
Marketing & Finance Aligning

Journey to Brand Value The Critical Missing Link

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August 2012
Chicago



Marketing Accountability Standards Board
of the Marketing Accountability Foundation

The Boardroom Project

Completed 3 Year Study

Reached Out to Marketing & Finance

First Summit

2007

**THE
BOARDROOM PROJECT**

Marketing Accountability is Top Concern

- Number one issue on senior Marketer's minds three years & running
- What senior marketers told us they worry about
 - How to measure marketing effectiveness,
 - How to translate less quantitative metrics, e.g. brand strength, into business drivers
 - How to build long term brand equity within Wall Street's short term focus
 - Building ROI metrics into campaigns at the planning stages rather than trying to figure out how to measure effectiveness after the fact
 - Predictive marketing measurements

Barbara Bacci Mirque: EVP ANA

Why do we have so many measures?

- Ease of measuring?
- History?
- Different Theories?
- Category Uniqueness?
- Changing role of Marketing?
- Researchers seeking proprietary advantage?
- Changing players?

Joe Plummer: CRO ARF

Why So Many Metrics

- ▶ No established standards
- ▶ No marketing process
- ▶ No analytical framework
- ▶ No causal model

Gordon Wade: ANA Consultant

A CFO Perspective

Without the matching principle (tying \$\$ spent to Revenue and/or Profit stream) marketing will continue to be treated as discretionary expense, like travel or office supplies.

Achieving the matching principle will place the CMO at the C-Table as a strategic partner, helping the CFO smooth growth/the P&L over time.

Tying \$\$ spent to short term revenue/profits in a reliably predictable fashion will justify the expense, and doing so for the long term will place those costs on the balance sheet.

You can step up, become partners, take control of your own destiny (by setting the controls, measurement & process standards)...or we'll do it for you.

Who will get there first?

Lyn Benton: Former CFO Lotus

I work with the CFO to set goals, priorities and budgets. Marketing has the freedom on how to achieve goals and utilize the budget.

Much of what marketing can contribute right now is seen as less tangible because we lack the metrics.

Dawn Hudson: CEO Pepsi North America, Interview
w/Plummer & Blair

Summary of (CFO) Interviews

- **There is a universal need for true marketing ROI metrics... valid/predictive performance (return) metrics which can be integrated w/performance metrics from other parts of value chain.**
- This need for metrics is especially true for advertising and in-store/similar “channel” activities as well as competitive moves.
- **Metrics related to both short term and long term impact are needed...with focus on customer outcomes.**
- Increased speed of business makes accurate forecasting critical.
- It will take a combined effort of marketing, finance and sales to find/agree on/work with the “best metrics”.
- **A self-governing standards body could add real value to meeting these needs.**

Joe Plummer: CRO ARF



MASB Summits



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

The Vision is shared

**CEOs want metrics to make marketing's contribution more tangible.
CFOs want metrics that tie to/predict financials-short and long-term.
CMOs want to be at the Strategic C-table.**

MASB Mission is underway...

**Meg Blair: Former CEO ARS Group, Founding
MAF/MASB President**

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.

Dave Stewart: Dean UCR, Founding MASB Chair

A Few Financial Analyst Interviews

- None were able to say anything about marketing except that it was an expense line and a large one at that
- Marketing budgets of companies tracked averaged about 16% of revenue allocated to marketing
- When asked how satisfied they were w/level of information available given amount spent, all answered *barely or not at all*
- *Does XXX even care what they do with their budget or is it just a big slush fund? I mean really... ”*
- All indicated they wanted to see information quantifying the financial return (short and long term) from marketing expenditures
- All wanted to see metrics on a firm’s marketing effectiveness/efficiency
- All agreed that the information should be standardized

MJ Tisor: Group Director Strategic Sourcing Visa,
Founding Director of MASB

Numbers are there, but Finance doesn't buy them

While Finance is satisfied with spend tracking:

	Yes	No
Is there an adequate audit trail for your companies marketing spend?	80.0	19.2

They simply don't believe the numbers that come from marketing:

	Yes	No
Given that marketing forecasts are often input to financial guidance, do you believe these forecasts are audit-ready?	36.2	60.0
Do you believe marketing has adequate understanding of financial controls?	35.4	63.1

And so they're not incorporated into decisions

	Yes	No
Does your company use marketing inputs and forecasts for financial guidance or public disclosure?	30.8%	69.2%

And it's not impacting budget changes

Going into your annual budgeting cycle, what do you use to set the marketing budget?	Yes	No
Marketing ROI Metrics	10.0%	90.0%
Predetermined percent of revenues, or simply make adjustments from last year's budget.	63.8%	36.2%

It would be great if there were conflict in the boardroom between marketing and finance...

2009



...but that requires everyone to actually be in the boardroom

Finance...

We lowered our interest expense and improved our cash flows by refinancing our debt obligations.



Operations...

We improved productivity by cutting direct labor and sourcing direct materials at a lower price.



Sales...

We closed that sale by reducing the price and providing volume discounts.



VS.



"We could use you in our next ideation."

Marketing...

We drove brand awareness and really connected with our core demographic.

All too often finance and operations executives just aren't buying the marketing value proposition, and marketers are the odd ones out.

Hypotheses

A discipline & process for marketing budgeting and project release which achieves similar discipline and rigor as capital budgeting DCF like approaches will be interesting to some corporations.

Although they will not use and apply marketing measurement and accountability standards consistently & comprehensively until there are reasons to do so tied tightly to financial reporting and translated into personal reward systems.

John Lees: GM Global Research & Analytics Kimberly Clark,
Director of MASB

The 1st Marketing & Finance Panel

2010

Finance



Jeff Kampsen
FedEx & Coca-Cola

Marketing



Ken Lewis
Sun Coffee Roasters
Timex, Stanley Works
Walt Disney



John Matthews
Comcast



Bob Liodice
ANA Constituency
All Brands

**role of marketing
in overall financial performance of the firm**

Panel: Conceptual Alignment

Marketing => Branding

Creating Brand Preference

Profitable Growth over Time*

Asset (Brand Value)

Shareholder Value

On Balance Sheet**

Panel aligned/agreed with following caveats:

- * “How much” & “over what period of time” needs quantification**
- ** Not sure this is necessary**

Highly Divergent Estimates of Brand Value

2010

Brand	IB BV 09	Brand	MB BV 09	Brand	BF BV 09
Coca-Cola	68,734	Google	100,039	Wal-Mart	40,616
IBM	60,211	Microsoft	76,249	Coca-Cola	32,728
Microsoft	56,647	Coca-Cola	67,625	IBM	31,530
GE	47,777	IBM	66,622	Microsoft	30,882
Nokia	34,864	McDonald's	66,575	Google	29,261
McDonald's	32,275	Apple	63,113	GE	26,654
Google	31,980	China Mobile	61,283	HSBC	25,364
Toyota	31,330	GE	59,793	Vodafone	24,647
Intel	30,636	Vodafone	53,727	Hewlett-Packard	23,837
Disney	28,447	Marlboro	49,460	Toyota	21,995
Hewlett-Packard	24,096	Wal-Mart	41,803	Bank of America	21,017
Mercedes	23,867	ICBC	38,056	McDonald's	20,003
Gillette	22,841	Nokia	35,163	Nokia	19,889
Cisco Systems	22,030	Toyota	29,907	AT&T	19,850
BMW	21,671	UPS	27,842	Verizon Wireless	18,854
Louis Vuitton	21,120	Blackberry	27,478	China Mobile	17,196
Marlboro	19,010	Hewlett-Packard	26,745	Orange	16,799
Honda	17,803	BMW	23,948	Disney	16,750
Samsung	17,518	SAP	23,615	Budweiser	16,692
Apple	15,443	Disney	23,110	Tesco	16,408

Source: Type 2 Consulting

Natalie Mizik "Valuing Marketing"

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MASB March 2010 Board Meeting

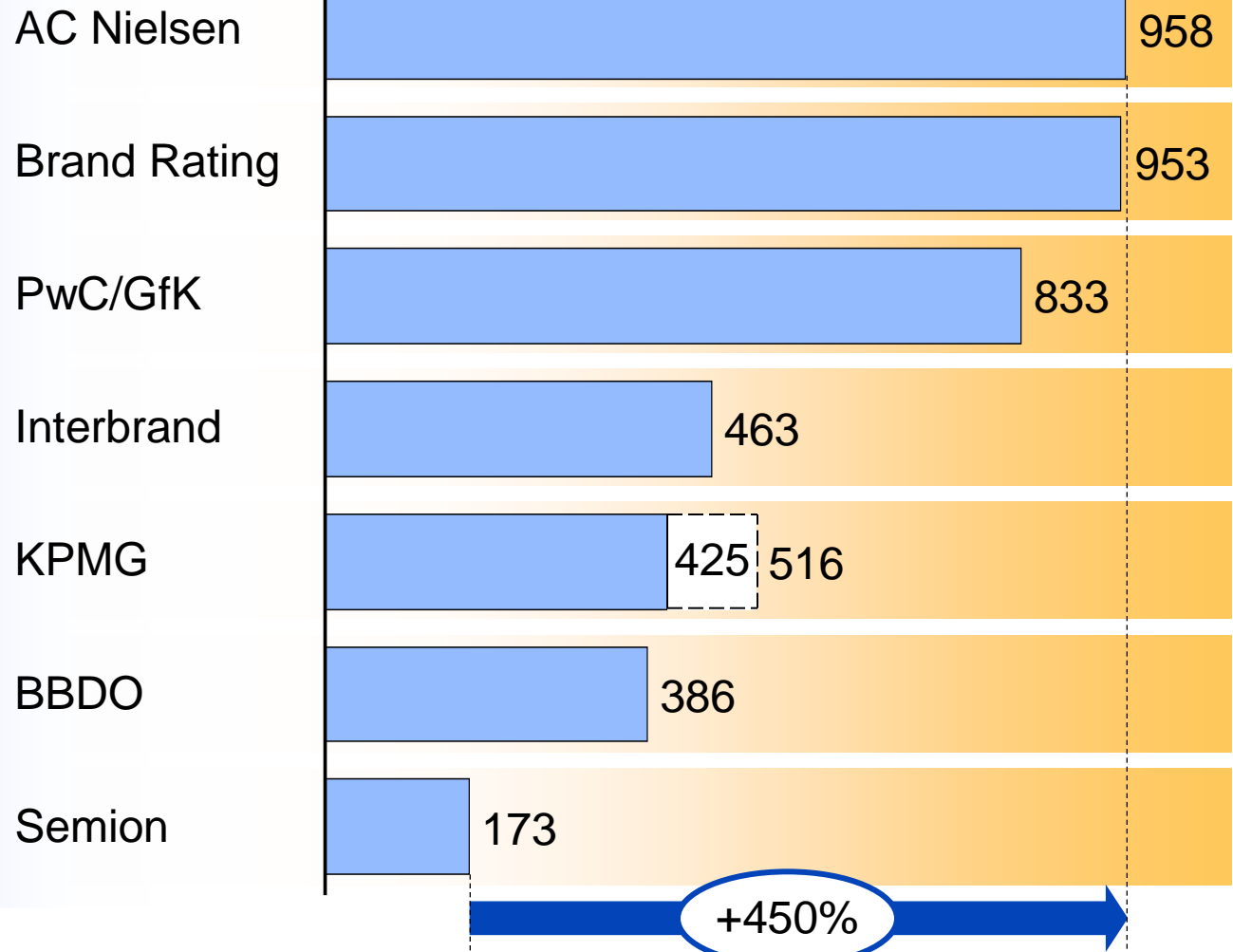
No Agreement on the Direction of Change

Brand	09 vs 08 I'BRAND	09 vs 08 M BROWN	09 vs 08 B FINANCE	Sign change consistent?
Coca-Cola	3%	16%	-28%	NO
Microsoft	-4%	8%	-31%	NO
Google	25%	16%	-32%	NO
IBM	2%	20%	-17%	NO
GE	-10%	-16%	-26%	YES
McDonald's	4%	34%	-8%	NO
Apple	13%	14%	-37%	NO
Nokia	-3%	-20%	-40%	YES
Toyota	-8%	-15%	-16%	YES
Hewlett-Packard	2%	-9%	-30%	NO
Disney	-3%	-3%	-15%	YES
Intel	-2%	4%	-45%	NO
BMW	-7%	-15%	-21%	YES
HSBC	-20%	3%	-28%	NO
Gillette	3%	6%	-75%	NO
UPS	-8%	18%	-20%	NO
Cisco Systems	3%	-25%	-40%	NO
Mercedes	-7%	-14%	-51%	YES
Oracle	-1%	-6%	17%	NO
Pepsi	3%	-3%	-38%	NO

...DO NOT CONVERGE AT ALL

BRAND VALUE
EUR millions

Seven brand valuation experts determined the brand value for a fictitious company based on the same data



Source: Special issue absatzwirtschaft 2004

The Next 3-Years: Change the Game

- **Brand Investment & Valuation Standards (BIV)**
Provide consistent, comparable, credible and actionable brand valuations through establishment of “generally accepted brand investment and valuation standards” for both acquired and internally developed Brands... the critical “missing link” between the marketing & financial communities.

MASB Directors

Brand Valuation

**We're At The Beginning of a
Grand Journey**

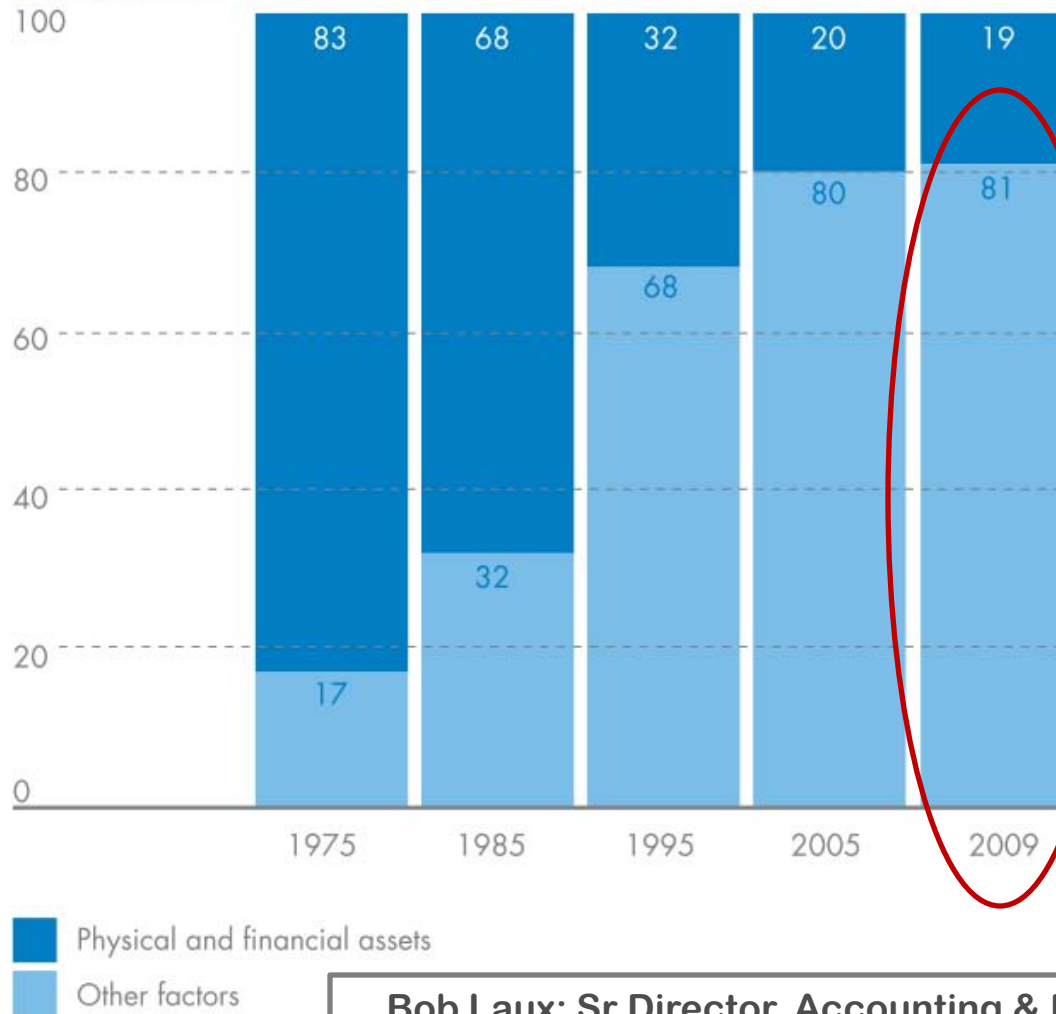
Bob Liodice: CEO ANA, Founding Trustee of MAF

Finance Perspective

- **Would be most impactful to provide guidance for internal valuation... for organizations to see brand equity for the asset it is.**
- **Through standardization and communication, companies could begin to perform their own internal brand assessments “off balance sheet”.**
- **Would provide a tool for the Marketer to use in discussions with exec management and Finance.**
- **Finance might be interested in part to understand the acquisition value for potential sales of the brand/firm and/or to understand the pricing premium capability the brand provides, vis a vis competition.**
- **We should set a good, strong standard for methodology to provide consistency and comparability, communicate this and promote its use as a marketing and finance tool.**
- **There may be some other ways to focus attention on this, such as having management include it in the management discussion section of annual reports, etc.**

Jeff Kampsen: Director of Finance FedEx (Email)

Components of S&P 500 market value



How much
the brand(s)?

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.

Ivan Cayabyab: Manager Global Branding GE

Creating Value in 21st Century

MASB

Where marketing & finance align on measurement for reporting, forecasting & improving financial returns from buyers in markets...short-term & over time

**Game
Changing
Project**

BIV
Brand Investment
& Valuation

IFR
Improving Financial
Reporting

**Issue
Addressed**

Brand represents
great Value
(but how much)



Thank-you!



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