
MASB Standards Project

Brand Investment & Valuation (BIV) What Is Known and More

Chris Ciccarello
Sr Director, Pricing & Analytics
ConAgra Foods
MASB Director
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Boston



Marketing Accountability Standards Board
of the Marketing Accountability Foundation

Value of Marketing



Natalie Mizik
Columbia

MASB Board Meeting
Chicago, March 2010

Brand Valuation

2010 Mizik

There are three main brand consultancies producing annual brand rankings:

Interbrand “Best Global Brands”

Published in *Business Week* in September

Millward Brown “Top 100 Lists”

Published in the Financial Times in April

Brand Finance “The World’s 500 Most Valuable Brands”

Published on their website in April



Highly Divergent Estimates of Brand Value

(Rank Order)

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

Apple

??

4

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

Source: Type 2 Consulting

Summary:

□ What is known?

very little (Srinivasan and Hanssens, JMR2009)

□ What needs to be done?

- standardization of marketing metrics
- improvements to financial reporting of marketing activities (accounting practices)
- education on research methods
- research to establish long-term effects of mktg
- research to identify valuable Marketing Metrics, i.e., metrics with *incremental* value to existing set



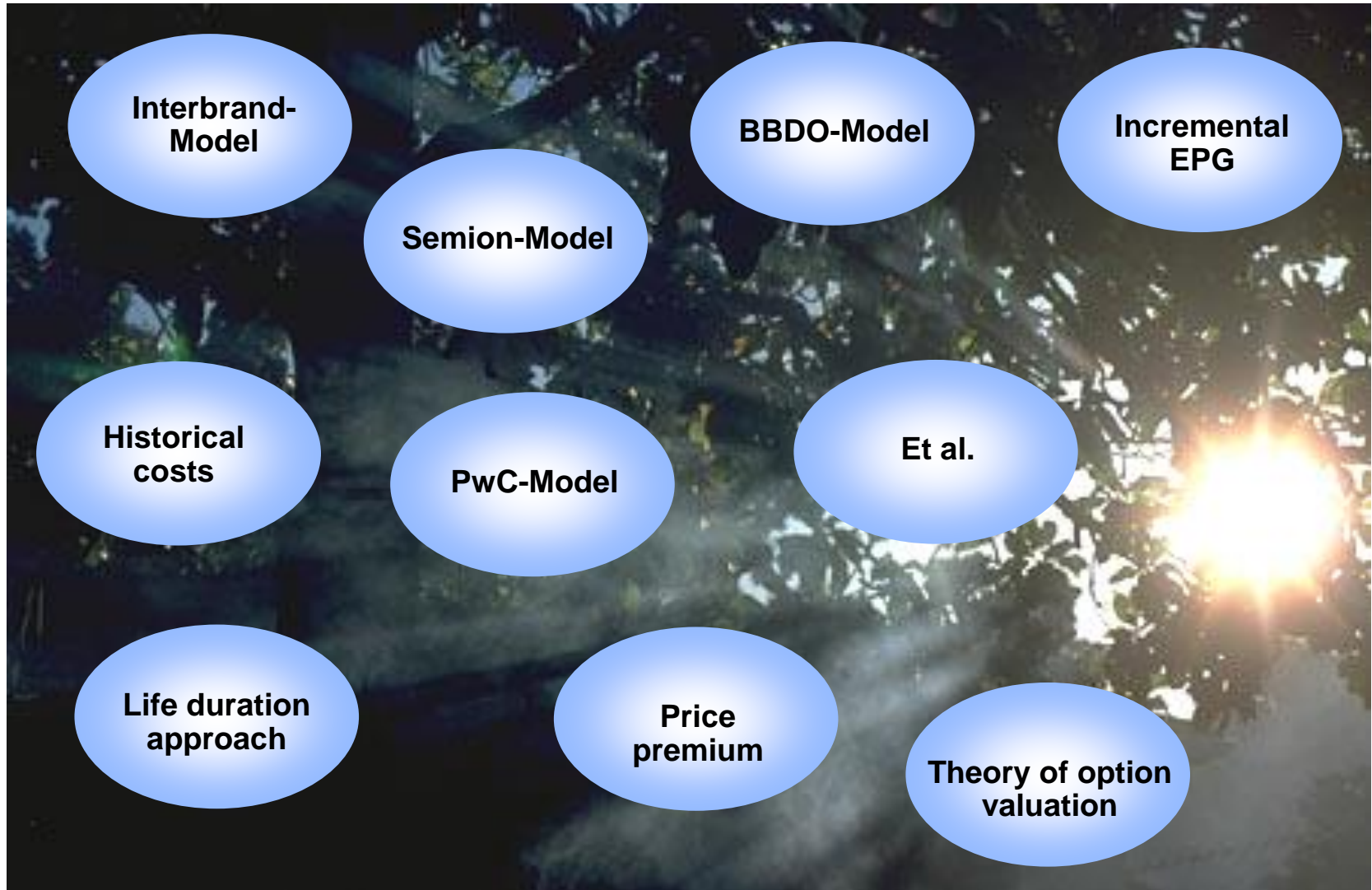
Methods of Brand Valuation: What is Known

Marc Fischer
University of Passau

MASB Summer Board Meeting, Boston

August 12-13, 2010

THERE IS A JUNGLE OF BRAND VALUATION MODELS, FOR EXAMPLE...

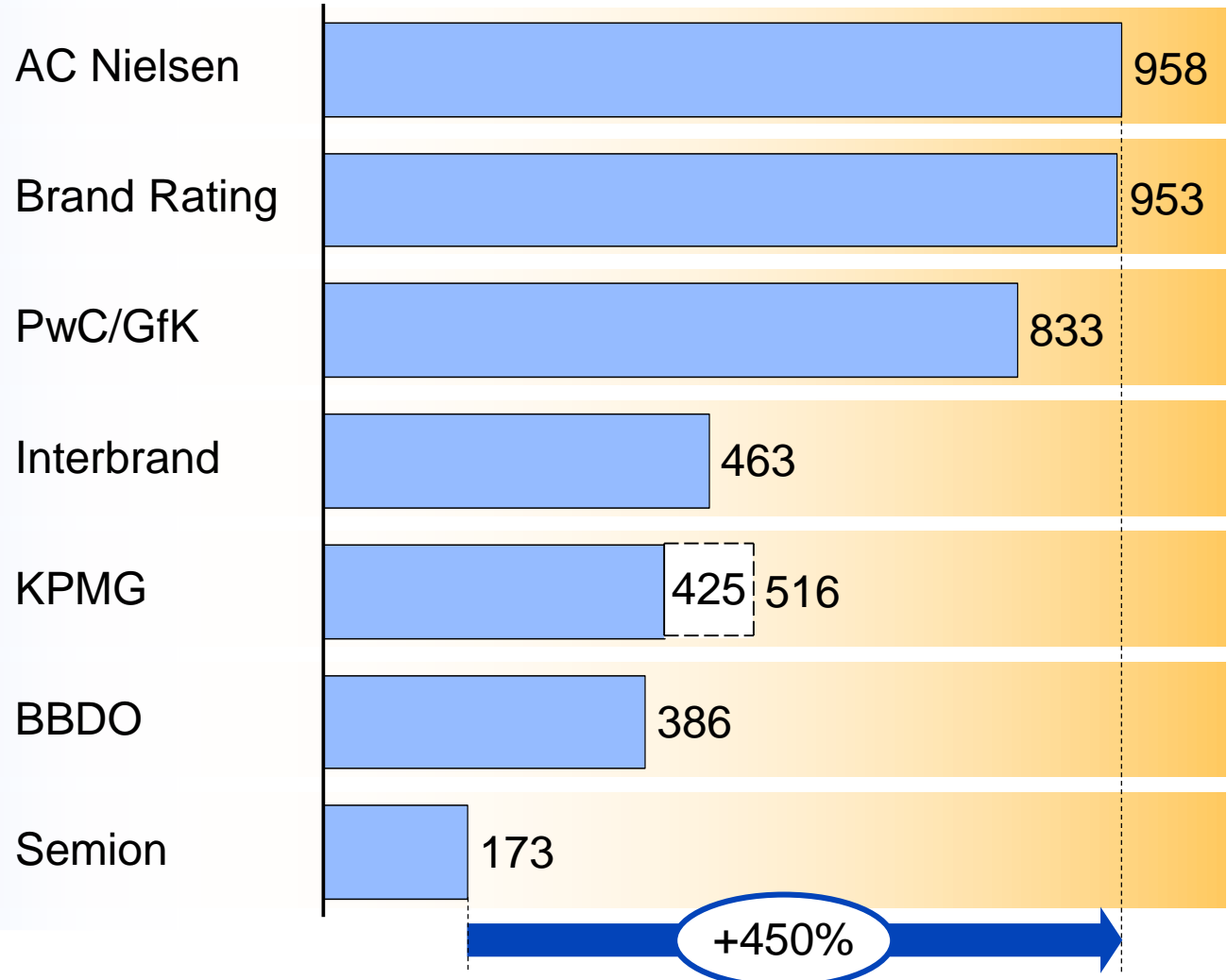


...WHICH DO NOT CONVERGE AT ALL

BRAND VALUE
EUR millions

2010 Fischer

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



Source: Special issue absatzwirtschaft 2004

MMAP
characteristics of an
ideal metric



Characteristics of an
ideal accounting
metric



Where are accounting qualities important?

- Purchase price allocation in acquisitions, mergers, and sales of businesses
- Annual impairment tests for recognized brands
- Reporting to tax authorities
- Litigation and insolvency proceedings
- Communication to investors
- Securitized borrowing

Many external stakeholders only
accept metrics that meet generally
accepted accounting standards

Should we care?

2012
Cayabyab

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%

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.

Source: Cayabyab (GE) 2/16/12

Should we care?

% Mkt Cap

21%

25%

15%

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How to manage if not sure where it stands or if it's going up or down?

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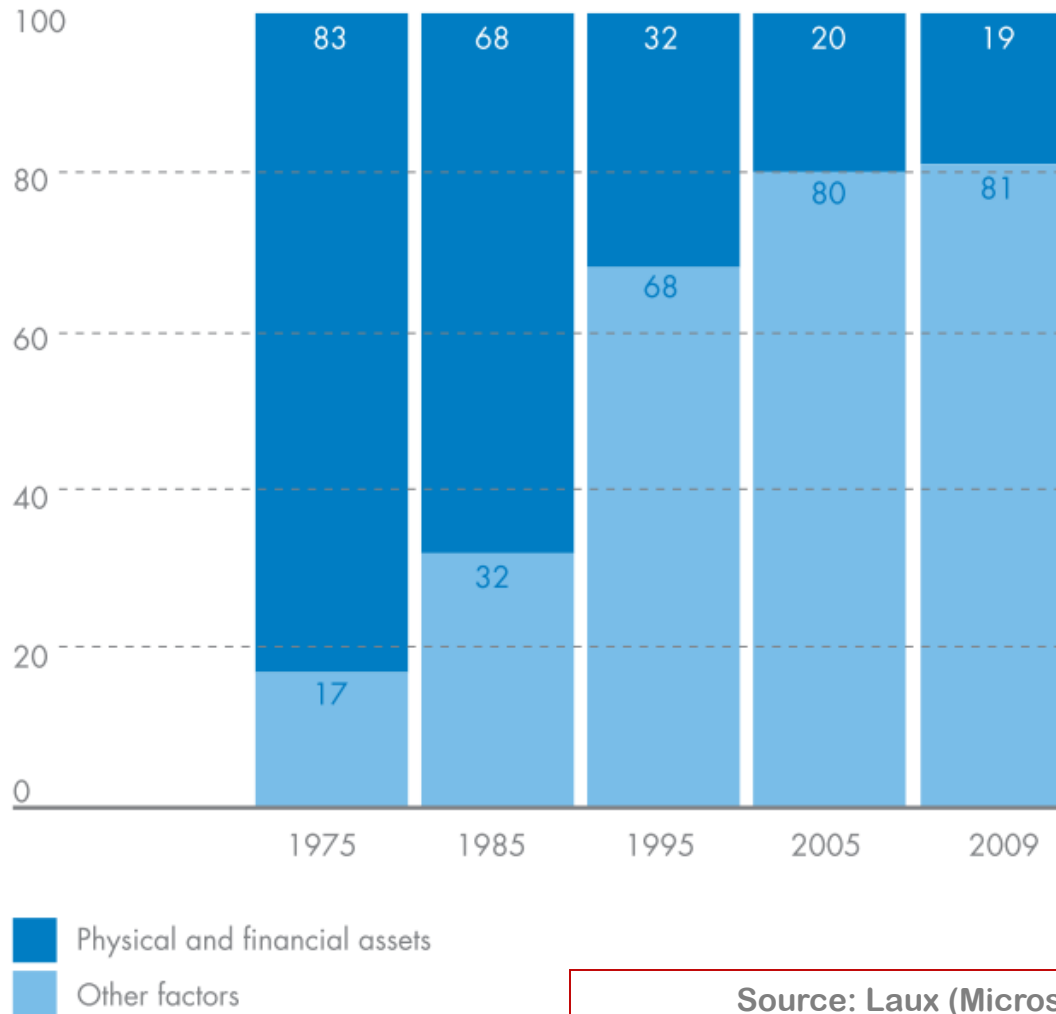
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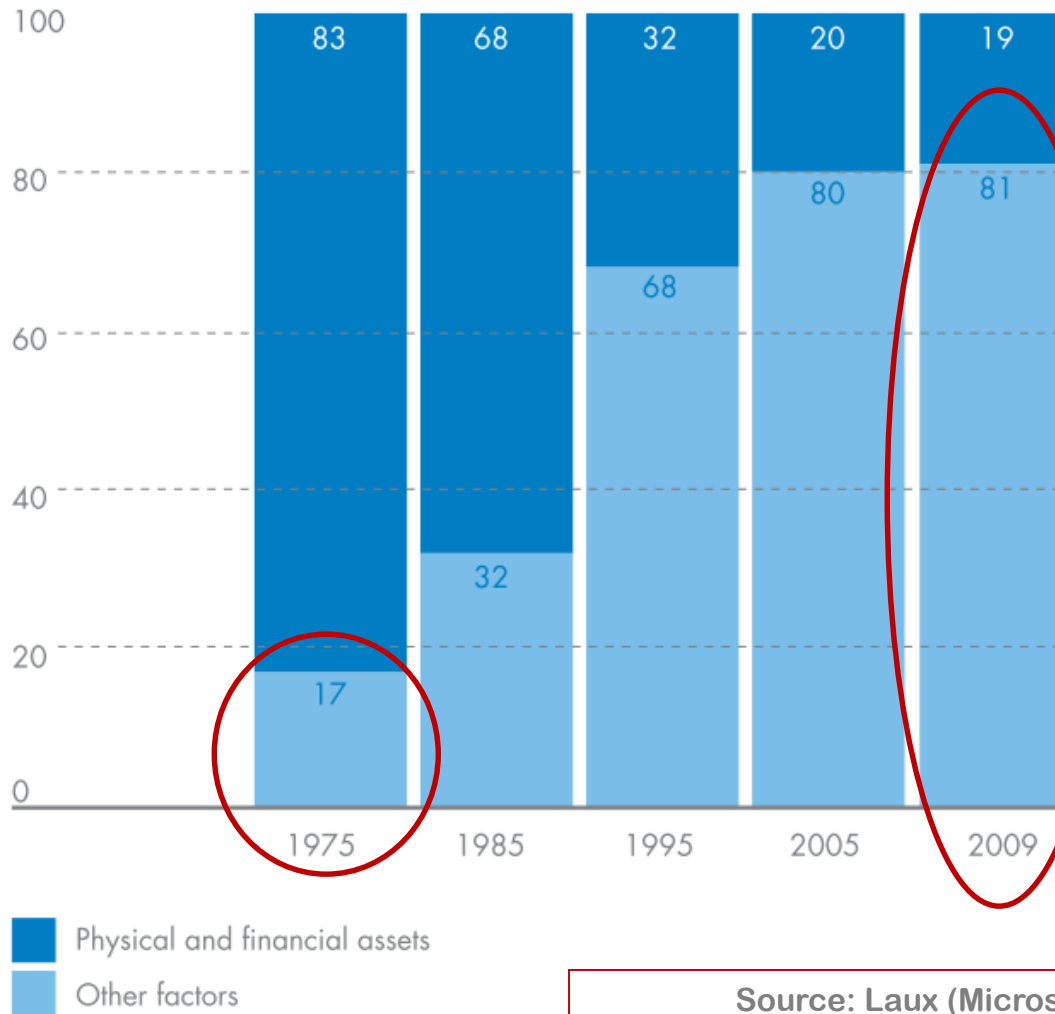
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Components of S&P 500 market value



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.

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.

How much the Brand(s)?

- Brand Value is ultimate measure of marketing's contribution
- In financial terms
- GE example was 15% - 25% of Market Cap the one year
- Seemed sizable & worth investigating further
- IFR Team did so this year
- And here's More about What is Known...

IFR Team Study*

- All Public Corporate Brands that were:
 - In Top 30
 - Valued by each of 4 different methods
 - CoreBrand
 - Brand Finance
 - Millward Brand (Brand Z)
 - Interbrand
 - Across 3 Years (2010-2012)
- Total = GE plus 8 others (9)

* Led by Jim Gregory (CoreBrand) and Michael Moore (LMU)

BV: 4 Methods, 9 Corp Brands, 3 Years

2010 - 2012	CoreBrand	BRAND-FINANCE®	BRANDZ™	Interbrand	BV AVG	Mkt Cap	%
Amazon	10.9	19.9	33.1	13.6	19.4	94.0	21
Apple	66.5	40.0	139.8	43.8	72.5	411.5	18
Coca-Cola	31.5	30.6	72.0	73.4	51.9	159.7	33
GE	36.4	31.9	47.1	43.1	39.6	221.8	18
Google	34.9	41.6	111.2	56.2	61.0	220.2	29
IBM	31.2	36.3	101.1	68.8	59.4	221.3	27
McDonalds	16.7	21.4	80.7	36.4	38.8	91.6	45
Microsoft	40.5	40.7	77.1	59.3	54.4	242.1	23
Toyota	22.6	26.0	22.6	28.1	24.8	142.4	18
AVG	\$32B	\$32B	\$76B	\$47B	\$47B	\$200B	26%

While absolute values do differ by method...overall, the Corp Brand represents 26% of the firm's total Market Cap for these Top Brands. What other unaccounted for "intangible" could be quite that sizable?

Implications

- Marketing's overall contribution and performance can be measured in financial terms (Value of the Brand)
- In a manner that is acceptable to marketing and finance
 - Once absolute level & direction of change issues addressed
 - Using MASB/MMAP standards & FASB/IASB principles:
- The MASB Brand Investment & Valuation Project (BIV)
 - “generally accepted brand investment & valuation standards”
- The BIV Promise
 - The value of marketing's contribution will be quantified
 - With measurement/valuation standards acceptable to all
 - And shown to be quite sizable in relation to overall firm value
- And this will be a true “game changer”
 - For the marketing, financial & investment communities



Thank-you!



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