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SCHOOL OF BUSINESS, ECONOMICS AND LAW

Measuring a Brand's Value

- A Qualitative study of Media Groups

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Abstract

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Subject: Measuring a Brand's Value - *A Qualitative study of Media Groups*

Key words: Brand measurements, intangible assets, media groups, IAS 38, IFRS 3, ISO 10668.

Background and problem: Companies nowadays have recognized the importance of intangible asset e.g. brands and its effect on the financial statements. Brands are often hard to compute and is being measured slightly different in every company. Especially media groups with heavy acquisition need to put a lot of time and effort in measuring their newly purchased brands in order to establish trustworthy and accurate financial reports. Since the world is nowadays facing a more knowledge-based economy the importance of accurate measurements of of brands constantly increases.

Purpose: The purpose with the thesis is to analyze how media groups measure new brands in their financial reports in connection to an acquisition. We will look further in how a media group with a high value of intangible assets uses the existing accounting standards and three accountancy firms state their expertise.

Limitation: The thesis in only focusing on measurement of brands and we only contact Nordic situated media groups among the largest.

Methodology: This thesis is conducted using a qualitative method and inductive approach. Scientific articles, journals, accounting data, literature and Internet sources compose the theoretical framework. The primary data was deducted through interviews with a person working in a media group and three respondents from large accountancy firms. The respondents were chosen due to their expertise in the field.

Result and conclusion: After using a qualitative study our conclusion shows that the Relief from Royalty method is most frequently used independent of industry when measuring a brand. The ISO 10668 have unfortunately not have had a great impact on the industry in how the procedure of measure a brand is made.

Suggestion for further research: We suggest further research on the Relief from Royalty method which was most widely used. It would be interesting to analysis the different components and how companies decide on the discount factor, royalty percentage and the growth rate.

Abbreviations and Meanings

IASB: International Accounting Standard Board

IAS: International Accounting Standards

IAS 36: Impairment of Assets

IAS 38: Intangible Assets

IFRS: International Financial Reporting Standards

IFRS 3: Business Combination

ISO: International Organization for Standardization

ISO 10668:2010: Monetary Brand Valuation

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1. Introduction

The introduction chapter aims to actualize the chosen topic and give the reader an insight by describing the background and the problem discussion. Further we introduce the purpose of the thesis and specify a problem statement. Finally we set a limitation of our study giving our time frame and lastly give example of previous research and contribution.

1.1 Background

"If this business were split up, I would give you the land and bricks and mortar, and I would take the brands and trademarks, and I would fare better than you."

– John Stuart, Chairman of Quaker (ca 1900)

John Stuart realized early that a company both consists of tangible and intangible assets. Both assets play a crucial part when measuring a company's value. During the industrial era tangible assets such as fixed assets and current assets were central factors to measure a company's value. In contrast, entities nowadays have recognized the importance of intangible asset and its effect on the financial statements. The cognizance has spread quickly worldwide giving intangible assets more space for discussion (Chih-Fong Tsai et al, 2012).

Historically brand measuring has occurred since the early 1980th when a wave of brand acquisition gave spark to the debate. The debate began with dissatisfied companies which complained that the brand measuring issue was not being handled properly. Back then the brand affected the company negative instead of what companies saw it as - something that created value. (Oldroyd,1994). During this time brands were put in a grey area and were not really seen as an intangible asset. However in the following years it became crystal clear that the brand was extremely valuable for the company, especially after Philip Morris purchased Kraft for six times its book value. Even after the purchase, the question about brands value were still a controversy (Schröder, et al, 2006). As a result of the Philip Morris and Kraft case as well as similar acquisitions the concept of brand was brought up. However, it was not until 1998 the International Accounting Standards Board (IASB) issued the standard IAS 38 Intangible Assets (IAS 38).

The IAS consist of 41 standards were IAS 38 discuss the accounting requirements for intangible assets and how the assets should be estimated. Intangible assets are often hard to compute and is being measured slightly different in every company. Included in the intangible assets is the brand which usually represents a huge part of the total value. Due to IAS 38 the measurement of the brand's value are being done more similar in each company inside the European Union. Also IFRS 3 Business Combination has played a large role to outline the accounting principles when a company acquires another business and thus a new brand.

Since 2000 the European Commission stated its wish that all companies listed on the stock exchange market would be required by the latest 2005 to follow the IAS. This was a major

step towards globalizing the accounting system which makes it more understandable across companies and nations. Therefore in 2005 both IAS 38 and IFRS 3 were implemented over Europe (Defond et al, 2011). Another important impact had the International Organization for Standardization which created ISO 10668 in 2007 which created principles for brand measuring (ISO 10688:2010)

Depending on if the brand is acquired or internally generated the effect on the balance sheet will be different. According to IAS 38 and IFRS 3 an internally generated brand should be acknowledged and recognized as a cost while an acquired brand should be seen as an asset (IFRS 3, IAS 38). This has brought discussion to if IAS 38 and IFRS 3 still are insufficient and can be improved. Currently difficulties occur when trying to follow IFRS 3 because its complexity to meet the demand of information. Amortization of Goodwill which is seen as an asset has given rise to many opinions (Haller et al, 2009)

In terms of accounting, tangible and intangible assets are separated in the balance sheet and treated differently. A tangible asset has a physical presence and includes assets such as buildings, machinery and inventories (Oxford University Press 2010). In addition, an intangible asset is according to IAS 38 *an identifiable non-monetary asset without physical substance. An asset is a resource that is controlled by the entity as a result of past events, e.g. purchase or self-creation, and from which future economic benefits will arise from.* Intangible asset are more complex and abstracts. Patent, trademarks, copyrights and goodwill are some of the most common intangible assets (IAS 38). Difficulties often occur when trying to measure and measure intangible assets. The reason why is due to the subjectively measured intangible assets and can receive different value depending on the viewpoint of the stakeholder (Brockington 1995).

Intangible assets become significantly important to companies with few tangible assets since the company's value arise from them. Firms in the media and technology business are expanding in the new economy and an important part of their value consists of intangible assets. E.g. the social network Facebook paid in February 2014 a total of 19 billion dollars when acquiring the company What's App which mainly consisted of intangible assets (Accountancy Live 2014). The calculation of What's App's purchase price were depending on the measurement process of intangible assets.

When discussing a company's value most people mention products, equipment and plants. However, many do forget that one of the most valuable assets in the company is the brand itself (J N Kapferer, 2012). Both the products and the technology will be replaced or fade away, but the brand will most likely live on (Treffner 2011).

A brand's primary purposes are firstly to attract customers which can recognize themselves with the brand and secondly to constitute a competitive advantage among other competitors. If these two criteria are being satisfied the brand can definitely become a company's most essential asset and thus become an important factor when acquiring another company (Ferris, Paul W et al, 2010).

Today brands can represent as much as 50 percent of the total value of a company (Gilbertsson & Preston, 2005). Therefore the question how to measure a trademark and the importance of it has interested many analysts and scientists. Today there are many methods and matrixes that are used when measuring a certain brand. Still there are some question marks left which are still being discussed.

1.2 Problem discussion

The measurement of intangible assets is a complicated and complex procedure often connected to the use of unquoted prices in inactive markets (Gilbertson & Preston, 2005). The proportions of intangible assets in company's balance sheet have increased a lot lately due to the competitive advantages, such as its uniqueness, overcome barriers of entry and command premium pricing (Hall, 1993). In turns, the problems with measuring intangible assets have gotten more attention. The brand itself is one of the most problematic areas due to diverge measurements caused by subjective opinions.

In 2004 when the IASB published IFRS 3 Business Combination together with updated versions of IAS 36 Impairment of Assets and IAS 38 Intangible Assets the purpose was to harmonize the measurement of brands to equalize the differences. An important shift in these standards was the separation of goodwill and intangible asset in the balance sheet. When the theoretical framework ISO 10668 was introduced a couple of years later the harmonization of measuring brands improved further (Treffner, 2011). The ISO 10668 is a not mandatory set of principles useful to all sorts of companies in need of guidance for brand measuring (ISO 10668). Even though companies now receive guidelines with IFRS 3, IAS 38 and ISO 10668 these standards leave room for some interpretations.

Intangible assets values are often based on consumption, unlike tangible asset where there often is a transaction involved, the value of a brand normally arises after a acquisition. Every company acquisition is slightly unique and therefore a standardized method, which is more used with tangible assets, cannot be applied. The lack of an open market with comparable products will make the process to gather the accounting values for intangible assets slightly different from the traditional measurement of tangible ones. Even if companies now can use standards to help them value the figures, differences still occurs when companies are interpreting the principles and using different approaches (Treffner, 2011). Updated versions of the standards are created to try to harmonize the measurements but the market is evolving before the new standards which quickly becomes outdated (Perry, 2000).

Companies with heavy posts for intangible assets naturally experience the mention differences in measurements in greater extent. Especially media groups with heavy acquisition need to put a lot of time and effort in measuring their newly purchased brands in order to establish trustworthy and accurate financial reports. The media group also needs to define a useful life for the purchased brand which can be either indefinite or definite (IFRS 3). If the purchased

brand is well-known and the intention is to maintain and develop the brand and thus generate future cash flows, an indefinite useful life is usually set. The brand will be handled differently in the financial reports depending on if and how long useful life the purchasing company decides on. A definite brand will depreciate during a set useful life e.g. 10 years while a brand with an indefinite useful life will be tested for a possible impairment yearly (IFRS 3). Since it does not exist a standardize system to measure a brand's life the figure often can depend on subjective opinions which can question the balances sheets validation.

The largest media groups constantly receive higher market shares due to acquisitions of smaller companies which make the difficulties with deciding a value an important matter. For the shareholders a comparable and trustworthy annual financial report is an important tool when analyzing a company's competitiveness and future yields (Ax et al, 2001). The brand is sometimes describe as a company's largest and most important asset and it may feel peculiar when the measurement standards is not entirely compatible or globally used (Ferris, Paul W et al, 2010). Since the world is nowadays facing a more knowledge-based economy the importance of accurate measurements of intangible assets such as brands constantly increases (Hunter et al, 2011).

1.3 Purpose

The purpose with the thesis is to analyze how a media group value new brands in its financial reports in connection to an acquisition. We will look further in how a media group with a high value of intangible assets uses the existing accounting standards in the measurement of the value of a brand. To receive knowledge in how the standards can help to identify the value, three accountancy firms were interviewed.

1.4 Problem Statement

Even though it exists standards to appreciate a brand's value differences will occur since these norms are principle based and not a detailed set of rules. The possibility for an interpretation can be beneficial since every transaction is slightly unique, however, when giving room for interpretation differences occurs which worsen the comparativeness and validation of the balances sheet (Rehnberg, 2012). In companies with few, tangible assets e.g. media groups the difficulties with valuation is naturally more apparent (Gilbertson & Preston, 2005). With this in mind and the problem discussion mentioned above the following problem statement arise:

Which approach does a media group takes when measuring a brand's value for the financial reports when an acquisition is occurring?

Sub-questions:

- Which measurement method is most frequently used in media groups? Is the measurement method industry-specific?
- Which effect has the brand measurement standard ISO 10668:2010 had on the brand measurement process?

1.5 Limitation

The thesis is only focusing on measurement of brands and not measurement of intangible assets in general in media groups to limit the scope giving our time frame. In addition, we have limited the paper further to only contact Nordic situated media groups among the largest.

1.6 Previous Research and contribution

In the last decade we have moved into a more knowledge-based economy and the interest of other assets than tangible ones has become enormous. Due to the intangible assets' growing importance and the updated standards, some previous researches have explicable been done.

Pernilla Rehnberg at Handelshögskolan in Gothenburg recently (2012) made a research of the different recognitions of intangible assets and its impact on entities named "*Redovisning av immateriella tillgångar i samband med förvärvskalkylering*". She also illuminates how companies report intangible assets in conjunction with their accounting for business combination with standards like IFRS 3 and IAS 38 in mind. As a conclusion the thesis demonstrate that small companies and companies who are not heavily indebted identify a smaller proportion of intangible assets than large companies and non-indebted companies. Therefore this indicates that large companies and high indebted companies follow IFRS 3 to a greater extent. Rehnberg investigate the choice of reporting intangible assets during a period of three years 2005-2007 with no specific concern in mind and the study is not focused on brand measurement in particular.

Previous research treating brands has also been done on both master and bachelor level. The master thesis "*In a new brand world*", the authors Anders Eriksson and Oscar Ekman debate the topic brand on a profound level and argue why an asset might not be an asset. Even though the study mostly discuss internally generated brand there is still much written about different measurement methods. In the conclusion the authors establish that brands are a difficult asset to measure and there is a need for a more sustainable recognition and reporting of intangible assets in order to reach a utopian brand measuring method. Further, in the bachelor thesis "*Hur värderar revisionsbyråer varumärken*" the authors Gabriella Jajjo and Christian Nyberg mention how accountancy firms measure brands. The authors have interviewed four accountancy firms on which methods commonly used when valuing a brand.

The result of the study shows that the most common measurement method is the Relief from Royalty. Beyond this method, the cost and price premium methods are second most commonly used.

Even though there exist some previous research this study will contribute with further knowledge and information. Firstly former researches have mainly focused on which methods most commonly used. Accountancy firms have been asked and data has been collected. However studies concerning brand measuring have barely been targeted, especially not with companies with high concentration of intangible assets such as media groups.

Brand measurement was an interesting subject for us due to its abstract form and the room for interpretation in the quite newly standards. We noticed the lack of research on how large media groups executed the measurement standards and how it affected the balances sheet. We find media groups interesting due to its large part of intangible assets and the fact that the groups frequently purchase other web pages which calls for a brand measurement.

2. Framework

The framework chapter aims to define, describe and explain the theories, regulations and principles which affect brand measurement. We will further present the three different approaches used in the measurement process of intangible assets with focus in the Relief from Royalty method. The framework's purpose is to provide a deeper understanding for the reader and is later used in the analysis.

2.1 Definition Brand

In earlier decades brands were used to mark cattle so the owner could separate them from other's livestock. According to Kepfler (2010) the definition of a brand is one of the strongest points of disagreement among experts. Analysts define brand as an intangible and conditional asset which has to work in conjunction with other material assets. Moreover Doyle (2002, p.158) implies how a brand is defined as a differentiate symbol, name, term or/and sign which purpose is to identify the products and services a company offers and distinguish them from other competitors. Brand is an identity companies create through investments in communication. The purpose of a brand is to assist customers to differentiate a product or a service and to penetrate an existing market. Other experts like Ugglä (2001) have a different approach. He explains the three different functions a brand should possess through the perspective of the owner of the brand; differentiation, identification and a clear message. Differentiation as mention above is too distinct the product or service from other competitors. The identification perspective is functioning as a tool to facilitate repurchases and customer loyalty of a brand. Lastly the brand has to signal a clear message in order to create a picture of the brand (Ugglä, 2001).

2.2 IASB's Conceptual Framework for Financial Reporting

The purposes of the formation of IASB were to strive to formulate standards which would facilitate the stakeholders understanding of the financial statements, to harmonize accountancy over Europe and easy the comparability between different companies. The Conceptual Framework for Financial Reporting finalized in 1989 and is concerning the EU's member countries. IASB have published the IAS 38 Intangible Assets and the IFRS 3 Business Combinations according to the Conceptual Framework and these standards are both highly significant for the thesis subject. Since brand measuring is concerning companies which follow IFRS, the importance of the Conceptual Framework is high and is hence explain further below.

2.2.1 Fundamental qualitative characteristics

The fundamental qualitative characteristics consist of the two criteria; relevance and faithful representation

2.2.1.1 Relevance

The main measure for financial information is the relevance criterion whereas the information needs to be useful in decision making. If the information provided is relevant it will affect the stakeholders decisions and is hence of great importance. The financial information is adequate to make differences in the stakeholder's decisions if the information has a predictive- or/and a confirmatory value. These two values have a interconnected relationship in a financial information context.

2.2.1.2. Faithful Representation

The financial information presented in the financial statements must be represented faithfully to be useful for stakeholders. Faithful representation is as stated above a fundamental characteristic but has some underlying meanings whereas the information need to be complete, neutral and free from error. The represented economic phenomena in both words and numbers need to be all three of these underlying characteristics to represent a faithful presentation. The transactions and events in the financial reports need to be accounted for in a way which presents true economic values.

2.2.2. Enhancing qualitative characteristics

There are four enhancing qualitative characteristics in the Conceptual Framework namely comparability, verifiability, timeless and understandability which enhance the usability of the relevant and faithfully represented information.

2.2.2.1. Comparability

The financial information will be more useful to its shareholders if the prospect for comparable analysis exist. The financial figures from a company should enable both a comparison with its own historical figures and between different dates but also with other company's reports as well. The comparability characteristic allows the shareholders to both determine and perceive the reports differences and similarities.

2.2.2.2. Verifiability

The verifiability characteristic helps the shareholders to ascertain the correctness of the faithful represented information. If the financial information is verifiable then different and independent observers would come up to a general agreement that a certain description is faithful represented. The agreement however does not need to be complete.

2.2.2.3. Timeless

The timeless characteristic requires the information to be available to the shareholder in time to enable them to influence their decision-making.

2.2.2.4. Understandability

The information presented needs to be concise and clear to make it understandable for the shareholders. However, the financial reports are formulated for shareholders which already have a certain degree of knowledge of the economic and business phenomena presented. Some of the activities represented are naturally very complex but if they would be excluded, important information would be lost. The absence of problematic and complex information would cause ambiguous interpretation and mislead the shareholders (IASB webpage).

2.3 Regulations and Principles

To help companies to handle, understand and value a brand there exist three regulations and principles namely IFRS 3, IAS 38 and ISO 10668 which are explained below. Even though the ISO 10668 is named a standard in its description, the ISO 10668 is more a set of principles which are not mandatory to follow which is the case for IFRS 3 and IAS 38 (since 2005) if the company is listed on the stock exchange in Europe.

2.3.1 IFRS 3 Business Combination

IFRS 3 (2008) aims to improve the relevance, reliability and comparability of information about business combinations and their nature and consequences. It provides regulations about the accounting principles when acquiring a business and gaining fundamental control. A business combination is a transaction where the acquiring entity gain control over the acquired company. This standard is henceforth not applicable when only purchasing an insignificant part of the company. IFRS 3 supply principles on the identifying and measurement of gained liabilities and assets. These shall be measured at their fair values at the acquisition date. According to the standard the acquired company has to publish vital information so users of the financial statement will be given the opportunity to evaluate the business combination's effect on their own business.

The standard implies that business combinations should be done according to the acquisition method. The acquisition method consists of:

Step 1: Identifying the acquirer by using IFRS 10 Consolidated Financial Statements and assure control of the acquirer. Terms as "true merger" or "mergers of equals" are often referred to as business combinations as the term is used in IFRS 3. Where IFRS 10 lack clearance IFRS 3 provide additional guidance. Controlled is possessed when acquiring more than 50% of the shares. This control gives the company the right to decide over operational and financial strategies and be assigned the economic benefits.

Step 2: Establish the date when the entity obtain control over the acquire. The acquisition date may occur earlier or later than closing date (IFRS 3,8-9). At this point the acquired should measure the sum of the assets and liabilities. If only one transaction takes place the acquisition date coincides with the date of transaction.

Step 3: Recognition and measurement of the liabilities assumed and any non-controlling interest in the acquire.

Step 4: Recognition and measurement of goodwill or a gain from a bargain purchase

2.3.1.1 Goodwill

An asset which is often accounted in correlation with business combination is goodwill which is an intangible asset. This area is frequently discussed and according to IFRS 3 goodwill impairments are not allowed. Instead annual impairments testing shall be done. Traditionally goodwill is identified by the excess between book value and purchase price. IFRS 3 has a new approach encouraging the excess to be assigned, to furthest point as possible, to specific liabilities and assets. As a result Goodwill should have less impact on the acquiring entity. Goodwill could be seen as "the identifiable net asset acquired". Goodwill is recognized as an asset in the financial statement and will most likely generate future economic value to the company (IFRS 3 p24, 25). Even negative goodwill arises during the acquisition method if the purchase price of the acquired share is lower than the fair value of the acquired net assets.

When accounting intangible assets such as goodwill a variation between companies often occurs. IFRS 3 provides the entity to a subjective assessment which often results in a lack of comparability. With this in mind stakeholders and analysts must be careful when measuring the company.

2.3.1.2 Criticism IFRS 3

A lot of criticism has been pointed towards IFRS 3 due to unexpected costs and difficulties with the implementation of the standard. Firstly, companies are still calculating excess value as goodwill instead of trying to relocate it to a specific intangible asset. (Forbes, 2006) This statement proves the lack of implantation in many businesses. In addition, subjectivity, supervision, complexity and expenses are some areas that have been questioned as well regarding IFRS 3 (Horton, J et al 2013).

Due to the fact that IFRS is a principle-based framework, companies can carry out their own interpretations and different sorts of measurements. The objectivity is being questioned when subjective measuring is given a lot of space. IFRS 3 give a short briefed guidance in how to set a value, which leads to companies that tend to do it in their own terms and the identification of intangible assets can look completely different depending on the company (Weise. A 2005). Secondly the complexity of the standard has created confusing obstacles when trying to apply IFRS 3 (Gauffin, Nilsson 2006, Balans nr. 8-9).

2.3.2 IAS 38

Intangible asset are nowadays getting more important and thus becoming more significant to companies. However, intangible assets can be difficult to report and measure. IAS 38 is a helpful standard which can facilitated the work for companies.

2.3.2.1 Definition

According to IAS 38 the definition of an intangible asset is an asset that is not physical by nature and an identifiable non-monetary asset. An asset is a resource that has to be controlled by an entity as a result of a past event with the influence to gain future economic benefits from the resource and being able to restrict others from using it to a certain extent. The Conceptual Framework decides if the company has the opportunity to report the intangible asset or not. Additionally, to be classified as an intangible asset the cost of the asset must be measured in a faithful way and the future economic benefits shall be likely to attribute flow in the entity.

2.3.2.2 Control

Control is usually obtained by regulations and laws that are enforced. However, the absence of this control is quite hard to prove. In order to gain power and control the entity could turn to a court for legal protection of their intangible assets. This can happen e.g. to protect internal technical knowledge where the employees must be obligated to stay silence by law, restraints on trade agreements and copyrights. When this scenario occurred the entity most likely has insufficient control over the forecasted benefits.

The employees could also be seen as something that would generate economic benefits in the future and continue to make their skills available to the company. Even though this might be true the entity can not secure the future inflow of benefits and therefore the entity normally only has insufficient control over the asset. For example the entity can not ensure that employees will be quitting or being transferred to other companies. In addition, every employer performs differently and might not generate expected rate of return. With these in mind specific training and staff does not live up to the definition of an intangible asset because it is not probable and certain of a positive outcome.

2.3.2.3 Identifiable

In order to be identifiable the intangible asset has to be separated from the entity and goodwill and sold, transferred, rented, licensed or exchanged. Goodwill is created in a business combination and corresponds to other assets that will most likely create future economic value. These assets are not separated from each other and it is difficult to distinguish which asset that generates which benefit. They might create value together but not individually resulting to not qualify for the recognition of an intangible asset. A brand and a portfolio of customers are two examples of separated assets. On the other hand when an intangible asset is based on legal right, the company automatically own is through contracts like patent, licenses

and specific rights. Moreover an asset is also identifiable if it arises from contractual or other legal rights.

2.3.2.4 Internally generated assets

According to IAS 38 shall expenses that do not fulfill the requirements and definition of an intangible asset be reported as a cost if they can not be seen as another type of asset or be a part of a business combination. Lastly, Marton et al (2012) states that internally generated assets create many problem and discussions. It is hard to identify internally generated assets and separate from the investment put into the business. As a result it is hard to distinguish if it should be activated in the balance sheet or not. The problem is attributed to if the asset will generate future economic benefits.

2.3.3 ISO 10668

The ISO introduced a new standard in 2010 named ISO 10668 Brand Valuation: Requirements for monetary brand valuation (ISO 10688).

The ISO 10668 is however not a textbook in how a brand should be valued but a guideline helping the measuring itself to become transparent and uniformed with other companies measurements (Treffner, 2011). The market greeted the new standard well. David Haigh, chief executive of Brand Finance, stated *“But what is most significant about this, is that the ISO consider brand measuring to be important enough to publish a standard about it. This is a huge step in the right direction”* (Roberts, 2011).

2.3.3.1 General Requirements

- Transparency

In a monetary measuring the procedure to measure the brand as well as made assumptions, risk and the analysis should be transparent throughout. The transparency requirement is a very important condition which answers the question “How did we come up with the result we presented and how did we deliberate?”

- Validity

The value shall be based on valid and relevant factors and assumption at the valuation date.

- Reliability

The result of the measurements needs to be comparable with other companies.

- Sufficiently

For the result to be reliable it must be based on a sufficient foundation and analysis.

- Objectivity

The evaluator needs to be unbiased.

- Financial, behavioral and legal parametric

The requirement to observed and analyze the financial, behavioral and legal parametric is a very important part of the standard. It is impossible to measure a brand without observing in which way the brand affect the stakeholders and how this have an impact on the brands revenue. The legal parametric symbolize the brands protection and is necessary for performing a measurement process.

2.3.3.2 Specific Requirements

- Clarification of purpose

The purposes for which the measurement is intended, which assets are embraced, the value concept, the receiver for the rapport, the one who carried it out and the valuation date. The purpose can include giving information to the management, accounting, strategically considerations, tax planning or to receive a bank loan.

- Valuation concept

Clarify how the brand creates value e.g. the company can take out a higher price for their products due to their brand. Usually the value is measured are based on earnings, financial performance or cost savings (ISO 10668).

2.4 The Valuation Methods

There exist four factors which have driven the measurement of brand methodology; measuring marketing performance, justifying share prices, trading brands and tax management (Salinas 2009). Salinas argues for three different approaches when valuing a brand and most other existing measurement models are only variations of these three. The three identified models are the Cost Approach, the Market Approach or the Income Approach. These approaches work as a well-known framework when it comes to brand measurement and they are widely known and accepted (Salinas, 2009).

Under the Income Approach is the Relief from Royalty method defined and explained. Due to the previous research in the field of intangible assets we have notified the heavy usage of this method and hence is it explained further than the other methods.

2.4.1 The Cost Approach

The value in the cost approach is calculated by all the costs invested in the brand e.g. the cost for acquiring, supporting and maintaining the brand. In short, the main thought is to set a price which is matching the replacement cost for the brand. Nobody would want to pay a higher price than it would cost to create a new brand (Treffner, 2011). This method is widely used because it complies with the tradition accounting standards where historical figures are used

to calculate an assets value. The approach is however said to be backward looking and retrospective cause it focus on the historical costs the brand has provided. (Gibson et al, 2003)

According to Seetharaman et al the major disadvantage with the cost approach is the requirement to identify the indirect cost spent on the support of the brand since all brand related cost needs to be included. Another problem facing mature brands is the time horizon which can be difficult to identify. The authors Seetharaman et al discuss the difficulty to set a time horizon for when incurring the technical expertise in a brand. As for all cases where historical figures are used, the discount rate to transform the cost to present value is as well problematic.

The cost approach is usually helpful when a lack of information makes the other approaches' inapplicable and when the costs can be calculated in a trustworthy way (Treffner, 2011). According to Treffner, the weakness with the cost approach is when the money invested in the brand is higher than the value of it, a so called "value disappearing". There exist a lot of examples where the invested money does not have any connection with the brand's value. Due to this reason, Treffner argues that the cost approach is not widely used and thus counter-argues Seetharaman et al opinion. Nevertheless, the cost approach can be used as a decision foundation when a firm wants to purchase an already existing company.

2.4.2 The Market Approach

The marked approach works best with quoted prices in active markets with identical products which creates problem when applying it on brands. The absence of an active market for brands gives little space for managers to set a trustworthy selling price (Seetharaman et al, 2006). One way to solve the problem is to determine the value of the firm and then discount the tangible assets to receive the present value for the intangible assets.

Treffner argues that the brand should be compared to what other buyers have paid for comparable brands. It is important to only compare the brand to others with similar traits e.g. brand-strength, legal- and financial situation. A problem with this method is the extremely limited numbers of transactions with single brands nowadays. On top of that, when the details about the transaction if revealed, the brand usually have transformed and it traits can be completely different to the brand it once was. According to Treffner, the marked approach has a lot of limits and is not even applicable in the practice. But as Treffner conclude, it is possible that the trade with brands will increase and hence the uses of the market approach.

2.4.3 The Income Approach

Using the income approach, firms need to set the predicted future economic value the brand will yield based on the firms net revenue. The approach is said to be forward-looking and prospective. If the necessary data exist to use the income approach this method is known for

being most reliable (Gibson et al, 2003). Roberts agrees on this statement arguing for that the income approach is the most preferred. According to Treffner, the income approach is the only functional way to set a value for a brand.

The future net revenues can be calculated in a lot of ways. One way is to compare generic product to the brand's price premium or to set the approximate annual royalties related to the brand (Seetharaman et al, 2006). The future net revenues will then be discounted to set a present value for the brand.

In the income approach there exist six methods to measure a brand's value.

1. The price premium method recognizes that you can take out a higher price on a product with a known brand than for a generic product without a brand. Since it is hard to find product without a brand today the method usually work comparable with companies with weak brands to companies with stronger brands. An example is a retailers own brand. The brand is calculated by a discounted value of the expected future surplus value which is generated by the fact that the brand can take out a price premium for its products.
2. The volume premium method uses a discounted value of the expected future operating profits which is created by a higher market share than the competitors. The method is augmenting for the fact that a product can create a volume premium as well as price premium.
3. The Relief from Royalty method is mentioned in ISO 10668 and is defined as “... *The value calculated through the royalty relief method, thus constitutes the present value of the royalty payments saved through the ownership of the brand. The royalty rate applied in the calculation shall be determined after an in depth analysis of available data from licensing arrangements for comparable brands, an appropriate split of brand earnings between licensor and licensee, and shall be as close as possible to brands with the same characteristics and size as the brand being the subject for valuation.*”

Relief from royalty method presumes that the right to use a brand is not based on who owns it but on a license agreement. The method calculates a reasonable license fee that the company would need to pay if they had licensed the brand. The brand will be valued to the discounted value of these future presumable license fees that the company “saves” by owning the brand. The net income, which the brand hypothetical tends to generate during the using period, is multiplied with the selected license fee. When choosing a license fee the company selected the fee from a list and the use it in the method. There are a lot of databases with possible license fees; the disadvantage to these sites is the need to erase all the terms with no connection to the brand itself (ISO 10668).

The positive aspect with the Relief from Royalty method is the consistency from year to year and the method is accepted by the tax authorities (Munari, Federico et al 2011) . Even though Relief from Royalty is a in some ways a market based measurement method it could also be distinguished as an income based method because of the revenues of royalty is capitalized.

Then the brand has created a value. In addition, some argue that the Relief from Royalty method is a cost method because the brand is evaluated to the royalty cost the owner is avoiding if the brand had been licensed from a third part (Treffner J. & Gajland, D.2001).

4. The income split method is commonly used by the markets largest players. The method deducts all the income derived to the company's tangible assets and left is the revenue created by the company's intangible assets. The result is then divided between all the intangible assets and hence the brand.
5. The multi period excess earnings method is similar to the income split method but takes it to a deeper level. The method does not only deduct the income derived from the tangible assets but also all the intangible assets except the brands own created revenue. Hence, the result from the brand gets isolated from the rest of the result. This future revenue is then discounted to a present value. The method is a good way to calculate the brand value but practically it is very uncommon due the lack of detailed balance sheets for every single brand a corporate group may own.
6. The incremental cash flow method is hard to use because you need two identically companies with one differences; one without a brand. The method compares these two companies and discounts the difference which can be referred to the lack of brand to a present value (ISO 10668).

3. Methodology

The methodology chapter aims to describe and evaluate the chosen methodology with focus on how we executed the study. The chapter will further explain the procedure to gather and analyze our data, and also discuss and analyze the chosen methodology's advantages and disadvantages. Finally we discuss how we are able to answer our problem statement with utmost validation, reliability and trustworthiness.

3.1 Work Progress

From an early beginning the focus of our thesis was on intangible asset. We initiated our research by getting a basic understanding about the chosen area. To receive knowledge we search for literature and previous research about intangible assets where Pernilla Rehberg's doctoral thesis became our foundation pillar. Other students' bachelor- and master thesis were also an important source of information and attracted our interest for the subject.

With this background and the set time restraints we narrowed our thesis down to only cover brand measurement. We began our collection of information by reading the three standards IFRS 3, IAS 38 and ISO 10668 to understand the process itself. We compiled the information in the framework together with theory about the definition of a brand to fully understand our subject. With help from the framework we formulated the interview questions to receive empirical data. We later interviewed a media group and three accountancy firms to understand the process of brand measuring further. Together with the framework as well as our empirical data we analyzed the subject and came up with a conclusion.

3.2 Choice of methodology

Halvorsen discuss six different criterions which will decide if a qualitative or a quantitative method is best suited for the specific thesis. To make the right choice we analyzed the basic original idea of our thesis with Halvorsen's six criterions in mind. When the problem statement began to take form the analysis was made one more time to guarantee a right choice of method.

The approach – our considered problem statement suited best with an inductive approach. Using an inductive approach the researchers are studying a phenomenon without any greater knowledge about it and hence without any fixed hypothesis. The problem statement can thus be vague and inexplicit (Halvorsen, 1992). When using an inductive approach, the objective is to establish an inclusive understanding of the observations instead of proving a theory through hypothesis testing. The structure of the study is thus very flexible and works best with a qualitative method. The deductive approach on the other hand, works best if the author wants to estimate probability of a theory by tests of hypothesis and thus using a quantitative method.

Problem statement – the chosen problem statement needed to be analyzed by interviews on how media groups are measuring brands and is thus very inexplicit. The research was conducted in an impartial way and by using an inductive approach a qualitative method was best suited.

The objectives – the objective was to develop a comprehensive understanding of a specific process and situation which required an intensive strategy with a holistic perspective with few respondents but many variables. Using an intensive strategy while examine the objectives will work best with a qualitative method.

Own abilities and resources – the authors need to master the approach of the chosen methodology and have the time and money to execute it. Giving the set time restraint a qualitative method would not be an issue.

The informant's abilities – the respondents need to have the knowledge and ability to master the approach as well. Since the research will be conducted with professionals this criteria was analyzed in a lesser extent.

The author's relationship with the sources – The relationship can be close or distant. A close relationship means that the author works together with the respondents and thus become sensitive for the respondents concept of reality. A qualitative method is then the best choice. A distant relationship on the other hand creates a selective relationship and suites best with a quantitative method.

3.3 Qualitative method

The thesis was conducted by using a qualitative research method and thus based on interviews and analysis of data (Halvorsen 1992). Crewell recognize some essential steps when using a qualitative methodology; find a focus area and exanimate the literature, gather several different sources of data, ask open-ended questions, analyze the data using an inductive approach and finally discuss the result. (Crewell, 2012) The central aspect with the qualitative method is to discover categories, models or descriptions which best explain the problem statement and hence systematize knowledge about the procedure itself (Olsson, Sörensen 2001).

A qualitative methodology should not be chosen if the researchers want to describe quantity, size or amount whereas a quantitative method should be chosen instead.

3.3.1 Advantages & Disadvantages

The advantages using a qualitative method are the flexible approach where the collected data often is plentiful and rich with details. This creates a holistic perspective where the data will show patterns and standards. A qualitative method has a certain level of tolerance for contradictions and ambiguities since the examination have an uncertainty in itself. This allows some deviation in the result which can be seen as something beneficial. The method also allows more than one valid explanation which gives flexibility in the result. The researchers have a possibility to complement the result if something is missing which gives a depth to the limited study.

The disadvantages using a qualitative method are the subjectivisms is can bring where the result is influenced by the researchers or the respondents. Without objective, comprehensive and rich data the result will not be trustworthy (Johansson, 1999). Since the thesis is carrying out a small but detailed study it can also be hard to generalize and to implement the result on other areas. The researcher's interpretation of the data can also be influenced in a negative way by the researcher's background, opinions and explanations. There is a risk that the content in the interviews will be decontextualized i.e. the words will be taken out from its original context. The process to analysis qualitative data is also very time-consuming and complicated since a great deal of the data in un- or semi-structured the interviews which are recorded.

The solutions to the disadvantages when using a qualitative method can be read under the section; "3.10 Validation, reliability and trustworthiness". Also, each interview summary has been sent for approval to concerned respondent.

3.4 Data collection

Two different types of data were conducted; primary and secondary data. The primary data is defined as data which the researchers themselves have collected through different data collection methods. Nonetheless, in primary information gathering it is also important to relate the study to other researcher's analysis, interpretation and conclusion in relation to the new study (Halvorsen, 1992).

The primary data was deducted through an interview with a person working in a media group with knowledge about measuring of brands due to the respondent's position in the company. Interviews were also conducted with three accountancy and management firms to receive even deeper knowledge about the measuring of brands. We chose to use semi-structured interviews by preparing a query template with general questions as a starting point with the possibility of being able to ask direct follow-up questions during the interview.

The secondary data is defined as data conducted by others and is used to acquire greater understanding of the primary data (Halvorsen, 1992). Scientific articles, journals, accounting

data, literature and Internet sources compose the theoretical framework. To receive trustworthy sources we attended an information research meeting with a librarian who showed us different databases, journals and books suited with the thesis. To acquire a comprehensive picture we gathered numerous information sources and references which is necessary to perform a trustworthy analysis.

The secondary data used in our thesis have been found by use the following keywords: brand measurements, intangible assets, media groups, IAS 38, IFRS 3, and ISO 10688.

3.5 Interviews

Information interviews are commonly used when a qualitative method is chosen. An interview is relevant when the researchers do not possess firsthand knowledge about the behavioral or social system which is studied (Halvorsen 1992). Henceforth, the researches need to utilize substitute observers where the control of the conversation decides if the interview is qualitative or quantitative. A qualitative interview has a lesser grade of structure and standardization than a quantitative. A certain type of qualitative interview is called a semi-structured interview which means less grade of standardization but a bit higher grade of structure (Olsson, Sörensen 2001). The structure of the interview means that the questions are formulated so the person interviewed interprets them in the same way as another person being interviewed.

Semi-structured interviews are quite informal and not implemented in a standardized way. Even though the main issue for the problem statement and some basic question are asked, the conversation can move on freely to whereabouts the respondents feels he or she needs to inform the researchers about. One of the main problems with these interviews is henceforth the classification and the analysis of the heavy information provided. It is common to record the interview and transcribe it to truly understand it and hence eliminate misconceptions about what being said. However, it is important to remember that a transcription is not verbatim but only a representation of what has been said (Olsson, Sörensen 2001). After the transcription it is also possible for the researches to contact the respondent if there are any questions marks or any uncertainties. The benefit with this type of interviews instead of e.g. a questionnaires is the possibility for the respondents to express and immerse his or hers opinions without be forced to answer in a certain way (Halvorsen 1992).

3.6 Media Groups

We wanted to interview some of the largest media groups to receive a good foundation for the thesis. We contacted the eleven largest media groups by email to establish a first contact and to see if the firms were interested to attain. The contacted firms where Schibsted, Bonnier, Stampen, MTG, Berlingske Media, Egmont, Telenor, Sanoma, TeraCom, Mittmedia and Allers. If we did not receive an answer we called the firms' customer support to receive the

correct number or email. However, only one media group were interested in an interview. It was important for the thesis that the interview was performed with a person with good knowledge about the valuation and measurement process and we thus spoke to the Group Accounting Manager.

Group Accounting Manager, Company X

The respondent is currently working in a large media group with offices in the Scandinavian countries as a Group Accounting Manager. In Company X the consolidated account, footnotes etc. is produced in a neighboring country and the respondent's job in Sweden is mainly to rapport the financial statements from the affiliates to the parent company. The respondent and the Company X will be kept private due to the result of the interview.

3.7 Accounting firms

It can be very common nowadays to outsource different parts of firms to receive economic advantages as well as know-how. In the beginning we wanted to conduct one or two interviews with large accountancy and management firms as well to protect the thesis in case the media groups had outsource the measurement process. Since the contacted media groups were not interested in participating, we contacted more accountancy and management firms with a positive outcome where three interviews took place. The accountancy and management firms are specialized on business combinations and the process of measuring brands.

Jan Treffner, Partner at PwC

Jan Treffner is currently working at PwC and is specialized within the process to measure brands. When J. Treffner graduated from Stockholm School of Economics in 1977 he began his career as an accountant and later on he focused on corporate finance and valuation, especially brands. J. Treffner have worked in the field of brand measuring for 20 years and is an author for the two brand measurement books; "Varumärket - vår viktigaste tillgång" and "Varumärket som Värdeskapare" and henceforth holds great expertise in the subject.

Mats Lindqvist, Partner at Deloitte

Mats Lindqvist is currently working at Deloitte as the Head of Valuation Services and Business Modelling in Stockholm. He is responsible for the specialist group in Sweden which is dealing with valuation issues e.g. company measurements, measurements of financial instrument and a lot of measuring intangible assets. Much of the time is spent with purchase price allocation, PPA, which is the work with distributing the excess value on different identifiable assets such as brands. M. Lindqvist has 20 years of experience in the field, most of the time in Deloitte Sweden but also a couple of years in London for Deloitte as well.

David Wastå, Grant Thornton

David Wastå has worked with Corporate Finance since his graduation from School of Business, Economics and Law in Gothenburg. His career began in E&Y where he worked a couple of years before he started working as a CFO for a media group named Mediatec which

provides technical solutions for event and television productions. D. Wastå has now worked for three years at Grant Thornton on the Corporate Finance department where he focuses on both the purchase and selling of companies. In these situations brand measurement and other valuation questions arise especially during a PPA.

The aim was to conduct the interviews face to face with the respondents. However, the headquarters of both PwC and Deloitte are situated in Stockholm and because of the geographical factor the interviews were conducted by telephone instead. The interview with David Wastå was held over the telephone as well due to time constraints. Interview face-to-face is of course preferable where the respondents body language, glance and movements can be analyzed as well (Olsson, Sörensen 2011). However, after the interviews we had the chance to do follow ups by email to be certain the interpretation was made correctly.

It was important for the thesis to ask open-ended questions so that the respondent develops and explains his or hers answer instead of just respond with a yes or no answer. The interview questions were also sent to the respondent before the interview took place so the respondent could be well prepared beforehand. Every interview was recorded and transcribed in order to gain a deeper understanding of the subject and to receive a better foundation for the thesis. After the transcription of the interviews we could also notice if there was any loopholes or questions marks. If so, we contacted the respondents again by email to ask follow-up questions.

3.8 Selection of informants

The information interviews in this thesis were chosen by a strategic selection. The quality of the information is very important for the analysis and conclusion and the respondents were hence chosen by their great knowledge and experiences in the field of brand measurement.

The thesis was conducted by an inductive approach and hence the selection of the qualitative data was done continuously throughout the study. The aim with an inductive approach is to receive the greatest possible range of selection where the observations should be as qualitative diverse as possible (Halvorsen, 1992). Due to time restraints and the thesis problem statement we chose to not diverse the selection as widely. However, the decision to interview both a respondent in a media group and three accountancy firms widening of course the selection and thus gave a richer understanding of the procedure to measure a brand. We could also analysis the problem statement from two different directions.

3.9 The quality of the result

The thesis was conducted using a qualitative form and thus the validity and reliability will be analyzed by information and not with numbers. Since the measurement of validation and reliability is more correlated with a quantitative method we have also chose to discuss the trustworthiness. Validation and reliability can certainly be analyzed in a qualitative way as

well but the procedure is a bit different. Especially the reliability can be deceptive due to the low numbers of respondents in a qualitative study (Patel & Davidson, 2003).

3.9.1 Validation, reliability and trustworthiness

When using a qualitative method the validation, reliability and trustworthiness is the ability to describe the collection and process of the data in an authentic and systematic way.

3.9.1.1 Validation

The existent of consistency between the interpretation of reality and the reality itself result in a high grade of validation. It is necessary for the interpretation to be rooted in a pragmatic foundation which gives credibility to the gathered and presented information (Olsson, Sörensen 2001). It is hence important to measure what is intended to measure with substantial, comprehensive and objective information.

To accomplish validity in this thesis we have described in detail the process of our data collection together with the analysis process and information samples. Since we conducted an important part of our information through interviews, the process of choosing participants is an important factor for the validation of the thesis. All four of the respondents have experience from many years in the field and J. Treffner and M. Lindqvist are also Partners at respective company. We also sent the respondents the questions beforehand and gave them the opportunity to correct misinterpreted information by summarized the respondents answers in the end of the interview. By interviewing respondents from both inside a media group as well as in accountancy and management firms this created a better validation since the problem statement was analyzed from two different points of views.

3.9.1.2 Reliability

Reliability is like validity the credibility of the information but with more focus on the authenticity and trustworthiness. If the same research would be made repeatedly, a high reliability would cause the same conclusions over and over again. Since the thesis is conducted by a qualitative methodology the reliability is less relevant and less justified since there is no collection of “measurements” like in a quantitative method. Instead the analysis will focus more on the trustworthiness perspective.

3.9.1.3 Trustworthiness

According to Eriksson & Kovalainen (2008) four criteria should be achieved for a study to be trustworthy. These four criteria are explained below together with our opinions on how we have fulfilled them.

The Credibility is whether the collected data is sufficient to draw a justified conclusion, if the author is acquainted with the chosen subject or whether other researcher would draw the

same conclusion as the authors given the same information. We do believe that the scope of the thesis have covered the most important parts of measuring brands. The respondents have had high positions in each respective firm and many years of experience in the field of brand measurement. Hence the analysis and result of the thesis have achieved a trustworthy conclusion which other researchers would draw as well. We are also acquainted with the chosen subject after a couple of years of studies at the School of Business, Economics and Law and we also have an interest in measurements of intangible assets.

The Dependability is the reader's possibility to can take part of the empirical research or if the reader needs to be dependent on the authors given information. The procedure to collect data, how the interviews are preceded and the author interpretation of the findings should be clearly stated with a clear consistency. Since the readers of this thesis have access to transcript summaries of all interviews and the different standards and principles are published online the thesis thus meet the dependability requirement. The methodology chapter also describes the procedure as clear as possible and our interpretations of the material can be read in our analysis.

The Confirmability is the author's ability to be objective and neutral to the research. The stakeholders should be able to validate and confirm the result by the literature references or other findings which will corroborate the author's interpretations. The conclusion needs to be supported by the data. In our opinion, the research process has been objective from our side. Concerning the empirical data, the respondents have worked with the chosen area for many years from well established firms. Due to this matter, the respondents are obliged to follow the standards and thus present the brand measurements proceeding as correct as possible. We also felt that the respondent from Company X perform a trustworthy interview and did not try to portray the company in better days. Due to this fact, we decided to keep this interview anonymous.

The Transferability is the plausibility to generalize and implement the findings to other context or situations. If the findings are similar to a target context the level of transferability is high. Whether the thesis is transferable is up to the reader. We tried to describe the phenomenon of brand measurement as detailed and sufficient as possible, giving our time frame, which gives the readers the opportunity to enable to what extent our conclusion, can be transferred to other contexts.

4. The Empirical data

The empirical data chapter aims to provide the reader with the respondent's knowledge and know-how about brand measurement.

4.1 Interview with Jan Treffner, PwC

J. Treffner states that a brand is the carrier of a message, a message that will always be perceived by the viewer. It is the observant who interprets the signal being sent by a brand and it is also the observant who gets affected in his decision how to choose one product before another because out of perceptions and these signals. When looking at a brand's value J. Treffner indicates that a well-known brand will create a better opportunity for companies to recruit staff cheaper with highly desired qualifications, the company will sell more and have the ability to charge a higher price than competitors. A strong brand thus creates a larger cash flow and this cash flow can represent the value.

4.1.1 Relief from Royalty

When looking at companies nowadays brand measurement is mostly being used when a business combination occurs, especially after 2005 when it became mandatory for companies to follow IFRS 3 which strongly require companies to perform some sort of measurement. Additionally the proportion of measuring brands has declined since 2005. According to J. Treffner most companies apply the Relief from Royalty method. Even though it is not the most accurate method the Relief from Royalty is the most simple and cost efficient. This method is reasonably correct in all cases; however it does not meet the ISO 10668 to every level J. Treffner argues. It is also important to observe and analyze the behavioral factors of brands e.g. which signals are sent and what kind of brand loyalty it creates. That is called a loyalty based value. Even though J. Treffner has many years of experience he has never noticed a difference in using measurement methods depending on the industry. Companies tend to use Relief from Royalty mostly because they do not completely understand the other methods and because it is comfortable due to its traditional use according to J. Treffner.

4.1.2 Substitute methods

As mentioned above the Relief from Royalty is the most frequently used method, however J. Treffner personally believes that the best method in how to measure brands and provide the most reliable result would be a combination of using cash flow, price and volume premium. J. Treffner also strongly recommends that marketing costs should be counted for.

4.1.3 ISO 10668

When discussing the ISO 10668 J. Treffner implies that companies are not well aware of its existence and how to use it. However, most communication and advertising agencies are well consensus about the meaning of ISO 10668, this come rather natural considering the importance of the brand inside the industry. J. Treffner state that it should lay in the company's biggest interest to measure the brand to recognize the return of investment in invested capital when marketing the company.

J. Treffner admits that all the methods have its own flaws and can thus be improved. The ultimate scenario would be if it existed a market for brands with frequently trading. J. Treffner argues that the second best method after the Relief from Royalty is another form of the income method where the cash flow price and premium price is being analyzed. The difficulty today is to distinguish the cash flow which is only generated by the brand and not factors such as design, seller's competence and so on. A few years ago many companies turned to external accounting and management firms to receive help with measuring different values. Today J. Treffner feels that more companies has acquired the skills of measuring brands in a business combination and therefore do it by themselves.

4.1.4 A problem with brand measuring

A couple of years ago brand measurement created a problem when J. Treffner noticed that the ability to measuring a brand and the brand strategy was limited to only the board and management section which did not consist of a represent from the marketing department. Unfortunately the marketing department was often hence lead in another direction than the corporate strategy and created a lack of understanding on how a brand works and functions.

With no scientific proof J. Treffner believes that a higher understanding of brand measurement exists within companies with high concentration of intangible assets considering the fact that they are more customers oriented and dependent on their brand.

4.1.5 Future

In conclusion J. Treffner believes that companies with strong brands always survive better in downturns than companies with weak brands. So there is every reason to understand why a strong brand is so important and necessary. In the future more companies will understand the importance of brands and plausible even measure and report internally generated brands. A company's tangible assets also decrease in value and the patent in technology sooner or later expires while brands can practically live on forever. Nowadays more companies understand and realize that much of the company's value is created by intangible asset and with that in mind companies will put more effort and time with the measurement process concerning intangible assets and then also brands.

4.2 Interview with Mats Lindqvist, Deloitte

M. Lindqvist has experienced the development in the measurement process due to his many years in the field. He believes that company's interest in brand value is much more common these days than 10-15 years ago even though the theories have not change especially much. When IFRS was implemented in Sweden 2005 M. Lindqvist noticed differences in the usages of distributing excess values on other intangible and tangible assets than the pure residual area goodwill after a business combination. Before 2005 there was no focus in the distribution except for on properties and such. After the introduction of IFRS companies began to organize the measurement process to a further extent.

4.2.1 ISO 10668

Even though the brand measurement process got a boost after the introduction of IFRS, companies are often not familiar with the recent introduced standard ISO 10668. M. Lindqvist believes the reason for this is the fact that companies often outsource the measurement process to larger accounting firms such as Deloitte itself. However, companies with intensive acquisitions which regularly need to measure assets can sometimes have expertise in house instead. Client often contact Deloitte when help is needed in PPA, but also when companies need to measure brands and other intangible assets in other context as well. Examples of this can be if a trademark needs to be moved from a Swedish company to another company within the same group or in connection of litigation for trademark infringement. Another common case is when a company needs to perform a control balanced-sheet calculation which is used if the company has used more than half of its equity. In all these cases Deloitte's and M. Lindqvist's valuation specialist group enters. However, it is only during a company acquisition where the brand's value can be used in an annual financial report.

4.2.2 Relief from Royalty

The method Deloitte is most frequently using when measuring a brand is the Relief from Royalty method. The process starts by doing an inspection of the company's tangible and intangible assets which needs to be adjusted in the PPA. Once the inspection is made information about the assets are collected to enable an analysis. Concerning the measurement of the brand the information gathering starts by searching in large royalty databases, mostly over U.S. markets, where transactions are registered. The transactions are on the level of royalties actually paid when someone has licensed a brand in different businesses. In other words, companies are looking for the cost avoided by owning the brand themselves. Then you use the information to do a so-called benchmark study to see what percentage of royalty companies have paid in a certain business which is later on used as a starting point when deciding the royalty.

4.2.3 Discount factor

Companies have to decide on the discount factor as well to estimate the risk involved and the time value of money. There are no standardized discount factors like the royalty percentages, M. Lindqvist argues, so companies need to do an approximation from case to case on a discount factor that is reasonable based on the risk in the future cash flows and time value on money.

4.2.4 The growth factor

To use the Relief from Royalty the last factor you need is the growth factor. Companies therefore need revenue forecasts for the coming years for the sales of product and services under the specific brand. The revenue forecasts are then multiplied with the royalty factor. M. Lindqvist exemplified the method by the following example; the revenue for year one is set to 1000 and the royalty is 2 %. The royalty amount is then 20 which is the price the company would have to pay for the royalty to utilize the brand if another company would have owed it. The second year the company estimate to sell for 1100 and the royalty percentage is still 2 %. These two figures multiplied is the second years' royalty amount. The method creates a future stream of royalties which are then discounted to receive a present value. After we subtract the required rate of return, M- Lindqvist inform, we receive a value of the brand.

4.2.5 Flaws with the Relief from Royalty

M. Lindqvist believes one major flaw with the Relief from Royalty method is the subjective judgment on what will happen in the future. Like with all forecasts these judgments on cash flows are associated with uncertainty. Another major source of ambiguity, according to M. Lindqvist, is deciding the royalty percentage. In the earlier mentioned databases, companies can receive royalty figures but the challenge is to obtain comparable ones. Brands are often very unique in their character where one brand can be very young and another one well established on the market. The strength in these brands hence varies a lot due to how well-known they are, how much money invested in them, the underlying market potential, profit margins, the quality of the selling items and so on. The brands can also be in different industries with various products and services. The hardest part is to find comparable transactions which are good enough to use in a benchmark study. One needs to do a pretty thorough analysis of both the brand which will be valued but also to understand the brands we compare it with, M. Lindqvist continues.

4.2.6 Improvements

A problem which arises with these subjective opinions often concerns smaller companies with few or none business combination and a small pot of intangible assets. M. Lindqvist believes that larger listed companies do a fairly solid work when measuring the brand. If one of the major accountancy firms is hired the quality of very often acceptable and reasonably comparable in most cases. One can also see a clear trend after 2005 when IFRS became compulsory that the measurement process has become better and better. In the beginning, M. Lindqvist remembers, some companies struggled a bit to adjust to the new framework but now after a couple of years it have become better. M. Lindqvist believes that the quality of the

brand's value is often connected with the size of the company and if the company regularly performs business combinations which involve measuring the intangible assets. The determined factor in the figures quality is hence how accustomed a company is with the brand measurement process.

4.2.7 The Solution

To solve the flaws with the Relief from Royalty method, M. Lindqvist and his team sometimes compare the value which is calculated by the royalty percentage with how much money the company has invested to establish the brand. To reconcile the royalty method the figures are compared to indicate that the figures are approximately the same. The advantage with a comparable analysis and using another method is that the brand's value is analyzed from two directions which in the end give the companies a more trustworthy figure. If different methods would give the consultants very diverse figures the probability of some misinterpretation in the given information is higher and vice versa. By doing a comparable analysis with other approaches the Relief from Royalty method has been complemented with important information.

4.2.8 Future

When analyzing the future M. Lindqvist believes the theories and the method used today will stay the same for at least a couple of years. The world is moving forward to a more knowledge-intensive economy and from this aspect intangible assets are becoming increasingly important for businesses. In the long run the possibility therefore exists for a change whereas companies are allowed to also take up in-house generated values on brands. But M. Lindqvist finishes by stating that this change will not happen in the next fiscal year, it will take little bit longer than that.

4.3 Interview with David Wastå, Grant Thornton

D. Wastå explains the measurement process with an example. If a company is bought for 300 SEK and the reported equity is 100 SEK the purchasing company have paid 200 SEK more than the company's value. If the Swedish company is not following IFRS, the 200 SEK is put in the residual area goodwill. However, if the company does follow IFRS the company needs to allocate the excessive price on different assets. These assets can e.g. be real estate, brand and customer stock. When the allocation is done the remaining value is reported as goodwill. To extract the brand's value different methods can be used D. Wastå explains.

4.3.1 Relief from Royalty

The most common method is the Relief from Royalty where companies analyse the rate of return which the brand will realize as well as a royalty percentage. D. Wastå explains the main idea with the Relief from Royalty method to investigate how much royalty the company would receive if the brand was leased instead of owned. These royalties can be found in large data bases, mostly over the U.S. market. D. Wastå believes that the Relief from Royalty is most used due to its simplicity. There exist some other methods companies can use, D. Wastå explains, which actually are better but at the same time more complex to use. A more thorough investigation needs to be done in these other methods and because of this companies do not apply them.

4.3.2 Substitute methods

D. Wastå explains the existence of mainly three methods which can be used when measuring brands. The first one is the Price- or Volume Premium method which is just like the Relief from Royalty an Income based approach. D. Wastå gives an example how the Price Premium method works; if you have two companies that both sell cornflakes, one with a strong brand and the other one with a weak or none existing brand, the difference in price can be derived from the existence of a brand and is hence the brand's value. The Volume Premium method works the same way but with the volume the selling products generate instead of the price. D. Wastå continues to explain how this method can be very difficult to use and he has seen very few examples of reasonable sharp analysis using this method. D. Wastå also adds the fact that it exist few companies today without a brand which is needed to do the comparable analysis. The second method is using a Cost Approach instead of the Income Approach where companies need to consider the amount of money invested in the brand for e.g. marketing and the cost to build up the brand. The last method D. Wastå consider the most common one namely the Relief from Royalty. The usage of this method does not depend on industry, D. Wastå argues, where all sorts of industries use the Relief from Royalty mostly. The reason for the disconnection between the industry and method is according to D. Wastå caused by the simplicity for all types of businesses to use the Relief from Royalty in a relatively accurate way.

4.3.3 Flaws with the Relief from Royalty

D. Wastå considers the critic against the Relief from Royalty method to be finding the right royalty percentage. He believes the method to probably be more applicable for a large U.S. company because it is easier to find comparable transactions than for a Swedish one. Another critic for the Relief from Royalty method, D. Wastå argues is the differences depending on which industry the company is working in. Some industries have a lot of comparable transactions with accurate royalty percentages which gives a good estimation. However, for some industries the lack of information is causing a larger appraisal. D. Wastå also mentioned the future cash flow as a difficult factor to estimate, however, the appreciation of the future and the risk is always connected with valuation regardless of which method is used. Even

though there exist some mentioned disadvantages with the method, D. Wastå argues for the simplicity and the cost efficient factor it provides.

4.3.4 ISO 10668

When discussing the implementation of both IFRS 2005 and ISO 10668:2010 D. Wastå believes brand measurement has become more conventional due to these standards. The valuation nowadays occurs more automatically since the recently standards requires certain approaches. After the implementation of the ISO 10668 D. Wastå believes the standard gave acknowledge and confirmation to the already used measurement methods. D. Wastå believes that the ISO 10668 did not provide any news to the measurement process if you were a reasonable professional company. Nevertheless, it was surely a positive thing to receive a confirmation of the already used rules and some guidelines on how to carry out the different measurement methods.

4.3.5 Future

When analyzing the future D. Wastå believes the development for the current existing methods to be hard to improve further. The methods themselves are relatively comprehensive already but the main concern is the estimation of the future. The introduction of other methods can never take away the uncertainty of “guessing” the future, D. Wastå argues. The usage of the methods will probably improve in the future when companies receive more historical data over the result. However, D. Wastå finish, the history can only tell us a certain part of the future.

4.4 Interview with respondent from Company X

The largest enterprises in Company X in Sweden consist of news platforms and also paper journals. Over the past few years Company X have also done some heavy investments in something they refer to as emerging media online. Selections of affiliates in this sector are e.g., insurance, electricity and different web services and the recent purchased Company Y which was bought in Q4 2013 to gain market shares and to eliminate competitors. Company X have chosen to focus its investment on companies which assist people in everyday life to make their choices on e.g. electricity, insurance and phone-subscription easier. According to the respondent, Company X is expanding their investment portfolio since the paper journal industry in an insecure business with a decreasing future with risk for even plausible extinction. Nevertheless, Company X’s strategy and business idea is not to buy, build up and then sell companies but to keep and nurture them. An important part of the strategy and business idea is to increase the society’s brand awareness of the newly purchased companies in Company X investment portfolio.

4.4.1 Relief from Royalty

The respondent has experienced one business combination so far in the purchase of Company Y in Q4 2013. Company X usually purchases companies which are in the start-up phase when the brand itself is usually not especially strong yet. The respondent informs us that the brand's value of Company Y can only be found in the consolidated financial statement produced in the media groups headquarter situated in another Scandinavian country. The measurement model Company X use is the Relief from Royalty and it is the respondent's work task among others to estimate a figure for the value. The Relief from Royalty method has been used in the company for many years and contains a lot of history with earlier numbers and information in different brand purchases. The respondent decides the future forecasts, the number of years accounted for, estimated turnover and costs together with a discount factor. An example of discount rate is 19, 1% for one of the media groups subsidiary which was bought in 2010. The growth rate is usually set to perpetual on 1, 5 % for most of the purchased companies. Lastly the respondent and the team set a royalty percentage that should be reasonable for the industry. In media groups the industry standard on royalty calculation is usually around 2-10 % with an average of approximately 6 %. As a result of Company X's strategy to buy newly developed brands the royalty percentage is normally set low around 2 %. The respondent normally requests the brand's value to end up on approximately 10-15 % of the purchased price.

4.4.2 Example on a plausible procedure

The respondent often gets assistance from the strategy department which provide the knowledge on why Company X paid the price they did. Together the two departments decides on the figures for the intangible assets e.g. how much consist of IT or technology, body of customers, the brand and lastly the residual area goodwill. If Company X e.g. purchase a new affiliate for 100 MSEK but the stockholder's equity is only 10 MSEK, the respondent and the strategy department allocate the remaining 90 MSEK on intangible assets such as mentioned above. If the brand receives e.g. 50 % of the acquisition the respondent admits they sometimes change some figures to receive a lower and more reasonable value which in the output will produce a number the company agrees on. The respondent calls the behavior "The simple truth" and believes other firms probably have more sophisticated calculations.

4.4.3 Substitute methods

After the purchase of Company Y the respondent dialed some former colleagues from a large accountancy and management firm to ask for some inputs in what model should be used when deciding the company's brand value after an acquisition. The answers the respondent received were very vague and informative so the respondent decided to continue to use the Relief from Royalty due to the company's traditionally used of it. It was a model the respondent understood and which gave a specific number after the calculation. The respondent believes the method Relief from Royalty will be used in the future as well, as long as the regulations

and standards stay the same. The reason for the respondent's opinion is the historical value with using the same model to receive figures which are comparable with each other over time.

4.4.4 ISO 10668

When discussion the standards the respondent's department naturally uses IFRS 3 Business Combination since every listed company group needs to do so after 2005. IAS 38 Intangible Assets is used if the department needs to look further into questions of definitions and alike. However, the recently introduced standard ISO 10668 has the respondent never read through or even heard of, even though the model Relief from Royalty is defined here.

4.4.5 General about Brands

Respondent concludes by talking about brands in general. For the department in Sweden, the brand measuring is more of an accounting term and the interest is low due to the fact that the department measures nothing from it. The respondent believes the measurement and the received figure is more important in the media group's headquarter where the consolidation is made. However, Company X has begun to focus more on brands and the value of them. The respondent finishes with the fact that Company X is nowadays more interested in a possible new affiliate's brand than in the business itself.

5. Analysis

The analysis chapter aims to connect the framework and empirical chapter to culminate the discussion into an analysis of the subject which will provide the reader with answers to the problem statement.

5.1 ISO 10668

According to J. Treffner the ISO 10668 was originally created due to the different results when varied companies measured the same brand. Companies made diverse assumptions which were reflected in the result. Some respondents agreed that the problem was obvious and saw the importance in establishing ISO 10668. ISO 10668 mention that the purpose of the standard is to supply companies with guidance on how to form a consistent and reliable approach when measuring brands. While both M. Lindqvist and the respondent from Company X sympathies the necessity of the standard they recognize the lack of knowledge and awareness within companies. Lindqvist support his argument with the statement that many companies outsource their brand measurement process to external accounting firms. This statement is also enhanced by the respondent from Company X who lacked of knowledge about the standard ISO 10668. The controversy arises when the respondents from Company X emphasize the importance but later state the ignorance from companies. We believe one argument is the short time period the standard has been implemented and available. In addition the fact that ISO 10668 is not mandatory could make companies to not choose to put much energy and effort in interpreting the standard. Companies have possible not yet been used to the new standard and its meaning. We question then the complexity of the standard and how the interpretation is being done. The purpose of ISO 10668 was to help companies facilitate the work to measure a brand which it might have done to a certain extent according to D. Wastå. However, if the company does not even know how to interpret the standard as J. Treffner mentioned we believe the purpose itself fails. Hopefully given more time and expertise the awareness augments.

Further, even though most companies are not well informed about the standard J. Treffner believes that companies within the communication and advertising business are more aware of the standard due to the importance of brands when being highly customer oriented. We consider that J. Treffner's opinion regarding the awareness of ISO 10668 within communication businesses arise from the realization of what value a brand can generate. In our believe, this is quite natural because within this business brand is almost their only identity. For example Doyle (2002) state that a brand helps the customer to associate the company with the company's offered product or service. Considering the fact that advertising and communication businesses mostly offers services the brand itself helps the customer identify the service and therefore the brand become extremely important to the company.

Furthermore, these businesses usually consist of a lot of intangible assets. Instinctively you would think companies with a lot of intangible assets would be more concerned how to measure these assets to best extend. However, according to the interview with the respondent from Company X the different measurement methods and the ISO 10668 are not especially familiarized. Why does it not lay in a company's best interest to know the different options in how to measure their assets if they have high concentration of intangible ones? Considering answers from both D. Wastå and J. Treffner the only answer is conventionality and simplicity. However, in the future these factors will probably be trumped by factors like accuracy because of the realization of the importance of intangible assets.

The ISO 10668 is a well-covered guideline and the idea of companies following it is considerable but barely reachable according to D. Wastå. Having the conceptual framework in mind the comparability and verifiability is strengthened by this standard. After discussing with the accounting firms and the respondent from Company X we believe a greater harmonization is a result between companies and therefore also a more clear comparability. Further, when analyzing the verifiability factor the ISO 10668 has enhanced it due to more clear instructions of brand measurement. We find ISO 10668 will results in that the observer of the financial reports are being more assured of the faithfulness regarding the economic phenomena considering that the companies now have an additional guideline. Unfortunately ISO 10668:2010 still has to be more recognized for this to be achieved.

5.2 Relief from Royalty

The most frequently used brand measurement method is found in the Income Approach named the Relief from Royalty method. According to scientific literature e.g. Treffner (2011) the Income Approach is the only functional way to measure a brand which was also the result our qualitative analysis with interviews gave. The reason why most companies turn to the Relief from Royalty when measuring a brand is mainly because of a traditional factor. We believe that companies feel comfortable and secure when using a model which can supply them with historical information. Due to companies' long tradition of using the Relief from Royalty method, the enhancing qualitative characteristics comparability is reached. This enables a comparable analysis of the brand's value between different dates but also with other company's reports as well. After our interviews we also understood that companies sometimes do not fully understand any other method and are hence using the one that "always been used".

5.2.1 The Royalty Percentage

Companies need to search in large databases to find comparable transactions and royalty percentages. A problem we discover here is that the databases are mostly over the U.S. market and is not covering the European one. However, according to J. Treffner, M. Lindqvist and D. Wastå the dealing with brands will probably increase in the future and the databases will

perhaps be expanded and covering different markets. The largest concern with the royalty percentage is the exertion to find comparable data which fits the brand in need of a valuation. According to the respondent in Company X, the business standard on royalty percentages in media groups is set på 2-10 % with an average of 6 %. However, since no other interview was executed with a media group this figure is not statistical proved in this thesis.

5.2.2 Discount factor

Since the discount factor is depending on the risk and time value of money this figure is set from case to case and is not standardize. It would be interesting to investigate in how companies decide on the discount factor, however, giving our time frame the focus was not put here.

5.2.3 Growth Factor

The growth rate is highly connected with subjectivism and uncertainty since there is no way to truly know the futures prospected revenues. It is also naturally hard to distinguish the cash flow only connected to the brand and not to other cash generating part of a company. An important parameter is therefore to understand which assets that are connected and in what way. A customer relationship needs e.g. the brand, the patent, the inventories and the machines and so on and consequently we find it hard to calculate a trustworthy growth factor. The interviewed respondents from Company X had a rule to set the growth factor to a perpetual state on 1, 5 %. However, Company X only bought brands which are all on the same growing phase with immature brands. Therefore we believe it is easier for them to set a standardize number and the result will thus not be implemented straightforward on every company.

5.2.4 Flaws

There exist a few flaws with the Relief from Royalty method. As stated before, the method is built on a level of subjectivism and uncertainty which are two characters to brand measurement discussed in the problem background. The method can therefore exacerbate the conception of people's views on brand and increase a feeling of untrustworthy figures and complicated measurements. The uncertainty is mainly concerning the royalty percentages and the growth factor which we see as the hardest factor to make a reasonable estimation. The reason for this assumption is the futures volatility where it is impossible to make a presumption for sure and the databases over the U.S. market.

We believe that small and medium sized entities are facing more problems with the Relief from Royalty method. The reasons why we believe so are the sometimes low measure of the brand in these companies as well as few acquisitions where the method will be used. These

companies would probably not have the same experience in the process of measuring a newly purchased brand which also J. Treffner and M. Lindqvist argued about. D. Wastå discusses the fact that large U.S. companies can find more accurate and trustworthy royalty percentages in the data bases. Small and medium sized Swedish companies will therefore in our opinion probably need to use a royalty percentage where the comparable company is a bit different, perhaps both in size and in industry.

Another flaw with the Relief from Royalty method is that some important factors are not taken into account of. Both marketing and investments costs are not taken into consideration which we do believe is two posts with both importance and a sometimes hugely cost behind.

5.2.5 Benefits

The benefit with the Relief from Royalty method is the fairly solid work larger listed company performs. Our empirical study gave us the impression that quality correlated with size. Since it is often larger firms which acquire other companies frequently, a situation where brand measuring needs to be done, we consider the quality being more accurate where it matters the most. It also exist a lot of competent accounting and management firms, such as both PwC, Deloitte and Grant Thornton which have great knowledge at hand with specialist like J. Treffner and M. Lindqvist with 20 years of experience in the field. D. Wastå has as well worked for many years in the field and also has knowledge as a CFO in a media group. We believe that the brand measurement process improved after the introduction of IFRS 2005 whereas the system harmonized over Europe. A part of this is of course the fact that intangible assets have got more and more attention following the trend with a more knowledge-based society. Some of the method's flaws can also be solved by doing a comparable analysis using other methods which we believe is a good system to verify the figure. This would also satisfy the verifiability characteristic which would enable independent observers to estimate the same figure. However, doing comparable analysis is of course more time consuming. After interviewing PwC's , Deloitte's and Grant Thornton's brand specialist we also discovered that the Relief from Royalty method is both cost and time effective which is of course an important factor for companies in need for a valuation.

5.2.6 Improvements

The Relief from Royalty method could be improvement if factors such as investments, marketing cost and a like could be taking in to consideration. We believe that these types of cost normally increase revenues connected to the brand which should be reflected in the royalty figure.

5.2.7 Future

We believe the future for brand measuring and the Relief from Royalty is bright due to the fact that companies discover the importance more and more as the years pass by. Just the fact that ISO finds it important enough to write a guideline about brand measuring shows that the subjects receives more attention in the business and accountancy world. Even though the existing standards probably will stay the same for the next couple of years, it is possible that the Relief from Royalty will elaborate its method to improve and take more factors into account. It is of course also a chance of changing method where another method will take the Relief from Royalty's place as the most widely used. We believe it is most likely that the Income Approach will be used a lot in the future due to companies widely experiences in this approach. When or if an open market would develop where brand would be traded the Market Approach would probably replace the Income Approach.

5.3 Branch specific

Referring to the problem discussion, Treffner (2011) states that the problem with measuring intangible assets and brands is the subjectivness it provokes. Every company has the plausibility to do a slightly different procedure from one another. As T. Sougiannis (1994) mention some companies have a tendency to measure intangible assets different depending on the industry. On the opposite D. Wastå and M. Lindqvist both agreed on, when concerning brands, the chosen approach is independent on the business and industry. Even though e.g. D. Wastå enlighten a problem with the Relief from Royalty method with few comparable transactions when analyzing the royalty percentages, the trend to use the Relief from Royalty method seem to be the most common one independent on business and industry.

The respondent from Company X also agreed on the disconnection on business or industry and the measurement method a company choose. We found this rather surprising considering every business is unique and to some extent depended on the brand for its survival. It feels odd that only one method is the most ideal one to use when every company is unique in its needs and have different transactions. It is hard to see that factors like convenience and simplicity, as all the interview respondents confirmed would be the only reason for choosing one method. Every company do not of course need to use the same method, but there must be more reasons why most companies rely on the same method.

Firstly, we believe companies want to achieve comparability among them. Considering that intangible assets are hard to define companies does probably not want to aggravate the problem more by using different methods. Secondly tradition is important in accounting and to be able to compare year to year both inside and outside a company it is preferable to use the same method. It takes time, effort and expenses to adapt and use a new method which most companies would like to avoid. The simplicity has also been taken into consideration. A method which is easy to understand and implement is rather favorable than one which is complicated and almost gives the same result.

Lastly it is important to mention that business combinations are rather rare to some companies. When acquisitions are not performed regularly we believe that companies do not have the time and knowledge to adapt to other methods. It is more uncomplicated to look at what other companies have done or what accountancy firms recommend and follow that method.

6. Conclusion

The conclusion chapter aims to draw a conclusion from the empirical data and the theoretical analysis and present what we as researchers has discovered using our problem statement to clarify.

6.1 Sub-questions

- Which measurement method is most frequently used in media groups? Is the measurement method industry-specific?

The most frequently used method concerning brand measurement is unhesitatingly the Relief from Royalty method which is used independently of which business or industry a company appears in. We found the disconnection between measurement method and industry rather surprising considering every business is unique and to some extent also depended on the brand for its survival. The reasons for the widely extent usage of the Relief from Royalty method is mainly due to a traditional factor as well as the time- and cost efficiency it brings. The flaw with the method is mainly the subjective opinions it brings when analyzing the royalty percentage and the growth factor. However, this can be improved by doing a comparable analysis using another substitute method. The benefit with the Relief from Royalty method is the fairly solid work larger listed company performs when measuring their brands with this method.

- Which effect has the brand measurement standard ISO 10668:2010 had on the brand measurement process?

The ISO 10668 has had less effect on the brand measurement process than we thought in the commencement of our thesis. Companies are according to our respondents very vague aware of the standard and they are also lacking knowledge in how to apply the standard. With this in mind we conclude that there has been barely any effect on the measurement process due to poor consciousness of the standard. However, the ISO 10668 has to a certain extent succeeded to facilitate to clarify the already existed approaches and the standard will hopefully be more integrated gradually into companies brand measurement process during the years to come.

6.2 Problem Statement

Which approach does a media group takes when measuring a brand's value for the financial reports when an acquisition is occurring?

The approach media groups take when measuring a brand's value is found in the Relief from Royalty method under the Income Approach and the usage of this method is not industry-specific. The fairly new standard ISO 10668 which were created to facilitate the process has not yet influenced the measurement of brands to a fully extent.

7. Further Research

In the last chapter, further research concerning the same subject is presented. There exist naturally plentiful of possible research and we chose to present the ones we as authors feels like the most interesting ones.

7.1 Relief from Royalty

The Relief from Royalty method was by far means used most widely when media groups are measuring brands. After gathering the empirical data by interviewing respondents from large accountancy and management firms we quickly understood that they all agreed on the suitable method the Relief from Royalty independent on which industry the specific company appeared in. The respondent from the media group Company X also agreed on this statement. By reason of this conclusion, it would hence be interesting to analysis and look further into the Relief from Royalty method.

Research could be done concerning the hugely royalty percentage databases over the U.S. market and how comparable these are with the European or Swedish market. We as researchers would find it intriguing to investigate and gather information about the royalty percentages which, according to the respondents, was one of the most difficult components in the method. The discount factor would as well need a deeper analysis on why and how companies choose this factor. We also believe the process to find the growth rate connected to a brand is a very time consuming processes, especially after interviewing our respondents from the accountancy and management firms.

Since we as researchers do have an interest in the future for brand measurement this would too be an interesting aspect of a thesis. The Relief from Royalty method will maybe be interchangeable in the future and another method will take its place as the most favorable one.

7.2 ISO 10668 and other methods

The ISO 10668 has still not been recognized by companies and it would be interesting to investigate the actual effect on different companies' process to measure a brand's value. In addition, future research could also touch how the awareness of the standard could be improved within entities. A more covered research could be done to see if the standard has given the desired result which the creators wished for. Lastly limited research has been done on other measurement methods than the Relief from Royalty. It would be intriguing to investigate industries were other methods are being used instead, if they do exist.

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9. Attachments I: Interview Questions, Company X

Allmänna frågor:

- * Berätta lite om dig själv, din bakgrund, position osv
- * Berätta lite kort om företaget
- * Vad har Ni för kunskap och erfarenhet inom just varumärkesvärdering?

Varumärkesvärdering

- * Hur många jobbar aktivt med varumärkes värdering inom företaget?
- * Läggts det ner mycket tid på värderingen vid förvärv av nya företag? Hur viktigt är detta för er?
- * Hur går ni tillväga när ni ska värdera ett varumärke? Vilka är svårigheterna? Vilka är för- och nackdelarna med att värdera ett varumärke?
- * Värderar ni alla varumärken enligt samma princip eller är det olika beroende på märke/bransch/kostnader?
- * Vad består ett varumärkes värde av? Vad är underlaget för värderingen?
- * Får du känslan av att företag generellt brukar följa samma standards? Eftersom det finns rum för egna tolkningar, använder sig företagen av detta

Lagar och standards

- * Vilka följer ni?
- * Hur mycket använder branschen sig av ISO 10668, IAS 38, IFRS 3?
- * IFRS infördes 2005 och ISO 10668 2010, blev det någon skillnad för er?

Framtiden

- * Tankar om hur framtiden för varumärkesvärdering kommer se ut?

10. Attachment II: Interview Questions, PwC, Deloitte and Grant Thornton

Personliga:

Berätta om dig själv

Vilken erfarenhet har du inom ämnet?

Frågor gällande varumärkesvärdering

Vad är ett varumärke?

Vid företagsförvärv vilken metod är vanligast vid varumärkesvärdering? Är valet baserat främst på bransch eller kostnad eller annat faktor?

Vilken metod används minst men ändå förekommer bland vissa företag?

Brukar ett företag använda olika metoder beroende på situation? bransch? syfte? Kan varumärkesvärdering medföra en viss problematik.

Vilket underlag används vid värdering av varumärke?

Är företagen väl medvetna om hur man gör eller används oftast en extern källa?

Lägger man ner mycket tid på och pengar på att få fram ett rättvist värde på varumärket?

Har man agerat annorlunda sedan 2005 då det blev obligatoriskt med IFRS?

Vad är en strategi oftast vid förvärv av varumärke? är det för att få bort konkurrens från marknaden?

Hur stort fokus lägger man på icke- finansiella kvalitéer på ett varumärke? som t.ex kännedom, förtroende etc?

Tror ni/du att företag med lite materiella tillgångar lägger större vikt på värdering av varumärke än de företag/organisationer med mycket materiella tillgångar?

Känner du att företag är duktiga på att hålla sig till reglerna och väl känner till värderingsmetoderna?

Vilka förbättringar inom regelverket (IFRS, ISO) kan ni/du utifrån er/din erfarenhet rekommendera för framtida situationer gällande varumärkesvärdering.