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Brand evaluation — Principles and fundamentals

Évaluation des marques — Principes et fondements

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ISO copyright office
CP 401 • Ch. de Blandonnet 8
CH-1214 Vernier, Geneva
Phone: +41 22 749 01 11
Fax: +41 22 749 09 47
Email: copyright@iso.org
Website: www.iso.org

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent rights identified during the development of the document will be in the Introduction and/or on the ISO list of patent declarations received (see www.iso.org/patents).

Any trade name used in this document is information given for the convenience of users and does not constitute an endorsement.

For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT) see www.iso.org/iso/foreword.html.

This document was prepared by ISO/TC 289, *Brand evaluation*.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

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Introduction

0.1 General

Brands are one of the most valuable yet least understood assets.

A brand identifies an entity's goods, services or the entity itself as distinct from what is offered by another entity. A brand can thus be connected to an entity, a product/service, lines/portfolios of products, a city, a region, etc. The offering entity can be commercial or not-for-profit. In all cases, however, the function of the brand is to establish a distinctive identity for the entity in the market. In practice this has traditionally implied communicating the unique benefit(s) of the entity's goods or services as compared to other goods or services that might otherwise be seen as similar. This benefit(s) can be functional as well as emotional or social. Increasingly, brands also seek identification with experiences that are connected with an entity through its actions, services or other operations. These experiences go beyond the mere usage of the product or service and lead to a higher-level engagement with them. Brands ultimately exist in the minds of stakeholders as the impressions, benefits, and experiences that they associate with a good or service.

Brands have value to both to the entities that have rights to the brand and to stakeholders who value the functional/emotional/social benefits and experiences they associate with the brand. The primary purposes of a brand are to increase the total business value of the brand-using entity, reduce risk, and extend the sustainable existence of the brand-owning entity. Even though brands vary markedly in terms of the benefits or experiences that define them, it is undisputable that a strong brand can bring financial benefits. In practice, strong brands attract customers and add revenue through increased price and/or volume premiums including repeat purchase loyalty. More broadly it is also the case that brands can reduce costs and create a competitive advantage in the minds of stakeholders. A brand thus has an impact on revenue and profitability and can influence corporate value.

0.2 Brands as financial assets

From an entity's viewpoint, a strong brand is a valuable asset. Its value ultimately depends on the value of the brand to stakeholders. Therefore, there are two different vantage points from which an offering entity can assess the value of its brands. One is through a financial valuation approach. ISO 10668 Brand Valuation - Requirements for Monetary Brand Valuation - provides more details on approaches for doing brand valuations. The second vantage point is through a non-financial evaluation approach. This document puts forth a rigorous framework for the latter and a set of principles for conducting a brand evaluation from an input/output point of view. As such, it is intended to serve as the standard for the development and implementation of other standards for brand evaluation and valuation. Since it is a meta-standard, it is anticipated that further development will result in greater precision in defining terms, measures, and processes.

0.3 Brand evaluation and brand valuation

Brand evaluation refers to the measurement of the value of a brand using relevant indicators of input brand development elements and output dimensions that assess the impact of the brand on consumers. Brand valuation refers to the estimation of the monetary value of a brand to a company in a transaction whether it is internal or external (as with an investment, purchase, sale or licensing agreement). It is the financial equity the company has in the brand as a transferrable asset. Brand evaluation is broader and includes non-monetary considerations.

Brand evaluation and brand valuation are related and synergetic with each other. Brand valuation is defined from the entity's point of view. Brand evaluation derives from the stakeholder's point-of-view.

This document focuses on brand evaluation but considers this within a general framework that recognizes the relationship between brand evaluation and brand valuation.

0.4 Brand evaluation framework

The complete brand evaluation and brand valuation framework is illustrated in Figure 1. The framework has three parts. Each part calls for identifying the value of a brand in a particular way. Each

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part builds on the prior part in moving from evaluating the brand from the stakeholder's to the entity's point-of-view. It identifies input elements used to develop brands and output dimensions that assess brand strength, which leads to brand performance, financial results, and ultimately brand valuation. Emphasis in this document is on the overall principle of analysing and reporting brand value and on details of the input and output components of this framework. It should be noted it is possible to consider each of the three parts of the framework seperately.

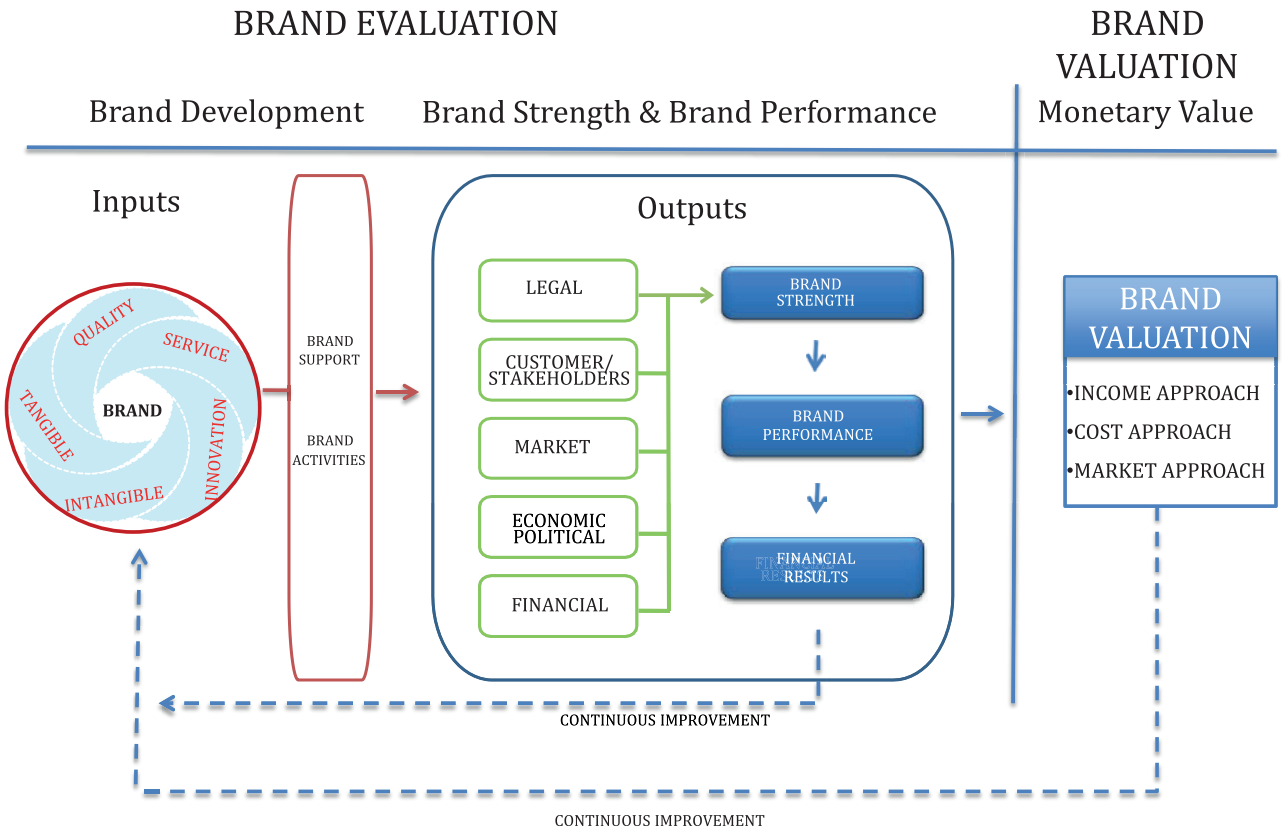


Figure 1 — Brand evaluation framework

0.5 Brand development

Brand development is based on the contribution of the five elements: tangible resources, quality, service, innovation (technology or process), and intangible resources. These five elements underlie the success of any brand, and can be (eventually) considered as causal determinants of the strength of the brand. Brand-operating entities contribute necessary input or investment in the five elements, which form the foundation of brand value. Brand value is then delivered and communicated to the market through tactical brand support and brand activities.

0.6 Brand strength and brand performance

Brand strength is the extent to which a brand is positive or negative in its potential to affect customers and other stakeholders. This can be measured in many ways. Different dimensions, such as the legal strength of the brand or its strength as measured by consumer ratings, can be used. For any one dimension there are multiple possible indicators.

Possible indicators of each dimension for assessing brand strength are detailed in this document. In assessing the value of a particular brand it is necessary to select indicators that are appropriate and relevant to that brand. Different indicators and weights might be used, for example, for fast moving consumer goods versus luxury services versus industrial goods versus destination cities.

Brand performance evaluates the brand's impact in the market. For instance, a strong brand might have a weak impact in a market category if other purchase factors are more important than the brand. A

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weaker brand might have a greater impact if other purchase factors are not important. (The level of competition would be an example of other purchase factors.)

Evaluating brand performance requires an in-market comparison or simulated market test to estimate the extent to which a selected measure of brand strength translates into a different level of sales or acceptance. The second part of the framework, the middle section of Figure 1, calls for determining brand performance as a measure of the extent to which brand strength is correlated with or affects brand performance in a market test appropriate to the brand. In other words, brand performance provides an estimate of the extent to which brand strength affects market level customer/stakeholder behaviour. This can also include measures of financial results.

0.7 Brand valuation

Brand valuation reflects the process of assessing the monetary value of a brand. Brand strength and performance can be applied to a financial cash flow metric such as sales velocity or margin levels in order to attribute a brand's contribution to cash flow. This provides a final measure of monetary brand value. Thus, a brand performance assessment naturally feeds into a monetary brand valuation.

0.8 Continuous Improvement

Continuous improvement is informed by changes in brand evaluation results between two periods. Presently brands are too often taken as incidental business expenses necessary for the sake of having a name, a logo or a trademark. Brands can be proactively managed and measured at least annually to increase entity value. Therefore, brands shall be managed using this brand evaluation document to increase entity value as established by improvements in brand strength and brand performance and ultimately indicators of financial results.

For organizations that seek to increase brand value, brand evaluation thus creates a feedback loop for the continuous improvement of a brand that leads to greater value for the entity over time. By investing (changing the composition and level of brand input elements) based on such feedback, brands can be improved to provide greater benefits and better experiences to customers and other stakeholders and higher returns on the brand asset to the entities which use and own the brand. This document therefore constitutes a basis or departure point for high-level corporate planning and governance, including best practices for brand management.

The principles of this framework also apply to external investors and lenders. By evaluating brand strength, brand performance, and financial results, targets can be defined not only for the internal planning process but also for investors and lenders who realize the importance of brands as valuable assets.

The three-part framework recognizes that any brand evaluation is complex and multidimensional, and it constitutes information for multiple uses. Moreover, brand evaluations for some purposes may be restricted to brand strength. Improvements to brand strength can be identified through continuous measurement of the relationship between brand input elements and the dimensions that make up brand strength. In this framework, however, brand strength is a first step in evaluating brand performance, the impact of the brand in the market, where other variables such as competition can affect outcomes. Brand performance can in turn be used as part of a method for determining a monetary brand valuation.

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Brand evaluation — Principles and fundamentals

1 Scope

This document specifies the fundamentals and principles for brand evaluation, including an integrated framework for brand evaluation containing necessary brand input elements, output dimensions and sample indicators.

This document can be used in internal and external brand evaluation.

2 Normative references

There are no normative references in this document.

3 Terms and definitions

For the purposes of this document, the following terms and definitions apply.

ISO and IEC maintain terminological databases for use in standardization at the following addresses:

— ISO Online browsing platform: available at https://www.iso.org/obp

— IEC Electropedia: available at http://www.electropedia.org/

3.1
brand
intangible asset, including but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities, or a combination of these, creating distinctive images and associations in the minds of *stakeholders* (3.1.2), thereby generating economic benefit/values

3.1.1
entity
individual or group of people structured as a sole-trader, corporation, company, joint venture, not-for profit organization, firm, enterprise, authority, partnership, charity or institution, or part or combination thereof, whether incorporated or not, public or private, that owns and/or has the legal ownership or legally/contractually authorized rights to use and/or promote the *brand* (3.1) in the *category* (3.1.3) for some economic or societal benefit

3.1.2
stakeholder(s)
person(s) or discernible group(s) of individuals that can affect, be affected by, or perceive itself (themselves) to be affected by a *brand strength* (3.2)

3.1.3
category
segment of the market, economy or society where discernible goods or services associated with the *brand* (3.1) are offered

3.2
brand strength
non-monetary, point-in-time calculation of relevant *dimensions* (3.4) and *indicators* (3.6) of a *brand* (3.1), which illustrates the perceived competitive strength, compared to its competitors amongst *stakeholders* (3.1.2)

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3.3
brand performance
evaluation of the *brand's* (3.1) impact in the *category* (3.1.3) as established by a *market test* (3.3.1) of its *brand strength* (3.2)

3.3.1
market test
research activity conducted in a *category* (3.1.3) amongst *stakeholders* (3.1.2) to assess the impact of *brand strength* (3.2) on *brand performance* (3.3)

3.4
dimensions
consistent group of validated indicator *categories* (3.1.3) or *indicators* (3.6) that make up a component of *brand strength* (3.2)

3.5
elements
discernible components of a *brand* (3.1) comprised of tangible, intangible, quality, service and innovation components

3.6
indicator
validated metric that is measurable as part of the *market test* (3.3.1) and informs the *brand strength* (3.2), *brand performance* (3.3) or *brand valuation* (3.9) exercise

3.6.1
indicator category
set of consistent and dependent *indicators* (3.6) that can be represented as a single *dimension* (3.4)

3.6.2
measure
piece of information or data that is regularly and reliably collectible and can be represented as a numerical metric

3.7
brand evaluation
measurement of *brand strength* (3.2), *brand performance* (3.3) and financial results using relevant *elements* (3.5) and *dimensions* (3.4)

3.8
brand value
worth of a brand as an asset for an entity

3.9
brand valuation
measurement of monetary brand value at a point-in-time

4 Principles of conducting a brand evaluation

4.1 General principles

The evaluator assesses the brand on both elements and dimensions using the relevant indicators and justifies their inclusion and relevance to the brand.

The internal or external evaluator conducts a brand evaluation using the framework and principles contained in this document.

The evaluator has an obligation to justify the strength of the indicator, the sources of data that inform it, the frequency of data accessibility and its limits in reflecting the contribution of the dimension toward brand value.

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