

# **MASB Standards Project**

## **Brand Investment & Valuation (BIV)**

**Frank Findley  
MASB Executive Director**

**August 2018  
Boston**

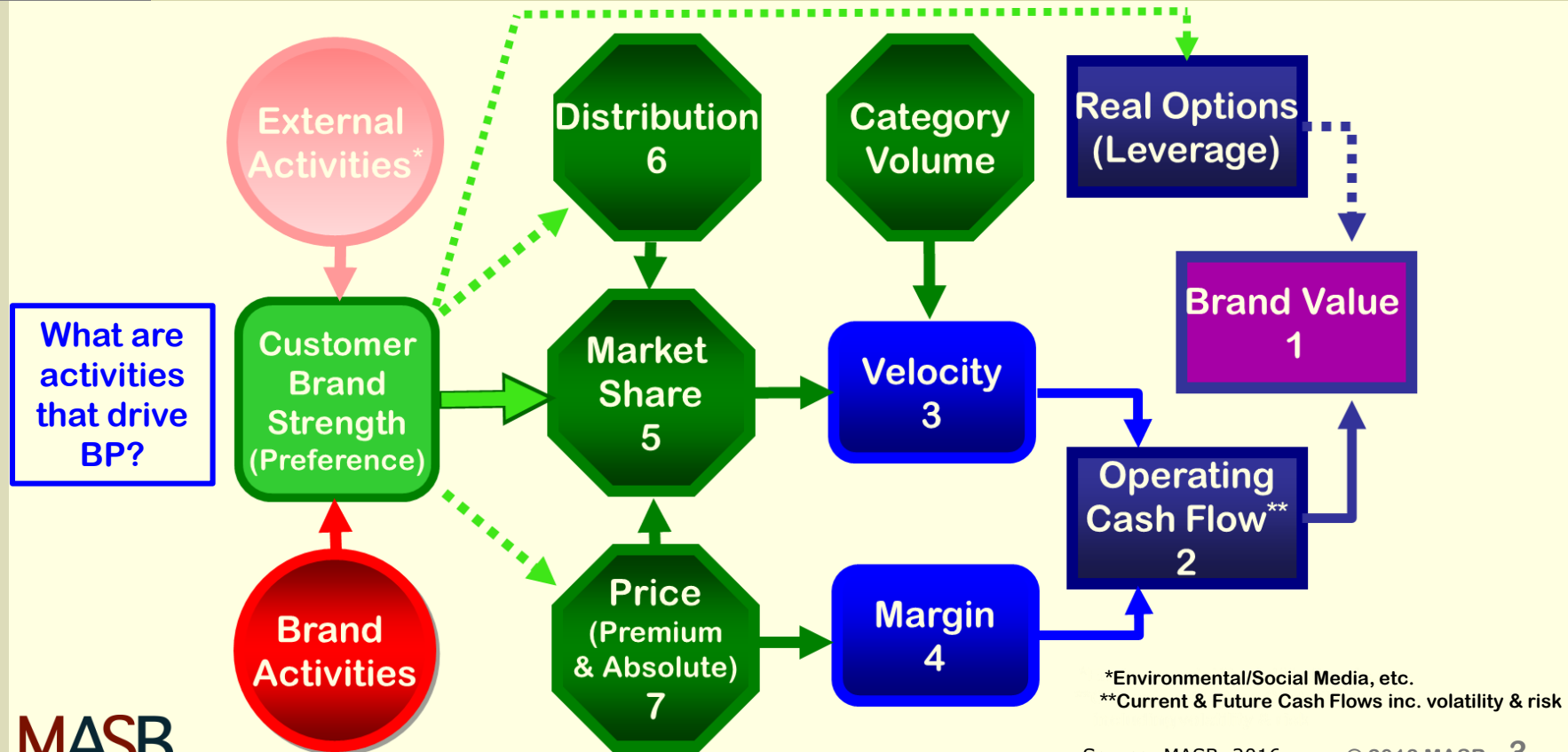


**Marketing Accountability Standards Board  
of the Marketing Accountability Foundation**

# BIV Game Changer (Phase I completed)

Project	Brand Investment & Valuation (BIV) (Stewart, K Richardson)	
Issue Addressed	Brand represents great Value (but how much)	<b>Strategy</b> 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



# BIV Phase I Trials

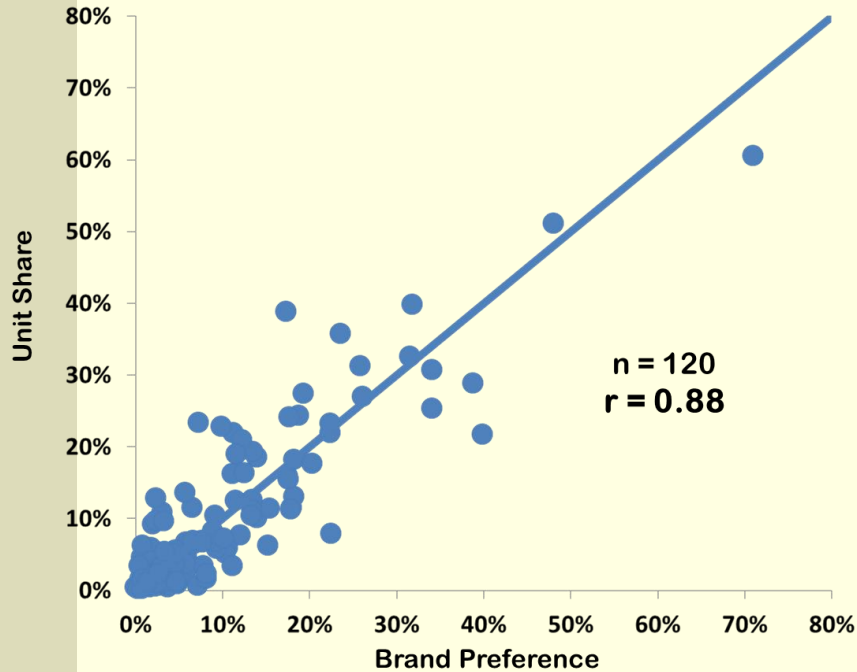
- **Establish missing linkages between marketing & financial metrics**
  - Identify cornerstone brand strength metric
  - Link this to other marketing metrics
  - Validate a practical model for brand valuation that finance teams can easily implement
- **Brought together:**
  - Leading Academics (LMU, 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

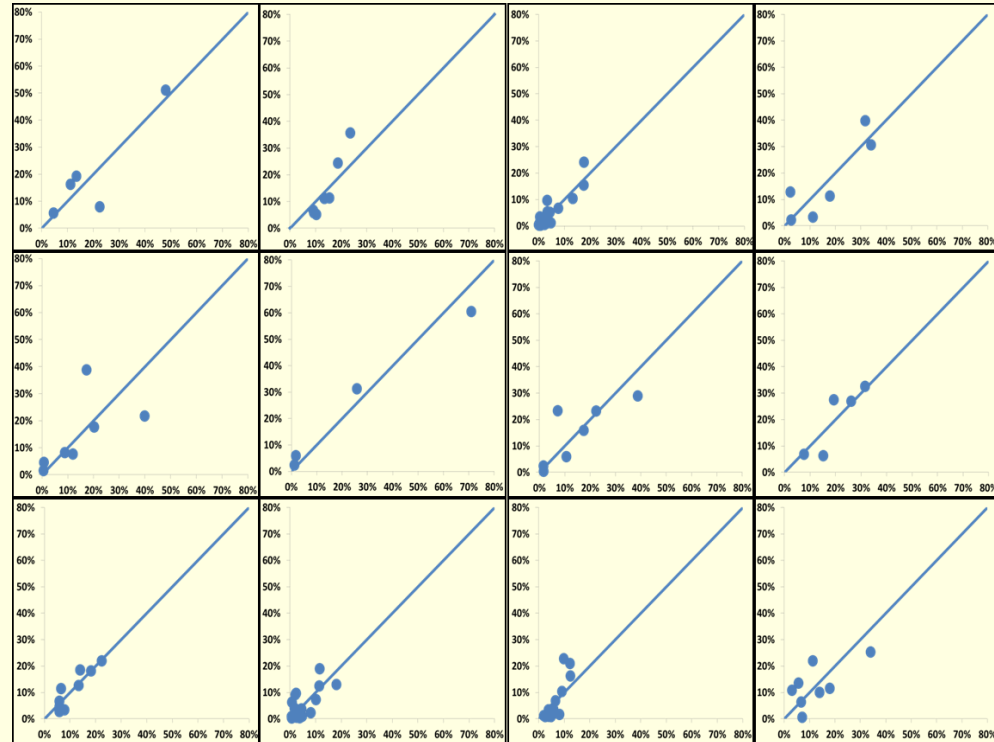
- 18 months
- 12 **diverse** categories, 120 brands
  - Product prices from 30¢ to \$35K
  - Few competing brands to highly fragmented
  - Weekly purchase cycles to years
  - Spontaneous purchase vs. deliberative with influencers
- Financial and brand strength metrics
  - Unit Share, Price, Distribution - 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)

# BIV Phase I Trials - Results

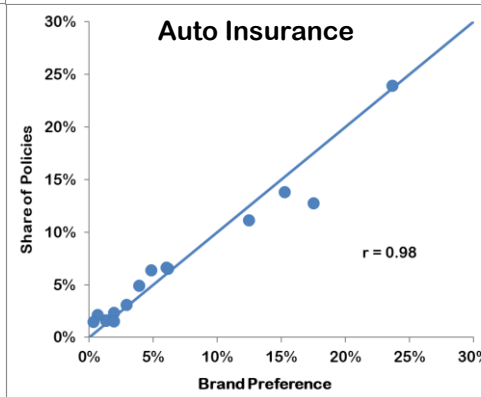
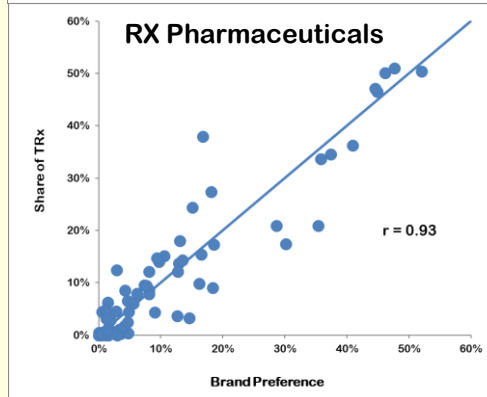
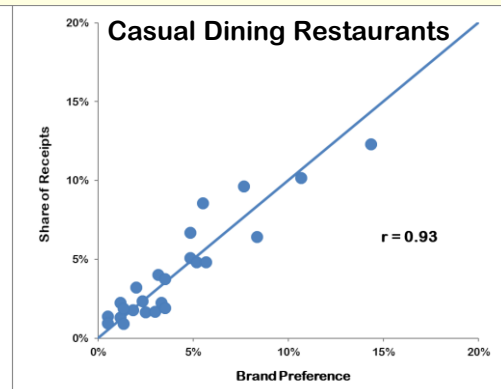
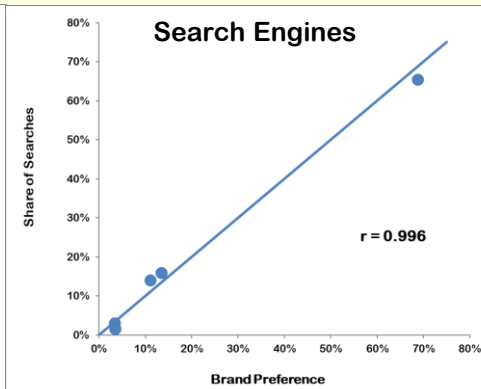
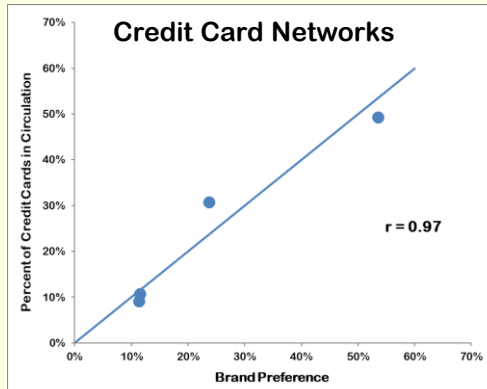
## Across All Twelve Categories



## Within Each Category

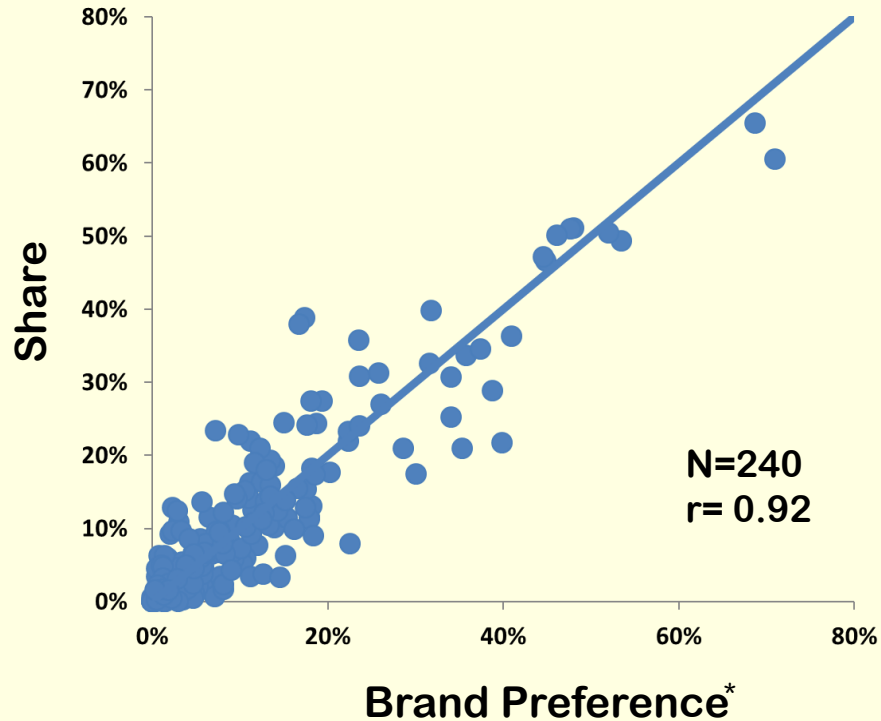


# Additional Categories Validated



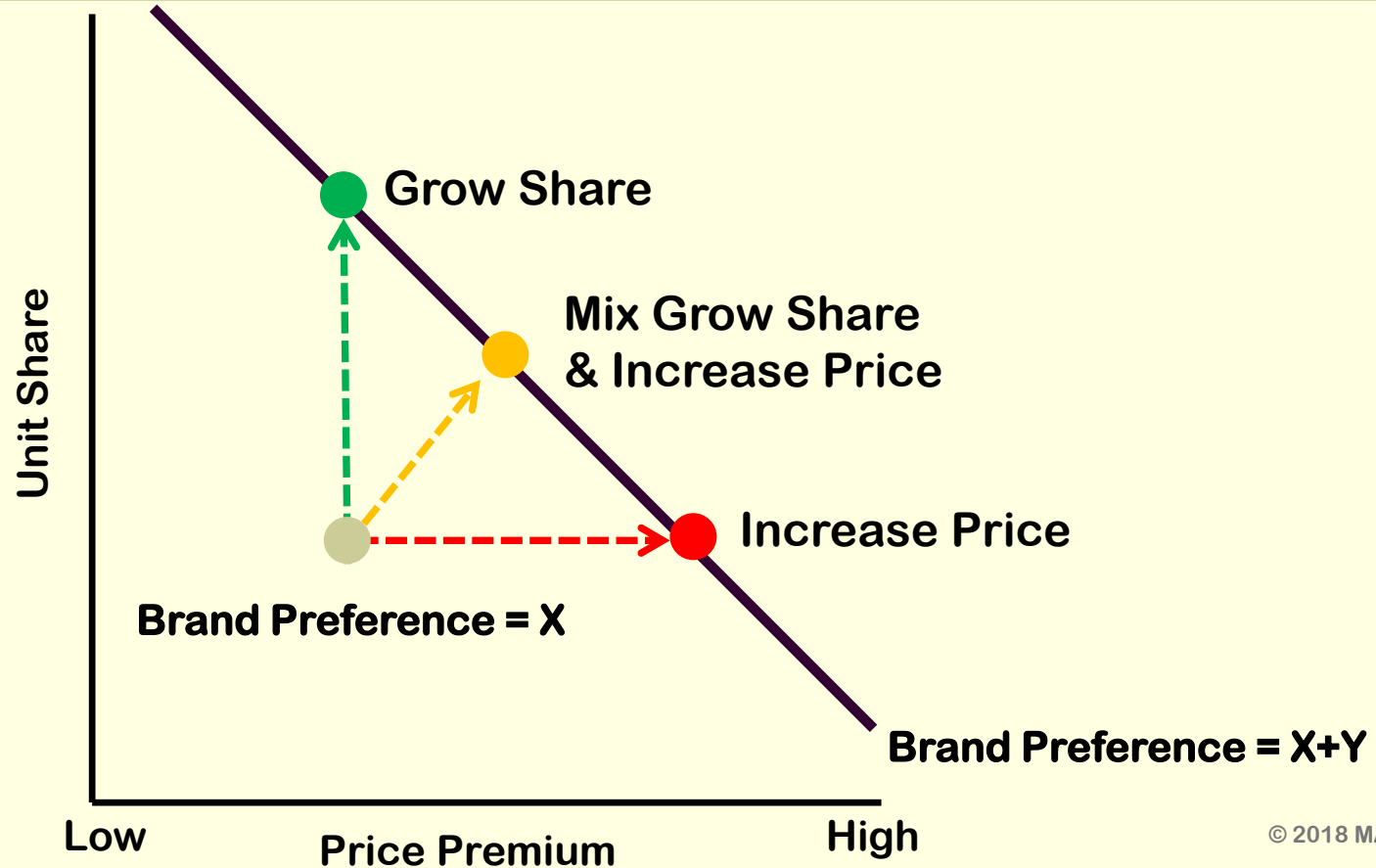
**Note: Search Engines would have no price or distribution effects to bring the relationship closer...and the relationship between BP/C is nearly perfect.**

# Total Trial Categories + Additional





# Brand Options with Increased Brand Preference



# Link Between “Brand Strength” & Share

## Common Metrics

	Average Unit Share Variance Explained	Median Unit Share Variance Explained	Number of Categories with Correlation > 0.30*
Preference (choice)	68%	80%	6 / 6
Awareness – Unaided	48%	44%	4 / 4
Brand Loyalty	45%	43%	5 / 6
Value	32%	44%	3 / 4
Purchase Intent	27%	26%	4 / 6
Brand Relevance	19%	18%	2 / 4
Awareness – Aided	18%	26%	4 / 6
Advocacy	15%	13%	2 / 4

- Seven common classes show moderate cross-category relationships to share
- Cross-category consistency weak for all but unaided awareness
- Their performance is substantially lower than that for preference (choice)

# Link Between “Brand Strength” & Share/Preference Common Metrics

	Average Variance Explained in	
	Preference (w/Price & Dist.)	Unit Share
<b>Awareness – Unaided</b>	<b>52%</b>	<b>48%</b>
<b>Brand Loyalty</b>	<b>50%</b>	<b>45%</b>
<b>Value</b>	<b>41%</b>	<b>32%</b>
<b>Purchase Intent</b>	<b>33%</b>	<b>27%</b>
<b>Brand Relevance</b>	<b>28%</b>	<b>19%</b>
<b>Awareness – Aided</b>	<b>28%</b>	<b>18%</b>
<b>Advocacy</b>	<b>23%</b>	<b>15%</b>

- Other “Brand Strength” classes show similar relationships to preference & share
- Suggesting again\* that these common classes of metrics are captured by preference (choice) & therefore not likely to add any predictive power

See next slides for conclusions from previous investigations

# BIV Phase I Implementation Paper Updated

MASB  
WHITE  
PAPER

## Applying the MASB Brand Investment & Valuation Model

Jim Meier  
Senior Director, Marketing Finance  
MillerCoors

Frank Findley  
Executive Director  
MASB

David W. Stewart PhD  
President's Professor of Marketing and Business Law  
Loyola Marymount University

May 2017

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of the Marketing Accountability Foundation

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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 includes 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?”*

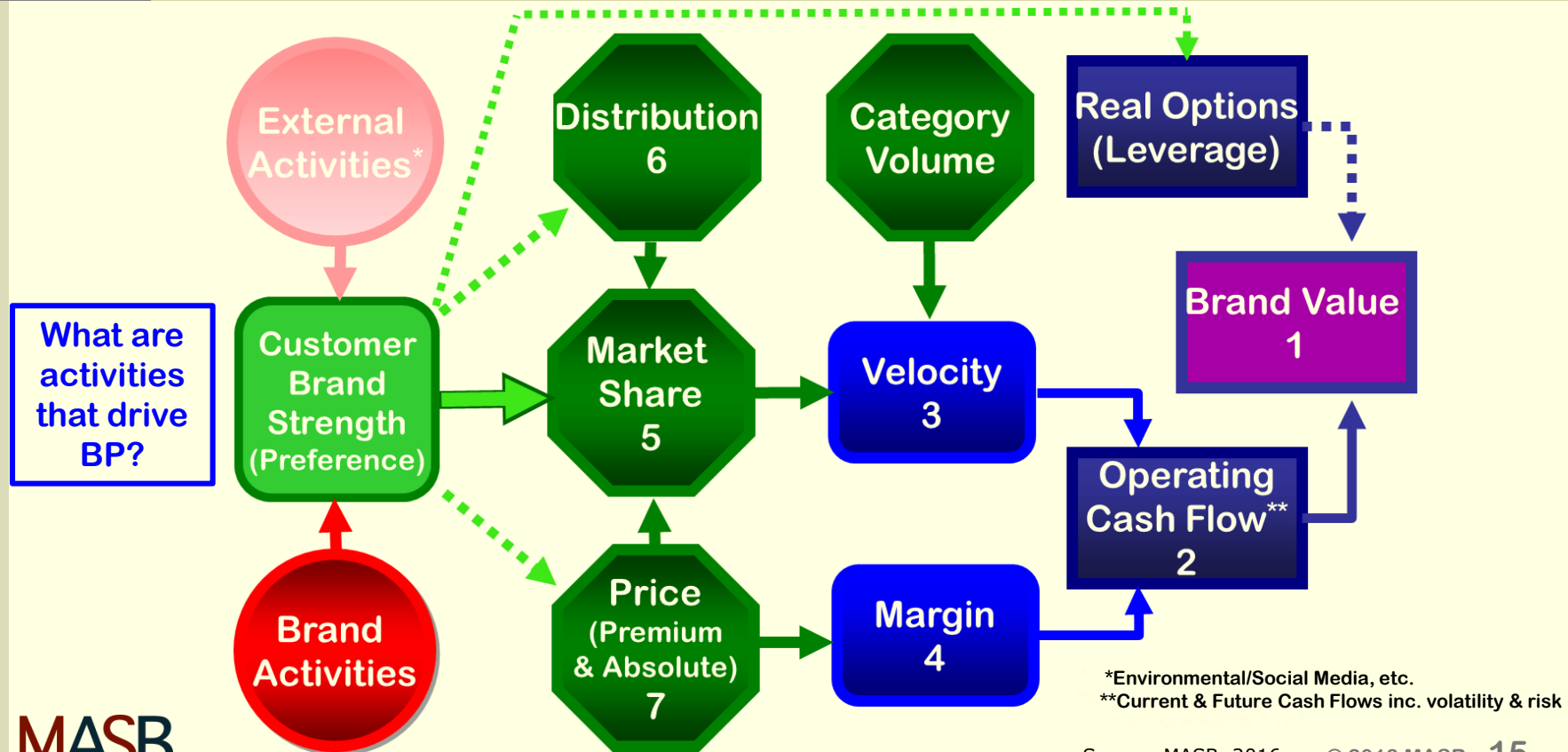
# BIV Game Changer (Phase II)

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.

# MASB Brand Investment & Valuation Model



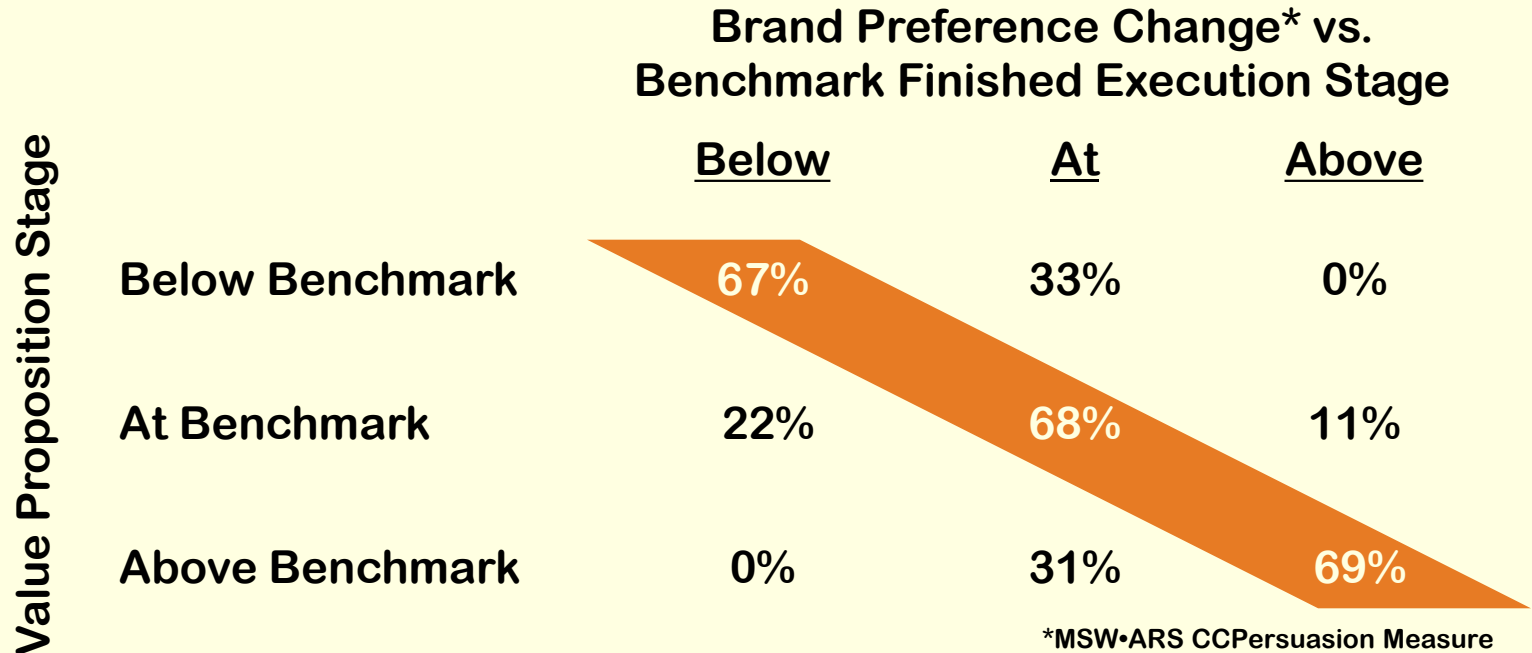
# 16 Principles w/ Practice Implications

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**



# Superior Propositions Translate into Superior Ads



- 67% of ads based on a weak proposition perform weakly (0% being above)
- 69% of ads based on a strong proposition perform strongly (0% being below)

# Proposed Addition

## 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**

**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**

# Corollaries to Selling Proposition Execution

A Consistent, Unified Creative Strategy Delivers the Strongest Results

Indexed Impact of Different Types of Cross-Platform Creative Strategy on Equity Metrics




Source: Millward Brown, 2016; Analysis of 50 campaigns from 2011-2015; Impact shown is the aggregated effect on Association, Motivation and Salience metrics, established through online surveys of 1,400 consumers per campaign; Performance is shown relative to index of 100 for non-unified campaigns

	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	<b>83</b>	<b>55%</b>	<b>69%</b>
	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

Source: Behavioral Science Lab

# JAR Article On Advertising Wearout/Delivery

**Journal of Advertising Research** Editorial Manager 

HOME • LOGOUT • HELP • REGISTER • UPDATE MY INFORMATION • JOURNAL OVERVIEW  
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Role: **Author** Username: FrankFindley

**Submissions Being Processed for Author Francis Findley, MSIA**

Page: 1 of 1 (1 total submissions) Display 10 results per page.

Action	Manuscript Number	Title	Initial Date Submitted	Current Status
<a href="#">Action Links</a>	JAR Paper1757	Television's Brand Building Power - from GRPs to PRPs	May 08, 2018	Under Review

Page: 1 of 1 (1 total submissions) Display 10 results per page.

- Completed initial review and feedback received (primarily greater circumspection on underlying theory)
- Revised version will resubmitted by Oct. 8
- Tentative publication following quarter with final acceptance

# BIV Whitepaper

MASB  
WHITE  
PAPER

## Television's Brand Building Power – from GRPs to PRPs

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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 wearout<sup>6</sup> in ad power could be predicted by the amount of GRPs placed behind the ad was first published in 1987 in the *Journal of Advertising Research* with a replication study<sup>7</sup> published a decade later. In 2000, it was one of 18 selected by JAR's Editorial Review Board as a "classic" - an article that has withstood the test of time.<sup>8</sup>

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 Wearout<sup>6</sup>

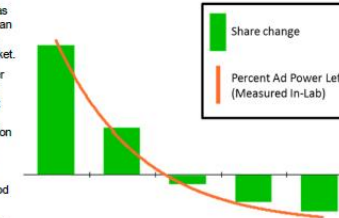
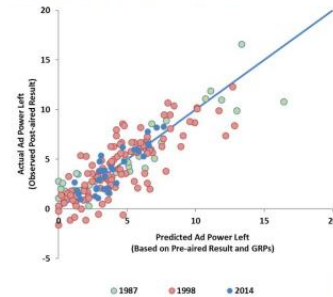


Table 4 Predicted vs. Actual Ad Power Left



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).

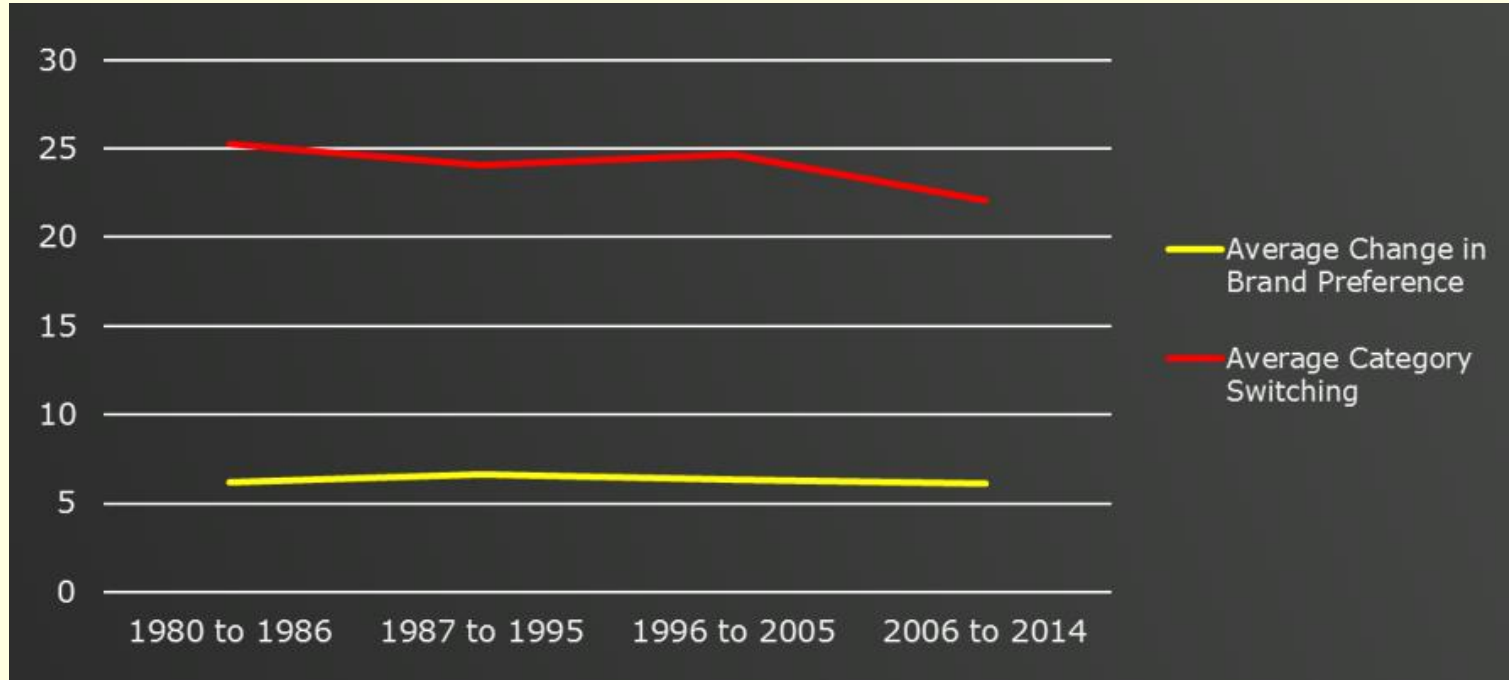
SOURCE: MSW-ARS Research, CC Persuasion Scores and Nielsen Research Gross Rating Points

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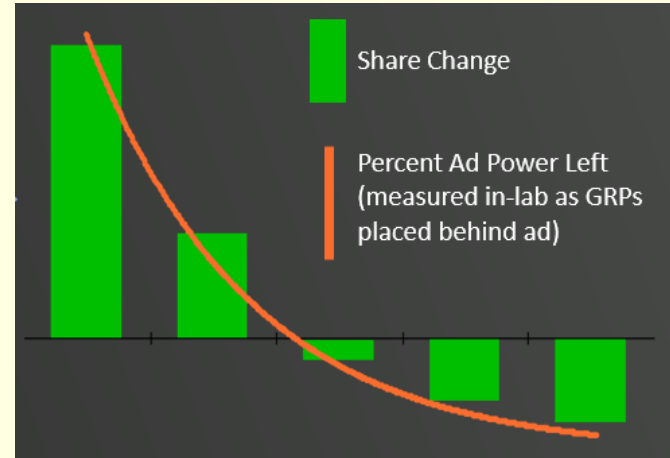
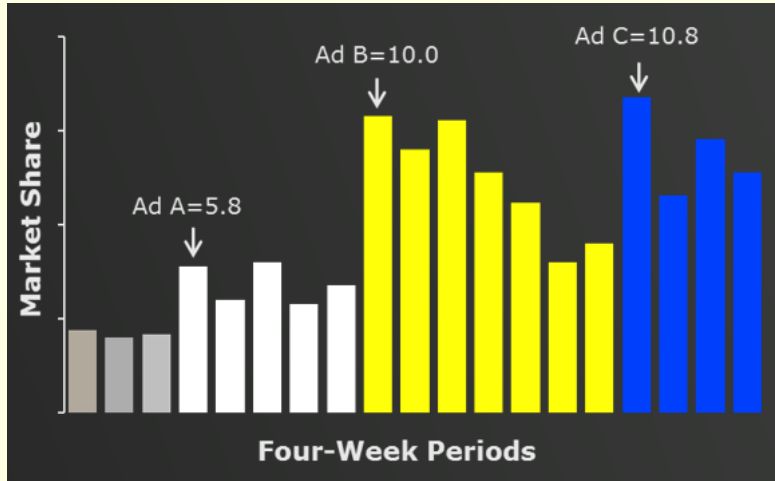
Television's Brand  
Building Power –  
from GRPs to PRPs 7

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

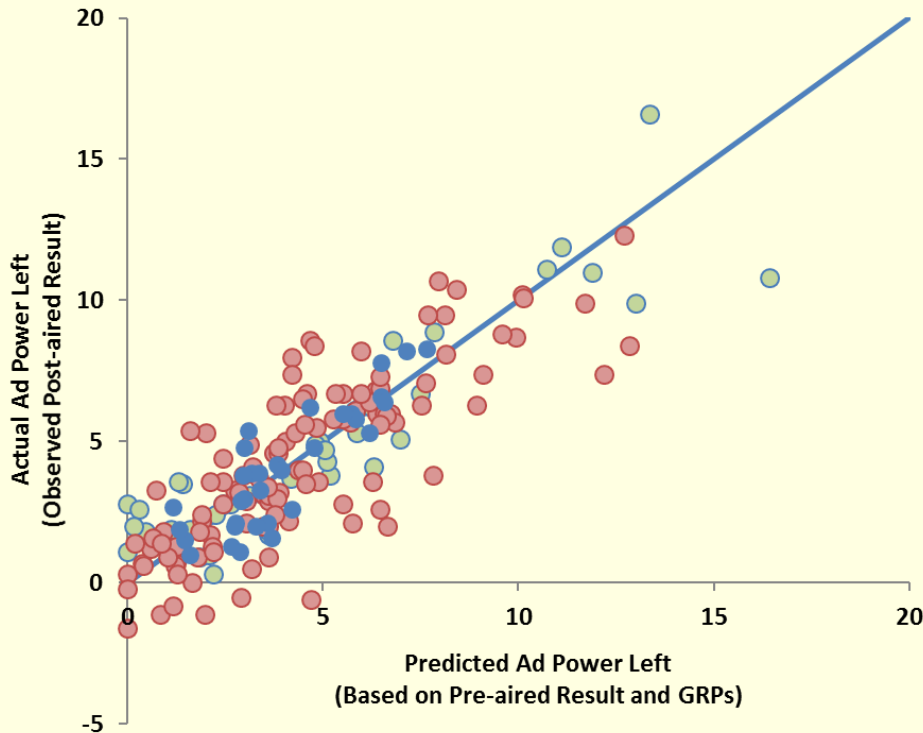
In fact, format bucked overall consumer switching trend.



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



# Wearout model is strongly predictive across time periods



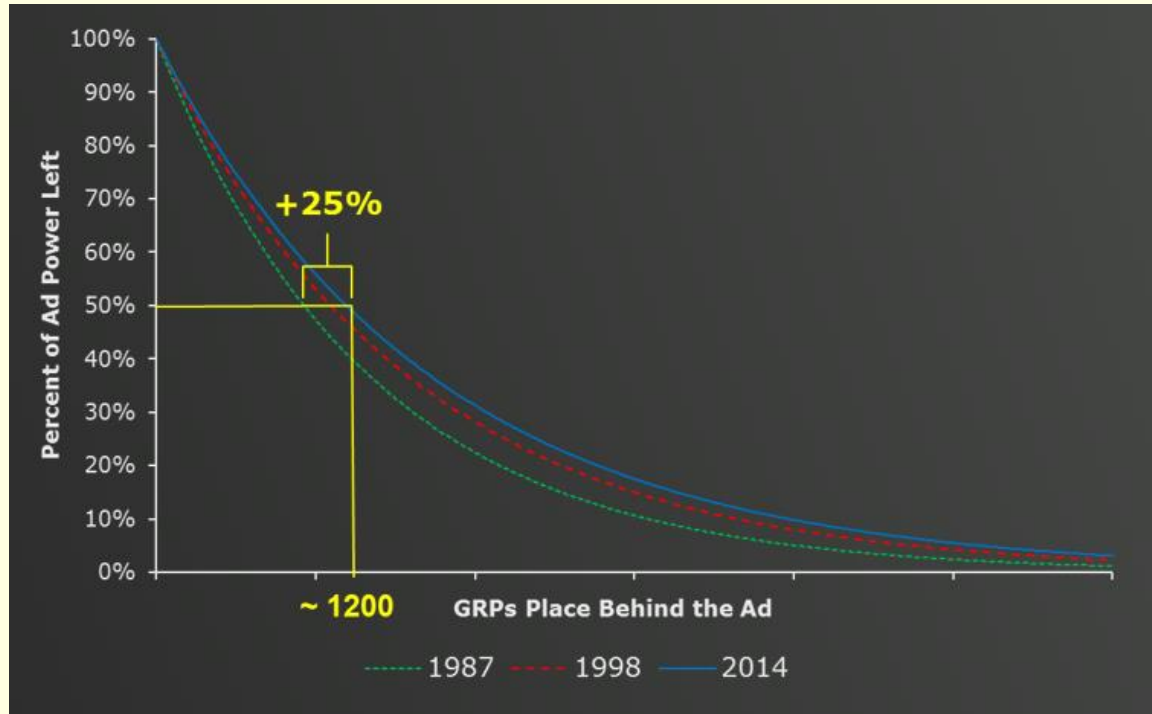
## Correlations

1987	0.91
1998	0.81
2014	0.87

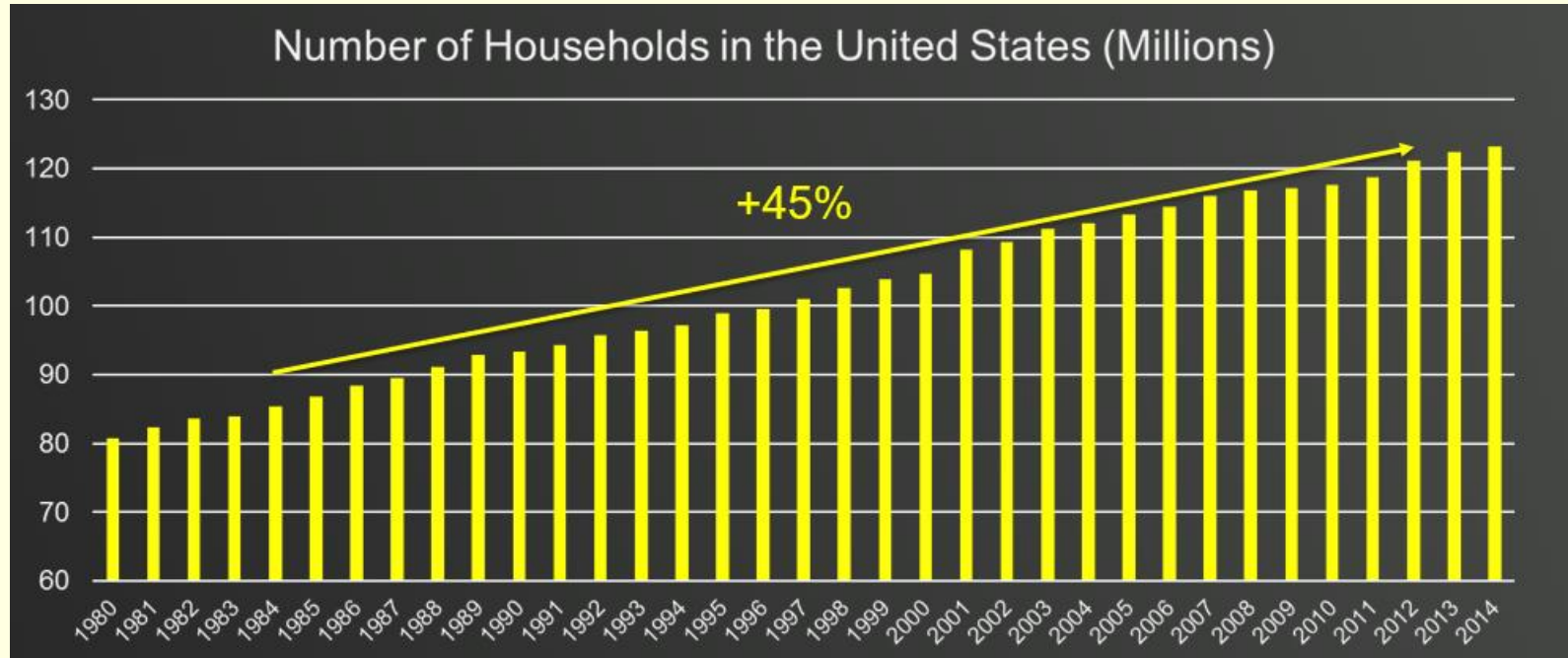


# Selling power delivery per GRP has diminished

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

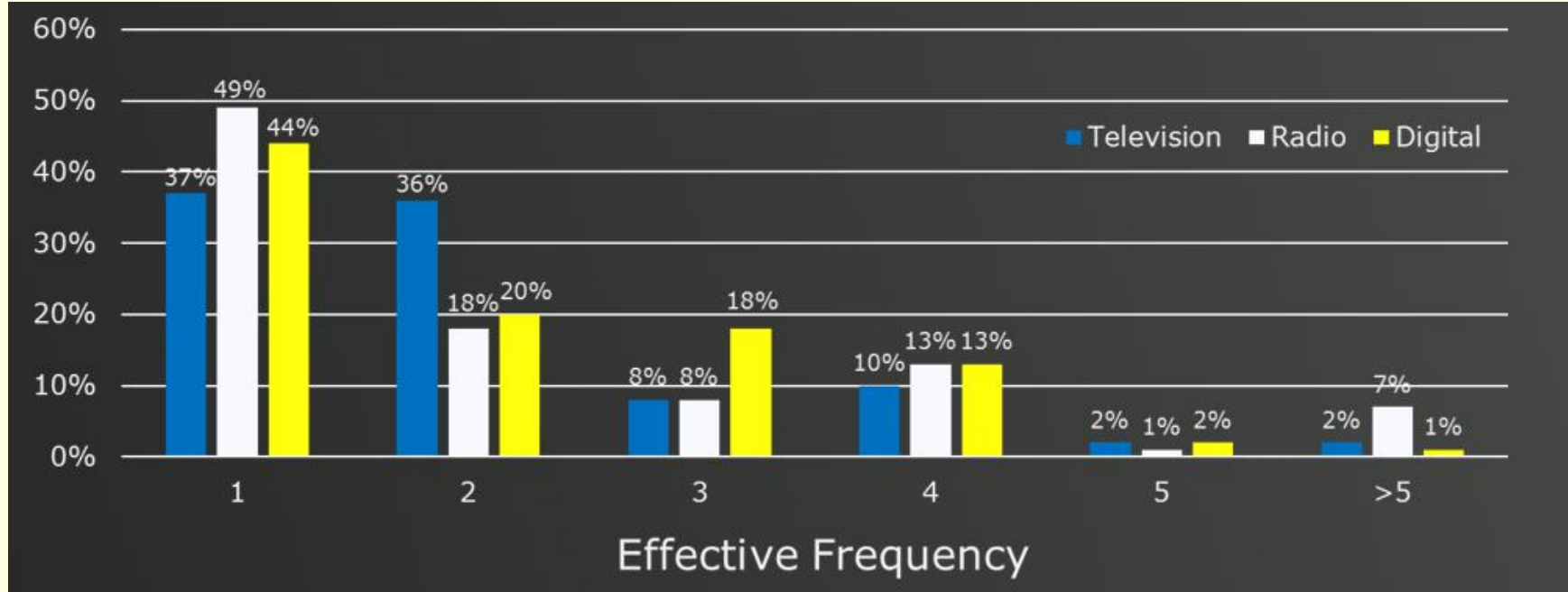


# Household growth over same period of time mitigates this decline on an absolute basis



# 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

# “If Marketers only knew what Marketers knew”

- Decay in the foundational knowledge of core marketing truths
- One example is PIMS – Profit Impact of Market Strategies
- Comprehensive, long-term study of the performance of strategic business units (SBUs) in 3,000 companies in all major industries
- Information comprising the PIMS database is drawn from member companies of the initiative
- They contribute profiles of SBUs to include financial data, information on customers, markets, competitors, and operations to address:
  - *What is the typical profit rate for each type of business?*
  - *Given current strategies in a company, what are the future operating results likely to be?*
  - *What strategies are likely to help improve future operating results?*

# Discussion

- Are you aware of PIMS?
- Have you ever used it?
- Should this be the first example of republishing?

# 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  
Brand Finance

## Staff



Frank Findley  
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Sponsor



Tony Pace  
MAF/MASB



Erich Decker-Hoppen  
Communication



Karen Crusco  
Executive Assistant  
Admin

# Thank-you!



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