
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
February 2013
Las Vegas**



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

BIV Project Team

Team Leaders



Mike Hess
Nielsen



Dave Stewart
LMU

Team Heroes



Jamie Richardson
Kimberly-Clark



Chris Ciccarello
ConAgra



Shane Scaramuzzi
ConAgra



Rafael Alcaraz
Hershey



Tom Tindle
comScore



Michael Hugo
Nielsen



Bill Bane
Kimberly Clark



Marc Fischer
U of Cologne



Don Sexton
Columbia



Rajeev Batra
U of M



Mel McKerracher
Frito Lay

Admin



Meg Blair
MASB



Allan Kuse
MMAP Center

Team Meets: 1st Thursday at 10:30 ET

Creating Value in 21st Century



**Marketing & Finance
across Industry &
Domain**

MASB

**The independent, cross industry forum where
marketing & finance agree on measurement
for creating value**

BIV Team Objectives for this Session

- Review Project & Status
- Solicit Feedback
- Recruit one more marketer to participate (5 Total)

The MASB Game Changers

Project	Brand Investment & Valuation (BIV) (Analysis)
Issue Addressed	Brand represents great Value (but how much)
Project Objective	Establish “generally accepted brand investment & valuation standards”
Expected Outcome	Empirically proven model for valuing brands & guiding investment decisions
When	2015

Why this is Important – Swimming in Data



Why this is Important – To Finance



BIV Project Scope & Output

Scope:

Creation of general principles (Drafted)

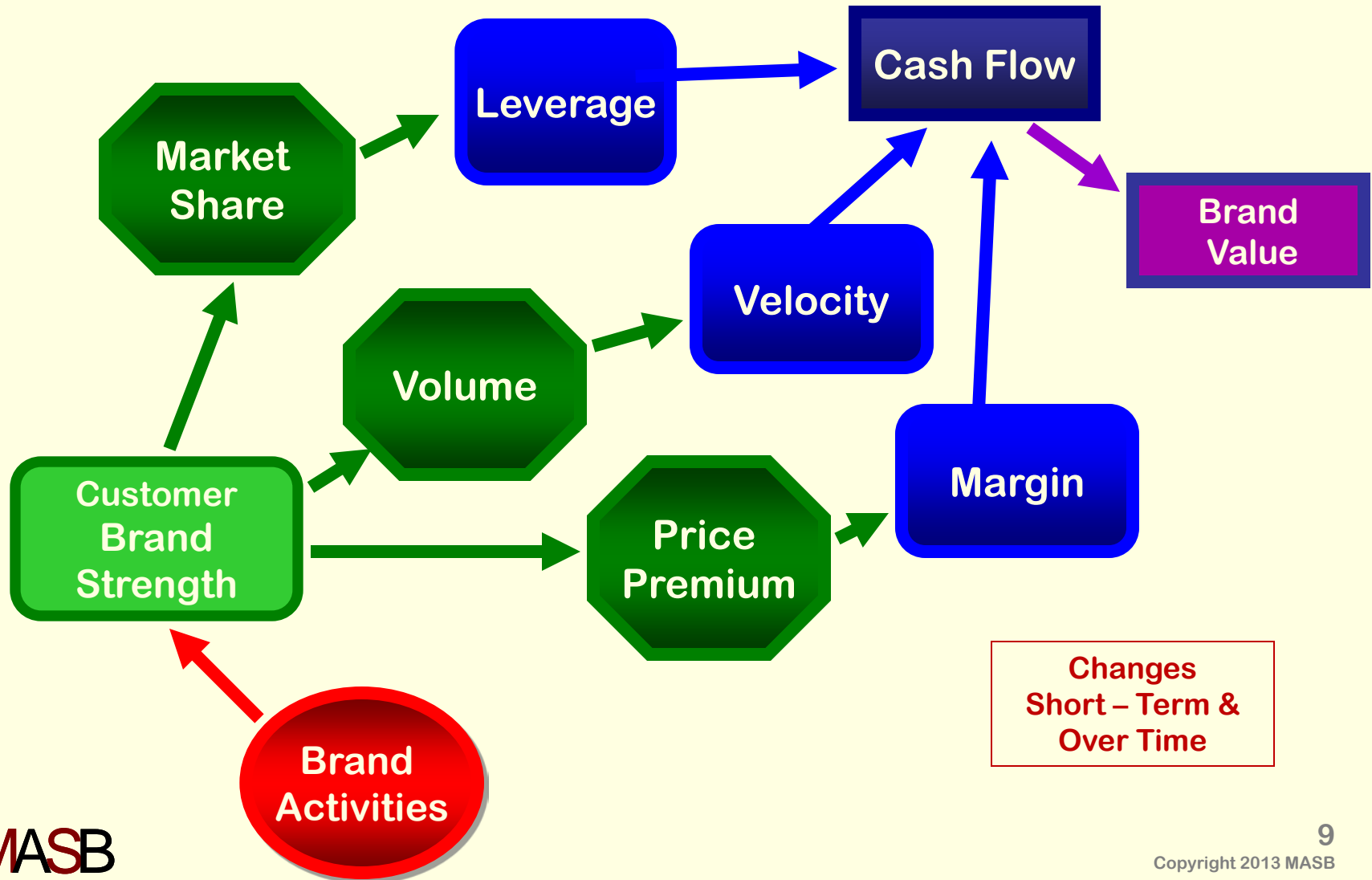
Standards & methodology for investing in & valuing Brands.

Empirical trials among 3-5 brands as examples

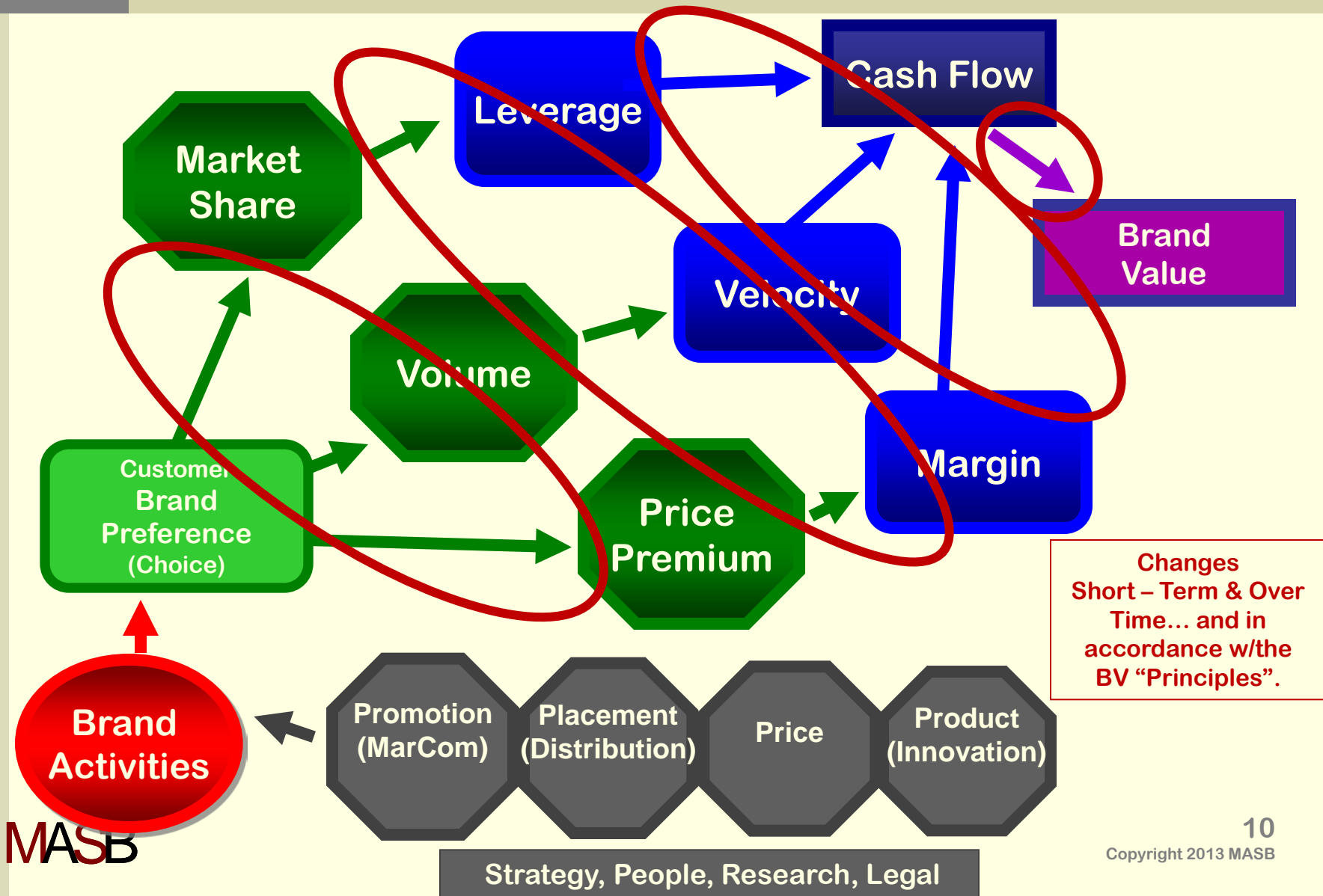
Primary output:

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

MMAP: Brand Investment/Valuation Model (Conceptual Links)



Build Bridges: Brand Preference to Brand Value



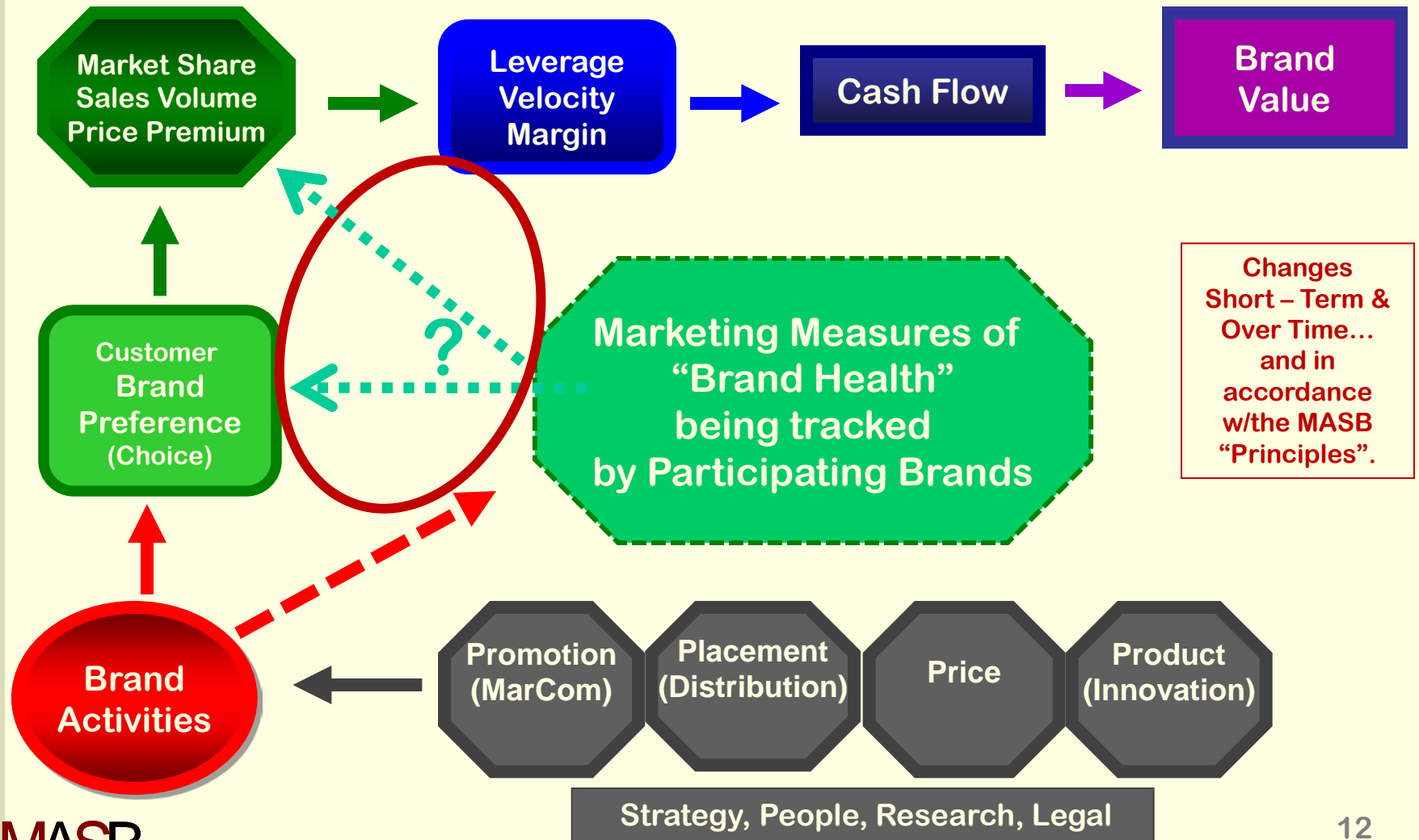
Why Brand Preference (Choice)?

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)

Build Bridges: Other Measures of “Brand Strength”



Changes Short – Term & Over Time... and in accordance w/the MASB “Principles”.

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



Page 1

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.

Stewart 2/16/12

What Will Firms Do With It?

- **Calculate & Monitor Brand Value on an on-going basis**
 - Forecast future cash flows from brand
 - Model/method in hand
 - KPI in Corporate Scorecard
- **Starting with proven “brand strength” metric(s)**
 - Collected in on-going customer tracking
 - Reliably predictive of return/customer behavior in markets
 - Secondary/marketing KPI in Corporate Scorecard
- **Learn what drives “brand strength”**
 - Overall and for specific brand
- **Turn knowledge into Better Marketing Practice**
 - Manage/reengineer the process
- **Continually Improve Return**
- **Repeat**

Discussion 2012: How Will It Help Them

- Internally
 - Marketing more relevant to the business purpose
 - Ability to make better informed “investment” decisions
 - Acknowledged financial tools to justify/motivate plans
 - Continual improvement in financial performance over time
- Externally
 - Analysts have very little data on brands..have to estimate
 - Analyst inquiry to CEO would help move this forward...

Note: Darden was Recently Asked

December 20, 2012 (Earnings Call)

Darden had some negative press around decisions to change the mix of full-time to part-time employees due to the increase costs of health care legislation. This negative influence on preference was suggested as a potential culprit for the softness in business results. While this is interesting in itself, it is even more interesting that an analyst points out that their market research methods are failing to validate and asks about future test results and in-market performance converging:

Joseph T. Buckley – Bank of America Merrill Lynch, Research Division:

Can you talk about what I presume is the gap between the test market results and the actual results for recent promotions? Are you concerned that your market research and testing processes are broken? Perhaps they were to a different time. And where's your confidence that the test market results and the actual results can re-converge?

Darden's COO Answers

Andrew H. Madsen - President, Chief Operating Officer and Director

Well, I think there's a lot of dynamics in the market today from what our results would predict several months ago when we originally tested them...elevated levels of competitive activity, and some things are tough to quantify, like the negative PR that we got. But I can tell you, in the case of -- I'll use Olive Garden as an example, value is the biggest opportunity, particularly affordability, but we also need to put a fresh face on the brand. And their new campaign, Go Olive Garden, has got in our copy testing the highest scores we've seen for that brand in terms of what we'd ultimately call involvement and relevance telling -- talking about the brand in a new way that makes it more relevant for more guests...

Darden's CEO Answers

Clarence Otis - Executive Chairman, Chief Executive Officer and Chairman of Executive Committee

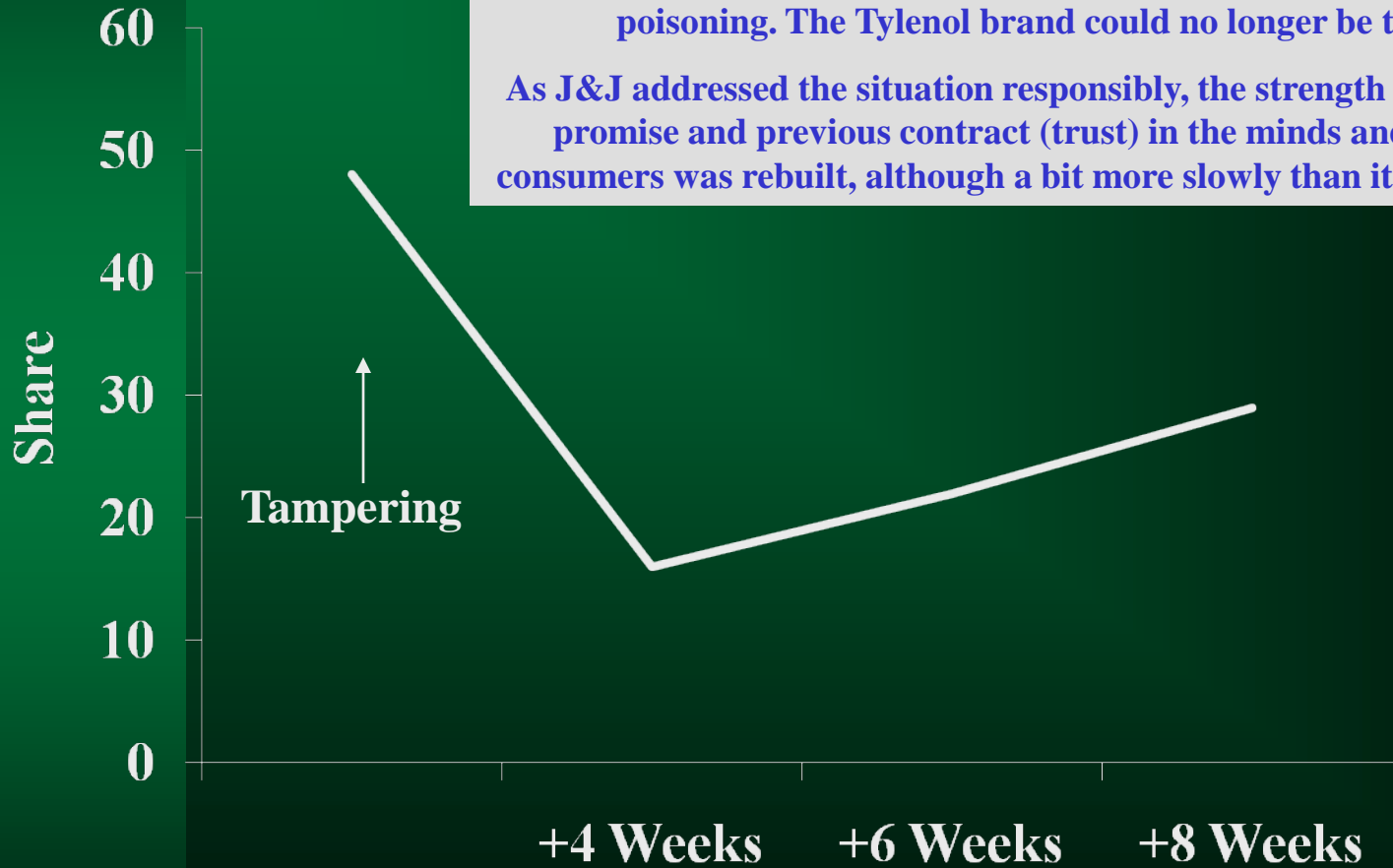
And I would also say, Joe, so we've got a much more dynamic market than we had historically, and so consumer sort of confidence moves around a lot more. The competitive dynamic is such that people are in and out with things a lot more than they used to be. And so, for sure, as we test something, we have to discount those results more than we've had to do in the past, because the environment where we launched may have some pretty important differences from the environment where we tested...



Tylenol

Consumer *Brand Preference* plummeted 32 points during the Tylenol Tampering incident, as the nation watched several people die from the poisoning. The Tylenol brand could no longer be trusted.

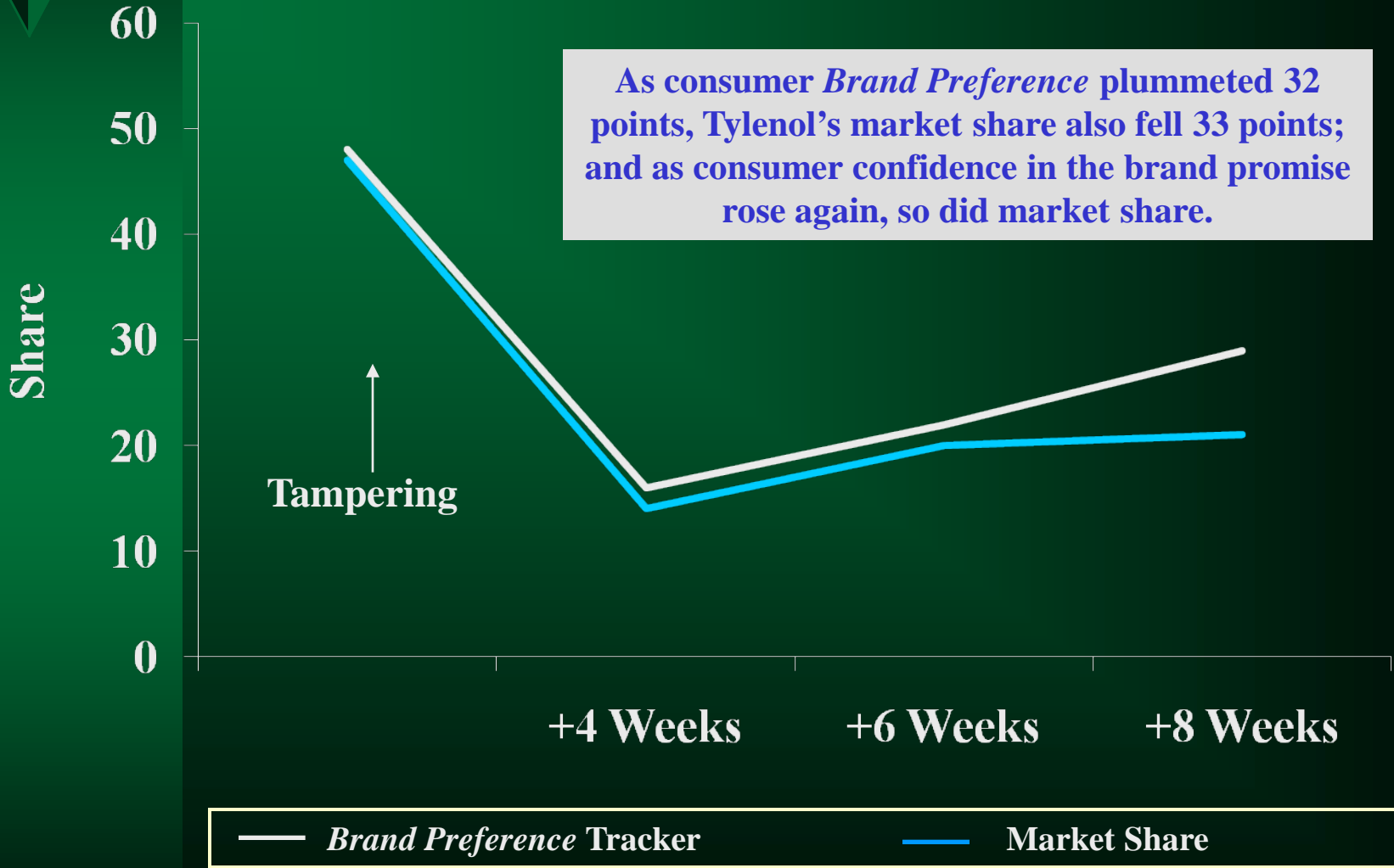
As J&J addressed the situation responsibly, the strength of the brand's promise and previous contract (trust) in the minds and hearts of consumers was rebuilt, although a bit more slowly than it was damaged.



— *Brand Preference Tracker*



Tylenol



Source: Stewart 2005

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

BIV Team Action Plan (February 2013)

- 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* (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” (August 2011)
- VII. Expand Team with measurement providers – Nielsen & comScore (Aug – Oct)
- VIII. Expand Team to 3-5 non-competing global Marketers/Brands (Sept – Feb 2012)
Kimberly Clark, ConAgra, Hershey, Frito-Lay...room for 1 more
- IX. Design of Tracking Process & Set up Specs (Nov-Feb 2013)
- X. NDA Signed by participants (Jan - Feb)
- XI. Trials among 3-5 corporations (March/April 2013-March 2015)
- XII. Preliminary Findings (August 2013 & 2014 Summits)
- 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)

Fit with MASB Mission

**Brand Investment &
Valuation (BIV)
(Analyzing)**

Mission

**Establish marketing measurement &
accountability standards across
industry & domain for continuous
improvement in financial
performance...**

**...for the guidance & education of
business decision makers & users of
performance & financial information.**

Q & A



Thank-you!



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