CORPORATE BRAND

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Many executives and directors are surprised that the value of intangible assets to the organisation's market value are five times greater than that of tangible assets.¹ Intangible assets are a major driver of long-term business value, and affect capital allocation, organisational governance, and financial reporting.² However, because most executives and directors are more familiar with and attuned to conventional accounting and financial analysis, there often is less understanding of intangible value economics and business impact analysis. Many international accounting and financial standards organisations and accounting and regulatory bodies are seeking to address the long-standing need to better understand and measure the financial value of brand.³

The corporate brand provides a “window” for stakeholders to see the company and make assumptions about what it stands for, it values, its

1 pcloseup.com/2019/06/04/21-trillion-in-u-s-intangible-asset-value-is-84-of-sp-500-value-ip-rights-and-reputation-included/.

2 <https://sfmagazine.com/post-entry/october-2019-the-financial-value-of-brand/>.

3 <https://sfmagazine.com/post-entry/october-2019-the-financial-value-of-brand/>.

strategy, whether to join the company, the quality of its management, and its value as an investment. One issue facing executives and boards is that finance and marketing speak a different language and often are in conflict. While marketing might discuss “net promoter scores,” finance is more concerned with return-on-investment, margins, and asset turns. Marketing, public relations, and finance need to work together to focus on how the brand can create value for both stakeholders and the company.

How the corporate brand is managed impacts reputation, investment decisions, alignment of people, and pricing decision, among others. There is also brand or reputation risk with which executives and directors should be concerned. Directors should recognise that they fulfil their duty of care when they assure themselves that the organisation is managing this important intangible asset fully to maximise and protect value.

What is a brand?

Anything can be branded. Companies, non-profits, universities, countries, cities, and people use branding to differentiate and create value, whether it be sales, contributions, applications, tourism, or publicity. In this chapter, however, we will focus on the corporate or organisational brand.

The corporate brand has three components: symbols (logo, corporate signature, corporate identity, and so on), attributes, and associations, which are those characteristics and values that attract and retain stakeholders. While more time and most money are focused on the development of the logo and the maintenance of the corporate identity guidelines, the greatest financial value to the corporation comes from the brand attributes and associations. That is, the symbols of the brand are owned by the company and provide trademark and patent value, but the attributes and associations create value with and for stakeholders that can be enhanced and sustained over time. Employees also are an important part of the corporate brand, since the attributes and associations of the brand should be consistent with the corporate values and culture. The greater the employee ability to “live the brand,” the better the corporate reputation.

Not every organisation needs to have a publicly recognised brand. However, every successful organisation’s brand needs to resonate with its stakeholders. There are many organisations that are not well known outside

of their industries that are successful because they manage their corporate brand well with their customers, investors, employees, and others.

Every organisation has a brand, whether they invest in it or not. Employees, customers, and investors join, buy, and invest in a competitive environment. If a company is not well known or has attributes and associations that do not align with stakeholder expectations and needs, it is difficult for them to compete against better known competitors who invest in and better manage their brand.

- How well has the organisation done to identify the attributes that it wants to be known by, as well as with what it wants and does not want to be associated?
- Are the key assumptions of executives about the corporate brand in line with market opportunities, customer expectations, and the competitive marketplace?
- How involved and committed are the CEO and the executive team with the development and communication of the brand's attributes and associations?
- Are the brand attributes aligned with our organisation's values?
- Are the attributes of our brand sufficiently differentiated from the brands of competitors?
- Has our corporate brand had an impact on the sales of our various products and services?
- Is the board clear about what the CEO and his/her team have done about branding the organisation for current and future employees to ensure top talent attraction and retention?
- How does the executive team know that the attributes and associations of the brand are meaningful and of benefit to key stakeholders?

How brands create value

When the brand attributes and associations are communicated, they create a promise to stakeholders. The promise creates expectations. If experience is equal to or greater than expectations, value is created. However, if expectations are greater than experience, value is lost. Brand value, then, is akin to reputational value in that both are the result of whether stakeholders believe that their expectations have been met. Measures of brand equity

determine how well the organisation is doing in meeting or exceeding those expectations. It is important for executives and boards to recognise that measures of brand equity typically look at the value of the brand to the consumer. Questions need to be asked to determine the value of the brand to the company.

- What valuation methods are we using to assess the value of our corporate brand versus others in our industry? How are we doing?
- Is there alignment between the corporate brand and the various product brands in the company? How are they being aligned?
- What are we doing if there is a lack of alignment between our corporate brand attributes and those of the product/service brands?

Brand risk

“A happy customer tells a friend, an unhappy customer tells the world,” is an old business adage. Since the advent of social media in 2004 and smartphones in 2007, telling the “world” has become more possible, not just with words but also with photos and videos. Some 3.5 billion people, or 45% of the world’s population, use social media to get their news, connect with family and friends, and share information about brands.⁴ More than 50% of customers use social media to research products and rely on so-called social media influencers for brand recommendations.⁵

Marketers know that social media is important to create value for their brands, but they also know how fragile that value can be when the brand is attacked. Many companies have had crises result from information – some of it wrong or distorted – shared on social media. There also are groups on social media that look for issues they do not like and share this with others in an attempt at what is now called “cancel culture” or “public shaming.” Actions that at one time might have gone unnoticed or could have been easily contained and managed, can now flare into full-blown crises.

- What is the company doing to monitor what is being said about the company in social media and does it have crisis plans in place for potential vulnerabilities?

4 www.oberlo.com/blog/social-media-marketing-statistics.

5 www.lyfemarketing.com/blog/social-media-marketing-statistics/.

- How well is the company using social media, not just to promote the brand but also to monitor and listen to what is being said about the company and to adjust if expectations change?
- How are executives ensuring that marketing activity is aligned with and sensitive to corporate reputation?

The role of public relations in branding

Marketing has traditionally been the “owner” of branding. While that is particularly true in consumer products companies and with product or service brands, public relations play an important role in corporate branding.

The corporate brand is enhanced in large part by employee engagement, corporate advertising, and earned media, all areas of public relations strength. In addition, as noted above, social media has increased in importance both for creating as well as defending the brand value. These are other areas where public relations should play a major, if not leading role. Public relations should have in place crisis plans for potential threats against the brand.

- Before we communicate our brand externally, what have we done to engage employees so that they can “live the brand”?
- Are we linking brand to our reputation risk management activities? Is the board committee responsible for risk management considering brand and reputation risk?
- What are we doing to maximise the value of our brand activity beyond corporate advertising?
- Do we know who our key influencers for or against our organisation are and are we engaging with or monitoring them?
- How is the executive team making certain that employees adhere to the brand attributes so that they are consistently communicated to customers and other external stakeholders?
- How is the organisation doing versus competitors in gaining positive media coverage of our corporate brand reflecting the attributes we desire to be known by?