
Summary Call to Action

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Chicago



Marketing Accountability Standards Board
of the Marketing Accountability Foundation

Framing the Problem

Marketing does not lack measures, but...

- It lacks ***standard*** measures and metrics
- It lacks metrics explicitly linked to ***financial*** performance in predictable ways
- In many areas, but not all, it lacks formal processes for ***auditing*** marketing metrics
- It is highly ***idiosyncratic***

Source: Hanssens Warm-Up

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.

Source: Hanssens Warm-Up

Summary: Methods of Brand Valuation

- Many methods
- Highly divergent estimates of Brand Value
- Even with same data
- No agreement on the direction of change
- Need to create more transparency about approaches
- Brand value creation starts in head of customers & other stakeholders
- Need to measure brand strength among these stakeholders
- Need to develop guidelines & minimum standards for empirical validation (consistency with MMAP)
- Need improvements in financial reporting of marketing activities (accounting practices)

Source: Hanssens Warm-Up

Marketers manage cash generating units

- They don't see it that way
- Others do ...
 - Investors
 - Analysts
 - Accountants
- Accountants have standards that guide them in valuing intangible assets (including brands).
- Marketers do not – hence this project

Source: Sinclair's rationale & principles for brand valuation

Brand valuation is *not* serving the role it should

- The current public face of brand valuation is divergent and inconsistent:
 - Users must be assured that the number is valid and credible
 - The approach must be useful for financial modeling and planning, reporting to the finance function and as a financial tool for justifying investment
- Marketers must converge with the financial function:
 - *Language*
 - *Methods of reporting*
 - *Approach to valuation*

Source: Sinclair's rationale & principles for brand valuation

What is this project?

- It prepares the way for a single set of brand valuation standards
- **The three assumptions and twelve basic principles are soundly grounded**
- **If the standards follow these principles, any subsequent valuation method can be tested against them providing assurances of validity and credibility**
- But .. first: A proviso

Source: Sinclair's rationale & principles for brand valuation

BP # 5. The brand strength principle

- The valuation method must have a component in the model that uses brand strength as a driver of value.
- Future economic benefits are generated because the company has acquired customers who will exchange cash for ownership, or use, of the brand.
- Brand strength, measured by reliable and valid market research (see MASB MMAP standards), is a crucial input to any valid valuation.
- ~~The brand strength measurement, relative to other players in the category, is an indication of the likelihood that future cash flows will be earned.~~
- It is also a powerful indicator of the brand's expected economic life: the stronger the brand relationship or bond with its consumers the further into the future brand earnings can be projected.

Source: Sinclair's rationale & principles for brand valuation (pdf)

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: MASB, Statement of Marketing Accountability Standards No. 1 (2009)

MASB

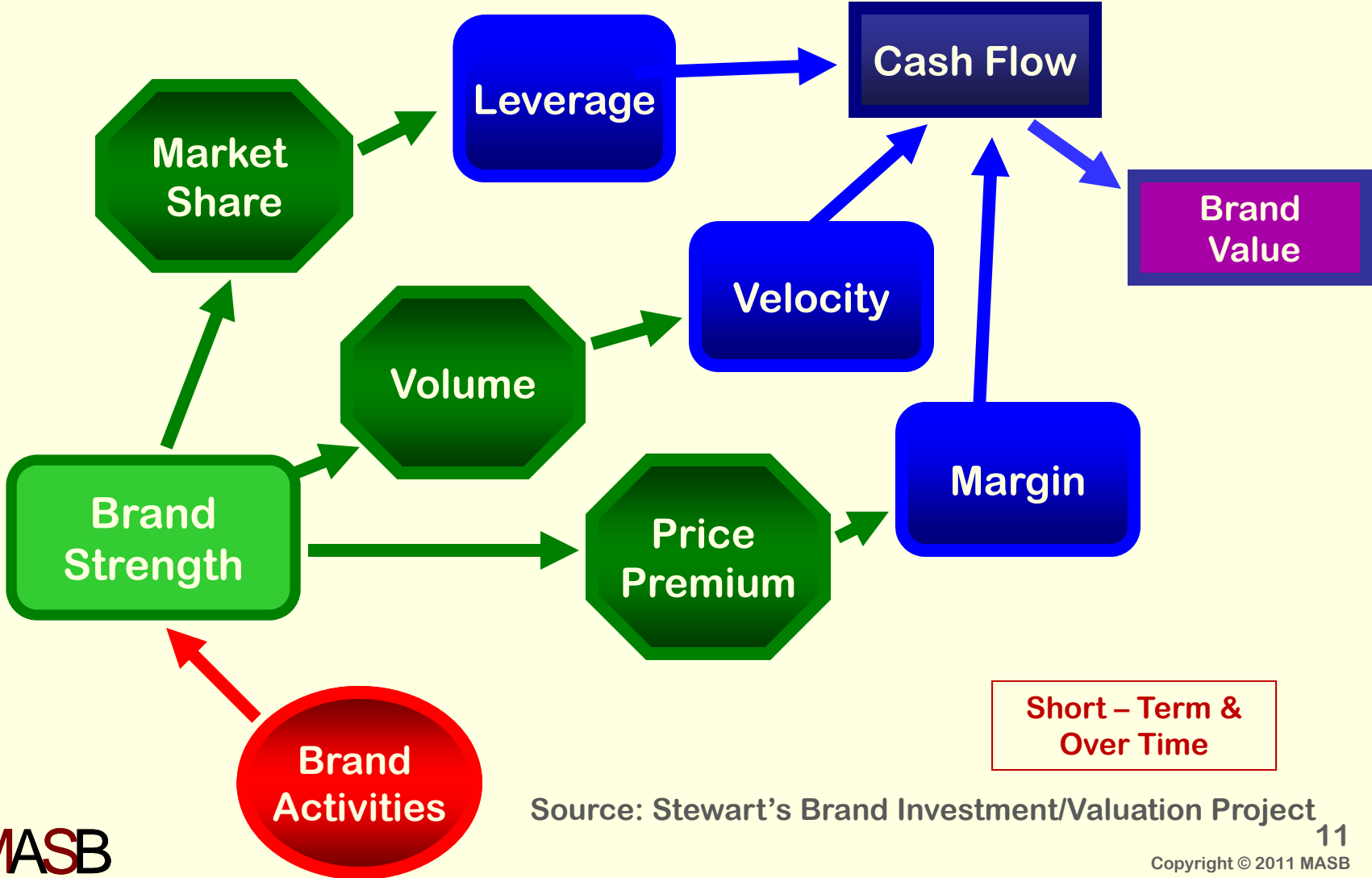
Brand Investment Model and Valuation Project

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August 2011
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MMAP: Brand Investment/Valuation Model



Source: Stewart's Brand Investment/Valuation Project

Brand Investment Model & Valuation Project

- **The Project will demonstrate how these marketing & financial concepts and metrics relate to one another empirically (according to MMAP)**
- Key marketing and finance players will engage in a forward multiyear tracking project where solid Bridges will be built from:
 - Marketing activities to Customer level impact (Brand Strength)
 - Current idiosyncratic measures of “Brand Health/Equity/Strength”
 - Brand Preference/choice as the link to Market & Financial Impact
 - Customer level impact (Brand Strength) to Market level impact
 - Volume, Market Share (inc Baseline), Price Premium
 - Market level impact to Operating Financial impact
 - Velocity, Margin, Leverage
 - Cash Flow
 - Market level impact to Non-Operating Financial impact
 - Brand Value (Asset)
 - [Stock Price (Market Cap)]

Who needs it?

- All performance oriented managers including
 - CMOs, because their job is to create, build & protect the brand (asset) which represents both short and long term growth potential (revenues at a premium price/margin)...and they need to demonstrate this on an on-going basis.
 - CFOs, because their job is to forecast return from various “investments”... and they currently view marketing as discretionary expense because they have not seen proof otherwise.
 - CEOs, because their job is to determine where to invest for both short and long term corporate performance.
 - Investors, because their job is to understand what the firm’s future growth potential looks like.

What's in it for marketing community?

- **More relevancy to the business purpose***
 - Metrics that reliably predict market & financial return
 - Ability to make well informed “investment” decisions
- **Acknowledged financial tools to justify/motivate plans***
 - A solid bridge between marketing & finance
 - Continual improvement in performance over time
- **Actions evaluated by sound business principles***
 - Viewed as “strategic investment” vs “discretionary expense”
 - A seat in the Boardroom

* Sinclair's rationale & principles for brand valuation

What MASB needs to be successful

- Brands to join Brand Investment/Value Project (3-5)
- Marketer CMOs to become Trustees (6+)
 - Guide the body (self-govern)
 - Avoid intervention
 - Be prepared
- Other new members to provide “time, talent, treasure”
 - eg paid project management vs volunteers only
- Current members to renew

Bottom Line

As with the quality movement, this will not be easy...it is going to take time and effort. If it were easy, someone would have already tackled these crucial issues.

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

It's the right thing to do and right time to do it.

Dr Joe Plummer
Columbia University
Founding Director of the MASB



Thank-you!



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