
Future State

Vision
Mission
Role of MASB

August 6, 2009

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Marketing Accountability Standards Board
of the Marketing Accountability Foundation

Vision

We've talked about the Current State.

Now let's go to 60,000 feet and imagine what it will look like when we get there;

Keeping in mind that most Visions or Transformations take several decades to be fully realized.

The Vision Statement

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.

and this will make a
big difference
for everyone!

For Marketing Practitioners

We'll be accurately forecasting & delivering consistent growth in customer revenues, earnings, & cash flow quarter-to-quarter, year-to-year.

Everything we do will be tied to business results, and we'll continually improve as demonstrated by financially-linked metrics.

Even competitive activity will be accounted for in time to make a difference in our performance.

We'll be accountable to both top & bottom lines of the P&L making informed decisions about resource allocations between comparable & non-comparable actions to achieve desired business results.

In short, we'll have earned a permanent seat in the Boardroom at the head of the growth table, inspired by creative strategy & guided by reliably predictive metrics.

For Marketing Scientists

We'll be measuring everything marketing does w/metrics that reliably predict the business results of the planned activities, dumping all those that don't predict along w/those not actionable.

Our metrics & models will be causal - in layers - for clear understanding of what drives success & for what to do next if part of the plan is in trouble.

The CIO will be our greatest ally in delivering empowering metrics, knowledge & what-if models : into the marketing rear view mirrors, onto the marketing dashboards, out beyond the marketing headlights.

We'll be doing what we love doing and valued for our contribution.

For the Enterprise

As it was for product quality in Operations, applying the science of measurement & process management to Marketing will give us sustained competitive advantage over folks who continue to operate by seat-of-the-pants.

This has been true for the Japanese in the automobile and electronics industries (first to adopt Deming's principles) and will be true for those of us first taking the plunge in the marketing arena.

For Business Schools

We'll be attracting the brightest to marketing once again...

Identifying, publicizing & sustaining standards for relevant measures of marketing performance & business success...making clear the link between marketing actions & financial returns.

Our structure & curriculum will be engineered w/the role of marketing measurement central, integrated w/other metrics along the value chain...all tied to overall financial analyses.

We'll be providing strong grounding in problem definition, critical thinking, & the process of strategic dialog in addition to technical skills...formally recognizing the *interdisciplinary Technical Strategic Marketing Consultant* in the MBA program.

We'll be providing businesses w/a cadre of these new marketing professionals to meet the growing demand.

For Marketing Associations

We'll be addressing (through partnership) the top concern of our marketing constituency...at its foundation...without having to tackle the heretofore stepchild & arduous task of measurement development.

Nor is the work of accountability a one time event, but a continuous process of :

**metrics development, knowledge creation, improvement
(repeat)**

For Media Agencies

We'll understand the costs *and* returns for each channel, placing our client messaging across these touch points with fact-based confidence and accurate forecasts of the returns.

We'll be managing the messages along with the media, knowing how much to spend behind each one for optimal/desired return,

And advising our Ad Agency and marketing partners when the messaging should and can be improved.

For Ad Agencies

The quality of our work will be determined by our contribution to our clients' business performance through high quality, standardized metrics that tie to overall financial results.

We'll be compensated according to this contribution and thus be able to attract and retain top creative talent.

Our income will smooth as we learn to improve, and we'll not be tossed aside at the whim of the once frequently changing CMO.

For CMOs

We'll no longer be concerned about data reliability, predictive validity, causality, or alignment among disparate sources.

We'll be seeing over dashboards & beyond rear-view mirrors, acting quickly & more confidently given the marketing opportunities & threats that lie ahead.

We'll be out of the black hole of discretionary spending, clearly understanding & able to predict how our work today is impacting the financial results of our brands and businesses tomorrow.

The CFO will be our greatest ally...we'll have removed ambiguity & become true business partners, delivering consistent growth quarter-to-quarter and year-to-year.

And we'll be less disruptive to spouse & the kids as our tenure will be measured in decades, not months.

For CFOs

We'll have great partners & support in the Boardroom as marketing eliminates the ambiguity surrounding their role as forecasters & achievers of consistent growth.

We'll have sustained credibility w/The Street as our projections & expectations are in line w/performance, consistently - particularly when performance is based on organic growth at the top line.

We'll understand the true "balance sheet" value of our brands as they can be leveraged across categories, borders & time... to produce future revenues, earnings & cash flows.

Company silos will disappear & we'll have better communications & performance across discipline & division...speaking the same language of accountability...tied to financial results.

And we'll be home for dinner at Quarter & Annual Close because everyone will have met their commitments to the plan and to expectations!

And for the Public

We'll be buying more and better solutions
for every need and desire...
and at a lower price.

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.”

Joe Plummer May 12, 2006

How will we know when we get there?

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 (Ernst & Young)

Source: Success Criteria in MAF Long-Range Plan

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 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.**

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.

(Don't worry about measurement killing the art of marketing. Every architect and carpenter needs a measuring stick, but not all build the same houses.)

The Role of MASB: Interpretation

MASB will not endorse any specific metric, rather it will document, reveal and highlight how various metrics stack up against the MMAP standards. Belief is that the market will select the specific metrics based on these evaluations. MASB's *Dynamic Marketing Activities and Metrics Catalogue* will be the primary vehicle for documentation and publication.

MASB will also exemplify how to evaluate and identify ideal metrics according to MMAP for specific marketing activities such as TV and On-Line advertising and/or any other activity or area for which there is need as identified by its membership constituency.

MASB will also delve into the practices underlying the development and management of ideal metrics as well as those utilized to create knowledge, determine causality, and apply to process management for improved return.

Overall, MASB will serve at the industry level in this fashion and with “open due process” in its work.

MMAP

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

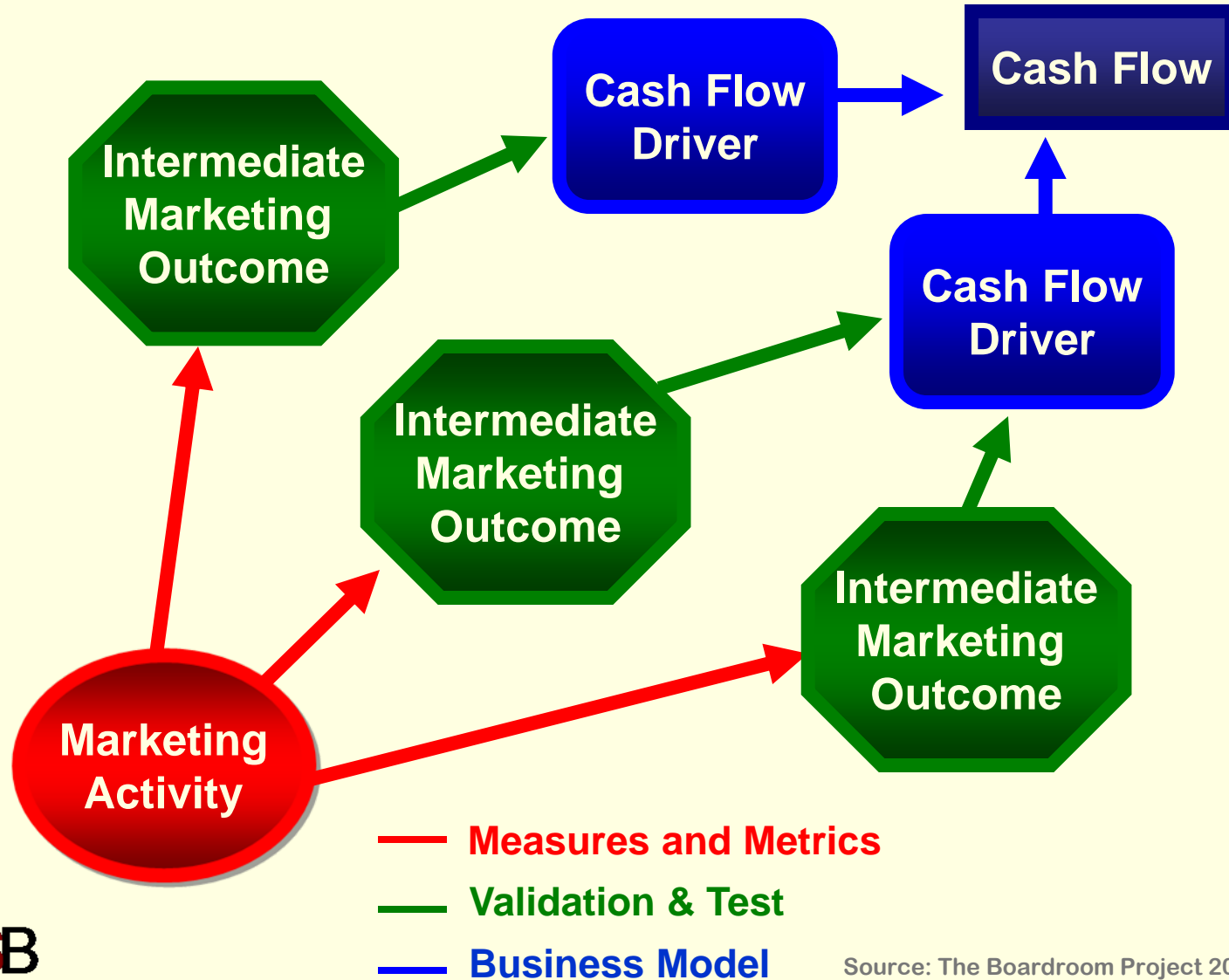
Cash flow both short-term and over time is the ultimate metric to which every business activity, including marketing, should be causally linked through the validation of intermediate marketing metrics.

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.

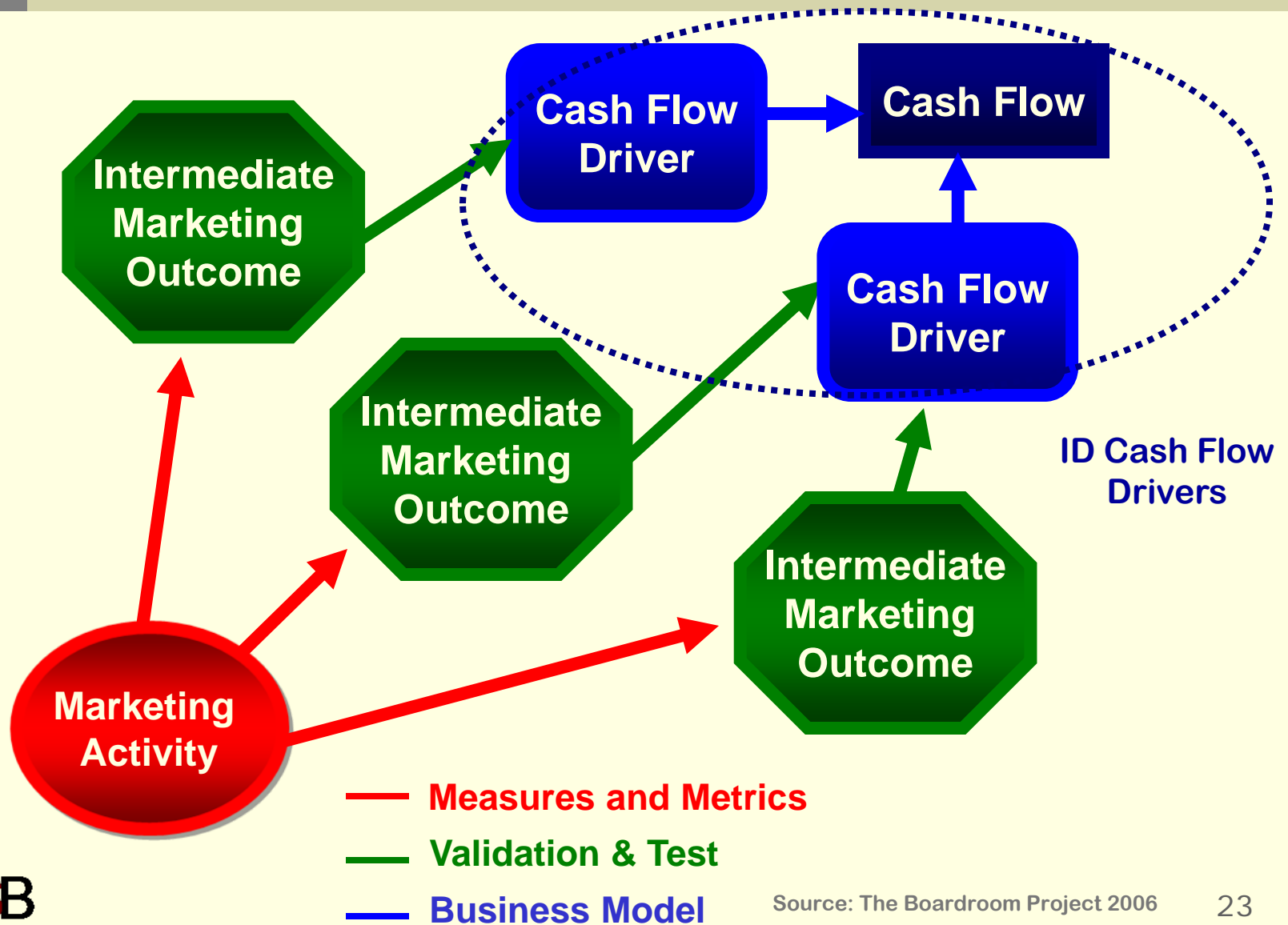
The Marketing Metric Audit Protocol (MMAP) is a formal process for connecting marketing activities to the financial performance of the firm.

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.

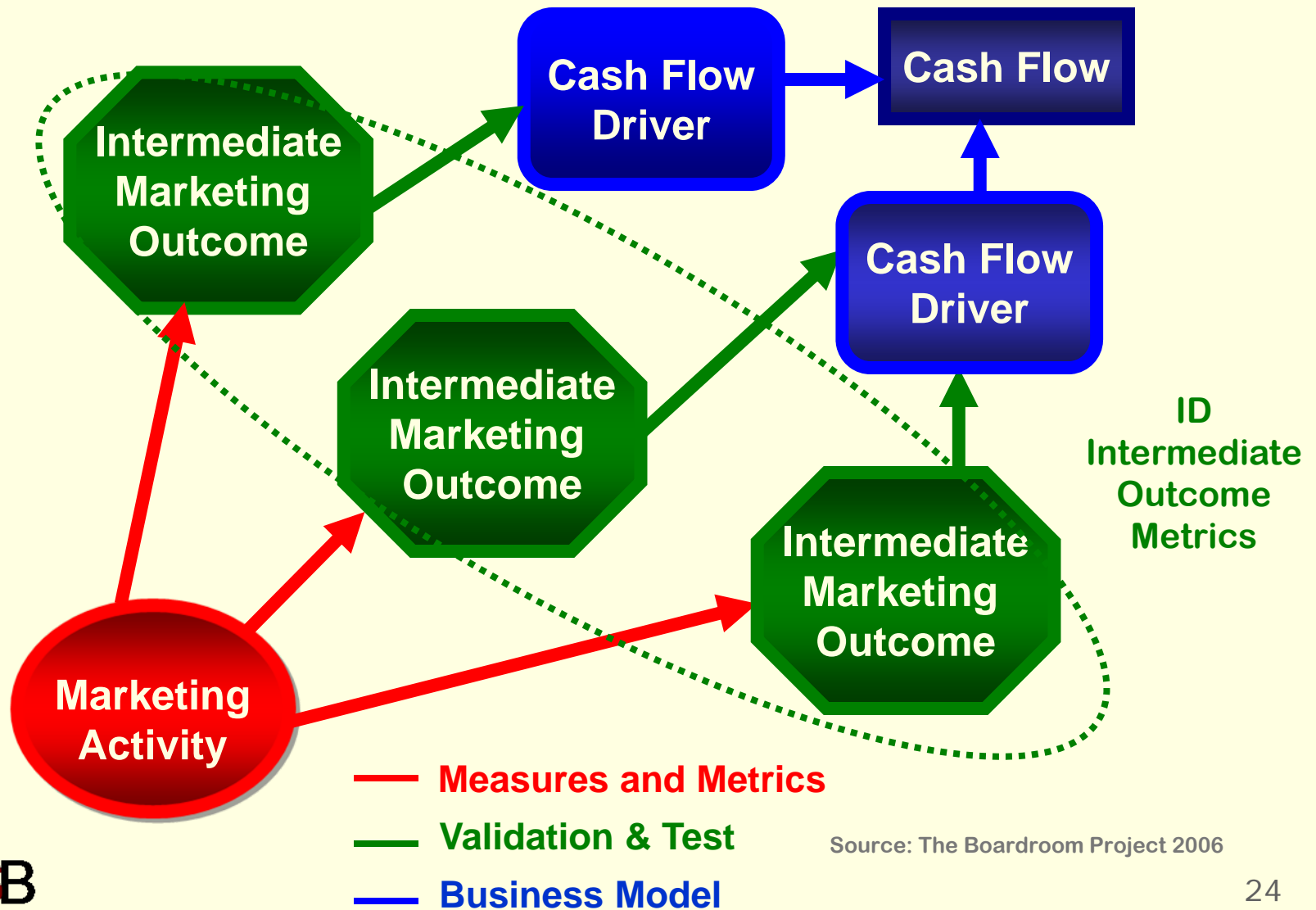
MMAP: Marketing Metric Audit Protocol



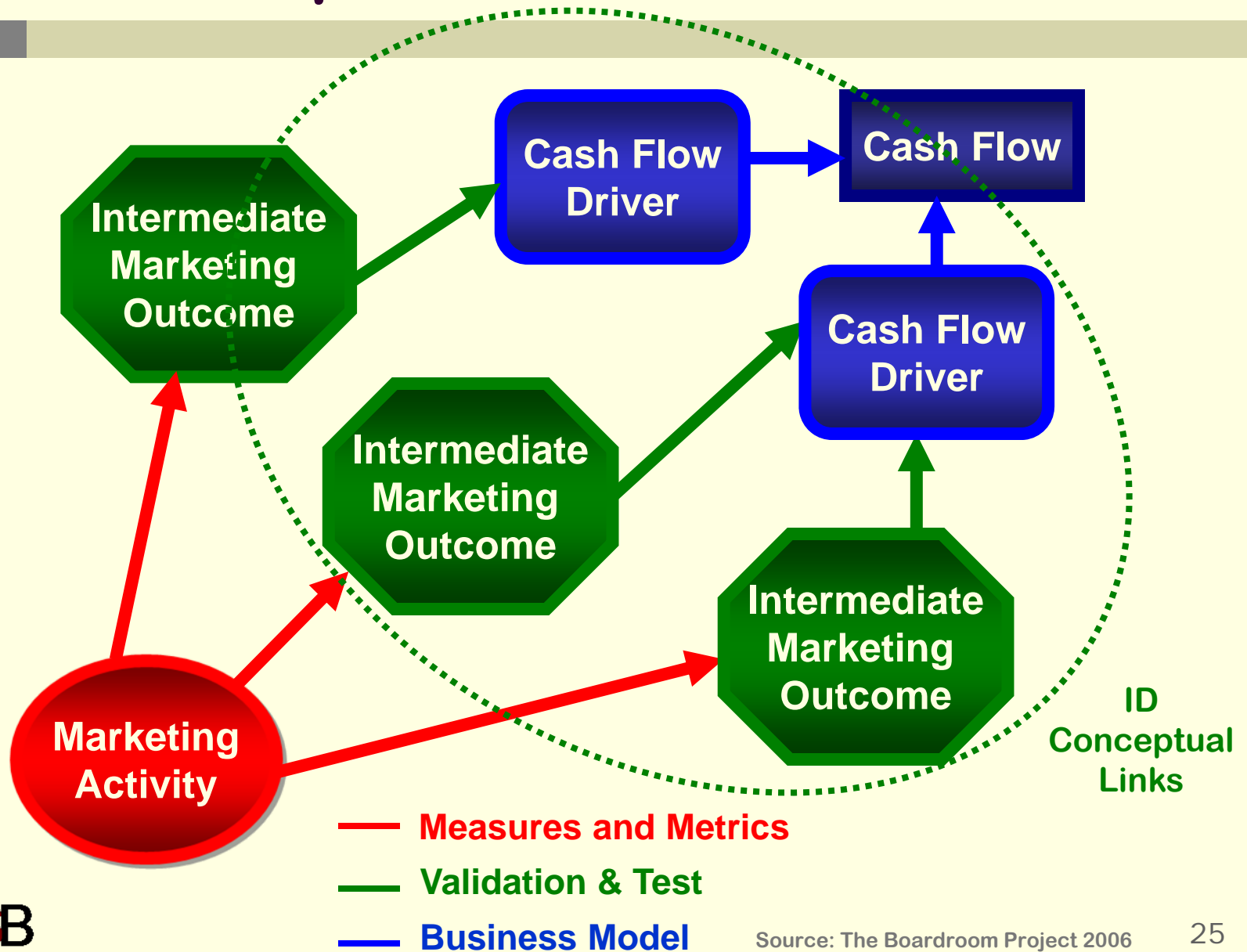
MMAP: Step 1



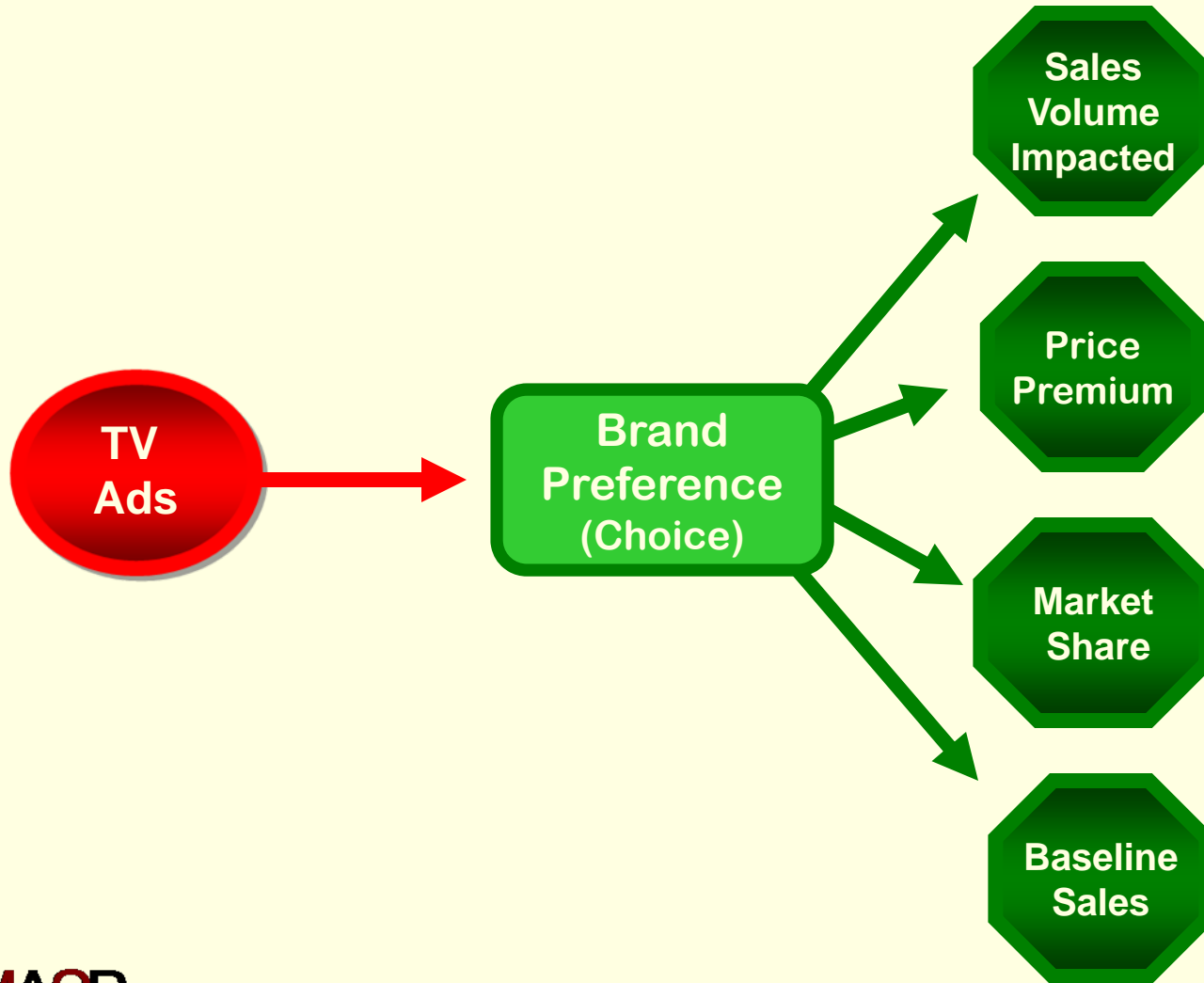
MMAP: Step 2



MMAP: Step 3



TV Example: Pre & Post Market Metrics & Conceptual Links



MMAP: Step 4

Validation & Causality Audit

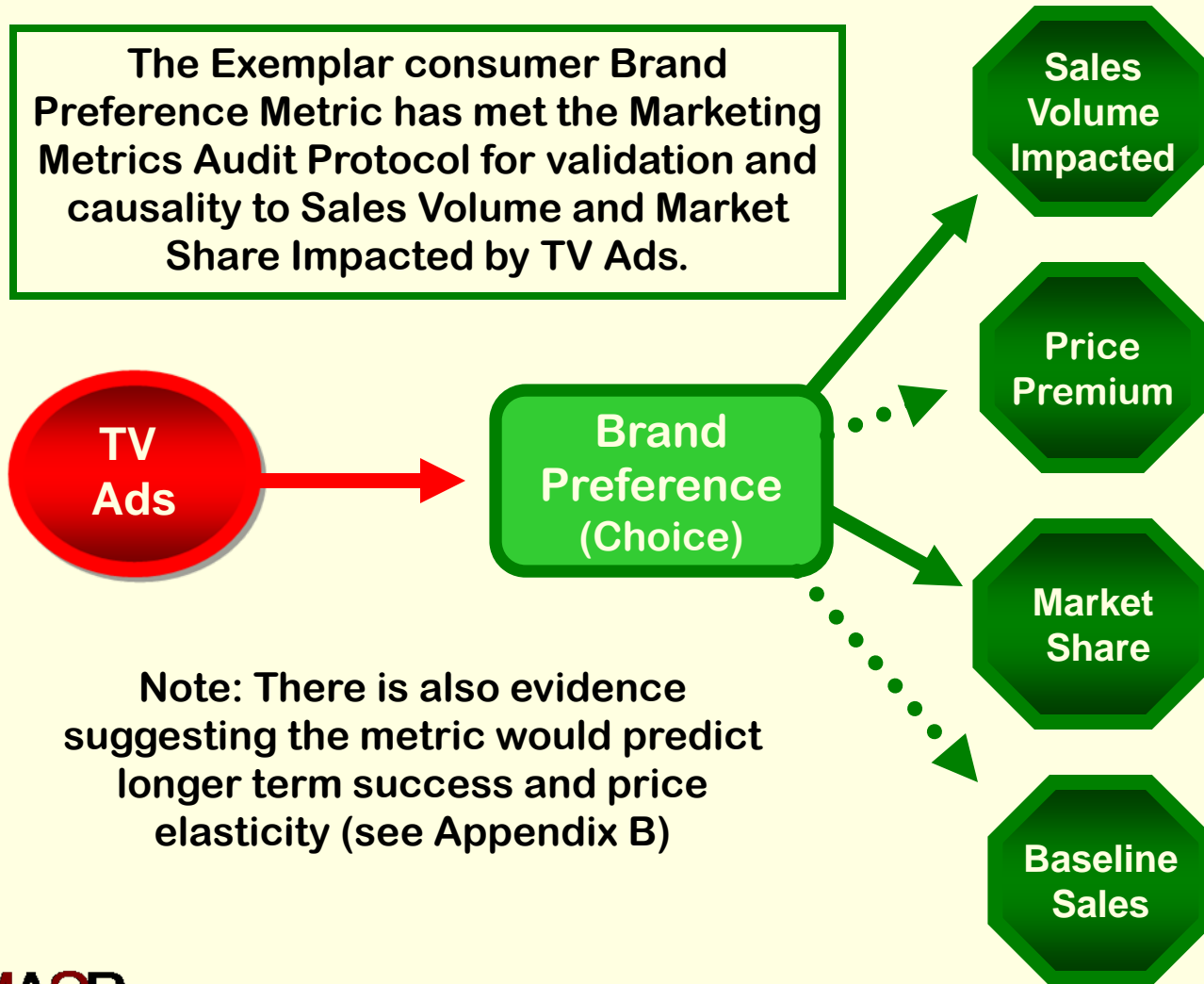
Every Intermediate Marketing Outcome Metric Should Be Validated Against Short-term and/or Long-Term Cash Flow Drivers and Ultimately Cash Flow (or to the Drivers of the Cash Flow Drivers).

Source: The Boardroom Project 2006

MMAP: 10 Characteristics of 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**

TV Example: Pre & Post Market Metrics & Validated Links



Measurement Development & Management Determines Precision

The precision of (TV) Exemplar detects about 2 points as significant at the 90% level of confidence...and a 2 point difference (airing just one ad) is associated with a .04 difference in market share over a business quarter.

Pre-market measures and/or combinations of measures with less precision will be less valuable in the ROI future of measuring, *forecasting*, and improving financial performance.

The Validation & Causality Audits (MMA) will surface these issues and should foster investment in measurement development and management.

Source: *Measuring TV According to MMA-An Example*; MASB Website

Metric Precision: Examples

Relationship of Pre-Market TV Metrics to Sales Volume Impacted by TV¹

	<u>Provider D</u>	<u>Exemplar</u>
Media	.37	.40
Media & Message	.54	.91

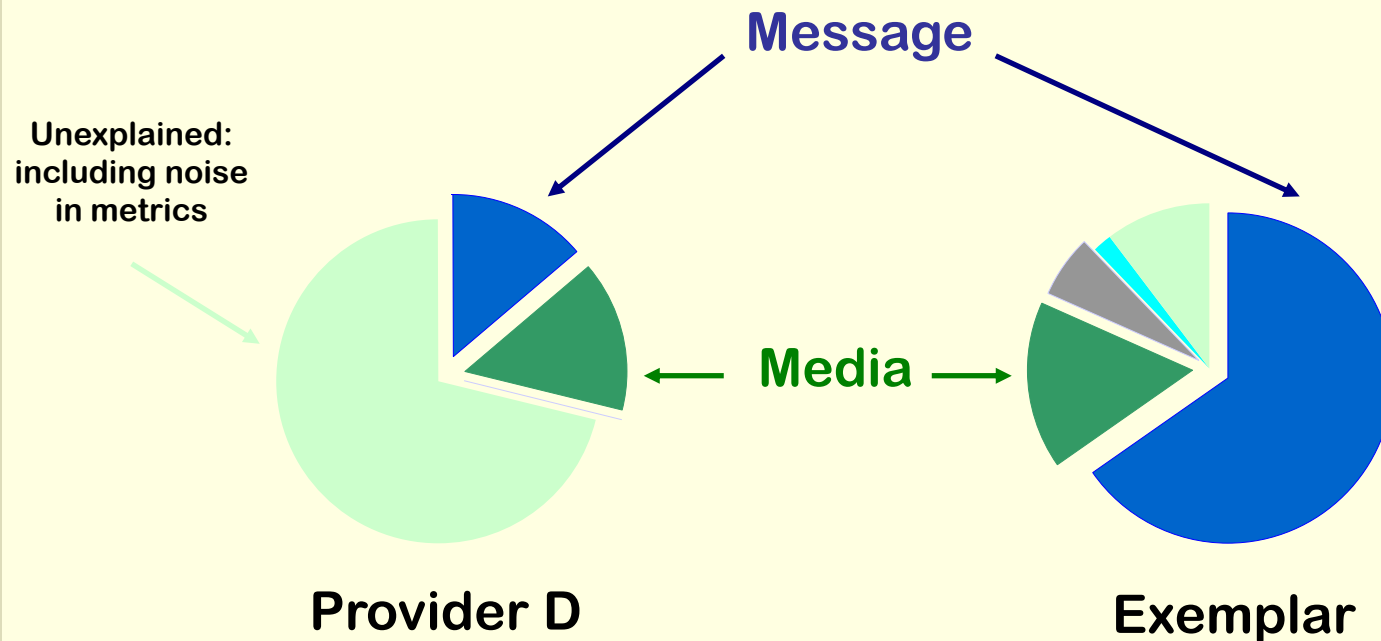
The relationship between Media and Sales Volume Impacted is very similar across the findings of two providers, indicating similarity in composition of the data sets as well as media metrics being standard/improved over time...

However, Provider D's metric for the message has little precision with respect to explaining differences in actual Sales Volume Impacted from TV ads...

¹ *Determined independently by Market Mix Modeling*

Metric Precision: Example cont

Explaining/Predicting Variation in Sales Volume Impacted by TV¹



Less than 30% of the actual Sales Volume Impacted from the TV activity can be explained/predicted using Provider D's metric for the Message, while more than 80% can be explained/predicted using the more precise Exemplar.

¹ Determined independently by Market Mix Modeling

Metric Precision: Examples cont

Relationship of Pre-Market TV Metrics to Sales Volume Impacted by TV¹

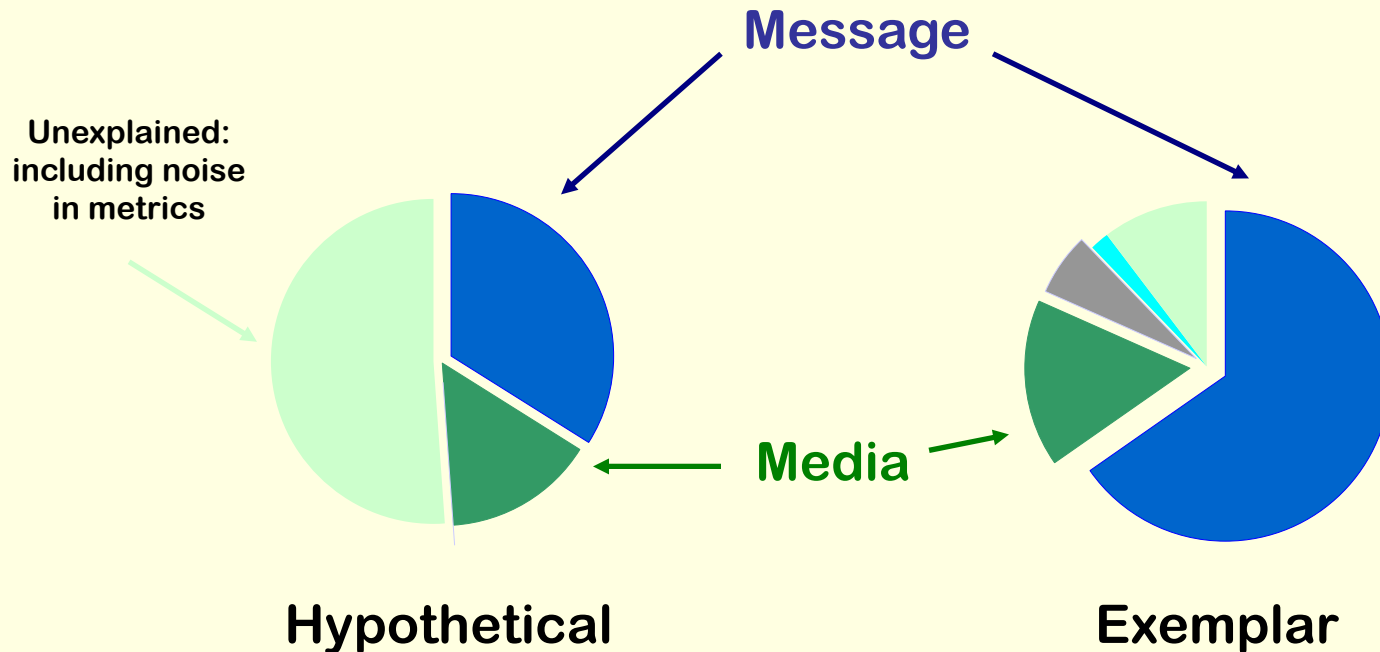
	<u>Provider D</u>	<u>Exemplar</u>	<u>Hypothetical</u>
Media	.37	.40	.40
Media & Message	.54	.91	.70

Even if a provider offered a measure or combination of measures for the Message that when combined with Media Metrics, predicted the post-market TV outcome at say the .70 level, the precision would still be of less value in the forecasting & improvement future...

¹ *Determined independently by Market Mix Modeling*

Metric Precision: Example cont

Explaining/Predicting Variation in Sales Volume Impacted by TV¹



In our hypothetical example, precision at the .70 level (which may seem quite high in the absolute sense) would explain/predict only about half the actual TV impact on sales as measured by the post-market metrics.

¹ Determined independently by Market Mix Modeling

Measurement Rigor Goes Beyond The Face of It

“While some metrics are called the same and look alike in many ways, they can produce very different results.”

(Plummer, 2007)

Source: *Measuring TV According to MMAP-An Example*; MASB Website

Disclosures 1 & 2: Comment

“Modeling the results of advertising by focusing on spending or GRPs without consideration of the message is rather like doing dosage research when you have not identified the drug.

No matter how rigorous the methodology or review process such research is fundamentally flawed. The academic literature in particular reports a lot of this type of “dosage” research because academics can get access to the data on spending.

But, this is really misleading research and does an injustice to marketing activities.

Because such research does not recognize qualitative differences in marketing activities (qualitative differences that influence effectiveness), it underestimates the power of “effective” marketing and also underestimates the return on investment in creating more effective marketing activities.

It also fails to recognize the value of the ‘creative’ product.”

**Stewart 3/8/08
During MASB Review VI**

How will we know when we get there?

The 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 (“Audit Ready”)
More Members each Constituency each Year

Source: Success Criteria from MASB 3 Yr Plan

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.

Work of the MASB is conducted on a Project basis...



Thank-you!



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of the Marketing Accountability Foundation**