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Measuring Brand Value

1. The Lowdown

Brand valuation is regarded by many marketers as potentially offering the long-elusive definitive “proof” of the business value of marketing’s brand-focused efforts. Conceptually, it certainly seems logical to think of the measurement of the change in the value of brand assets as a tangible, definitive measure of marketing’s financial impact. Unfortunately, achieving a viable measure of brand value has proven to be just as elusive. Current research indicates that the most widely used current approaches to brand valuation offer mixed and conflicting assessments. Rather than attempting to use asset creation as the basis for measuring marketing’s financial impact, marketers should first ensure that their brand initiatives can be credibly linked to cash flow-related financial measures, such as revenue and margin.

2. Why do I need to know about it?

More than ever before, today’s marketers are finding themselves increasingly responsible for demonstrating the financial outcomes of their brand strategies and initiatives. Brand valuation has generated much discussion inside and outside of the marketing community as a possible means to this end. Knowing the potential pitfalls of brand valuation will help you put the approach into the proper perspective with alternative approaches to marketing assessment.

3. Where to start?

While brand valuation may at first glance appear to be a promising, finance-centric approach to measuring marketing impact, it is not without significant risk. The process of establishing a credible value for an intangible asset such as a brand is rife with thorny issues of definition, methodology, repeatability, and consistency. If you are considering brand valuation as a means of measuring marketing performance, keep the following in mind:

1. Develop a specific definition of brand valuation relevant to your organization.
2. Create a framework that represents your organization’s view of how brand value drives financial outcomes, e.g.:
 - a. increased pricing leverage
 - b. increased customer loyalty
 - c. increased purchase frequency
3. Engage stakeholders within and outside of marketing to ensure the brand valuation definition and framework have sufficient credibility and viability throughout the organization. In this process, be open to alternative approaches that may prove easier to implement and that resonate more readily with senior management and finance.



4. The thing to remember is...

1. There is currently no generally agreed-upon approach to brand valuation. Attempts to use any given brand valuation survey as proof of the financial value of marketing is a strategy that will likely be strongly challenged by your organization's financial gatekeepers.
2. Multiple factors impact any brand valuation number, many of which are beyond the marketer's control. Marketing is better served building its financial case with metrics that more directly assess the value that marketing delivers to the business, e.g., more customers, greater retention of customers, more revenue per customer, and more margin per dollar.
3. First things first: focus on establishing a credible approach for assessing the impact of marketing on the three major drivers of business value: profit, growth, and risk. Seek to demonstrate how marketing drives cash flows. Until this is established, any attempt to link marketing's contribution to asset creation will likely be met with skepticism, if not outright rejection.

Related Resources

Interested in learning more about measuring brand value? The following resources may be of interest:

1. [My Brand's Bigger Than Your Brand - How NOT to Get Caught in the Brand Valuation Trap](#)
2. [Taking Full Credit When Harvesting Brands](#)
3. [Brand Value Management: The Achilles Heel of Many Risk Management Systems](#)

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