

## **Teaching the Financial Consequences of Marketing**

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### Topic of Special Session

The session will unveil the new Finance in Marketing course from the Marketing Accountability Standards Board (MASB), <https://themasb.org/>. MASB is a not-for-profit organization whose mission is to 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.

### Rationale for Special Session

The financial consequences of marketing decisions are critical to the success of many organizations. Even not-for-profits must evaluate fundraising campaigns etc... The cliché remains that half of marketing spending is wasted but we just don't know which half. This lack of understanding of the financial consequences of marketing decisions is major concern for managers. It undermines the credibility of marketers leading to the under-funding of marketing.

Our discussions with fellow academics led us to conclude that many would like to help improve their students understanding of marketing's financial consequences but don't feel they have the skills and support to do so. A MASB team, led by Dave Stewart (President's Professor of Marketing and Business Law at Loyola Marymount University and AMA VP of Publications), and Neil Bendle (see short bio below), has put together a full course to allow support educators <https://themasb.org/projects/underway/finance-in-marketing-course-project/>. This course has the following structure:

### Format of Special Session

- 1) Outline MASB and its work to improve financial reporting such as treating marketing, where appropriate, as an investment. Describe the common language dictionary, available online, <http://www.marketing-dictionary.org/>, to standardize marketing terms. (5 mins)
- 2) The Finance in Marketing course. Neil will share the structure of the course, the topics covered and the thinking behind the syllabus choices. (15mins)
- 3) Audience will brainstorm and share ideas as to what should be added to course. (10 mins)
- 4) Neil will outline how to teach a specific topic. This will probably be CLV and feature findings from his article, "The Confusion About CLV In Case-Based Teaching Materials". (15 mins)

<b>Module</b>	<b>Class and Topics</b>
Introduction	1 Business Role of Marketing: (Marketing Creates Assets)
Traditional Marketing Metrics	2 Measuring Customers' Response to Our Brand: (Brand Preference/Choice, Awareness, Top of Mind, NPS, Willingness to Recommend, Customer Satisfaction, )
	3 Measuring Our Relative Position: (Dollar Market Share, Unit Market Share, Share of Wallet, Share of Requirements, Share of Voice, Problem with relative measures)
	4 Measuring Our Market: (Usage Index, Category Development Index, Brand Development Index, Penetration, Competitive Measures (Herfindahl Index))
	5 Understanding Repeat Business: (RFM, Retention Rate, What do we mean by loyalty? Challenges measuring retention/repeat business in different industries)
	6 Marketing Over Time: (Year on Year Growth, CAGR, Projections)
	Traditional Financial Metrics
8 Contribution: (Fixed/variable costs, unit contribution, margin %, breakeven, target profits)	
9 Project Planning: (Baseline & incremental, Cannibalization, Fair Share Draw, Sunk Costs)	
10 Multi-Period Assessment: (Payback period, discounting (exponential))	
11 Valuing the Long term: (Spreadsheets and project valuation, IRR, NPV, Investment Assessment, Return on Investment (ROI), MROI, ROMI)	
Customer Profitability Analysis	12 Customer Profitability: (Pareto Principle, single period measures, Acquisition/Retention)
	13 CLV I: (CLV (N-period), spreadsheet modeling)
	14 CLV II: (CLV (Infinite Life Formula), Problems with CLV, Assumptions needed to make CLV work (when should we have concerns about these), )
Marketing Interface with Management	15 Management Accounting and budgeting: (Purpose of Management Accounting, Internal Accounting, Zero Based Budgeting, Communicating with management accountants)
	16 Costing: (Allocation of Fixed Costs, Activity Based Costing)
	17 Pricing: (Cost plus, Long term (Penetration/Skimming), Pricing to demand, Price elasticity)
	18 Valuing Social Media: ((how) Can we measure the ROI of investments in generating product reviews and ratings? Causation?)
	19 Quality and Marketing: (The quality movement, working with ops, supply chains)
	20 Communicating with Managers: (Need to know, Graphs, Dashboards, Decision Making)
Marketing Interface with Finance	21 What is Profit?: (Accounting Profit, EBITDA Economic Profit, EVA, Accounting Equation, Why understating assets matters)
	22 Challenges Accounting for Marketing Related Activities: (Market to Book, Tobin's q, Revenue recognition (booking, rebates, giftcards), Accounting for R&D, Moribund Effect)
	23 Purpose of Financial Statements: (Investors vs. Managers, What's missed? Brands on balance sheets, Customer Equity, Notes to accounts, Risk, FASB, IASB, SASB, MASB)
	24 Measuring brands I (Assets): (History of brand valuation, Customer survey based brand assessment methods, Conjoint based, Price Premium models, MASB (BIV))
	25 Measuring brands II (Assets): (Commercial methodologies, benefits, challenges)
	26 Accounting Ratios: (Key ratios, how are impacted by the way marketing is accounted for)
	27 Demonstrating the value of marketing : (Stock Market Reaction to Marketing, Academic research, Measuring advertising effectiveness, Attribution modeling)

Participants

Neil Bendle will represent the Marketing Accountability Standard Board as the Chair of MASB's Advisory Group and co-chair of the Finance in Marketing taskforce. Neil is Associate Professor of Marketing at Ivey Business School, Western University, Canada and is a qualified accountant (FCCA) who was Finance Director of the UK Labour Party before entering academia. He is the co-author of *Marketing Metrics: The Manager's Guide to Measuring Marketing Performance* (3rd Edition) which has sold over 60k+ copies and is published in numerous languages. He has been published in the *Marketing Education Review*, *Marketing Science*, *Journal of Consumer Research*, *Sloan Management Review*, *Business Horizons* and other venues. Neil is on the editorial board of the *Journal for Advancement of Marketing Education*.