

# THE BOARDROOM PROJECT



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## The Boardroom Project Overview

- The cross-discipline, cross-industry body that is establishing a Marketing Measurement Audit Protocol (MMAP) connecting all marketing activities to the financial performance of the firm.
- Mission: *To Establish Marketing Measurement Standards for Continuous Improvement in Business Performance*

## **WHY ARE MEASUREMENT STANDARDS IMPORTANT?**

Measurement standards are essential to the efficient functioning of a marketing-driven company because decisions about the allocation of resources rely heavily on credible, valid, transparent, and understandable information.

## **WHAT IS THE BOARDROOM PROJECT?**

The Boardroom Project is a cross-industry and cross-discipline body of influential marketing scientists (Advertising, Media, Academic, Measurement, Modeling) with a mission to “establish marketing measurement standards for continuous improvement in business performance,” analogous to GAAP and IFRS for accounting and ISO for operations. The Boardroom Project has defined a Marketing Measurement Audit Protocol (MMAP) connecting all marketing activities to the financial performance of the firm. This process includes the conceptual link of intermediate metrics to cash flow drivers as well as validation and causality characteristics of a sound metric.

The group is chaired by Dr. David W. Stewart, Robert E. Brooker Professor of Marketing in the Marshall School of Business at the University of Southern California and current members include marketing scientists from PepsiCo, Starcom MediaVest, VNU, The ARS Group (rsc), MSI, and the ARF.

## **WHAT LED TO THE FORMATION OF THE BOARDROOM PROJECT?**

The Boardroom Project was formed in 2004 by a concerned group of marketing scientists in response to mounting pressure from corporate boardrooms to achieve marketing accountability. The founding members recognized that without measurement standards, accountability would never be fully realized. Thus, the Boardroom Project is setting the Marketing Metric Audit Protocol

(MMAP) to help improve both the top and bottom lines of today's largest corporations and achieve accountability in marketing as in other areas of the corporation.

## **WHAT'S THE BOARDROOM PROJECT'S MISSION?**

To Establish Marketing Measurement Standards for Continuous Improvement in Business Performance.

## **WHAT ROLE DOES THE “MARKETING METRIC AUDIT PROTOCOL” SERVE?**

MMAP will become to the marketing profession what GAAP and IFRS are to accounting and ISO is to operations. It is no longer acceptable for marketing to be viewed as a cost that lacks standard metrics and processes to drive continual improvement.

## **WHY IS THERE A NEED FOR MARKETING MEASUREMENT STANDARDS?**

While marketing does not lack measures, it lacks standard measures and metrics explicitly linked to financial performance in predictable ways. In many areas, but not all, it lacks formal processes for auditing marketing metrics models which tend to be highly idiosyncratic.

## **WHY RECOMMEND CASH FLOW AS THE ULTIMATE MARKETING METRIC?**

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

Every marketing activity leads to an intermediate marketing outcome, which ultimately drives cash flow. And the process of validating all intermediate marketing outcome metrics against short-term and/or long-term cash flow drivers is the only way to facilitate forecasting and improvement.

## WHAT ARE THE STEPS IN THE “MARKETING METRIC AUDIT PROTOCOL” OR MMAP?

MMAP is a 4-step, formal process to:

- Identify the drivers of cash flow (financial results).
- Identify intermediate measures of marketing outcomes.
- Identify the conceptual link of intermediate metrics to cash flow drivers
- Identify the causal links of marketing activities and test assumptions (validity & causality).

### 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.

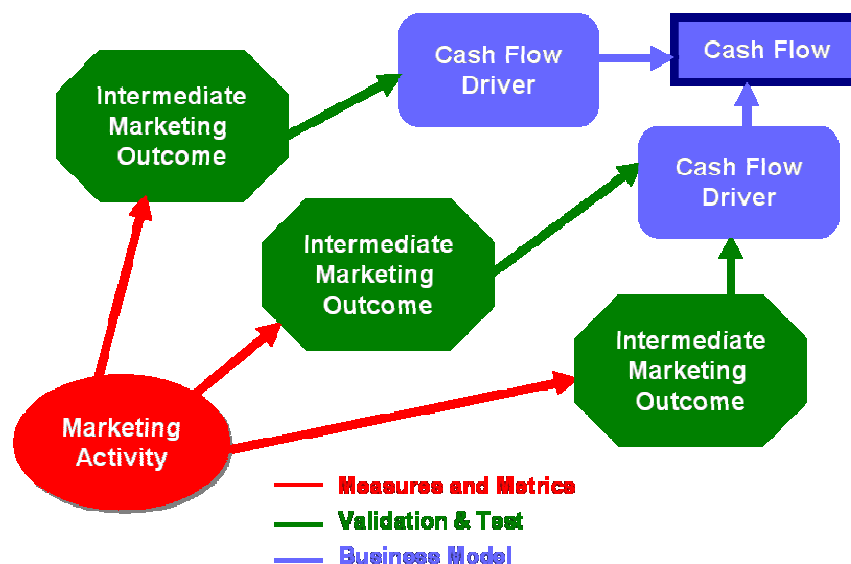
### Step 3: Identify the Conceptual Links

- 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).

## Marketing Metric Audit Protocol Overview



## WHY PERFORM A VALIDITY AND CAUSALITY AUDIT?

Every intermediate marketing outcome metric should be validated against short-term or long-term cash flow drivers and ultimately cash flow. This investment will facilitate forward forecasting and improvement . . . which should be the criteria for validation.

## WHAT ARE THE CHARACTERISTICS OF A SOUND METRIC?

Sound metrics meet the following criteria:

1. *Relevant*...addresses and informs 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 and cultures
5. *Reliable*...dependable and stable over time
6. *Sensitive*...identifies meaningful differences in outcomes
7. *Simple*...uncomplicated meaning and implications clear
8. *Actionable*...clear course of action that leads to improvement
9. *Transparent*...subject to independent audit
10. *Quality Assured*...formal ongoing QA processes

## WHO SHOULD I CONTACT TO GET INVOLVED?

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