

MASB Standards Project

Improving Financial Reporting (IFR)

**Neil Bendle, Ivey Business School
Chair MASB Advisory Council**

**August 2018
Boston**



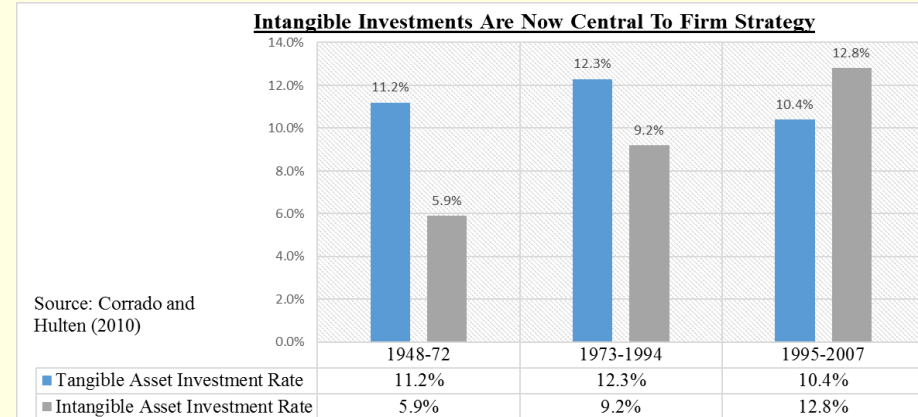
**Marketing Accountability Standards Board
of the Marketing Accountability Foundation**

IFR Game Changer

Project	Improving Financial Reporting (IFR) (Moore & Baum)	Strategy 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	

Intangible Assets Are Increasing Important

- A range of experts agree on the importance of intangible assets
 - Share of intangibles
 - Global = 52%
 - US Public Companies = 70%
(*Brand Finance 2016*)
 - Ocean Tomo suggest the share of intangibles has grown to 84%
 - 59% of enterprise value is from intangible assets
(Knowles, 2017)
- Yet company recording of intangibles leaves much to be desired
 - For example, it doesn't work well for “digital companies” (Govindarajan, Rajgopal, & Srivastava, 2018, HBR)
- We want to help change this



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 Coper, 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](#))

Awareness of positions growing with Forbes



Forbes Billionaires Innovation Leadership Money Consumer Industry

Professor Neil Bendle: Why Investors Need Better Measures And Reporting Of Marketing Performance

 **Stephen Diorio** Contributor
Thought Leaders ⓘ
Jun 26, 2018, 11:21am • 408 views • #BigBusiness

f Our team of experts from the [Forbes Marketing Accountability Initiative](#) with leading CMOs, academics and experts to learn how firms are measuring the contribution of marketing to enterprise value. Neil Bendle, associate professor at Ivey Business School, is a member of the Marketing Accountability Standards Board (MASB) which has developed [industry-leading research](#) and education programs to help firms become more marketing accountable. Below, I asked him how savvy investors are looking at marketing assets and investments in their investment analysis and capital allocation.



Forbes Billionaires Innovation Leadership Money Consumer Industry Lifestyle

New Global Standards For Reporting Brand Value Can Help CEOs Grow Share Price

 **Stephen Diorio** Contributor
Thought Leaders ⓘ
May 3, 2018, 04:03pm • 914 views • #BigBusiness

f **T** **in** Forbes research shows that marketing assets can contribute over 50% of enterprise value when brand, customer value add, and the impact of marketing performance are properly valued and measured. For example, according to brand valuation standards recently proposed by [International Organization for Standardization \(ISO\)](#) - brand value alone contribute 19.5% of enterprise value on average based on an [analysis by the Marketing Accountability Standards Board \(MASB\)](#). For consumer and luxury brands that number can make up the majority of shareholder value. For example, the Chief Financial Officers of consumer brands [Kraft Heinz](#) and [Miller Coors](#) both valued their brands at over half of firm asset value, and they have adjusted their financial reporting to reflect the growing importance of these intangible assets on the balance sheet.

This begs a simple question – how much of the value of these assets is typically captured in financial accounts? The answer is very little.

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Educational Papers

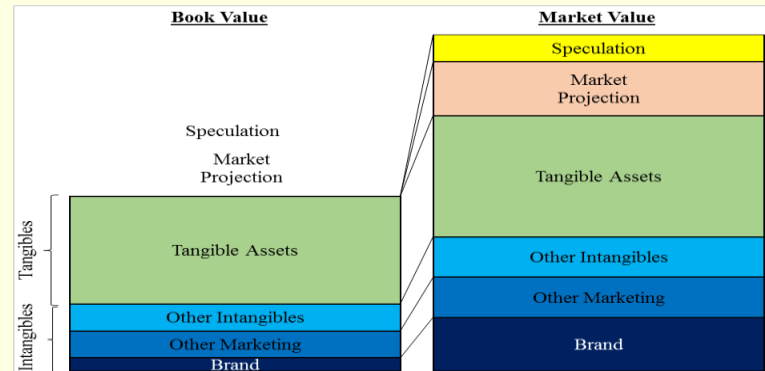
- Past success for example, Sinclair, Roger, and Kevin Lane Keller, *Journal of Brand Management* 24.2 (2017)
 - “The Moribund Effect” is defined as an accounting phenomenon by which the value of a brand that is acquired, measured, and added to the balance sheet by a company remains unchanged no matter how well the brand might perform for that company over time.

Upcoming

- Ad expenditures and brand value including accounting, taxation and capitalization (Moore/Stewart)
- How Brands are Treated within Financials (Moore)
- Understanding the Role of Brand in Firm Value (Baum/Bendle)

Understanding the Role of Brand in Firm Value

- Draft circulating to brand valuation firms for feedback
- Sheds light on the impact of brands on financial accounting numbers and potential impact if accountants employed available brand valuation methodologies
- Difference between financial accounting values and best brand valuation estimates suggest need for improved reporting of the value marketing creates



Understanding the Role of Brand in Firm Value

■ Talking Points from draft:

- Average value of brands covered by six valuation agencies varied from \$32.7 to \$68.2 billion

Marketers need to clarify what they mean by brand

- Smaller brands are often not covered

Coverage differences makes assessing consensus brand valuations challenging

- The average value of the 149 brands we looked at (from 99 companies) is \$13.9 billion

Major brands are extremely valuable assets

- The average S&P 100 firm holds brands worth \$21 billion, a little over 16% of the market value of S&P 100

Discussion

- **What conception of brand should be used for accounting purposes?**
- **What is the purpose of internal and external reporting of brand valuations?**
- **How do we approach the reporting of customer metrics?**

IFR Team Members

Team Leaders



Michael Moore
LMU



Edgar Baum
Strata Insights

Team Heroes



Dave Stewart
LMU



Neil Bendle
Ivey



Bryn Anderson
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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

Thank-you!



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Valuation Practices are Not Similar

	BrandZ	Brand Finance	Core-Brand	Euro-Brand	Forbes	Interbrand
Corporate Brands?	Yes	Yes	Yes	Yes	Yes	Yes
Sub-Brands?	Yes	Yes	No	No	Yes	Yes
Flagship Publication Brands Valued (Annually)	100	500	100	100	100	100
Values Largest 100 Globally?	500+	3,000+	850+	3,000	200	250+
Regional Focus	No	Yes	If US presence	Yes	US Presence	No
Uses Revenue?	Global	Global	US	Global	US	Global
Uses Profits?	No	Yes	Yes	Yes	No	No
Uses Forecasts?	Yes	Yes	Yes	Yes	Yes	Yes
Considers Past Performance?	Yes	Yes	Yes	Yes	No	Yes
Proprietary Research?	Undisclosed	Yes	Yes	Yes	Yes	Yes
Valuation Method	Quantitative	No	Quantitative	?	No	Qualitative
External Validation	Earnings Split	Royalty Relief	Proprietary	Royalty Relief	Proprietary	Earnings Split
	None	ISO	MASB	ISO	None	ISO