BRAND VALUE

How Much Is Your Brand Worth

How can EU Companies reflect the value of their brand in their balance sheet?
Wouldn't it be helpful if you could reflect the real (market) value of your brand in your balance sheet? For instance if you bargain for better credit terms, consider going public or in cases of mergers and acquisitions?

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You've probably read the recent news about Ford being back on track after refinancing its turn-around by also pledging its brand/logo. What is common for many US companies is now also possible for companies in the EU. The standing rule in the EU is that you can assess your brand in your balance sheet only with the money spent for acquiring and/or

maintaining the brand.
But the real (market) value is, in most cases, much higher, in particular if you invented/ registered the brand yourself. Because you can then only put the (legal) cost of doing so and upholding the registration of your brand into your balance sheet, while the brand itself has flourished and is widely recognized.
As an example: One of Germany's leading apparel companies, Hugo Boss AG, created their brands (Boss, Hugo Boss, etc.) themselves and assess the total value of them at only around 15 million Euros (while the bulk of it results from the brand rights granted to US licensees).
I am positive that all of you agree that the real value of the Boss brands is a high multiple of this amount.
So, if you are in the same position, i.e. own a popular brand that you have created (or bought at a value less than you believe it is worth today), and recognize the advantages it can have putting the real value of your brand in your balance sheet, what can you do?
Well, it's not a thing that will work from next week on but a gradual process which may take two to four years. But it costs you relatively little effort and money considering the leverage. And it works of course best for brands that are well established in their market/s and for which there is demand by third parties to use it in other product segments, i.e. that you can license out.
So we are back to licensing. But with a little twist. The idea is that you transfer your brand rights to a US subsidiary which then starts licensing the brand from there. According to the volume of business (licenses) generated, US law permits you to evaluate the brand that generated this business.
The leading company in the US doing this is Consor from La Jolla/California. Consor Intellectual Asset Management specializes in providing intellectual property valuations, royalty rate opinions, and intellectual property licensing. For the past 25 years, Consor has provided a focused approach to this area, basing opinions on well-documented research and proprietary personal knowledge of intellectual property transactions.
As the only market-based consulting firm specializing in intellectual property valuation and licensing, Consor is well positioned to assist companies in maximizing the value of their brand assets. Prior clients the company include Amazon, Anheuser-Busch, Chevron, Ford Motor Company, General Mills, Goldman Sachs, Lucasfilm, Ltd, Mattel, Inc, McDonald's Corporation, Nestlé, PepsiCo, Phillip Morris International, Proctor & Gamble, Sony Corporation and Xerox Corporation.
When valuing intellectual properties, Consor considers each of the different valuation methodologies, in light of the information available and the specific circumstances, in order to determine the best method for ascertaining value.
Traditional methodologies commonly used to determine the value of intellectual properties are: the Cost Approach, the Market Approach, the Income Approach, and a hybrid methodology known as the Relief from Royalty Approach.
Whenever possible it is advantageous to utilize multiple valuation methodologies, then reconcile the results to arrive at a reasonable conclusion. In addition to these widely applied methods there are a number of additional valuation techniques to be considered on a case by case basis. Other methodologies can be roughly divided into two types; variations and specialized methodologies based on the four traditional approaches, and semi-proprietary methodologies used by various practitioners.
Having established the (real market) value of your brand, your US subsidiary can assess such value in its balance sheet. You, as the holding company, can in turn reflect the value of the shares your US subsidiary has, hence getting the value of your brand into your own balance sheet.
Of course, if your brand is not as popular in the US as it is in Europe, your US subsidiary can concentrate its licensing activities where your brand is positioned best to optimize the result.
And, as most of you know, if other companies are willing to take a license for your brand and launch successful products in other business environments, it does not only generate attractive royalty income but usually also strengthens the brand.