

Technical Note: Brand Value and Valuation

Brand valuation is the process of estimating the financial value of a brand. The valuation of brands as intangible assets emerged in the 1980s, when brands were first capitalized on post-M&A balance sheets. Brands are also valued for non-reporting purposes, such as:

- investing in and managing the brand
- setting internal transfer prices to optimize international tax liabilities
- setting rates for brand licensing agreements
- co-branding revenue splits
- measuring brand investment returns.

What are Brands?

The *International Organization for Standardization (ISO 10668)*¹ defines brands as “marketing-related intangible assets including, but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities”. This is considered *brand identity* and includes registered trademarks, such as the brand name and logo, as well as proprietary trade dress (e.g., colours, scents, shapes, or sounds). For example, *Tiffany* trademarked its robin's-egg blue (denoted by the Pantone hue “1837 Blue” to commemorate its founding year); *Hasbro* registered the scent of *Play-Doh*; the *Toblerone* chocolate bar has a trademark for its triangular shape, as does *Coca-Cola* for its fluted, curvy glass bottle; and *T-Mobile* has a trademark for its distinctive ringtone.

ISO 10668 further states that brands are in the service of “creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits/values.” This source of intangible value is considered the *brand image*.

Are Brands Assets of Value?

An asset is a resource that the business controls and from which future economic benefits are expected to flow. Tangible assets are physical or monetary. Fixed tangible assets include property, plant and equipment. Current tangible assets include inventory, accounts receivables and cash. Intangible assets are non-monetary, non-physical assets that are nevertheless identifiable (owned and separable from the business).

Brands are intangible assets. They include trademarks and associated intellectual property such as domain names and brand guidelines. Other intangible assets include customer assets (e.g., contractual relations), artistic works, patents and technology, and acquired goodwill (the amount paid for a company in excess of the fair market value of its net assets).

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