

BUSINESS BRAND VALUATION IN VIETNAM

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Abstract: Brand valuation is known as one of the most effective brand management methods, making significant contribution to creating a position for businesses in the marketplace. Brand valuation not only helps businesses protect brand equity, but also helps them make plans for long term development. The article discusses brand valuation as well as the shortcomings in brand valuation in recent times and makes some suggestions for the coming time.

Keywords: Brand valuation, businesses, intangible assets, brand value.

1. Brand valuation in the context of integration

Brand plays an important part in confirming the position and value of businesses in the market. Brand is becoming increasingly significant in the operation of businesses, even regarded as a valuable intangible asset.

Studies have shown that in the 1980s, intangible assets accounted for 20%, tangible assets were 80%, but now these figures are different. Intangible assets including value of the brand usually account for 73%. Another study on brand value by Interbrand, a leading brand research firm, has revealed that, on average, brand contributes one third to the value of stocks. In many cases, brands can account for more than 70% of the stock value.

In the world, the first brand valuation was carried out in the 1980s. In 1988, to avoid being bought out by another group, British leading food group Ranks Hovis McDougall (RHM) succeeded in demonstrating that its corporate value

was much bigger thanks to a brand directory that had never been officially acknowledged before. Accordingly, RHM displayed a balance sheet of 1.2 billion USD, representing the value of 60 brands the company owned.

All brands were included in the 1988 financial report by RHM, in the form of intangible assets. The event has had widespread influence in the UK, and many other countries around the world. Today, brand valuation plays a very important role in most financial and strategic marketing decisions of big groups and companies worldwide. Brand valuation helps businesses not only protect brand equity, but also guide long-run development. The proper valuation of brand will help businesses define appropriate prices when conducting sales of their shares. For state-owned enterprises (SOEs), when being equitized, brand valuation helps to bring to the state budget a considerable amount of money, avoiding losses when the brand is forgotten or underpriced.

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As stated by economic experts, brand valuation is a unique method to calculate the economic value of brands, provide assistance to marketing investment and allow managers to plan and estimate the importance of business strategies. In other words, brand valuation is a process of summarizing and measuring the economic value of the brand at the present and in the coming time. Brand valuation is conducted for the purpose of buying and selling businesses, transferring brands, tracking company value and shareholder value, raising capital and making strategic brand plans.

Currently, many methods are used to evaluate the brand of an enterprise, but the most popular one is researching to estimate brand assets or using financial indicators. However, if only one of the two methods is used, the assessment of the brand's value cannot be complete and accurate due to lack of either financial element or marketing.

Therefore, to be able to combine both of the above factors, in 1988, Interbrand Firm proposed the so-called “economic” method. This method helps to calculate the value of a brand which is not only in accordance with the current financial principles, but also used to compare it with all other assets of the business. Therefore, the “economic” method has become the most widely recognized methodology applied in more than 3,500 assessments worldwide.

The “economic” method introduced by Interbrand is based on the fundamentals of marketing and finance. Specifically, in terms of marketing, the ability to make a profit of the brand for business activities is taken into consideration. Initially, the brand helps arouse the need to buy from

consumers (individuals or businesses). Consumer demand is shown through revenue based on quantity purchased, price and frequency.

Additionally, brand also helps attract consumer loyalty in the long run. In terms of finance, brand value is the present value of the future income expected by the brand. According to international financial theory, discounted cash flows (DCF) and net present value (NPV) of future earnings appear to be the appropriate concepts for measuring the value of any asset class. The method of net present value was initially based on discounted cash flows and at present, many businesses worldwide regard it as the economic profit model used to forecast finance. By definition, both the term DCF and the returns to net present value are the same

2. Inadequacies in brand valuation in Vietnam

Although brand valuation has become popular, especially in mergers and acquisitions, in the world, it still relatively new in Vietnam. Many businesses have not really taken brand valuation into consideration.

According to Samir Dixit, CEO of Brand Finance, a leading brand valuation entity in the Asia-Pacific region, in many developed countries, brand value usually accounts for 47% of the total value of a business. In Vietnam, this figure cannot be calculated because it is not in the balance sheet; the balance sheet and records have no items to track the fluctuations of intangible assets, including corporate brands. This leads to the fact that Vietnamese enterprises have lost a great deal of assets in many mergers, acquisitions, transfers, IPOs, and stock issuance.

In fact, over the past time, although many Vietnamese enterprises have spent a large amount of money for building brands, they have failed to determine the value of this intangible asset, resulting in a waste of resources and missing business opportunities when brand valuation has not received due attention.

However, brand valuation in Vietnam seems not simple as a result of difficulties in accessing enterprise information. In addition to financial statements, it is difficult to access information about brand-related expenses in the past and in the future to calculate indices. Legal provisions on brand valuation are not strict, making it difficult for businesses to make proper business account and valuation.

For enterprises of all economic sectors in our country, there is still a gap in value determination, franchise of brand use, capital contribution in joint ventures, associates, etc., through brand value. Defining asset value as capital has been stipulated by the Law on Enterprises and although some regulatory bodies have issued some guidelines, the valuation of brand equity, especially in SOEs during equitization is still complicated, partly affecting the SOEs' divestment progress.

In recent times, in Vietnam, despite the existence of brand valuation, it has been just spontaneous and parties have agreed to conduct transactions without obeying international financial standards. Besides, brand assessment has been mainly implemented by foreign units. There are not many domestic valuation firms. These firms have not received enough trust from businesses. Meanwhile, many countries' practices indicate that it is

required to have domestic brand valuation units which are able to probe into each group of industries, or each of different classification criteria, thereby helping to increase value of businesses as well as transparency for the stock market.

3. Recommendations

Since businesses have realized the economic value of brands, the need to effectively manage brand assets has increased. The question is how businesses value their brands. According to brand experts, in the coming time, the following issues should be taken into consideration.

Firstly, it is necessary for businesses to change their perceptions about the importance of brand value, pricing as well as brand management in their business practices. Experts warn that Vietnam's economy is strongly integrating with a great deal of mergers, acquisitions, and share issuances. If Vietnamese enterprises do not take brand valuation into consideration, they may be undervalued because they do not include the value of brand assets in the value of businesses.

In Vietnam, a number of big brands such as VietinBank were in the top 400 global banking brands with a brand value of 249 million USD in 2016, when MobiFone brand was valued at 391 million USD. Even many brands have reached the top of the world, but they have not been determined as the value of business assets in Vietnam. Consequently, the State may lose a great deal in the equitization process and enterprises may face disadvantages in the process of competition, franchise, merger and acquisition, etc.

The valuation of brand assets is a pragmatic need and a priority orientation for businesses of all economic sectors

in Vietnam in the context of Vietnam's comprehensive integration into the world economy and fierce competition with foreign enterprises. For SOEs which are currently in the process of equitization, awareness of the importance of brand valuation becomes even more crucial. In order to change this perception, in the future, it is necessary to keep promoting communication and information, raising awareness to help businesses better understand the importance of brand evaluation.

Secondly, it is vital to promulgate a clearer legal basis for business brand valuation. For instance, it is vital to have regulations on balancing and clearly defining two groups of tangible and intangible assets, thereby making enterprises and investors pay more attention to intangible assets. This upgrades brand value and helps brand valuation become more active and popular in activities of the business community.

However, some people assume that the State does not need to specify brand valuation methods, and limit the cost in determining brand value in enterprises with state capital in SOEs equitization and valuation. This can be assigned to consulting companies which are specialized in asset pricing to ensure international practices in valuation of businesses and brands. In other words, the State does not force businesses to apply any brand valuation methods but allows enterprises to implement methods most accurate and beneficial to them.

Thirdly, businesses should focus on

investing and determining brand value. A study conducted by Brand Finance shows that in developed countries, tangible assets account for only 25%-30%. In Vietnam, tangible assets account for large percentage, meanwhile intangible assets are of small percentage. Take Vinamilk as an example, it is a leading company in Vietnam in brand promotion with the enterprise's value currently valued at over 7 billion USD.

However, the structure of intangible assets or intellectual property rights is put at the percentage of only 14%. This infers that businesses need to pay more attention to investing in their brand and brand valuation. At the same time, when these businesses want to conduct a merger or acquisition with other businesses, they need to have a plan on valuating the brand of their partners so that the deals can bring tremendous economic benefits.

Fourthly, domestic brand valuation firms should be encouraged to set up and develop well. In recent years, there have been law firms and consulting firms providing brand assessment and valuation services in Vietnam.

Currently, it is widely believed that businesses should hire foreign partners to implement brand valuation process because they are professional and objective. In fact, it is still necessary to push the development of domestic valuation units. This not only helps reduce costs, but also makes the valuation easier because these firms have better understanding of brand valuation in Vietnam.

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BÀN VỀ ĐỊNH GIÁ THƯƠNG HIỆU DOANH NGHIỆP TẠI VIỆT NAM

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Tóm tắt: Định giá thương hiệu là một trong những công cụ quản lý thương hiệu hiệu quả nhất, góp phần không nhỏ trong việc tạo vị thế cho doanh nghiệp trên thương trường. Công tác định giá thương hiệu không chỉ giúp doanh nghiệp bảo vệ tài sản thương hiệu mà còn giúp doanh nghiệp định hướng phát triển trong thời gian dài. Bài viết trao đổi về hoạt động định giá thương hiệu, bắt cập trong công tác định giá thương hiệu thời gian qua và đưa ra một số đề xuất cho thời gian tới.

Từ khóa: Định giá thương hiệu, doanh nghiệp, tài sản vô hình, giá trị thương hiệu.

Ngày nhận bài: 05/01/2019

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