

ONE MARKETING METRIC TO RULE THEM ALL? GROUP BELIEVES IT HAS ONE

LENGTHY TEST ACROSS 100 BRANDS IS STEP TOWARD LINKING MARKETING TO CASH FLOW

November 23, 2015 07:00 AM

The Marketing Accountability Standards Board has validated a metric to measure brand value. Now it's setting out to prove what marketing factors drive it.



Credit: MASB

After years of preparation and 18 month of research, the Marketing Accountability Standards Board believes it has a way to measure brand value and predict movements in market share. The method is surprisingly simple, and can move marketing executives closer to having the same credibility in boardrooms that finance or engineering executives long have enjoyed.

MASB, established seven years ago by a coalition of academics, market researchers and marketers, including MillerCoors and Kimberly-Clark Corp., recently concluded phase one of its Brand Investment & Validation project. It tested a "Brand Choice" metric that's fairly simple, based on surveys of around 500 people per brand in which they were asked the question of which among several competing brands in a category they would select if they were winners of a prize drawing. It's a brand-preference measure long used by the research firm ARS, acquired by MSW in 2013.

Movements in MASB's Brand Choice metric were found in an 18-month study across 100 packaged-goods and automotive brands to correlate strongly with market share, as measured by Nielsen, with an 0.88 value where 1 indicates the strongest and zero the weakest correlation. When tests were designed to strip out the effects of pricing and distribution differences, the correlation of Brand Choice with subsequent market share was even stronger – as high as 0.94.

"I'm actually very optimistic," said David Stewart, marketing professor at Loyola Marymount University in Los Angeles and MASB chair. "I think we have shown we have a metric. It's simple. It's easy to understand. It's highly predictive. ...We are now at the point where we can begin to contribute to the financial dialogue of the firm as well as the marketing dialogue."

While individual companies have done similar validation work around the Brand Choice metric, this is the first time it's been studied across such a broad array of brands in consumer packaged goods and automotive, Mr. Stewart said.

"We believe by linking this Brand Choice metric to some pretty simple metrics like market share, price premium and distribution coverage, we can actually generate estimates of future operating cash flow, which allows you to get at the value of a brand," he said. "Cash flow is kind of the gold standard in looking at the value of an asset. We have a conceptual and algebraic model that allows us to do that. And we've tried it out in a couple of organizations with some success."

Phase II of the project involves looking at how MASB's metric stacks up against other brand valuation and evaluation models, such as those from Interbrand and Millward Brown. Dissatisfaction with those valuation systems, driven largely by the complexity of their calculations and the fact they sometimes show values of the same brands going different directions the same year, was one factor driving MASB to look for a different option, Mr. Stewart said.

MASB will also study what factors reliably drive its Brand Choice metric – including marketing spending, advertising quality, and social media. Study

parameters are still in development, and will likely take another 18 months to test, so he doesn't expect results until 2018.

The slow going is unavoidable, because there isn't enough data available to historically track all the factors necessary from past performance across a wide array of brands, and validating the analysis takes several quarters of data, he said.

Ultimately, getting to metrics that would be widely recognized in C suites is "a double-edged sword," Mr. Stewart said. "It allows us to determine if what we as marketers are doing is producing any value. But if what we're doing isn't producing any value and that persists for a while, that's not good for a marketing organization. It also has the potential to show us what works and doesn't work and learn from that and hopefully get better over time."

The current state of marketing metrics is similar to quality metrics 50 years ago, he said "when people were using a lot of idiosyncratic measures. Now there's a pretty common set of standards that allows firms to really improve quality and understand the determinants and figure out what value quality is adding. And I think we may be on the threshold of doing the same thing with marketing."

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CORRECTION: An earlier version of the story incorrectly identified Loyola Marymount marketing professor David Stewart as Donald.

Here may lie the key to measuring brand value and how marketing affects it -- and it's probably simpler than you thought.

