Brand valuation as an immanent component of brand value building and managing

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Abstract

The process of brand value building and managing should form part of the strategic marketing of any enterprise whose primary objective is the market share growth. This is because the brand has the potential to be a source of a long-term sustainable competitive advantage of such an enterprise. But there is lack of desired result within the branding efforts without the efficient method of brand value quantifying. Nowadays, there are many methods of brand valuation, which can be grouped into internally homogeneous groups based on their access to financial indicators usage, possible objectives, intended universality of value, brand risk representing and so on. These methods have differences among themselves, particularly in relation to the scope and nature of the input data and reliability and validity of obtained results in relation to its further applicability in branding. This is the reason why the results of critical evaluation focused on different methods of brand valuation in the context of the Slovak branding specifics, is the aim of this paper. Most of published results form part of the special research realized to analyze possible sources of competitive advantages of Slovak enterprises. In this research, it was found that the current state of branding in the Slovak Republic is unsatisfactory and not competitive with foreign. As one of the reasons, the absence of a continuous brand value monitoring was detected. So, we offer a brief overview of applicable methods, which are convenient to specific Slovak conditions and which could be used to make brands competitive on the international base of globalized market.

Keywords: brand; brand value; brand value building; brand value managing; income approach

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1. Introduction

In today's world, brands are everywhere, in fashion and other industries, services, politics and media. The word brand was first introduced in the world of advertising in the late 1950s, by David Ogilvy, who created brand-image advertising. (Kicova, Kramarova, 2013a). So, initially it was used for brand differentiation, helping to distinguish the required product from the mass of similar units. With the development of commerce the word „brand“ has become to mean and be applied to separate one’s product from the other company that produced similar products. Thus the brands became the core of advertising, already since the emergence of market based relations. Nowadays the concept of the brand is usually used to designate or identify the company or seller's product or service. Brands take a unique place in commerce. They can be bought, sold, borrowed or rented, and protected on national and global level.

A traditional definition of a brand was: “the name, associated with one or more items in the product line, which is used to identify the source of character of the item”. (Kotler, 2001).

According to Chlebikova and Misankova (2013), which partially agree with the American Marketing Association definition, the brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors.

Within this view, as Keller (2007) says, “technically speaking, then, whenever a marketer creates a new name, logo, or symbol for a new product, he or she has created a brand”. He recognizes, however, that brands today are much more than that. As can be seen, according to these definitions brands had a simple and clear function as identifiers.

Currently, there are also many definitions of this term. Brand is defined also as „name, term, symbol, design or combination of components used to identify goods and services, and to indicate their differences from competing products“ and as a tool designed to help customers identify products or services that promise concrete benefits. (Sherrington, 2003).

It is noteworthy to identify the brand as a symbolic embodiment of complex information related to a specific product. Such information may contain a logo, name and other visual elements. We can conclude that the brand is an integral intellectual part of the product that finds expression relating only to this product whether in name or in design and has a stable and strong communication with the customer.

All elements of the brand can be divided into two main groups:

- **rational elements** – these are focused on the content of brand communication, its proposals and promises, explain to the consumer what this brand can do for him/her and also, they are perceived by logical reasoning.

- **emotional elements** - this is, so to speak, a "feeling" of the brand, which is its expression directed to satisfy the spiritual needs of the customer without affecting the scope of rational reasoning.

By means of a strong brand, the company can establish strong and positive relationships with their customers. But what does it means “strong brand”? How managers can build it? What doest they need to know in the process of its value building and systematic managing? These are the questions which we have after the analysis of brand usage and brand management implementation in Slovak companies.

The basic research problem was the insufficient usage of competitive advantage based on brand management implementation in Slovak companies. (Sukalova, Ponisciakova, 2013). The survey was conducted from April to June 2014. We used a standardized method of the direct questioning. As a tool of this survey it was chosen a semi-structured written questionnaire. A basic set of surveyed respondents was formed of Slovak companies regardless their legal form (depending on the size of the basic set, the survey sample was 384 respondents). As one of the set hypotheses, we verified this one: There is a relationship between the optimal brand value metrics and the goals fulfillment in the scope of branding in the companies. For verification of its H0 (“There is not a relationship between the optimal brand value metrics and the goals fulfillment in the scope of branding in the companies.”) mutation, the Pearson's chi squared test which is a nonparametric test that is performed on categorical (nominal or ordinal) data and which evaluates the relationship between two variables, was used. (Zvarikova, 2011).

The specific chi squared for this hypothesis was calculated through the Microsoft Excel, using the function CHIINV (0,05; (2-1)*(4-1)). The resulting value was 17.87298 (chi\_calculated). To accept the null hypothesis (H_0) which is the object of verification, the “chi\_calculated” value has to be minor than “chi\_table” value. As the “chi\_calculated” value is...
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