

## Q&A with Dave Reibstein (Wharton): Marketing Metrics - 50+ Metrics Every Executive Should Master



There have been many books on the topic of marketing measurement published in the past few years. The expanding interest in the subject is inspiring everyone with a point of view and a keyboard to jump into the dialogue. But recently, a few of the brightest minds in academia ganged up to develop not so much of a “cookbook” of marketing measurement as a “shopping list.”

Their innovative work is a reference manual to provoke the thinking of marketing (and non-marketing) managers about what might be the best ways to gauge the effectiveness and efficiency of marketing investments. The book even includes a simple overview of dashboards and how to determine which metrics to include in one. It was written with the intent of providing managers with a common definition and understanding of everyday metrics collected in marketing. The authors succeeded: This highly useful tool should be on every marketer’s bookshelf.

**MarketingNPV** recently caught up with one of the co-authors of this work, Dave Reibstein, a William Stewart Woodside Professor and Professor of Marketing at The Wharton School, to get his perspective on marketing measurement and the sorry state of entertainment options today.

**MarketingNPV (MNPV): Why 50+ metrics? Why not simplify it down to the top five? Isn’t that what every CMO really wants?**

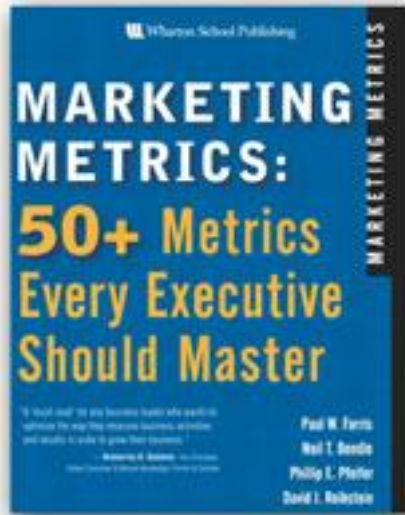
**Reibstein:** Yes, but there’s a bit more to it than landing on the five most logical metrics. Every company is different, with different cultures, strategic thrusts, and data streams. When we settled on 50+, it wasn’t because we were anticipating struggling to get to 50. Quite the contrary, it was mostly because we didn’t want to make it too overwhelming and call it *5,000 Metrics To Master*. So we set out with the objective of winnowing a very long list of possibilities down to what we felt were the 50 most universally relevant ones. As it turns out, we couldn’t even do that. The number is actually more than 50. So there are a few bonus metrics in here for readers.

Every CMO needs to determine for themselves what the five most important diagnostic and predictive metrics for their business are. That can take some time to sort out. There are some measures that are more appropriate for an early growth stage; others that might be more meaningful at later stages; and at a mature stage they might yet again be totally different. But if I had to put a stake in the ground and identify five commonly important categories, I’d include:

- **Market share.** Most people know the concept of market share and think they know how it’s measured, but many get it wrong.
- **Share of requirements**, often referred to as share of wallet. Of the customers I have today, what percent of their total spend in this category do I get? This is important because if my current share of requirements is high, the best way for me to grow is to get new customers. But if my share of requirements is low, then I should focus on selling more to my existing customers.
- **Customer satisfaction.** I want to know how well I am currently serving my existing customers, and which aspects of my value proposition they are most appreciative of.

- **Loyalty.** It's a broad term with many nuances. Many are using Net Promoter scores these days. There are other methods. But understanding the nature of the glue that binds you to your customers is critical.
- **Efficiency.** How much more financial value am I creating with my marketing investments year over year. Are we getting better and smarter at how (and how much) we spend?

Those are all important measures in every company to one degree or another.



**MNPV:** This book is selling really well, isn't it? What does that say about the poor quality of entertainment options available to most people these days?

**Reibstein:** (Laughs) Pretty sad, isn't it?

I'm guessing that the popularity of interest in the subject of marketing metrics is coming from several source points. First, we're seeing more and more Internet marketers powerfully using this type of information. As a result, those that haven't had that same level of insight are eager to find their own power in metrics. Second, our computers are able to store and analyze so much more data today than even three years ago. (Remember the early '90s when it took over six months to manually create a predictive model that cost upwards of \$1 million? Today, with a good analytics package, models can be created in a matter of minutes for just a few dollars.) Following that trend, most marketers no longer need IT support to build and manage databases.

Today, marketers on the move who do not have some level of prior experience with analytics management and measurement strategy and planning could find themselves at the bottom of the resume pile. Or, to quote the words of an Amazon.com review editor: "Few marketers will rise to senior levels without deep fluency in marketing metrics."

But I think the real spark for increasing knowledge about marketing metrics was the downturn of the economy at the beginning of this decade. After the economy turned sour following 9/11, suddenly there was much more pressure put on companies to justify every single marketing expenditure. Being highly adaptive creatures, marketers are having to come up with some specific ways to link their activities — and in particular, their *brand* activities — back to the financial performance of the company. That pressure hasn't abated, despite better economic times. Nor is it likely to anytime soon.

Do an Amazon.com search for books about "marketing metrics" and you get 102 results. Some of these books are decades old and still going strong. Yet, editorial reviews on *50+ Metrics Every Executive Should Master* from executives of such prestigious companies as Kraft and Procter & Gamble call this book a "must read" and the "best marketing book of the year." I guess you can never have too much information on metrics. Or I should say, when it comes to creating optimal shareholder value and maintaining a competitive edge, you can never have enough of the right information on the best metrics and how to use them.



*Marketing Metrics: 50+ Metrics Every Executive Should Master* is published by Wharton School Publishing (2006).