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INDUSTRY ONE STEP CLOSER TO FINDING A STANDARD FOR A BRAND'S WORTH

One Group Strives to Bring Rigor and Intellectual Honesty to the Practice of Measuring Marketing and Brands

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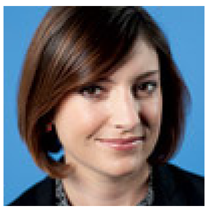

Abbey Klaassen

Apple has spent the past month flirting with the title of world's most valuable company. No doubt the value of its brand is one reason there's a decent-size gulf between its book value of $69.3 billion and its market cap of $362 billion.

But exactly how much is that brand worth? Well, no one really knows, because there's no standard way to measure the value of the brand in a way that links it to financial performance.

You've got third parties with their annual "most valuable" brands lists and proprietary methodologies. You've got marketers that have created their own internal rubric for measuring brand health. And you've got Wall Street, which makes assessments of a brand value, but only when a brand is acquired or divested, not when it's organically grown. All of those methods -- and their outcomes -- can vary. Simply put, there's no standard way to measure the most important asset a marketer has.

That's why I found myself in a 21st-floor conference room at Starcom 's Chicago offices on a sunny day in August. I was at one of the semi-regular meetings held by a group of academics, researchers and marketers called the Marketing Accountability Standards Board, or MASB.

Loosely inspired by the Financial Accountability Standards Board, MASB is looking to bring more standards, rigor and intellectual honesty to the practice of measuring marketing and brands -- and create a common, industry-accepted way to tie brand measures to financial results.

The premise is that marketing lacks the kind of measures that will elevate it in the boardroom and make investors see the practice as essential to growing the business. The metrics marketing folks use are fine -- as long as we're talking to each other. But those metrics don't connect to the ones Wall Street cares about, and that's the opportunity MASB is exploring.

"We're trying to help the CFO and the marketing team talk about the same thing," said Meg Blair, a former advertising-research exec who postponed her retirement plan of winter and summer fishing in Florida and Nantucket to shepherd MASB. Talking about brands in a way that's meaningful to the financial community, MASB believes, will help CMOs earn more respect in their organizations and ensure marketing is seen as an investment to fuel growth vs. a cost to cut. It'll certainly make the practice more accountable and could also be useful for planning and predictive purposes.

At the August meeting, MASB unveiled a set of principles to guide the creation of the standards (No. 10: "When possible, data used should be from observable sources. ... Since it is most likely that unobservable inputs will be used in brand valuations because observable data are not available, the source of input data must be fully disclosed.") Now the ANA, 4As and ARF are working on getting those principles to their members for feedback. The next step is to find three to five marketers to conduct a trial run of the standards. Ultimately, while many brands may choose to use the valuation standards the group creates, some may not. No one will be forced to, of course, unless one of the financial-standards boards starts requiring companies to add brand value to the balance sheet.

And while some in the past have called for such a move -- it would arguably be the ultimate change agent --

that doesn't seem to be MASB's intent. Still, it thinks marketers ought to take control of their territory. "When brands do get valued, banking or accounting firms are the ones doing the valuation -- there's no marketing input," said Blair.

In the end, she points out strong brands are cash-generating assets. They allow marketers to sell in the short term as well as the long term, over the lifetime of a customer. They also allow companies entry into new businesses. Apple, after all, didn't make a phone until five years ago.