>

## 1.6 Marketing Metrics Survey

**Why Do a Survey of Which Metrics Are Most Useful?**

From the beginning of our work on this book, we have fielded requests from colleagues, editors, and others to provide a short list of the “key” or “top ten” marketing metrics. The intuition behind this request is that readers (managers and students) ought to be able to focus their attention on the “most important” metrics. Until now we have resisted that request.

Our reasons for not providing the smaller, more concentrated list of “really important” metrics are as follows. First, we believe that any ranking of marketing metrics from most to least useful will depend on the type of business under consideration. For example, marketers of business-to-business products and services that go to market through a direct sales force don’t need metrics that measure retail availability or dealer productivity.

The second reason we believe that different businesses will have different rankings is that metrics tend to come in matched sets. For example, if customer lifetime value is important to your business (let’s say, financial services), then you are likely to value
measures of retention and acquisition costs as well. The same notion applies to retail, media, sales force, and Web traffic metrics. If some of these are important to you, others in the same general categories are likely to be rated as useful, too.

Third, businesses don’t always have access (at a reasonable cost) to the metrics they would like to have. Inevitably, some of the rankings presented will reflect the cost of obtaining the data that underlie the particular metrics.

Fourth, some metrics might be ranked lower, but ultimately prove to be useful, after managers fully understand the pros and cons of a particular metric. For example, many believe that Economic Value Added (EVA) is the “gold standard” of profitability metrics, but it ranks far below other financial performance measures such as ROI. We believe one reason for the low ranking of EVA is that this metric is less applicable at the “operating level” than for overall corporate performance. The other reason is that the measure is relatively new, and many managers don’t understand it as well. Customer Lifetime Value is another metric that is gaining acceptance, but is still unfamiliar to many managers. If all these metrics were well understood, there would be no need for a book of this type.

In summary, while we believe the rankings resulting from our survey can be useful, we ask readers to keep the above points in mind. We report in Tables 1.2 (page 13) and 1.3 (page 21) the overall ranking of the usefulness of various metrics as well as the different rankings for different types of businesses and different categories of metrics. Although no business is likely to be exactly like yours, we thought readers might find it useful to see what other marketers thought which metrics were most useful in monitoring and managing their businesses. For a look at the complete survey, see Appendix A.

Survey Sample

Our survey was completed by 194 senior marketing managers and executives. More than 100 held the title of Vice President/Director/Manager or “Head” of Marketing, some with global responsibility. Most held titles such as VP of Marketing, Marketing Director, and Director Sales and Marketing. There were 10 presidents and C-level managers with heavy marketing responsibilities, and the remaining respondents included product/project/category managers, trade marketing managers, pricing managers, key account managers, development managers, and assistant/associate vice presidents.

Industries represented in our survey are too diverse to easily summarize. No more than 10 responses from a single industry were recorded, and the respondents listed their markets as aerospace, automobiles, banking, chemicals, consumer goods, construction, computers, consulting, education, industrial distribution, investments, government, health care, housing, insurance, information technology, manufacturing, materials, medical devices, paints, pharmaceuticals, retailing, software, telecommunications, and transportation. Roughly 20% of respondents did not provide a specific industry.
Survey questions asked respondents to rate the usefulness of particular metrics in monitoring and managing their businesses. Note that this survey asks managers to give ratings with respect to how these metrics are actually used but does not inquire about the reason. Nor did the survey offer guidance concerning the meaning of “useful”—that was left as a matter of interpretation for survey participants.

Financial metrics are generally rated very high in usefulness compared to any true marketing metrics. This is not surprising given that financial metrics are common to almost every business.
<table>
<thead>
<tr>
<th>Group</th>
<th>All Who Responded to Question</th>
<th>Customer Relationship</th>
<th>What Does Your Business Sell?</th>
<th>Who Are Your Customers?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Contract</td>
<td>Frequent Purchase</td>
<td>Infrequent Purchase</td>
</tr>
<tr>
<td></td>
<td></td>
<td># of People in Group</td>
<td>194</td>
<td>65</td>
</tr>
<tr>
<td>Metric</td>
<td>Question Number</td>
<td>Chapter in Book</td>
<td>% Saying Very Useful</td>
<td>Rank</td>
</tr>
<tr>
<td>Net Profit</td>
<td>Q8.10#1</td>
<td>10</td>
<td>91%</td>
<td>1</td>
</tr>
<tr>
<td>Margin %</td>
<td>Q8.3#2</td>
<td>3</td>
<td>78%</td>
<td>2</td>
</tr>
<tr>
<td>Return on Investment</td>
<td>Q8.10#3</td>
<td>10</td>
<td>77%</td>
<td>3</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>Q8.2#12</td>
<td>2</td>
<td>71%</td>
<td>4</td>
</tr>
<tr>
<td>Target Revenues</td>
<td>Q8.4#2</td>
<td>3</td>
<td>71%</td>
<td>5</td>
</tr>
<tr>
<td>Sales Total</td>
<td>Q8.6#3</td>
<td>6</td>
<td>70%</td>
<td>6</td>
</tr>
<tr>
<td>Target Volumes</td>
<td>Q8.4#1</td>
<td>3</td>
<td>70%</td>
<td>7</td>
</tr>
<tr>
<td>Return on Sales</td>
<td>Q8.10#2</td>
<td>10</td>
<td>69%</td>
<td>8</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Q8.2#8</td>
<td>2</td>
<td>69%</td>
<td>9</td>
</tr>
<tr>
<td>Annual Growth %</td>
<td>Q8.4#7</td>
<td>4</td>
<td>69%</td>
<td>10</td>
</tr>
<tr>
<td>Dollar Market Share</td>
<td>Q8.1#1</td>
<td>2</td>
<td>67%</td>
<td>11</td>
</tr>
<tr>
<td>Group</td>
<td># of People in Group</td>
<td>All Who Responded to Question</td>
<td>Customer Relationship</td>
<td>What Does Your Business Sell?</td>
</tr>
<tr>
<td>-------</td>
<td>---------------------</td>
<td>-------------------------------</td>
<td>----------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Contract Frequent Infrequent Products Services Mixed</td>
<td>End Consumers Business Mixed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rank Rank Rank Rank Rank Rank Rank Rank Rank Rank Rank</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>194</td>
<td>65 69 41 105 36 31</td>
<td>44 85 48</td>
</tr>
<tr>
<td>Metric</td>
<td>Question Number</td>
<td>Chapter in Book</td>
<td>% Saying Very Useful</td>
<td>Rank</td>
</tr>
<tr>
<td>Customers</td>
<td>Q8.5#1</td>
<td>5</td>
<td>67%</td>
<td>12</td>
</tr>
<tr>
<td>Unit Margin</td>
<td>Q8.3#1</td>
<td>3</td>
<td>65%</td>
<td>13</td>
</tr>
<tr>
<td>Retention Rate</td>
<td>Q8.5#3</td>
<td>5</td>
<td>63%</td>
<td>14</td>
</tr>
<tr>
<td>Sales Potential Forecast</td>
<td>Q8.6#2</td>
<td>6</td>
<td>62%</td>
<td>15</td>
</tr>
<tr>
<td>Unit Market Share</td>
<td>Q8.1#2</td>
<td>2</td>
<td>61%</td>
<td>16</td>
</tr>
<tr>
<td>Brand Awareness</td>
<td>Q8.2#1</td>
<td>2</td>
<td>61%</td>
<td>17</td>
</tr>
<tr>
<td>Variable and Fixed Costs</td>
<td>Q8.3#6</td>
<td>3</td>
<td>60%</td>
<td>18</td>
</tr>
<tr>
<td>Willingness to Recommend</td>
<td>Q8.2#10</td>
<td>2</td>
<td>57%</td>
<td>19</td>
</tr>
<tr>
<td>Volume Projections</td>
<td>Q8.4#6</td>
<td>4</td>
<td>56%</td>
<td>20</td>
</tr>
<tr>
<td>Sales Force Effective</td>
<td>Q8.6#4</td>
<td>6</td>
<td>54%</td>
<td>21</td>
</tr>
<tr>
<td>Price Premium</td>
<td>Q8.8#1</td>
<td>7</td>
<td>54%</td>
<td>22</td>
</tr>
<tr>
<td>Metric</td>
<td>Index</td>
<td>Value</td>
<td>Value 1</td>
<td>Value 2</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>--------</td>
<td>-------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Marketing Spending</td>
<td>Q8.3#7</td>
<td>3</td>
<td>52%</td>
<td>23</td>
</tr>
<tr>
<td>Average Price per Unit</td>
<td>Q8.3#4</td>
<td>3</td>
<td>51%</td>
<td>24</td>
</tr>
<tr>
<td>Penetration</td>
<td>Q8.4#5</td>
<td>4</td>
<td>50%</td>
<td>25</td>
</tr>
<tr>
<td>Top of Mind</td>
<td>Q8.2#2</td>
<td>2</td>
<td>50%</td>
<td>26</td>
</tr>
<tr>
<td>Compensation</td>
<td>Q8.6#5</td>
<td>6</td>
<td>49%</td>
<td>27</td>
</tr>
<tr>
<td>Return on Marketing Investment (ROMI)</td>
<td>Q8.10#8</td>
<td>10</td>
<td>49%</td>
<td>27</td>
</tr>
<tr>
<td>Consumer Beliefs</td>
<td>Q8.2#5</td>
<td>2</td>
<td>48%</td>
<td>29</td>
</tr>
<tr>
<td>Contribution Margin %</td>
<td>Q8.3#9</td>
<td>3</td>
<td>47%</td>
<td>30</td>
</tr>
<tr>
<td>Net Present Value</td>
<td>Q8.10#6</td>
<td>10</td>
<td>46%</td>
<td>31</td>
</tr>
<tr>
<td>Market Penetration</td>
<td>Q8.1#6</td>
<td>2</td>
<td>45%</td>
<td>32</td>
</tr>
<tr>
<td>Sales Funnel, Sales Pipeline</td>
<td>Q8.6#7</td>
<td>6</td>
<td>44%</td>
<td>33</td>
</tr>
<tr>
<td>Relative Market Share</td>
<td>Q8.1#3</td>
<td>2</td>
<td>44%</td>
<td>34</td>
</tr>
<tr>
<td>Purchase Habits</td>
<td>Q8.2#7</td>
<td>2</td>
<td>43%</td>
<td>35</td>
</tr>
<tr>
<td>Inventories</td>
<td>Q8.7#7</td>
<td>6</td>
<td>43%</td>
<td>36</td>
</tr>
<tr>
<td>Likeability</td>
<td>Q8.2#9</td>
<td>2</td>
<td>43%</td>
<td>37</td>
</tr>
<tr>
<td>Effective Reach</td>
<td>Q8.9#6</td>
<td>9</td>
<td>42%</td>
<td>38</td>
</tr>
<tr>
<td>Economic Profit (EVA)</td>
<td>Q8.10#4</td>
<td>10</td>
<td>41%</td>
<td>39</td>
</tr>
<tr>
<td>Impressions</td>
<td>Q8.9#1</td>
<td>9</td>
<td>41%</td>
<td>40</td>
</tr>
<tr>
<td>Customer Profit</td>
<td>Q8.5#4</td>
<td>5</td>
<td>41%</td>
<td>41</td>
</tr>
<tr>
<td>Optimal Price</td>
<td>Q8.8#5</td>
<td>7</td>
<td>41%</td>
<td>42</td>
</tr>
<tr>
<td>Metric</td>
<td>Question Number</td>
<td>Chapter in Book</td>
<td>% Saying Very Useful</td>
<td>All Who Responded to Question</td>
</tr>
<tr>
<td>------------------------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>----------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Contract</td>
</tr>
<tr>
<td># of People in Group</td>
<td></td>
<td></td>
<td></td>
<td>194</td>
</tr>
<tr>
<td>Payback</td>
<td>Q8.10#5</td>
<td>10</td>
<td>41%</td>
<td>42</td>
</tr>
<tr>
<td>Incremental Sales or Promotional Lift</td>
<td>Q8.8#8</td>
<td>8</td>
<td>41%</td>
<td>44</td>
</tr>
<tr>
<td>Consumer Knowledge</td>
<td>Q8.2#4</td>
<td>2</td>
<td>40%</td>
<td>45</td>
</tr>
<tr>
<td>Contribution per Unit</td>
<td>Q8.3#8</td>
<td>3</td>
<td>40%</td>
<td>46</td>
</tr>
<tr>
<td>Break-Even Sales</td>
<td>Q8.3#10</td>
<td>3</td>
<td>40%</td>
<td>46</td>
</tr>
<tr>
<td>Customer Lifetime Value</td>
<td>Q8.5#5</td>
<td>5</td>
<td>39%</td>
<td>48</td>
</tr>
<tr>
<td>Price Elasticity</td>
<td>Q8.8#4</td>
<td>7</td>
<td>39%</td>
<td>48</td>
</tr>
<tr>
<td>Purchase Intentions</td>
<td>Q8.2#6</td>
<td>2</td>
<td>39%</td>
<td>50</td>
</tr>
<tr>
<td>Growth CAGR</td>
<td>Q8.4#8</td>
<td>4</td>
<td>38%</td>
<td>51</td>
</tr>
<tr>
<td>Internal Rate of Return</td>
<td>Q8.10#7</td>
<td>10</td>
<td>38%</td>
<td>52</td>
</tr>
<tr>
<td>Effective Frequency</td>
<td>Q8.9#7</td>
<td>9</td>
<td>37%</td>
<td>53</td>
</tr>
<tr>
<td>Metric</td>
<td>Q#</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Visitors</td>
<td>Q8.9#15</td>
<td>9</td>
<td>37%</td>
<td>54</td>
</tr>
<tr>
<td>Average Acquisition Cost</td>
<td>Q8.5#7</td>
<td>5</td>
<td>36%</td>
<td>55</td>
</tr>
<tr>
<td>Share of Voice</td>
<td>Q8.9#8</td>
<td>9</td>
<td>36%</td>
<td>55</td>
</tr>
<tr>
<td>Visits</td>
<td>Q8.9#14</td>
<td>9</td>
<td>36%</td>
<td>57</td>
</tr>
<tr>
<td>Workload</td>
<td>Q8.6#1</td>
<td>6</td>
<td>36%</td>
<td>58</td>
</tr>
<tr>
<td>Repeat Volume</td>
<td>Q8.4#4</td>
<td>4</td>
<td>36%</td>
<td>59</td>
</tr>
<tr>
<td>Clickthrough Rate</td>
<td>Q8.9#10</td>
<td>9</td>
<td>35%</td>
<td>60</td>
</tr>
<tr>
<td>Baseline Sales</td>
<td>Q8.8#7</td>
<td>8</td>
<td>34%</td>
<td>61</td>
</tr>
<tr>
<td>Total Distribution</td>
<td>Q8.7#4</td>
<td>6</td>
<td>34%</td>
<td>62</td>
</tr>
<tr>
<td>Net Reach</td>
<td>Q8.9#4</td>
<td>9</td>
<td>34%</td>
<td>62</td>
</tr>
<tr>
<td>Brand Penetration</td>
<td>Q8.1#7</td>
<td>2</td>
<td>34%</td>
<td>64</td>
</tr>
<tr>
<td>Out of Stock %</td>
<td>Q8.7#6</td>
<td>6</td>
<td>33%</td>
<td>65</td>
</tr>
<tr>
<td>Average Retention Cost</td>
<td>Q8.5#8</td>
<td>5</td>
<td>33%</td>
<td>66</td>
</tr>
<tr>
<td>Product Category Volume</td>
<td>Q8.7#3</td>
<td>6</td>
<td>33%</td>
<td>67</td>
</tr>
<tr>
<td>Cost per Customer Acquired</td>
<td>Q8.9#13</td>
<td>9</td>
<td>32%</td>
<td>68</td>
</tr>
<tr>
<td>Average Frequency</td>
<td>Q8.9#5</td>
<td>9</td>
<td>31%</td>
<td>69</td>
</tr>
<tr>
<td>Channel Margin</td>
<td>Q8.3#3</td>
<td>3</td>
<td>30%</td>
<td>70</td>
</tr>
<tr>
<td>Direct Product Profitability</td>
<td>Q8.7#9</td>
<td>6</td>
<td>30%</td>
<td>71</td>
</tr>
<tr>
<td>Recency</td>
<td>Q8.5#2</td>
<td>5</td>
<td>29%</td>
<td>72</td>
</tr>
<tr>
<td>Cost per Thousand Impression</td>
<td>Q8.9#3</td>
<td>9</td>
<td>28%</td>
<td>73</td>
</tr>
</tbody>
</table>
### Table 1.2  Continued

<table>
<thead>
<tr>
<th>Metric</th>
<th>Question Number</th>
<th>Chapter in Book</th>
<th>% Saying Very Useful</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pageview</td>
<td>Q8.9#9</td>
<td>9</td>
<td>28%</td>
<td>74</td>
<td>45</td>
<td>84</td>
<td>88</td>
<td>87</td>
<td>54</td>
<td>46</td>
<td>56</td>
<td>83</td>
<td>69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost per Click</td>
<td>Q8.9#11</td>
<td>9</td>
<td>27%</td>
<td>75</td>
<td>56</td>
<td>86</td>
<td>77</td>
<td>79</td>
<td>46</td>
<td>65</td>
<td>53</td>
<td>88</td>
<td>75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand Equity Metrics</td>
<td>Q8.4#10</td>
<td>4</td>
<td>26%</td>
<td>76</td>
<td>76</td>
<td>76</td>
<td>77</td>
<td>68</td>
<td>72</td>
<td>89</td>
<td>58</td>
<td>90</td>
<td>74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Markdowns</td>
<td>Q8.7#8</td>
<td>6</td>
<td>26%</td>
<td>77</td>
<td>96</td>
<td>52</td>
<td>84</td>
<td>65</td>
<td>106</td>
<td>80</td>
<td>34</td>
<td>90</td>
<td>86</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cannibalization Rate</td>
<td>Q8.4#9</td>
<td>4</td>
<td>24%</td>
<td>78</td>
<td>88</td>
<td>65</td>
<td>95</td>
<td>74</td>
<td>83</td>
<td>97</td>
<td>78</td>
<td>76</td>
<td>91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abandonment Rate</td>
<td>Q8.9#16</td>
<td>9</td>
<td>24%</td>
<td>79</td>
<td>56</td>
<td>90</td>
<td>95</td>
<td>90</td>
<td>62</td>
<td>71</td>
<td>81</td>
<td>87</td>
<td>68</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad Awareness</td>
<td>Q8.2#3</td>
<td>2</td>
<td>23%</td>
<td>80</td>
<td>76</td>
<td>88</td>
<td>77</td>
<td>78</td>
<td>72</td>
<td>80</td>
<td>64</td>
<td>104</td>
<td>75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost per Order</td>
<td>Q8.9#12</td>
<td>9</td>
<td>23%</td>
<td>81</td>
<td>71</td>
<td>91</td>
<td>74</td>
<td>90</td>
<td>67</td>
<td>65</td>
<td>95</td>
<td>73</td>
<td>75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Rating Points</td>
<td>Q8.9#2</td>
<td>9</td>
<td>23%</td>
<td>82</td>
<td>88</td>
<td>91</td>
<td>58</td>
<td>84</td>
<td>67</td>
<td>80</td>
<td>42</td>
<td>99</td>
<td>92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Break-Even Number of Employees</td>
<td>Q8.6#6</td>
<td>6</td>
<td>23%</td>
<td>83</td>
<td>66</td>
<td>96</td>
<td>71</td>
<td>100</td>
<td>46</td>
<td>59</td>
<td>85</td>
<td>69</td>
<td>96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hierarchy of Effects</td>
<td>Q8.1#11</td>
<td>2</td>
<td>23%</td>
<td>84</td>
<td>81</td>
<td>83</td>
<td>84</td>
<td>80</td>
<td>72</td>
<td>86</td>
<td>92</td>
<td>83</td>
<td>69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metric</td>
<td>Index</td>
<td>Q</td>
<td>%</td>
<td>6</td>
<td>85</td>
<td>108</td>
<td>75</td>
<td>62</td>
<td>73</td>
<td>106</td>
<td>103</td>
<td>69</td>
<td>89</td>
<td>97</td>
<td></td>
</tr>
<tr>
<td>------------------------------</td>
<td>---------</td>
<td>------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td></td>
</tr>
<tr>
<td>Numeric Distribution %</td>
<td>Q8.7#1</td>
<td>6</td>
<td>22%</td>
<td>85</td>
<td>108</td>
<td>75</td>
<td>62</td>
<td>73</td>
<td>106</td>
<td>103</td>
<td>69</td>
<td>89</td>
<td>97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Commodity Volume</td>
<td>Q8.7#2</td>
<td>6</td>
<td>22%</td>
<td>85</td>
<td>96</td>
<td>67</td>
<td>93</td>
<td>75</td>
<td>83</td>
<td>89</td>
<td>69</td>
<td>78</td>
<td>104</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Penetration Share</td>
<td>Q8.1#8</td>
<td>2</td>
<td>22%</td>
<td>87</td>
<td>76</td>
<td>93</td>
<td>74</td>
<td>84</td>
<td>72</td>
<td>75</td>
<td>95</td>
<td>75</td>
<td>79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand Development Index</td>
<td>Q8.1#4</td>
<td>2</td>
<td>21%</td>
<td>88</td>
<td>91</td>
<td>79</td>
<td>94</td>
<td>89</td>
<td>83</td>
<td>75</td>
<td>80</td>
<td>94</td>
<td>79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prospect Lifetime Value</td>
<td>Q8.5#6</td>
<td>5</td>
<td>21%</td>
<td>89</td>
<td>81</td>
<td>106</td>
<td>66</td>
<td>95</td>
<td>46</td>
<td>104</td>
<td>98</td>
<td>67</td>
<td>97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage Sales on Deal</td>
<td>Q8.8#12</td>
<td>8</td>
<td>21%</td>
<td>89</td>
<td>91</td>
<td>82</td>
<td>87</td>
<td>92</td>
<td>83</td>
<td>72</td>
<td>87</td>
<td>79</td>
<td>92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willingness to Search</td>
<td>Q8.2#13</td>
<td>2</td>
<td>20%</td>
<td>91</td>
<td>71</td>
<td>102</td>
<td>77</td>
<td>86</td>
<td>72</td>
<td>107</td>
<td>85</td>
<td>79</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trial Volume</td>
<td>Q8.4#3</td>
<td>4</td>
<td>19%</td>
<td>92</td>
<td>90</td>
<td>72</td>
<td>108</td>
<td>82</td>
<td>96</td>
<td>97</td>
<td>90</td>
<td>79</td>
<td>103</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Promoter Score</td>
<td>Q8.2#11</td>
<td>2</td>
<td>19%</td>
<td>93</td>
<td>55</td>
<td>101</td>
<td>103</td>
<td>94</td>
<td>61</td>
<td>107</td>
<td>106</td>
<td>58</td>
<td>109</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facings</td>
<td>Q8.7#5</td>
<td>6</td>
<td>19%</td>
<td>94</td>
<td>99</td>
<td>66</td>
<td>105</td>
<td>81</td>
<td>72</td>
<td>107</td>
<td>45</td>
<td>99</td>
<td>110</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redemption Rates</td>
<td>Q8.8#9</td>
<td>8</td>
<td>19%</td>
<td>95</td>
<td>102</td>
<td>69</td>
<td>100</td>
<td>92</td>
<td>96</td>
<td>104</td>
<td>82</td>
<td>94</td>
<td>92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Coupons/ Rebates</td>
<td>Q8.8#10</td>
<td>8</td>
<td>19%</td>
<td>95</td>
<td>102</td>
<td>77</td>
<td>90</td>
<td>87</td>
<td>96</td>
<td>97</td>
<td>87</td>
<td>102</td>
<td>79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Category Development Index</td>
<td>Q8.1#5</td>
<td>2</td>
<td>18%</td>
<td>97</td>
<td>95</td>
<td>87</td>
<td>103</td>
<td>97</td>
<td>83</td>
<td>86</td>
<td>99</td>
<td>92</td>
<td>79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reservation Price</td>
<td>Q8.8#2</td>
<td>7</td>
<td>17%</td>
<td>98</td>
<td>99</td>
<td>93</td>
<td>84</td>
<td>96</td>
<td>72</td>
<td>89</td>
<td>100</td>
<td>86</td>
<td>99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GMROII</td>
<td>Q8.7#10</td>
<td>6</td>
<td>16%</td>
<td>99</td>
<td>102</td>
<td>84</td>
<td>99</td>
<td>98</td>
<td>96</td>
<td>89</td>
<td>87</td>
<td>94</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent Good Value</td>
<td>Q8.8#3</td>
<td>7</td>
<td>16%</td>
<td>99</td>
<td>91</td>
<td>108</td>
<td>77</td>
<td>107</td>
<td>67</td>
<td>72</td>
<td>100</td>
<td>109</td>
<td>62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage Sales with Coupon</td>
<td>Q8.8#11</td>
<td>8</td>
<td>16%</td>
<td>99</td>
<td>109</td>
<td>88</td>
<td>90</td>
<td>98</td>
<td>96</td>
<td>89</td>
<td>93</td>
<td>105</td>
<td>86</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price per Statistical Unit</td>
<td>Q8.3#5</td>
<td>3</td>
<td>16%</td>
<td>102</td>
<td>91</td>
<td>102</td>
<td>90</td>
<td>104</td>
<td>83</td>
<td>65</td>
<td>104</td>
<td>94</td>
<td>79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conjoint Utilities</td>
<td>Q8.4#11</td>
<td>4</td>
<td>14%</td>
<td>103</td>
<td>81</td>
<td>99</td>
<td>108</td>
<td>101</td>
<td>92</td>
<td>89</td>
<td>107</td>
<td>94</td>
<td>89</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual Elasticity</td>
<td>Q8.8#6</td>
<td>7</td>
<td>14%</td>
<td>104</td>
<td>98</td>
<td>109</td>
<td>77</td>
<td>102</td>
<td>92</td>
<td>97</td>
<td>109</td>
<td>92</td>
<td>92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>All Who Responded to Question</td>
<td>Customer Relationship</td>
<td>What Does Your Business Sell?</td>
<td>Who Are Your Customers?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------</td>
<td>------------------------------</td>
<td>-----------------------</td>
<td>--------------------------------</td>
<td>------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contract</td>
<td>Frequent Purchase</td>
<td>Infrequent Purchase</td>
<td>Products</td>
<td>Services</td>
<td>Mixed</td>
<td>End Consumers</td>
<td>Business</td>
<td>Mixed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td># of People in Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>194</td>
<td>65</td>
<td>69</td>
<td>41</td>
<td>105</td>
<td>36</td>
<td>31</td>
<td>44</td>
<td>85</td>
<td>48</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Metric</th>
<th>Question Number</th>
<th>Chapter in Book</th>
<th>% Saying Very Useful</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Time on Deal</td>
<td>Q8.8#13</td>
<td>8</td>
<td>14%</td>
<td>105</td>
<td>102</td>
<td>96</td>
<td>95</td>
<td>105</td>
<td>96</td>
<td>105</td>
<td>96</td>
<td>97</td>
<td>102</td>
<td>104</td>
<td></td>
</tr>
<tr>
<td>Conjoint Utilities &amp; Volume Projection</td>
<td>Q8.4#12</td>
<td>4</td>
<td>13%</td>
<td>106</td>
<td>87</td>
<td>99</td>
<td>108</td>
<td>103</td>
<td>92</td>
<td>89</td>
<td>103</td>
<td>105</td>
<td>89</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pass-Through</td>
<td>Q8.8#15</td>
<td>8</td>
<td>11%</td>
<td>107</td>
<td>102</td>
<td>107</td>
<td>100</td>
<td>108</td>
<td>83</td>
<td>97</td>
<td>102</td>
<td>108</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of Requirements</td>
<td>Q8.1#9</td>
<td>2</td>
<td>10%</td>
<td>108</td>
<td>102</td>
<td>102</td>
<td>105</td>
<td>106</td>
<td>106</td>
<td>106</td>
<td>108</td>
<td>99</td>
<td>108</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Deal Depth</td>
<td>Q8.8#14</td>
<td>8</td>
<td>10%</td>
<td>109</td>
<td>110</td>
<td>105</td>
<td>100</td>
<td>109</td>
<td>96</td>
<td>97</td>
<td>105</td>
<td>107</td>
<td>104</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heavy Usage Index</td>
<td>Q8.1#10</td>
<td>2</td>
<td>6%</td>
<td>110</td>
<td>101</td>
<td>110</td>
<td>107</td>
<td>110</td>
<td>96</td>
<td>110</td>
<td>110</td>
<td>110</td>
<td>104</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 1.3  Ranking of Metrics by Category/Chapter (See Appendix A for complete survey)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Section in Survey</th>
<th>Question Number</th>
<th>Chapter in Book</th>
<th>% Saying Very Useful</th>
<th>Ranking in Survey Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar Market Share</td>
<td>1</td>
<td>Q8.1#1</td>
<td>2</td>
<td>67%</td>
<td>1</td>
</tr>
<tr>
<td>Unit Market Share</td>
<td>1</td>
<td>Q8.1#2</td>
<td>2</td>
<td>61%</td>
<td>2</td>
</tr>
<tr>
<td>Market Penetration</td>
<td>1</td>
<td>Q8.1#6</td>
<td>2</td>
<td>45%</td>
<td>3</td>
</tr>
<tr>
<td>Relative Market Share</td>
<td>1</td>
<td>Q8.1#3</td>
<td>2</td>
<td>44%</td>
<td>4</td>
</tr>
<tr>
<td>Brand Penetration</td>
<td>1</td>
<td>Q8.1#7</td>
<td>2</td>
<td>34%</td>
<td>5</td>
</tr>
<tr>
<td>Hierarchy of Effects</td>
<td>1</td>
<td>Q8.1#11</td>
<td>2</td>
<td>23%</td>
<td>6</td>
</tr>
<tr>
<td>Penetration Share</td>
<td>1</td>
<td>Q8.1#8</td>
<td>2</td>
<td>22%</td>
<td>7</td>
</tr>
<tr>
<td>Brand Development Index</td>
<td>1</td>
<td>Q8.1#4</td>
<td>2</td>
<td>21%</td>
<td>8</td>
</tr>
<tr>
<td>Category Development Index</td>
<td>1</td>
<td>Q8.1#5</td>
<td>2</td>
<td>18%</td>
<td>9</td>
</tr>
<tr>
<td>Share of Requirements</td>
<td>1</td>
<td>Q8.1#9</td>
<td>2</td>
<td>10%</td>
<td>10</td>
</tr>
<tr>
<td>Heavy Usage Index</td>
<td>1</td>
<td>Q8.1#10</td>
<td>2</td>
<td>6%</td>
<td>11</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>2</td>
<td>Q8.2#12</td>
<td>2</td>
<td>71%</td>
<td>1</td>
</tr>
<tr>
<td>Loyalty</td>
<td>2</td>
<td>Q8.2#8</td>
<td>2</td>
<td>69%</td>
<td>2</td>
</tr>
<tr>
<td>Brand Awareness</td>
<td>2</td>
<td>Q8.2#1</td>
<td>2</td>
<td>61%</td>
<td>3</td>
</tr>
<tr>
<td>Willingness to Recommend</td>
<td>2</td>
<td>Q8.2#10</td>
<td>2</td>
<td>57%</td>
<td>4</td>
</tr>
<tr>
<td>Top of Mind</td>
<td>2</td>
<td>Q8.2#2</td>
<td>2</td>
<td>50%</td>
<td>5</td>
</tr>
<tr>
<td>Consumer Beliefs</td>
<td>2</td>
<td>Q8.2#5</td>
<td>2</td>
<td>48%</td>
<td>6</td>
</tr>
<tr>
<td>Purchase Habits</td>
<td>2</td>
<td>Q8.2#7</td>
<td>2</td>
<td>43%</td>
<td>7</td>
</tr>
<tr>
<td>Likeability</td>
<td>2</td>
<td>Q8.2#9</td>
<td>2</td>
<td>43%</td>
<td>8</td>
</tr>
<tr>
<td>Consumer Knowledge</td>
<td>2</td>
<td>Q8.2#4</td>
<td>2</td>
<td>40%</td>
<td>9</td>
</tr>
<tr>
<td>Purchase Intentions</td>
<td>2</td>
<td>Q8.2#6</td>
<td>2</td>
<td>39%</td>
<td>10</td>
</tr>
<tr>
<td>Ad Awareness</td>
<td>2</td>
<td>Q8.2#3</td>
<td>2</td>
<td>23%</td>
<td>11</td>
</tr>
<tr>
<td>Willingness to Search</td>
<td>2</td>
<td>Q8.2#13</td>
<td>2</td>
<td>20%</td>
<td>12</td>
</tr>
<tr>
<td>Net Promoter Score</td>
<td>2</td>
<td>Q8.2#11</td>
<td>2</td>
<td>19%</td>
<td>13</td>
</tr>
<tr>
<td>Margin %</td>
<td>3</td>
<td>Q8.3#2</td>
<td>3</td>
<td>78%</td>
<td>1</td>
</tr>
<tr>
<td>Unit Margin</td>
<td>3</td>
<td>Q8.3#1</td>
<td>3</td>
<td>65%</td>
<td>2</td>
</tr>
<tr>
<td>Variable and Fixed Costs</td>
<td>3</td>
<td>Q8.3#6</td>
<td>3</td>
<td>60%</td>
<td>3</td>
</tr>
</tbody>
</table>

*Continues*
<table>
<thead>
<tr>
<th>Metric</th>
<th>Section in Survey</th>
<th>Question Number</th>
<th>Chapter in Book</th>
<th>% Saying Very Useful</th>
<th>Ranking in Survey Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing Spending</td>
<td>3</td>
<td>Q8.3#7</td>
<td>3</td>
<td>52%</td>
<td>4</td>
</tr>
<tr>
<td>Average Price per Unit</td>
<td>3</td>
<td>Q8.3#4</td>
<td>3</td>
<td>51%</td>
<td>5</td>
</tr>
<tr>
<td>Contribution Margin %</td>
<td>3</td>
<td>Q8.3#9</td>
<td>3</td>
<td>47%</td>
<td>6</td>
</tr>
<tr>
<td>Contribution per Unit</td>
<td>3</td>
<td>Q8.3#8</td>
<td>3</td>
<td>40%</td>
<td>7</td>
</tr>
<tr>
<td>Break-Even Sales</td>
<td>3</td>
<td>Q8.3#10</td>
<td>3</td>
<td>40%</td>
<td>8</td>
</tr>
<tr>
<td>Channel Margin</td>
<td>3</td>
<td>Q8.3#3</td>
<td>3</td>
<td>30%</td>
<td>9</td>
</tr>
<tr>
<td>Price per Statistical Unit</td>
<td>3</td>
<td>Q8.3#5</td>
<td>3</td>
<td>16%</td>
<td>10</td>
</tr>
<tr>
<td>Target Revenues</td>
<td>4</td>
<td>Q8.4#2</td>
<td>3</td>
<td>71%</td>
<td>1</td>
</tr>
<tr>
<td>Target Volumes</td>
<td>4</td>
<td>Q8.4#1</td>
<td>3</td>
<td>70%</td>
<td>2</td>
</tr>
<tr>
<td>Annual Growth %</td>
<td>4</td>
<td>Q8.4#7</td>
<td>4</td>
<td>69%</td>
<td>3</td>
</tr>
<tr>
<td>Volume Projections</td>
<td>4</td>
<td>Q8.4#6</td>
<td>4</td>
<td>56%</td>
<td>4</td>
</tr>
<tr>
<td>Penetration</td>
<td>4</td>
<td>Q8.4#5</td>
<td>4</td>
<td>50%</td>
<td>5</td>
</tr>
<tr>
<td>Growth CAGR</td>
<td>4</td>
<td>Q8.4#8</td>
<td>4</td>
<td>38%</td>
<td>6</td>
</tr>
<tr>
<td>Repeat Volume</td>
<td>4</td>
<td>Q8.4#4</td>
<td>4</td>
<td>36%</td>
<td>7</td>
</tr>
<tr>
<td>Brand Equity Metrics</td>
<td>4</td>
<td>Q8.4#10</td>
<td>4</td>
<td>26%</td>
<td>8</td>
</tr>
<tr>
<td>Cannibalization Rate</td>
<td>4</td>
<td>Q8.4#9</td>
<td>4</td>
<td>24%</td>
<td>9</td>
</tr>
<tr>
<td>Trial Volume</td>
<td>4</td>
<td>Q8.4#3</td>
<td>4</td>
<td>19%</td>
<td>10</td>
</tr>
<tr>
<td>Conjoint Utilities</td>
<td>4</td>
<td>Q8.4#11</td>
<td>4</td>
<td>14%</td>
<td>11</td>
</tr>
<tr>
<td>Conjoint Utilities &amp; Volume Projection</td>
<td>4</td>
<td>Q8.4#12</td>
<td>4</td>
<td>13%</td>
<td>12</td>
</tr>
<tr>
<td>Customers</td>
<td>5</td>
<td>Q8.5#1</td>
<td>5</td>
<td>67%</td>
<td>1</td>
</tr>
<tr>
<td>Retention Rate</td>
<td>5</td>
<td>Q8.5#3</td>
<td>5</td>
<td>63%</td>
<td>2</td>
</tr>
<tr>
<td>Customer Profit</td>
<td>5</td>
<td>Q8.5#4</td>
<td>5</td>
<td>41%</td>
<td>3</td>
</tr>
<tr>
<td>Customer Lifetime Value</td>
<td>5</td>
<td>Q8.5#5</td>
<td>5</td>
<td>39%</td>
<td>4</td>
</tr>
<tr>
<td>Average Acquisition Cost</td>
<td>5</td>
<td>Q8.5#7</td>
<td>5</td>
<td>36%</td>
<td>5</td>
</tr>
<tr>
<td>Average Retention Cost</td>
<td>5</td>
<td>Q8.5#8</td>
<td>5</td>
<td>33%</td>
<td>6</td>
</tr>
<tr>
<td>Recency</td>
<td>5</td>
<td>Q8.5#2</td>
<td>5</td>
<td>29%</td>
<td>7</td>
</tr>
<tr>
<td>Prospect Lifetime Value</td>
<td>5</td>
<td>Q8.5#6</td>
<td>5</td>
<td>21%</td>
<td>8</td>
</tr>
<tr>
<td>Sales Total</td>
<td>6</td>
<td>Q8.6#3</td>
<td>6</td>
<td>70%</td>
<td>1</td>
</tr>
<tr>
<td>Metric</td>
<td>Section in Survey</td>
<td>Question Number</td>
<td>Chapter in Book</td>
<td>% Saying Very Useful</td>
<td>Ranking in Survey Section</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-------------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>----------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Sales Potential Forecast</td>
<td>6</td>
<td>Q8.6#2</td>
<td>6</td>
<td>62%</td>
<td>2</td>
</tr>
<tr>
<td>Sales Force Effective</td>
<td>6</td>
<td>Q8.6#4</td>
<td>6</td>
<td>54%</td>
<td>3</td>
</tr>
<tr>
<td>Compensation</td>
<td>6</td>
<td>Q8.6#5</td>
<td>6</td>
<td>49%</td>
<td>4</td>
</tr>
<tr>
<td>Sales Funnel, Sales Pipeline</td>
<td>6</td>
<td>Q8.6#7</td>
<td>6</td>
<td>44%</td>
<td>5</td>
</tr>
<tr>
<td>Workload</td>
<td>6</td>
<td>Q8.6#1</td>
<td>6</td>
<td>36%</td>
<td>6</td>
</tr>
<tr>
<td>Break-Even Number of Employees</td>
<td>6</td>
<td>Q8.6#6</td>
<td>6</td>
<td>23%</td>
<td>7</td>
</tr>
<tr>
<td>Inventories</td>
<td>7</td>
<td>Q8.7#7</td>
<td>6</td>
<td>43%</td>
<td>1</td>
</tr>
<tr>
<td>Total Distribution</td>
<td>7</td>
<td>Q8.7#4</td>
<td>6</td>
<td>34%</td>
<td>2</td>
</tr>
<tr>
<td>Out of Stock % (OOS)</td>
<td>7</td>
<td>Q8.7#6</td>
<td>6</td>
<td>33%</td>
<td>3</td>
</tr>
<tr>
<td>Product Category Volume (PCV)</td>
<td>7</td>
<td>Q8.7#3</td>
<td>6</td>
<td>33%</td>
<td>4</td>
</tr>
<tr>
<td>Direct Product Profitability (DPP)</td>
<td>7</td>
<td>Q8.7#9</td>
<td>6</td>
<td>30%</td>
<td>5</td>
</tr>
<tr>
<td>Markdowns</td>
<td>7</td>
<td>Q8.7#8</td>
<td>6</td>
<td>26%</td>
<td>6</td>
</tr>
<tr>
<td>Numeric Distribution %</td>
<td>7</td>
<td>Q8.7#1</td>
<td>6</td>
<td>22%</td>
<td>7</td>
</tr>
<tr>
<td>All Commodity Volume (ACV)</td>
<td>7</td>
<td>Q8.7#2</td>
<td>6</td>
<td>22%</td>
<td>8</td>
</tr>
<tr>
<td>Facings</td>
<td>7</td>
<td>Q8.7#5</td>
<td>6</td>
<td>19%</td>
<td>9</td>
</tr>
<tr>
<td>Gross Margin Return on Inventory Investment (GMROII)</td>
<td>7</td>
<td>Q8.7#10</td>
<td>6</td>
<td>16%</td>
<td>10</td>
</tr>
<tr>
<td>Price Premium</td>
<td>8</td>
<td>Q8.8#1</td>
<td>7</td>
<td>54%</td>
<td>1</td>
</tr>
<tr>
<td>Optimal Price</td>
<td>8</td>
<td>Q8.8#5</td>
<td>7</td>
<td>41%</td>
<td>2</td>
</tr>
<tr>
<td>Incremental Sales or Promotional Lift</td>
<td>8</td>
<td>Q8.8#8</td>
<td>8</td>
<td>41%</td>
<td>3</td>
</tr>
<tr>
<td>Price Elasticity</td>
<td>8</td>
<td>Q8.8#4</td>
<td>7</td>
<td>39%</td>
<td>4</td>
</tr>
<tr>
<td>Baseline Sales</td>
<td>8</td>
<td>Q8.8#7</td>
<td>8</td>
<td>34%</td>
<td>5</td>
</tr>
<tr>
<td>Percentage Sales on Deal</td>
<td>8</td>
<td>Q8.8#12</td>
<td>8</td>
<td>21%</td>
<td>6</td>
</tr>
<tr>
<td>Redemption Rates</td>
<td>8</td>
<td>Q8.8#9</td>
<td>8</td>
<td>19%</td>
<td>7</td>
</tr>
</tbody>
</table>

Continues
<table>
<thead>
<tr>
<th>Metric</th>
<th>Section in Survey</th>
<th>Question Number</th>
<th>Chapter in Book</th>
<th>% Saying Very Useful</th>
<th>Ranking in Survey Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Coupons/Rebates</td>
<td>8</td>
<td>Q8.8#10</td>
<td>8</td>
<td>19%</td>
<td>8</td>
</tr>
<tr>
<td>Reservation Price</td>
<td>8</td>
<td>Q8.8#2</td>
<td>7</td>
<td>17%</td>
<td>9</td>
</tr>
<tr>
<td>Percent Good Value</td>
<td>8</td>
<td>Q8.8#3</td>
<td>7</td>
<td>16%</td>
<td>10</td>
</tr>
<tr>
<td>Percentage Sales with Coupon</td>
<td>8</td>
<td>Q8.8#11</td>
<td>8</td>
<td>16%</td>
<td>11</td>
</tr>
<tr>
<td>Residual Elasticity</td>
<td>8</td>
<td>Q8.8#6</td>
<td>7</td>
<td>14%</td>
<td>12</td>
</tr>
<tr>
<td>Percent Time on Deal</td>
<td>8</td>
<td>Q8.8#13</td>
<td>8</td>
<td>14%</td>
<td>13</td>
</tr>
<tr>
<td>Pass-Through</td>
<td>8</td>
<td>Q8.8#15</td>
<td>8</td>
<td>11%</td>
<td>14</td>
</tr>
<tr>
<td>Average Deal Depth</td>
<td>8</td>
<td>Q8.8#14</td>
<td>8</td>
<td>10%</td>
<td>15</td>
</tr>
<tr>
<td>Effective Reach</td>
<td>9</td>
<td>Q8.9#6</td>
<td>9</td>
<td>42%</td>
<td>1</td>
</tr>
<tr>
<td>Impressions</td>
<td>9</td>
<td>Q8.9#1</td>
<td>9</td>
<td>41%</td>
<td>2</td>
</tr>
<tr>
<td>Effective Frequency</td>
<td>9</td>
<td>Q8.9#7</td>
<td>9</td>
<td>37%</td>
<td>3</td>
</tr>
<tr>
<td>Visitors</td>
<td>9</td>
<td>Q8.9#15</td>
<td>9</td>
<td>37%</td>
<td>4</td>
</tr>
<tr>
<td>Share of Voice</td>
<td>9</td>
<td>Q8.9#8</td>
<td>9</td>
<td>36%</td>
<td>5</td>
</tr>
<tr>
<td>Visits</td>
<td>9</td>
<td>Q8.9#14</td>
<td>9</td>
<td>36%</td>
<td>6</td>
</tr>
<tr>
<td>Clickthrough Rate</td>
<td>9</td>
<td>Q8.9#10</td>
<td>9</td>
<td>35%</td>
<td>7</td>
</tr>
<tr>
<td>Net Reach</td>
<td>9</td>
<td>Q8.9#4</td>
<td>9</td>
<td>34%</td>
<td>8</td>
</tr>
<tr>
<td>Cost per Customer Acquired</td>
<td>9</td>
<td>Q8.9#13</td>
<td>9</td>
<td>32%</td>
<td>9</td>
</tr>
<tr>
<td>Average Frequency</td>
<td>9</td>
<td>Q8.9#5</td>
<td>9</td>
<td>31%</td>
<td>10</td>
</tr>
<tr>
<td>Cost per Thousand Impression (CPM)</td>
<td>9</td>
<td>Q8.9#3</td>
<td>9</td>
<td>28%</td>
<td>11</td>
</tr>
<tr>
<td>Pageview</td>
<td>9</td>
<td>Q8.9#9</td>
<td>9</td>
<td>28%</td>
<td>12</td>
</tr>
<tr>
<td>Cost per Click (CPC)</td>
<td>9</td>
<td>Q8.9#11</td>
<td>9</td>
<td>27%</td>
<td>13</td>
</tr>
<tr>
<td>Abandonment Rate</td>
<td>9</td>
<td>Q8.9#16</td>
<td>9</td>
<td>24%</td>
<td>14</td>
</tr>
<tr>
<td>Cost per Order</td>
<td>9</td>
<td>Q8.9#12</td>
<td>9</td>
<td>23%</td>
<td>15</td>
</tr>
<tr>
<td>Gross Rating Points</td>
<td>9</td>
<td>Q8.9#2</td>
<td>9</td>
<td>23%</td>
<td>16</td>
</tr>
<tr>
<td>Net Profit</td>
<td>10</td>
<td>Q8.10#1</td>
<td>10</td>
<td>91%</td>
<td>1</td>
</tr>
<tr>
<td>Return on Investment (ROI)</td>
<td>10</td>
<td>Q8.10#3</td>
<td>10</td>
<td>77%</td>
<td>2</td>
</tr>
<tr>
<td>Metric</td>
<td>Section in Survey</td>
<td>Question Number</td>
<td>Chapter in Book</td>
<td>% Saying Very Useful</td>
<td>Ranking in Survey Section</td>
</tr>
<tr>
<td>--------</td>
<td>-------------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>----------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Return on Sales (ROS)</td>
<td>10</td>
<td>Q8.10#2</td>
<td>10</td>
<td>69%</td>
<td>3</td>
</tr>
<tr>
<td>Return on Marketing Investment (ROMI)</td>
<td>10</td>
<td>Q8.10#8</td>
<td>10</td>
<td>49%</td>
<td>4</td>
</tr>
<tr>
<td>Net Present Value (NPV)</td>
<td>10</td>
<td>Q8.10#6</td>
<td>10</td>
<td>46%</td>
<td>5</td>
</tr>
<tr>
<td>Economic Profit (EVA)</td>
<td>10</td>
<td>Q8.10#4</td>
<td>10</td>
<td>41%</td>
<td>6</td>
</tr>
<tr>
<td>Payback</td>
<td>10</td>
<td>Q8.10#5</td>
<td>10</td>
<td>41%</td>
<td>7</td>
</tr>
<tr>
<td>Internal Rate of Return (IRR)</td>
<td>10</td>
<td>Q8.10#7</td>
<td>10</td>
<td>38%</td>
<td>8</td>
</tr>
</tbody>
</table>
This page intentionally left blank
### SYMBOLS

- `#` (count), 7
- `$` (Dollar Terms), 6
- `%` (percentage), 6

### A

- **A.C. Nielsen**, 207
- **Aaker, David**, 137
- **AAU (Awareness, Attitudes, and Usage)**, 51
  - attitude, 53
  - awareness and knowledge, 52
  - calculating, 52
  - cautions, 54-55
  - data sources, 54
  - purpose, 51
  - usage, 54
- abandoned purchases, 331
- abandonment, 328
- abandonment rate, 331
- accepters, 45
- accountability, 2
- acquisition versus retention, 176-178
- **ACV (all commodity volume)**, 184, 202-205
- ad awareness, 53
- adjusting for periodic changes, 54
- advertising. See also impressions
  - as percentage of sales, 101
  - price versus cost, 314
- advertising effectiveness, 307, 309
- advertising exposure, 307
- **Ailawadi, Kusum**, 137
- all commodity volume (ACV), 184, 202-205
- allowances, slotting, 101
- apparel retailers, customers, 161
- asset turnover, 369
- assumptions
  - infinite horizon assumption (customer lifetime value), 172
  - test markets, 120-121
- attitudes/liking/image, 53
- attrition, 159
- availability of data, 3
- **AVC on display**, 209
- **AVC on promotion**, 209
- average acquisition cost, 176-177
- average deal depth, 264
- average frequency, 295, 298, 302
- average margin, 82-84
- average price charged, 224
- average price displayed, 224
- average price paid, 223
- average price per unit, 86-87
  - calculating, 87-90
  - complications, 90
  - purpose, 86-87
- average prices, 85
- average retention cost, 176-177
- averaging estimates, 374-375, 382-383
- awareness, 52
  - customer awareness, 361
  - trial rate, 114
- **Awareness, Attitudes, and Usage. See AAU**

### B

- balancing sales force territories, 187-188
- banks, counting customers, 160
- baseline sales, 265, 267
  - calculating, 268-273
  - complications, 273
  - profitability, 273
  - purpose, 267
- **BCG (Boston Consulting Group) matrix**, 36
- **BDI (Brand Development Index)**, 40-42
- Big Tobacco Company, 364-365
- bonuses. See sales force compensation
- **Boom**
  - customer awareness, 361
  - customer profit, 360
  - financial statements, 357-358
  - marketing metrics, 360
- **Borden, Neil Sr.**, 376
- **Boston Consulting Group (BCG) matrix**, 36
- bounce rate, 293, 332-333
- **Brand Asset Valuator**, 137, 139-141
- **Brand Development Index (BDI)**, 40-42
- brand equity, 135
  - measuring, 111, 137-141
  - purpose, 136-137

---

405
Brand Equity Index, 138-139
Brand Equity Ten, 137
brand identity, 141
brand image, 141
brand penetration, 42-43
brand position, 141
brand strategy, 141
Brand Valuation Model, 141
brand/product knowledge, 53
brands, number purchased, 48
breadth of distribution, 208
break-even analysis, 101-102
break-even on incremental investment, 105
classifying costs, 105
purpose, 102
break-even number of employees, 195, 197
break-even on incremental investment, 105
break-even point, calculating, 102-104
break-even sales level, 68
breakage, 277
Brita water filters, 86
budgeting risk, assessing, 97-98
budgets, 2
buying power, 188

C
CAGR (Compound Annual Growth Rates), 109, 111, 129
cannibalization rate, 111, 130-135
cash flows, internal rate of return, 349
category development index (CDI), 40-42
category performance ratio, 202, 207
cautions (AAU), 54-55
CDI (category development index), 40-42
chaining margins, 75
channel margins, 75, 81
channel metrics, Prestige Luggage, 363
choosing metrics, 3
churn, 159
classification of variable costs, 96
clickstream, 329-330
clickthrough rates, 320-322
cluster analysis, 148
CLV. See customer lifetime value
cohort and incubate (customer lifetime value), 168-169
cold leads, 200
commissioned sales costs, 99
commissions. See sales force compensation
company profit from new products, 125
comparing sales force territories, 188
compensation. See sales force compensation
compensatory decisions versus noncompensatory consumer decisions, 144-146
competitor price elasticity, 254
competitor reaction elasticity, 252
complications
average price per unit, 90
channel margins, 81
Compound Annual Growth Rates (CAGR), 109, 111, 129
compounding growth, 126, 128-129
Concentration Ratio, 38
conjoint analysis, 137, 141-144, 228
conjoint utilities, 112, 142, 147-151
constant elasticity, 236-238
constructing frequency response functions, 307-308
cost effectiveness of Internet marketing, 323
cost of incremental sales, 267
cost per click, 323-326
cost per customer acquired, 327
cost per friend, 335
cost per impression, 323-325
cost per order, 323-325
cost per point (CPP), 300
cost per thousand impressions rates. See CPM
cost-plus pricing, 248
costs
assigning to customers, 165
average acquisition cost, 176-177
average retention cost, 176-177
classifying for break-even analysis, 105
commissioned sales costs, 99
fixed costs. See fixed costs
overhead costs, 341
total cost, 92, 95
total cost per unit, 94
total selling costs, 98
total variable selling costs, 98
variable costs. See variable costs
count (#), 7
counting customers, 156-161
contractual situations, 157
non-contractual situations, 157-158
recency, 156-158
retention, 158
coupons, 275
evaluating, 278
percentage sales with coupons, 275
profitability, 276
redemption rate, 275-277
CP. See customer profit
CPM (cost per thousand impressions), 289, 299-300
CPP (cost per point), 300
cross elasticity, 251
cross price elasticity, 252, 254
Cruise
customer awareness, 361
customer profit, 360
financial statements, 357-358
marketing metrics, 360
customer awareness, Boom and Cruise, 361
customer lifetime value (CLV), 153,
166-167, 174
calculating, 169-170
cohort and incubate, 168-169
discount rate, 171
finite-horizon, 172
infinite horizon assumption, 172
purpose, 167-168
retention rate, 170
versus prospect lifetime value, 174-176
customer lifetime value with initial
margin, 171
customer profit, 153, 161-162, 165
Boom, 360
calculating, 162-164
Cruise, 360
purpose, 161-162
quantifying, 167
whale curve, 167
customer responses, separating from
non-customer responses, 54
customer satisfaction, 56-57
measuring, 57-58
purpose, 56-57
sample selection, 59
surveys, 59
customer selling price, 75-78
customer service, 194
customer survey data, triangulating, 55
customer time, 159
customers, 156, 159
abandoning, 166
accepters, 45
acquisition versus retention, 176-178
assessing value of, 167-168
assigning cost to, 165
brand penetration, 42-43
counting, 156-161
deciding who to serve, 166
defining, 159-160
ever-tried customers, 45
impressions. See impressions
market penetration. See impressions
purpose, 156
second tier customers, 162
surveys. See surveys
third tier customers, 162
top tier customers, 162
total number of active customers, 45
unprofitable customers, 166
D
dashboards. See marketing dashboards
data, availability of, 3
data parameters, market share, 34
data sources
AAU, 54
heavy usage index, 50
decline (life cycle), 129
decomposing
for diagnostic purposes, 373-374
indirect metric estimates, 376
law of large numbers, 374-375, 382-383
market share, 44
reasons for using, 372-373
sales, 371-372
deductions, 214, 284
demand
linear demand
optimal price, 240-246
price elasticity, 233-236
reservation prices, 228-231
price tailoring, 285
demand curves, constant elasticity, 236-238
diagnostic purposes, decomposing for, 373-374
differentiation
brand equity, 139
product differentiation, 142
direct product costs, 216
direct product profitability. See DPP
discount rate, 171, 350
discounted trial, 124
discounts, 283
distribution, trial rates, 115
distribution chains, 75
distribution channels, calculating selling prices
at each level, 76
distribution metrics, 202
ACV, calculating, 204-205
data sources, 207-208
numeric distribution, calculating, 203-204
PCV, calculating, 206-207
purpose, 203
districts, 190
diverted goods, 214
diverted merchandise, 214
Dollar Terms ($), 6
double jeopardy, 47
downloads, 335-336
DPP (direct product profitability), 182, 186, 215-218
Drucker, Peter, 65
DuPont Model, 369-370, 372. See also identities
durability, 138

E

eBay, active users, 158
EBITDA (earning before interest taxes, depreciation, and amortization), 341
Economic Profit, 339, 343-345
Economic value added (EVA), 337, 343
EDLP (everyday low prices), 284
effective frequency, 290, 310-312
effective market share, 138
effective reach, 310-312
effectiveness. See sales force effectiveness
elasticity. See price elasticity
empirical relationships, 373-374
marketing mix models, 378, 380-381
esteem, brand equity, 139

evaluating
averaging, 374-375, 382-383
for indirect metrics, 376
EVA (economic value added), 337, 343

evaluating
coupon programs, 278
inventories, 213
multi-period investments, 345-346
sales goals, 191
temporary price promotions, 264
workload distribution, 198
ever tried customers, 45, 124
everyday low prices (EDLP), 284
evoked set, 125
expenses, sales force effectiveness, 194
exposures, 293

F

facings, 208
fair share draw, 111, 130-134
features in store, 208
Federal Trade Commission, 285
FIFO (First In, First Out), 213
financial statements, Boom and Cruise, 357-358
finite-horizon (customer lifetime value), 172
first channel member’s selling price, 78-79
First In, First Out (FIFO), 213
first-time triers in period, 113
fixed costs, 91, 100
calculating, 91-95
classification of, 96
purpose, 91
followers, 293, 333
calculating, 334
cautions, 334
cost per friend, 335
outcomes per friend, 335
purpose, 334
forced trial, 124
forecasting
marketing spending, 97-98
trial volume, 116
upcoming sales, 198
Fortune, 159
frequency, 301
average frequency, 302
effective frequency, 290, 310-312
frequency response functions, 289, 305, 309-310
construction, 307-308
learning curve response model, 305-306
linear response model, 305-306
purpose, 306-307
threshold response model, 306
friends, 293, 333
calculating, 334
cautions, 334
cost per friend, 335
outcomes per friend, 335
purpose, 334

G

geo-clustering, 55
globalization, 3
GM, retail sales, 65
GMROII (gross margin return on inventory investment), 182, 186, 215-217
goals, sales, 189-191

goodwill, 136
gross margin, 75, 239
gross rating points (GRPs), 288, 294-297, 302
growth, 125
CAGR, calculating, 129
compounding growth, 126-129
life cycle, 129
percentage growth, 126, 129
same stores growth, 126-128
value of future period, 128-129
year-on-year growth, 125
GRPs (gross rating points), 288, 294-297, 302

H–I

heavy usage index, 44, 49-50
Herfindahl index, 38-39
HI-LO (high-low), 284
hierarchy of effects, 55
hits, 314-315
hybrid channel margins, 81
I (Index) notation, 7
identifying profitability of individual customers, 161-162
identities
decomposing sales, 371
defined, 369
for diagnostic purposes, 373-374
for estimates of indirect metrics, 376
marketing mix models, 376-381
reasons for using, 372-373
impressions, advertising, 293
calculating, 295
clickthrough rates, 320-322
complications, 298
cost per click, 323-326
cost per impression, 323-325
cost per order, 323-325
CPM. See CPM
data sources, 297-298
frequency response functions. See frequency response functions
GRPs, 294-297
net reach. See net reach
pageviews, 314-316
purpose, 294
share of voice. See share of voice
incentive plans, 197-198
income statement, Prestige Luggage, 362
incremental sales, 267-268
indexes
Brand Development Index, 40-41
CDI (category development index), 40-42
heavy usage index. See heavy usage index
Herfindahl index, 38-39
indicators, separating leading from lagging, 55
indirect metrics, estimates for, 376
infinite horizon assumption (customer lifetime value), 172
inflation, estimating, 90
intangibles, goodwill, 136
intention to purchase, 53
intentions, 53
interactive media. See rich media
Interbrand, 137, 141
interest creation, 200
Internal Rate of Return (IRR), 338-339, 345-349
Internet, 288. See also web pages
assessing cost effectiveness, 323
effective reach, 312
search engines, 325-327
introductory life cycle, 129
inventory, 208
evaluating, 213
inventory days, 211-212
inventory tracking, 211
inventory turns, 209, 211
investments, multi-period, evaluating, 345-346
invoice price, 281-282
IRR (Internal Rate of Return), 338-339, 345-349

J–K–L

Kaplan, Robert, 163
Kelvin, Lord, 2
knowledge
brand equity, 139
brand/product knowledge, 53
Last In, First Out (LIFO), 213
law of large numbers, 374-375
numerical example, 382-383
leading national advertisers (LNA), 313
learning curve, 289
learning curve response model, frequency response functions, 305-306
life cycle, 129
LIFO (Last In, First Out), 213
likeability, 55
linear cost model, 96
linear demand
optimal price, 240-246
price elasticity, 233-236
reservation prices, 228-231
linear response model, frequency response functions, 305-306
list price, 281
LNA (leading national advertisers), 313
loyalty, 122, 359
double jeopardy, 47
number of brands purchased, 48
willingness to search, 62-63
mail-in rebates, 277
make-goods on promotions, 214
margin on new products, 125
margins, 65, 69
  average margin, 82-84
  chaining, 75
  channel margins. See channel margins
  contribution margins, 66-68
  converting from markups, 80
  costs, including or excluding, 75
  customer lifetime value with initial margin, 171
  gross margin, 75, 239
  percentage margins, 69-71, 82
  as percentage of costs, 72
  purpose, 69
  reported margins, 72, 74
  selling prices, defining, 72
  unit margin, 69-71
  versus markup, 73-75
  weighted contribution margins, cannibalization, 132
markdowns, 214-216
market concentration, 35, 38
market penetration, 42-43
market share, 28, 32
  bias in reported shares, 35
  data parameters, 34
  decomposing, 44
  measuring over time, 35
  purpose of, 33
  quantifying, 34-35
  relative market share. See relative market share
  revenue market share, calculating, 33
  served market, 34
  unit market share, 33
market share rank, 39
marketing as a percentage of sales, 101
marketing budgets, developing, 100
marketing dashboards, 365-367
marketing metrics, 359-363, 367, 383
marketing mix models, 376, 378, 380-381
marketing spending, 97
  calculating, 99-100
  fixed costs, 100
  purpose, 97-98
  slotting allowances, 101
markups
  converting to margins, 80
  versus margins, 73-75
Marlboro Friday, 365
mastering metrics, 4
mature life cycle, 129
maximum life cycle, 129
maximum reservation price (MRP), 229, 240, 246
maximum willing to buy (MWB), 229-230, 246
measuring
  brand equity, 137-141
  customer satisfaction, 57-58
  market share over time, 35
media exposure return on marketing investment, 354-355
media plans, net reach, 302
metric usage survey, 385-390
metrics
  defined, 1
  reasons for having, 2
  survey
    cautions about, 10-11
    rankings, 21-24
    results, 13, 385
    sampling size, 11-12
middlemen, 278
misshipments, 214
Moran, Bill, 137-138
MRP (maximum reservation price), 229, 240, 246
multi-period investments, evaluating, 345-346
MWB (maximum willing to buy), 229-230, 246
net operating profit after tax (NOPAT), 342
Net Present Value (NPV), 338-339, 345-350
net price, 281-282
Net Profit, 338, 340-341
net promter, 60-62
Net Promoter Score (NPS), 60-62
net reach, 297, 301, 303
  complications, 305
  overlap effects, 304-305
  purpose, 301-304
noise, 54
non-compensatory consumer decisions versus compensatory decisions, 144-146
non-contractual situations, 156-158
NOPAT (net operating profit after tax), 342
NPS (Net Promoter Score), 60-62
NPV (Net Present Value), 338-339, 345-350
number of complaints, 59
number of new products, 125
numeric distribution, 184, 202-204
O
obsolescence, 214
opportunities-to-see (OTS), 293
optimal price, 239
calculating, 246-248
complications, 248
purpose, 240-246
relative to gross margin, 247
slope, 244
optimality condition, 247
OTS (opportunities-to-see), 293
out-of-stocks, 185, 209-210
outcomes per friend, 335
over-servicing, 187
overhead costs, 341
overlap, assessing, 305
overlap effects, 304-305
own price elasticity, 252-254
P
pageviews, 314-316, 328
pass-through, 266, 278-280
payback, 346
payback period, 106
PCV (product category volume), 184, 202
calculating, 206-207
net out-of-stocks, 210
penetration, 42, 112
brand penetration, 42-43
calculating, 43, 113-114
cautions, 45
market penetration, 42-43
share, 42
penetration rate, 43
penetration share, 43-44
Peppers, Don, 167
perceived quality/esteem, 53
perceived value for money, 53
percent good value, 226
percentage (%), 6
percentage growth, 126, 129
percentage margins, 69-71, 82
percentage of unit sales, 82
percentage sales on deal, 278-279
percentage sales with coupons, 275
performance, 2, 156
performance reviews. See sales force
effectiveness
periodic changes, adjusting for, 54
pipeline analysis, 198
calculation, 199-201
purpose, 198-199
sales funnel, 201-202
pipeline sales, 214
PLV. See prospect lifetime value
post-purchases, 200
pre-purchase, 200
Prestige Luggage, 362-363
price discrimination, 248, 250-251, 284-285
price elasticity, 220, 232-233, 239. See also
residual price elasticity
calculating, 233-236
constant elasticity, 236-238
cross elasticity, 251
linear demand, 233-236
purpose, 233
price increases, evaluating, 90
price of a specified competitor, 222
price per statistical unit, 67, 86, 88-89
price premiums, 222-225
price promotions. See promotions
price tailoring, 248, 250-251, 284-285
price waterfalls, 264, 266, 280-283
prices
average price charged, 224
average price displayed, 224
average price paid, 223
average price per unit, 86-87
calculating, 87-90
complications, 90
purpose, 86-87
average prices, 85
competitor price elasticity, 254
cost-plus pricing, 248
cross elasticity, 251
cross price elasticity, 254
customer selling price, 75, 77-78
first channel member’s selling price, 78-79
invoice prices, 281-282
list price, 281
net price, 281-282
optimal price. See optimal price
own price elasticity, 254
percent good value, 226
price discrimination, 284
price elasticity. See price elasticity
price of a specified competitor, 222
price per statistical unit, 86, 88-89
price premiums, 222-225
price tailoring, 248, 250-251, 284-285
price waterfalls, 264, 266, 280-283
prisoner’s dilemma pricing, 256-262
reservation prices. See reservation prices
Index 411
residual price elasticity. See residual price elasticity
selling price, 72, 76
supplier selling price, 75-77, 85
theoretical price premiums, 226
primary line competitive injury, 251
prisoner's dilemma pricing, 256-262
Prizm, geo-clustering, 55
product category volume. See PCV
product differentiation, 142
Professional Pricing Society, 283
profit margin, 369
profit-based sales targets, 106-107
profitability
  baseline sales, 273
coupons, 276
  price tailoring, 284
  of promotions, 271
  redemption rates, 276
profitability metrics, 214
  complications, 217-218
DPP, 215-217
GMROII, 215-216
markdowns, 215-216
purpose, 215
projected volume, repeat volume, 117-118
promotional discount, 279
promotions, 263
  baseline sales. See baseline sales
  complications, 279-280
coupons. See coupons
evaluating temporary price promotions, 264
  long-term effects of, 274-275
profitability, 271
rebates, 275-277
redemption rates. See redemption rates
  short-term promotional objectives, 263
prospect lifetime value (PLV), 173
  calculating, 173-174
  complications, 174-176
purpose, 173
  versus customer lifetime value, 174-176
prospects, 200
pull marketing, 203
purchase intentions, 53
purchases, 200
push marketing, 203

Q–R
quantifying
  customer profit, 167
market share, 34-35
R (Rating), 7
rain checks, 214
Ramsellar, Leon, 140
rankings in marketing metrics survey, 21-24
Rating (R), 7
rating point, 293
reach, 301-303. See also net reach
rebates, 275-277
recency, 156, 158
redemption rates, 275-277
regulations, price discrimination, 251, 285
relationships, 160, 373-374
relative market share, 35-37
relative perceived quality, 53
relative price, 138. See also price premiums
  relevance, brand equity, 139
repeat, 124
repeat rates, 48, 121
repeat volume, 117-118
reporting margins, 72, 74
repurchase rate, 48
resellers, 279
reservation prices, 226
  calculating, 226, 228
  finding, 228
  linear demand, 228, 230-231
purpose, 226
residual price elasticity, 251
  calculating, 254-255
  complications, 255-256
purpose, 252-254
response bias, 59
responses, customer survey, 116
results of marketing metrics survey, 13
retail margins, 362
retail profit, Prestige Luggage, 363
retailers, apparel, 161
retention, 48, 158-159
  versus acquisition, 176-178
retention rate, 156, 159, 170
return, 337
return on assets (ROA), 342, 369-370, 372.
  See also DuPont Model
return on capital (ROC), 342
return on incremental marketing investment (ROI), 352
return on invested capital (ROIC), 342
Return on Investment (ROI), 338, 342-343, 357
return on marketing investment (ROMI), 338-339, 350-351
  budgeting, 354
  calculating, 351-352
  complications, 354

412 MARKETING METRICS
media exposure return on marketing investment, 354-355

purpose, 351

return on net assets (RONA), 342

return on Sales (ROS), 338, 340-342, 357, 369

returns and target, 108

revenue attributable to marketing, 352

revenue from new products, 125

revenue market share, calculating, 33

revenue return to incremental marketing, 352

revenue return to total marketing, 352

revenue share of requirements, 46

reward structures, supply chain metrics, 213

rich media display time, 291, 317-318

rich media interaction rate, 291, 318-319

ROA (return on assets), 342, 369-370, 372. See also DuPont Model

Robinson-Patman Act, 251, 285

ROC (return on capital), 342

Rogers, Martha, 167

ROI (return on investment), 338, 342-343, 357

ROIC (return on invested capital), 342

ROIMI (return on incremental marketing investment), 352

ROMI. See return on marketing investment

RONA (return on net assets), 342

ROS (return on Sales), 338, 340-342, 357, 369

S

salaries. See sales force compensation

sales, decomposing, 371-372

sales force compensation, 195

calculating, 196-197

incentive plans, 197-198

purpose, 196

sales force effectiveness, 192

calculating, 192-195

customer service, 194

expenses, 194

purpose, 192

sales force funnel, 199

sales force objectives, 189-191

sales force territories, 186

balancing, 187-188

comparing, 188

estimating size of, 189

purpose, 187

redefining, 189

sales force tracking. See pipeline analysis

sales funnel, 184, 201-202

sales goals, 190-191

sales pipeline, 184

sales potential, 182, 186-191

same stores growth, 126-128

sample selection, customer satisfaction, 59

sampling size of marketing metrics survey, 11-12

search engine marketers, 327

search engines, 325-327

seasonal variations (ROI), 343

second-price auctions, 228

secondary line competitive injury, 251

segment utilities, 112

segmentation by geography, 55

segments

BDI, 42

CDI, 42

conjoint utilities, 147-149

selling price, 72, 76

separating customer responses from non-customer responses, 54

served market, 34-35

service levels, 209-210

Shames, Erv, 364

share of category, 39

share of requirements, 45-47

share of shelf, 208

share of voice, 313

share of wallet, 44-47

shopping basket margin, 218

shrinkage, 214

signals, 54

SKU (stock keeping unit), 86, 215

slope, optimal price, 244

slotting allowances, 100

social networking, friends/followers/supporters, 333-335

sole usage, 47

spreadsheets, calculating NPV, 350

State Farm, 157

statistical units, 88, 90

stepped payments, 100

store versus brand measures, 208

supplier selling price, 75

calculating, 77

calculating average, 85

supply chain metrics, 209

complications, 212-213

inventories, evaluating, 213

inventory days, 211-212

inventory tracking, 211

inventory turns, 211

out-of-stocks, 210

purpose, 209

reward structures, 213

service levels, 210

supporters, 293, 333-335
surveys, 114
customer satisfaction, 59
customer survey responses, 116
marketing metrics survey
cautions about, 10-11
rankings, 21-24
results, 13
sampling size, 11-12
metric usage survey, 385-390

T

target market fit, 125
target rating points (TRPs), 288, 296-297
target revenue, 106-107
target volume, 68, 106
target volumes not based on target profit, 108
targets, profit-based sales, 106-107
terminal values, 349
territories. See sales force territories
test markets. See also trials
assumptions, 120-121
awareness, 114
distribution, 115
simulated results and volume projections,
trial volume, 114
theoretical price premiums, 226
three (four) firm concentration ratio, 38
threshold, 289
threshold response model, frequency response
functions, 306
time, measuring market share over, 35
tolerable discrimination, 285
top of mind, 53
total cost, 92, 95
total cost per unit, 94-96
total coupon cost, 276
total distribution, 184, 207
total number of active customers, 45
total outlet sales, 208
total selling costs, 98
total variable selling costs, 98
total volume, 118-119
“the trade,” 278
trade satisfaction, 59
trial rate, 113-115
trial volume, 116-117
trial-repeat model, 124
trials, 112, 121, 124. See also test markets
discounted trial, 124
forced trial, 124
purpose, 113
repeat volume, 117
total volume, 118-119
TRPs (target rating points), 288, 296-297

U–V

under-servicing, 187
unit margin, 69-71
unit market share, 33
unit share of requirements, 46-47
units, 69
USAA, 157
usage, 54
user behavior, web sites, 328-331
value of future period, 128-129
variable cost per unit versus total cost
per unit, 96
variable costs, 91
calculating, 91-95
classification of, 96
purpose, 91
Venn diagram, 304
video interactions, 320
visitors, 327-328, 331-333
visits, 292, 327-328, 331-333
volume projection, 112-113
conjoint utilities, 150-151
spreadsheet, 119

W–Z

Wal-Mart, 27, 345
wear-in, 310
wear-out, 310
web pages. See also Internet
hits, 314-315
pageviews. See pageviews
visitors, 327-328, 331
visits, 327-328, 331
web sites
traffic, assessing, 314-315
user behavior, 328-331
weighted contribution margin,
cannibalization, 132
weighted share of sales allotment, 190
whale curve, customer profit, 167
willingness to recommend, 56-57
willingness to search, 62-63
workload, 186-187, 198
year-on-year growth, 111, 125
Young & Rubicam, 137, 139
Zellner, Arnold, 377