MASB Standards Project

Brand Investment & Valuation (BIV) Project Review and Status

Mike Hess, EVP
Data Fusion & Integration
The Nielsen Company
MASB Advisor
Co-Lead BIV Project

Frank Findley, VP
Research & Development
MSW•ARS Research
Co-Lead BIV Sub-Team

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Boston

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Marketing Accountability Standards Board
of the Marketing Accountability Foundation

BIV: The Game Changer

Project	**Brand Investment & Valuation (BIV)** (Stewart & Hess)
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**

Strategy
Build bridges from customer metrics to market metrics to financial metrics... empirically.

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BIV Milestones

I Frame-Up Prioritize*	II Team Leadership Plan	III Resources	IV Research*	V Acceptance*	VI Education*

EI Frame-Up 4/10

Leaders & Plan 5/10

Straw man 8/10

What Is Known 2/11

Action Plan 2/11 +

Principles 8/11

Metric Providers 10/11

3/6 Brands 12/12

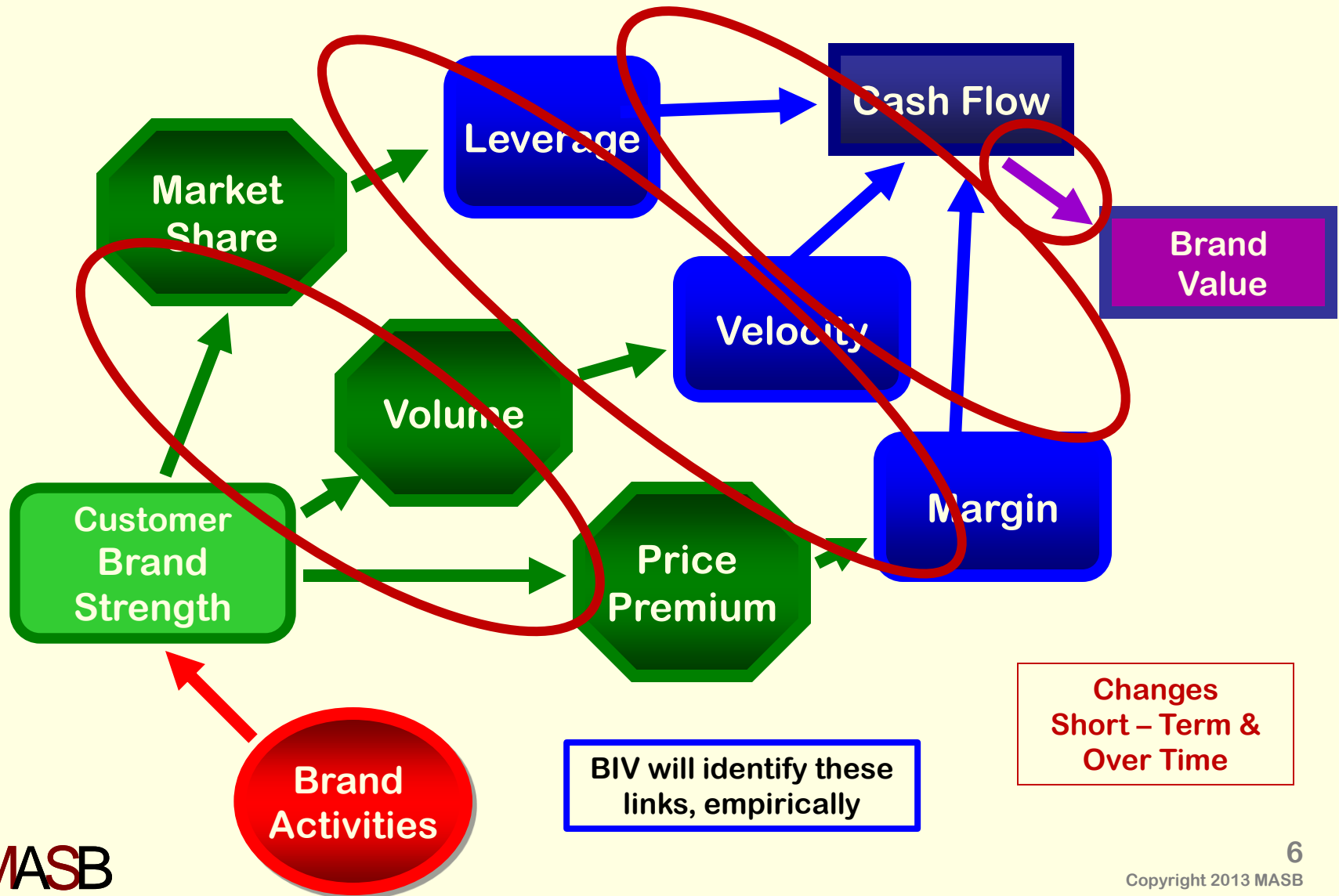* Paper, Deck or Publication outputs

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BIV will apply the "Principles"
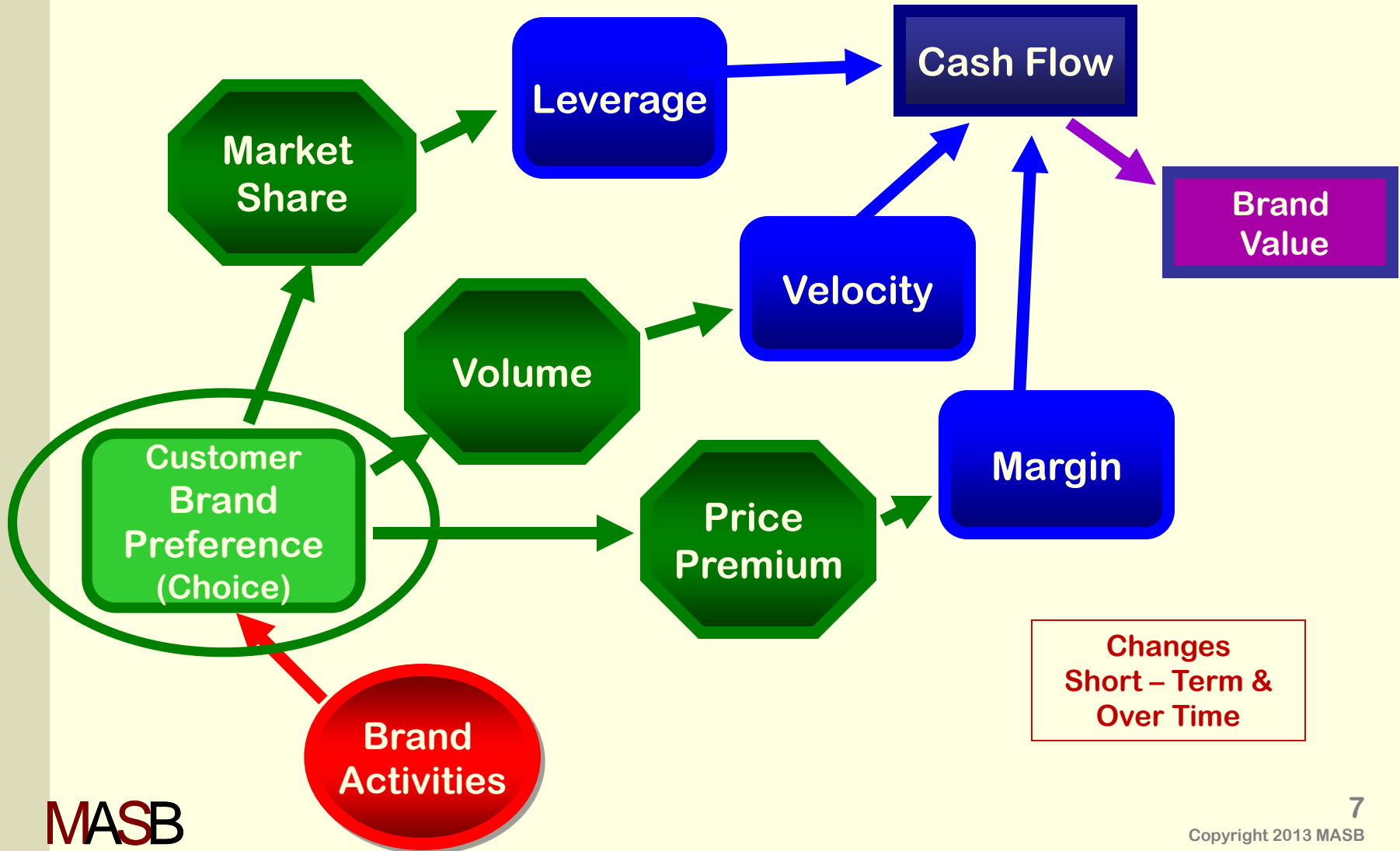
Starting w/Principle #5 (Brand Strength)

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

- Future economic benefits are generated because the company has acquired customers who will exchange cash for ownership, or use, of the brand.

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

- The brand strength measurement, relative to other players in the category, is an indication of the likelihood that future cash flows will be earned.

- It is also a powerful indicator of the brand's expected economic life: the stronger the brand relationship or bond with its consumers the further into the future brand earnings can be projected.

Source: Sinclair's rationale & principles for brand valuation (pdf)

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MMAP: Brand Investment/Valuation Model (Conceptual Links)

Market Share

Leverage

Cash Flow

Brand Value

Volume

Velocity

Customer Brand Strength

Price Premium

Margin

Brand Activities

BIV will identify these links, empirically

Changes Short – Term & Over Time

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MMAP: Brand Investment/Valuation Model ("Brand Strength" Dependent Variable)
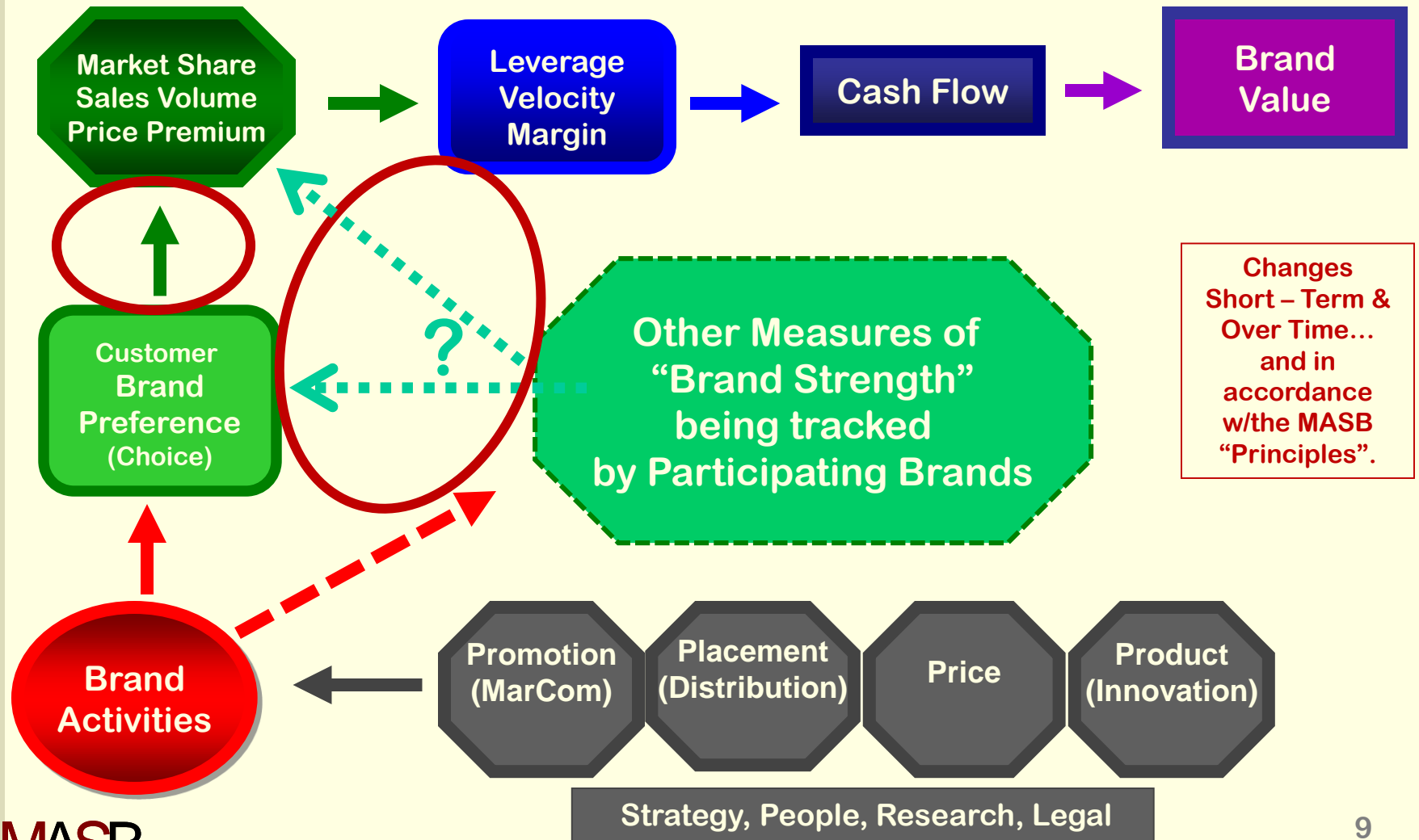
Why Brand Preference (Choice)?

- **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**
  - **Independently audited by MASB: MMAP (see *Metrics Catalogue*)***
- **Has been applied all along the marketing process**
  - **To improve market & financial outcomes/return (a la Deming)**
    (See *Measuring & Improving the Return…TV Example*)*

* MASB Website
Source: MASB, Brand Investment Project ; Batra & Stewart (2011)

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Build Bridges: Other Measures of "Brand Strength"

Market Share Sales Volume Price Premium

Leverage Velocity Margin

Cash Flow

Brand Value

Customer Brand Preference (Choice)

?

Other Measures of "Brand Strength" being tracked by Participating Brands

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

Brand Activities

Promotion (MarCom)

Placement (Distribution)

Price

Product (Innovation)

Strategy, People, Research, Legal

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Why this is Important – Swimming in Data

Market Share

Preference

Trade Promotion Lift Index

Bonding

Brand Loyalty

Persuasion

FSI ROI

Penetration

Social Buzz

Price Elasticity

Unaided Awareness

TV Advertising ROI

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Why this is Important – To Finance

Market Share

Preference

Trade Promotion Lift Index

Bonding

Brand Loyalty

Persuasion

FSI ROI

Penetration

Social Buzz

Finance is yearning to identify metrics that will predict market results…so we can manage marketing spend…determine where to invest for desired financial results…

Price Elasticity

Unaided Awareness

TV Advertising ROI

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Expected Benefits

Building these bridges (or links) and highlighting the measures will be phenomenally powerful for the marketers' decision making process:

- Making more informed "investment" decisions
- Meeting organic growth targets more often
- Learning how to improve performance as measured by customer, market and financial outcomes
- Building strong brands more profitably and consistently

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Metric Providers 10/11

3/6 Brands 12/12

Metric Provider 3/13

6/12 Brands 6/13

Analytics Team 7/13

Tracking Began 7/13

BIV Project Team

Team Leaders

Team Heroes

Analytics Sub-Team Leaders

Mike Hess
Nielsen

Dave Stewart
LMU

Jamie Richardson
Kimberly-Clark

Chris Ciccarello
ConAgra

Scott Shinners
ConAgra

Rafael Alcaraz
Hershey

Frank Findley
MSW·ARS

Michael Hugo
Nielsen

Shyam Venugopal
Frito Lay

Bill Bane
Kimberly Clark

Marc Fischer
U of Cologne

Don Sexton
Columbia

Rajeev Batra
U of M

Jonathan Short
Frito Lay

Bill Berg
MillerCoors

Lori Kuehn
GM

Admin

Meg Blair
MAF/MASB

Allan Kuse
MMAP Center

Team Meets: 1st Thursday at 10:30 ET

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Brand Preference is Behavioral/Choice among Brands

The MSW•ARS methodology isolates brand strength by holding everything else in the actual buying experience – price, promotion, shelf position, etc. – constant.

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MMAP: 10 Characteristics of an "Ideal Metric"

The MSW•ARS Brand Preference Metric has met the MASB Marketing Metric Audit Protocol (MMAP)…10 Characteristics of an "ideal Metric"
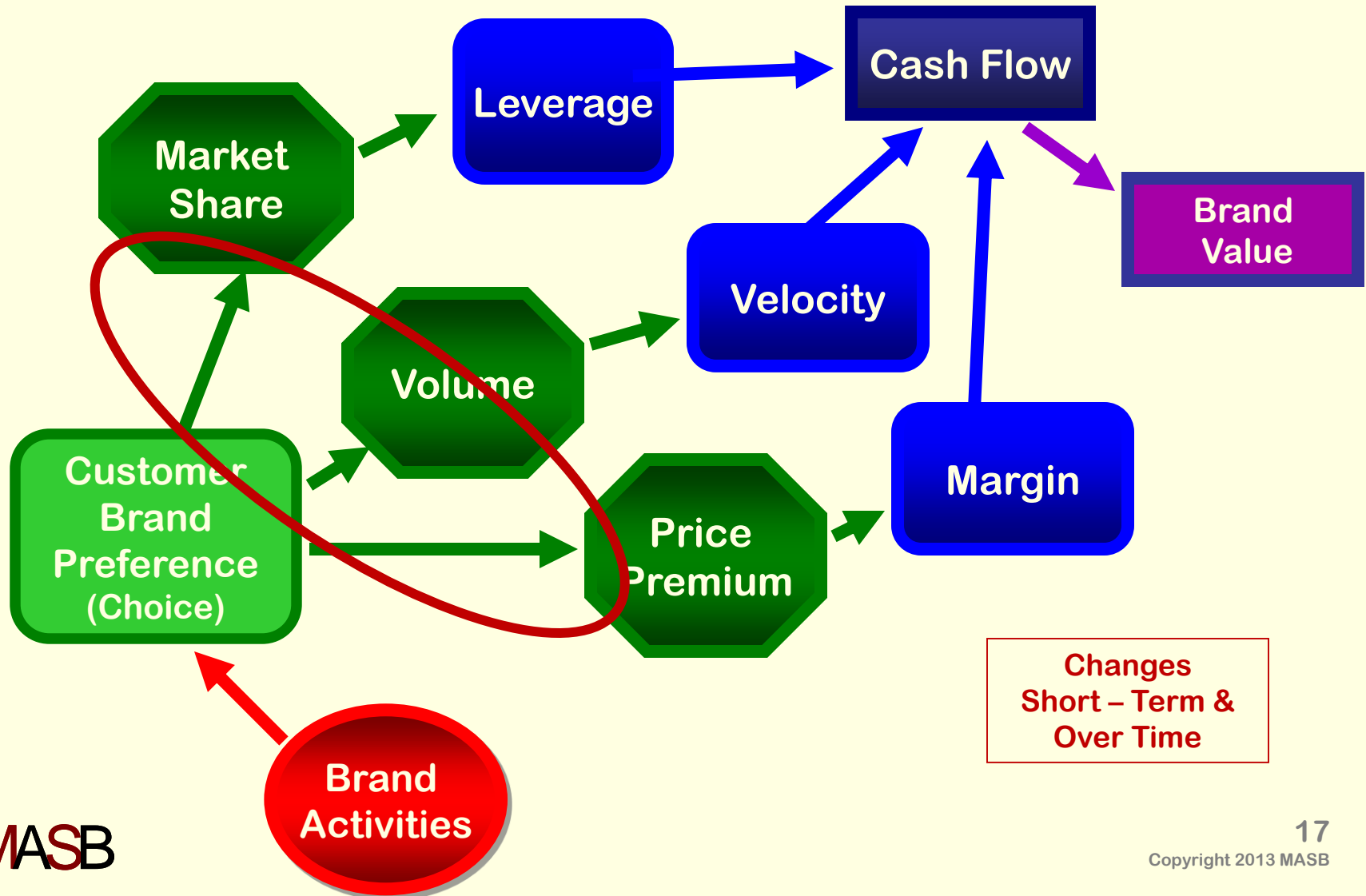
1. Relevant
2. Predictive
3. Objective
4. Calibrated
5. Reliable
6. Sensitive
7. Simple
8. Causal
9. Transparent
10. Quality Assured

What we'll likely see/learn during the BIV Project

Not so much for other measures collected in tracking "surveys"

Source: "Measuring and Improving the Return from TV Advertising (An Example)," MASB, April 2008, May 2012

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MMAP: Brand Investment/Valuation Model ("Brand Strength" Dependent Variable)

Market Share → **Leverage** → **Cash Flow**

Volume → **Velocity** → **Cash Flow**

Customer Brand Preference (Choice) → **Price Premium** → **Margin** → **Cash Flow**

Cash Flow → **Brand Value**

Brand Activities → **Customer Brand Preference (Choice)**

Changes Short – Term & Over Time

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Anticipated Predictive Equations/Forecasting Models Brand Preference/Choice to Market Results

- **Market Share* $_{(t)}$ =**

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

- **Volume$_{(t)}$ =**

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

- **Price Premium/Point $_{(t)}$ =**

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

  * And/or Baseline?

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Marketers Participating (July 2013)

Each participating company selected 2 categories for tracking

Considerations for brand/category selection included:

- Market situation – one category that is generally static and one that is more dynamic
- Availability of sales and/or MMM data
- Availability of additional data, e.g, brand health/equity tracking over time
- Sufficient HH category penetration to ensure robust samples

Specs include:

- Brands in Category (as defined when measuring market share)
- Analytical Sample (those who could use/buy category)
- Critical Cell (those who do use/buy category) and Targets

Participant	Category I	Specs	Category II	Specs
K-C	Bathroom Tissue	X	Facial Tissue	X
CAG	Microwave Popcorn	X	Frozen Entrees	X
HER	Chocolate Bars	X	Gum	X
FTL	Caramel & Toffee Corn Snacks	X	Salty Snacks	X
M-C	Premium Light Beer	X	Value Priced Beer	X
GM	Full Size Pick-Ups	X	Compact Cars	X

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Analytics Sub-Team (July 2013)

- **Analytics sub-team was formed by Dave & Mike**
  - **Co-Leads: Frank Findley & Lori Kuehn**
  - **Will recruit other members as appropriate**
  - **Determined Go-Tos for each participant**
  - **Will meet monthly**
  - **Will create Sub-Team Plan**
  - **Will inform overall team quarterly**

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The Data

- **MSW·ARS Brand Preference/Choice all brands/categories participating**
  - **Forward tracking started July 2013**
- **Coordinate time periods of tracking vs. other data involved**
  - **BP tracking, market level results, idiosyncratic tracking**
- **Market Share, Baseline, Unit & $$ Volume, Price, Distribution, Promotion**
  - **Team will determine what "baseline" metrics will be used**
- **Brand Equity/Strength/other tracking data**

- **Future Phase**
  - **Marketing mix inputs**
  - **Advertising pretesting**
  - **Advertising GRPs by vehicle type**
  - **Other marketing impressions**
  - **Competitive mix drivers (e.g. advertising, price, etc.)**
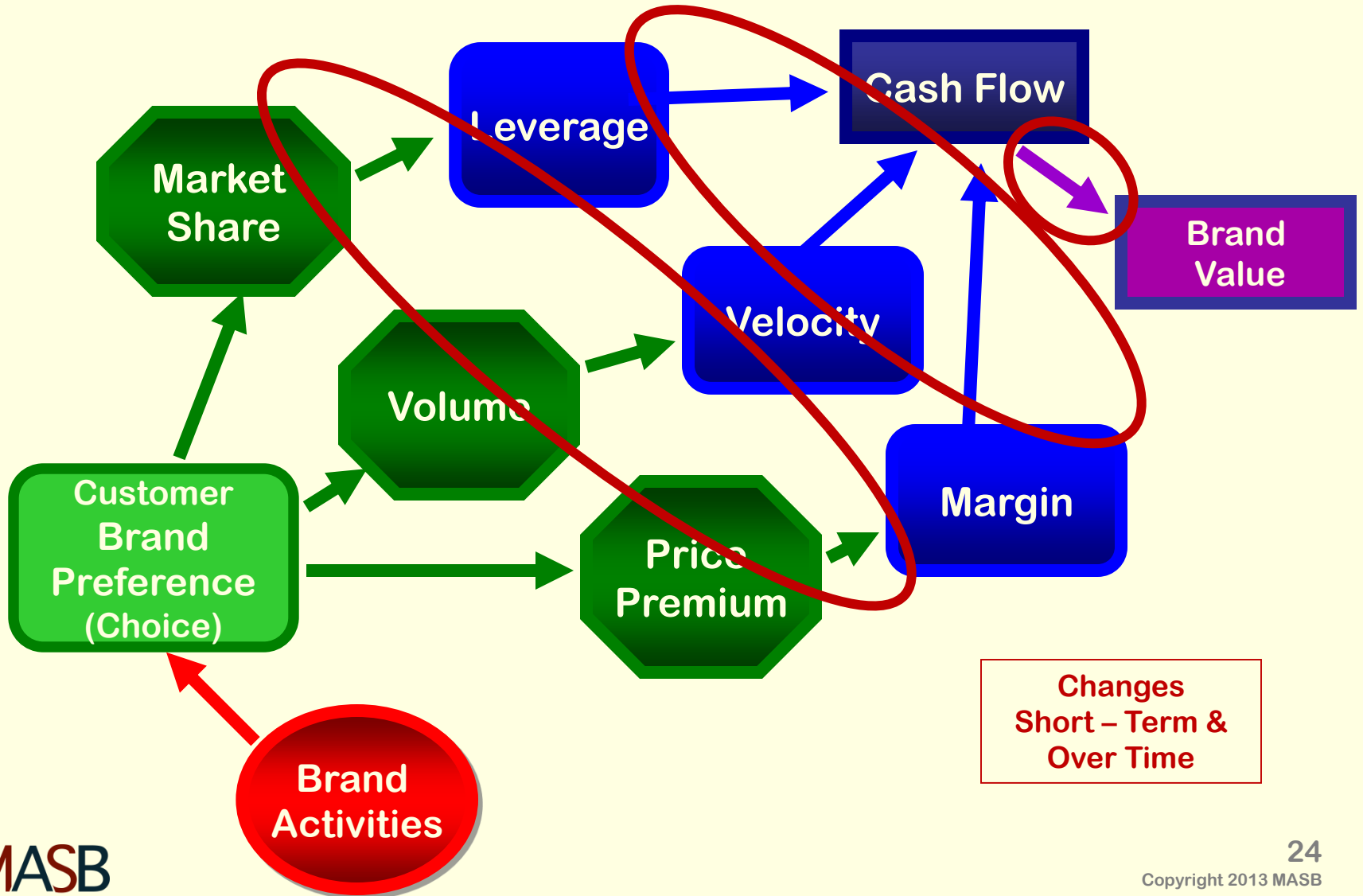
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Other

- **Data Structure**
  - **Flat file in Excel**
  - **Calendar monthly and quarterly, time periods in columns**
  - **24 months beginning July 1 2013**
- **Data Housing**
  - **Loyola Marymount University**
  - **Point Person**
- **Outputs**
  - **Descriptive results of metrics & analytics**
  - **Description of process & protocol**
  - **Desk-Top Simulator**

BIV Next Steps

- **Continue Brand Preference/Choice Tracking**
- **Create Analytics Sub-Team Action Plan**
  - **Structure, collect, house all the data**
  - **Format the data base**
  - **Further define outputs**
- **Add BIV Team finance players to Analytics Sub-Team**
  - **Build the bridges from Market to Financial metrics**
  - **Then to Brand Value using "Principles"**

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MMAP: Brand Investment/Valuation Model
(Build Bridges to Financial metrics & Brand Value)

Market Share

Leverage

Cash Flow

Brand Value

Velocity

Volume

Customer Brand Preference (Choice)

Price Premium

Margin

Brand Activities

Changes Short – Term & Over Time

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Thank-you!

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