

DO MARKETERS HAVE THE DATA THEY WANT? THE WAY THEY WANT?

An iLeo Research Report

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Background:

How often have you gone through an analysis of marketing data and concluded that the data you spent precious time on was not clearly linking back or addressing the marketing challenges you are confronting?

If that's familiar, then this study on marketing metrics will be revealing and provocative.

Over the last decade we've seen:

- Substantial change in the business environ and responded with several changes in the marketing mix.
- An exponential enhancement of data and computational power.
- Increasing ability to interact with customers as individuals.

These changes ought to have impacted the way marketers monitor and track their performance. This study focuses on the metrics and tracking systems currently used by marketers.

iLeo commissioned research amongst leading marketers in the region to understand the use and availability of a variety of marketing metrics.

**NETT:
THIS STUDY FOCUSSES ON THE METRICS AND TRACKING SYSTEMS
USED BY MARKETERS.**

The Hypothesis:

(OR WHY A METRICS STUDY IS RELEVANT?)

A large number of interactive and direct marketing agencies have encouraged marketers to invest in initiatives targeting individuals as customers. These initiatives have taken various forms ranging from 24hour call-centers to e-mail marketing to loyalty/rewards programs - covering the entire span of customer acquisition, retention and service.

While several such customer level initiatives can justify themselves in isolation, ***marketers and their support agencies have not helped create customer value frameworks to track success/failure within and across such initiatives.***

The key barrier to the development of customer value frameworks is the development and adoption of the right customer metrics.

NETT:

Without the right metrics frameworks, marketers are going to continue grappling with evaluation of customer level initiatives.

Objectives:

The specific purpose of this research was to understand:

1. What marketing parameters marketers consider to be critical?
2. What is the extent of availability and use of a range of marketing parameters?
3. ***And consequently what are the gaps between desired and available marketing data?***

The Methodology:

The research process involved structured one on one interviews with marketing practitioners in 3 different markets – Hong Kong, Manila and Singapore.

A total of 121 interviews were conducted amongst respondents across 11 industry groups (* see list below). All respondents were marketing decision makers or higher. Over 50% of respondents were from multinational companies. The research was fielded in Hong Kong & Manila in February 2003 and in Singapore in April 2003.

A sampling of respondent companies is attached in Annexure A (Page 21).

A core iLeo team reviewed a list of marketing parameters to be fielded in the research. 26 parameters were included in the battery that was put into the research process. (Listed in Annexure B, Page 22)

The structured interview essentially required responses to two specific questions (see below) for each of the marketing parameters.

- ☯ On a 1-4 scale (1 being least and 4 being most important) how important would you say it is to have the following data to facilitate marketing actions and decisions?
- ☯ On a 1-4 scale (1 being data not available and 4 being 'actively referred in all decision making'), how would you rate your company's practices in tracking marketing data for each of the following?

iLeo staffers in Singapore analyzed the resultant data.

(* Respondent Companies were grouped under the following industry groups: **Automotive**; **Consumer Durables**; **Corporate Services**; **Financial Services**; **FMCG**; **Hotels & Travel**; **Media**; **Pharma**; **Retail**; **Telecom**; **Others**)

NETT:
Structured one on one interviews with 121 marketing professionals in Hong Kong, Manila and Singapore.

Findings:

The findings are presented in 3 sections:

1. Parameters that marketers consider to be critical. (Pages 7 – 11)
2. Use and availability of various marketing parameters. (Page 12)
3. The **CUD** Score and Index that summarize **Critical, Unavailable Data**. (Pages 13 – 17)

Across the board, this study found no significant variations between Multinational Companies (MNC) and local companies in terms of approach to metrics. (Pearson's Correlation Index of 0.95, 0.93 and 0.74 for Hong Kong, Singapore and Manila respectively).

Across geographies too, there is fair consistency in findings with some variances coming from Singapore (Pearson's indices for each market v/v aggregated findings: Hong Kong 0.85; Manila 0.87; Singapore 0.63). Singapore was characterized by significantly higher Criticality ratings than the other two markets.

Given the broad similarities across markets, Manila shares 11 of the aggregate top 12 CUD indices while Singapore and Hong Kong share 10 of the top 12.

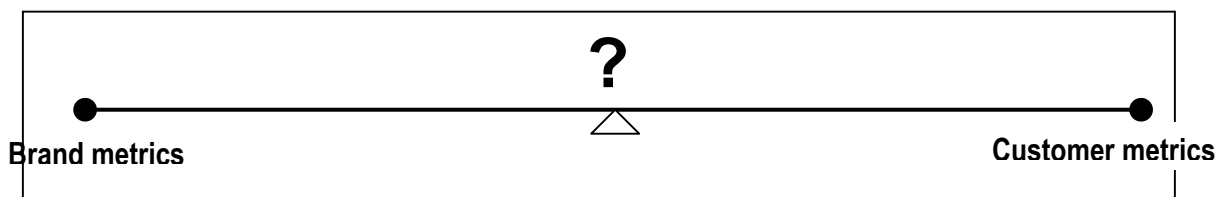
Hence findings are not documented separately by market. However notable industry-level variations are highlighted throughout the report.

NETT:
Broad consistency across the 3 markets and almost no variation between MNCs and local companies.

1.1. Findings – Critical Parameters:

FMCG marketers continue to track performance predominantly through the more 'traditional' metrics of Market Share, Brand Preference and Brand & Advertising Recall. This is understandable given their current mix of marketing inputs.

On the other hand, several other categories have evolved metrics that are less generic and more appropriate for their business dynamics. A large number of these focus on customer level metrics.



The table below lists the top 14 (from a total of 26) parameters based on average criticality score on a 4-point scale. The ratings in this table are aggregate ratings across industries and the 3 markets. Industry specific comparisons appear on the following pages.

Criticality Ranking	Parameter
1.	Market Share in Category
2.	Brand Recall
3.	Brand Preference
4.	Profit Per Product unit sale
5.	Usage Per Customer
6.	Profit Per Customer
7.	Quality (%defective product or service interactions)
8.	Advertising Recall
9.	Frequency of Purchase
10.	Reach and Frequency of Media
11.	% Profitable Customers
12.	Life Time Value Per Customer
13.	Development Cost Per New Product
14.	Churn (% Defecting Customers)

(Ranking based on mean criticality scores as rated by respondents.)

1.2.1. Findings – Critical Parameters – Variances by Industry:

While almost all marketers work with a combination of metrics, it is possible to segregate (using broad strokes) industry preferences into:

- Preference for Brand Metrics or
- Preference for Customer Metrics.

Where the basket of Brand Metrics includes parameters like Brand Recall, Brand Preference, Advertising Recall and Reach/Frequency of Media.

And the basket of Customer Metrics includes parameters like Profit/Customer, Churn, % Profitable Customers and LifeTime Value.

TOP 5 METRICS BY INDUSTRY GROUP:

Consumer Durables	FMCG	Pharma	Retail	Telecom	Financial Services
Quality	Category Mkt. share	Category Mkt. Share	Category Mkt. Share	LTV	Profit/ Customer
Category Mkt. share	Brand Preference	Brand Recall	Ad-media data	Usage/ Customer	% Profitable Customers
Ad-media data	Ad Recall	Brand Preference	Freq. Of Purchase	Profit/ Customer	Churn
Profit/unit	Brand Recall	Profit/Unit	Profit/ Customer	Dev. Cost/ New Prod.	Profit/Unit
Complaints	Mkt. Share by Geog.	Dev. Cost/ New Prod.	LTV +Brand Preference	Category Mkt. Share	Category Mkt. share

Primarily

Brand Metrics

Primarily

Customer Metrics

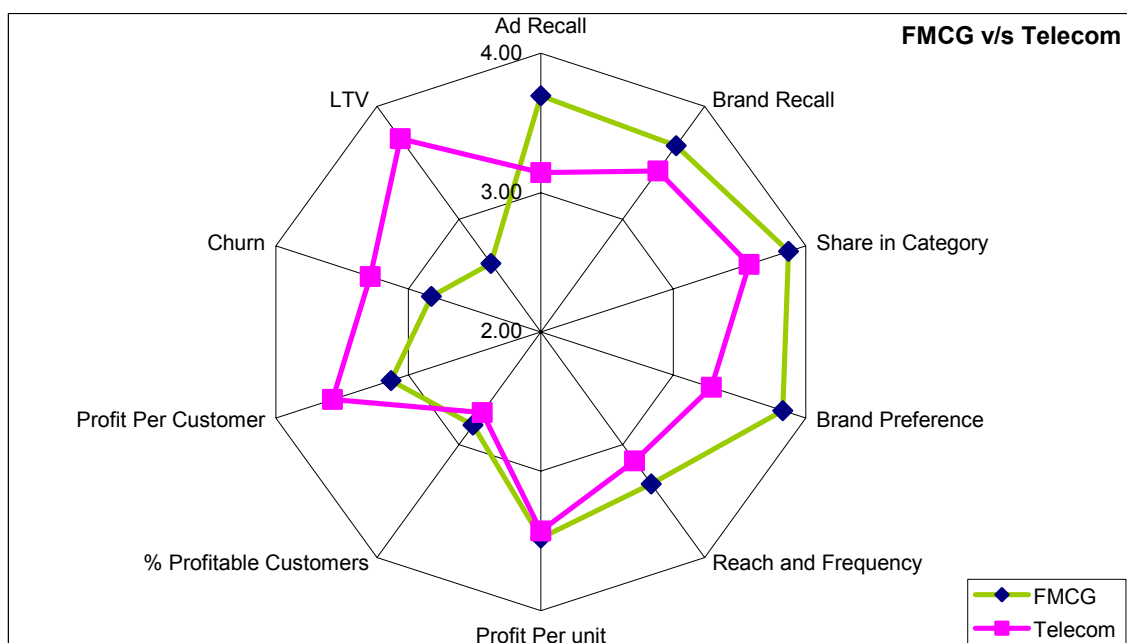
1.2.2. Findings – Critical Parameters – Variances by Industry:

The charts on this and the next 2 pages compare the Criticality Scores across a select set of parameters from the respective industry groups.

These scores indicate what marketers within those industry groups rated as critical.

The radar chart format is used to illustrate these variances. Each chart compares ratings of 2 industry groups represented by different axes colors.

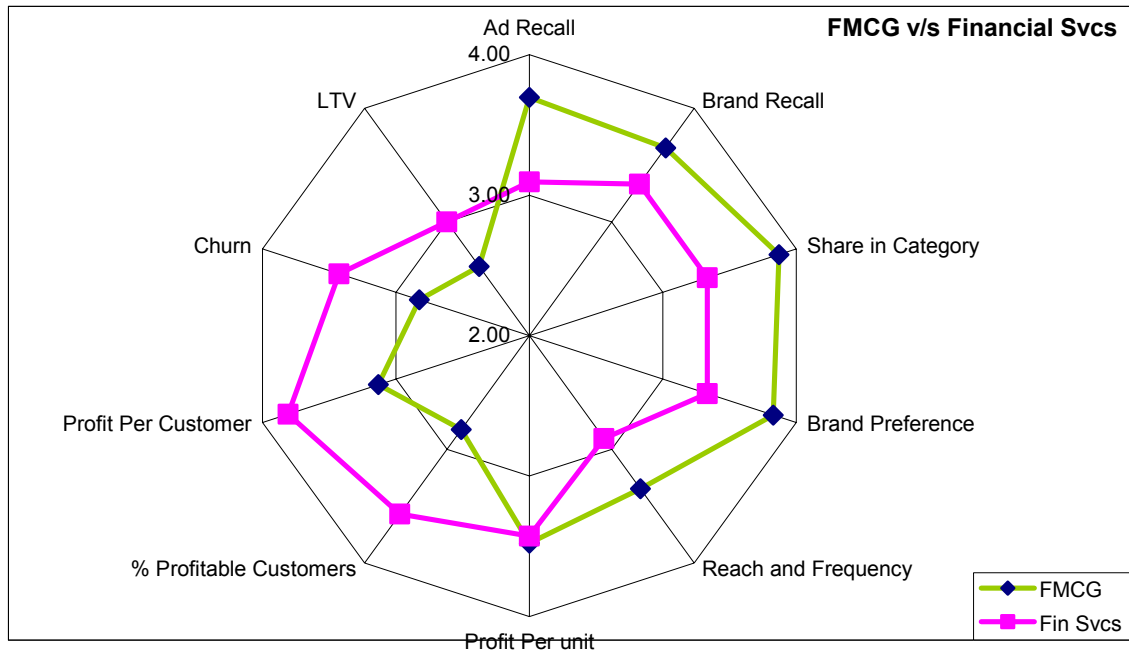
The closer the axis gets to the border, the higher the criticality on those parameters.



Contrasting Criticalities: Telecom marketers (Pink radar axis) focus on LTV, Churn and Profit Per Customer. FMCG marketers (Green axis) don't deem these to be as critical as Brand/Ad Recall, Market Share and Brand Preference.

Note: All scores based on marketers' ratings of each parameter on a 4-point scale of criticality.

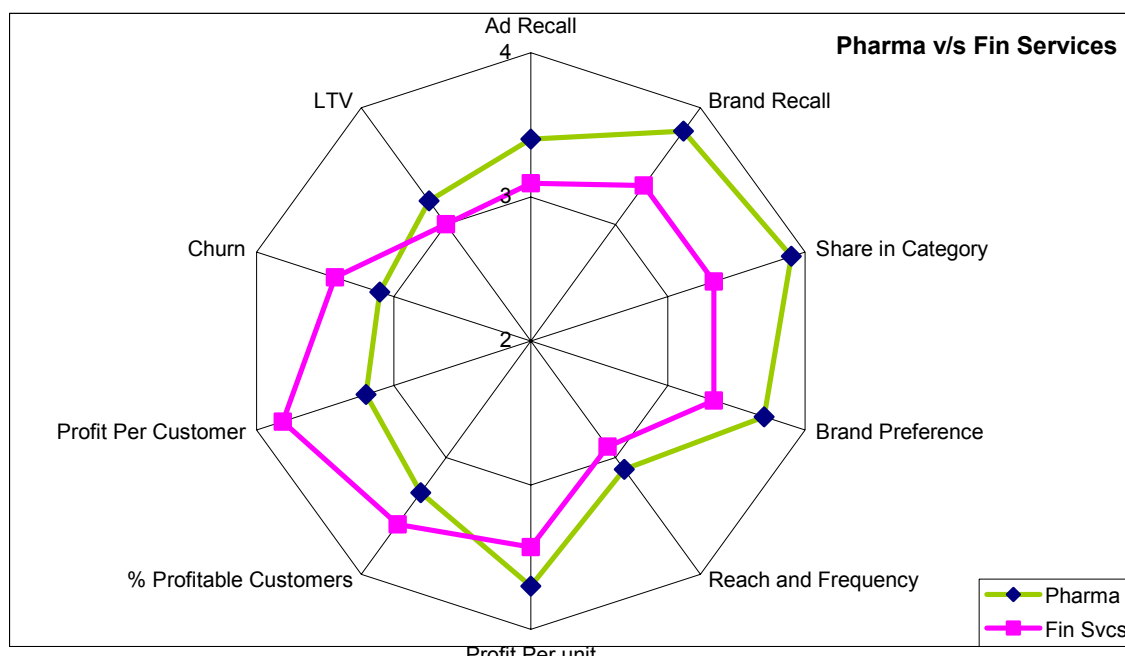
1.2.3. Findings – Critical Parameters – Variances by Industry:



FMCG marketers (Green axis) show a similar divergence in metrics preferences with marketers of Financial Services (Pink axis) as with Telecom marketers. However Financial Services marketers focus more on % Profitable Customers as against Telecom marketers (who focus more on LTV – see prior page).

Note: All scores based on marketers' ratings of each parameter on a 4-point scale of criticality.

1.2.4. Findings – Critical Parameters – Variances by Industry:



Pharmaceuticals marketers (Green axis) contrast their metrics preferences v/v marketers of Financial Services (Pink axis) much the same way as FMCG marketers (prior chart). However Pharma marketers are also paying relatively greater attention to customer level metrics than do FMCG marketers.

Note: All scores based on marketers' ratings of each parameter on a 4-point scale of criticality.

1.3. Comments:

While use and availability of data follows criticality on many dimensions, it is not uniform. These variations are highlighted on the next page.

Also it is not the intent of this study to 'prescribe' what metrics are appropriate. Infact, most variations in criticality highlighted above are understandable in context of the variations of each business.

The more important output from this study is the identification of metrics that marketers consider critical but are unable to track.

2.1. Findings – Data Availability Across Parameters – All Industries Combined:

Use and availability of data was measured in the same way – on a 4-point scale. To a large extent, ‘traditional brand metrics’ remain freely and credibly available – market shares, growth, media reach and profit/unit. The chart below contrasts the variation in ranking based on Criticality and Availability.

Parameter	Criticality Rank	Availability Rank
Market Share in Category	1	1
Brand Preference	2	8
Brand Recall	3	11
Profit Per Product unit sale	4	2
Usage Per Customer	5	5
Profit Per Customer	6	12
Quality (%defective product or service interactions)	7	13
Advertising Recall	8	14
Frequency of Purchase	9	9
Market Share by Geography	10	4
Market Growth by Geography	11	3
Reach and Frequency of Media	12	6
% Profitable Customers	13	17
Share of Customer's Category Need met by your Brand	14	15
Purchase Intent	15	18
Life Time Value Per Customer	16	24
Development Cost Per New Product	17	7
Number of Complaints Received and Redressed	18	10
Churn (% Defecting Customers)	19	21
Response Rate to Direct Marketing Campaigns	20	16
Acquisition Cost Per New Customer	21	19
Retention Cost Per New Customer	22	23
Profit Potential of Discrete Customer Segments	23	22
Revenue Potential of Discrete Customer Segments	24	20
Referrals Per Customer	25	26
Web Metrics for Online Campaigns	26	25

3.1. Findings – Data Gaps Across Parameters – THE CUDScore & CUD INDEX:

As said earlier, the most critical and actionable output from this exercise is to determine data points (or metrics) that marketers find valuable but lacking on availability.

The CUDScore was developed as a composite rating of Criticality and Unavailability.

The CUDScore is computed as the product of:

- The parameter's Criticality (C) and
- The Availability (A) Gap (C - A).

$$\text{CUDScore} = C * (C - A)$$

Higher CUDScores represent higher unavailability of critical data points.

For example, Market Share had a Criticality Score of 3.63 and an Availability Score of 3.46. The CUD Score for Market Share as a parameter was:

$$\text{CUDScore for Market Share} = 3.63 (3.63 - 3.46) = 0.60$$

{A relatively low CUDScore given that availability is high (almost as high as criticality).}

In contrast, the LifeTime Value (LTV) parameter had a Criticality score of 3.20 but an Availability score of 2.39.

$$\text{CUDScore for LifeTime Value} = 3.20 (3.20 - 2.39) = 2.59$$

{A high CUDScore based on high Criticality and low Availability.}

3.2. Findings – Data Gaps Across Parameters – THE CUDScore & CUD INDEX:

CUD Index: CUDScores for all parameters were indexed against 'Market Growth by Geography' (CUDScore of 0.38) to arrive at the CUD Index. As would be expected Market Growth as a parameter is characterized by high criticality and high availability leading to a low CUDScore.

To illustrate, the CUD Index of 5.22 for Churn is essentially saying that Churn data is over 5 times more 'unavailable' than Market Growth data (CUD Index of 1.00) after factoring for criticality.

MEAN CUDScores for the 3 markets across all 26 parameters were as follows:

Hong Kong: 1.09

Manila: 1.59

Singapore: 1.15

The above indicates that companies in Manila have a greater issue on availability than companies in Hong Kong or Singapore.

The table on the next page lists the CUDScores and CUD Indices for the top 15 parameters and highlights industry groups that show significant gaps.

Further analysis presented on subsequent pages focuses on variances across industry groups. The radar chart format is used to illustrate these variances. Each chart compares ratings of 2 industry groups represented by different axes colors. The closer the axis gets to the border, the higher the CUDScore on those parameters.

3.3. Findings – Data Gaps Across Parameters

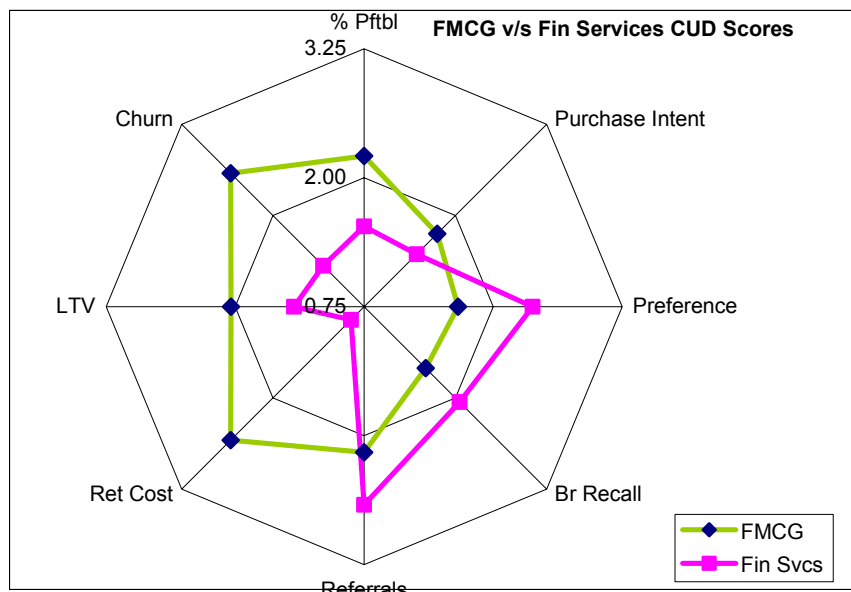
CUD RANKING	Parameter	CUD SCORE	CUD INDEX * (see note below)	Industries with Significant Gaps
1.	Life Time Value	2.59	6.86	Consumer Durables, Pharma, Retail & Telecom.
2.	Brand Recall	2.00	5.29	Consumer Durables, Financial Services, Hotels & Travel, Pharma.
3.	Churn (% Defecting Customers)	1.97	5.22	Consumer Durables, FMCG, Pharma and Retail.
4.	Referrals Per Customer	1.89	5.01	Consumer Durables, Corporate Services, Retail and Telecom
5.	Brand Preference	1.85	4.90	Consumer Durables & Financial Services
6.	Quality (%defective product or service interactions)	1.77	4.68	Consumer Durables, Corporate Services, Media and Telecom.
7.	% Profitable Customers	1.77	4.68	Automotive, Corporate Services, FMCG, Hotels & Travel and Media.
8.	Usage Per Customer	1.75	4.63	Corporate Services, Pharma & Retail
9.	Purchase Intent	1.72	4.56	Corporate Services, Hotels & Travel, Media
10.	Advertising Recall	1.46	3.85	
11.	Retention Cost Per Customer	1.44	3.82	FMCG & Telecom
12.	Share of customer's category need	1.31	3.46	Media & Retail
13.	Profit Per Customer	1.30	3.44	Financial Services, FMCG & Telecom.
14.	Acquisition Cost Per Customer	1.29	3.41	FMCG, Hotels & Travel, Media.
15.	Profit Potential of Discrete Customer Segments	1.26	3.34	FMCG, Hotels & Travel, Retail.

Base for CUD Index: CUDScores for all parameters were indexed against Market Growth by Geography (CUDScore of 0.38). As would be expected Market Growth as a parameter is characterized by high criticality and high availability leading to a low CUDScore.

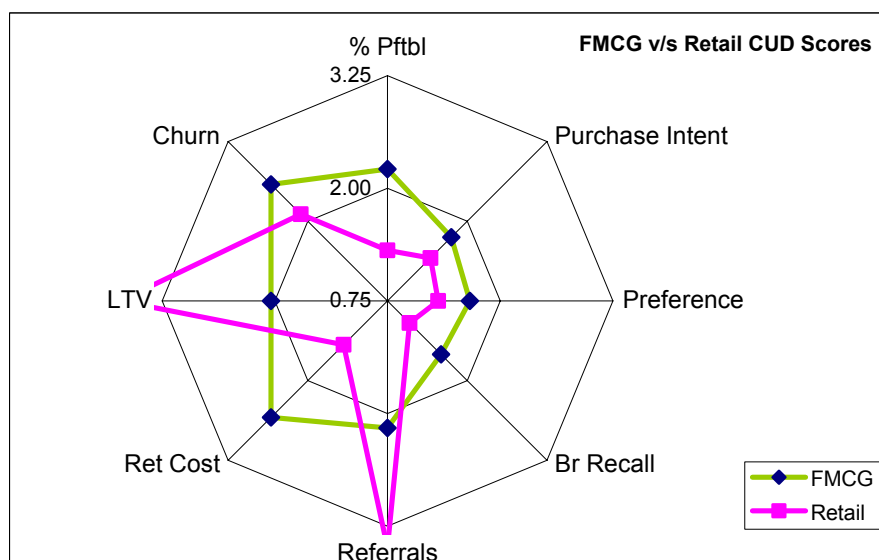
A higher index suggests greater factors of Unavailability and/or Criticality.

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3.4.1. Findings – Data Gaps Across Parameters - Industry Analysis:



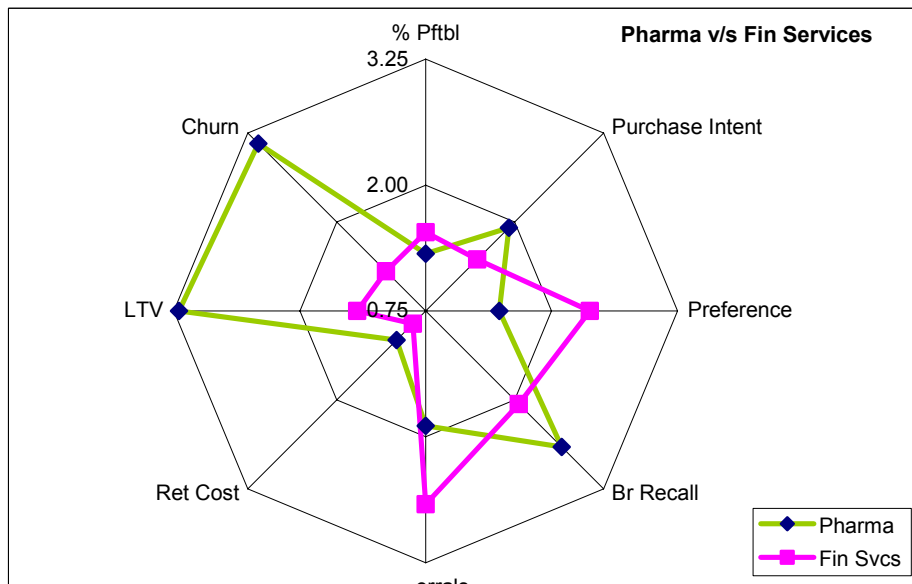
Even though FMCG marketers (Green axis) gave relatively lower criticality scores to parameters like Churn, LTV, Retention Cost, it is apparent that they are beginning to recognize these data gaps. In contrast, the Financial Services (Pink axis) sector reports that it is under-informed on some traditional metrics like Brand Preference and Recall.



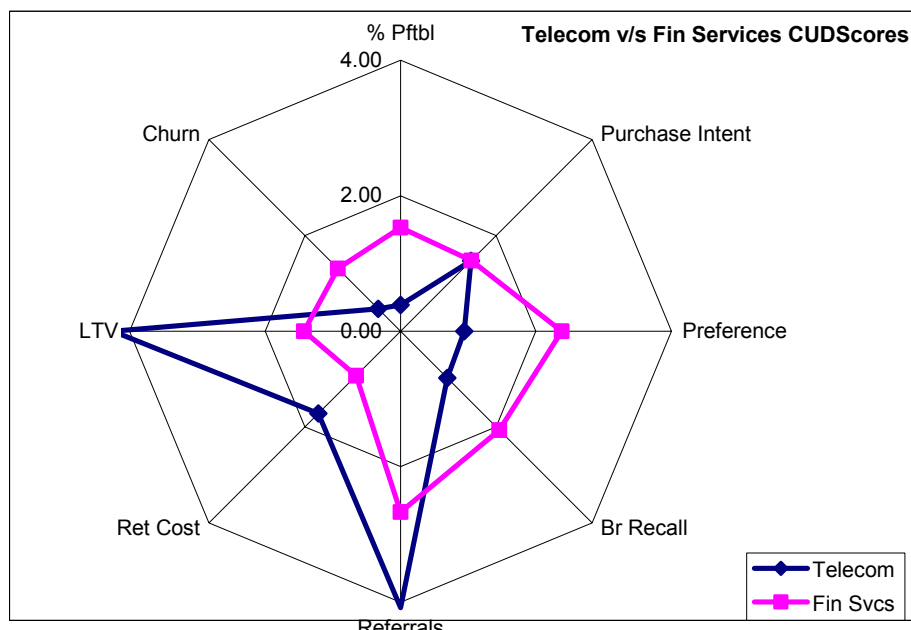
The Retail sector (Pink axis) is 'data-challenged' on 3 fronts: LifeTime Value, Referrals per Customer and Churn – all of which are going to gain increasing importance in this sector.

Note: These charts are not comparable with criticality charts that appear on Pages 9-11.

3.4.2. Findings – Data Gaps Across Parameters - Industry Analysis:



In as much as the Financial Services Sector (Pink axis) has got (or is getting) the better of customer metrics like LTV and Churn, the Pharma sector (Green axis) shows huge gaps for these data-points.



Telecom marketers (Blue axis) seem to have tamed their needs on Churn as a marketing parameter, but still show large gaps in tracking LTV, Retention Cost per Customer and Referrals. It is interesting to note that even industry groups that show a preference for the basket of Customer Metrics show fairly high degrees of unavailability on these metrics.

Note: These charts are not comparable with criticality charts that appear on Pages 9-11.

4.1. CONCLUSIONS AND THOUGHT POINTERS:

The findings of this study highlight substantial gaps in availability of critical marketing data. These gaps have been adequately highlighted in the previous pages and do not warrant reiteration.

In the aggregate, this study has raised some conceptual issues that marketers will find worthy of consideration.

- **REVISIT BUSINESS~MARKETING METRICS:** A dynamic marketplace environ necessitates revisiting the essential business and marketing metrics on a going basis.
 - All marketing metrics should eventually contribute toward the simplest of Business Equations: ***Profit = Revenue – Cost***.
If marketing metrics are not laddering up to this equation, they are very likely to be of questionable value.
- **METRICS CURE FOR CRM FAILURES:** iLeo would argue that several elements of dissatisfaction with CRM deployments are quickly resolvable through a re-look at the essential metrics used to track these initiatives.
 - A direct corollary of the basic business equation from a CRM standpoint is to track:
Profit Per Customer = Revenue/Customer – Cost/Customer
- **METRICS FOR ABSTRACTS:** A key challenge is dealing with metrics for strictly non-finite, abstracts like service standards or multi-assumption loaded computations of future value. Marketers who address this challenge and work with these abstracts instead of dismissing them as ‘too difficult to measure’ are more likely to gain control over these abstracts – and consequently the revenues and costs attached to them.

4.2. CONCLUSIONS AND THOUGHT POINTERS (continued):

- **CURRENT VALUE METRICS AND FUTURE VALUE METRICS:** Marketers will need to strike a strategic balance in identification of metrics that help them track the value of current operations (current profitability) even as they seek to create substantial sources of future value.
 - In a plateau-ing innovations and new products environ and a growing customization environ, the need to layer customer metrics on top of traditional brand metrics is gaining importance.
 - Particularly if the marketer takes the view that current customers are sources of future revenue.

- **NO PRESCRIPTIONS:** There is no prescriptive approach to metrics beyond making the point that each marketer ought to periodically re-examine their metrics assumptions. It is even more foolhardy to search for common metrics standards across industry groups.

About iLeo:

With the ‘i’ in the name reflecting a focus on the individual, iLeo’s mission is to drive customer value for clients through a combination of customer intelligence analysis, interaction strategy and content development across both digital and direct channels.

With 2 regional hubs (Singapore and Sydney) and 8 offices in the Asia Pacific region, iLeo enjoys a top five positioning in the region, working with some of the world’s leading brands including General Motors, McDonald’s, Procter and Gamble, Pfizer, Phillip Morris and SingTel.

Headquartered in Chicago, the iLeo network combines digital, direct and database assets in Australia, Japan, Singapore, Malaysia, Philippines, the UK, Germany, France, Spain, Italy, Portugal, Denmark, Sweden, Norway, Poland, the Czech Republic, Greece and UAE.

About the author:

Sumeet Kanwar, Regional Director, iLeo.

- Sumeet has had 18 varied years in the marketing communications space with direct experiences across mainstream advertising management, account planning and promotions with stints on both sides of the table (client and agency). He worked directly on several major brands including Coca-Cola, Shell and Johnson & Johnson and has built expertise in some key categories including telecom and insurance.
- Sumeet has had 3 major assignments within Leo Burnett since 1996:
 - As Head of New Business for Leo Burnett, India
 - As Managing Director for Leo Burnett, New Delhi
 - And most recently, as Vice President, Global Digital Strategy for Leo Burnett Worldwide in Chicago.
- Sumeet has also been directly involved in the development of new definitions of customer metrics and customer value – a key pillar to iLeo’s service offerings.
- Sumeet is based in Singapore and leads the development of iLeo offices, services and assignments in the Asian region.

Annexure A: Sampling of Respondent Companies:

Philips	Great Eastern Life Assurance	Cold Storage, Singapore
ICI Paints	Citibank	Tricon Restaurants
Kodak – Singapore	Prudential Assurance	IKEA
Coca-Cola Far East	ABN Amro Bank	Lane Crawford
New Balance	Mobile One	Starbucks
Bristol Myers Squibb	Dao Heng Bank	Pfizer
Gillette	Cathay Pacific	Eli Lilly
Levi's	Marriott Hotels	Sun Life
Nestle	PCCW	San Miguel Corp
Johnson & Johnson	HSBC	Standard Chartered Bank

Annexure B: List of Parameters:

1. Market Share in Category
2. Brand Preference
3. Brand Recall
4. Profit Per Product unit sale
5. Usage Per Customer
6. Profit Per Customer
7. Quality (%defective product or service interactions)
8. Advertising Recall
9. Frequency of Purchase
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