
FIRST RESULTS

20 Years of Brand Valuation: Facts and Insights

Marc Fischer

University of Cologne
MASB Founding Advisor

Alexander Himme

University of Cologne

MASB Winter Board Meeting & Summit, Las Vegas

February 14-15, 2013

MORE THAN 24,000 BRAND VALUES FROM 20 YEARS BUILD THE DATABASE

Characteristics of the sample

Comparability of financial brand values

Details

- 24,114 financial brand equities from 1992-2011
 - 17 different brand valuation methods (commercial, academic methods, M&A)
 - 3,863 brands
 - 71 countries (brand origin)
 - Diverse industries (up to 70 different industries)
 - Financial data for parent companies from COMPUSTAT, CRSP
-
- Global brand value, not single countries
 - Foreign currency translated into US-Dollar at average exchange rate across year
 - Valuation of single brands, not portfolios of brands



BRAND VALUATIONS COME FROM 3 SOURCES

Commercial Methods

- BBDO
- BrandFinance
- CoreBrand
- Eurobrand
- Interbrand
- Millward Brown
- MPP Consulting
- Predictiv
- Prophet
- Semion
- Vivaldi Partners

Applied Academic Methods

- Alilawadi et al. (2003): Revenue Premium
- Fischer (2007): Brand Equity Share
- Simon/Sullivan (1993): Financial Brand Equity
- Srinivasan et al. (2005)

Accounting / Transaction Data

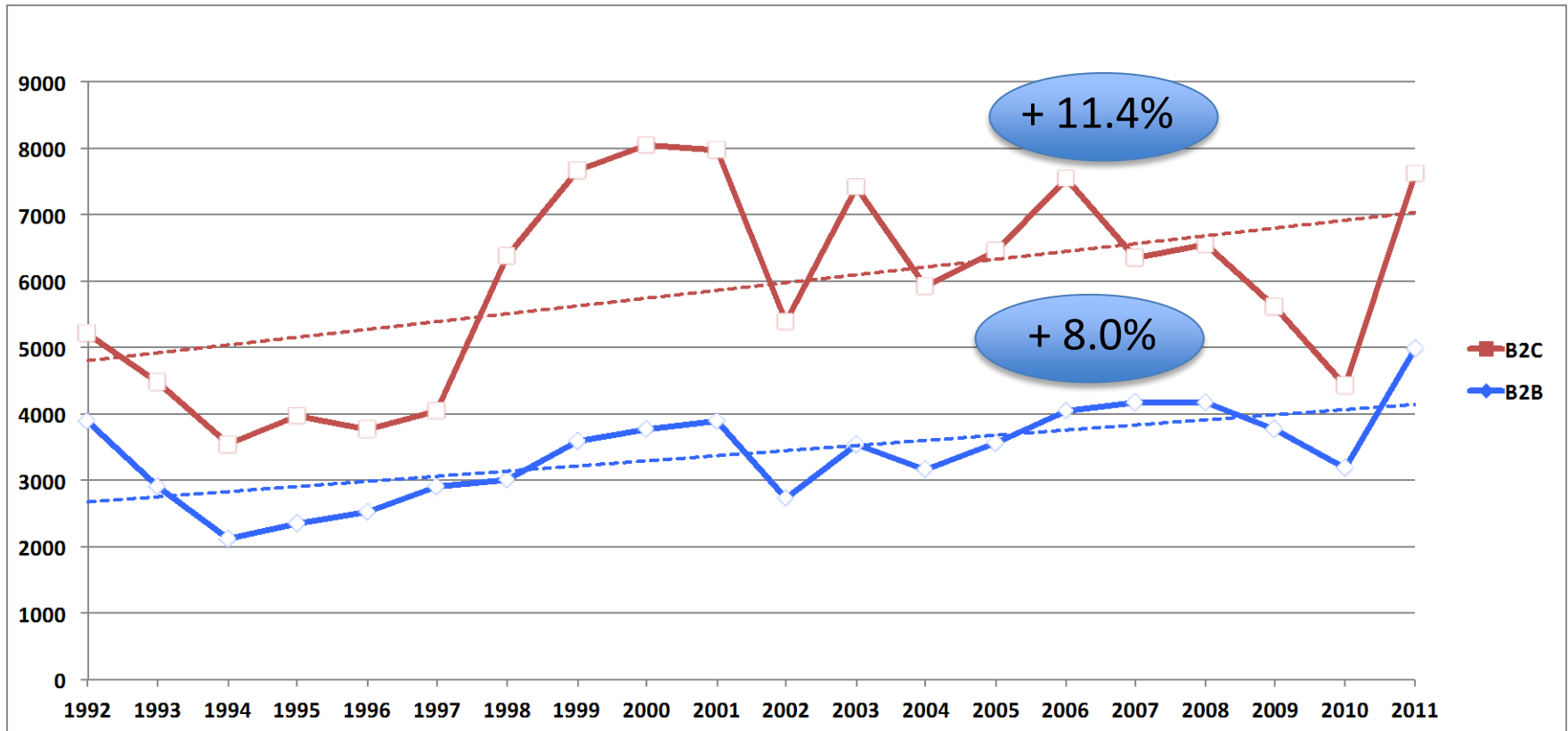
- Published brand equity in balance sheets
- M&A (Purchase Price Allocation)

17 Methods



B2C BRAND VALUES GROW FASTER BUT ARE MORE VOLATILE

Average Yearly Brand Values (\$ Mio)



DURABLE BRANDS LEAD IN AVERAGE VALUE, BUT SERVICE BRANDS GROW FASTEST

Industry	#Brands	N	Median (\$ Mio.)	Mean (\$ Mio.)	Standard. Dev. (\$ Mio.)	Average Growth Rate
Durables	1,381	10,726	2,266	6,100	10,529	9.1%
Non-Durables	1,009	4,026	1,922	4,975	9,439	8.8%
Retail	249	1,210	1,809	4,926	10,170	8.2%
Services	1,224	8,152	1,706	4,481	7,597	14.4%



B2C BRANDS ARE VALUED HIGHER THAN B2B BRANDS, BUT THE DIFFERENCE IS NOT THAT BIG

Descriptives	B2B (N = 4,515; #Brands = 464)	B2C (N = 19,599; #Brands = 3,399)
Mean (\$ Mio.)	3,476	5,858
Median (\$ Mio.)	1,135	1,595
Standard Dev. (\$ Mio.)	7,237	13,252



DCF BASED BRAND VALUATION PRODUCES THE HIGHEST BRAND VALUES

Corporate valuation based on...	#Brands	N	Mean (\$ Mio.)	Median (\$ Mio.)	Standard Dev. (\$ Mio.)	Average Growth Rate
Market Capitalization	2,786	14276	3,747	993	7,584	10.6%
Product sales	200	2,502	2,615	1,049	5,754	10.2%
Transaction (M&A)	103	103	3,045	1,348	4,912	n.a.
DCF forecast	1,619	6,302	6,077	1,968	10,426	12.1%



BRAND VALUE DRIVERS VARY BY COMPETITIVE INTENSITY AND CUSTOMER TYPE

Correlation of Financial Brand Values with... (All variables in log values)	B2B (N = 4,515; #Brands = 464)		B2C (N = 19,599; #Brands = 3,399)	
	Low Comp. Intensity ^a	High Comp. Intensity ^a	Low Comp. Intensity ^a	High Comp. Intensity ^a
Advertising Expenditures	.319*	.615**	.229**	.441**
R&D Expenditures	.219*	.442**	.183*	.219*
Sales	.771**	.512**	.638**	.471**
Advertising Intensity	.166*	.261**	-.204**	.101*
R&D Intensity	.231*	.388**	-.231**	-.104
Brand Age	.199*	.110	.221**	.131
EBIT	.770**	.551**	.661**	.381**
Sales Growth	-.018	.022	.003	.121*

Note: ^a = Median-split of the sample based on the SIC four-digit concentration index of firm revenues
 ** = p < 0.01; * = p < 0.05



Thank You

