
Summary Call to Action

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St Pete, FL



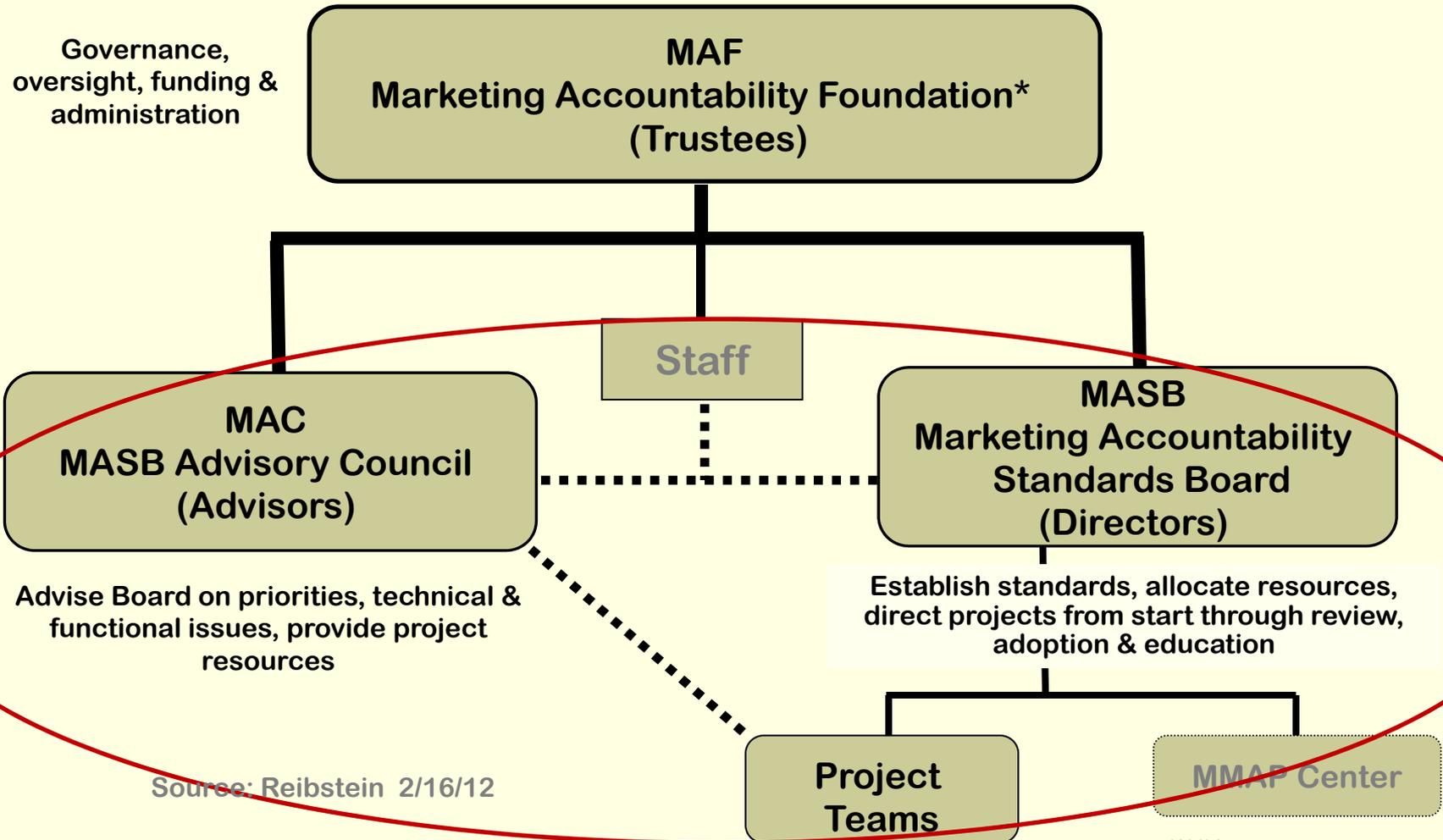
Marketing Accountability Standards Board
of the Marketing Accountability Foundation

Marketing in the 21st Century

**Aligning Marketing & Finance (on measurement)
for Creating, Building & Sustaining Firm Value**

**MASB is the independent, private sector,
self-governing body that is facilitating this
transformation**

Organizational Structure



Source: Reibstein 2/16/12

MASB Directors



Stewart 04
UCR (Chair)



Abens 08
Foresight ROI



Kuse 08
MMAP Center



Taylor 09
MSI



Gugel 09
gugelplex TV



Ciccarello 09
ConAgra



Flugel 09
At Large



Reibstein 10
Wharton



Stacey 10
Stern



Farris 10
Darden



Richardson 10
Kimberly-Clark



Mitra 10
Coca-Cola



Palmer 10
ANA



Powers 11
ARF



Canter 11
Nielsen

MAC Advisors



Hanssens 06
UCLA (Chair)



Winer 08
Stern



Lehmann 08
Columbia



Kumar 09
At Large



Bucklin 09
UCLA



Batra 09
U of M



Mizik 09
At Large



Wind 10
Wharton



Allen 10
Darden



Fischer 11
U of Cologne



Gregory 11
CoreBrand



Donahue 11
4As



Moulton 11
Nielsen



Sexton 11
Columbia



McAlister 11
UTA



Mane 11
IAB



Costopoulos 11
AMA

The Game Changers

**MASB
Project**

**BIV
Brand Investment
& Valuation***

**IFR
Improving Financial
Reporting**

Keys to stepping up to the strategic planning table:

bringing credible metrics and processes for informing investment decisions and for managing risk...and

partnering with finance to ensure that financial returns are driven by buyer behavior in markets short-term & over time.

Source: Stewart 2/16/12

The Game Changers

**MASB
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**BIV
Brand Investment
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Improving Financial
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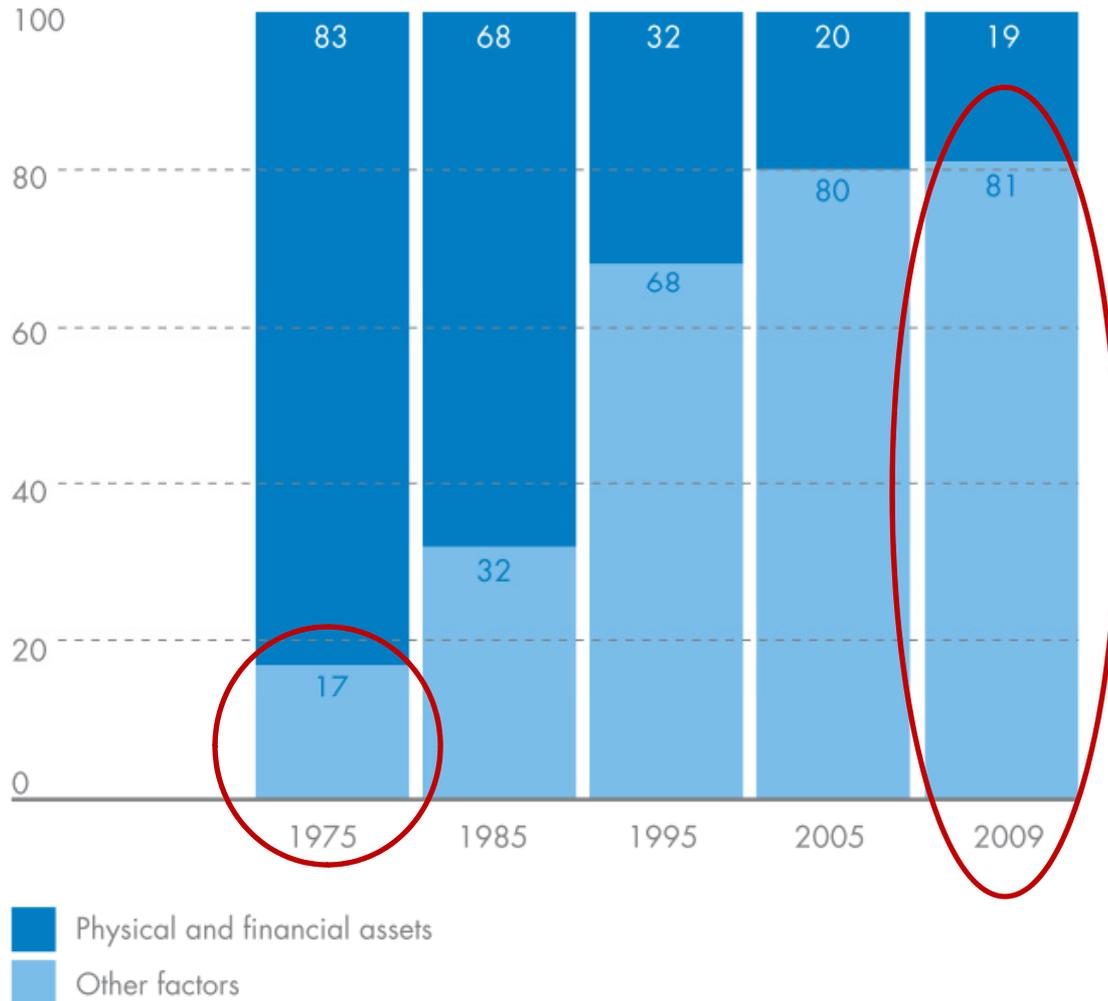
**AM Guest
Speakers**

**Brand represents
great Value
Ivan Cayabyab**

**Intangibles >80%
of Corp Value
(need better info)
Bob Laux**

Source: Reibstein 2/16/12

Components of S&P 500 market value



Source: Laux 2/16/12

The percentage of market value represented by physical and financial assets versus intangible factors, some of which are explained within financial statements, but many of which are not.

How is Integrated Reporting Different?

Thinking:	Disconnected	→	Integrated
Stewardship:	Financial capital	→	All forms of capital
Focus:	Past, financial	→	Past and future, connected, strategic
Timeframe:	Short term	→	Short, medium and long term
Trust:	Narrow disclosures	→	Greater transparency
Adaptive:	Rule bound	→	Responsive to individual circumstances
Concise:	Long and complex	→	Concise and material
Technology enabled:	Paper based	→	Technology enabled

Source: Laux 2/16/12

Resources and relationships or “capitals”

- **Financial capital:** The pool of funds available to the organization.
- **Manufactured capital:** Manufactured physical objects, as distinct from natural physical objects.
- **Human capital:** People’s skills and experience, and their motivations to innovate.
- **Intellectual capital:** Intangibles that provide competitive advantage.
- **Natural capital:** Includes water, land, minerals, and forests; and biodiversity and eco-system health.
- **Social capital:** The institutions and relationships established within and between each community, group of stakeholders and other networks to enhance individual and collective well-being. Includes an organization’s social license to operate.

Source: Laux 2/16/12

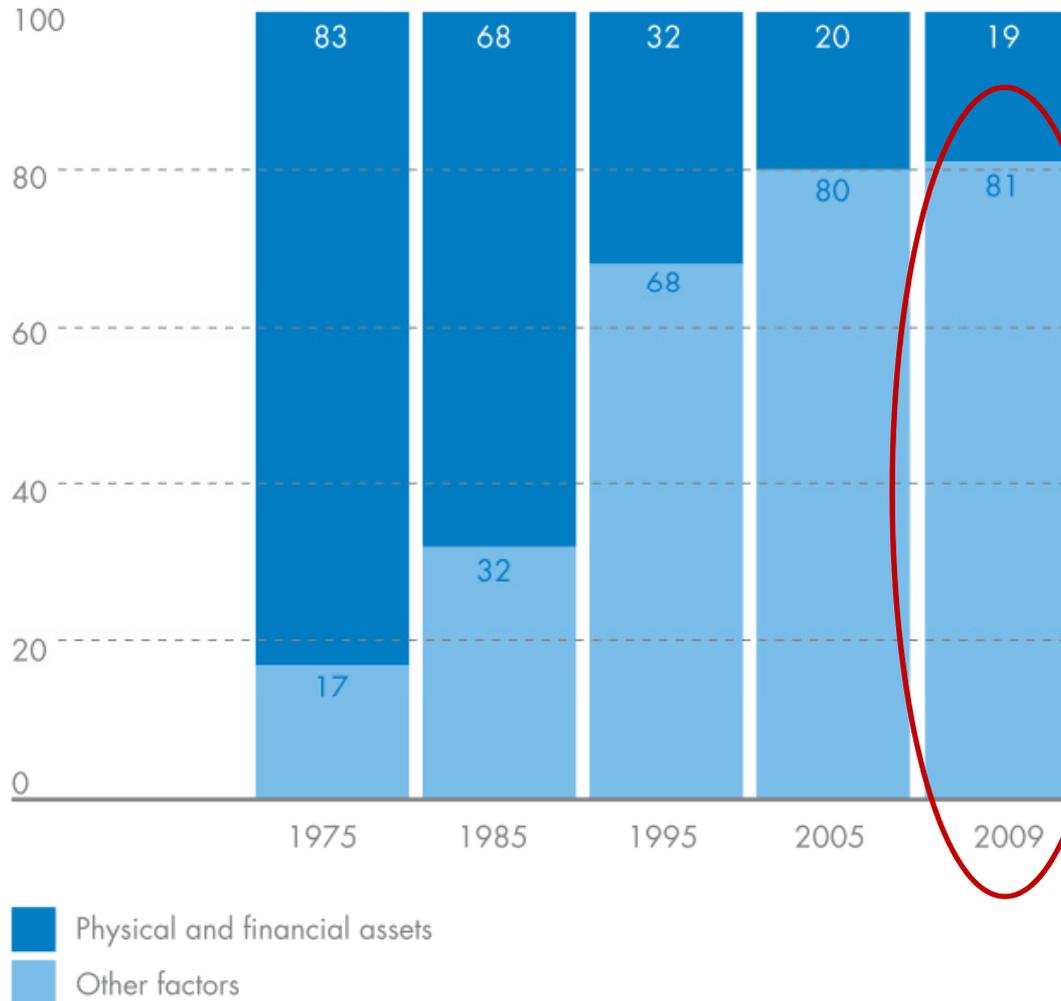
What do we mean by Intellectual Capital?

Intangibles that provide competitive advantage, including:

- intellectual property, such as patents, copyrights, software and organizational systems, procedures and protocols, and
- the intangibles that are associated with the brand and reputation that an organization has developed.

Source: *Towards Integrated Reporting*

Components of S&P 500 market value



**How much
the brand(s)?**

Source: Laux 2/16/12

The percentage of market value represented by physical and financial assets versus intangible factors, some of which are explained within financial statements, but many of which are not.

Should we care?

% Mkt Cap

21%

25%

15%

2011	Value (\$B)	Rank	Movement	Change
Interbrand	\$42.8	#5	↓	-10%
BRANDZ™	\$50.3	#10	↑	+12%
 BRAND-FINANCE®	\$30.5	#7	↓	-4%
 CoreBrand	N/A	#25	↑	+2%

How to manage if not sure where it stands or if it's going up or down?

On the one hand...

The variability of the alternative brand values makes their validity and utility highly suspect

While on the other...

Their prominence and visibility necessitates proactively managing and interpreting the results.

Source: Cayabyab 2/16/12

Issue

- **Marketing & finance practitioners agree**
 - It is marketing's job to create, build & sustain brands
 - They produce current & future economic benefits for the firm
 - They are an important intangible asset owned by the enterprise
 - Brands create options for the firm
 - Brands represent much of the value of the firm
- **Marketing's 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 this marketing function**
 - Extant measures do not agree in magnitude or direction of change
 - There are many “measures” but few tied to financial performance

Objectives of BIV Project

To provide consistent, comparable, credible and actionable brand valuations through establishment of “generally accepted brand investment and valuation standards”

Involving:

Creation of general principles, and standards/methodology

For Investing in and Valuing Brands

And empirical trials among 3-5 brands

As examples of applying the principles & standards/methodology

The primary output:

A generic model/methodology

For marketers to use to value their brands

And to guide investment decisions

Why this is Important – Swimming in Data

Market Share

Preference

Trade Promotion Lift Index

Bonding

Brand Loyalty

Persuasion

FSI ROI

Penetration

Social Buzz



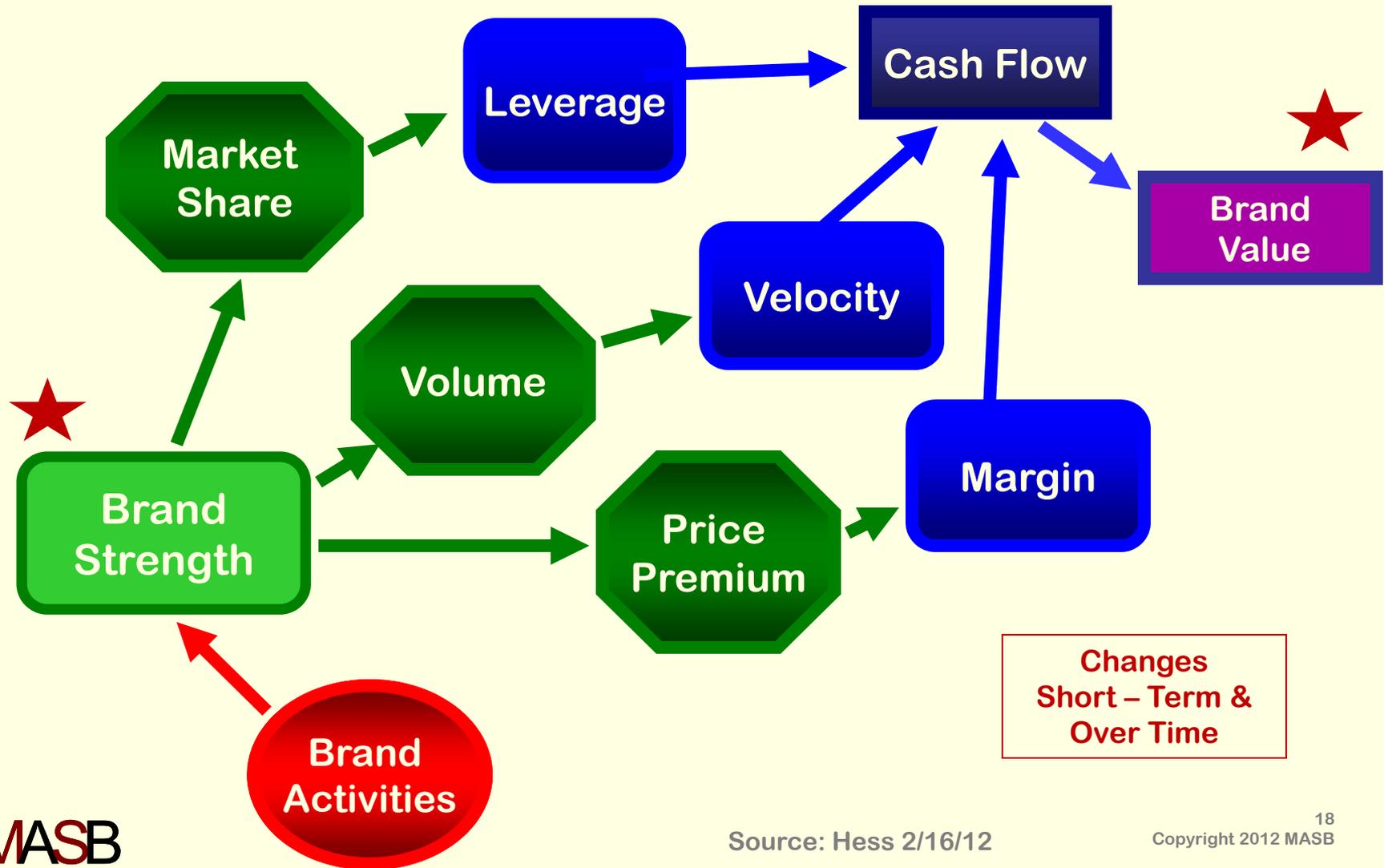
Price Elasticity

Unaided Awareness

The BIV Methodology & Trials

- Will demonstrate how the marketing & financial concepts relate to one another empirically (according to MMAP)
- With standard metrics that are simple, transparent, relevant, and calibrated across categories, cultures & conditions
- And reliably linked to both short & longer term financial return

MMAP: Brand Investment/Valuation Model (Conceptual Links)



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.

Source: Blair August 2011

Stewart 2/16/12

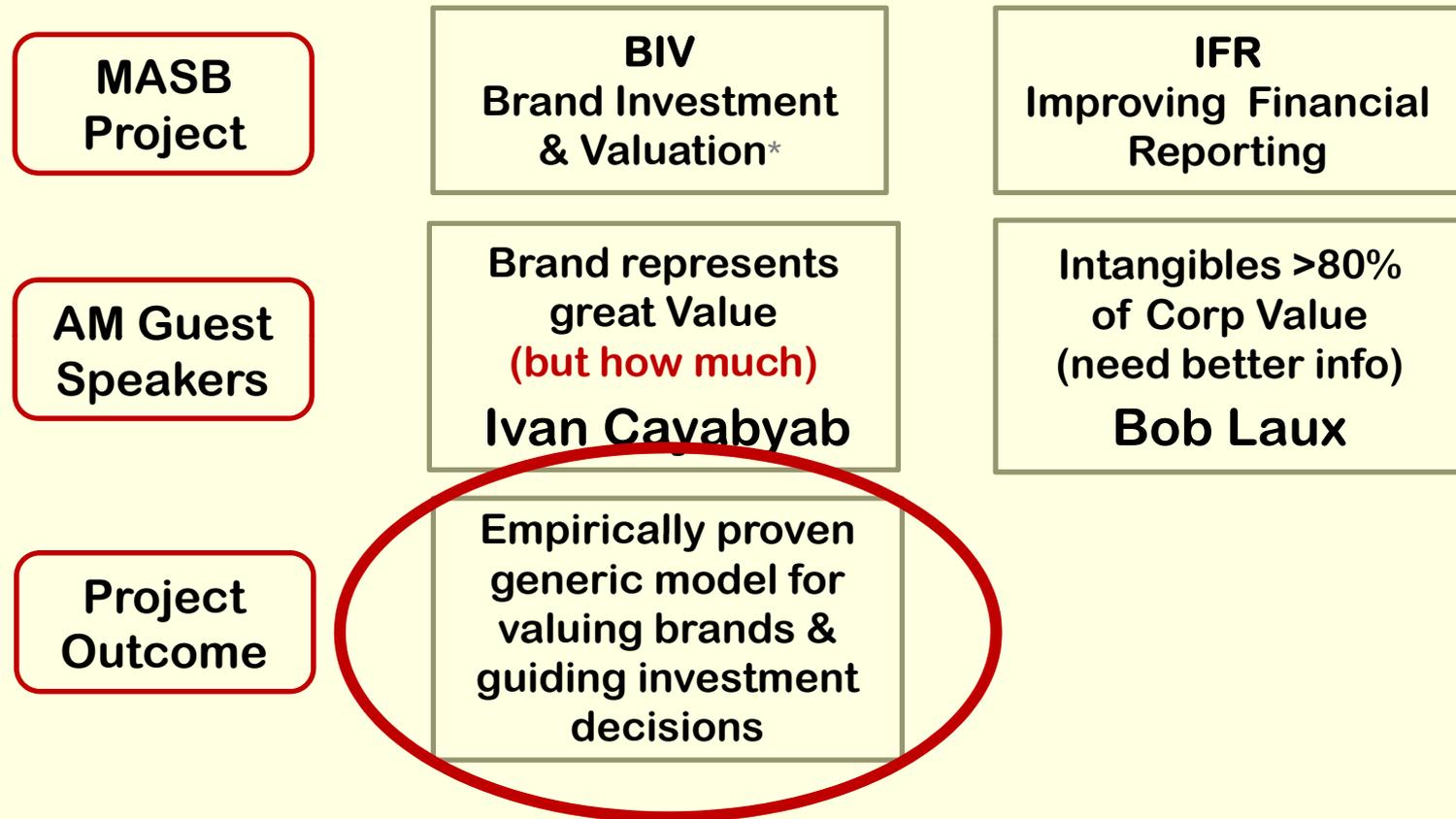
What's in it for marketing community?

- **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

Source: Blair August 2011

Stewart 2/16/12

The Game Changers



Source: Hess 2/16/12

Current Landscape (PM)

- Reporting of Brand Value is required for those acquired
 - Valuations are conducted by accountants/valuators
 - With no marketing input/metrics
- Reporting of BV is not required for internally developed brands
 - Inconsistency in rules
 - Untenable over long run
- Standards reporting bodies are moving in direction of resolution
 - FASB & IASB on and off agenda since 2001 (starts & stops)
 - IIRC integrated reporting (intangibles now >80% of firm value)
- Many believe reporting of Brand Value is inevitable
 - Not a matter of if
 - But of when and how...

Source: McAlister 2/16/12

Window of Opportunity (PM)

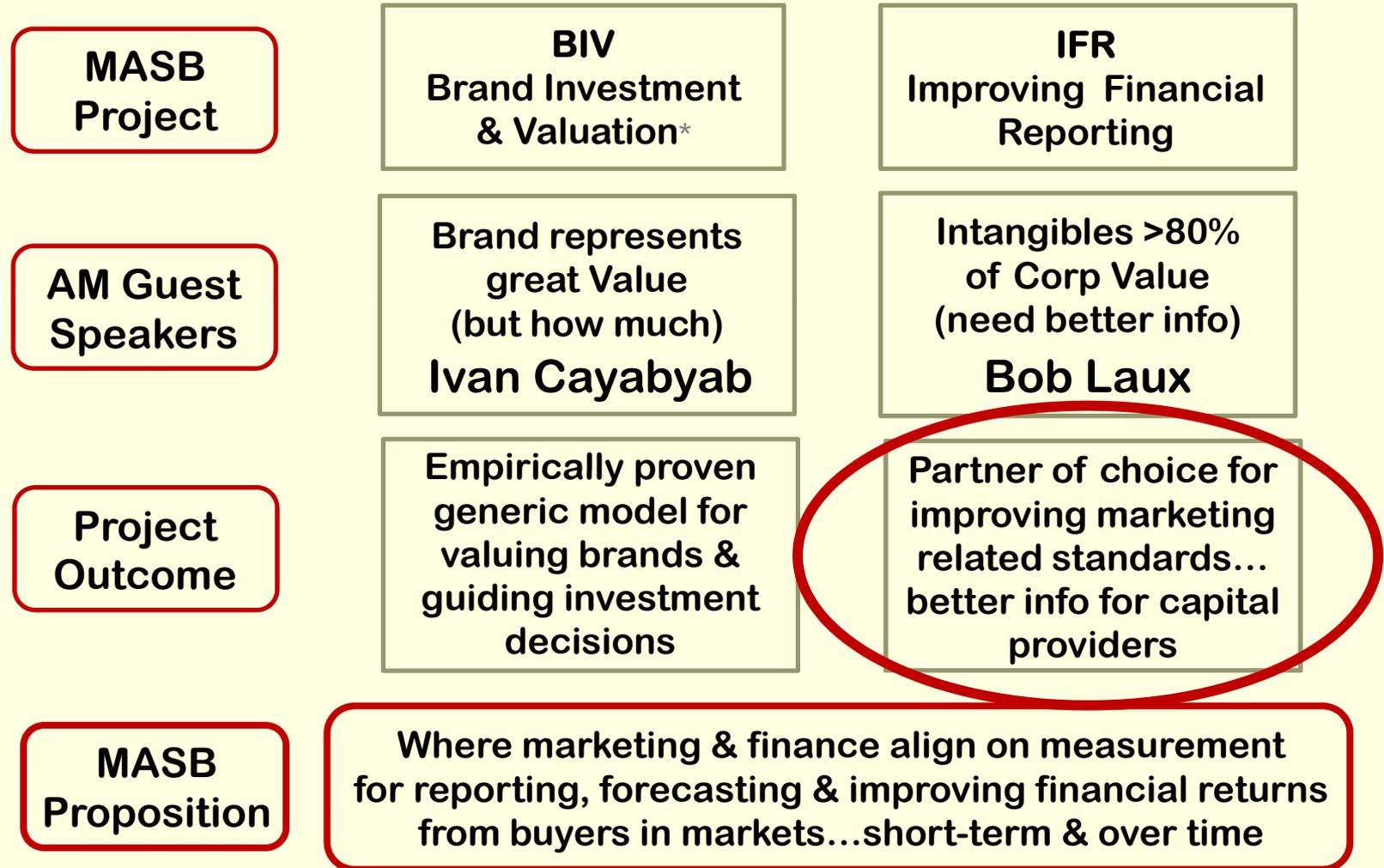
Marketing must and will be prepared with credible metrics & processes for valuing brands (BIV Team)

and partnering w/reporting bodies to ensure brand strength among customers is a requirement of the valuations (IFR Team)

This is the window of major opportunity for marketing to step up and earn a permanent seat in the boardroom at the strategic planning table!

Source: McAlister 2/16/12

The Game Changers (PM)

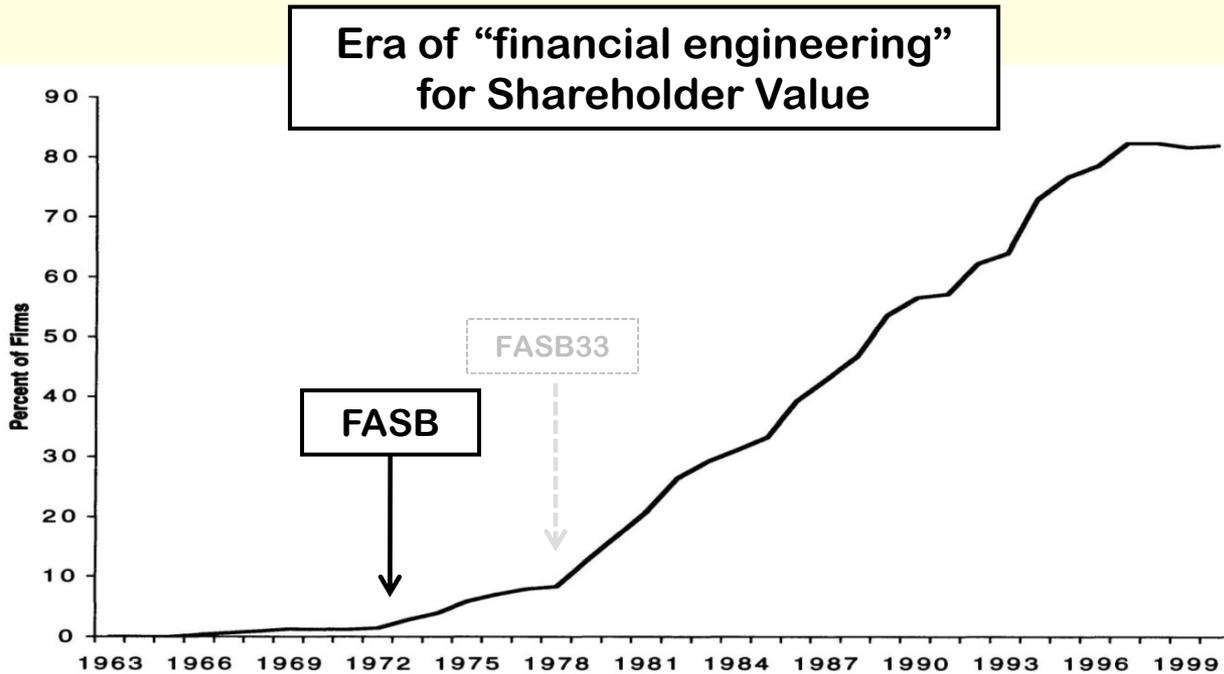


“Though a generation is sometimes required to effect the change . . . communities have again and again been converted to new paradigms

Conversions will occur a few at a time until, after the last holdouts have died, the whole profession will again be practicing under a single, but now a different, paradigm.”

Thomas Kuhn 1970

Rise of the CFO

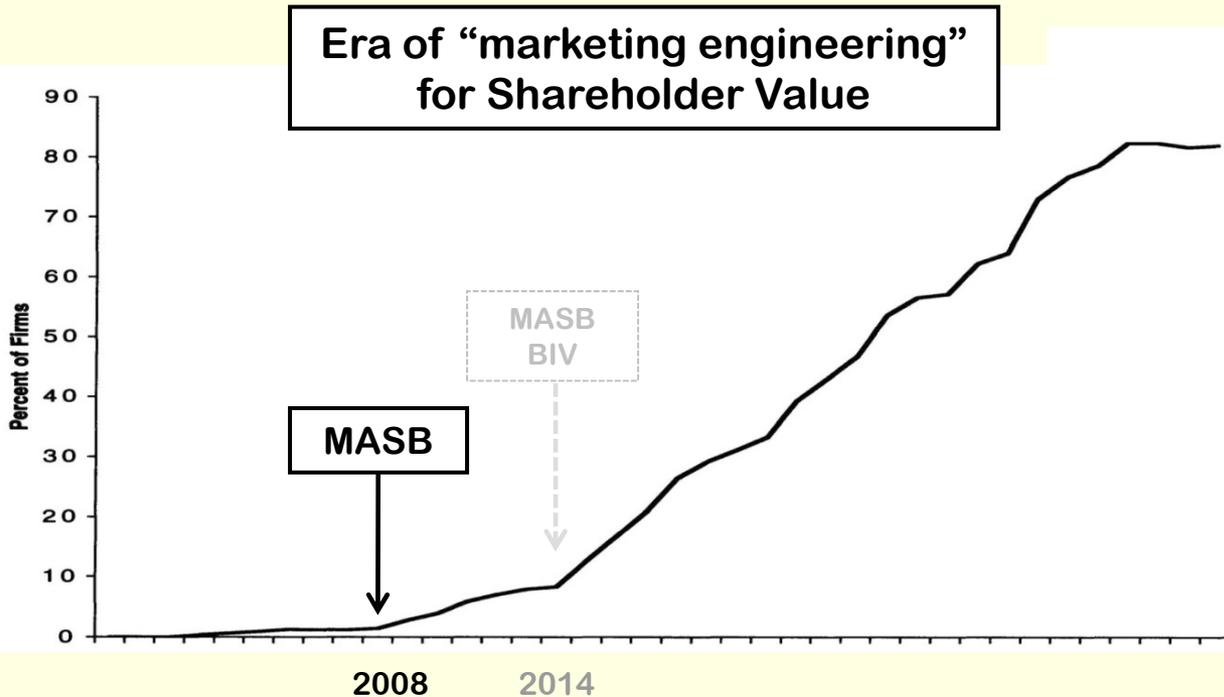


Prevalence of CFO Positions 1963-2000

Source: Zorn, Dirk M. "Here a Chief, There a Chief: The Rise of the CFO in the American Firm", American Sociological Review (Jun 2004)

**FASB set standards for the rise of the CFO...
then "financial engineering" delivered shareholder value.**

Rise of the Accountable CMO



MASB is setting the standards for the rise of the accountable CMO... when “marketing engineering” will deliver shareholder value*.

* Consistent profitable growth from buyers in markets short-term & over time.

Call to Action (What MASB needs)

- **Current Members of MASB to renew membership (8/11)**
 - **89% of Top Tier 3-Year Members have renewed**
 - **Double the number have since joined for 3 years**
 - **Thank-you!**
- **New Members to fill Founding Trustee seats**
 - For governance, oversight, **funding & administration...**

Need Foundation Trustees



Microsoft



GE



K-C



Coca-Cola



ConAgra



Nestle



Blair 04
MAF/MASB



Barns 04
Nielsen



Sirkin 04
SMG



Plummer 06
Columbia



Tisor 07
At Large



Liodice 11
ANA



Deloitte



WPP



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**Need a few more visionary marketing & financial execs
who would find joy in stewarding the journey...
of measurement based marketing accountability...
and making a big difference to business & society overall**

The Vision (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.

Source: Blair 2007

The Vision (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!

Source: Blair 2007

Thank-you!

For your support of MASB
and a better future for all who follow



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