

Brand Investment and Valuation & Improving Financial Report (BIV & IFR)

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Marketing Accountability Standards Board
of the Marketing Accountability Foundation

BIV Game Changer Phase I (completed)

Project	Brand Investment & Valuation (BIV) (Stewart, K Richardson)	Strategy Build bridges from customer metrics to market metrics to financial metrics... empirically.
Issue Addressed	Brand represents great Value (but how much)	
Project Objective	Establish “generally accepted brand investment & valuation standards”	
Expected Outcome	Empirically proven model for valuing brands & guiding investment decisions	
When	2013 - 2015	

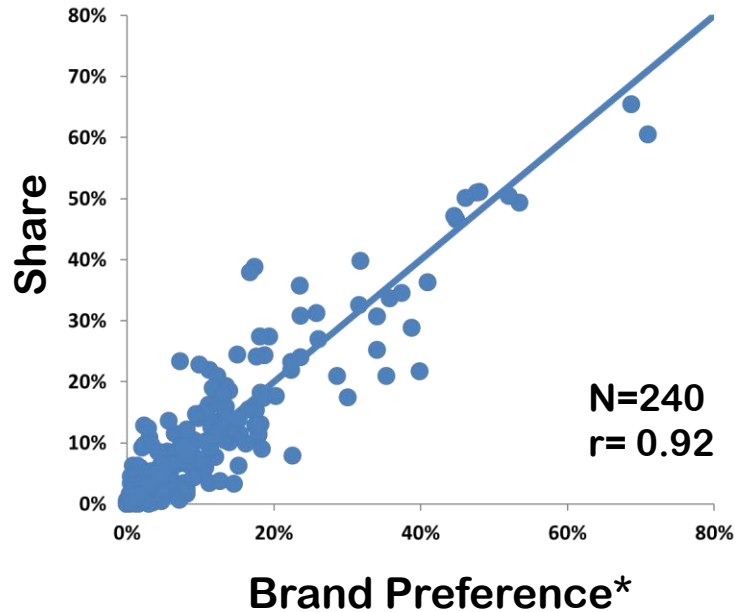
BIV Game Changer Phase II (Near Completion)

Project	Brand Investment & Valuation (BIV - Drivers) (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.

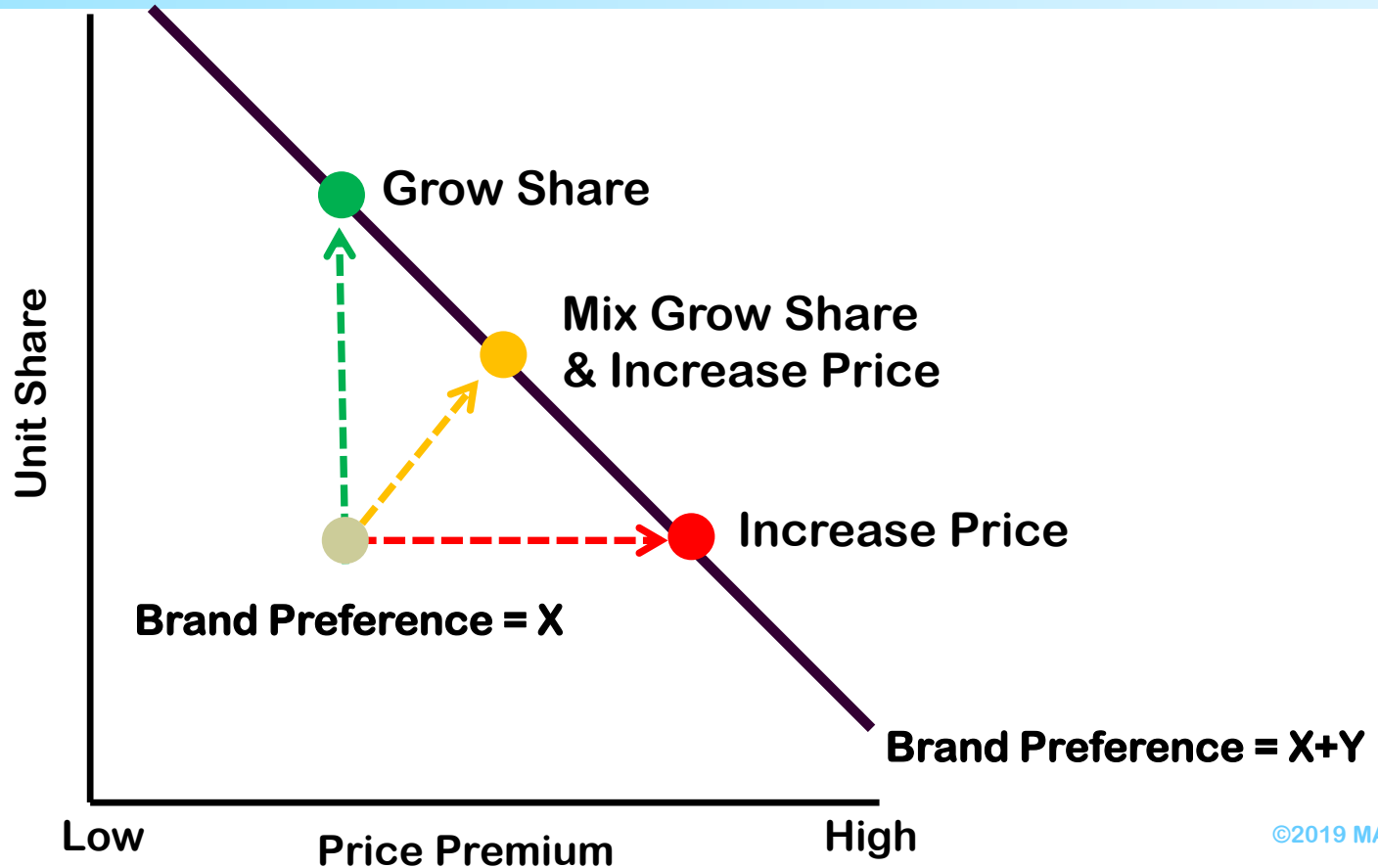
Note: “drivers” refer to actions or decisions brand & finance teams can implement that will have a statistically significant & relevant effect on financial performance.

Identified Cornerstone Metric: Brand Preference

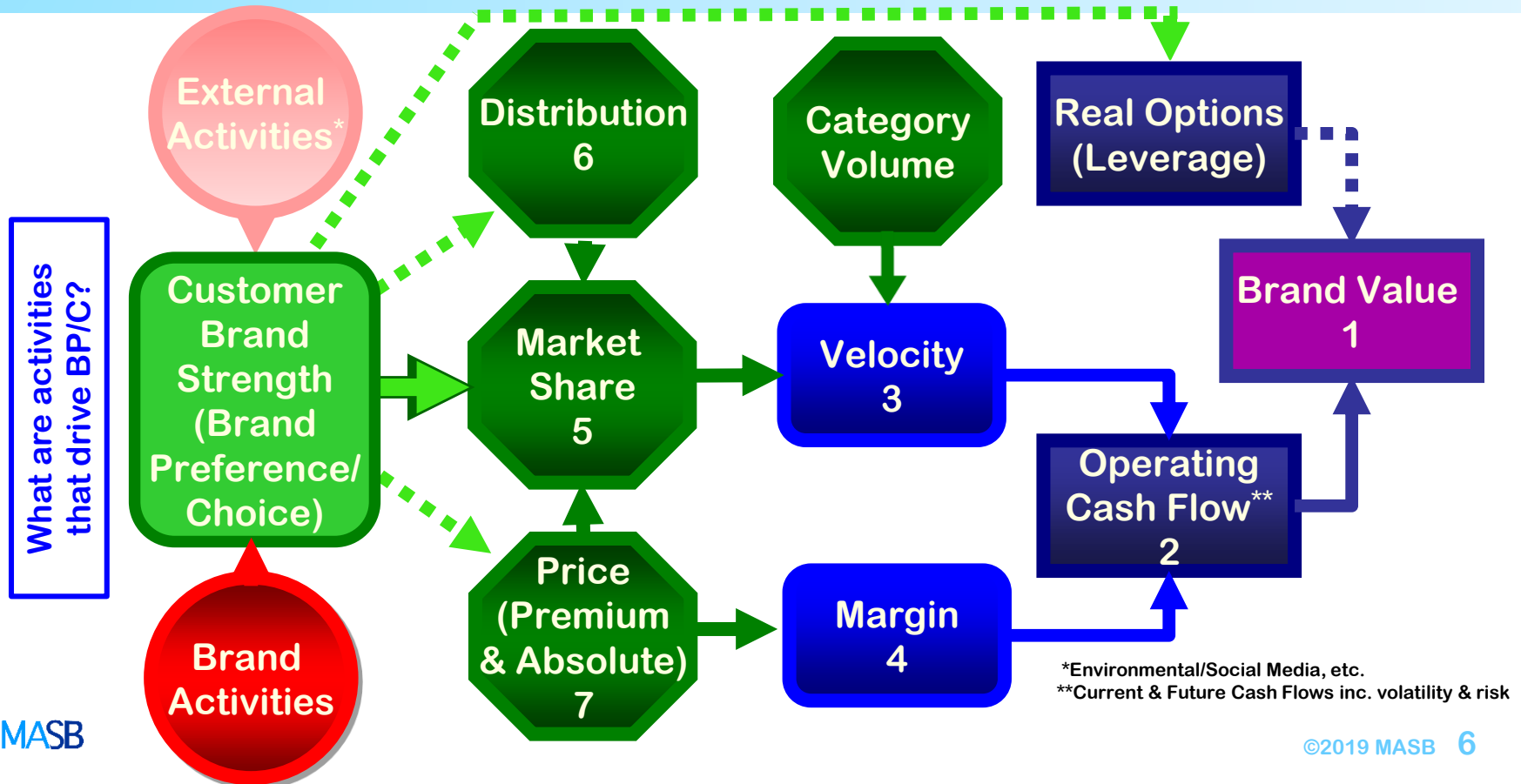


	Average Variance Explained in	
	Preference* (w/Price & Dist.)	Unit Share
Awareness – Unaided	52%	48%
Brand Loyalty	50%	45%
Value	41%	32%
Purchase Intent	33%	27%
Brand Relevance	28%	19%
Awareness – Aided	28%	18%
Advocacy	23%	15%

And How Brand Preference Influences Market



Established Brand Investment/Valuation Model



Established Brand Value Mathematics

Forbes

The Forbes Marketing Accountability Initiative Powered By MASB

PROVING THE VALUE OF THE BRAND



Developing Financially Valid Ways To Measure
The Contribution Of Brands To Firm Financial
Performance And Share Price

MASB

CMO Forbes
CMO PRACTICE

MASB

An Equation to Calculate the Financial Value of a Brand

$$\text{Brand Value} = \sum_{t=0}^H \frac{\text{Net Period Brand Cash Flow}}{(1+R)^t} + \text{Terminal Value}$$

Variables

t = The time period of the cash flow. Periods are typically a year or quarter in duration

H = The final time period of cash flows based on the expected useful economic life of the brand given its time horizon

Net Period Brand Cash Flow = The cash flow assigned for the brand impact for that period

Terminal Value = Residual value of the brand at the time horizon

R = Discount rate, which represents the opportunity cost of capital or internal rate of return

Net Cash Flow = Incremental Brand Sales - Brand Costs

Note on calculating Net Period Brand Cash Flows:

There are two common methods for calculating Net Period Brand Cash Flows, depending on the type of brand valuation desired. One method assigns the full amount of sales for all products under the brand to its cash flows. This provides the value of the brand in the broadest terms. The alternative is to subtract from this an expected amount that an unbranded control brand would generate (based on control testing or modeling). This second approach determines the added value the branding itself provides outside of the delivery of the product. Both perspectives are useful when talking about the value of a brand. In both cases the costs of delivering the corresponding units to market and associated brand costs are subtracted from these to produce a net cash flow.

Demonstrated How to Apply for Management

MASB
WHITE
PAPER

Applying the MASB Brand Investment & Valuation Model

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May 2017

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themasb.org

Table 1: Example Brand Decisions

Brand	Category Size		Brand Preference	Pricing	Distribution	Cash Flow Implication	Time Horizon
	Broad	Segment					
Brand A (Established)	Flat	Growing	Very Strong	In Line with Competition for Segment	Strong	Growing Slowly/ Sustainable	10-Year Plus Terminal Value
Brand B (Established)	Growing	Growing	Very Weak and Falling Among Younger Consumers	In Line with Competition for Segment	Strong	Likely Unsustainable	No Brand Value Assigned
Brand C (Newly Introduced)	Flat	New and Growing Substantially	Strong Relative to Current Similar Offerings	Sustainably Advantaged (Lower) vs Competition	Solid	Unproven but Promising	Limited Life < 5 Years

Through BES Team/ISO Set Global Standard

MASB @theMASB1 · Jun 11
 MASB members Bobby Calder & David Haigh with Gerhard Hrebicek @EBrandInstitute & other TC289 members present unanimously approved ISO 20671 Brand Evaluation standard at plenary meeting in Milan Italy.
themasb.org/new-iso-brand-... @isostandards @ansidotorg #marketing



David Haigh and Claudio Barella

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Brand Finance @BrandFinance · Jun 14
 Delighted to have helped craft the new #ISO20671 standard for Brand Evaluation, a robust new international standard that provides framework for regular evaluation of #brand value. Thanks @theMASB1 @NorthwesternU @Stratalsights @cerebrlgraffiti @BrandMattersInc & TC289 members!



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European Brand Institute @EBrandInstitute · May 9
 Gerhard Hrebicek, President European Brand Institute giving a speech on the occasion of #ChinaBrandEvaluation press conference in Shanghai today together with Minister Chen Gang and Liu Pingjun, President CCBID. #ChinaBrandDay



Courtesy of MASB

#Brand #Evaluation is the Golden Ticket

Published on June 12, 2018

Patricia McQuillan, MBA + Follow
 President & Founder of Brand Matters, Global Branding Expert, Thought Leader, Keynote Speaker.
 15 articles

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The new #ISO standard for Brand Evaluation is the golden ticket for organizations as it provides an integrated reporting process for the measurement of brand value. It represents a commitment to recognize brands as valued economic assets. Learn more with the preview of Brand Valuation ISO 20671 now available on the ISO platform.

@BrandMattersInc @ISOStandards @theMASB1.

<https://bit.ly/2jLeYSu>

Yet Valuating Brands Still Not Common Practice!

- Briefing on ISO 20671 Standard
 - Primarily focused on annual brand valuation requirement
- Seven major brands represented
 - Confidentiality offered
- “Astonishing” learning
 - None of the brands represented in the room currently attempt to value their brands
- Anecdotal evidence of Brand Preference also losing ground

To remedy this will require that we demonstrate importance of systemically and properly valuing and evaluating brands – even if that makes some uncomfortable

IFR Game Changer – Updated Strategy

Project	Improving Financial Reporting (IFR) (Moore)	Strategy Advocate for the inclusion of brand value in financial reporting. Having failed to thus far engage with the accounting constituencies, we have to engage with other parts of the financial/ investment community. 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	

Brand Value Dataset & Case Studies

- **Develop set of case studies demonstrating why valuing brands matters to:**
 - **Investment Community – Investors & Analysts**
 - **CEOs/CFOs/CMOs**
 - **Boards**
 - **Government agencies (e.g. SEC)**
- **We will:**
 - **Start with acquired brands that have reported brand related goodwill/values on their financials**
 - **Include both positive examples and those with negative outcomes**

Example: Kraft-Heinz

Kraft Heinz is in trouble. How bad could it get?



By Paul B. La Monica, CNN Business

Updated 12:28 PM ET, Tue June 4, 2019



- \$15.5B Write Down in calendar 2018 Q4
- \$6.9B Goodwill
- \$8.6B Brands - Kraft \$4.3B, Oscar Mayer \$3.3B
- Remaining \$36.5B Goodwill & \$49.5B Brands
- Footnotes foreshadow future impairment

Example: Hostess

On eBay, the Starting Bid for a Single Twinkie Is Now \$5,000

MEGAN GARBER NOV 16, 2012

Thus begins the Great Creme-Filled Sponge Cake Run of 2012.

Screen Shot 2012-11-16 at 11.20.32 AM.png



Snackcakepocalypse is nigh.

With the sad news today that Hostess is closing came even more sad tidings: America's favorite golden-hued snack food -- the plastic-wrapped cylinder that has inspired everyone from scientists to ghostbusters to photographers to lawyers to the owners of deep-fat fryers -- the cake whose sponge is made airy by the laughter of children and whose creme is made silky by the tears of the angels -- will be no more. At least in its current, Hostess-hosted form.

- Facing bankruptcy, brands and portion of plant acquired for \$185M leveraged investment (\$400M total)
- ~4 years later returns to stock market at \$2.2B market cap
- More than 10X return
- Twinkies were selling on eBay for thousands – good indication not a brand preference problem

Example: Gillette

Forbes

For Men, Gillette Is No Longer The Best A Brand Can Get



Avi Dan Contributor @
CMO Network
Advertising and Marketing

- \$8.3B Write Down in Fiscal 2019 Q4 (ended June 30)
- \$6.8B Goodwill
- \$1.5B Brand
- Original carrying value was established in 2005
- Question of what drove decline:
 - Pricing strategy?
 - Decline brand preference?
 - Currency devaluation?
 - **All these are covered in brand evaluations**

Example: Disney Acquisition of Marvel



Credit: Marvel Studios

Market Summary > Walt Disney Co
NYSE: DIS



- **\$4.3B Acquisition in 2009**
- **~30% Premium**
- **Added \$2.2 Billion Goodwill to Disney's Book**
- **Rights to 5,000 Character Brands incl. Iron Man, Captain America, The Incredible Hulk, Captain Marvel, and the Avengers**
- **Transition of Marvel from 'Comic Books' to 'Cinematic Universe' (rare case of category realignment)**

Example: Disney Acquisition of Marvel (cont.)

“I think it was [Disney CEO] Bob Iger’s masterstroke,” says Tom DeSanto.

“The one thing that Disney was lacking was a big footprint in boys’ merchandising. They had girls with the Disney princesses, so this gave them the other half.”

DeSanto has been a writer and/or producer on the highly successful X-Men and Transformers movies, so he knows this end of the business well. He also thinks Disney’s purchase of Marvel has already paid off.

“They were able to, I think, almost get the company for free,” DeSanto says. “By that, I mean, they paid for the company, and with Avengers and all the box office and DVD and licensing and merchandising, their investment was basically paid back. They were in profit mode already. **And now they own these characters in perpetuity.**”

Source: Jim McLauchlin *DISNEY’S \$4 Billion Marvel Buy: Was it Worth It?*

Next steps

- Find academic institution willing to devote resources (perhaps a post-doc) to:
 - Systematically identify cases
 - Database results in consistent form
 - Generate compelling case studies
- MASB leverage findings to magnify message:

***BRAND VALUE IS MATERIAL AND
SHOULD BE REPORTED***

BIV Team Members

Team Leaders



Dave Stewart
LMU



OPEN

Team Heroes



Jim Meier
MillerCoors (ret)



Mike Donahue
ANA



Tim Gohmann
BSL



Sunny Garga
(m)PHASIZE



Vithala Rao
SCJ/Cornell



Alex Haigh
Brand Finance



Stephen Diorio
Forbes-MASB



Mark McLaughlin



Brian Hamilton
DoubleCheck Advert.

Staff



Frank Findley
MASB ED
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Tony Pace
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Erich Decker-Hoppen
Communication

IFR Team Members

Team Leaders



Michael Moore
LMU



Open

Team Heroes



Dave Stewart
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Neil Bendle
Ivey



Bryn Anderson
Brand Finance



Vithala Rao
SCJ/Cornell



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Frank Findley
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Erich Decker-Hoppen
Communication

Thank-you!



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