



The Math Behind the MPI Calculation

OVERVIEW

The Market Potential Index (MPI) is an index that uses the segment composition of a geography to estimate customer potential based on the segment penetration rates of a chosen product, service or lifestyle.

This document will provide an in-depth explanation of how MPI is calculated.

THE MATH

MPI is calculated by comparing the profile penetration of the selected analysis area to either the total profile penetration or the profile penetration of some other (larger) market. The other market depends on your report selections; different reporting scenarios are discussed below.

The Users/100 HHs calculation is the measure of that penetration.

Users/100 HHs is calculated by taking the estimated user count divided by the base count. In the example for San Diego, the formula is this-- $1,129,188 \div 1,172,245 \times 100 = 96.33$

Market Potential							
Analysis Area Code	Analysis Area Name	Major/department stores:Stores bought past 3 months Target (A)					
		Base Count	Base % Comp	Estimated Users	% Comp	Users/100 HHs	Market Potential Index
825	San Diego, CA	1,172,245	100.00%	1,129,188	100.00%	96.33	124

When running an MPI report, there is an option for Analysis Area Index ON or OFF. This prompt effects how the MPI is calculated by changing the base of the calculation. Each option will be highlighted below.

Note: The MPI for any profile projected to the U.S. (as a whole) will always be 100.

ANALYSIS AREA INDEX: OFF

This method calculates the MPI by comparing the selected analysis area's profile penetration to the total profile penetration.

Using the scenario below, the Users/100 HHs calculation for San Diego is divided by the Users/100 HHs calculation for the entire non-projected profile.

Note: The Users/100 HHs calculation for the profile total is not included on the San Diego report. A separate Profile Worksheet should be run to find that number (when running the Profile Worksheet, do not project to an analysis area).

The formula is: $96.33 \div 77.77 \times 100 = 124$.

Market Potential							
Analysis Area Code	Analysis Area Name	Major/department stores:Stores bought past 3 months Target (A)					
		Base Count	Base % Comp	Estimated Users	% Comp	Users/100 HHs	Market Potential Index
825	San Diego, CA	1,172,245	100.00%	1,129,188	100.00%	96.33	124

Profile Worksheet							
Segment Code	Segment Name	Major/department stores:Stores bought past 3 months Target (A)					
		Base Count	Base % Comp	Count	% Comp	Users/100 HHs	Index
01	Upper Crust	2,148	1.04%	1,864	1.16%	86.78	112
02	Networked Neighbors	2,051	0.99%	2,955	1.83%	144.08	185
67	Park Bench Seniors	1,924	0.93%	566	0.35%	29.42	38
68	Bedrock America	2,055	0.99%	550	0.34%	26.76	34
Total		207,273	100.00%	161,200	100.00%	77.77	100

ANALYSIS AREA INDEX: ON

This method calculates the MPI by comparing the selected analysis area's profile penetration to the average profile penetration of all the analysis areas in the report.

Using the scenario below (for all Zip Codes in the San Diego DMA), the Users/100 HHs calculation for Carlsbad is divided by the total Users/100 HHs. The total line shows the total, or average, Users/100 HH calculation.

The formula is: $115.67 \div 96.38 \times 100 = 120$.

Market Potential							
Analysis Area Code	Analysis Area Name	Major/department stores:Stores bought past 3 months Target (A)					
		Base Count	Base % Comp	Estimated Users	% Comp	Users/100 HHs	Market Potential Index
92009	Carlsbad	17,259	1.47%	19,963	1.77%	115.67	120
91913	Chula Vista	15,625	1.33%	17,605	1.56%	112.67	117
92036	Julian	1,630	0.14%	529	0.05%	32.45	34
92004	Borrego Springs	1,949	0.17%	493	0.04%	25.29	26
Total		1,171,158	100.00%	1,128,715	100.00%	96.38	100