
MASB

Moving From
**The First 3-Years (Start-Up) to
The Next 3-Years (Game Changers)**

Draft for Feedback

July 2010



Marketing Accountability Standards Board
of the Marketing Accountability Foundation

The Business Landscape

Over the past several years, dominance of the finance function relative to other functional disciplines within the firm has come into question as it has become clear that underlying assumptions do not always hold, that risk cannot be so readily “hedged” away with financial instruments, and that financial returns ultimately must be driven by operational efficiencies and buyer behavior in markets short-term and over time.

The Opportunity

This has created a unique opening for marketing to partner with the finance function, reassert itself at the strategic planning table, and more clearly articulate the value of marketing actions and outcomes by bringing credible metrics and processes to investment decisions, managing risk and more realistically recognizing the value of firm intangible assets.

The Premise & The Analogies

Marketing will move from discretionary business expense to board-level strategic investment through accountability and a standards setting “authority” for measuring (forecasting & improving) the financial return from marketing activities.

As is true for manufacturing and product quality (w/ISO & ANSI) and for accounting and financial reporting (w/FASB & IASB), so it will be true for marketing and profitable growth (w/MASB).

MASB: The First 3-Years (Start-Up)

The Foundations Have Been Laid

- Vision & Mission
- Structure & Infrastructure
- Independent Private Sector Body (501 c 3)
- Planning & Review Process
- Legal, Financial & Technology Resources & Safety Nets
- Highly qualified, Directors, Trustees, Advisors & Staff
- Work being done w/Transparency, Integrity and Open Due Process
- Projects Match Needs of Marketing & Financial Communities
- Communities being Taught about the Standards & Benefits

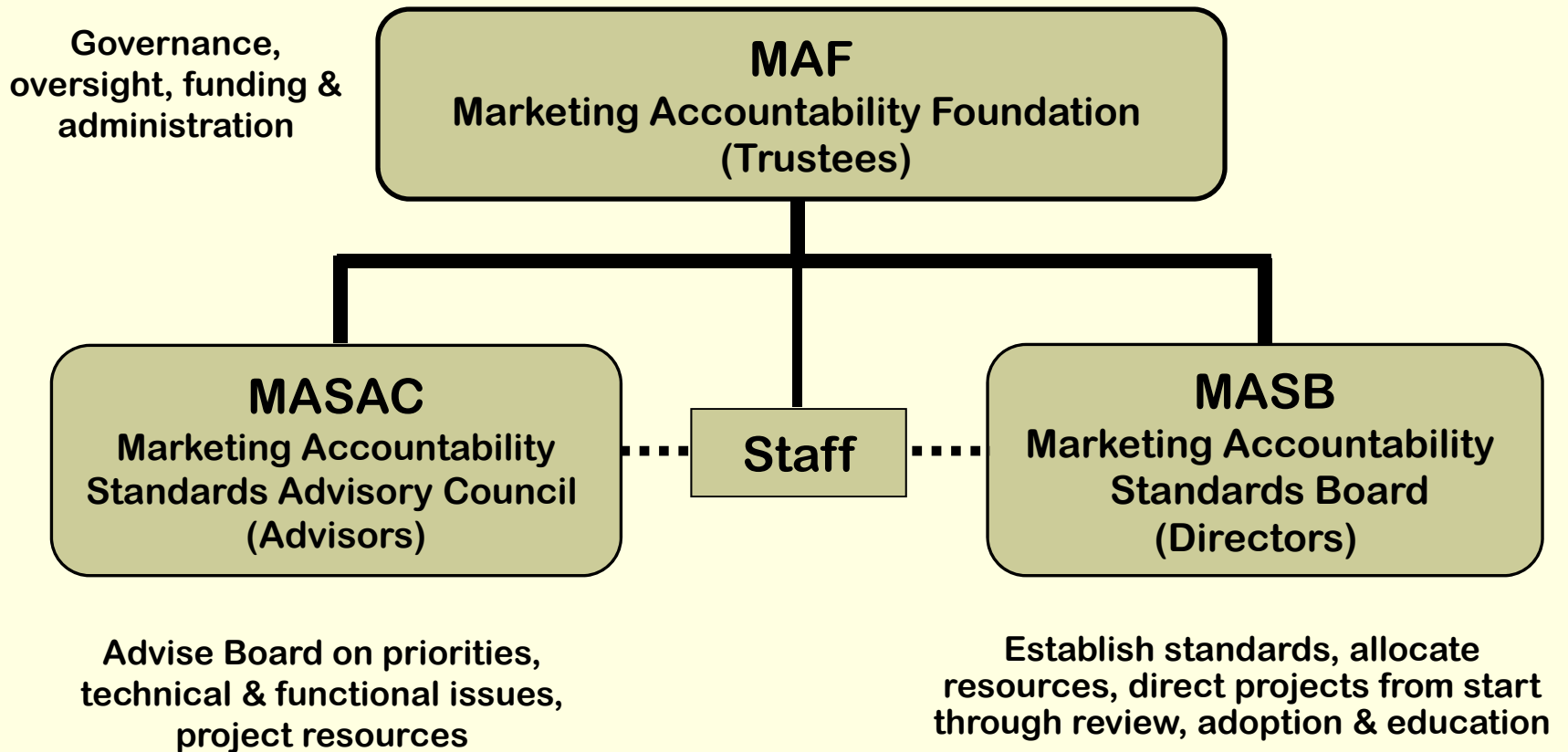
Vision Statement

Laying the measurement foundations for marketing professionals to realize full accountability and strategic status in the Boardroom as reliable forecasters and achievers of consistent growth in customer revenues, earnings and cash flows quarter-to-quarter and year-to-year.

Mission Statement

Establish marketing measurement and accountability standards across industry and domain for continuous improvement in financial performance and for the guidance and education of business decision makers and users of performance and financial information.

Organizational Structure



Incorporated in Delaware and operating exclusively for charitable, educational, scientific, and literary purposes - 501(c)(3) Not-For-Profit

Directors and Advisors (5/2010)*

- Dr David Stewart (UCR)
- Dr Meg Blair & Dr Allan Kuse (MMAP Center)
- Kate Sirkin (Starcom MediaVest Group)
- Dr Craig Gugal & Joel Rubinson (Advertising Research Foundation)
- Dr Earl Taylor (Marketing Science Institute)
- Dr Dominique Hanssens & Dr Randy Bucklin (UCLA)
- Vacant (VISA USA)
- Dipita Chakraborty, Carl Spaulding & Paul Flugel (Nielsen)
- Vacant (Direct Marketing Association)
- Dr Don Lehmann, Dr Joe Plummer & Dr Natalie Mizik (Columbia)
- MJ Tisor (At Large)
- Wes Nichols (MSP)
- Chris Ciccarello (ConAgra Foods)
- Dr Rajeev Batra (University of Michigan)
- Dr V Kumar (American Marketing Association)
- John Lees (Kimberly-Clark)
- Vacant (Association of National Advertisers)
- Rick Abens (Foresight ROI)
- Dr Peter Johnson (Mobile Marketing Association)
- Dr David Reibstein & Dr Jerry Wind (Wharton)
- Dr E Craig Stacey & Dr Russ Winer (Stern)

Projects Completed /Posted*

- **Completed & Posted**
 - **Marketing Productivity, Effectiveness & Accountability**
 - **Objectives of Marketing Standards**
 - **The Role of Standards: Academic Review**
 - **Fundamentals: about MASB**
 - **C-Level Views on Marketing Accountability**

* www.theMASB.org

Summary of C-Level Interviews

- There is a universal need for true marketing ROI metrics
- Valid/predictive performance (return) metrics which can be integrated w/performance metrics from other parts of value chain.
- This need for metrics is especially true for advertising, new product introductions and in-store/similar “channel” activities as well as competitive moves.
- Metrics related to both short term and long term impact are needed...with focus on customer outcomes.
- Increased speed of business makes accurate forecasting critical...

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 - Fundamentals: about MASB
 - C-Level Views on Marketing Accountability
- **Posted for Feedback**
 - **Marketing Metric Audit Protocol - MMAP**
 - **Measuring (Forecasting & Improving) Return from TV**
 - **Long-Term Impact of Advertising, What is Known (July 2010)**

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2010 Winter Summit: Beyond the Science

There was agreement with the thesis that corporations will not use and apply marketing standards consistently and comprehensively until there are reasons to do so, tied tightly to financial reporting and then translated into the personal reward systems of management.

**"70% of transformations fail...
Organization returns to "business as
usual", Improvements erode, Distrust
and skepticism develop".**

**Gaurav Bhatnagar, McKinsey & Company
ARF Research Transformation Super Council
May 7, 2010**

The Practice & Impact of Marketing Science

January 15-16, 2010 (MIT)

Keynote Address Q&A

Question from the Floor:

“It seems we are stumped at the foot of the organizational change mountain . . . and feel the need to climb it in addition to creating the marketing models (better mousetraps).

Why don't we look at other areas of the business that have been successful with organizational change and continuous improvement over a long period of time?

Like Manufacturing & Product Quality, and Accounting & Financial Reporting? They both have standards bodies to enable permanent transformation.”

Answer from the Floor:

“She's right! When the CFO or COO leaves, none of the models change (measurement and process); but when the CMO leaves, everything changes!”



Beyond the Science

Historical review of manufacturing and accounting reveals that standards bodies had existed in each area long before broad acceptance, and that specific “game changers” lead to universal adoption and permanent transformation.

In manufacturing and product quality, the “game changer” was the Japanese adopting Deming’s principles of measurement & process management after WWII, then taking significant market share from manufacturers of automotives and electronics with superior quality (TQM followed).

In financial accounting and reporting, the US government stepped in to enforce standards among all publicly traded companies in order to stabilize and enhance our financial markets, with the SEC authorizing FASB to set standards (GAAP followed).

In May 2010, the decision was made by MASB Directors to move beyond The First 3-Years (Start-Up) to The Next 3-Years (Game Changers), with two “game changing” projects to serve as the cornerstones of the Plan.

The Next 3-Years (Game Changers): Oct 2010 - Sept 2013

Overall Objectives (Change the Game, Begin the Transformation)

- **GC I: FASB/MASB Partnership for Aligning GAAP and MMAP**
Become FASB's partner for changing the accounting & reporting rules related to marketing expenditures such that financial returns from corporations will be driven and measured by buyer behavior in markets over time*

* Buyers might be consumers, customers, investors, etc.

Issue

Current financial accounting and reporting standards generally require marketing expenditures to be accounted for (written off) in the business period in which they are spent, despite evidence that “investments” in some activities, such as Branding and building customer equity, provide positive returns over a longer period of time and therefore have at least the potential for treatment as capital expenditures.

Without changes in current accounting and reporting rules, marketing activities will continue to be considered and managed as discretionary expenditures, not as strategic investment that adds long term value to the firm.

Feasibility

FASB has shown interest in addressing these types of issues through various projects that have examined the reporting of intangible assets (such as brands and customer relationships) and expenditures on efforts to create real options (e.g., R&D and customer acquisition).

MASB is well positioned to become the FASB partner of choice for improving marketing related standards that are more principles-based rules, having both the marketing and technical expertise to support change that will align marketing expenditures to financial return and provide capital providers with information not provided under current rules but vital to making more informed investment decisions.

Expected Results

Forming the MASB/FASB partnership to change the rules from “expense when incurred” to “capitalize over time of return” will:

- 1) Require Corporations to adopt and apply marketing measurement and accountability standards consistently and comprehensively to achieve a discipline and rigor similar to other applications of capital budgeting
- 2) Create value for all (better reporting/transparency through quantification of “good will”, increase in Marketing ROI, predictable & consistent organic growth, improvement in corporate profitability and more and better products and services at less cost to meet the needs of society)

Action Plan for FASB/MASB Partnership

I. Frame-Up Project: April 2010*

Open Debate by MASB (revisions/approval)

II. Form Exploratory Team: May 2010

Educators: 2 Marketing (Reibstein & Plummer) and 1 Accounting
MASB Chair (Stewart) & MAF President (Blair)

III. Approach FAF Educator Trustees: June–July 2010

Take temperature and direction as to how to navigate

IV. Expand Team to Partnership Team Based on Feedback: July–August 2010

3-4 Major Marketers and 1-2 FAF Educators

V. Approach FASB based on Feedback: September–October 2010

Recommend Partnership with rough draft of agreement and objectives

VI. Partnership Agreement & 1st Project Designated: October 2010 – February 2011*

VII. GAAP rules changed for at least one category: March 2011 – March 2013

* Explicitly approved by majority of MASB Directors & Chair

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- **GC II: Branding, From Expense to Investment Model & Discipline**
Develop and trial/validate an internal model for brand building budgeting and project/expense authorization that represents the time period over which financial returns from the activity are realized... align management incentive systems accordingly

* Buyers might be consumers, customers, investors, etc.

Issue

While the MASB Project to change the accounting and reporting rules by forming a partnership with FASB is underway, corporations will not be positioned to operate with the rigor and discipline required in capital budgeting until their internal models are designed and successfully implemented.

Further, changing the rules for Branding will likely require the empirical evidence of an underlying brand building model...specifically the evidence that “investments” in Branding have the potential to provide positive return over a longer period of time than just “when spent” and are investments that may be treated as capital expenditures.

Alternative Solutions

- (1) Change the rules and create the model and discipline after the rules are changed or**
- (2) change the rules and leave corporations on their own to comply with the new rules.**

While these alternatives are possible, they do not align with MASB's *raison d'être* to “Establish marketing measurement & accountability standards across industry & domain for continuous improvement in financial performance, and for guiding & educating business decision makers and users of performance and financial information.”

Further, changing the rules will likely require the empirical evidence underlying a common brand building model.

Description

Form the Project Team (inc leadership), define the activities that would be considered brand-building, identify and conceptually link the branding activities to intermediate outcome measures to cash flow drivers and to cash flow (steps 1-3 of MMAP), review “What is Known” about the validity and causality of the intermediate measures identified (step 4 of MMAP), revise the model, add 3-5 marketers to the project team to review (identify the measurement/data gaps), design the process for trial in the 3-5 corporations, give feedback to MASB along the way for other project input and prioritization.

The Trial (authorization) process will mirror the process applied to other capital budgeting & approval (eg expected return on investment, hurdle rates and targets, benchmarks and reference points, post-mortems, continuous learning, Industry or proprietary data base of results and expectations, etc). It will also involve changing the management incentive system.

Cooperative Opportunities

Although this project should be of interest to most corporations, 3-5 hand-picked non-competing global CPG and Pharma corporations working together would likely yield the highest probability of success (small enough team to get things done, without concern for proprietary information and industries for which measurement & data are most plentiful).

Additionally, since the “first in” on initiatives such as this generally gain significant competitive advantage, a timetable for release of detailed information about the Project would be negotiated between MASB and the Project Team.

Expected Results

A validated model for brand building that represents the time period over which financial returns are realized will be of great interest to most corporations and improve marketing performance by requiring the rigor in budgeting and project authorization that is commonly associated with other “capital” investments.

This, coupled with changing the accounting rules from “expensed as incurred” to “capitalized investment” will create value for all (better reporting/transparency through quantification of “good will”, increase in Marketing ROI, predictable & consistent organic growth, improvement in corporate profitability, more and better products and services at less cost to meet the needs of society, etc)

Action Plan For Branding Model

- I. **Frame-Up Project, open debate & approval by MASB Directors: April 2010***
- II. **Form Project Team and designate leadership: May-August 2010**
- III. **Expand Team to 3-4 non-competing global CPG/Pharma: June - August 2010**
- IV. **Create straw man model: June-September 2010* (Feedback @ Summit)**
- V. **Review WIK about validity/causality of intermediate measures: Oct-Dec 2010***
- VI. **Design the Trial Process: January - May 2011***
- VII. **Start Trials: June – January 2011/12**
- IX. **Trials in 3-5 corporations: June 2011 – July 2013**
- X. **Preliminary Summary & Conclusions: August 2013**
- XI. **Review with open debate by MASB (revisions/approval): September 2013***
- XII. **Practitioner Paper(revisions/approval): Date negotiated w/Team August 2011**
- XIII. **Post for Feedback (revisions/approval): Date negotiated w/Team August 2011**

* Explicitly approved by majority of MASB Directors & Chair

The Next 3-Years (Game Changers): Oct 2010 - Sept 2013

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- **Prioritize other Projects to support the game changers**

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Other MASB Projects: Next 3-Years

<u>Project</u>	<u>Prioritization/Plan</u>
Long-Term Impact	Post Final Deck; Paper
Ideal Practices (Examples)	Post Deck for Feedback
Brand Valuation	Complete What Is Known (Fischer); Paper
CLV for CPG Targets	Proceed (Team)
Interactive	Proceed when redefined & data available (Team)
Common Language Wiki	Proceed when resources acquired (Team)
Metrics Catalogue	Start w/Framework & TV; Add w/Audits
Advisory/Training & Audit	2-4 per year & post to Metrics Catalogue
All Others	Inactive status w/systematic review as to fit w/GC
New Projects	Review re Game Changers

The Marketing Science Journey

Many

Commercial Researchers See Business Opportunity: Create method or "research product"

MSI

Many papers published.: New Insight, New Methods Emerge

Early Adopters pilot method and see business benefits

Does It?

Use grows, calibration, validation mounts,

MASB (Mission)

Organization formally incorporates into project management, resource allocation

Over time problems and opportunities are approached differently

Mkt Researchers declare success

Academics declare Success

Organizations achieve success

Do They?

Game Changers (Vision)

New Thinking Model shapes Everyday Decisions

New Marketing Question/
New Data Source
Stimulates Research

The Proposition

MASB

Is the independent, private sector, self-governing body where marketing and finance align on measurement for reporting, forecasting and improving financial returns from buyers in markets short-term and over time.

Call to Action

It has to happen sometime, somewhere, and by some bodies:

The opportune time is now, the where is MASB, and the bodies are Charter Members & Reps.

It's the right thing to do...let's get over the "start-up"... pick up the pace...and make this thing really fly!

**Become a Charter Member of MASB
Funding The Next 3-Years (Game Changing) Plan**

Engage and take a leadership role on the Foundation, Board, Advisory Council, and/or Game Changing Project Team.

The Promise

The development of generally accepted and common standards for measurement and measurement processes will significantly enhance the credibility of the marketing discipline, improve the effectiveness and efficiency of marketing activities, and enable continuous improvement over time.



Thank-you!



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