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# Improving Financial Reporting

## Intro Keynote Speakers

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University of California Riverside  
MASB Advisor  
Co-Lead IFR Project  
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Chicago



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

# 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.
- **Improve Financial Reporting (IFR)**  
Partner with the Financial Reporting and Investment communities for improving the accounting and/or reporting rules related to marketing such that financial returns from corporations will be driven & measured by buyer behavior in markets over time.  
Ensure marketing is at the table when reporting of Brand Value is required for internally developed brands.

MASB Directors

# 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

# BIV will apply the “Principles”

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

August, 2011

Drafted by Roger Sinclair PHD

Commissioned by Association of National Advertisers



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# Basic Principle #5

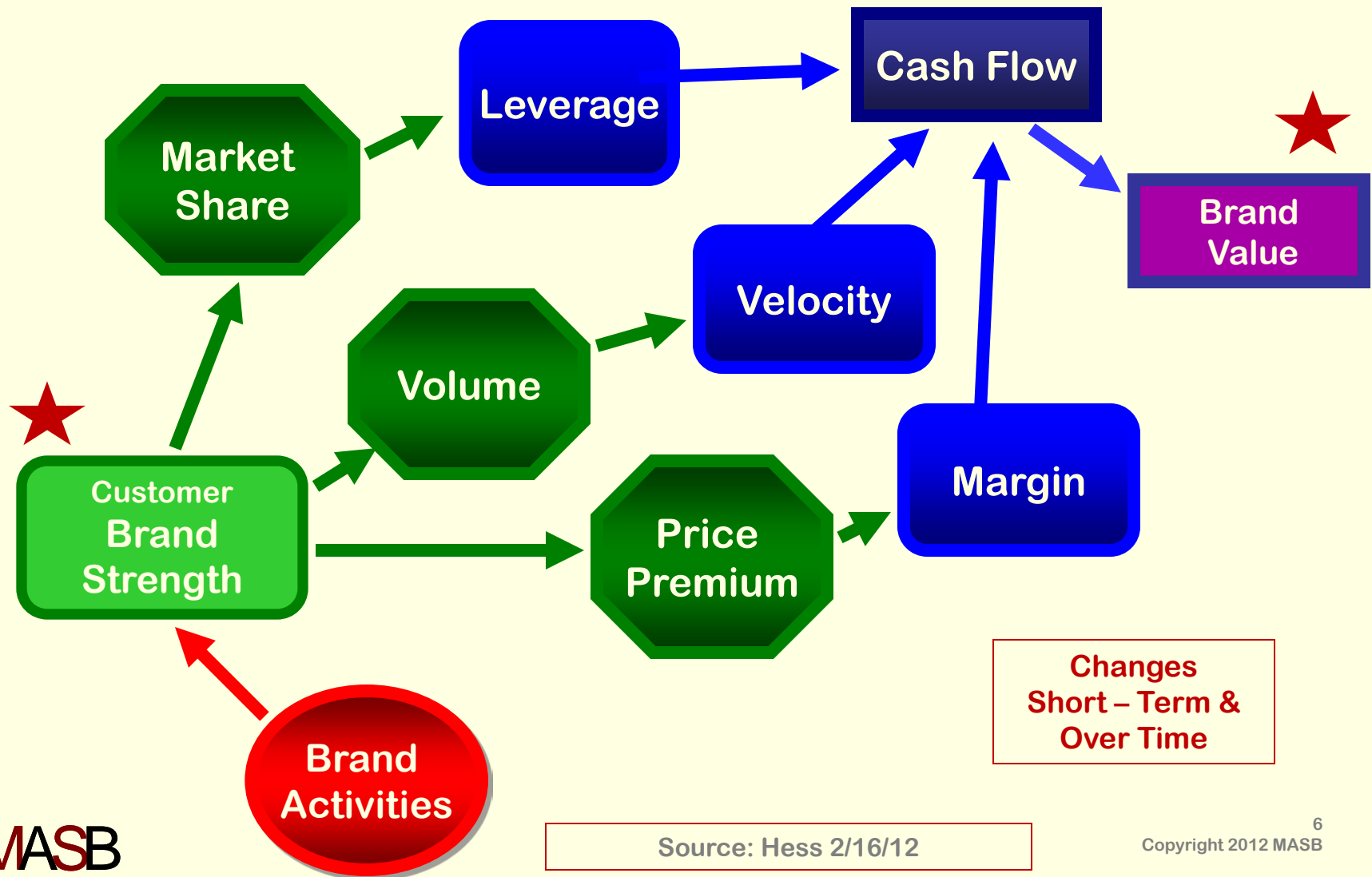
*What part does the consumer play in brand valuation?*

The brand strength principle (BP # 5)

The valuation method must have a component in the model that uses brand strength as a driver of value\*

\* Brand strength, measured by reliable and valid market research (see MASB MMAP standards), is a crucial input to any valid valuation.

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



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# IFR Landscape

- Without appropriate changes in the financial accounting and/or reporting rules
  - Brand valuations will continue to be conducted by accountants
  - Without marketing input/metrics
- And marketing activities will continue to be managed
  - As “discretionary” expense
  - Not as strategic investment that adds value to the firm
- It makes no sense that brand valuations have no marketing input
  - Brand value lies in the hearts, minds & hands (choices) of customers
  - Can be measured in a manner that ties to market & financial return
- But finance/accounting has heretofore believed our story
  - Marketing is an art (in their terms “soft”)
  - Can’t be measured with direct links to financial return
- We must be invited to their table and demonstrate otherwise
  - Take control of our territory (self-govern)
  - Move up the food chain (with their help)



# Proposed Note for MD&A

***“As of June 30, 2012 , the senior management of Gadget Corporation value the Widget Brand at \$2.9B, up 7% from year ago, and 20% over the past 3 years. We estimate this value using the methodology provided by ValuePack LLC, a MASB qualified Brand Valuator.*”**

Leigh McAlister: Professor of Marketing UTA, Founding MASB Advisor,  
Improving Financial Reporting Project Team.

# Proposed Note for Corporate Brand

*“We, the senior management of Alpha Corporation, believe the value of our corporate brand, as of December 31, 2011, is \$26.4 billion, up 2.7% from year ago, and down 3.8% over the past 3 years. We estimate this brand value using the methodology provided by BrandTop, LLC, a MASB qualified Brand Valuator.”*

Jim Gregory: CEO & Founder of CoreBrand, Founding MASB Advisor,  
Co-Lead of IFR Project Team

# 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)

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

**Project Outcome**

Empirically proven model for valuing brands & guiding investment decisions

Brand Value as KPI and MD&A Notes... better info for capital providers

# Our Keynote Speakers



**David Haigh**  
Founder & CEO  
Brand Finance

**Brand Valuator Perspective**



**Michael Corty**  
Senior Equity Analyst  
Morningstar

**Financial Analyst Perspective**

- **What they will do with it**
- **How it will help them**
  
- **Q&A**

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# Thank-you!



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