
about **MASB**

Setting Standards for the Rise of the Accountable CMO

Year V Overview & Report
January 2012



Marketing Accountability Standards Board
of the Marketing Accountability Foundation

The Business Landscape

...dominance of the finance function has come into question as it has become clear that underlying assumptions do not always hold...and that financial returns ultimately must be driven by efficiencies in operations and by buyer behavior in markets.

David Stewart, UCR and MASB Chair (August 2009)

The Opportunity

...a unique opening for marketing to step into the void and reassert itself at the strategic planning table, by bringing credible metrics and processes for informing investment decisions and for managing risk.

David Stewart, UCR and MASB Chair (August 2009)

Preparation (2004-2007)

- August 2004
 - In response to growing demand for accountability
 - Handful of industry academics & practitioners
 - Saw opportunity to increase contribution of Marketing
 - Through development of standard metrics & processes
 - That link marketing activities more objectively & more closely
 - To the financial performance of the firm
- Over 3 Year Period (9/04 – 9/07)
 - Conducted comprehensive review
 - Current practices
 - Needs
 - Accountability initiatives underway



An Analogy: The Quality Movement

Marketing is where quality was 50 years ago

- Highly idiosyncratic
- Viewed as a cost
 - Scrap & re-work as “low cost” substitutes for quality
- Lacking consistent metrics
- Lacking standardized processes

The quality movement has spent 50 years proving itself

- Developing metrics
- Creating standard processes
- Linking to financial performance
 - Through demonstrated cost savings & higher returns in market
- Demonstrating its value

Conclusions & Recommendations

- **Marketing has been relegated to the “default” category (control costs) because it lacks metrics that reliably tie activities and costs to corporate return in a predictable manner.**
- **Standards across industry and domain as well as a transparent process by which to develop and select the metrics will be necessary to emerge from the current situation.**
- **The market is unlikely to achieve consensus on its own.**
- **There is need for an industry level “authority” to establish the standards and to ensure relevancy over time.**
- **As was true for manufacturing & product quality (with ANSI & ISO) and for accounting & financial reporting (with FASB & IASB), so it would be true for marketing and profitable growth (with MASB).**

The Premise & Proposition

Marketing will move from discretionary business expense to board-level strategic investment through accountability and a standards setting “authority” for measuring (forecasting & improving) the financial return from marketing activities.

MASB

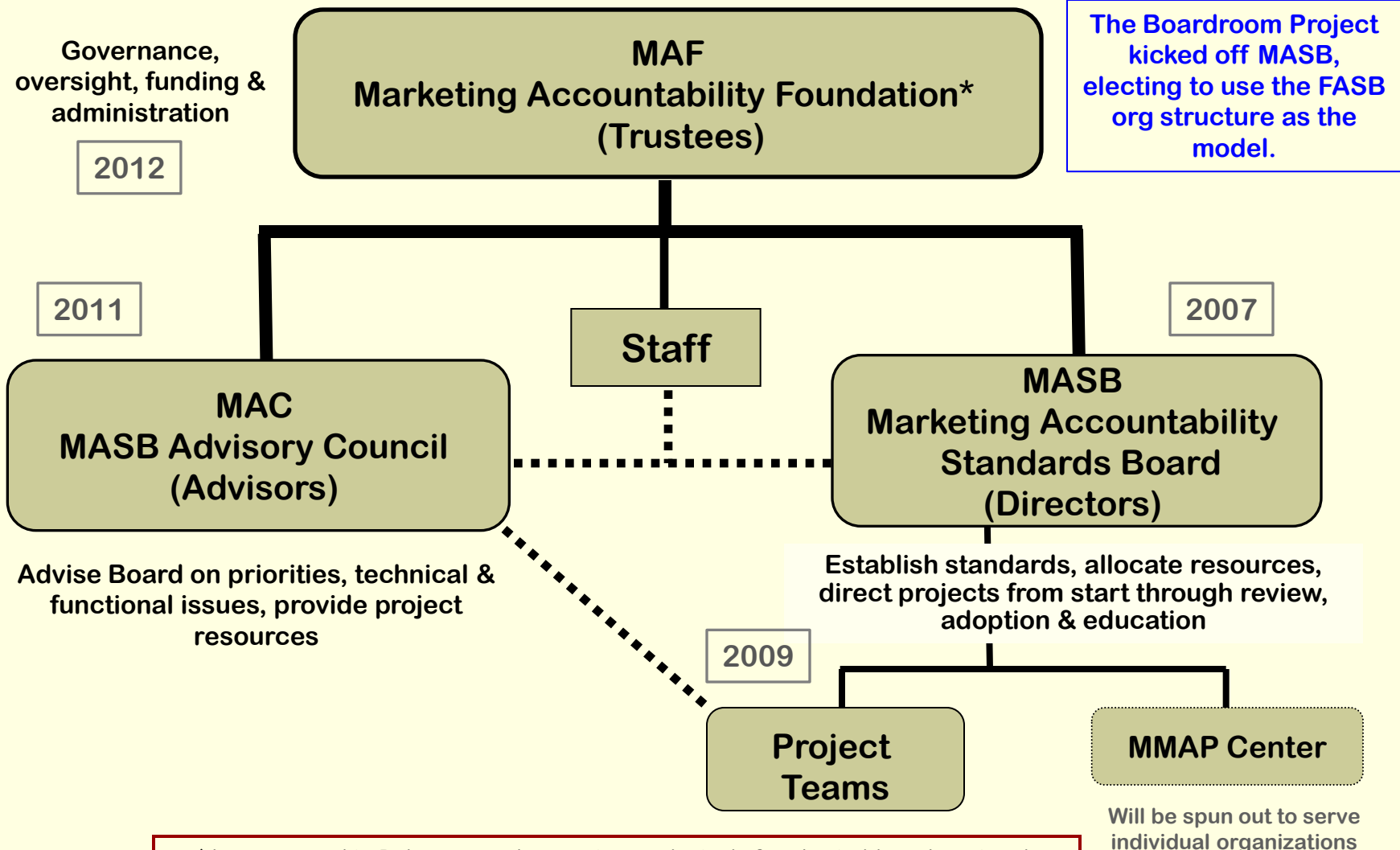
The independent, private sector, self-governing body where marketing and finance agree on measurement for creating value

Establishing the critical “missing links” between the marketing and financial communities.

Mission Statement

**Establish marketing measurement and accountability standards
across industry and domain
for continuous improvement in financial performance
and for the guidance and education of business decision makers
and users of performance and financial information.**

Organizational Structure



The Boardroom Project kicked off MASB, electing to use the FASB org structure as the model.

* Incorporated in Delaware and operating exclusively for charitable, educational, scientific, and literary purposes - 501(c)(3) Not-For-Profit

MASB Directors



Stewart 04
LMU (Chair)



Sirkin 04
SMG



Tisor 07
At Large



Abens 08
Foresight ROI



Kuse 08
MMAP Center



Ciccarello 09
ConAgra



Taylor 09
MSI



Gugel 09
gugelplex TV



Reibstein 10
Wharton



Stacey 10
Stern



Richardson 10
Kimberly-Clark



Farris 10
Darden



Mitra 10
Coca-Cola



Canter 11
Nielsen



Primola 12
ANA



Alcaraz 12
Hershey



Ebben 12
GM



Forbus 12
Frito Lay

The Standard
Setters meet
monthly

MAC Advisors

Advisors meet twice a year (at Summits) and on Project Teams monthly



Hanssens 06
UCLA (Chair)



Winer 08
Stern



Lehmann 08
Columbia



Kumar 09
GSU



Batra 09
U of M



Wind 10
Wharton



Allen 10
Darden
Finance



Fischer 11
U of Cologne



Donahue 11
4As



Costopulos 11
AMA



McAlister 11
UTA



Mane 11
IAB



Gregory11
CoreBrand



Sexton 11
Columbia



Bahary 12
comScore



Hess 12
Nielsen



Parchetta 12
Blue Marble



Sinclair12
At-Large



Moore 12
UCR
Accounting



Bane 12
Kimberly Clark
Finance



Scaramuzzi 12
ConAgra
Finance



Winsper12
Winsper



McKerracher 12
Frito Lay
Finance

MAF Founding Trustees*



Blair 04
MAF/MASB
(Pres & Asst
Sec)



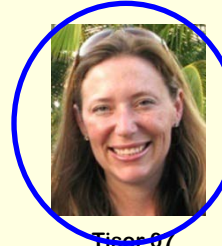
Barns 04
Nielsen



Sirkin 04
SMG



Plummer 06
Columbia
(Secretary)



Tisor 07
At Large
(Treasurer)



Liodice 11
ANA

First 6 Trustees in place...

Note: Half w/Finance backgrounds; all with
General Management experience

* Governance, oversight, funding, administration (sustainability).

The Role of MASB

Measurement standards are essential for the efficient and effective functioning of a marketing driven business, because decisions about the allocation of resources and assessment of results rely heavily on credible, valid, transparent and understandable information.

The role of MASB is in setting the standards and processes necessary for evaluating marketing measures in a manner that insures credibility, validity, transparency and understanding.

Work of the MASB is conducted on a Project basis...

Projects Completed & Posted*

- Marketing Productivity, Effectiveness & Accountability
- Objectives of Marketing Standards
- Academic Review: Role of Standards
- C-Level Views on Marketing Accountability
- Methods of Brand Valuation
- MMAP Metrics Catalogue
- The Long-Term Impact of Advertising, What is Known
- Measuring (Forecasting & Improving) the Return from TV
- Marketing Metric Audit Protocol – MMAP
- Practices Underlying Ideal Metrics
- Rationale & Proposed Principles for Brand Valuation
- 32 Articles & Presentations
- 10 Two-Day Summits

Specific MASB output that marketers can embrace for more consistent growth and improved return.

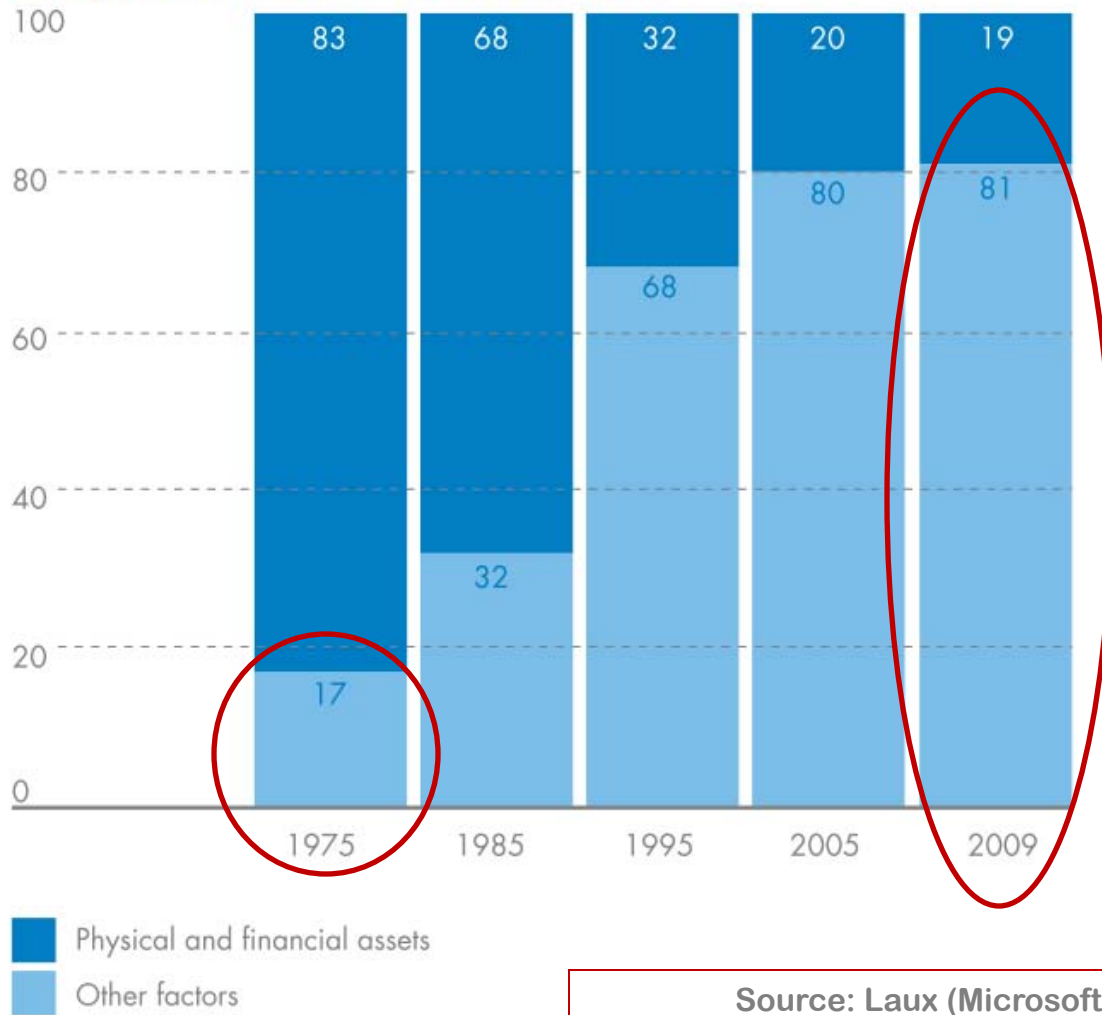
Projects Ongoing & Underway

- **Marketing Metrics Catalogue - Ongoing**
Connecting marketing metrics to financial metrics via MMAP
- **Common Marketing Language on [Wikipedia](#) - Ongoing**
Eliminating ambiguity in marketing terminology
- **Applying CLV to CPG Target Segments**
Will demonstrate (how) the CLV construct and models can be reliably applied to CPG and target marketing
- **The MASB Book I**
The best of MASB work in an edited book that is accessible to the general business and academic communities
- ➔ ■ **Brand Investment & Valuation Standards (BIV)**
Establishing “generally accepted brand investment and valuation standards” for both acquired and internally developed brands
- ➔ ■ **Improving Financial Reporting**
Ensuring marketing is at the table when reporting of Brand Value is required for internally developed brands

Issue

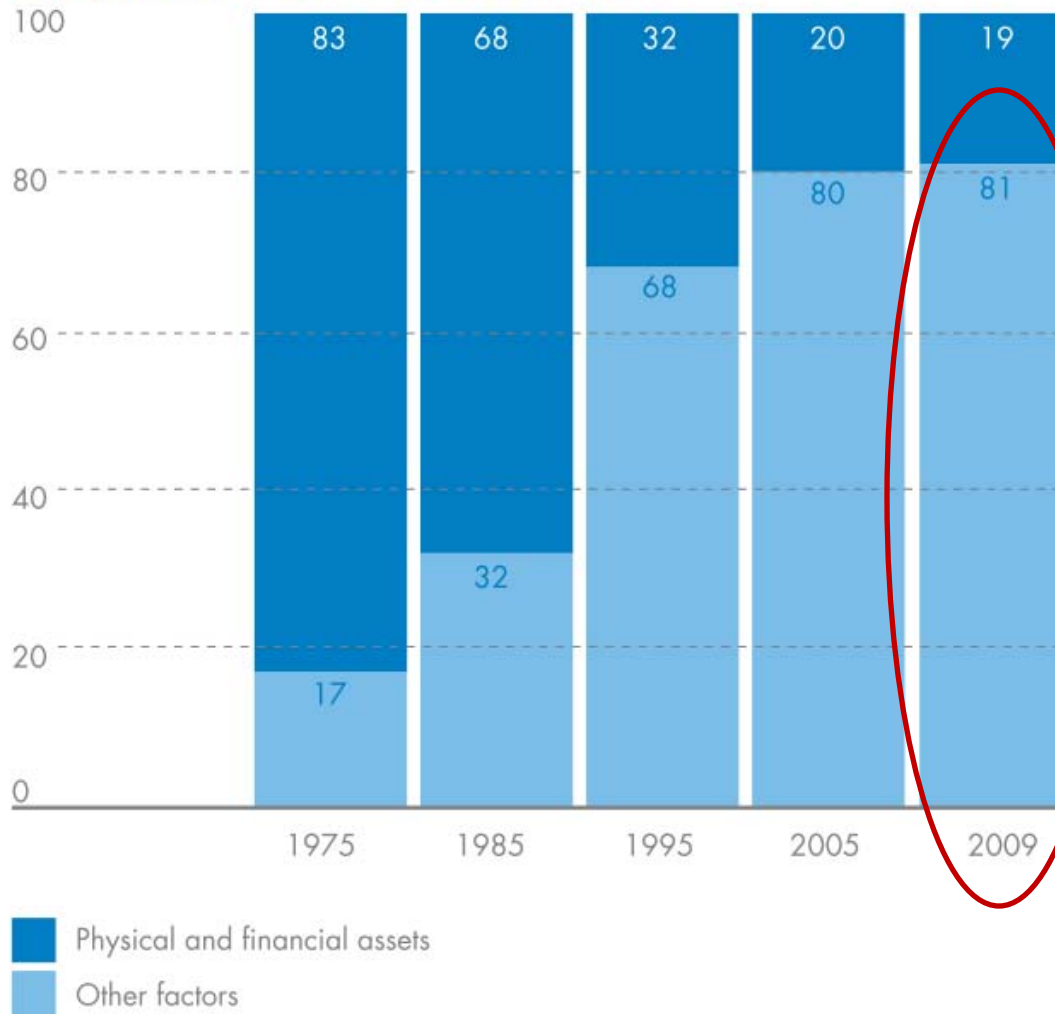
- **Marketing & finance practitioners agree**
 - It is marketing's job to create, build & sustain brands
 - They produce current & future economic benefits for the firm
 - They are an important intangible asset owned by the enterprise
 - Brands create options for the firm
 - Brands represent much of the value of the firm
- **Marketing's activities are designed to**
 - Enhance the strength of the brand among customers
 - In a manner that positively impacts market and financial returns
 - Short term and over time.
- **There are no generally accepted standards for measuring the success of this marketing function**
 - Extant measures do not agree in magnitude or direction of change
 - There are many “measures” but few tied to financial performance

Components of S&P 500 market value



The percentage of market value represented by physical and financial assets versus intangible factors, some of which are explained within financial statements, but many of which are not.



Components of S&P 500 market value



**How much
the brand(s)?**

The percentage of market value represented by physical and financial assets versus intangible factors, some of which are explained within financial statements, but many of which are not.

Should we care?

| 2011 | Value (\$B) | Rank | Movement | Change |
|--|-------------|------|----------|--------|
| Interbrand | \$42.8 | #5 | ↓ | -10% |
| BRANDZ™ | \$50.3 | #10 | ↑ | +12% |
|  BRAND-FINANCE® | \$30.5 | #7 | ↓ | -4% |
|  CoreBrand | N/A | #25 | ↑ | +2% |

On the one hand...
The variability of the alternative brand values makes their validity and utility highly suspect

While on the other...
Their prominence and visibility necessitates proactively managing and interpreting the results.

Source: Cayabyab (GE) 2/16/12

Should we care?

% Mkt Cap

21%

25%

15%

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|----------------|-------------|------|----------|--------|
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How to manage if not sure where it stands or if it's going up or down?

On the one hand...

The variability of the alternative brand values makes their validity and utility highly suspect

While on the other...

Their prominence and visibility necessitates proactively managing and interpreting the results.

Objectives of BIV Project

To provide consistent, comparable, credible and actionable brand valuations through establishment of “generally accepted brand investment and valuation standards”

Involving:

Creation of general principles, standards/methodology and empirical trials among 3-5 brands as examples

Primary output:

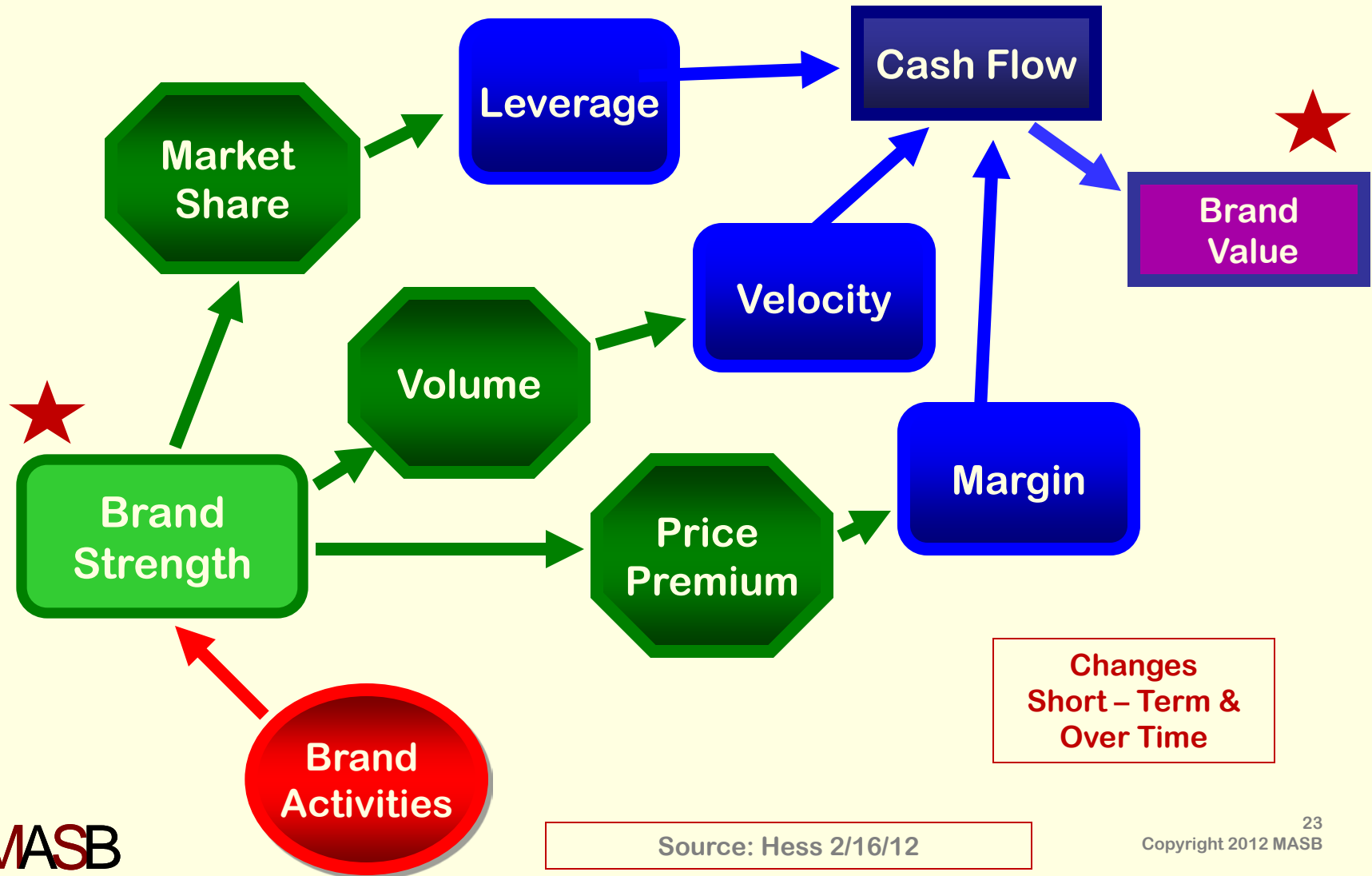
A model/methodology for marketers to use to value their brands, guide investment decisions, and learn how to improve performance

The BIV Methodology & Trials

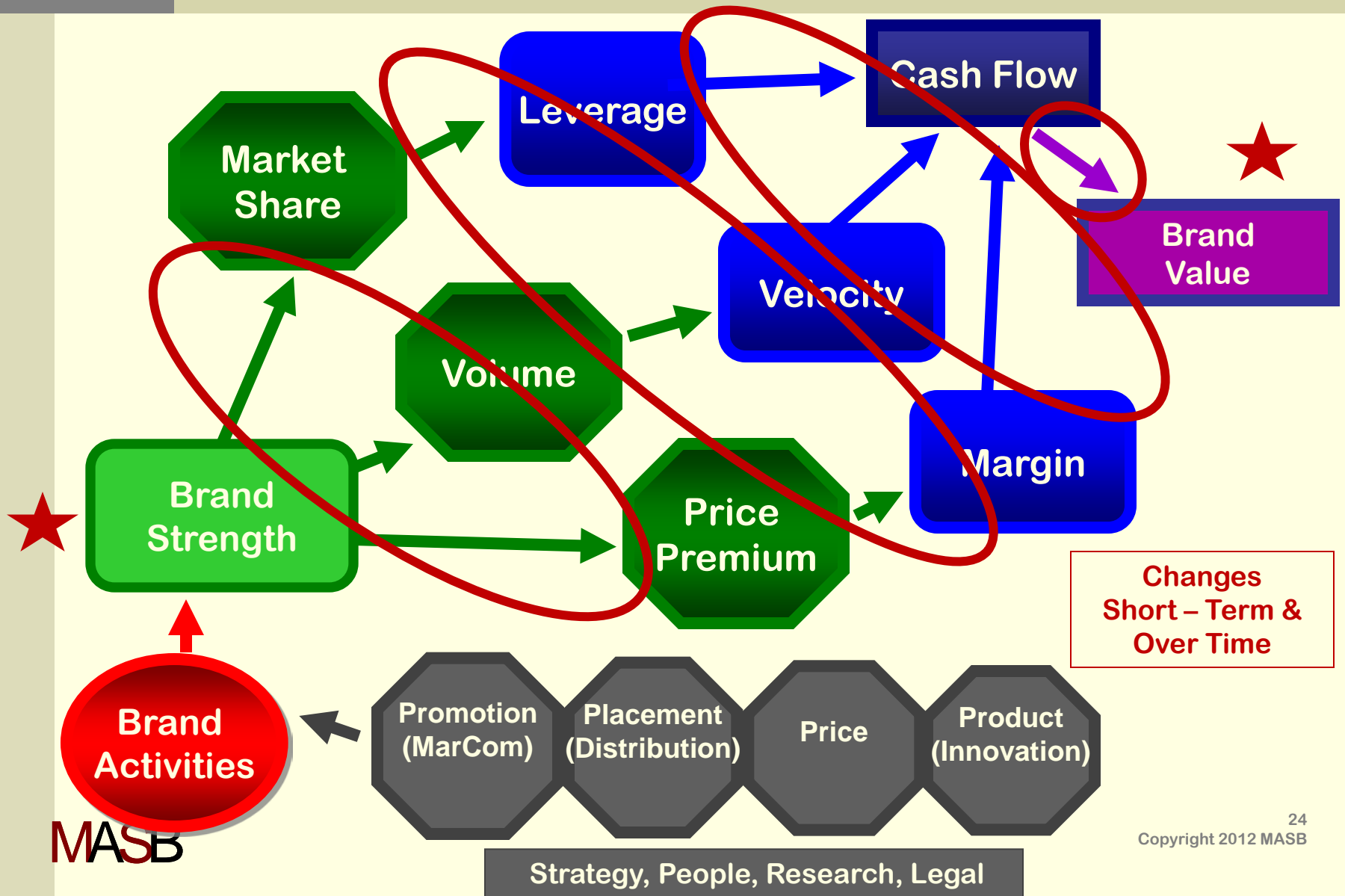
- Will demonstrate how the marketing & financial concepts relate to one another empirically (according to MMAP)
- With standard metrics that are simple, transparent, relevant, and calibrated across categories, cultures & conditions
- And reliably linked to both short & longer term financial return

Keeping in mind that the Strength of the Brand
lies in the hearts, minds and hands of customers

MMAP: Brand Investment & Valuation Model (Conceptual Links)



Building Bridges: Brand Strength to Brand Value



Expected Results

- **Building these bridges (or links) and highlighting the measures will be powerful for the marketers' decision making process**
 - **Making more informed “investment” decisions**
 - **Meeting organic growth targets more often**
 - **Learning how to improve performance as measured by customer, market and financial outcomes**
 - **Building Strong Brands more profitably and consistently**

Where Strong Brands
are those preferred over other brands (in hearts & minds of customers)
such that they generate revenues (growth) at a premium price (margin)
and provide options for profitably entering (leveraging into) other
categories & markets.

In this manner, Strong Brands drive shareholder value.

Status of BIV Project

- General principles have been drafted (on [website](#))
- Team leaders are in place
- Kimberly-Clark, ConAgra, Hershey, Frito Lay are participating
- comScore is tracking Brand Preference across all brands
- Research design and NDAs being finalized
- Trials scheduled to commence as soon as possible
 - ARS Group being sold by comScore
 - Pushes timing back a bit
 - May have to renegotiate w/new owner

Objectives of IFR Project

Partner with the Financial Reporting and Investment communities for improving the accounting and/or reporting rules related to marketing...such that financial returns from corporations will be driven and measured by buyer behavior in markets over time*.

Ensure marketing is at the table when reporting of Brand Value is required for internally developed brands.

* Buyers might be consumers, customers, investors, etc.

Expected Results

Partnering to improve financial reporting will

- **Require firms to apply marketing measurement & accountability standards consistently & comprehensively**
- **Achieve discipline & rigor in investment decisions & budgeting**
- **Position marketing as masters of their own territory & destiny**
- **Avoid external intervention (e.g. from government)**
- **Create value for all, including**
 - **Better/more transparent reporting**
 - **Increase in Marketing ROI**
 - **Predictable & consistent organic growth**
 - **Improvement in corporate profitability**
 - **More/better offerings at less cost to meet needs of society**

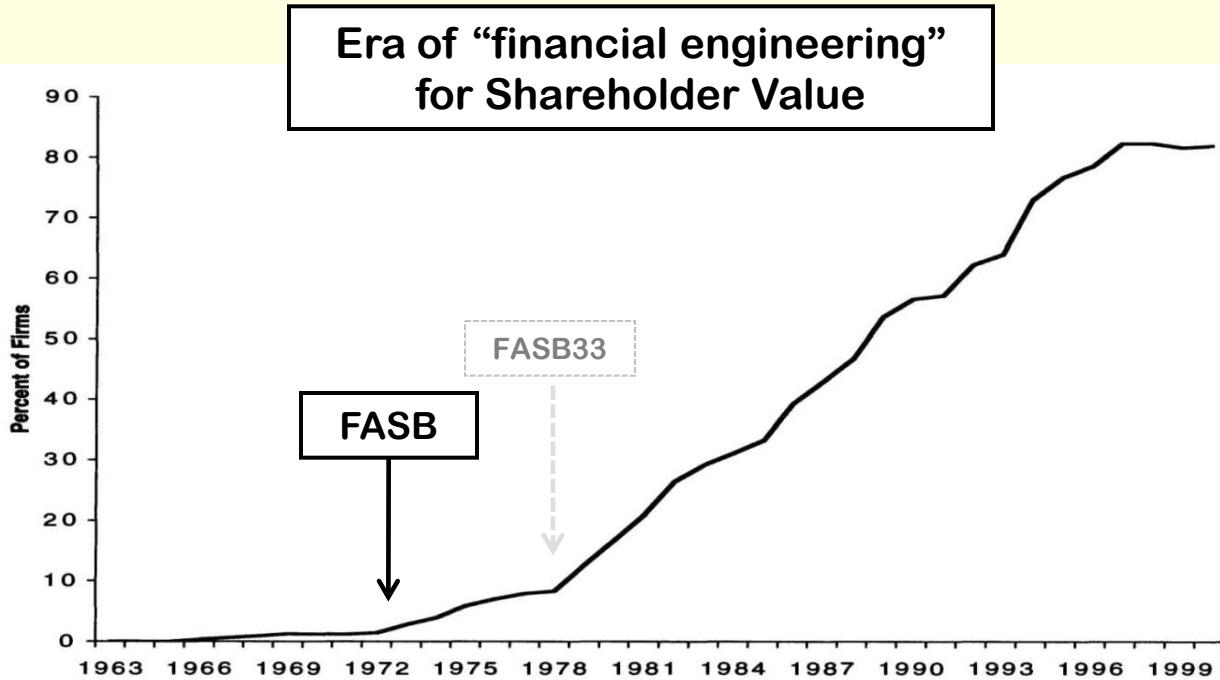
Status of IFR Project

- Relationships have been formed between IFR Team and
 - FASB (Financial Accounting Standards Board)
 - IASB (International Accounting Standards Board)
 - IIRC (International Integrated Reporting Committee)
- First White Paper was published in December 2012
 - *Corporate Financial Review*

The Vision

Laying the measurement foundations for marketing professionals to realize full accountability and strategic status in the Boardroom as reliable forecasters and achievers of consistent growth in customer revenues, earnings and cash flows quarter-to-quarter and year-to-year.

Rise of the CFO

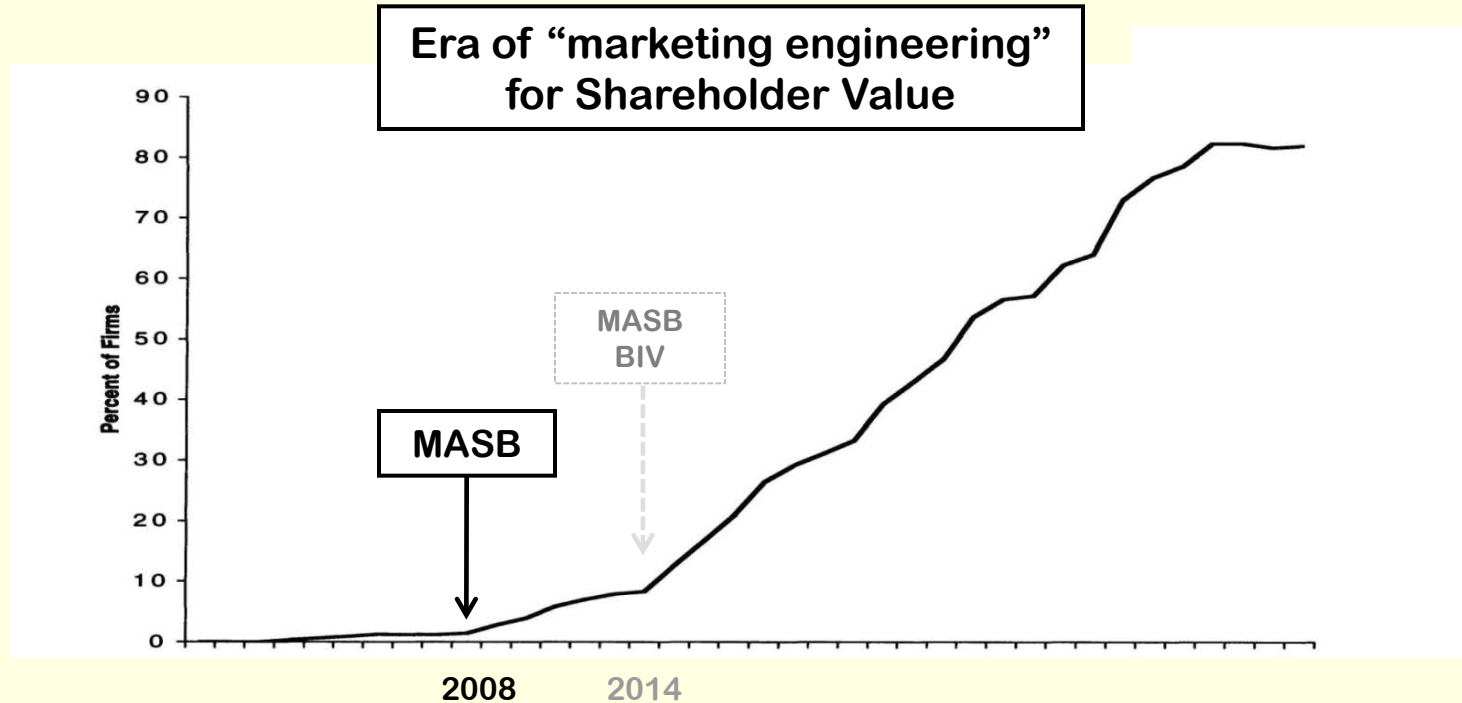


Prevalence of CFO Positions 1963-2000

Source: Zorn, Dirk M. "Here a Chief, There a Chief: The Rise of the CFO in the American Firm", American Sociological Review (Jun 2004)

**FASB set standards for the rise of the CFO...
then "financial engineering" delivered shareholder value.**

Rise of the Accountable CMO?



CMO on Board; Marketing Committee at Board Level

MASB is setting the standards for the rise of the accountable CMO... when "marketing engineering" will deliver shareholder value*.



Thank-you!



**Marketing Accountability Standards Board
of the Marketing Accountability Foundation**