# Marketing Accountability Standards
## Brand Investment Model (Brand Value)

Rajeev Batra
University of Michigan
Ross School of Business
Charter Director of MASB

David Stewart, Dean
University of California
A Gary Anderson Graduate School of Management
Founding Director & Chair of MASB
February 2011
Austin

**MASB**

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

**Overall Objectives (Change the Game, Begin the Transformation):**

### Brand Investment Model & Discipline (Brand Value)

Develop and trial a model for brand building budgeting and project/expense authorization that represents the time period over which financial returns from the activity are realized

Establish "generally accepted brand valuation standards"

Align management incentive systems accordingly

Change the accounting and/or reporting rules accordingly*

\* This objective is being researched by the Game Changing MASB/FASB Partnership Project Team in parallel with this BIM Project

MASB

# Expected Results

A validated model for brand building that represents the time period over which financial returns are realized will be of great interest to most corporations and improve marketing performance by requiring the rigor in budgeting and project authorization that is commonly associated with other "capital" investments.

This, coupled with changing the accounting/reporting rules will **create value for all** (better reporting/transparency through quantification of brand value, increase in Marketing ROI, predictable & consistent organic growth, improvement in corporate profitability, more and better products and services at less cost to meet the needs of society, etc)

MASB

# Brand Investment Model Project Team

**Leads:**    **Marketer (TBD)**
             **Academic (TBD)**

**Heroes:**   **David Stewart (UCR)**
             **Don Lehmann (COL)**
             **Rajeev Batra (UoM)**
             **Michael Palmer (ANA)**
             **3-5 Marketers/Brands**
             **Market Measurement Provider**
             **Customer Measurement Provider**
             **Accounting/Finance Academic**
             **Others?**

**Admin:**    **Allan Kuse (MMAP Center)**
             **Meg Blair (MAF/MASB)**

**Meet:**     **12 ET 1st Thursday**

# Action Plan For Brand Investment Model (Feb 2011)

I. Frame-Up Project, open debate & approval by MASB Directors (April 2010)*

II. Form Project Team and designate leadership (May-Feb)

III. Create straw man model: June-September* (Feedback @ Summit)

IV. Determine Measures that will be used (Sept – Nov)

V. Prep for Summit: Review What is Known & Planned (Oct-Jan)
> Project Overview (Rajeev)
> What is Known re Proposed Measure (DV) for Brand Strength (Stewart)
> What is Planned

IV. Expand Team to 3-5 non-competing global Marketers/Brands (Jan - June)**
> ANA will assist

VI. Design the Trial Process (January - May 2011)

VII. Start Trials (June – January 2011/12)

IX. Trials in 3-5 corporations (June 2011 – July 2013)

X. Preliminary Summary & Conclusions (August 2013)

XI. Review with open debate by MASB (September 2013)*

XII. Practitioner Paper (Date negotiated w/Team August 2011)

XIII. Post for Feedback (Date negotiated w/Team August 2011)

* Explicitly approved by majority of MASB Directors & Chair
** Perhaps two approaches at the same time…tracking brand preference (products) among consumers and tracking brand preference (company) among investors.

MASB

# What is Known & Planned (Stewart)

- **The Model (MMAP Conceptual Links)**
- **Why Brand Preference for "Brand Strength"**
- **What is Planned**

**MASB**

# Brand Investment Model: MMAP Conceptual Links
## (Stewart 8/10)
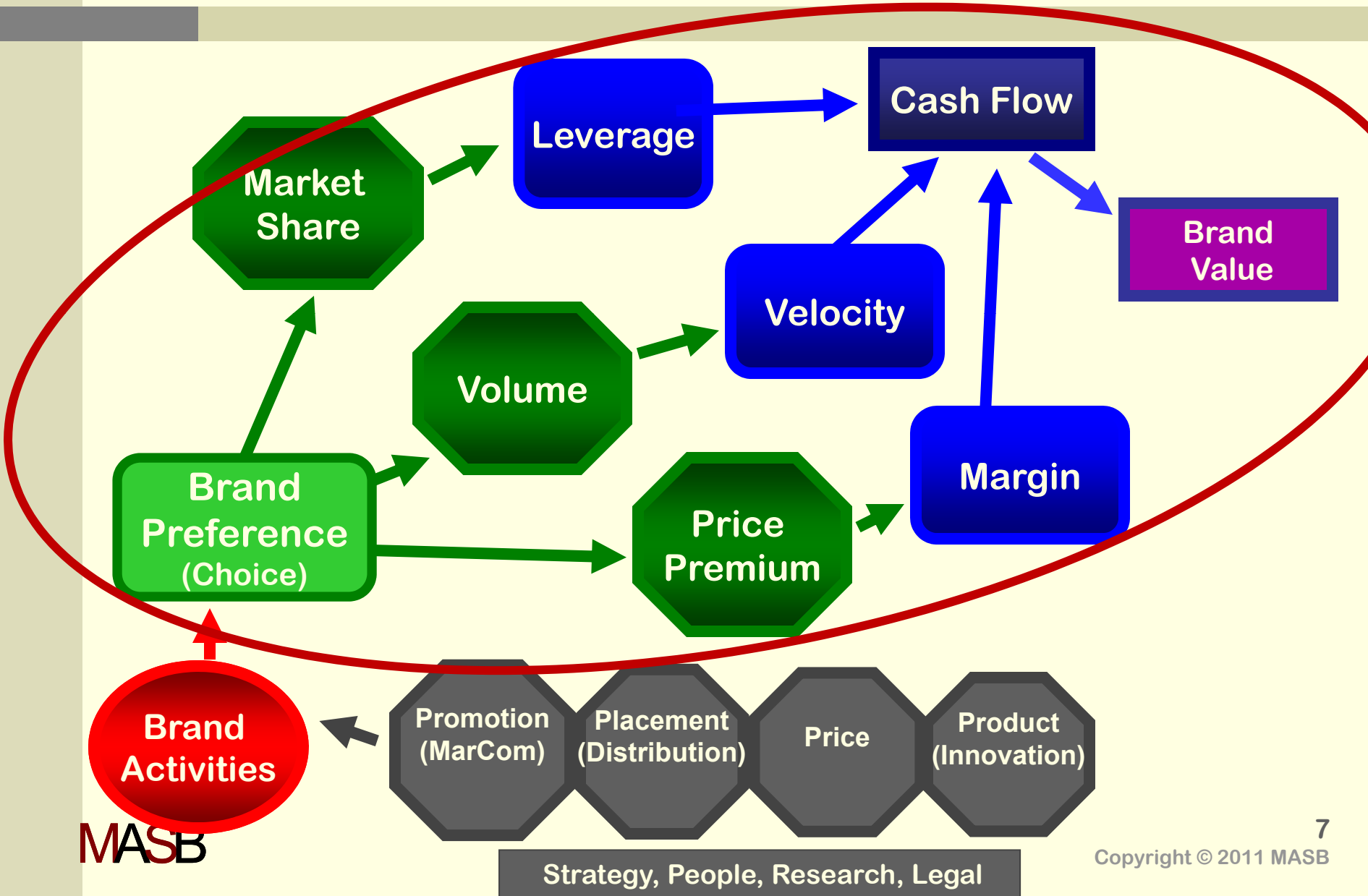
# Why Brand Preference (Choice) for "Brand Strength"?

Brand Preference (Choice) has been proposed as the standard (dependent variable) for measuring the impact of brand building activities in the hearts and minds of customers ("brand strength") because:

- It fits with the CMO/CFO Alignment – objective of marketing
- Fits the Lehmann, Farris, Ambler, Stewart theories/constructs

MASB

**Marketing => Branding**

**Creating Brand Preference**

**Profitable Growth over Time***

**Asset (Brand Value)**

**Shareholder Value**

**On Balance Sheet****

Panel aligned/agreed with following caveats:
  * "How much" & "over what period of time" needs quantification
** Not sure this is necessary

**Actions: Company, Partners, Competitors**

**Customer Mind Set: What They Think and Feel About the Brand**

**Customer Behavior in the Product Market**

**Operating Financial Results**

**Capital Value of Brand**

**Analysts Opinions**

**Investors Opinions**

**Stock Price**

Lehmann 2010

# Important "Facts" (Lehmann)

- There Are Logical (Causal) Links among the Various Components

- In Survey Data, Responses Have a Major Person Effect Which Inflates Correlations

- A Complete System View Is Complex

- **A Few (or Even One) Measure Can Capture Much of the Impact of All the Measures**

- **Mind Set Metrics are More Useful When Taken in a "Real" Setting (e.g., Including Competition)**

- Consistency in Measurement is Critical

- Tracking Over Time is Necessary; Changes Matter

Lehmann 2010

# Farris & Reibstein Model
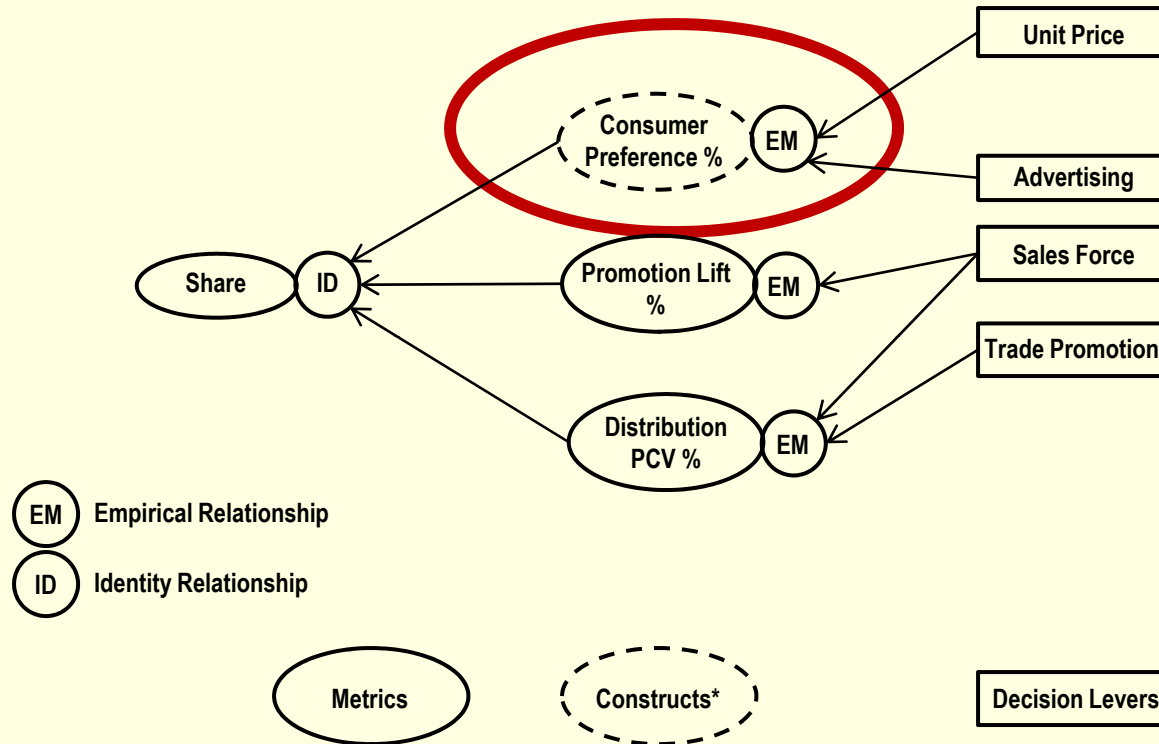


...**strongly suggests the need for a third metric, "preference",** to create an attractive identity that may be useful in separating empirical effects and allowing for important interactions.

# Theoretical Framework - Ambler

"…we have classified and reviewed prior research of intermediate and behavioral effects of advertising using a taxonomy of models…

Although such models have been actively employed for 100 years, we find them flawed…the concept of hierarchy (temporal sequence) on which they are based cannot be empirically supported…

We also suggest that behavioral (**brand choice**, market share)…measures be compiled in…databases to enable researchers…to test the interaction of content, intermediate effects, and long-and short-term behavior. In this effort, we also must **relieve measures from cognitive bias."**

Sources: Vakratsas and Ambler 1999; MASB 2008 & 2010.

# Theoretical Framework - Stewart

**"…research efforts would be more insightful if the focus were on measures of…behavioral change, rather than exclusively on cognitive measures such as recall (awareness) or attitude change.**

The present study is among the very few to use (a behavioral brand choice measure) of demonstrated reliability and validity.

The single most important…factor related to the persuasiveness of the commercial is the presence of a brand-differentiating message.

Stewart and Haley (1983) have suggested that the primary function of marketing communication should be to suggest a basis for consumer choice.
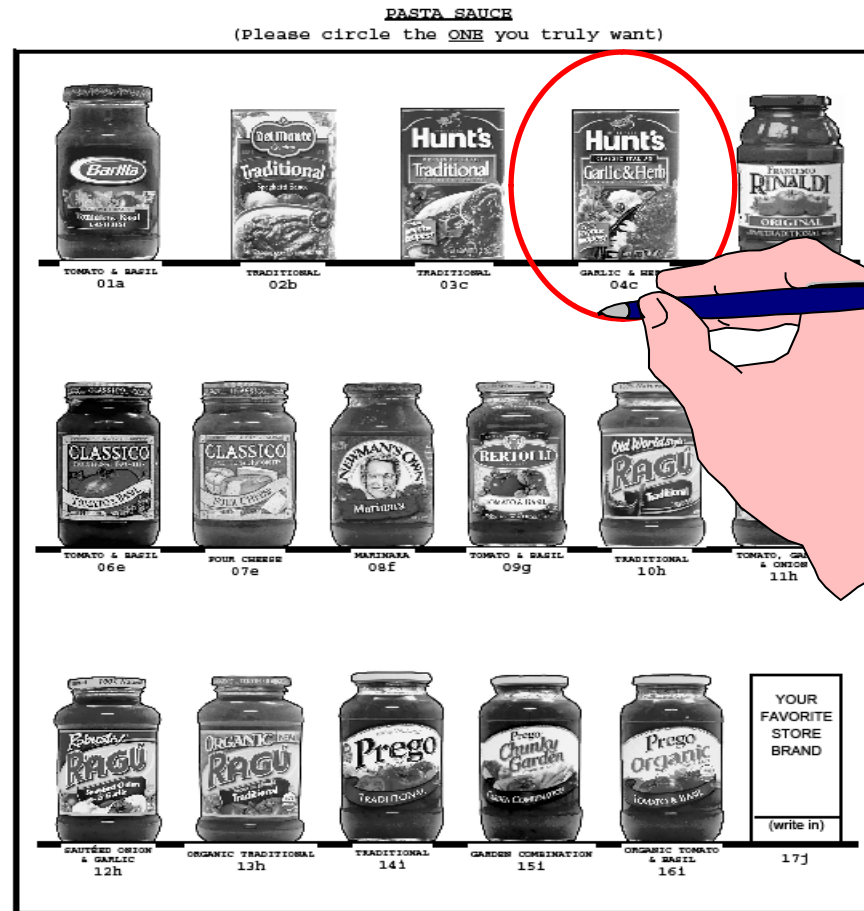
Choice rules tell the prospective buyer how to choose a particular brand.

A brand-differentiating claim must introduce meaningful variation among alternatives, but it need not be directly related to product performance.

When products are perceived to be very similar, any basis for differentiation …may represent the basis for choice".

Sources: Stewart et al 1986; MASB 2008 & 2010

MASB

# Brand Preference (Choice) Instrument



**Behavioral, Relevant, Simple, in Competitive Context**

Source: Characteristics of an "Ideal Metric" and Practices, MASB 2010

# Brand Preference (Choice) Instrument



**Behavioral, Relevant, Simple, in Competitive Context**

Source: Characteristics of an "Ideal Metric" and Practices, MASB 2010

# Why Brand Preference (Choice) for "Brand Strength"?

Brand Preference (Choice) has been proposed as the standard (dependent variable) for measuring the impact of brand building activities in the hearts and minds of customers ("brand strength") because:

- It fits with the CMO/CFO Alignment – objective of marketing
- Fits the Lehmann, Farris, Ambler & Stewart theories/constructs
- **Has Met the 10 MMAP Characteristics of an "Ideal Metric"**
  - **In particular predictive validity**
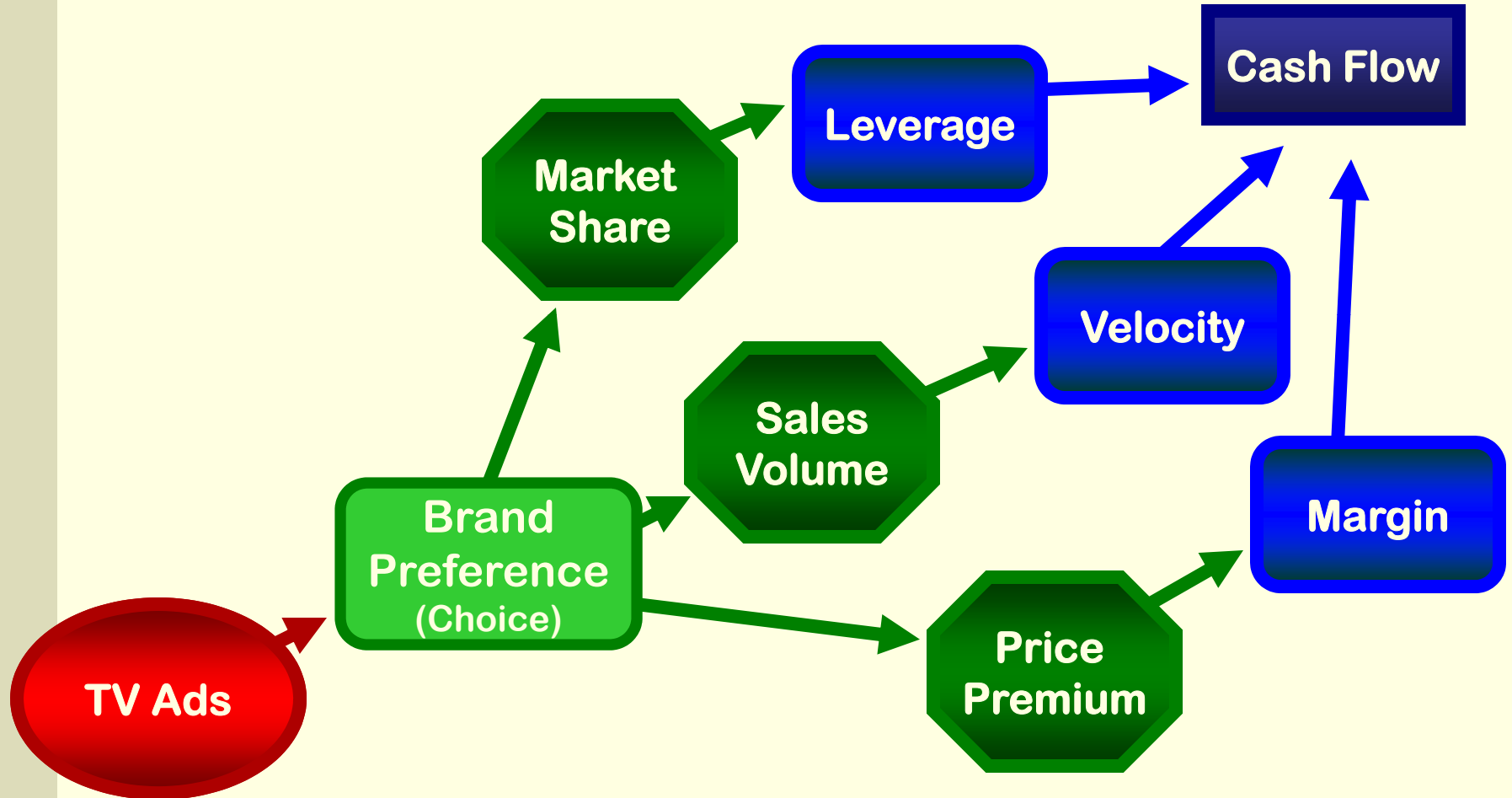
MASB

# "Ideal Metric": Brand Preference (Choice)

**MMAP empirical evidence is based on a specific method of measuring customer Brand Preference (Choice)**

**ARS Persuasion APM Facts\* Brand Preference Tracker** **=** **Change In Customer Brand Preference (Choice)** → **Market Results**
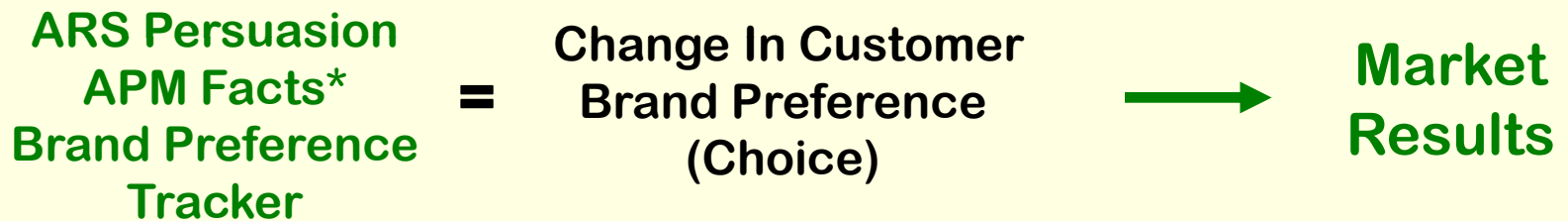
**\* APM Facts = ARS Persuasion Metric for TV ads that actually air versus the same instrument used at other stages of the advertising process.**

**Note: Sample sizes = 500 – 1500**

MASB

# MMAP Example: Activity, Measures & Conceptual Links



Sources: MASB 2008 & 2010

MASB

# MMAP

**Validation & Causality Audit**

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

Sources: The Boardroom Project (2006); MASB (2009)

MASB

# 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

Sources: The Boardroom Project (2006); MASB (2009)

**MASB**

# MMAP: ARS Brand Preference (Choice) Metric

1) Relevant…addresses and informs specific pending action

   Is proposition strong enough to proceed w/ad development?
   How much weight behind each ad to achieve desirable impact?

2) Predictive…accurately predicts outcome of pending action

   Predicts ad impact on quarterly sales volume impacted
   and market share

3) Calibrated…means the same across conditions & cultures

   2 is a 2 and 7 a 7 in US, Latin America, Europe…for new, restaging,
   and established brands…no indexing or modeling in derivation

4) Reliable…dependable & stable over time

   Test-retest reliability @ >.90 over 3 decades

5) Sensitive…identifies meaningful differences in outcomes

   A 2 point difference is detectable, and a 2 point difference
   results in a .04 difference in quarterly market share
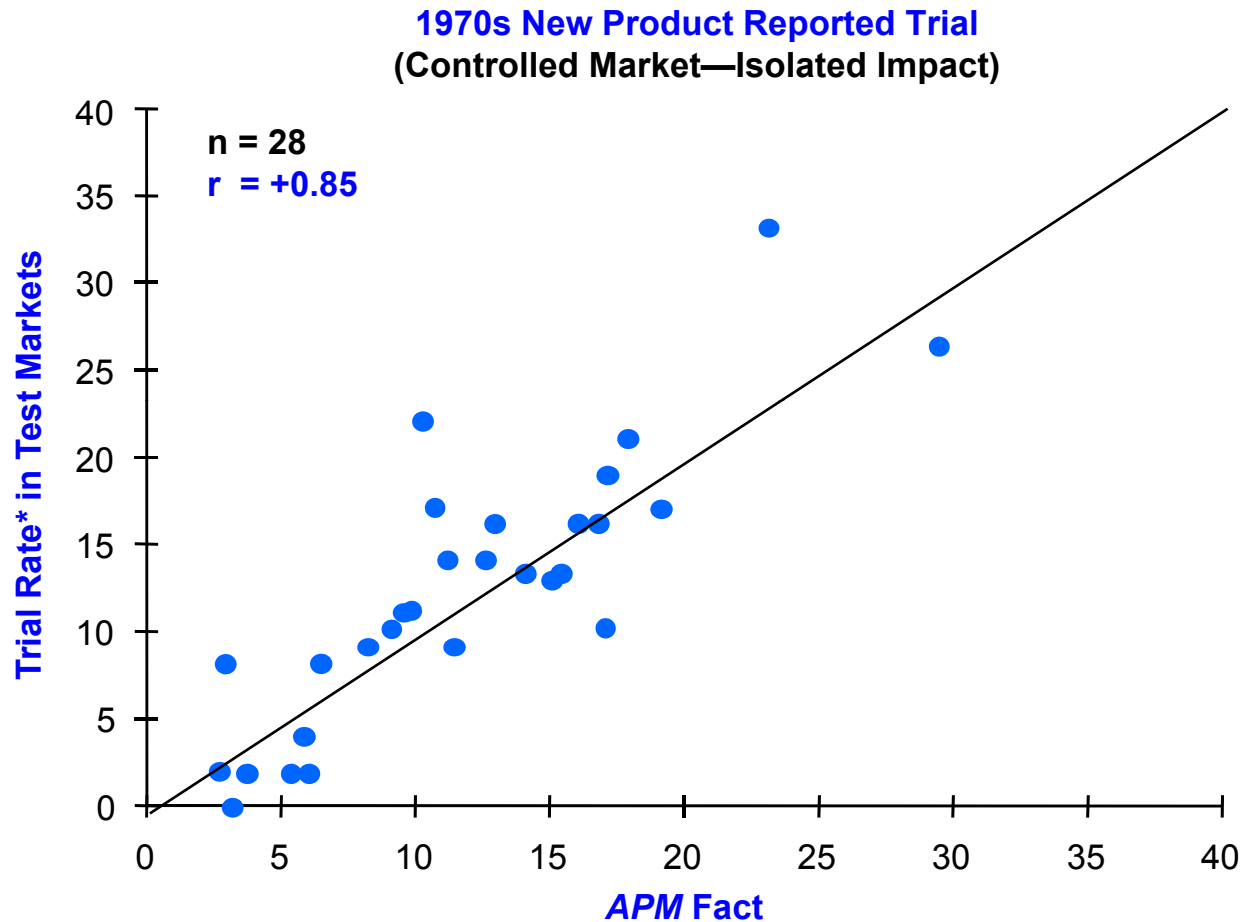
Source: MASB 2008

MASB

# Summary of Validity

| | Correlation with Trial/Volume/Share |
|---|---|
| 1970s New Product *Reported* Trial (isolated impact) | r = +.85 |
| 1980s Split-cable Copy Tests (isolated impact) | (7/7) |
| 1990s Split-cable Weight Tests (isolated impact) | r = +.90 |
| 2000s Marketing Mix Modeling Output (isolated impact) | r = +.91+ |
| | |
| 2000s Scanner Share Change (non-isolated impact) | r = +.72 |

> *…APM Facts predict …TV advertising's impact on market results at ~.90 level when the TV activity is isolated from other elements of the marketing mix (about as high a relationship as possible, given sampling probability);*
>
> *And at the ~.70 level within the context of other marketing activities (demonstrating the relative leverage of TV in the marketing mix, as well as the precision of this consumer brand preference/choice methodology).*

MASB

23

## II. J. 1. How do APM Facts relate to ad impact when isolated from other elements of the marketing mix?

**1970s New Product Reported Trial**
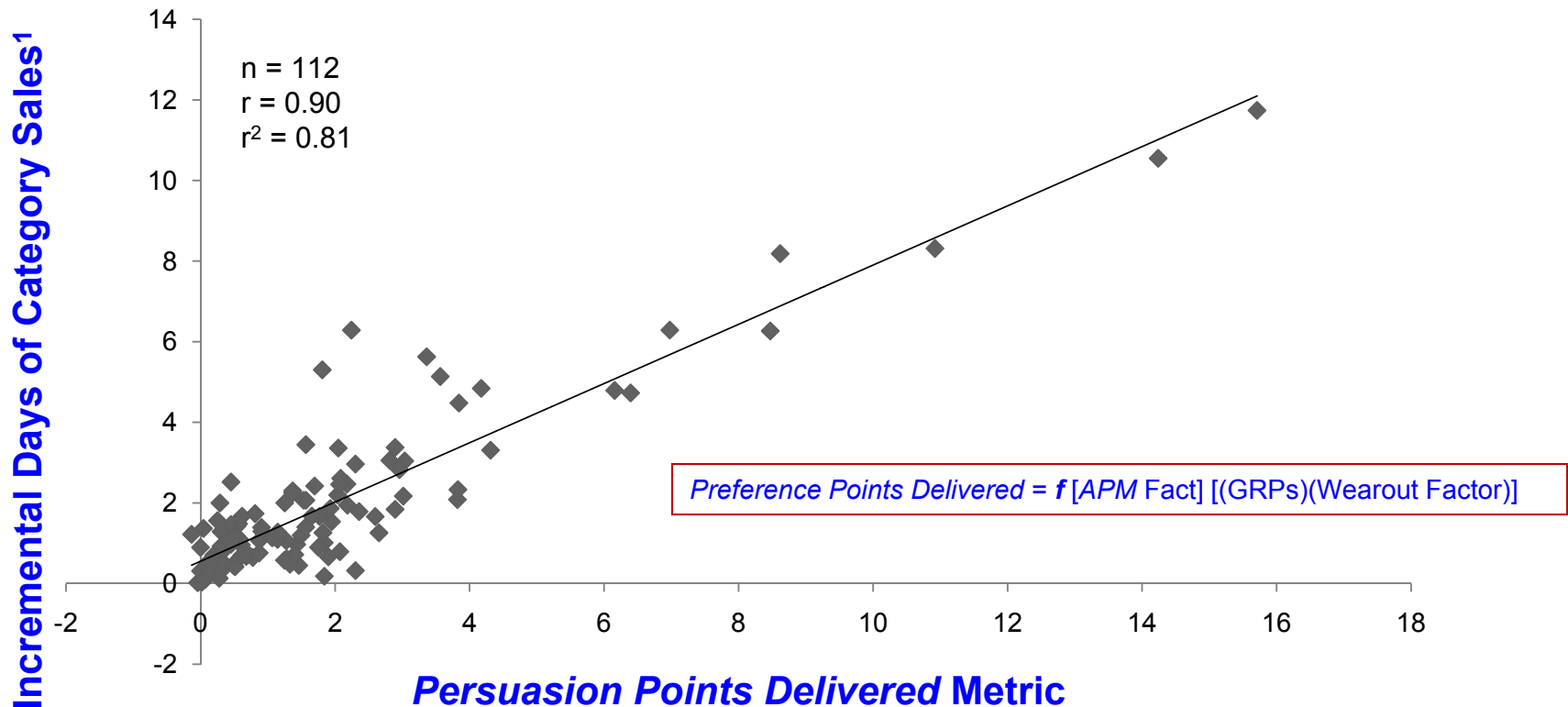**(Controlled Market—Isolated Impact)**



*APM* Facts accurately predict the impact of TV advertising on new product trial rates.

---

* Reported trial/Reported awareness.

Source:   *Advertising Caused Awareness and Trial:* ARS *Predictive Validity for New Brand Advertising. **rsc**,* 1983.

# How do *APM Facts* relate to ad impact when isolated from other elements of the marketing mix?

**PPD Metric Predicts the Sales Impact
(Free Market—Isolated Impact From Market Mix Modeling)**



Incremental Days of Category Sales[1]

Persuasion Points Delivered Metric

n = 112
r = 0.90
$r^2$ = 0.81

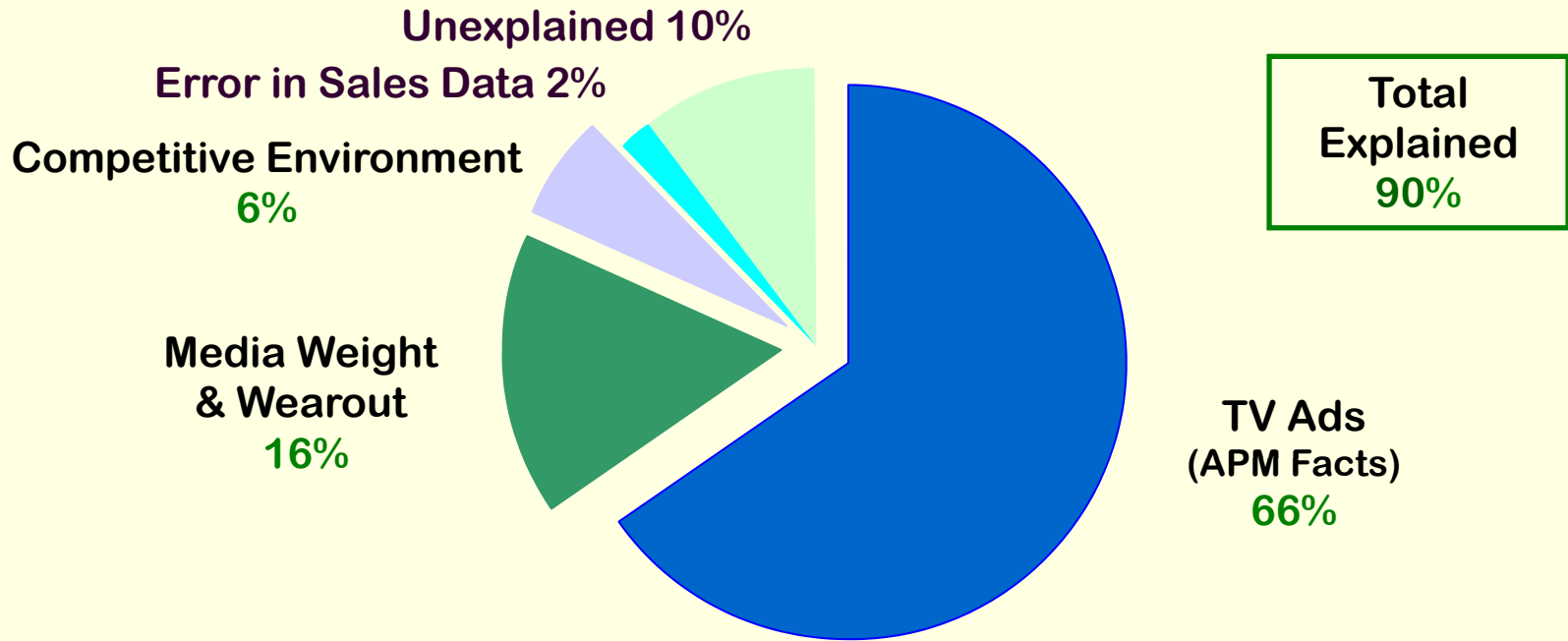Preference Points Delivered = *f* [*APM* Fact] [(GRPs)(Wearout Factor)]

The relationship between the Persuasion Points Delivered metric and **Market Mix Modeling** outcomes data has a strong 0.90 correlation among the 112 cases in this data set.

[1]Days of incremental category volume.  Calculated by dividing Incremental Volume from TV advertising by average category volume per day.
[2]With Normal Competitive Environment

rsc
0108

**25**

Source: Characteristics of an "Ideal Metric" and Practices, MASB 2010

# The Media & The Message



**Explaining Variation in TV Impact*** **Business Quarter-to-Quarter**

Unexplained 10%

Error in Sales Data 2%

Competitive Environment
6%

Media Weight
& Wearout
16%

TV Ads
(APM Facts)
66%

Total
Explained
90%

*The power of the ad accounts for most of the overall variation in TV impact as derived independently by Marketing Mix Modelers; metrics of GRPs for media weight, APM Facts for the TV messages, the wearout function and normal competitive environment function explain ~ 90% of all differences.*

**\* Marketing Mix Modeling Output: Sales Volume Impacted from TV.**

MASB

# Summary of Validity

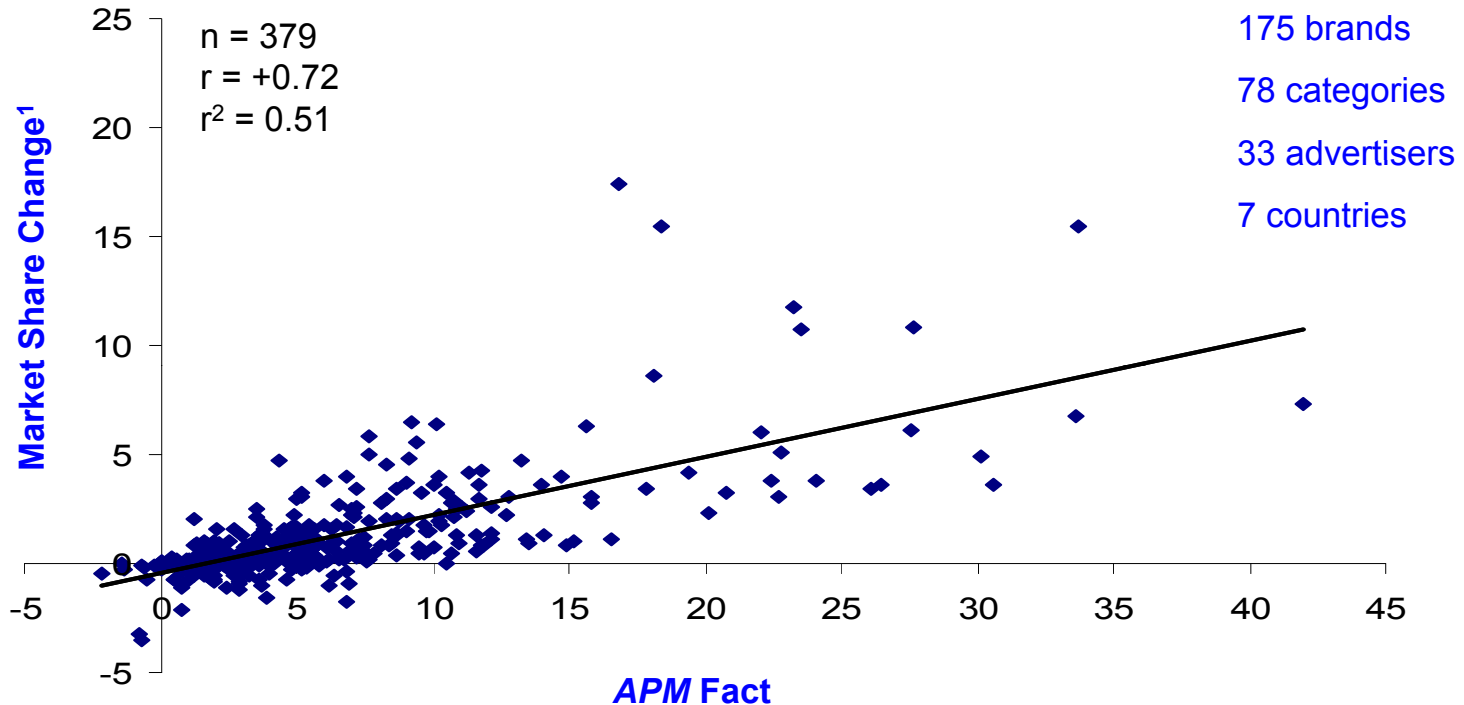| | Correlation with Trial/Volume/Share |
|---|---|
| 1970s New Product *Reported* Trial (isolated impact) | r = +.85 |
| 1980s Split-cable Copy Tests (isolated impact) | (7/7) |
| 1990s Split-cable Weight Tests (isolated impact) | r = +.90 |
| 2000s Marketing Mix Modeling Output (isolated impact) | r = +.91+ |
| 2000s Scanner Share Change (non-isolated impact) | r = +.72 |

*…APM Facts predict …TV advertising's impact on market results at ~.90 level when the TV activity is isolated from other elements of the marketing mix (about as high a relationship as possible, given sampling probability);*

*And at the ~.70 level within the context of other marketing activities (demonstrating the relative leverage of TV in the marketing mix, as well as the precision of this consumer brand preference/choice methodology).*

MASB

## Analysis
## *APM* Facts and Market Share Change
## (Period Before Airing to Period After Airing)



n = 379
r = +0.72
$r^2$ = 0.51

175 brands

78 categories

33 advertisers

7 countries

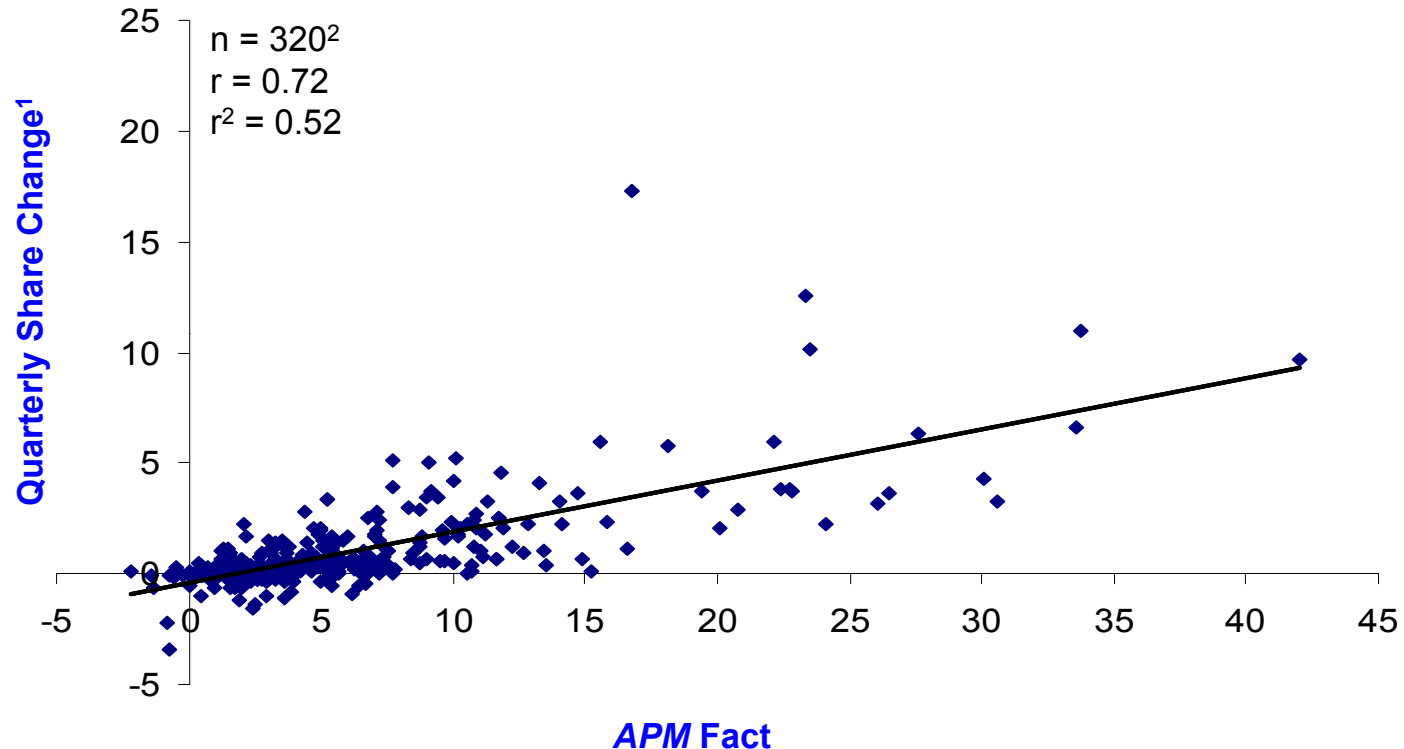Market Share Change[1] (y-axis)

*APM* Fact (x-axis)

**The relationship between *APM* Facts and in-market effects remains strong and is calibrated across brands, categories, and countries. A "2" is a "2" and a "7" is a "7" in the USA, Mexico, Germany, etc. (Just as Market Share is Calibrated across brands, categories & countries)**

In fact, the strength of television advertising alone, as measured via the *ARS* methodology, explains over 50 percent of the variance in market share change across brands, categories, and countries. To our knowledge, no other single variable in the marketing mix has been shown to have such a dramatic influence over a 4-week period of time.

[1] Source: R. L. Polk New Vehicle Registration, IMS HEALTH, IRI InfoScan, Markettrack, Nielsen SCANTRACK, or Nielsen Retail Index.

**rsc** -BIS
8/05

**Source: Characteristics of an "Ideal Metric" and Practices, MASB 2010**

# Analysis
## *APM* Facts and Market Share Change
### (Over a Quarter)



The strong relationship between *APM* Facts and market share change (r = 0.72) continues when the analysis period is expanded over a quarter.
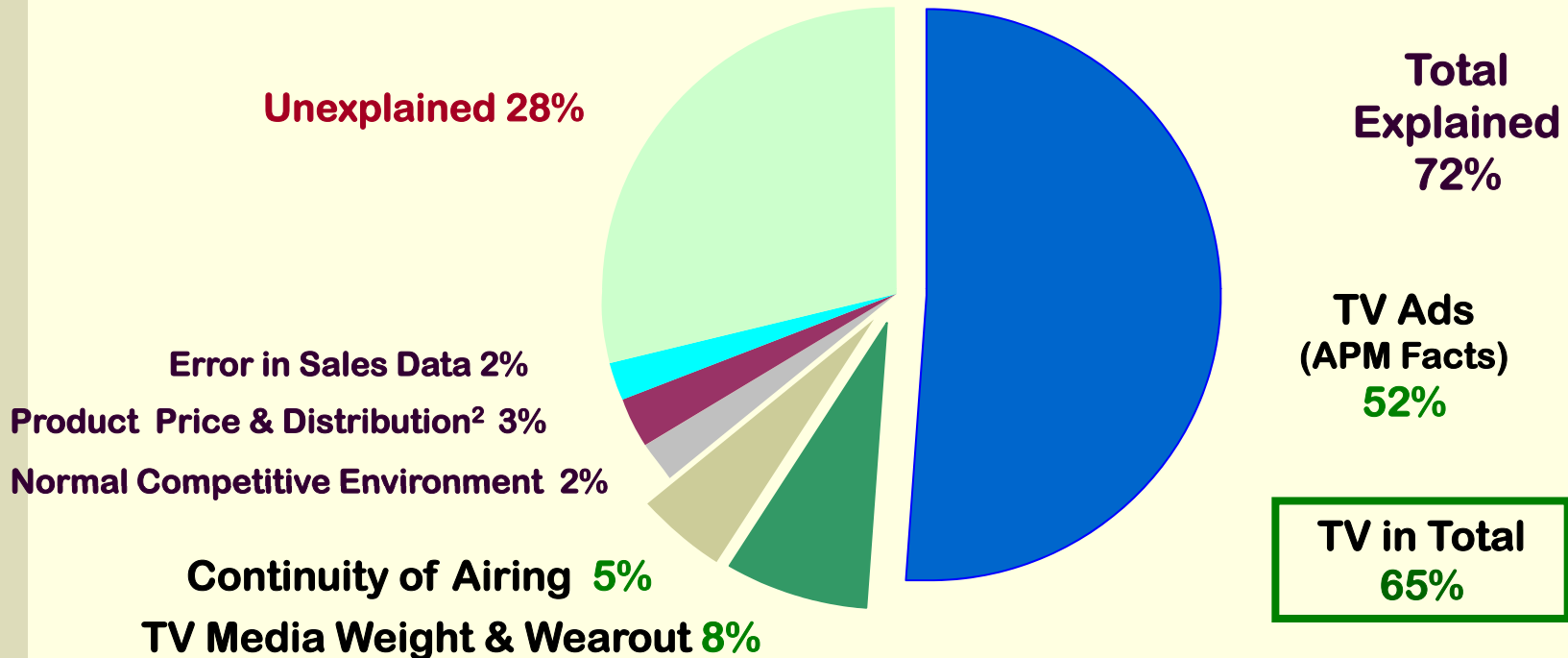
Improving *APM* Facts just "two points" is associated with a +0.4 market share improvement over a quarter.

[1] Source: R. L. Polk New Vehicle Registration, IMS HEALTH, IRI InfoScan, Markettrack, Nielsen SCANTRACK, or Nielsen Retail Index.

[2] Quarterly share data were only available for 320 cases in the overall data set.

# TV The Most Leverage/Improvement Opportunity

## Explaining Differences/Variation in Quarterly Market Share Changes



Unexplained 28%

Error in Sales Data 2%

Product Price & Distribution² 3%

Normal Competitive Environment 2%

Continuity of Airing 5%

TV Media Weight & Wearout 8%

Total Explained 72%

TV Ads (APM Facts) 52%

TV in Total 65%

Across ~179 brands, TV activity explains 65% of the total variation in Market Share changes, quarter-to-quarter

Indicates TV has the most leverage of all elements in the mix (other channels combined would account for <28% in today's environment)

(Bias in database: contains only brands that do TV)

# MMAP: ARS Brand Preference/Choice Metric cont

6) Objective…not subject to personal interpretation
    What consumers choose post-ad exposure minus pre-exposure
7) Simple…uncomplicated meaning & implications clear
    Level of impact on consumer brand choice
8) Causal…course of action leads to improvement
    Improvement in return +83% to +130% on average
9) Transparent…subject to independent audit
    Furse, Stewart, Jones (MASB MMAP Center)
10) Quality Assured…formal/on-going process to assure above
    Systematic reliability and validity processes & management

Source: MASB 2008

**MASB**

# Measurement Standards & Knowledge Practices (#10)

- **Behavioral nature of methodology**
  - **Relevant (#1)**
  - **Objective (#3)**
  - **Simple (#7)**
- **Systematic test-retest reliability process (ARSAR)**
  - **Reliable (#5)**
  - **Sensitive (#6)**
- **Systematic validity process (ARSAV)**
  - **Predictive (#2)**
  - **Calibrated (#4)**
  - **Sensitive (#6)**
- **On-going better practice insight process (BPI)**
  - **Causal (#8)**
- **Documentation, publication, academic audits & collaboration**
  - **Transparent (#9)**

**MASB**

# Global Reliability of the *ARS Persuasion*® Measure, *ARS*® Validated Drivers, and Diagnostic Measures

## February 2005 & February 2008 Documents

## The ARS® Group

**rsc** THE QUALITY MEASUREMENT COMPANY

110 WALNUT STREET  EVANSVILLE, INDIANA 47708  NA

TEL: (812) 425-4562  FAX: (812) 425-2844

Source: Characteristics of an "Ideal Metric" and Practices, MASB 2010

# Summary of The ARS Group's
# Global Validation and Business Implications

## November 2005 & January 2008
## Documents

### The ARS® Group

**rsc** THE QUALITY MEASUREMENT COMPANY

110 Walnut Street, Evansville, Indiana 47708

TEL: (812) 425-4562   FAX: (812) 425-2844

Source: Characteristics of an "Ideal Metric" and Practices, MASB 2010

# Why Brand Preference (Choice) for "Brand Strength"?

Brand Preference (Choice) has been proposed as the standard (dependent variable) for measuring the impact of brand building activities in the hearts and minds of customers ("brand strength") because:

- It fits with the CMO/CFO Alignment – objective of marketing
- Fits the Lehmann, Farris, Ambler & Stewart theories/constructs
- Has Met the 10 MMAP Characteristics of an "Ideal Metric"
  - In particular predictive validity
- **Has been applied all along the marketing process**
  - **To improve market & financial outcomes/return (a la Deming)**

MASB

# Process Application for Improved Return I
## (The Strategy/Value Proposition)

**Knowledge:**

A best-in-class value proposition is worth dramatic improvement in subsequent advertising impact

**Process Improvement I:**

Measure upstream to find a value proposition strong enough to meet subsequent advertising return objectives… spend a little more early on and less later…in classic Deming fashion

**Improvement in (quarterly) Return:**

+83% increase in average "payback" CPG, +52% non-CPG*

\* Average "payback" is the modeled contribution of advertising to total brand sales, minus the cost of goods, divided by the cost of the advertising….averaged across brands in the study. It is the equivalent of advertising-delivered "profit before taxes." (Ephron et al 2003)

Source: MASB 2008

**MASB**

# Process Application for Improved Return II
## (The Shoot)

**Knowledge:**

Ads work quickly (and predictably) to impact market results, and they wearout just as quickly in the process

**Process Improvement II:**

Account for wearout at the "shoot" so that there is enough footage to refresh ads with others when they will no longer be working at desirable levels

**Improvement in (quarterly) Return:**

+93% increase in average "payback" CPG, +57% non-CPG

Source: MASB 2008

MASB

# Process Application for Improved Return III
## (Airing/Applying Weight)

**Knowledge:**

**Each discrete execution has its own unique Brand Preference building power**

**Process Improvement III:**

**Measure all executions as they go to air and apply weight ("traffic GRPs") relative to the size of market and profit margins, and for only as long as they are working at desired levels**

**Begin managing the Media & the Messages together, based on forecasted returns from the combination**

**Improvement in (quarterly) Return:**

**Projected +115% improvement in live example**

Source: MASB 2008

MASB

There is also evidence that the

Brand Preference (Choice)

instrument is useful for
assessing the impact of all branding activities
over time (tracking)

MASB

# Tylenol

As consumer *Brand Preference* plummeted 32 points, Tylenol's market share also fell 33 points; and as consumer confidence in the brand promise rose again, so did market share.



Share

Tampering

+4 Weeks +6 Weeks +8 Weeks

—— *Brand Preference* Tracker —— Market Share

# Ragu



Ragu's market share erosion of 17 points paralleled the 21 point erosion in *Brand Preference.*

Share

70
60
50
40
30
20
10
0

QIII - '87 | QIV - '87 | QI - '88 | QII - '88 | QIII - '88 | QIV - '88 | QI - '89 | QII - '89 | QIII - '89 | QIV - '89 | QI - '90 | QII - '90 | QIII - '90 | QIV - '90 | QI - '91 | QII - '91 | QIII - '91 | QIV - '91

*Brand Preference* Trend         Market Share Trend

Source: Stewart 2005

# Prego

But Prego's *Brand Preference* climbed 11 points as it gained 6 points in market share.



**Legend:** *Brand Preference* Trend — Market Share Trend

# *Brand Preference* & Market Share (Eveready)

Eveready's erosion in *Brand Preference* also paralleled erosion in market share as the company maintained an average price, explaining the levels of *Brand Preference* and market share being equal.

BP/MS Index = 1.06

Price Index ~ 1.04

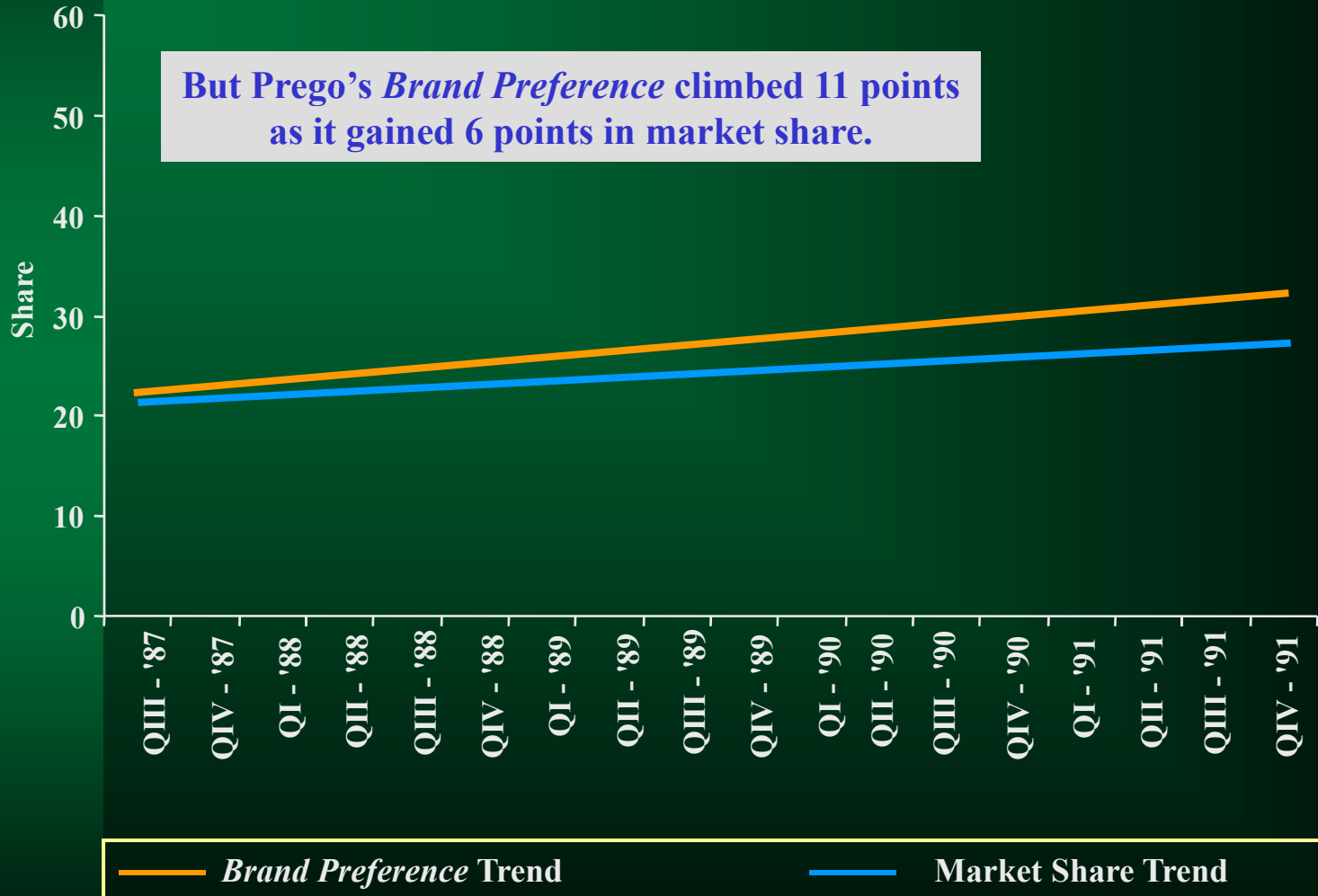| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |

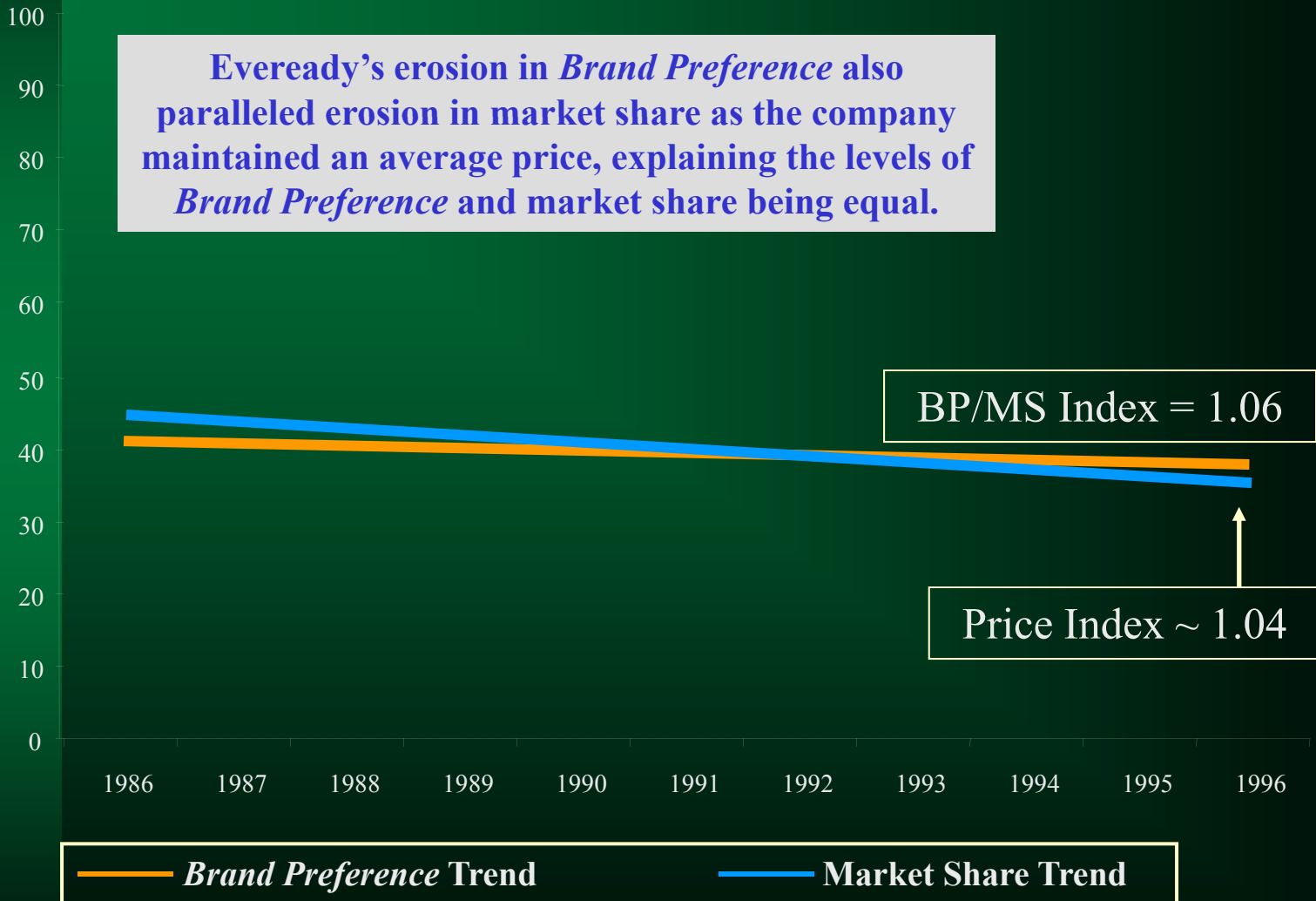——— *Brand Preference* Trend    ——— Market Share Trend

# *Brand Preference* & Market Share (Duracell)

Duracell's positive trend in *Brand Preference* paralleled its positive trend in market share and supported a handsome price premium, explaining the difference between share of *Brand Preference* and share of market.



BP/MS Index = 1.30

Price Index ~ 1.23

—— *Brand Preference* Trend          —— Market Share Trend
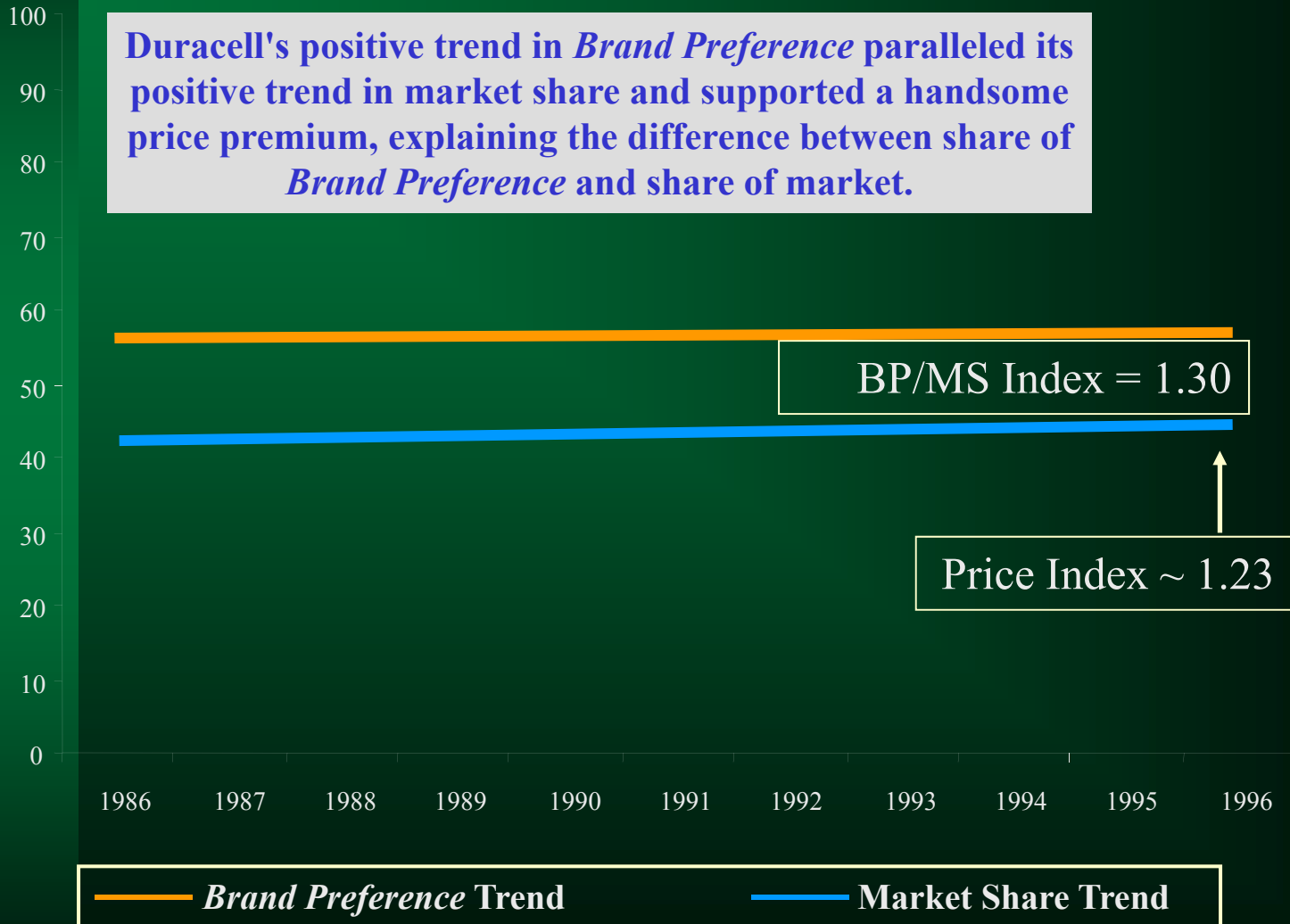
# Evidence to suggest that Brand Preference (Choice) will predict long term success and price elasticity (5yr Case Study I)

| | Prego | | Ragu |
|---|---|---|---|
| Total GRPs | 15,034 | ← | 20,400 |
| Average Displays | 22 | ← | 43 |
| Average Retailer Ads | 29 | ← | 37 |
| **Average Selling Price** | **$1.80** | → | **$1.64** |
| | | | |
| Average (APM Facts) | +7 | → | +2 |
| Total TV Power (*PPD*) | 679 | → | 448 |
| **Δ *Brand Preference* over time (tracking)** | **+11 pts** | | **-21 pts** |
| **Δ Market Share (units)** | **+6 pts** | | **-16 pts** |
| **Δ Sales (units)** | **+22%** | | **-19%** |

> The difference in performance was the result of Prego's powerful TV activity that drove consumer brand preference (choice) high enough (both short term and over time) to support a 10% higher selling price as well as a growing share of market, even in the face of many new brands entering the market and Ragu's heavier spending & price discounting.

# Evidence to suggest Brand Preference (Choice) will predict long term success and price elasticity (10yr Case Study II)

**Duracell**

**Eveready**

**Units (Millions)**

800
600
400
200
0
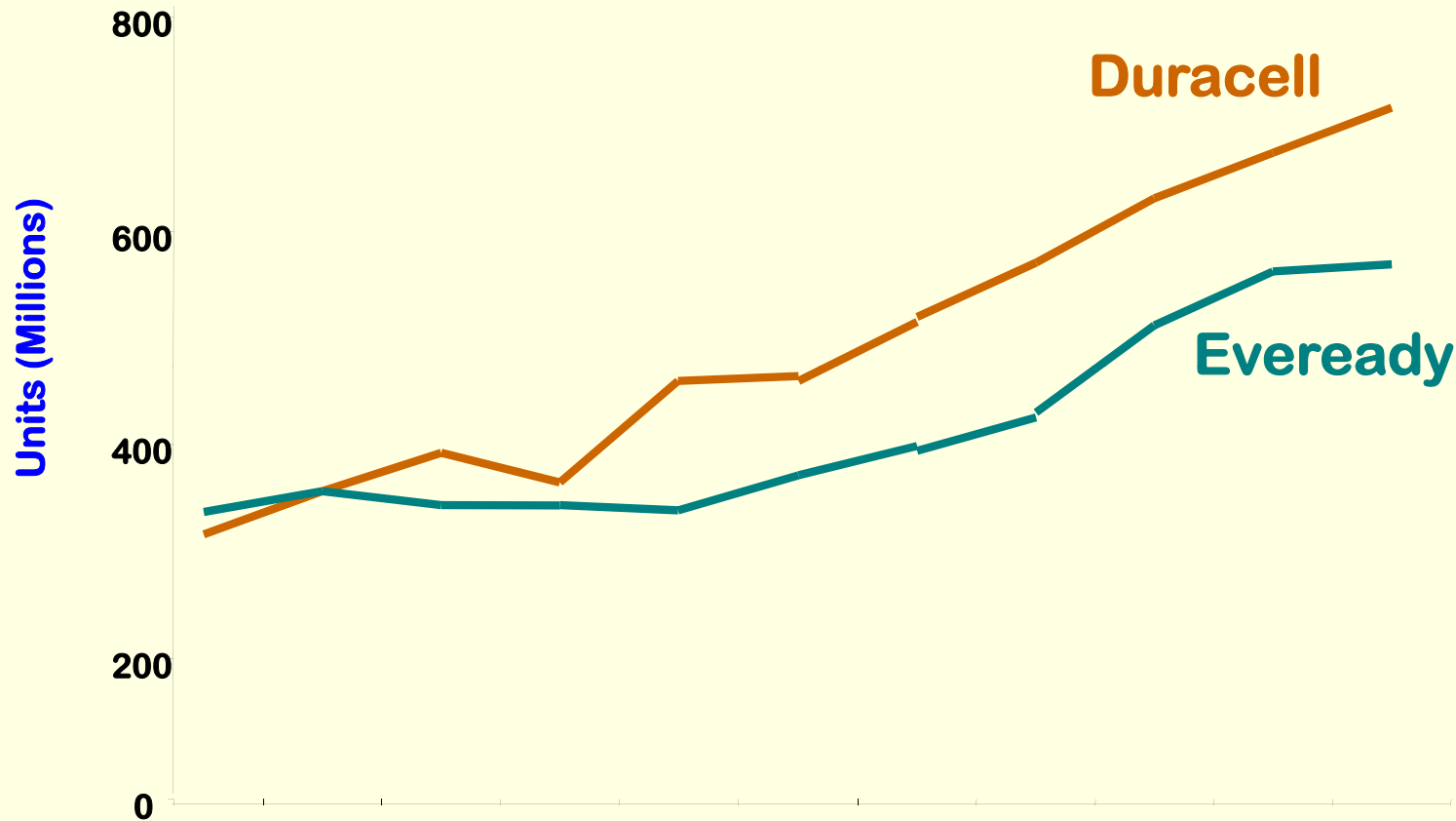
Alkaline Battery sales began to take off in the late 1980s, with Duracell and Eveready starting the race at about the same place. They each sold millions of units more each year to meet the electronics demand . . .but why did Duracell sell more in the end?
How did they each manage the brand?  What was it worth?

MASB

Source: MASB 2010

# 10yr Case Study II cont

|  | Duracell |  | Eveready |
|---|---|---|---|
| 10 Yr Average (APM Facts) | 5.1 | → | 3.9 |
| Study End (10th year): |  |  |  |
| *Share of Brand Preference/Choice (tracking)* | 57% | → | 37% |
| **Market Share (units)** | 44% | → | 35% |
| Sales (units) | 715M | → | 568M |
| **Price per unit** | $1.02 | → | $.86 |
| Profit | $609M | → | $275M |
| **Market Value\*** | $8 B | → | $3 B |

**Duracell managed the Brand by continually building brand preference (choice) high enough to charge a 19% premium price and still gain more than Eveready in both unit sales and market share; and the prize at the end of the 10 years was nearly a 3 to 1 market value of the Duracell Company over Eveready.**

MASB

Source: MASB 2010

# What is Known & Planned

- **The Model (MMAP Conceptual Links)**
- **Why Brand Preference (Choice) for "Brand Strength"**
- **What is Planned**
    - **Begin Tracking for Participating Brands**
    - **Build Bridges from "Brand Heath" to Brand Preference**
    - **Build Bridges from Marketing to Finance**
    - **Build Bridges from Brand Preference to Brand Value**
    - **Learn & Improve along the way**

**MASB**

# Track Going Forward
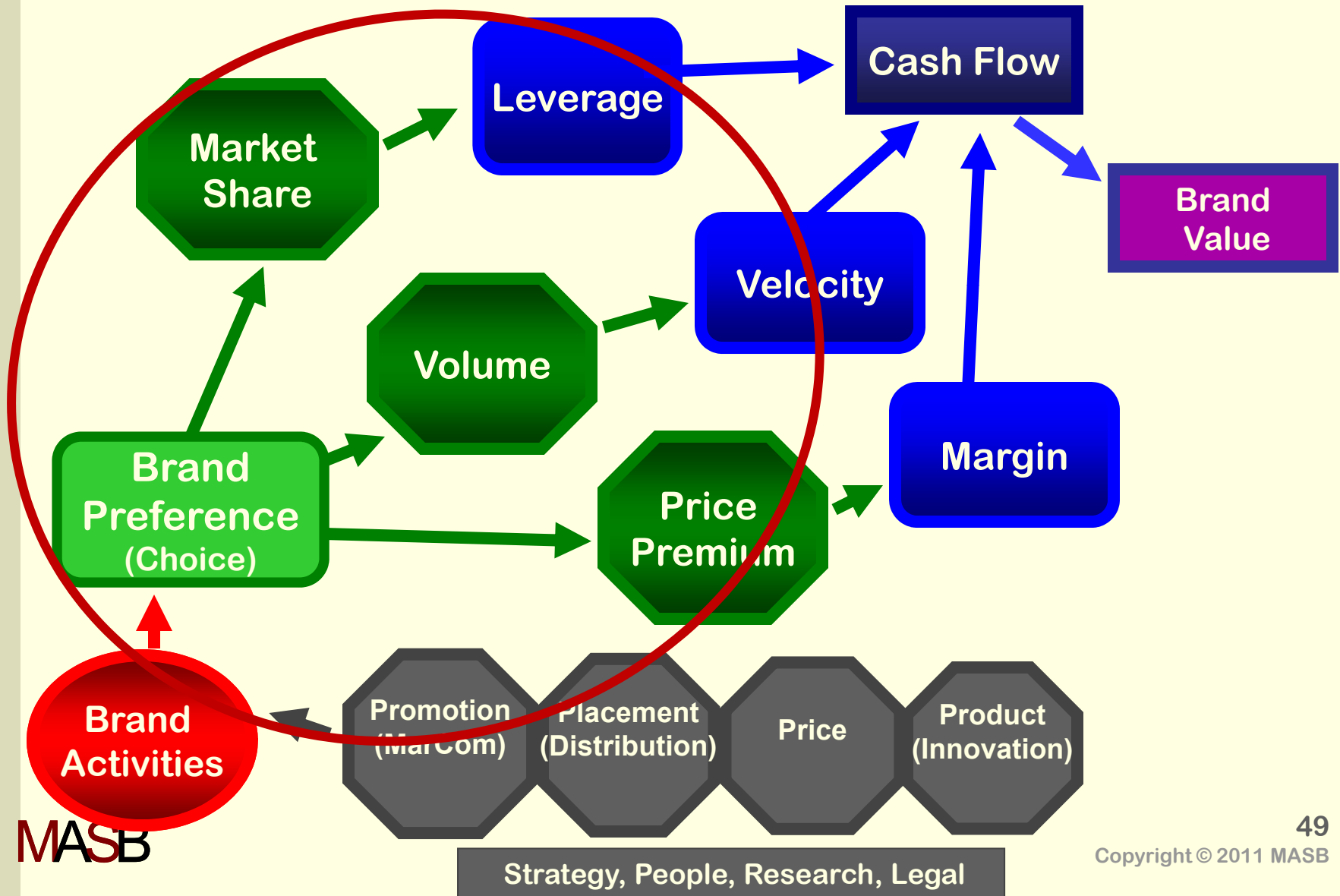
# Specific Metrics (Draft)

**For each Brand in Category; All Categories For Brand (Weekly, 4-Weeks, Quarter)**

- **Brand Activity Level**
    - **TBD (by activity, $$, GRPs, PPDs, etc)**
- **Customer ("Brand Strength") Level**
    - **Brand Preference (Choice)**
- **Market Level**
    - **Volume (Unit & Dollar)**
        - **Baseline**
        - **Category**
    - **Market Share (Unit & Dollar)**
    - **Price Paid (Average)**
    - **Distribution**
- **Operating Financial Level**
    - **Leverage**
    - **Velocity**
    - **Margin**
    - **Cash Flow**
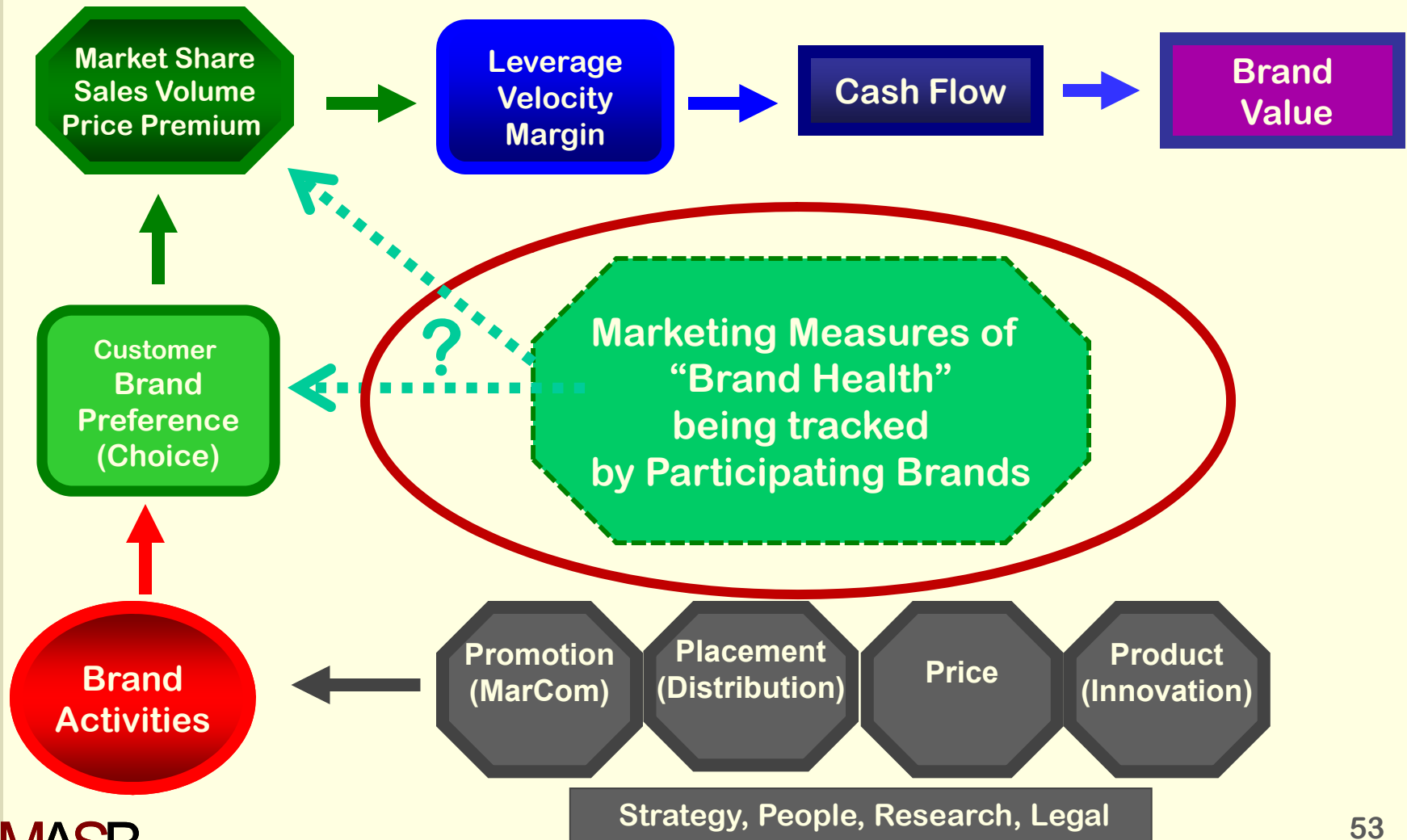- **Macroeconomic Level**
    - **TBD**

**MASB**

# Tracking Brand Preference (Choice)

- **The ARS Brand Preference (Choice) methodology is proposed based on its demonstrated MMAP Characteristics**

- **Will undergo another MMAP audit in 2011**
  - **To ensure quality assurance practices are in place**
    - **MMAP Characteristics #9 & #10 (Transparent, Quality Assured)**
  - **Given the 2010 change in ownership (rsc to comScore)**

- **Other available methods of measuring Brand Preference will be considered for customer "brand strength" if**
  - **MMAP audited & evidence of "Ideal Metric" Characteristics**

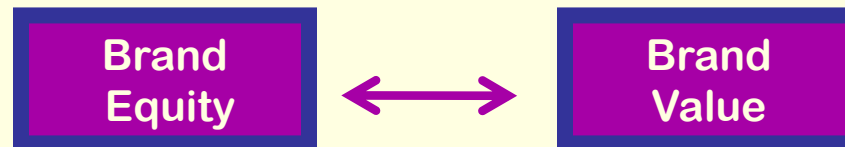# Build Bridges: "Brand Health" to Brand Preference

- **Available tracking measures of "Brand Health" will be analyzed**
  - **Those systematically collected by participating brands**
    - **eg Awareness, Relevance, Differentiation, Willingness to Pay, etc**
  - **Over same time period**

MASB

# Build Bridges: "Brand Health" to Brand Preference



**Market Share Sales Volume Price Premium** → **Leverage Velocity Margin** → **Cash Flow** → **Brand Value**

**Customer Brand Preference (Choice)**

**Marketing Measures of "Brand Health" being tracked by Participating Brands**

?

**Brand Activities**

**Promotion (MarCom)** | **Placement (Distribution)** | **Price** | **Product (Innovation)**

**Strategy, People, Research, Legal**
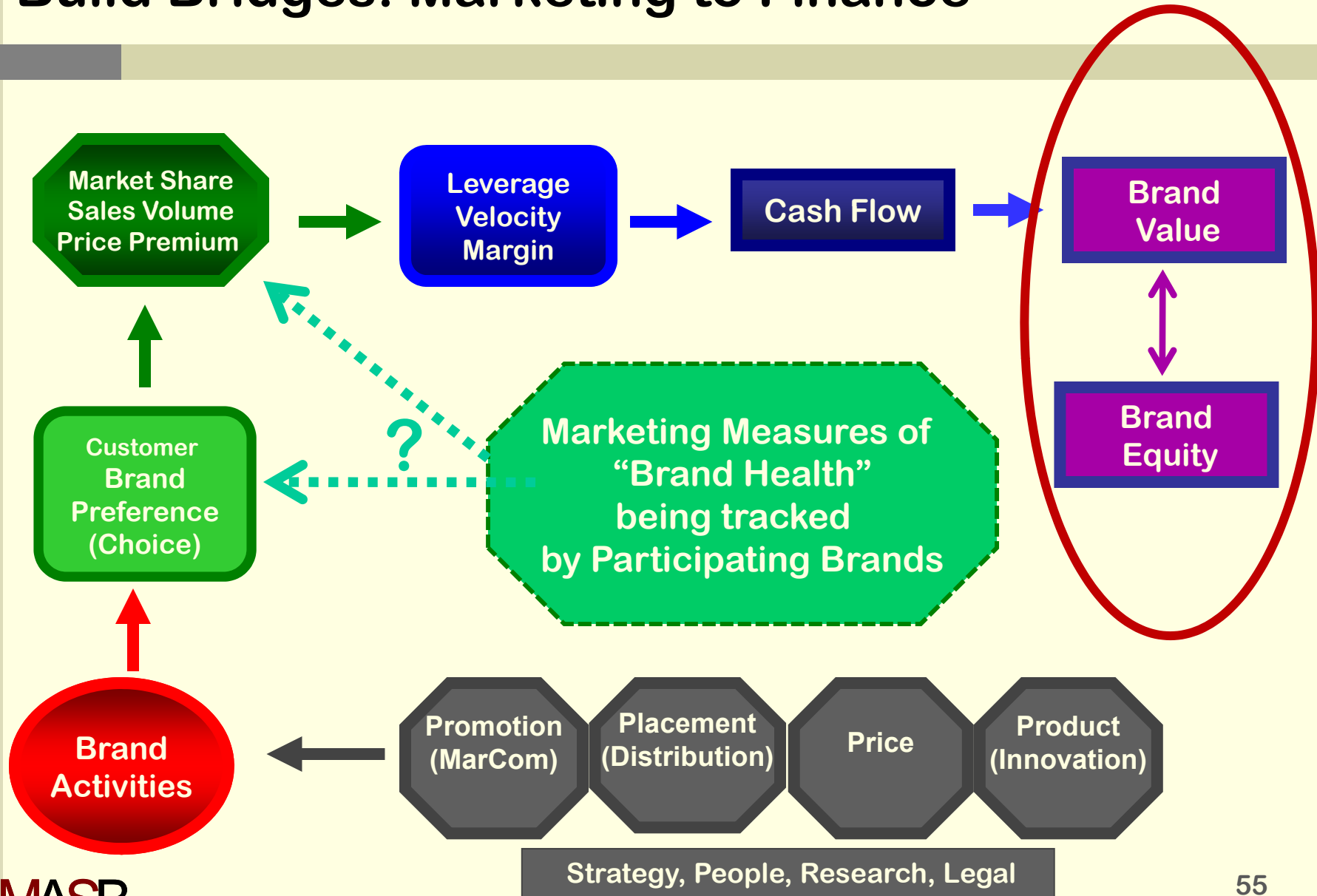
MASB

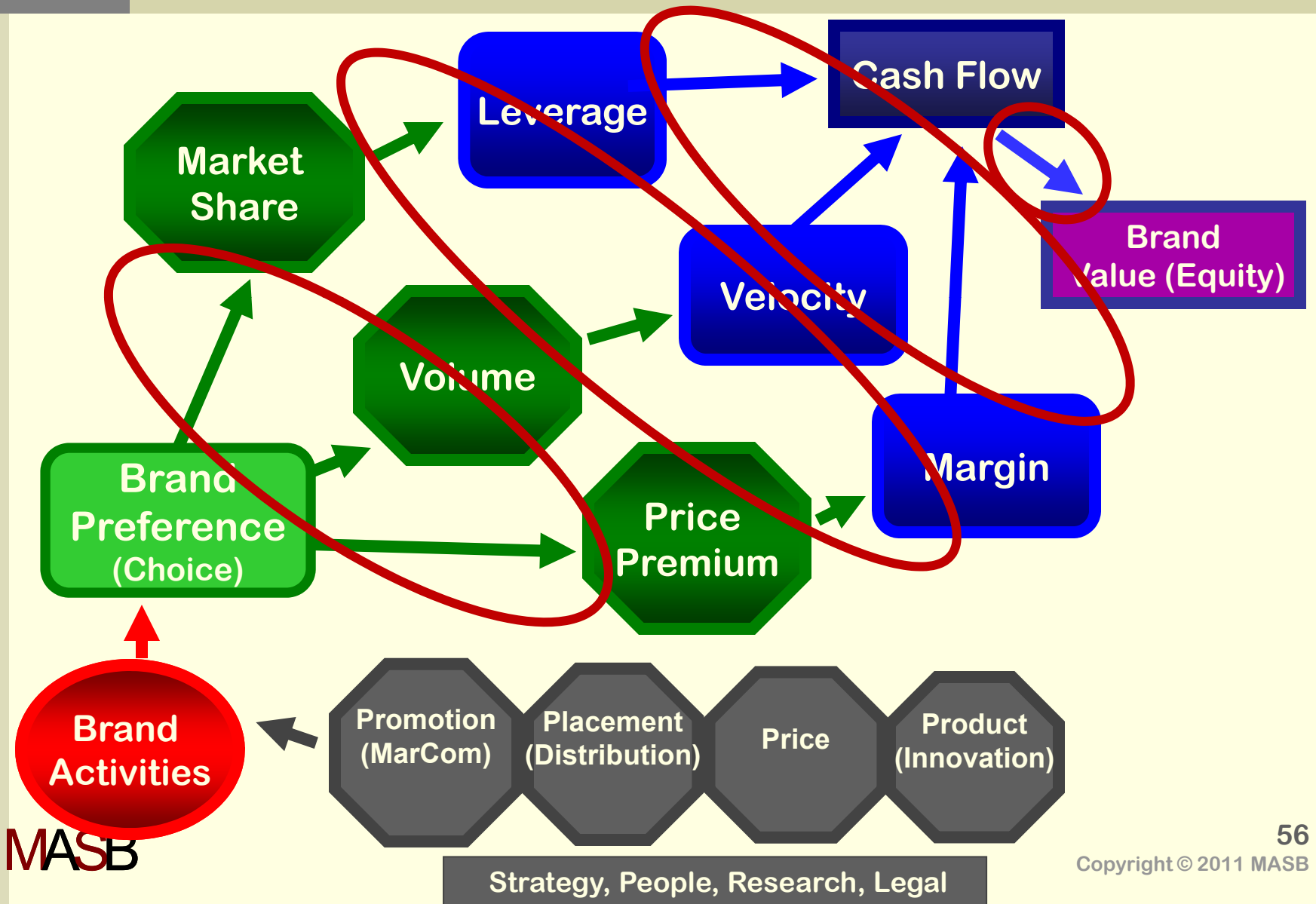# Build Bridges: Marketing to Finance

- **"Equity" is primarily a Financial Term**
- **Wikipedia defines Equity**
  - **Finance: The value of an ownership interest in**
  - **Marketing: The value built up in a brand**

| Brand Equity | ←→ | Brand Value |
|:---:|:---:|:---:|

MASB

# Build Bridges: Marketing to Finance



Market Share
Sales Volume
Price Premium

Leverage
Velocity
Margin

Cash Flow

Brand
Value

Brand
Equity

Customer
Brand
Preference
(Choice)

Marketing Measures of
"Brand Health"
being tracked
by Participating Brands

**?**

Brand
Activities

Promotion
(MarCom)

Placement
(Distribution)

Price

Product
(Innovation)

Strategy, People, Research, Legal

MASB

# Build Bridges: Preference to Value (Equity)

# Build Bridges: Brand Preference to Brand Value

- Project Team has begun to hypothesize the appropriate equations that will bridge customer brand strength results to market results to financial results and to brand value (equity)

- The appropriate equations will surface as the tracking data is collected and analyzed…they will represent the empirical findings regarding the relationships between measures

- The addition of 1-2 accounting/finance team members will also be important to help us understand and build the bridges to the appropriate/acceptable financial metrics

MASB

# Equations: Preference to Market Results (Approach A)

- **Market Share $_{(t+1)}$ =**

  $f$ ( **Brand Preference $_t$ x Relative Price $_t$ x Distribution $_t$** )

- **Volume$_{(t+1)}$ =**

  $f$ (**Market Share $_{(t+1)}$ X Category Volume $_{(t+1)}$** )

# Equations: Preference to Brand Value (Approach B)

$\Delta$ **Sales (unit or price)** $_{t+1}$ **=** $f(\Delta$ **Brand Strength** $_t)$

- Examining different length lags
- Resulting in predicted revenue change

Project this value into the future:
a) Using a constant value less marketing spend needed to maintain that level of revenue change for the period
b) Assuming a decay rate if no money is spent on the brand in the period

Then compute the discounted sum as estimate of brand value (equity)

**MASB**

# Thank-you!

**MASB**

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

# Break-Out (Groups A & B)

1. Assume there is a "generally accepted brand valuation standard" for measuring, reporting, forecasting and improving return from brand activities…

How will this change the game (+/- and why)?

2. Assume Brand Preference (Choice) becomes the standard (DV) for measuring "brand strength"?

How will this change the game (+/- and why)?

|  | A | B |
|---|---|---|
| Leader | Stewart | Batra |
| Recorder | Palmer | Kuse |

MASB

# Report Group A (#1)

**General Comments/Questions**

**Negative**

**Positive**

MASB

# Report Group A (#2)

**General Comments/Questions**

**Negative**

**Positive**

MASB

# Report Group B (#1)

**General Comments/Questions**

**Negative**

**Positive**

**MASB**

# Report Group B (#2)

**General Comments/Questions**

**Negative**

**Positive**

MASB

# Thank-you!

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

# Build Bridges: Marketing to Customers to Finance