

## DESTROYING AND CREATING EQUITY VALUE THROUGH BRAND MANAGEMENT: POSITIVE AND NEGATIVE BRAND IMPACT ASSESSMENT BY USING THE VIM MODELLING APPROACH\*

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*For the time being the importance of understanding a firm's equity value creation becomes essential. The corporate brand and the related brand portfolio of product brands have become the value driving assets of increasing importance. In this paper, we present a newly developed integrated brand valuation modeling approach (the proprietary VIM – Verifiable Interdependent Model) which is also applicable to private (unlisted) companies where the market capitalization of equity is unknown. After explaining the basic model mechanics and theoretical spillovers with the pricing and marketing strategy of the firm, we elaborate the importance of the positive or negative impact of the brand equity for equity value creation of the firm based on the firm's specific value drivers. To demonstrate the application of the model and to evaluate the informative value of the obtained results we also present a case study of the XYZ Brand valuation. Apart from the brand valuation, we demonstrate the positive and negative impacts of the brand on the value of the firm. Furthermore, we outline the applicability of this approach for the use within the IFRS 13.*

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## **1. INTRODUCTION**

The issue of appraising intangible assets, and specifically trademarks, is discussed extensively in specialized literature (Čižinská & Krabec, 2013, Gerzema, Lebar, 2008, Hubbard, 2010, Murphy, 1990, Perrier, Stobart, 2008, Salinas, 2009); among other things, this is because intangible assets are becoming more and more important within intensifying competition in hypercompetitive, more and more saturated, product markets.

In appraising intangible assets of unlisted companies operating in developing markets, appraisers face the problem of insufficient empirical data, or their low quality. This makes the application of standard methodology used for appraising identifiable intangible assets disputable. In this paper, a possible approach to appraising the fair value category of trademark of an unlisted (private) company will be suggested. Our ambition is to solve these methodological issues in a way that will have a sufficiently informative value that will enable the resulting valuation to be seen as a valuation of the selected and/or assigned category of the value of the particular assets. For many reasons presented in this paper, the valuation of identifiable intangible assets is even more difficult than the valuation of a business as a whole.

First of all, the main categories of the value usable for the purposes for which intangible assets are normally appraised will be summed up. Then, we will deal with problems that appraisers have to face when appraising intangible assets of unlisted private companies. On the basis of that analysis, we suggest the VIM model (Verifiable Interdependent Model), which has been designed specifically for the conditions of use in this environment. This is followed by a case study, where the application of the model is demonstrated, and the informative value of the obtained results evaluated.

## **2. THE FAIR VALUE CATEGORY FOR APPRAISING THE TRADEMARK OF AN UNLISTED COMPANY**

Within the established practice of assets valuation, specialized literature, property valuation professional standards, and, last but not least, applicable legal regulations of the Czech Republic normally respecting the fact that the value and the method of being derived is always exclusively relevant for the appraised object, appraised subject(s), and the purpose for which the value of the appraised object is determined with respect to the appraised subjects. At the same time, the established rules also provide recommendations, or even define a duty to apply particular valuation methods. In some cases, the methods have to

be applied in a particular way in order to guarantee and maintain a sufficiently reliable and demonstrable link between the object, subject(s), and purpose of the valuation. It can be generally stated that the methods which can be used for valuation in a particular case are predetermined by the selection of an object, subjects, and purpose of the valuation; this predetermination follows from established assets valuation best practice rules, valuation standards, or applicable legal regulations. Therefore, the result of the valuation does not and may not have any general “transpersonal” validity; it applies only within its definition by the object, subject, and purpose.

Frequent orders for the valuation of a certain type were standardized in the form of the so-called value categories. The selection of a value category is based either on the assignment or on the purpose for which the identifiable intangible assets are appraised. In this case, the valuation will be conducted within the fair value category, according to the definition of this term in the latest edition of the International Financial Reporting Standards, IFRS 13 *Fair Value Measurement standard*, where the fair value category is defined as follows: “*This IFRS defines fair value as the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*”

### 3. VALUATION METHODS

The value and appraisal of a trademark is based on its economic benefit to its owner or the business that owns the trademark. Brands are able to change consumer attitudes and behavior, they can be bought and sold and can increase the security of sustained future revenues to their owners. Products and services produced by a business with a successful trademark are sold at premium prices. The business owning the trademark receives this bonus because it can sell at higher prices than its rivals who are either without a trademark or with a weaker trademark, or because it sells and produces more, and thus it has saved more fixed costs per production unit. Therefore, brands have the potential to represent immensely valuable pieces of legal property. The value resulting from the various benefits of the brand, or in the other words the added value with which a given brand endows a product is often called brand equity (Farquhar, 1989, Kapferer, 2012, Keller, 2003). Brand equity is commonly explored from a perspective of the financial value of the brand to the firm and from a customer-based perspective.

Financial value-based techniques derive the brand equity value from the value of the selected company financial indicators, such as costs, other assets,

income or revenues. All the methods of appraising the fair value of a brand are based on three approaches (see Salinas, 2009, IVSC, 2011, Čížinská & Krabec, 2013, Krabec, 2009):

- *Comparability approach* – this approach is based on the balance principle = competitive intangible asset markets are able to create balanced prices of intangible assets with a comparable utility. This approach serves as the basis for the “market multiples method”.
- *Cost approach* – based on the principle of economic substitution = a prospect is not willing to pay more for the relevant assets than he would spend on their creation. In this case, we consider two types of costs: reproduction costs and substitution costs.
- *Income approach* – based on the expectation principle = a prospect is not willing to pay more for the relevant assets than the present amount of expected income from the use of the assets.

Customer-based perspective refers to the value of the brand for the customers. One of the best-known theoretically oriented concepts in this field is that of Aaker. According to Aaker and Joachimsthaler (2000), there are four dimensions configure (add to or subtract from) brand equity: brand awareness, perceived quality, brand associations, and brand loyalty. See Zimmermann (2001, 2002) for the survey of other existing psychographic or behaviorally-oriented brand valuation models.

The *Interbrand* research company is one of the main global producers of brand values data. Historically, it has attempted to derive brand EVA values for public companies (using annual reports and other public data).

#### **4. VIM MODEL – COMBINATION OF METHODOLOGICAL APPROACHES**

In applying the aforesaid basic or somehow modified valuation methods, appraisers usually obtain results which differ significantly. This is usually caused by the subjectivity of parameterisation of relevant valuation models, and mainly by the lack and/or high scatter of market data. Therefore, we suggest the following combined application of competitive/market, cost and income based methods so that the results obtained from independent, mutually confirming calculations can be verified.

We have suggested a phase *VIM model (Verifiable Interdependent Model)*, which has been designed specifically for the conditions of use in the environment of the emerging markets with the lack of empirical data. The

calculation procedure includes four interconnected steps enabling mutual examination and reconciliation of the results. Using the combination of financial, behavioural, psychographic, and market data in the interaction, the VIM model produces significant improvement compared to the previously mentioned valuation methods. VIM calculation procedure includes steps in the following order:

#### **4.1. First step: Calculation of the enterprise value of the whole company**

All other calculation steps are based on the valuation of a real value of the capital invested in the business enterprise. In our opinion, this step is inevitable primarily for two reasons:

- Deriving of a real capital structure and/or real amount of WACC, the value of which is used in the calculation of brand value by income based valuation methods (step 3),
- Estimating the hypothetical market capitalisation of equity and/or Enterprise Value, in relation to which the benchmarking of values of intangible assets can be carried out according to the parameters obtained from comparing to the listed companies operating in the same industry.

With regard to the VIM model structure, the sequence of steps in the whole procedure and the requested information inputs, it is appropriate to use one of the income based methods for the calculation, preferably the economic value added (EVA) method.

#### **4.2. Interim step: Partial analysis of financial brand impact and its evaluation**

Financial brand impact can be evaluated by using the results of the strategic and financial analysis. As described in the section dealing with the method of discounted cash flow attributable to the brand, brand impact should be reflected in the WACC value by “financial brand impact adjustor” (brand WACC = enterprise WACC / brand impact adjustor) which results in a discount rate necessary for the income based valuation of the brand (step 3). The function for computing the *brand impact adjustor (BIA)* has the following form:

$$BIA = \frac{WACC_t}{\frac{EVA_t \times BI}{BV_t + g}} \quad (1),$$

where:

- BIA* - financial brand impact adjustor,
- BI* - brand impact,
- WACC<sub>t</sub>* - weighted average cost of capital in year t,
- EVA<sub>t</sub>* - economic value added in the year t,
- BV<sub>t</sub>* - brand value in the year t,
- g* - annual growth rate.

At this moment, the economic lifetime of the brand can be justified and, in reasonable cases, arguments can be provided to support the assumption of a going concern. As mentioned above, an analysis of the lifecycle of a product related to the brand can be a useful benchmark here.

#### 4.3. Second step: Application of the benchmarking valuation method

The benchmarking approach is based on the application of multipliers resulting from the share of a price of comparable intangible assets on the selected economic characteristics related to those assets. It is evident that the existence and availability of market prices of intangible assets and ensuring their sufficient similarity will be difficult on this level. However, as for the accuracy and informative value of VIM model results and their mutual comparability, it is proved that it is more than appropriate to apply this interim step. The values of various multipliers can be found in many empirical surveys, e.g. the long-term quantitative research of the Corporate Branding Index® by the Core Brand company, which works with the contribution of the brand value to the market capitalisation of the business.

#### 4.4. Third step: Application of income based valuation methods

Within the calculation of the enterprise value of a whole company in step 1, parameters and assumptions of the income based value of the business were derived and justified. We first determine the brand value using *premium method* based on the estimated increase in sales of branded business, compared with sales of *benchmark* and increased operating margin of the branded business compared to *benchmark*. We start, therefore, from the total change in profit that was initiated by the branding of the production, mainly due to volume and price premiums, which the company acquires through the brand that, in comparison

with the competition without a brand or a less established brand can afford to sell at a higher price (or simultaneously) achieves higher sales volumes (see also Smith, 1996, Smith & Parr, 2000). A benchmark here means a hypothetical company that achieves results at the level of sector-percentile values. Specific percentile is yet determined depending on the structure and branding of the production in the industry in which the company operates.

In the first interim step, following after the calculation of the enterprise value of a whole company, a corporate discount rate was transformed into a discount rate corresponding to the brand-specific risk on the basis of the evaluation of brand impact. In order to determine the income based value by methods of discounted cash flow attributable to the brand, brand impact level is used to identify the portion of economic profit (EVA) attributable to the brand. The cash flow attributable to the brand is discounted at a discount rate adjusted by the brand impact. The following steps follow the common practice in determining the value of a business by the economic value added method.

The calculated income based value of the brand by these two methods (EVA attributable to the brand and *premium attitude*) is an important information input for the calculation of an implicit royalty rate. The procedure is similar to the valuation of a business by the method of discounted cash flow, the operating profit being replaced with the total income and implicit royalty rate. Such “profit” is subject to an effective income tax rate. Then, investment that is necessary in order to ensure and maintain the brand value driving, is deducted. This determines free cash flow on the FCFF level.

The real nature of the calculated implicit royalty rate must be evaluated in the context of available information about market transactions. There are many commercial databases and empirical surveys. In this context, solutions of Svačina (2010), who talks about relatively high constancy of royalty rates in terms of time, which is, however, connected with their high variance, are positive.

#### **4.5. Fourth step: Calibration and reconciliation of results**

The last step involves a detailed study of differences in results, if any, detailed economically and methodologically justified calibration of model parameters of income based valuation and further specification of empirical methods according to step 2.

#### 4.6. Financial Brand Impact Adjustor

In the VIM, model the financial brand impact adjustor is used in two ways: first by using the function (brand WACC = enterprise WACC / BIA), which affects the brand-associated WACC, needed TO derive the present value of the brand relevant cash flows. In addition, the BIA determines the factual level of the brand relevant cash flow in the particular year (EVA attributable to the brand = EVA on the enterprise level \* BIA).

BIA can range from -100 % up to + 100 %. The derivation of the BIA is based on the examination of stability, extent, and growth of the brand using the comparative list of competitive brands and other empirical benchmarking methods, verifiably providing key indicators of brand performance. All brands in the market are evaluated on the basis of mutual measuring, which leads to relevant scoring classification for the appraised brand. The total score can range from 0 to 100.

#### 5. CASE STUDY: VALUATION OF THE XYZ BRAND OWNED BY XYZ HOLDING

XYZ HOLDING operates in the area of light engineering, which is highly fragmented. A market study of that segment mentions more than 5,000 producers worldwide. The study divides world producers into three groups according to their turnover: big companies with their turnover exceeding 1 billion USD; medium-sized companies with earnings ranging from 100 million to 1,000 million USD; small companies with earnings under 100 million USD. The biggest number of producers is among small and medium-sized companies, frequently of a family type. Only a few companies are daughter companies and branches of listed parent organisations, and only a small group of producers are traded on stock exchanges.

In this industry, key value drivers include technologies, design, marketing, manufacturing processes, and research and development. After-sales services – supply of spare parts, installation, and checks – constitute a crucial part of this industry.

Manufacturing of products of a relevant market segment is correlated with the total economic climate and the amount of investment in key segments, which includes especially water management, paper industry, power engineering, food industry, civil engineering, chemical industry, and petrochemical industry. With regard to this wide range of segments, the sector

achieves a stable and steady growth without significant fluctuations, unlike other industrial segments.

In the context of the global market of the relevant production, XYZ HOLDING is a relatively small company. Export is becoming more and more the main source of earnings and operating profit, where the XYZ brand has to face strong competition from many world brands. Therefore, turnkey supplies and complex services consisting of supplies as well as installation and service are becoming a competitive advantage. A permanent presence via local representation is important here. Customer stability is also supported by long-term activity in key operated markets. Positive references from accomplished orders create conditions for the growth of other foreign activities. Another strength of the XYZ brand is its legal protection and renowned status. In 2009, it was registered as a Community brand, and enjoys protection in all member states of the European Union. The questionnaire research conducted in the domestic market confirms a strong association of the brand with the product and recognition of XYZ HOLDING as the leading manufacturer of the product.

#### **5.1. Valuation of Equity of XYZ HOLDING by income based and benchmarking methods**

The business valuation is based on an income based potential as at the valuation date. Basically, the income based potential lies in the business prospects known as at the valuation date. The appraisable income based potential contains all chances resulting from measures taken prior to the valuation date, or from sufficiently specified measures within the current business concept and generally known market information. Possible measures (e.g. expanding investment/disinvestment), which, however, have not been specified sufficiently so far, and also financial surplus allegedly arising from them, will not be taken into account in calculating the objectified values of the business. A financial plan for valuation purposes is based on the analysis and prognosis of value drivers (see Mařík et al., 2011, and many others).

The valuation was performed by the DCF entity income based method and the economic value added method; in both cases, we used the same parameters. The conducted analysis proved that the conditions of a going concern have been met. For such a long period of time, it is usually impossible to plan cash flow for individual years, so we applied the standard two-stage method which is usually applied in practice. The basic parameters of the plan for the period of the first stage of the valuation process (years 2013, 2014, and 2015) were borrowed from the plan provided by the management of XYZ HOLDING. The

calculation of the ongoing value requires the selection of parameters of infinite time series of cash flow. In particular, it is an expected rate of growth of free cash flow during the second stage ( $g$ ) and return on net investment ( $r_I$ ) calculated as a ratio of the total increment of the operating profit after taxes and increment of the invested capital in the previous year. From the long-term point of view, the  $g/r_I$  ratio corresponds to the investment rate ( $m_I$ ), which is a share of profits devoted to net investments.

On the basis of industry analysis and current and planned results of the XYZ HOLDING, it was estimated that the rate of growth ( $g$ ) was 5 %, the investment rate was 9.32 %, and the corresponding return on investment was 53.65 %. The income based value was calculated by the standard method described in literature (e.g. Mařík, 2011). Table 1 shows the calculation of the present value of the first stage of valuation based on the DCF entity method.

Table 1. Calculation of the present value of the first stage of valuation based on the DCF entity method

(USD millions)	2013	2014	2015
NOPAT after taxes	56.3	59.1	62.1
Amortisation	19.5	20.4	21.5
Gross investment in long-term assets and working capital	24.7	25.9	27.2
FCFF	51.1	53.6	56.3
Discount factor	$1/1.12^1$	$1/1.12^2$	$1/1.12^3$
Discounted FCFF as at 31 Dec 2012	45.6	42.8	40.1
<b>First Phase Present Value</b>	<b>128.5</b>		

Free cash flow in 2016 (i.e. in the first year of the second stage of the valuation process) is based on NOPAT after taxes for 2015 increased by the rate of growth and decreased by the investment in operating assets, i.e.:  $FCFF_{2016} = NOPAT_{2015} * (1 + g) * (1 - m_I) = 62.1 * (1 + 5\%) * (1 - 9.32\%) = \text{USD } 59.1$  mil. On the basis of that the ongoing value of USD 864.7 million was calculated by means of a parametric and Gordon's formula. The calculation of the resulting value of equity is shown in Table 2.

In order to appraise the equity of XYZ Holding by the market benchmarking method, the P/E (price/earnings; price/net income after taxes) multiplier, which is popular among appraisers and often referred to in theory, is being applied. Since the net income can be influenced by many extras, the calculation has been checked by means of the P/EBIT multiplier.

Table 2. Calculation of the resulting value of equity of XYZ HOLDING, as on 31 December 2012 by the DCF entity method

1 <sup>st</sup> stage present value	USD 128.5 million
2 <sup>nd</sup> stage present value (USD 864.7 million/1.119 <sup>3</sup> )	USD 617.1 million
<b>Gross operating value</b>	USD 745.6 million
Interest-bearing loan capital as at the valuation date	USD 300 million
<b>Net operating value</b>	<b>USD 445.6 million</b>
Non-operating assets as at the valuation date	USD 56 million
<b>Resulting value of equity as on 31 Dec 2012</b>	<b>USD 501.6 million</b>

Comparable enterprises have been identified on the basis of the competition analysis. The value of XYZ HOLDING calculated according to the multipliers thus ranges from USD 350 million to USD 613 million. The average of this range is USD 450 million; the medium value is USD 511 million.

## 5.2. Application of income based valuation methods on the valuation of the XYZ Brand – The case of positive brand impact

### 5.2.1. Evaluation of XYZ Financial Brand Impact and determination of a Brand Impact Adjustor

In order to evaluate brand impact, brand analysis, which is based on the examination of key brand performance indicators such as stability of the turnover, extent, and growth of the brand sales comparing to the comparative list of competitive or similar brands was applied.

Brand impact of the brand XYZ is 15%, resulting in sales volume premium of 30%, compared to the benchmark. Brand impact adjustor produces brand value discount rate 7.692%, compared to company WACC of 11.891%.

### 5.2.2. Valuation of the XYZ Brand

Brand Value as on 31 Dec 2012 was set at USD 245.3 million by using both the premium method and the brand impact formula.

Table 3. Valuation of the XYZ Brand by the method of discounted cash flow attributable to the brand

Premium method	2013	2014	2015	2016 and following
Operating leverage	1.427	1.427	1.427	1.427
Variable costs to total costs	69.02%	69.02%	69.02%	69.02%
Profit differential in %	43.34%	43.34%	43.34%	43.34%
Profit differential in USD millions	21.028	22.079	23.183	24.343
Corporate Income Tax	4.0	4.2	4.4	4.6
Earnings after taxes	17.033	17.884	18.779	19.718
Investments	0,2	0,2	0,2	0,2
FCFF	16.8	17.7	18.6	19.5
WACC	12.00%	11.98%	11.95%	11.92%
Brand value (USD millions)	<b>245.29</b>	<b>257.90</b>	<b>271.11</b>	<b>284.95</b>

This corresponds to an implicit royalty rate of 14% and the results are also in the line with the empirically grounded Knoppe formula (share of the royalty rate in EBIT, having the expected range of about 30 %).

Table 4. Valuation of the XYZ Brand by using the brand impact evaluation

Method based on Brand Impact	2013	2014	2015	2016 and following
Brand Impact	15%	15%	15%	15%
EVA of the business enterprise	43.7	45.9	48.3	50,7
Brand Impact Adjustor	1.56431	1.56117	1.55780	1.55419
WACC enterprise	12.00%	11.98%	11.95%	11.92%
WACC brand	7.73%	7.72%	7.71%	7.70%
WACC differential	-4.275%	-4.257%	-4.238%	-4.218%
EVA of the brand	6.6	6.9	7.2	7.6
Brand value (USD millions)	<b>246.01</b>	<b>258.46</b>	<b>271.53</b>	<b>285.22</b>

Table 5. Calculation of the royalty rate – RfR method

Implied royalty rate	2013	2014	2015	2016 and following
Revenues	150,0	157.5	165.4	173.6
EBIT margin	46.4%	46.4%	46.4%	46.4%
Knoppe formula	30.24%	30.24%	30.24%	30.24%
Royalty rate	14.0%	14.0%	14.0%	14.0%
Revenues * Royalty rate	21.03	22.08	23.18	24.34
Corporate income tax	4.00	4.20	4.40	4.63
EBIT	17.03	17.88	18.78	19.72
Investments	0,20	0,21	0,22	0,23
FCFF	16.8	17.7	18.6	19.5
WACC	12.00%	11.98%	11.95%	11.92%
Brand value as of 1.1. (USD millions)	245.29	257.90	271.11	284.95

### 5.3. Evaluation of XYZ Financial Brand Impact and determination of a Brand Impact Adjustor – The case of negative brand impact

#### 5.3.1. Evaluation of XYZ Financial Brand Impact and determination of a Brand Impact Adjustor

In this case, we suggest brand impact of the XYZ brand is -30%, resulting in sales volume premium of -10% compared to the benchmark. Brand impact adjustor produces brand value discount rate 16.203% compared to company WACC 11.891%.

#### 5.3.2. Valuation of the XYZ Brand

Brand Value as on 31 Dec 2012 was set at USD -117.9 million by using both the premium method and the brand impact formula. The calculation of implied royalty rates loses its meaning in a case of negative brand impact. Brand XYZ destroys value of the XYZ holding.

*Table 6. Valuation of the XYZ Brand by the method of Discounted Cash Flow attributable to the brand*

Premium method	2013	2014	2015	2016 and following
Operating leverage	1.261	1.261	1.261	1.261
Variable costs to total costs	76.29%	76.29%	76.29%	76.29%
Profit differential in %	-12.29%	-12.29%	-12.29%	-12.29%
Profit differential in USD millions	-9.741	-10.228	-10.740	-11.277
Corporate Income Tax	-1.9	-1.9	-2.0	-2.1
Earnings after taxes	-7.890	-8.285	-8.699	-9.134
Investments	0,2	0,2	0,2	0,2
FCFF	-8.1	-8.5	-8.9	-9.4
WACC	12.00%	11.98%	11.95%	11.92%
Brand value (USD millions)	<b>-117.89</b>	<b>-123.95</b>	<b>-130,31</b>	<b>-136.96</b>

Such brands are primarily associated with high incremental investments into brand building which have not shown its financial effect yet or they are linked with highly negative consumer's perceptions.

*Table 7. Valuation of the XYZ Brand by using the brand impact evaluation*

Method based on Brand Impact	2013	2014	2015	2016 and following
Brand Impact	-30%	-30%	-30%	-30%
EVA of the business Enterprise	43.7	45.9	48.3	50.7
Brand Impact Adjustor	0.74438	0.74306	0.74159	0.73994
WACC enterprise	12.00%	11.98%	11.95%	11.92%
WACC brand	16.36%	16.32%	16.28%	16.24%
WACC differential	4.353%	4.343%	4.333%	4.323%
EVA of the brand	-13.1	-13.8	-14.5	-15.2
Brand value (USD millions)	<b>-117.60</b>	<b>-123.72</b>	<b>-130.13</b>	<b>-136.84</b>

## 6. CONCLUSIONS AND CRITICAL EVALUATION

The paper suggests possible approach to appraising the fair value category of trademark of an unlisted (private) company. The valuation of this identifiable intangible asset is even more difficult than the valuation of a business as whole. All methods of appraising the fair value of a brand are based either on comparability (comparable uncontrolled price method, resale price method, cost plus method), costs (reproduction and replacement cost method) or income approach (brand equity valuation for accounting, incremental cash flow and relief-from-royalty method). However, the results that the appraisers obtain when applying these methods usually differ significantly.

Therefore, we have suggested the *VIM model (Verifiable Interdependent Model)*, which has been designed specifically for the conditions of use in this environment. The paper has also presented a case study demonstrating the application of the model and evaluating the informative value of the obtained results. The calculation procedure comes out of the valuation of invested capital and WACC of the whole company. We have found this step necessary in order to verify the level of brand value within the meaning of model valuation. Without identifying the invested capital required for operation, the prognosis of the operating profit margin and operating cash flow cannot be made correctly in terms of methodology. And last but not least, without knowing the real capital structure, a discount rate for appraising the incremental cash flow appertaining to the brand cannot be determined correctly.

On the basis of the strategic and financial analysis conducted within the valuation process, *Brand Impact* can be evaluated successfully. Brand impact reflected in the WACC value (using the Brand Impact Adjustor) produces the discount rate appropriate for the income based valuation of the brand.

The following step – the application of the benchmarking valuation method - gives the first rough information on the brand value. This seems to be more than appropriate for the accuracy and informative value of the VIM model results and their mutual comparability. Afterwards, we apply several income based valuation methods.

The last step involves a detailed study of differences in results, if any, detailed economically and methodologically justified calibration of model parameters of income based valuation and further specification of empirical methods. We found the income based value of the brand to be the most sensitive to the level of Brand Impact, to the amount of reinvestment of earnings from the

brand after taxes in ensuring and maintaining the brand value creation and to the assumed rate of growth of the operating profit and/or free cash flow during the second stage of the valuation process.

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**UNIŠTAVANJE I KREIRANJE VRIJEDNOSTI IMOVINE UPRAVLJANJEM  
TRŽIŠNOM MARKOM: POZITIVNA I NEGATIVNA PROCJENA UTJECAJA  
DJELOVANJA TRŽIŠNE MARKE POMOĆU VIM PRISTUPA  
MODELIRANJU**

**Sažetak**

U današnje vrijeme, vrlo je važno razumjeti način stvaranja vrijednosti u poduzeću, pri čemu korporacijska tržišna marka i portfelj tržišnih marki proizvoda postaju sve značajnijom imovinom za stvaranje vrijednosti. U ovom se radu predstavlja nedavno razvijeni, integrirani pristup modeliranja vrijednosti tržišne marke, nazvan VIM (Verifiable Inderdependent Model). Ovaj je pristup primjenjiv i za privatna poduzeća (koja ne kotiraju na burzi), koja nemaju tržišno verificiranu vrijednost imovine. Nakon objašnjavanja djelovanja temeljnog modela i teorijskih odnosa s politikom postavljanja cijena i marketinškom strategijom poduzeća, elaborira se značaj pozitivnog/negativnog djelovanja vrijednosti tržišne marke na stvaranje vrijednosti, u kontekstu specifičnih pokretača stvaranja vrijednosti. Kako bi se demonstrirala primjena modela i procijenila vrijednost dobivenih rezultata, u radu se prezentira i studija slučaja vrednovanja tržišne marke XYZ. Osim vrednovanja tržišne marke, u radu se prikazuje i pozitivno/negativno djelovanje tržišne marke na vrijednost poduzeća, kao i upotrebljivost ovog pristupa za korištenje u međunarodnom standardu IFRS 13.