

Gabriela Salinas

# The International Brand Valuation Manual

A complete overview and analysis  
of brand valuation techniques,  
methodologies and applications



**Título: “The International Brand Valuation Manual: A Complete Overview and Analysis of Brand Valuation Techniques, Methodologies and Applications”**

Autora: Gabriela Salinas

Año de publicación: 2009

Editorial: John Wiley & Sons, Ltd

ISBN: 978-0-470-74031-6 (impresión)

ISBN: 978-1-119-20640-8 (online)

DOI:10.1002/9781119206408

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A John Wiley & Sons, Ltd., Publication

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John Wiley & Sons Ltd, The Atrium, Southern Gate, Chichester, West Sussex, PO19 8SQ, United Kingdom

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Revised and updated from the original Spanish edition *Valoracion de Marcas: Revision de enfoques, metodologias y proveedores* published in 2007 by Ediciones Duesto, Barcelona.

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**Library of Congress Cataloging-in-Publication Data**

Salinas, Gabriela.

The international brand valuation manual : a complete overview and analysis of brand valuation techniques and methodologies and their application / by Gabriela Salinas.

p. cm.

Includes bibliographical references and index.

ISBN 978-0-470-74031-6 (cloth)

1. Branding (Marketing) 2. Brand name products. 3. Valuation. I. Title.

HF5415.1255.S35 2009

657'.7-dc22

2009004184

A catalogue record for this book is available from the British Library.

Set in 11 on 16 pt Trump Medieval by SNP Best-set Typesetter Ltd., Hong Kong  
Printed in Great Britain by TJ International Ltd, Padstow, Cornwall

To the memory of Ethan  
and all my loved ones . . .

# Contents

<b>LIST OF FIGURES AND TABLES</b>	<b>xiii</b>
<b>FOREWORD</b>	<b>xix</b>
<b>ACKNOWLEDGEMENTS</b>	<b>xxiv</b>
<b>INTRODUCTION</b>	<b>xxvi</b>
<b>1 THE CONCEPT AND RELEVANCE OF BRAND</b>	<b>1</b>
1.1 THE CONCEPT OF BRAND	1
1.1.1 <i>The accounting perspective</i>	2
1.1.1.1 <i>The brand as an intangible asset</i>	2
1.1.1.2 <i>Non-recognizable intangible assets: Internally generated brands</i>	4
1.1.1.3 <i>Trademark, brand and branded business</i>	5
1.1.2 <i>The economic perspective</i>	7
1.1.2.1 <i>Economic vs. accounting criteria</i>	7
1.1.3 <i>The management perspective</i>	8
1.1.3.1 <i>Brand and corporate reputation</i>	8
1.1.3.2 <i>Brand and visual identity</i>	11
1.1.4 <i>Brand, intangible assets and intellectual capital – Everyday vocabulary and conflated terms</i>	12
1.1.4.1 <i>Brand equity and intangible assets</i>	12
1.1.4.2 <i>Brand, intangible assets and intellectual capital</i>	14

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1.2	BRAND VALUE	18
	1.2.1 <i>What is brand value?</i>	18
	1.2.2 <i>How do brands create value?</i>	19
1.3	THE GROWING IMPORTANCE OF THE ECONOMIC VALUE OF BRAND	20
	1.3.1 <i>Business evidence</i>	20
	1.3.2 <i>Social evidence</i>	22
	1.3.3 <i>Economic evidence</i>	22
	1.3.4 <i>Normative and institutional evidence</i>	24
	1.3.5 <i>Academic evidence</i>	30
1.4	CONCLUSIONS	31
<b>2</b>	<b>THE ORIGIN AND EVOLUTION OF VALUATION METHODS</b>	<b>33</b>
2.1	THE ORIGIN AND EVOLUTION OF VALUATION METHODS	33
	2.1.1 <i>Origins: The series of acquisitions in the 1980s</i>	33
	2.1.2 <i>The first brand valuation: Rank Hovis McDougall</i>	35
	2.1.3 <i>The accounting conflict generated by brand capitalization</i>	36
	2.1.4 <i>Rapid development and applications</i>	37
	2.1.5 <i>Who values brands today?</i>	38
	2.1.6 <i>How do corporations use this tool?</i>	40
	2.1.7 <i>How do investment analysts use this information?</i>	41
	2.1.8 <i>How do other players use this information?</i>	43
2.2	CONCLUSIONS	45
<b>3</b>	<b>BRAND VALUATION METHOD AND PROCESS</b>	<b>47</b>
3.1	BRAND VALUATION PROCESS	47
	3.1.1 <i>What is brand valuation?</i>	48
	3.1.2 <i>The current debate: Why bother with brand valuation?</i>	48
	3.1.3 <i>The purpose of brand valuation</i>	50
	3.1.3.1 <i>Brand management</i>	51
	3.1.3.2 <i>Accounting purposes</i>	52
	3.1.3.3 <i>Internal or external transaction purposes</i>	52
	3.1.4 <i>Defining the scope of valuation and the concept of brand</i>	54

---

3.1.5	<i>Choosing an appropriate methodology</i>	54
3.2	CONCLUSIONS	56
<b>4</b>	<b>GENERAL APPROACHES TO BRAND VALUATION</b>	<b>57</b>
4.1	COST APPROACH	58
4.2	MARKET APPROACH	61
4.3	INCOME APPROACH	63
4.3.1	<i>Price premium</i>	65
4.3.2	<i>Royalty savings</i>	70
4.3.3	<i>Demand drivers/brand strength analysis</i>	82
4.3.4	<i>Comparison of gross margin with that of relevant competitors</i>	89
4.3.5	<i>Comparison of operating profit with that of relevant competitors</i>	91
4.3.6	<i>Comparison with theoretical profits of a generic product</i>	92
4.3.7	<i>Cash flow or income differences with a benchmark company (“subtraction approach”)</i>	94
4.3.8	<i>Present value of incremental cash flow (the company’s value “with” and “without” brand)</i>	95
4.3.9	<i>Free cash flow (FCF) less required return on other non-brand-related assets</i>	96
4.3.10	<i>Excess earnings</i>	96
4.3.11	<i>Company valuation less value of net tangible assets</i>	102
4.3.12	<i>Real options</i>	103
<b>5</b>	<b>BRAND VALUATION METHODS AND PROVIDERS</b>	<b>109</b>
5.1	ABSOLUTE BRAND	110
5.2	AUS CONSULTANTS	112
5.3	BBDO	117
5.3.1	<i>Brand Equity Evaluation System (BEES)</i>	118
5.3.2	<i>Brand Equity Evaluator®</i>	121
5.3.3	<i>“Brand Equity Valuation for Accounting” (BEVA)</i>	126
5.4	BRANDIENT	129
5.4.1	<i>Brandient’s model based on demand driver analysis</i>	129
5.4.2	<i>Brandient’s model based on royalty savings</i>	131

---

5.5	BRANDECONOMICS	132
5.6	BRAND FINANCE	144
	5.6.1 <i>Royalty savings</i>	145
	5.6.2 <i>Earnings split</i>	147
5.7	BRANDMETRICS	151
5.8	BRAND RATING	158
5.9	CONSOR	164
	5.9.1 <i>Royalty savings model based on Valmatrix® analysis</i>	165
	5.9.2 <i>ValCALC® model (excess earnings)</i>	167
	5.9.3 <i>BVE<sub>Q</sub><sup>TM</sup> model (core brand value plus the value of incremental efficiencies)</i>	168
	5.9.4 <i>Residual approach (market cap less the value of tangible assets)</i>	170
5.10	DAMODARAN'S VALUATION MODEL	171
5.11	FINANCIAL WORLD	174
5.12	FUTUREBRAND	179
5.13	GFK-PWC-SATTTLER: ADVANCED BRAND VALUATION MODEL	184
5.14	HERP'S MODEL	192
5.15	HIROSE MODEL	193
5.16	HOULIHAN ADVISORS	207
5.17	INTANGIBLE BUSINESS	209
5.18	INTERBRAND	215
	5.18.1 <i>Interbrand's multiplier model ("Annuity" model)</i>	216
	5.18.2 <i>Interbrand's discounted cash flow model</i>	222
5.19	KERN'S X-TIMES MODEL	232
5.20	LEV'S INTANGIBLES SCOREBOARD	234
5.21	MILLWARD BROWN OPTIMOR	236
5.22	MOTAMENI AND SHAHROKHI'S GLOBAL BRAND EQUITY VALUATION MODEL	250
5.23	PROPHET	257
5.24	REPENN'S BRAND VALUATION MODEL (SYSTEM REPENN)	260
5.25	SANDER'S HEDONIC BRAND VALUATION METHOD	262
5.26	SATTTLER'S MODEL	265
5.27	SEMION	267
5.28	SIMON AND SULLIVAN'S STOCK PRICE MOVEMENTS MODEL	270
5.29	THE NIELSEN COMPANY: BRAND BALANCE SHEET AND BRAND PERFORMANCE	274

5.29.1	<i>The Nielsen Company: Brand Balance Sheet</i>	275
5.29.2	<i>The Nielsen Company's Brand Performance</i>	277
5.30	TROUT & PARTNERS	281
5.31	VILLAFANE & ASSOCIATES' COMPETITIVE EQUILIBRIUM MODEL	284
5.32	OTHER BRAND VALUATION PROVIDERS AND MODELS	289
5.33	CONCLUSIONS	293
<b>6</b>	<b>A TAXONOMY OF BRAND VALUATION METHODS</b>	<b>295</b>
6.1	BY USE OF FINANCIAL OR NON-FINANCIAL INDICATORS	295
6.2	BY APPLICATION OR POSSIBLE OBJECTIVES	296
6.3	CLASSIFICATION PROPOSED BY BBDO	297
6.4	CLASSIFICATIONS BASED ON MIXED CRITERIA	299
6.5	BY INTENDED UNIVERSALITY OF THE CALCULATED VALUE	300
6.6	BY ITS NATURE OR ORIGIN (ACADEMIC VS. COMMERCIAL)	301
6.7	BY APPROACH EMPLOYED (COST, MARKET AND INCOME)	303
6.8	BY METHOD OF DETERMINING THE PROPORTION OF INCOME OR REVENUES ATTRIBUTABLE TO BRAND	307
6.8.1	<i>Demand driver analysis</i>	309
6.8.2	<i>Ratio of loyal consumers to total consumers</i>	309
6.8.3	<i>Price premium</i>	309
6.8.4	<i>Excess earnings</i>	309
6.8.5	<i>Royalty rates</i>	312
6.8.6	<i>Operating profits comparison</i>	312
6.8.7	<i>Comparison with theoretical earnings yielded by a generic product</i>	316
6.8.8	<i>Comparison of the cash flows of branded and unbranded companies</i>	316
6.8.9	<i>Difference in price to sales ratios</i>	316
6.8.10	<i>Economies of scale</i>	316
6.8.11	<i>Differences in cash flow with a benchmark company</i>	316
6.8.12	<i>CVH (Conjoint Value Hierarchy)</i>	318
6.8.13	<i>Free cash flow less required return on assets other than brand</i>	319
6.8.14	<i>Arbitrary constant coefficients</i>	319

6.8.15	<i>Competitive equilibrium analysis</i>	319
6.8.16	<i>Equations based on accounting data</i>	321
6.9	BY METHOD OF "REPRESENTING BRAND RISK"	321
6.9.1	<i>Comparison of models by representation of brand risk</i>	321
6.9.2	<i>Classification by representation of brand risk</i>	322
6.10	BY METHOD OF "REPRESENTING THE BRAND'S GROWTH AND USEFUL LIFE"	327
6.10.1	<i>Classification by representation of the brand's useful life and long-term growth</i>	330
<b>7</b>	<b>THE CURRENT SITUATION</b>	<b>331</b>
7.1	GENERAL TRENDS IN BRAND VALUATION	331
7.1.1	<i>Proliferation of proprietary methods and brand valuation firms</i>	333
7.1.2	<i>Lack of understanding and credibility among brand valuation users</i>	335
7.1.3	<i>Commercial and academic concentration in Anglo-Saxon countries</i>	337
7.1.4	<i>Increasing professionalism in the sector and sophistication of brand valuation techniques</i>	338
7.1.5	<i>Growing convergence between marketing specialists and corporate finance experts</i>	338
7.1.6	<i>Widespread use of certain models among practitioners</i>	339
7.1.7	<i>Financial validity vs. widespread usage of models among practitioners</i>	341
7.1.8	<i>Worlds apart: the academic and practitioners' realms</i>	343
7.1.9	<i>The third world: "black box" methods</i>	343
7.1.10	<i>Vast inconsistency in the application of various brand valuation techniques</i>	344
7.1.11	<i>Differences in implementation</i>	345
7.1.12	<i>Diversity and divergence of results yielded by different methods</i>	346
7.1.13	<i>Determining useful life</i>	347
7.1.14	<i>Determining discount rates</i>	348
7.2	COMMON ERRORS AND MISCONCEPTIONS IN BRAND AND INTANGIBLE ASSET VALUATION	350
7.2.1	<i>Conceptual errors</i>	350

---

7.2.2	<i>Errors in management</i>	356
7.2.3	<i>Errors in interpretation</i>	358
7.3	CONCLUSIONS	359
<b>8</b>	<b>IS CORPORATE BRAND VALUATION POSSIBLE?</b>	<b>363</b>
8.1	WHAT IS "CORPORATE BRAND," AND IS IT THE SAME AS "CORPORATE REPUTATION?"	364
8.2	WHY VALUE CORPORATE BRANDS?	365
8.3	METHODOLOGICAL OPTIONS PROPOSED FOR CORPORATE BRAND VALUATION	366
8.4	MODELS BASED ON THE CONCEPT THAT "CORPORATE BRAND OR REPUTATION" ADDS VALUE TO PRODUCT BRANDS	369
8.4.1	<i>Association-Affinity Model</i>	369
8.4.2	<i>Critique</i>	372
8.4.3	<i>Model based on demand analysis</i>	373
8.4.4	<i>Critique</i>	374
8.5	MODEL BASED ON THE COMPANY VALUE'S SENSITIVITY TO VARIATIONS IN "CORPORATE BRAND OR REPUTATION" VALUE	376
8.5.1	<i>Assumptions</i>	376
8.5.2	<i>Empirical development</i>	379
8.5.3	<i>Theoretical model</i>	381
8.5.4	<i>Critique</i>	386
8.6	COREBRAND'S MODEL FOR MEASURING THE PERCENTAGE OF MARKET CAPITALIZATION ATTRIBUTABLE TO CORPORATE BRAND	388
8.6.1	<i>Brand Power<sup>TM</sup> Analysis</i>	389
8.6.2	<i>ROI Analysis</i>	390
8.6.3	<i>Brand Equity Valuation Model</i>	390
8.6.4	<i>Stock performance forecast</i>	391
8.6.5	<i>Critique</i>	392
8.7	CONCLUSIONS	395
<b>9</b>	<b>THE FUTURE OF BRAND VALUATION</b>	<b>397</b>
9.1	THE PROSPECT OF METHODOLOGICAL CONSENSUS: STANDARDIZATION VS. AFFINITY OF APPLICATIONS AND METHODS	397
9.2	FUTURE TRENDS IN THE SUPPLY AND DEMAND OF BRAND VALUATION SERVICES	399
9.3	ACCOUNTING USERS: FINANCIAL OFFICERS' DISCOMFORT	402

9.4	MARKETING SPECIALISTS: USING VALUATION PRUDENTLY AND FOUNDING A NEW LANGUAGE COMPATIBLE WITH FINANCE	403
9.5	REGULATORS: BEHIND THE SCENES, BUT WITH GREAT CONFIDENCE	404
	<b>REFERENCES</b>	<b>406</b>
	<b>INDEX</b>	<b>414</b>

# List of Figures and Tables

## Figures

Figure 1.1	Corporate brand as reputation	9
Figure 1.2	Different perspectives on the meaning of <i>brand equity</i>	14
Figure 1.3	Intellectual capital model for Skandia	17
Figure 1.4	Relationship between intellectual capital and brand	17
Figure 1.5	Evidence of the growing importance of intangible assets and brands	20
Figure 1.6	Which institution is the most trusted?	22
Figure 1.7	Market value breakdown for selected indices	23
Figure 1.8	S&P 500 book-to-market ratio, 1982 to 2003	24
Figure 1.9	Rise in investments in intangible assets in the US as percentage of GDP	25
Figure 2.1	Goodwill as percentage of the acquisition price in M&A transactions in the 1980s	34
Figure 2.2	Number of valuation methods developed annually from 1962	39
Figure 2.3	Elements of intellectual property, according to capital market players	44
Figure 3.1	Evolution of the number of brand league tables published since 2000	49
Figure 3.2	Transactional purposes: internal and external transactions	52
Figure 4.1	“Bundle of Brand Rights” theory	77

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Figure 4.2	Analysis of the brand's contribution, treating brand as an independent attribute that influences the perception of the other attributes	84
Figure 4.3	Analysis of the brand's contribution, treating brand as an independent variable that does not influence the perception of other attributes	85
Figure 4.4	Revenue Ruling 68-609	99
Figure 4.5	Valuation in conformity with Revenue Ruling 68-609	99
Figure 4.6	Tree diagram used in real options analysis	106
Figure 5.1	BEES® model	120
Figure 5.2	BEE® model	122
Figure 5.3	The BBDO Five-level Model®	124
Figure 5.4	BBDO and Ernst & Young's BEVA model	128
Figure 5.5	General components of the BrandEconomics model	133
Figure 5.6	The role of EVA in the BrandEconomics model	135
Figure 5.7	Relationship between brand health and financial performance based on BAV and EVA Databases	136
Figure 5.8	The four pillars of brand health	137
Figure 5.9	The "Power Grid" of brand health	138
Figure 5.10	Impact matrix of BAV vs. intangible value	140
Figure 5.11	BrandEconomics® brand valuation model	143
Figure 5.12	Royalty savings Brand Finance valuation model	146
Figure 5.13	"Earnings split" Brand Finance valuation model	148
Figure 5.14	Four components of the BrandMetrics brand valuation model	152
Figure 5.15	Dilution percentages by sector	154
Figure 5.16	BrandMetrics brand valuation calculation: brand profit "curve"	156
Figure 5.17	Icon value-added iceberg	159
Figure 5.18	Brand Rating brand valuation model	162
Figure 5.19	Consor valuation model	167
Figure 5.20	Analysis of brand contribution	181
Figure 5.21	FutureBrand methodology	183
Figure 5.22	Revenue effect attributable to brand	186
Figure 5.23	Importance of risk drivers	189
Figure 5.24	Model for measuring brand equity GfK – PricewaterhouseCoopers – Sattler	191
Figure 5.25	HVA Asset taxonomy	207
Figure 5.26	Intangible Business model	210
Figure 5.27	Determination of the royalty rate	212
Figure 5.28	Interbrand's alternative brand valuation models	215
Figure 5.29	"S-curve" and the determination of brand multiplier in the Interbrand model	220
Figure 5.30	Kern's model	233
Figure 5.31	Millward Brown Optimor: three components of brand valuation	237

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Figure 5.32	Calculation of brand contribution with the BrandDynamics™ Pyramid	241
Figure 5.33	Regional variations in brand strength: brand contribution metric for Nokia	242
Figure 5.34	BrandDynamics™ Pyramid	246
Figure 5.35	Voltage™ and changes in market share	248
Figure 5.36	Application of the Global Brand Equity model	256
Figure 5.37	Prophet brand valuation process	258
Figure 5.38	Saleable value according to System Repenn	261
Figure 5.39	Sander's Hedonic brand valuation method	264
Figure 5.40	Principal elements of Sattler's Model	266
Figure 5.41	Semion brand value outline	269
Figure 5.42	Brand Balance Sheet brand value criteria	276
Figure 5.43	Modules of The Nielsen Company's "Brand Balance Sheet" model	277
Figure 5.44	Brand Monitor: "Brand Performance" brand value criteria	278
Figure 5.45	Modules of The Nielsen Company's "Brand Performance" model	280
Figure 5.46	Villafañe Competitive Equilibrium Model	285
Figure 6.1	Myers' brand valuation model classification	296
Figure 6.2	Classification of models by applications	297
Figure 6.3	Characteristics of different categories of brand valuation models according to BBDO	298
Figure 6.4	Classification of models according to BBDO	298
Figure 6.5	Roos' brand valuation model classification	301
Figure 6.6	Academic, commercial and hybrid methodologies	302
Figure 6.7	Classification of brand valuation methodologies by approach	304
Figure 6.8	Distribution of methods by valuation approach	305
Figure 6.9	Classification of brand valuation models by method of determining the proportion of earnings or revenue attributable to brand	307
Figure 6.10	Providers and principal methods of calculating brand contribution to income	308
Figure 6.11	Classification by representation of risk	327
Figure 6.12	Classification by representation of useful life and expected long-term growth	330
Figure 7.1	Distribution by provider type	335
Figure 7.2	Reasons for not carrying out a brand valuation (sample: 79 companies)	336
Figure 7.3	Distribution of brand valuation models by country	337
Figure 7.4	Methods most commonly used by practitioners	340
Figure 7.5	Validity vs. widespread commercial usage	342
Figure 7.6	The worlds of academics and practitioners	343

Figure 7.7	The degree of consistency of various techniques used to determine profits or income attributable to brand	345
Figure 7.8	Comparison of 2004 brand valuation estimates for Microsoft and GE calculated by Predictiv, Interbrand and Corebrand (in US\$ billion)	346
Figure 7.9	Comparison of 2005 brand valuation estimates for Toyota, Samsung and Apple calculated by Interbrand, Millward Brown Optimor and Vivaldi Partners (in US\$ billion)	347
Figure 8.1	Brand contribution analysis	374
Figure 8.2	Reputation-beta relationship	380
Figure 8.3	Reputation-required return relationship	382
Figure 8.4	Impact of corporate brand by industry	391
Figure 8.5	CoreBrand corporate brand valuation model	392
Figure 8.6	Comparison of CoreBrand's corporate brand value estimates and Interbrand's product brand value estimates	395

**Tables**

Table 4.1	Example of residual development cost	60
Table 4.2	Royalty savings method – Valuation of trademark	72
Table 4.3	“Reasons-to-buy” analysis	83
Table 4.4	Allocating income among assets	101
Table 5.1	AbsoluteBrand model	110
Table 5.2	AUS Consultants model	112
Table 5.3	Trademark valuation based on free cash flows less the required return on other non-brand-related assets (“DCF-based technique”)	114
Table 5.4	BBDO model	117
Table 5.5	Brandient model	129
Table 5.6	BrandEconomics model	132
Table 5.7	Brand Finance model	144
Table 5.8	BrandMetrics model	151
Table 5.9	Brand Rating model	158
Table 5.10	Conсор model	164
Table 5.11	Damodaran model	171
Table 5.12	Financial World model	174
Table 5.13	Financial World valuation methodology – Gillette brand value estimate (1995)	178
Table 5.14	FutureBrand model	179
Table 5.15	Benchmarking analysis	182
Table 5.16	GfK-PwC-Sattler model	184
Table 5.17	ABV Valuation model	190

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Table 5.18	Herp's model	192
Table 5.19	Hirose model	194
Table 5.20	Original example presented in the "Hirose Report"	202
Table 5.21	Modified example for a company with sustained growth	204
Table 5.22	Houlihan Advisors model	207
Table 5.23	Houlihan Valuation Advisors brand value calculation (\$000 USD)	208
Table 5.24	Intangible Business model	209
Table 5.25	Intangible Business model components	211
Table 5.26	Analysis of relative brand strength: selecting a benchmark	211
Table 5.27	Analysis of relative brand strength: calculation of the BSA Index	212
Table 5.28	Market analysis in the Intangible Business model	213
Table 5.29	Application of the Intangible Business model	214
Table 5.30	Interbrand model	215
Table 5.31	Brand strength analysis in the Interbrand model	219
Table 5.32	Brand value calculation in the Interbrand model	220
Table 5.33	Brand strength specific attributes or evaluation criteria by factor	228
Table 5.34	Relationship between Brand Strength Index, Multiples and Discount Rates in the Interbrand model	229
Table 5.35	Kern's x-times model	232
Table 5.36	Intangibles Scoreboard model	234
Table 5.37	Millward Brown Optimor model	236
Table 5.38	Application of Millward Brown Optimor brand valuation methodology	244
Table 5.39	Motameni and Shahrokhi model	250
Table 5.40	Prophet model	257
Table 5.41	System Repenn	260
Table 5.42	Sander's Hedonic brand valuation method	262
Table 5.43	Sattler's model	265
Table 5.44	Semion model	267
Table 5.45	Simon and Sullivan model	270
Table 5.46	The Nielsen Company model	274
Table 5.47	Trout & Partners model	281
Table 5.48	Villafañe & Associates model	284
Table 6.1	Different methods of demand driver analysis for the determination of brand profits	310
Table 6.2	Millward Brown Optimor's method of determining income attributable to brand	312
Table 6.3	Methods of calculating brand profits based on price premium	313
Table 6.4	Variations of the excess earnings method used to determine brand earnings	314

## xviii / LIST OF FIGURES AND TABLES

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Table 6.5	Methods of calculating brand earnings through royalty relief	315
Table 6.6	Methods of calculating brand earnings compared with theoretical earnings of a generic product	317
Table 6.7	Methods of calculating brand cash flow through comparison with theoretical cash flow of a generic product	318
Table 6.8	Methods of calculating brand profits through differences in price/sales ratios	318
Table 6.9	Methods that apply CVH to calculate profits attributable to brand	319
Table 6.10	Methods of calculating brand profit as free cash flow less return on assets other than brand	320
Table 6.11	Methods based on arbitrary constant coefficients	320
Table 6.12	Equations based on accounting data	322
Table 6.13	Classification of methods by their approach to “brand risk”	323
Table 6.14	Classification by method of representing long-term brand growth and useful life	328
Table 8.1	Corporate brand contribution and association	370
Table 8.2	Corporate brand contribution calculation	375
Table 8.3	Selected portfolios	379
Table 8.4	Results of the beta vs. reputation regression	381
Table 8.5	Simulation for a hypothetical case	384
Table 8.6	CoreBrand’s estimation of “Brand Equity Values”	393

# Foreword by David Haigh, Chief Executive Officer, Brand Finance PLC

I first met Gabi Salinas in late 2003 when she was working at Futurebrand in New York. I was struck by her passion for the subject of brand valuation and her already extensive knowledge of brand valuation techniques, which were proliferating rapidly at the time.

Gabi has an enquiring and analytical mind with an amazing capacity for hard work. Her approach is logical and academically rigorous. She always wants to open the bonnet of any brand valuation approach and see how the engine works. She is then remarkably good at explaining in words of one syllable what she has found. Some approaches turn out to be Ladas while others are Rolls Royces.

I naturally took the first opportunity to recruit Gabi into Brand Finance. She joined us in early 2004, as Managing Director of Brand Finance Iberia. We have worked on many

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technical and brand strategy projects together and I miss the enjoyable debates we used to have about brand contribution, brand drivers analysis, brand values and what it all means. She left Brand Finance in early 2008 to join Deloitte as global brand manager to apply her wide ranging knowledge of brands and branding to the Deloitte corporate brand. Brand Finance's loss is Deloitte's gain.

During Gabi's time with Brand Finance I encouraged and supported her desire to understand more about the increasingly complex world of brand valuation. Brand Finance joined the Institute of Intangibles in Spain, which is one of the leading institutions to explore all aspects of intangible assets, including their valuation. Gabi was invited to research the many available brand valuation techniques, which provided a good opportunity to further her academic work.

She later teamed up with Tim Ambler, associate Professor of Marketing at the London Business School, to compile a taxonomy of brand valuation methodologies.

Gabi used her time well, compiling an incredibly thorough inventory of the major, and many of the minor, approaches to brand valuation. This book is the product of her labors and is an invaluable summary of the many and varied brand valuation approaches which have been developed in the last 20 years.

Since brand valuation first hit the headlines in 1988, when Interbrand valued Hovis as part of RHM's takeover defence against GFW, an industry has been created. I jointly ran

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Interbrand's brand valuation practice until leaving in 1996. At that time there were very few commercial providers of brand valuation services. The Big 4 accounting firms regarded the subject as a black art and generally avoided it. Management consultancies and market research firms were not interested. Internal valuation teams did not aspire to value brands. How things have changed. Now everyone seems to be at it. This is exciting because it means our work has been recognized as something worthwhile. But it is also frightening given the confusion and contradiction which prevail.

Gabi's excellent work is therefore extremely timely. It indicates just how many providers have sprung up and how many alternative methods are out there, both academic and commercial. It meets the highest standards of academic rigor in cataloging, sourcing and critiquing all approaches featured in the book.

Caveat emptor is the underlying subtext of Gabi's magnum opus. She has objectively and clearly elaborated how each of the different approaches works, with an explanation of the steps in conducting each one and the pros and cons. Her work can be used as a 'What Car?' guide to what is available in the global market for brand valuation.

She has also discussed in helpful terms how the next 20 years might see brand valuation techniques move away from fragmented proprietary techniques towards a consensus over the approaches and methods used by all brand valuation practitioners. In fact her work highlights the need for a global standard-setting body to help this process along.

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This may become more pressing in the next few years as demands grow for companies to value all their intangible assets, including brands, on an annual basis, rather than just on acquisition. The Australian accounting standards body recently released a discussion paper calling for just such a move. This approach challenges the “prudence concept” and the “historical cost convention” most accountants so admire. It may never get anywhere. But then that is what accountants were saying about brand valuation 20 years ago and look where we are today!

If this trend becomes irresistible it is crucial that intangible asset and brand valuation techniques are consistent, robust and widely accepted. What is at stake is the credibility of the newly created brand valuation industry with its growing audience of users and consumers, from tax authorities, courts, auditors, bankers and investors to management and their Boards of Directors.

As Gabi rightly points out there is a pressing need for harmonization of terms, assumptions, approaches and methods of brand valuation. In fact, the International Standards Organization has commissioned a global committee to develop an ISO Global Standard for brand valuation which will hopefully be released in 2010. Gabi and I both sit on that committee and it is gratifying to see that brand valuation practitioners are now working together to limit the differences which Gabi has illustrated so well in this book.

I am sure that for academics, students and practitioners in the field of brand valuation this will be a “must read” book and a “must have” technical reference manual. For those managers

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interested in acquiring a detailed technical knowledge of the subject before embarking on a brand valuation study, this will be an invaluable source of reference. It makes the task of briefing a brand valuation professional infinitely simpler. I commend it to anyone with a serious interest in the subject. It is extremely easy to read, reflect on and absorb. 20 years experience is now summarized in one easy reference book.

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# Acknowledgements

I would firstly like to thank my translator, Emily Toder, for the infinite patience, professionalism and enthusiasm she showed throughout the preparation and editing of this work.

I would also like to thank Marta Lorenzo, Global IFRS Offering Services at Deloitte, for her assistance with several concepts included in Chapter 1.

Special thanks to Carlos Martínez Onaindia, from the Global Brand Development Team at Deloitte, who has contributed a great deal to the design of the cover for this book.

David Haigh, CEO of Brand Finance plc, has provided invaluable comments that have vastly improved the presentation of different ideas throughout the book. I will be forever indebted to the wonderful professionals at Brand Finance who fostered the perfect environment for learning, challenging, and discovery.

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At Deloitte, I found the perfect environment for continuous growth and development. Heartfelt thanks to all my colleagues and superiors for encouraging me to always be “one step ahead.”

Several colleagues have been kind enough to comment on previous works that have served as the framework for this manuscript. I would like to thank Tim Ambler from London Business School, Roger Sinclair from BrandMetrics, Luis Miguel Bernardos, Eva Toledo, Elise Fournier, Karla Anguiano and Carla Jaquez for this attention.

Claire Plimmer and her associates at Wiley have been very supportive and patient during the editing process. It has been a pleasure to work with such a professional team.

Last but not least, special thanks to Paul, Elena and José for being there, and for offering never-ending patience and support at every step along the way. And finally to Issy, a little miracle who has changed my life marvelously ...

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# Introduction

When I first began working in the field of brand valuation, with a division at one of the world's biggest ad agencies, I longed for some sort of manual that could guide me through various methods and intelligently explore their respective advantages and disadvantages. That sentiment is what prompted a long intellectual journey through which I have come to know the work of many authors, mostly North American and British, in search of clear, "black and white" references to valuation methodologies and the possible errors contained therein. In 2001, I came upon *Company Valuation* by Professor Pablo Fernández, a wide-ranging work on company valuation, with an extraordinary profound, sincere, clear and detailed treatment of brand valuation. Later on I had the great fortune to meet Pablo Fernández, and it was he who, in 2004, encouraged me to begin working on this book, on which I have now spent four and a half years.

In 2005, on the cusp of the new accounting standards that would impose the estimation of the Fair Value of Intangible Assets (the brand among them), greatly exposing the vast lack

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of consensus surrounding the various methods of determining this value, the Institute for the Analysis of Intangibles decided to fund research on brand valuation methods as part of a broader investigation into intangible resource and other asset valuation. I had the great honor of collaborating with the Institute on a module of this project, which entailed reviewing and evaluating different methodologies as a preliminary step towards proposing a reasonable and agreed-upon valuation methodology. With the support of the Institute, I was able to complete and augment the research I'd begun in 2004, upon which this book is based.

This work thoroughly and extensively reviews and critiques the principal brand valuation methods, and accurately depicts the current state of the brand valuation industry, with the objective of establishing criteria for the classification and assessment of the various existing models.

Many scholars and experienced professionals in the field may already be very familiar with the methodologies discussed. The novelty of this book does not lie in the presentation of innovative or different methodologies, but rather in the description, analysis and exhaustive critique of all the methodologies that have been developed to date, as well as the review of major trends in the theory and practice of brand valuation today. The goal – and I hope I have met it – was to produce a reliable reference book for “one-stop” consultations, that could efficiently and meaningfully introduce all valuation professionals to the various methods developed and practised all over the world. It is crucial that specialists be familiar with their options before advising clients on which methodology to employ, or adopting one themselves.

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The nine chapters of this book address the different issues surrounding current and historic brand valuation methodologies and models. Chapter 1 reviews the concept of “brand” and its relevance in today’s world from economic, accounting and business perspectives. Reviewing the variable interpretations of this term is fundamental for understanding later chapters, and being comfortable with the premises on which valuation methods are based. Chapter 2 discusses the origin and evolution of brand valuation techniques. Chapter 3 outlines the principal elements and components of brand valuation models. Chapter 4 carefully explores general approaches to brand valuation and lays the groundwork for the index of proprietary models reviewed in Chapter 5. Chapter 6 presents various proposals for classifying those models, discusses the relevant criteria for their classification and proposes new criteria; these are then referenced in the analysis of trends, convergence and divergence of brand valuation methods examined in Chapter 7. Chapter 8 introduces corporate brand valuation, a new issue in the field that has awoken great interest in the wake of the “corporate reputation” craze. Chapter 8 also examines the differences between the concepts of corporate reputation and corporate brand, and reviews several models developed for their valuation, analyzing their respective advantages and disadvantages. Finally, Chapter 9 presents various questions and predictions for the future of brand valuation.

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