

## Brand Investment & Valuation Project

### Overview

Marketing academics and C-Level marketing & finance practitioners agree that it is marketing's job to create, sustain and build brands that produce current and future economic benefits for the firm, recognizing that the brand is one of the most important intangible assets owned by the enterprise. Their activities are designed to enhance the strength of the brand among customers in a manner that positively impacts market and financial returns short term and over time. Current methods of brand valuation are divergent, inconsistent, and generally not useful for financial forecasting, planning, justifying investment or improving return. The objective of this Game Changing project is to establish "generally accepted brand investment and valuation standards" that will become the critical "missing link" between the marketing and financial communities.

### Current Landscape

All firms utilize some method for "valuing brands" when acquiring or divesting, but these valuations are generally performed by banks or accounting firms and without marketing input/metrics.

Some firms keep their eyes on the values of the "top brands" published by marketing services firms...but "brand value" varies dramatically across providers both on an absolute basis and in the direction of change over time. There are no generally accepted standards for performing these valuations nor have the marketing metrics representing "brand strength" among customers been tied to market and financial outcomes in a predictable fashion.

Many firms track "brand health/strength/equity" over time with multiple survey questions to get at such things as awareness, image, willingness to pay, etc, often monitoring them on their marketing dashboards...but these measures have not been tied to market & financial outcomes in a predictable fashion.

Many firms also utilize Marketing Mix Modeling, an analytic technique, to determine the impact of various marketing activities on sales volume...but these are generally conducted after the fact and for relatively short periods of time (a business quarter or year).

Some firms have used/are using a measure of brand preference (choice) among customers and have found it to be reliably predictive of their market behavior and financial outcomes both short-term and over time.

### The Brand Investment & Valuation Project

This project will demonstrate how these marketing & financial concepts and metrics relate to one another empirically. It will involve the creation of general principles (see "A rationale & proposed set of principles for brand valuation"), standards and methodology for Investing in and Valuing Brands, as well as empirical trials among 3-5 brands to serve as examples.

A group of non-competing leadership company marketing and finance players in will engage in a forward multiyear tracking project where solid bridges will be built from (see attachment):

- Marketing actions to Customer level impact (Brand Strength)

  - Current idiosyncratic measures of "Brand Health/Equity/Strength"

  - Brand Preference/choice as a common 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)

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

## **Feedback (ANA Brand Value Summit, MASB 2011 Summer Summit)**

“We track 8 ‘dimensions’ across brands and cultures, but 3 of the 8 account for 80% of the brand value. The CFO is a marketing ally but with tension.”

“We’d like to make the link between our marketing activity, our marketing mix modeling, our brand equity, and our ability to charge a price premium...in a manner standardized across the world.”

“We’d like to know how soft Brand Equity measures relate to hard Brand Value as measured by acquisition & merger valuers.” (CMO)

“We do track Equity/Strength but market/financial implications are missing.” (CMO)

“We have tied our brand health measures to case volume...but the relationships are not terribly strong and vary by country.”

“We need to connect our brand health measures to brand value”.

“If we can get from ‘brand health’ to ‘\$\$ value’ we’re there!”

“MASB should set a standard for Brand Valuation methodology to provide consistency & comparability, then communicate & promote its use as a marketing and finance tool.” (Finance)

“The potential of the Brand Value Project is to connect 4 CMO jobs: Chief Revenue Officer, Chief Customer Officer, Chief Branding Officer and Innovation.” (CMO)

“We’ll take what is seen as common sense & make it common practice.”

## **Performance Oriented Managers Needing This & Why**

CMOs, because they believe their job is to create and build great brands that are the assets of the firm representing both short and long term growth potential (revenues at a premium price/margin)...and they need to prove/demonstrate this on an on-going basis.

CFOs, because their job is to determine/predict return (revenues, margin, leverage, cash flow) from various “investments” and currently view marketing as discretionary expense because they have not seen the empirical evidence/proof otherwise.

CEOs, because their job is to determine where to invest for both short and long term financial performance.

(Investors, because their job is to predict what the firm’s future growth potential looks like.)

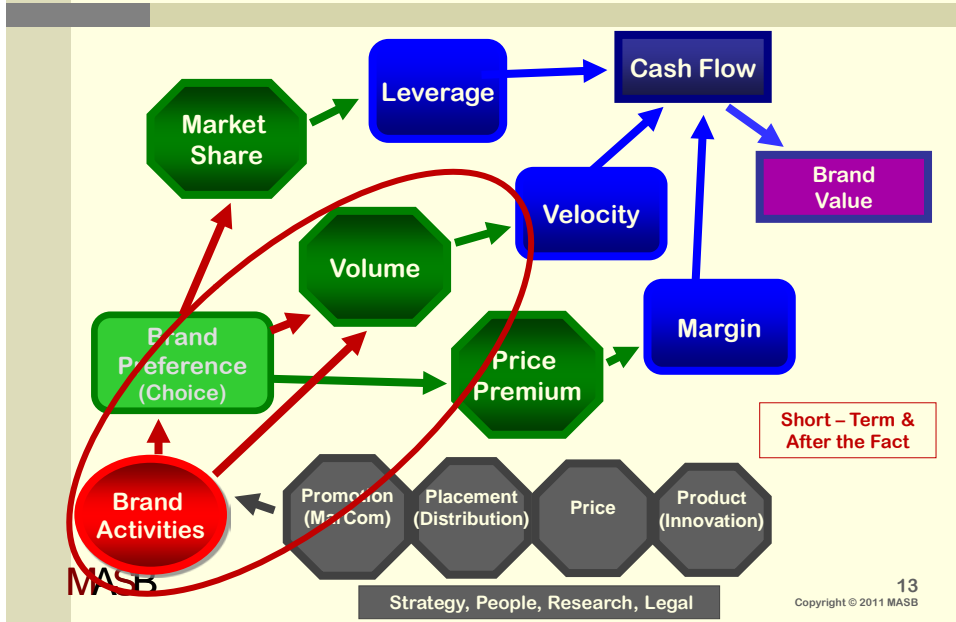
## **What They Will Do With It and How It Will Help Them**

They’ll select customer level marketing metrics for firm dashboards that are reliably predictive of market & financial impact short term and over time; Use the feedback to make more informed “investment” decisions; Learn how to improve performance as measured by customer, market and financial outcomes; Learn how to create and build great brands more consistently; Bridge the gap between marketing & finance; Continually improve performance and financial return short-term & over time; Meet organic growth targets more often, inspired by creative strategy & guided by reliably predictive metrics; Apply learning to current efforts ahead of competitors gaining sustained advantage (a la Japanese in autos/electronics); Move marketing activities from “discretionary expense” to board level “strategic investment”.

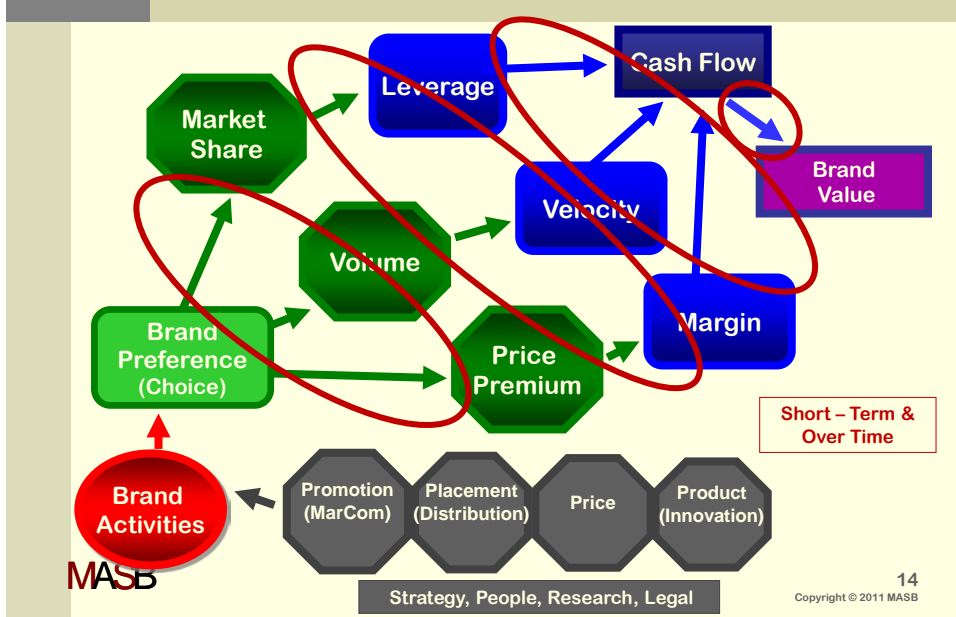
## **Why MASB**

MASB is the independent, private sector, self-governing body where marketing and finance align on measurement for reporting, forecasting and improving financial returns from buyers in markets...short-term and over time. It is authorized by its membership constituency to 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...Incorporated in Delaware & operating exclusively for charitable, educational, scientific, & literary purposes – a 501(c)(3) Not-For-Profit.

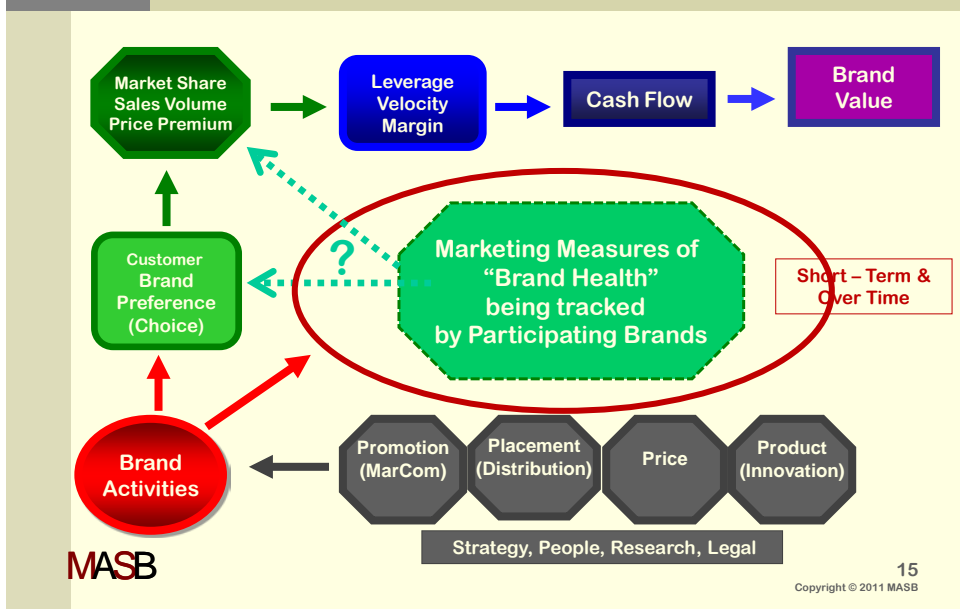
**Bridges Built: Marketing Mix Modeling & Brand Preference**



**Build Bridges: Brand Preference to Brand Value**



**Build Bridges: Other Measures of “Brand Strength”**



**Build Bridges: Preference to Stock Price/Market Cap**

