

---

*about* **MASB**

**Establishing  
Marketing Measurement &  
Accountability Standards**

**Year I Overview & Report  
January, 2009**



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

# Business Landscape 1970s-2000

*In the last quarter of the twentieth century, financial markets came to play an increasingly important role in shaping the structure and strategy of the...corporation.*

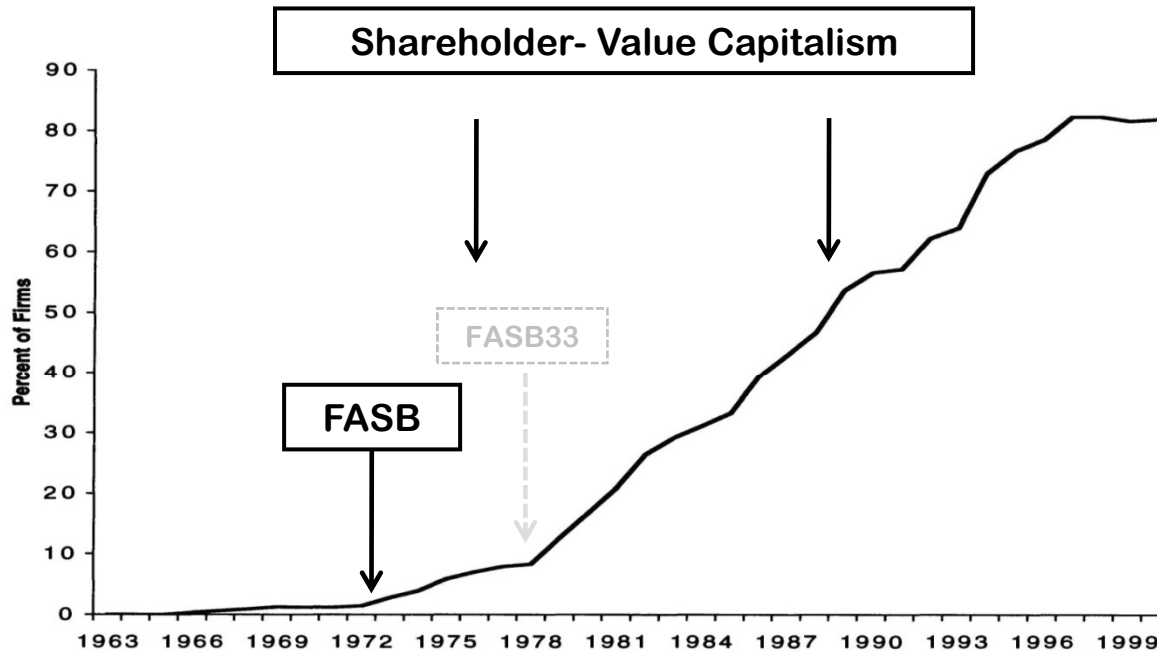
*...chief financial officers took on the task of growth, helping rapidly expanding companies...with aggressive financing and by acquiring rivals.*

*...(in this era) the methods and practices of financial engineering...(made)corporations more profitable.*

Neil Fligstein, UC Berkeley  
August, 2004

Dirk Zorn, Princeton University  
Frank Dobbin, Harvard University  
May, 2003

# Rise of the CFO & Financial Engineering



**Prevalence of CFO Positions 1963-2000**

Source: Zorn, Dirk M. "Here a Chief, There a Chief: The Rise of the CFO in the American Firm", American Sociological Review (Jun 2004)

**FASB set standards for the rise of the CFO and financial engineering to achieve growth and Shareholder Value.**

# FASB

**For more than thirty years the Financial Accounting Foundation, with its standard's setting FASB, has been setting the standards (GAAP) for financial accounting and reporting...the standards by which all public and most private businesses report.**

**Our financial markets became the envy of the world and the CFO rose to Board level status along the way.**

# Business Landscape 2000-2008

*These strategies...have moved in cycles of approximately 20-25 years for the past 130 years. At the end, there is often a recession or depression often accompanied by a long bearish stock market. Then the cycle begins anew.*

*...the methods and practices of financial engineering...have reached an endpoint in their ability to make corporations more profitable.*

*... the old tactics fail and this opens up the possibility for a new group of...managers to step forward and produce a new path.*

*The End of (Shareholder Value) Ideology*  
DR Neil Fligstein  
UC Berkeley  
August, 2004

# Why not Marketing?

*The activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.*

Defined by AMA Board of Directors (2007)

# Marketing Landscape 2005-2008

*The numbers are there, but Finance doesn't buy them. They simply don't believe the numbers that come from marketing.  
(ANA 2008)*

*The study concluded that while marketing was not ignoring issues surrounding metrics and accountability, practices and initiatives underway were narrow in focus, lacking integration and generally not tied to financial performance in predictable ways.*

*Marketing will move from discretionary business expense to board-level strategic investment, only through an independent standards setting "authority" for measuring (forecasting & improving) the financial return from marketing activities.*

The Boardroom Project  
3 Year Study  
2005-2007

# *It's All About Measurement*

*It is clear that if measurement is disregarded in marketing...  
the field will be slow to advance.*

*...objectives can be met only when measures are reliable  
and valid.*

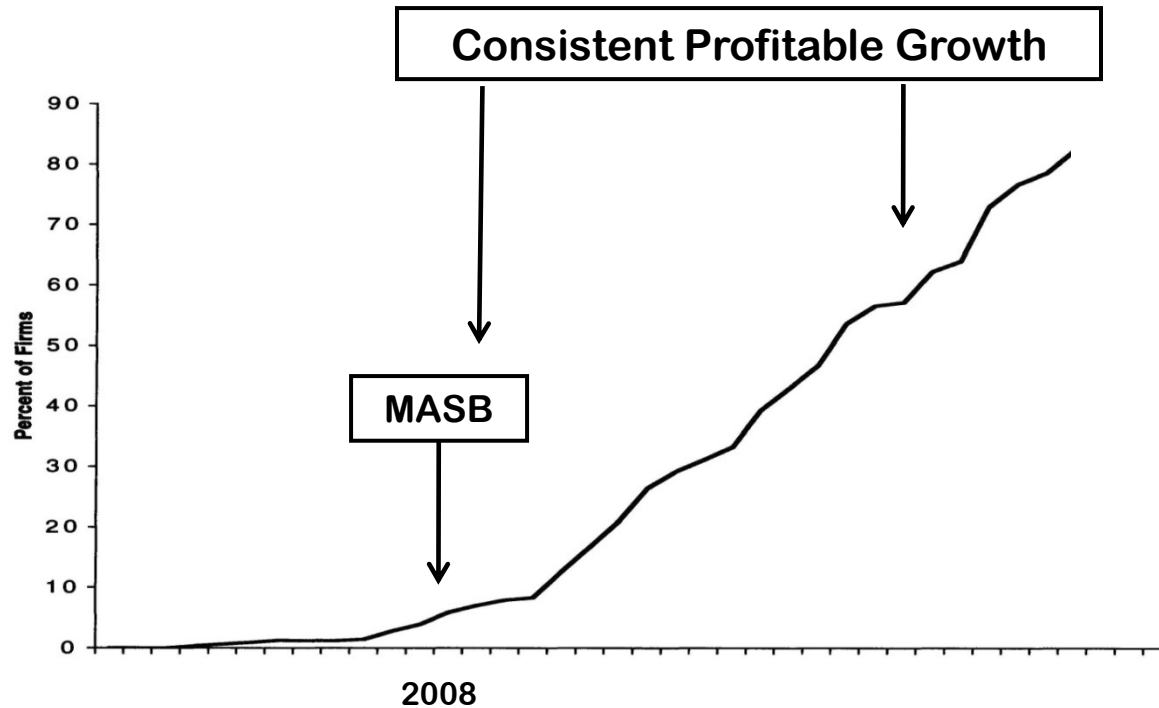
*...without measurement research, marketing has true GIGO,  
garbage in-garbage out.*

Michael L. Ray  
Stanford University  
*JMR*

1979

Was this warning of where we have been?  
Not having advanced? Treated as *discretionary* expense?

# Rise of the Accountable CMO



**MASB: Setting measurement standards for the rise of the CMO!**

**Setting standards is not a one time event  
nor does it happen overnight**

**For both our models (FASB and ISO)  
progress is measured in years & decades**

# FASB and Rise of The CFO

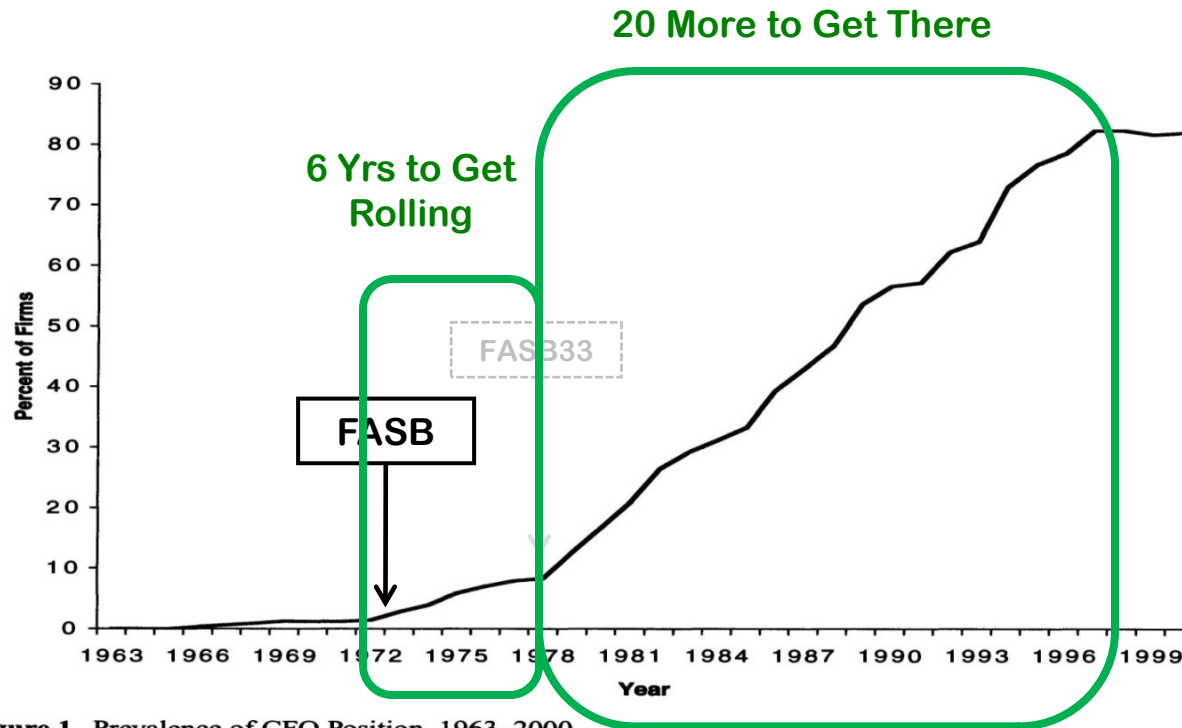
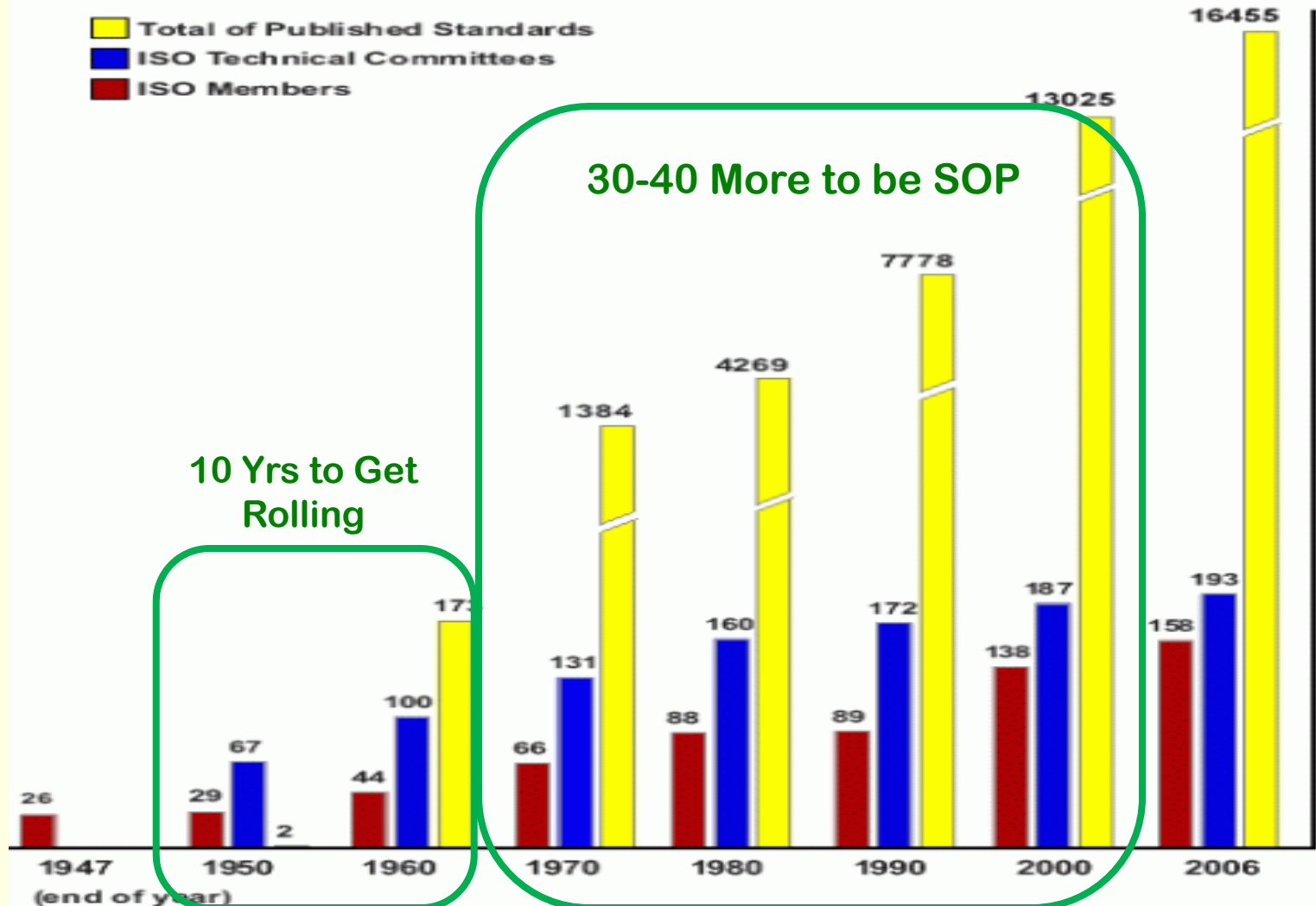


Figure 1. Prevalence of CFO Position, 1963–2000

Source: Zorn, Dick M. "Here a Chief, There a Chief: The Rise of the CFO in the American Firm", American Sociological Review (Jun 2004)

# ISO and Rise of Product Quality



Setting standards is not a one time event  
nor does it happen overnight

For both our models (FASB and ISO)  
progress is measured in years & decades

**It has to start somewhere...**

# 3-Year Start-Up Objectives

## Lay the Foundations:

- **Articulate Vision & Mission**
- **Build solid Structure & Infrastructure**
- **Recruit highly qualified Trustees, Directors, Advisors & Staff**
- **Empower success through a Planning & Review Process**
- **Provide ample Funding & Data Resources**
- **Protect Independence & Integrity of Private Sector Body**
- **Assure Standards Projects fill the Needs of Marketing Community**
- **Allocate Resources in an Effective & Efficient Manner**
- **Guide the work w/Transparency, Integrity and Open Due Process**
- **Teach Marketing Community about the Standards & Benefits**
- **(Move faster than the FASB accountants & ISO engineers moved)**

# Outline

- **Vision & Mission**
- **Structure**
- **Precepts, Processes, Business Model**
- **Marketing Metric Audit Protocol (MMAP)**
- **Where We Stand**
- **Projects**
- **Summary**

# Vision

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.

## Measuring Success

**CMO Tenure Increases**

**Organic Growth Targets Met More Often**

**CMOs On More Boards**

Source: Success Criteria in Foundation (MAF) Long-Range Plan

# Mission

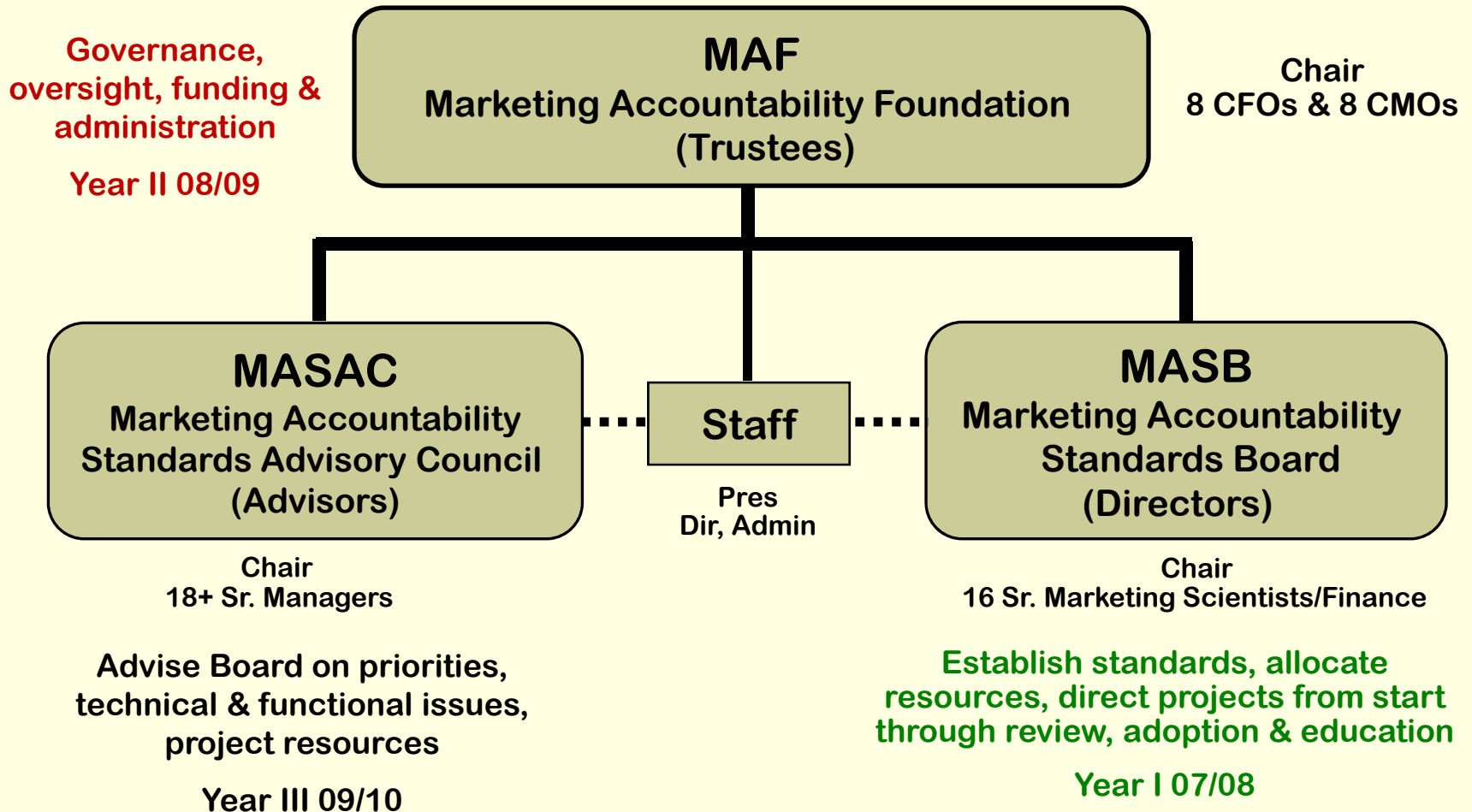
**Establish marketing measurement and accountability standards  
across industry and domain  
for continuous improvement in financial performance  
and for the guidance and education of business decision makers  
and users of performance and financial information.**

## Measuring Success

**More Members Forecasting Forward Financials  
More Advising Non-Comparable Allocations  
More CFOs Believe Forecasts (ANA “Audit Ready”)  
More Members each Constituency each Year**

Source: Success Criteria from MASB 3 Yr Plan

# Organizational Structure & Timing





# The Role of MASB

Measurement standards are essential for the efficient and effective functioning of a marketing driven business, because decisions about the allocation of resources and assessment of results rely heavily on credible, valid, transparent and understandable information.

The role of MASB is in setting the standards and processes necessary for evaluating marketing measures in a manner that insures credibility, validity, transparency and understanding.

# Outline

- Vision & Mission
- Structure
- **Precepts, Processes, Business Model**
- **Marketing Metric Audit Protocol (MMAP)**
- Where We Stand
- Projects
- Summary

# Precepts in Conduct of Board Activities

- Be open and objective in decision making
- Weigh carefully the needs and views of constituency
- Promulgate measurement & accountability standards when
  - Logical flow of the argument is tight
  - Empirical support material is convincing
  - Conclusions are managerially meaningful
  - Scientific evidence pro and con is acknowledged
  - Benefits exceed costs
- Ensure transparency of standards setting activity through open due process
- Bring about needed change while minimizing disruption
- Review effects of past decisions (interpret, amend, replace)

# Prioritization

- **Pervasiveness of the Issue**
- **Alternative Solutions**
- **Technical Feasibility**
- **Practical Consequences**
- **Convergence Possibilities**
- **Cooperative Opportunities**
- **Resources**

# Funding Sources

- **Membership**
- **Projects**
- **Workshops**
- **Technical Services**
- **Publications**
- **Training, Advisory & Auditing Services**

# Constituent Organizations

- **Marketers**
- **Measurement/Modeling/Software Providers**
- **Media and Advertising Agencies**
- **Academic Institutions (Business Schools)**
- **Industry Associations**

**Note: Dues Structure Varies by Constituency and by Size of organization**

# MMAP

While marketing does not lack measures, it lacks standard metrics explicitly linked to financial performance in predictable ways.

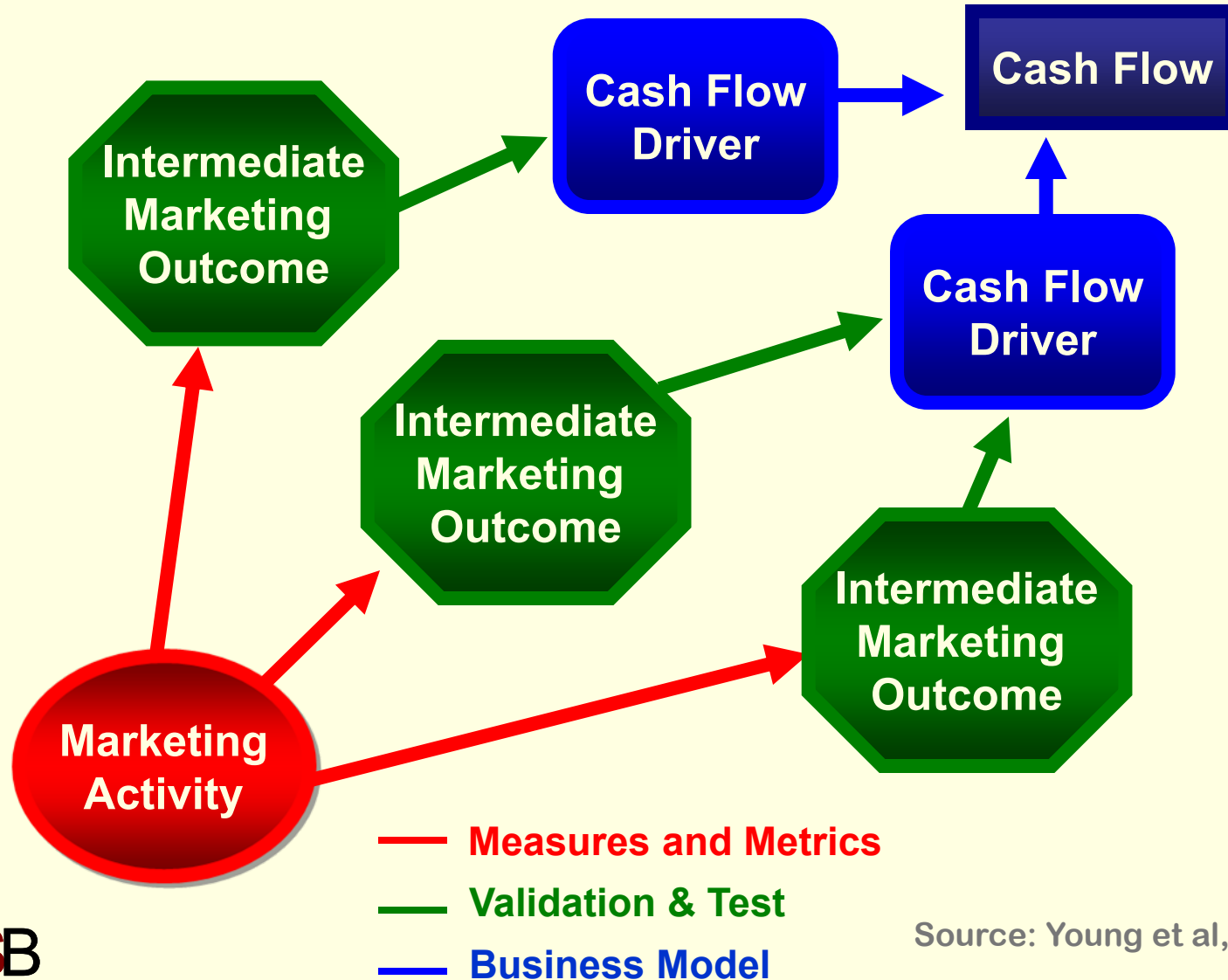
Cash flow both short-term and over time is the ultimate metric to which every business activity, including marketing, should be causally linked through the validation of intermediate marketing metrics.

The process of validating the intermediate outcome metrics against short-term and/or long-term cash flow drivers is necessary to facilitate forecasting and improvement in return.

The Marketing Metric Audit Protocol (MMAP) is a formal process for connecting marketing activities to the financial performance of the firm.

The process includes the conceptual linking of marketing activities to intermediate marketing outcome metrics to cash flow drivers of the business, as well as the validation and causality characteristics of an ideal metric.

# MMAP: Marketing Metric Audit Protocol



## Validation & Causality Audit

**Every Intermediate Marketing Outcome Metric Should Be Validated Against Short-term and/or Long-Term Cash Flow Drivers and Ultimately Cash Flow (or to the Drivers of the Cash Flow Drivers).**

# **MMAP: 10 Characteristics of Ideal Metrics**

- 1. Relevant...addresses specific pending action**
- 2. Predictive...accurately predicts outcome of pending action**
- 3. Objective...not subject to personal interpretation**
- 4. Calibrated...means the same across conditions & cultures**
- 5. Reliable...dependable & stable over time**
- 6. Sensitive...identifies meaningful differences in outcomes**
- 7. Simple...uncomplicated meaning & implications clear**
- 8. Causal...course of action leads to improvement**
- 9. Transparent...subject to independent audit**
- 10. Quality Assured...formal/on-going processes to assure 1-9**

# Overall Guidelines for Measures of Productivity

- A. Return on Marketing Investment is inherently a financial construct. No measure or measurement system is complete without a specific link to financial performance.**

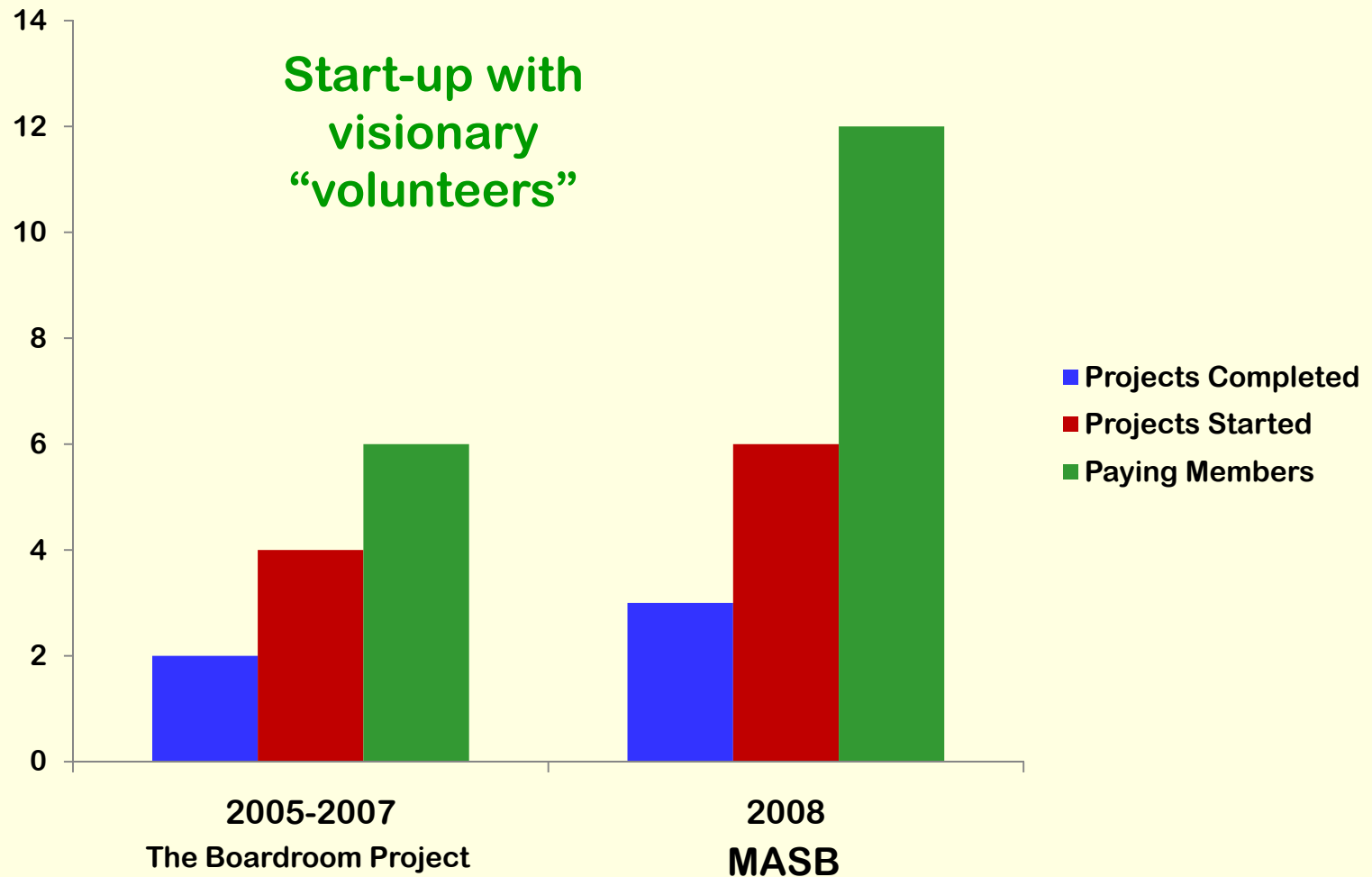
**Measures of Return on Marketing Investment should:**

- B. Reflect financial concepts of return, risk, time value of money & cost of capital.**
- C. Provide information for guiding future decisions by predicting future economic outcomes as well as retrospective evidence of the impact of marketing actions.**
- D. Recognize both immediate, short-term effects of actions and longer-term outcomes, as well as the fact that short & long term effects need not be directionally consistent.**
- E. Recognize difference between total return and marginal return on investment.**
- F. Recognize that different products and markets produce different rates of return.**
- G. Distinguish between measures of outcome and measures of effort.**
- H. Provide information meaningful & comparable across products, markets and firms.**
- I. Clearly identify the purpose, form and scope of measurement.**
- J. Be documented in sufficient detail to allow a knowledgeable user to understand utility and make comparisons among alternative measures.**
- K. Be assessed relative to generally accepted standards of measurement development and validation.**
- L. Be recognized as a necessary investment for assuring sound decision-making, accountability, continuous improvement, and transparency for all stakeholders.**

# Outline

- Vision & Mission
- Structure
- Precepts, Processes, Business Model
- Marketing Metric Audit Protocol (MMAP)
- **Where We Stand**
- **Projects**
- Summary

# MASB and Marketing Accountability



# MAF Highlights (1<sup>st</sup> Yr Oct 07- Sept 08)

- Charter Members recruited for MASB Board/Project work
- Interim President Hired
- Organization Launched
- Incorporated in Delaware
- Interim Trustees and Officers Appointed
- MAF & MASB Plans Drafted & Approved
- Plans & Success Criteria Reviewed Quarterly
- Legal & Financial Processes & Controls in Place
- Corporate Actions Approved and in Records Book
- Expenses on Phase I Budget
- Reserves in savings accounts earning interest
- IT Support & Safety Nets in Place
  - Website launched [www.theMASB.org](http://www.theMASB.org)
  - GoToMeeting for virtual meetings
  - Groove for file sharing
  - Carbonite for continuous back-up

# MASB Highlights (1<sup>st</sup> Yr 07/08)

- **12 Charter Tier I Members (Initial funding & Board seats)**
  - 2 Marketers: Visa, ConAgra Foods
  - 2 Media/Measurement Agencies: Starcom & Nielsen
  - 3 Universities: UCR, UCLA, Columbia
  - 3 Associations: ARF, MSI, DMA
  - 2 Consultancies: MMAP & MSP
- **18 Projects on Agenda**
  - Based on member & C-Level feedback/needs
  - Prioritized according to current resources
  - 10 underway
  - 2 Posted on Website for Industry Feedback
- **Other**
  - Summits/Workshops (Spring 08 & Summer 08)
  - Publications & Speeches (Book, JAR, *about* MASB, MSI)

# Summary of C-Level Outreach Project\*

- 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 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.
- It will take a combined effort of marketing, finance and sales to find/agree on/work with the “best metrics”.
- A self-governing standards body could add real value to meeting these needs.

\* Posted on MASB Website

# Projects on MASB Agenda (1/09)

<u>Type</u>	<u>Project</u>	<u>Status</u>
Standards	Measuring.Improving TV Measuring.Improving Long-Term Metrics Catalogue Measuring.Improving Interactive MMAP Process Common Language.Wikipedia Ideal Practices Competitive Impact Knowledge	Posted (IIIC) Research (IIA) Research (IIA) Frame-Up (I) Frame-Up (I) Frame-Up (I)
Research	Standards C-Level Outreach The Street	Publication (V) Posted (IIIC) Research (IIA)
Concepts	MMAP Concept Fundamentals. <i>about MASB</i> Improvement Pyramid	Education (VI) Education (VI)
Audits/Advisory	Beta Exemplar TV Metric Beta Advisory	Frame-Up (I) Research (IIA)

# Project Stages

- I. Frame-Up (Emerging Issue Project Abstract)\*
- II. Research
  - A. What is Known/not Known/need to Know
  - B. New Learning
  - C. Preliminary Summary & Conclusions
- III. Review
  - A. Open Debate by MASB (revisions/approval)
  - B. Open Debate by MASAC (revisions/approval)
  - C. Posting for Industry Feedback (revisions)
- IV. Adoption or Acceptance by MASB
- V. Publication
- VI. Education
- VII. Systematic review over time (revisions)

\* Approved by MASB/Chair when \$\$ or Team required; Disclosure to MASB/Chair if not

# What Lies Ahead (2<sup>nd</sup> Yr 08/09)

- **MASB**
  - Continue progress w/Standards Projects
  - Advance Educational Stages inc Training/Advisory Services
  - Spread the word
- **MAF**
  - Recruit Marketer CMOs & CFOs for Governance & Funding
  - Recruit more Measurement Companies for Data & Funding
  - Spread the word

# Outline

- Vision & Mission
- Structure
- Precepts, Processes, Business Model
- Marketing Metric Audit Protocol (MMAP)
- Where We Stand
- Projects
- **Summary**

**We've accomplished a lot with a handful of visionary, passionate, and dedicated volunteers.**

**With a long way to go...and needs mounting...**

**This is an unprecedented opportunity to make a significant contribution to the marketing profession, business, and society overall.**

**Marketing is headed for *fundamental change* in mastering accountability & continuous improvement, taking its rightful place at the head of the strategic growth table, permanently.**

**MASB will enable this transformation & serve as the catalyst for advancement by attending to measurement.**

# Bottom Line

*It will not be easy...it is going to take a lot of effort. If it was easy, someone would have already tackled this crucial issue.*

*The payoff for the marketing profession is worth the time, effort, and money.*

Dr Joe Plummer, Past CRO  
Advertising Research Foundation  
Founding Director of MASB  
May 12, 2006

# Call to Action

**It's the right thing to do!  
So let's get over the "start-up" hump...pick up the pace...  
move faster than the accountants & engineers moved...  
make this thing really fly!**

**Become a Charter Member of MASB!  
Take a seat as Founding Trustee!\*  
Help us recruit the other Founding Trustees!\*  
Take position on the MASB Board or Advisory Council.  
Help guide the Standards Projects.  
Be one of the "first in"!**

**\* Marketer CMOs/CFOs**

# Benefits of Acting

**It has to start sometime, somewhere, and by some bodies.**

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

**Demonstrating wisdom, vision and leadership in the business community (by joining early)...**

**And gaining sustained competitive advantage in doing so.**

# 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.*

Stewart, 2008

---

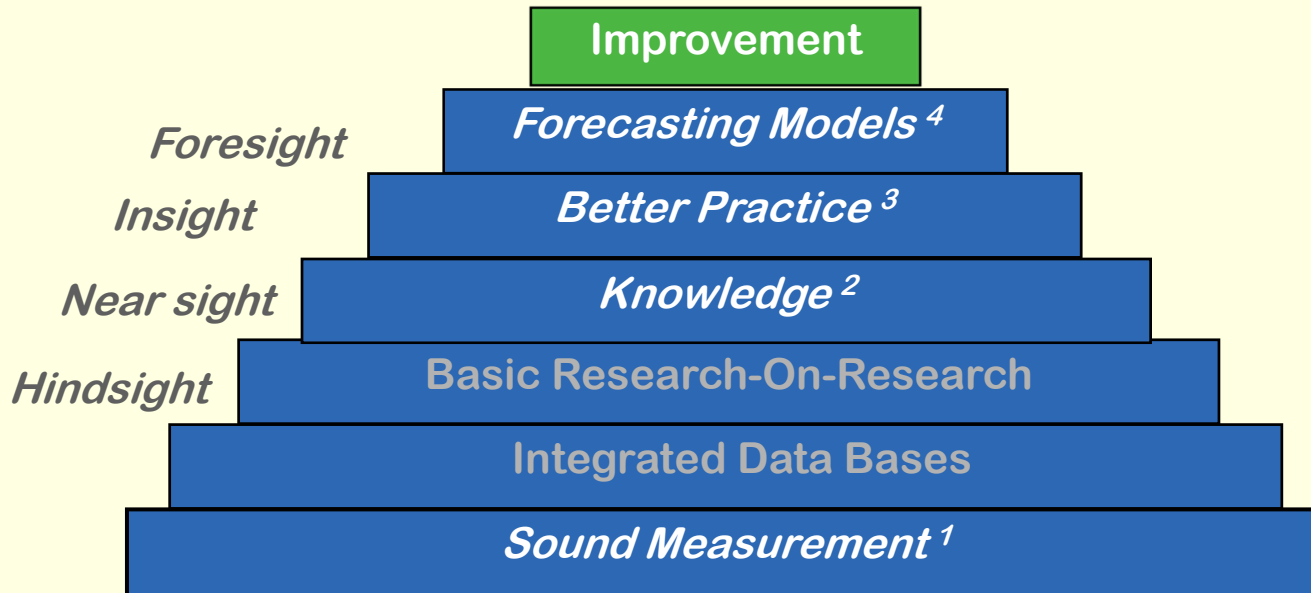
# Thank-you!

**for your commitment to MASB and the  
Vision of a better future for all who follow!**



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

# The Accountability & Improvement Pyramid



<sup>1</sup> *Reliably identify business opportunities (or threats) given current context and (potential) actions (MR Vision 2003); Process of achieving & maintaining measurement reliability, predictive validity, sensitivity & calibration*

<sup>2</sup> *Profound understanding (of the business process or human & customer behavior) that yields a clear prioritization of action; Learning or principles that yield true predictions with unvarying uniformity (IBID); Process of explaining variance/identifying the causal drivers of the business or human behavior.*

<sup>3</sup> *Documented method of operating that yields higher level of performance than other operating behaviors (IBID); Process of applying Knowledge to the operating process for improved performance.*

<sup>4</sup> *Analytical technique that represent causal relationships among various conditions & actions taken to achieve specific business results, and forecast future outcomes of various potential actions & conditions (IBID)*