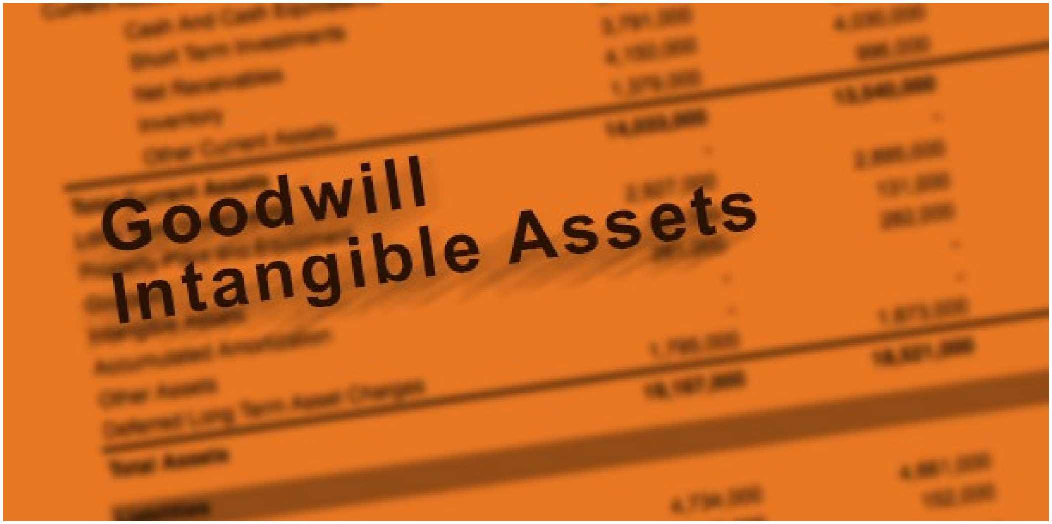
BRAND VALUE IN SMALL AND MIDSIZED ORGANIZATIONS



Three elements of assessing brand value to increase profit and company value

brand incite

INTRODUCTION

Brand value for the rest of us

Every year, the largest brand consultancies in the world publish brand values for the largest companies in the world. But, it's difficult to find studies about the small and midsized (SMB) companies which account for half of the private sector output and employment.

This lack of data gives the CEOs of smaller organizations an impression that brand is solely for the Global 1000. That's unfortunate because every organization can build value by understanding and managing their brand as an asset.

To help SMB companies with that process, I created a model for evaluating brand value in smaller organizations. My hope is leaders of growing companies can integrate these concepts into their strategic planning to achieve better short and long-term business results – and prove brand value is not only for the few.

Grant C Kimball

Grant Kimball
Brand Strategist

LEARN

“Brand Value in Small and Midsized Organizations” is written to give company leaders an overview of:

- The role intangible assets play in creating company value
- The benefits of building a strong brand in an SMB company
- The three elements of assessing brand value and the criteria used to judge company performance in each
- How annual brand assessments improve the strategic planning process

THE BRAND VALUE OPPORTUNITY

Most leaders of small and midsized companies think about brand three times during the life of the organization: When they start up, when they get tired of the logo, and when they sell the business. But, if they knew the daily impact on business success, they would surely take a different approach.

Company value is divided into two categories: Tangible and intangible. Tangible assets are the most obvious including real estate, inventory, booked sales and other assets companies continuously monitor and manage. Intangible assets are more elusive. They include trademarks, patents, proprietary processes, specialized knowledge, and the brand.

A company looking to increase value often overlooks the intangibles, but they may have the biggest upside. According to David Haugh, CEO and Founder of Brand Finance, up to 75 percent of a company's value can lie in intangible assets. For a business-to-business company, that number is typically in the 30 to 35 percent range.

That's significant when it's time to attract investors or a buyer, but that's not the whole story. As the charts on the next page show, leveraging intangible assets to build brand value also improves financial results as the company grows.

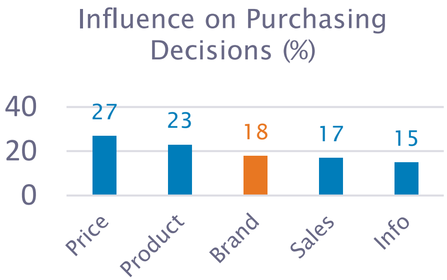
"Intangible assets are recognised as highly valued properties. Arguably the most valuable, but least understood intangible asset are brands."

- International Organization for Standardization (ISO)

Three Financial Benefits of a Strong Brand

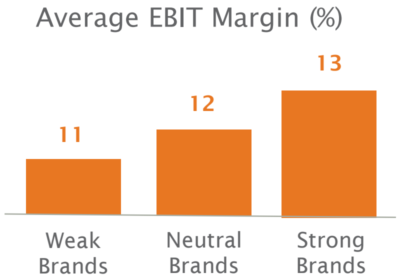
Sales

A McKinsey & Company B2B branding survey concluded decision makers consider the brand to be a central element in selecting a supplier. In fact, brand ranks slightly higher than the performance of the sales team.



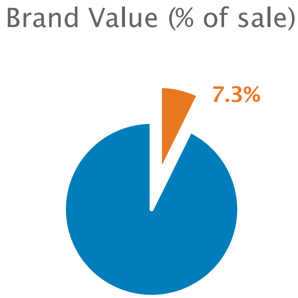
Earnings

McKinsey examined the correlation of brand strength and financial performance in B2B companies – and found it to be statistically significant. Companies with brands that are perceived as strong outperform weak brands by 20 percent.



Total Value

A study published in the Journal of Marketing surveyed the financial value of brands in mergers and acquisitions. It concluded that, on average, the magnitude of a target firm's brand value accounts for 7.3% of the transaction value.



ELEMENTS OF BRAND VALUE

Assessing brand performance requires looking at the investment being made in the brand, the brand equity in the market, and impact on business performance. A formal assessment is needed for the balance sheet, but annual informal assessments keep an organization on track.

Large global companies use rigorous models to measure and monitor the value of their brands. The models are based on International Organization for Standardization (ISO) guidelines defining three key requirements for determining brand value:

1. *Legal:* The definition and protection of distinct brand assets.
2. *Behavioral: A*ttitudes and behaviors of customers and stakeholders.
3. *Financial:* Performance in all market segments.

Smaller companies rarely need a formal valuation until its time to raise capital or get acquired. But, understanding and managing the value of intangible assets as the company grows improves profitability and creates a higher valuation when the time comes for a financial event.

A model for annual assessment

The Brand Value Assessment™ model I developed uses ISO standards as the inspiration for evaluating and managing brand performance in SMB companies. It is intended to be a management tool, not a formal valuation, to help organizations build brand value through strategic planning.

On the following pages, I describe the three key elements for assessing the brand along with some of the factors that impact each. The full model has a scoring system for 27 criteria and calculates the value of improved performance.

If you are interested in learning more, you can contact me at grant.kimball@brandincite.com.

Three Elements of Assessing Brand Value

Brand Investment

Start by assessing how well you have invested in your brand internally. Is your brand position well defined and legally protected? Are you directing adequate resources toward building the brand and supporting it?

Market Equity

The second step is to judge how well your organization delivers the brand experience to the market. Does your brand provide adequate differentiation and meaning to buyers? Are brand interactions with your customers enhancing or detracting from your brand promise?

Business Performance

Finally, its time to judge the impact the brand is having on your business goals. Is the brand creating adequate levels of profitability? Is it positioning the company to increase market share and grow value?

Brand Investment

BRAND ASSETS

Evaluating how well the brand is defined and protected

The first step in assessing brand value is to take an inventory of the intangible assets that differentiate your company in the market. The evaluation should include the following areas at a minimum:

- ***Strategic Brand Position:*** Brand is defined, differentiated and protected.
- ***Brand Architecture:*** Value relationships for master and sub-brands are clearly defined.
- ***Brand Guidelines:*** The visual standards for the architecture, identity and expression are well documented.
- ***Intellectual Property:*** Patents, trademarks and other IP are being leveraged to grow and preserve value.

An inventory should also consider assets that may not be leveraged well, or at all, today but have the potential to differentiate the brand in the future. Overlooked assets can include unique processes, an exceptional culture, or a well-regarded corporate social responsibility initiative.

QUESTIONS TO ASK YOURSELF

- Is the brand position clearly defined and distinguished from current and future competitors?
- How well are the visual standards for our brand architecture, identity, and visuals defined and documented?
- How well do we leverage and protect our intellectual property?

Brand Investment

BRAND ADOPTION

Focusing on how well employees deliver the brand promise

The job of delivering the brand experience to the customer is the responsibility of every employee in the organization. You can evaluate how well your company is living its brand promise by assessing such factors as:

- ***Internal Brand Awareness:*** Employees can clearly explain what the brand is and the role they play in delivering it.
- ***Employee Hiring & Training:*** Recruiting, training, employee materials, and HR processes are aligned with the brand.
- ***Touchpoints:*** Every point where the customer encounters the brand is documented, prioritized and leveraged to create the optimal brand experience.
- ***Culture:*** Internal programs are designed to build understanding, enthusiasm and engagement with the brand.

Few small to midsized companies have the resources to invest heavily in internal brand adoption measures. But if the brand is clearly defined and employees understand their role in supporting it, they will be more likely to integrate the brand into daily decision-making and behavior.

QUESTIONS TO ASK YOURSELF

- Do employees understand the brand and know their role in delivering it?
- Are we optimizing every point at which our customers come into contact with our brand?
- Do we have the programs to create understanding and motivation internally?

Market Equity

MARKET PRESENCE

Evaluating the strength of the brand in the market

Assessing market equity starts with understanding how strong your brand presence is with your target buyer. While some organizations try to go with their gut on this, there is no substitute for market research to define where the brand really stands.

Brand research gives you valuable insights about market perceptions that are either propelling your business or holding you back. It should focus on:

- ***Familiarity:*** Awareness and understanding of the brand characteristics and attributes.
- ***Meaning:*** The emotional and cultural connection buyers have with the brand.
- ***Differentiation:*** Understanding your unique value proposition versus competitors.
- ***Authority:*** Degree of leadership the brand demonstrates in the market.

Having data about the strength of your brand gives you a starting point for evaluating and improving your performance. If there is a gap between what market believes and what you know to be true, you can set Key Performance Indicators (KPIs) focusing on improvements in those areas.

QUESTIONS TO ASK YOURSELF

- Do we have enough brand awareness to achieve our business goals?
- How clearly does the market understand our differentiation?
- Are we seen as a leading authority in the market?
- How well do our marketing programs maximize the value of customer relationships?

CUSTOMER RELATIONSHIPS

Gauging the quality of the brand-customer relationship

The quality of the customer relationship is a reflection on how well the brand experience is delivered through all parts of the organization. Assessing performance requires looking at such factors as:

- ***Satisfaction:*** The perspective of customers based on their experiences and their likelihood to recommend the brand to others.
- ***Infrastructure:*** Investing in adequate personnel, systems and processes to manage customer relationships effectively.
- ***Guidelines:*** Having customer service expectations that are documented, communicated and monitored.
- ***Complaints:*** Benchmarking the number and severity of customer complaints and knowing their impact on brand reputation.

Evaluating the brand-customer relationship will vary with each company. For an e-commerce company, its largely about the online experience. For a B2B company, it involves nearly every function in the organization.

QUESTIONS TO ASK YOURSELF

- Are our customers likely to recommend our brand to others?
- What is our service personnel-to-client ratio?
- How are we measuring our customer service performance and what insights does that give us about our brand?
- How does the number of complaints compare to similar organizations?

Business Performance

FINANCIAL PERFORMANCE

Evaluating the current financial performance of the brand

The job of a brand is to drive business performance. If the brand investment and market equity are high, it will lead to strong financial performance. If performance is lacking, or threats loom on the horizon, the other two elements of brand value need more attention.

A few areas of business performance to evaluate include:

- ***Product Differentiation:*** Clear value of current products and services versus competitors.
- ***Profitability:*** Adequate resources are dedicated to building the brand to maximize customer value and profitability.
- ***Management:*** A strategic planning process that links Key Performance Indicators to brand value.
- ***Capital:*** The brand is positioned to access to capital for growth.

It important to note that business performance can be high, but poor brand equity will ultimately erode pricing, margins and competitiveness. So its important to not only assess current performance, but also to determine whether it is sustainable given the state of the brand.

QUESTIONS TO ASK YOURSELF

- Do customers understand the value of our offerings?
- Are all offerings in our portfolio performing as expected?
- Are KPIs designed to increase the value of our intangible assets?
- Can we quantify the value of our brand for current or potential investors?

Business Performance

SUSTAINABILITY

Forecasting the prospects of the brand

Time is the enemy of a static brand. Markets change, competitors emerge, and commoditization looms.

Keeping the brand relevant and sustaining its value requires a business strategy that looks ahead several years. Factors include:

- ***Market Positioning:*** The brand is well positioned to grow market share and sustain pricing.
- ***Brand Portfolio:*** The product and service roadmap defines differentiated offerings for three or more years.
- ***Resources:*** The organization can secure the material and human assets to remain competitive.
- ***People:*** The organization has the hiring, training and advancement practices in place to maximize the effectiveness of its people.

If an organization has high brand investment and equity, sustaining it is a matter of keeping the business and brand strategies aligned. That means the long-term strategic planning process must always keep the brand in the forefront so that every decision made is focused on building brand value – not detracting from it.

QUESTIONS TO ASK YOURSELF

- Is our product pipeline innovative enough to maintain differentiation?
- Will we be acquiring companies or offerings that impact the brand positioning?
- Does our organization strategy supply what the brand will need in three years?
- Do we have a vision for success in three years? Five years?

BOTTOM LINE

Building the value of intangible assets is essential for growing the value of a company. Not only does brand value improve business performance, it positions the company for significant financial events down the road.

Company leaders who are looking to enhance value must consider both tangible and intangible assets. Since brands account for 20 percent of business value on average, developing a method for evaluating and growing that intangible asset is essential.

For the small to misized business, it does not need to be overly complex and expensive. It just needs to be done so you have a starting point for strategic planning to grows value over time.

The Brand Value Assessment model described in this eBook was designed with simplicity in mind. It can be scaled to fit a wide range of goals and span the range from subjective to data-driven. The rigor can increase over time to meet the needs of the situation.

Doing an assessment

The assessment process is informal at first to establish priorities. Here are the basic elements for the first one:

- *Participants:* The CEO is a must. Members of the executive team are helpful.
- *Timing:* Any time is good, but right before strategic planning is ideal.
- *Venue:* One-on-one interviews, a workshop setting, or both.
- *Inputs:* Subjective opinion informed by data where available.

In this process, external facilitation is critical to achieve the most realistic outcome. Contact me at grant.kimball@brandincite.com to learn how that works.

ABOUT GRANT KIMBALL

Grant Kimball is the only business strategist in the Northwest with a focus on growing brand value in small to midsized organizations. Through his consulting practice, he provides business strategy and management services including:

- One-on-one consulting with corporate leaders to integrate brand and business strategies.
- Leading brand development, brand architecture, rebranding, and brand identity projects.
- Facilitating cross-functional teams of brand leaders to ensure company-wide alignment with the brand.
- Speaking to companies, member organizations and community non-profits about brand strategy.

Grant Kimball
Consultant and Chief Brand Officer

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