Impact of Brand value Balanced Scorecard – Brand Score card

KEYWORDS

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Balanced Scorecard is an efficient way for determining the actual value of the brand equity, which is the company's most significant intangible asset. A definition often quoted is: 'A strategic planning and management system used to align business activities to the vision statement of an organization'. More cynically, and in some cases realistically, a Balanced Scorecard attempts to translate the sometimes vague, pious hopes of a company's vision/mission statement into the practicalities of managing the business better at every level.

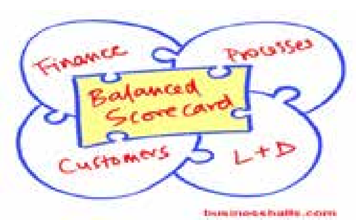
A Balanced Scorecard approach is to take a holistic view of an organization and co-ordinate MDIs so that efficiencies are experienced by all departments and in a joined-up fashion.

To embark on the Balanced Scorecard path an organization first must know (and understand) the following:

- The company's mission statement
- The company's strategic plan/vision
- The financial status of the organization
- How the organization is currently structured and operating
- The level of expertise of their employees
- Customer satisfaction level

The metrics set up also must be SMART (commonly, Specific, Measurable, Achievable, Realistic and Timely) - you cannot improve on what you can't measure! Metrics must also be aligned with the company's strategic plan.

A Balanced Scorecard approach generally has four perspectives:



- Financial
- Internal business processes
- Learning & Growth (human focus, or learning and development)
- Customer

Finance
- Return On Investment
- Cash Flow
- Return on Capital Employed
- Financial Results (Quarterly/Yearly)

Internal Business Processes
- Number of activities per function
- Duplicate activities across functions
- Process alignment (is the right process in the right department?)
- Process bottlenecks
- Process automation

Learning & Growth
- Is there the correct level of expertise for the job?
- Employee turnover
- Job satisfaction
- Training/Learning opportunities

Customer
- Delivery performance to customer
- Quality performance for customer
- Customer satisfaction rate
- Customer percentage of market
- Customer retention rate

Once an organization has analysed the specific and quantifiable results of the above, they should be ready to utilise the Balanced Scorecard approach to improve the areas where they are deficient. Each of the four perspectives is inter-dependent - improvement in just one area is not necessarily a recipe for success in the other areas.

Brand Scorecard

The Brand Scorecard helps to evaluate brand performance

Strong brand is the most valuable intangible asset of the company. Although brands are not listed on corporate balance sheets, they play key role in determining the company's success in the long-term perspective. Successful brands allow companies to effectively manage premium prices, reduce relative power of the trade, increase communication effectiveness, attract managerial talent, and reduce vulnerability to downturns. Scorecards or KPIs based on the drivers of brand value, provide focused and actionable measures for optimal brand management.

Strong brands account for over a third of shareholder value. Share prices of companies with well-known brands have significantly higher investment returns and lower risk rate when compared to the stock market as a whole.

Brand has a clearly identifiable financial value conveyed in the price tag associated with a specific brand. This financial value represents the economic value of the brand to the owner. The brand equity is a fusion of the capitalized value of the consumer's trust in the brand and its future sales volume potential (commercial exploitability of the brand). Consumer awareness of the brand is a powerful motivation for the customer to consider buying the brand product. Besides, the strength of the brand equity promotes consumer loyalty and stimulates the customers to purchase these products consistently and repeatedly over a long period of time. It should be noted that the brand value is created only if ongoing positive earning streams can be generated as a result of customer purchases.

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Brand equity is an intangible asset of the company. Therefore, to measure its financial value, the company management should identify key performance indicators (KPI) of the branded business, and then determine the degree to which each KPI is directly influenced by the brand. The data for the analysis comes from market research, client workshops and interviews of the (potential) customers.

As a result of the brand evaluation using Balanced Scorecard or KPI, the company can determine the current value of the brand equity compared to its short-term and long-term objectives. The bottom line includes percentage values of the actual and expected performance of the brand, and identifies both strong and weak areas of the company's brand management.

The brand measurements can be classified in three categories: Brand perception,

Brand performance and Brand financial value. Each category consists of several KPIs, which contribute to the total brand value.

Perspective	Performance
Brand perception	71.85%
Brand performance	86.42%
Brand financial value	55.29%
Total Performance	71.25%

Scorecard includes 3 categories, 16 indicators

For instance**, Brand perception** category consists of the following measurements, or metrics: Consumer awareness (Measures brand recognition and differentiation), Brand strength (Measures brand stability, relation to market leaders, profitability, geographical spread, and protection), Credibility (Measures the extent to which the brand is reliable and responsible for the customers, and the effectiveness (trustworthiness) of the brand advertising), Relevance (Measures the brand modernity, ability to excite, as well as its commitment to non-consumer driven ethical or socially responsible values), and Consideration (Measures the influence of the brand familiarity on actual consumer choice).

Brand performance includes these metrics: Customer Preferences (Measures the brand preference among competitor brands), Price premium (Measures the price premium value the brand commands, in comparison with competitor brand), customer loyalty, customer satisfaction, Retention, Share of wallet, Life time value.

Brand financial value includes four major metrics: Revenue generation capabilities (Measures the impact of the brand familiarity on sales, including future sales volume potential of the brand), Return on investment (Measures the ROI in the brand marketing), Transaction value (Identifies the product/service transaction value and measures the current and potential value the brand adds to a transaction), and Growth sustainability rate (Measures the impact of the brand to the maximum growth rate the brand owner can sustain without increasing financial leverage).

Determining KPI Metrics for Measuring Brand Impact on your Business

The idea of a brand is deeply rooted in the psyche of managers as being associated with the delivery of tangible products to consumers but today we are increasingly delivering intangible services rather than goods so is branding still relevant. Traditionally a business has been viewed by senior management as split into discrete divisions, sales and marketing, production, HR, IT, legal and accounting. Some divisions created revenue and b the brand identity was important for customer recognition and action needed to be taken to maximize that while other divisions created cost that reduced the brand value and this needed to be cut. Following this methodology would logically result in increased profits. This led in practice to highly dysfunctional decision making with, for example, IT staff being cut only for decreased effectiveness across the business producing reducing sales generation and increasing costs in other parts of the business. Decreased profitability was the result of making otherwise perfectly logical business decisions based on KPI metrics. The Balanced Business Scorecard seeks to address this dysfunctional approach to business management and looks at how the entire business operates as a cohesive, holistic whole. Viewing all divisions of the business as creating value allows for logical rational business decisions that do lead to increased shareholder value and enhanced profitability.

Is measuring traditional brand metrics still relevant? The blunt answer is yes, the company brand is perhaps more important than it ever has been but how the brand is being used has probably altered greatly as is how the value of a brand is perceived not just by customers but also by shareholders.

For many listed companies the value ascribed to the company brand accounts for more than a third of the company share value. In many instances, brand value accounts for far more than that. The issue is how do we measure brand value and what metrics are available for us to use as part of a Brand KPI tool.

Using financial metrics for brand performance measurement you will find the following as the primary metrics to monitor and analyze:

- Sales Generation - measures brand as a factor in the purchasing decision
- ROI - measures the ROI using the accounting goodwill value and treating it as any other balance sheet asset
- Transaction Value - looks at the contribution from product lines and product mix and the impact of the brand on that contribution
- Growth Sustainability -this is a measure of how much the brand is contributing to sales rate growth without the business introducing further investment to gain that market share.

Financial value is probably the simplest metric to determine as we can extrapolate "goodwill" valuations using accounting and financial data coupled with share price information. At least with share pricing information we have a set finite value that the market is placing on our business and the financial accounting information can give us a basis for determining how much of the price the market will pay for a share is determined by the valuation of the goodwill.

Measuring brand perception and performance is trickier as we dealing with nebulous concepts that we know have an impact but cannot directly measure. Performing customer awareness surveys will help in providing a measure of how well known the brand is with consumers in a given section of the population or target market segment. All of these can be measured but the metrics that are produced are based upon subjective questioning and even more subjective answers.

Conclusion: As a result of the brand evaluation using Balanced Scorecard or KPI, the company can determine the current value of the brand equity compared to its short-term and long-term objectives. The bottom line includes percentage values of the actual and expected performance of the brand, and identifies both strong and weak areas of the company's brand management. Implementing the Balanced Scorecard

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system company-wide should be the key to the successful realization of the strategic plan/vision.

A Balanced Scorecard should result in:

- Improved processes
- Motivated/educated employees
- Enhanced information systems
- Monitored progress
- Greater customer satisfaction
- Increased financial usage

There are many software packages on the market that claim to support the usage of Balanced Scorecard system. Feedback is essential and should be ongoing and contributed to by everyone within the organization. And it should be borne in mind that Balanced Scorecards do not necessarily enable better decision-making!

Strategy tree and score card details				
Goal	Wt (x of 10)	Description	Performance (%)	Target Values
Brand perception	4		71.85%	
Consumer awareness	2	Measures brand recognition and differentiation	5	8
Brand strength	2	Measures brand stability, relation to market leaders, profitability, geographical spread, and protection	70%	80%
Credibility	3		20%	35%
Relevance	2		60%	65%
Consideration	1		5%	8%
Total Performance in group		Brand perception	71.85%	
	3		86.42%	
Customer preference	1	Measures the brand preference among competitor brands	60%	75%
Price premium	1	Measures the price premium value the brand commands, in comparison with competitor brands	80%	85%
Customer loyalty	1		78%	80%
Customer satisfaction	2		73%	75%
Retention	2		60%	65%
Share of wallet	2		40%	60%
Lifetime value	1		40%	25%
Total Performance in group		Brand performance	86.42%	
Brand financial value	3		55.29%	
Revenue generation capabilities	3	Measures the impact of the brand familiarity on sales, including future sales volume potential of the brand	50%	60%
Return on investment	1	Measures the ROI in the brand marketing	60%	70%
Transaction value	4		10%	25%
Growth sustainability rate	2		10%	35%
Total Performance in group		Brand financial value	55.29%	
Total Performance in Brand Scorecard			71.25%	