

How to measure brand value

 By [Don MacRobert](#)

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As we all know, when individuals achieve some degree of celebrity status, they become brands in their own right, just like any other brand. The question is how does one measure the value of a brand ... and in the case of this article, how can we determine the value of brand [Oscar Pistorius](#)?

There are different ways of valuing brands, or trademarks. The valuations generally flow from the historical financial information relating to turnover figures, profit before and after tax, and so on.

But the methods involved include:

Market Valuation

This is where there is a willing buyer and a willing seller in connection with the acquisition of a particular brand. A recent example could be that of Mrs Balls, a trademark for chutney. Press reports show that this was sold fairly recently for the sum of R400m. So there was a willing buyer and a willing purchaser. That establishes a market value.

PAT/Multiple Earnings

This is another popularly used method where a business on the high street, such as a green grocer is sold. One needs to work out the profit after tax (PAT) and multiply that by a P/E factor, which one can readily obtain. This is also used by big industries in mergers and acquisitions.

Royalty Relief Method

Then there is the Royalty Relief, accepted by the Tax Court, and where one postulates the notional leasing out my trademark to a third party and then notes the royalty paid by that notional licensee. Using an Excel spreadsheet, one extrapolates the value and then gets a net present value (NPV). This has been used for example in connection with the valuation of well-known sporting trademarks like Kaizer Chiefs.

Recurring Fee Income

This is often used where there is regular income such as income from annuity or premium income for insurance companies; but it could also be used for regular sponsorships in the case of a well-known sporting club or sporting personality.

I emphasise in connection with all those methods as mentioned that there must be a revenue stream or cash flow. One cannot value intellectual property such as a trademark on aspiration only. There must be financial back-up.

It is very important to register a trademark because of the considerable protection given. The protection is under the Trade Marks Act, which is an act of Parliament. Thus, the protection would therefore be enjoyed under this act of Parliament. But the reasons for registering a trademark are:

Blocks the Registers

In the first instance, a trademark registration will block the Trade Mark Registers to prevent third parties from registering confusingly similar trademarks.

Infringement

An important tool is where one can rely on a registered trademark to prevent third parties from using confusingly similar names. An illustration and point is that of Bryan Habana whose trademark we registered and where a third party starting using, without permission, his name. We were able to stop that.

Prevent Similar Registrations

By virtue of having a registered trademark one can prevent third parties from registering company names, or domain names which are fairly similar to my registered trademark. Here again it is a useful tool.

Security

In terms of the Trade Marks Act, I can pledge as security, my trademark to secure a loan. This would be similar to obtaining a loan over my house and securing it by way of mortgage bond. I pledge my trademark as security to the lender, such as the bank. The Registers at the Trade Marks Office show that a number of well-known trademarks have been hypothecated in this way such as Nando's, and Ster-Kinekor.

That trademark must be protected

1. But this leads to the importance of valuing a brand, which I touched on earlier: and one can only really value a brand where it has been properly registered and looked after. Illustrations of brands that have been valued are Kaizer Chiefs and Bafana Bafana.
2. Many people do not realise the value of their own personal brands. This applies especially to companies: we are often finding that many companies do not protect their intellectual property such as trademarks, or even copyright. My recommendation would be for companies to arrange for an audit to be conducted of their intellectual property. We can happily do this at no charge and then see what may need to be done. But on this level, I would refer to the well-known story relating to the late Dr Anton Rupert: he is often quoted as having said that he would spend up to 1% of the gross turnover of his company in protecting his intellectual property such as trademarks.
3. Now all this leads is to the very recent events relating to Oscar Pistorius. At the outset, one must express sympathy to members of the families.
4. But certainly, reading from the press, and looking at the affidavit which was filed in court to support his bail application, there are various statements relating to his income. The affidavit mentions a figure of somewhere near R5.6m as being his annual income. The press reports sponsorships over and above that and these could run into higher figures such as R15m per annum. These again would be recurring fee incomes.
5. So the value of the brand "OSCAR PISTORIUS" would have been fairly high just before Valentine's Day. Without having all the historical and financial information one couldn't put a final value at all but one could guess at something in the vicinity of say R16m as being the value of the brand pre Valentine's day. After the sad events of the 14 of February 2013, there must definitely be a decline in the value. The sponsors have said that they will wait and see. I heard that some of the sponsors may even have withdrawn their sponsorships. This will therefore affect his cash flow and previously we have said that the cash flow determines the value of the brand. So, if there is declining or less sponsorship, the value of the brand must also decline.

6. An illustration could be the case of Lance Armstrong. He has been stripped off many of his titles but also his sponsorships have fallen away. And so, being dependent on cash flow, the value of his brand, namely Lance Armstrong, has declined. Even drastically.

7. A similar case may have applied in the case of Tiger Woods, whose brand would have declined when sponsors withdrew their sponsorships: but he seems to be on the make again - and it looks like some of the supporters and sponsors are coming back. Thus, he may be able to restore some, if not all of the value of his brand.

ABOUT DON MACROBERT

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