

# What Is a Brand Really Worth?

A global standard can help executives understand how powerful an asset they have.



BASED ON INSIGHTS FROM

**Bobby J. Calder**

TRANSLATIONS

**English**

Português

Español

Every year, *Forbes*, Interbrand, BrandZ, and others publish lists of “the world’s most valuable brands.” The lists garner lots of media attention and give marketing experts something to argue about with their peers. But what does “brand value” really mean, and who should get to decide?

“It’s more of a public relations game,” says **Bobby J. Calder**, professor of marketing at the Kellogg School. “There isn’t a lot of rigor that goes into those rankings. There have always been attempts to measure the strength of a given brand, but we’ve never had standards for comparing brands or assigning an actual monetary value to a brand.”

Calder hopes to see that change. As head of the **International Standards Organization’s (ISO) Committee on Brand Evaluation**, he has been deeply involved in the effort to create agreed-upon methods for evaluating brands and determining the financial value of brands. For

example, what is the worth of that translucent apple on your computer or the swoosh on your running shoes?

And while he acknowledges that “brand value” may never appear on a balance sheet, Calder thinks there are plenty of benefits to calculating a number for such an important intangible asset, which is worth weighing along with known quantities like revenue when making strategy and investment decisions.

“Given the interest from boardrooms and investors, we think it makes sense for people to focus on putting a value on their brand when making decisions.”

## Two Benefits to Brand Valuation

For Calder, there are two main reasons why a company might want to determine the financial value of its brand.

First, having an accurate figure would help the company’s leadership decide how to manage a major asset. “Marketing has always been hard to manage from a corporate point of view,” Calder says. Even successful companies struggle to know how much to invest in their brands. Many, including Coca-Cola, have created a new global position, the ~~chief growth officer~~, to replace the CMO, a trend that suggests a broadening of the traditional approach to marketing leadership.

“Companies would do well to know how their brands compare to other assets,” he says. “That way they can manage for growth. At the very least, they should be smarter about making marketing investments.”

Reporting on a brand’s actual value may also attract investors. Just as investors of the past would put their faith in General Electric’s manufacturing capability or product quality, investors of the future might look to the value of a company’s brand as evidence of continued growth, even during periods of temporary decline.

“If investors can see a brand as one of the key assets underlying a company’s viability, they can make investment decisions that aren’t beholden to quarterly earnings,” Calder says. “Right now, there’s no reliable way to isolate brand strength for investment purposes, so what we need is a system of reporting that would allow investors to compare.”

Of course, there is always the possibility that a company’s brand valuation will come out lower than expected. But Calder believes that, on balance, there are more benefits than drawbacks to reporting on brand valuation—especially if it becomes the norm.

“In recent years there’s been a move towards integrated reporting,” he says. “Companies now report on CSR, sustainability, and many other performance measures. Why not include the strength of their brands? I would think of it as an opportunity.”

# From Idiosyncratic to Rigorous

So how *do* you put a value on a brand?

“People might think it’s impossible, that marketing is too inexact,” Calder says. “The perception is that marketing uses too many buzzwords. It’s like the Tower of Babel. Every year there’s a new set of terms and a new secret formula.”

In the past decade, however, there have been calls for a more rigorous approach. The Marketing Accountability Standards Board (MASB)—Calder serves on its advisory board—was launched in 2007 by a group of marketing scientists in response to mounting pressure to clarify some of the discipline’s fuzziness. And the mission has, to a certain extent, become a global phenomenon.

“At the ISO what we’re trying to do is set up a **standard nomenclature and standard methodologies**.”

One methodology, for example, involves determining how much the brand would be worth if it were licensed or sold. Just as you might price a home by looking at comparable homes in the same neighborhood, you assess a brand by comparing it to a similar one with a market value. (There is, after all, a tradition of valuing brands for purchase and licensing, but so far that has not extended to brands that companies grow themselves).

Another approach relies on various metrics having to do with consumer behavior. How often do consumers choose a given brand if they have a choice of brands, for example, and how big of a premium are consumers willing to pay for a brand? Those metrics are then linked to financial metrics like cash flow to arrive at a monetary value.

“If you can say that ten percent of your cash flow is due to brand performance, you end up with a financial number,” Calder says.

The ISO committee is working on a variety of methodologies, but there are a number of challenges, given that different organizations and countries favor different approaches.

“It’s still a work in progress,” Calder says. The first step is to develop a common framework and a language with which to move forward. “These standards don’t have to be as exact as those of electrical engineering, but they do need to cut through the jargon and be articulated in a way that allows consistent implementation. Of course, there will be customization depending on the industry. But the more comparability we get, the better off we are.”

## “No More Hocus Pocus”

Ultimately, Calder hopes that having standard methods by which to calculate brand value will put marketing executives on more solid ground when it comes to playing an expanded role in corporate planning and governance.

“CEOs have always thought of marketing as mysterious. ‘I know that fifty percent of my marketing budget is wasted,’ they’ll invariably say, ‘but I don’t know which fifty percent.’ They’re both afraid to cut back and risk-averse to investing more.”

An accurate brand valuation would help strip away some of this uncertainty. It would also allow a marketing team to prove—to others in the C-Suite, as well as investors—exactly how powerful of an asset they have created.

“There’s no more hocus pocus about it,” Calder says. “It’s either up or down. So marketing can be on an equal footing, rather than being perceived as squishy.”

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### FEATURED FACULTY

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#### **Bobby J. Calder**

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### ABOUT THE WRITER

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Drew Calvert is a writer based in Iowa City, Iowa.