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# Statement of Marketing Accountability Standards No. 1

## Marketing Metric Audit Protocol (MMAP)

**Posting of MMAP  
stand-alone for  
Industry Feedback**

February, 2009



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

# MASB Mission

The mission of the Marketing Accountability Standards Board (MASB) is to “establish (issue, improve and promote) 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”.

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 deemed necessary to insure credibility, validity, transparency and understanding.

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# Background

Two standards projects (Investigation of the Need for Standards & Marketing Metric Audit Protocol-MMAP) were selected, conducted, reviewed & adopted by Boardroom Project members (8/04-9/07).

While the results of this work have been documented in a book (*Marketing Champions*, Stewart 06), a JAR Paper (*The Bottom Line*, Stewart 08), a MASB Paper (*about MASB* 08)...and exemplified in a MASB Project (*Measuring and Improving the Return from TV Advertising-An Example*, Blair 08)...MMAP has not been documented in stand alone form.

**MASB Members and potential Members have begun to inquire about the MMAP Process and there is no single document by which to respond directly, only information buried in books, papers, and examples.**

**A stand-alone document which clearly communicates the MASB Standards for connecting marketing activities to the financial performance of the firm (MMAP) will enable our constituency to better understand MMAP and to make progress in meeting the standards.**

# MMAP Overview

While marketing does not lack measures, it lacks standard metrics explicitly linked to financial performance in predictable ways.

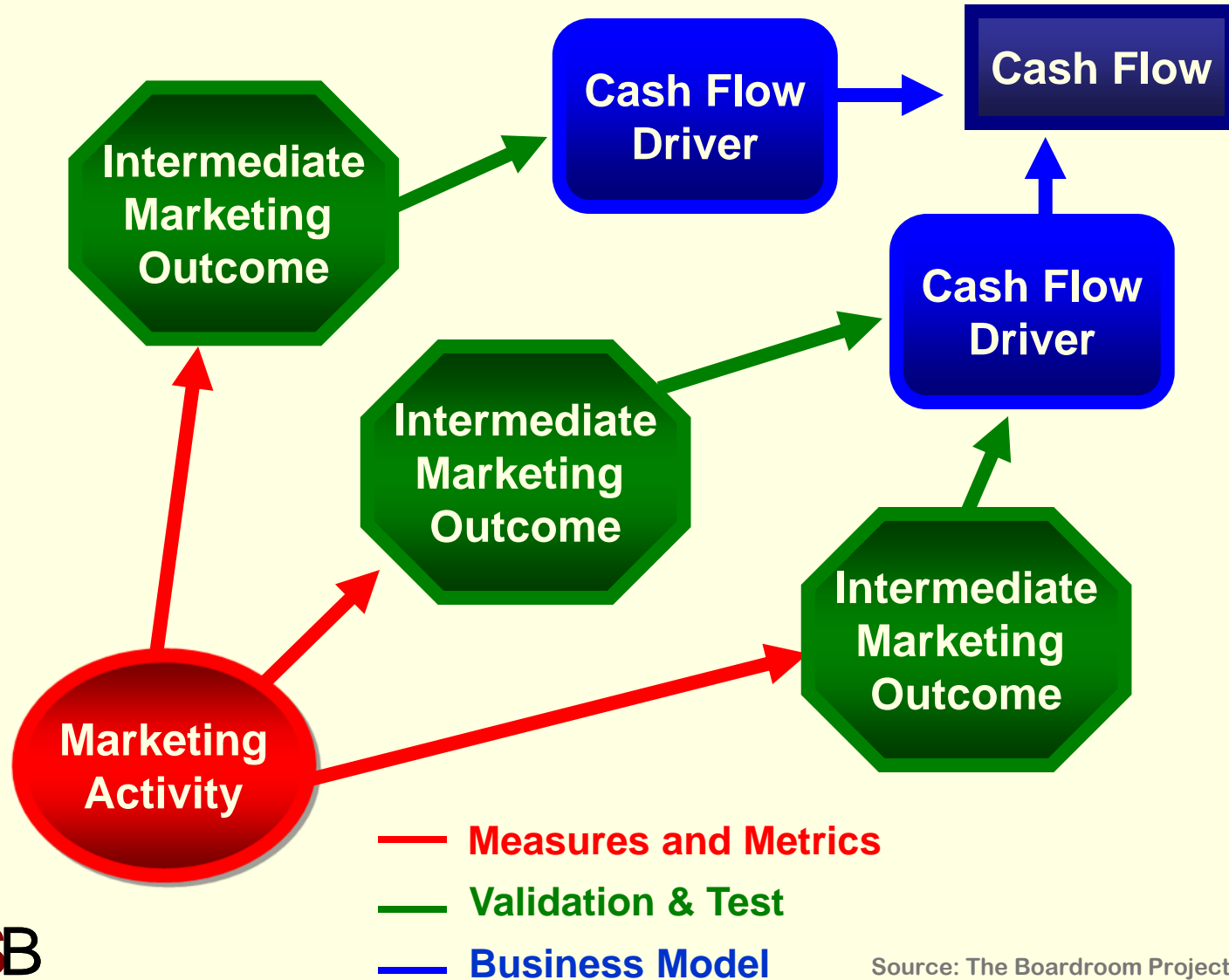
Cash flow both short-term and over time is the ultimate metric to which every business activity, including marketing, should be causally linked through the validation of intermediate marketing metrics.

The process of validating the intermediate outcome metrics against short-term and/or long-term cash flow drivers is necessary to facilitate forecasting and improvement in return.

The Marketing Metric Audit Protocol (MMAP) is a formal process for connecting marketing activities to the financial performance of the firm.

The process includes the conceptual linking of marketing activities to intermediate marketing outcome metrics to cash flow drivers of the business, as well as the validation and causality characteristics of an ideal metric.

# MMAP: Marketing Metric Audit Protocol



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## ***Step 1: Identify Cash Flow Drivers***

There will be at least one source of cash and one business model.  
In many businesses there is a dominant source and a dominant model.

## ***Step 2: Identify Intermediate Measures of Marketing Outcomes***

Distinguish between measures of efficiency, like CPM and cost per lead, and measures of effectiveness, like redemption rate for coupons and market share.  
Focus first on measures of effectiveness.

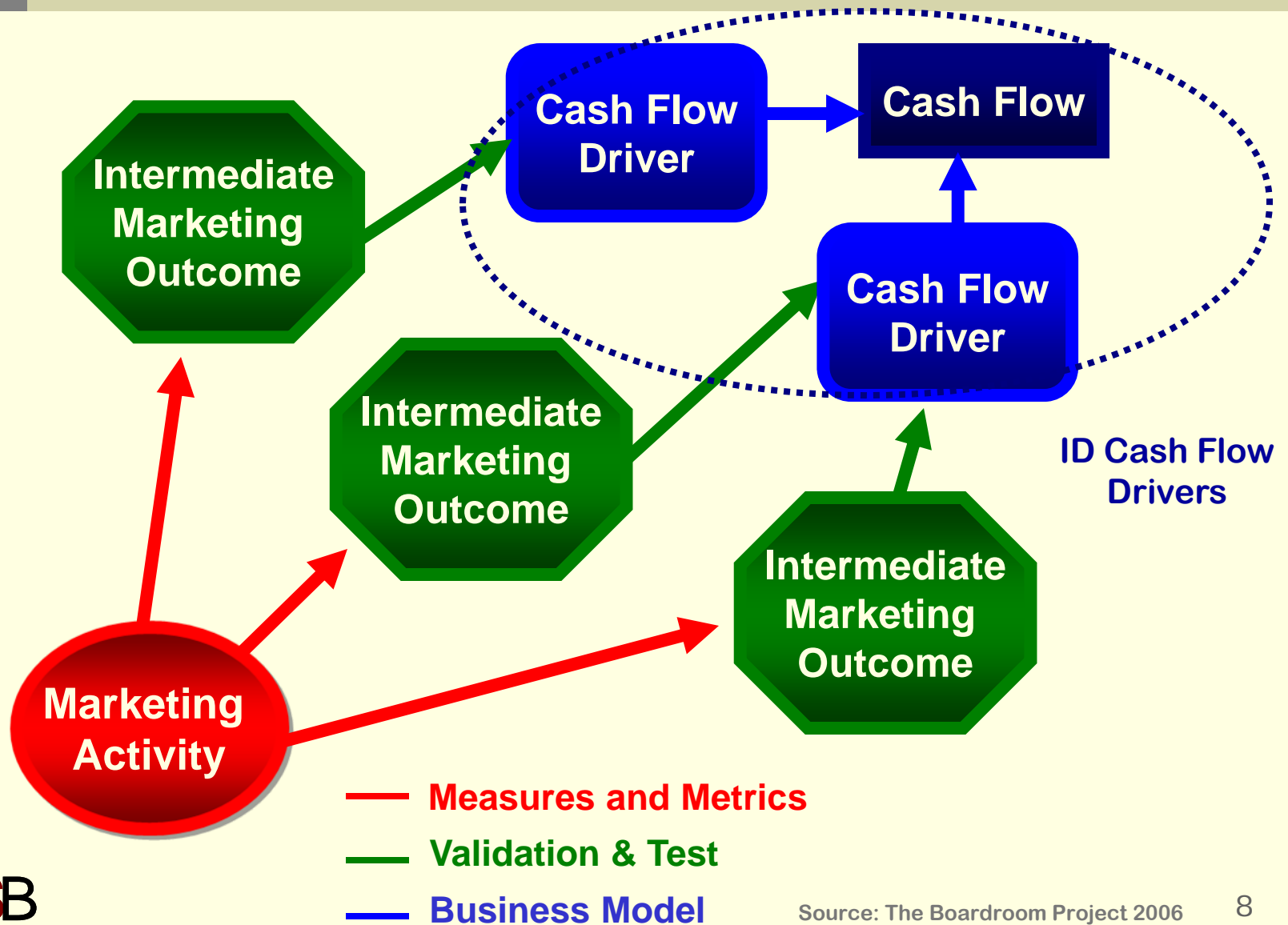
## ***Step 3: Identify the Conceptual Links***

Every marketing action should have an identified outcome metric.  
If there is no logical link between a marketing outcome and a cash flow driver, you might question the need for the associated marketing activity.

## ***Step 4: Identify the Causal Links***

When there is uncertainty about the causal link between a marketing outcome and one or more cash flow drivers, validation or test is appropriate—especially if the costs of the marketing activity are high (validity and causality audit).

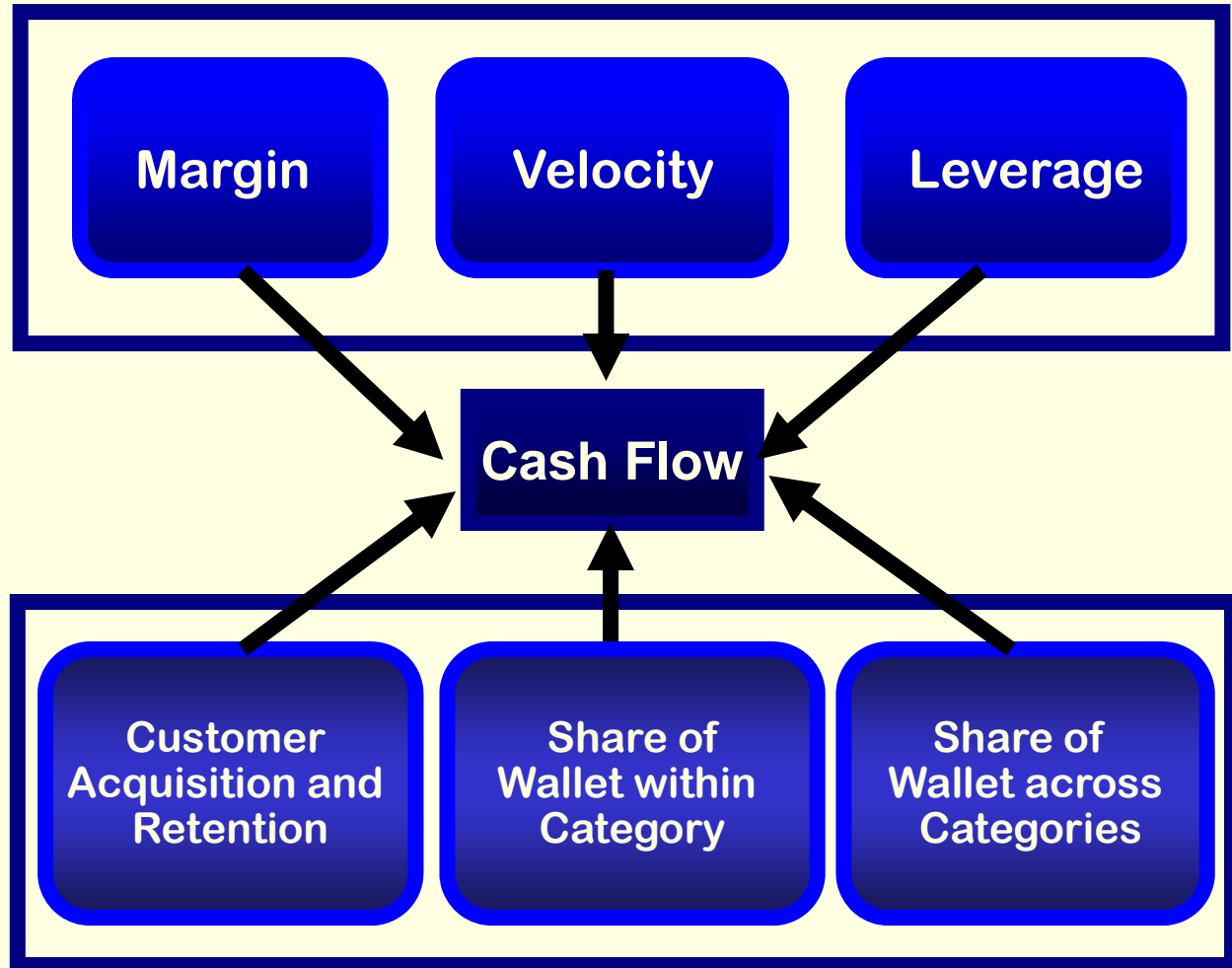
# MMAP: Step 1



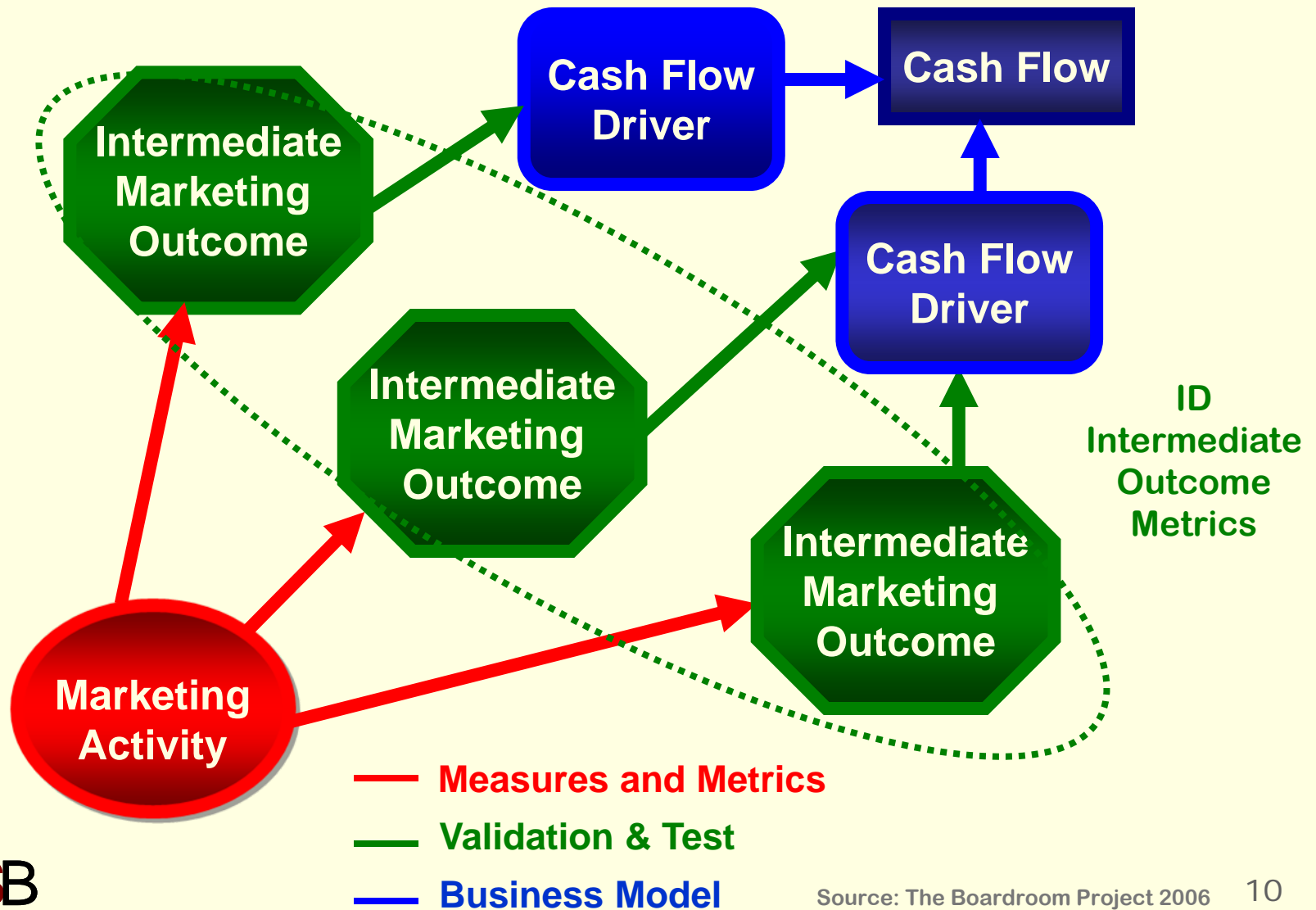


# Cash Flow Drivers

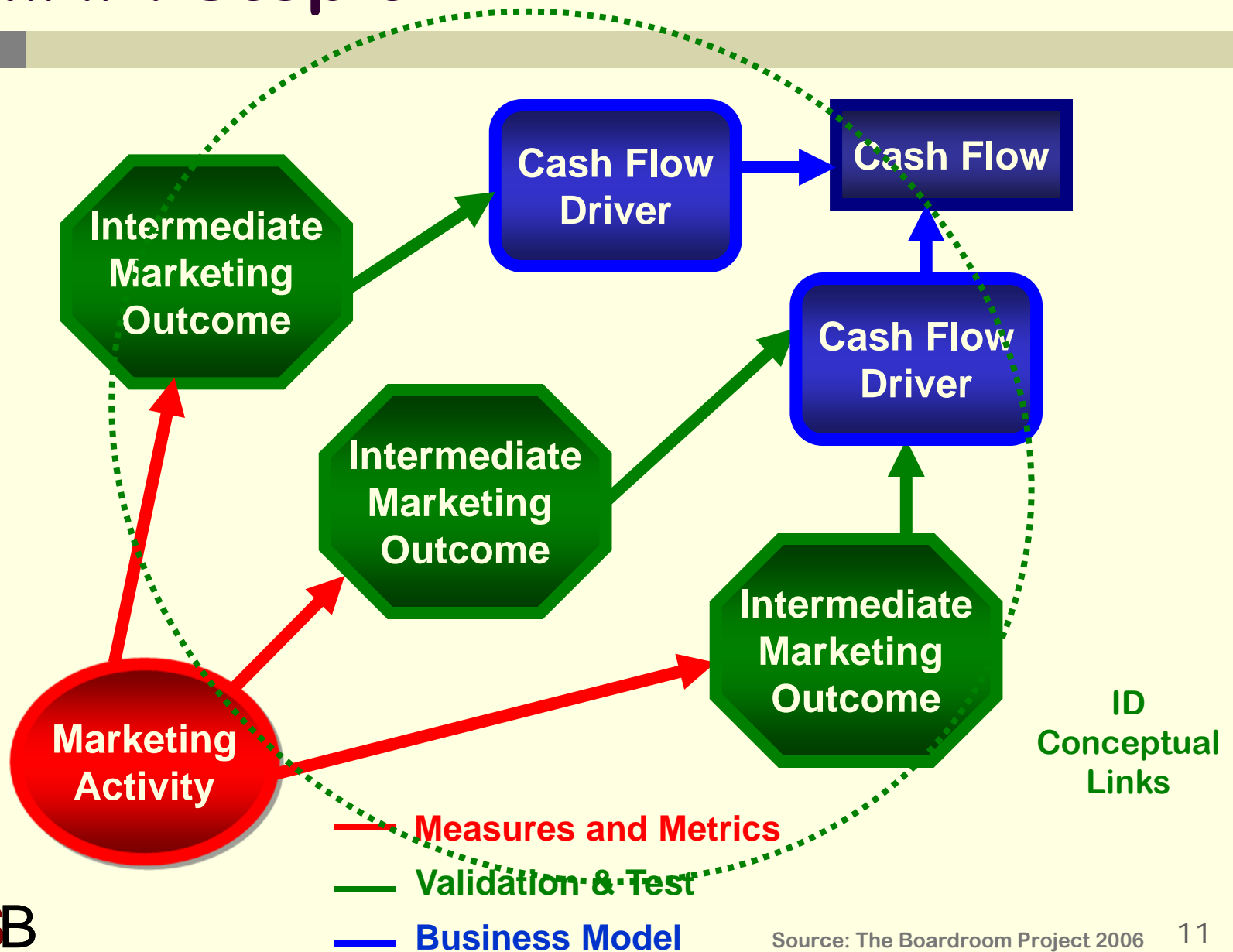
**Business Model**  
(How the firm generates Cash)



# MMAP: Step 2



# MMAP: Step 3



# MMAP: Step 4

## Validation & Causality Audit

**Every Intermediate Marketing Outcome Metric Should Be Validated Against Short-term and/or Long-Term Cash Flow Drivers and Ultimately Cash Flow (or to the Drivers of the Cash Flow Drivers).**

Source: The Boardroom Project 2006

# **MMAP: 10 Characteristics of an Ideal Metric**

- 1. Relevant...addresses specific (pending) action**
- 2. Predictive...accurately predicts outcome of (pending) action**
- 3. Objective...not subject to personal interpretation**
- 4. Calibrated...means the same across conditions & cultures**
- 5. Reliable...dependable & stable over time**
- 6. Sensitive...identifies meaningful differences in outcomes**
- 7. Simple...uncomplicated meaning & implications clear**
- 8. Causal...course of action leads to improvement**
- 9. Transparent...subject to independent audit**
- 10. Quality Assured...formal/on-going processes to assure 1-9**

# Overall Guidelines for Measures of Productivity

- A. Return on Marketing Investment is inherently a financial construct. No measure or measurement system is complete without a specific link to financial performance.

Measures of Return on Marketing Investment should:

- B. Reflect financial concepts of return, risk, time value of money & cost of capital.
- C. Provide information for guiding future decisions by predicting future economic outcomes as well as retrospective evidence of the impact of marketing actions.
- D. Recognize both immediate, short-term effects of actions and longer-term outcomes, as well as the fact that short & long term effects need not be directionally consistent.
- E. Recognize difference between total return and marginal return on investment.
- F. Recognize that different products and markets produce different rates of return.
- G. Distinguish between measures of outcome and measures of effort.
- H. Provide information meaningful & comparable across products, markets and firms.
- I. Clearly identify the purpose, form and scope of measurement.
- J. Be documented in sufficient detail to allow a knowledgeable user to understand utility and make comparisons among alternative measures.
- K. Be assessed relative to generally accepted standards of measurement development and validation.
- L. Be recognized as a necessary investment for assuring sound decision-making, accountability, continuous improvement, and transparency for all stakeholders.

# Disclosure 1: Review and Acceptance of MMAP

- **The MMAP Standards were reviewed and accepted by members of The Boardroom Project (8/04-2/06):**
  - **David W Stewart\***
  - **Margaret H Blair\***
  - **Kate Sirkin\***
  - **Dwight Risky**
  - **Joe Plummer\***
  - **Mike Duffy\***
  - **Mitch Barns**
  - **Dominique Hanssens\***
- **Acceptance occurs with peer review when the logical flow of the argument is tight, the empirical support material is convincing, conclusions are managerially meaningful, and scientific evidence pro and con is acknowledged.**

\* Current members of the MASB Board 2/09

## Disclosure 2: MMAP Process Exemplified

The Boardroom Project members suggested that an “ideal measure” be identified and taken through the MMAP process.

The *TV Project* (and specific measure of consumer brand preference/choice) was selected, conducted and reviewed by members of The Boardroom Project (10/06-7/07), reviewed by the MASB Board (8/07 – 3/08), and posted on the MASB website for feedback (4/08).

The purpose of the *TV Project* is to serve as an example of how to evaluate marketing measures according to the Marketing Metric Audit Protocol (MMAP), the learning that can come from using an “ideal measure” over time and conditions, and how to improve return from the activity by applying the measurement and learning to better marketing practice (process management).

See *Measuring and Improving the Return from TV Advertising (An Example)* [www.theMASB.org](http://www.theMASB.org).



# Next Steps (MMAP Stand-Alone)

- Post on website for Industry Feedback (March)
- Continually improve the process over time