

MARKETING MIX MODELING

Knowledge Networks' Marketing Mix Modeling evaluates the effectiveness of individual marketing components—such as price, promotion, advertising and other marketing activities—to generate incremental brand sales. Our world-class models are customized to each client's business for both CPG (Consumer Packaged Goods) and non-CPG firms. By evaluating the productivity of specific marketing efforts, we provide actionable recommendations that enable our clients to better allocate spending and increase their Return On Investment (ROI).

Marketing Mix Modeling Results

- Estimation of volume contribution due to each marketing component
- Change in each component's effectiveness from year to year
- ROI for each element in the marketing plan



Business Issues Addressed with Mix Modeling

Marketing Mix Modeling is an excellent tool for assessing the effectiveness of the following marketing tactics:

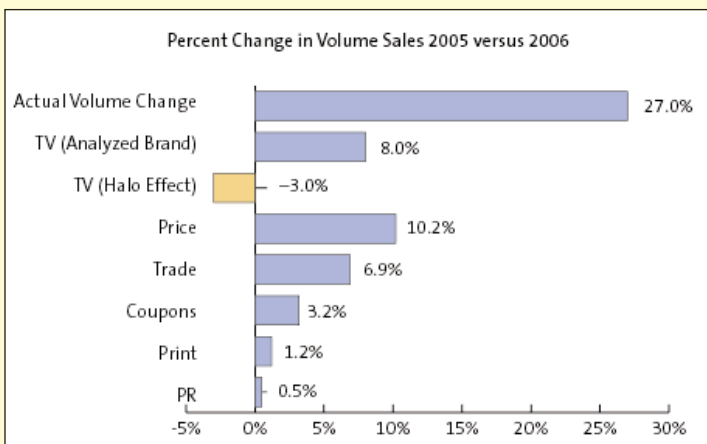
- Advertising:
 - How do different ad campaigns compare in terms of generating short-term incremental volume?
 - What level of spending has generated the best results?
 - How might advertising effectiveness be improved by changing flighting?
- Consumer Promotion:
 - How effective have consumer promotions been for the brand?
 - Are certain FSIs more effective or cost efficient than others?
- Trade Promotion:
 - How does effectiveness vary by tactic – Feature and/or Display, TPR?
 - What is the impact of changes in price?
 - Does one brand's trade activity cannibalize another's?
 - How does competitive trade activity impact your brand?
- Non-Traditional Marketing:
 - Do PR events drive volume, and what is their payout?
 - What is the ROI for sponsorship events?
- Event Analysis:
 - How much incremental volume is generated by a special event?
 - Should an in-market test such as advertising heavy-up or on-pack promotions be implemented nationally?

Our Comprehensive Modeling Approach

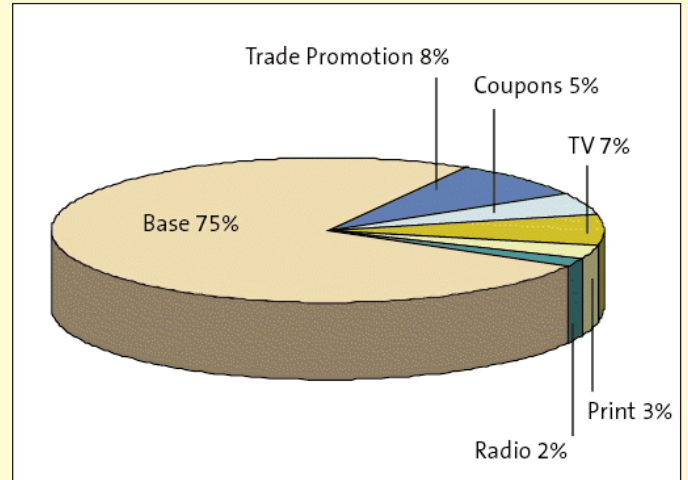
- A customized database is built for each client consisting of two to three years of historical data that includes marketing information and market or account level syndicated scanner data
- Pooled multiple regression techniques are utilized for mix models
- If appropriate, time series analysis is employed for shorter duration Event Analyses
- Household behavior data from the National Shopper Lab is utilized to improve the evaluation of coupon effectiveness. Actual weekly redemption curves are specific to each coupon, resulting in a more complete and accurate assessment

Example Results and Marketing Actions

The following chart shows the source of a brand's volume. In this case, 76% is base business or volume not explained by the model, and the remaining 24% is short-term incremental volume. The example shows that trade promotion accounts for 33% (eight out of 24) of all incremental volume.



The next chart shows an example of short-term ROI for each of the marketing components. ROI depends on both the cost to execute the marketing vehicle and how much incremental volume it generates.



With this knowledge, you are better able to efficiently and effectively allocate spending across your marketing plan.

Marketing Mix Modeling helps to answer tough, bottom line oriented questions tied to consumer marketing efforts.

If you would like to learn more about Marketing Mix Modeling, please contact:

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