



# **Winter Board Meeting & Summit 2016**

**Reasons for other brand valuation models as applied by Brand Finance**

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# Brand Valuation Framework

We always conduct a branded business valuation when doing brand valuations

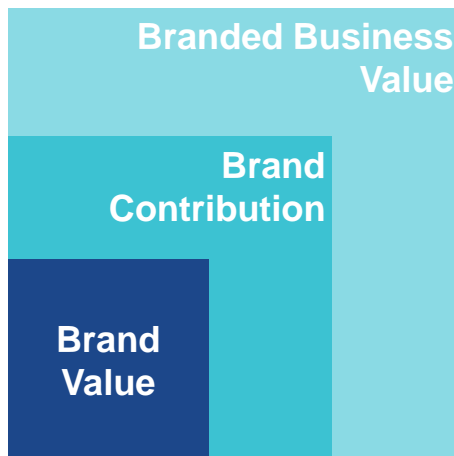
A brand should be viewed in the context of the business in which it operates.

A **branded business** is the value of a single business operating under the subject brand / trademark. This value would be equal to Enterprise Value in case of a mono-branded entity.

**Brand contribution** captures the value to the business of the wider effect of the brand even if it cannot be transferred.















This represents the entire economic value of the brand to the business. It includes the value of price premiums and volume uplifts over generic products and weaker brands.

A **brand valuation** is a specific asset valuation which calculates the value of the transferable element of the brand, generally this is the trademark.



# Understanding the economic benefit created by the brand

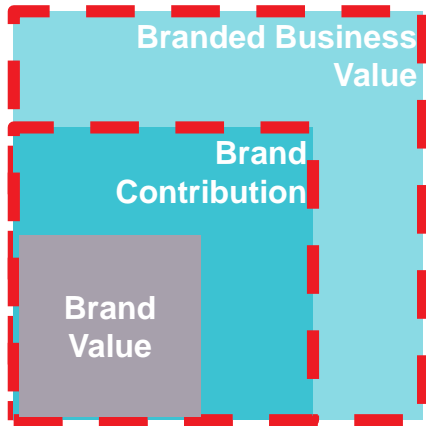
## Financial impact by brand stakeholder

Stakeholder	Effects	Business Value Drivers
 <b>Customers</b>	<ul style="list-style-type: none"> <li>Greater sales volumes</li> <li>Price premiums</li> </ul>	 Revenue & Costs
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>Lower prices</li> <li>Better terms</li> <li>Greater willingness to partner</li> </ul>	 Costs
 <b>Staff</b>	<ul style="list-style-type: none"> <li>Lower recruitment costs</li> <li>Lower retention costs</li> </ul>	 Recruitment Costs Training costs
 <b>Financiers</b>	<ul style="list-style-type: none"> <li>Lower borrowing costs</li> <li>Better repayment conditions</li> <li>Higher price earnings ratio</li> </ul>	 Cost of Equity Cost of Debt
 <b>Regulator</b>	<ul style="list-style-type: none"> <li>More invitations to tender</li> <li>Greater propensity to award</li> </ul>	 Revenue Long term growth
 <b>Media</b>	<ul style="list-style-type: none"> <li>Influencing the attitudes of direct stakeholders</li> </ul>	 Revenue
 <b>Public</b>	<ul style="list-style-type: none"> <li>Influencing the attitudes of direct stakeholders</li> </ul>	 Costs of Public action

Brand & Business value

# Brand Valuation for ‘Commercial’ Purposes

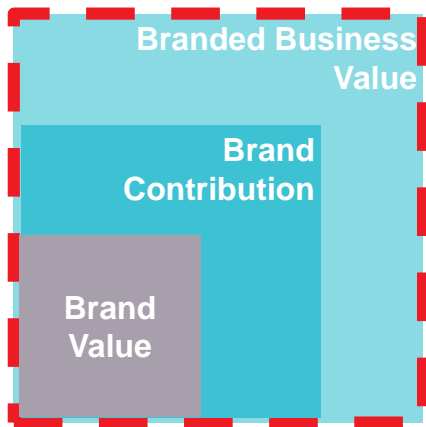
Understanding the value of brand contribution and the effect on branded business value are more or less the only relevant type of valuation for commercial purposes



- What do marketers/brand managers really want when they ask for a ‘brand’ valuation?
- Typically, they want to:
  - Understand the overall economic value brought to the business by the brand (brand contribution)
  - Create a planning framework for long term strategic marketing investment
  - Understand the possible impact of these strategies on brand and business value.
  - Demonstrate the brand impact on business value (bottom line performance) supports ROI analysis and speaks to a financial audience.
- Therefore a ‘trademark’ valuation is NOT of any commercial benefit (except for licensing purposes)

# Branded Business Review and Valuation

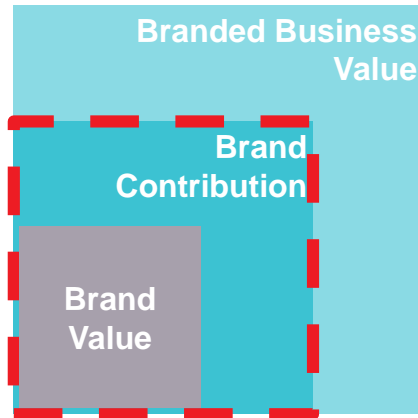
The first stage of a brand valuation for commercial purposes is **ALWAYS** to understanding the context of the business in which the brand operates.



- Understand the key drivers of the market in which the brand operates
- Understand the size of the market
- Understand the branded business
  - Review market research data
  - Business segmentation (geographic / product / and/or other)
  - Due diligence (marketing, financial, legal)
  - Business strategy
  - Risks / Opportunities / Threats
  - Understand the key drivers of the business
- **Calculate the value of the branded business (DCF, Multiples)**

# Brand Contribution Analysis

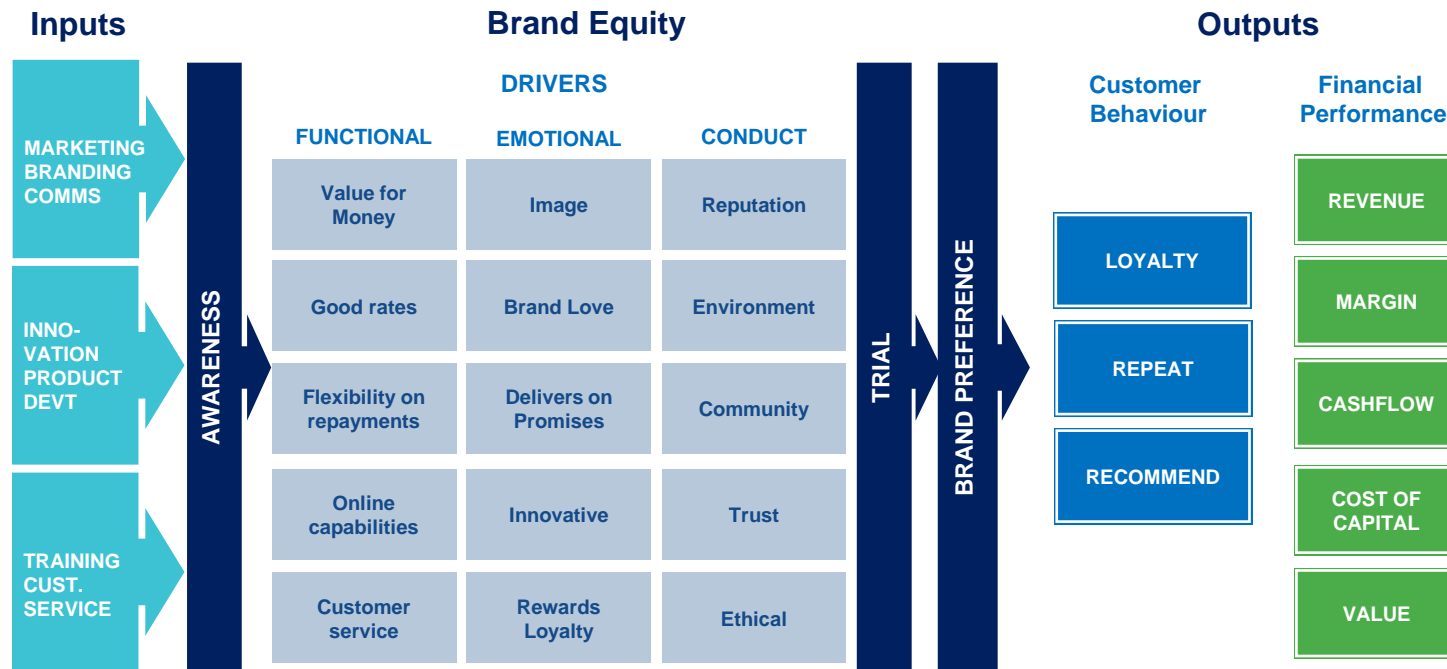
Understanding the total economic benefit derived by the business from its brand.



- Brand contribution captures the impact on business value of the choices faced by clients e.g.:
  - VI refreshes,
  - A new marketing campaign,
  - Branch openings/closures
  - Brand architecture/rebranding decisions
- Isolating what the change in business value will be as a result of these decisions is extremely difficult,
- However, it provides Brand Finance with a unique capability to help clients make strategic and operation decisions

# Strategic Framework For Value Based Marketing

The brand contribution framework provides a basis for strategic decision making purposes



Illustrative

# Brand contribution approaches

There are two key approaches we can use to analyse the brand's contribution for strategic marketing purposes

## 1. Value Drivers Analysis

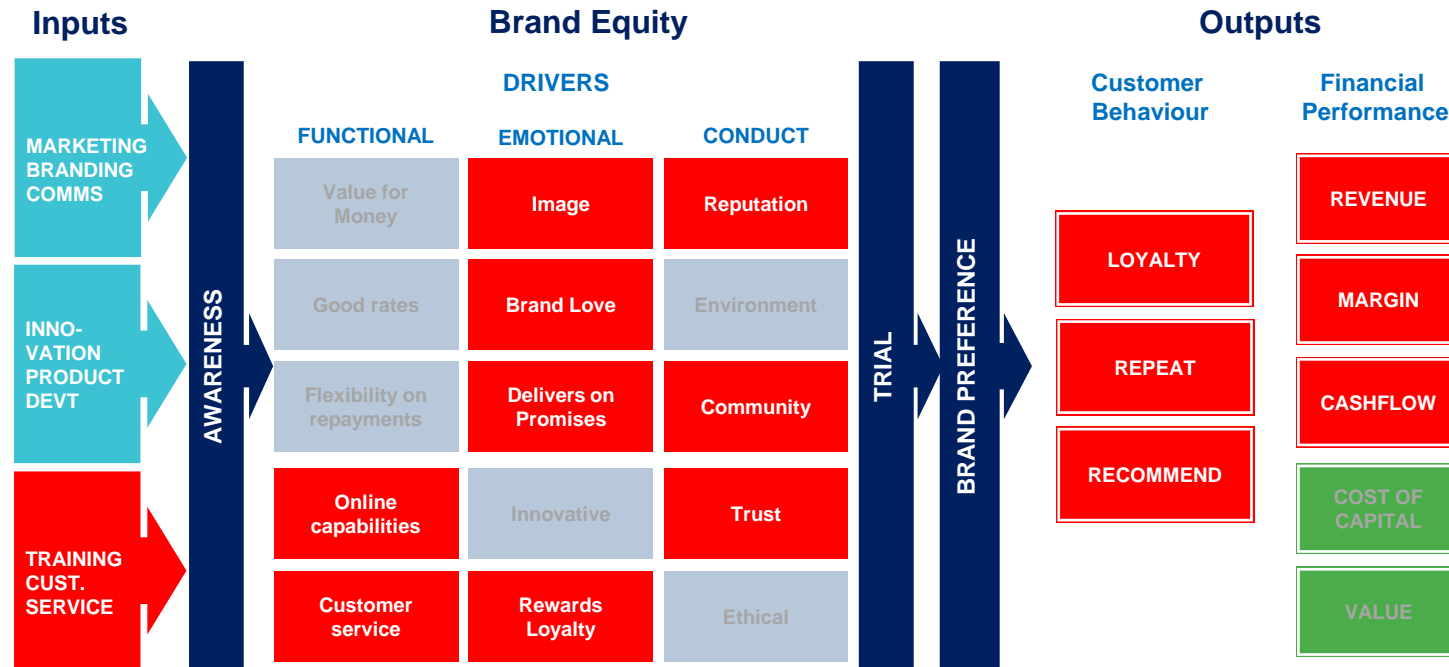
- **Understand the drivers of preference** and the performance against each attribute across the competitor set
- **Calculate the relative importance weighting** of these preference drivers to a dependant variable (such as 'Preference')
- **Calculate a change in brand perception's impact on overall preference and business performance** using reasonable assumptions (share of preference = share of market) or econometrics
- A relationship is derived between brand preference drivers (i.e. customer service) and customer behaviour (i.e. acquisition).

## 2. Conjoint Analysis

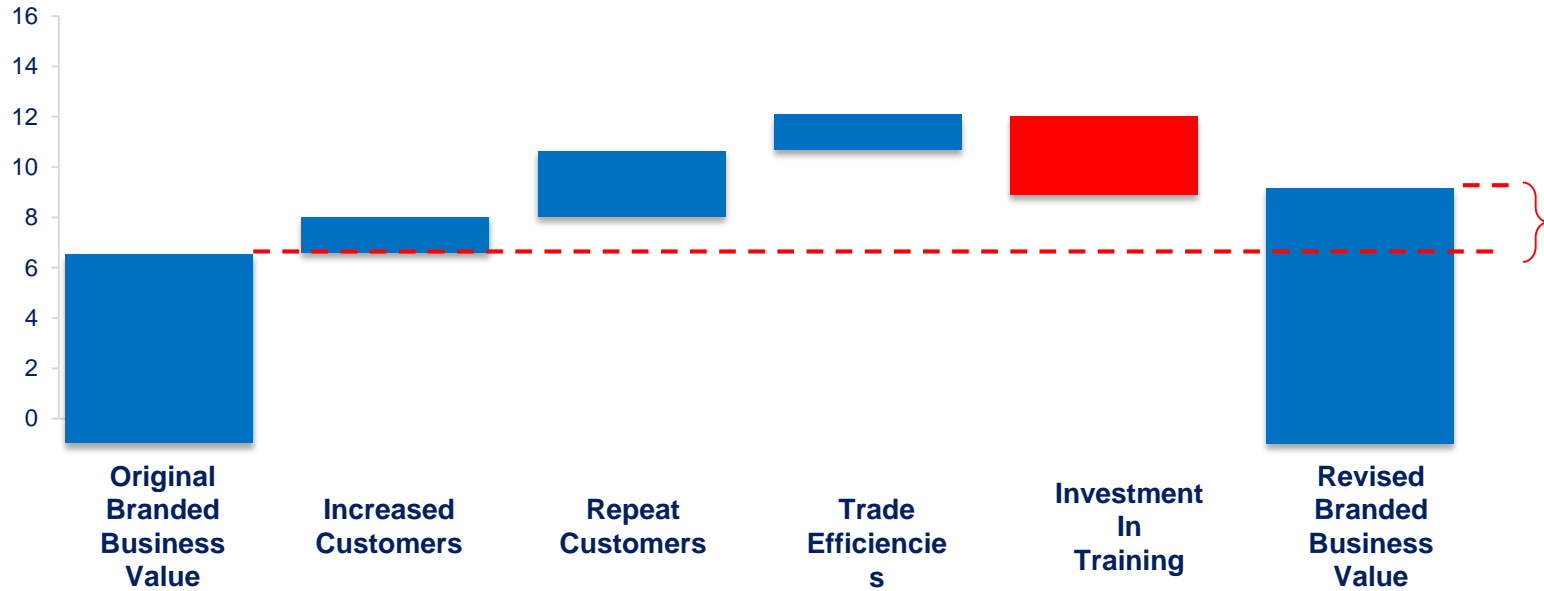
- Use **choice based research to estimate the impact of product attributes** (incl. brand) on share of preference or market share.
- **Apply impact to the P&L to isolate the Brand Contribution** by comparing notional P&Ls with and without brand
- This would usually require primary market research to be conducted



# Example: Investment in training and customer service

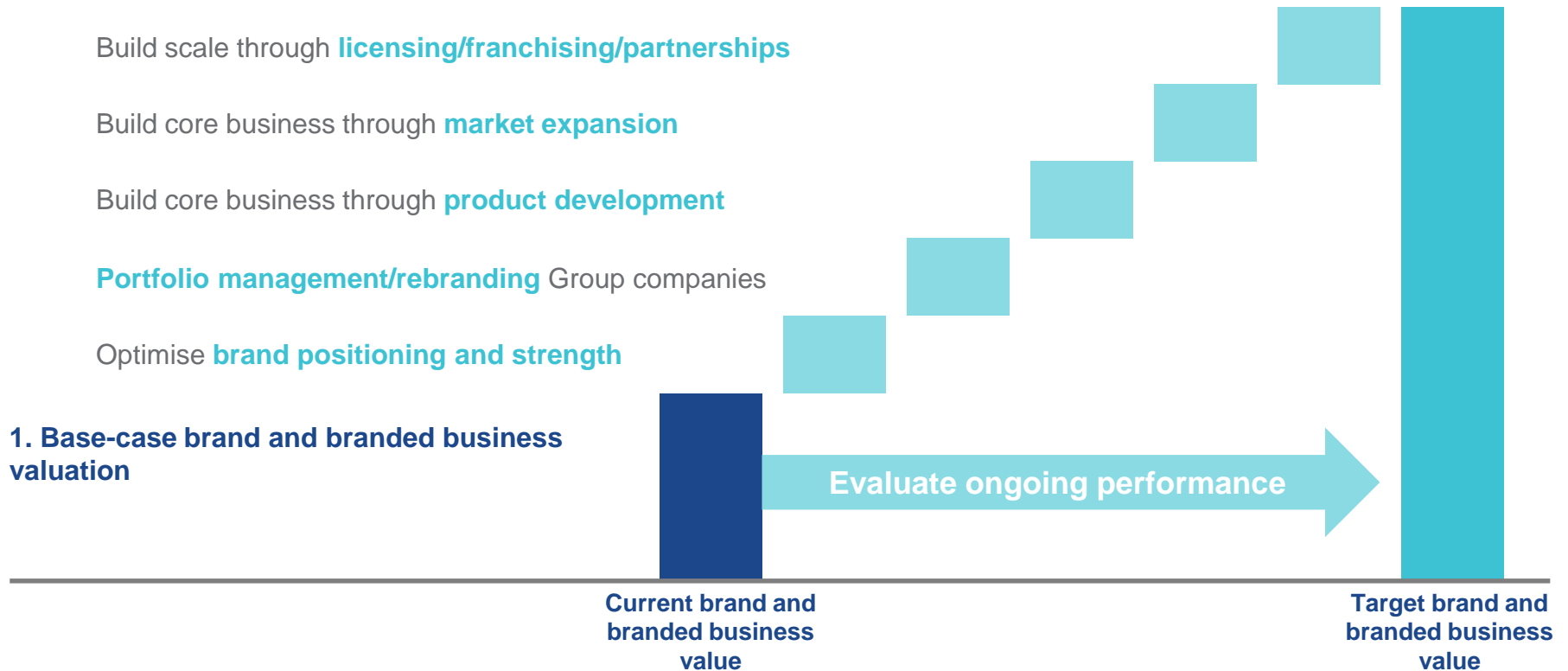


## Example: Investment in training and customer service



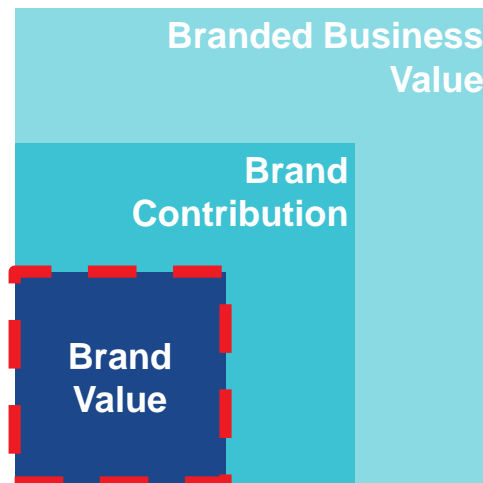
# Brand Valuation For Strategic Purposes

## Strategic growth framework for using brand to drive business



# Brand Valuation for ‘Technical’ Purposes

“Brand value” shows the value of the transferrable asset but NOT the total value a brand brings to the company



## Definition of brand:

- IAS 38 defines intangible assets as an identifiable non-monetary asset without physical substance.
- To be identifiable the asset must be separable (capable of being sold or transferred) or arise from contractual or legal rights (even if non-transferable).

## Applications:



Balance Sheet



Tax



Litigation



Joint Ventures



Financing



M&A

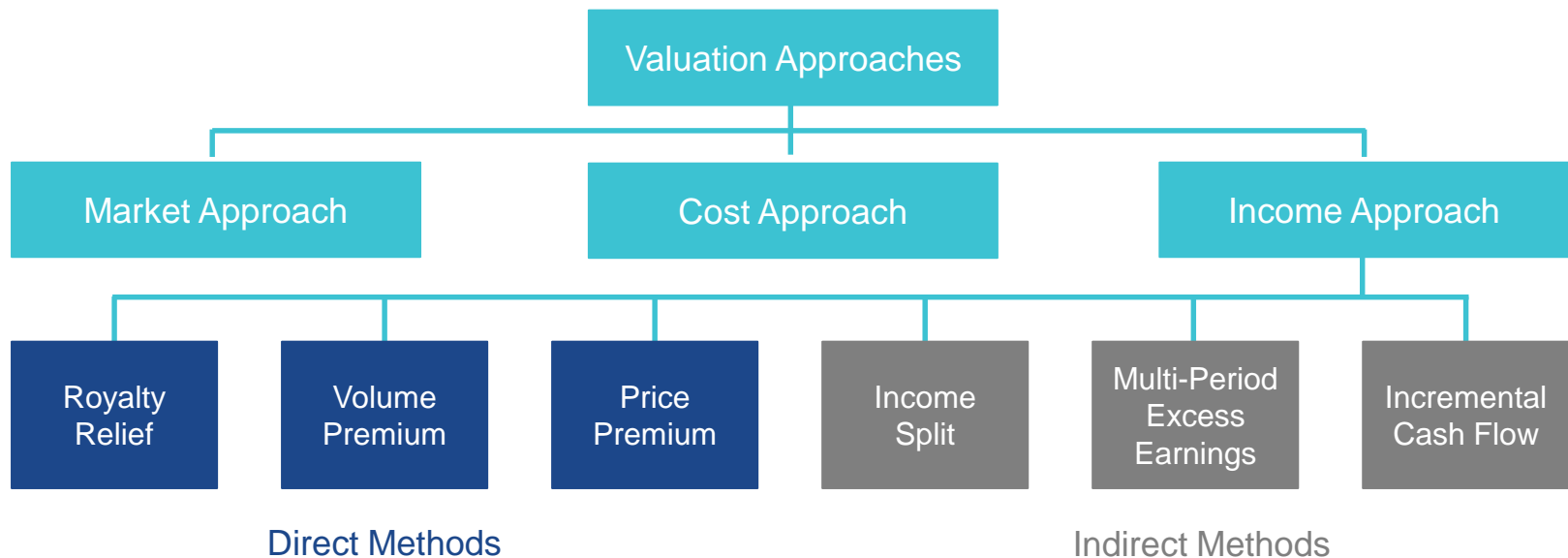


Investor Relations

# ISO 10668 – Brand Valuation Methods

Brand valuation boils down to forming an opinion on the proportion of income from the branded business to use in the specific asset valuation

- ISO 10668 allows any one of the six methods:



## Contact us

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Brand Finance is the leading brand valuation and strategy firm,  
helping companies to manage their brands for improved business results.

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