

---

# **Marketing Accountability Standards**

## **FASB/MASB Partnership Aligning GAAP/MAAP**

**Russ Winer  
William H. Joyce  
Professor of Marketing  
NYU – Stern School of Business**

**Brandt Allen  
James C Wheat Jr  
Professor of Business Administration  
The Darden School - University of Virginia**

**Founding/Charter Directors of the MASB  
February 2011  
Austin**



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

## Overall Objectives (Change the Game, Begin the Transformation)

### **FASB/MASB Partnership for Aligning GAAP/MMAP**

**Become FASB's partner for changing the accounting & reporting rules related to marketing expenditures such that financial returns from corporations will be driven and measured by buyer behavior in markets over time\***

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

# Issue

**Current financial accounting and reporting standards generally require marketing expenditures to be accounted for (written off) in the business period in which they are spent, despite evidence that “investments” in some activities, such as building Brand and Customer Equity, provide positive returns over a longer period of time and therefore have at least the potential for treatment as capital expenditures.**

**Without changes in current accounting and reporting rules, marketing activities will continue to be considered and managed as discretionary expenditures, not as strategic investment that adds long term value to the firm.**

# Feasibility

**FASB has shown interest in addressing these types of issues through various projects that have examined the reporting of intangible assets (such as brands and customer relationships) and expenditures on efforts to create real options (e.g., R&D and customer acquisition).**

**MASB is well positioned to become the FASB partner of choice for improving marketing related standards that are more principles-based rules, having both the marketing and technical expertise to support change that will align marketing expenditures to financial return and provide capital providers with information not provided under current rules but vital to making more informed investment decisions.**

# Expected Results

Forming the MASB/FASB partnership to change the rules from “expense when incurred” to “capitalize over time of return” will:

- 1) **Require Corporations to adopt and apply marketing measurement and accountability standards consistently and comprehensively to achieve a discipline and rigor similar to other applications of capital budgeting**
- 2) **Create value for all (better reporting/transparency through quantification of brand value, increase in Marketing ROI, predictable & consistent organic growth, improvement in corporate profitability and more and better products and services at less cost to meet the needs of society)**

# FASB/MASB Partnership Project Team

**Leads:** David Reibstein (Wharton)  
Brandt Allen (Darden)  
Joe Plummer (Columbia)

**Other:** Russ Winer (Stern)  
Jim Gregory (CoreBrand)  
David Stewart (UCR)  
Baruch Lev (Stern)  
**3-4 Marketers**  
**1 - 2 other (accounting) educators (FASRI, BU, etc)**  
**Other (TBD)**

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

**Meetings:** 1<sup>st</sup> Tuesday Noon ET (Dec 7)

# Action Plan: FASB/MASB Partnership (Feb 2011)

- I. Frame-Up Project, open debate /approval by MASB Directors (April –May 2010)\*
- II. Form Exploratory Team (June - August)  
Leads: Reibstein, Plummer, Allen
- III. Lesson from FASB as to how the rules are changed (August)
- IV. Engage FASRI Director – Robert Bloomfield, Cornell (Dec)
- V. February Summit  
Review What is Known & Address Feedback so far
- VI. Expand/Configure Team to Partnership Team (Feb – June)  
3-4 Major Marketers (Meg & ANA), FASRI (Dave R), Leaders
- VII. Approach FASB based on Feedback (July – August 2011)  
Recommend Partnership with rough draft of agreement and objectives\*
- VIII. Partnership Agreement & 1<sup>st</sup> Project Designated\* (Sept - Dec 2011)
- IX. Reporting rules changed for at least one category (March 2013)

\* Explicitly approved by majority of MASB Directors & Chair

# Partnering with Finance & Accounting

- **What is Known (Brandt Allen)**
- **FASB Research Initiative (Rob Bloomfield)**
- **Another “Big Cost Activity” (Brandt Allen)**