

ANALYSIS OF THE BRAND VALUATION BASED ON THE ASSESSMENT BY INTERBRAND, BRAND FINANCE AND MILLWARD BROWN OPTIMOR

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ABSTRACT

Brands are significant category in the department of marketing and finance of the company. They also play the key role in the segment of consumer behavior when it comes to decision making during the purchase. Marketing managers in domestic companies still do not have enough experience in using the modern methods for estimation of the brand value. From this, the conclusion can be drawn that the operational structure do not receive an adequate support from marketing department in decision making. Analysis in this work will be based on the research of the concept of the brand value and the methodology of evaluation. The goal is to analyze advantages and disadvantages of different methodologies of well-known consultant agencies for estimation of the brand value. The work consists of a few parts. Attention is first directed towards the concept of the brand value and the classification of the evaluation methods. It is followed by the analysis of necessary measuring of the brand value in domestic practice and the current state in international practice. Then a more detailed analysis of the mode of operations for global agencies follows: Interbrand, Brand Finance and Millward Brown Optimor. Results of the empirical research will be shown through the comparative analysis of the values for the world's famous brands, which are obtained by using the mentioned methodologies in the same time period.

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1. INTRODUCTION

By applying marketing concept which is based on the notion of the brand value we have the possibilities for a wider implementation of the mentioned concept in domestic companies.

With the brand as an immaterial property we can influence the development of the economy of the company that owns it. At the same time it is a strategic medium for realization of competitive advantage. Based on its value on the market, it creates the opportunities for more efficient management in marketing sector of the company. Brand as a marketing category contributes to business establishment according to the laws of the market on one side, and on the other side, it contributes to creating opportunities for meeting the needs of all participants in the business.

Therefore, bearing in mind the previously mentioned, it is possible to make a conclusion that there is a need for knowing the value of a brand. Knowing the value of a brand creates the conditions for bigger investment in a brand, and in this way we come to the final effects which managing this category brings, which is the growth of the total value of the company. Modern business treatment of the brand is first based on its value positioning and market reputation. It is followed by the formal rights and branding (name, slogan, color, design, etc.). Analysis of the brand value is a relatively new discipline in companies. Between the mentioned marketing concept and the accounting one the main difference appears in material and immaterial. Namely, one of the basic characteristics of the brand is intangibility. Also, managing the brand is in direct correlation with other intangible elements, that is the segments of immaterial property as intellectual capital licenses, franchise, etc. The main characteristic of accounting concept is in the fact that all values are for tangible elements (equipment, land, buildings, etc.) that can be materialized. Namely, basic branding is to make the value for the consumers, companies and other subjects that are connected with the brand, such as stakeholders, investors, employees, suppliers, competitors, lawmakers, members of the local community, etc.

Content of work will cover the theoretical frame of defining the brand value and classification of methodology of evaluation, necessity and the current state in the domain of the brand valuation, theoretical and empirical analysis of the brand valuation based on the estimation of agencies: Interbrand, Millward Brown Optimor and Brand Finance.

2. RESEARCH METHODS AND HYPOTHESIS

The first hypothesis of the paper is: *the brand value is the dominant determinant of the value of the company's capital in a long run*. The auxiliary hypotheses were also drawn from the main. The first auxiliary hypothesis says: *the assumption for the brand development is the adequate level of expertise of marketing managers, competence and branding skills as a market instrument that needs to be incorporated into the company's strategic operations for expansive business growth, and at the same time effectively integrate into modern business flows*. Another auxiliary hypothesis says: *In order to effectively manage the brand as a marketing tool, it is necessary to build a mechanism for measuring its value*. The paper will show that the use of marketing concept based on the recognition of the brand value creates opportunities for the wider implementation of this concept in domestic enterprises. Knowing the value of the brand would create the opportunities for more extensive investment, and in this way the ultimate effects of brand management will come in the form of an increase in the total value of the company owning the brand. The brand as an intangible category that influences the development of the company's business. It is also a strategic tool for achieving competitive advantage in the company's business in the Republic of Srpska. On the basis of its value on the market, a brand creates opportunities for increasing an efficient and effective operation in the marketing sector of the company. Branding as a marketing category contributes to the establishment of business according to the laws of the market, on one hand, and to the creation of opportunities to meet the needs of all stakeholders, on the other hand. The paper needs to answer the following questions: What does the concept of the brand value stand for? How is the clasification of metodologies of the brand valuation done? What does the process of the brand valuation consist of based on the works of three most famous global agencies? Would the investments in the brand work as an opportunity to increase the market position in the context of modern enterprenuership in the Republic of Srpska? Also, this paper should reveal which brands have achieved the highest financial value according to the estimates of the above agencies. The following methods will be used for testing the mentioned hypotheses: method of analysis, induction, deduction and comparative analysis method. Secondary data from domestic and foreign literature, publication, etc. will also be used.

3. THEORETICAL BACKGROUND

The concept of the brand value, the evaluation methodology as well as the necessity of measuring the brand value in domestic practice and the current situation

in the international practice will be analyzed in the following parts of this paper. Within the mentioned section, the theoretical approaches to evaluation methodologies of the brand performed by consultancies Interbrand, Brand Finance and Milward Brown Optimor will be analyzed.

3.1. CONCEPT OF THE BRAND VALUE AND METHODOLOGY OF EVALUATION

In the first part of the work the concept of the brand value and evaluation methods will be analyzed.

There are different definitions of the brand value. We will name some of them. The brand value is a part of the immaterial property of a company. That is neto current value of discounted future gains which are accomplished exclusively by a brand. According to one of definitions of the brand value it is a part of the profit which is caused by a brand and corrected by appropriate discount rate (Terzić, 2017). The authors Aaker and Joachimsthaler define the brand value as a “group of receivables and obligations connected with the brand, its name and symbol, which are added or subtracted from values of delivered products and services of a company” (Crescitelli & Figueiredo, 2009, p. 103).

One of the biggest challenges of a brand management is creating, measuring and monitoring the brand value during a certain time period.

“Value of the brand is based on advantages and disadvantages of the brand which increase or decrease the value of the relevant product or service for the company or its customers”. (Aaker, Kumar & Day, 2008, p. 685). “With the estimation of the value of the brand and the determined validity of an investement in brand and right allocation of material goods, metrics of the brand is nothig else but the measurment of the returns on investemnt in a brand”. (Loudon, Clow, Stevens & Baack, 2014, p. 17)

In the theory of marketing, depending on the goal, the basic methodology for evaluation of the brand can be divided into two basic groups: methodologies for determining the value of the brand which are based on results of the research on behavior and attitude of the consumers and methodologies that start from financial results or financial (monetary, calculative) success of the brand, expressed as financial value of the brand. Determination of the financial or calculative value of the brand is significant because of the determination of the value of the brand in relation to other immaterial property of the company (patents, licenses, franchises, intellectual capital, etc.) Authors who have researched this aspect of the brand value are: Yovovich (1998), Simon & Sullivan (1993), Aaker et al. (1995), Keller (1998), Winters (2000), Salinas & Ambler (2009), Roberts (2011), etc.

Another reason for assessment of the financial value of a brand is that in developed market economies the brand value appears in financial documents of the company. In Great Britain the value of the brand is included in the balance (Vranešević & Marušić, 2003). In a domestic conditions of the market, the value of the brand is not recorded and it is not included in the balance (the same case is with other types of immaterial property of a company). It is necessary to establish the mechanism for measuring the value of the brand in a domestic accounting practice with the goal for more adequate determination of immaterial property and indirect and cumulative property of a company. “In marketing literature the dimension that notifies the relationship of the brand and consumers is understood also as the market value of the brand” (Vranešević & Marušić, 2003, p. 4). By knowing the relationship of the market and consumers it is possible to manage the brand well, i.e. the value can be developed, protected and directed towards the growth in the future. “Brands are the entire organization as seen through the eyes of stakeholders. Stakeholders are employees, customers, value chain partners, shareholders, community groups, and even market and society in general. In this regard, a brand embodies a much broader and multidimensional definition, including products, services, reputation, experiences, partners, employees, and even more.” (Davis, 2018, p. 63). The market value of the brand is the concept that was introduced in marketing literature in 1980s. During 1990s this theme attracted significant attention from scientists, as well as from the marketing practice, which produced numerous published works and books based on this theme. Significant research studies from this area are: *Aaker & Keller (1990)*, *Aaker (1990, 1991, 1996, 2012)*, *Keller & Aaker (1992)*, *Aaker & Biel (1993)*, *Keller (1993)*, *Simon & Sullivan (1993)*, *Aaker (1996)*, *Agarwal & Rao (1996)*, *Kapferer (1998)*, *Keller (2001)*, *Yoo & Donthn (2001)*, *Moore et al. (2002)*, etc.

Also, as a synonym for the mentioned concept author Gluhović used the term “property value of the brand which means the knowledge that consumers have about the brand.” (Gluhović, 2014, p. 263). Authors Kotler and Keller use the term “capital value” of the brand to identify brand awareness. “This is an added value that is ‘poured’ (ie, added) to products and services. It looks at the way consumers think about the brand, the feelings that the brand has and how they behave, and can be reflected in the prices, market share and profitability of the brand. The brand may have a positive and negative capital value.”¹ (Kotler &

¹ The brand has a positive customer-based capital value if consumers respond more favorably to the product and the way it is marketed in situations when the brand is recognized, unlike situations when it does not recognize it. The brand has a negative capital value based on the buyer if in the same circumstances consumers are less favorable to the marketing activity.

Keller, 2017, p. 302). Some authors define the “brand equity² as an incremental cash flow that appears as a cash flow difference associated with a product that is branded and that would result in the product being not branded. Such definition can be accessed from a macro and micro level, where the macro level signifies the approach to the assessment of the brand equity from the standpoint of its value in the total value of the enterprise, while the micro level implies the approach to the response to the creation of the brand equity for important marketing decisions” (Simon & Sullivan, 1993, p. 28-52). “Brand equity as a special kind of intangible assets of the enterprise, it not only can create value for customers, but also play a very important role in securing long-term commercial success and creating sustainable competitive advantages in the marketplace”. (Jia & Zhang, 2013, p. 325-330)

In literature from the area of branding, as a synonym for the mentioned methods the term model of qualitative analysis of the brand position is being used as well. Named models are defined as “assisting models for clearer overview of the value of the brand based on main models (financial, monetary)” (Terzić, 2017, p. 158). Mentioned group of models includes the following: the model of conversion, Wunderman brand experience score card, BAV methodology, Model Millward Brown Brand Dynamics (*Ibidem*).

It is also significant to mention the models of consultant agencies among which the most famous are: Interbrand, Brand Finance and Millward Brown Optimor. Their approach for measuring the basic mutual characteristics is determination of the value of globally known brands with enormous values (*Ibidem*). Modern business conditions require constant improvement and innovation of various business processes, which is one of the most important conditions for the survival and development of the company as well as the desired market positioning of the brand and profit. (Kotler & Keller, 2017).

3.2. NECESSITY FOR MEASURING THE BRAND VALUE IN THE DOMESTIC PRACTICE AND THE CURRENT STATE IN THE INTERNATIONAL PRACTICE

In following part of the work it will be analyzed the factors which are necessary to introduce a mechanism for measuring the value of the brand in the domestic business practice. **The first factor** includes the relationship between the value of the brand and the value of the capital of a company. **The second factor** shows the value of three valid agencies which do the determination of the value of the

² Brand equity is defined as the set of brand assets and liabilities that are linked to the brand name and symbol. Brand equity can subtract from, as well as add to, the value provided by a product or service, and can provide value to both customers. (Aaker, 1991)

brand on the global level. **The third factor** includes the chronological display of implementation of the value of the brand in business practice in the developed market economies. Brand is one of the elements of a success in a company which is hard to evaluate, and it brings many benefits for the company. “If we look at the relationship between the value of the brand and the value of the company, the next formula (Terzić, 2017, p. 123) expresses the relationship in the best way”

$$\text{The value of any good} = \sum_{t=1}^{t=n} \frac{\text{Cash Flow}}{(1+r)^t}$$

Where the parameters are the following:

n – economical life of a good, r – discount rate, t – time; number of years

“Value of any activity is given through the value of income which will arise in the future. Previous formula is used during the evaluation of three brands. It is also used in the area of finance in a company.” (Pešelj, 2006, p. 103.) Based on the previous formula it is possible to analyze the value of the brand in relation to other immaterial property (franchises, patents, licenses, etc.) of a company (if we know the exact calculative relations). Namely, we could analyze parallelly the total income in cash from the brand in relation to other marketing property (channels of distribution, relationship with customers, distributors, etc.) In this way we can see how it is possible to establish the relationship between the value of the brand and the value of the capital of a company. It is necessary to highlight that we are talking about the long period and that the huge investment is needed, as well as significant efforts of the marketing management for significant market value to be accomplished.

The second factor for introducing the mechanism to measure the value of the brand has a source in enormous values based on which world famous brands are estimated. According to current information of the global agencies for estimation of the brand value, the condition is following: Out of hundred ranked brands according to agency Interbrand (<http://www.interbrand/ranking/18.07.2018>) for 2017, the first was the brand from the area of computer technologies Apple with the value of \$184.154 billion. According to agency Brand Finance (<http://www.brandfinance/ranking/18.07.2018>) for 2017, the first position also had the brand from the area of computer technologies Google with the value estimated at \$109.470 billion. Also, the same brand was the first on the list according to agency Millward Brown Optimor (<http://www.millwardbrownoptimor/ranking/18.07.2018>) with the estimated value at \$245.581 billion. Namely, in the third part of the work the ranking of 10 brands will be shown (ranking will

include brands according to values from the most valuable on the first position to the lowest ranked on the 10th position according to the estimation done by the mentioned global agencies).

The third factor which is the reason why it is necessary to introduce the mechanism of evaluation of the brand is shown in the following table. It includes accomplishments in evaluation of the brand on the global level and in different markets. The table shows the chronological implementation of the brand value in the business practice.

Table 1. Chronology of the development of the brand valuation approach

Company (institution)	Year	Research
1 Australian publishing house Rupert Murdoch's News Corporation.	1984	Conducted the very first independent evaluation of a brand.
2 Grand Metropolitan, British company which took over Heublein distribution Pearle Eye Care.	1987	These brands were evaluated as a part of the balance. The first British company that made evident the value of its brands in the balance.
3 British company Rank Hovis McDougal – RHM	1988	Brand evaluation of a company done by "Interbrand", leading agency today.
4 London Stock Market	1989	Concept of the brand evaluation based on RHM was presented for the first time.
5 American Accounting Standards Committee	2002	Introduced FASB 141 and 142 which give detailed instructions on how to book the values of material and immaterial goods in the balance.

Source: (Starčević, 2016)

Therefore, by analyzing the previous table it is possible to notice that brand evaluation in practice is present in different markets and different areas. Therefore, if we look at the time period we can see the overview of the brand evaluation in practice of well-developed economies between 1984 and 2002. Namely, the first independent evaluation of the brand value was done in Australia by a publishing house. Three years later the brand evaluation in accounting documentation of the company was implemented in Great Britain. A year later, in 1988 the evaluation was done for the first time by well-known agency Interbrand. Every year the mentioned agency shows reports about the estimated value of 100 globally known brands in different markets and different sectors. London stock market considered the evaluation of the brand for the first time in 1989. American Accounting Standards Committee gave first detailed instructions on entering the values of immaterial property to balance 16 years ago, in 2002. World's famous agency Millward Brown Optimor was founded in 1998. London agency Brand Finance was established in 1996. Namely, all three agencies have the same function but different methods of work and consequently different values of rated brands.

3.3. THEORETICAL ANALYSIS OF METHODOLOGIES FOR THE BRAND EVALUATION BY AGENCIES INTERBRAND, BRAND FINANCE AND MILLWARD BROWN OPTIMOR

In the following part of the work the process of the brand evaluation will be analyzed, firstly by the consultancy agency Interbrand and then agencies Brand Finance and Millward Brown Optimor. After that, it will be showed the empirical part of the research with the method of comparative analysis of parameters in the process of the brand evaluation.

3.3.1. ANALYSIS OF THE MODEL FOR THE BRAND EVALUATION BY INTERBRAND AGENCY

Interbrand bases its approach on overlooking the incomes that were accomplished exclusively with the brand and capitalization of the future money income. Agency Interbrand uses two collective indicators, brand income and strength of the brand during the evaluation. Income from the brand is obtained if we subtract from total sale: 1. selling cost of the brand, 2. marketing cost, 3. variable and fixed costs, 4. cost of the capital (5-10%) engaged in the items production owned by the brand and 5. taxes.

Monetary value of the brand is determined through the following phases:

Table 2. Determination of differential flow earnings of brands

Number	Phase
1	Incomes from the past 3-5 years are taken into account and operational incomes are also predicted for the time period of 3-5 years.
2	Profits are calculated for the product that is not marked by the brand according to the method of differential profit, and the differential operational profit, which is an attribute to the brand that is the subject of evaluation, is calculated for every year.
3	Differential operating income is expressed in current values.
4	Differential weighted average income is calculated.
5	The part that corresponds to the medium-normal remuneration, relating to the material goods, is subtracted from the total differential income based on the residual income.
6	Net differential income, which is attributed to the brand exclusively, is calculated (taxes are deducted.)

Source: (Terzić, 2017)

“Factors that make up the strength³ of a brand (Vranešević, 2007, p. 173.) include all indicators that are obtained from the examination of consumers and managers research of secondary sources (static publications, electronic database, professional journals, etc.) and from visiting and observing the distributive and market places”.

³ The strenght of the brand represents the potential for its growth.

Interbrand's methodology consists of three phases of calculation:

1. Process of calculation of different flows of the brand income
2. Determination of the strength of a brand⁴
3. Conversion points on the scale from 0 to 100 in one indicator.

The strength of a brand is determined based on the following parameters: position of the brand, stability of the brand, attractiveness of the targeted market economy, international presence, trend of activity, and support and protection.

The following table shows the factors which determine the strength of a brand.

Table 3. Basic market categories for assessing the power of brands

POSITION OF THE BRAND (LEADERSHIP) • Out of 100 points the limit 10.	BASIC INDICATOR • market participation, a brand that is a market leader worths more than a challenger or a follower	• leader has an influence on movement, prices, distribution channels
STABILITY OF THE BRAND • Out of 100 points the limit is 10.	BASIC INDICATOR • the loyalty showed through the consumer retention rate	• based on a client of a brand
ATTRACTIVNESS OF THE TARGET MARKET • Out of total 100 points the limit is 10.	BASIC INDICATOR • position of the brand in the market which enables significant income, sales and growth	• based on a stable increase in the total work
INTERNATIONAL PRESENCE • Out of total 100 points the limit is 25.	BASIC INDICATOR • predicted, expected export	• based on the presence of the brand in the global market
TREND OF ACTIVITY • Out of total 100 points the limit is 10.	BASIC INDICATOR • Reality and significance of the brand for present and potential future consumers in the frame of target market	• based on the fact that the stronger brand will have bigger sales/profit
PROTECTION • Out of total points the limit is 5.	BASIC INDICATOR • Investment in marketing and other activities of managing the brand	• based on the quality and innovation of the products
SUPPORT • Out of total 100 points the limit is 5.	BASIC INDICATOR • possibility for broader law protection of the brand and elements of its identity ⁵	• based on the fact that exclusivity of the use of the identity elements influences the strenght of a brand.

Source (Terzić, 2017)

⁴ Until 2010 the strenght of the brand was calculated based on 7 dimensions. However, the list was reviewed and 10 dimensions were defined which seemed to better reflect new factors which lead to important changes in the market and those are: the spread of social media, insisting on the responsible management, fragmented auditorium, increase of the importance of the design of a product and increase of the drive to accomplish the greater income on investment. Source: interbrand.com/ accessed 02.04.2018.

⁵ The value of intellectual property as a company asset is a crucial part of the brand management. Intellectual property rights should be seen as an investment in maintaining a company's competitive advantage. The high level of competition drives companies to develop, upgrade and protect their brands in order to maintain their competitive advantage. It can be stated that effective brand management starts with brand protection. Brand protection should be a mandatory part of daily business operations. (Hirsila, 2017)

Strength of the brand is expressed in percentages. That indicator is put in relation with the brand income. **Relationship between income and the strength of a brand** is normally distributed under the certain conditions:

1. The strength of a new brand at the end of introduction is zero, but it grows gradually until it becomes the third or the fourth brand in the market;
2. When the brand takes the first or the second place in the domestic market economy or becomes internationally present, that is exponentially reflected on its value;
3. When the brand becomes globally strong, its value does not grow exponentially anymore, although its market share rises. The following table presents the basic deficiency of Interbrand's estimation of the brand value.

Table 4. Main disadvantages of Interbrand estimates of the brand value

MAIN DISADVANTAGES	EXPLANATION
SUBJECTIVITY IN ESTIMATION	Inadequate estimation in scoring the strenght of a brand by using the logarithmic mathematical function while converting the score of the strenght of a brand into an indicator with the span between 0 and 20. Inadequate estimation during the determination of the parameter for the net average profit of the trade mark.
INABILITY TO MEASURE PRECISELY INDICATORS DUE TO THE STRONG MUTAL INFLUENCE	When determining market share several indicators are used: brand position, activity trend, international presence.
INABILITY TO MEASURE THE VALUE OF THE BRAND EXPANSION AND THE PORTFOLIO	Limitation of the correctness of measuring lies in the fact that the method evaluates the company as if it has only one brand.
THE METHOD OF USING EXCLUSIVE PUBLIC INFORMATION ON THE QUOTED COMPANIES	The disadvantage of this approach is inability to use inside information of the company.
SUBJECTIVITY AS A MANUAL INDICATOR OF ALL MEASUREMENT METHODS	<ol style="list-style-type: none"> 1. How to determine the benchmark for the companies which are unmarked by the brand taken during the evaluation.⁶ 2. How to determine the average standard profit expected from material goods which is specified as 7 % according to Lew.

Source (Terzić, 2017)

⁶ There is essentially no company without a brand. In pratice, only classification of companies with stronger brand can be performed.

According to Chernev "the strategic purpose of a brand is to create market value. The tactical process is branding. Branding aims to define value of the company's offerings and create extention of benefits above and beyond the benefits created by the products and services. Since the key of a brand is to create market value with identified company's offerings and differentiate it from its competitors, companies need to highlight their brand strategy and tactics in order to have effective value creation." (Chernev, 2015, p. 25)

Therefore, basic disadvantages of determination of the brand value based on the mentioned methodology includes: subjectivity in determination, unavailability of precise measuring of indicators of a market share, impossibility to measure the value of the expansion of a brand and portfolio, usage of only exclusive public information of the quoted companies and subjectivity in determination during the whole process of evaluation. Significant disadvantage of this method is that it is not applicable in all industrial branches, meaning the categories of production and services. "The critical component of this method is how to convert the brand's future income into the practical value." (Jia & Zhang, 2013, p. 325- 330). Namely, the author Kapferer believes that "brand has no financial value until it starts delivering profit to the company" (Kapferer, 2012, p. 15). Also, the autor Bick reckoned that "brand equity is defined more narrowly as the customer's subjective and intangible assessment of the brand and that it is greater than its perceived value" (Bick, 2009, p. 121).

3.3.2. ANALYSIS OF THE BRAND VALUATION WITH THE METHODOLOGY OF BRAND FINANCE AGENCY

The next part of the work will show the process of the brand valuation based on the methodology of consulting agency Brand Finance. The process of determination of the brand value by the methodology of Brand Finance includes the following phases:

1. First, net income from the financial plan of the brand is determined. It is possible to take into account business or net income.
2. The second step involves deducting a part of the revenue, which is attributable to the average-standard reward expected from the material capital, ie from the net income.
3. The third step is based on the fact that the BVA (Brand Value Added) index, the contribution from the brand's demand, is added to the residual income (marked as an economic added value in the table). This is how we obtain the revenue that can be attributed exclusively to brands.
4. It proceeds with the analysis of BrandBeta®, or the assessment of future risks. The BrandBeta® multiplier is copyrighted and has, in the meantime, received the treatment of the brand.
5. BrandBeta® is in the case of a brand matched with β taken from Bloomberg.⁷
6. In the end, **the value of the brand** is calculated.

⁷ Bloomberg is a key worldwide service for providing information, data, publications and analytical tools that enable decision-makers in the financial world to make faster and more effective decision-making. It is also the leading trading platform for the trading of diversified financial instruments and where all leading global, commercial and investment banks, as well as other fi-

The main advantage of the Brand Finance method is that it seeks to compile a marketing analysis with the financial methods of the company.

The main imperfections of the method of the brand valuation of the consulting agency Brand Finance are next:

1. Analysis of additional brand value (BVA),
2. Determination of the parameter BrandBeta[®],
3. Determination of the average standard prize from material capital.

Analysis of the additional brand value (BVA) implies the identification of the factors that stimulate the search in the given sector which the brand that is the subject of evaluation belongs to as well as the contribution of the brand to the company's assets. It is conducted by surveying the consumers through the sample method. The main goal of the survey is to determine the personal value that consumer attaches to the brand while making the purchase decisions. The research is necessary because of the different situation on the market when it comes to brands. Those are the problems of different brands (differenciation), different time periods (phases of life of the brand depending on the age), different consumers (consumers focused on the price, quality, trend, etc.), and different types of products (new or old products on the market, fashion, shopping goods).

Brand Finance replaced the traditional approach on calculation of the spendings of own capital (CAPM) by introducing the BrandBeta[®].

BrandBeta[®] is estimated on the basis of following parameters: time present on the market (five, ten, twenty years), distribution (stores present on domestic or international market), comparative position (the brand is the leader or follower on the certain market), elasticity of the price (percentage by which the demand has increased or decreased in comparison to the percentage by which the price has increased or decreased), familiarity through adds (electrictronic and printed medias), spendings of marketing (promotions, distributions, products), brand awareness (how many diferent consumers know about the existence of the brand on their market), price increased for prize (prize based on the indications such as loyalty of the clients/consumers, perceived quality, associations, familiarity of the name, etc.).

nancial institutions, are present. Bloomberg is a key intermediary in increasing trade transparency in financial markets. In 2012, it published a list of the world's strongest and safest banks in which only those banks whose assets exceed \$ 100 billion were found. On the list of the strongest and safest banks, there were four banks from Canada, three from Signapur, while the best-placed American bank JP Morgan Chase finished only in the thirteenth place. Ranking of these ten banks looks like this: 1. Oversea-Chinese Banking Corp OCBC (Singapur), 2. BOC Hong Kong Holdings LTD (Hong Kong), 3. Canadian Imperial Bank of Commerce CIBS (Canada), 4. Toronto – Domion Bau TD (Canada), 5. National Bank of Canada (Canada), 6. Royal Bank of Canada (Canada), 7. United Overseas Bank Ltd (Singapur), 8. DBS Group Holdings (Singapur), 9. Hong Seng Bank (Hong Kong), 10. Svenska Handelsbanken (Sweden).

Source: [www. bloomberg. com](http://www.bloomberg.com); accessed 10. 09. 2012.

Each of the mentioned indicators is graded from zero to ten (0-10). The brand that has 100 points by the method of consulting agency Brand Finance equals to zero-risk investment and therefore, the BrandBeta equals zero. Consequently, it is considered to be the powerful brand. On the other side, the brand with zero points is considered to be an extremely weak brand with the high risk when it comes to future capital flows that can be ascribed to it. Therefore, it is a high risk investment.

During the determination of the average standard prize from the material capital, consulting agency Brand Finance defined the 5% rate. All three of the mentioned indicators represent the limitations of the methodology of the Brand Finance agency in the sense of subjectivity (see more in: Terzić, 2017).

3.3.3. METHODOLOGY OF MILLWARD BROWN OPTIMOR AGENCY

Methodology was created in 1998 and the data for the BrandZ study are collected once a year by interviewing consumers and business customers.⁸

Within the BrandZ methodology, experts from the consulting firm Millward Brown Optimor use three steps in the process of calculating brand values:

1. calculating the profit of a brand,
2. calculating the contribution of a brand,
3. calculating the brand multiplier.

Profit attributable to intangible assets is calculated first by deducting the total gain of intangible assets (intellectual capital, franchises, licenses, etc.). For example, if we want to calculate the profit of the brand “Plasma Cookies”, first, we calculate the total profit of the brand “Bambi”. Then, we deduct profits based on tangible assets (material assets, ie assets intended for the production of goods or the delivery of goods, etc.) and afterwards, we deduct the cost of capital.⁹ From the gain earned by intangible assets, a portion of the profit exclusively related to the “Plasma Cookies” brand is deducted, thus obtaining the profit of the mentioned brand. The essence of the above procedure is based on the expression of a part of the total earnings of the company from each work that the brand does. **The brand’s contribution** is essentially a measure of the extent to which a brand plays a role in making income. It is calculated based on the Brand Z database, or based on the analysis of the consumers of a certain country and markets.

⁸ Each interviewed person evaluates brands from the category of purchase on the basis of the attributes they consider important. These data are integrated into a database that relates to different categories of products and services. Since the study is conducted every year, it is possible to monitor the movement of the brand value over a certain period of time, and benchmarking with other brands in the category is also enabled.

⁹ Cost of capital is the rate of profitability, that is the rate of return that must be achieved in order to meet the expected interests of the company’s investors.

The contribution of the brand is calculated as a percentage and shown as index ranging from 1 to 5 (where the highest is 5).

The brand multiplier is in direct positive relation to its voltages and the presence of the brand in rapidly growing markets. The brand’s voltage is the potential of the brand growth summarized in the form of a number. It is calculated based on the rate of growth of consumer attachment to the brand and shows whether it is progressing or falling back in the market.

After calculating the brand’s contribution by using the pyramid of the brand’s dynamics and the rate of growth of consumers’ attachment to the brand, the third step follows - the calculation of the brand multiplier. The brand’s voltages is increasing with the increase in the number of consumers at the two highest levels of the pyramid, the most loyal consumers of the brand, and positive voltages are generated if consumers faster and in greater numbers move to the higher levels of the pyramid of the brand’s dynamics that is being evaluated, compared to competing brands. This measure, points to the brand’s ability to influence the increase in loyalty of consumers, and is directly related to the market share of the brand¹⁰. The results indicating the level of relationship between the consumer and the brand (pyramid and the growth rate of consumers’ attachment to the brand) quantify the current strength of the brand, while the brand’s voltage indicates its future potential. High voltage brands constitute 10% of the generally most successful brands and have a higher chance of growth than others. Between two brands that have the same number of consumers at the closeness level, the one that has a positive voltage is more valuable. It is more efficient in converting consumers to the higher levels of the brand’s dynamics pyramid, which indicates a higher potential for its growth. The voltage, therefore, shows whether the business is on a good or a bad path and whether the created value will be preserved or disturbed.

Table 5. Basic advantages and disadvantages of the BrandZ methodology for measuring brand values

ADVANTAGES	DISADVANTAGES
The fundamental advantage of the BrandZ ¹¹ methodology is that it enables estimation of the current strength of the brand and its connection with future changes in market share through the brand’s voltage.	The main disadvantage of this methodology relates to the inability to adequately segregate profits based on intangible assets, which is the basis for calculating the value of the brand.

¹⁰ A three-year analysis of financial performance has proven that high voltage brands have a relatively high market share.

¹¹ The BrandZ database represents the world’s largest repository of brand value and consumer decision-making by brands, categories and countries, while other methodologies allow only global ranking.

ADVANTAGES	DISADVANTAGES
<p>Consideration is given to the fact that a small number of loyal consumers generate the bulk of sales revenue.</p> <p>The application of this methodology provides the possibility for benchmarking more than 50,000 marks based on different criteria that are independent of the category, but also criteria that are characteristic for certain categories (e.g. performance and prices).</p> <p>Methodology used to measure the value of an individual brand¹², unlike others that measure the values of the corporate brand.</p> <p>The study also includes the emerging market, giving an insight into the sources of the brand's driving force. It is based on marketing research, qualitative research of consumer behavior, and at the same time detailed financial analysis.</p> <p>BrandZ, the database represents the world's largest repository of the brand value data and the decision-making process by brands, categories and countries, while other methodologies allow only global ranking.</p>	<p>The fact is that this methodology is not valued and ranked by corporate brands, although their value is significant for investors.</p>

Source: (Krstić & Popović, 2011)

Therefore, like other methodologies, the methodology of the consulting agency Millward Brown Optimor also has its drawbacks that include: the inability to adequately segregate profits based on intangible assets and the inability to evaluate corporate brands.

4. RESULTS AND DISCUSSIONS

With the method of comparative analysis the following table shows the results obtained using Interbrand, Brand Finance and Millward Brown Optimor methodologies for 2017.

Bearing in mind that the methodology of the brand valuation¹³ differs in the application of the above mentioned agencies, the results of their published assessment reports are also different.

¹² Brand valuation is based on 17 categories: fashion, beer, cars, bottled water, coffee, financial services, fast food, insurance, video games, luxury goods, providers and services of mobile telephony, personal hygiene, soft drinks, technologies, and oil and gas companies.

¹³ According to the analysis of the research of the application of brand management in various organizations of companies in the Republic of Srpska in 2017, the results are following: The previous chart shows the types of intangible assets which are mostly related to profitable business of enterprises; 43 or 27.04% of respondents answered that it is intellectual capital; 36 or 22.64% of them think that those are brands; 28 or 17.61% of respondents believe that those are patents, licenses, franchises, and relations with suppliers; 24 or 15.09% of respondents said that relations with employees are most important intangible asset for profitable business of enterprises. (Terzic, 2017)

Table 6. Comparative analysis of the results of the brands valuation by Interbrand, Brand Finance and Millward Brown Optimor for 2017 (in milion \$)

Number	Analysis of Interbrand/Value brand rating	Analysis of Brand Finance/Value brand rating	Analysis of Millward Brown Optimor/Value brand rating
1	Apple 184.154	Google 109.470	Google 245.581
2	Google 141.703	Apple 107.141	Apple 234.671
3	Microsoft 79.999	Amazon 106.396	Microsoft 143.222
4	Coca Cola 69.733	AT&T 87.016	Amazon 139.286
5	Amazon 64.796	Microsoft 76.265	Facebook 129.800
6	Samsung 56.249	Samsung 66.219	AT&T 115.112
7	Toyota 50.291	Verizon 65.875	Visa 110.999
8	Facebook 48.188	Walmart 62.211	Tencent 108.292
9	Mercedes 47.829	Facebook 61.998	IBM 102.088
10	IBM 46.829	ICBC 47.832	McDonalds 97.723

Source: The table is a result of the summary of different websites by the author
<http://www.interbrand.com>,<http://www.brandfinance.com>
<http://www.millwardbrownoptimor.com> (accessed 20.05.2018)

An overview and analysis of the data from the table give us interesting observations. First, we will analyze data obtained by estimating the value of the Interbrand brand. In addition to the German brand “Mercedes”, other first-ranked brands (the top ten) are from the United States.

Two best global brands kept their last year’s position (2016) with a rise in value: the brand “Apple” recorded a rise in value in 2017 compared to 2016 by 3% and Google recorded a rise in value from 6% in 2017 compared to 2016. In the field of information technology Microsoft brand ranked from the fourth in 2016, to the third in 2017 with an increase of 10%.

If we look at the data from the **Brand Finance** brand valuation table, we will come to the following observations: In addition to the brands “Samsung” (ranked sixth), whose country of origin is Korea, and Chinese bank “ICBC” (positioned at number ten), other first-ranked brands (the top ten) originate from the United States.

The ten most valuable global brands, according to Brand Finance, retained their previous year’s position. The only difference compared to the previous

placements is the first and the second position in the ranking of 10 most valuable global brands. Namely, the brand "Apple" ranked first in 2016 was in the second place in the following year, and the brand "Google" ranked second in 2016, positioned as the first in 2017.

Most brand names (Top 10) recorded a rise in value during the year before (for example, the value of the brand "Google" amounted to \$ 88.173 billion in 2016, and at the end of last year, the value of the brand rose to 109.470 billion US dollars.)

The top ten global brands are from completely different sectors, which confirms the successful implementation of brand management in various industries.

If we look at the data from the **Millward Brown Optimor** brand valuation table, we will see the following observations: The first three ranked brands in 2017 (Google, Apple and Microsoft) occupied the same position as the previous year. Differences are noticed in the following brands: American brand Amazon from the retail sector, ranked seventh in 2016, was ranked fourth in 2017 with an estimated value of 139.286 billion US dollars. The American brand "AT & T" from the telecommunications sector declined in value in the same observed period, from the fourth position in 2016 to the sixth place in 2017 with a value of 115.112 billion US dollars. The "Visa" brand from the payment sector, ranked sixth in 2016, was placed on the seventh place in 2017 with an estimated value of 110.999 billion US dollars. The brand "McDonalds" from the fast-food sector, ranked ninth in 2016, was on the 10th in the next year.

The IBM brand in the information technology sector ranked tenth in 2016, reaching the ninth position in the previous year with an estimated value of 97.723 billion US dollars.

The eighth position in 2017 according to the agency Millward Brown Optimor was taken by the brand from the sector of high technologies "Tencent" whose country of origin is China. After analyzing the previous table we can conclude that the highest monetary value had brands originating from the United States of America.

Therefore, bearing in mind that the methodologies for determining the brand value were previously described as different from each other, the published results of the determination of the global brands value are also different. For proving the previously made statement, we will consider the brand "Apple".

If we analyze the estimated value of the brand from the Apple information technology sector, we can notice its different values. According to Interbrand estimates for 2017, the value of the brand was \$ 184.154 billion (MrdUS \$). According to the estimated and published reports of Brand Finance for the same period, the estimated value of the above mentioned brand was 107.141 billion

US dollars (MlrdUS \$). Value of the same brand name by Millward Brown Optimor for 2017 was estimated at \$ 234.671 billion (MlrdUS \$).

If we analyze the value of the individual brand in the table above, we can conclude that in this part of the paper we have proved the main hypothesis that the brand value is the dominant determinant of the company's capital in the long run.

5. CONCLUSION

The main aim and purpose of the work were to identify the concept of the brand value and provide the understanding of methodologies of the most famous consulting agencies Interbrand, Brand Finance and Millward Brown Optimor.

The concept of the brand value can be seen from the perspective of the company and from the point of view of consumers. In line with this statement, a division in marketing theory and practice has been made to determine the brand value from the aspect of the company (the financial method of measuring the value of the brand) and the brand value based on consumer behavior studies and attitudes (models of qualitative analysis of brand position). Models of consulting agencies are included in financial models for measuring brand values. The following models are classified into the mentioned group of models: the model of brand valuation based on the cost of replacement, approach based on price premium; the model of brand valuation based on the cost of loss, valuation method based on royalties; the model of brand valuation based on discounted cash flows; Baruch Lev model of the brand valuation and the model of the difference in the index economic value/income from the sale. The market value of the brand is formed based on the relationship between the negotiating position of the buyer and the seller. Its value is known only if it is a subject of buying-selling. Otherwise, calculative methods of determining this value are used if a need arises for this purpose. The brand valuation is significant when purchasing and selling a brand, issuing licenses, valuating intangible assets and stems from the fact that in the developed market economies the brand value is included in the balance sheet of the company. Since the 1980s the question has been which model is optimal? However, each of the above models has its advantages and disadvantages. Marketing managers need to harmonize the measurement methodology with the specifics of a concrete brand bearing in mind the available data. Therefore, a proper brand valuation requires the use of qualitative and quantitative criteria in the valuation process.

Each of the above methodologies of consulting agencies has its own shortcomings. The main disadvantages of the **Interbrand Brand Evaluation Agency** are the following: subjectivity in assessment, inability to accurately measure market share indicators, inability to measure the brand value and portfolio ex-

tensions and the use of exclusively public information for listed companies. The main disadvantages of the **Brand Finance** method when assessing the brand value are the following: subjectivity constraints when determining the BVA index, restrictions on determining the BrandBet multiplier and the limitations in determining the average standard reward from the material capital. The methodology of the consulting agency **Millward Brown Optimor** has also its drawbacks, among which are: firstly, the inability to adequately segregate profits based on intangible assets, and secondly, the mentioned methodology does not value and rank corporate brands. If we analyze the published reports on estimated values of brands based on the results of various agencies, the question is to how to interpret them? How to interpret the value of the **Mercedes** or **Apple** brand? It is believed that the **Apple** brand belonging to the computer and information technology sector needs to be first of all evaluated by comparing it with other brands in that sector. Then, if we analyze the car brand **Mercedes**, it is necessary to compare it with other car brands in the same sector. Or, for example, the pharmaceutical brand **Pfizer** can be compared with other brands in the pharmaceutical sector such as **Novartis**, **Roche**, **GSK**, **Jonson**, etc. Also, as can be seen from the table and the results of the published valuation reports of brands of different agencies, it is possible to compare the values of ten first ranked brands with other brands of the same activity. In parallel, it is possible to analyze and compare the value of one brand during a number of consecutive years according to the agency's assessment, then repeat the same procedure taking into account another consulting agency, then the third, etc. Namely, the point is that the brand can be evaluated in a particular market based on different parameters (value of sales, market share, customer loyalty, etc.)

In any case, the brand valuation is a concept that is still being developed and as Keller states, "valuing brands is partly science, partly art." (Keller, 2008, p. 420). The evaluation and treatment of brands vary widely between individual countries. Namely, the practice has confirmed that the developed countries with developed global brands accepted the brand valuation in the company's financial statements. In underdeveloped markets, which include the domestic market, managers do not have enough experience, nor the brand management skills and brand evaluation. Countries such as Great Britain, New Zealand and Australia, in accounting practice, record the brand in the balance sheet making it evident. Accordingly, the greatest advance in brand evaluation has been made in the United States. Accounting standards have been introduced with specific guidelines for treating goodwill. This standard requires that all acquired intangible assets are kept as a separate item in the balance sheet because they have a separate "economic life". When it comes to domestic accounting practices, it can be freely stated that brands are not valued adequately. In fact, they are not valued at all in

the financial statements of the company. In the current accounting practice, there are no usual non-material investments such as: brands, intellectual capital, marketing rights, customer loyalty, market share, supplier relationships, etc. These investments are included in the International Accounting Standard IAS 38 and treated as intangible assets. Also, this standard defines that there must be the possibility for identifying intangible property and a clear distinction from goodwill. In this regard, it is necessary to create conditions for the coordinated work of experts in the field of marketing, finance and accounting with good knowledge of the law on intellectual property protection in order to find common solutions for more adequate valuation of intangible assets.

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АНАЛИЗА ВРЕДНОВАЊА БРЕНДА НА БАЗИ ПРОЦЈЕНА АГЕНЦИЈА *INTERBRAND*, *BRAND FINANCE* И *MILWARD BROWN OPTIMOR*

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САЖЕТАК

Бендови су значајна категорија када је у питању сегмент маркетиншког и финансијског пословања предузећа. Такође, пресудну улогу имају и у сегменту понашања потрошача приликом доношења одлука о куповини. Маркетинг – менаџери у домаћим предузећима још увијек немају довољно искуства у коришћењу савремених метода процјене вриједности брэнда. Из наведеног произилази да управљачка структура није имала адекватну подршку маркетинга у одлучивању. Анализа у раду базираће се на истраживању концепта вриједности брэнда и методологија вредновања. Циљ рада је анализа и спознаја предности и недостатака различитих методоло-

гија глобалних консултантских агенција за процјену вриједности брэнда. Структуру рада чини неколико цјелина. Пажња се, прво, усмјерава на концепт вриједности брэнда и класификацију методологија вредновања. Следи анализа неопходности мјерења вриједности брэнда у домаћој пракси и актуелно стање у међународној. Затим и подробније разматрање поступка рада глобалних агенција: Interbrand, BrandFinance и Millward Brown Optimor. Резултати емпиријског истраживања биће приказани компаративном анализом вриједности глобалних брэндова добијених коришћењем наведених методологија у истом временском периоду.

Кључне ријечи:

брэнд, вриједност брэнда, методологија вредновања, *Interbrand*, *Brand Finance*, *Millward Brown Optimor*