**Brand Value**
By Jenni Cooper

Companies all are aware of brands, and pay more or less attention to them in their businesses. But how important are they really? Are brands simply a touchy-feeling exercise in marketing-as-art, or do they play a part in the financial strength of a company?

**Branding Bob**

Let's start small. For a business consisting of one person, that business' brand is equal to its sole proprietor's reputation. Let's call the owner of our company-of-one Bob. Over time, everything Bob does affects his brand/reputation. Every item of business Bob undertakes, every interaction another person has with Bob, every conversation a third party has with another third party about Bob, any news article written on Bob, a website Bob puts up, the way Bob answers his phone, an ad in the Yellow Pages designed by Bob, even the car Bob drives – all of these impact his brand.

Bob's brand is consistent because it reflects Bob's personality and preferences, and is completely controlled by Bob. Over time, the financial value of Bob's brand is tangible – he is established, and people call him first because they know, or have heard, that he will be the best one to do the job. His reputation impacts how much future business will come his way, how much pricing power he has with his customers, even who might want to come to work for him.

**As Bob's Brand Grows**

As Bob's company gets bigger, its brand personality is no longer limited to Bob's reputation. The brand is now affected by multiple employees, more sophisticated marketing communications, and perhaps even far-flung departments. Making sure that this brand resonates with customers and other stakeholders, and reflects the values, strengths and vision of the company, is now a larger exercise.

The solution to growth is to consciously study, evaluate and manage the brand. It still can be envisioned as a person, with its own brand personality, but it is beyond merely one person's influence. If everyone in the growing company understands exactly what the brand stands for, and buys into that vision, they can all act in a brand-consistent manner, and contribute to building brand equity.

**Brand as Asset**

Brands can be defined in many ways. A brand exists in the mind of a customer, as a sum total of every person, product, service and message that an organization provides and a customer experiences. But a brand is also an asset that, in the UK and other countries with similar accounting climates, is actually reflected on a company's balance sheet as a depreciable asset with a clear dollar value.

In this sense, a brand is a relationship that secures future earnings on the finance side by retaining customer loyalty on the consumer side. The power of a brand, therefore, exists in the future, not in the past.

Individual marketing activities may bring in immediate revenue to the Income Statement. Things such as waging a direct mail campaign, writing a proposal, placing an article in a newspaper, making a sales call, or going to a trade show may lead to business in the short term.

Yet these same activities also affect the brand, or customers' long-term propensity to do business with a company based on the perceptions they hold in their heads about that company. Because of this, marketing activities must all be coordinated around a clear competitive positioning, which translates to a distinct message and brand personality, so that every activity adds to and strengthens the brand.

**Brand Benefits**
Strong brands can lead to the ability to charge price premiums, to a strong preference for doing business with a particular company, to an easier time attracting and keeping the best employees and to improved new product (or service) development. Truly differentiated brands can translate into better merger and acquisition deals, higher licensing and royalty revenue, improved joint-venture and co-branding contracts, and a stronger basis for negotiation with suppliers and financiers.

**Accountants & Marketers**
In too many companies, the debate about the value of brands is muddied by mutual suspicion between finance and marketing people. The accounting industry, on the other hand, is increasingly talking about brands. It is turning its focus away from simply measuring activities that have already taken place (auditing the books) toward valuing the future activities of a firm. More progressive accounting firms are looking at value-based accounting, determining what the future value of the firm might be. They are talking about brands, customer retention, market share, cost to serve and other sales and marketing terms.

By connecting future business performance with current marketing decisions, brand valuation provides a bridge between marketing and finance people and a basis for debating marketing budgets. In these economic times, marketing must work to convince top management of its financial value. Efforts to measure the impact of marketing activities and the value of a brand will align marketing actions with corporate profit goals.

Marketers must think in two time horizons: short-term responses to marketing activities, which generate healthy cash flows. And growing brand equity to lift the long-term value of the firm. In short, marketing and brand building is all about growing top-line revenue, now and in the future.

*Jenni Cooper uses her strong analytical and creative talents to help companies take action with fresh understanding, whether developing a new product, fine-tuning a corporate positioning, or solving a tough marketing challenge. Jenni's clients range from small professional firms to Fortune 500 corporations, and include First Data, Quiznos, Universal Lending, Policy Studies and HealthONE. Visit her at www.jennicooper.com.*

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