



Marketing Mix Modeling

The intelligence you need to manage marketing expenditures with a long-term, bottom-line focus

Which marketing investments will yield the best incremental return? To what extent can current levels of spending sustain performance? Can we grow without spending more? If we have to spend more, how much more will we need to spend? Where?

With a critical eye on cost control, companies are requiring their operating divisions -- notably marketing -- to be more business-oriented and accountable. In fact, a recent McKinsey report states that return on marketing investment is among the three most important concerns senior management has today.

TNS Center for Strategic Services can help you understand and quantify the relationship between your marketing efforts and business outcomes through marketing mix modeling. Our modeling provides the intelligence you need to manage marketing expenditures with a long-term, bottom-line focus. It enables you to identify which aspects of your marketing spending are the most effective, provides justification for increased marketing expenditures as well as creates the optimal marketing mix based on your budget and objectives.



Dedicated to providing insight and advice TNS Center for Strategic Services was created to provide our clients with greater market insight and strategic direction for their marketing programs. Our senior modeling professionals are marketers first, with years of client-side and consultancy experience. Drawing on their impressive academic backgrounds, our principals create state-of-the-art solutions that are applied in the real world.

The business enterprise has two – and only two – basic functions: marketing and innovation.

Marketing and innovation produce results; all the rest are costs.

Peter Drucker

We view modeling as part of a broad business performance framework and focus on long-term productivity. While short-term ROI is important, long-term marketing productivity goes beyond the number of new accounts acquired to assess the value of these newly acquired customers over time, including the effects of retention, cross-selling and up-selling.

TNS' approach to marketing mix modeling provides an understanding of many key issues:

- The contribution of previous marketing efforts
- The relative productivity of alternate marketing investments
- Cross-impacts on your company's business performance resulting from your own efforts, your competitors' and environment variables
- The financial returns on your marketing investments
- How to use historical understanding and analysis to guide future resource allocation
- Forecasting performance given a predetermined budget
- The level of spending required to achieve the level of performance you need

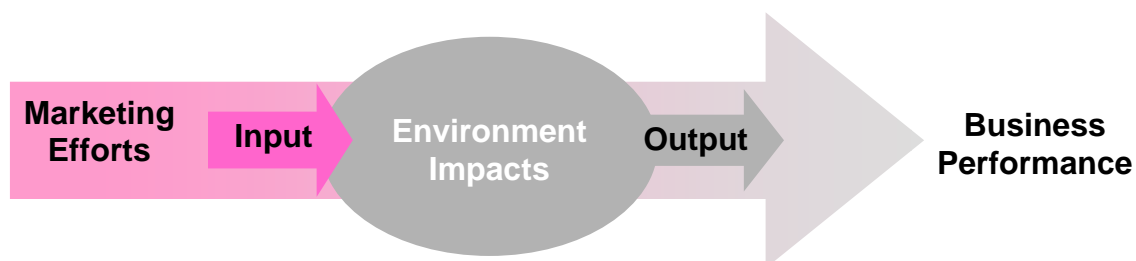
An input/output system To put it simply, marketing mix modeling is an input/output system. Specifically, it is a quantitative model that analyzes the causes of business outcomes (sales/revenues, profit, market share and customer lifetime value) as a function of your company's

marketing efforts (advertising, personal selling, distribution, pricing, product features and promotion) and environmental variables (competitive activities, economic environment and social factors). It uses econometric and time series methods to estimate impacts and effects.

TNS will customize your model, designing it to fit your needs: An internally focused model of your company's performance based upon your marketing efforts only, one that includes competitive effects or a full model of the entire market including your competitors' business performance. And, if you have attitudinal input measures from, say, brand health or customer satisfaction trackers, we know how to incorporate them as well.

At the end of our engagement with you, you will receive:

1. The actual marketing mix model that provides coefficients and elasticities, such as improvement in revenue dollars per 100 GRPs or profit change per dollar price increase.
2. An easy to use desktop decision support tool (simulator) that allows you to forecast "what if" scenarios by changing your marketing mix.
3. Optimization applications that create the optimal combination of marketing activities to produce the best business performance.
4. Strategic and annual business planning, which includes planning meetings, workshops and consultation as well as tactical activities like tracking key results ("score cards") and model updating and enhancement.



Collaboration and consultation CSS believes that the keys to achieving actionable results are collaboration and consultation. Asking many questions, we collaborate with you before and during the modeling process to assure we understand how you will use the model and in what context. We stay engaged as you use the model, drawing upon our expertise in marketing and modeling to make sure you get the most from it. And, we help you use the model in strategic decisions.



Phase	TNS activities
Initial consulting session	Review of corporate activities, determine your needs and strategy, and provide a detailed specification of what you will receive at the end of the marketing mix modeling engagement.
Data review	Evaluate and obtain relevant data, and finalize the methodology based upon your needs.
Calibration	Develop core and sub-models, report and explain the results, and create the simulator.
Management briefing and consultation	Explain key findings and discuss strategic implications.
Refinement of calibration, if needed.	Based on results of management briefing and consultation, may refine calibration.
Recommendation	Provide guidance on future decisions for marketing investment allocations, use the simulator to explore alternative strategies to optimize performance and support managerial decision-making process.
Ongoing measurement, updating and analysis	Ongoing data capture, update databases and models. Tie-in recommendation phase with annual planning cycle.
Semi-annual and annual strategy workshops	Provoke, recommend and discuss ongoing efforts to improve overall marketing effectiveness.

Client-side and consultancy experience, mixed with impressive academic backgrounds The senior professionals involved in the Center’s marketing mix modeling have years of real-world experience supported by impressive academic backgrounds. Any or all of them may lead the work in your engagement.

Modeling

- *Gaurav Bhalla, Ph.D., Executive Vice President, Center for Strategic Services and Corporate Strategy*

With over 25 years of experience in management consulting, marketing strategy consulting, brand management, sales management and corporate strategy, Gaurav Bhalla has worked with a diverse set of clients in the healthcare/pharmaceutical, technology, CPG, financial services and telecommunications sectors in Asia, Europe and the USA. He has provided consultation for some of the largest brands, such as Zantac, Nescafe, Nestea, Imitrex, Spring, Microsoft and Hughes satellites. He has also held line positions with P&L responsibilities in Bestobell, Richardson Vicks and Nestle.

Gaurav holds a B.A. in Economics and Mathematics from Delhi University, an M.B.A. with a concentration in Marketing and Finance from the Indian Institute of Management, Ahmedabad, and a Ph.D. in Business from the University of Kansas. In addition to his many research papers published in leading marketing, marketing research and statistics journals, he has served as an adjunct professor at Duke University’s Fuqua School of Business.

- *Carl Finkbeiner, Ph.D., Executive Vice President, Center for Strategic Services*

Carl Finkbeiner has over 25 years of experience in market research for public and private sector clients in the CPG, financial services, energy, telecommunications, healthcare/pharmaceuticals, travel & transportation and information technology sectors. Previously the head of TNS' Advanced Methods Group, Carl was also the Director and co-founder of the TNS software application development team for Miriad™, a tool for the analysis and presentation of multi-source market research studies. Additionally, he was a group leader responsible for consumer research and clinical testing in various product development divisions of Procter & Gamble.

Carl holds a B.A. in Psychology, and an M.A. and Ph.D. in Quantitative Psychology from the University of Illinois at Urbana-Champaign. His many publications include a book entitled Segmentation Marketing, New Methods for Capturing Business Markets (co-authored with Jon Berrigan). He has served as a Lecturer at the University of Illinois at Urbana-Champaign.

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Consultant

- *Professor Dominique Hanssens, Distinguished Professor of Management, UCLA*

Dominique Hanssens is the Bud Knapp Professor of Management at the UCLA Anderson. He is one of the leading worldwide experts in modeling market effectiveness, especially as it applies to marketing mix and market response modeling. His consulting experience covers a range of industry sectors and companies including Wells Fargo, Bank of America, Agilent Technologies, British Telecoms, HP, Johnson and Johnson and TRW. He also serves on the advisory boards of Deutsche Telekom and several entrepreneurial high-technology firms.

Dominique has a B.A. in Econometrics at the University of Antwerp, and an M.S. and Ph.D. at Purdue University's Krannert Graduate School of Management. He has served as an area editor for Marketing Science and an associate editor for Management Science. Three of his many papers have won Best Paper awards. His book, Market Response Models, co-authored with Leonard Parsons and Randall Schultz, is in its second edition.

Through experience in marketing and innovative tools, TNS provides the intelligence you need to manage your marketing expenditures with a long-term, bottom-line focus.

About TNS

TNS is one of the world's leading market information groups, providing market measurement, analysis and insight through its operating companies in 70 countries. Working with national and multi-national organizations, we help our clients develop effective business strategies and enhance relationships with their customers.

In the United States, TNS provides full-service, primary market research. Our mission is to become our clients' sixth sense of business™ by giving them a deeper understanding of their customers' behavior, better anticipation of their actions and greater insight into what they really want.