Available online at www.sciencedirect.com

ScienceDirect

Procedia Economics and Finance 6 (2013) 444 – 448

Procedia
Economics and Finance

www.elsevier.com/locate/procedia

International Economic Conference of Sibiu 2013 Post Crisis Economy: Challenges and Opportunities, IECS 2013

The Value of Brand Equity

Camelia Budac[a]*, Lia Baltador[a]

[a] *Faculty of Economic Sciences, "Lucian Blaga" University, Sibiu, Romania*

Abstract

This paper aims to be a brief presentation of brand equity as a provider of strategic advantages for companies that own brands. Successful management of a brand must be focused on values capitalization so that these attributes could represent a natural extension of general perception. The stated goal of any brand manager is to strengthen the brand values so that they may be easily recognizable and identifiable to the public.

Selection and peer-review under responsibility of Faculty of Economic Sciences, Lucian Blaga University of Sibiu.

Keywords: brand; brand equity; brand valuation; best brands; performance indicators.

1. Introduction

Branding is designing and managing brands to increase their net value. This activity is also called brand management; either of these two definitions name basically the same thing stated above. In his book "Brand Simple", Allen P. Adamson (2009) defines branding as "the execution and management of things that determine how people perceive the brand."

Like any other asset, brand management is very important for the success of the company in the market. "If launched and supported effectively, the brand is a major corporate resource - sometimes the most valuable financial asset of an organization. The brand, as finance, investment, human resources, research and development, marketing, information technology and other corporate resources, needs authority, rules, proper funding, commitment and management. If thus supported the brand-resource will be as effective as any other resource, if not, the resource is exhausted."(Olins 2009)

*Corresponding author.
E-mail address: camelia.budac@ulbsibiu.ro

Selection and peer-review under responsibility of Faculty of Economic Sciences, Lucian Blaga University of Sibiu.
doi:10.1016/S2212-5671(13)00161-5

Brand design, launch and management involve both human and financial resources and the cooperation of several professionals from different disciplines such as design, marketing, human resources, finance and management. The brand consulting agency has the role of management and coordination in the process of branding and the general manager is the main responsible within the company. Branding involves a well organized process, with clear stages, whose complexity varies only for reasons related to the size of the organization starting such a project. This process, together with its component stages, each stage specificities and deliverables that can be obtained at the end of each stage will be dealt with below. It is an accurate methodology that requires a mix of investigation capabilities, strategic thinking, and excellence in design as well as project management.

David Aaker defines brand as "a distinctive name or symbol intended to identify the goods as belonging to a certain producer and to differentiate them from the competition. Besides brands there are also consumer brands (goods) which have no personality, no life. "(2006)

2. Understanding brand equity

Branding decisions are often made under pressure to achieve short-term performance. This can be achieved by exploiting the brand, leading consequently to its erosion, because the brand is extended to such an extent that its basic associations get weaker and weaker in their effect. When the construction of brands is worn down, the loyalty decreases and prices become priority.

The first step to understand the value of brand equity is to understand what contributes to its creation. Brand equity is considered by the authors a set of assets and liabilities linked to a brand, its name and symbol that add something to the value provided by it.

Assets and liabilities can be grouped into five categories: brand loyalty, name recognition, perceived quality, brand associations and other brand assets such as patents, trademarks, relationships within distribution channels.

Brand loyalty of a basic group of customers is the core of brand's value. If people buy a brand even comparing it to other competing products with superior features, price and amenities, then there is a substantial value of the brand.

Recognition of a brand (brand recognition) requires a minimum level of brand awareness (brand awareness). Spontaneous recall is more difficult than recognition and it is associated with a stronger brand position. A good slogan or jingle can help a brand to be noticed and remembered (kept in customer's mind).

Perceived quality is based on product features such as reliability and performance and it is an intangible feeling about a brand. Positioning is closely related to concepts such as association and image and its benchmark competition.

An association to a brand is any link to a brand in the buyer's memory and it will be stronger if it is based on more experience and exposure to communication.

Brand equity brings higher profit margin, enabling premium pricing and reduced promotions; it also offers business growth through brand extensions and it gets privileged position on the shelf and enjoys various marketing programs.

Cost / efficiency oriented companies are careful to improve procurement, product design, production, promotions and logistics. For many businesses, however, the brand name and what it represents is the most important asset, the competitive advantage.

Brand valuation is no longer an unusual occupation today. Since the second half of the '80s, when the first brand assessments were made, thousands of companies around the world have turned to specialized consultants to assess their brands. Brand valuation models are based on traditional evaluation and financial techniques which are universally accepted and on the experience and skills of specialists in marketing, brand, market and consumer research, financial and intellectual property as well. An appropriate and a well applied model provide brand owners not only financial value but also lessons for the further growth of the brand.

Interbrand, the consultancy company who "invented" brand valuation two decades ago, showed how a value that was predicted long before can be measured.

Reputation has always been perceived as an important factor in business and the accounting has been using for hundreds of years the term of goodwill to designate added value that cannot be attributed to tangible assets and which is included as an amorphous mass of intangible assets. In the second half of the last century, mergers and