
about **MASB**

**Establishing
Marketing Measurement &
Accountability Standards**

**Year II Overview & Report
January, 2010**



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

The Business Landscape 1970s-2000

In the last quarter of the twentieth century, financial markets came to play an increasingly important role in shaping the structure and strategy of the...corporation.

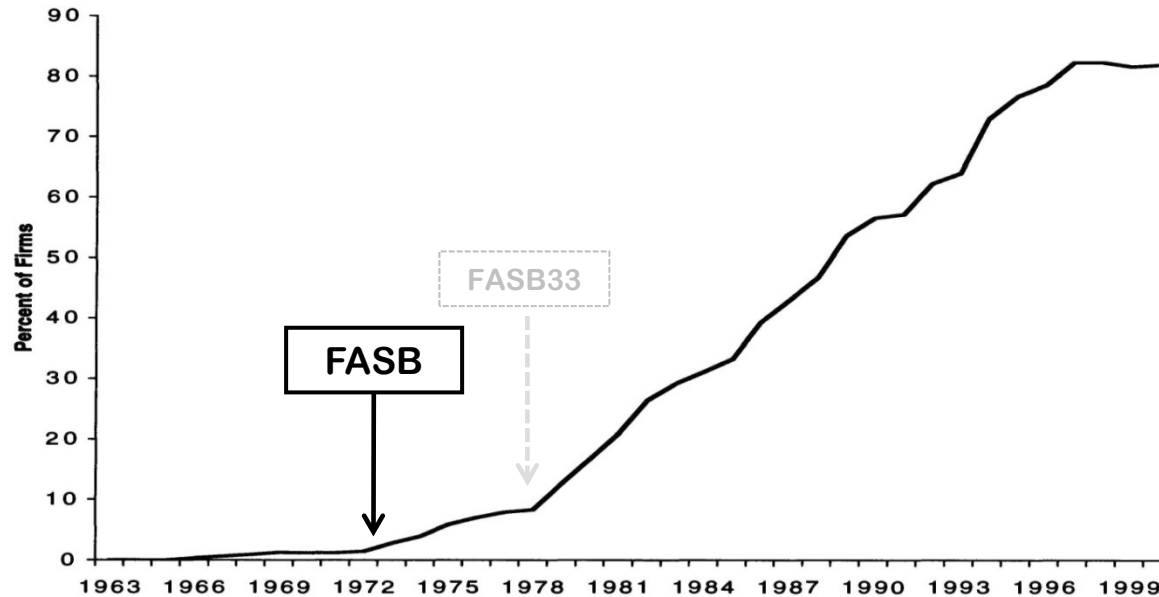
...chief financial officers took on the task of growth, helping rapidly expanding companies...with aggressive financing and by acquiring rivals.

...(in this era) the methods and practices of financial engineering...(made)corporations more profitable.

Neil Fligstein, UC Berkeley
August, 2004

Dirk Zorn, Princeton University
Frank Dobbin, Harvard University
May, 2003

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 to support the rise of the CFO.

The Business Landscape 2000-2008

These strategies...have moved in cycles of approximately 20-25 years for the past 130 years. At the end, there is often a recession or depression often accompanied by a long bearish stock market. Then the cycle begins anew.

...the methods and practices of financial engineering...have reached an endpoint in their ability to make corporations more profitable.

... the old tactics fail and this opens up the possibility for a new group of...managers to step forward and produce a new path.

The End of (Shareholder Value) Ideology
DR Neil Fligstein
UC Berkeley
August, 2004

The Business Landscape 2009

Over the past year, dominance of the finance function has come into question as it has become clear that underlying assumptions do not always hold, that risk cannot be so readily “hedged” away with financial instruments, and that financial returns ultimately must be driven by buyer behavior in markets rather than by deal making.

David Stewart, UCR and MASB Chair (August 6 2009)

Marketing

The activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Defined by AMA Board of Directors (2007)

The Opportunity

This implosion of the financial sector has created 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 6 2009)

The Boardroom Project members saw it*

“Current economic modeling and dashboards go only so far”

“They are only as good as the data or measurement put into them”

“We have to get to demand forecasting”

“We won’t be able to do that without better/forward informing metrics”

“Econometric modeling is forecasting from past performance, not based on the elements in hand going forward”

“It’s dealing with ‘averages’ and not identifying then understanding the ‘outliers’...the only way to forecast accurately & improve over time”



*** Comments from founding members of The Boardroom Project
(Stewart, Blair, Sirkin, Risky, Barns, Duffy)**

And came to understand

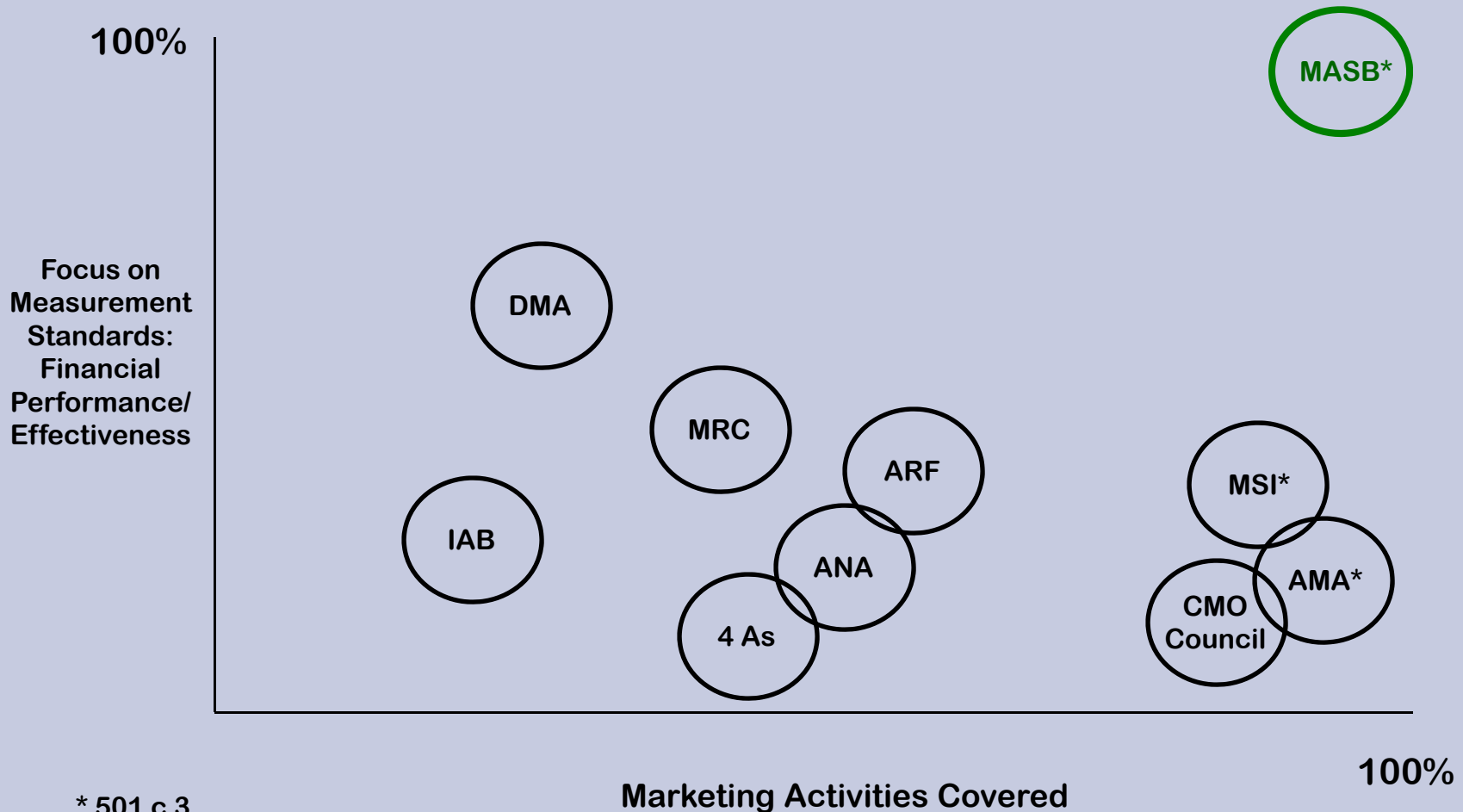
After a 3 year study, members came to understand :

- 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.



The Boardroom Project 8/04-6/07

MASB: Filling the Need



The Premise & The Analogies

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.

As is true for manufacturing and product quality (w/ISO & ANSI) and for accounting and financial reporting (w/FASB & IFAS), so it will be true for marketing and profitable growth (w/MASB).

It's All About Measurement

*It is clear that if measurement is disregarded in marketing...
the field will be slow to advance.*

*...objectives can be met only when measures are reliable
and valid.*

*...without measurement research, marketing has true GIGO,
garbage in-garbage out.*

Michael L. Ray
Stanford University
JMR

1979

The Proposition

MASB

where marketing and finance align
on measurement
for reporting, forecasting and improving financial returns
from buyers in markets...short-term and over time.

AKA

**THE
BOARDROOM PROJECT** →

**Setting standards is not a one time event
nor does it happen overnight**

**For both our models (FASB and ISO)
progress is measured in years & decades**

FASB and Rise of The CFO

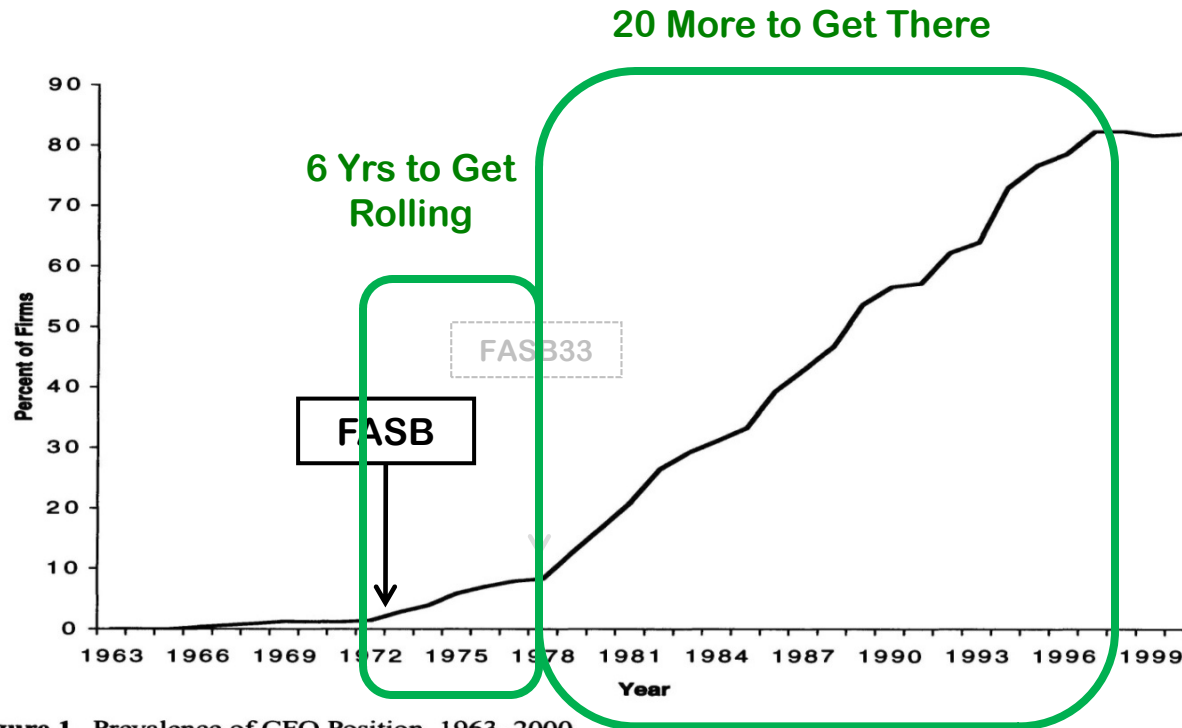
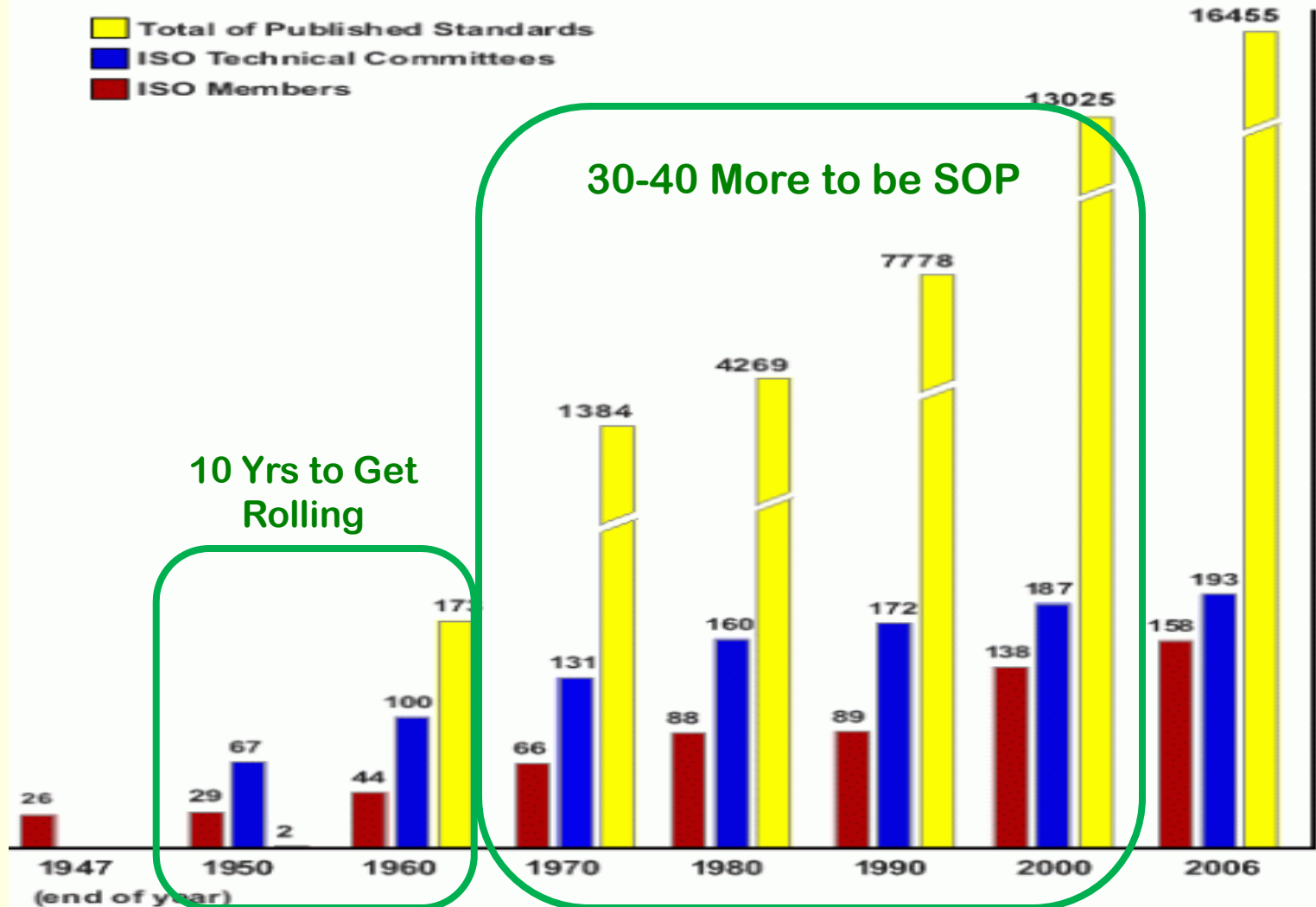


Figure 1. Prevalence of CFO Position, 1963–2000

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

ISO and Rise of Product Quality



Setting standards is not a one time event
nor does it happen overnight

For both our models (FASB and ISO)
progress is measured in years & decades

It has to start somewhere...

MASB: Start-Up Objectives

Lay the Foundations:

- **Articulate Vision & Mission**
- **Build solid Structure & Infrastructure**
- **Recruit highly qualified Directors, Advisors, Staff & Trustees**
- **Empower success through a Planning & Review Process**
- **Provide ample Funding & Data Resources**
- **Protect Independence & Integrity of Private Sector Body**
- **Assure Standards Projects fill the Needs of Marketing Community**
- **Allocate Resources in an Effective & Efficient Manner**
- **Guide the work w/Transparency, Integrity and Open Due Process**
- **Teach Marketing Community about the Standards & Benefits**

Outline

- **Vision & Mission**
- **Structure**
- **Precepts, Processes, Business Model**
- **Marketing Metric Audit Protocol (MMAP)**
- **Where We Stand**
- **Projects**
- **Summary**

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.

Measuring Success

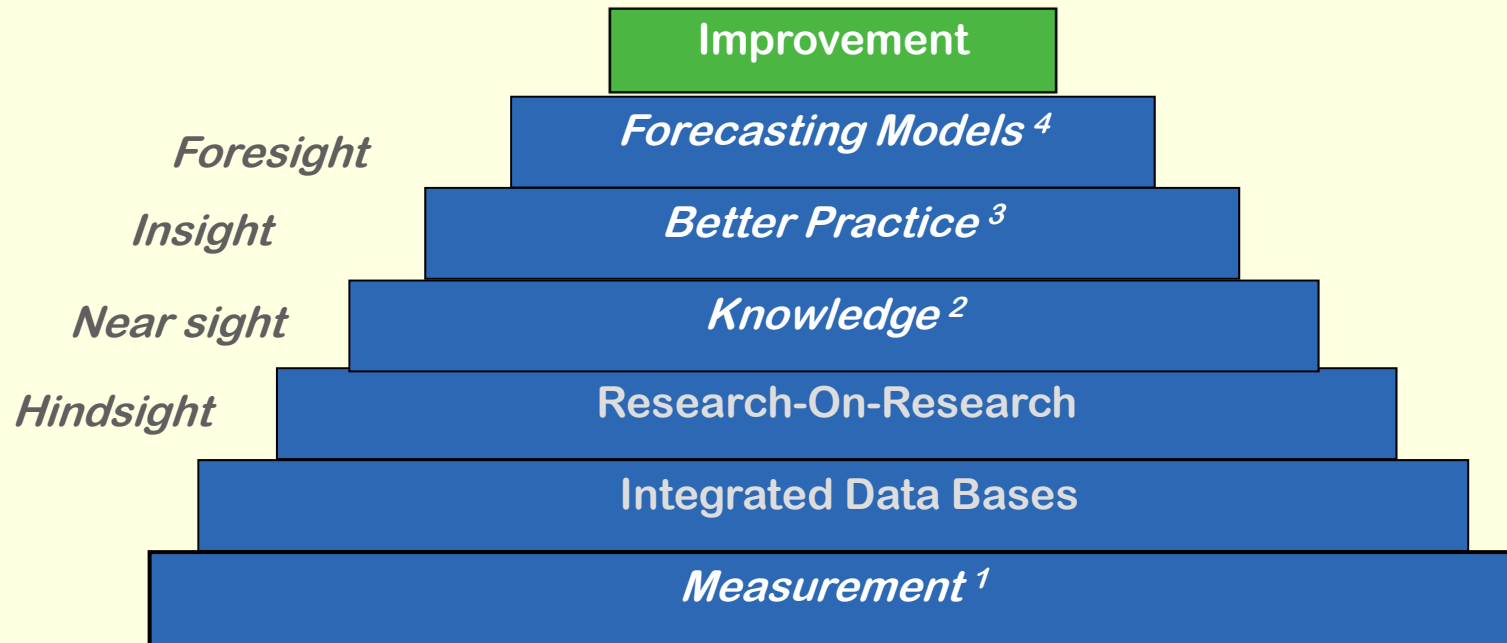
CMO Tenure Increases

Organic Growth Targets Met More Often

CMOs On More Boards

Source: Success Criteria in Foundation (MAF) Long-Range Plan

Measurement is The Foundation for realizing the Vision



¹ *Reliably identify business opportunities (or threats) given current context & (potential) actions (MR Vision 2003); Process of achieving & maintaining measurement reliability, predictive validity, sensitivity & calibration.*

² *Profound understanding (of the business process or human & customer behavior) that yields a clear prioritization of action; Learning or principles that yield true predictions with unvarying uniformity (IBID); Process of explaining variance/identifying the causal drivers of the business or human behavior.*

³ *Documented method of operating that yields higher level of performance than other operating behaviors (IBID); Process of applying Knowledge to the operating process for improved performance.*

⁴ *Analytical technique that represent causal relationships among various conditions & actions taken to achieve specific business results, and forecast future outcomes of various potential actions & conditions (IBID)*

Mission

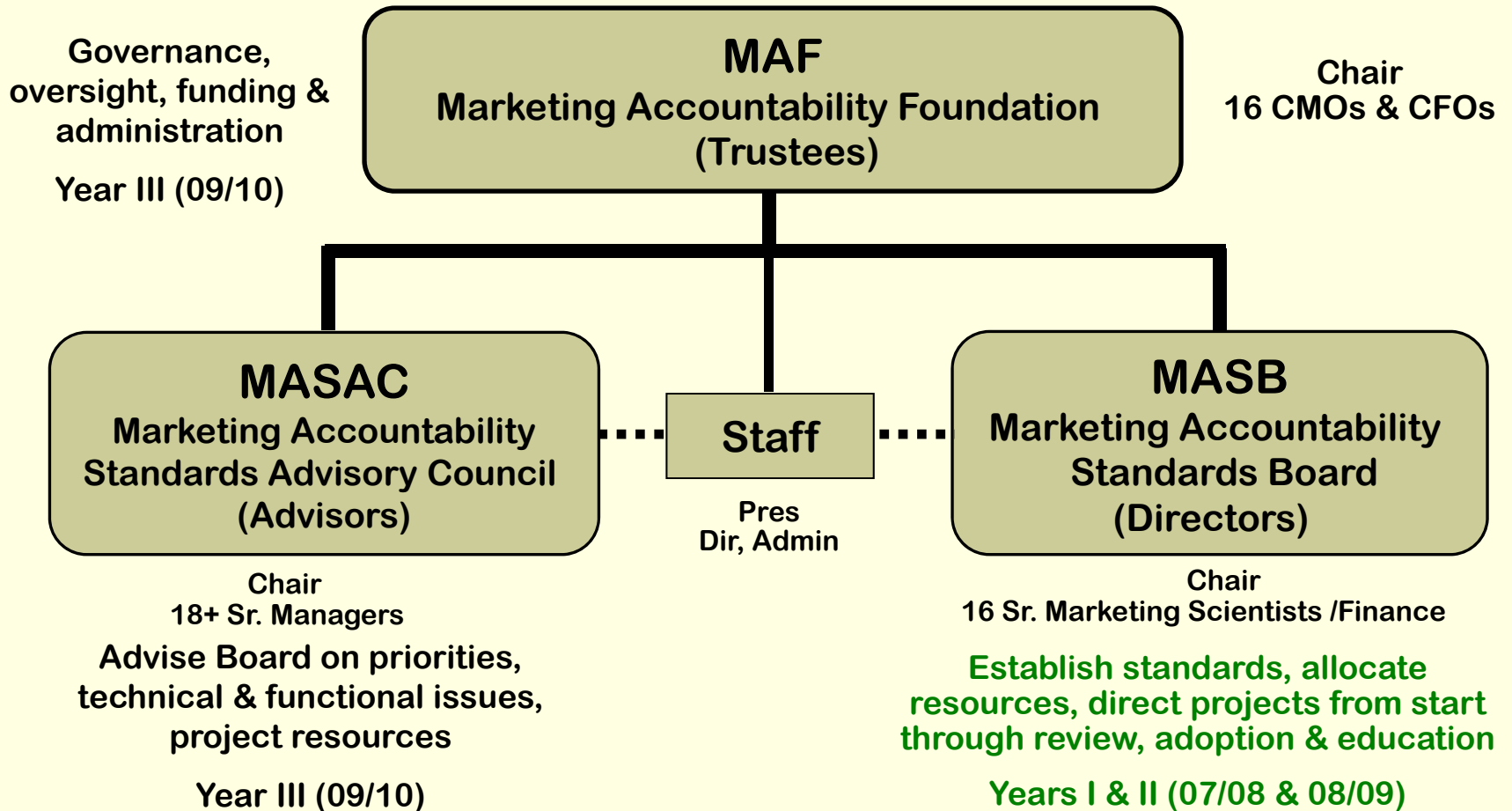
**Establish marketing measurement and accountability standards
across industry and domain
for continuous improvement in financial performance
and for the guidance and education of business decision makers
and users of performance and financial information.**

Measuring Success

**More Members Forecasting Forward Financials
More Advising Non-Comparable Allocations
More CFOs Believe Forecasts
More Members each Constituency each Year**

Source: Success Criteria from MASB 3 Yr Plan

Organizational Structure & Timing



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

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.

MASB & Measurement

- **Original research is generally conducted by and published within the academic community... based on some form of survey research or measurement**
- **When results are promising, application and/or commercialization follows...by consulting, analytic or research firms**
- **Thus, there are numerous measures and metrics in the marketing literature and in practice, even some with the same or similar names**
- **They are usually quite different from one another in terms of operationalization, and most are poorly documented with respect to their reliability, validity, range of use, and sensitivity**
- **Few have been specifically linked to metrics associated with revenue growth, profitability, cash flow or other measures of financial performance**
- **Thus, while marketing does not lack measures, it lacks standard metrics explicitly linked to financial performance in predictable ways**
- **MASB will bridge the gaps between metrics identified in original research, those in practice, and those of the future - insuring credibility, validity, transparency and understanding for the guidance and education of business decision makers and users of performance and financial information**
- **MASB Measurement Projects start with a review of “what is known” about the measures in practice and end when one or more have been validated, profiled according to MMAP, and housed in the MASB Catalogue of Metrics**

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Precepts in Conduct of Board Activities

- Be open and objective in decision making
- Weigh carefully the needs and views of constituency
- Promulgate measurement & accountability standards when
 - Logical flow of the argument is tight
 - Empirical support material is convincing
 - Conclusions are managerially meaningful
 - Scientific evidence pro and con is acknowledged
 - Benefits exceed costs
- Ensure transparency of standards setting activity through open due process
- Assure output is understandable to practitioners
- Bring about needed change while minimizing disruption
- Review effects of past decisions (interpret, amend, replace)

Prioritization

- **Pervasiveness of the Issue**
- **Alternative Solutions**
- **Technical Feasibility**
- **Practical Consequences**
- **Convergence Possibilities**
- **Cooperative Opportunities**
- **Resources**

Funding Sources

- **Membership**
- **Projects**
- **Workshops**
- **Technical Services**
- **Publications**
- **Training, Advisory & Auditing Services**

Constituent Organizations

- **Marketers**
- **Measurement/Modeling/Software Providers**
- **Media and Advertising Agencies**
- **Media Providers**
- **Academic Institutions (Business Schools)**
- **Industry Associations**
- **Independent Consultants**

Note: Dues Structure Varies by Constituency and by Size of organization

MMAP

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

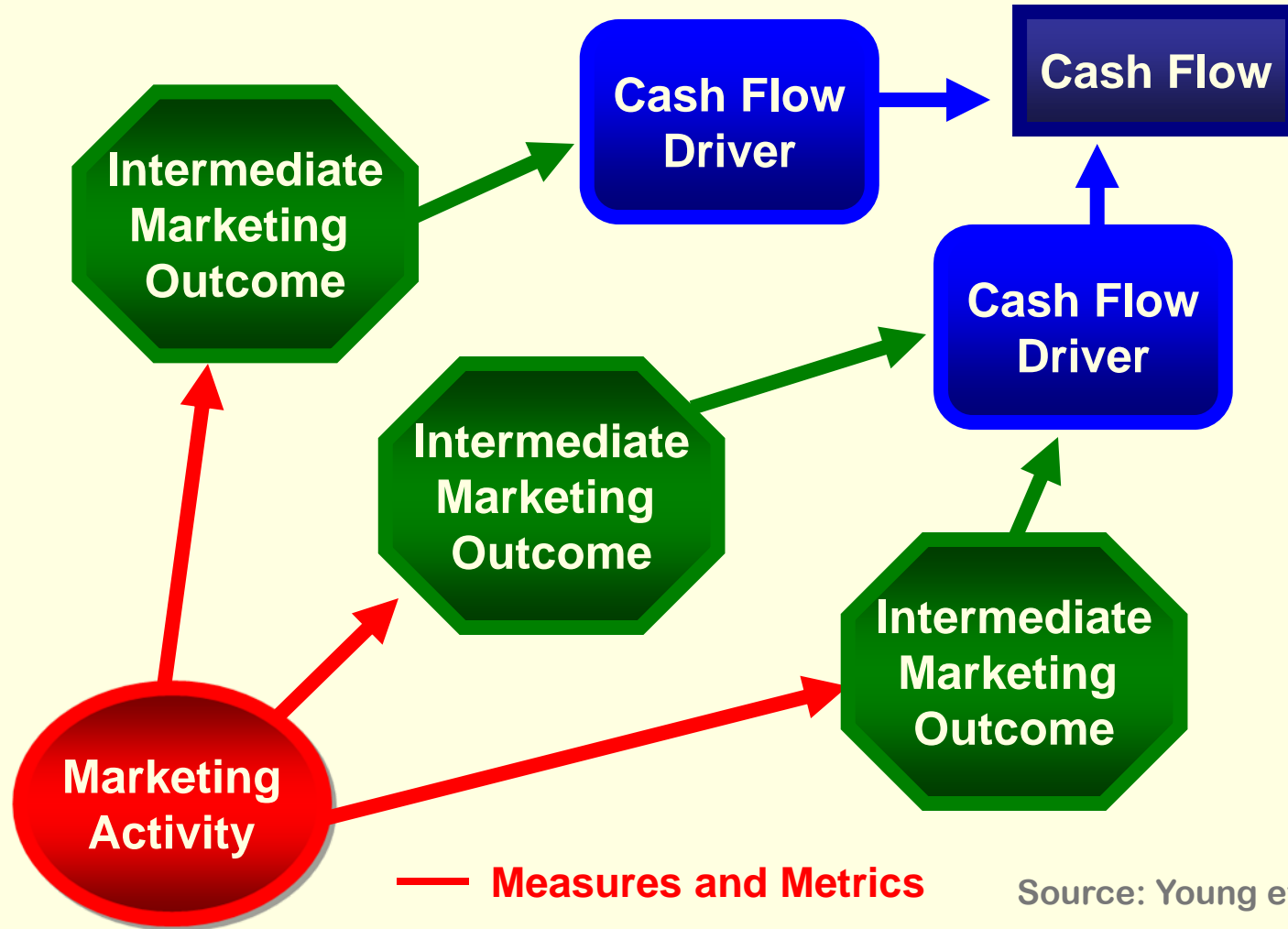
Cash flow both short-term and over time is the ultimate metric to which every business activity, including marketing, should be causally linked through the validation of intermediate marketing metrics.

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



Source: Young et al, 2006

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: Young et al, 2006

MMAP: 10 Characteristics of Ideal Metrics

- 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**

Source: The Boardroom Project, 2006; Stewart 2008

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.

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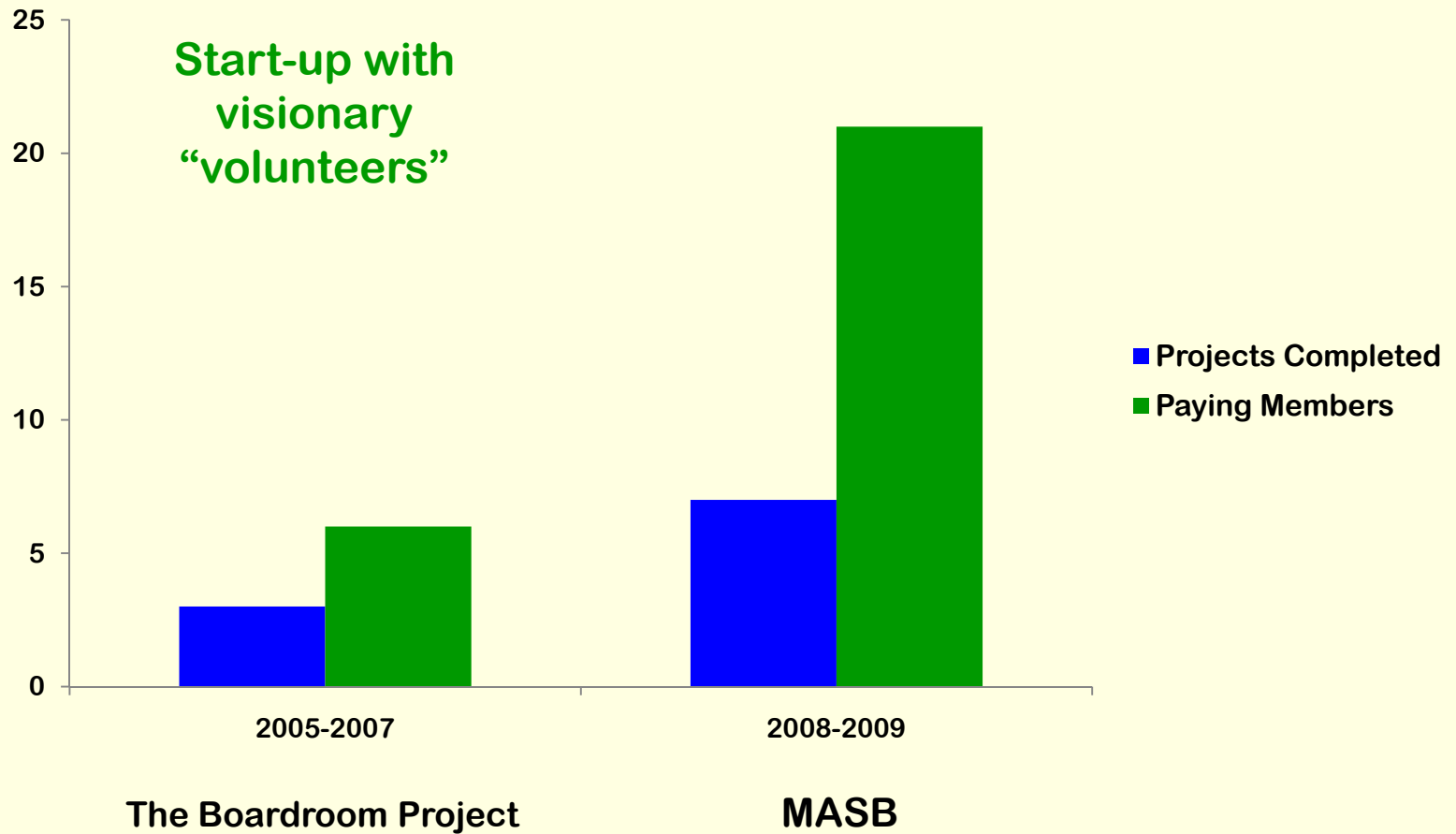
Where we Stand on Start-Up Objectives

Lay the Foundations:

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Note: Green indicates objectives met during Years I & II; Black denotes start-up objectives remaining.

Where We Stand (1/10)



Founding & Charter Member Orgs (1/10)*

- UCRiverside
- MMAP Center
- Starcom MediaVest
- ARF
- MSI
- UCLA
- Visa
- Nielsen
- DMA
- Columbia
- Market Share Partners
- ConAgra
- U Michigan
- AMA
- enseQuence
- Kimberly-Clark
- ANA
- Foresight ROI
- Blue Marble
- Mobile Marketing Association
- Wharton

* During start-up phase, membership has been targeted to fill Director, Advisor & Trustee positions.

MASB Directors (1/10)

- Dr David Stewart, MASB Chair (UCR)
- Dr Allan Kuse (MMAP Center)
- Kate Sirkin (Starcom MediaVest Group)
- Dr Craig Gugal & Joel Rubinson (Advertising Research Foundation)
- Dr Earl Taylor (Marketing Science Institute)
- Dr Dominique Hanssens & Dr Randy Bucklin (UCLA)
- Vacant (VISA USA)
- Dipita Chakraborty & Carl Spaulding (Nielsen)
- Vacant (Direct Marketing Association)
- Dr Don Lehmann, Dr Joe Plummer, Dr Natalie Mizik (Columbia)
- MJ Tisor & Wes Nichols (MSP)
- Chris Ciccarello (ConAgra Foods)
- Dr Rajeev Batra (University of Michigan)
- Dr V Kumar (American Marketing Association)
- John Lees (Kimberly-Clark)
- Barbara Bacci Mirque (Association of National Advertisers)
- Rick Abens (Foresight ROI)
- Dr Peter Johnson (Mobile Marketing Association)
- Dr David Reibstein (Wharton)

Projects on MASB Agenda (1/10)

<u>Type</u>	<u>Project</u>	<u>Status</u>
Standards	Marketing Metric Audit Protocol (MMAP)	Posted for Industry Feedback
	Measure & Improve TV Return-Example	Posted for Industry Feedback
	Activities & Metrics Language - Wiki	Underway & On-going
	Metrics to MMAP Catalogue	Underway & On-going
	Measuring.Improving Long-Term Impact	Underway
	Measure & Apply CLV to CPG Targets	Underway
	Measuring.Improving Interactive Return	Underway
	Brand Valuation	Underway
	Practices Underlying Ideal Metrics	
	Competitive Impact Knowledge	
Research	Role of Standards: Academic Review	Completed & Posted
	C-Level Views	Completed & Posted
	Views from The Street	Underway
	MAF/MASB Success Criteria	
Concepts	Marketing Productivity...Accountability	Completed & Posted
	Objectives of Marketing Standards	Completed & Posted
	Fundamentals about MASB	Completed & Posted
	Improvement Pyramid	
Audits/Advisory	Training & Advisory Services	Underway

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We've accomplished a lot with a handful of visionary, passionate, and dedicated volunteers.

With a long way to go...and needs mounting...

More to be Done (C-Level Top of Mind Wish List)

- Measures on timing of returns (especially advertising)
- Separate out product from strategy from creative
- Return on trade spending
- Sponsorship metrics
- Forecasting cannibalization
- Forecasting competitive moves
- Return for portfolio
- Better definitions of causality/drivers
- All metrics connected to financials

Far More to Be Done

<p>Strategy / Objectives / Goals Setting & Developing</p>	<p>Internet</p> <ul style="list-style-type: none"> Media Consumer Promotion Consumer Relations 	<p>Regulatory Associations</p> <ul style="list-style-type: none"> FDA ADA Other Associations
<p>People</p> <ul style="list-style-type: none"> New Products Base Business Multicultural Marketing Lifestage Marketing 	<p>Market Research</p> <ul style="list-style-type: none"> Market Insight External Environment ICPT ICON Bases I & II HUT 	<p>Legal</p> <ul style="list-style-type: none"> Robinson Patman Act Promotion (Games / Contest Claims)
<p>Advertising</p> <ul style="list-style-type: none"> Public Relations Media / advertising / IMC (marketing mix) Events (national/local market) Production Fees Claims 	<p>Market Data</p> <ul style="list-style-type: none"> Neilsen / IRI / Specialty Account Specific Analytics 	<p>Other</p> <ul style="list-style-type: none"> Product changes Listing Fees Reclamations
<p>Promotion</p> <ul style="list-style-type: none"> In Store Communication Shopper marketing At Home Sampling Trade Spending (GTN) Category Management 5 P's (Pricing element is ROI) Special Packaging Retailer / Trade Channel Programs Couponing 	<p>Product Development / refresh</p> <ul style="list-style-type: none"> New products Packaging Formula Fragrance Capital Viscosity Color / Visual impact R&D 	<p>Direct Marketing</p> <ul style="list-style-type: none"> Consumer Affairs 800 numbers Direct Mail
		<p>General comments</p> <ul style="list-style-type: none"> Objectives generally undefined Resistance to being measured Timing of returns generally not determined

List of cost areas provided by a CFO...not necessarily grouped by specific activity (eg TV)...but by accounting categories (eg Media)

This is an unprecedented opportunity to make a significant contribution to the marketing profession, business, and society overall.

Marketing is headed for *fundamental change* in mastering accountability & continuous improvement, taking its rightful place at the head of the strategic growth table, permanently.

MASB will enable this transformation & serve as the catalyst for advancement by attending to measurement.

Bottom Line

It will not be easy...it is going to take a lot of effort. If it was easy, someone would have already tackled this crucial issue.

The payoff for the marketing profession is worth the time, effort, and money.

Dr Joe Plummer, Past CRO
Advertising Research Foundation
Founding Director of MASB
May 12, 2006

Call to Action

**It's the right thing to do!
So let's get over the "start-up" hump...pick up the pace...
make this thing really fly!**

**Become a Charter Member of MASB!
Take a seat as Founding Trustee!*Help us recruit the other Founding Trustees!*Take position on the MASB Board or Advisory Council.
Help guide the Standards Projects.
Be one of the "first in"!**

*** Marketer CMOs/CFOs**

The Promise

The development of generally accepted and common standards for measurement and measurement processes will significantly enhance the credibility of the marketing discipline, improve the effectiveness and efficiency of marketing activities, and enable continuous improvement over time.

Stewart, 2008

Thank-you!

**for your commitment to MASB and the
Vision of a better future for all who follow!**



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