

Brand Valuation and ISO 10668

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Brand Valuation exercises help in detecting the strengths and weaknesses of the brand, helping companies to distinguish between strong brands and weak brands and allocate resources in the most appropriate way. This article reviews brand valuation in the light of new ISO standard – 10668 which sets out the requirements for procedures and methods of monetary brand value measurement.

“If this business were split up, I would give you the land and bricks and mortar, and I would take the brands and trade marks and I would fare better than you.”

—John Stuart
 Chairman of Quaker (ca.1900)

A brand is a name, logo, slogan and/or design scheme associated with a product or service. It often includes a logo, fonts, colour schemes, symbols and sounds which may be developed to represent implicit values, ideas and even a personality.¹ The most fundamental function of a brand is to enable the consumers to distinguish the products produced by one enterprise from that of the other.

It is possible to argue that the majority of business value is derived from brands.² They have the potential to generate revenue for years to come. Through their associations with the consumers, brands create a significant economic impact. They initiate future purchases by influencing the choices of customers, employees and government authorities. The consumer's awareness and perception about the company's brands reflect the bottom line of the company. In a way, it represents the reputation and goodwill acquired by the business and is therefore, used as a marketing tool by the companies.

Nowadays, the words “trade mark” and “brand” are used synonymously. According to the report of the

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1 Brand Valuation, <http://www.brandvaluation.co.uk/Brand-Valuation-Issues/What-is-brand-valuation-11.html>

2 Jan Lindermann, Brand Valuation: The Financial Value of Brands http://www.brandchannel.com/papers_review.asp?sp_id=357

Accounting Standards Committee, a trade mark is a subset of a far wider concept of brand. A trade mark is a distinctive sign or indicator of some kind which is used by an individual, business organisation or another legal entity to allow consumers to identify the source of its products and services and to distinguish uniquely its products from those of other entities. It helps in communicating its uniqueness to the consumer.³

Need For Brand Valuation

The term brand value can have various definitions according to the context in which it is used. In some contexts, it can mean the financial value of the brand. Otherwise, it can refer to the value of one of the attributes that contribute to the value of the brand. Such attributes may include brand awareness, familiarity, relevance, heritage and understanding.

Brand Valuation exercises help in detecting the strengths and weaknesses of the brand, helping companies to distinguish between strong brands and weak brands and allocate resources in the most appropriate way. As far as accounting is concerned, brand valuation helps in areas like balance sheet reporting, tax planning, licensing and franchising, mergers and acquisitions, litigations, investor relations and securitised borrowing.⁴

Brand valuation has various tangible and intangible benefits.

Among intangible benefits, brand valuation⁵:

- Gives a picture of public loyalty at large.
- Acts as an indicator of effective utilisation.
- Acts as an excellent tool for strategy development by revealing the strengths and weaknesses of the brand.

Among tangible benefits, brand valuation⁶:

- Helps in capitalisation;
- Gives a clearer picture of goodwill acquired by the band;
- Facilitates speedy transfer of capital during dissolution;
- Enables the use of Intellectual Property as collateral security.

Brand valuation also helps the management to review brand decisions by linking investment made on a brand to the increase in brand value over a reasonable period of time. It reveals to the management, the disparities between its assumptions and the market realities pertaining to the brand.⁷ ISO 10668, the standard on brand valuation laid down in 2010, acts as a comprehensive set of guidelines to be followed in a brand valuation exercise.

About ISO

The International Standard Organisation (ISO) was formed on 23rd February, 1947 in London in a

3 Amar Raj Lall and Vinod Khurana, Brand Valuation, <http://www.iiprp.com/tm/brandval.htm>

4 Arindam Bhattacharjee and C. Prashanth, Need for Brand Valuation, <http://www.hinduonnet.com/businessline/2000/03/23/stories/112302c2.htm>

5 Jan Lindermann, Brand Valuation: The Financial Value of Brands, http://www.brandchannel.com/papers_review.asp?sp_id=357

6 Ibid

7 Ibid

