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"If this business were split up, I would give you the land and bricks and mortar, and I would take the brands and trade marks, and I would fare better than you."
— John Stuart, Chairman of Quaker (ca. 1900)

Knowing the value of a brand is one of the key ways that management determines consumers' purchasing behavior. Correctly calculating brand value allows the company to compare other tangible and intangible assets, and to decide how finite resources can best be applied toward creating additional value.

Proper valuation is also vital toward determining shareholder value. Several studies have tried to estimate the contribution that brands make to shareholder value, the most comprehensive of which is Interbrand's (2006) study of "The Best Global Brands" which concluded that brands account for more than a third of shareholder value, on average. In many cases brands account for more than 70% of shareholder value.

As well, brand valuation and intangible asset valuation are now required for compliance with United States and International Financial Reporting Standards, driving the development of a handful of different valuation methods (KLM, 2006).

Assignment Question 1: There are several formulas to measure the value of a brand. Why do you think that is?

The reason there are several formulas to measure the value of a brand is because each approach has distinct goals and management information objectives. Too, the value of an intangible asset cannot always be quantified using precise metrics, since it is based as much on perceived value as on the actual costs of creating and promulgating the asset, or on the anticipated future revenues that the brand would help a company accrue. The challenge is to determine which valuation method to use and for what purpose. This essay will discuss a number of different methods and will present a conclusion about this author's preferred method.

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Assignment Question 2: What is the overall message Jacques Chevron is trying to convey and illustrate through his article?

In his paper, "How Much For That Brand in the Window," Jacques Chevron (2000) claims that no single valuation method is fully satisfactory, writing that companies regularly use many methods within two primary categories: "direct" and "indirect", based, respectively, on the investment made to create the brand, and on the value it might add to the bottom line. Whichever method might be used, included in Chevron's article is the compelling message that "a brand isn't worth anything without a strategy and an organization to support it." He claims that the two ways the brand can be sustained are to have an enlightened dictator at the helm, or to create a brand strategy within an organization that can nurture it.

Another approach to brand valuation, developed by the advertising agency Young & Rubicam (Y&R, 2002), uses a computer program called the "Brand Asset Valuator", that attempts to calculate brand value by applying metrics to 4 broad, intangible factors:

1. Differentiation – Differentiation is defined by Y&R as the ability for a brand to stand apart from its competitors. "Since a brand should be as unique as possible, brand health," claims Y&R, "is built and maintained by offering a set of differentiating promises to consumers and delivering those promises to leverage value."
2. Relevance – Relevance, according to the agency, is the "actual and perceived importance of the brand to a large consumer market segment." This gauges the personal appropriateness of a brand to consumers and is strongly tied to the percentage of households that purchase the brand.
3. Esteem – "Esteem is the perceived quality and consumer perceptions about the growing or declining popularity of a brand", states Y&R literature. The consumer's response to a

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marketer's brand-building activity is driven by his perception of two factors: quality and popularity, both of which vary by country and culture.

4. Knowledge – "Knowledge is the extent of the consumer's awareness of the brand and understanding of its identity", according to Y&R's model. The awareness levels about the brand and what it stands for shows the intimacy that consumers share with the brand.

A third valuation method, as put forth by Prof's Don and Heidi Schultz (2004) of Northwestern University, is similar in some respects to both that of Y&R and of Chevron, contending that there are three primary approaches to measuring, tracking, and evaluating brands over time.

1. Customer-Based Brand Metrics, consisting of quantitative and qualitative measurement approaches to understanding the consumer's or brand user's awareness, understanding, and relationship with the brand, stemming from the marketing philosophy that attitudes, opinions, and beliefs drive consumer brand behaviors.
2. Incremental Brand Sales, which involves measuring short-term incremental sales or cash flows generated by the brand. "These measures", say Prof's Shultz, "are primarily behavioral, consisting of known past consumer behavior or likely future actions." In addition, the measures used are financially oriented, seeking to identify the incremental financial returns the brand generates as a result of marketing activities and investments.
3. Branded Business Value, measuring the financial value of the brand to the firm over the longer-term. In this approach, the Shultz's generally treat the brand as an organizational asset in which investments can be made and returns achieved.

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Assignment Question 3: What conclusions have you drawn about valuation of a brand?

As demonstrated in this essay, a wide range of approaches have been developed and used to assess the performance and value of brands. The three approaches to brand valuation put forth in this paper are similar in some respects, in that the combined elements of each fall into two broad categories: research-based brand equity evaluations, based primarily on intangible customer preferences, and financially-driven approaches, which are more metric-based. Certain conclusions can be made about the methods described. First, approaches that are driven mostly by one or the other category types lack either the financial or the marketing component to provide a complete and robust assessment of the economic value of brands. The author of this paper favors an approach that combines brand equity and financial measure into an integrated model that not only provides a metric-based financial value for brands that complies with the principles of current corporate finance theory and Generally Accepted Accounting Principles, but also makes the value of brands comparable to the value of all other business assets. This approach relies more on tangible measures, such as those suggested by Jacques Chevron's combined direct and indirect methods, and would seem to most accurately calculate the relationship between a movement in brand performance and the ability to generate profit and cash flow into the future.

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