

MASB Standards Project

Brand Investment & Valuation (BIV)

Frank Findley
MASB Executive Director

August 2017
Boston

10 Year Anniversary



Marketing Accountability Standards Board
of the Marketing Accountability Foundation

BIV Game Changer (Phase I completed)

Project	Brand Investment & Valuation (BIV) (Stewart, K Richardson)	
Issue Addressed	Brand represents great Value (but how much)	Strategy Build bridges from customer metrics to market metrics to financial metrics... empirically.
Project Objective	Establish “generally accepted brand investment & valuation standards”	
Expected Outcome	Empirically proven model for valuing brands & guiding investment decisions	
When	2013 - 2015	

BIV Phase I Trials

- **Establish missing linkages between marketing & financial metrics**
 - Identify cornerstone brand strength metric
 - Link this to other marketing metrics
 - Validate a practical model for brand valuation that finance teams can easily implement
- **Brought together:**
 - Leading Academics (LMU, Duke, Michigan, Cologne, Witwatersrand)
 - Specialists from research companies (nielsen, MSW•ARS)
 - Finance and marketing practitioners from six blue chip corporate participants

BIV Phase I Trials Study Details

- 18 months
- 12 **diverse** categories, 120 brands
 - Product prices from 30¢ to \$35K
 - Few competing brands to highly fragmented
 - Weekly purchase cycles to years
 - Spontaneous purchase vs. deliberative with influencers
- Financial and brand strength metrics
 - Unit Share, Price, Distribution - from each participant's provider
 - Brand Preference - provided by MSW•ARS
 - Other marketing metrics - from each participant's proprietary system
- Robust samples (e.g. n=7,200 consumers for preference)

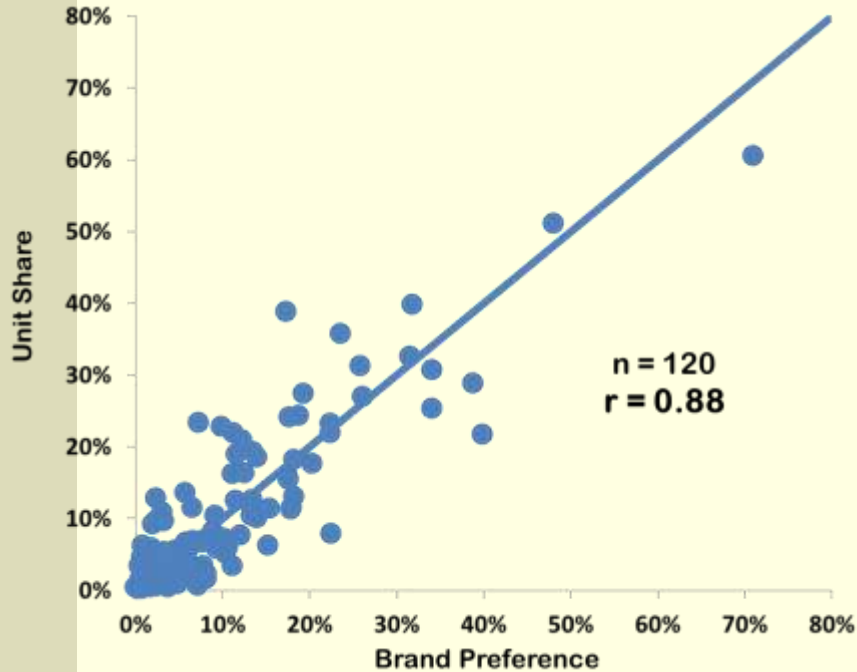
Brand Preference/Choice is Behavioral



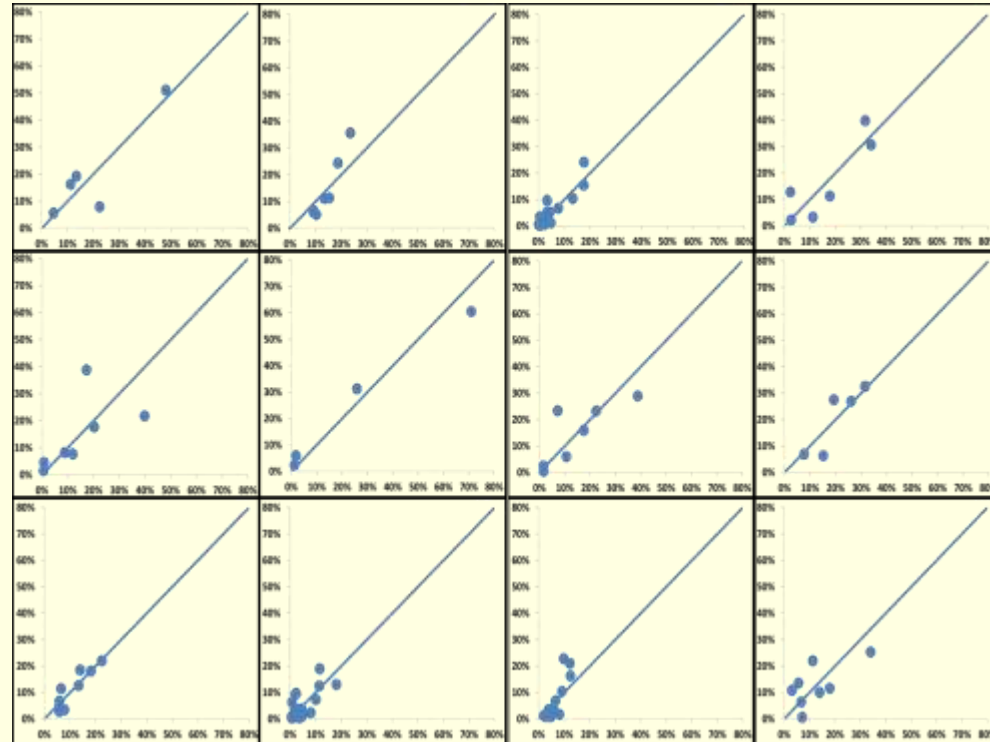
The MSW•ARS methodology isolates brand strength by holding everything else in the actual buying experience – price, promotion, shelf position, etc. – constant.

BIV Phase I Trials - Results

Across All Twelve Categories

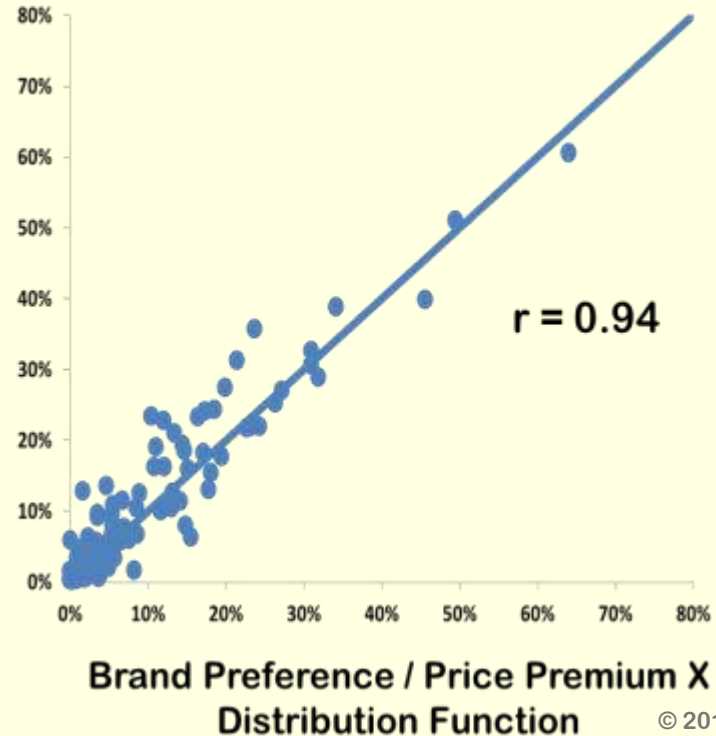
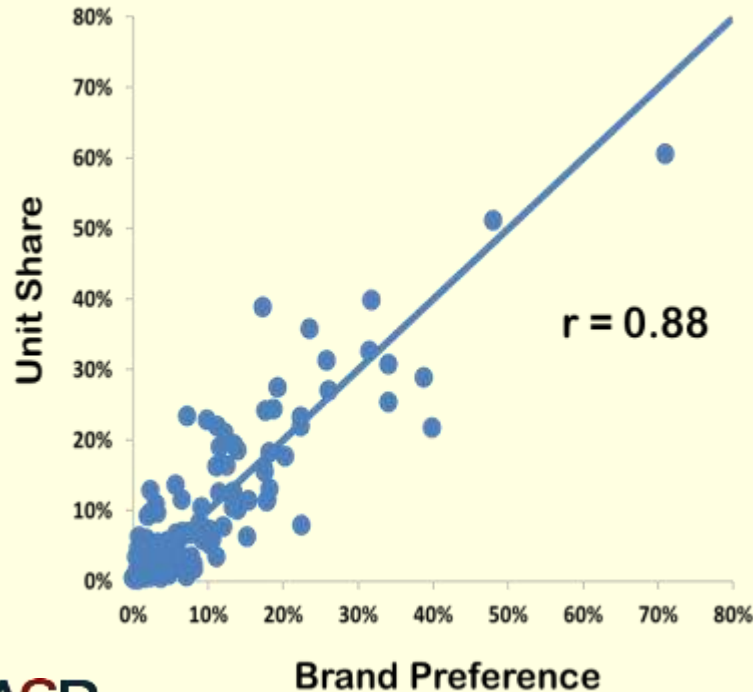


Within Each Category

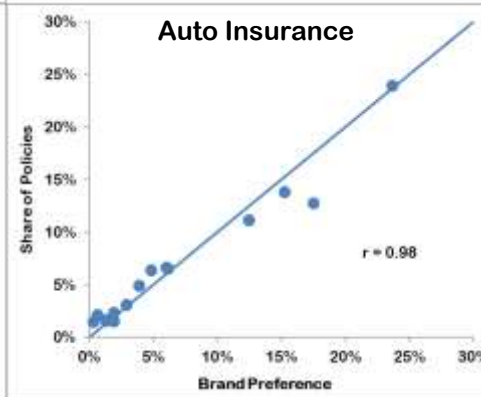
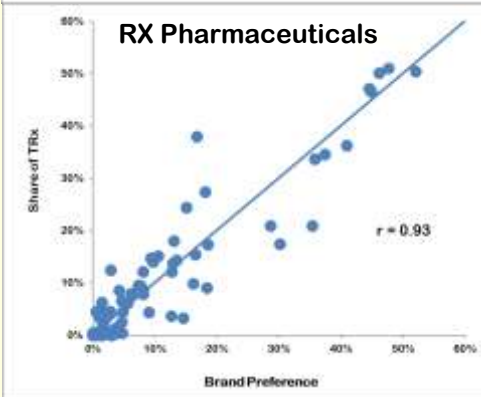
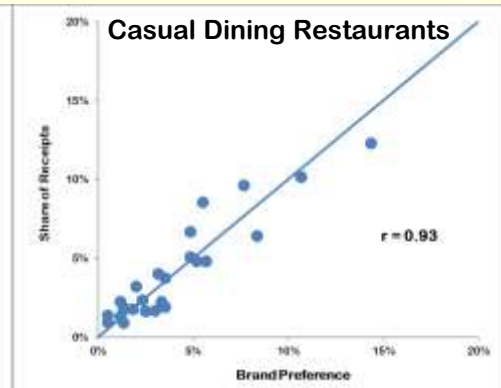
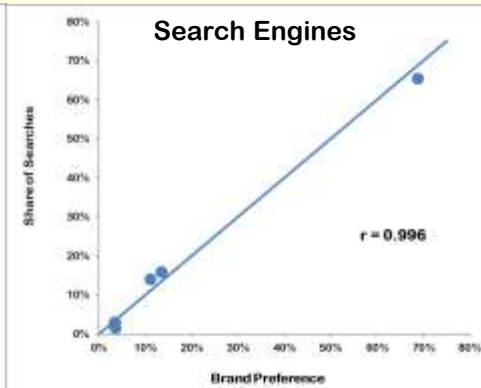
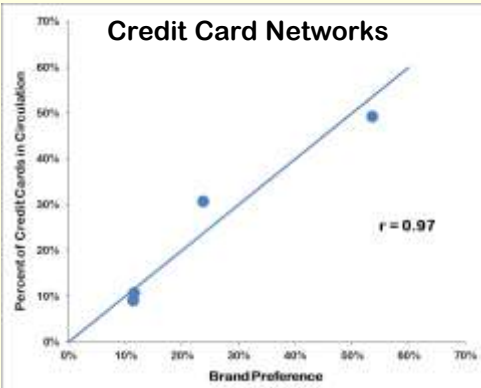


BIV Phase I Trials - Results Continued

With Price & Distribution Included There Is Little Variation Left to Explain

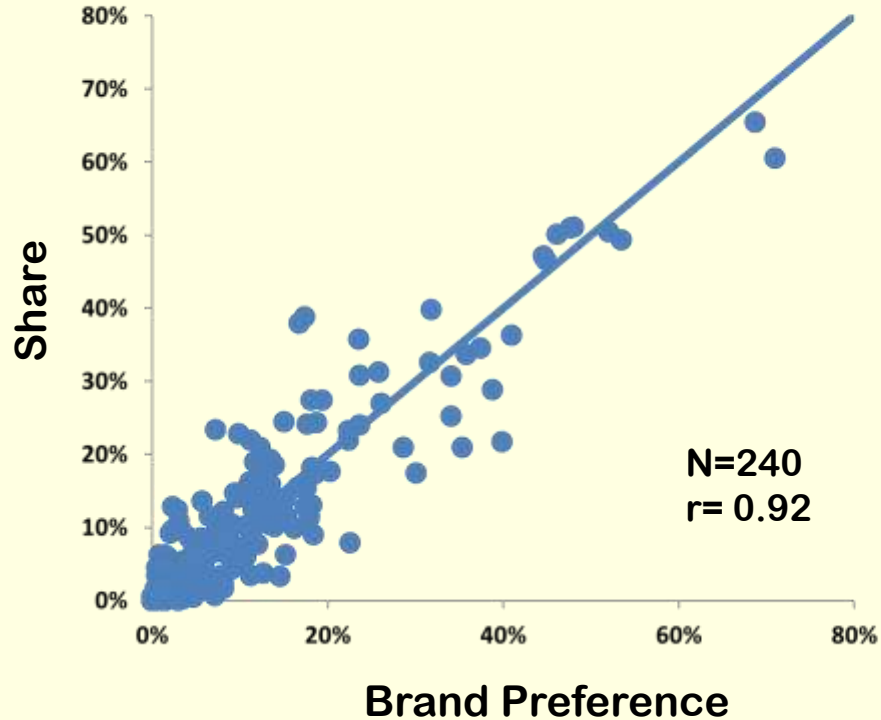


Additional Categories Validated

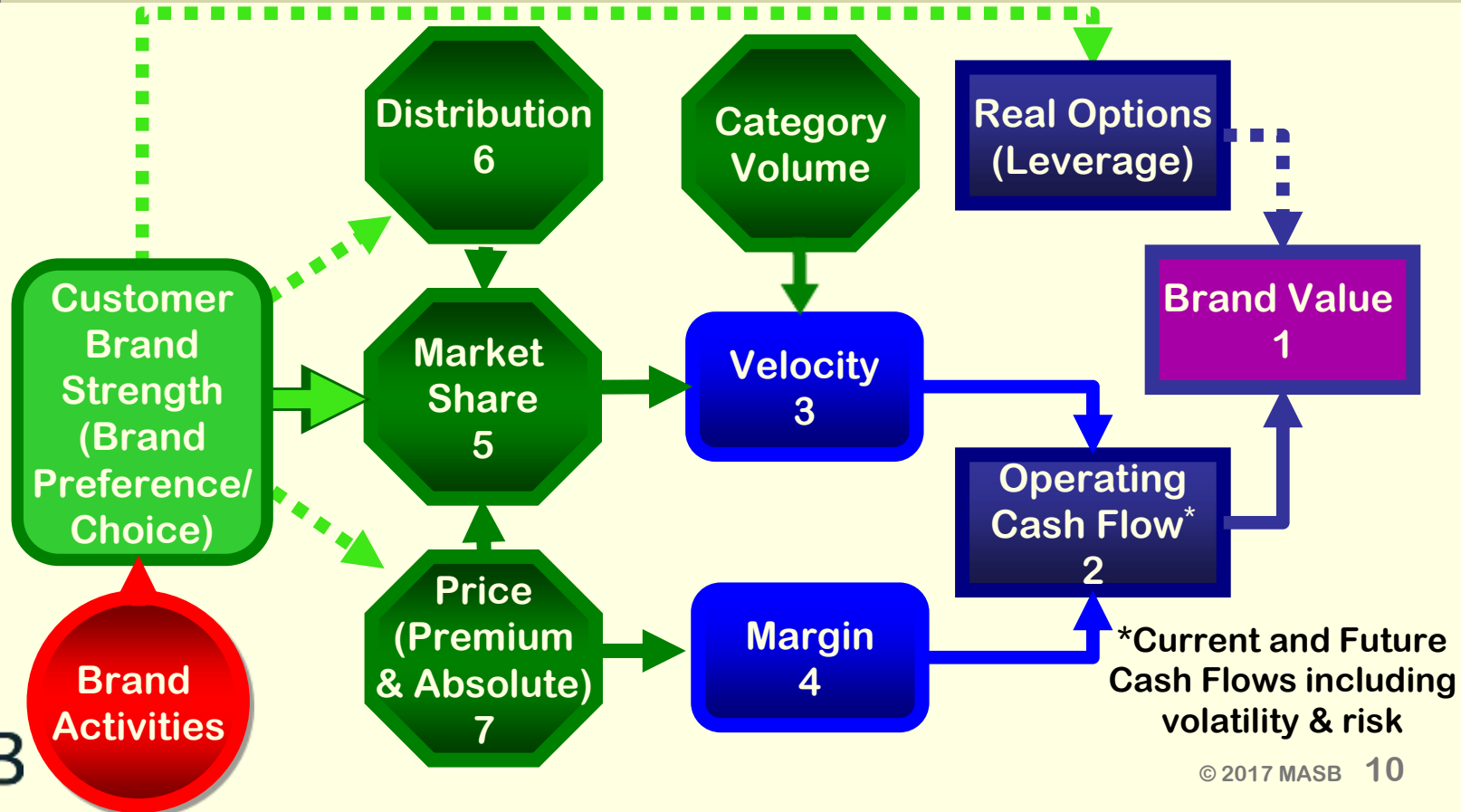


Note: Search Engines would have no price or distribution effects to bring the relationship closer...and the relationship between BP/C is nearly perfect.

Total Trial Categories + Additional



Brand Investment/Valuation Model (8/15)



BIV Phase I Education Highlight



September 2015: MASB Board approved Brand Investment & Valuation (BIV) Model as a standard

Two key aspects differentiate it from other valuation models.

- 1) Incorporates a behavioral measure of brand strength in the hearts & minds of customers (Brand Preference/Choice)
- 2) Establishes mathematical linkages from customer brand strength to brand monetary value.

This empirically proven framework provides Finance & Marketing teams a practical approach for monitoring the value of their commercial brands

Positive reception by the industry has fueled demand for more information on how to deploy it

May 2017: White paper on how to apply the model

Key Question Emerged After Phase I

“What marketing/advertising drivers can be identified to continuously improve consumer brand preference and thus improve financial impact and, ultimately, brand values?”

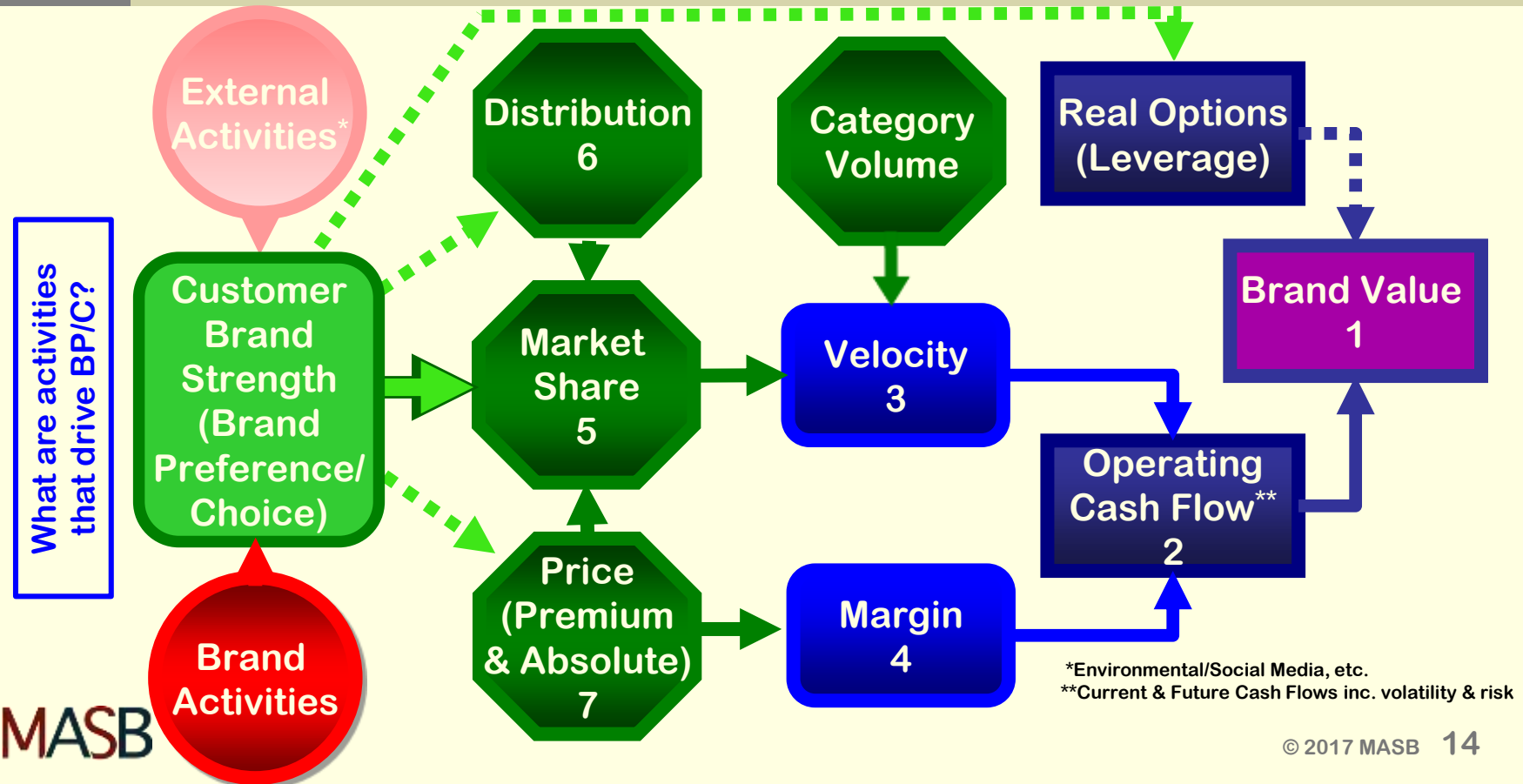
BIV Game Changer (Phase II)

Project	Brand Investment & Valuation (BIV - Drivers) (Tsvetkov, Stewart)
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

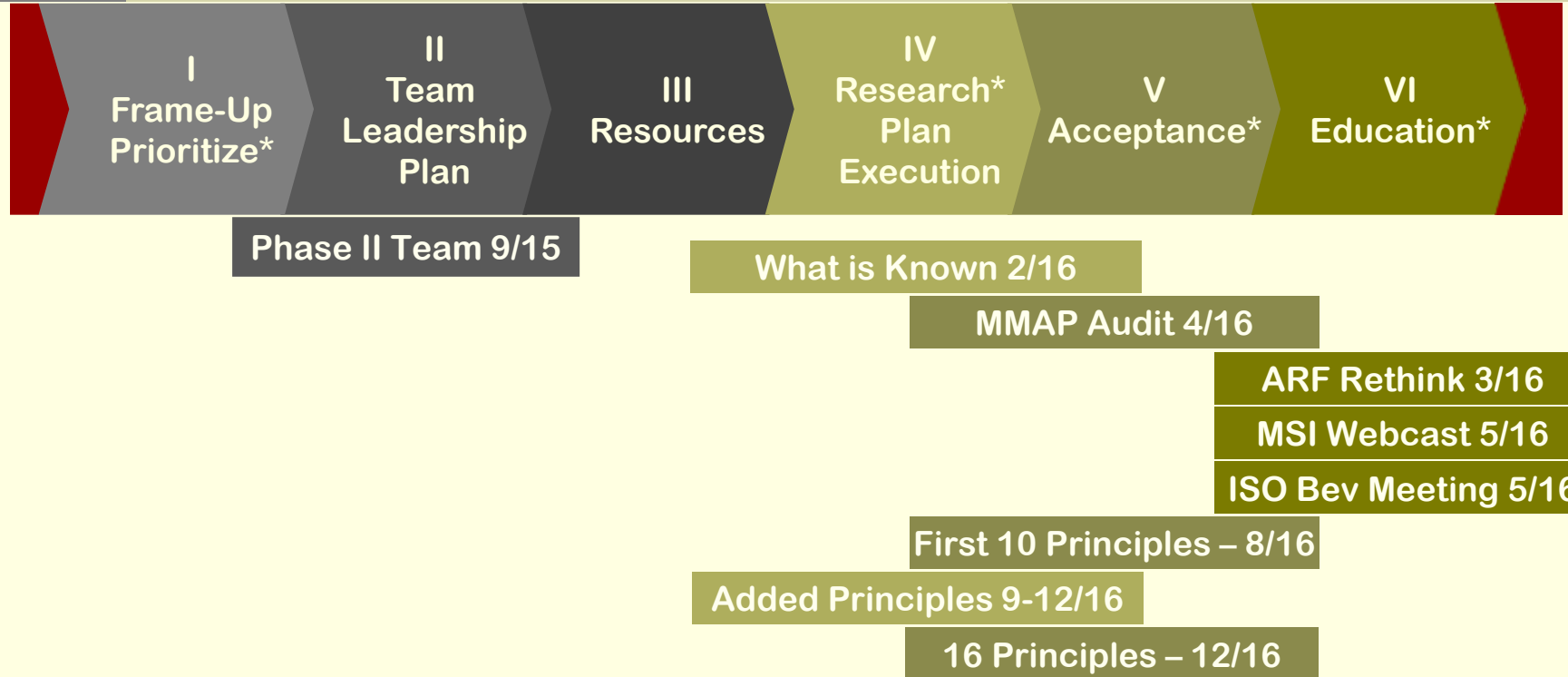
Strategy
Find drivers to improve consumer brand preference to improve market impact & financial performance.

Note: “drivers” refer to actions or decisions brand & finance teams can implement that will have a statistically significant & relevant effect on financial performance.

Brand Investment/Valuation Model (Phase II)



BIV Phase II Milestones (2015 & 2016)



BIV Phase II Milestones (2017)



16 Principles w/ Practice Implications

Promotion (communications):

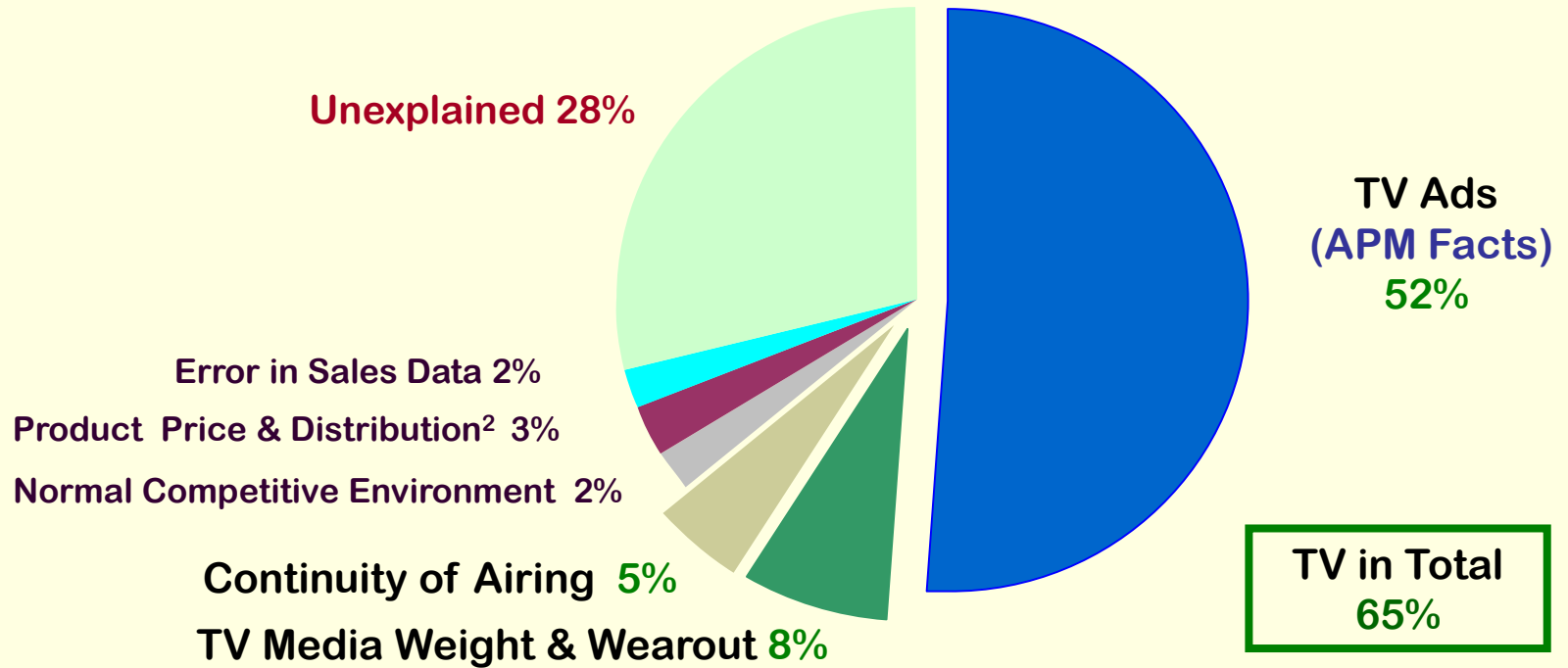
1. TV activity explains 65% of variation in Market Share changes, quarter-to-quarter.

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.

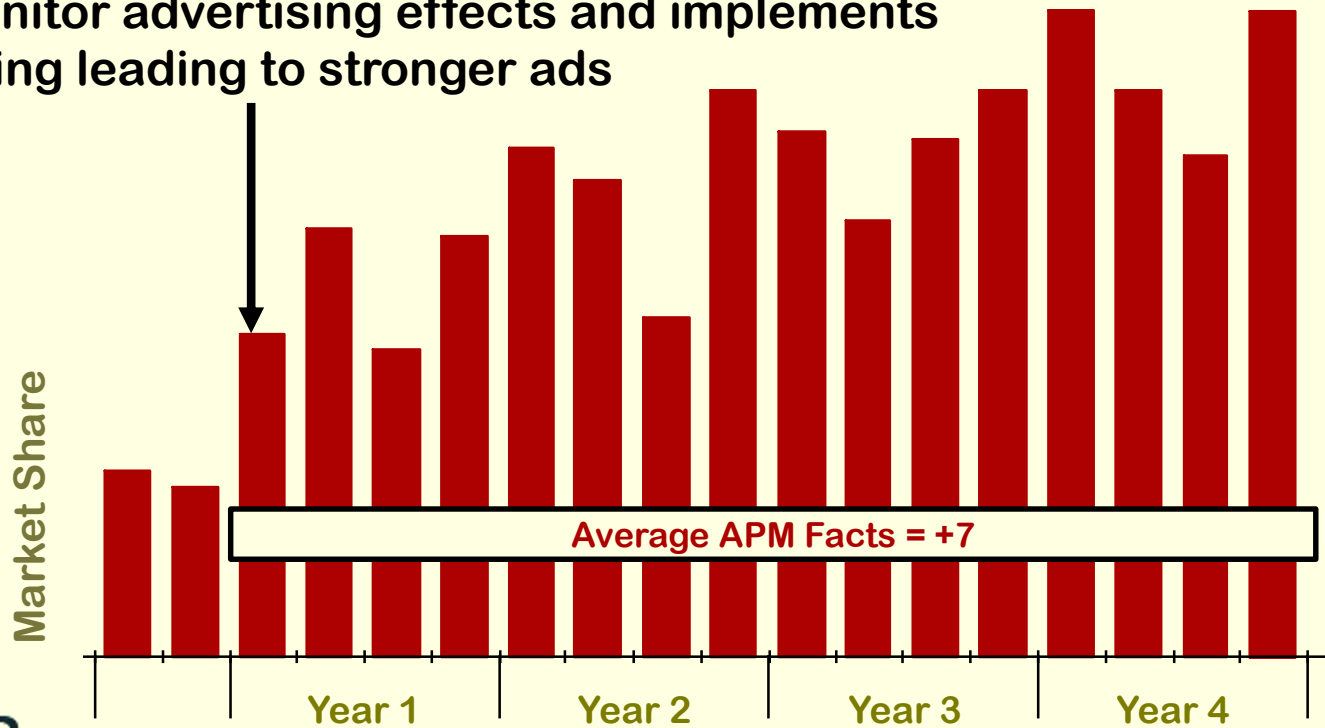
PI: Improve the ads

Quarter-to-Quarter Variance in Market Share



Case Study: Improving the ads & using the medium

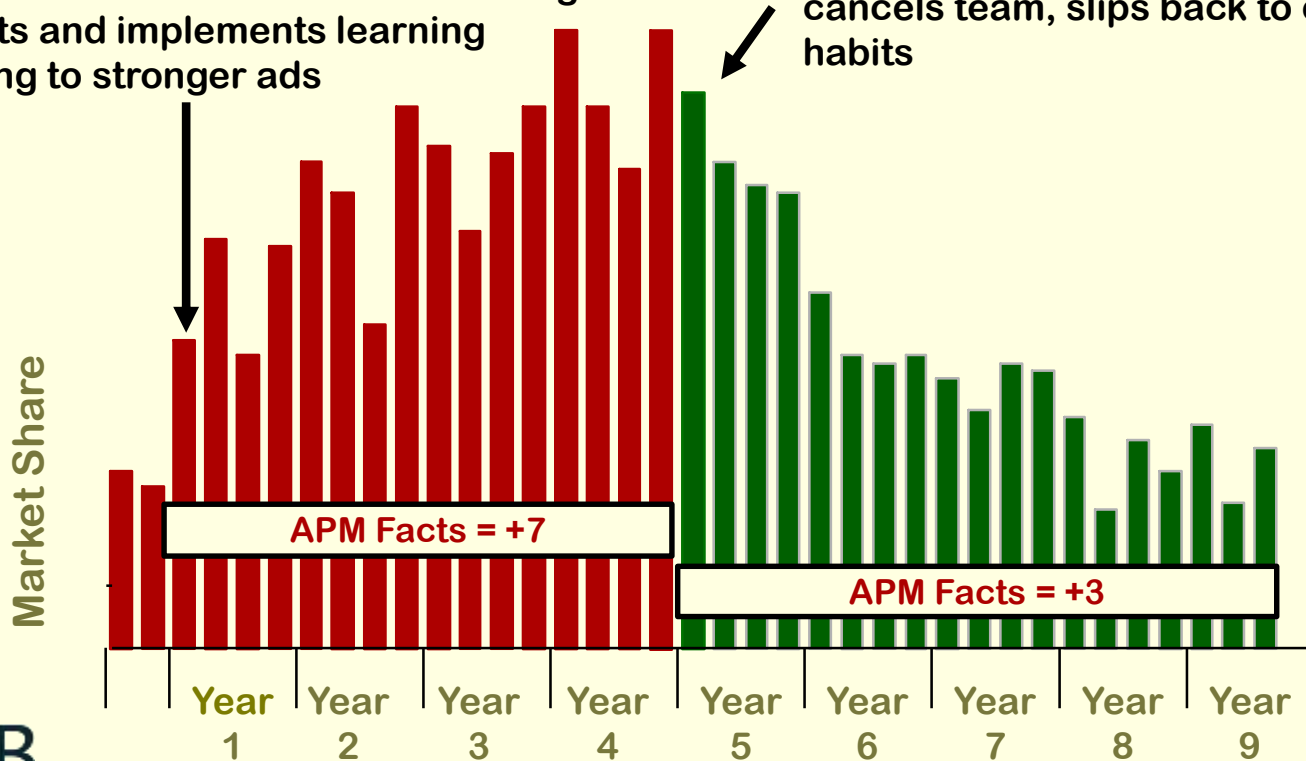
Prego brand group forms a “better practice team” to monitor advertising effects and implements learning leading to stronger ads



Case Study Continued: Improving the ads & using the medium

Prego brand group forms “better practice team” to monitor advertising effects and implements learning leading to stronger ads

Prego brand group turns over, cancels team, slips back to old habits



16 Principles w/ Practice Implications

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.

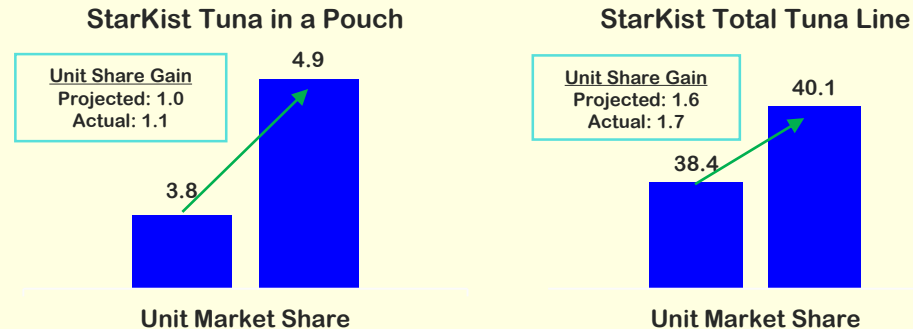
PI: Use proven better practices to improve the ads and use of the medium

Case Study:

Establish business objectives as cornerstone of ad plan

- StarKist faced daunting task of releasing radical new product form in an 80-year stable category
- Ads needed to grow both line extension and brand overall
- Forecasts based on planned GRPs + Brand Preference predicted sales outcome of first wave and led to approval of second wave

Predictions vs. Actuals



Case Study Continued:

Establish business objectives as cornerstone of ad plan

The results from the initial advertising quarter yielded an ROI of 76 percent, an enormous improvement over the break-even ROI we had expected for the quarter using a traditional approach. Incorporating the costs and incremental profits involved with the unplanned – or second – flight, we were up to 368 percent return on our TV advertising activity.

- Barry Shepard, StarKist VP of Marketing

Source: Shepard. *A True Return on Investment – Developing and Managing Advertising for StarKist Tuna in a Pouch*; Quirk's Marketing Research Review, March 2003

16 Principles w/ Practice Implications

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

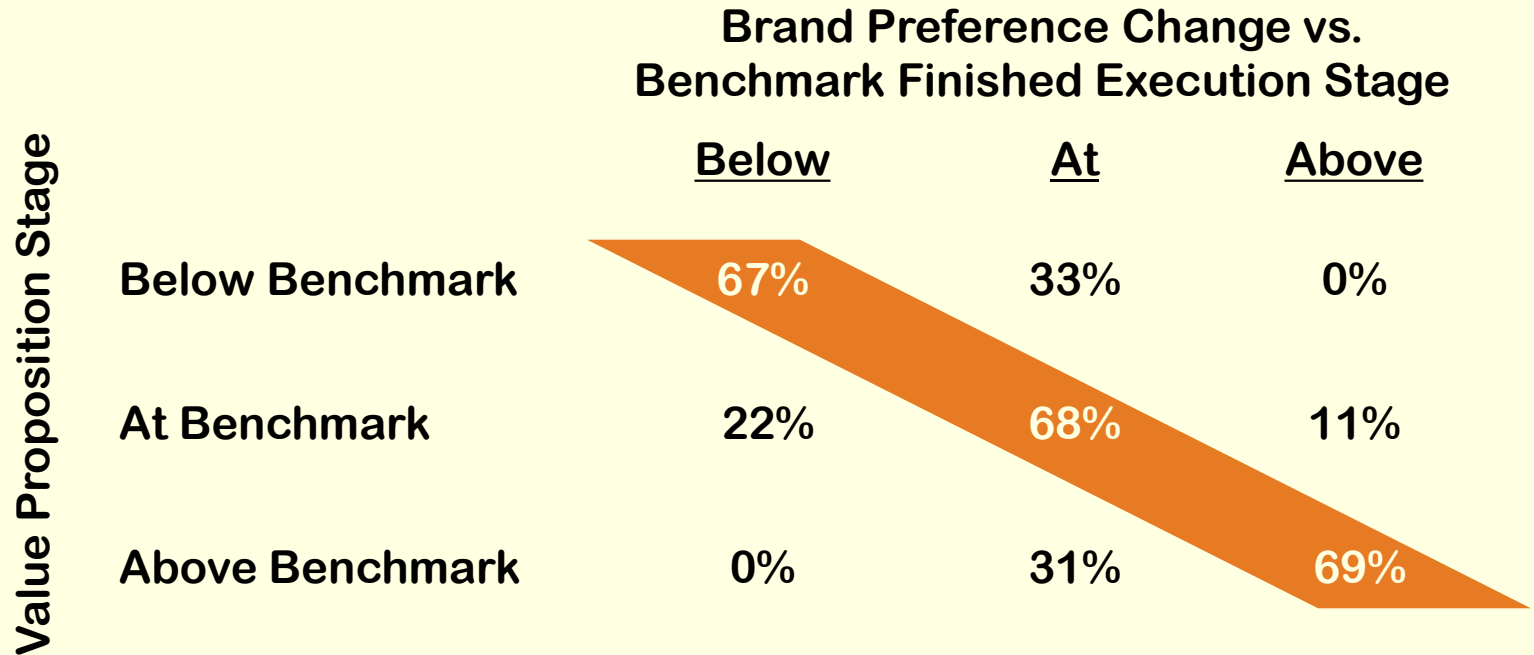
PI: Measure upstream (with BP/C) to find a value proposition strong enough to support subsequent ads that meet the business objectives... spend a little more early in the process and less later...in classic Deming fashion

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

Superior Propositions Translate into Superior Ads



Case Study:

Find proposition strong enough to support objectives



- The insight was simple: There is a strong emotional moment of anticipation when opening a bag of Lay's Chips
- The proposition performed at multiples to benchmark levels and the finished copy exceeded those results
- And it produced some of the highest incremental sales the brand had seen
- It won numerous industry accolades including a coveted **David Ogilvy Award**

16 Principles w/ Practice Implications

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

Elements often found in *Stronger Ads*

Strategic

Brand-Differentiating Key Message

New Product/New Feature

Product Convenience

Competitive Comparison

Superiority Claim

Brand Name Reinforces Benefit

Executional

Setting Directly Related to Use

Actual Product on Screen

Brand Name Mentions

Brand Name/Logo on Screen

Category Identification

Product/Package Shown

Demonstration of Product in Use

Case Study:

Consider use of these elements in propositions and ads

Apple Mac - 1984



Apple Mac - 2006



- The elements can be used in radically different ways to fit with the brand's 'personality' over time

16 Principles w/ Practice Implications

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

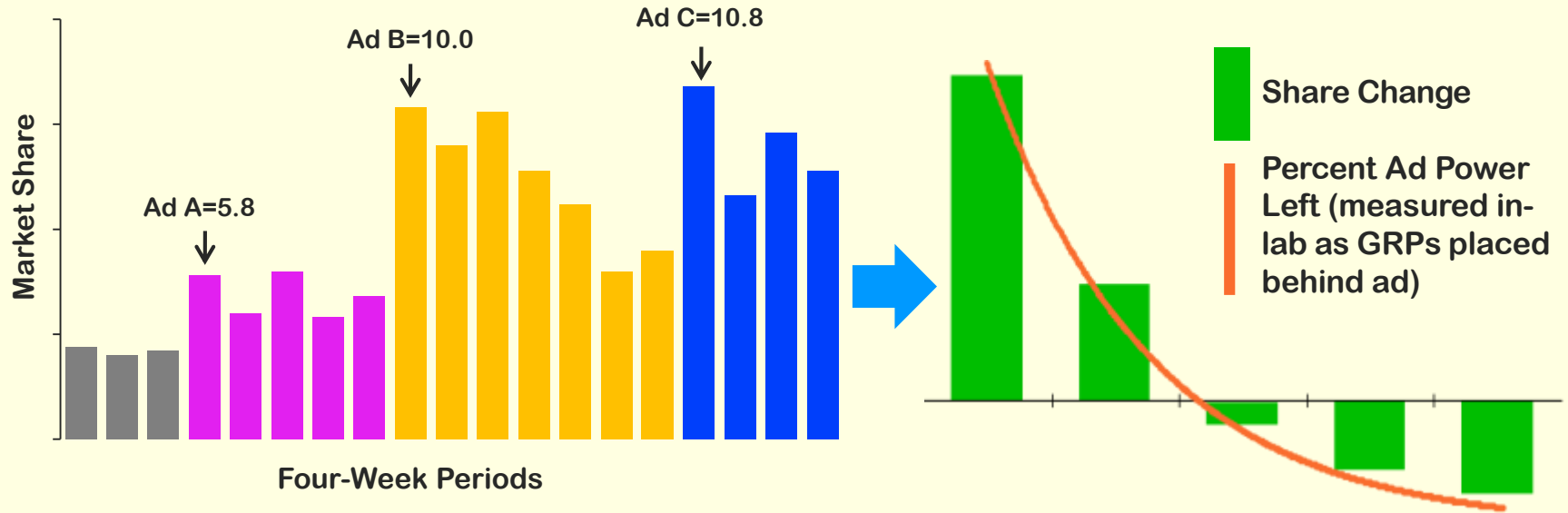
9. Each execution—even within a campaign—has its own unique Brand Preference building power/value.

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

An Ad Wears Out in a Predictable Manner



- As media weight (GRPs) are placed behind an ad, it delivers its selling power to market and 'wears out' in the process

Case Study:

Measure executions as they go to air & apply weight

- Major food brand measured all television ads for four brands over a 12 month period just before they went to air
- Goal: “Implement system for allocating TV media weight based on the unique value of each ad in the portfolio for only as long as they are working”
- Results compared to market mix modeling calculated ROIs

Case Study Continued:

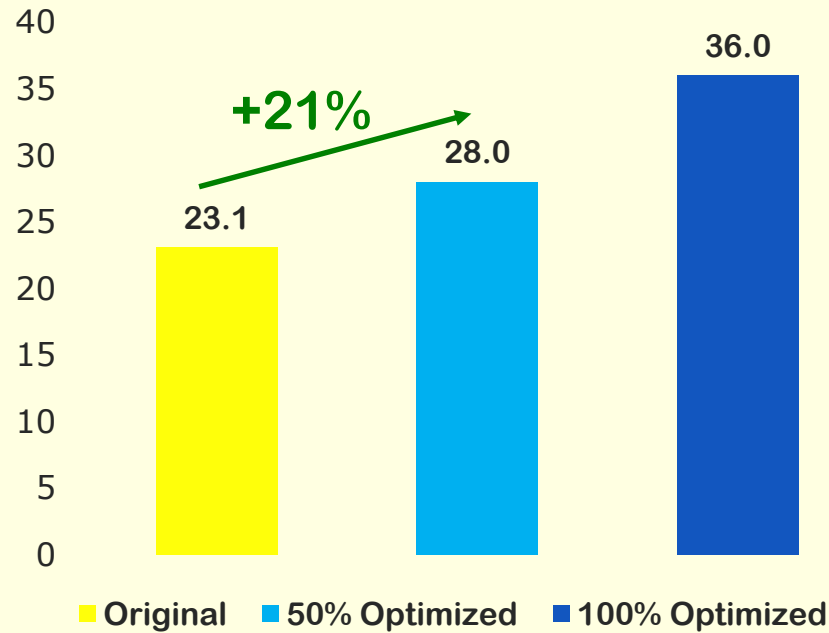
Measure executions as they go to air & apply weight

<u>Commercial</u>	<u>BP/C Shift</u>	<u>Planned GRPs¹</u>		<u>Optimized GRPs²</u>
Commercial A:60	5.9	34	↑	166
Commercial B:60	5.5	116	↓	65
Commercial C:60	2.6	162	↓	81
Commercial D:30	4.3	42	↑	106
Commercial E:30	3.0	36	↓	18
Commercial F:30	2.9	58	↓	29
Commercial G:30	2.3	35	↓	18

- Allocations were determined as actual ads went to air

Case Study Continued:

Measure executions as they go to air & apply weight



- **MMM confirmed even 50% optimization yielded 21% improvement in volume impacted, a \$4.9 million increase in a quarter for same spend**

16 Principles w/ Practice Implications

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.

16 Principles w/ Practice Implications

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.

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.

16 Principles w/ Practice Implications

Price:

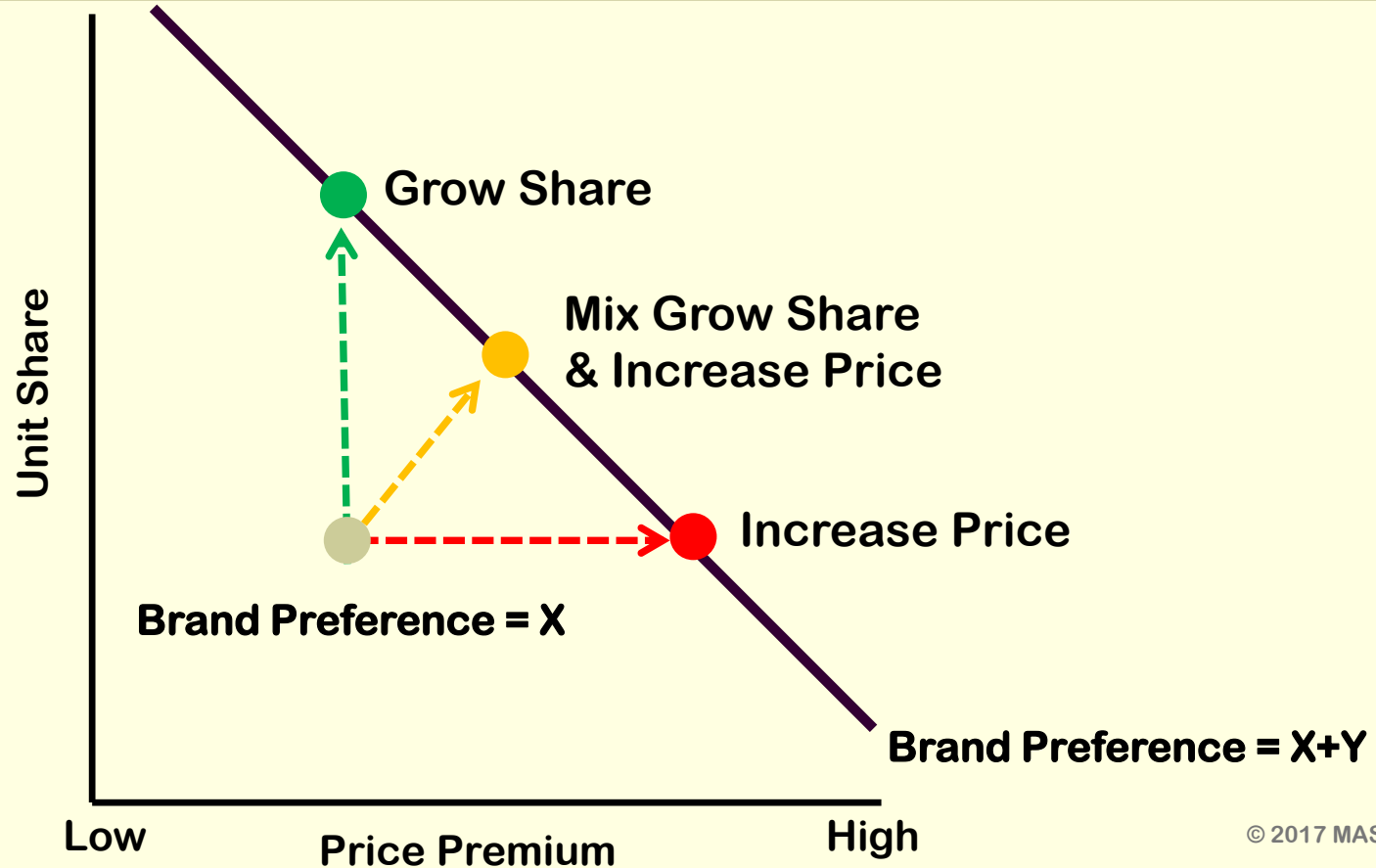
15. CPG products are generally quite price-elastic, becoming more so over time, with a predictable interplay between brand preference and price.

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

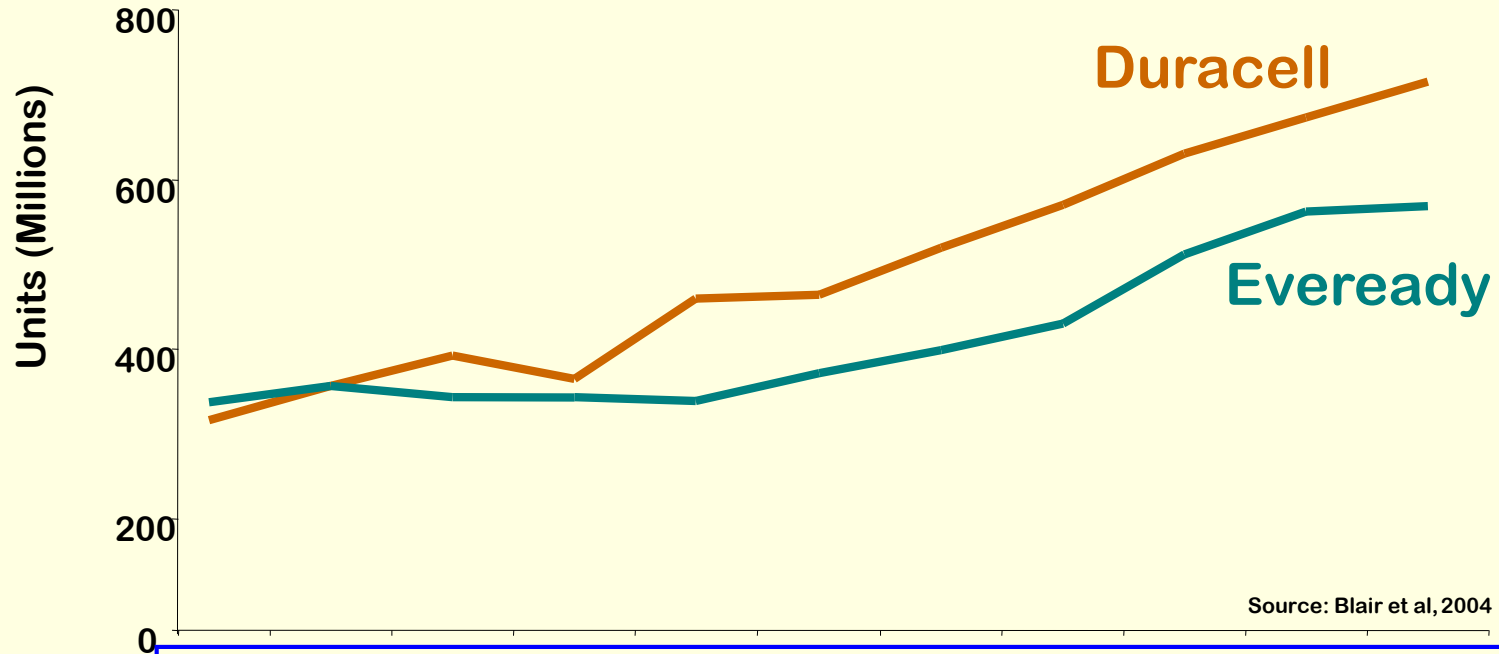
PI: Reduce unsupported price discounts (TPR Only) and shift funds to quality merchandising events like feature and display to increase short-term spending efficiency. Invest more in innovation and advertising to drive long-term brand cash flow growth.

Brand Options with Increased Brand Preference



Case Study:

Managing the interplay between preference and price



Battery sales began to take off in the late 1980s, with Duracell and Eveready starting the race at about the same place. They each sold millions of units more each year to meet the electronics demand . . . but why did Duracell sell more in the end?

How did they each manage the brand? What was it worth?

Case Study Continued:

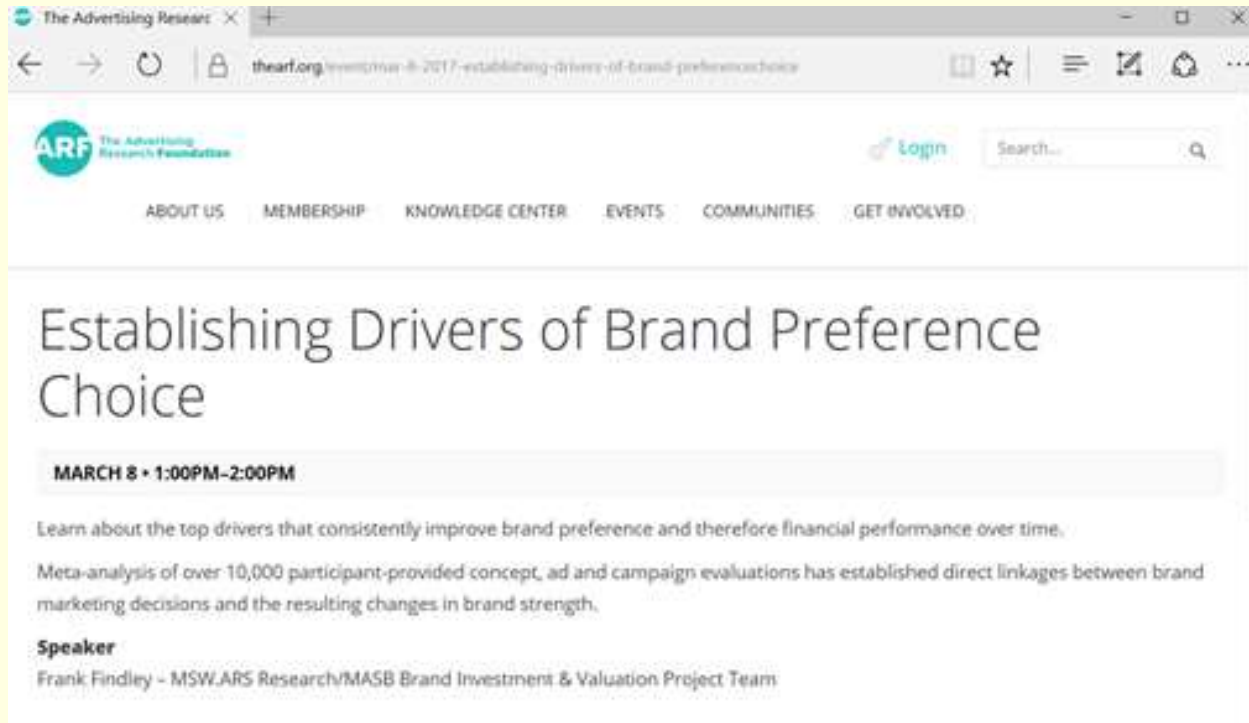
Managing the interplay between preference & price

	<u>Duracell</u>		<u>Eveready</u>
Average APM Facts	5.1	→	3.9
<i>Study End (10th year):</i>			
Brand Preference	57%	→	37%
Market Share (units)	44%	→	35%
Sales (units)	715M	→	568M
Price per unit	\$1.02	→	\$.86
Profit	\$609M	→	\$275M
Market Value	\$8 B	→	\$3 B

Duracell managed the Brand by continually building brand preference high enough to charge a 19% premium price and still gain more than Eveready in both unit sales and market share; and the prize at the end of the 10 years was nearly a 3 to 1 market value of the Duracell Company over Eveready.

BIV Phase II Education Highlights

ARF Webcast: Frank Findley **March 8, 2017**



The screenshot shows a web browser window displaying the ARF (The Advertising Research Foundation) website. The URL in the address bar is thearf.org/events/march-8-2017-establishing-drivers-of-brand-preference-choice. The page features the ARF logo, a navigation menu with links for ABOUT US, MEMBERSHIP, KNOWLEDGE CENTER, EVENTS, COMMUNITIES, and GET INVOLVED, and a search bar. The main content area is titled "Establishing Drivers of Brand Preference Choice" and includes the date and time "MARCH 8 • 1:00PM-2:00PM". Below this, there is a description of the event: "Learn about the top drivers that consistently improve brand preference and therefore financial performance over time. Meta-analysis of over 10,000 participant-provided concept, ad and campaign evaluations has established direct linkages between brand marketing decisions and the resulting changes in brand strength." The speaker is identified as "Speaker Frank Findley - MSW.ARS Research/MASB Brand Investment & Valuation Project Team".

Establishing Drivers of Brand Preference Choice

MARCH 8 • 1:00PM-2:00PM

Learn about the top drivers that consistently improve brand preference and therefore financial performance over time.

Meta-analysis of over 10,000 participant-provided concept, ad and campaign evaluations has established direct linkages between brand marketing decisions and the resulting changes in brand strength.

Speaker
Frank Findley - MSW.ARS Research/MASB Brand Investment & Valuation Project Team

BIV Phase II Education Highlights

ARF Audience Measurement Podium: Kelly Johnson, Frank Findley **June 13, 2017**



2:50 – 3:20pm

**HARBORSIDE I
MEASURE YOUR
AUDIENCE**

**Deeper Insight into
Media Measurement,
Path-to-Purchase, and
Digital Behaviors**

See what's now possible with digital tracking solutions, and how brands can tap into new insight to improve their consumer insight programs.

Tsahi Ben-Yosef – VP, Digital Products, Toluna
Mark Simon – Managing Director NA, Toluna




**LIBERTY
MEASURE YOUR IMPACT**

**Television's Brand
Building Power - From
GRPs to PRPs**

How television's sales effectiveness has changed since the 1980's.

Frank Findley – Executive Director & Chief Advisor, MMAP Center, MASB
Kelly Johnson – VP, Advertising & Marketing Intelligence, ESPN





**HARBORSIDE II
EMBRACE DISRUPTION**

**Quantum Leaps in TV Ad
Measurement**

How conversion and attention analytics are changing the TV advertising business.

Harmon Westra – VP, Sales East, iSpot TV




**PALISADES
HOW ADVERTISING
WORKS**

**Return on Immersion:
Best Practices for 360
Video**

Identifying drivers of successful branded VR experiences.

Harry Brisson – Director, Lab Research, Nielsen




**HOLLAND
SHOW ME THE DATA**

**Revolutionizing Out of
Home Measurement**

OOH measurement – location, location, location meets audience, audience, audience.

Kym Frank – President, Geopath
Ryan Kinskey – Director, Business Development, Airsage
Dylan Mabin – SVP, Geopath



BIV Phase II Next Steps

- Two additional principles under review
- White paper on Principles & Implications then journal article
- Journal article on updated wearout learnings (JAR)
- Potential MSI Podium

BIV Team Members

Team Leaders



T Tsvetkov
Nielsen



Dave Stewart
LMU

Team Heroes



Jim Meier
MillerCoors



Peter Cushing
GM



Edgar Baum
Strata Insights



Mike Donahue
ANA



Tim Gohmann
BSL



Sunny Garga
(m)PHASIZE



Vithala Rao
SCJ/Cornell



Manu De Luca
SC Johnson

Staff



Frank Findley
MASB ED
Sponsor



Tony Pace
MAF/MASB



Erich Decker-Hoppen
Communication



Karen Crusco
Executive Assistant
Admin

Thank-you!



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