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# Marketing Accountability Standards

## Improving Financial Reporting

October, 2011

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Marketing Accountability Standards Board  
of the Marketing Accountability Foundation

# Overall Objectives

## Improving Financial Reporting

**Partner with the Financial Reporting and Investment communities (FASB, IASB, CFA, et al) for improving the accounting and/or reporting rules related to 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”) such that financial returns from corporations will be driven and measured by buyer behavior in markets over time\*.**

\* Buyers might be consumers, customers, investors, etc.

# Issue

**Marketing & Finance practitioners agree that it is marketing's job to create, sustain & build brands that produce current & 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. There are no generally accepted standards for measuring the success of the marketing function in this regard for internally created Brands.**

**The Brand Investment and Valuation Project is addressing this issue by establishing “generally accepted brand investment & valuation standards” as the critical “missing link” between the marketing and financial communities. The project includes creation of general principles, standards and methodology for Investing in and Valuing Brands, as well as empirical trials to serve as examples.**

**At the same time, without changes in the financial accounting and/or reporting rules, marketing activities will continue to be considered and managed as “discretionary” expense, not as strategic investment that adds value to the firm.**

# Alternative Solution

Create and implement “generally accepted brand investment and valuation standards” as an internal discipline and process for marketing budgeting and project authorization without changing the accounting and/or reporting rules.

While it is important that this be done, it is hypothesized that corporations will not use and apply marketing measurement and accountability standards consistently and comprehensively without reasons to do so tied tightly to financial reporting.

Further, it is anticipated that the financial accounting and reporting standards bodies will be requiring Brand Value on the Balance Sheet at some time in the near future. The marketing community should take control of its territory (self-govern), or lose it to the financial reporting bodies.

# Feasibility

FASB, IASB and CFA have shown interest in addressing these types of issues through various projects that have examined the reporting of intangible assets (such as brands and customer relationships) and expenditures on efforts to create real options (e.g., R&D and customer acquisition).

**MASB is well positioned to become the partner of choice for improving marketing related standards, having both the marketing and technical expertise to support change that will align marketing expenditures to financial return and provide capital providers with information not provided under current rules but vital to making more informed investment decisions.**

# Expected Results

**Improving the reporting rules related to brand value will:**

**Require Corporations to adopt & apply marketing measurement & accountability standards consistently & comprehensively to achieve the discipline & rigor similar to applications of capital budgeting**

**Position marketing in charge of their own territory (self-governing), avoiding intervention from the financial and investment community**

**Create value for all (ie better reporting, transparency through quantification of “good will”, increase in Marketing ROI, predictable & consistent organic growth, improvement in corporate profitability and more and better offerings at less cost to meet the needs of society)**

# Plan: Improving Financial Reporting (Oct 2011)

I. Frame-Up Project, open debate /approval by MASB Directors (April –May 2010)\*

II. Form Exploratory Team (June - August)

III. Lesson from FASB as to how the rules are changed (August)

IV. Review ISO 10668 (Scholz) & POV FASRI Director (Bloomfield) (Feb 2011)

V. Review What is Known & Address Feedback so far (Feb – April)

VI. POV from CFAi speaker (Pirie) at Summer Summit (Aug)

VII. Line up SEC speaker for Feb/Winter Summit (Gregory, Sept+)

VIII. Rename/Reposition Project/Revise EI (Blair, Oct)

IX. Socialize/get feedback from marketing on “principles” (BIV.Marcom Team, Sept+)

X. Research project w/Pirie to get feedback on “principles” among Analysts (2012)

Reconfirm w/Wendy Pirie interest in research project (Meg/Jim, Nov Meeting)

Reinvigorate Brandt as we draft the questionnaire (Allan, Nov)

XI. Same among CFOs (how, who & when)

XII. Revisit ANSI/ISO Option (after XI)

XIII. Approach Appropriate Partner(s) based on Feedback (TBD)

Recommend Partnership(s) with rough draft of agreement and objectives\*

XIV. Partnership Agreement(s) & 1<sup>st</sup> Project Designated\* (TBD)

XV. Reporting rules changed (March 2014?)

BV disclosure in MD&A of AR, BV on Balance Sheet, other (see next slides)

# For MASB Consideration

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What are the various ways of communicating marketing information, and how do they compare in terms of effectiveness, practicality, and cost?

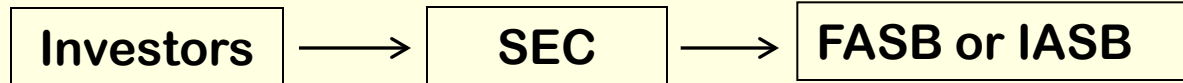
- **“Conventional” accounting methods (do marketing efforts create assets that should be reported on balance sheets)**
- **Disclosures in notes to financial statements (are existing disclosure as robust/informative/effective as possible?)**
- **Financial or Non-financial performance metrics (would the results of marketing efforts be better captured and monitored using KPIs? Could MASB develop standards for measuring those KPIs?)**
- **Qualitative/descriptive disclosures outside financial statements (should the SEC require enhanced disclosures in company information, MD&A, or in other ways?)**

**FASB’s Bielstein, August 2010**



# In Summary

- First: Get brand valuation process/standards accepted by FASB/SEC for Merger Accounting
- Next: Sell the investment community on the board – the “Power Chain” is



- Start with Supplemental Disclosures
- Be sure the CFO is on board

**MASB Advisor/Darden's Brandt Allen,  
February 2011**

# Questions to Answer

## CBRM

- Does the information improve the ability: a) to evaluate companies' performance and financial condition, or b) to make well-informed investment decisions?
- Is the information relevant and reliable?

## Conceptual framework

- Is the information useful in assessing future net cash inflows to the entity?
- Is the information relevant and a faithful representation (reliable)?

**CFAi Pirie, August 2011**

# Financial Reporting Project Team

**Leads:** Jim Gregory (CoreBrand)  
Leigh McAlister (UTA)

**Heroes:** David Reibstein (Wharton)  
David Stewart (UCR)  
MJ Tisor (at large)  
Russ Winer (Stern)  
Brandt Allen (Darden)  
**3-4 Marketers?**  
**Other**

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

**Meetings:** 1<sup>st</sup> Tuesday 3:00 ET



# Thank-you!



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