
about **MASB**

Setting Standards for the Rise of the Accountable CMO

Year IV Overview & Report
January, 2012



Marketing Accountability Standards Board
of the Marketing Accountability Foundation

The Business Landscape

...dominance of the finance function has come into question as it has become clear that underlying assumptions do not always hold...and that financial returns ultimately must be driven by efficiencies in operations and by buyer behavior in markets.

David Stewart, UCR and MASB Chair (August 2009)

The Opportunity

...a unique opening for marketing to step into the void and reassert itself at the strategic planning table, by bringing credible metrics and processes for informing investment decisions and for managing risk.

David Stewart, UCR and MASB Chair (August 2009)

Preparation

- **August 2004**
 - In response to growing demand for accountability
 - Handful of industry academics & practitioners
 - Saw opportunity to increase contribution of Marketing
 - Through development of standard metrics & processes
 - That link marketing activities more objectively & more closely
 - To the financial performance of the firm
- **Over 3 Year Period (9/04 – 9/07)**
 - Conducted comprehensive review
 - Current practices
 - Needs
 - Accountability initiatives underway



An Analogy: The Quality Movement

Marketing is where quality was 50 years ago

- Highly idiosyncratic
- Viewed as a cost (Scrap & re-work as “Low Cost” substitutes for quality)
- Lacking consistent metrics
- Lacking standardized processes

The quality movement has spent 50 years proving itself

- Developing metrics
- Creating standard processes
- Linking to financial performance (through demonstrated cost savings and higher returns in the market)
- Demonstrating its value

Conclusions & Recommendations

- **Marketing has been relegated to the “default” category (control costs) because it lacks metrics that reliably tie activities and costs to corporate return in a predictable manner.**
- **Standards across industry and domain as well as a transparent process by which to develop and select the metrics will be necessary to emerge from the current situation.**
- **The market is unlikely to achieve consensus on its own.**
- **There is need for an industry level “authority” to establish the standards and to ensure relevancy over time.**
- **As was true for manufacturing & product quality (with ANSI & ISO) and for accounting & financial reporting (with FASB & IASB), so it would be true for marketing and profitable growth (with MASB).**

The Premise & Proposition

Marketing will move from discretionary business expense to board-level strategic investment through accountability and a standards setting “authority” for measuring (forecasting & improving) the financial return from marketing activities.

MASB

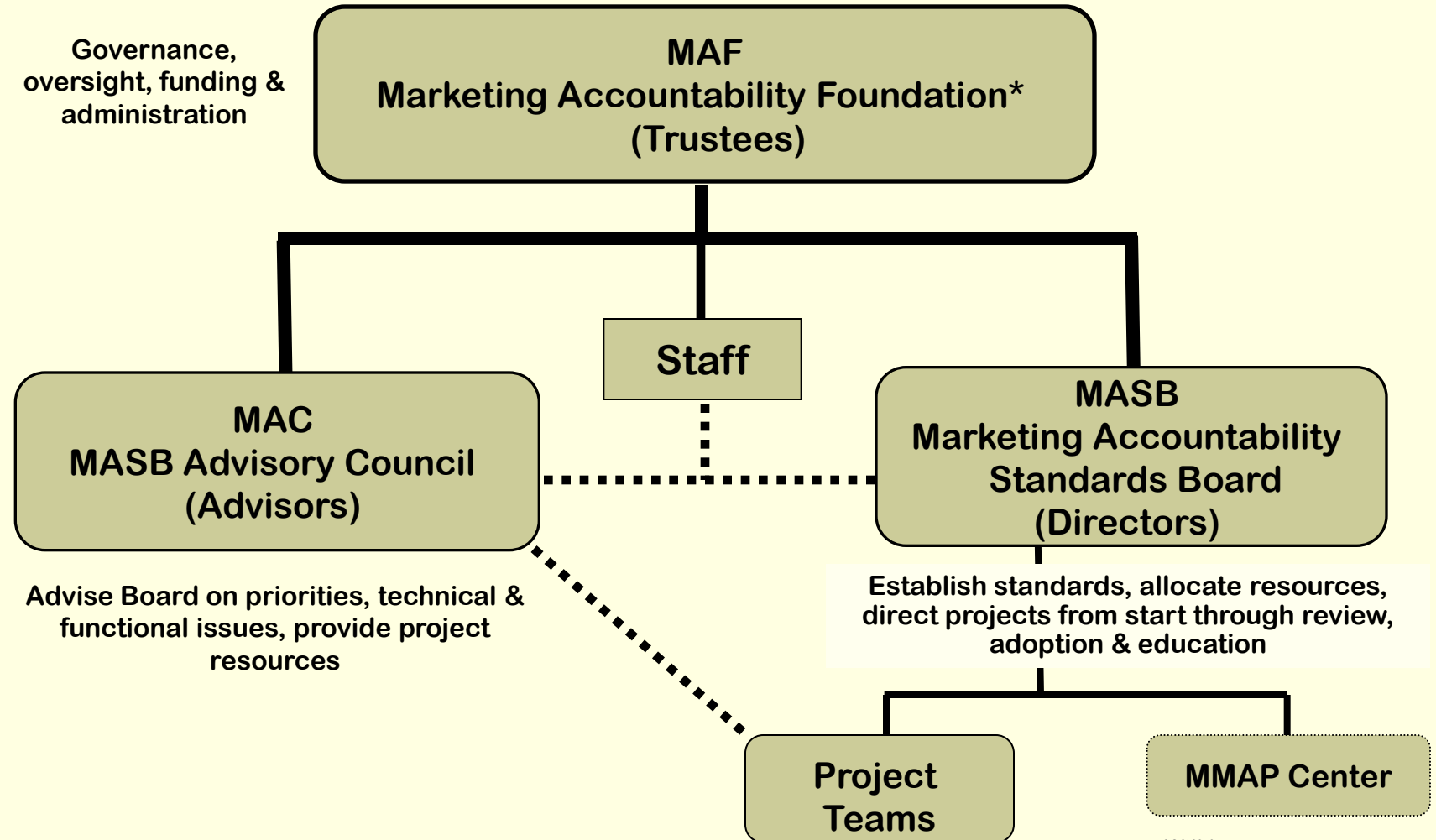
The independent, private sector, self-governing body where marketing and finance align on measurement for reporting, forecasting and improving financial returns from buyers in markets...short-term and over time.

Establishing the critical “missing links” between the marketing and financial communities.

Mission Statement

**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.**

Organizational Structure



* Incorporated in Delaware and operating exclusively for charitable, educational, scientific, and literary purposes - 501(c)(3) Not-For-Profit

Will be spun out to serve individual organizations

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



Hanssens 06
MAC Chair

Advisors



Hanssens 06
UCLA (Chair)



Winer 08
Stern



Lehmann 08
Columbia



Kumar 09
At Large



Bucklin 09
UCLA



Batra 09
U of M



Wind 10
Wharton



Allen 10
Darden



Fischer 11
U of Cologne



Donahue 11
4As



Gregory 11
CoreBrand



Moulton 11
Nielsen



Sexton 11
Columbia



McAlister 11
UTA



Mane 11
IAB



Costopoulos 11
AMA



Bahary 12
comScore

Trustees



Blair 04
MAF/MASB



Barns 04
Nielsen



Sirkin 04
SMG



Plummer 06
Columbia



Tisor 07
At Large



Liodice 11
ANA

**With enough MASB Directors and MAC Advisors to guide the standards projects on the agenda, focus is on recruiting the Founding Trustees for stewardship of the Marketing Accountability Foundation.
(Governance, oversight, funding, administration)**

The first 6 of 18 are in place.

The Role of MASB

Measurement standards are essential for the efficient and effective functioning of a marketing driven business, because decisions about the allocation of resources and assessment of results rely heavily on credible, valid, transparent and understandable information.

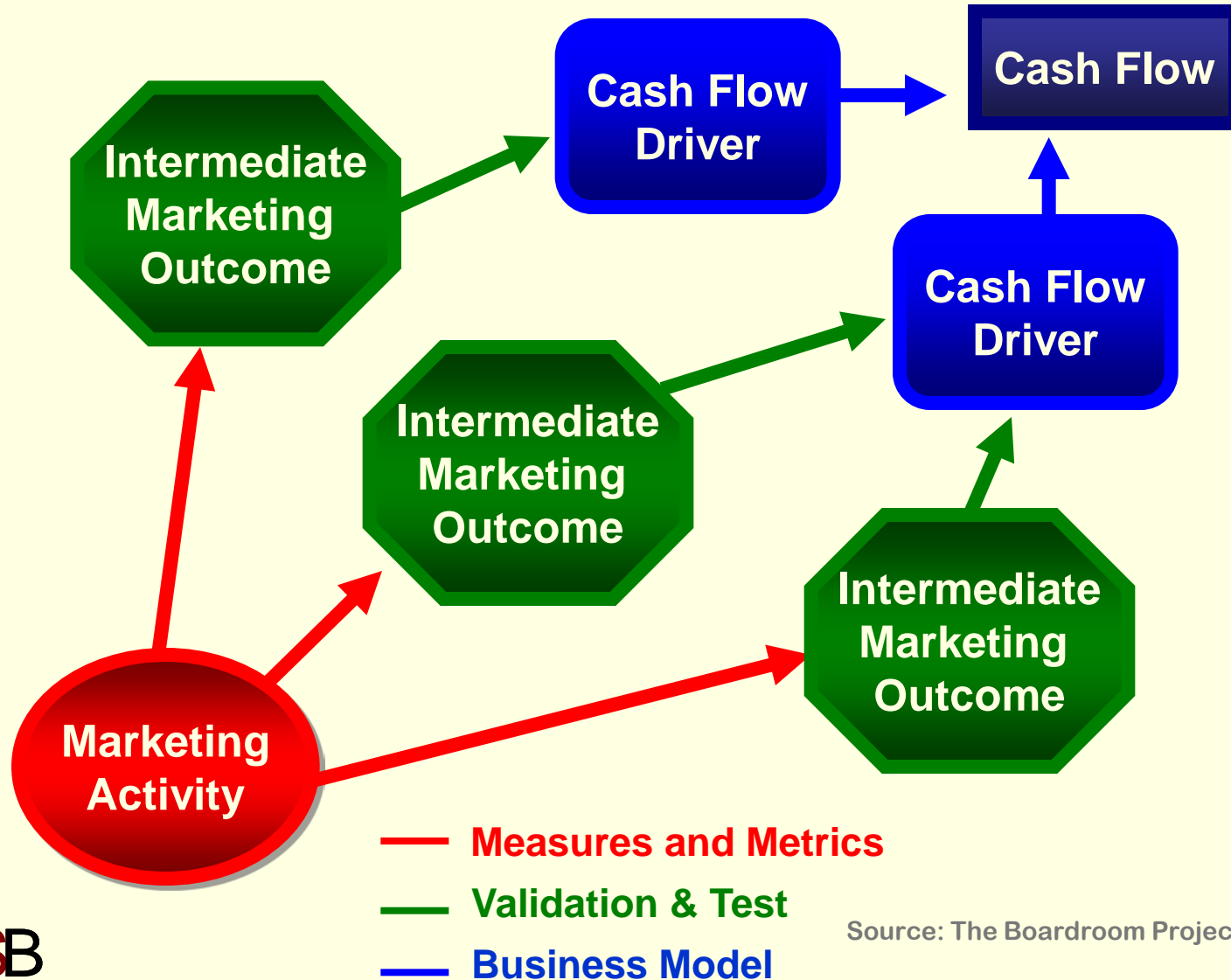
The role of MASB is in setting the standards and processes necessary for evaluating marketing measures in a manner that insures credibility, validity, transparency and understanding.

Work of the MASB is conducted on a Project basis and organized into three overall categories: Standards, Research and Concepts.

Key Projects Completed & Posted*

- **The Long-Term Impact of Advertising, What is Known**
- **Marketing Productivity, Effectiveness & Accountability**
- **Objectives of Marketing Standards**
- **Academic Review: Role of Standards**
- **C-Level Views on Marketing Accountability**
- **Methods of Brand Valuation**
- **Measuring (Forecasting & Improving) the Return from TV**
- **Practices Underlying Ideal Metrics**
- **Rationale & Proposed Principles for Brand Valuation**
- **28 Articles & Presentations**
- **9 Two-Day Summits**
- **Marketing Metric Audit Protocol - MMAP**

MMAP: Marketing Metric Audit Protocol



Ongoing Project

Common Language for Marketing Activities & Metrics on Wikipedia

This project is designed to eliminate the ambiguity in marketing terminology and definitional differences between C-Suite management, finance, marketing, sales and research within an organization and across the marketing and business communities... by establishing MASB endorsed common language for marketing activities and metrics using Wikipedia as the technology and publishing platform.

Status: 50 activities/metrics have been added/revised on Wikipedia, notification will be sent to academics for use in curricula, and entries will continue.

Ongoing Project

MMAP Marketing Metrics Catalogue

While marketing does not lack measures, it lacks standard metrics explicitly linked to financial performance in predictable ways.

The Marketing Metric Audit Protocol (MMAP) is a formal process for connecting marketing activities to the market and financial performance of the firm.

It includes the conceptual linking of marketing activities to intermediate marketing outcome metrics to cash flow drivers of the business...as well as an audit as to how the metrics meet the validation & causality characteristics of an ideal metric.

Status: comScore Brand Preference/choice & CoreBrand Familiarity & Favorability have undergone the MMAP audit w/results posted.

In time, firms will require and rely on the audits to select marketing metrics that will help them improve market & financial performance.

Projects Underway

- **Customer Lifetime Value for CPG**
Conduct a pilot and test that will demonstrate (how) the CLV construct and models can be reliably applied to CPG and target marketing
- **Measuring Return from Interactive**
Identify one or more established metrics that may quantify the relationship between display advertising and financial performance
- **The MASB Book I**
Compile the best of MASB work in an edited book that is accessible to the general business and academic communities...providing a rallying point for those committed to greater accountability in marketing, the development of standards for marketing reporting, a stronger role for marketing in the strategic decision making of the firm

The Game Changers Underway

■ Improving Financial Reporting (IFR)

Partner w/Financial reporting & Investment communities for improving accounting and/or reporting rules such that financial returns from corporations will be driven & measured by buyer behavior in markets over time.

(All firms are required to report Brand Value when brands are acquired. These valuations are performed by banks, accounting firms, certified valuers, and with little marketing input. This project will see that marketing is at the table when reporting of Brand Value is required for internally developed brands)

■ Brand Investment & Valuation Standards (BIV)

Establish “generally accepted brand investment and valuation standards”.

(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 an important intangible asset owned by the enterprise. Current methods of brand valuation conducted and published by marketing service firms are divergent, inconsistent, and generally not useful for financial forecasting, planning, justifying investment or improving return. This project will set standards for valuing brands in a manner that will provide consistency, comparability, credibility and actionability...and in the form of a methodology that marketers can use to value their brands and guide investment decisions.)

■ BIV MarCom

Effectively clarify & communicate the operational importance of the Brand Investment & Valuation Project to all marketing constituencies

Current Landscape (BIV Project)

- 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 metrics/input.
- 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 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 market behavior and financial outcomes both short-term and over time.

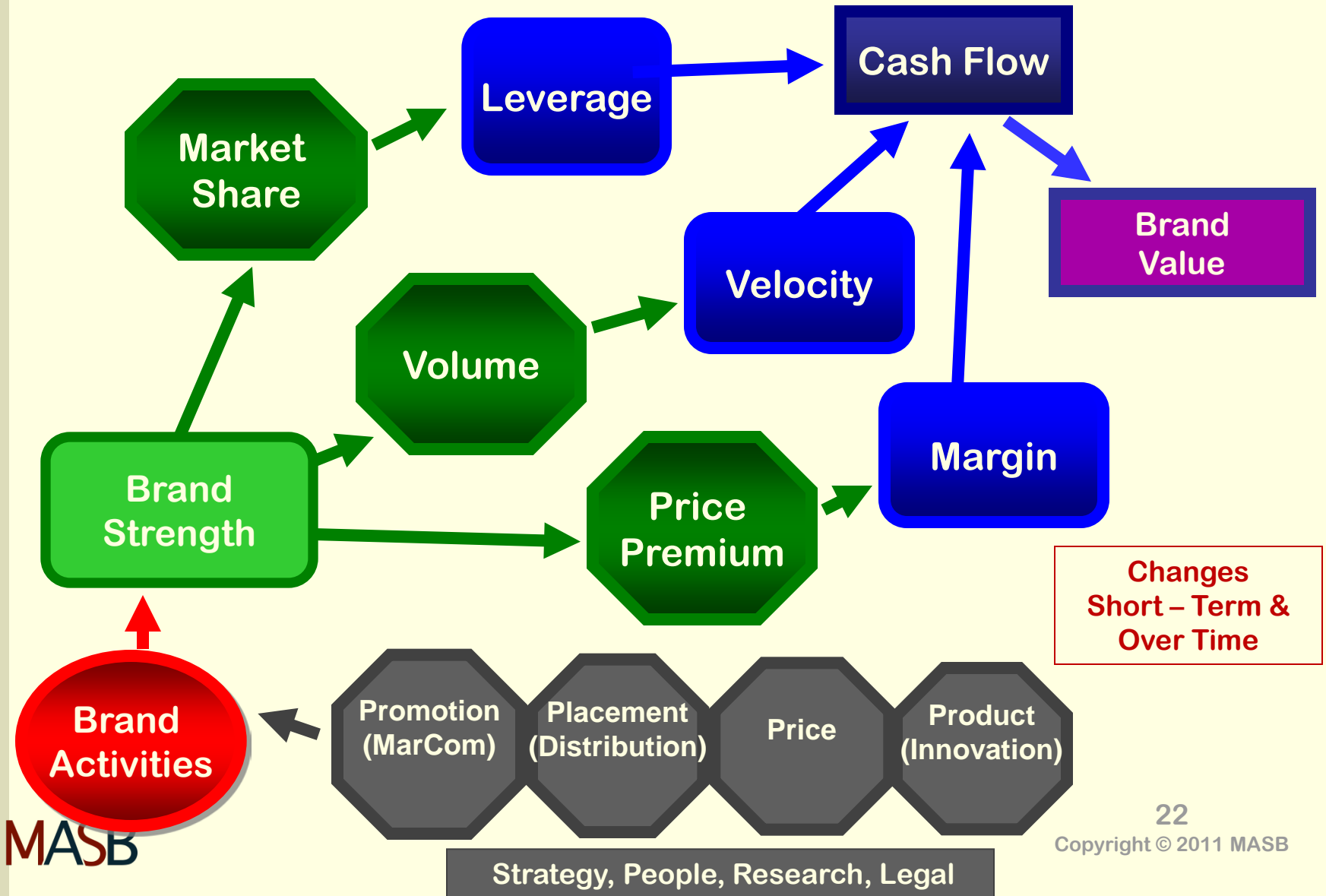
The Methodology & Trials

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

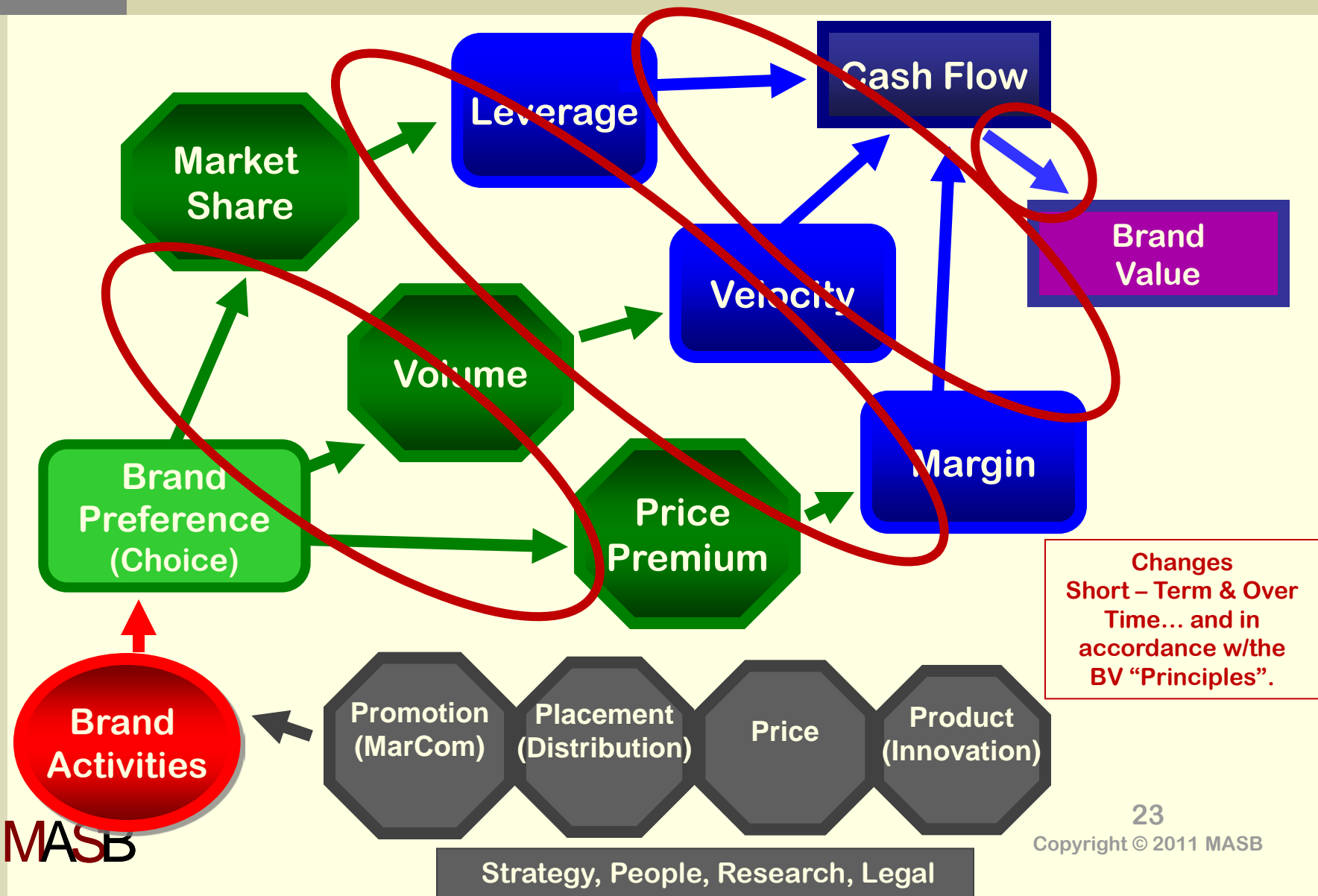
The primary output of the project/trials will be in the form of a generic model/methodology that marketers can use to value their brands and to guide investment decisions.

MMAP: Brand Investment/Valuation Model

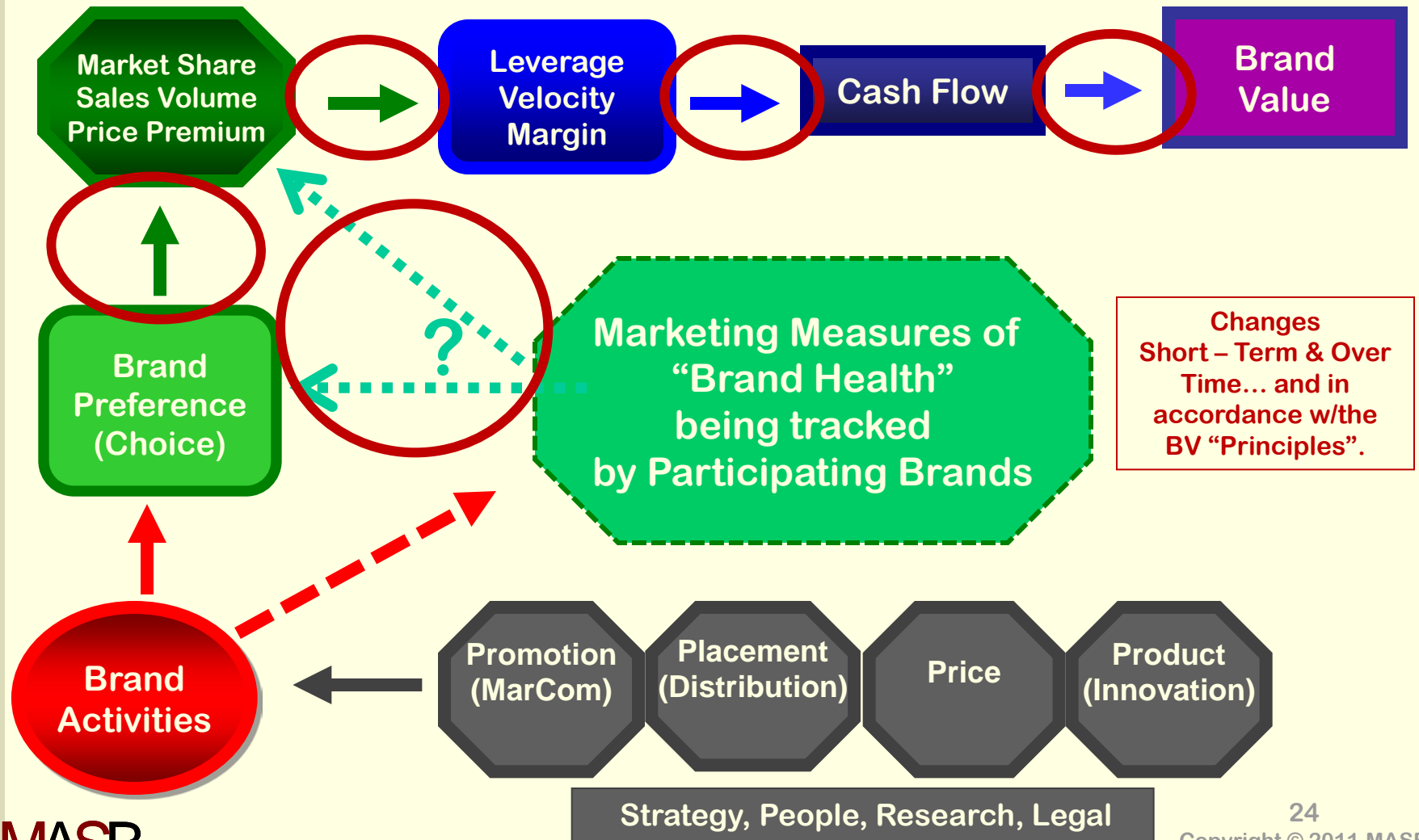
(Conceptual Links: Stewart & Lehmann)



MMAP: Brand Investment/Valuation Trials



MMAP: Brand Investment/Valuation Trials

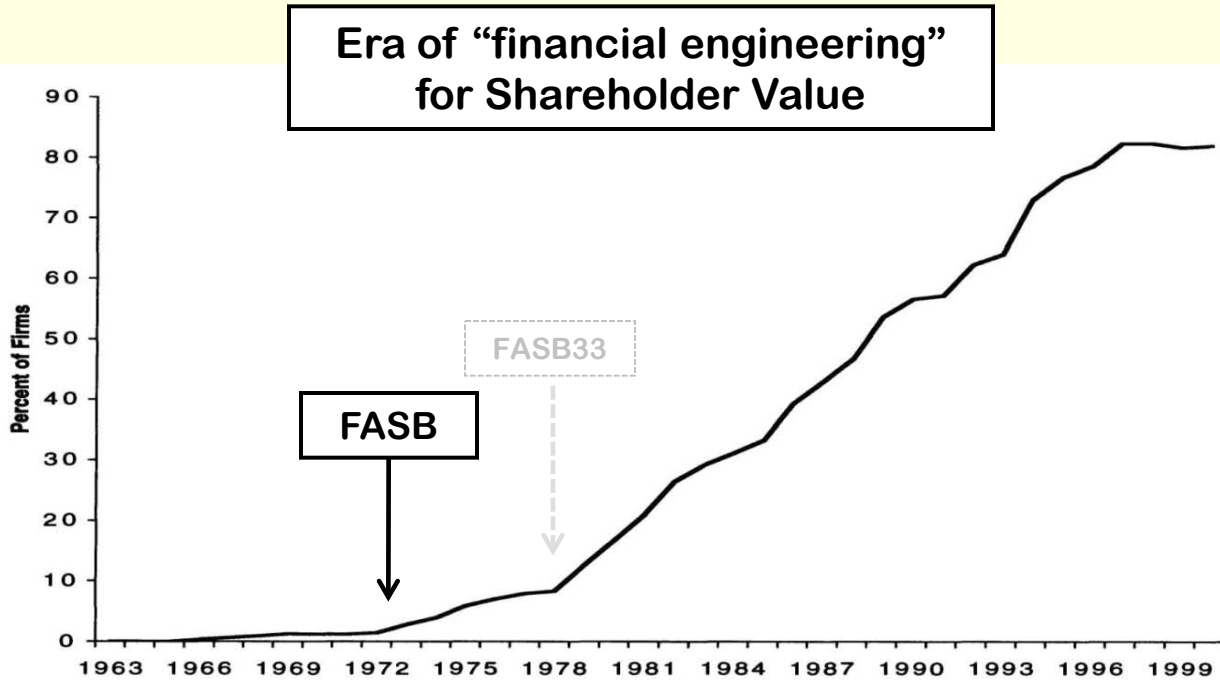


The Promise

The development of generally accepted and common standards for measurement and measurement processes will significantly enhance the credibility of the marketing discipline, improve the effectiveness and efficiency of marketing activities, and enable continuous improvement over time.

Stewart, 2008

Rise of the CFO

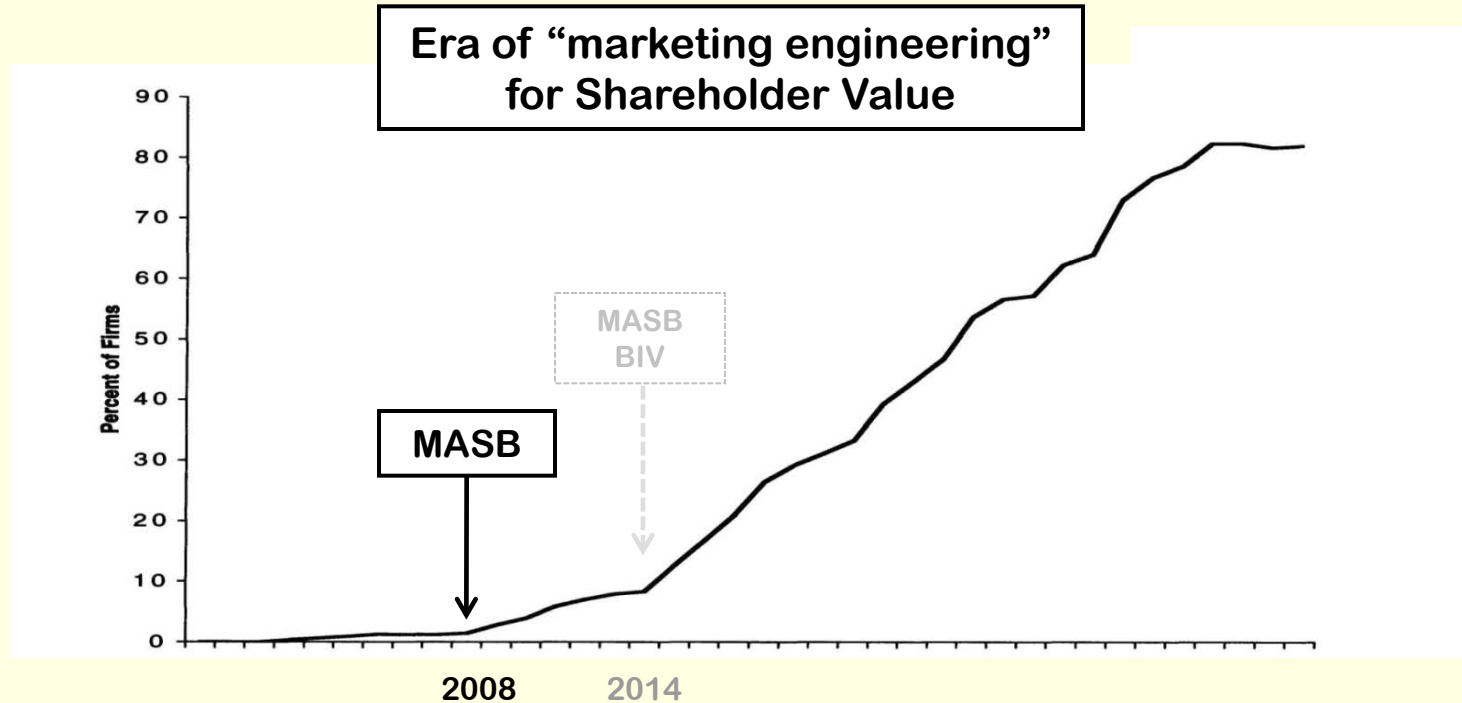


Prevalence of CFO Positions 1963-2000

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.



Thank-you!



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