ABSTRACT

The purpose of this article is to assess the value of marketing metrics among the academic community. The authors propose that in order for marketing metrics to gain acceptance in corporate decision making, a focus of the importance of these measures must be made first from within the academic community.

INTRODUCTION

Marketing professionals have always seen the importance of metrics that will measure the value of marketing expenditures as an asset (i.e. brand equity). However, while these are often used within departments at operational levels, they rarely reach the level of the boardroom where they compete with those metrics often accepted in accounting and finance. The authors state that in order for these measures to gain acceptance in upper level corporate decision making, the academic community is going to have to instill the importance of such measures in the marketing managers of tomorrow as they pass through the education system. However, what is not clearly understood is who in the academic community is best responsible for this task. The purpose of this paper is to assess the value of marketing metrics among the academic community. With this information, academics will be better prepared to develop a method of spreading the importance of marketing metrics.

Marketing professionals have for a long time espoused that marketing should be capitalized or treated as an investment on the balance sheet rather than as an expense (Simon and Sullivan 1993). However, while accounting practices view the acquisition of new equipment as a cash outlay and a debit to an asset, the expenditure on advertising is looked at as an outlay balanced by a debit to an expense account. Capital expenditures are treated as investments while marketing expenditures are treated as expenses.

While marketing professionals may not like these standards, it is difficult for them to respond to such questions such as; what are we investing in (i.e., what is the asset? and how should we measure the return on the capital employed for the investment?). The Financial Accounting Statements Board (FASB) statement of concepts No. 6 defines an asset as: "Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events." Based on this definition an asset that reflects the efficacy of the return to capital employed by marketing is brand equity. The first formal definition of brand equity was provided by David Aaker: "brand equity is a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that of the firms customers" (1991, p.16).

Board members and corporate officers appreciate the value of strong brands. However, they may be less certain as to a market value of a strong brand or how strong brands are created and maintained (Shultz and Gronstedt 1997). To capture brand equity Aaker (1991) recommends, (in addition to quality and other proprietary assets, such as patents, trademarks, etc.), measures such as: brand loyalty, name awareness, perceived quality, and brand associations. These measures of brand equity and their impact upon shareholder value are different from standard accounting valuation of assets. “Accountants still in their nappies are taught about accruals, but that flies out the window where marketing is about. Good marketing may or may not affect sales: it always increases brand equity” (Ambler, 1998, p. 24).

The Financial and Reporting Standards FRS 10, Goodwill and Intangible Assets, and the International Accounting Standards IAS 38, Intangible Assets, requires companies to report the value of acquired brands on the company's annual accounts. FRS 10 allows companies to amortize these acquired brands over a 20 year period (Bartram, 2000). FRS 10 allows for acquired brands to be treated separately from goodwill but it does not apply to any brands developed internally. Still, it is a step in the right direction to meaningfully account for the intellectual capital of a business (Batchelor, 1999). This advance is not without its cost to marketers. "The standard further stipulates that in such cases annual impairment reviews (in accordance with FRS 11 Impairment of Fixed Assets and Goodwill) must be carried out; the goodwill or intangible asset in question must therefore be capable of measurement. (Gowthorpe, 2000 p. 74). We return to the ever-present obstacle of measuring the impact of marketing; in this case the market value of the brand.
The marketing metrics research project conducted by the London Business School addressed this issue. Tim Ambler, senior fellow at the London Business School, has summarized a 30-month research project studying marketing metrics in his book *Marketing and the Bottom Line*. He states: "the brief was to report on best practice in marketing performance measurement, to propose improvements and to put forward a shared language." (Ambler 2000 p. 2). Leading examples from this study are awareness, market share and relative price. The results indicate that marketing metrics are collected but at best only 50% of the firms report the measures reaching members of the board.

**DISSEMINATION OF INFORMATION**

Thus while many can agree that measures of brand equity should be utilized more often in upper level strategic decision making and that we do indeed have the means to measure these values (Aaker 1991), how should this march to the boardroom be accomplished? We suggest that one begins with a grassroots campaign. Similar to a cohort analysis, the techniques and procedures taught to us in graduate programs shape our views. Mention a "Cash Cow," "The CAPM," Porter's "Five Forces Model," and so forth to practicing managers that received an MBA in the last 20 to 30 years they will know exactly what these are, and why they are important or unimportant to the firm. Another example may be why conjoint analysis is often used and accepted by marketing managers. These managers have most likely been exposed to the technique while pursuing their MBA, thus they are comfortable with the technique and believe in its value.

Therefore it may be up to educators to emphasize this knowledge of marketing metrics to students so that it may enter the boardroom as a useful tool. The goal of our research is to assess the value of marketing/brand equity metrics among the academic community; especially for those professors teaching core courses in MBA programs. What are the managers of tomorrow hearing with respect to the value of marketing metrics? The specific question to be addressed by our research is: Do professors teaching MBA students consider marketing measures as being useful for determining the value of a firm?

The next question to answer then is ‘Who in academia will lead the charge?’ Can we expect a unified procession of MBA professors to make this emphasis in their teachings? The following study looks at the belief of using such brand equity measures of MBA professors. It is here where we will find who should be responsible in initiating this push.

**THE STUDY**

The metrics surveyed in our study are a combination of the items used by Brand Finance and those identified by the London Business School’s Marketing Metrics Project. Subjects were asked: “In your opinion, how useful are the following measures for determining the value of a firm.” The response categories were: Extremely Useful, Very Useful, Somewhat Useful, Not Very Useful, Not At All Useful, Not Useful and In Fact Misleading, and Not Sure. Items such as brand awareness, brand image, customer loyalty and satisfaction, perceived quality and price premium are considered as measures of brand equity.

A one page questionnaire, along with a prepaid return envelope, was sent to professors, who taught the core course in accounting, finance or marketing at institutions rated as being one of the top 125 MBA programs. Two weeks after the initial mailing, a reminder letter with another questionnaire and return envelope was sent to all the professors. A postal coupon was included for all professors residing outside The United States.

Questionnaires were sent to 114 accounting professors, 120 finance professors, and 116 marketing professors: In total, 132 questionnaires were returned for a response rate of 38%. Respondents who returned comments, but did not complete the questionnaire, were culled from further analyses. The sample used for analysis contained 32 responses from accounting (28% response), 33 responses from finance (28% response), and 62 from marketing (54% response).

**Results**

The question of interest is whether there are differences among the three academic areas (accounting, finance, and marketing) regarding the usefulness of the marketing measures. The Brand Finance survey results (See Table 1) reported the percentage of top-box and top-two box scores. In an analogous fashion, we re-coded the data. Responses to each item were categorized into one of three levels: very useful, useful, and not useful. Brand Relationships has the largest top box score (57.1%). Price premium and customer loyalty followed brand relationship in importance, with top box scores of 38.7% and 38.1%, respectively. The items receiving the lowest top-box scores were: advertising expenditure (14.4%), and brand awareness.

1 Our goal was the top 125 programs.