

# **MASB**

# **Standards Project**

## **Improving Financial Reporting**

## **(IFR)**

**Dave Stewart, Loyola Marymount University**  
**MAF Trustee/MASB Chair**

**February 2018**  
**New Orleans**



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

# IFR Game Changer

Project	Improving Financial Reporting (IFR) (Moore & Baum)	<b>Strategy</b> Partner w/financial reporting & investment communities, and educate re: brands are cash generating units & sizable intangible assets...so financial returns from corporations will ultimately be driven and measured by buyer behavior in markets.
Issue Addressed	Intangibles >80% of Corp Value (need better info)	
Project Objective	Marketing at table when reporting of Brand Value is required for all brands	
Expected Outcome	Brand Value as KPI, MD&A Notes or B/S... better info for capital providers	
When	2018	

# In dialogue with (2010-2012)...

**FASB**  
(2010)



*The FASB and Accounting Standards-setting*, Sue Bielstein, Director of Planning and Support  
Financial Accounting Standards Board, Presentation to MASB ([August 2010](#))

**FASRI**  
(2011)



*An Accounting Professor's Perspective on MASB's Objectives*, Robert Bloomfield, Cornell University  
Director, Financial Accounting Standards Research Initiative, Presentation to MASB ([February 2011](#))

**ISO**  
(2011)



*ISO 10668: Brand Valuation*, Christopher Schotz, Chairperson, ISO Committee on Brand Valuation  
Presentation to MASB ([February 2011](#))

**CFAI**  
(2011)



*Brand from the Investor Side*, Wendy Pirie, Director Curriculum Projects, Education Division CFA Institute  
Presentation to MASB ([August 2011](#))

**IFRSB**  
(2011/12)



Fair Value Measurement & IFRSB Agenda, Hilary Eastman, Leader Investor Liaison Program, International  
Financial Reporting Standards Board, Various emails & guidance ([May 2011 – Feb 2012](#))

**IIRC**  
(2012)



*Communicating Value in the 21st Century, Change in Requirements for Reporting Intangible Assets*,  
Bob Laux, Sr Director Accounting & Reporting, Microsoft Corporation & Working Member, International  
Integrated Reporting Council, Presentations to MASB ([February 2012](#))

# In dialogue with (2013-2014)...

**IIRC**  
(2013)



*Integrated Reporting: What it is and Where it Stands*, Lisa French, Head of External Relations, International Integrated Reporting Council, Presentation to MASB (February 2013)

**Morning-  
star**  
(2013)



*Improving Financial Reporting: Financial Analyst Perspective*, Michael Corty, CFA, Senior Equity Analyst, Morningstar, Presentation to MASB (August 2013)

**Financial Panel**  
(2014)



Esther Mills, President & Founder, Accounting Policy Plus  
MASB IFR Team Attaché

**CFAI**



Sandy Peters, Head, Financial Reporting Policy Group, Certified Financial Analyst Institute

**FASB**



Jennifer Hillenmeyer, Practice Fellow, Financial Accounting Standards Board (FASB)



Justin Nash, Vice President, Blackrock



Kunal Kahara, Director, BlackRock



Michael Moore, Professor of Accounting, Loyola Marymount University, MASB Advisor

# In dialogue with (2015-2018)...

**IASB**  
(2015)



*Valuing & Reporting Brands as Assets: Post IFRS3 Preparer Review, Plotting a Course for MASB*, Roger Sinclair, MASB Advisor, , Presentation to MASB ([August 2014](#))

**IVSC**  
(2015)



*The IVSC an Intangible Assets*, Steve Sherman , Chairman, International Valuation Standards Board, Presentation to MASB ([February 2015](#))

**ANSI/ISO**  
(2016)



*ISO TC 289*, Gerhard Hrebicek, President, EBI, Co-presentation to MASB ([August 2016](#))



*ISO TC 289*, Bobby Calder, Northwestern, MASB Advisor, Co-presentation to MASB ([August 2016](#))

**IIRC**  
(2016)



*Integrated Reporting*, Lisa French, Chief Technical Officer, IIRC, Presentation to MASB ([August 2014](#))

**FASB**  
(2017)



Susan Cospers, FASB Technical Director and Chairman of the Emerging Issues Task Force ([March 2017](#))

**FAF/FASB**  
(2017)



Teresa Polley, President of the Financial Accounting Foundation (FAF) overseeing FASB ([May/July 2017](#))

**SASB**  
(2017)



Sonya Hetrick, SASB SV Sector Analyst on Marketing/Advertising SEC Reporting Standard ([October 2017](#))

**MASB**

# Public Comment SASB Standard

SERVICES SECTOR

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## ADVERTISING & MARKETING\*

Sustainability Accounting Standard

PROPOSED CHANGES TO PROVISIONAL STANDARDS

EXPOSURE DRAFT

REDLINE OF STANDARD FOR PUBLIC COMMENT

Prepared by the  
Sustainability Accounting Standards Board®

October 2017

#### 4. Where Disclosures Should Be Made in SEC Filings

In using the definition of materiality established under the U.S. federal securities laws, the SASB has identified and developed industry-specific sustainability topics and metrics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within a particular industry. As a general matter, the SASB believes that investors are best served when disclosure of such information is made in SEC filings. An issuer might, for example, make the disclosure in a sub-section of MD&A with a caption, "Sustainability-Related Information," with a section that includes the material topics, performance metrics, and management's view with respect to corporate positioning. See SASB's "Mock 10-Ks" for examples of preparing an MD&A using the SASB Standards.<sup>17</sup> Issuers are not precluded from using the Standards elsewhere, such as in stand-alone communications to investors or in sustainability reports (sometimes referred to as corporate social responsibility reports or environmental, social, and governance reports), company websites, or elsewhere. Corporate communication on material topics, including sustainability-related material topics, should be consistent across communication channels. As discussed above, SEC regulations may compel inclusion of material sustainability information in an SEC filing where it is deemed financially material.

MASB Marketing Accountability Standards Board  
of the Marketing Accountability Foundation

January 3, 2018

Director of Research  
2017 Public Comment Period  
Sustainability Accounting Standards Board  
1045 Sansome St., Suite 450  
San Francisco, California 94111

Public comment regarding: Advertising & Marketing (SICS #SV0301)

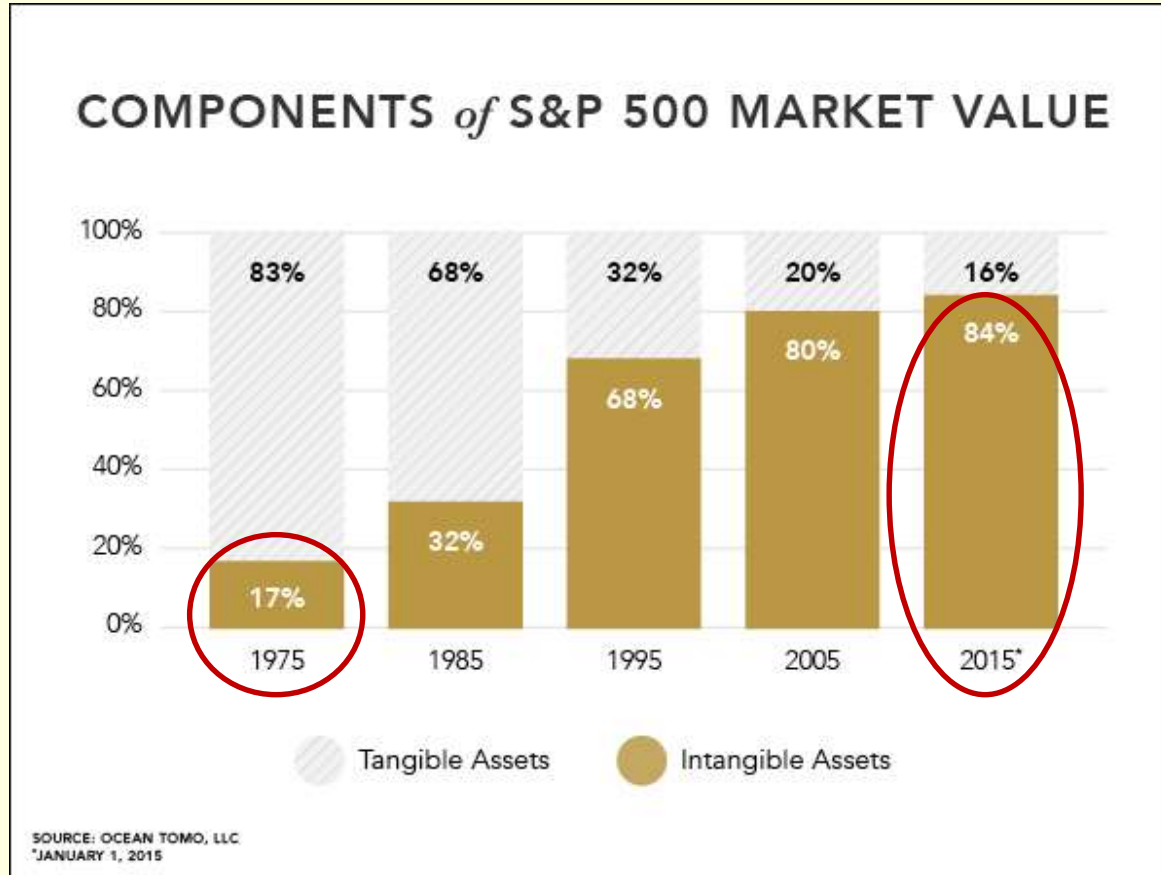
We support the spirit of the proposed standard for *Advertising & Marketing* (SICS #SV0301). As noted in the proposed standard, the ability to reach customers and prospective customers is a key activity for the health of this industry. Therefore, it is vital for those involved in the purchase and management of advertising and marketing to measure the quantity and effectiveness of this activity. For this reason, we support the proposed standard.

Marketing also plays a key role in the sustainability of most corporate entities. Therefore, we would encourage, and be happy to collaborate on, a broadening of standards to include this information in the sustainability reporting of marketers themselves. This could even take the form of a brand valuation standard. Currently there is work within the International Organization for Standardization on both brand valuation and brand evaluation. Brand valuation is an existing standard: *Brand valuation – Requirements for monetary brand valuation*, ISO 10668:2010. Brand evaluation is in draft currently: *Brand evaluation – Principles and fundamentals* ISO/DIS 20671. These two documents could act as the basis for determining the metrics to include within a SASB standard for Marketers.

In addition, MASB has developed practical guidelines for the measurement of marketing outcomes over the past decade which we are willing to share. Collectively, this body of knowledge should be sufficient for rapid adoption and implementation of such a standard.

Marketing Accountability Standards Board (MASB)  
Frank Findley, Executive Director  
83080 Overseas Highway  
Islamorada, Florida 33036

# Value of Intangible Assets Growing\*



**Brands represent a portion, but how much? They need to be accounted for...**

Share of Intangibles:

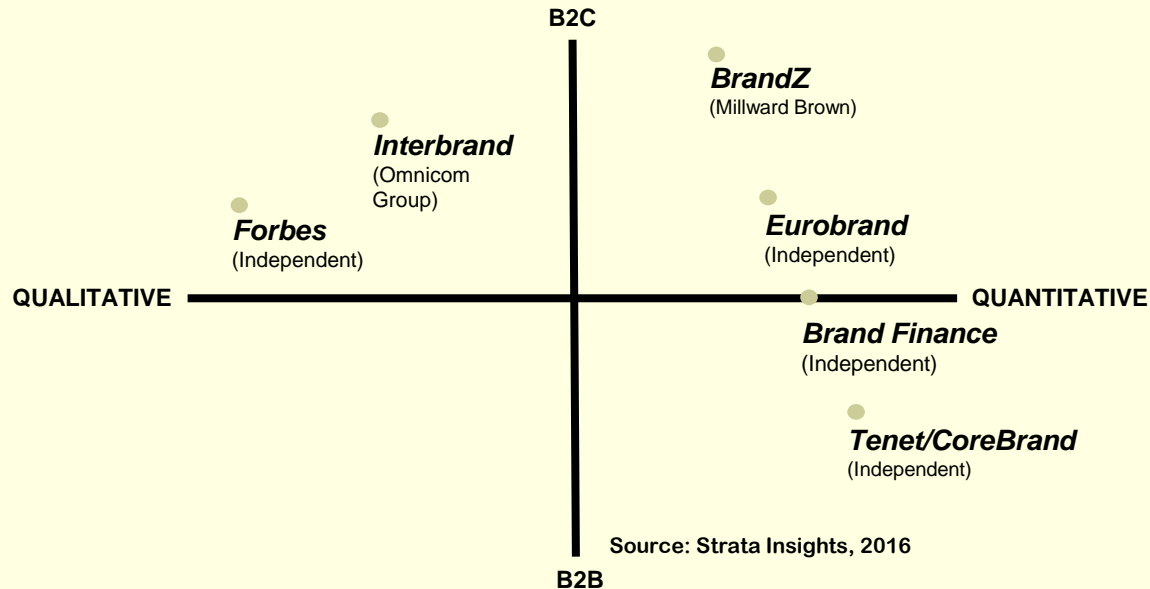
Global = 52%\*

US Public Cos= 70%\*

\* *Brand Finance 2016*

# 2017 Analysis: Methodological Differences

- Methodological and coverage bias results in a difficulty comparing brand values against each other





# 2017 Analysis: Existing Brand value Is Biased

- Mono-brands are easier to value externally and consistently have higher reported brand value!

Segment	Brand Finance	Interbrand	Forbes	Eurobrand	Corebrand	Brand Z (MB)
Mono Brands	14%	22%	18%	23%	17%	23%
Multi brands	16%	24%	22%	28%	17%	30%
All S&P100	14%	18%	15%	21%	17%	29%

- 26% of Mono-brands w/ complete coverage as opposed to 8% of multi-brands.
- 13 Mono-brands are covered by all 6 firms
- Mono-brands have average BV of 28%

Brand	Brand Finance	Interbrand	Forbes	Eurobrand	Corebrand	Brand Z (MB)	Average	Average w/o MB
Apple	22%	30%	26%	28%	17%	39%	27%	25%
Google	35%	59%	36%	45%	17%	101%	49%	38%
Amazon	18%	16%	11%	19%	14%	31%	18%	16%
General Electric	16%	15%	12%	15%	17%	18%	16%	15%
IBM	27%	39%	31%	35%	16%	65%	35%	30%
Nike	29%	30%	33%	30%	17%	44%	30%	27%
McDonald's	20%	36%	36%	43%	19%	82%	39%	31%
American Express	32%	27%	35%	23%	18%	39%	29%	27%
UPS	29%	23%	19%	36%	17%	74%	33%	25%
FedEx	32%	13%	18%	40%	17%	39%	27%	24%
Starbucks	12%	8%	13%	20%	18%	49%	20%	14%
Visa	6%	5%	13%	16%	19%	67%	21%	12%
Mastercard	6%	5%	10%	17%	19%	43%	17%	12%
<b>Average</b>	<b>22%</b>	<b>24%</b>	<b>23%</b>	<b>28%</b>	<b>17%</b>	<b>53%</b>	<b>28%</b>	<b>23%</b>

# IFR Next Steps

## ■ Upcoming Educational Papers

- Marketing Capitalization as a Percent of Market Value Update (Baum/Bendle)
- Ad expenditures and brand value incl. accounting, taxation and capitalization (Moore)
- How Brands are Treated within Financials (Moore)

## ■ Planned Business Press Exposure

- Forbes/MASB

## ■ Financial Reporting Partners

- Report back to FASB on progress with BIV model and process
- Resubmit views on IASB updated 3 year agenda

# IFR Team Members

## Team Leaders



Michael Moore  
LMU



Edgar Baum  
Strata Insights

## Team Heroes



Dave Stewart  
LMU



Neil Bendle  
Ivey



Bryn Anderson  
Brand Finance



Vithala Rao  
SCJ/Cornell



Alex Haigh  
Brand Finance

## Staff



Frank Findley  
MASB ED  
Sponsor



Tony Pace  
MAF/MASB



Erich Decker-Hoppen  
Communication

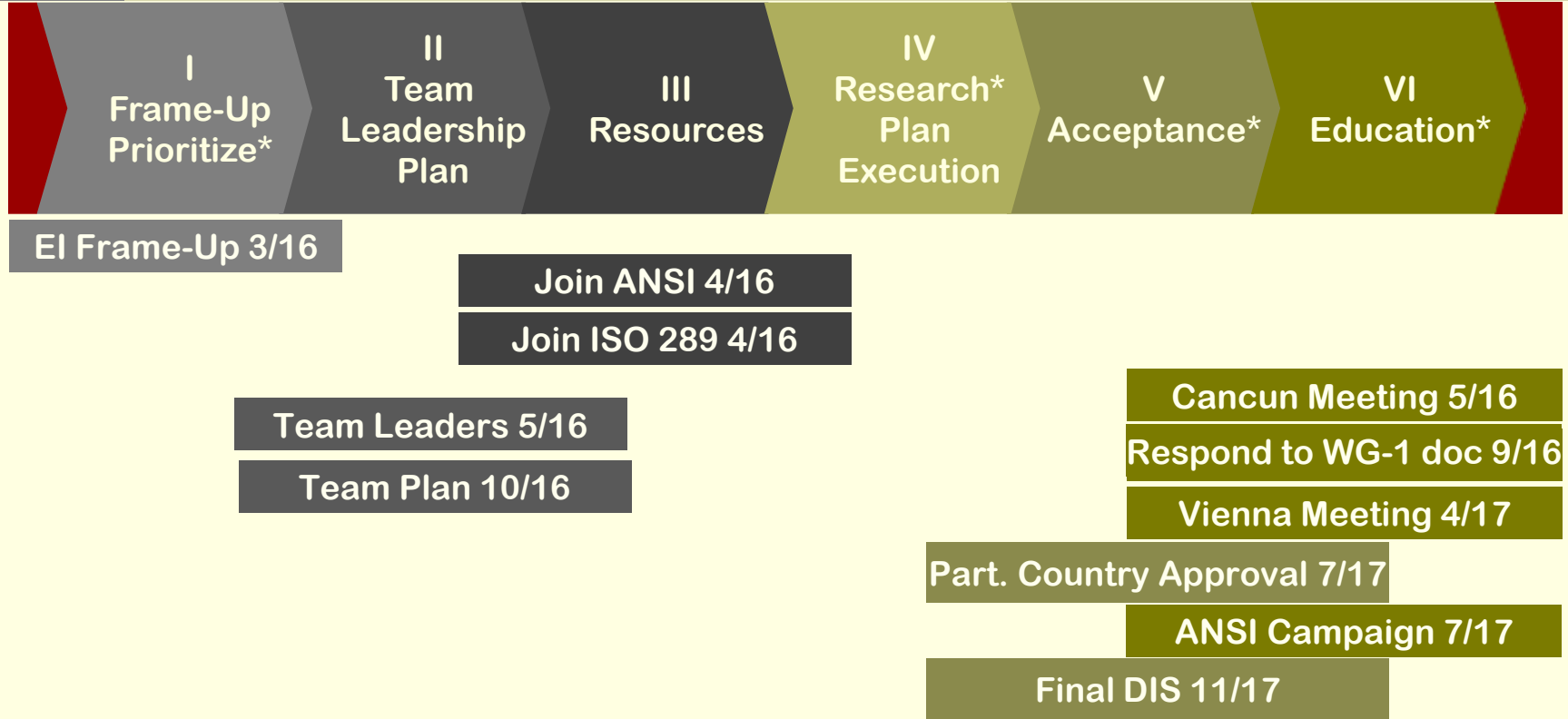


Karen Crusco  
Executive Assistant  
Admin

# BES Project

Project	Brand Evaluation Standards (BES) (Stewart & Willard)	
Issue Addressed	ISO has a Brand Evaluation Standards Project in the works	<b>Strategy</b> Get BIV Standards recognized globally by participating in ISO development of Brand Evaluation Standards
Project Objective	Collaborate w/ANSI & ISO to Influence the BEval Standards	
Expected Outcome	MASB BIV Standards recognized by ISO and applied across the world	
When	2018-2019	

# BES Milestones (2016 & 2017)



# ISO Background



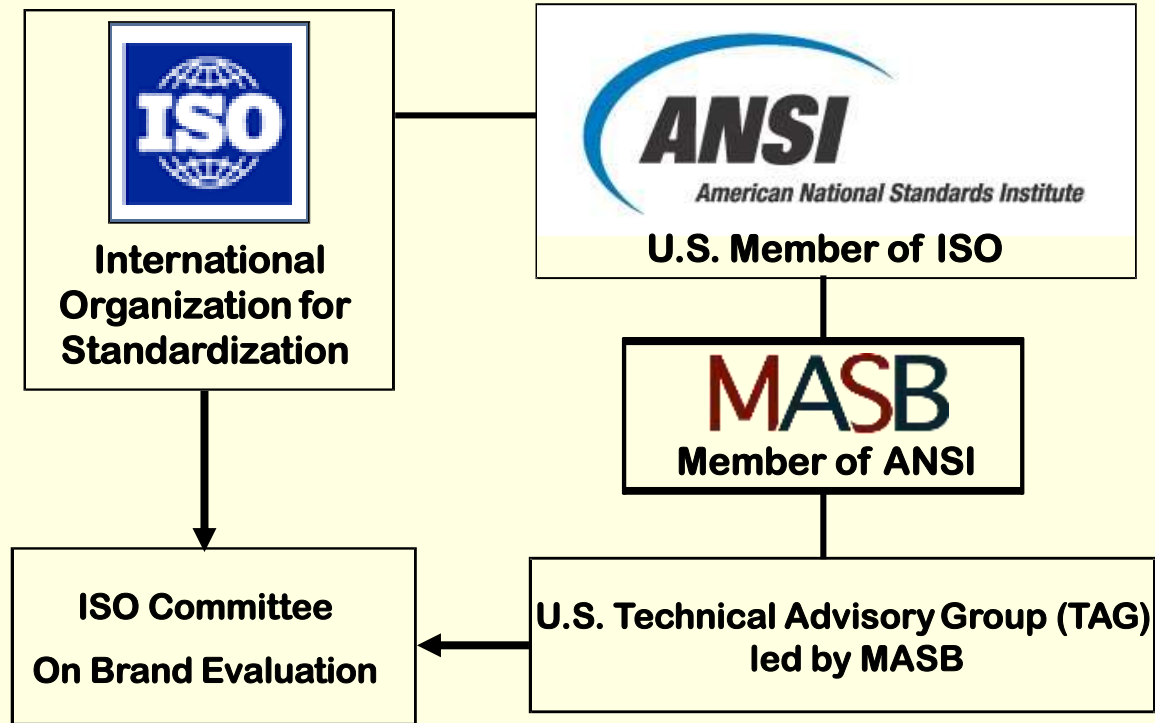
## International Organization for Standardization

Founded in 1947, ISO's scope covers any and all possible standardization subjects not addressed by IEC or ITU.

The ISO is a non-government organization and network of the national standards institutes of countries, one member per country, with the ISO Central Secretariat located in Geneva, Switzerland.

ISO has 164 member countries. The ISO member organization from each country is the organization that best represents that country's national standards system. In many cases, especially with developing countries, the ISO member is a government agency.

# Summary of Organizational Relationships



# BES Highlight: DSI In Final Step of Approval

Stage code	Stage	Associated document name	Abbreviations
00	Preliminary	Preliminary work item	PWI
10	Proposal	New work item proposal	NP or NWIP · NP Amd/TR/TS/IWA
20	Preparatory	Working draft or drafts	AWI · AWI Amd/TR/TS · WD · WD Amd/TR/TS
30	Committee	Committee draft or drafts	CD · CD Amd/Cor/TR/TS · PDAmD (PDAM) · PDTR · PDTS
40	Enquiry	Enquiry draft	DIS · FCD · FPDAmD · DAmD (DAM) · FPDISP · DTR · DTS
50	Approval	Final draft	FDIS · FDAmD (FDAM) · PRF · PRF Amd/TTA/TR/TS/Suppl · FDTR
60	Publication	International Standard	ISO · TR · TS · IWA · Amd · Cor
90	Review		
95	Withdrawal		

DRAFT INTERNATIONAL STANDARD  
ISO/DIS 20671

ISO/TC 289                      Secretariat: SAC  
Voting begins on:                      Voting terminates on:  
2017-12-20                              2018-03-14

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**Brand evaluation — Principles and fundamentals**

*Évaluation des marques — Principes et généralités*

IGS: 03.140

**Draft International Standard  
vote underway!**

**We will be entering an  
affirmative vote with comment  
(regarding metric rigor)**



# BES Next Steps

- **Submit vote on Final DIS (Feb 2018)**
- **Have EITF team investigate implementation of ISO Brand Evaluation standard as an industry issue**
- **Participate in next plenary meeting in Italy (June 2018)**
- **Repopulate team for potential new standards (Feb 2018+)**
  - **Brand Management**
  - **North American Standards**
- **Consider hosting plenary in conjunction with Summit**

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## Team Leaders



**Dave Stewart**  
LMU & TAG Chair



**John Willard**  
TAG Vice-Chair

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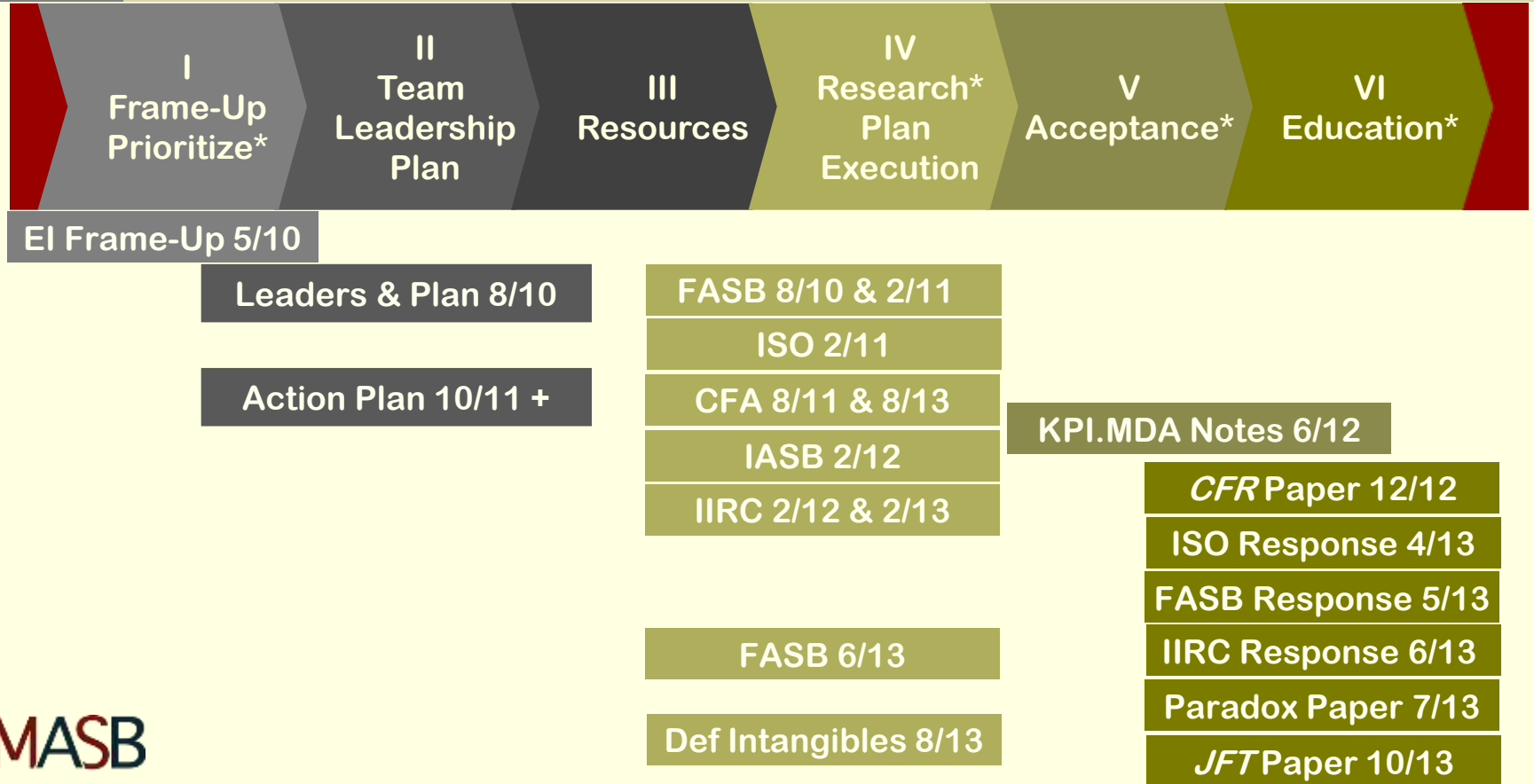
**Karen Crusco**  
Executive Assistant  
Admin

**Thank-you!**

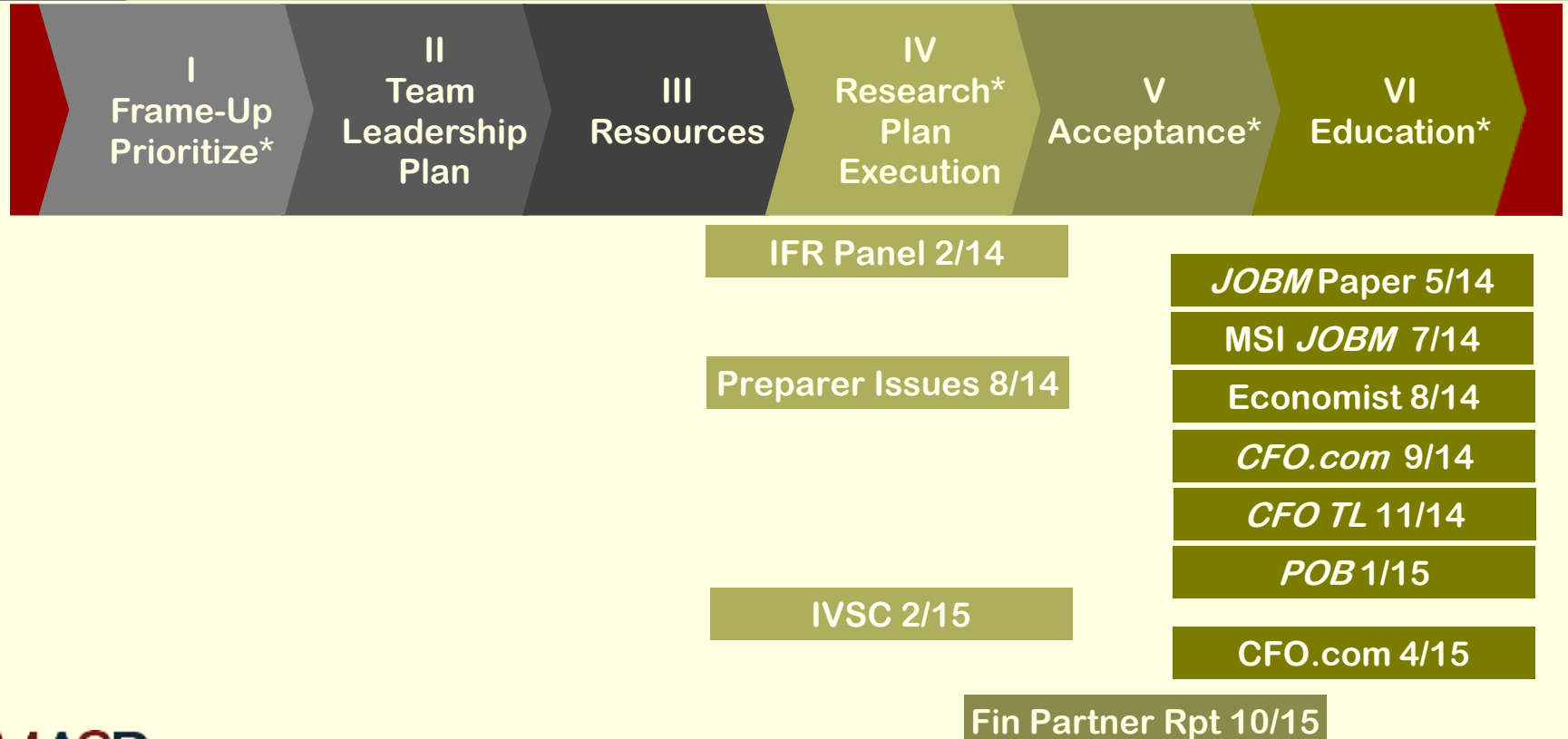


**Marketing Accountability Standards Board  
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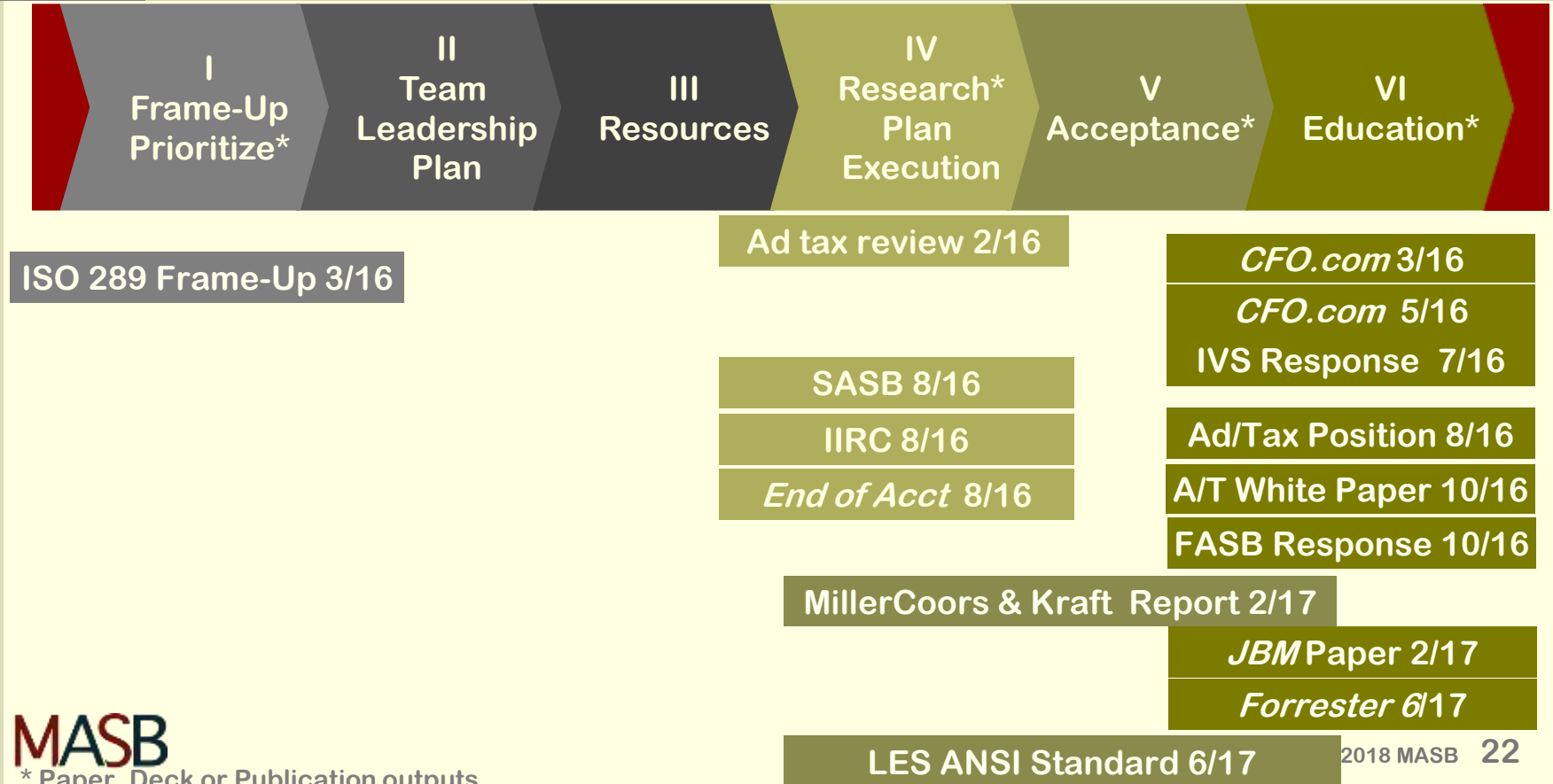
# IFR Milestones (2010 - 2013)



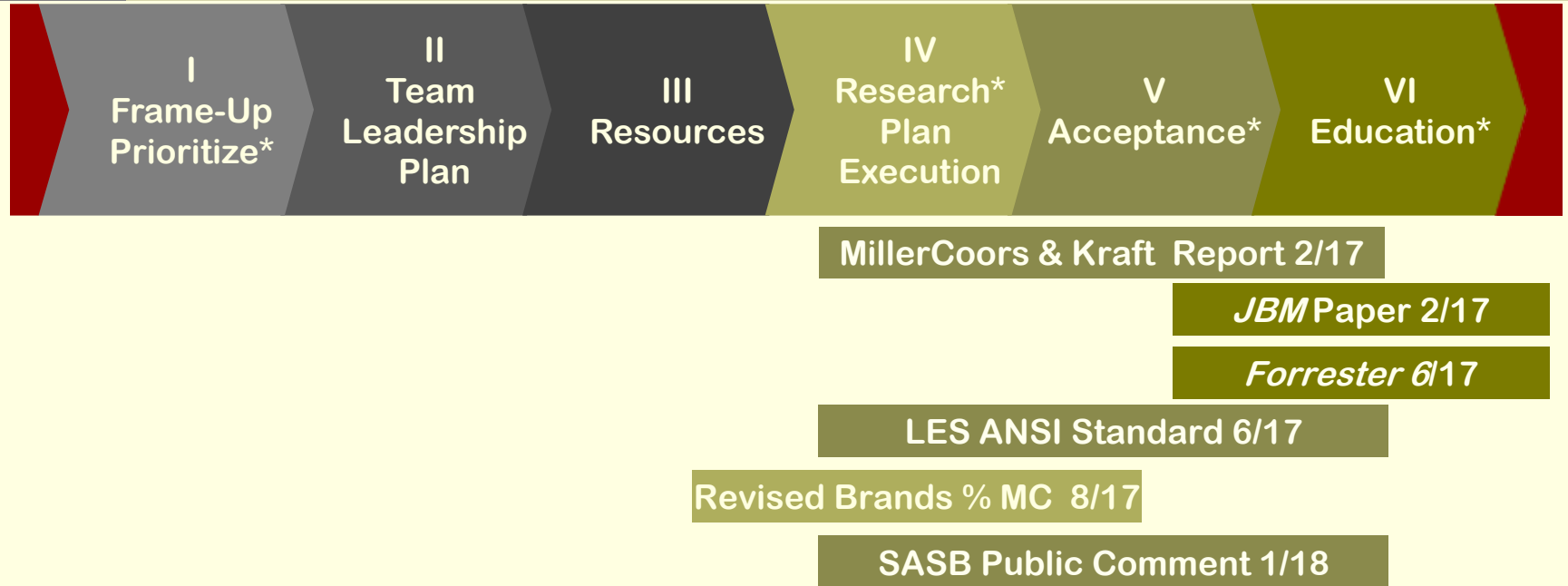
# IFR Milestones (2014 & 2015)



# IFR Milestones (2016)



# IFR Milestones (2017-18)



# Valuation Practices are Not Similar

	BrandZ	Brand Finance	Tenet/CoreBrand	Eurobrand	Forbes	Interbrand
Corporate Brands	Yes	Yes	Yes	Yes	Yes	Yes
Sub Brands	Yes	Yes	No	No	Yes	Yes
B2B vs B2C	B2C	Both	Both	Both	Both	Both
Flagship Publication	100	500	100	100	100	100
Total valued (annual)	500+	3,000+	850+	3,000	200	250+
100 Largest Global Companies	No	Yes	US Presence	Yes	US Presence Only	No
Region	International	International	US Footprint	International	US Footprint Only	International
Revenue	No	Yes	Yes	Yes	No	No
Profits	Yes	Yes	Yes	Yes	Yes	Yes
Forecasts	Yes	Yes	Yes	Yes	No	Yes
Past Performance	Undisclosed	Yes	Yes	Yes	Yes	Yes
Market Research	Quant	Both	Quant	Both	None	Qual
Proprietary Research	Yes	No	Yes	Undisclosed	None	Yes
Research Audience	Consumer	Undisclosed	Influencers	Consumer	None	Qual
Valuation Method	Earnings Split	Royalty Relief	Proprietary	Royalty Relief	Proprietary	Earnings Split
External Validation	None	ISO	MASB	ISO	None	ISO