

# Quick Start for Marketing Programs Analysis

How to use your Custom Excel Workbook

## Quick Start Instructions

Here are simple, step by step instructions to get your Marketing Programs Analysis working for you as quickly as possible. Just follow the steps below in order and you'll be on your way.<sup>1</sup>

**A Note about Input Cells:** Enter input data only in shaded blue cells. These input cells are found mostly on the 'Inputs' worksheet and also on the 'Labels' worksheet. Some blue input cells contain Excel formulas that copy data from adjacent input cells. (For example, if you enter data in the first period, the model will usually copy it to the other time periods to the right.) This feature is a convenience for those inputs that sometimes have repeated values. You can overwrite any formula in a blue input cell; they are just there to provide starting data to get you going quickly.

### Step 1: Enter Names of Programs, Customers, and Products

Select the Labels worksheet.

1. Edit the names of marketing programs, selling programs, customers, and products in the bottom section starting around row 100 or 120. (These may already be correct from the customization process. If you want to increase the numbers of sub-projects or other items in the model, you must return to the ModelSheet website and customize a new spreadsheet.)
2. Check the start date of the model at the top of worksheet 'Labels' and change it if necessary.

### Step 2: Enter Descriptive Information about Marketing and Selling Programs

Select the Inputs worksheet and go to the section 'Marketing Program Characteristics' near the top of the page.

1. Enter the characteristics of each marketing program.
  - Program weight is the relative importance of marketing touches of different types. (For example, a half-day seminar should have a larger weight than a business reply card.)
  - Program effective life in days (the length of time that the programs helps to win orders)
  - Program strength at half-life (Example: Direct mail generally has a lot of influence early in its life and a long tail of influence, so the strength at half life should be low, that is, less than 0.5.)
  - Variable expense per person touched by the program. (Variable expense means that the expense is proportional to the number of people whom the program touches. Example: accommodations or refreshments at a seminar.)
  - Fixed program expense in each time period of model time. (Fixed expense means the expense does not change with the number of people touched by the program. However these expenses can change over time. Example: preparation expense for a video.)
  - Fixed program expense for several time periods before the start of model time. (The model tracks program expenses and people touched before the start of model time because these influence sales orders during model time.)

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<sup>1</sup> You can find more explanation of how the model works under the heading Marketing Programs Analysis Explained in a NutShell below.

(You can remind yourself what each variable does by checking out the Excel comment. Just hover the mouse over the cell to see the comment.)

2. Enter the characteristics of each selling program (You can divide marketing and selling programs as you wish – by departmental responsibility, whether one or many customers attend an event, or by some other criterion. The two types of programs are treated identically in computations.)
  - Enter the same types of program information as you did for marketing programs.

### **Step3: Enter Lead Counts for Marketing and Selling Programs**

Select the Inputs worksheet and go to the section 'Marketing Lead Events - Count'

1. Enter the number of lead persons (persons in customer organizations) who were touched by each marketing program during each period of model time. Segment the counts by program name and customer name.
2. Enter the number of lead persons who were touched by each marketing program for a few time periods before the start of model time. Segment the counts by program name and customer name.
3. Enter the lead counts for each selling program, in the same way as you did for marketing programs.

### **Step 4: Enter Revenue and Gross Margin Input Data**

Select the Inputs worksheet and go to the section 'Revenue'

1. Enter the revenue generated from orders placed in each time period. Segment the revenue by customer and product.
2. Enter the gross marketing as a percent of revenue for each product being tracked, for each customer in each time period. (Do this only if you selected the gross margin tracking feature when you customized your Marketing Programs Analysis model.)

### **Step 5: Enter Input Data for Customer Analysis**

If you selected the feature for customer analysis when you customized your model, then you should enter additional information that sharpens the customer analysis.

1. Enter the customer ages of each customer. (The normal choices are 'new' and 'Existing'. You can decide what the age cutoff is for these categories. This information enables you to do analysis of new and existing customers separately.)
2. Enter the selling location for each customer. (This information enables you to perform analyses for customers from different locations or territories.)

### **Step 6: See Your Results!**

Now that you've entered your data, take a look at worksheet 'Contrib Margin', where you can see the profitability (actually the contribution margin) for each program.

Another handy way to view the results is the pivot table on worksheet 'Cust Pivot'. The pivot table enables you to slice and dice the data in many ways to get just the measures you seek.

If you want to learn more what these quantities mean, read the comment on the table by hovering the mouse over the cell with the small red triangle (which is Excel's way of telling you that cell has a comment). There you'll also find a "formula name" that defines the table. You can look up that name

on the 'Formulas' worksheet to see the human-readable formulas that are used to define the values in the table.

## Marketing Programs Analysis Explained in a NutShell

Your Marketing Programs Analysis model estimates the contribution margin dollars and percent (contribution to bottom line profits) for each program. The method allocates the revenue for each order among the programs that touched that customer before the order was placed, then it subtracts off cost of goods and a share of the expense of the program. Experience proves this to be the best computable overall metric for the effectiveness of marketing programs.

The most critical part of the method is to allocate revenue in a sensible way among all the marketing and selling programs that contributed to closing a given sale. The data can't tell us which individual programs deserve the most credit for each order, so we make some assumptions.

- Each program has a weight that affects the revenue credit it gets for one marketing touch, compared to one marketing touch from another program.
- Each program has an effective life, and the effectiveness of each program declines over its life. Different programs have different lives and their effectiveness declines at different rates. (Example: direct mail has a short effective life, and live seminars have relatively long effective lives.)
- Each program is depreciated like a piece of equipment, for which there are well-understood accounting methods and economic basis. The "depreciation expense" for each program in each time period is the expense used in the computations, not the actual expenditure in that time period.
- The customer is the network of people who make a purchase decision, not the person who attends a marketing event, or the person who places the order. A good simple approximation for this decision network is the collection of all people from the same company and the same division from the same town or zip code.

While the approximations are likely to be somewhat inaccurate much of the time, they are good enough on average to produce metrics that are very useful in practice for distinguishing strong and weak programs.

That is basically all there is to it.

Not all features mentioned here are present in the Light and Standard versions of the model.

## Where to Get More Information

Read the Excel comment on each table on every worksheet. Each comment contains important information about what the table contains or what it does in the model.

Worksheet 'Formulas' contains a list of the named variables in the model and formulas that define each variable in terms of other variables. This worksheet is often the best way to understand how the entire model fits together.

The user guide for this product contains more information. See

<http://templates.modelsheetsoft.com/modelsheettemplates/marketing-programs-templates-user-guide.aspx>

The introductory webpage for the Sales Plan template is

<http://templates.modelsheetsoft.com/modelsheettemplates/marketing-programs-templates.aspx>

Please address queries to: [customerservice@modelsheetsoft.com](mailto:customerservice@modelsheetsoft.com) .

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