

---

# **MASB Standards Project**

## **Brand Investment & Valuation (BIV) Project Review & Status**

**Mike Hess, EVP  
Data Fusion and Integration  
The Nielsen Company  
MASB Advisor  
Co-Lead BIV Project  
August 2012  
Chicago**



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

# 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, standards/methodology and empirical trials among 3-5 brands as examples

Primary output:

A model/methodology for marketers to use to value their brands, guide investment decisions, and learn how to improve performance

# Current Landscape

- All firms utilize some method for “valuing brands” when acquiring or divesting
  - But these valuations are generally performed by accountants
  - Without marketing metrics/input.
- Some firms keep eyes on the values of published “top brands”
  - But “brand value” varies dramatically across provider
  - Both on absolute basis, and 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
- Further, Jan Hofmeyr’s work w/Conversion Model shows us that, in most categories, loyalty for a specific brand is limited
- There are also media implications for the distinction between “brand value” and “customer value” (Stewart and Hess, 2011)

# Current Landscape (cont)

- Many firms track “brand health/strength/equity” over time
  - With multiple survey questions
  - To get at awareness, image, willingness to pay, etc
  - Often monitoring them on their marketing dashboards
  - But these have not been tied to market & financial outcomes
- Many firms also utilize Marketing Mix Modeling
  - To determine impact of various activities on sales volume
  - But these are generally conducted after the fact and for relatively short periods of time, a quarter or year
  - Importantly, the “baseline” portion (likely driven by brand strength) is usually the largest part (about 2/3) of the full mix
- Some firms are using a measure of brand preference (choice)
  - Find it to be reliably predictive of market behavior
  - And financial outcomes
  - Both short-term and over time

# The BIV Methodology & Trials

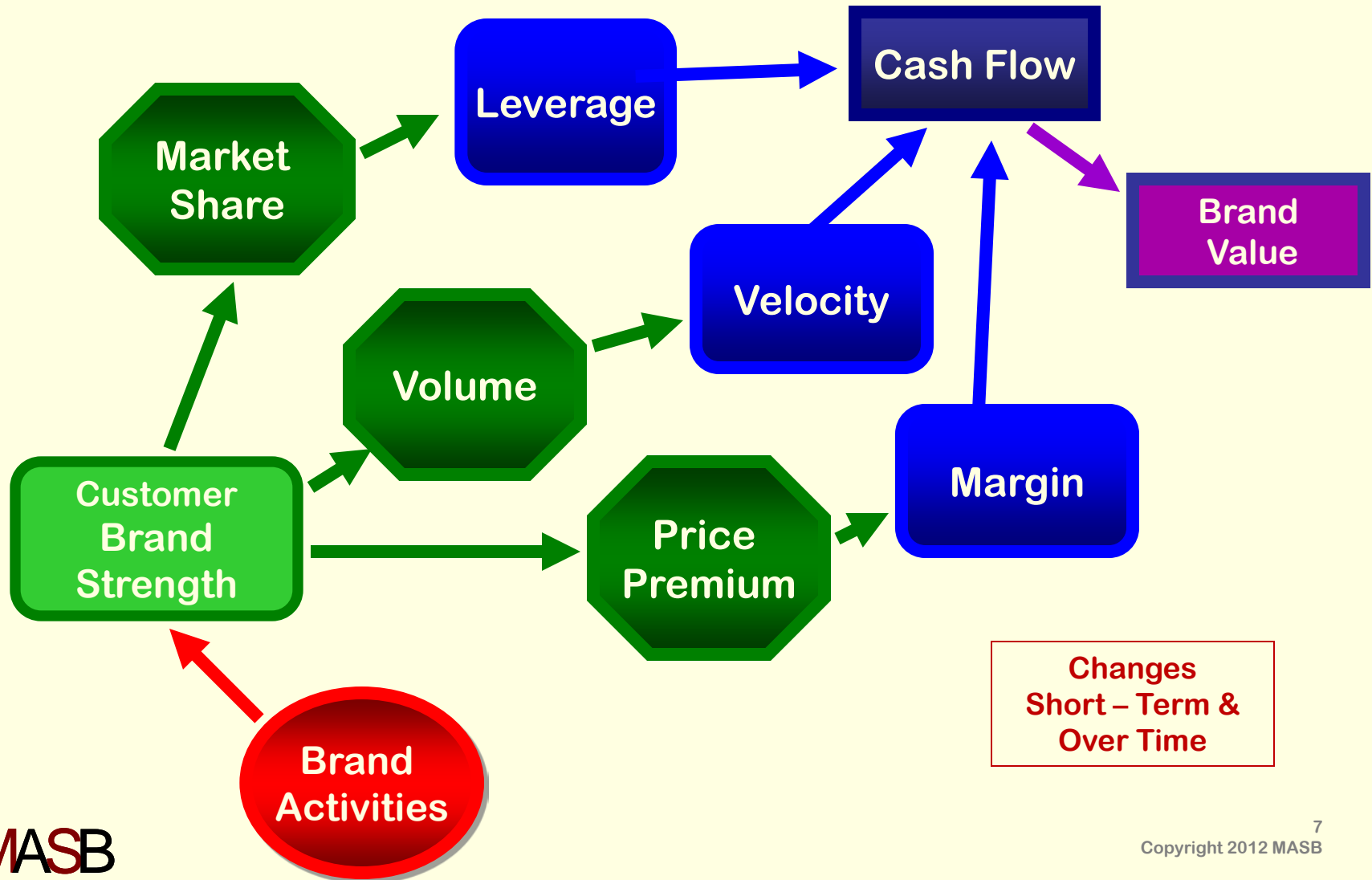
- Will demonstrate how the marketing & financial concepts relate to one another empirically (according to MMAP)
- With standard metrics that are simple, transparent, relevant, and calibrated across categories, cultures & conditions
- And reliably linked to both short & longer term financial return

**Keeping in mind that the Strength of the Brand  
lies in the hearts, minds and hands of customers**

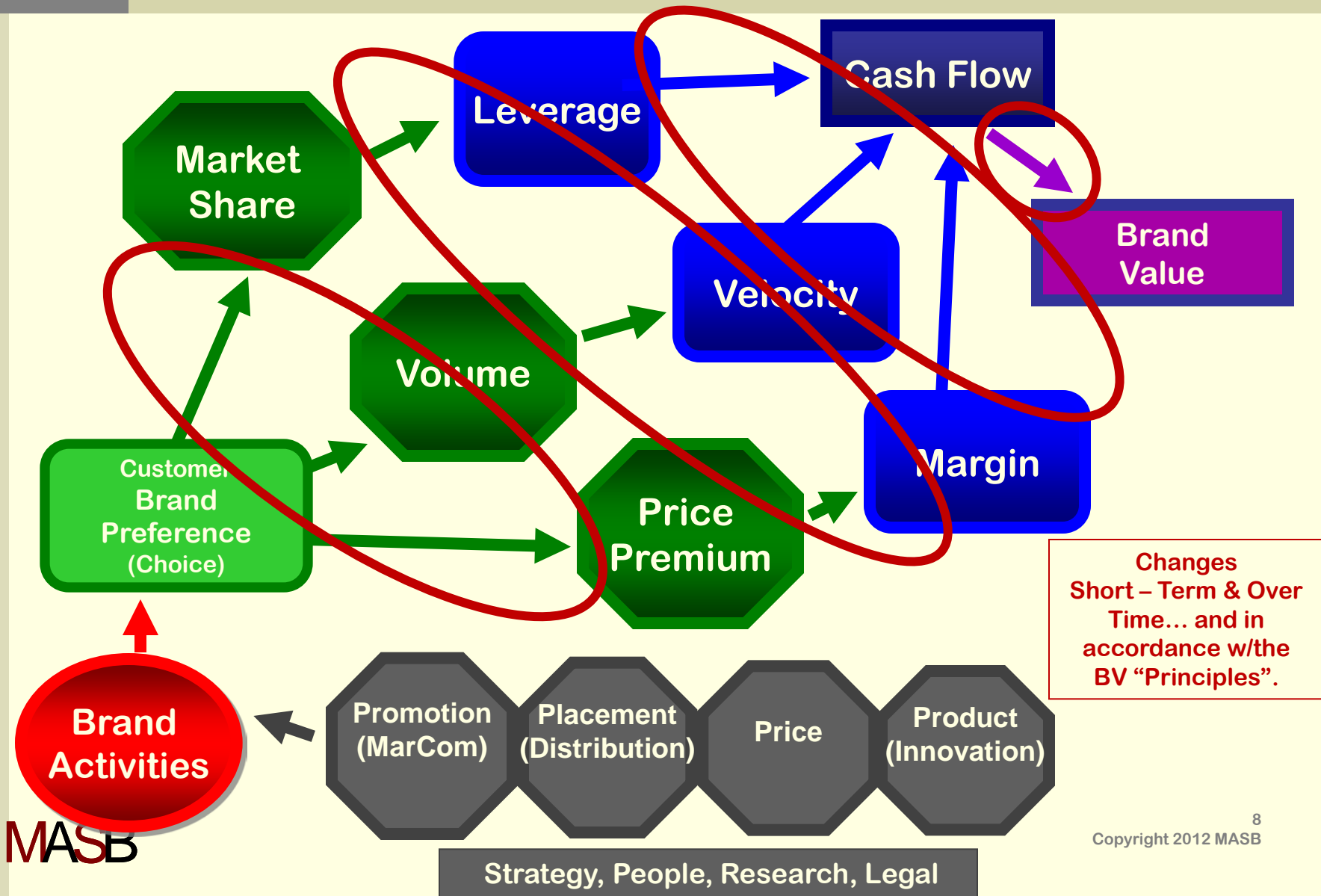
# The BIV Methodology & Trials (cont)

- A group of leadership companies (w/3-5 brands) will engage in a forward multiyear tracking project where solid bridges will be built
  - From Customer Level impact metrics
    - Brand Preference/choice for all brands
    - Brand Equity/Health collected by each brand
  - To Market Level impact metrics
    - Measures of Volume, Market Share, Baseline, Price Premium
  - Then to Operating Financial Level impact metrics
    - Measures of Velocity, Margin, Leverage, Cash Flow
  - And to Non-Operating Financial Level impact metrics
    - Brand Value as Asset

# MMAP: Brand Investment/Valuation Model (Conceptual Links)

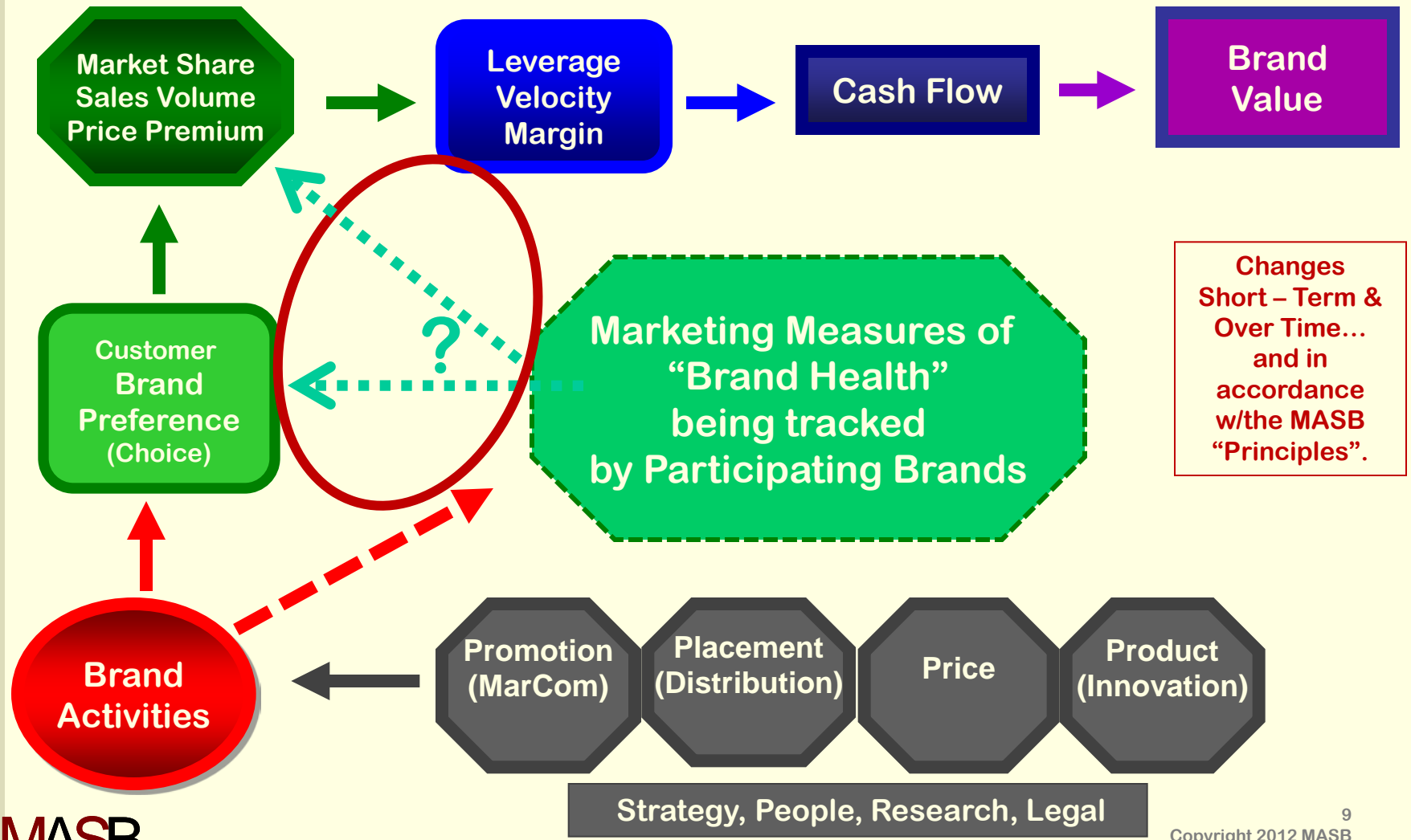


# Build Bridges: Brand Preference to Brand Value





# Build Bridges: Other Measures of “Brand Strength”



# 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, minds and hands 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)

# CMO/CFO Conceptual Alignment (8/10)

**Marketing => Branding**

**Creating Brand Preference**

**Profitable Growth over Time**

**Asset (Brand Value)**

**Shareholder Value**

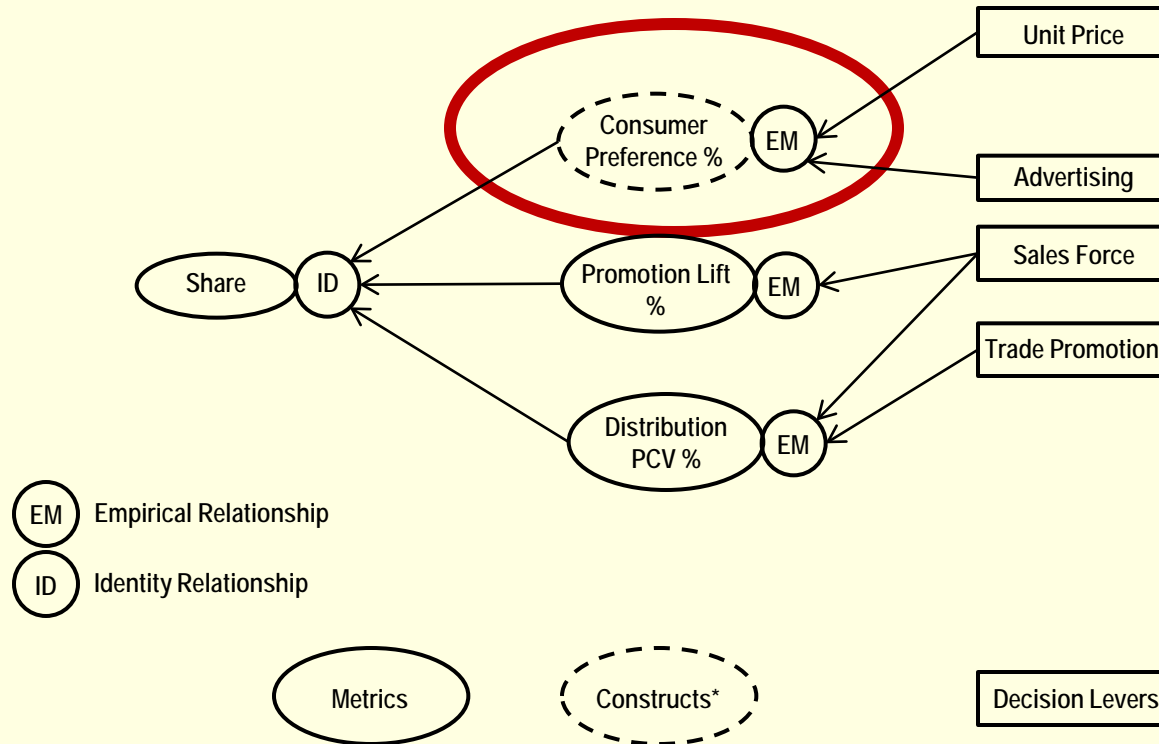
Source: CMO/CFO Panel at MASB Summit (August 2010)

# 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)

# 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.*

# 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.

# 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.

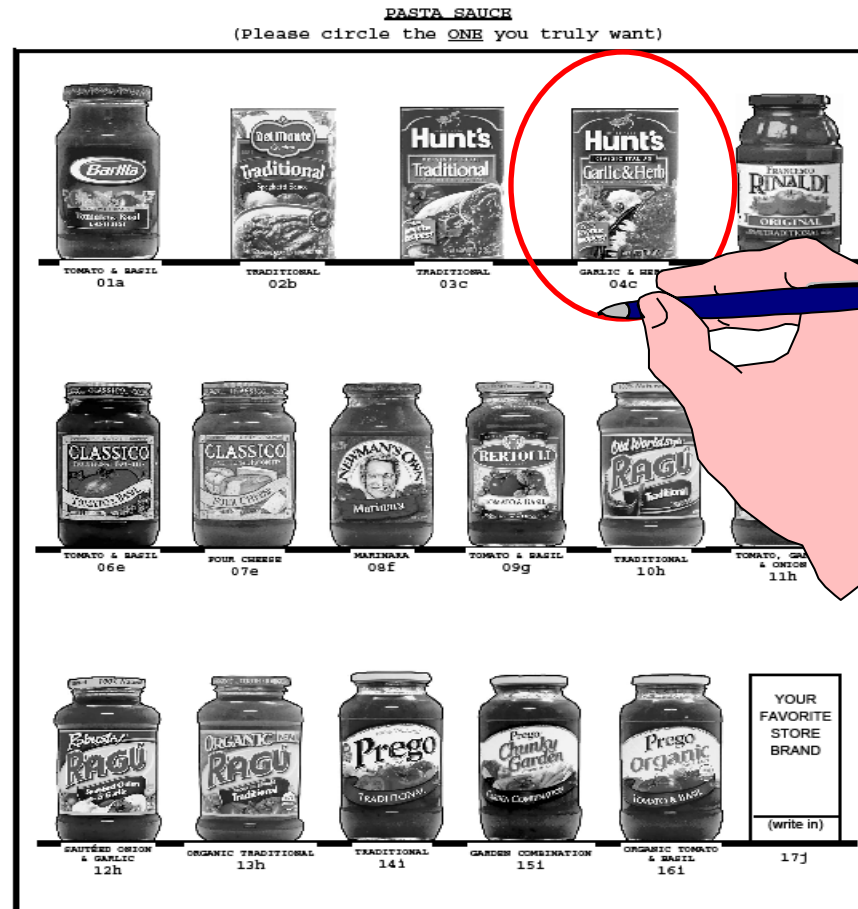
Choice rules tell the prospective buyer how to choose a particular brand.

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



204271

Behavioral, Relevant, Simple, in Competitive Context



# Brand Preference (Choice) Instrument

QUICK SERVE HAMBURGER RESTAURANTS  
(\$5.00 CERTIFICATE)  
Please circle the ONE you truly want

01a                      03c                      05e

08h                      14c                      15p

16g                      20u                      21v

YOUR FAVORITE  
OTHER  
HAMBURGER  
RESTAURANT  
(write in)

123456

Behavioral, Relevant, Simple, in Competitive Context

# Build Bridges: Brand Preference to Brand Value

- Project Team has begun to design the appropriate equations that will bridge customer brand strength results to market results to financial results and to brand value
- The actual equations/model will surface as the tracking data is collected and analyzed...they will represent the empirical findings regarding the relationships between measures
- The addition of 1-2 accounting/finance team members will also be important to help us understand and build the bridges to the appropriate/acceptable financial metrics

# Equations: Preference to Market Results (Draft A)

■ **Market Share**  $_{(t+1)}$  =

$f$  (Brand Preference  $_t$  x Relative Price  $_t$  x Distribution  $_t$ )

■ **Volume**  $_{(t+1)}$  =

$f$  (Market Share  $_{(t+1)}$  X Category Volume  $_{(t+1)}$ )

■ **Price Premium/Point**  $_{(t+1)}$  =

$f$  (Brand Preference/Market Share  $_{(t+1)}$ )

# BIV will apply the “Principles”

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

## **A rationale and proposed set of principles for brand valuation**

August, 2011

Drafted by Roger Sinclair PHD

Commissioned by Association of National Advertisers



---

Page 1

# BIV Team Action Plan (August 2012)

- I. Frame-Up Project, open debate & approval by MASB Directors (April 2010)\*
- II. Form Project Team and designate initial leadership (May)
- III. Create straw man model: June-September\* (Feedback @ 2010 Summer Summit)
- IV. Determine Measures that will be used (Sept – Nov)
- V. Review What is Known & Planned at Summit (Feb 2011)
- VI. Draft “Principles” (BIV.MarCom Team, August 2011)
- VII. Expand Team with measurement providers – Nielsen & comScore (Aug – Oct)
- VIII. Expand Team to 3-5 non-competing global Marketers/Brands (Sept – Sept)**  
    **Kimberly-Clark is in**  
    **→ Won’t you join us?**
- IX. Design of Trial Process (inc metrics, initial equations, Brands, Mkts ) (March-Dec)**
- X. Start Trials (January 2013)**
- XI. Trials in 3-5 corporations (Jan 2013-Dec 2014)
- XII. Preliminary Findings (August 2014 Summit)
- XIII. Review with open debate by MASB (February 2015 Summit)\*
- XIV. Generic Model Available for Marketers (September 2015)
- XV. Practitioner Paper (Date negotiated w/Team August 2013)
- XVI. Post for Feedback (Date negotiated w/Team August 2013)

\* Explicitly approved by majority of MASB Directors & Chair

# Definition: Strong Brands

**Strong Brands are those preferred over other brands (in hearts & minds of customers) such that they generate revenues (growth) at a premium price (margin) and provide options for profitably entering (leveraging into) other categories & markets.**

**In this manner, Strong Brands drive shareholder value.**

Source: ANA.MASB Roundtable, May 24 2012

# Creating Value in 21<sup>st</sup> 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)

**Project Outcome**

Empirically proven model for valuing brands & guiding investment decisions

# Q & A





# Thank-you!



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

# Q & A From Winter Summit

- Q. Are we going to be flexible & look at both Market Share & Volume?
- A. Yes, because both are important for different reasons.
- Q. Are we going to look at incremental value due to brand?
- A. Most will be comfortable w/model of total value.
- Q. Is goal to have a specific methodology, or variations?
- A. Goal is transparency and credibility...and in the hands of marketers.
- Q. How will consultants w/proprietary methods deal with this?
- A. They will think differently...how to support the standard.
- Q. How will accountants accept this?
- A. Accountants are in the business of convention – what's generally accepted.
- Q. Will all brands participating be required to apply the same metrics?
- A. All will get brand preference (choice) and will bring their current metrics.