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SOME REMARKS TO SPECIFICS OF BRAND VALUATION IN SLOVAKIA

Abstract:

One of the most important intangible asset of the company is brand. Therefore, it is important not only to successfully manage brand of the company, but also to provide brand valuation on a regular basis. In order to assess the value of individual brand can be used numerous models developed worldwide. These models are based on different input data and evaluation methodologies. The presented study provides critical literature review of disharmonies in the brand definitions and presents comprehensive overview of approaches and models applied for the brand valuation worldwide, as well as in the Slovak Republic. Based on these we have detected main limitations and deficiencies of these models emphasizing the necessity to design a brand valuation model founded on the specific conditions of Slovakia.

Keywords:

Brand, valuation, brand assessment, brand valuation models,

JEL Classification: M31, M41

Introduction

Within the acceleration of globalization, which economic aspects are logical consequences of the increasingly deepening degree of interdependence of individual national economies at the end of the 20th century, grows the importance of building and managing the brand value as a source of competitive advantage of companies involved in business activities, both on international and national markets. These markets are according to Berger et al. (2015) from the trend point of view consistently characterized by the increasing level of competition in the distribution of consumer goods, the decline in the number of competing companies while increasing the number of brands, a significant reduction of life cycles of both products and businesses, the information revolution caused by digital technologies, the sharp increase in the amount of modifications of products, the strong fragmentation of markets and also media fragmentation that reduces the effectiveness of the implemented communication strategies. Similarly, are the trend of the international and national markets also considered by Bahadir et al. (2015), Efrat and Shoham (2015), Peltoniemi (2015) and other.

According to these trends is noticeable the shift towards the needs of building a stable competitive advantage through the value perception. So based on the above in the current economic realities companies face a choice between two ideologically supporting marketing directions. According to Ranchhod (2004) marketing managers have to decide, while respecting the strategic objectives of the company, whether to implement the so-called recurrent marketing, which nature is in the believe of consumer that the supplied consumer value of products is still high enough or they will prefer so-called transformation marketing in which marketing efforts are focused on finding the ways for maximizing the delivered value to the consumer.

We believe, that the transition from the recurrent marketing, value-oriented on product, to the transformation marketing, value-oriented on consumer, has become an imperative of the company´s success. Proclaimed evolutionary shift should arise as a priority within the brand management in order to achieve optimum market share in the long term and synallagmatic sustainable competitive advantages.

Disharmony in the brand definitions

In the prior historical development is apparent the evolution of the definition of the concept of brand reflecting the dominant factors which had typified the prism of its perception in socio-economic context. Traditional definitions of brand are based on accentuating its identification aspect.

According to Aaker (1991) is, within the above, the brand considered as a distinctive sign intended to distinguish goods and services of producer from competing offer. Kotler (1997) similarly argues that brand is a name, title, character, artistic expression or combination of the above elements which purpose is to distinguish the goods or services

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of one seller or group of sellers from goods or services of competitors. Later definitions gradually emphasize the cognitive-psychological aspects of the brand.

Keller (1998), under the influence of this school of thought, defines a brand as a product that adds other dimensions that distinguish it from other products designed to meet an identical need. Gradually, in the cognitive psychological concept of the brand, has begun to appear more and more the value-added aspect of mental associations, which has later established as a supporting element of brand´s definitions.

DeChernatony (2009) believes that a successful brand is an identifiable product, service, person or place strengthened in such a way that the buyer or user perceived relevant, unique and lasting added values which are highly suited to their needs. However according to Kapferer (2012) is this approach already obsolete and in order to comply with the current market situation it is essential to look at the brand as an indication which symbolizes the long-term commitment to guarantee a unique set of values personified by products, services and their features which make company, person or product itself competitive.

Thus in general terms outlined definitions of brand development is not copied by domestic literature. Lesakova (2001) states that the mark identifies the manufacturer, service provider or merchant. Labeling the product by brand is according to the author a key tool of communication with the target groups, while the aim of marketing strategies is the effort to make consumer´s perception of the brand as something specific that could optimally satisfy its needs. Under the term brand alike Stensova et al. (2006) refers to visible or otherwise perceptible identification sign, an indication, that has to provide to the consumer various information about the properties of the product, its use and its handling.

Brand value assessment models

Similarly, to the concept of brand, is in the professional literature, conceived the issue of brand value, its resources and approaches to its quantification. From an evolutionary development of methodologies and methods is clear that they are in principle based on existing postulates of the indicated brand idea. However, at the application level, the historical context of creation of these methods reflects at least. Equally there is an absent of an approach which takes into consideration the specifics of individual brand resulting from the nature of the production, sectors, etc.

To the issue of quantification of brand value is in the foreign literature devoted considerable attention. Above mentioned relates mainly to the gradual awareness of the need of perception of the nature of the competitive potential of the brand in the context of the value notion of a consumer nature, which is reflected also in the present formulation of the definitions of brands.

The various existing models for quantification of the brand value can be divided into financial, behavioral and cross-sectional. ***Financially oriented approaches*** can be categorized as static and dynamic, which are then, in both cases, internally differentiate to the cost, market and income oriented. (Salinas, 2009). Under this idea are the most used models – models income oriented, especially Kern´s model in 1962 (Zimmermann, et al., 2001), Herp´s model in 1982 (Herp, 1982), Damodaran´ s model in 1994 (Damodaran, 1996), Sander´s model in 1995 (Raboy, Wiggins, 1997), Feltham-Ohlson´s model in 1996 (Feltham, Ohlson, 1999), model of Sattler in 1997 (Sattler, et al., 2002), Lev's model in 1999 (Lev, 1999), Hirose´s model in 2002 (Beccaceci, et al., 2006), Fisher's model in 2007 (Fischer, 2007), etc. .. Reported models are among the most important models derived from research activities of foreign professional public, but there were also created a large number of models assembled by independent consulting groups and rating-ranking agencies. According to Salinas (2009) these are such models of BrandRating, GfK-PwC, BBDO, BrandEconomics, Interbrand, AUS Consultants, Ernst & Young, etc.

According to Fernandez (2007) there are three basic categories of errors in up to now formulated models, which distort their explanatory power. These errors are conceptual errors, managerial errors and interpretation errors, which cumulative result in these theoretical-application shortcomings of existing models for quantification of the brand value:

- lack of methodological consensus between models created by theorists and models profiled on the basis of practical requirements,
- mismatch between recommendations of theorists concerning the use of individual models and the real preferences of practice,
- the persistent preference of licensed analogy method by large enterprises and enterprises realizing their business in the financial sector,
- negative impact of the quantity and diversity of evaluation methods on the perception of reliability and validity of results achieved by them. (Salinas, G., 2009).

In addition to the financially-oriented models are for the needs of building and managing the brand value evolved so-called ***behaviorally oriented models***. The best known among these models are model of brand barometer (Zimmermann, et al., 2001), Vazquez´s model (Vazquez, et al., 2002), McKinsley´s model (Riesenbeck, 2000) or so called CBBE model (Keller, 2007). Emnid / Horizont Brand Barometer is a model based on the scale assessment of individual universal predefined parameters of brand by consumers. (Zimmermann, R., et al., 2001). Vazquez et al. (2002) based their model on a combination of rewards of the product and the brand within the categorization of symbolic

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and functional benefits, while they quantify the brand value, within the mentioned, in the context of these basal categories: functional benefit associated with the product, symbolic benefit associated with the product, functional benefit associated with the brand and symbolic benefit associated with the brand. Although this model worked out in detail the perceived benefits of customer arising from the use of the brand, but the brand value narrows only on the mentioned categories and like the previous model it does not take into account its other possible determinants. McKinsley´s model is based on the analysis of three key attributes of the brand, so its performance, personality and the perception of the consumer. These attributes are considered to be absolutely quantifiable. (Riesenbeck, 2000). The basic premise of the latest of the mentioned behavioral model for brand valuation, model CBBE, is that the real power of the brand corresponding with its value lies in what customers know about the brand, what they indirectly heard about it and what type of relationship they have with it within their long experiences. The brand value, based on the customer's perspective, in the context of this model, according to Keller (2007), is methodologically defined as a differential effect that knowledge of the brand has on consumer response to marketing of the brand.

Representative of ***cross-sectional approach*** to analysis of brand value is a model presented by Aaker (2003) based on the assumption that the value of the brand is a set of assets and liabilities connected to the name and symbol of the brand, which increase or decrease the value of the product or service deliver to the enterprise or consumer, while the main categories of this value are the knowledge of the brand´s name, brand loyalty, perceived quality and associations connected with the brand. A similar approach to analyzed issue poses the majority of the world's market research agencies, while synthesizing the financial and consumer-oriented approaches to brand valuation, they use the so-called Multi Scoring Model, which combines both approaches. The total value of the brand is expressed on the basis of its financial value and in the alternatively quantified marketing factors.

Discussion

Based on the literature review can be summarized that more than 39 authorial original models were created for the quantification of the brand value by theorists and more than 63 modified models developed for targeted commercial usage established on the specific requirements of practice. The dominant idea for the measurement of the brand value has become nowadays a need to use the full strength of research techniques and processes that capture the greatest possible richness and complexity of the brand value. (Keller, 2007). Similarly according to Moisescu (2007) has become the necessity of implementation of the cross-sectional financial-behavioral approach to determination of the brand value a prerequisite for obtaining reliable and valid data, which form a platform for quality management decisions and full excerpted competitive potential for optimal building and managing brand features.

The existing methods for the quantification of the brand value still absent the approach which takes into account the specificities of the sector affiliation of brands. The transition from universally designed postulates to generically categorization approach to brands has become increasingly referred as an imperative to maximize their competitive potential. The need of implementation of differentiated approach to the issue of building and managing the brand value point out also Moisescu (2007) and Kapferer (2012). Moisescu (2007) states that the valid model for determination of the brand value should clearly distinguish between the tangible aspects of brands related to the physical and functional characteristics of the product and its intangible aspects which are characteristic of a particular brand, while these must be adaptable in the context of the brand valuation given the specificities of the sector or the product itself. Kapferer (2012) doesn´t categorize brands according to the sector, but distinguishes brands luxury, natural, pharmaceutical, B2B, internet, national, institutional, personal and commercially-distributional. Such an approach, however, is inapplicable for application of the sectoral approach that takes into account the specifics of micro and macro environment of the brand.

In conditions of the Slovak Republic is the issue of quantification of the brand value and detection of its resources mainly analyzed by Stensova (2006), according to her the brand value represents asset for the enterprise and a representative example of its possession is a consequent increase in turnover, leadership within the pricing policy or gains from the sale of licensing rights. Author considers the brand value important also for the needs of the exact calculation in the case of purchase or sale of the enterprise disposing with a strong brand and also in the case of verification of reasonable amount of damages if there were a so called brand piracy. In the classification of models dealing with the brand value can be this approach included in the financially oriented. However, the author does not elaborate the prevenient method of quantification of the brand value given the specifics of the Slovak environment.

In the comparison with the traditional school of brand management which are evolving in the USA (Wharton School University of Pennsylvania, Vincent C. Ross Institute of Accounting Research New York University, Kellogg School of Management at Northwestern University), Singapore (Nanyang Polytechnic), Spain (Spanish business school EOI), France (HEC School of Business), Germany (Technological University of Dresden), Sweden (Chalmers University of Technology) or in the Czech Republic (University of Prague) is a current state in condition of the Slovak Republic disappointing.

The resulting situation causes that building and managing the brand value in the conditions of the Slovak Republic is realized by the implementation of models inconvenient to specificities, which consideration is a fundamental premise for achieving an optimal state. Those, in the context of the need to take into account the national environment, correlates not only with the subjective perception of resources of the brand value which influences the consumer´s behavior, but also with the uniqueness of Slovak accounting-reporting system. The need for modifications of existing methods of brand valuation for needs of their full utilization in the context of building and managing the brand value in terms of specific markets is pointed out by Cizinska and Krabec (2014). According to them the evaluation of intangible assets of companies, whose shares are not listed and which operate on emerging markets, is a problem because of lack of empirical data or because of their inferior quality. Authors put in doubt the reliability and validity of data obtained by the use of models for quantification of the brand value obtained from foreign sources and propose its own model - the so-called VIM model (Verifiable Interdependent Model), which nature consists in the quantification of the brand value as a specific component of an intangible asset of the company on the basis of determination of the brand value as a whole.

Conclusion

We believe that the given divergence of domestic and foreign literature, in the context of brand management, are caused by the unsatisfactory level of research in this area. In Slovak research activities, prospectively ending to the profiling of prevenient theory, the purpose of brand as a separate subject of examination virtually absents. This state is then reflected also at the application level, with the result that there is discrimination of brands of Slovak businesses on national and international markets and reduction of interest of foreign brands to enter the Slovak market.

These gaps are striking not only in condition of the Slovak republic but also in the global context. In the connection with approaches used for the measurement of the brand value and their applicability in the condition of the Slovak Republic, it is also necessary to draw attention to the fact, that until now it has not been constructed a model taking into account national specificities, which would eliminate especially the interpretive disparities in the financial and also financial accounting-reporting context leading to the distortion of obtained final values and a substantial reduction of their reliability and validity in the case of application of benchmarking approach on the local as well as on the global dimension. This fact significantly reduces the competitiveness of brands of domestic businesses, not only on international, but under the impact of increasing competition, also on the national or regional markets.

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