What is marketing mix analysis?

Marketing mix analysis encompasses a full range of analytical, decision support, and data visualization techniques to measure and optimize the effectiveness of the marketing mix (media advertising, promotion, pricing) on business results such as sales or market share. Relevant non-marketing mix factors such as economic factors and seasonality are also considered when applicable. The foundation of our marketing mix analysis methodology is the marketing mix model.

What is a marketing mix modeling?

Marketing mix modeling is a proven marketing science methodology that uses advanced analytics (predominantly but not limited to econometrics time series regression) to measure the incremental impact on a business result by the respective components of the marketing mix over time. Conceptually, a regression-based methodology statistically correlates the rises and falls of a given business result over time with the rises and falls of the investments in a specific component of the marketing mix while holding all other activities constant.

Marketing mix modeling is a high profile area of industry and academic research. It is a pervasive area of study at the marketing departments of the world's leading business schools at both the MBA and doctoral levels. Academic and industry practitioners are actively engaged in the development of marketing mix models and the associated analytical methodologies. Their findings are frequently quoted in the press and published in leading marketing journals such as Journal of Market Research, Marketing Science, and Journal of Advertising.

The applicability of marketing mix modeling is proven and documented through successful implementations across a broad range of industries.

What are key enablers to marketing mix analysis?

The key to effective marketing mix analysis is the acquisition and consolidation of accurate historical data that describe the firms and then firm's competitors' marketing mix activities:

(1) Extensive experience in data management and reporting in large corporate settings are invaluable in accessing and consolidating data from disparate sources.

(2) Expertise in statistical data analysis and data cleansing are invaluable in processing the required data for analysis, reporting, and marketing mix modeling.   Where appropriate, specialized statistical models may be used to derive suitable proxies for missing or incomplete data.

What if our marketing data are incomplete? Can we still build marketing mix models?

Conventional marketing mix models rely heavily on accurate and complete historical data. However, there are methodologies for overcoming missing or incomplete marketing data. ETS is well versed in Exploratory Data Analysis (EDA), a well-established methodology for assessing data characteristics and quality. Once client data are fully analyzed via EDA, ETS can prescribe the appropriate statistical methods to extrapolate missing values or adjust for outliers.

How do we determine which business result for which to construct our marketing mix model?

This is a decision based on our strategic or tactical prerogative. If our objective were to increase national market shares then our predictive variable is national market shares. If our objective were to increase specific regional revenue then our predictive variable is regional revenue.

Who uses marketing mix models?

- Senior Management – Formulate company wide plans to achieve strategic financial objectives

- Middle and Entry-Level Management – Make tactical decisions at a regional, store, or customer level

- Media Planners and Business Analysts – Continuously seek and incorporate new insights into the marketing management decision process

What can I do with marketing mix models?

- Marketing Mix Optimization – The marketing mix model provides the inputs into optimization algorithms that generate specific marketing-budget allocation recommendations that would yield optimal business results. The total marketing budget or individual marketing activity budget can be constrained or unconstrained for the optimization computation.

- Marketing Planning and Simulation – In conjunction with the model recommended optimal marketing expenditure allocations, the marketing

manager can test alternative marketing and media plans under varying economic and competitive scenarios. Ultimately, management will be enabled to make risk adjusted marketing mix decisions to achieve specific business results over a specified time horizon.

Example: The marketing manager examines the consequences of alternative media and marketing plans for a booming economy and selects the plan that yields the highest simulated sales results for the following year.

- Forecasting – The business results projected for the adopted marketing plan (using marketing mix models) typically becomes the company's forecast.

- Measurement – Historical contribution from individual marketing activities and the baseline to a business result can be quantified. An understanding of the past provides a continuous feedback loop into future planning.

- Base Volume – The marketing mix model is capable of determining the base volume business results. The base volume represents the short term business result achievable in absence of marketing expenditures.   This base volume is often referred considered to be brand equity. Extensions of marketing mix modeling enable us to determine the dynamics for which the base volume can be maintained or grown.

What are ETS Marketing Science's marketing mix analysis qualifications?

- Expert econometrics expertise.   The consideration of economic variables is essential to financial service models and forecasts.

- Broad industry experience developing financial and marketing models. We have extensive experience in management decision support environment at leading firms, and we are intimately familiar with financial and statistical forecasting methodologies.

- Extensive experience and expertise in the state-of-the art for marketing mix analysis across a wide range of industries. We are well versed in the latest advancements in marketing mix modeling extensions, most notably marketing mix optimization and base-volume analytics.

- Given the importance of data analysis in marketing mix analysis, we are well-versed in reporting, exploratory data analysis and data management.

About ETS Marketing Science

ETS Marketing Science is a provider of innovative marketing analytics solutions to help marketers optimize their return on marketing investment (ROMI) across the entire marketing mix and across all customer segments.

ETS Marketing Science <http://www.etsmarketingscience,com> is the developer of 4Optimizer™, the pioneering marketing optimization solution that unifies the most sought after components of marketing optimization - Marketing Mix, Customer Relationship, New Product Launch, and Brand Equity - under a single integrated framework.