

## Case study: Project Apollo (US) Determining Profitability of Marketing by Buyer Group

Chief Marketing Officers are seeking new and more precise ways to measure profitability of marketing programs in reaching their target consumers. Marketers need the ability to track every element of marketing expenditures and determine the profitability of actions such as advertising for specific consumer groups.

A Project Apollo case study showed significant differences in the profitability of marketing to different buyer groups. Profitability for heavy purchasers was tracked at \$61.00 in sales for every dollar of marketing spend. Marketing to light brand X purchasers was unprofitable, yielding negative returns at (\$-24.00). For many Chief Marketing Officers (CMOs), a table such as the following for their brands would provide quantification that marketing strategies to insulate their heavy users are on target. P&L by household segment can help

### P&L By Buyer Group

	Buyer Group			Total
	Heavy	Medium	Light	
# Buyers (Millions)	11	12	85	108
# Units (Millions)	79	25	15	118
% Buyers	10%	11%	79%	100%
% Volume	66%	21%	13%	100%
Shelf Price	\$3.49	\$3.85	\$3.71	\$3.59
Promo Price	\$3.36	\$3.55	\$3.64	\$3.43
Average Price	\$3.42	\$3.70	\$3.67	\$3.56
% Volume Promoted	20%	20%	20%	20%
% Retail Margin	35%	35%	35%	35%
Wholesale Price	\$2.58	\$2.58	\$2.58	\$2.58
Cost of Goods Sold/Unit	\$1.72	\$1.72	\$1.72	\$1.72
Trade Spending per Unit	\$0.13	\$0.29	\$0.07	\$0.16
1: Revenue (\$Millions)	\$203.30	\$63.80	\$39.00	\$306.10
2: Cost of Goods Sold	\$135.50	\$42.50	\$26.00	\$204.00
3: Trade Spending	\$2.30	\$1.60	\$0.20	\$4.10
<i>TV Campaign</i>				
Gross Impressions (000)	318	349	2,622	3,289
% Gross Impressions	10%	11%	80%	100%
Cost Per Thousand	\$14.04	\$14.04	\$14.04	
4: TV Spend (\$Millions)	\$4.50	\$4.90	\$36.80	\$46.20
<b>Profit/Loss: (\$Millions)</b> 1-(2+3+4)	<b>\$61.00</b>	<b>\$14.80</b>	<b>(\$24.00)</b>	<b>\$51.80</b>

CMOs determine the level of profitable investment that will deliver profits and still make investments so they can produce long-term brand health by cultivating light brand users into medium or even heavy users. Project Apollo segmented households by behaviors, attitudes and lifestyles, such as purchaser levels in this case study. Advertising expenditures, manufacturing costs and trade spending are applied to each buyer group. P&L data by buyer group are produced quickly with no modeling involved.

### Implications

Probably the most compelling results produced by Project Apollo were reports that tie ad activity to purchases by household and that additionally incorporate manufacturing, marketing and trade costs. The result is one source that indicates expenditures, shows resulting product sales by type of users and tracks profitability by specific consumer targets. CMOs have the information they need to promptly take action to improve profitability.

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The WFA does not recommended this initiative, but includes it as one example of many solutions/ initiatives that satisfy one or more of the goals outlined in the WFA Blueprint: [www.wfablueprint.org](http://www.wfablueprint.org)

## Case study: Project Apollo (US) Identifying Financial Returns by Media

Chief Marketing Officers continually search for ways to analyze return on investment for not only entire marketing campaigns but also for the elements that make up the campaign. The challenge is to determine results by media and to be able to reallocate funds to the mix of activities that deliver the greatest financial return.

Incremental sales per impression are calculated for each medium, enabling the marketer to better understand the return on investment of each medium as well as reallocation efficiencies. In this example, it would be easy to envision reallocating impressions, after costs were included in the analysis. In addition, response curves will indicate the point at which saturation within a particular medium may have taken place, to better manage frequency levels and returns/sales per impression.

For CMOs, a table such as this enables more timely immediate measures of brand success and actionability for their brands to improve financial performance.

### Financial Returns by Medium

- Incremental Sales (\$) Per Impression
- Allows sales forecasting based on media reallocation and scenario planning

Media Type	Incremental \$ per Impression	Impressions (000)	Incremental Sales	Not actual results. Illustration only.
Cable TV	\$0.005	250,000	\$1,250	
Broadcast TV	\$0.004	500,000	\$2,000	
Local TV	\$0.004	300,000	\$1,140	
Spot Cable	\$0.004	450,000	\$1,620	
Syndication	\$0.002	80,000	\$160	
Subtotal TV		1,580,000	\$6,170	
Spot Radio	\$0.020	125,000	\$2,500	
Broadband	\$0.037	5,000	\$185	
Magazine	\$0.010	100,000	\$1,000	
Subtotal Other		230,000	\$3,685	
<b>Total</b>		<b>1,810,000</b>	<b>\$9,855</b>	

Project Apollo is a single-source panel tracking multiple media and purchase behaviors from the same consumers. Project Apollo enables new quantification of ROI by medium and actionability against brand strategies.

Benefits to CMOs and marketing executives go beyond the financial measurements and actionability presented here and include the potential for identifying consumers who are responsive to advertising, for monitoring campaign performance on a near real-time basis, for creative efficacy and testing and for finding the right media vehicles and outlets for a brand.

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