

## Why Does the Brand Matter?

The eminent and well respected CEO of a leading FTSE 100 company once refused to sanction a budgeted expenditure of £40,000 on a brand refresh project. For sure, £40,000 is not an insignificant dollop of cash even in a business where certain employees earn that amount in only a couple of days. However, it was not the amount per se that so concerned the CEO. His reticence was a consequence of his suspicion that there was no return to be had on the investment.

This scenario poses the tricky question: Can real value ever be achieved from an investment in brand marketing?

To get to an answer, we first have to define our terms. Brand marketing is the activity that utilises all of the properties associated with an organisation's identity. This may include a crest or logo, a name or style and any verbal, graphic or pictorial design features (including colour pantones, textures and font styles) that when taken together present an overall image or expectation particular to a product or company.

The problem is that few companies with a well-defined brand image invest enough time or effort to manage and develop their property. There is a commonly held view, (particularly among the accountants who seem to run most businesses today) that investment in a brand is simply another clever wheeze by the marketing department to keep themselves gainfully employed. And yet for many companies, the corporate brand is their single most valuable asset. It may not appear on the balance sheet under an obvious heading, but it is certainly present albeit in intangible form.

Let's take the example of a leading Premiership football club and list the qualities that underpin the global accessibility and recognition of its brand:-

Unprecedented success on the pitch under the guidance of a wise (if a somewhat irascible) manager of many years service; an enviable squad of players assembled by supplementing the product of a global youth scouting system with the expensive acquisition of established stars; a stadium and training facility that is second to none; an international fan base numbering hundreds of millions spanning the globe and all constantly exposed to TV, digital and news media hungry to promote the team's name and glorious track record of success; a portfolio of corporate sponsors eager to lavish their cash in return for a little reflected glory; an unswerving sense of loyalty and affinity that can persuade even the most casual of supporters to consume every piece of merchandise and branded tat peddled by the club's official Megastore – including club-branded mortgages!

Assuming these qualities are backed by a sensible and prudent approach to financial management (and that the club is not overly burdened by unsustainable levels of debt), there is every reason to expect the outcome will be substantial if not sector leading sales revenues and the generation of year on year profit growth to satisfy even the most vulpine consortium of corporate investors and PIK note lenders.

So how can we quantify the brand value of this fabled if not mythical organisation?

It's easy really. Just sell the players, sell the stadium and the training facilities; sell the database of fans; sell all media assets and capitalise all sponsorship contracts. In fact, sell off every asset that appears on the balance sheet. Now, compare the total realisable assets of our sale with the market value of the club. The difference between the two figures is the value of the brand. In our hypothetical example the figure would be north of £400m. Now isn't that worth an investment of £40k?