

Transcript

SB smartbrief.com/original/2020/02/what-does-most-valuable-brand-really-mean

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Amazon was recently named the world's most valuable brand, at \$220.8 billion. Brand valuation firm Brand Finance announced the news at the World Economic Forum to much media coverage.

A brand value of that amount certainly seems impressive, but what does it really mean? Is brand valuation important? And if so, how can you calculate how much your brand is worth?

I answer your questions in this SmartBrief on Leadership video. I explain the methodology behind the most valuable brand, best global brands, top brands lists and the pros and cons of brand valuation. You'll also learn other methods for estimating your brand value.

To learn more from Yohn or to book her to speak to your organization, see her [website](#) and [YouTube channel](#).

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A couple of weeks ago at the World Economic Forum in Davos, Brand Finance presented its report on the world's most valuable brands. Topping the list was Amazon at \$220.8 billion -- Apple and Google came in second and third, respectively. That's great news for those companies, but what about you? How valuable is your brand? And does it really matter?

Well, first we have to acknowledge that calculating brand value is not an exact science. Different firms use different methodologies and all involve some subjectivity. That's why Interbrand's Best Global Brands report for 2019 shows Amazon's brand value at \$125 billion -- nearly \$100 billion less than Brand Finance's calculation. WPP BrandZ reports Amazon's brand value at \$315 billion.

So should we even pay attention to these reports? I say, "yes," because they do demonstrate that brands represent quantifiable financial value to companies. All methodologies indicate that a brand contributes to a company's overall valuation above and beyond its other assets. And in aggregate, the amount of value generated by the most valuable brands, provides a sense of the power of brands to business in general.

Given that the growth in value of top brands consistently outpaces the global GDP rate, the S&P and other indices, these reports make it clear that valuable brands deliver superior returns over time and regardless of market disruptions. So brand valuation helps make the business case for brand-building.

But given the variability and subjectivity of the valuation methods, I do not recommend relying on these reports as definitive measures. Nor should you try to correlate their findings with a company's spending on marketing or advertising and the return on investment of it. Instead, use brand valuation on a comparative basis to look at how your brand value compares to competitors in your category and to your past valuation. And be sure to factor in the size of the business in the first place -- a smaller company may have a lower absolute brand value but higher value as a percentage of the overall firm valuation.

Also be aware that the published "most valuable brand" or "best brands" reports rely on publicly available data, so the lists don't include private companies, and they usually only report value at the parent-company level. So they can tell you that Google's brand value is \$143 billion, but they can't report on the value of its subsidiary brands such as YouTube or Nest.

If you are interested in understanding the precise value of your brand, you can engage one of the firms that puts out a top brand list to conduct an analysis for your company. It will produce a more accurate and robust valuation because it will use your detailed financial data and can correlate it with changes in your marketing, R&D, sales and other expenditures.

Then you can use your brand valuation to enhance financial reporting and help with fundraising; to help with business transactions such as buying, selling, licensing and more; and to inform strategic decisions including competitive positioning, brand additions and extensions, and resource allocation.

You can also measure and track the value of your brand with other methods. One is the price-premium method, which uses primary research to determine how much more customers are willing to pay for your branded product or service than an unbranded or competitive offering. Another option is the royalty-relief method, which estimates the present value of future royalty payments if you were to license or franchise the use of your brand to another company.

In fact, the best way to value your brand is to use a combination of methods, compare your brand value to others' in its category, and track it over time.

So bottom line: Brand valuation can be, well, valuable, if you understand its limitations and use it wisely.