

MASB Standards Project

Brand Investment & Valuation (BIV)

**Frank Findley
MASB Executive Director**

**February 2018
New Orleans**

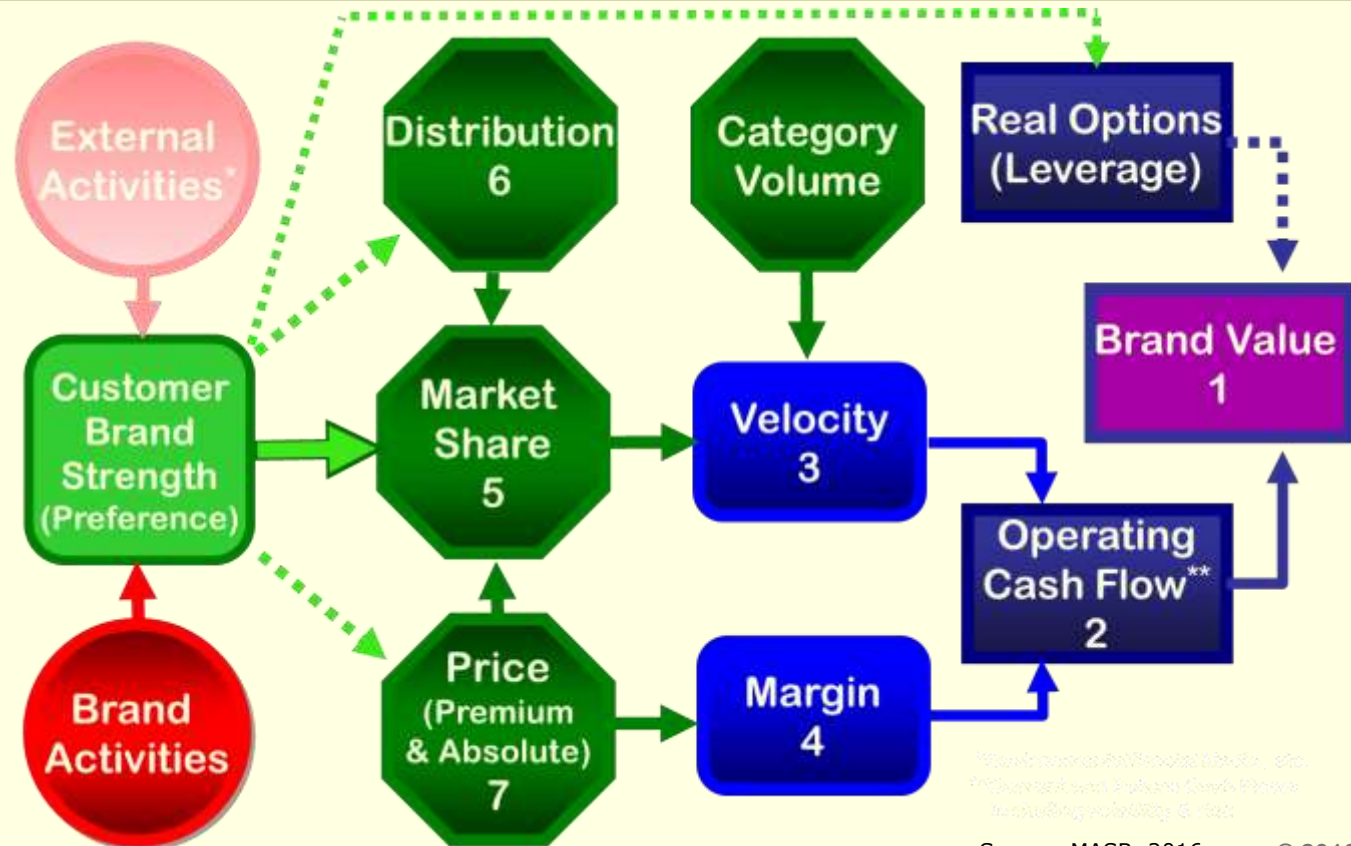


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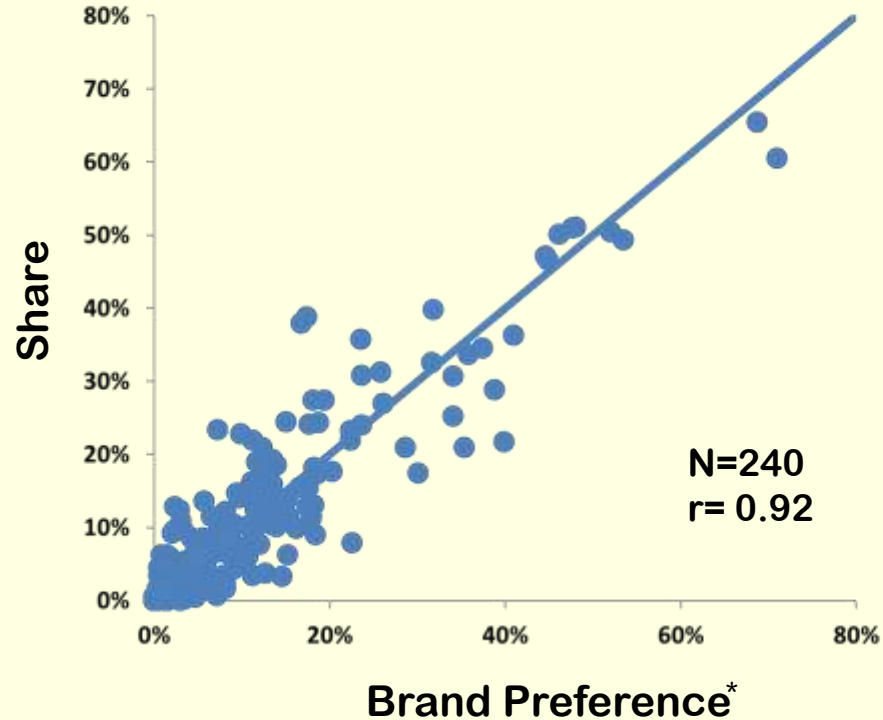
BIV Game Changer (Phase I completed)

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	

MASB Brand Investment & Valuation Model



Total Trial Categories + Additional



BIV Phase I Implementation Paper Updated



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

Updated paper to include more details on tax law change implications to brand value

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?”

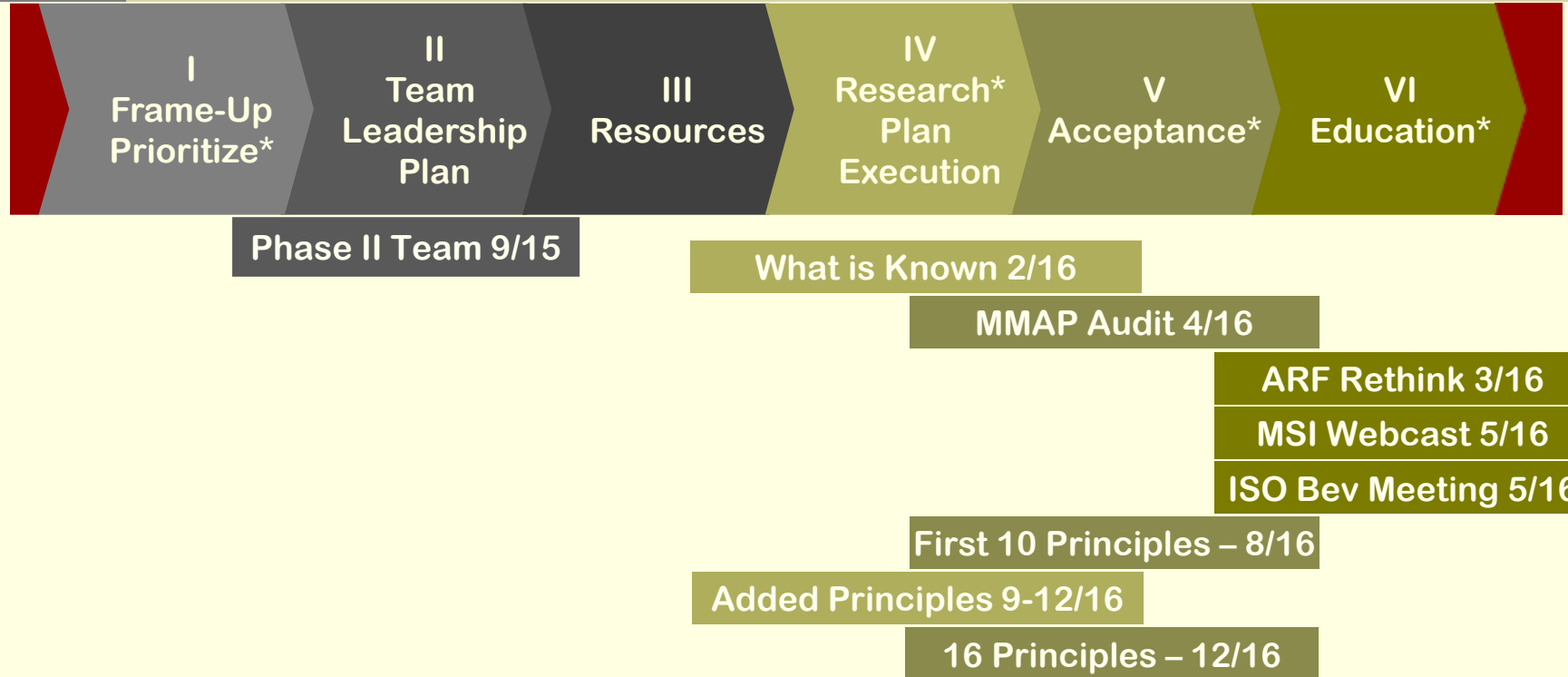
BIV Game Changer (Phase II)

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

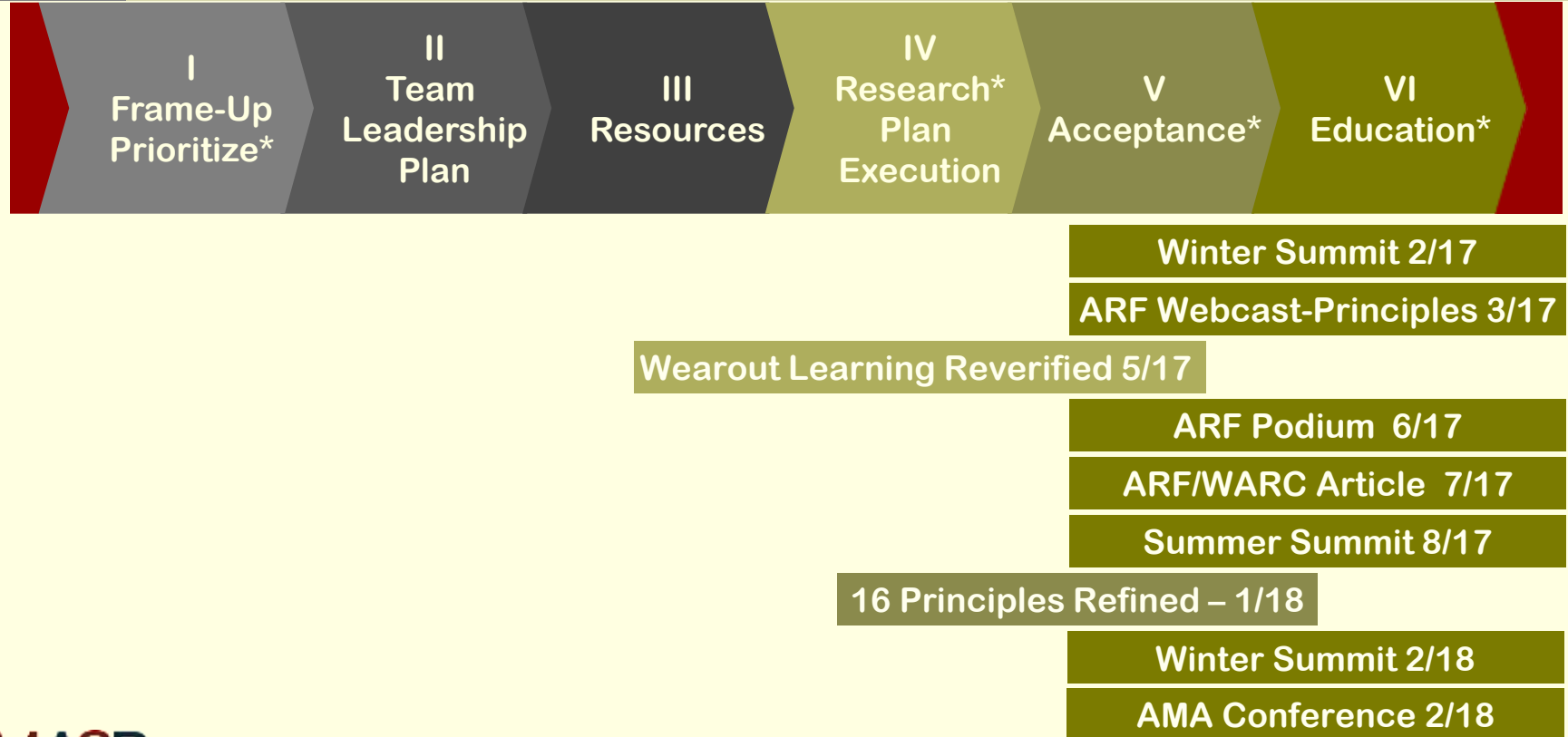
Strategy
Identify drivers and practices to continuously improve the consumer brand preference metric, improving market impact & financial performance.

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

BIV Phase II Milestones (2015 & 2016)



BIV Phase II Milestones (2017)



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

Proposed Addition

Corollary

- **5b. In a typical category (segment) three to four key motivators (perceptual or functional) explain the preponderance of brand preference.**
- **PI: Marketers should leverage these motivators to create a superior positioning relative to competition to drive brand preference**

What Percentage of Expected Utility Is Captured By Three or Four Drivers?

behavioral
science
lab

	Total Choice Object* BrandEmbrace® (All Drivers)	% Total Choice Object BrandEmbrace®	
		Only Primary, Secondary, Tertiary Drivers	Only Primary, Secondary, Tertiary, Quaternary Drivers
	45	46%	58%
	45	47%	59%
	46	48%	59%
	48	49%	60%
	69	50%	60%
	70	52%	64%
	79	55%	67%
	83	55%	69%
Median	83	55%	69%
	84	55%	69%
	86	56%	70%
	88	58%	72%
	88	59%	72%
	90	59%	72%
	90	62%	75%
	93	64%	77%
	95	65%	78%

*Last 17 studies; past 18 months; number of drivers = 6 - 9

How Well Do Three or Four Drivers Predict Preference Switching?

behavioral science lab		BrandEmbrace®		
		All Drivers	Primary, Secondary, Tertiary Drivers	Primary, Secondary, Tertiary, Quaternary
Study 2 - Banking	Preferred Choice Option	92	47	57
	Non-preferred Choice Option	72	36	43
	Mean Within-R Difference	20	11	14
	Switching Calibration In BrandEmbrace® Units	20+	11+	14+
	Conclusion	Predictive	Predictive	Predictive

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

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

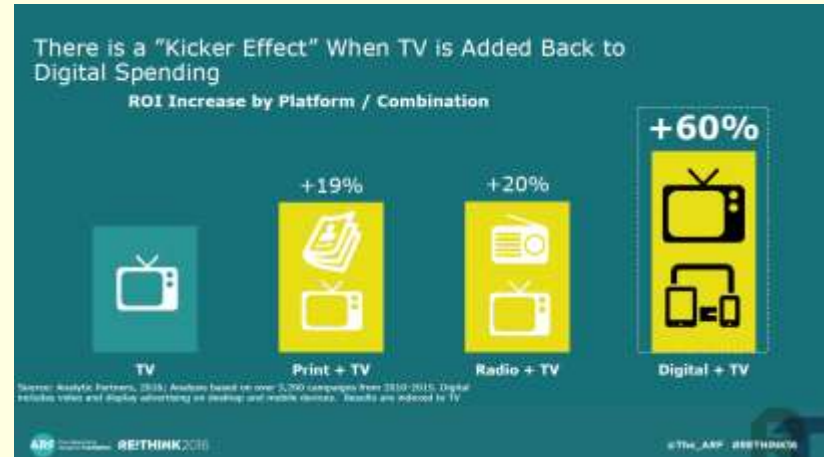
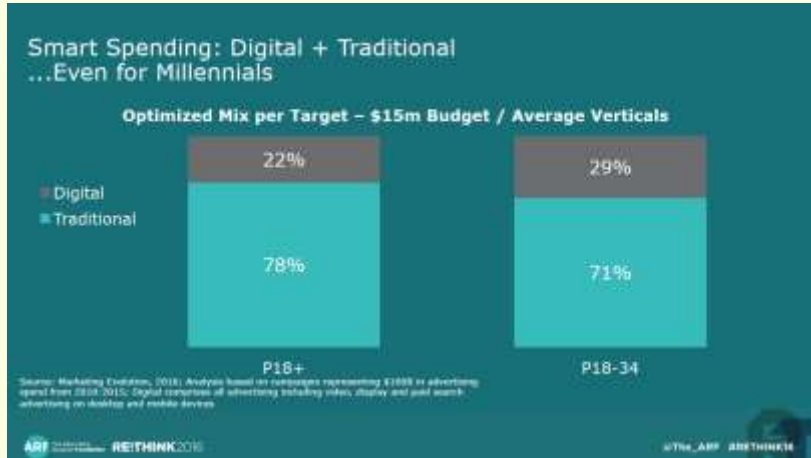
OOH measurement – location, location, location meets audience, audience, audience.

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



How Advertising Works, Today (2016)

- Strong showing by traditional media platforms
- Encouraged marketers to “spend smart by adding back traditional media to your digital investments”
- Recommendation well supported by the research



Yet some found results surprising

- Suggested TV advertising retained much of its historic power despite potential attention decline from:
 - Channel fragmentation
 - Time-shifting/ad skipping technology
 - Simultaneous use of laptops, tablets, and smart phones
- Dearth of research comparing TV power to historic levels
- As part of its initiative to document drivers of brand value, the MASB BIV team dove into this question

Does television advertising have the same brand-building power as in previous decades?



?

||



Does television advertising have the same brand-building power as in previous decades?

Or more scientifically precise...

1. Do television ads on a single-exposure basis still evoke the same level of effectiveness among consumers as in the past? - **TV Ad Format**
2. Is this impact delivered in-market at the same rate per GRP as in the past? – **TV Ad Delivery**
3. How does television advertising compare to other media in the number of exposures needed to be effective? – **TV or Ads Generally**

Two MASB members provided data and research directly addressing these questions

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MSWARS
RESEARCH

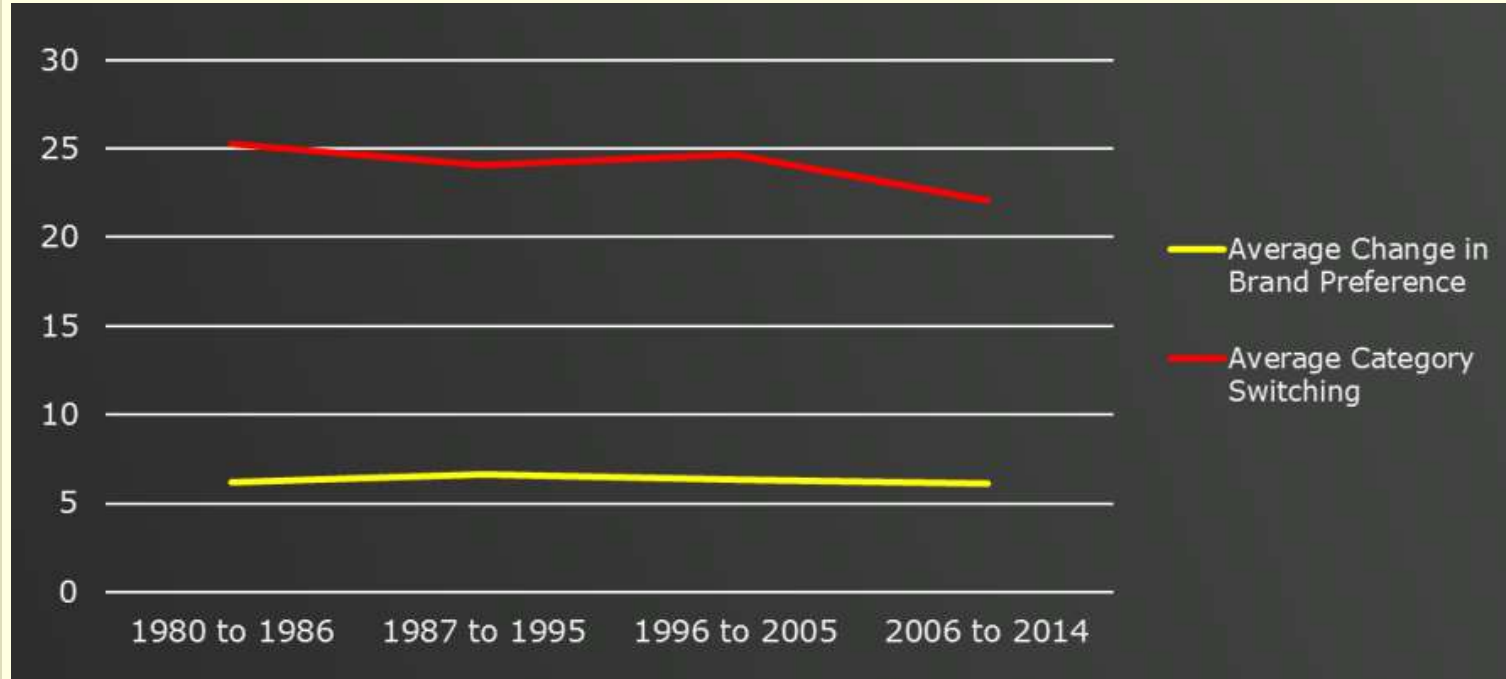
nielsen
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Datasets

- **Ad effectiveness for a single, quality exposure (1980-2014)**
 - MSW•ARS database of over 23,000 ads
 - Brand Preference Shift (CCPersuasion™) & Category Switching
 - 2,075 distinct television ads, 258 brands, 104 categories
- **Rate of delivery of selling power (1980-2014)**
 - MSW•ARS (Brand Preference Shift) & Nielsen (GRPs)
 - 188 distinct television ads assessed before & after airing
- **Effective frequency for TV, Radio, and Digital**
 - Nielsen Market Mix Modeling
 - 4,677 TV, 268 radio, & 2,830 digital campaigns

There has been no erosion in the selling power of a single, quality 30 second video exposure

In fact, format bucked overall consumer switching trend.



The video format has proved a powerful, flexible creative vehicle over the decades

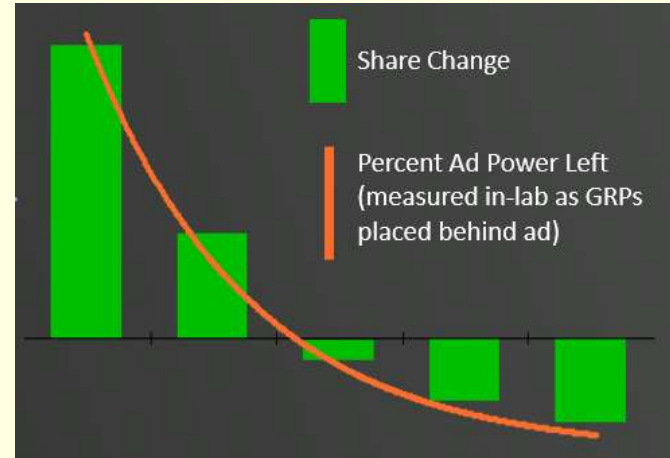
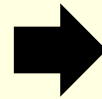
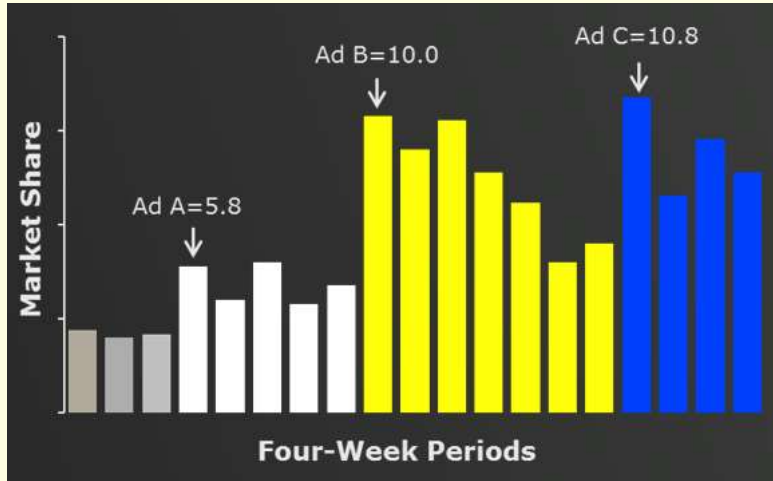
Apple Mac - 1984



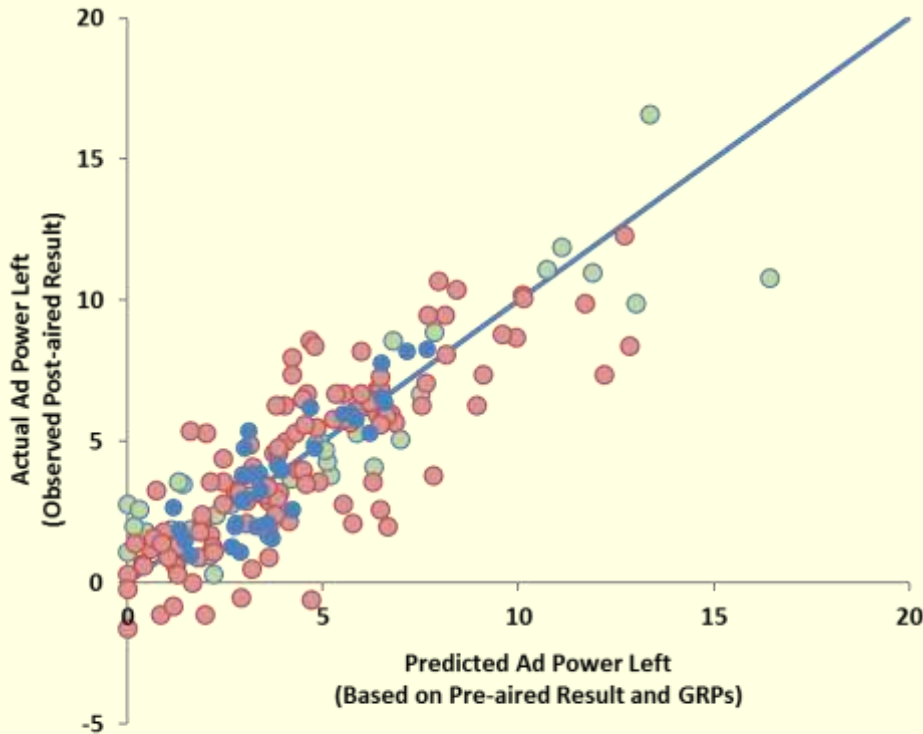
Apple Mac - 2006 to 2009



An ad wears out in a predictable manner as media weight (GRPs) is placed behind it



The wearout model is strongly predictive across time periods

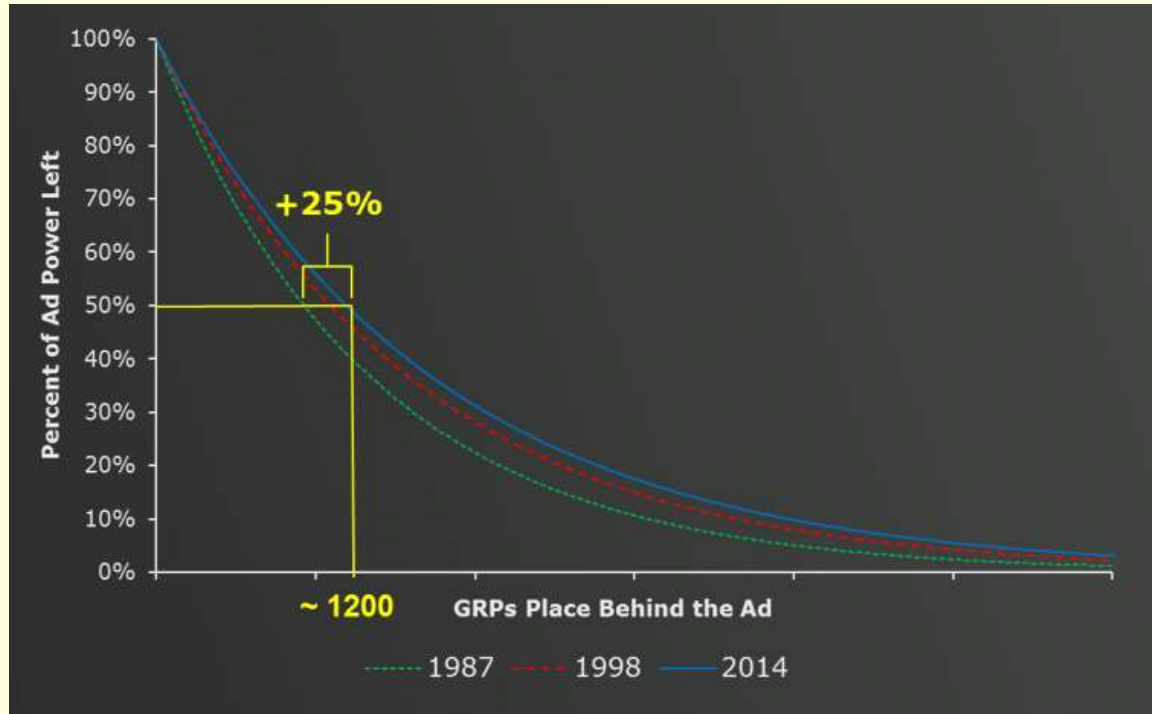


Correlations

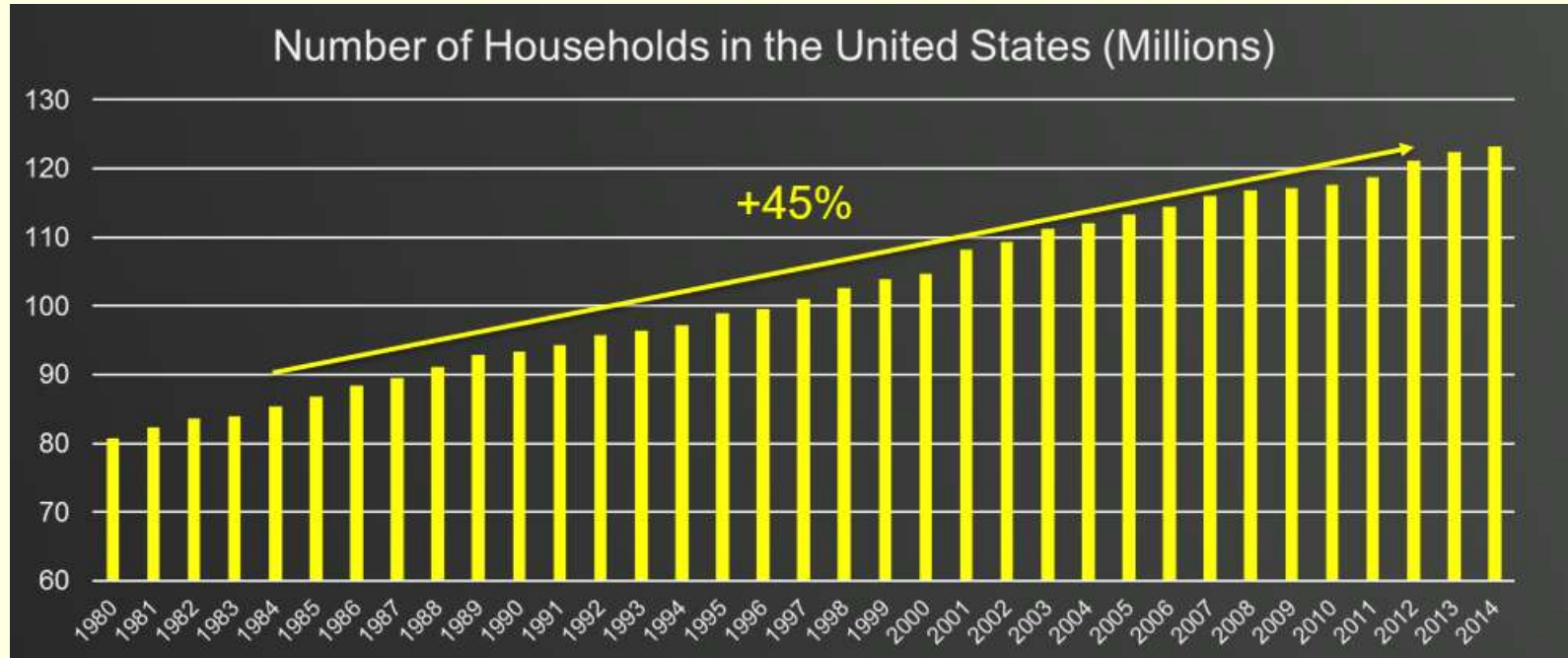
1987	0.91
1998	0.81
2014	0.87

Selling power delivery per GRP has diminished

It now takes $\frac{1}{4}$ more GRPs to deliver half a TV ad's power

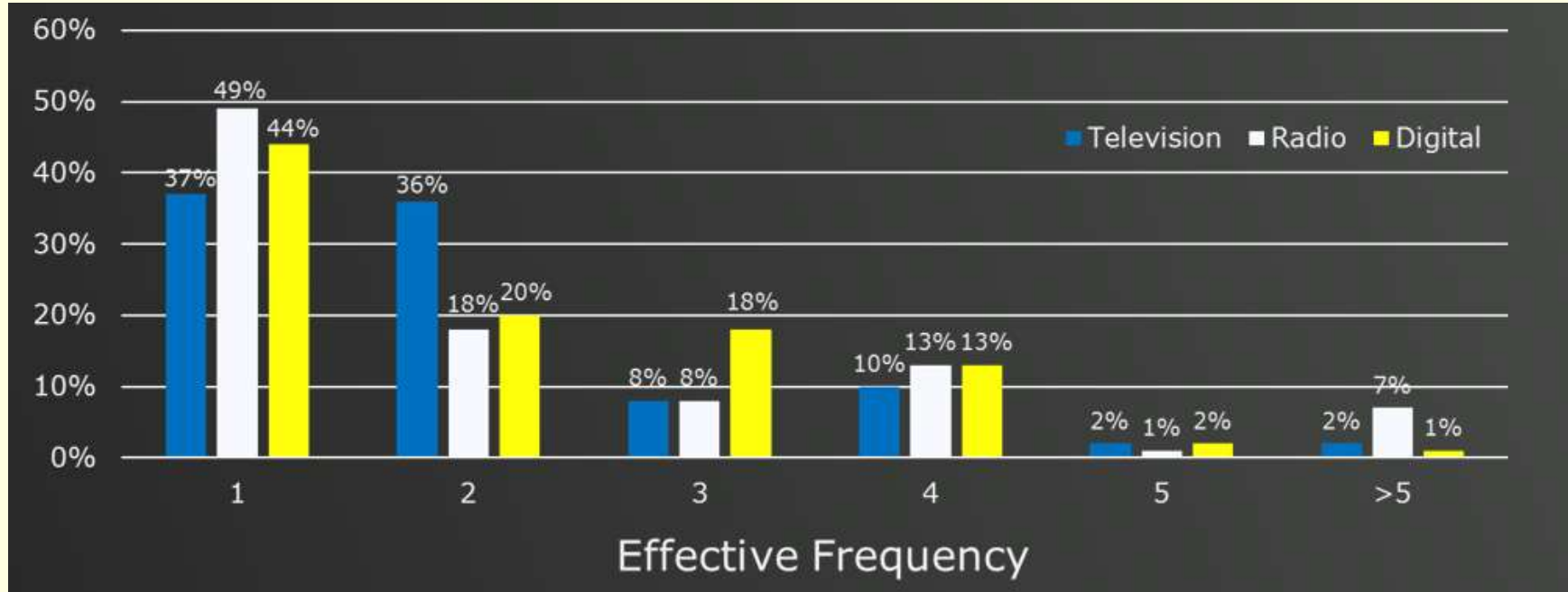


Household growth over same period of time mitigates this decline on an absolute basis



All media types can be effective within range of average frequencies typically deployed (<4)

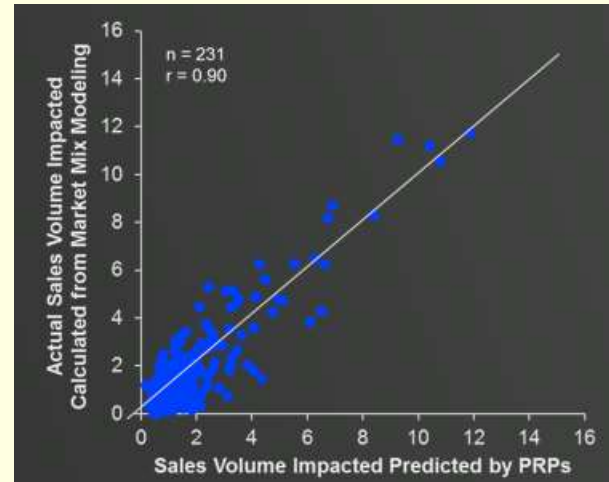
While TV campaigns lag for E.F. = 1 they quickly catch up.



Source: Nielsen, 2017

Summary of Insights

- It is simple to mathematically combine ads' preference changing power with GRPs thus creating “PRPs”
- Highly predictive of sales
- Tremendous implication for improved ROI



New BIV Whitepaper

MASB
WHITE
PAPER

Television's Brand Building Power – from GRPs to PRPs

Frank Findley
Executive Director
MASB

Kelly Johnson
VP Advertising & Marketing Intelligence
ESPN

Douglas Crang
Senior Director, Data and Knowledge Support
MSW-ARS Research

October 2017

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However, it should be noted that ad wearout is desirable from a sales perspective. The reason an ad wears out is that its sales building power has been delivered to market. The more an ad wears out, the greater the share-change impact already made in-market.

The finding that wearout⁶ in ad power could be predicted by the amount of GRPs placed behind the ad was first published in 1967 in the Journal of Advertising Research with a replication study⁷ published a decade later. In 2006, it was one of 16 selected by JAR's Editorial Review Board as a "classic" – an article that has withstood the test of time.⁸

Interestingly, between the original and replication studies a difference was noted in the number of GRPs needed to wear out an ad to a given percent of its original level of sales effectiveness. The implication is that in the intervening 10 years between the studies, the delivery of selling power per GRP diminished. Said another way, while the television advertising format was still as powerful as before, more GRPs were needed to deliver the brand preference change in-market.

Table 3: Correspondence of Share Change and Ad Power Left from Wearout⁶

Table 4: Predicted vs. Actual Ad Power Left

Recently this analysis was extended through 2014.

As shown in Table 4, the ability of GRPs to predict actual post-airing power left remains strong (correlations range from .81 to .91 across the time periods).

SOURCE: MSW-ARS Research. © Perichon Scores and Nelson Research Cross-Rating Points

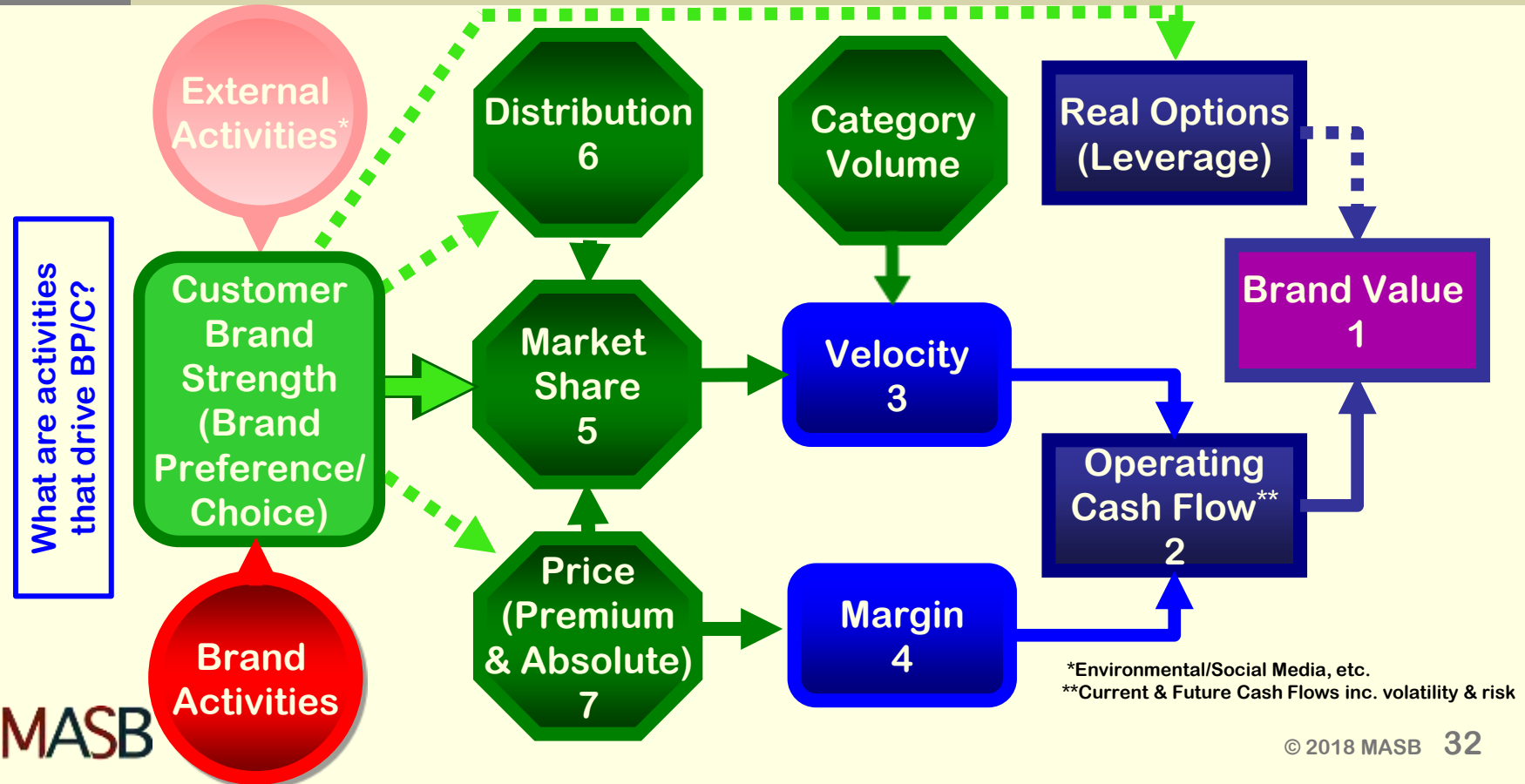
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Version's Name:
Building Power –
New GRPs to PRPs

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Brand Investment/Valuation Model (Phase II)



BIV Phase II Next Steps

- **Journal article on updated wearout learnings (JAR)**
- **Rerelease of paper on Applying the Brand Investment and Valuation Model taking into account tax changes and then popular journal article**
- **White paper on Principles & Implications then journal article and podiums**

BIV Team Members

Team Leaders



T Tsvetkov
Nielsen



Dave Stewart
LMU

Team Heroes



Jim Meier
MillerCoors



Mike Donahue
ANA



Tim Gohmann
BSL



Sunny Garga
(m)PHASIZE



Vithala Rao
SCJ/Cornell



Manu De Luca
SC Johnson



Alex Haigh
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Staff



Frank Findley
MASB ED
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Tony Pace
MAF/MASB



Erich Decker-Hoppen
Communication



Karen Crusco
Executive Assistant
Admin

Thank-you!



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