

# MASB Standards Project

## Finance in Marketing Course (FMC)

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August 2017  
Boston

**10 Year Anniversary**



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

# FMC Project

|                          |  |   |
|--------------------------|--|---|
| <b>Project</b>           | <b>Finance in Marketing Course (FMC)<br/>(Stewart &amp; Bendle)</b>                        |   |
| <b>Issue Addressed</b>   | <b>Need for an academic course/program spanning disciplines</b>                            | <b>Strategy</b><br><b>Make it easy to teach the application of financial principles and metrics to marketing students</b> |
| <b>Project Objective</b> | <b>Tools and approach for teaching financial principles in a marketing context</b>         |   |
| <b>Expected Outcome</b>  | <b>Adoption of course design with supporting materials by higher education instructors</b> |   |
| <b>When</b>              | <b>2018-2019</b>   |   |

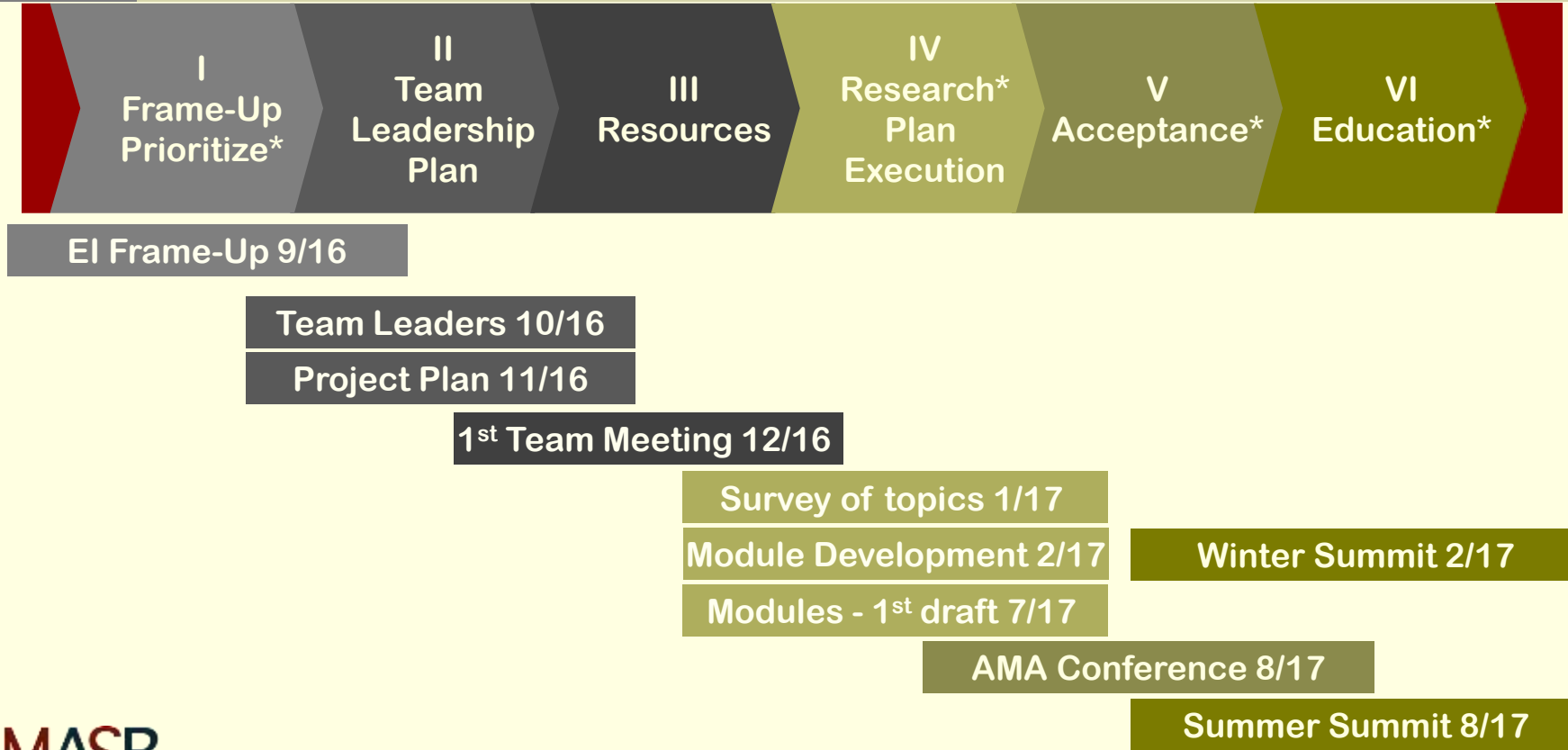
# FMC Motivation

- To better equip Marketers to speak the language of “Finance”
- Marketers struggle to communicate with finance → inability to justify budgets & cuts
- Our aim:
  - to support educators in their quest to create & deliver courses to develop students’ skills
  - to provide companies with employees better able to work across disciplines & relate marketing expenditures to firm’s performance

# FMC Project End Product

- 14 week course
- 2 X 80 minute (approx.) classes a week
- Lecture-based
  - With references to extra materials – e.g. online materials, books, articles, cases
- Each class will have hands-on exercises

# FMC Milestones (2016 & 2017)



# Introduction & Non-Financial Metric Modules

| <b>Module</b>                | <b>Topic</b>                                      | <b>Subtopics</b>  |
|------------------------------|---|---|
| <b>Intro</b>                 | <b>Business Role of Marketing</b>                 | <b>Market Orientation/Marketing Creates Assets, Why Marketing Needs Finance and Finance Needs Marketing</b>                           |
| <b>Non-Financial Metrics</b> | <b>Measuring Customers' Response to Our Brand</b> | <b>Brand Preference/Choice, Awareness, Top of Mind, NPS, Willingness to Recommend, Customer Satisfaction</b>                          |
|                              | <b>Measuring Our Relative Position</b>            | <b>Dollar Market Share, Unit Market Share, Share of Wallet, Share of Requirements, Share of Voice, Problem with relative measures</b> |
|                              | <b>Measuring Our Market</b>                       | <b>Usage Index, Category Development Index, Brand Development Index, Penetration, Competitive Measures (Herfindahl Index)</b>         |
|                              | <b>Understanding Repeat Business</b>              | <b>RFM, Retention Rate, What do we mean by loyalty? Challenges measuring retention/repeat business in different industries</b>        |
|                              | <b>Marketing Over Time</b>                        | <b>Year on Year Growth, CAGR, Projections</b>   |

# Financial & Customer Metric Based Modules

| Module                          | Topic                   | Subtopics   |
|---------------------------------|-------------------------|---|
| Financial Metrics               | Revenue and Profit      | Target Revenues, The difference between Revenue and Profit, Importance of costs, Margins (\$ & %)   |
|                                 | Contribution            | Fixed & variable costs, contribution per unit, contribution margin %, breakeven, target profits   |
|                                 | Project Planning        | Understanding the baseline, incremental sales, Cannibalization, Fair Share Draw, Sunk Costs   |
|                                 | Multi-Period Assessment | Payback period, discounting (exponential/hyperbolic)  |
|                                 | Valuing the Long term   | Spreadsheets & project valuation, IRR, NPV, Investment Assessment, Return on Investment (ROI), MROI, ROMI   |
| Customer Profitability Analysis | Customer Profitability  | Whale Curve, Pareto Principle, Problem with single period profit measures, Acquisition/Retention Costs  |
|                                 | CLV Spreadsheets        | CLV (N-period), spreadsheet modeling, Full Historic & Forward Looking CLV, Customer relationship an asset   |
|                                 | CLV Formula             | CLV (Infinite Life Formula), Customer Equity, Problems with CLV, Assumptions needed to make CLV work (concerns), Double Counting, acquisition costs |

# Management Accounting Modules

| Module                              | Topic                               | Subtopics  |
|-------------------------------------|-------------------------------------|--|
| Marketing Interface with Management | Management Accounting and budgeting | Purpose of Management Accounting, Internal Accounting for Marketing, Marketing Accounts, Zero Based Budgeting, Communicating with management accountants   |
|                                     | Costing                             | Allocation of Fixed Costs, Activity Based Costing  |
|                                     | Pricing                             | How firms actually price, Cost Plus Pricing, Long term pricing strategies (Penetration/Skimming), Pricing to demand, Price elasticity  |
|                                     | Valuing Social Media                | (How) Can we measure the ROI of social media investments? Facebook Followers and Likes, Instagram posts, Snapchat Advertising, Twitter posts and customer service responses. Causation? Budgeting for social media marketing investments, Budgeting for social media R&D |
|                                     | Quality and Marketing               | Connections to the quality movement, working with operations, supply chains  |
|                                     | Communicating with Managers         | What they need to know, Graphs, Dashboards, Managerial Decision Making   |



# Financial Accounting Modules

| Module                           | Topic                                | Subtopics   |
|----------------------------------|--------------------------------------|---|
| Marketing Interface with Finance | What is Profit?                      | Accounting Profit, EBITDA, Economic Profit, EVA, Accounting Equation, Why understating assets matters   |
|                                  | Challenges Accounting for Marketing  | Market to Book Ratio, Tobin's q, Revenue recognition (when to book, rebates, giftcards), Customers as Liabilities, Accounting for R&D, Moribund Effect    |
|                                  | Purpose of Financial Statements      | Investors versus Managers, What is missed? Brands on balance sheets, Customer Equity, Notes to accounts related to customer, Risk, FASB, IASB, SASB, MASB |
|                                  | Measuring brands I (Assets)          | History of brand valuation, Survey based brand assessment methods, Conjoint based, Price Premium, MASB (BIV)  |
|                                  | Measuring brands II (Assets)         | Commercial methodologies, benefits, challenges  |
|                                  | Accounting Ratios                    | Key ratios & how are impacted by accounting for marketing   |
|                                  | Demonstrating the value of marketing | Stock market reaction to marketing, Academic research (e.g., satisfaction and market value), Measuring advertising effectiveness, Attribution modeling    |

# Example Treatment of Topic

|  |   |
|--|---|
| <b>Topic:</b>                              | <b>Brand Preference</b>   |
| <b>Module:</b>                             | <b>Non-Financial Metrics</b>  |
| <b>What does it do?</b>                    | Indicates the strength of a brand in the hearts and minds of customers & potential customers by measuring which brands are preferred under assumptions of equality in price and availability  |
| <b>Why important?</b>                      | Higher brand preference is a validated driver of higher share-of-market and price-premium support making it a key indicator of brand cash flow  |
| <b>Level of Student</b>                    | Advanced Undergraduate, MBA   |
| <b>Pre-requisite</b>                       | None, it is a core concept  |
| <b>Required for</b>                        | Discussing relationship between Non-Financial and Financial measures and how marketing activities drive in-market impact (i.e. brand preference acts as a cornerstone metric)   |
| <b>Other areas</b>                         | Finance, Accounting   |
| <b>Available materials.</b>                | {Link to slides, excel templates}   |
| <b>Relevant texts</b>                      | We follow the approach of the MASB Common Language Project.<br>Accountable Marketing (Stewart & Craig 2016)   |
| <b>Relevant cases</b>                      | Energizer vs. Duracell, Tylenol Tampering, Amazon vs. Walmart   |
| <b>Relevant practitioner pieces</b>        | Applying the Brand Investment & Valuation Model (Meier Findley Stewart 2017)  |
| <b>Relevant online and other materials</b> | The Brand Strength Monitor Blog ( <a href="http://blog.thebrandstrengthmonitor.com/">http://blog.thebrandstrengthmonitor.com/</a> )<br>Statista ( <a href="https://www.statista.com/search/?q=brand+preference">https://www.statista.com/search/?q=brand preference</a> ) |
| <b>Relevant academic papers</b>            | What Is Known About the Long-Term Impact of Advertising (Hanssens 2011)<br>Brand Investment and Valuation: A New, Empirically-based Approach (Findley 2016)   |

# Basic Aims and Principles

**We will:**

- **Provide standardized product**
  - Distributed to all schools that could use it
- **Use Common Language Dictionary**
  - Basis for all materials
  - Always use standard definitions/metrics
- **Help uptake**
  - e.g., description should appeal to students
- **Produce recommendation for introductory marketing course to set up this “elective”**

# What we will *not* do

To keep the Finance in Marketing course manageable we will not:

- Teach Excel or advanced Finance
  - Covered elsewhere in business schools
- Teach Marketing Research or Direct Marketing
- Produce a brand valuation course
  - But we will discuss why to do so and principles
- No advanced visualization
  - But will cover charting of results and value of visualization

# Next Steps

- Create the teaching materials (in progress)
- Approach potential partners
  - Software providers (e.g. Tableau, SAP)
  - Online providers (e.g. Management-By-The-Numbers)
  - Relevant firms (e.g. Leapfrog)
  - Publishers (e.g. a textbook publisher) and case providers (e.g. Ivey, case centre)
  - Accounting bodies (e.g. ACCA)
  - Data vendors for keeping case studies fresh

# “Selling” the Course

- We will need assistance publicising course
- Following will be contacted
  - Journals
  - Schools
  - Teachers
  - Employers with strong higher ed connections
- Will reach out through social media
- Academic conferences?
  - Summer AMA? (deadline Feb 24<sup>th</sup>)

# Questions? Ideas?

- What are we missing?
- How can we help sell this to faculty?
- How can we sell this to students?
- How can we make this more useful for managers?
- How can we successfully publicize?

# FMC Team Members

## Team Leaders



Dave Stewart  
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Neil Bendle  
Ivey

## Team Heroes



Edgar Baum  
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Jim Meier  
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Bobby Calder  
Northwestern



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## Staff



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Admin



**Thank-you!**



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