Prioritizing in the Digital Age: Metrics in the Third Dimension

Vittorio Raimondi, Makoto Moriguchi, Koji Kobayashi, Andrew Glor

Measuring in two dimensions (i.e. height, width) provides solid information. But, too often, there is more to be measured and understood. When you get past the surface measurements, there may be one or more dimensions that can provide new and different insights and understanding.

This case study shows how adding a consumer lens –the third dimension– to traditional models can lead to a reprioritization of metrics and actions amongst a proliferating of data in the digital age.

INTRODUCTION

Every major corporation employs a robust set of metrics, analyses, and modeling techniques to anticipate and plan for the impact of various company initiatives on revenue and volume. Over the years, this has allowed companies to realize efficiencies by optimizing their media

spend and promotional mix, and has enabled high accuracy in predicting, at times even controlling, the impact of tactical initiatives on companies' performance, from next week up to next quarter.

However, traditional marketing mix models rarely offer insights able to support a brand's strategic goals, such as the recruitment of a specific customer segment.

We were therefore excited when our long-term client, Coca-Cola Japan, approached us with the challenge of identifying deeper and more strategically relevant insights for growth:

What data points and metrics among many (Share of Voice, Digital Impressions, Distribution, Pricing Indexes, Attitudes about the brand, and on and on) are not just most impactful, but also better connected with the brand's strategy?

For Coca-Cola Japan, ensuring that tactical initiatives are well connected with the brand's strategic goals is a critical task that can generate a real competitive advantage, especially given their extremely sophisticated and competitive beverage market. In addition to the traditional packaged beverage categories, such as sodas, water or juice, Japan also has a very developed packaged tea and coffee category. It also has one of the highest

vending machine penetrations in the world, and a tremendous amount of innovation in terms of new products launched each year. This scenario is further complicated by a challenging macroeconomic context, including an ageing population, profound cultural shifts affecting traditions and attitudes towards modern brands, and deep economic changes, including new taxations, that are impacting consumer behavior.
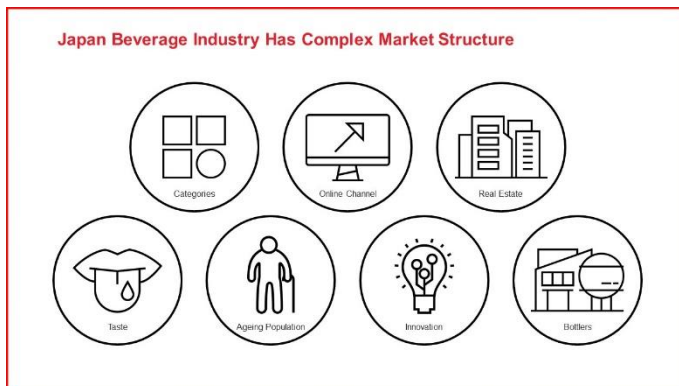
THE THIRD DIMENSION

As we embarked on this study, our initial observation was that traditional approaches tend to be two-dimensional: *they often explore the relationship between internal and external metrics, in isolation and in combination, against brand sales. We decided to add a third potentially critical dimension: the consumer.*

The objective was to understand how different actions could trigger changes in consumer choices.

In each industry, consumers can exhibit a different range of possible behaviors (think of cars vs dishwashers), but within a given industry there is a limited set of possible behaviors towards a brand. A classic example of consumer behavior is when a consumer decides to trial and then adopt a new brand; but there are many

other types of changes that can be equally impactful, such as deciding to use the brand in multiple occasions, adopting multiple variants of a brand, trading up to a premium
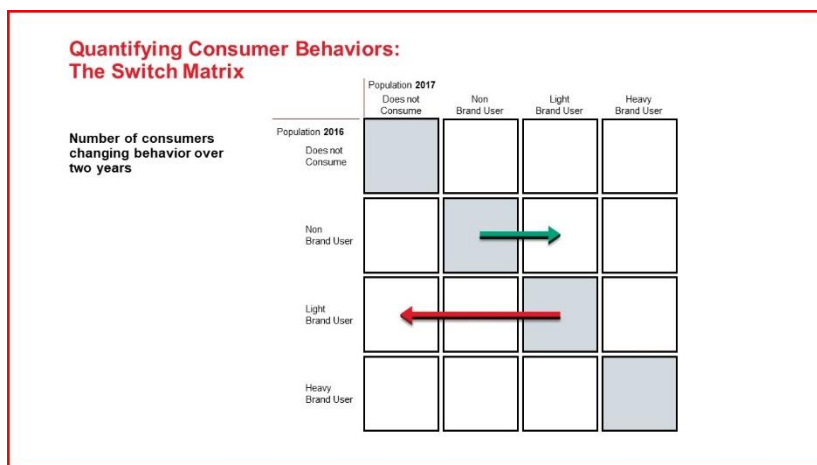
version of it, etc. This offers a range of possible consumer pathways, and it is our core belief that brands should research how consumer pathways affect their performance, identify which ones are likely to have the highest impact on their brand, and align their
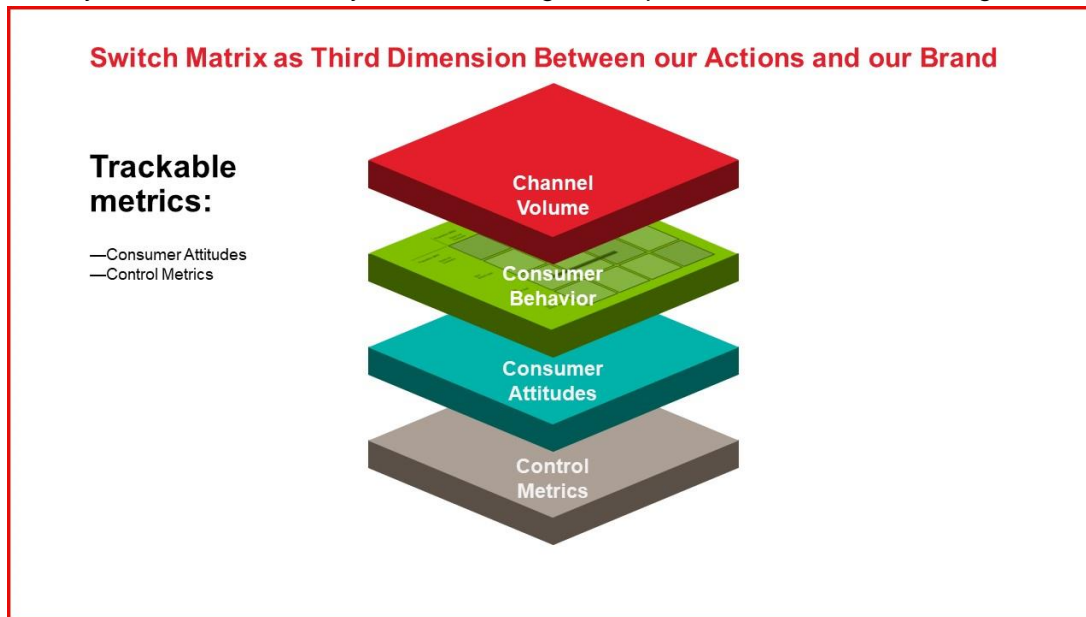
marketing activities against the chosen pathway.

In our case, this required testing the relationship between the metrics that the company can control (such as distribution, price, digital impressions, share of voice, attitudes etc.) and the main consumer pathways that can be found in the beverage market.

Adding this third dimension produced learnings that exceeded our expectations: by focusing on alternative consumer pathways (such as recruitment of new consumers vs increases in frequency in existing consumers) rather than one single dependent variable (such as sales), we were in fact able to reveal important metrics that previously went unnoticed.

By measuring the impact of metrics against separate consumer pathways, we were able to shift the focus from the actions that ultimately best explain a brand's historical performance to actions that were able to activate consumer pathways that break from history and are better aligned with the brand's strategic intention. For example, we identified that for one of the brands, the higher share of voice through TV campaigns and the improved price competitiveness across some of the channels did successfully generate higher consumption rates across existing consumers, but did very little to stop consumers from switching out of the brand altogether. The switching out was highly correlated with losses of penetration in one key channel.

The ability to separate these different dynamics and to link them with different consumer growth pathways provided Coca-Cola Japan with a stronger foundation for supporting strategic initiatives and deeper insights to inform their marketing plans.

EXPANDING YOUR SIGHT LINES

If this sounds like a daunting task, you will be encouraged to hear that not only large companies like Coca-Cola Japan, with their own proprietary consumer tracking, can access this approach.

Here are a few tips on how you can do it and questions you should ask yourself:

— *What are the possible consumer pathways that apply in your market?*
Brand growth can come from very different types of consumer pathways, from new consumers entering your category, switching from a competing brand, or finding new additional uses for your brand.

— *Which pathway(s) has driven your past performance?*
And which pathway(s) makes more sense for your brand going forward?
If you want to get ahead of the competition and break from the past, you need to measure which consumer pathways your initiatives unlocked in the past. Then you need to decide if that is how you want to grow in the future or if you want to choose a different way.

— *Which metrics and actions can impact your chosen pathway?*
Are your marketing plans aligned with these findings?
By identifying which metrics have proven in the past to impact the right consumer behaviors, you can put forward initiatives that can impact these metrics. You will also have a much stronger business case supporting the rationale for your plans, enabling buy-in from senior management.

Ultimately, marketing plans are successful if they are able to deliver a favorable change in consumer behavior – so the consumer should be the starting point. Coca-Cola Japan can rely on proprietary consumer research. However, if you do not have your own tracking, syndicated and household historical data can go a long way – as long as you add a third dimension to the mix!

ABOUT THE AUTHORS

Vittorio Raimondi is Founder and Managing Director of Foresight Associates LLC, a management consultancy advising on consumer and shopper strategy.

Makoto Moriguchi is Group Manager of Strategy and Insights for The Coca-Cola Company, Japan.

Koji Kobayashi is Director of Consumer & Commercial Knowledge & Insights for The Coca-Cola Company, Japan.

Andrew Glor is Project Manager at Foresight Associates LLC, based in Washington D.C.