

ISO Technical Committee 289 Brand Evaluation and Valuation

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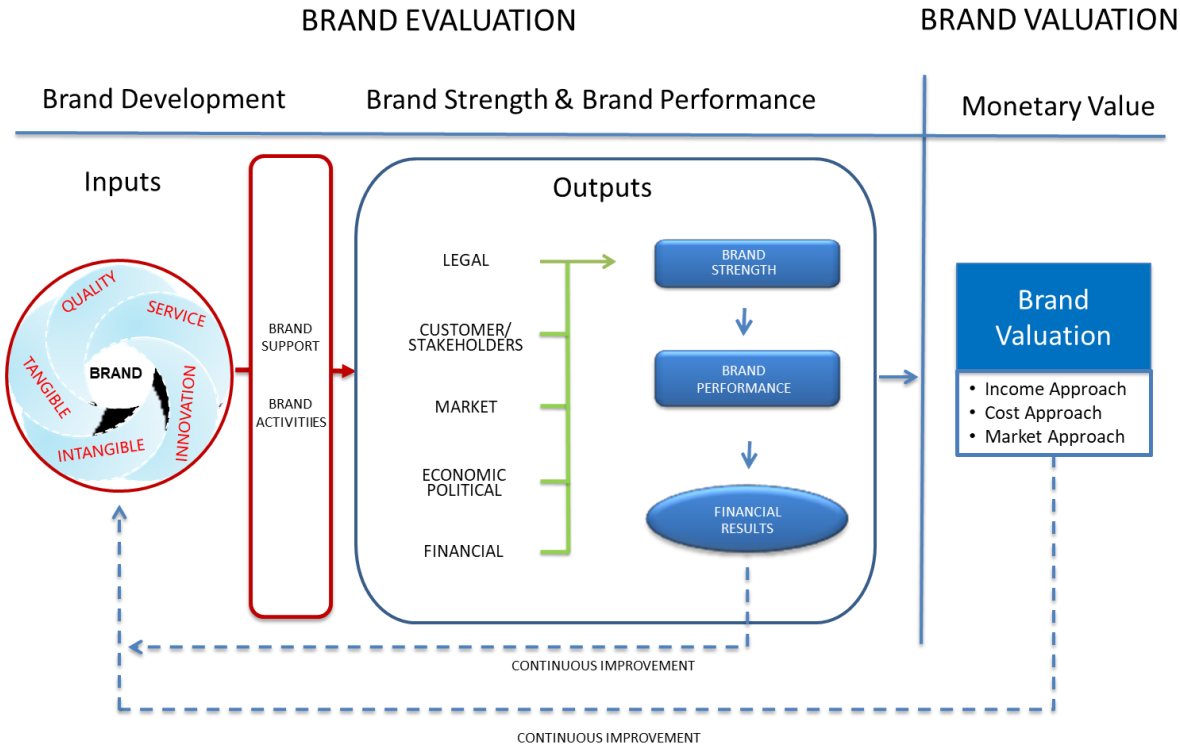
Marketing Accountability Standards Board
of the Marketing Accountability Foundation

Lack of Global Brand Standards Disadvantages Marketing

- **Every other corporate discipline has evaluation standards they can draw upon for management support**
 - **Finance – IASB International Financial Reporting Standards**
 - **Operations – ISO 9001 Family of Quality Measurement Standards**
 - **IT – ISO/IEC 20000 Information Technology, ISO/IEC 27000 Information/Network Security**
 - **HR - ISO 30400 Human Resource Management Family of Standards**
- **Compliance with these standards ‘lock in’ resource commitments for measurement/maintenance of assets while marketing budgets face constant threat of being cut**

'Meta-Standard' Framework

ISO DIS:20671 BRAND EVALUATION FRAMEWORK



Lack of Global Brand Standards Disadvantages Marketing

- **What is needed is a legitimate family of Global Brand Evaluation/Valuation Standards for Marketing**
- **And we are creating them....**
 - **ISO/DIS 20671 - Brand Evaluation Meta-standard**
 - **ISO 10668 Brand Valuation - Requirements for monetary brand valuation**
 - **ISO/AWI 23353 Brand Evaluation - Geographical indication**
 - **ISO/AWI PAS 24051 Guidance for Annual Brand Evaluations**

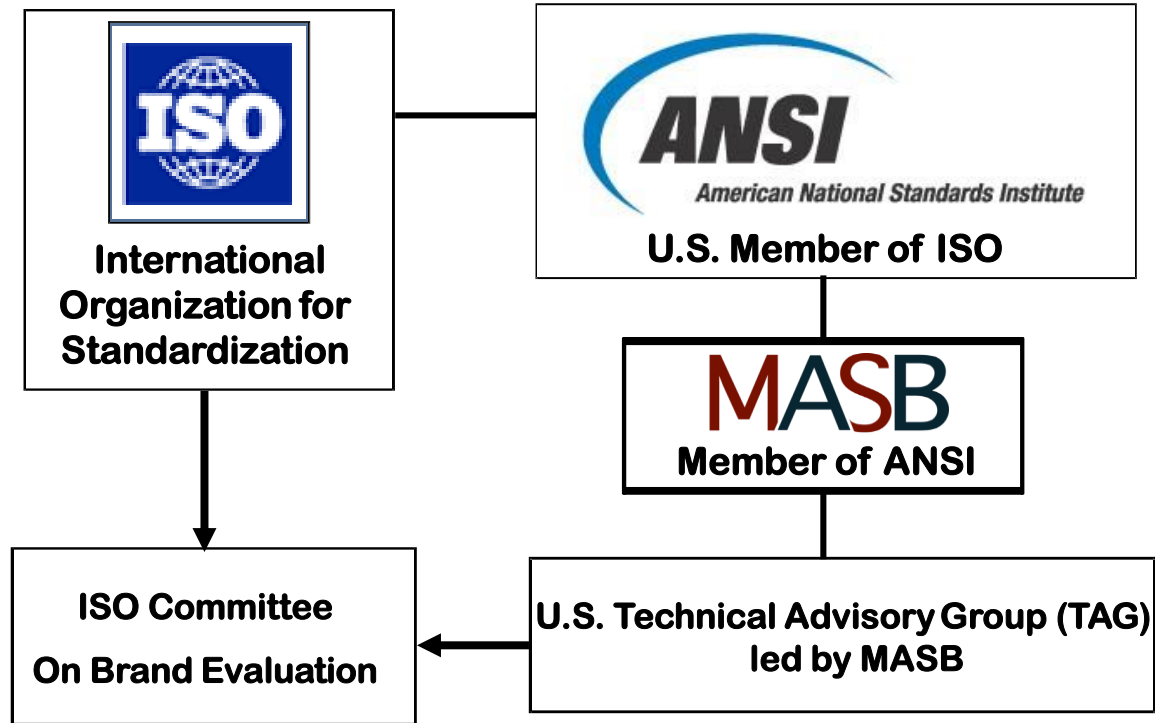
ISO Background



International Organization for Standardization

- **Founded in 1947, ISO's scope covers any and all possible standardization subjects not addressed by IEC or ITU**
- **The ISO is a non-government organization and network of the national standards institutes of countries, one member per country, with the ISO Central Secretariat located in Geneva, Switzerland**
- **ISO has 164 member countries. The ISO member organization from each country is the organization that best represents that country's national standards system. In many cases, especially with developing countries, the ISO member is a government agency**

Summary of Organizational Relationships



ISO Technical Committee 289 Brand Evaluation Participants

Secretariat

- China (SAC)

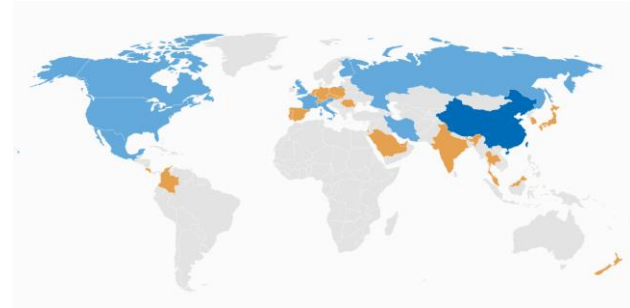
Participating Countries (12)

- Austria (ASI)
- Barbados (BNSI)
- Canada (SCC)
- China (SAC)
- Finland (SFS)
- France (AFNOR)
- Italy (UNI)
- Iran, Islamic Republic of
- Mexico (DGN)
- Russian Federation (GOST R)
- United Kingdom (BSI)
- **United States (ANSI/MASB)**

Observing Countries (23)

- Bahrain (BSMD)
- Belgium (NBN)
- Colombia (ICONTEC)
- Costa Rica (INTECO)

- Czech Republic (UNMZ)
- Germany
- India (BIS)
- Israel (SII)
- Japan (JISC)
- Korea, Republic of (KATS)
- Malaysia (DSM)
- Malta (MCCAA)
- Netherlands (NEN)
- New Zealand (SNZ)
- Poland (PKN)
- Portugal (IPQ)
- Romania
- Saudi Arabia (SASO)
- Singapore (SPRING SG)
- Slovakia (SOSMT)
- Spain (AENOR)
- Switzerland (SNV)
- Thailand (TISI)
- United Arab Emirates (ESMA)



What is ISO 20671 – Brand Evaluation?

- **Meta-standard which sets the framework and set of principles for rigorous, regular brand evaluations (valuations)**
- **Covers all brand types**
- **Systemic review of marketing metrics, internal financials, environmental factors, and processes**
- **Referred to as marketing's 'Golden Ticket' – opens dialog with corporate leadership on the contribution of branding to enterprise value**
- **Global in reach – created through participation of national standard boards coordinated by ISO Technical Committee 289**
- **Works in parallel with ISO 10668 – Brand Valuation**

Brand Evaluation

Brand evaluation refers to the measurement of the value of a brand using relevant indicators that assess the impact of the brand on customers/users.

Brand evaluation includes both non-monetary and monetary considerations.

Brand Value Briefing – New York May 31

- **Briefing on ISO 20671 Standard**
 - Primarily focused on annual brand valuation requirement
- **Seven major brands represented**
 - Confidentiality offered
- **Helps fulfill feedback responsibility to ANSI/ISO**
 - We are official ANSI designee in this area
- **“Astonishing” learning**
 - None of the brands represented in the room currently attempt to value their brands
- Individual post meeting discussions on-going
- Consolidated feedback informed working group at Plenary

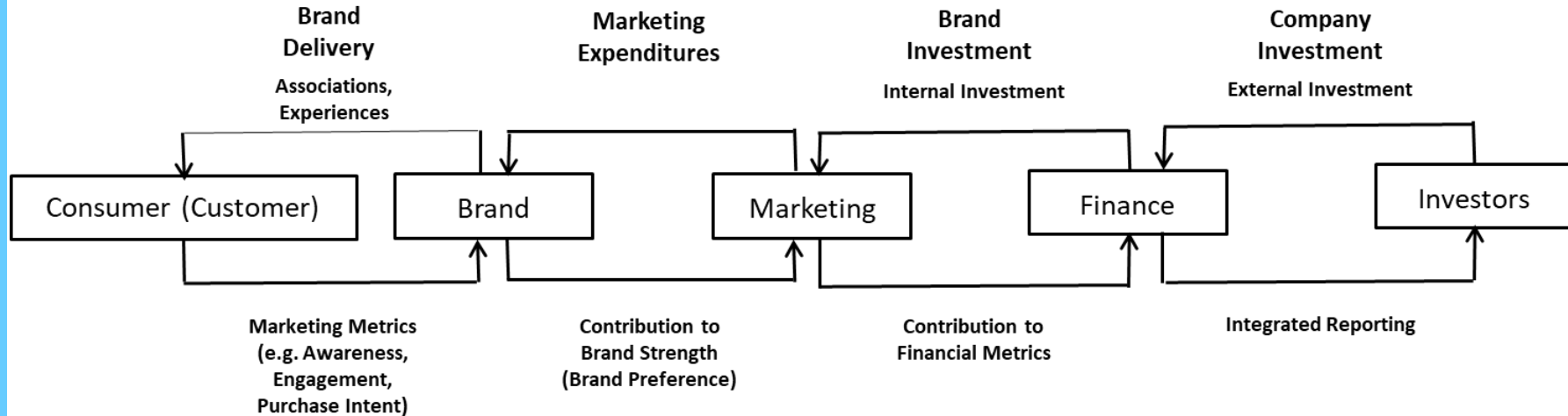
Plenary Hosted at Forbes on Fifth – June 24-27



Next Step: Implementation of 'Guidelines'

- **MASB/ANSI proposed a new working item**
- **Complements ISO 20671 framework through more:**
- **Akin to MASB Brand Investment and Valuation principles, it will provide prescriptive guidelines for conducting the reviews**
 - **Complete Systems View of Marketing**
 - **Recommended main metrics**
 - **Types of brand valuation**
- **Creation of the guidelines is primary working group item and may initially be released by MASB/ANSI as a national standard**

Systems View of Marketing Accountability



What are Recommended Dimensions/Attributes

Consumer/Other Stakeholder Dimension

- **Brand Awareness**
- Brand Loyalty
- Brand Perceived Value
- Brand Purchase Intent/Consideration
- Brand Relevance
- Willingness to Recommend the Brand
- **Brand Preference**
- **Category specific drivers of consumer choice**

Market Dimension

- Share of Mind
- **Share of Unit Volume**
- **Share of Dollar Volume**
- Share of Requirements
- % ACV Distribution of offline retail outlets carrying branded products/services
- % ACV Distribution of online retail outlets carrying branded products/services
- **Price Premium vs Category/Competition**

Financial Dimension

- Net Margin
- Unit Velocity
- Revenues
- **Net Brand Related Cash Flow**
- Profit/EBITDA

Legal Dimension

- **Ownership and Stewardship of Intellectual Property**
- Regulatory Compliance

Economic and political dimension

- **Interest Rates**
- Supports and Barriers to Trade
- Cultural Congruence

Type of Brand Valuation to be Included?

1. **Fair (Market) Value** is an estimate of the market value of a property, based on what a knowledgeable, willing, and unpressured buyer would likely pay to a knowledgeable, willing, and unpressured seller in the market
2. **Enterprise Contribution Value** is an estimate of the present value of future net cash flows which an entity would receive from owning and using the brand
3. **Real Options Value** is an estimate of the present value of costs that may be avoided in launching new products and services under the existing brand versus creating a new brand
4. **Book/Transaction Value** is the value of the brand carried on financial statements from an acquisition and is typically periodically checked for impairment. This generally undervalues the brand and is typically not useful for brand management purposes

Next Step: World Brand Day or Week

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"Chinese Brands Day" set to nurture independently-owned brands

Xinhua | Updated: 2017-05-09 20:57



BEIJING -- The establishment of "Chinese Brands Day" will help independent brands, a senior official said Tuesday.

The State Council, China's cabinet, has approved a Chinese Brands Day, to be held on May 10 each year from this year. The first falls on Wednesday.

Influential brands are symbols of the overall competitiveness of companies and countries, and can help lead economic transition, according to Wang Dong, a senior official with the National Development and Reform Commission (NDRC), China's top economic planner.

Compared with developed countries, China is still short of globally influential brands but well equipped to accelerate brand development, Wang added.

Chinese Brands Day will publicize brands owned independently by Chinese companies, tell the stories of the brands and raise brand recognition, according to Wang.

- Next plenary meeting to be held in China in May adjacent to “Chinese Brand Day”
- CBD now high-profile event where Chinese companies “tell the stories of” and “raise recognition” for their brands
- ISO TC289 considering sponsoring worldwide day or week to do same globally

Discussion

- How can we approach taking on guidelines to attract more participation?
- When told that “all those published brand valuations are poppycock”, how do I respond?
 - These differences are result of different methodologies and different sources of public information
 - They are not done with brand owners’ input or access to internal financial and marketing metrics
 - We should encourage brand owners to conduct internal brand valuation exercises using best available information

Brand Valuation Prescriptive Example

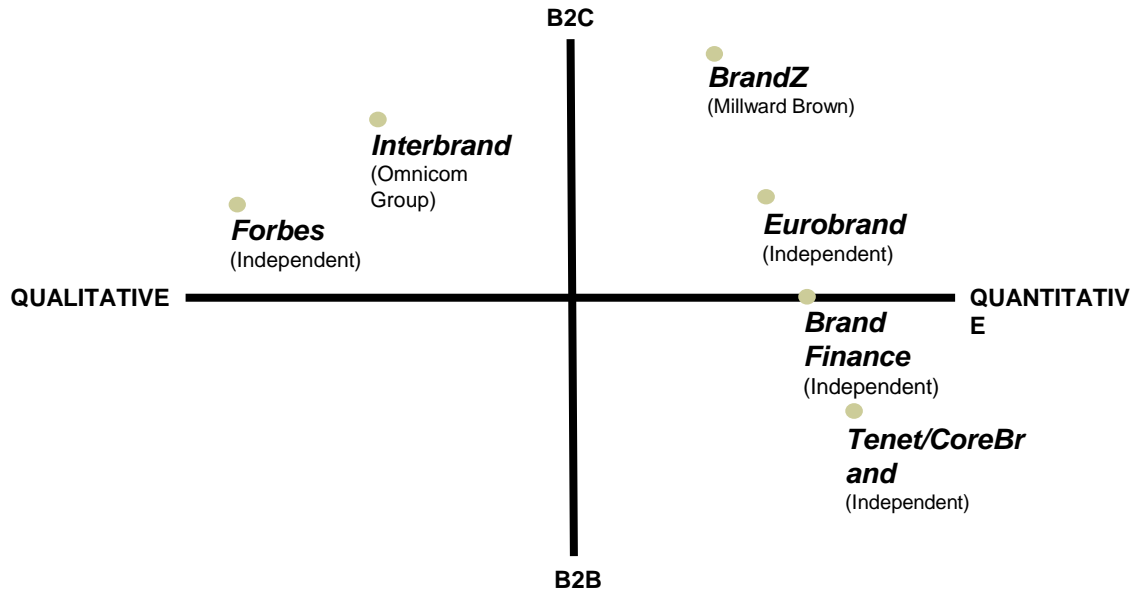
- Brand(s) owner is interested in first steps on brand evaluation
- MASB references an array of qualified brand valuers
- Brand owner runs test project to understand the various approaches
- MASB provides further direct guidance on alignment with ISO 20671 and ISO 10668 and any future precedents

Public Value Tables Follow Different Methods

	BrandZ	Brand Finance	Core-Brand	Euro-Brand	Forbes	Interbrand
Corporate Brands?	Yes	Yes	Yes	Yes	Yes	Yes
Sub-Brands?	Yes	Yes	No	No	Yes	Yes
Flagship Publication	100	500	100	100	100	100
Brands Valued (Annually)	500+	3,000+	850+	3,000	200	250+
Values Largest 100 Globally?	No	Yes	If US presence	Yes	US Presence	No
Regional Focus	Global	Global	US	Global	US	Global
Uses Revenue?	No	Yes	Yes	Yes	No	No
Uses Profits?	Yes	Yes	Yes	Yes	Yes	Yes
Uses Forecasts?	Yes	Yes	Yes	Yes	No	Yes
Considers Past Performance?	Undisclosed	Yes	Yes	Yes	Yes	Yes
Proprietary Research?	Quantitative	No	Quantitative	?	No	Qualitative
Valuation Method	Earnings Split	Royalty Relief	Proprietary	Royalty Relief	Proprietary	Earnings Split
External Validation		ISO & MASB	MASB	ISO		ISO

Source: MASB IFR Team Summer Summit Report 2018

Source/Type of Data Varies



Source: MASB IFR Team Winter Summit Report 2017

Comparison on Common Coverage Brands

- **22 Brands are covered by all 6 firms:**

Segment	Metric	Brand Finance	Interbrand	Forbes	Eurobrand	Brand Z	CoreBrand	Average
Brands covered by 6 firms	Average	14%	28%	18%	22%	24%	17%	20%
	Aggregate	18%	22%	19%	24%	36%	17%	22%
Brands covered by <6 firms	Average	22%	22%	22%	29%	42%	17%	25%
	Aggregate	14%	13%	11%	19%	21%	17%	16%

- **43 brands are covered by at least 4 firms**
- **The average brand is valued at 23.5% by minimum of 4 methodologies**

Deviation from Average	Brand Finance	Interbrand	Forbes	Eurobrand	Brand Z (MB)	CoreBrand
Average	-2%	-2%	-4%	3%	12%	-7%
Aggregate	-1%	-1%	-4%	1%	9%	-4%

BES Team Members

Team Leaders



Dave Stewart
LMU & TAG Chair



John Willard
TAG Vice-Chair

Team Heroes



Edgar Baum
Strata Insights



Bobby Calder
Northwestern



Brian Hamilton
DoubleCheck
Advertising

Staff



Frank Findley
MASB ED
Sponsor & TAG Admin



Tony Pace
MAF/MASB



Erich Decker-Hoppen
Communication

Thank-you!



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