
MASB Standards Project

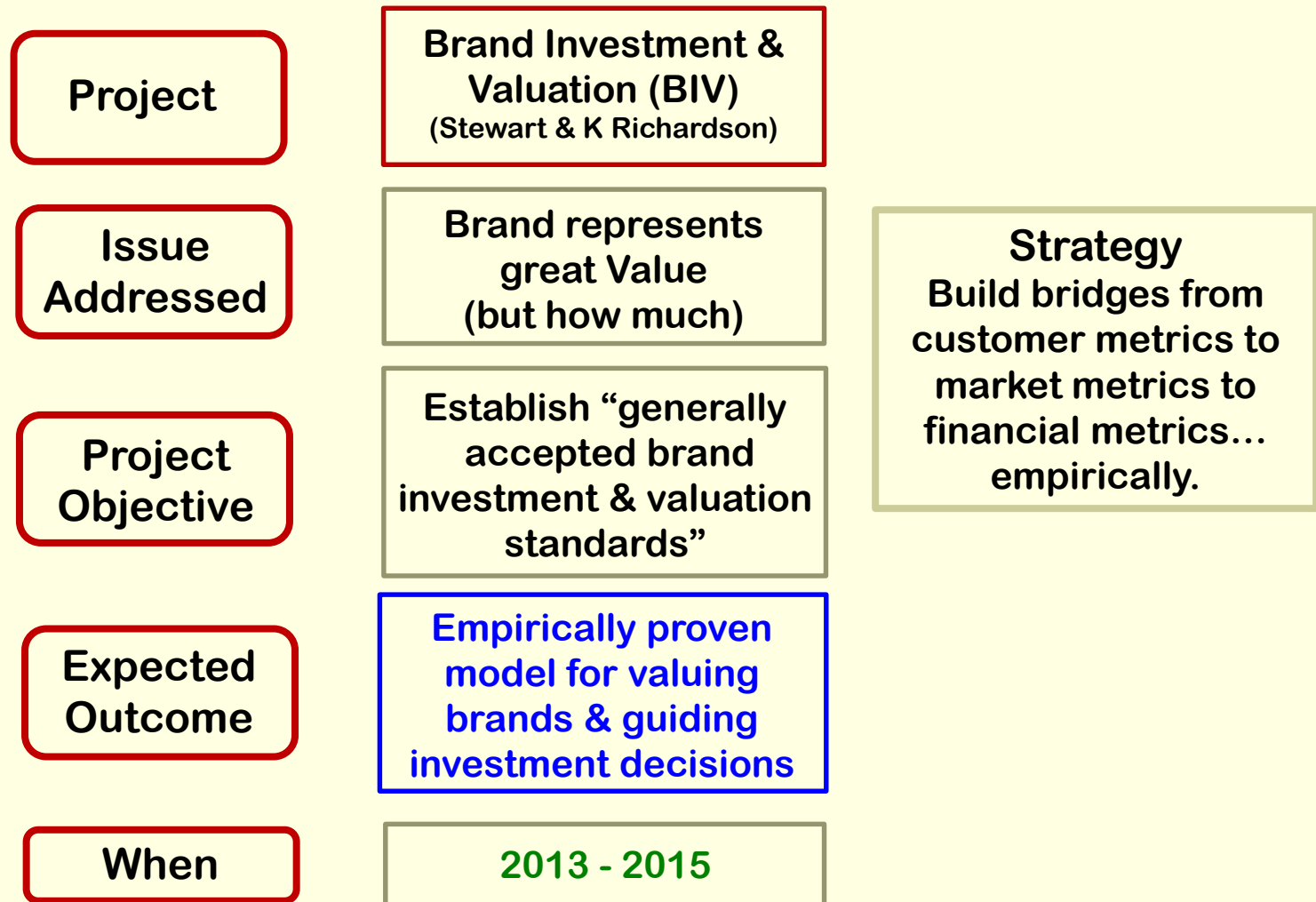
Brand Investment & Valuation (BIV) Project Review & Status

Frank Findley, MSW•ARS Research
Tsvetan Tsvetkov, Nielsen
February 2017
Orlando

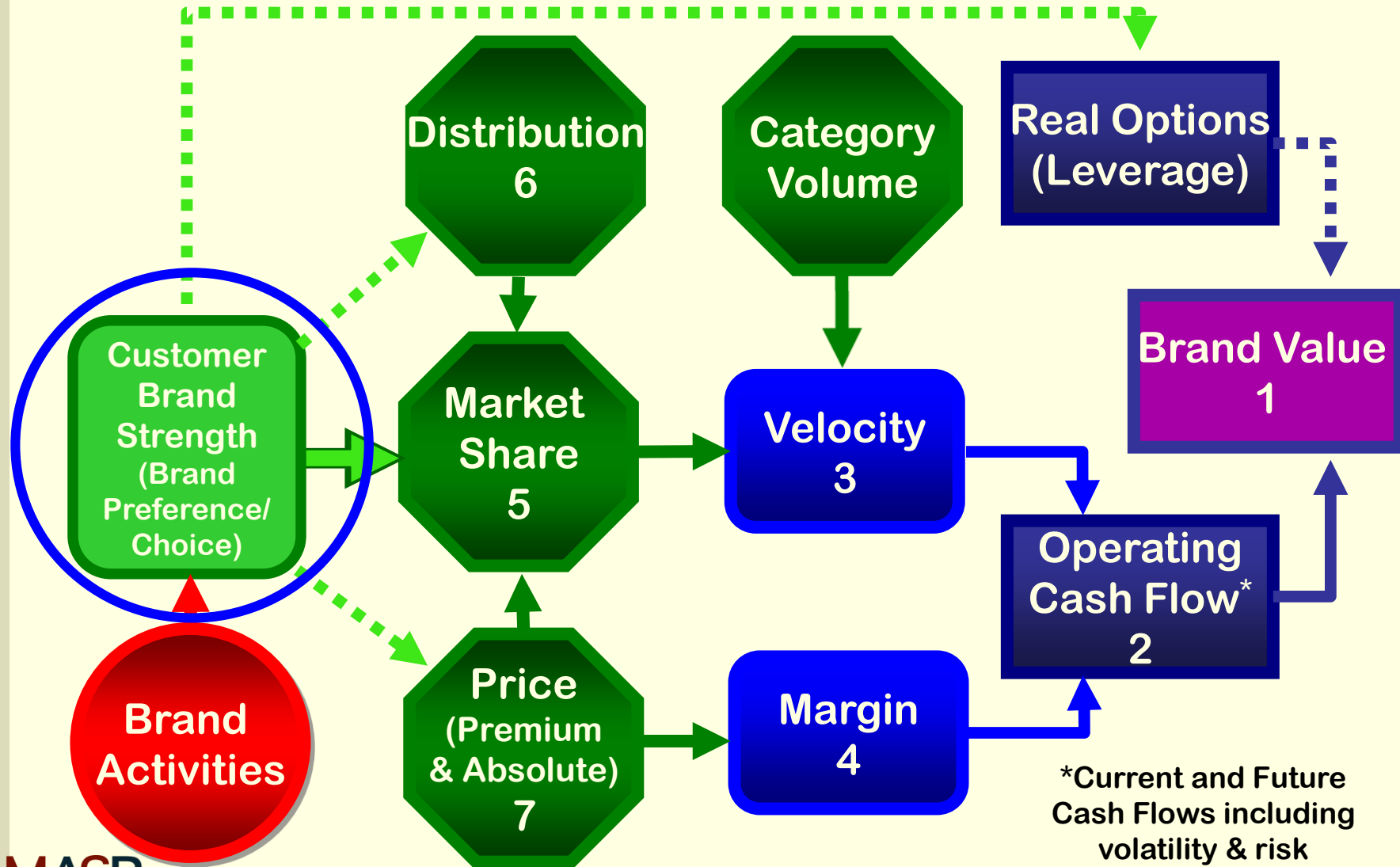


Marketing Accountability Standards Board
of the Marketing Accountability Foundation

BIV: Game Changer (Phase I completed)



Brand Investment/Valuation Model (8/2015)



Brand Preference/Choice is Behavioral



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

Marketers Participating

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

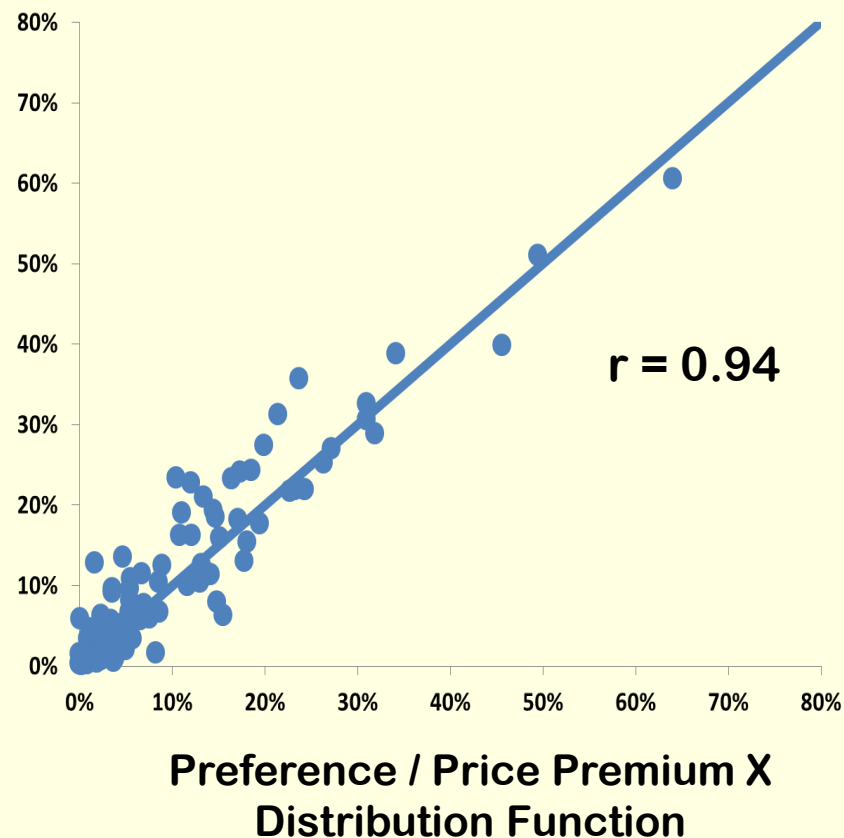
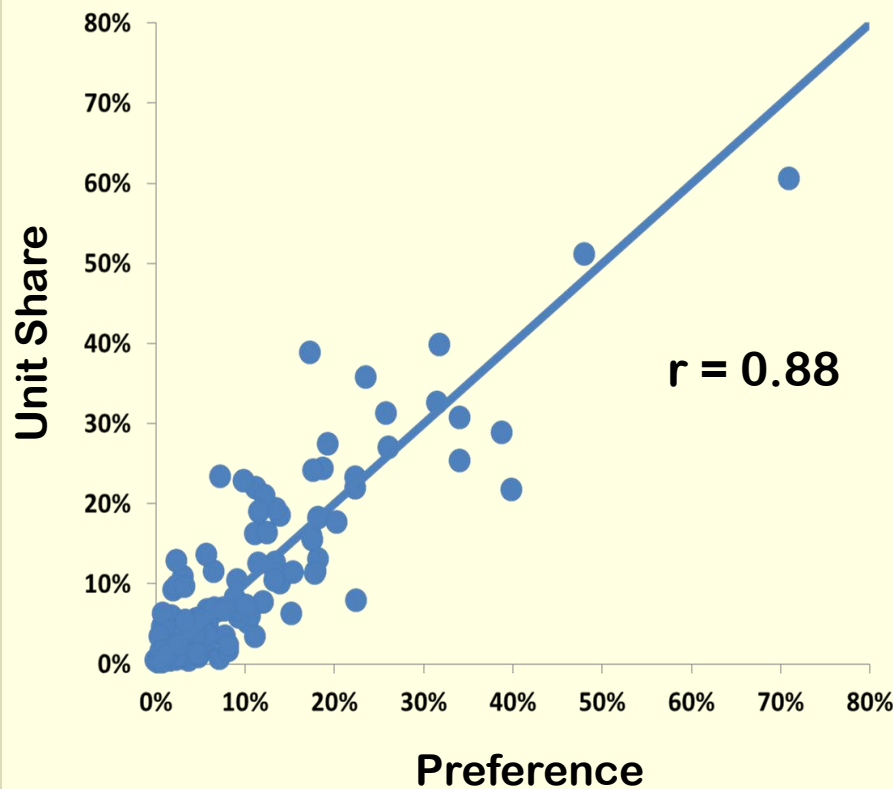
Specs include:

- 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

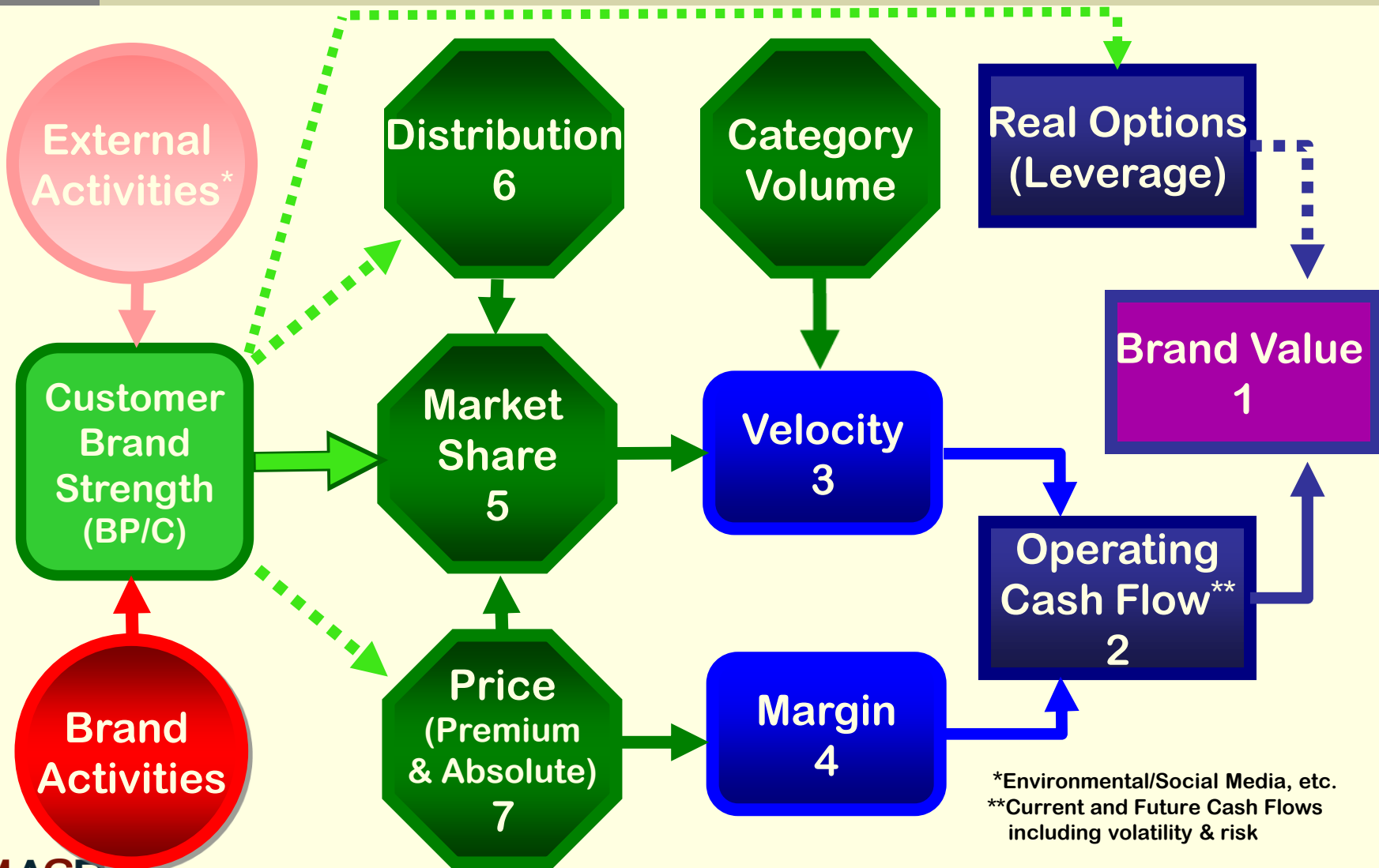
Participant	Category I	Category II
K-C	Bathroom Tissue	Facial Tissue
CAG	Microwave Popcorn	Frozen Entrees
HER	Chocolate Bars	Gum
FTL	Caramel & Toffee Corn Snacks	Salty Snacks
M-C	Premium Light Beer	Value Priced Beer
GM	Full Size Pick-Ups	Compact Cars

The Project includes 12 member brands plus competitors in each of the 12 categories (100+ Brands)...and over 6 fiscal quarters...very healthy sample size or number of observations!

Link Between Market Share & Preference, P.P., Distr. Point-In-Time: 12 Categories, 18 Month Averages



Brand Investment/Valuation Model (8/2015)



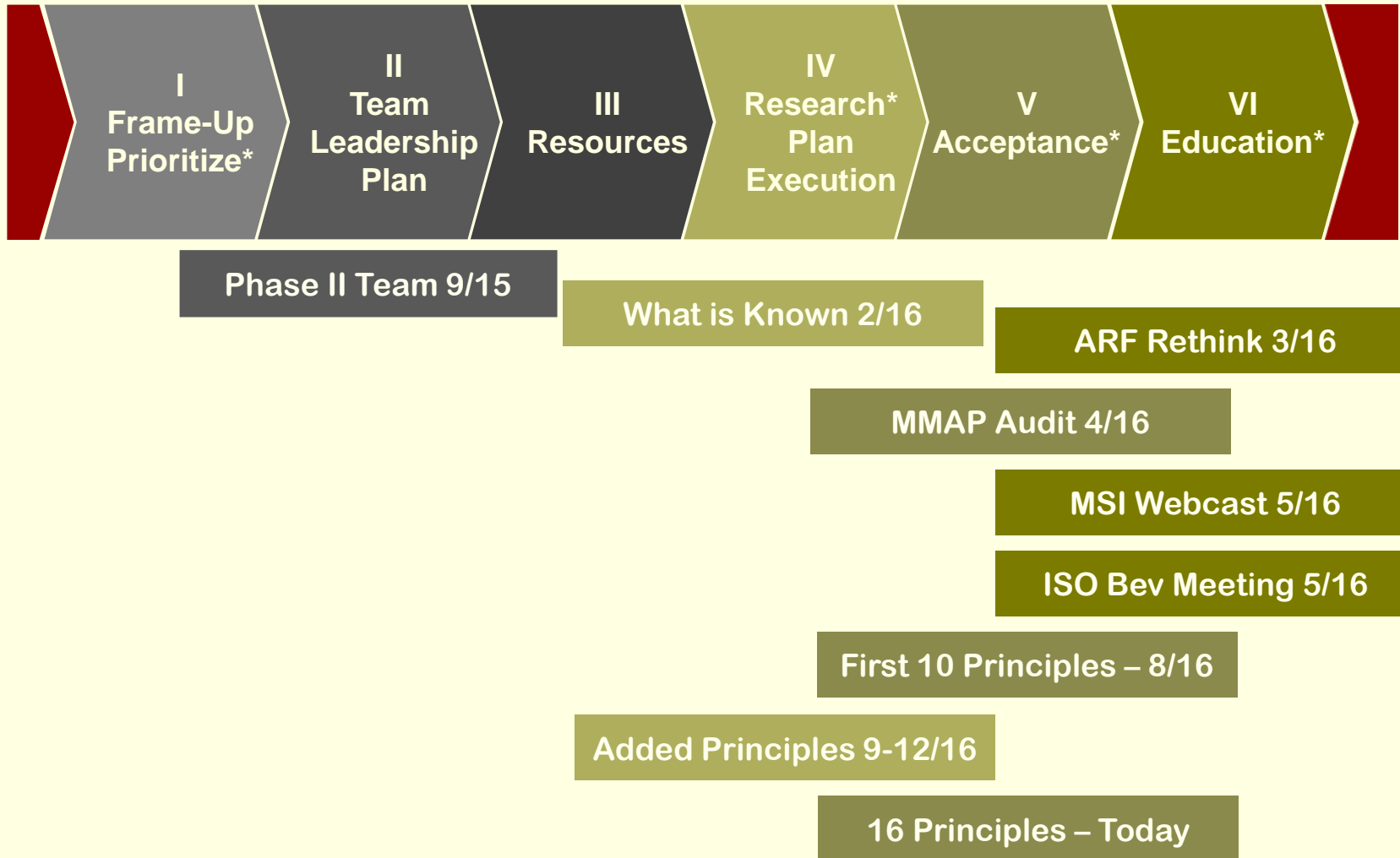
*Environmental/Social Media, etc.
 **Current and Future Cash Flows including volatility & risk

What are activities that drive BP/C?

BIV: Game Changer (Phase II)

Project	Brand Investment & Valuation Drivers (Stewart, Findley, Tsvetkov)	Strategy Find drivers to continuously improve the consumer brand value metric to improve market impact & financial performance
Issue Addressed	Brand Preference/ Choice → Brand Value (but how to increase it)	
Project Objective	Establish drivers of “generally accepted” BP/C standard metric	
Expected Outcome	Empirically proven drivers for increasing BP/C & Brand Value	
When	2018	

BIV Milestones: Phase II



Why proven principles?



“Best efforts are essential. Unfortunately, best efforts, people charging this way and that way without guidance of principles, can do a lot of damage.”

“In God we trust; all others must bring data.”

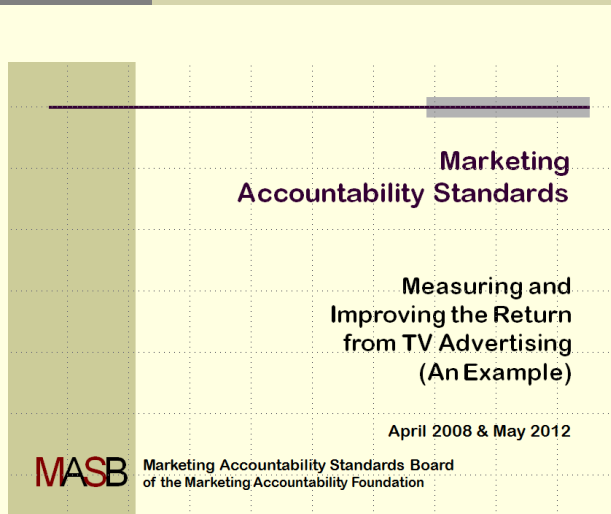
A handwritten signature of W. Edwards Deming in cursive script, written on a light-colored background.

This is critical for credibility...

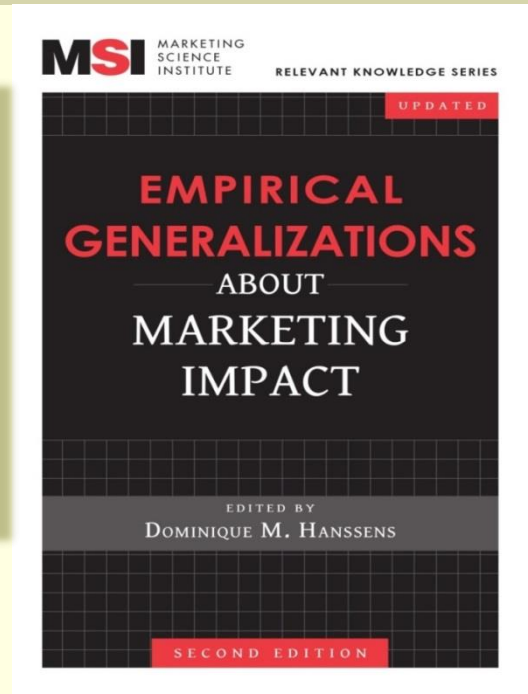


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Meta-analyses + Sources: ‘Best-of-the-Best’



Detailed review of proven practices for driving television ROI



123 evidence-based findings on the impact of multiple types of marketing activities



A recent industry collaboration led by ARF yielding new media “Ground Truths”

16 Principles w/ Practice Implications

Promotion (communications):

1. TV activity explains 65% of variation in Market Share changes, quarter-to-quarter.
PI: Use TV to impact Market Share; improve the ads & use of the medium
2. Variation in strength of the TV ads that aired (APM Facts, as measured by Brand Preference/Choice) explains 52% of the variation in Market Share.
PI: Improve the ads
3. It is no longer a matter of whether or not TV advertising is effective, but whether it is effective enough to meet the specific business objectives.
PI: Establish quarterly business objectives as cornerstone of the advertising plan
4. When there are indications that the advertising plan will not meet the business objectives, just a “couple of points” improvement will often make the difference.
PI: Use proven better practices to improve the ads and use of the medium

16 Principles w/ Practice Implications (cont.)

5. Executing from a superior (best-in-class) proposition results in superior (TV ads) over two-thirds of the time.*

PI: Measure upstream (with BP/C) to find a value proposition strong enough to support subsequent ads that meet the business objectives... spend a little more early in the process and less later...in classic Deming fashion

Corollary:

- 5a. Use of a consistent value proposition across media platforms leads to stronger lifts in brand health metrics.** (Note: creative strategy also would take into account the specific targets, venues and path to purchase/use)

PI: Advertisers should create and implement a consistent value proposition across media platforms

6. A handful of strategic elements have been found to be present in stronger ads.

PI: Consider use of these elements when formulating value propositions and ads

16 Principles w/ Practice Implications (cont.)

7. A few executional elements have been found to be present in stronger ads.
PI: Consider use of these elements when creating ads
8. An ad's selling power (BP/C) works quickly (and predictably) with diminishing returns...and wears out in the process.
PI: Account for wear out at the "shoot" so that there is enough footage to refresh executions w/others when they will no longer be working at desired levels
9. Each execution—even within a campaign—has its own unique Brand Preference building power/value.
PI: Measure executions as they go to air & apply weight ("traffic GRPs") relative to size of market, profit margins and business objectives
10. Continuous airing produces more sales than flighting (w/similar weight).
PI: Plan for continuous airing versus flighting

16 Principles w/ Practice Implications (cont.)

11. Advertising across platforms (especially TV and digital) delivers larger changes in brand preference and reach resulting in higher ROI

PI: Advertisers should invest in multiple platforms instead of shifting media dollars from one platform to another.

12. Word of Mouth (including e-WOM) has a measurable impact on sales and brand preference; often impact from negative WOM is larger than that from positive.

PI: Marketers should invest in creating and managing positive brand conversations in social media.

Product:

13. Quality affects brand preference, price and share, but investments take time to be fully realized.

PI: Invest in product quality as it will pay back on a long-term basis.

16 Principles w/ Practice Implications (cont.)

Placement:

14. In CPG categories, brand preference and market share increase with retail distribution, while out of stocks translate into lost sales and earnings per share.

PI: Invest/execute at retail to expand and maintain shelf presence.

Price:

15. CPG products are generally quite price-elastic, becoming more so over time, with a predictable interplay between brand preference and price.

PI: Managing the interplay between preference and price affects level of market share versus level of profitability.

16. Price cuts not supported by retailer advertising (features) or in-store displays generate moderate to strong sales lifts short term but weaken brand preference long term as they train consumers to buy on discount

PI: Reduce unsupported price discounts (TPR Only) and shift funds to quality merchandising events like feature and display to increase short-term spending efficiency. Invest more in innovation and advertising to drive long-term brand cash flow growth.

MASB TV Project - The Metrics

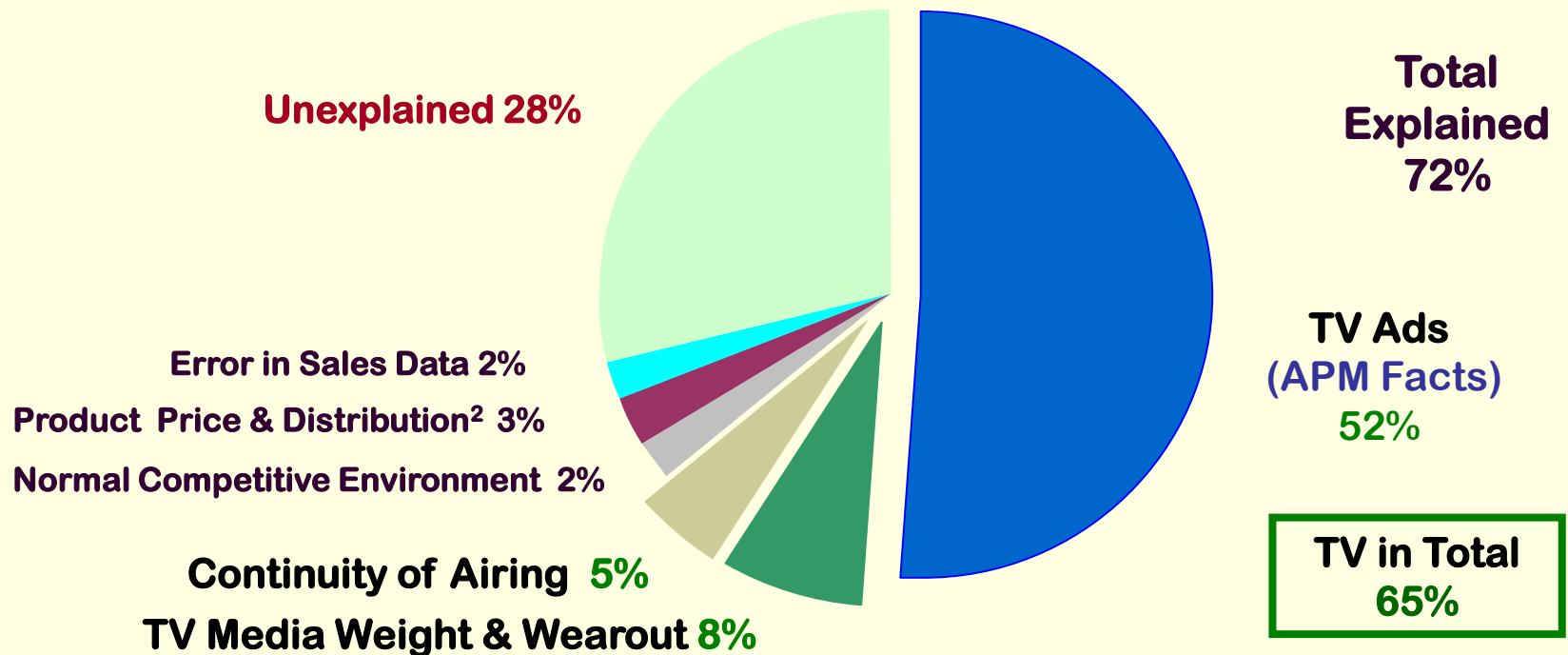
The body of knowledge regarding “persuasion” is based on a specific behavioral measure of consumer **brand preference** where:



The behavioral nature of the measure relieves it of the effects from cognitive bias (Vakratsas & Ambler, 1999)

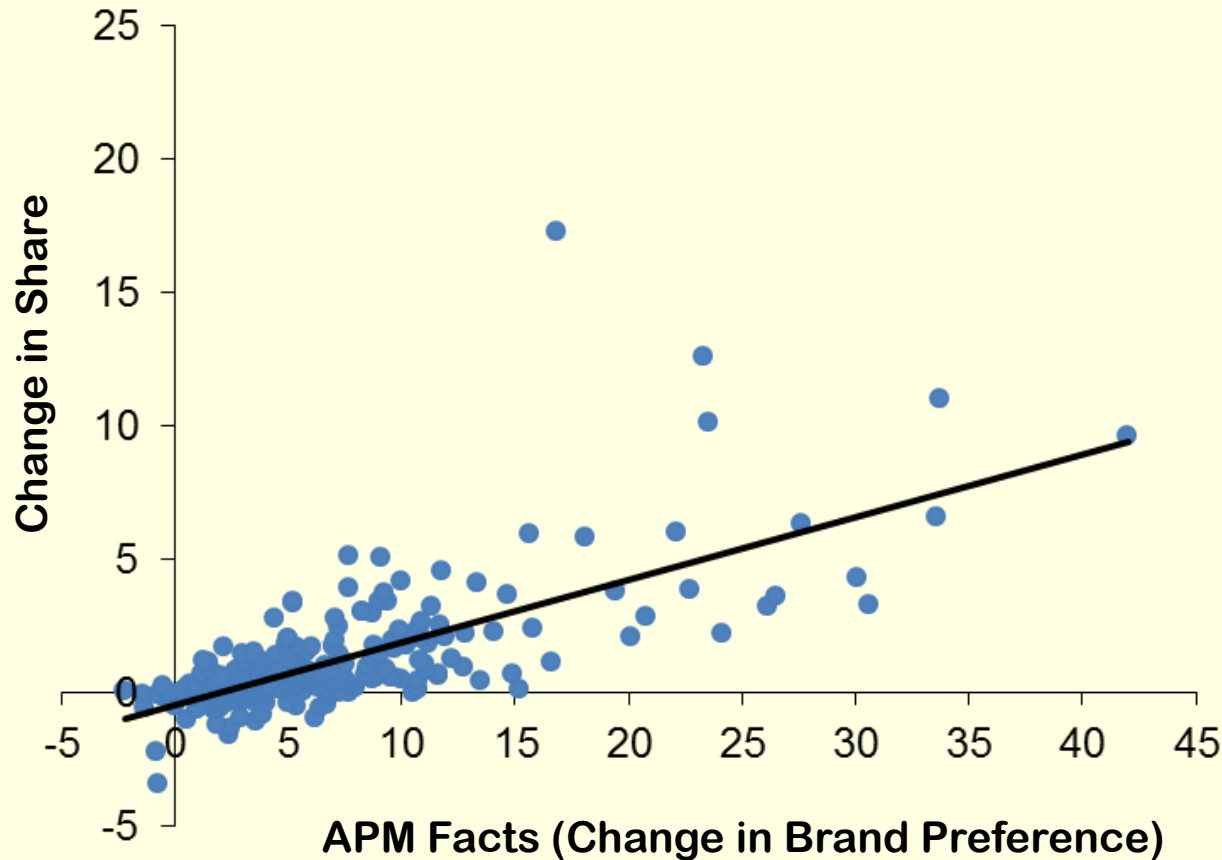
* APM Facts = ARS Persuasion Metric for ads that actually air versus the same methodology used at other stages of the advertising development process.

Explaining Variation in Market Share Changes



1. TV activity explains 65% of variation in Market Share changes, quarter-to-quarter
PI: Use TV to impact Market Share; improve the ads & use of the medium

APM Facts vs. Quarterly Share Change



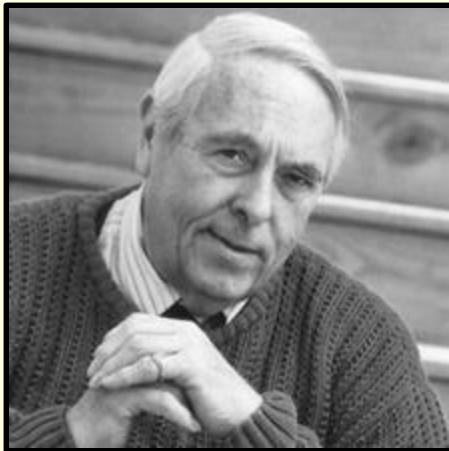
n = 285 cases from
148 brands
76 categories
36 advertisers
7 countries

r = 0.72

2. Variation in strength of the TV ads that aired (APM Facts, as measured by Brand Preference/Choice) explains 52% of the variation in Market Share

PI: Improve the ads

APM Facts vs. Quarterly Share Change



“It is possible to identify sales-effective advertising before airing if the proper (APM Facts) measurement tools are used.”

- John Philip Jones

Explaining Variation in Market Share Changes

APM Facts Range	Average Share Change	Percent of Ads Achieving Share Point Difference of:			
		<u>0.0+</u>	<u>0.5+</u>	<u>1.0+</u>	<u>2.0+</u>
12.0+	+5.4	100%	100%	94%	83%
9.0 – 11.9	+2.2	100	97	72	49
7.0 – 8.9	+1.6	100	87	56	36
4.0 – 6.9	+0.8	80	58	33	9
3.0 – 3.9	+0.5	80	46	26	6
2.0 – 2.9	+0.0	53	19	6	0
<2.0	-0.2	47	12	2	0

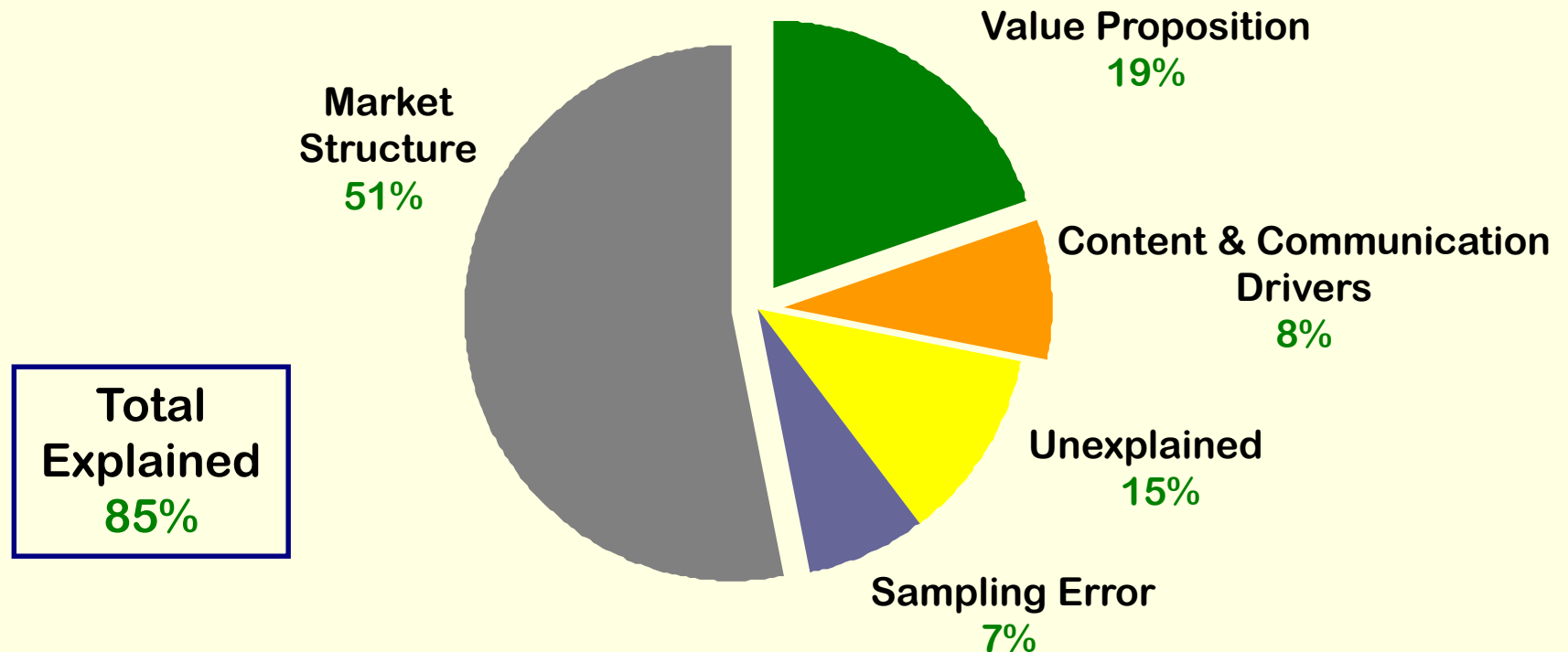
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PI: Use proven better practices to improve the ads and use of the medium

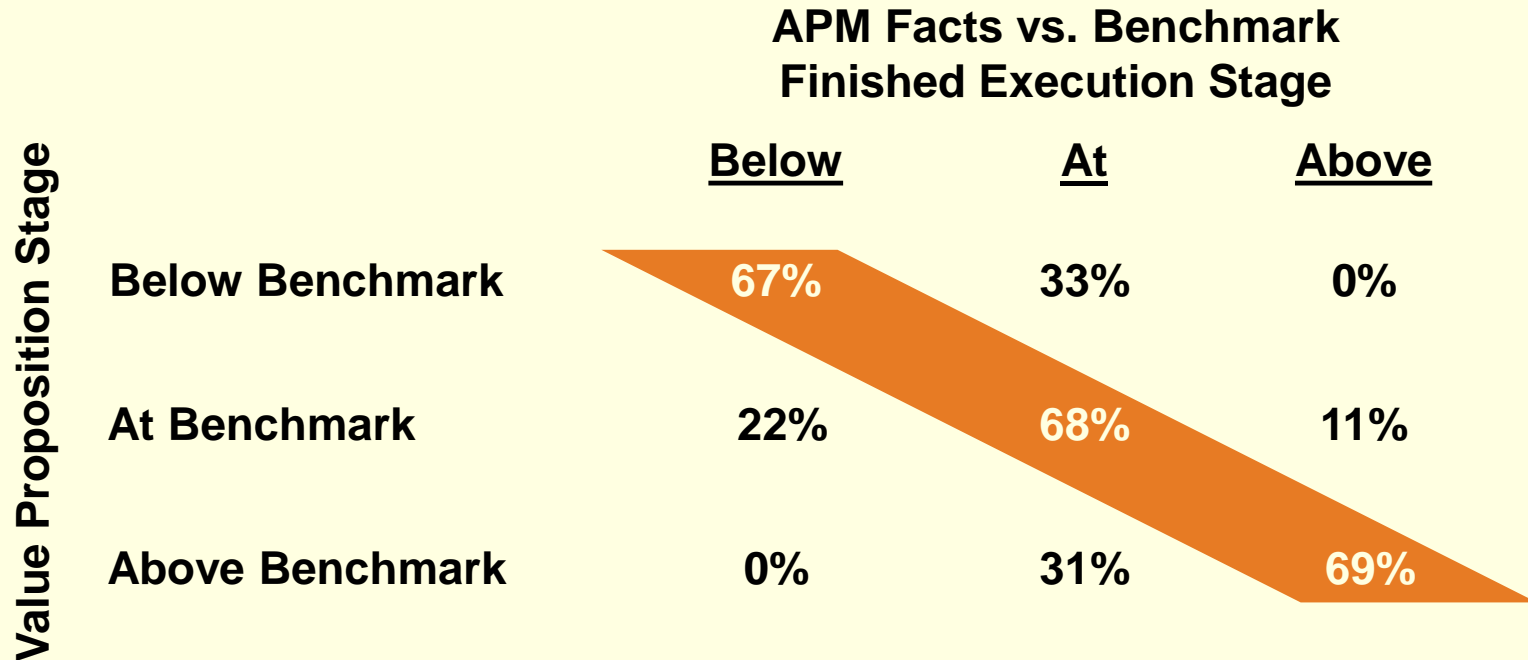
Explaining Variation in Effectiveness of TV Ads



The several hundred *conditions and elements* explored explain 85 percent of the total variation in BP/C outcomes. . .

Source Blair W. Edwards *Deming Went to Japan, We Stayed Here, Now ROMI Changes Everything for All of US*,
Academy of Marketing Sciences Annual Convention (2005)

Value Propositions/Promises



5. Executing from a superior (best-in-class) proposition results in superior (TV ads) over two-thirds of the time.

PI: Measure upstream (with BP/C) to find a value proposition strong enough to support subsequent ads that meet the business objectives... spend a little more early on and less later...in classic Deming fashion

Value Propositions/Promises



“In my experience, the most valuable use of research in the creative process is in testing promises. If your promise is strong, your advertising will sell. If your promise is feeble, your advertising won’t sell.”

- Ogilvy

A Corollary to PI 5:

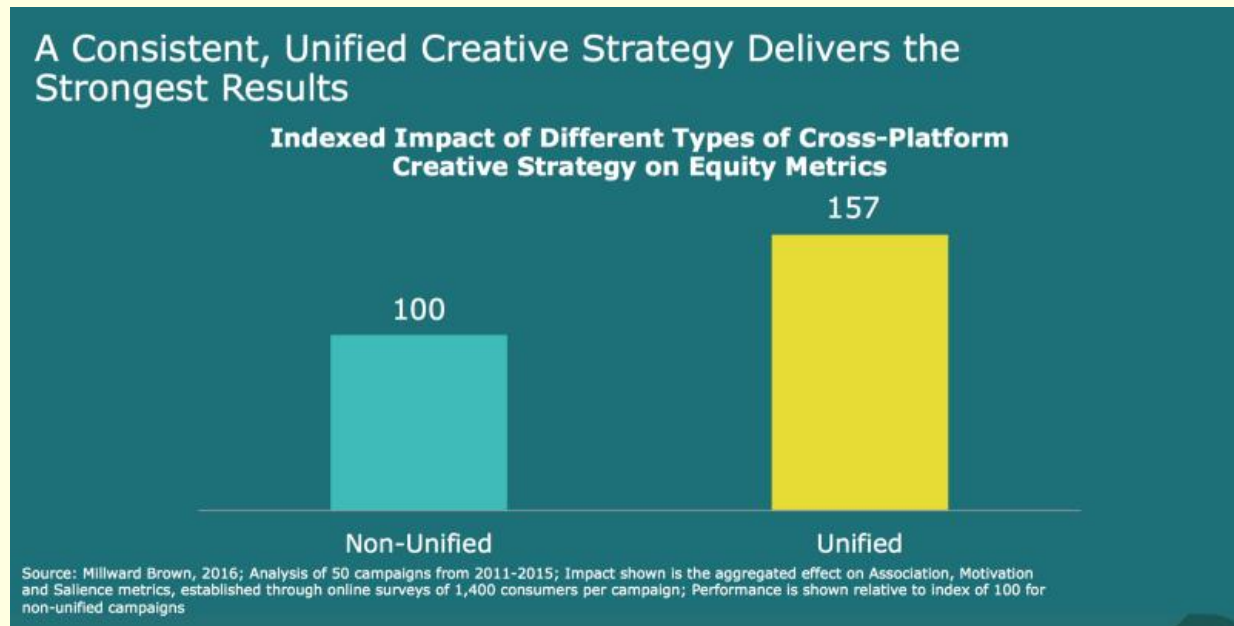
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5a. Use of a consistent value proposition across media platforms leads to stronger lifts in brand health metrics. (Note: creative strategy also would take into account the specific targets, venues and path to purchase/use)

PI: Advertisers should create and implement a unified creative strategy across media platforms



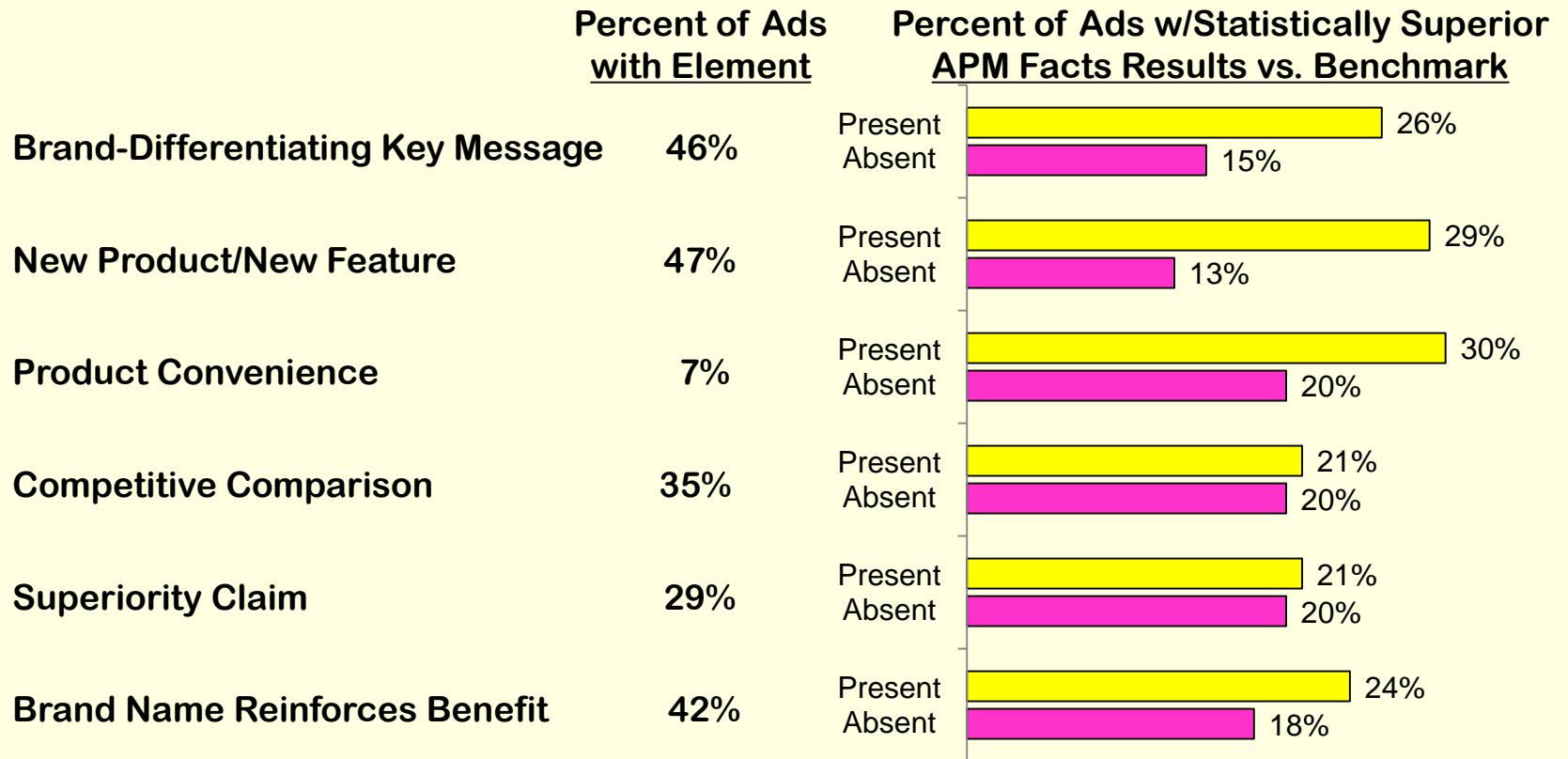
Content – No “magic formula” but there are guidelines



“It is...clear from these studies that there is no magic formula for the creation of effective advertising. While some general guidelines for creating effective advertising appear to receive support from the findings, it is also true that no one executional factor accounts for much of the total variance... The single most important ...factor identified...was the presence of a brand-differentiating message....”

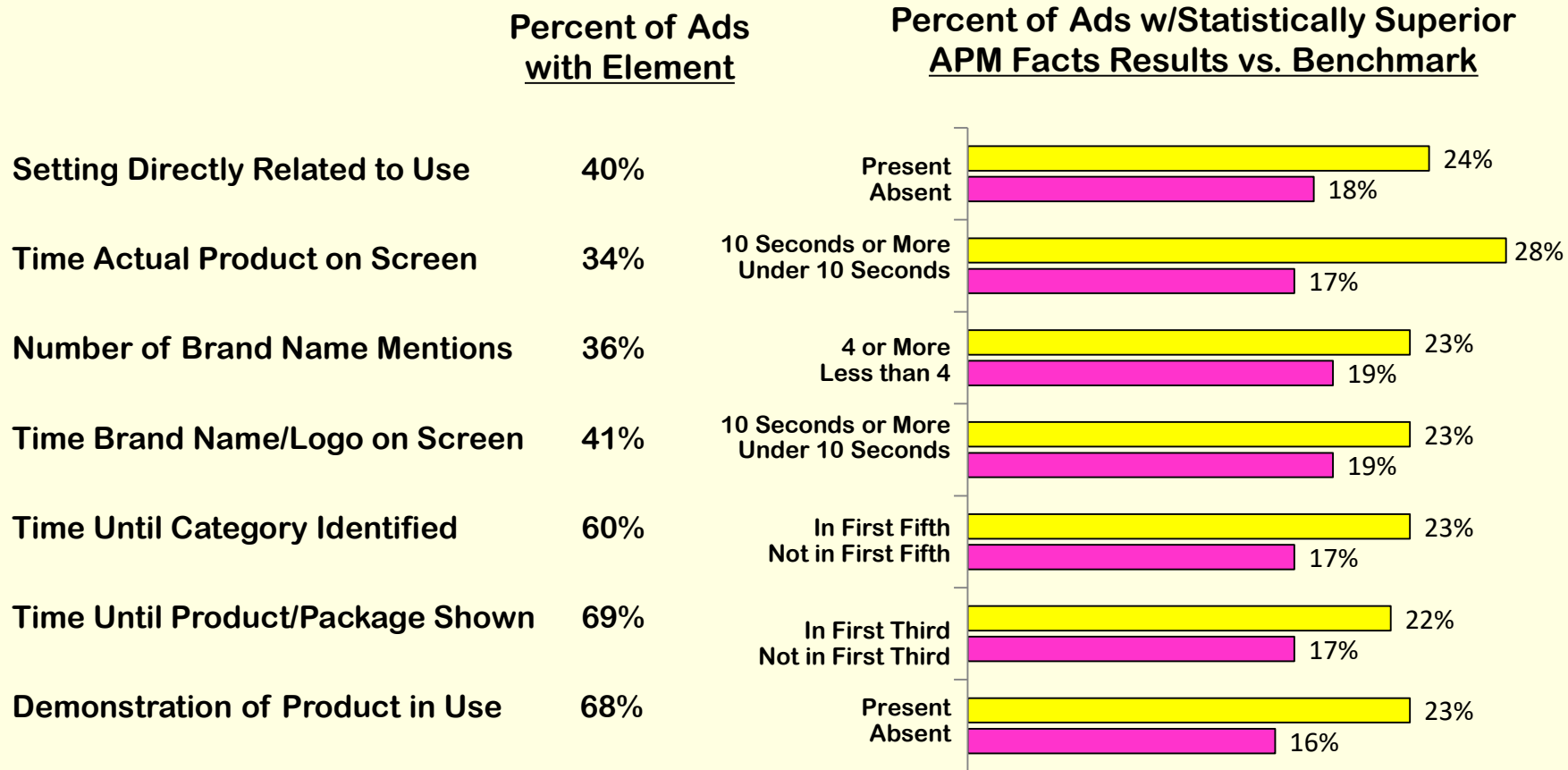
- David W. Stewart

Content (Strategic)



6. A handful of strategic elements have been found to be present in stronger ads
PI: Consider use of these elements when formulating value propositions and ads

Content (Executional)



7. A few executional elements have been found to be present in stronger ads
PI: Consider use of these elements when creating ads

Communication

“Further analysis...showed a complex, non-linear relationship (between) brand differentiation (and communication)...”

“Ads that meet communication hurdles are more likely to achieve higher...results.

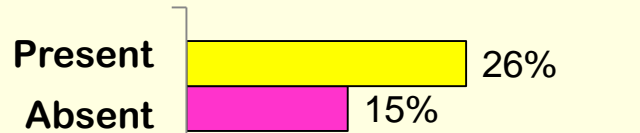
(But) achieving communication has little effect...in the absence of a brand-differentiating key message”

Presence of a brand-differentiating key message, alone or in combination with strong communication achieves the highest levels...”

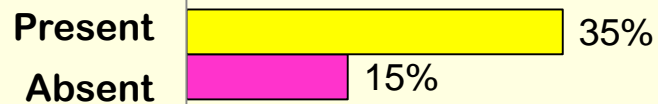
Communication

**Percent of Ads with Statistically Superior
APM Facts Results vs. Benchmark**

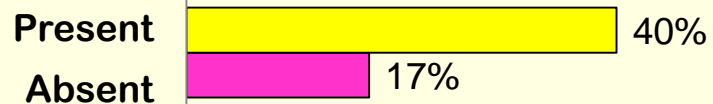
Brand-Differentiating Key Message



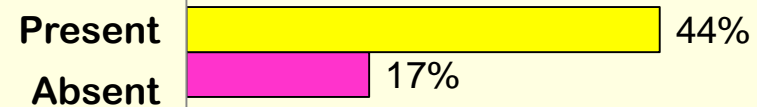
**Brand-Differentiating Key Message and
Brand Name Recall**



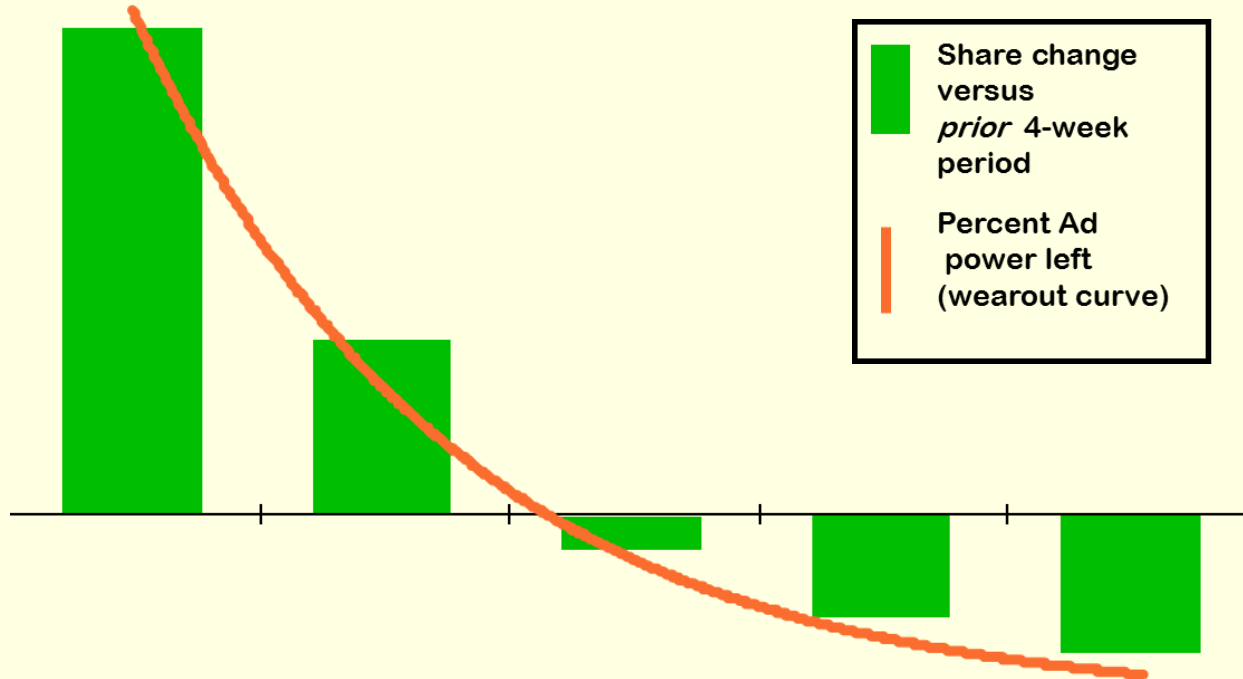
**Brand-Differentiating Key Message and
Key Message Communication**



**Brand-Differentiating Key Message,
Brand Name Recall, and Key Message
communication**



An Ad's Power Works Quickly With Diminishing Returns ...and Wears Out in the Process

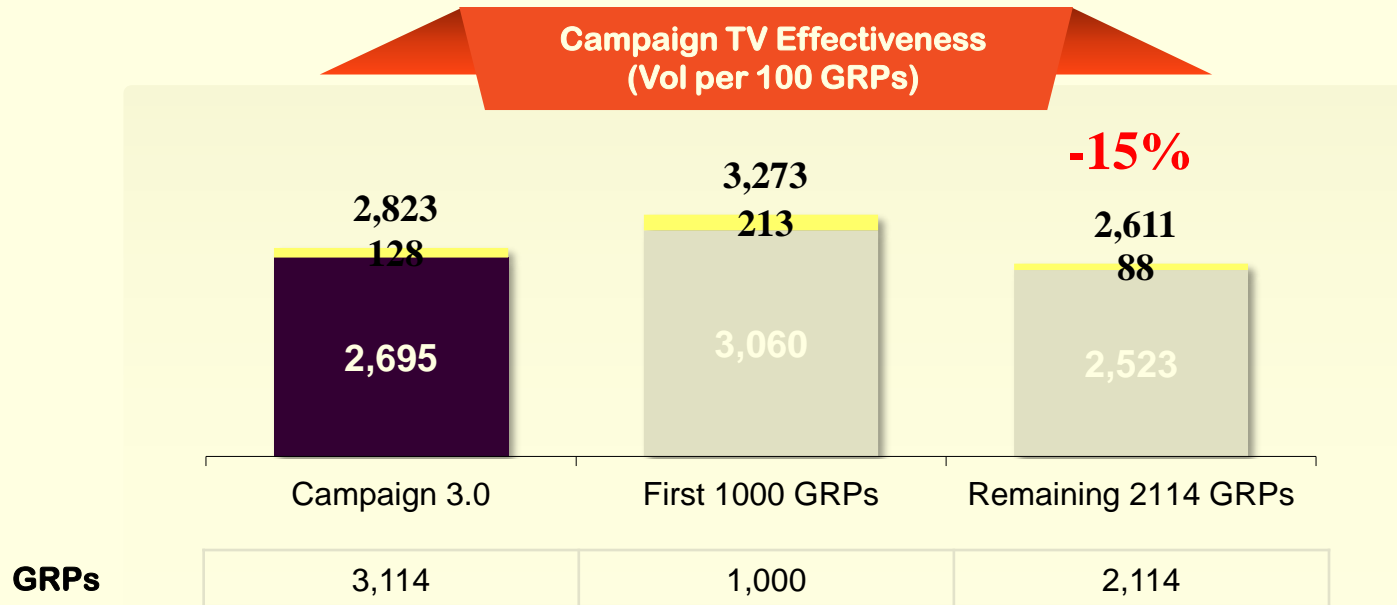


Source: Masterson *The Wearout Phenomenon* Marketing Research (1999)

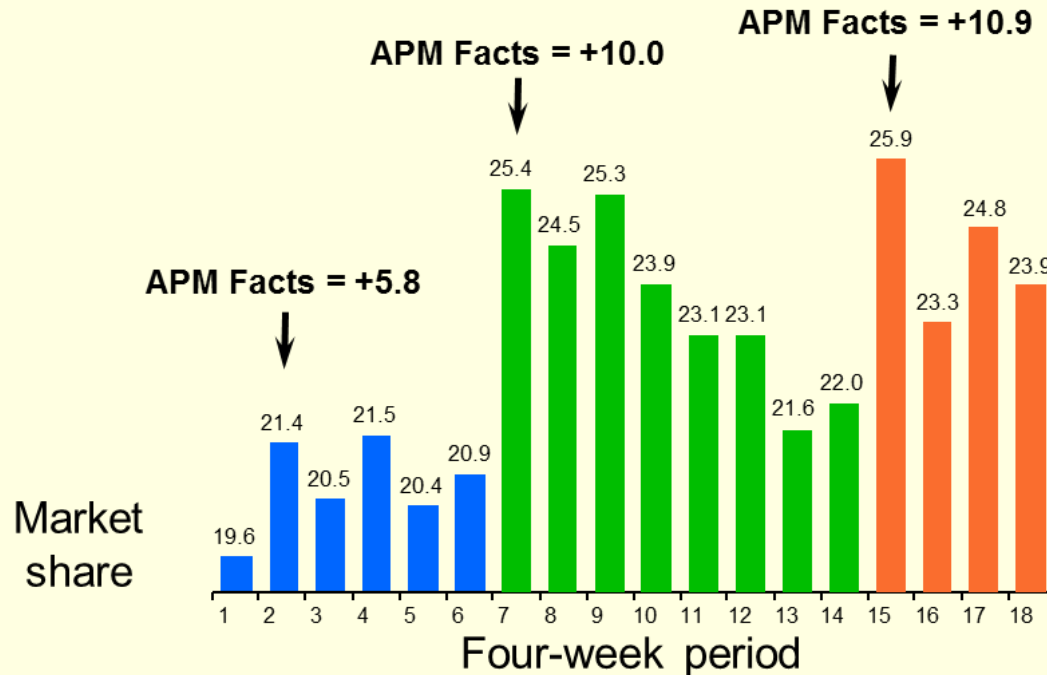
8. An ad's selling power (BP/C) works quickly (and predictably) with diminishing returns...and wears out in the process.

PI: Account for wear out at the "shoot" so that there is enough footage to refresh executions w/others when they will no longer be working at desired levels

This has also been further confirmed through Market Mix Modeling



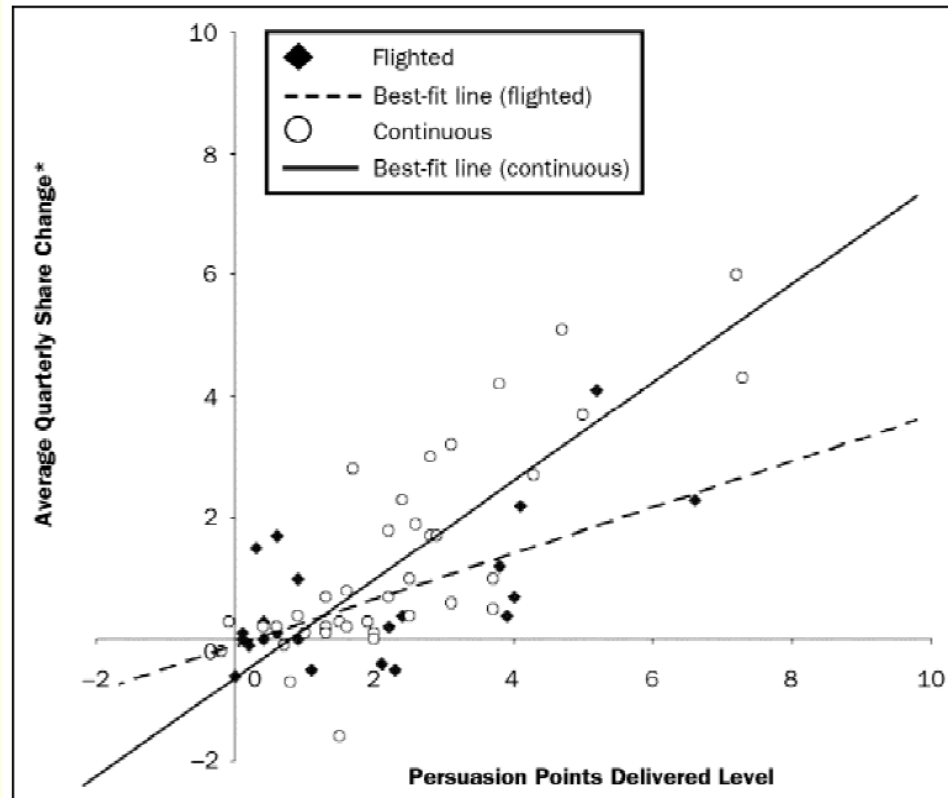
An Ad's Power Works Quickly With Diminishing Returns ...and Wears Out in the Process



9. Each execution—even within a campaign—has its own unique Brand Preference building power/value.

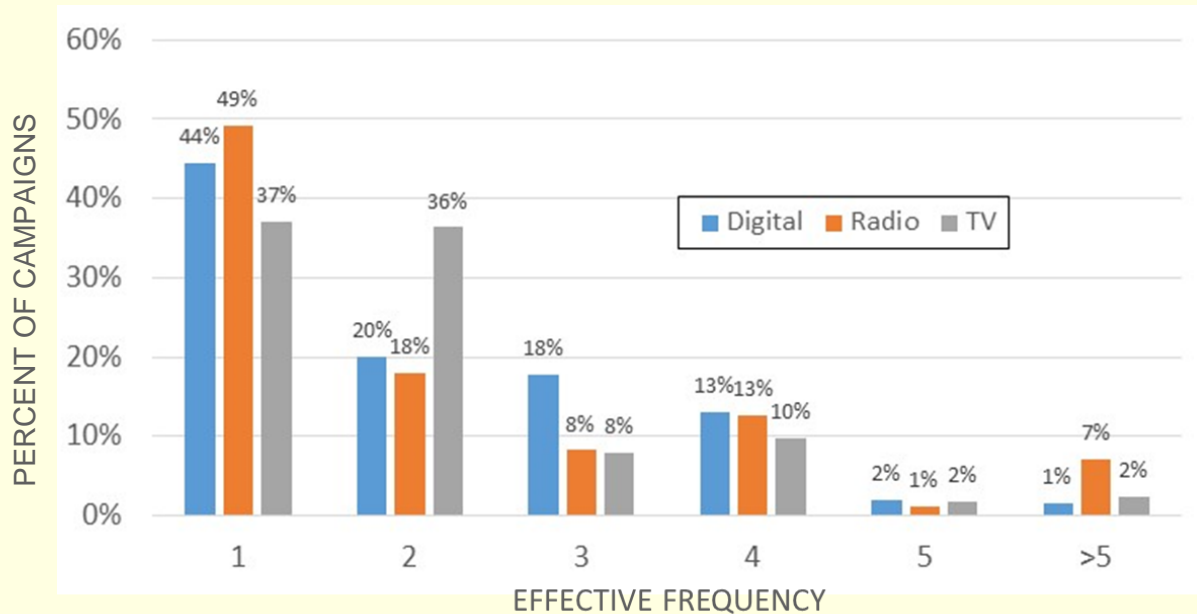
PI: Measure executions as they go to air & apply weight (“traffic GRPs”) relative to size of market, profit margins and business objectives

Continuous Airing Typically Outperforms Flighted plans (with moderate spend)



10. Continuous airing typically produces more sales than flighting (w/similar weight).
PI: Plan for enough GRPs to support continuous airing versus flighting

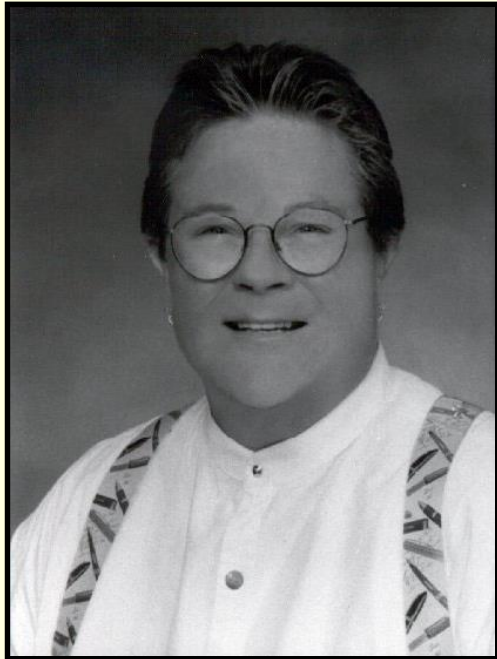
This too has been confirmed through Market Mix Modeling



Based on 7,775 campaigns in Nielsen MMM norms database: 4,677 TV campaigns; 2,830 digital campaigns, and 268 radio campaigns.

- Largest share of campaigns have effective frequency of one to four exposures
- Therefore continuous delivery (lower frequency, higher reach over time) is generally most effective approach
- Flighted media tends to produce better results only with campaigns at relatively low GRP levels or very complex messaging

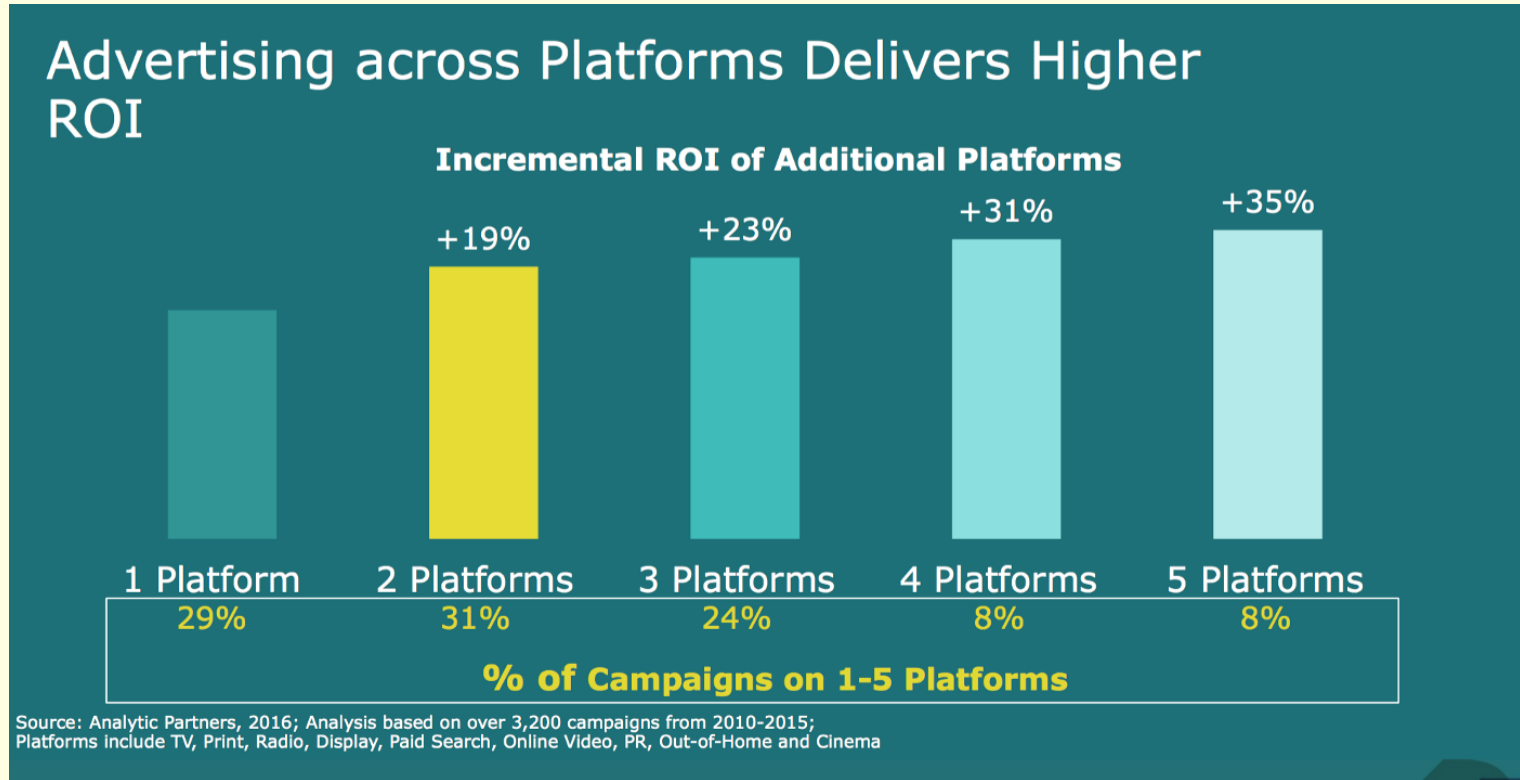
Measure executions & apply weight relative to size of market, profit margins and business objectives



“While never perfect, the knowledge, measurement, and models are available to account for advertising’s impact after the fact, and to forecast the expected contribution of the plan for the next business quarter—before going to air and with time to adjust the plan.”

- *MASB*

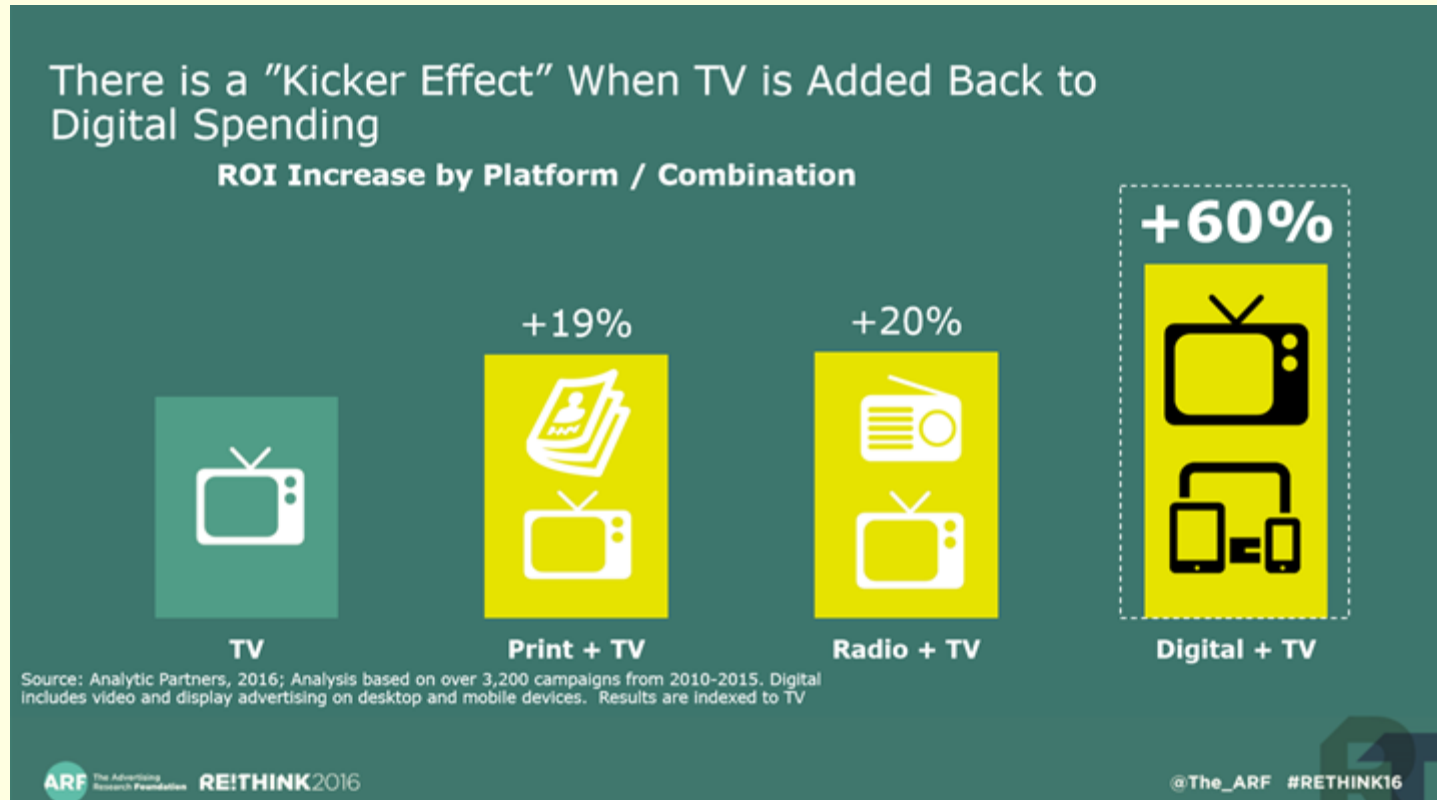
Cross-platform execution key to driving in-market results



11. Advertising across platforms (especially TV and digital) delivers larger changes in brand preference and reach resulting in higher ROI.*

PI: Advertisers should invest in multiple platforms instead of shifting media dollars from one platform to another.

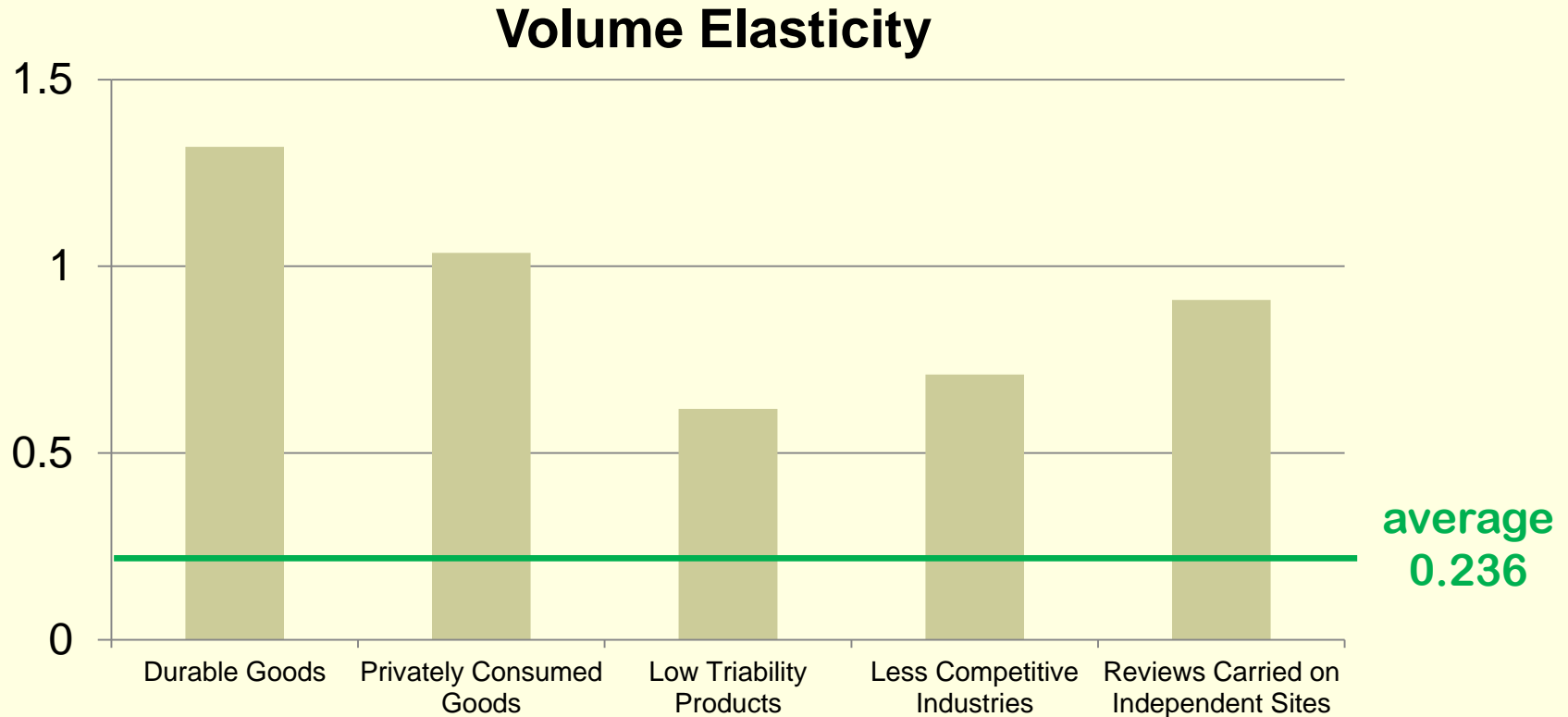
Cross-platform execution key to driving in-market results....



11. Advertising across platforms (especially TV and digital) delivers larger changes in brand preference and reach resulting in higher ROI.*

PI: Advertisers should invest in multiple platforms instead of shifting media dollars from one platform to another.

e-WOM Meta-analysis of blogs, forums, social network sites and online reviews shows positive volume impact



12. Word of Mouth (including e-WOM) has a measurable impact on sales and brand preference; impact from negative WOM is often larger than that from positive.

PI: Marketers should invest in creating and managing positive brand conversations in social media.

And their model shows that WOM interacts (amplifies) the impact of other marketing drivers

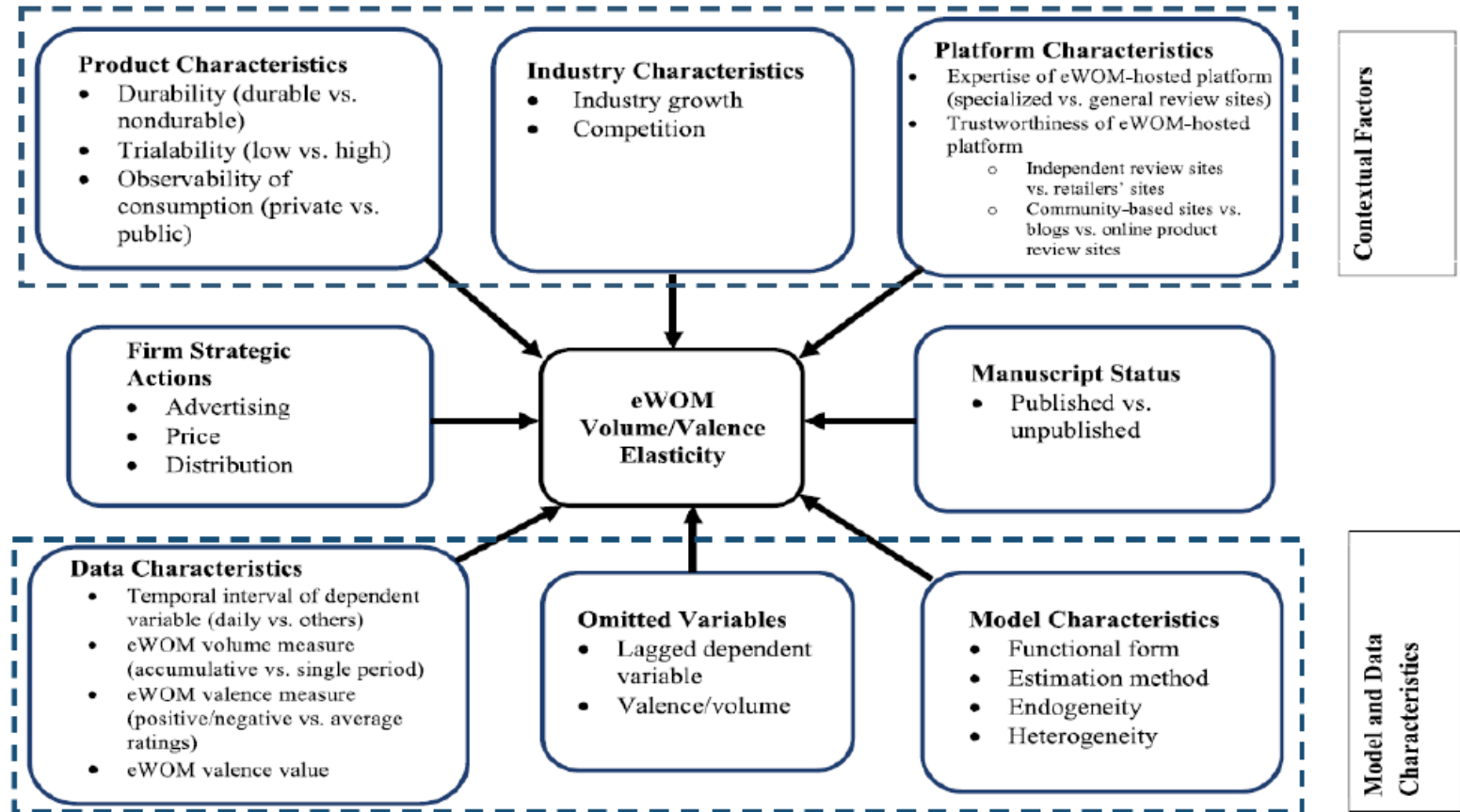
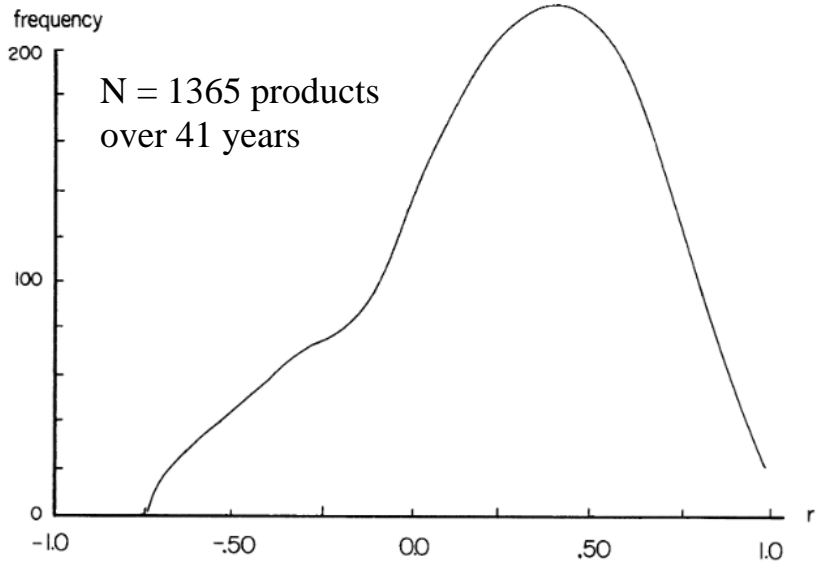


Figure 5: A conceptual framework influencing e-WOM

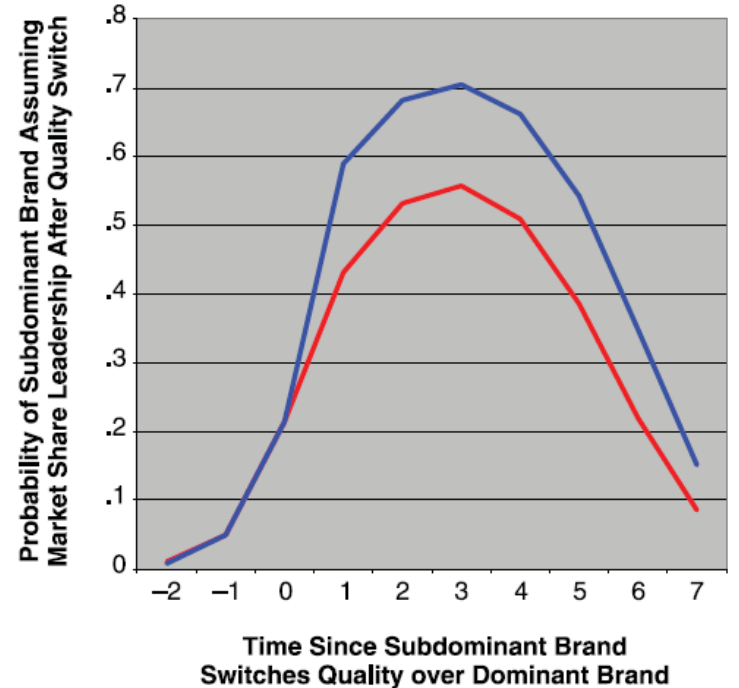
Source: You et. al (2015), *A meta-analysis of electronic word of mouth elasticity*, *Journal of Marketing*, p. 20

There is a relationship between quality and price/share

Distribution of Quality/Price Correlation



PROBABILITY OF SUBDOMINANT BRAND ASSUMING MARKET SHARE LEADERSHIP FOLLOWING A QUALITY SWITCH OVER DOMINANT BRAND



— Low-quality gap
— High-quality gap

N = 19 tech categories over 17 years

Improvements in product quality take time to fully manifest but pay back on a long-term basis

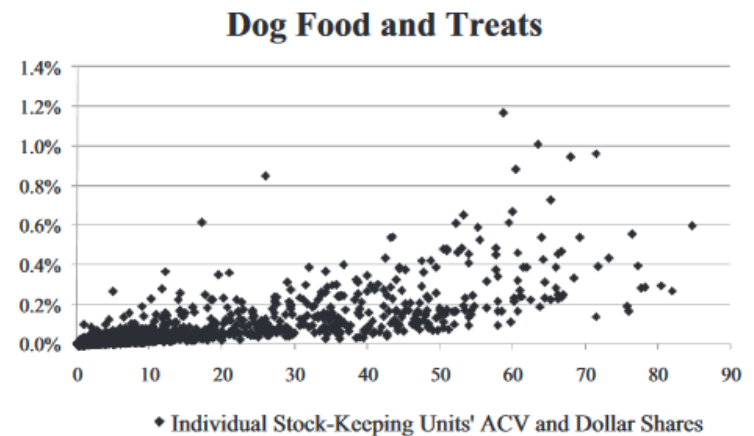
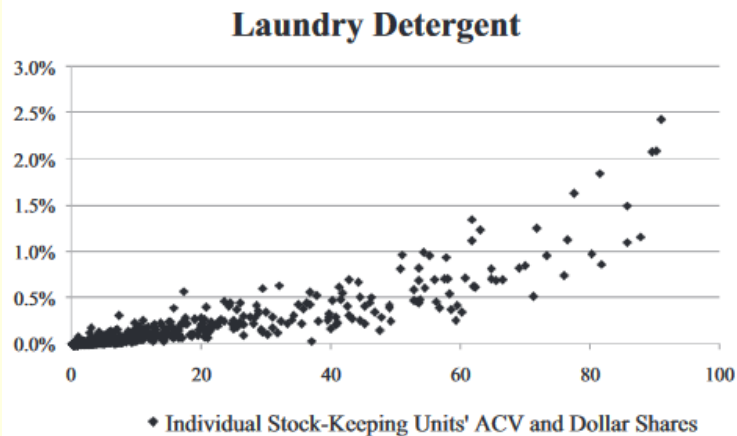
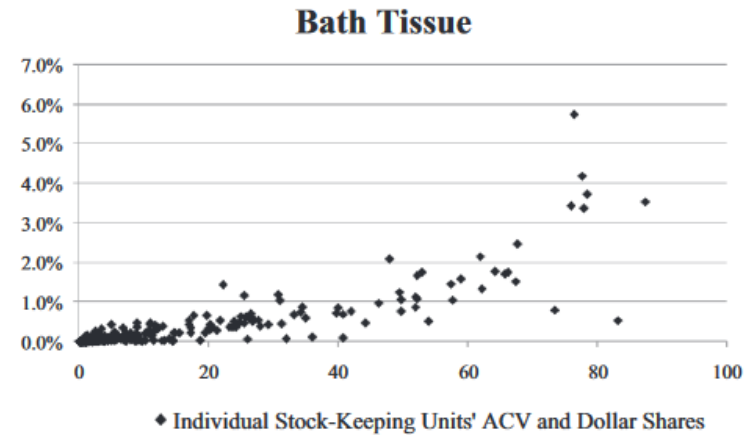
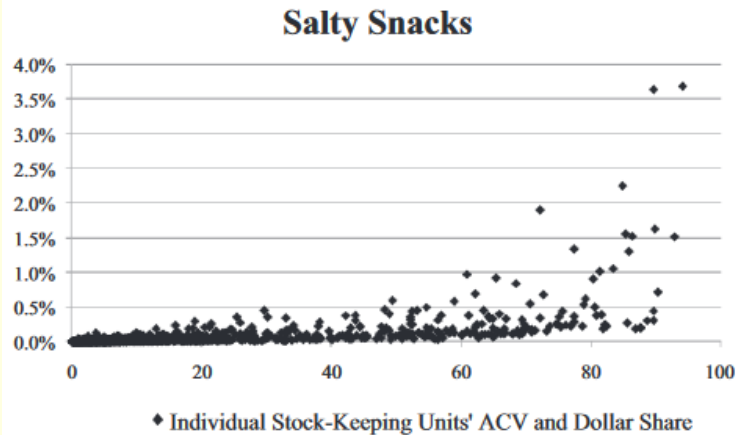
TABLE 5: Quality Carryover in Product Categories N = 46 Product Categories over 12 years

Product Category	Short-Term Effects ^a	Long-Term Carryover ^a	Carryover Duration ^a
<i>Auto Tire</i>	0.06	0.39	9.5 years
<i>Clothes Washer</i>	0.30	0.51	5.4 years
<i>Color Television</i>	0.27	0.69	5.7 years
<i>Dishwasher Detergent</i>	0.27	0.54	5.1 years
<i>Dishwashing Liquid</i>	0.31	0.49	3.3 years
<i>Disposable Diaper</i>	0.41	0.86	3.1 years
<i>Laundry Detergent</i>	0.11	0.34	5.9 years
<i>Personal Computer</i>	0.42	0.67	3.3 years
<i>Refrigerator</i>	0.21	0.56	7.1 years
<i>Room Air conditioner</i>	0.37	0.81	5.0 years
<i>Sneaker</i>	0.09	0.36	4.0 years
<i>Toothpaste</i>	0.38	0.85	3.9 years
<i>Vacuum Cleaner</i>	0.39	0.72	4.6 years

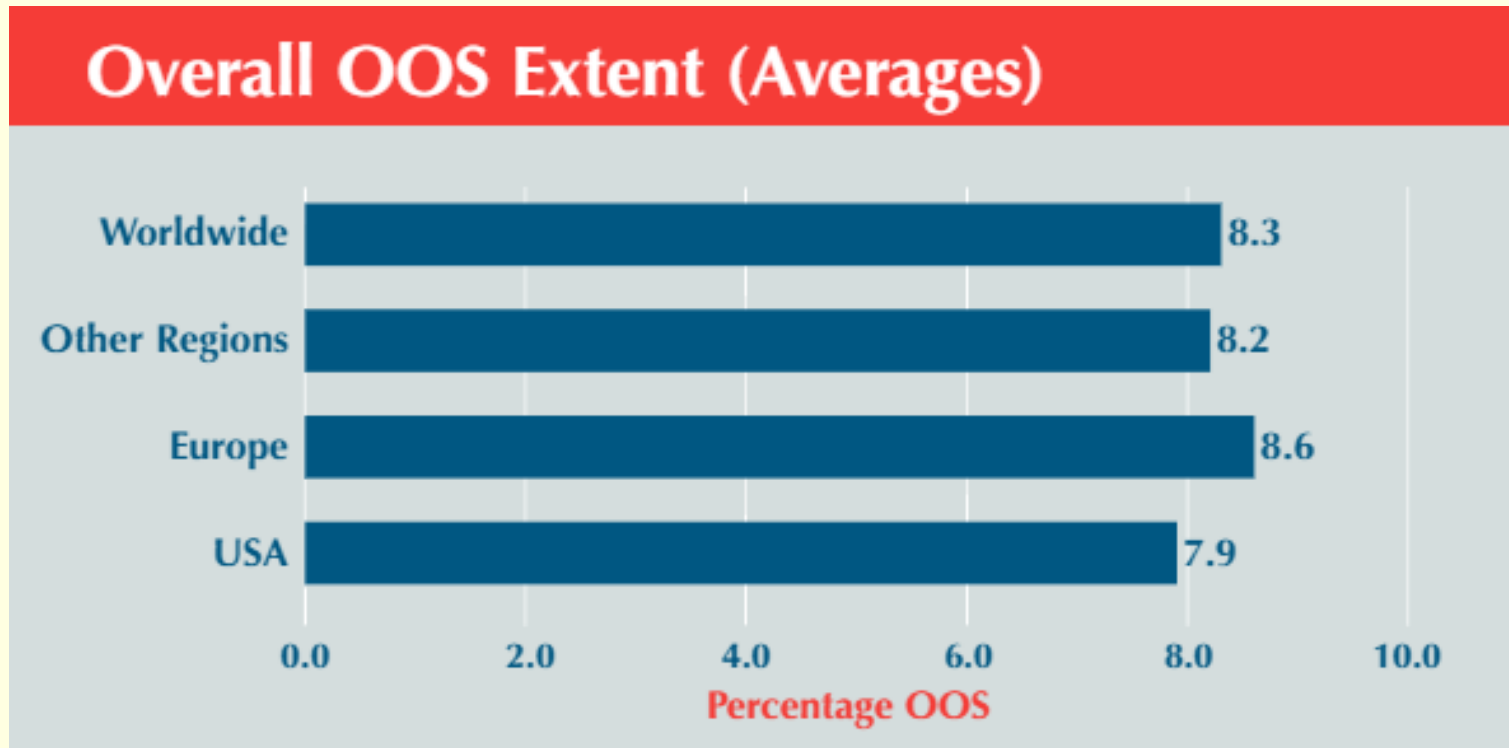
13. Quality affects brand preference, price and share, but investments take time to be fully realized.

PI: Invest in product quality as it will pay back on a long-term basis.

There is a relationship between distribution & share



Brand Out-of-Stock situations are not uncommon



Source: Gruen, Corsten, Bharadwaj *Retail Out-Of-Stocks: A Worldwide Examination of Extent, Causes, and Consumer Responses* (2002)

Out-of-Stocks lead to lost brand sales opportunities

Worldwide Consumer Responses to OOS

(Average across eight categories)

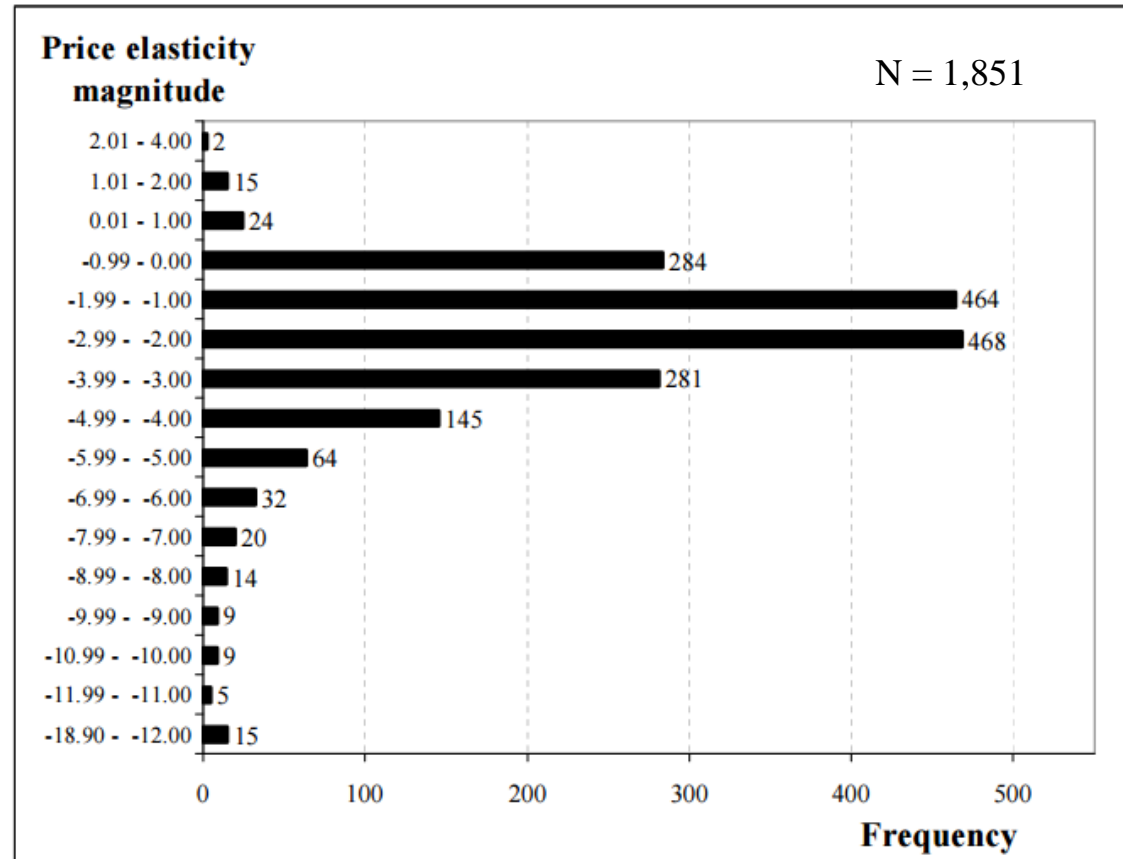


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14. In CPG categories, brand preference and market share increase with retail distribution, while out of stocks translate into lost sales and earnings per share.

PI: Invest/execute at retail to expand and maintain shelf presence.

Price has become an increasingly critical determinant of CPG sales over time



15. CPG products are generally quite price-elastic, becoming more so over time, with a predictable interplay between brand preference and price.

PI: Managing the interplay between preference and price affects level of market share versus level of profitability.

As little as 1/3rd of trade promotion sales comes from brand switching; rest is stockpiling/category expansion

COMPARISON OF SECONDARY DEMAND EFFECTS:
ELASTICITY VERSUS UNIT SALES

Category	SD _{elast} ¹	SD _{sales} ²
Margarine	0.94	0.51
Soft drinks	0.86	0.36
Sugar	0.84	0.34
Paper Towels	0.83	0.42
Bathroom Tissue	0.81	0.43
Dryer Softeners	0.79	0.36
Yogurt	0.78	0.12
Ice Cream	0.77	-1.64
Potato Chips	0.72	0.35
Bacon	0.72	0.14
Liquid Detergents	0.70	0.31
Coffee	0.53	0.23
Butter	0.49	-0.26
Overall Average	0.75	0.13
Average without Ice Cream and Butter	0.77	0.33

¹ Secondary demand effects based on elasticity decomposition (Bell, Chiang, and Padmanabhan 1999, Table 5)

² Secondary demand effects based on approximate unit sales effect decomposition (Equation 14)

Price cuts are best executed with retailer support

Effect on Long-term Sales Response to Trade Promotion (N = 75 FMCG Brands, 25 Categories)

Retailer feature or display support	+10%
Retailer category management effects	-6%
With brand competitor price reaction	-10%

16. Price cuts not supported by retailer advertising (features) or in-store displays generate moderate to strong sales lifts short-term but weaken brand preference long term as they train consumers to buy on discount

PI: Shift funds from unsupported price discounts (TPR Only) to quality merchandising events (feature and display) to increase short-term spending efficiency. Invest more in innovation and advertising to drive long-term, brand cash flow growth.

Marketing is more than just media advertising



“Marketing is the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services.”

- *Philip Kotler*

BIV Phase II: Next Steps

- Present 16 principles (**today**)
- ARF webinar presentation on March 8
- Extend with added principle(s) after BSL MMAP audit
- Identify additional drivers to continuously improve the consumer brand value metric in tracking

- Demonstrate/validate drivers (2017/2018)

BIV Drivers Team – BIV Project Phase II

Team Leaders



Dave Stewart
LMU



Frank Findley
MSW•ARS



T Tsvetkov
Nielsen



Jim Meier
MillerCoors



Peter Cushing
GM



Edgar Baum
Strata Insights



Mike Donahue
ANA



Tim Gohmann
BSL



Sunny Garga
(m)PHASIZE



Harold Geller
Ad.Id.org



Tobias Roelen-
Blasberg, SAP

Staff



Allan Kuse
MASB ED
Sponsor



Meg Blair
MAF/MASB



Erich Decker-Hoppen
Communication



Karen Crusco
Executive Assistant
Admin



Thank-you!



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