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Brand evaluation —

Part 2:
Implementation and reporting

Évaluation des marques —

Partie 2: Mise en oeuvre et rapports

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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 Technical Committee ISO/TC 289*, Brand evaluation.*

A list of all parts in the ISO 20671 series can be found on the ISO website.

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.

Introduction

This document is part of the ISO 20671 series of standards and distinguishes between and expands on ISO 20671-1 and other ISO brand-related standards including ISO 10668. It offers an approach to implement an evaluation and report its findings conforming with ISO 20671-1 and ISO 10668. This approach acknowledges that operating entities change and grow over time and therefore includes a process that adapts to the changing needs and objectives of the organization.

ISO 10668 is an accounting-driven valuation process representing a point-in-time financial value of the brand that can enable an organization to report this value. Organizations conforming to the processes of ISO 10668 are independent of the brand-owning entity and are used to providing an assessment of the brand. Brand valuations showing conformity to ISO 10668 processes can be used to convey the financial value of a brand to external audiences such as investors, tax authorities, and prospective buyers or licensees of the brand.

ISO 20671-1 is a process standard that a brand-owning entity applies internally or with the support of an external brand evaluator. It provides a framework for evaluating an operating entity's brand over time with a focus on the customer and other relevant stakeholders. One potential use of the standard is to support management and the marketing function, determine the allocation of funds for investment with the objective of developing brand(s) and serve as the basis for external reporting of brand performance.

ISO 20671-1 provides a conceptual framework for conducting brand evaluations as shown in Figure 1 below.

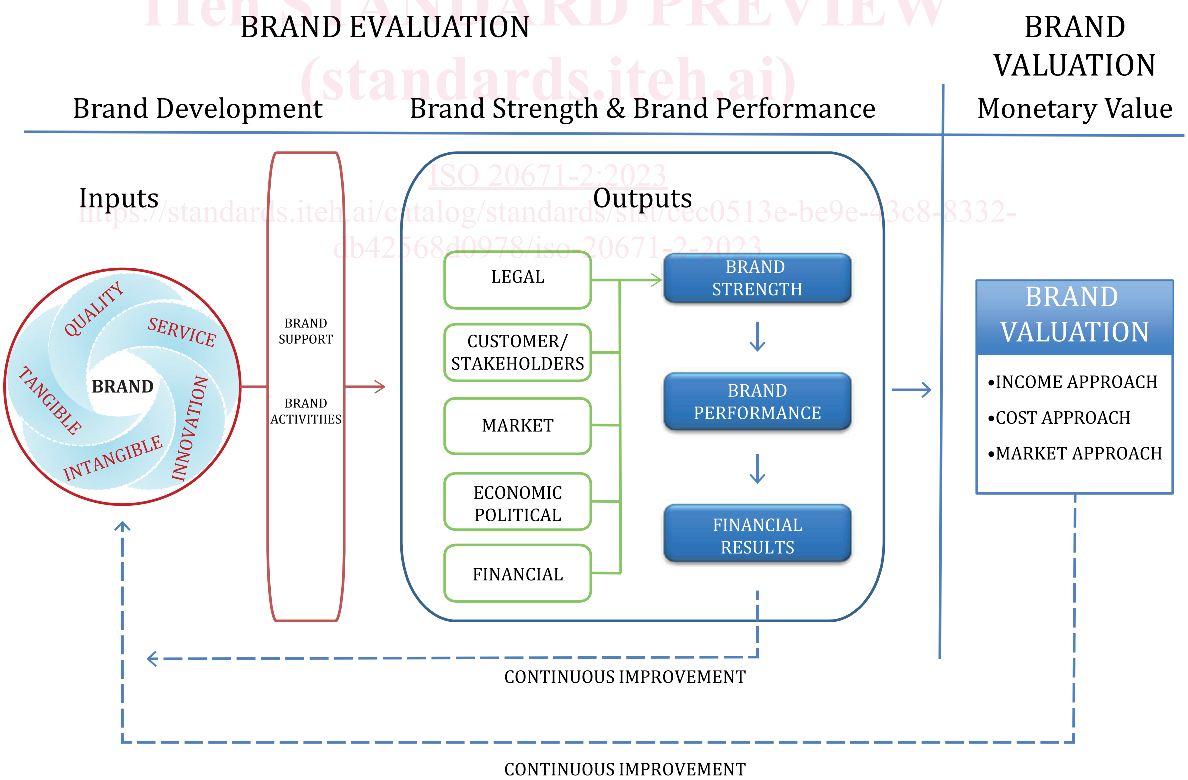


Figure 1 — Brand evaluation framework

A full implementation of the ISO 20671-1 brand evaluation framework enables an organization to address four steps of evaluation:

a) Brand development: Identifying how the organization views the brand's role within the organization (brand elements), invests in it financially and operationally (brand support) and subsequently delivers it to the market including marketing, stakeholder engagement and brand protection (brand activity). These are quantified by relevant input indicators.

b) Brand strength: Quantifying output indicators of brand strength across the five dimensions of evaluation.

c) Brand performance: Documenting and validating the indicators of brand development and brand strength on customer choices within the market (market choices) as well as to determine the financial implications (financial results) for the brand owner. This includes identifying and calculating the effect that the brand strength has on financial performance and the effectiveness of brand development achieving the organization's intended goals.

d) Brand value: Providing a point-in-time monetary value of the brand's total contribution to the enterprise given its anticipated time horizon.

e) Continuous improvement: Creating a feedback loop for improvement in returns through reviews of changes in brand evaluation results between two periods.

Continuous improvement is informed by changes in brand evaluation results between two periods. Presently, brands are often taken as incidental parts of a business, necessary for the sake of having a name, a logo or a trademark. Brands should be proactively managed and measured to increase entity value. Brands should be managed using the brand evaluation standard to increase value as established by improvements in brand strength and brand performance and, ultimately, the financial value of the brand.

Brand evaluation thus creates a feedback loop for the continuous improvement of a brand that creates greater value for the entity over time. By investing (changing the composition and value of brand input factors) 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 for high-level corporate planning and governance.

The principles of this framework also apply to external investors and lenders. By monitoring brand strength, brand performance, and/or brand valuation, return 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 framework recognizes that any brand evaluation is complex and multidimensional, and it constitutes information for multiple uses. The value of a brand can be evaluated simply as brand strength using dimensions and indicators appropriate to the brand. Brand strength is a necessary step in evaluating brand performance, the impact of the brand in the market and 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. Improvements to brand strength can be identified through continuous measurement of the relationship between brand input factors and the dimensions that make up brand strength.

Brand evaluation —

Part 2: Implementation and reporting

1 Scope

This document provides requirements for implementing and reporting brand evaluations.

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 20671-1, *Brand evaluation — Part 1: Principles and fundamentals*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 20671-1 and the following apply.

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

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

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

3.1
brand support
monetary and non-monetary investments across the brand that can correspond to *brand activities* (3.2) and have an impact on brand

3.2
brand activities
non-monetary actions and activities associated with the brand that can have a measurable effect on brand strength

3.3
brand development
systemic measurement and analysis of investment into the brand distinct from other investments in the business process and the resulting outcomes and cost effectiveness

Note 1 to entry: It is comprised of identifying and measuring brand support indicators as they have been allocated toward brand elements and subsequently delivered to the market via brand activities including their impact on brand strength.

3.4
brand performance test
category appropriate evaluation that provides an estimate of the extent to which changes in brand strength, aggregate of the measured indicators across the five (5) output dimensions, affects market level customer/stakeholder behaviour

Note 1 to entry: A strong brand can have a weak impact in a category if other purchase factors are more important than the brand. A less strong brand can 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 the selected measures of brand strength translate into a different level of sales or consumption. A simple market test would be the extent to which high brand strength is related to higher customer purchasing levels or more frequent purchasing. Alternatively, it can involve a comparison of price with brand strength amongst customers in establishing purchase volume.

3.5
financial results
calculation of the financial effect that the brand, via an evaluation of the absolute or relative brand strength, has on the entity's business performance identified in a *brand performance test* (3.4)

Note 1 to entry: The calculation may be as a percentage of revenue, margin, profitability, or cash flow. This financial effect can also vary by stakeholder in the event of varying brand strength scores identified in a brand performance test.

3.6
brand reporting
systemic report outlining changes in *brand development* (3.3), including any resultant changes in brand strength and *financial results* (3.5), as identified using a *brand performance test* (3.4) and other standard-conformance measurement practices

4 Steps of brand evaluation

4.1 General

There are four brand evaluation steps as shown in Figure 2:

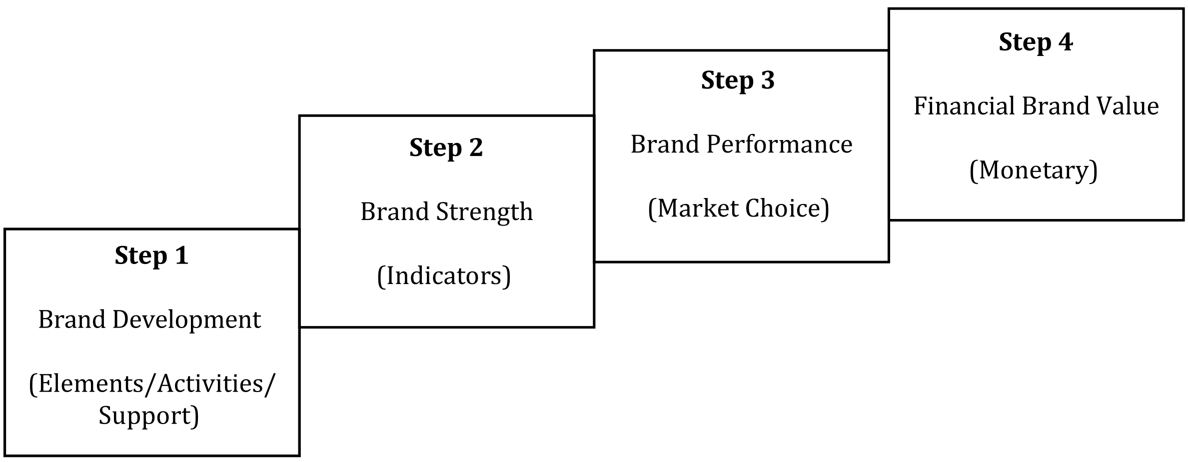


Figure 2 — Brand evaluation steps

For all four brand evaluation steps, as shown in Figure 3, a dimension is a set of related concepts that are measured through categories of indicator metrics. Indicators shall be chosen to account for a substantial amount of the interactions that a brand has in the marketplace with stakeholders for that dimension. At a minimum, the degree of relevance of a dimension to a particular brand and the degree and consistency of the relationship between one dimension and other dimensions used in the evaluation, shall be validated by the evaluator. Dimensions are quantified by component indicators. The weight (importance) of dimensions, indicator categories and the underlying indicators are not necessarily fixed and can vary by industry, stakeholder, geography and over time. Dimensions, indicator categories and their component indicators shall be tested for their relevance and validity periodically as identified by the evaluator.

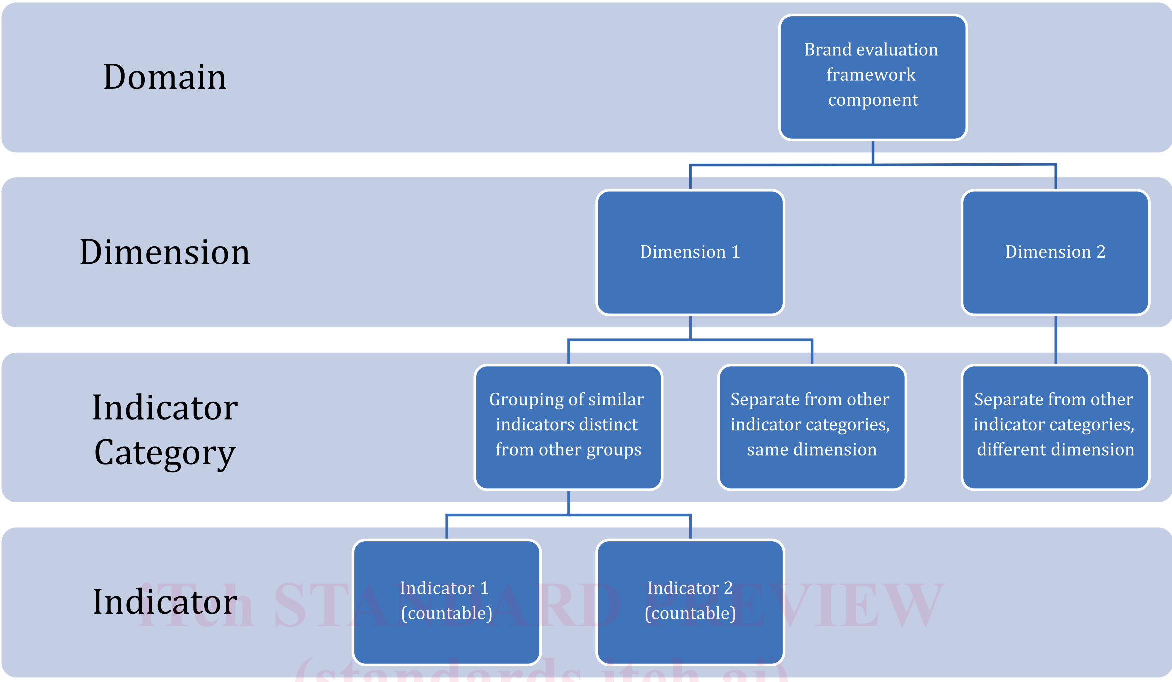


Figure 3 — Indicator classification

4.2 Step 1 — Brand development

An organization shall identify, define, and describe brand activities and brand support for each of the five input elements. These brand elements refer specifically to assets (whether tangible or intangible) and investments deployed specifically for brand support and brand activities.

The evaluation should take the form of an audit in which relevant personnel in the organization complete an interview; results are summarized across the interviewees. The results of the brand development identification shall be included in the entity's brand evaluation audit report. This audit can be both qualitative and quantitative.

Sample input elements and example audit questions are provided in Annex A.

4.3 Step 2 — Brand strength

4.3.1 General

Dimensions of brand strength shall be included in the brand evaluation. These dimensions include: legal, customer/stakeholders, market, economic/political and financial. For each dimension, one or more indicators shall be chosen to best reflect the brand strength component. For example, an evaluator may choose brand awareness and brand loyalty metrics to be the indicators for the customer/stakeholders dimension. The indicators selected shall be appropriate and relevant to the brand being evaluated.

The audit shall reflect which indicators have been validated and which have not and the rationale for the selection of the indicators shall be disclosed. Validation can be accomplished by comparing internal indicators with external or independent indicators.

Sample output dimension and example indicators are provided in Annex B.

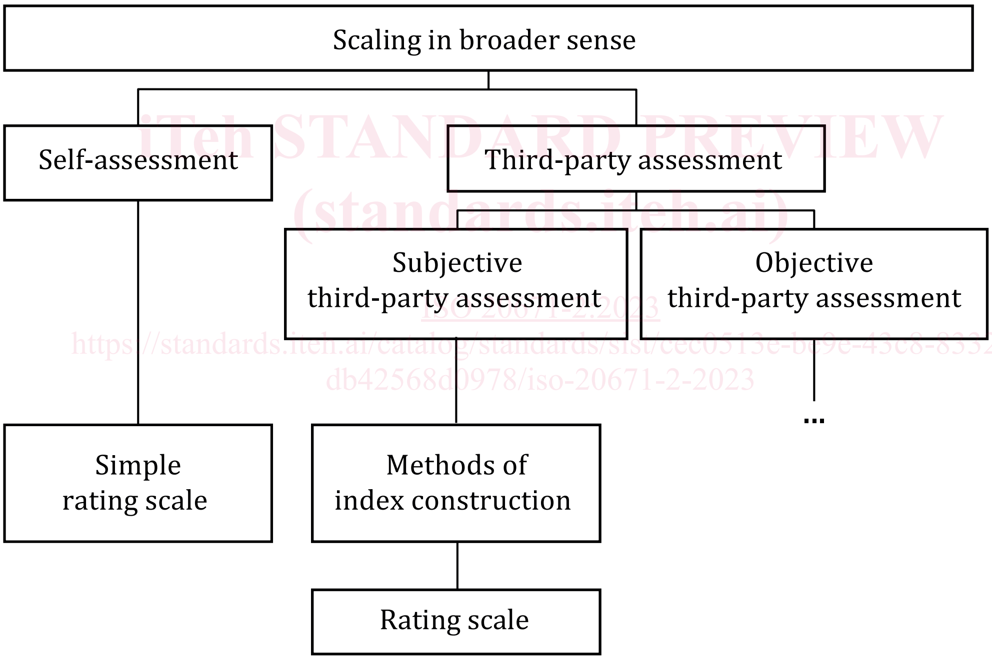
Brand strength is the non-monetary, point-in-time measure which illustrates the perceived competitive strength, compared to its competitors amongst customers/stakeholders. It is sometimes referred to as “brand equity” or “brand health.” Brand strength can be measured in many ways, but the approach taken shall be done consistently over time, which enables continuous improvement.

4.3.2 Methods for determining the indicators for brand strength

The quantified indicators should be designed in such a way that they can be updated regularly and are verifiable. In this context, the type and composition of a quantitative indicator, e.g. image index, loyalty rate, satisfaction index, is less important than a regular and verifiable collectable data point.

A brand strength dimension shall be composed of quantifiable indicators, which is the structuring that offers the possibilities for comparisons and benchmarking that are required for a brand evaluation and valuation.

A brand strength indicator should be presented using a numeric scale to convey relative and absolute scores. The scaling process is not limited to the definition of measurement scales, but also includes the assignment of figures to objects or properties by means of these measurement scales and, as a result, can be taken to correspond to the concept of measurement (see Figure 4). See Annex E for an example of an indicator classification.



NOTE The advantage of a rating scale lies in its ease of use, however, respondents often tend to assume extreme or middle positions.

Figure 4 — Overview of scaling methods

This measurement provides a convenient means to monitor brand strength over time. When doing so the weights should be validated to an extent that the stakeholders are confident that the resulting aggregate is a reasonable estimation of brand strength. An example of this approach is provided in Annex C.

If indicators are consistent and correlated to the extent that they are combinable through a weighting procedure, they should be combined for reporting purposes. If not, they should be presented in an unaggregated scorecard format.

An organization should use an objective third-party assessment (demographic survey representative of the market-relevant customer groups (market participants) whenever possible. Internal management evaluations can be based either on a self-assessment of the enterprise’s management in line with past experience or on a subjective third-party assessment (independent expert rating). This is recommended only if feasibility of an objective, third-party assessment is financially onerous on the brand-owning entity or not executable due to market access or other factors. The brand evaluator needs to document the rationale behind the brand strength assessment chosen. If a self-assessment is conducted, it can be useful to establish the criteria for the brand evaluation framework at the start of the process. Annex D provides more details on this.

As noted above, a brand strength evaluation should result in a set of measures that reflect the strength of a brand in terms of the associations, perceptions, beliefs, and experiences of the brand as they exist in the mind of the customer/stakeholder. It can also include higher-order measures of the tendency to react favourably to the brand via attitudes, engagement, satisfaction and behavioural intentions toward the brand.

Brand strength should not necessarily imply the extent to which consumers will choose the brand in the marketplace. Consumers can be motivated favourably toward the brand but still select another product based on other considerations. Price and availability will typically affect consumer choices and, depending on the nature of the product, other factors can influence choice as well. The ultimate value of the brand to the organization depends not only on the brand strength that has been created, but also on the extent to which this affects customer/stakeholder purchase behaviour. It is thus necessary to evaluate the extent to which consumer choices actually depend on the brand. This is the goal of a brand performance evaluation.

4.4 Step 3 — Brand performance

4.4.1 General

An organization that has an established process for measuring brand strength shall proceed to the next step of brand evaluation and conduct a brand performance analysis.

A brand performance analysis shall document and validate the indicators of brand strength on customer choices within the market (market choices) and should determine the financial implications (financial results) for the brand owner. This includes identifying and calculating the effect that the brand strength has on financial performance and the effectiveness at achieving the organization's intended goals.

The brand evaluator shall document and validate the brand performance process including how it can be replicated in the future in periodic instances.

Brand performance should be viewed as an intermediate step between brand strength and brand value as demonstrated in Figure 5.

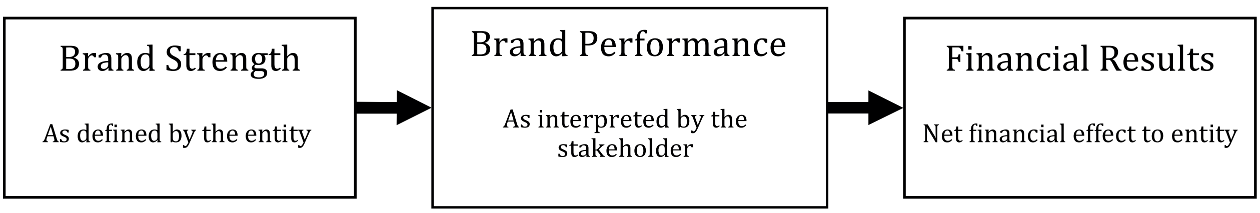


Figure 5 — Brand performance as an intermediate step

There are two general approaches provided which can be used to determine brand performance. Both are based on comparing the brand being evaluated to a comparison, benchmark product or service. The comparison is to an unbranded or a weakly branded product that is otherwise comparable (except for price) to the evaluated brand. The objective is to compare the brand to itself, absent the branding. The logic for picking the comparison product should be fully explained. The comparison can be a private label generic version of the brand, a local brand, or a weak or copycat competitive brand. It is necessary that revenue information be available for the comparison product. Otherwise, the choice of a comparison product will vary depending on the kind of brand being evaluated.