MASB Standards Project

Brand Investment Model and Valuation Project

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

Landscape

- Many firms track "brand health/equity/strength" over time with multiple survey questions to get at such things as brand awareness, image, willingness to pay, etc, often monitoring them on their marketing dashboards as representing the longer term potential for their brands…but these measures have generally 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 behavioral measure of brand preference (choice) among customers and have found it to be reliably predictive of market and financial outcomes both short-term & over time.

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)]

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MMAP: Brand Investment/Valuation Model

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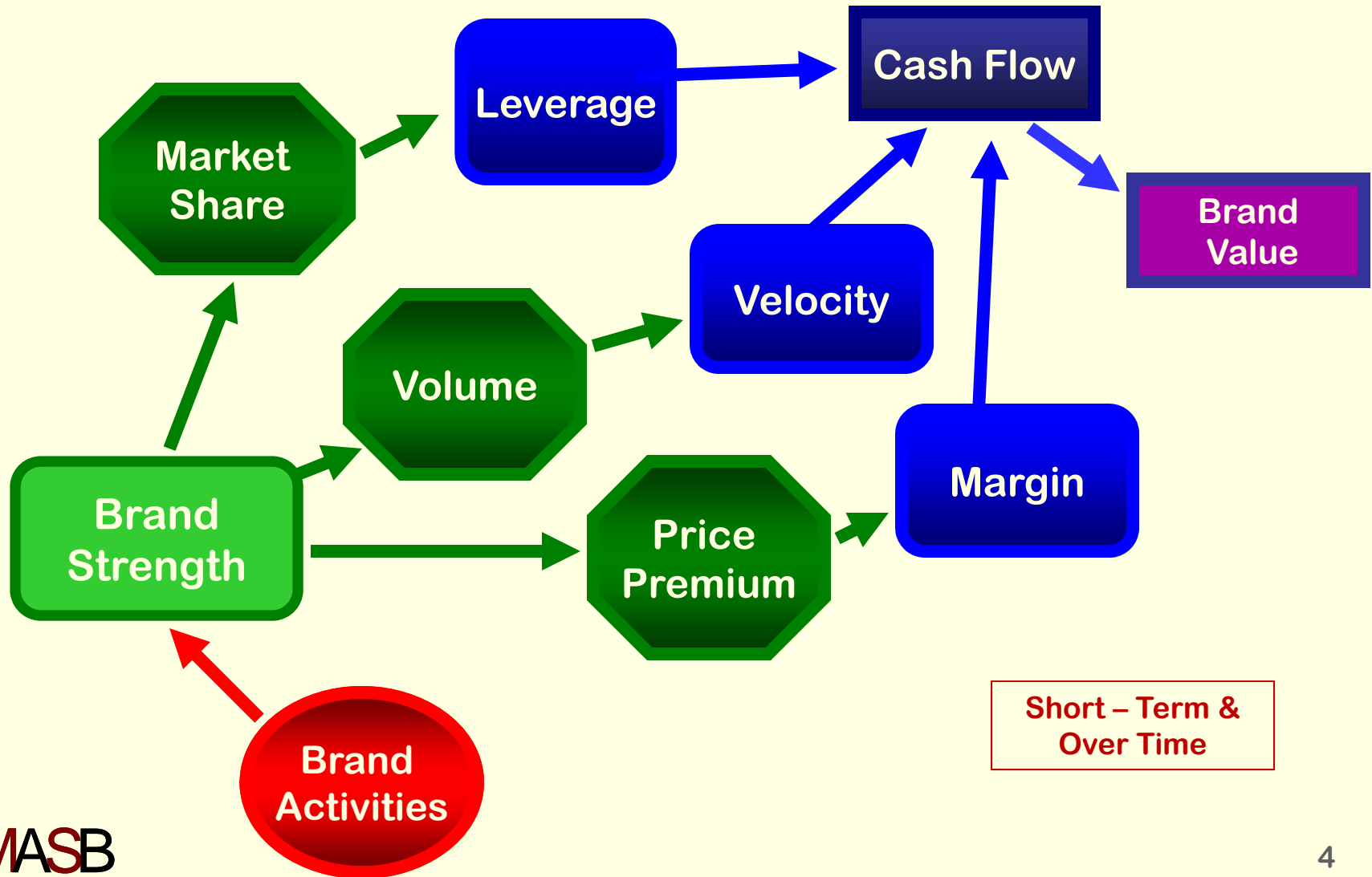
Why Brand Preference (Choice)?

Brand Preference (Choice) has been proposed as the dependent variable for measuring the impact of brand building activities in the hearts and minds of customers ("brand strength") because:

- **It fits with the CMO/CFO Alignment – objective of marketing**

- **Fits the Lehmann, Farris, Ambler & Stewart theories/constructs**

- **Has Met the 10 Characteristics of an "Ideal Metric" including**

  - **Simple**

  - **Transparent**

  - **Relevant**

  - **Calibrated across categories, cultures and conditions**

  - **Reliably predictive of both short and longer term financial return**

- **Has been applied all along the marketing process**

  - **To improve market & financial outcomes/return (a la Deming)**

Source: MASB, Brand Investment Project ; Batra & Stewart (2011)

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Marketing => Branding

Creating Brand Preference

Profitable Growth over Time

Asset (Brand Value)

Shareholder Value

Source: CMO/CFO Panel at MASB Summit (August 2010)

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Important "Facts" (Lehmann)

- There Are Logical (Causal) Links among the Various Components

- In Survey Data, Responses Have a Major Person Effect Which Inflates Correlations

- A Complete System View Is Complex

- **A Few (or Even One) Measure Can Capture Much of the Impact of All the Measures**

- **Mind Set Metrics are More Useful When Taken in a "Real" Setting (e.g., Including Competition)**

- Consistency in Measurement is Critical

- Tracking Over Time is Necessary; Changes Matter

Source: MASB, Brand Investment Project ; Batra & Stewart (2011)

Lehmann 2010

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Farris & Reibstein Model
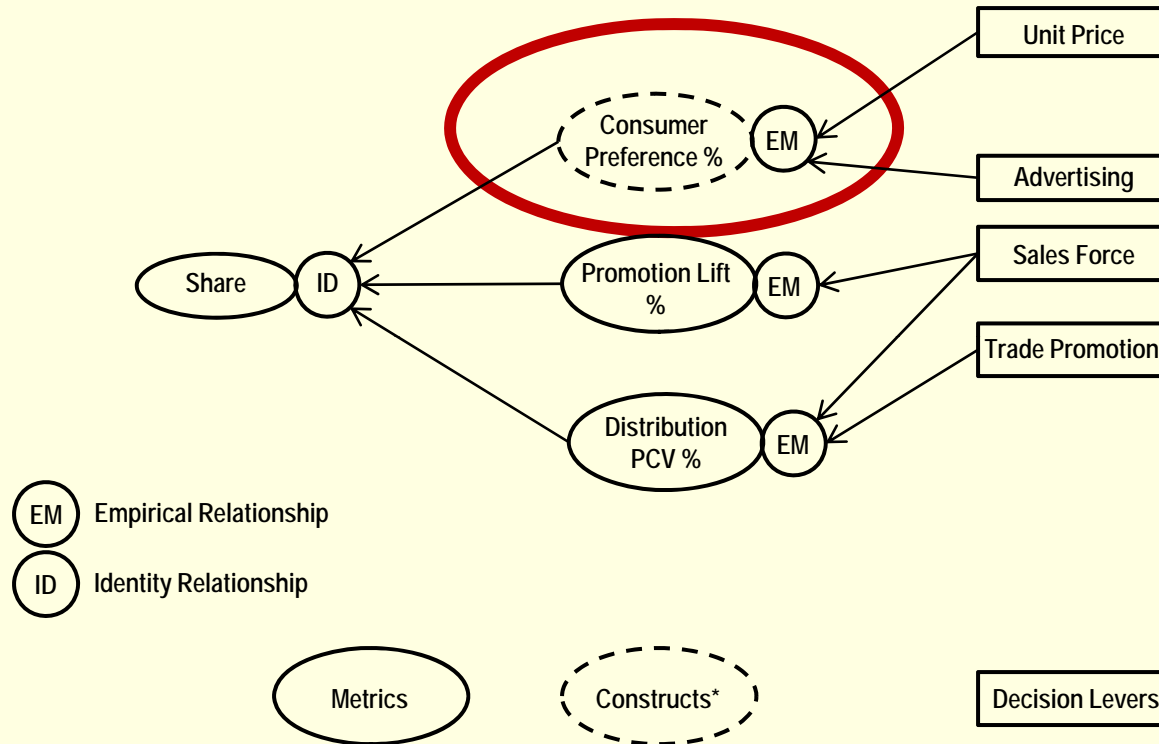
*…**strongly suggests the need for a third metric, "preference",** to create an attractive identity that may be useful in separating empirical effects and allowing for important interactions.*

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Theoretical Framework - Ambler

"…we have classified and reviewed prior research of intermediate and behavioral effects of advertising using a taxonomy of models…

Although such models have been actively employed for 100 years, we find them flawed…the concept of hierarchy (temporal sequence) on which they are based cannot be empirically supported…

We also suggest that **behavioral** (**brand choice**, market share)…measures be compiled in…databases to enable researchers…to test the interaction of content, intermediate effects, and long-and short-term behavior. In this effort, we also must **relieve measures from cognitive bias.**"

Sources: Vakratsas and Ambler 1999; MASB 2008 & 2010.

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Theoretical Framework - Stewart

"…research efforts would be more insightful if the focus were on measures of…behavioral change, rather than exclusively on cognitive measures such as recall (awareness) or attitude change.

The present study is among the very few to use (a behavioral brand choice measure) of demonstrated reliability and validity.

The single most important…factor related to the persuasiveness of the commercial is the presence of a brand-differentiating message.

Stewart and Haley (1983) have suggested that the primary function of marketing communication should be to suggest a basis for consumer choice.

Choice rules tell the prospective buyer how to choose a particular brand.

A brand-differentiating claim must introduce meaningful variation among alternatives, but it need not be directly related to product performance.

When products are perceived to be very similar, any basis for differentiation …may represent the basis for choice".

Sources: Stewart et al 1986; MASB 2008 & 2010

Brand Preference (Choice) Instrument
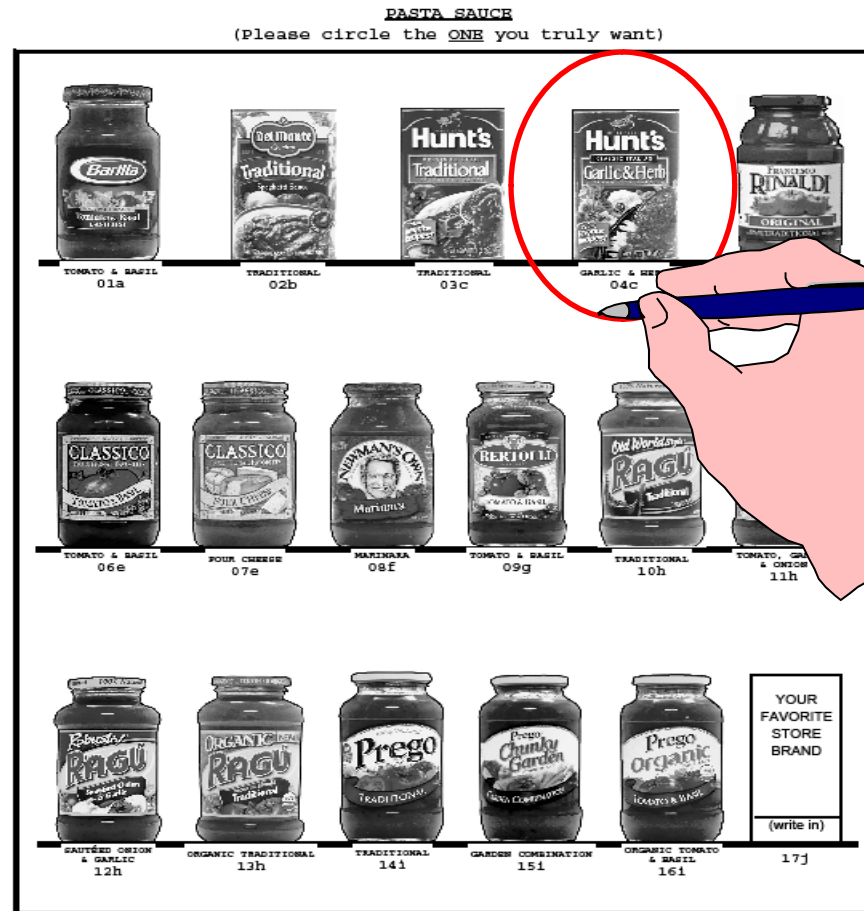
Behavioral, Relevant, Simple, in Competitive Context

Brand Preference (Choice) Instrument

Behavioral, Relevant, Simple, in Competitive Context

Source: Characteristics of an "Ideal Metric" and Practices, MASB 2010

Bridges Built: Marketing Mix Modeling & Brand Preference

Market Share → Leverage → Cash Flow

Volume → Velocity → Cash Flow

Brand Preference (Choice)

Price Premium → Margin

Brand Value

Brand Activities

Promotion (MarCom) • Placement (Distribution) • Price • Product (Innovation)

Strategy, People, Research, Legal

Short – Term & After the Fact

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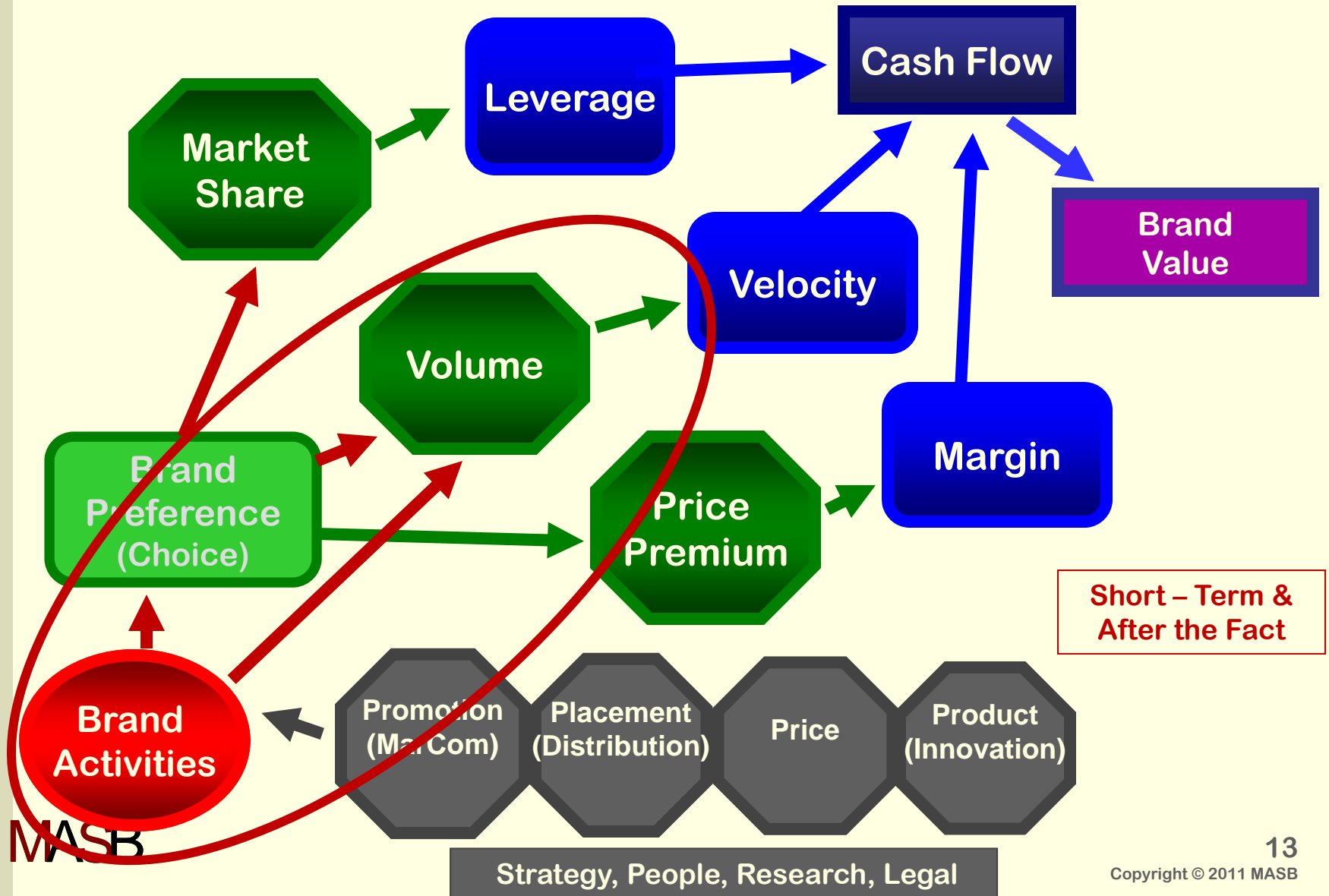
Build Bridges: Brand Preference to Brand Value

Market Share

Leverage

Cash Flow

Brand Value

Velocity

Volume

Margin

Brand Preference (Choice)

Price Premium

Short – Term & Over Time

Brand Activities

Promotion (MarCom)

Placement (Distribution)

Price

Product (Innovation)

Strategy, People, Research, Legal

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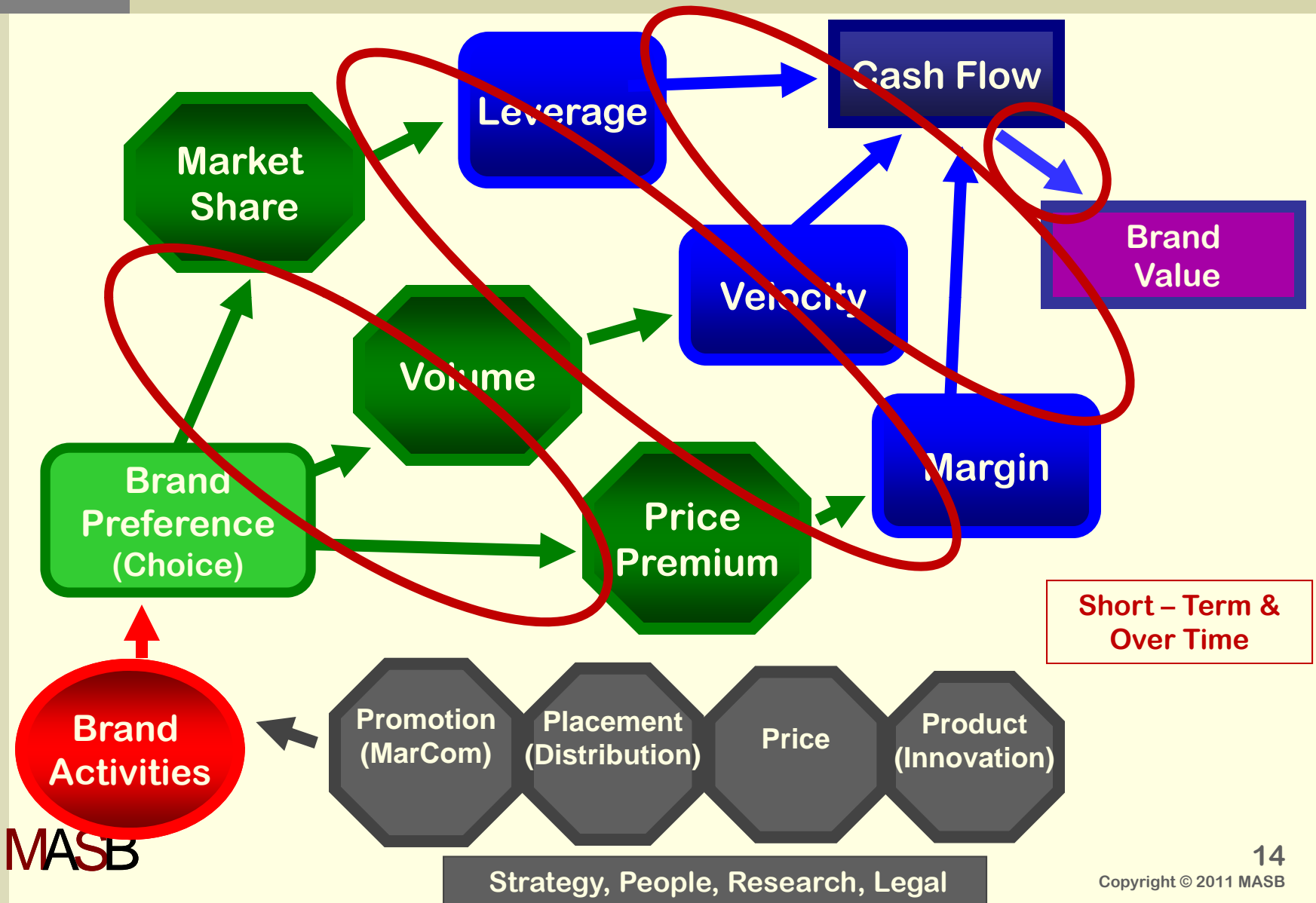
Build Bridges: Other Measures of "Brand Strength"

Market Share Sales Volume Price Premium → **Leverage Velocity Margin** → **Cash Flow** → **Brand Value**

Customer Brand Preference (Choice)

?

Marketing Measures of "Brand Health" being tracked by Participating Brands

Short – Term & Over Time

Brand Activities

Promotion (MarCom) — **Placement (Distribution)** — **Price** — **Product (Innovation)**

Strategy, People, Research, Legal

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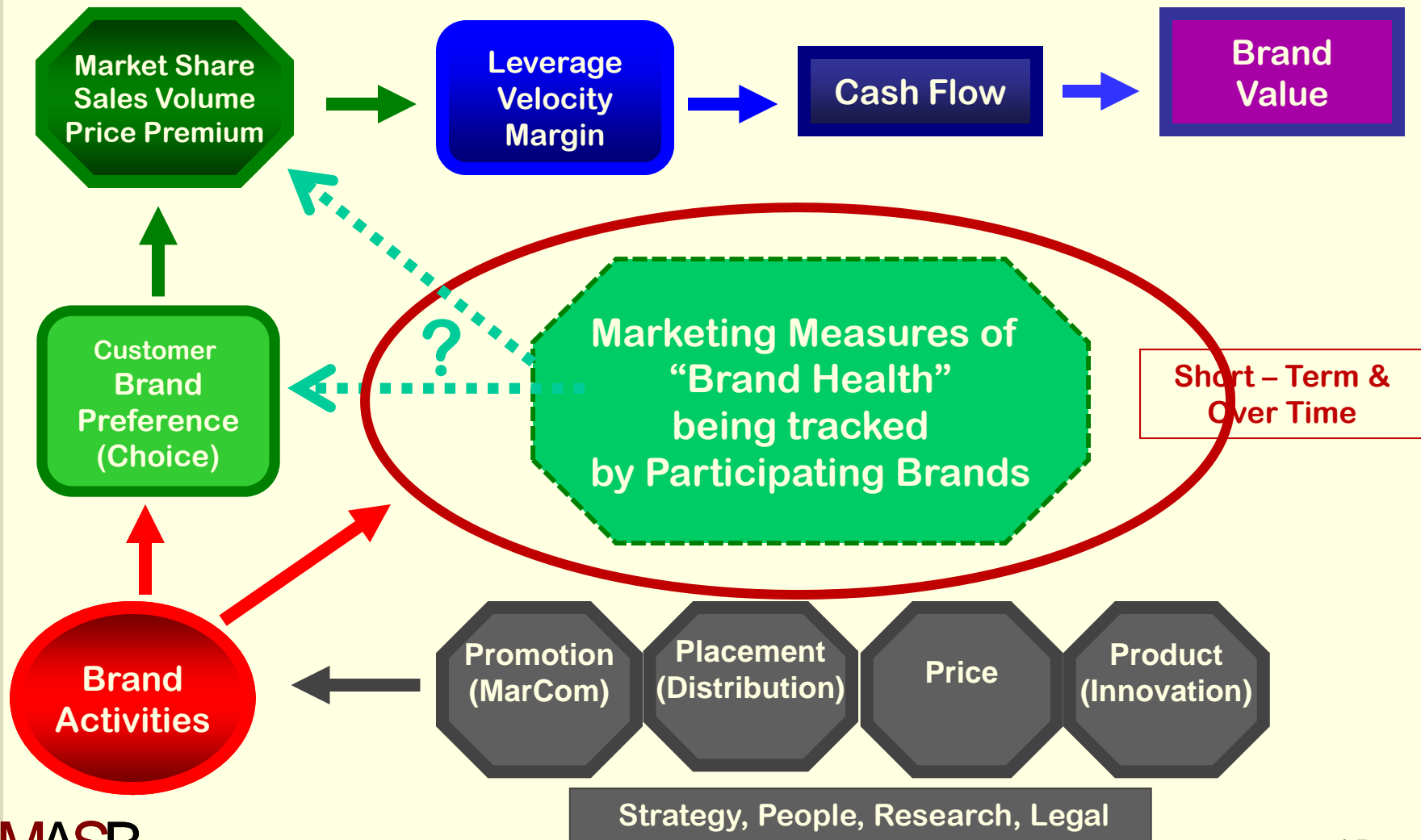
Brand Investment Model Project Team*

Leads: **Marketer (TBD)**
           Academic (TBD)

Project Manager: (TBD)

Others: David Stewart (UCR)
           Don Lehmann (COL)
           Rajeev Batra (UoM)
           Natalie Mizik (Columbia)
           Marc Fischer (University of Cologne)
           Michael Palmer (ANA)
           Market Measurement Provider (Nielsen)
           Customer Measurement Provider (comScore)
           3-5 Marketers/Brands (TBD)
           Accounting/Finance Academic TBD)
           Others (TBD)

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

Meet: 12 ET 1st Thursday

           * Members of MASB

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Thank-you!

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