



Marketing Dashboards & Causal Modeling

Why we're here

- Discuss how to use data to build the right kind of marketing scorecards
- Based on our work with Fortune 500 clients in retailing, technology, and other sectors
- Practical, hands on approach

TERMS

scorecard = dashboard



What you will learn



- How accountability hurts and helps
- The 5 different types of dashboards
- How causal models help

Good News

- CEOs want to partner with CMOs to grow the business



Bad News

- It's a killing field out there
- The average tenure of a CMO is 18-22 months



Accountability

- The new imperative
 - Marketing often the only discretionary dollars left at your company with the exception of R&D
 - What you spend today better drive revenue tomorrow
 - Same time – enormous pressure to “up the activity level” – often in ways that make little sense



Dashboard types

	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
Type	Performance	Operations	Collaborative	Marketing	Predictive
Accountability	Limited	Low	Moderate	High	High
Decisions supported	Tactical Short term	Tactical Short term	Track progress Quarterly	Track results Backwards looking	Track results Optimize investment strategies Both backwards and forwards looking
Data requirements	Existing financial reports	Data feeds from CRM/SFA systems	Data feeds from multiple ERP systems	Multiple data feeds from both within and outside the company	Multiple data feeds from both within and outside the company Includes predictive models using most recent data
Technology requirements	Minimal	Low Database Query & Reporting	Moderate Multi-user	Moderate Drill downs Multiple data sources	High Support for OLAP Predictive Analytics

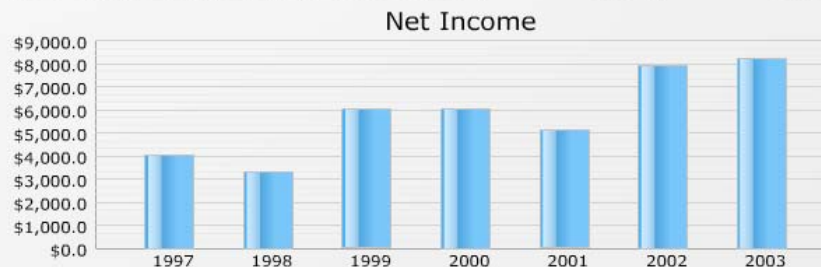


Performance tracking

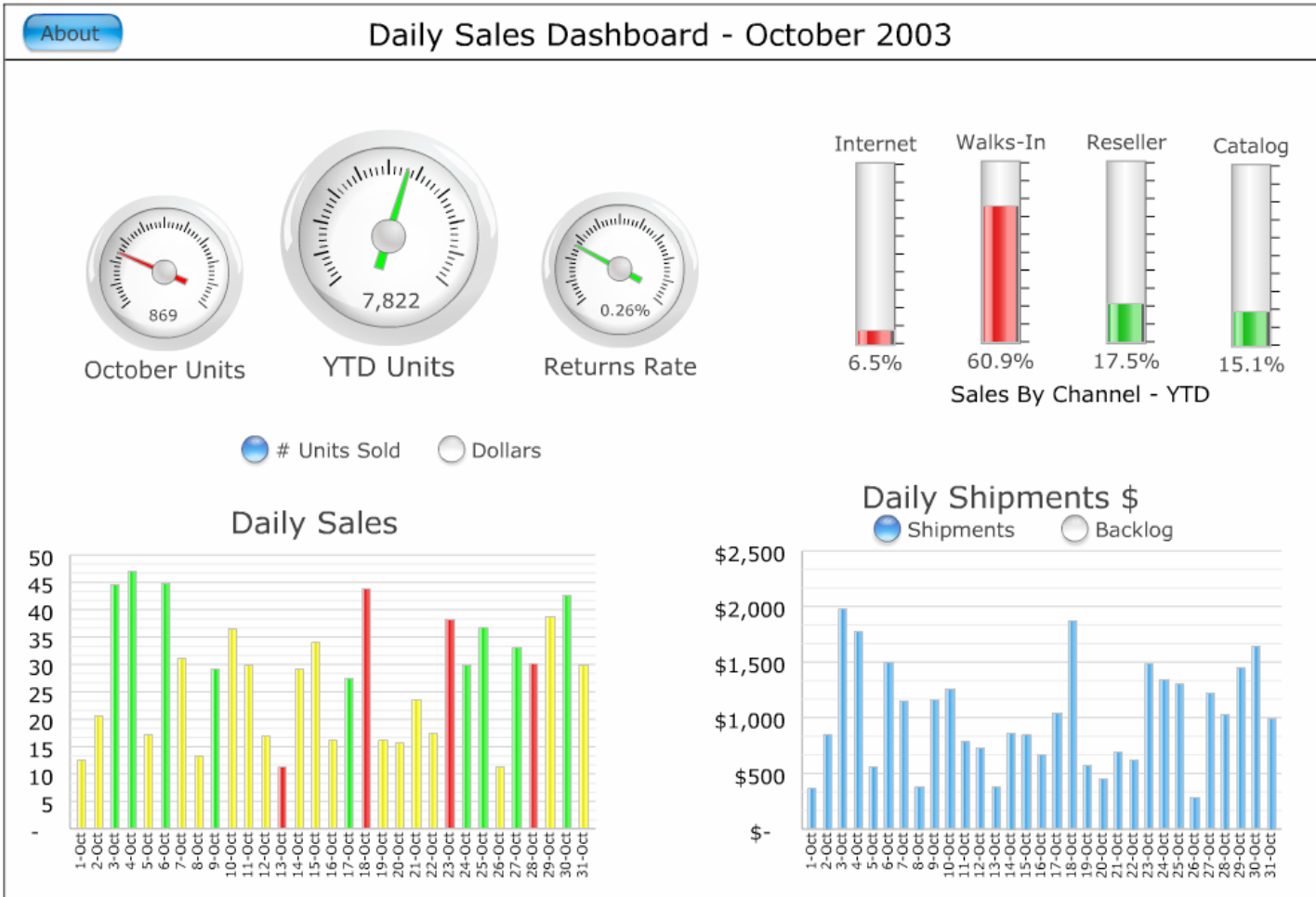
Model Info

Financial Highlights

Financial Highlights	FY 2003	FY 2002
Net Income	\$7,936	\$8,227
Revenue	\$36,024	\$37,346
Diluted Earnings Per Share	3.45	3.6
Dividends per Share	1.23	1.28
Return on Assets	2.5%	2.61%
Return on Equity	27.6%	28.63%
Net Interest Margin	8.4%	8.74%
Efficiency Ratio	0.84	0.875
Assets	\$501,375	\$519,775
Loans	\$279,465	\$289,721
Core Deposits	\$199,589	\$206,913
Stockholder's Equity	\$31,740	\$32,905
Non-Performing Loans / Total Loans	1.24%	1.29%
Allowance / Total Loans	3.11%	3.22%
Allowance / Non-Performing Loans	374%	387%
Net Charge Offs / Average Total Loans	1.46%	1.51%



Operations visibility



Collaborative



Note: This is a great example of a “balanced scorecard”. Appropriate for running a whole business. Not so appropriate for a marketing scorecard.

January 04 Marketing Scorecard



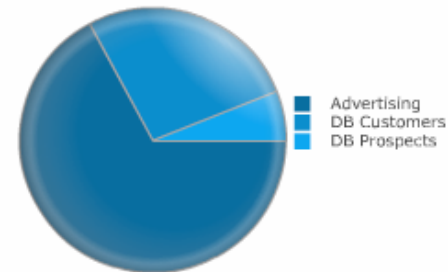
Category

- Overall
- Marketing Spends**
- Private Label Card
- Buying Behavior
- Status Change
- Regional Analysis
- Product Analysis

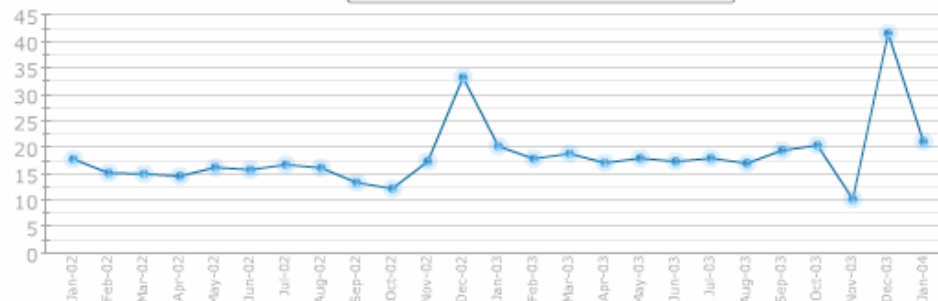
Marketing Spend

	This Month	Last Year	Index
<u>Total Marketing Spend</u>	1.49	1.8	83
Advertising	1.0	1.8	56
DB Customers	0.4	0.35	114
DB Prospects	0.1	0.16	56
<u>Customers Acquired (K)</u>	23.0	22.4	103
New Customers via Adv.	21.0	20.2	104
New Customers via dB	2.0	2.2	91
<u>NCA Cost</u>			
Advertising	47.6	Infinity	0
dB Marketing	45.0	45.5	99

Marketing Spend



New Customers via Advertising



Predictive

- Final stage in evolution of dashboards
- Discussed extensively in next section



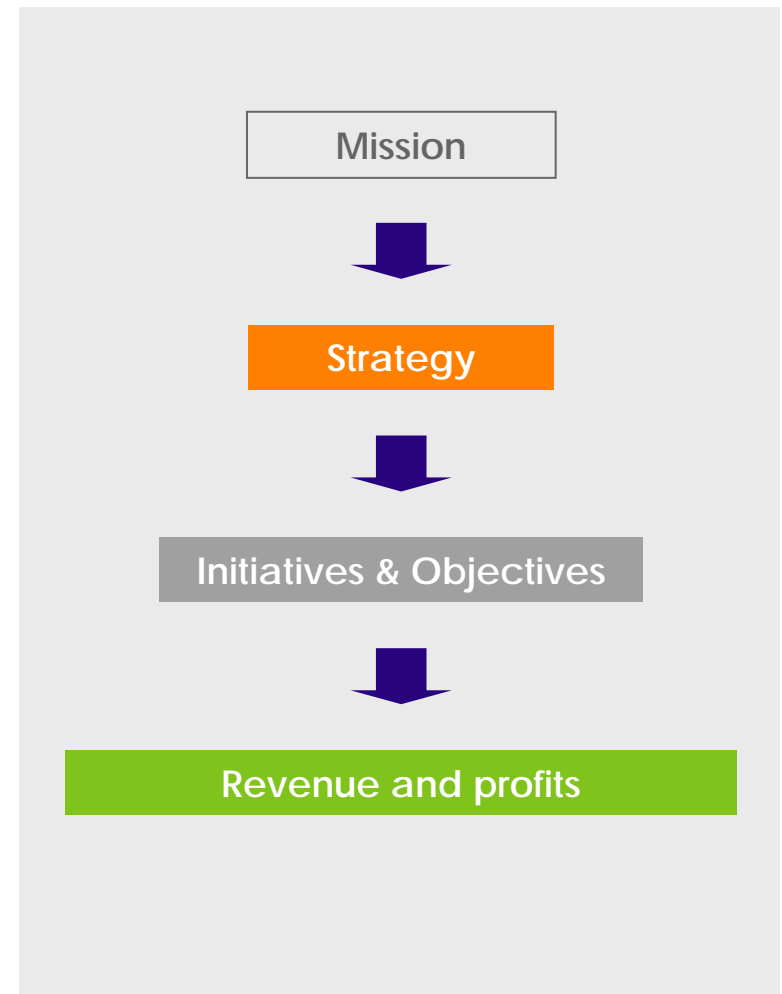
Now for a question

- What is the value marketing brings to the corporation?
 - A) create differentiation
 - B) maximize customer value
 - C) create brand value
 - D) other



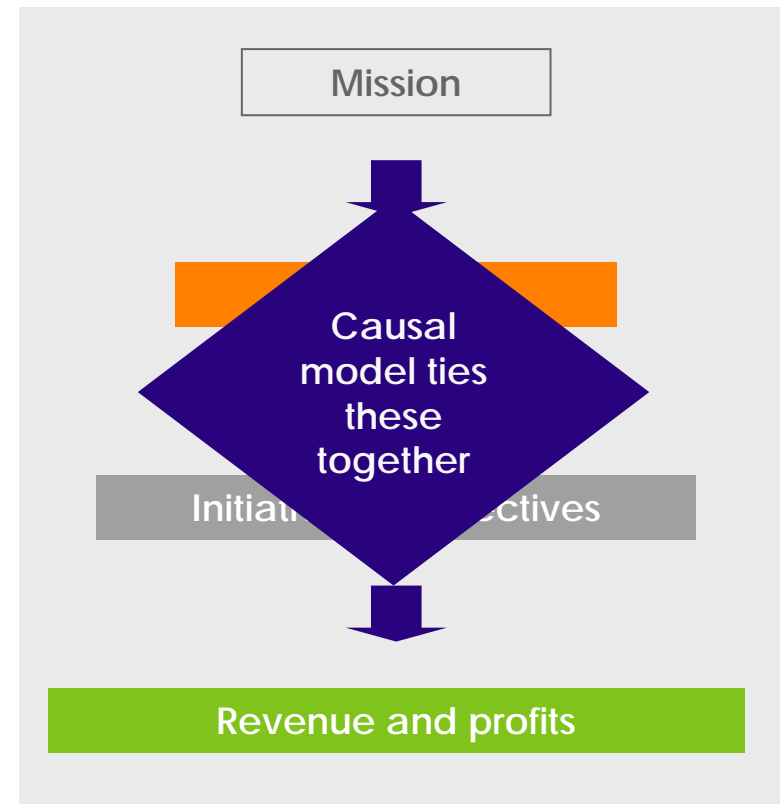
Point of this exercise

- The answer is B
maximize customer value
- Clarity of marketing mission is paramount
- Every company has different set of strategies, initiatives, and objectives



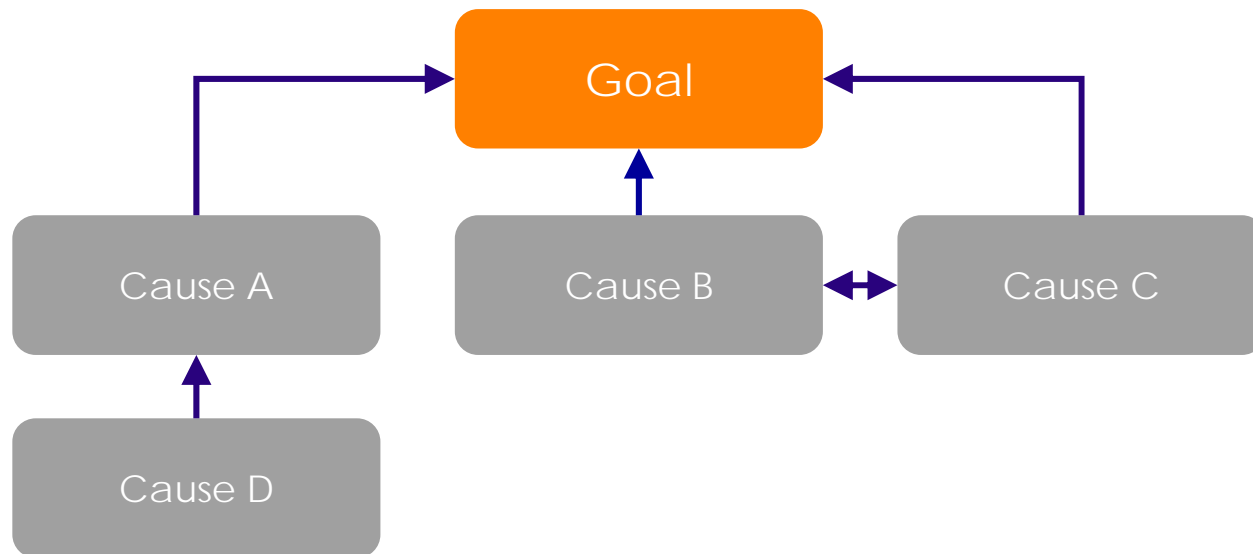
Causal models

- Key to the kingdom when it comes to linking strategy to initiatives & objectives and ultimately to revenue



Causal model

- Causal model defined...
 - A system that describes the underlying cause and effect relationships underlying your goal
 - Tells how aligned your world is with the real world
 - Required method: hypothesize → test → learn → update



SimCity Example

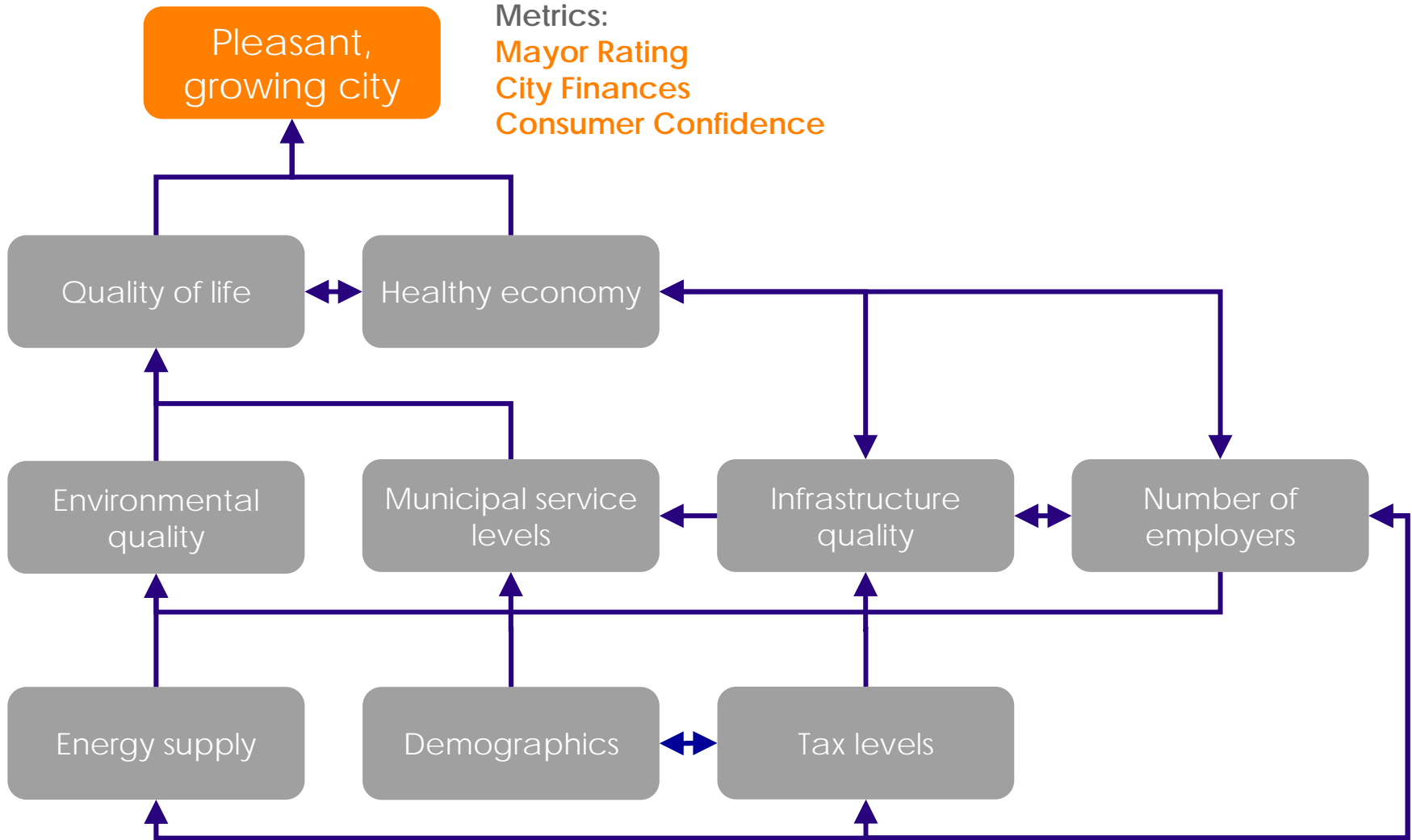
Pleasant,
growing city

Metrics:

Mayor Rating
City Finances
Consumer Confidence



SimCity causal model

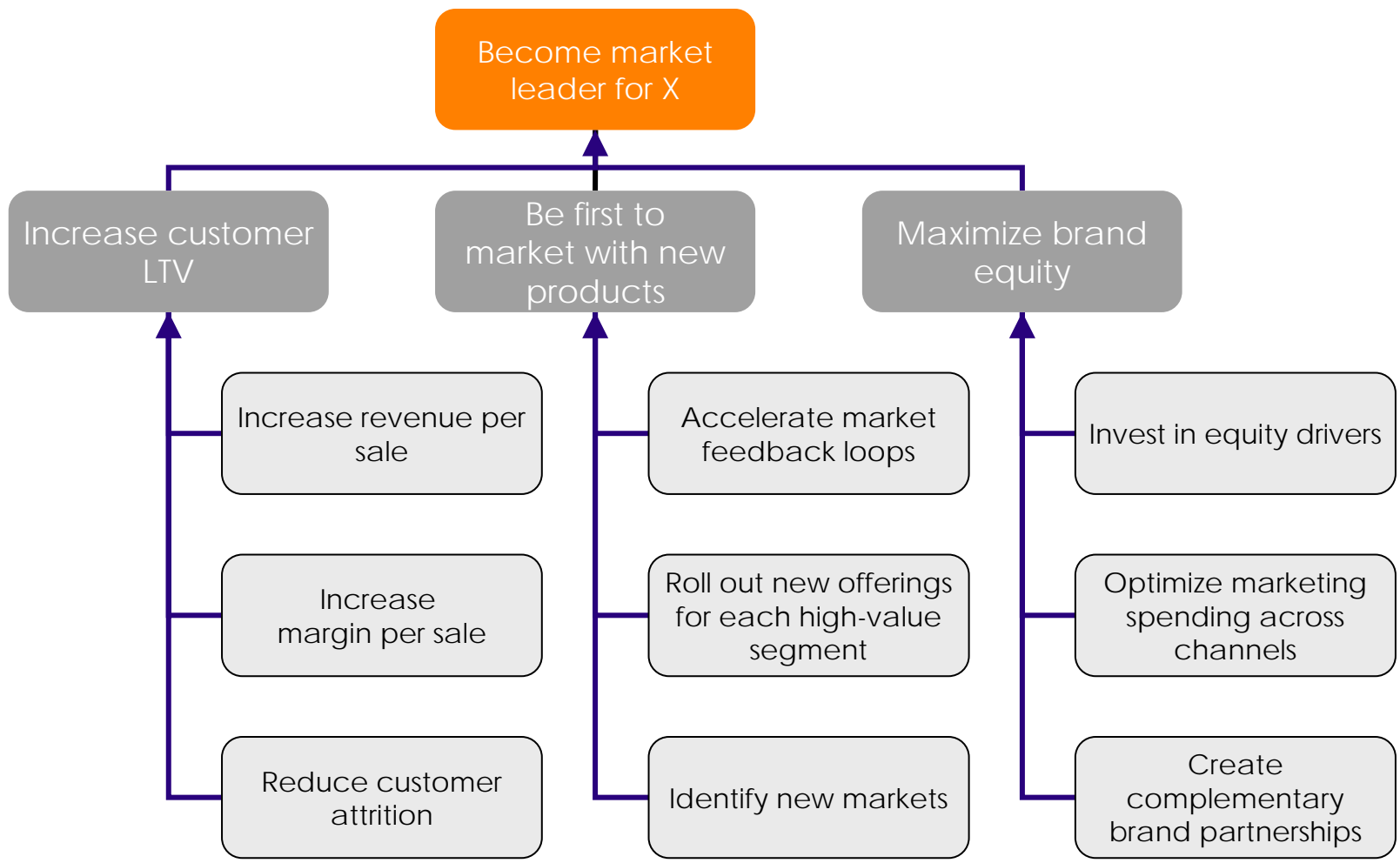


Marketing example

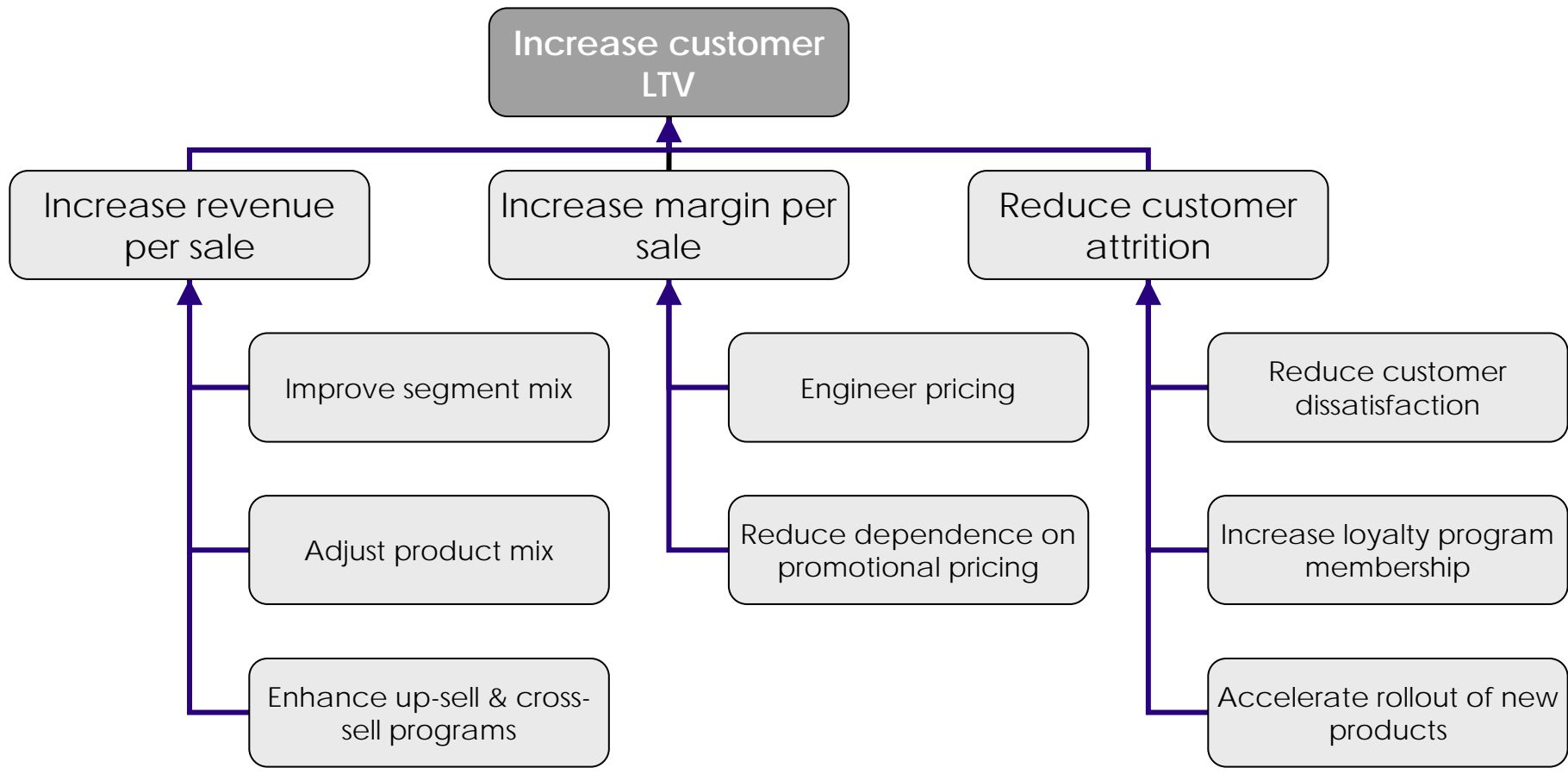


- Generalized
- Platform for discussion – let's hear your questions
- Won't cover each element in excruciating detail

High-level example

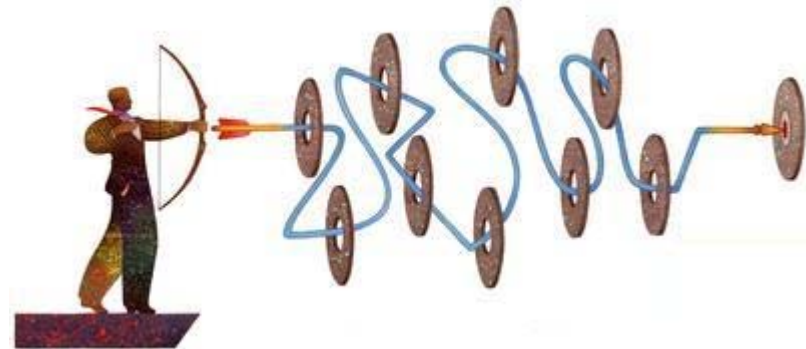


More granular example



Don't go overboard

- Prioritize objectives that make sense for the business, not just marketing
- Too much granularity upfront will make your scorecard unwieldy



- Obvious next step – after you’ve established a causal model that you think will work
- Metrics you pick should be designed to turn the data you have into information that sheds light on results
- Choice of metrics

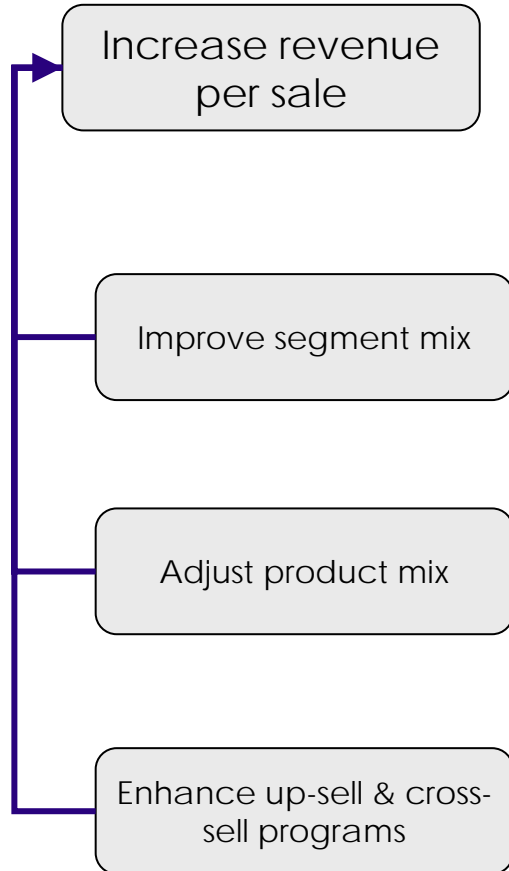
Depends on what data you have, can have, will never get

If the data is important, get it – you can only manage what you can measure

Need a mix of historical measures as well as leading indicators



Examples



Example Metrics

- Rate of growth of desired segments
- Revenue per sale to desired segments
- Satisfaction rate by segment

- Ratio of sales from new products vs. existing products
- Number of new products schedule for launch in quarter
- New product development spending

- Ratio of up-sell cross-sell revenue vs. core products
- % of upsell/cross-sell merchandize for coming quarter
- Number of sales force & customer requests for cross-sell/up-sell merchandize
- Spend on upsell/cross-sell promotion

Metrics talked about in other sessions ... we'll just touch upon them here

Setting levels

- Make sure you use the right level
- Practical guidance
 - Look backwards then set “stretch” goals
 - Model, track numbers over time – to set a band around numbers vs. absolute goals
 - Get the variance right – targeting a band not an absolute number

Example

- Level setting in action – for the initiative “improve segment mix”

Metric	Level	Range
Rate of growth of desired segments	1000 net additions per week	+/- 250
Revenue per sale to desired segments	3.5% increase per quarter	+/- 1.5%
Satisfaction score	3 point growth per month	+/- 2 points

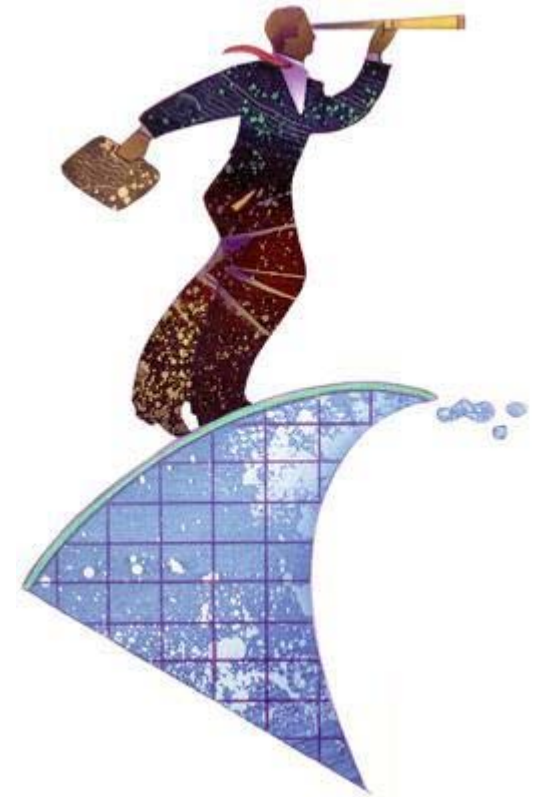
- Key Performance Indicators ... performance snapshots
- Drill down to where you need to go
- Should be statistically modeled to maximize utility
 - Multivariate regression, if possible
 - If not, work towards it



What you get

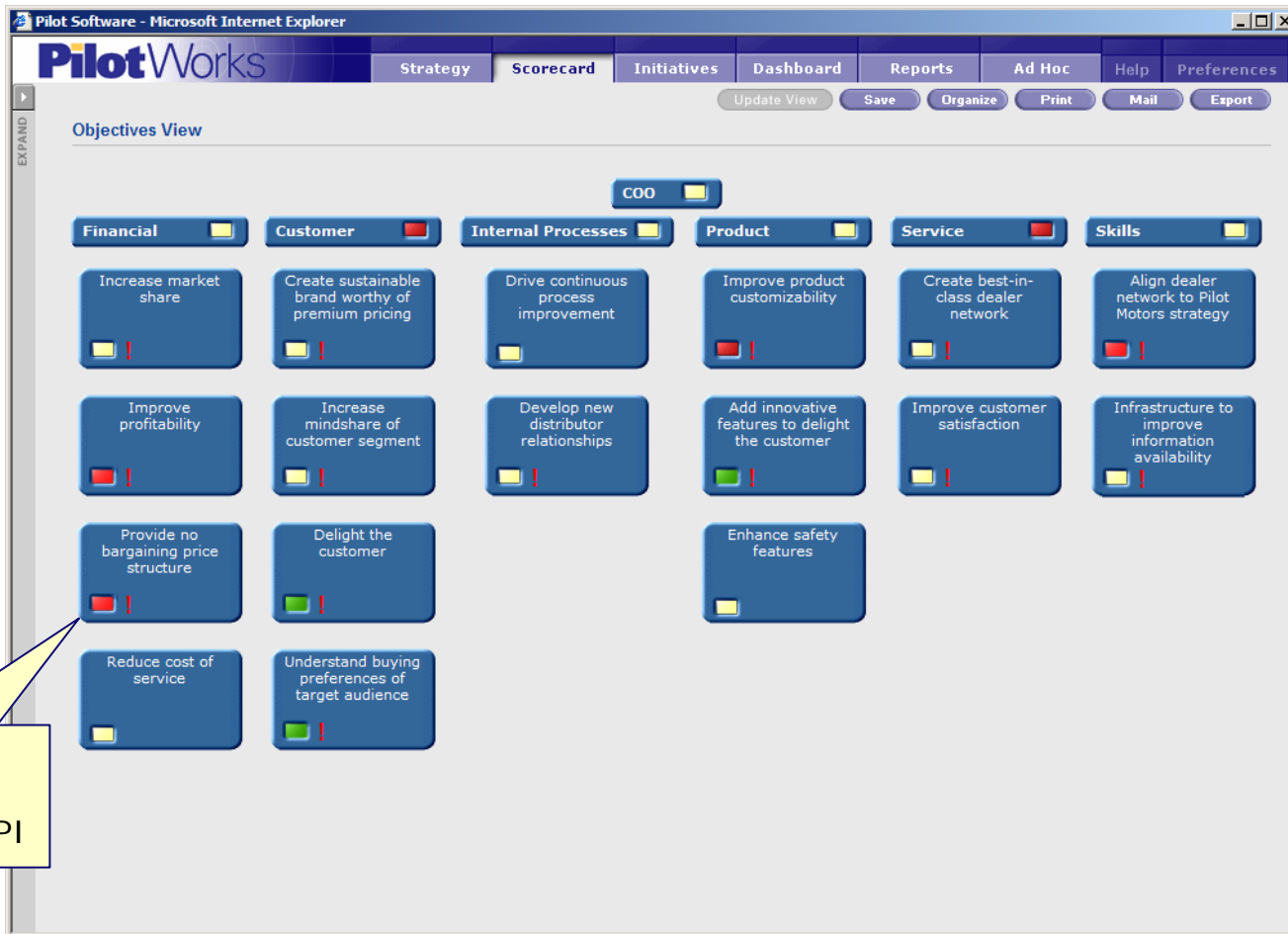
- Once you've built multivariate statistical models is a true, predictive dashboard
- Tells you not only where you've been but also there is the potential to tell you where you are going
- Requires is more sophisticated technology ...

Move from drill downs → predictive analytics



Drill down example

- Dashboard

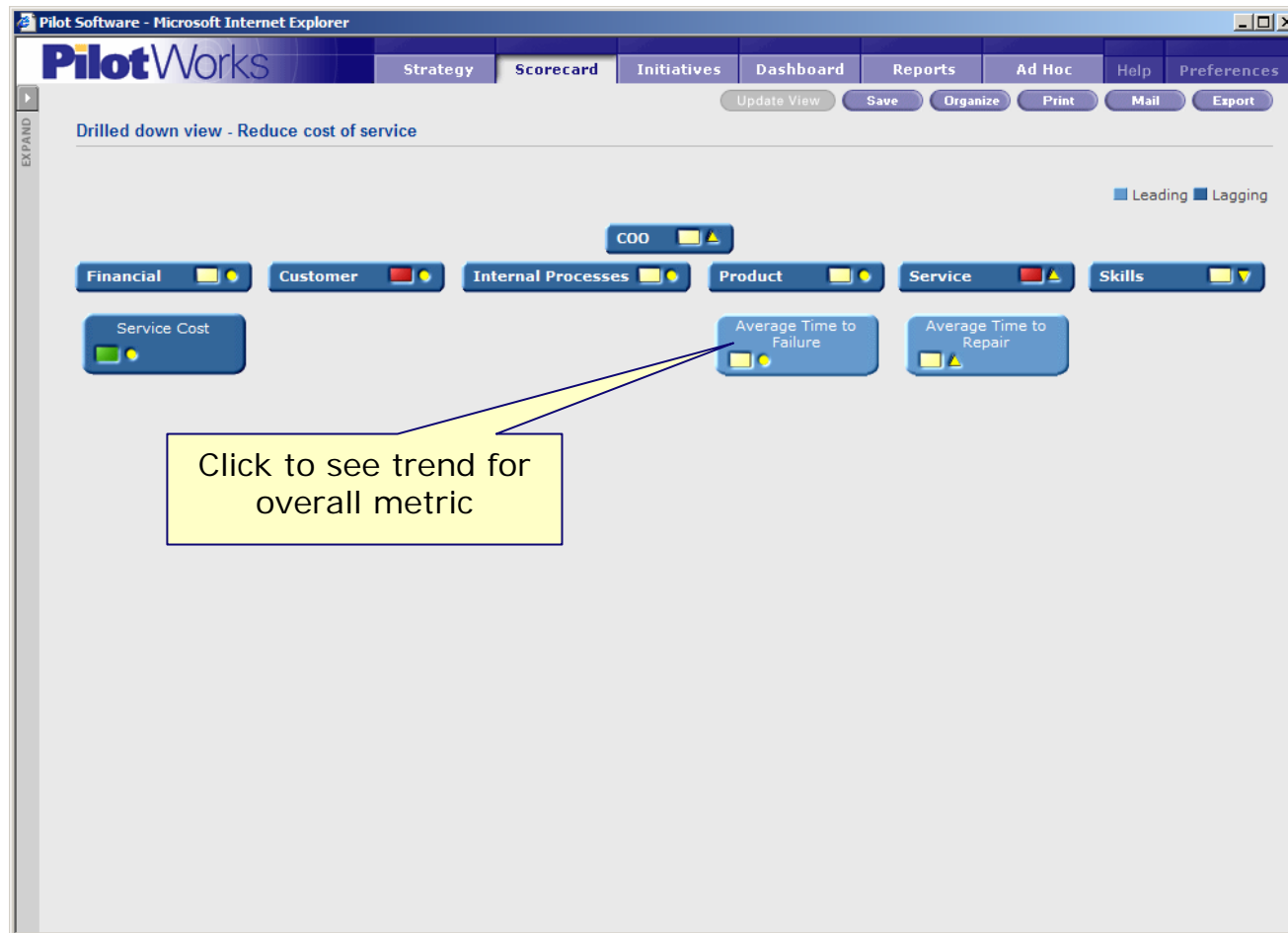


The screenshot shows a web browser window titled "Pilot Software - Microsoft Internet Explorer" displaying the "PilotWorks" dashboard. The dashboard has a navigation menu with tabs for Strategy, Scorecard, Initiatives, Dashboard, Reports, Ad Hoc, Help, and Preferences. Below the navigation are buttons for Update View, Save, Organize, Print, Mail, and Export. The main content area is titled "Objectives View" and features a grid of objective cards. At the top of the grid is a "COO" filter button. The grid is organized into columns: Financial, Customer, Internal Processes, Product, Service, and Skills. Each column contains several objective cards, each with a title, a small progress indicator (a bar with a red or green segment), and a small icon in the bottom right corner. A callout box with a yellow background and a black border points to the "Provide no bargaining price structure" card, containing the text: "Click to see metrics that compose the KPI".

Financial	Customer	Internal Processes	Product	Service	Skills
Increase market share	Create sustainable brand worthy of premium pricing	Drive continuous process improvement	Improve product customizability	Create best-in-class dealer network	Align dealer network to Pilot Motors strategy
Improve profitability	Increase mindshare of customer segment	Develop new distributor relationships	Add innovative features to delight the customer	Improve customer satisfaction	Infrastructure to improve information availability
Provide no bargaining price structure	Delight the customer		Enhance safety features		
Reduce cost of service	Understand buying preferences of target audience				

Drill down example

- KPI



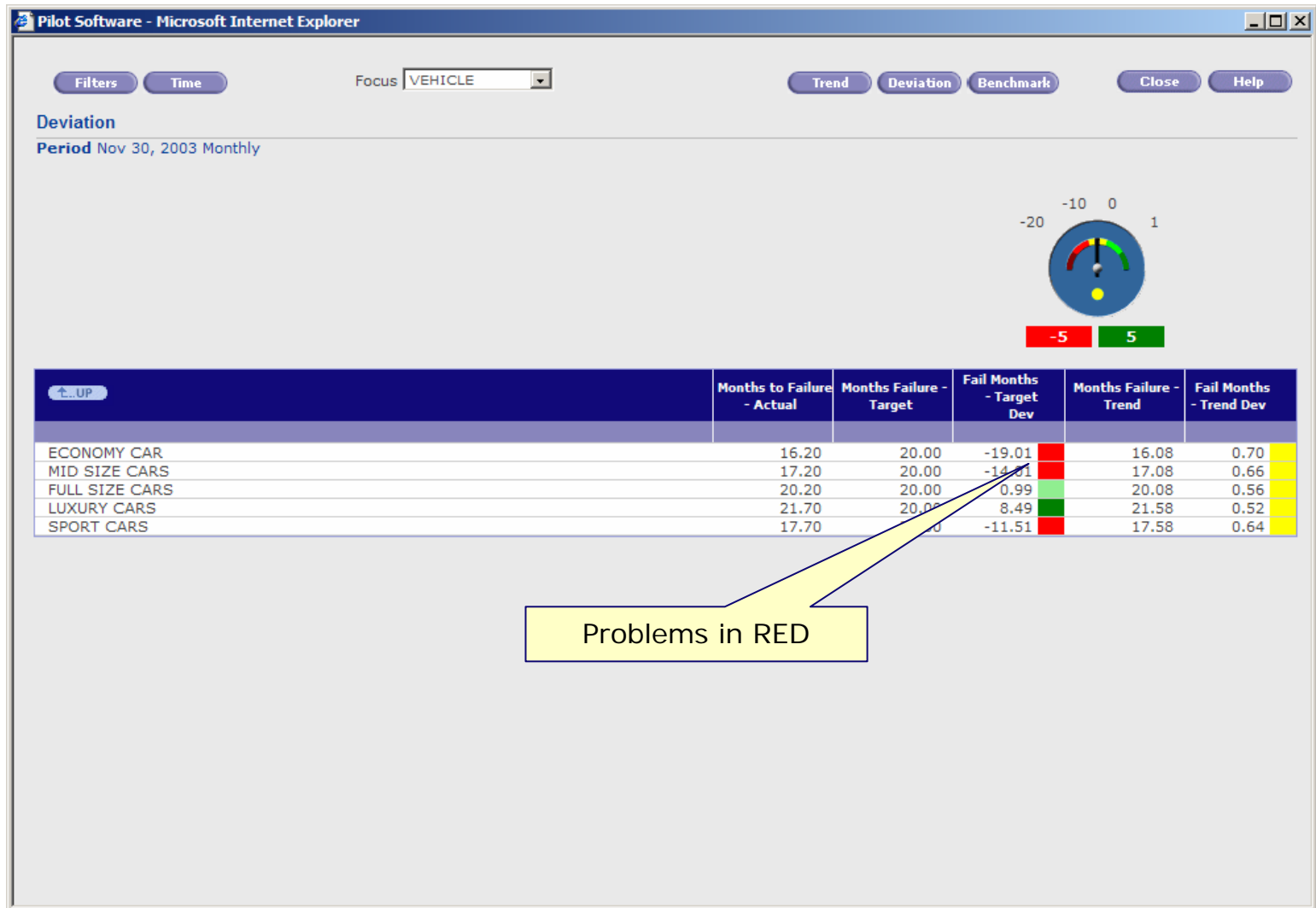
Drill down example

- Metric performance



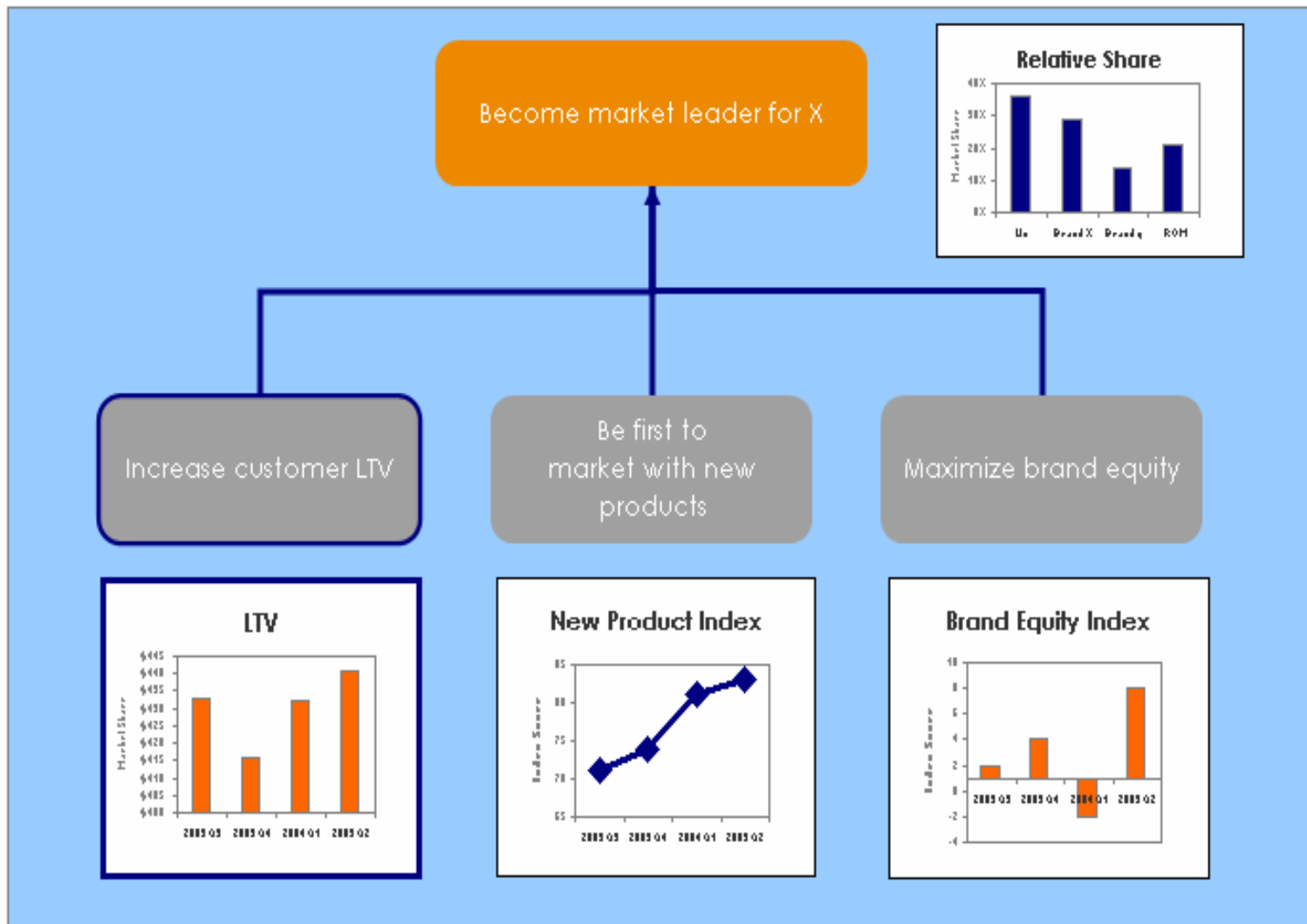
Drill down example

- Metric components



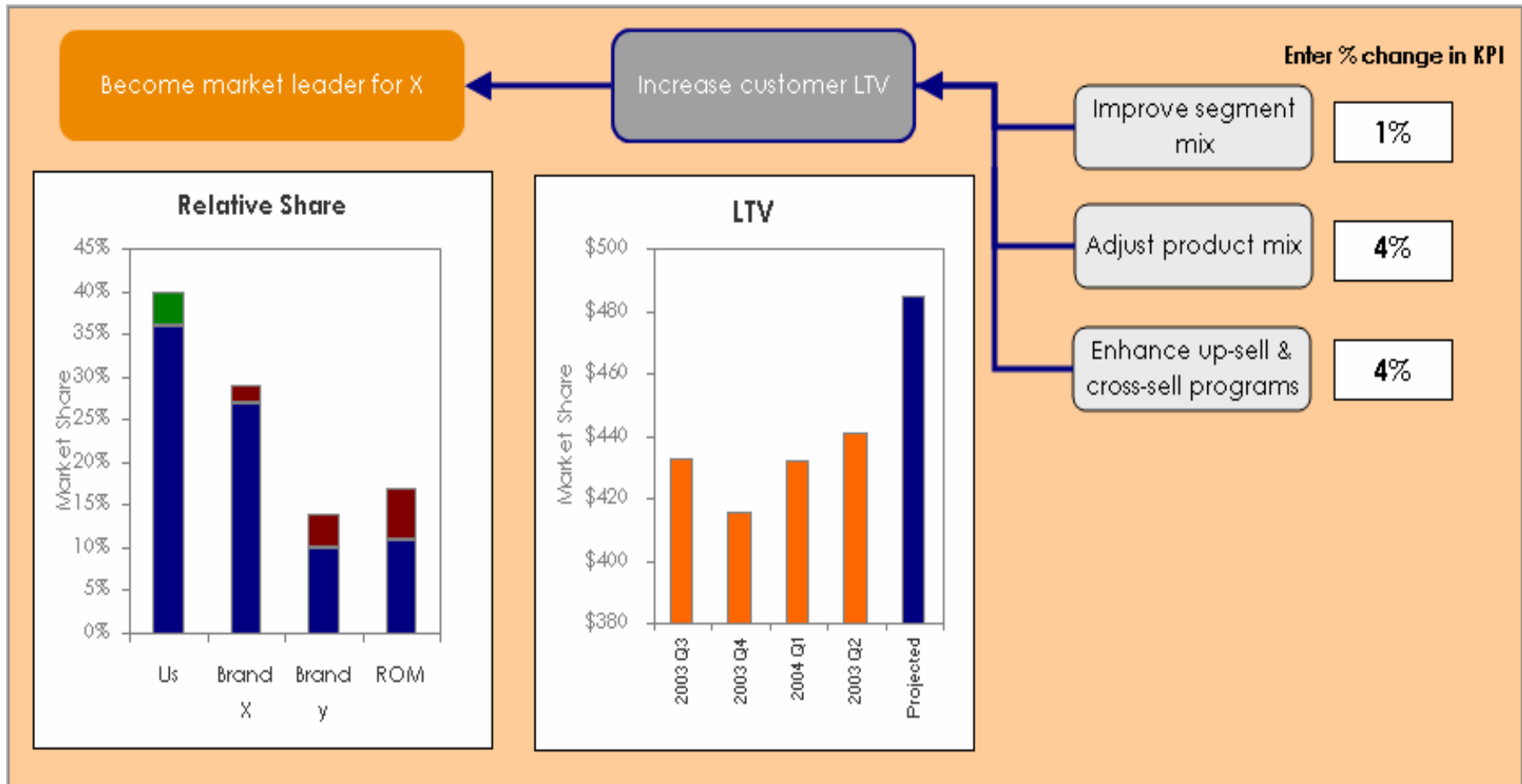
Predictive dashboard

- Select LTV for predictive modeling



Predictive modeling

- Predict impact of changes in KPI on market share
- Assess ROI of alternative growth paths



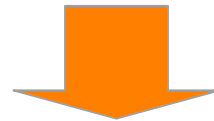
Keep in mind

Good Data

- Segmentation
- LTV analysis
- Marketing spend and program effectiveness tracking
- Channel investment & return
- Brand equity drivers, value, and investment

Good Analysis

- Understanding what is gut & what isn't
- Quality models
- Ability to capture learning



Marketing accountability!

Bringing this back



- Inside your company
 - Take a prototype approach
 - Use Excel and/or Flash in the beginning, don't worry too much about technology
 - Get metrics, level setting, and statistical models right

Questions?

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