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The Concept and Relevance of Brand

IN THIS CHAPTER, WE WILL EXAMINE VARIOUS CONCEPTS OF the term *brand* and discuss its economic value. Before analyzing different methodologies, we will need to clearly define brand and *the economic value of brands*, as well as explore how these relate to the associated concepts of corporate reputation, intellectual capital and intangible assets.

We shall also look at the economic significance that these notions have acquired in recent decades, both on a national and a global level, and discuss the various accounting, legal, institutional and business developments that have resulted from this growing importance.

1.1 The concept of brand

Before valuing any asset, we must first define it. This is particularly essential when dealing with brands. The word *brand* is used quite frequently and has consequentially assumed

multiple and at times very different meanings. Defining an asset before valuing it helps limit the scope of the valuation model to be applied. Therefore, familiarity with the various concepts of brand, as well as a good understanding of the circumstances in which each concept is relevant, is absolutely essential for any valuation expert.

In this section, we will review three concepts of *brand* based on accounting, economic and management-oriented perspectives, respectively. Each one is relevant and applicable to particular circumstances.

1.1.1 The accounting perspective

1.1.1.1 *The brand as an intangible asset*

IFRS Framework defines an asset as “a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.” International Accounting Standard 38 *Intangible assets* (issued 2004, amended 2008, para. 8) defines *intangible asset* as an “identifiable non-monetary asset without physical substance” and establishes that an asset is identifiable if it either arises from contractual or other legal rights or is separable (able to be sold individually or among other related assets).

IAS 38 (para. 21) indicates that “an intangible asset shall be recognized if and only if, (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and (b) the cost of the asset can be measured reliably.”

Later we will evaluate some specific questions relating internally generated intangible assets, but we will now outline some examples of recognizable intangible assets acquired separately by the entity:

- *Marketing-related assets*: Trademarks, trade names, internet domain names, trade dress, etc.
- *Contractual assets*: Licensing agreements, contracts for advertising, construction, management, service or supply, lease agreements, franchise agreements.
- *Technology-based assets*: Patented technology, software, databases, trade secrets.
- *Customer-related assets*: Customer lists, customer relations and contracts, production orders.
- *Art-related assets*: Plays, operas, ballets, books, magazines, newspapers, musical works, films.

Clearly, this catalog omits several concepts popularly referred to as assets. Corporate reputation, human resources, and employee motivation do not constitute *recognizable* intangible assets because they are not identifiable (they may not be bought or sold), nor are they controlled by the company itself (its reputation is a consequence of its actions; employees have the right to end their contracts at any time). Later on we will evaluate whether these concepts can be considered non-recognizable assets, or intangible resources; or if they should be excluded from both classifications.

1.1.1.2 Non-recognizable intangible assets: Internally generated brands

Internally generated brands fall into the category of non-recognizable intangible assets. IAS 38 (para. 63) states: “Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance shall not be recognised as intangible assets.” These expenses are not distinguishable from the cost of developing the business activity as a whole. Although they do not meet the three requirements established in IAS 38 for tax and accounting-related recognition, they are still *controlled* by the firm, and do represent *a source of future economic benefits*. They therefore qualify as assets, despite their non-recognizability for tax and accounting purposes.

If the brand were acquired in the context of a business combination, the accounting conclusion could be different.

IAS 38 (para. 33) indicates that in accordance with IFRS3, “... The probability recognition criterion in paragraph 21 (a) is always considered to be satisfied for intangible assets acquired in business combinations. If an asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset. Thus, the reliable measurement criterion in paragraph 21 (b) is always considered to be satisfied for intangible assets acquired in business combinations.” Paragraph 34 also states that “an acquirer recognizes at the acquisition date, separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognized by the acquiree before the business combination.”

Finally, the International Financial Reporting Standard 3 *Business Combinations* (IFRS 3, issued 2008, para. 13) comments regarding the recognition of intangible as distinct from goodwill, "... For example, the acquirer recognises the acquired identifiable intangible assets, such as a brand name, a patent or a customer relationship, that the acquiree did not recognize as assets in its financial statements because it developed them internally and charged the related costs to expense."

Thus, resources that are controllable by the company and that constitute a source of future economic benefits, such as internally generated brands, are considered assets though they are non-recognizable for accounting purposes (with the potential abovementioned exception when acquired in a business combination). From a pure "economic" perspective, these two features, together with the aforementioned non-monetary and non-substantial qualities, are the only ones truly relevant for the definition of intangible assets.

1.1.1.3 Trademark, brand and branded business

In various contexts and circumstances, *brand* is used to refer to three different concepts (Haigh and Knowles, 2004):

1. **A name, a logo and other associated visual elements:** This is the most specific definition, as it focuses on legally protectable verbal and visual elements that may be used to differentiate the products and services of one company from those of another. The principal legal elements at work in this definition are trade names, logos and trade symbols. According to Haigh and Knowles (2004) trademarks are valuable when they carry "associated
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goodwill." Valuations based on this definition are referred to as "trademark valuations."

2. **A broader scope of elements including name, logo, other verbal and visual elements, and associated intellectual property rights:** Under this definition, the concept of *brand* is stretched to include a broader scope of intellectual property rights, such as domain names, product design rights, trade dress, packaging, copyrights on associated logotypes, descriptors, sounds, colours, smells, etc.¹ For example, under this definition, Guinness' valuation would not only have to look at its name and logo, but also consider its formula. This more holistic vision reflects the notion that a brand is an experience that transcends logo and related visual elements. This definition is generally applied in marketing-oriented brand valuations. But it may also apply to valuations for accounting purposes, as IAS 38 (para. 37) allows for the aggregation of acquired intangible assets when they have similar useful lives or their fair values cannot be reliably measured on an individual basis. In this case, the acquirer could combine the trademark and related intangible assets into a single group ("brand").

3. **A holistic company or organizational brand.** The term *brand* is frequently used to refer to the *business unit* that operates under that brand. For example, when Unilever speaks of having 1600 brands, and is hoping to reduce that

¹Cf. FAS 141 para. 16 defines *brand* as a group of complementary intangible assets.

number to 400, what it means that it has 1600 individual branded businesses in its corporate business portfolio, and it needs to value and discard 1200 non-basic “brands.” Both verbal and visual elements are taken into account in this definition, as well as associated intellectual property rights, along with the company’s culture, personnel and programs, which provide the basis for the company’s differentiation and value creation. Considered jointly, they represent a rather specific proposition of value, and lay the groundwork for building close relationships with consumers, providers and personnel. In this book, we will refer to this concept as “branded business.”

English has two different terms for referring to the first two definitions: *trademark* (name, logo and other associated visual and verbal elements) and *brand* (formulas, know-how and other intellectual property assets). But in English, *brand* and *trademark* are often used synonymously. Certain authors, such as Smith (1997), distinguish between the two concepts, characterizing *brand* as a marketing concept referring to a set of assets including, but not limited to, *trademarks* (p. 42). For Smith, the term *brand* may also refer to formulas or recipes, trade dress, etc.

1.1.2 The economic perspective

1.1.2.1 Economic vs. accounting criteria

According to Burgman, G. Roos, Ballow and Thomas (2005), the debate regarding intangible assets in the realm of accounting has been fundamentally based on the definition of *intangible asset* for tax and accounting purposes. Burgman and his

co-authors posit that the accounting classification of tangible and intangible assets presents a conflict regarding their recognition; while internally generated brands may not be considered intangible assets in the balance sheet, they do constitute intangible assets from an economic standpoint.

1.1.3 The management perspective

1.1.3.1 Brand and corporate reputation

The concepts of brand and reputation are often used interchangeably, particularly when referring to corporate brands like Sony or Vodafone. There are various viewpoints on the distinction between these two concepts. Before examining them, we shall first review the definition of *reputation*:

- According to the Oxford English Dictionary, *reputation* refers to “what is generally said or believed about a person’s or thing’s character.”
- Reputation guru Charles Fombrun (1996) defines Corporate Reputation as “the overall estimation in which a company is held by its constituents, representing the ‘net’ affective reaction of customers, investors, employees, and the general public to the company’s name” (p. 37).

There are at least six schools of thought with regard to the relationship between the concepts of brand and corporate reputation:

- 1. Brand = Identity; Reputation = Perception:** For Terry Hannington (2006), *brand* refers to the visual reaction to a symbol, and therefore the visual identity, while *reputa-*
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for the company's products and services, but for shaping corporate audiences' willingness to do business with the company as well (Haigh and Knowles, 2004). For example, the brand is able to favorably affect the perception of its personnel, providers, shareholders, regulators and fiscal authorities. In this context, certain academics and executives may use the terms *reputation* and *brand* synonymously. If there are problems with the brand or company reputation, this may have repercussions for some or all of the stakeholders.

4. **“Accounting Approach”**: Because it is not controllable, corporate reputation may not be considered an asset (cf. Section 1.1.1.1). However, brand is controllable, and therefore is an asset, even though it cannot be recognized as such without mediating a transaction.
 5. **“Different Audiences”**: This school of thought distinguishes brand from reputation by comparing their respective audiences. There are two principal well-defined positions within this school. One suggests that while the brand's audience is limited to its current and potential consumers, the reputation's audience includes all stakeholders. The other holds that brand image can be measured among consumers while corporate reputation can be measured only by executives and other corporations.
 6. **Brand and Corporate Reputation are “Synonyms”**: During an ESIC conference in 2006, Ángel Alloza, Director of Brand and Corporate Reputation at BBVA, used the concept of brand architecture to distinguish between the two concepts. For Alloza, in a company with a monolithic or
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quasi-monolithic brand architecture, where the corporate brand coincides with the commercial brand (as happens with Samsung or BBVA itself), the concept of corporate reputation overlaps with that of corporate brand. However, in a company like SABMiller, where the product brands are not endorsed and do not coincide with the corporate brand, the final consumer hardly perceives the corporate name at all, making it unlikely for consumers' perceptions of the product brands to be tied to those of the corporation.

Chapter 8 will take a closer look at the essential difference between these two concepts and reproduce selected corporate brand and reputation valuation models that have appeared in prominent academic journals.

1.1.3.2 Brand and visual identity

Brand and visual identity are often confused, particularly in the field of brand management. Once again, we will start by reviewing the definition of *visual identity* and later examine it in relation to the concept of brand. There are numerous definitions for this term, spanning a wide range of both narrow and broad interpretations.

- *Narrow Definition of Visual Identity:* The sum of the individual elements that characterize a brand (name, logo, graphic symbols, slogan, characters, packaging, etc.).
 - *Broad Definition of Visual Identity:* Any distinctive or manifested element inwardly or outwardly expressed by a company.
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From a management standpoint, the trouble with defining *brand* as visual identity is that it compels the brand management department to act as the “logo police” or “photographic or visual style police.” In marketing, brand is often defined as an idea, experience or relationship with the target market. In this sense, it is quite different from the concept of identity, which is simply the expression of this idea. According to this definition, the responsibility to create, develop and protect the brand lies in the company as a unit, and not solely in the marketing department.

1.1.4 Brand, intangible assets and intellectual capital – Everyday vocabulary and conflated terms

In informal settings, intangible assets are often said to theoretically include the satisfaction and motivation of a company’s employees, its corporate reputation, customer loyalty, etc. A brief review of the accounting definition of *intangible asset* (cf. Section 1.1.1.1) will help us better understand which of these elements fall into the accounting framework of intangible assets.

1.1.4.1 Brand equity and intangible assets

Scholarly literature on the matter shows no consensus on the meaning of *brand equity*, nor on how a company could go about measuring the value of a brand. Winters (1991) writes: “There has been a lot of interest lately in measures of brand equity. However, if you ask 10 people to define brand equity, you are likely to get 10 (maybe 11) different answers as to what it means” (p. 70). As Winters demonstrates, brand equity is often considered an intangible asset. We will now turn to review various definitions of *brand equity* in order to deter-

mine whether it does or does not constitute an intangible asset:

- According to Aaker (1991: 15), *brand equity* is the “set of assets and liabilities linked to a brand, its name and symbol, that adds or detracts from the value provided by a product or service to a firm and/or to the firm’s customers” – the concept of brand associations. For Aaker, brand equity includes not only the brand’s incremental price premium, but also its loyalty, perceived quality, as well as a series of associations.
- Leuthesser (1988) defines *brand equity* as: “the set of associations and behaviour on the part of a brand’s customers, channel members and parent corporation that permits the brand to earn greater volume or greater margins than it could without the brand name” (as cited in Wood, 1999, “Brand equity” section, para. 14).
- Simon and Sullivan define brand equity “in terms of incremental discounted future cash flows that would result from a branded product revenue, in comparison with the revenue that would occur if the same product did not have the brand name” (as cited in Motameni and Shahrokhi, 1998, “Different perspectives of brand equity” section, para. 1).

The first two definitions characterize *brand equity* as a “perceived” or “behavioral” value; the third interprets it as the brand’s financial value or economic value. In fact, these two perspectives have always co-existed in the literature (see Figure 1.2). Wood (1999), Feldwick (1996) and Motameni and

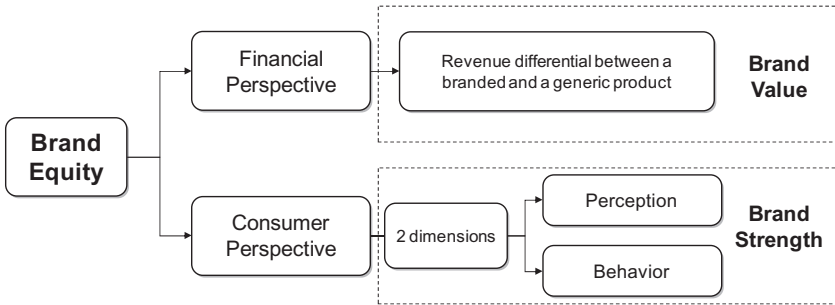


Figure 1.2 Different perspectives on the meaning of *brand equity*.

Source: Developed by author, based on Aaker (1991), Yoo and Donthu (2001)

Shahrokhi (1998) occasionally use the terms *brand value* and *brand equity* interchangeably. However, the most popular use of the term *brand equity* refers to the set of attributes related to consumer perception, and not to the brand's economic value (Aaker, 1991; Aaker and Keller, 1990; Keller, 1991; Martin and Brown, 1991; Srivastava and Shocker, 1991; Leuthesser, 1988 as cited in Wood, 1999). This is the definition we shall adopt in this book.

As we define it here, and similarly to the concept of reputation, *brand equity* may not be considered an intangible asset as it is not controllable (cf. Section 1.1.1.1).

1.1.4.2 Brand, intangible assets and intellectual capital

Human capital, *intellectual capital*, and other related terms are highly prevalent in scholarly literature, but appear so often with such diverse meanings, they have generated a mounting lexical confusion in the discipline. For example, some authors use *intellectual capital* to describe the

difference between a company's market capitalization and its book value. Others interpret the term more narrowly, using it to denote intangible assets or particular skills. Thus, before analyzing the relationship between intangible assets and intellectual capital, we will need to examine the four principal conceptualizations of *intellectual capital*:

1. Intellectual capital as knowledge.
2. Intellectual capital as knowledge and the product of this knowledge.
3. Intellectual capital as intangible assets not recognized on the balance sheet.
4. Intellectual capital as the total set of recognized or non-recognized resources and intangible assets.

These sets of definitions often coincide in the *components* of intellectual capital, emphasizing either its source (the "dynamic concept" seen in definitions 1 and 2) or defining it as a differential variable (the "static-differential concept" seen in definitions 3 and 4).

The vast majority, however, agree that these components are:

- human capital
- structural capital.

Occasionally, a third component, relational capital, is detected and included as a sub-element of structural capital.

A well-known model of intellectual capital is that of Skandia, the Swedish insurance firm. For Skandia (Andriessen and Tiessen, 2000), intellectual capital is the sum of:

1. Human capital (the brains, skills, creativity, persistence, and dedication of the people who work for the company). J. Roos, G. Roos, Dragonetti and Edvinsson (2001) refer to it as “thinking capital.”
2. Structural capital (encapsulating everything that remains in the company when the employees go home for the day). J. Roos et al. (2001) refer to it as “non-thinking capital.” Structural capital may be divided into various sub-categories:
 - 2.1. Customer capital (which is not tangible, but still contributes significantly to the company)
 - 2.2. Organizational capital (the structure of the company, management knowledge, information systems, etc.) This category may then be split into:
 - 2.2.1. Innovation capital, which includes intangible assets (see Figure 1.3).
 - 2.2.2. Process capital.

We must take into account that each concept of intellectual capital will connect differently to the concept of brand (see Figure 1.4):

1. When intellectual capital is reduced to knowledge (Konrad Group, Andriessen), it excludes brand.
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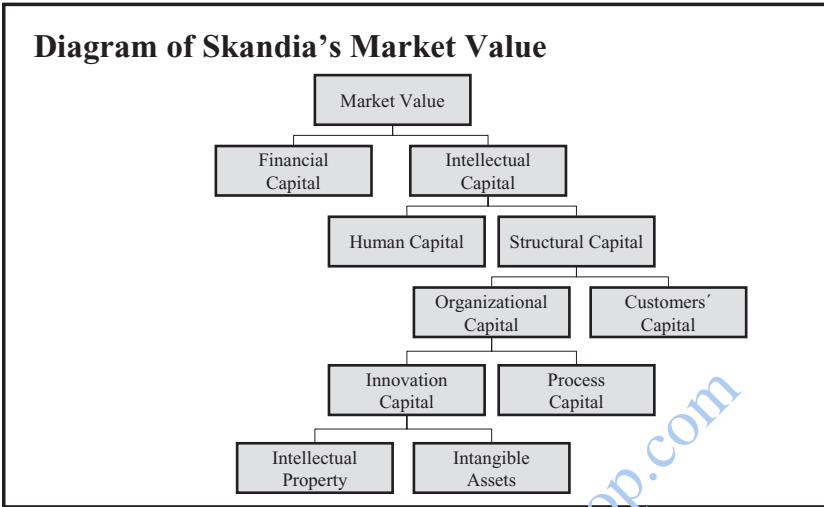


Figure 1.3 Intellectual capital model for Skandia.
 Source: J. Roos et al. (2001) – Reproduced by permission of Skandia Insurance Company Ltd.

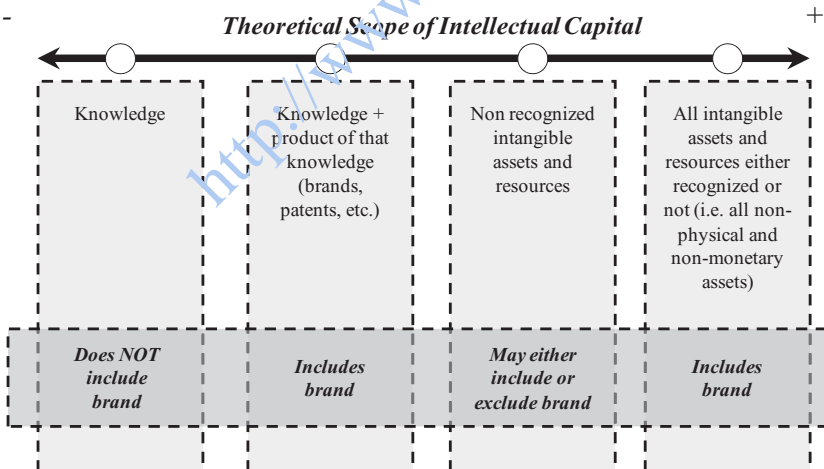


Figure 1.4 Relationship between intellectual capital and brand.
 Source: Developed by author

2. When intellectual capital is understood as knowledge and the product of that knowledge, it includes brand.
3. When intellectual capital is understood as intangible assets not recognized in financial statements, it includes internally developed brands, but not acquired brands. This definition coincides with the concept of internally generated goodwill.
4. When intellectual capital is understood as all non-physical or non-monetary assets, it includes brand.

1.2 Brand value

1.2.1 What is brand value?

When we speak of brand value, we refer to a financial (monetary) economic value, and not to a subjective evaluation or opinion that a client or customer may have about a brand (we use *brand equity* to denote this last concept – cf. Section 1.1.4.1).

While the goal of the brand valuation process is indisputably to determine a brand's economic (monetary) value, a "brand evaluation" process is carried out to determine its level of brand equity. Although the vast majority of approaches to the determination of brand equity (or "brand evaluation") are based on consumer perception and quantifiable behavioral attitudes, each approach differs in its scale, definitions of indices utilized, and bases of comparison. They should therefore be considered as relative measures and indices. Some of the more well-known "brand evaluation" models are:

- Brand Asset Valuator (Young & Rubicam)
- Equitrend (Total Research)
- BranDynamics™ (Millward Brown)
- The Brand Equity Ten (David Aaker).

These models boost our understanding of brand strengths and weaknesses in competitive environments, and enhance our insight into the development of consumer perception. In general, although they serve as good tools for brand evaluation per se, they are not useful for estimating a brand's economic value. Still, they can be constructive resources for valuers and useful in understanding a brand's potential in the relevant market.

1.2.2 How do brands create value?

In economic terms, brands create value by affecting both supply and demand curves. On the *demand side*, they allow a product to be sold at a higher price, given a determined sales volume. Strong brands can also increase their sales volume and decrease their customer defection rate. In a complex and saturated market, brands play a fundamental role in consumer choice by introducing functional and emotional attributes. Therefore, they allow the firm to reach a more stable demand level. This brings obvious economic benefits, given that the cost of acquiring new customers is 10 or 20 times greater than that of retaining current customers. Strong brands are also capable of transferring values associated with the brand to new categories of products or services.

On the supply side, brands may reduce operating costs by increasing distributors' loyalty, improving personnel recruiting and retention costs, capital financial costs, and finally, by increasing economies of scale through greater volumes.

1.3 The growing importance of the economic value of brand

Intangible assets and brands are the objects of increasing attention in five rather different fields (see Figure 1.5).

1.3.1 Business evidence

Numerous initiatives, forums and institutions promoted by large business corporations demonstrate the increasing concern for the valuation and reporting of intangibles in the business world. The following are some such initiatives:

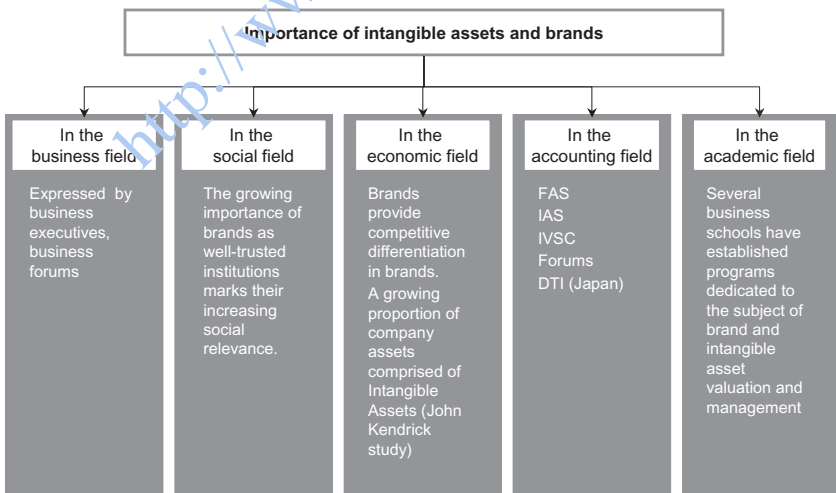


Figure 1.5 Evidence of the growing importance of intangible assets and brands.

Source: Developed by author

- The *Reputation Institute*, founded in 1997 by Charles Fombrun with the financial support of Shell, PricewaterhouseCoopers, WeberShandwick and MS&L, is committed to cultivating knowledge on corporate reputation and its management, measurement and valuation.
 - The *Global Reporting Initiative* (GRI) is an independent institution comprised of multiple representatives from business, environmental, human resources, trade union and research agencies, and institutes from around the world. Its main objective is to develop and promote a global framework for reporting sustainability, to be used on a voluntary basis by companies concerned with the social, environmental and economic impact of their activities, products and services. Established in 1997, the GRI is an independent organization and now serves as an official UNEP (United Nations Environmental Program) center of collaboration. It also carries out projects in collaboration with Global Compact, supported by the Secretary General of the UN.
 - The *Institute for the Analysis of Intangible Assets* in Spain was formed on the request of various companies, business schools and international consultants, among them Telefónica, Santander Group, BBVA, Unión Fenosa, Deloitte, PwC, KPMG, Ernst & Young and Brand Finance. Its main objective is to develop standards for the valuation, measurement and certification of intangible assets through laborious research endeavors.
 - The *Corporate Reputation Forum*, boasting the support of various major Spanish companies.
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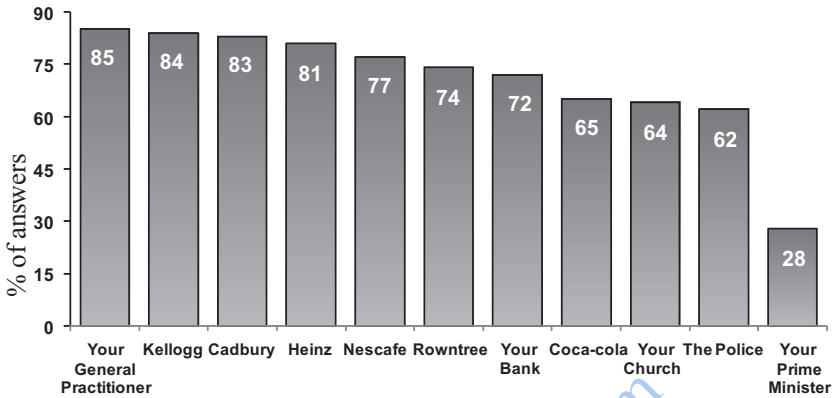


Figure 1.6 Which institution is the most trusted?

Source: The Henley Centre, Planning for Social Change (1998) cited in Brand Finance (2002)

1.3.2 Social evidence

From a socio-economic point of view, a brand is an economic contract based on trust. The level of trust in brands has grown so dramatically in recent decades, it has actually managed to dislodge the trust citizens put in other public institutions. In a study by the Henley Centre in 1998 in England, the majority of those surveyed said they trusted brands more than other institutions such as the Church or the police (see Figure 1.6).

1.3.3 Economic evidence

Numerous studies have manifested the growing importance of intangibles over time. One of the most well-known is that carried out by economist John Kendrick in 1994, which demonstrated the increasing relevance assigned to intangible assets, particularly the brand within a company's financial structure.

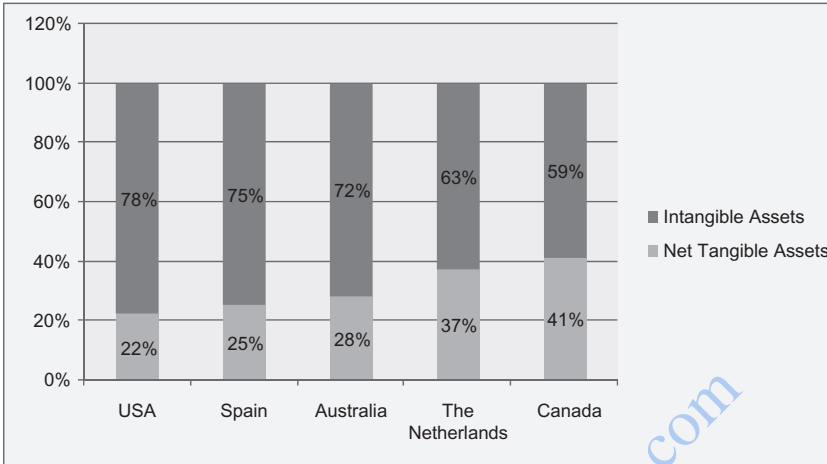


Figure 1.7 Market value breakdown for selected indices.

Source: Haigh and Chng (2005). Study on the S&P500, IBEX 35, S&P ASX200, AEX and TSX 223 – Reproduced by permission of Brand Finance PLC

According to a study by Brand Finance, intangible assets represent between 60 % and 75 % of capitalization value in the major stock indices (see Figure 1.7).

For some authors, the substantial growth of this proportion seen in the last twenty years is principally evidenced by the growing disparity between book value and market value in different indices. For example, in the S&P 500 index, the market-to-book ratio went from 1.3 in the 1980s to 4.6 by June 2004 (see Figure 1.8). For some commentators, the increasing proportion of intangible assets to market cap explains the growth of the market-to-book ratio. They reason that investors recognize that these companies' productive resources are increasingly represented by assets that do not appear on the balance sheet – patents, distribution rights, brands.

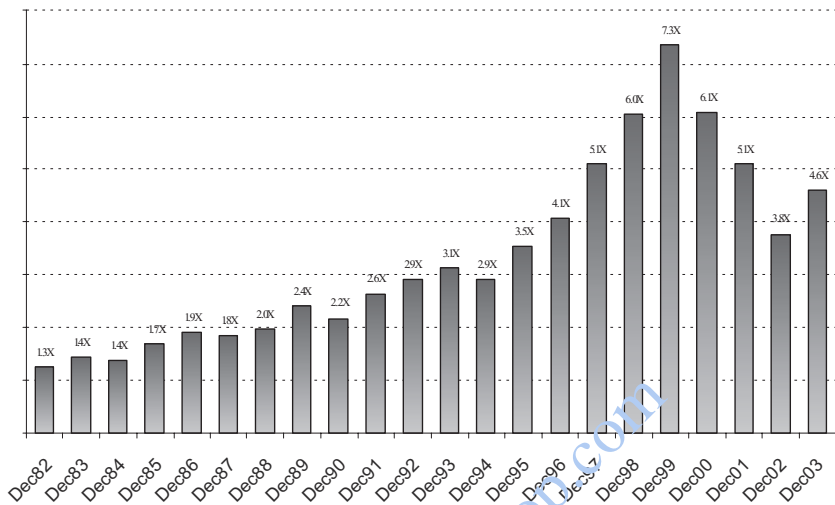


Figure 1.8 S&P 500 book-to-market ratio, 1982 to 2003.

Source: Haigh and Knowles (2004), © 2004 *Marketing Management*, 13: 3, 24–28. Reproduced by permission of the American Marketing Association

The substantial transfer of value from the tangible to the intangible realm has brought with it a growing level of investment in intangible assets. According to economist Leonard Nakamura of the Philadelphia Federal Reserve, in 2004, total investment in intangibles in the US was at 9 % of the Gross Domestic Product, and is rapidly approaching the percentage of investment in tangible capital (see Figure 1.9).

1.3.4 Normative and institutional evidence

Accounting standards: Recognition of acquired intangible assets as distinct from goodwill

The importance of understanding the value of the intangible assets that now represent the vast majority of business value has been buttressed by recent changes in accounting standards for business mergers and acquisitions. Until recently, no

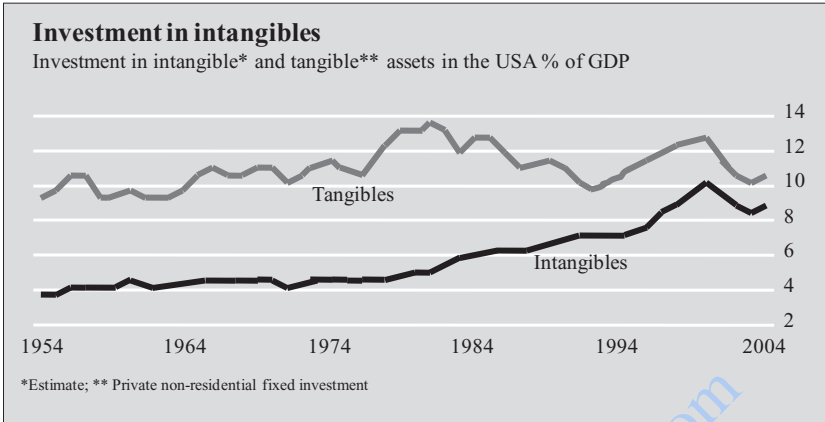


Figure 1.9 Rise in investments in intangible assets in the US as percentage of GDP.

Source: L. Nakamura, Federal Reserve Bank of Philadelphia (2005), cited in Hofmann, J. (2005) – Reproduced by permission of Jan Hoffmann

national standard required acquired intangible assets to be recognized apart from goodwill. FAS 141 in the US and the International Financial Reporting Standard 3 (IFRS 3) on *Business Combinations* require that goodwill (the difference between book value and the price actually paid in the transaction) that arises from an acquisition and represents the value of the set of intangible assets in a business, be specifically allocated to such assets. As a result, the number of defined intangibles is expected to grow. Goodwill will be allocated to five broad categories of assets:

- technology-based assets, such as patents
- contract-based assets, such as licensing agreements
- artistic assets, such as theatrical works and movies

- client-based assets, such as customer databases
- marketing assets, such as trade names and brands.

Other normative and institutional initiatives

- The new capital adequacy requirements for lenders established in the *Basel II Revised International Capital Framework* promote the valuation of intangibles in credit analysis. According to Hofmann (2005), lenders can take two approaches under *Basel II*: either opt for the IRB (Internal Rating-Based) Approach or for the Standard Approach. A lender taking the IRB Approach needs to include not only balance sheet information but also “qualitative information” on the assets when evaluating. In principle, this regulation will also allow intellectual property to be recognized as collateral. If, on the contrary, the bank takes the Standard Approach under the new capital regulation, it must resort to ratings elaborated by external agencies.
 - In order to avoid duplication and confusion, the International Valuation Standards Committee (IVSC), based in London, is backing an initiative to standardize methods of intangible asset valuation. In 2006, a group of experts was established to work on the “standardization of the approach to take in the determination of the fair value of intangible assets for the purpose of reporting under IFRS” (IVSC, 2007: 7). The discussion paper released in July 2007 (“Determination of fair value of intangible assets for IFRS reporting purposes”) is the result of the work of the group of experts. The final objective is to develop a Guidance
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Note on the Determination of Fair Value of Intangible Assets for IFRS Reporting Purposes.

- In March 2000, the ICAEW (Institute of Chartered Accountants in England & Wales) published the study *New Measures for the New Economy*, which analyzed the necessity and difficulty associated with the development of new measurements for intangible assets.
 - In 2003, The United Nations Economic Commission for Europe (UNECE) published a report entitled *Intellectual Assets: Valuation and Capitalization*.
 - Various initiatives in the public sector, most often carried out in conjunction with the private sector, have been launched in numerous countries in order to promote the voluntary disclosure of “intangible capital” (Hofmann, 2005). The following represent the most relevant among these initiatives:
 - Since the end of the 80s, the Government of Denmark, through the Danish Ministry of Commerce, Industry and Development, and the Danish Agency for Commerce and Industry, with the collaboration of universities, consultants, auditors and the Danish Patent Office, has carried out a series of studies on the measurement of intangible assets.
 - In 1999 the Netherlands Ministry of Economics published *Intangible Assets, a Balance between Accounts and Knowledge*, which compiled models proposed by four auditors (KPMG, Ernst & Young,
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PricewaterhouseCoopers and Walgemoed) for the reporting of intangible assets.

- Sweden, along with Denmark and the Netherlands, has been rather active in working towards a standardization of intangible asset reporting.
 - In Japan, the Ministry of Economy, Trade and Industry has sponsored a committee focused exclusively on the establishment of a rigorous definition and methodology for brand valuation, based on publicly accessible data released in balance sheets. The goal was to develop an “objective” brand valuation methodology (Beccacece, Borgonovo and Reggiani, 2006). In June 2002, this committee, known as the Hirose Committee, produced a brand valuation methodology. In January 2004, the Ministry published a *Guide for the Reporting of Intellectual Property Information* with the objective of promoting greater understanding among companies and capital markets through the voluntary disclosure of information regarding patents and technology.
 - In the United Kingdom, the Department of Trade and Industry is conducting a “best practices” analysis known as the MARIA project, on the reporting of intangible assets in OFR (Operative Financial Review).
 - Since 1994, the European Commission has endorsed research projects and conferences in hopes of better understanding the relevance of intangibles as factors of competitiveness. Among the research projects are MERITUM (Measuring Intangibles to Understand and
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Improve Information Management) and the MAGIC (Measuring and Accounting Intellectual Capital). The former focuses on the measurement and reporting of intangibles, and features the participation of Denmark, Finland, France, Norway, Spain and Sweden. The latter hopes to develop a low-cost practical solution for the measurement, valuation (both quantitative and qualitative) and reporting of intellectual capital.

- In the United States, multiple initiatives in the institutional and normative realm have been carried out. Three worth mentioning are: the creation of a Research Committee for the reporting of values of intangible assets within the Financial Accounting Standards Board (FASB); the Brookings Project, a study of the sources of intangible value, funded by the Brookings Institute in Washington. This project arose as the continuation of a conference on intangible assets sponsored by the SEC, and is focused primarily on promoting the discussion of various ways of measuring, monitoring and reporting intangible sources of wealth, both on the private business level and on the national level. Other major goals include evaluating various projects dedicated to the measurement of intangibles, examining decision processes at work in intangible investments, and looking at how public policy (regulations, information requirements and fiscal standards) may affect this process. Finally, the United Nations Economic Commission for Europe (UNECE) and the United Nations Statistics Division (UNSD) have supported various groups and conferences with the objective of studying the valuation and capitalization of intangible assets.
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1.3.5 Academic evidence

Within the past 10 years, numerous programs and specialized courses on or concerning intangible assets have sprung up in European, Asian and American universities:

- The Wharton School at the University of Pennsylvania in the United States offers a course in accounting at the undergraduate level that devotes an entire class module to intellectual capital valuation. This business school has also recently launched an academic program called “Marketing Metrics: Linking Marketing to Financial Consequences.”
 - The Vincent C. Ross Institute of Accounting Research at New York University, United States, launched the Intangibles Research Project in 1996, directed by Baruch Lev.
 - The Kellogg School of Management at Northwestern University, United States, offers a course on “Intellectual Capital Management.”
 - Nanyang Polytechnic in Singapore offers a course in Brand Management.
 - The Spanish business school EOI and the José Pons Foundation have recently developed a master’s program in “Industrial and Intellectual Property and New Technologies.” EOI also offers a module on the “Presentation of Intellectual Capital in Accounting States” in its Knowledge Management Executive Master’s Program.
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- HEC School of Business, in France, is currently promoting various research projects and conferences on intangibles.
- The Technological University of Dresden, Germany, has published two studies directed by Thomas Guenther on “Management, Control and Brand Valuation.”
- Chalmers University of Technology, Sweden, has founded a “Center for Intellectual Property Studies” (CIP).

These initiatives are just a few examples of the developments currently underway in the academic world, and serve to illustrate the growing interest in the management and valuation of intangibles.

1.4 Conclusions

In this chapter, we have reviewed the basic concepts that will lay the groundwork for our understanding of the approaches and models presented in Chapters 4 and 5. We may summarize this introductory chapter by asserting the following points:

- There are various ways of defining brand. In this work, we shall subscribe to both the accounting and economic definition of *brand as an intangible asset* (recognizable or not), thereby discarding the various marketing and management-oriented definitions.
 - Recent decades have seen vast proliferation, excessive usage, and adverse conflation of terms like *brand equity* and *intellectual capital*. We need to understand the relationship between these terms and the definitions we accept for *brand* and *brand value*.
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As conceptual and methodological divergences show the rapid evolution of this modern phenomenon, the growing importance of brands is evidenced by the initiatives and developments underway in the institutional, normative, social, economic and academic realms.

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