

HOW TO CALCULATE BRAND VALUE: A COMPARATIVE STUDY BETWEEN BPL LIMITED AND SALORA INTERNATIONAL LIMITED

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Abstract

The Value of the Brand is now becoming a part of the annual reporting on the business results and performance. As it is a recognized fact that Brand is the most valuable asset in the business and it needs to be accounted for. Valuation of brand depends on the evaluation of objectives and goals. It is generally said that the value of a brand is actually in the eye of the beholder. Still various methods are used to determine the value of the brand by 'brand owners' for the purpose of either acquiring a brand or even for reporting brand asset in the balance sheet of the company. This article deals with the concept of brand accounting and methods which can be employed to do the valuation of the brand. The significance of the brand can be understood by the quotation given by John Stuart, Chairman of Quaker, "If business were split up, I would give you the land and bricks and mortar, and I would take the brands and trademarks, and I would fare better than you."ⁱ

Keywords: Brand, Brand Valuation, Consumer Electronics, Brand Owners, Brand Accounting.

Introduction

Brand is the most important and most valuable asset in the business to be preserved and supported to grow in order to deliver the targeted business performance and create shareholder's wealth and that is the primary purpose of the existence of any business organisation. Shareholders make the business managers as custodians of their investment and expect to reap the harvest which is the result of prudent business decisions and effective implementation of the action plans by the management team. Brands constitute key resource for generating and sustaining competitive advantage. Brand valuation is the job of estimating the total financial value of the brand. Like the valuation of any product, or self-review or conflicts of interest if those that value the brand also were involved in its creation. Historically, most of a company's value is a tangible asset such as property, stock, machinery or land. This has now changed and the majority of most company's value exists in intangible assets, such as their brand name or names. The International Organization for Standardization, an international standard setting body introduced ISO 10668 standards for the appropriate process of valuing brands, and sets out following key requirements:

- **Transparency:** The valuation processes must be transparent, including disclosure and quantification of inputs, assumptions, and risks, as well as, when appropriate, sensitivity analysis.
- **Validity:** The inputs and assumptions should be valid and relevant as of the valuation date.
- **Reliability:** Any model involved should reliably give comparable and reconcilable results.
- **Sufficiency:** Every valuation shall be based on sufficient data and analyses to form supportable conclusions.
- **Objectivity:** The valuator shall be free from any form of biased judgment.
- **Parameters:** Appropriate financial, behavioral, and legal parameters shall part of the overall assessment.

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