MASB
Standards Project

The MASB Book
Project Review & Status

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Chicago

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Marketing Accountability Standards Board
of the Marketing Accountability Foundation

MASB Book I

Project	Compilation of MASB Work (**Book I**) (Stewart & Gugel)
Issue Addressed	Enormous amounts of MASB work exists in isolation/various forms
Project Objective	Compile MASB work in a single place, easily accessible to business & academia
Expected Outcome	Published volume summarizing the best of MASB's work to date
When	2015

Strategy
Review, organize & disseminate MASB relevant content into Chapters, and delegate the writing to MASB members who enjoy publishing.

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MASB Book Milestones

I
Frame-Up
Prioritize*

II
Team
Leadership
Plan

III
Resources

IV
Research*

V
Acceptance*

VI
Education*

EI Frame-Up 12/11

Leaders & Plan 2/12

Action Plan 4/12 +

MASB Content 7/12

Contributors 11/12

Chapter Outlines 6/13

Pub. Proposal 7/13

Proposal to pubs 1/14

Publisher Chosen 6/14

Book to Publisher** 6/15

Book Flyer 7/15

* Paper, Deck or Publication outputs

** Routledge Taylor & Francis Books

Chapter 1 – Delivering to the Marketing Accountability Mandate (By: Meg Blair, Mitch Barnes, Kate Sirkin & Dave Stewart)

- Discusses the…
  - Increasing scrutiny of marketing activities
  - Growing demand for greater accountability of the marketing function
- States that accountability cannot be achieved without…
  - Generally accepted marketing outcome measurement standards
  - Linked to the financial performance of the firm
- Suggests that standards must be…
  - Grounded in the business model of the firm
  - Aligned with the company's financial reporting and business decision making processes
- Proposes that…
  - Every marketing activity leads to an intermediate marketing outcome ultimately driving cash flow
  - The MMAP be used for validating this causal link between marketing activities and the financial performance of the firm
- Covers the work leading to the establishment of…
  - The Marketing Accountability Foundation (MAF)
  - The Marketing Accountability Standards Board (MASB)
  - Its overall structure and operating practices
  - How its vision, mission, and promise, will make a big difference to everyone involved with the practice of marketing
  - Delivering to the marketing accountability mandate

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Chapter 2 – Lessons from the Quality Movement (By: Dave Stewart)

- Discusses how marketing…
  - Is a well-established discipline
  - Implementation comes with the expectation that companies, firms, and startups devote their efforts to attracting and keeping the customer
  - Is not necessarily a standardized or even a particularly useful endeavor
  - Often-poor organization and haphazard approach may be related to the minimal attempts to analyze marketing efforts using meaningful metrics
  - Today is at a crossroads
  - Executives have begun to realize that without scrutiny they cannot determine if marketing is effective, nor can they figure out how to improve it
  - Results have been hard to quantify
  - Budgets were reduced based on a lower revenue figure or earnings forecast
  - Budgets were retained so long as the company was doing well; reduced in tougher times
  - Should apply the ideals of the total quality management movement of 75 years earlier
  - Can transform operations from messy processes with incompletely formulated ideals to neatly streamlined powerhouse manufacturing systems
  - Transformation that includes statistics-based quality measures can help predict where the function is headed in the coming decades
  - Now, like operations in the mid 20th century, is characterized by a lack of standards and recognizable vocabulary as well as idiosyncratic processes and muddy goals uninformed by financially based metrics
  - Input must be linked to output

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Chapter 3 – Marketing's Search for a Common Language (By: Paul Farris, David Reibstein & Karen Scheller)

- **Discusses…**
  - The need for a common language and vocabulary in the marketing profession
  - The many battles that have been fought simply over the meaning of the same and/or different terms
  - The changes that are occurring in the marketing profession that make it more important than ever for the field to strive toward establishing a common language
  - The changes that have to do with the ever-growing influence of data-based business analytics
  - How marketing is also becoming more reliant on data to guide decisions and evaluate productivity
  - How so many important concepts in marketing have so many possible interpretations and shades of meaning that they are only partially measurable (e.g., loyalty and product differentiation)
  - Time dimensions, that is, what is critical is less the absolute level of any metric, but how a metric changes over time and in response to marketing activities (e.g. market share, national unemployment levels)
  - How finance is pushing marketing to get better at reporting metrics that will improve forecasts of sales and profits, as well as demonstrating adequate returns on marketing spending
  - Metrics may be needed to report activities to outside audiences on the basis of a common denominator
  - How manufacturing operations will pressure marketing to apply concepts to demonstrate improvements in productivity

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Chapter 4 – Measuring Brand Preference (By: Mike Hess & Allan Kuse)

- Discusses…
  - The importance of brand preference, that is, how it can be used to anticipate the success of marketing activities and to assess the financial performance of brands
  - The ways in which it can be measured: attitudinal surveys, conjoint analyses, and behavior-based measures
  - Several uses of brand preference metrics and how they may be linked to financial performance
  - Brand preference's significance as it relates to the cost of doing business and the short-and long-term success of the brand
  - How brands that are preferred are more likely to win the battle for market share
  - How these brands could ultimately charge higher prices than less-preferred brands while still retaining a desirable level of market share
  - How brand preference is important in its ability to lead to a change in the point-of-view that advertising is just an expense of doing business
  - How advertisers who understand how brand preference scores predict the effectiveness and efficiency of advertisements no longer consider it an expense but a wise investment

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Chapter 5 – Measuring Return on Brand Investment (By: Frank Findley)

- Discusses how…
  - Brand preference had to be mathematically linked both to financial outcomes and to the brand awareness and attitude measures commonly used by brand teams
  - The linkage to financial outcomes would enable brand preference to be translated into accurate estimates of cash flows and ultimately brand valuation
  - The linkage to brand awareness and attitude measures would verify the sufficiency of the brand preference concept while simultaneously validating the potential of these other measures as diagnostics to brand preference
  - To establish these linkages, MASB sponsored a multi-year longitudinal study with the cooperation of six blue chip corporations from a variety of industries including fast moving consumer goods, food, beverages, and autos
  - Each of these participants chose two categories to be included
  - The resulting twelve categories represent a wide variety of product types and market conditions
  - Individual unit prices ranged from under one dollar to over thirty thousand dollars
  - Some of the product categories lent themselves to spontaneous purchase while others required greater deliberation which could include third party influencers in the decision making process
  - Some of the categories were highly fragmented while others had only a small number of competing brands
  - Typical consumer purchase cycles could vary from a week to up to a decade
  - Each of the participants provided unit sales, pricing, and distribution data for their own and competing brands within their chosen categories
  - Three of the participants also provided brand awareness and attitude data from their proprietary brand tracking systems
  - Each tracking system included category specific measures
  - Seven common classes were found across at least four of the categories: unaided awareness, aided awareness, advocacy, loyalty, purchase intent, relevance, and value
  - These financial and brand tracking information were compared to brand preference data provided by MSW ARS Research

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Chapter 6 – CLV and its Relevance to the CPG Industry (By: V. Kumar & Sarang Sunder)

- **Discusses how…**
  - The customer-centricity paradigm has long been documented as being one of the most important tenets of effective marketing in today's dynamic environment
  - With the advent of technology and customer relationship management (CRM), there is an explosion of disaggregate and granular customer data (transactional as well as survey) available to firms
  - Slowly but surely, organizational perspectives and operations have been modified across various industries from a product-centric view to a customer-centric one
  - This has led to firms not only focusing on satisfying the customer, but also nurturing profitable customer relationships
  - The next logical step in the area of CRM was to develop the right kind of metric to evaluate the value of a customer
  - Traditional CPG marketing has focused on reaching out to consumers through mass marketing and delivering standardized products/services
  - The importance of individual consumer preferences were largely ignored
  - In a digitally interconnected world firms and consumers interact with one another intimately
  - Customer-level marketing has become the new paradigm
  - As marketers regain respect and power within the board room, the need for businesses to put the customer at the center of decision making has reached its critical mass
  - MASB has gone about doing this by focusing on the…
    - Rise of customer lifetime value (CLV) in marketing applications
    - Advantages of CLV in today's marketplace
    - Commonly used approaches to measure CLV
    - Implementation of CLV in a CPG setting

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Chapter 7 – CLV in the Packaged Goods Industry (By: Rick Abens & Debra Parcheta)

- **Discusses how…**
  - Marketing accountability in fast-moving consumer goods (FMCG) businesses has been limited to the measurement of short-term sales and profit returns from marketing
  - Current metrics for brand success remain primarily backward-looking and short-term focused
  - These metrics include: response elasticity, ROI, past sales trends, purchase frequency, and market share
  - Marketing and financial managers now recognize that short-term effects do not necessarily anticipate brand success for the long term
  - The purpose of marketing is more about attracting and building relationships with customers than just generating incremental purchases
  - A brand's success depends on more than just achieving quarterly or weekly sales goals or short term ROI
  - The promise of CLV for an FMCG brand is to measure current purchase behavior, household-by-household, and anticipate the brand's future customer equity trend
  - This provides a prediction of the net present value (NPV) of cash flows resulting from marketing-driven changes in the brand's relationships with its customers
  - Customer lifetime value (CLV) measurement quantifies this long-term relationship with customers though it has not been used for FMCG
  - Consumers exhibit very little loyalty to most FMCG products with an average customer turnover of 40% each year
  - This dynamic makes it difficult to determine customers from prospects, but also highlights the importance of measuring and managing customer loyalty.
  - CLV and its effects from marketing were estimated in the MASB study for six FMCG brands
  - We found that the CLV metric is a more stable, slow-moving metric that can be predictive of future business results
  - The study showed that advertising increases both short-term sales and CLV, while price discounts had a short-term benefit only
  - These results show that the full impact from marketing can be measured and can help companies make smarter choices to manage the long-term success of their brands
  - The study also helped identify additional measures and dimensional detail for improved CLV impact

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Chapter 8 – Long-Term Impact of Advertising (By: Dominique Hanssens)

- **Discusses…**
  - The outcome of a MASB project that focused on identification of the long-term impact of advertising
  - The short-and long-term impact of advertising and the knowledge necessary to improve fact-based marketing resource allocations cross brands, marketing strategies, and time
  - The short-term focus of marketing's impact on sales
  - How this focus may bias return-on-investment calculations for marketing activities that have both short- and long-term impact, as it takes into account the complete expenditure but only a portion of the impact
  - How this is an important consideration, as there is evidence that advertising has both short- and long-term impact while other marketing tactics (such as price promotions) have only short-term effects
  - How measurement and analyses that consider only short-term impact may put advertising at an unrealistic disadvantage when allocating marketing resources to maximize long-run profitability
  - How the results of CPG analyses have caused marketers to shift spending to programs closer and closer to the point of purchase, primarily at retail
  - This shift in marketing strategy that can be seen in the growth of trade promotion budgets at the expense of ad programs with impact that accrues over time

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Chapter 9 – Long-Term Effects of Marketing Actions (By: Mike Hess)

- **Discusses how…**
  - Marketing actions are often evaluated on a short-term basis
  - Most brand managers and marketers are evaluated on the short-term gains for their brands
  - Such short-term evaluations understate the actual effects of marketing actions in the marketplace because they do not include the longer lasting effects of many actions
  - The longer-term effects of marketing actions can also impact strategic marketing decision making
  - It is necessary to account for both the short-term and long-term effects of marketing
  - Long-term is the focus on building brands across periods that are longer than the next investor report, current budget, or planning period
  - Long-term is about growing a brand for the future
  - Long-term effects are generally measured through increased brand awareness, brand equity, increased loyalty, or higher price elasticity
  - For a company to sustain long-term growth and profitability, it is important that it effectively execute both short-term and long-term marketing strategies

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Chapter 10 – Social Media: What Value for Marketing Measurement (By: Kate Sirkin)

- **Discusses how…**
  - The greatest addition the marketing tool kit over the past decade has been social media
  - While powerful and ubiquitous in its reach it has also posed challenges for the measurement of its effectiveness and efficiency as technology has rapidly evolved
  - These challenges came about and some recommendations for addressing them
  - Social media as defined by today's marketing industry began life in February 2004 with the start of Facebook in the dorms of Harvard University
  - Consumers use social media mainly to connect with their social network of friends via "following" and "reading" what their "friends" are doing as well as posting status updates, photos and videos of what they themselves are doing
  - Direct messaging has become more popular now as it is integrated into the functionality of the platforms along with the contact lists for all friends
  - Gaming only accounts for 4% overall of social time spent but is likely a significantly higher percentage for heavy gamers
  - Brand, personalities and cause-related marketing activities account for less than 10% of all activity on social channels right now
  - This will grow as all of the social platforms aggressively look for ways to monetize their audiences via brand marketing
  - The social media platforms need to balance the impact of higher brand presence with time spent and engagement rates

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Chapter 11 – The Relation of Marketing & Finance (By: Don Sexton)

- **Discusses how…**
  - Marketing and finance often appear to be two separate cultures
  - Marketing frequently is concerned with subjective or soft concepts such as attitudes and intentions and the building of brands and customer relationships over the long run
  - Finance is often concerned with objective or hard concepts such as contribution and cash flow and quarterly performance on metrics such as earnings
  - What has been missing in most discussions involving marketing and finance is the link between these soft concepts and these hard concepts
  - There is a metric that links marketing metrics such as attitudes and intentions to financial metrics such as contribution and cash flow
  - This metric - perceived value - is based on economic theory, has been empirically validated, and is being used in practice by several well-known organizations to guide marketing decisions
  - Marketing metrics and finance metrics are linked through perceived value
  - This relationship for evaluating marketing decisions has improved cooperation between marketing and finance

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Chapter 12 – Creating a Partnership Between Marketing & Finance (By: Jim Meier)

- **Discusses how…**
  - A necessary requirement for creating an accountable marketing function is a strong partnership with the finance function
  - MASB has begun to:
    - Explore the barriers to building such a partnership
    - Suggest approaches for overcoming these barriers
    - Describe the benefits of such a partnership for both the marketing organization and larger firm as a whole
  - The process of building partnerships has worked in one organization – MillerCoors
  - Marketing and Finance have different definitions of:
    - Success
    - Goals for how to get there
    - Standards of measurement by which they judge when those goals have been achieved
  - It may seem hard to impossible to synthesize the two sets of goals and values, especially for marketing and finance professionals contemplating one another from across the figurative divide
  - As a way of overcoming the barriers to creating this partnership, it can be helpful to recognize what an organization will get out of strong cooperation and aligning interests to create mutually desirable goals which lead to enterprise success
  - The American organizational structure has impacted marketing and finance

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Chapter 13 – Reporting on Brands
(By: Roger Sinclair)

- **Discusses how…**
  - We trace the progress of brands as they find their way into annual reports and the balance sheet
  - The evolution of applicable standards by the accounting profession seems to be inexorable
  - It is now joined by the integrated reporting movement which explicitly includes brands in its social and reputation structure
  - There is an inevitable trend towards brands being included in the balance sheet whether they are acquired or internally generated
  - We describe an obstacle that has arisen that might de-rail this progression
  - The accounting standard setters respond to the results of the surveys they have recently conducted
  - Brands will be treated financially in the future
  - Adding brands as intangibles to tangible assets on the balance sheet provides a clearer picture of the true worth of the enterprise

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Chapter 14 – Brand Valuation: GAAP & Legal Requirements (By: Marc Fisher)

- Discusses…
  - How generally accepted accounting practices (GAAP) provide a conceptual and legal foundation for thinking about the value of the brands that are created through marketing actions, and by implication, the value of the marketing actions themselves
  - The important issues related to valuing a brand and an approach for carrying out such valuations
  - How brand equity represents an important market-based asset for many firms
  - How the necessity to disclose the value of intangible assets such as brands in financial reports has been called and discussed for more than a decade
  - How for many companies, intangible assets contribute significantly to their value
  - Empirical capital markets research which underlines the value relevance of intangible assets
  - That in recognition of the increased importance of intangible assets to investors and credit grantors, the Financial Accounting Standards Board (FASB) revised its rules regarding the treatment of intangible assets in financial reports in 2001
  - How due to this revision, the demand for financial brand values in financial reports will further rise in the future
  - How brands are reckoned as identifiable long-lived assets and how these rules apply and require the continued application of a brand valuation method

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Chapter 15 – The Corporate Brand (By: Jim Gregory)

- **Discusses how…**
  - Branding and the management of brands take a somewhat different form when the brand is associated with a company rather than an individual product
  - In such cases the brand is more closely linked to the identity of the company and value of the brand is more closely tied to the value of the firm
  - The corporate brand addresses the challenges associated with managing such a brand, and approaches for valuing corporate brands
  - The corporate brand is one of the most valuable assets in the company
  - It's made up of every communication from the company whether the communication is intended or unplanned
  - Corporate branding for the conscientious company needs to make a persuasive statement to customers, investors, the media, and employees
  - The corporate brand properly managed provides everyone in the organization with a common goal
  - It also benefits the corporation by communicating the subtext, "You can believe in our company and in our products"
  - Corporate branding is a valuable investment in the company's future
  - It buoys the company's divisions and product brands through increased awareness and opportunities for improved cross-selling
  - Visionary, targeted, controlled, and cost-effective corporate branding is a dynamic concept–a corporate communication tool whose time has come

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Chapter 16 – Tax Implications: Treatment of Marketing Expenses (By: Michael Moore)

- **Discusses…**
  - How there are many misconceptions about the tax treatment of marketing expenditures and the reporting of brand valuation
  - How MASB provides a review of the taxation issues related to the ways in which marketing expenditures are treated
  - How there are current ongoing discussions to recognize the value of brands in the financial statements, on the balance sheet or otherwise disclosed in notes or in the management discussion and analysis section of annual reports
  - How such discussions have been ongoing by the Marketing Accountability Standards Board
  - How these discussions have raised many questions including how taxes for a business might be affected if the current tax treatment of brands is modified
  - The tax consequences if the recognition of the value of brands for financial accounting purposes is implemented
  - The treatment of advertising and marketing costs, and proposals for changes in the treatment
  - The author's view of the tax and financial accounting implications of including the value of brands on a company's balance sheet

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Chapter 17 – Marketing Metric Audit Protocol (By: Dave Stewart, Meg Blair & Allan Kuse)

- **Discusses how…**
  - The MMAP process was developed
  - It enables research buyers to make informed purchase decisions and research providers to distinguish their offerings from those of competitors
  - The process includes conceptual linking of marketing activities to intermediate outcome metrics to measures of financial return
  - A validation and causality audit based on “characteristics of an ideal metric” and guidelines for measures of return on marketing investments was implemented
  - The audit is designed to provide a systematic way of thinking about metrics
  - It is also designed to provide the criteria for assessing their usefulness, their relative strengths, and limitations
  - It focuses on their relationships to measurements of financial performance
  - Inclusion in the audited MASB Metrics Catalogue provides visibility and independent verification of the value of the metric

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Chapter 18 – Navigating Barriers…Road to ROMI (By: Meg Blair & Pam Forbus)

- **Discusses…**
  - How there is much to be gained through closer alignment of the marketing and finance disciplines
  - How organizational barriers came about and offers some guidance for overcoming these obstacles
  - The winding down of financial engineering for shareholder value
  - The mounting pressure from corporate boardrooms for accountability
  - How marketing professionals are stepping up, beginning to master and apply the science of measurement and process management to the art of marketing
  - How this fundamental change will usher in a new era of marketing accountability
  - How it will drive:
    - Consistent growth
    - Improved methods for measuring, forecasting and improving the effectiveness of marketing activities
    - A narrowing of the gap between marketing efforts and financial outcomes
  - How the era of marketing engineering will involve both science and governance
  - The central role of marketing measurement, integrated with other metrics along the value chain, all tied to overall financial analyses, and institutionalized across the business enterprise
  - The science of improvement which includes:
    - Measurement development
    - Integrated databases
    - Research-on-research (analytics)
    - Knowledge
    - Better practice (process management)
    - Forecasting models
  - Governance for continuous improvement which involves enterprise engineering including:
    - Cross functional teams (e.g., marketing, finance, sales, R&D)
    - Continuous improvement orientation
    - Common purpose
    - Common rewards
    - Central funding
    - Thresholds

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Chapter 19 – Marketing Organization & Accountability (By: Dave Stewart & Robert Winsor)

- **Discusses how…**
  - Marketing's role and responsibilities vary considerably from organization to organization
  - The metrics by which marketing performance can be measured will also vary
  - Accountability requires an alignment between resources, decision rights, responsibilities, and measures of outcomes
  - Making marketing accountable necessitates clearly defining the role that marketing plays in the organization
  - The various ways in which marketing activities may be organized and managed
  - The differences in marketing responsibilities are defined and organized for accountability within the organization

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Chapter 20 – Epilogue
(By: Craig Gugel & Dave Stewart)

- **Summarizes…**
  - **The themes developed in the preceding chapters:**
    - The need for standards and standardized metrics
    - A focus on the financial return to marketing activities
    - The need for organizational alignment of the marketing function and business performance
    - The perspectives of key constituencies close the chapter

- **In conclusion…**
  - It was John D. Rockefeller, Jr. who once said, "The secret of success is to do the common thing uncommonly well”
  - American marketers have long been known for their brand-building prowess, their ability to take common everyday products and turn them into marquee brands
  - However, as the U.S. product marketplace and the global brand forum have consolidated, the complexity of the marketing function has rapidly escalated
  - It is no longer adequate to implement a marketing campaign without concrete metrics to measure its success
  - The American Marketing Association has said that, “In the current hyper competitive business environment, it is crucial for marketers to understand how all aspects of their marketing activities perform and how that performance links to the organization’s financial outcomes”
  - The AMA goes on to say that, “Brands must be managed as critical financial assets, requiring a relationship of trust and transparency between marketing and finance”
  - The AMA also suggests that, “Marketers should have strong financial acumen and speak the language of finance along with being the champion of the customer”

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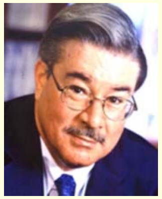
MASB Book Next Steps

- Obtain firm publication date
- Work with other industry associations (MSI) in sponsoring special conference for dissemination & acceptance
- Publicize availability of book
- Decide:
  - Dissolution of Project team or
  - Plan for MASB Book II

MASB Book Team

Team Leaders



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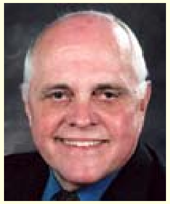

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Team Meets: 4th Thursday at 2:00 ET

Thank-you!