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Brand evaluation —

Part 1:
Principles and fundamentals

Évaluation des marques —

Partie 1: Principes et fondamentaux

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Foreword

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The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

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This document was prepared by Technical Committee ISO/TC 289, *Brand evaluation*.

This first edition of ISO 20671-1 cancels and replaces ISO 20671:2019, of which it constitutes a minor revision. The changes are as follows:

— The document has been renumbered as ISO 20671-1 as part of the ISO 20671 series.

A list of all parts in the ISO 20671 series can be found on the ISO website.

Any feedback or questions on this document should be directed to the user’s national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

Introduction

0.1 General

Brands are one of the most valuable yet least understood assets.

A brand identifies an entity's goods, services or the entity itself as distinct from what is offered by another entity. A brand can thus be connected to an entity, a product/service, lines/portfolios of products, a city, a region, etc. The offering entity can be commercial or not-for-profit. In all cases, however, the function of the brand is to establish a distinctive identity for the entity in the market. In practice this has traditionally implied communicating the unique benefit(s) of the entity's goods or services as compared to other goods or services that might otherwise be seen as similar. This benefit(s) can be functional as well as emotional or social. Increasingly, brands also seek identification with experiences that are connected with an entity through its actions, services or other operations. These experiences go beyond the mere usage of the product or service and lead to a higher-level engagement with them. Brands ultimately exist in the minds of stakeholders as the impressions, benefits, and experiences that they associate with a good or service.

Brands have value to both, the entities that have rights to the brand and to stakeholders who value the functional/emotional/social benefits and experiences they associate with the brand. The primary purposes of a brand are to increase the total business value of the brand-using entity, reduce risk, and extend the sustainable existence of the brand-owning entity. Even though brands vary markedly in terms of the benefits or experiences that define them, it is undisputable that a strong brand can bring financial benefits. In practice, strong brands attract customers and add revenue through increased price and/or volume premiums including repeat purchase loyalty. More broadly it is also the case that brands can reduce costs and create a competitive advantage in the minds of stakeholders. A brand thus has an impact on revenue and profitability and can influence corporate value.

0.2 Brands as financial assets

From an entity's viewpoint, a strong brand is a valuable asset. Its value ultimately depends on the value of the brand to stakeholders. Therefore, there are two different vantage points from which an offering entity can assess the value of its brands. One is through a financial valuation approach. ISO 10668 provides more details on approaches for doing brand valuations. The second vantage point is through a non-financial evaluation approach. This document puts forth a rigorous framework for the latter and a set of principles for conducting a brand evaluation from an input/output point of view. As such, it is intended to serve as the standard for the development and implementation of other standards for brand evaluation and valuation. Since it is a meta-standard, it is anticipated that further development will result in greater precision in defining terms, measures, and processes.

0.3 Brand evaluation and brand valuation

Brand evaluation refers to the measurement of the value of a brand using relevant indicators of input brand development elements and output dimensions that assess the impact of the brand on consumers. Brand valuation refers to the estimation of the monetary value of a brand to a company in a transaction whether it be internal or external (as with an investment, purchase, sale or licensing agreement). It is the financial equity the company has in the brand as a transferrable asset. Brand evaluation is broader and includes non-monetary considerations.

Brand evaluation and brand valuation are related and synergetic with each other. Brand valuation is defined from the entity's point of view. Brand evaluation derives from the stakeholder's point-of-view.

This document focuses on brand evaluation but considers this within a general framework that recognizes the relationship between brand evaluation and brand valuation.

0.4 Brand evaluation framework

The complete brand evaluation and brand valuation framework is illustrated in Figure 1. The framework has three parts. Each part calls for identifying the value of a brand in a particular way. Each part builds on the prior part in moving from evaluating the brand from the stakeholder's to the entity's point-of-view. It identifies input elements used to develop brands and output dimensions that assess brand strength, which leads to brand performance, financial results, and ultimately brand valuation. Emphasis in this document is on the overall principle of analysing and reporting brand value and on details of the input and output components of this framework. It should be noted it is possible to consider each of the three parts of the framework separately.

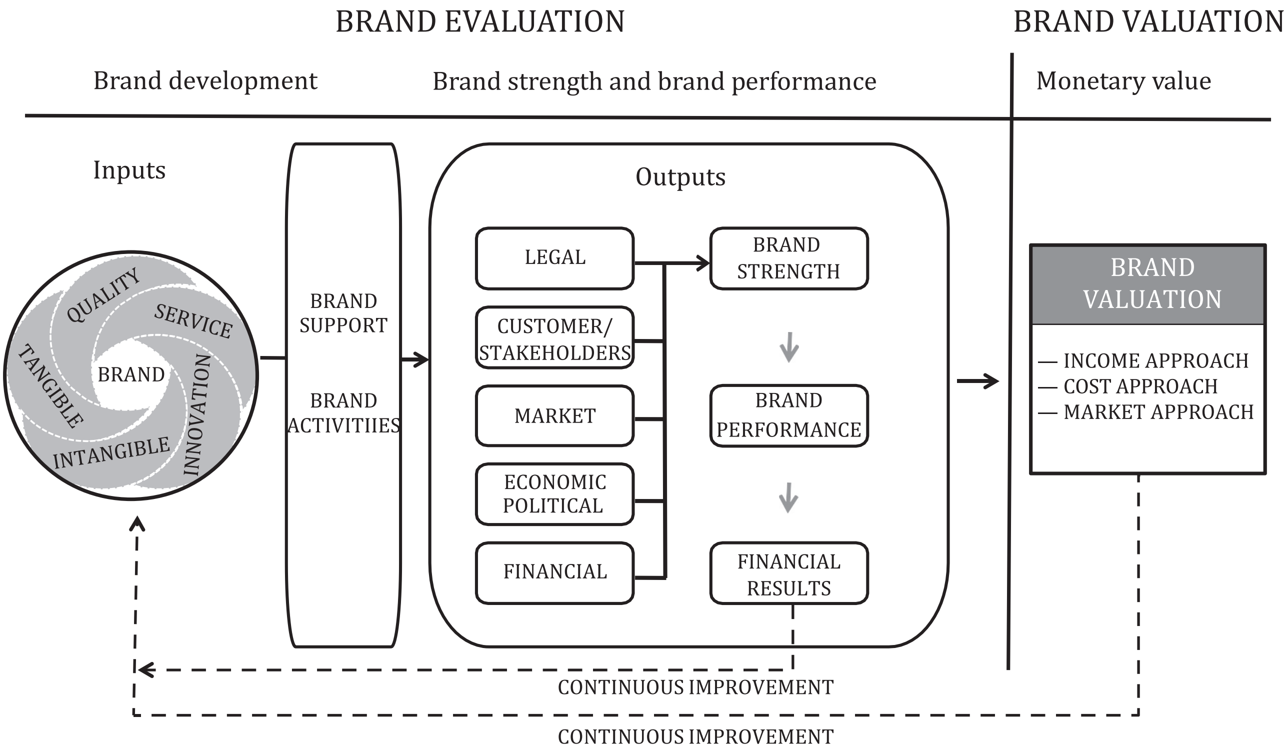

Figure 1 — Brand evaluation framework

0.5 Brand development

Brand development is based on the contribution of the five elements: tangible resources, quality, service, innovation (technology or process), and intangible resources. These five elements underlie the success of any brand, and can be (eventually) considered as causal determinants of the strength of the brand. Brand-operating entities contribute necessary input or investment in the five elements, which form the foundation of brand value. Brand value is then delivered and communicated to the market through tactical brand support and brand activities.

0.6 Brand strength and brand performance

Brand strength is the extent to which a brand is positive or negative in its potential to affect customers and other stakeholders. This can be measured in many ways. Different dimensions, such as the legal strength of the brand or its strength as measured by consumer ratings, can be used. For any one dimension there are multiple possible indicators.

Possible indicators of each dimension for assessing brand strength are detailed in this document. In assessing the value of a particular brand, it is necessary to select indicators that are appropriate and relevant to that brand. Different indicators and weights might be used, for example, for fast moving consumer goods versus luxury services versus industrial goods versus destination cities.

Brand performance evaluates the brand's impact in the market. For instance, a strong brand might have a weak impact in a market category if other purchase factors are more important than the brand. A weaker brand might have a greater impact if other purchase factors are not important. (The level of competition would be an example of other purchase factors.)

Evaluating brand performance requires an in-market comparison or simulated market test to estimate the extent to which a selected measure of brand strength translates into a different level of sales or acceptance. The second part of the framework, the middle section of Figure 1, calls for determining brand performance as a measure of the extent to which brand strength is correlated with or affects brand performance in a market test appropriate to the brand. In other words, brand performance provides an estimate of the extent to which brand strength affects market level customer/stakeholder behaviour. This can also include measures of financial results.

0.7 Brand valuation

Brand valuation reflects the process of assessing the monetary value of a brand. Brand strength and performance can be applied to a financial cash flow metric such as sales velocity or margin levels in order to attribute a brand's contribution to cash flow. This provides a final measure of monetary brand value. Thus, a brand performance assessment naturally feeds into a monetary brand valuation.

0.8 Continuous improvement

Continuous improvement is informed by changes in brand evaluation results between two periods. Presently brands are too often taken as incidental business expenses necessary for the sake of having a name, a logo or a trademark. Brands can be proactively managed and measured at least annually to increase entity value. Therefore, brands shall be managed using this brand evaluation document to increase entity value as established by improvements in brand strength and brand performance and ultimately indicators of financial results.

For organizations that seek to increase brand value, brand evaluation thus creates a feedback loop for the continuous improvement of a brand that leads to greater value for the entity over time. By investing (changing the composition and level of brand input elements) based on such feedback, brands can be improved to provide greater benefits and better experiences to customers and other stakeholders and higher returns on the brand asset to the entities which use and own the brand. This document therefore constitutes a basis or departure point for high-level corporate planning and governance, including best practices for brand management.

The principles of this framework also apply to external investors and lenders. By evaluating brand strength, brand performance, and financial results, targets can be defined not only for the internal planning process but also for investors and lenders who realize the importance of brands as valuable assets.

The three-part framework recognizes that any brand evaluation is complex and multidimensional, and it constitutes information for multiple uses. Moreover, brand evaluations for some purposes may be restricted to brand strength. Improvements to brand strength can be identified through continuous measurement of the relationship between brand input elements and the dimensions that make up brand strength. In this framework, however, brand strength is a first step in evaluating brand performance, the impact of the brand in the market, where other variables such as competition can affect outcomes. Brand performance can in turn be used as part of a method for determining a monetary brand valuation.