

## **Brands matter? A new approach to the relationship between Brand Value and Firm Value**

**RICARDO RODRIGUEZ WHATELY**

PONTIFÍCIA UNIVERSIDADE CATÓLICA DO RIO DE JANEIRO (PUC-RIO)

**JORGE BRANTES FERREIRA**

PONTIFÍCIA UNIVERSIDADE CATÓLICA DO RIO DE JANEIRO (PUC-RIO)

**MARCELO CABÚS KLOTZLE**

PONTIFÍCIA UNIVERSIDADE CATÓLICA DO RIO DE JANEIRO (PUC-RIO)

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## Introdução

The marketing-finance interface is crucial for business success. Studies, such as the seminal work by Madden et al. (2006), generally show that valuable brands increase firm value. However, this research criticizes that view as simplistic. The study proposes a new factor, "brand value relevance," to assess whether companies highly dependent on their brand assets actually exhibit superior performance. The analysis seeks to offer new perspectives on the true importance of the brand to a company's value and to open new research avenues.

## Problema de Pesquisa e Objetivo

Empirical studies consistently show that high brand value firms financially outperform low brand value firms. Past research typically compared portfolios based on brand strength. Differing from this approach, this study introduces "brand value relevance"—the brand's significance relative to firm market value. It will test for abnormal returns between high and low brand relevance portfolios using the Fama & French 5-factor model, offering a new perspective on how brand value impacts performance. The objective was to determine whether companies with high BVR outperform those with low BVR.

## Fundamentação Teórica

While studies show brand value correlates with firm value, they often ignore a brand's relative importance to the company's total worth. A strong brand might not be a key asset for some firms. This research addresses this gap by splitting portfolios based on "brand value relevance." The core objective is to determine if a company's high reliance on its brand equity, not just its absolute value, drives superior financial performance.

## Metodologia

This study employs the Fama-French 5-factor model to assess brand value's impact on firm performance. Using S&P 500 stock data (2013-23) and Brand Finance data, a novel "Brand Value Relevance" (BVR) factor was created (Brand Value / Market Value). Companies were ranked by BVR annually to form High (top 25%) and Low (bottom 25%) BVR portfolios. A least squares regression was then used to test if the High BVR portfolio generated superior abnormal returns (alpha) compared to the Low BVR portfolio, after controlling for the five established risk factors.

## Análise dos Resultados

This research found a significant link between a high BVR (Brand Value Relevance) factor and both abnormal returns and low book-to-market ratios. Conversely, low BVR segments showed lower volatility but also had reduced returns. The BVR factor is a nascent concept introduced to deepen the understanding of how brand value, a complex process with many layers, impacts firm value. We hope this initial study encourages future research using the BVR factor to further clarify this intricate relationship and its interaction with other intangible assets.

## Conclusão

This study introduced Brand Value Relevance factor (BVR) to analyze the brand-firm value relationship. Using S&P 500 data (2013-23) and the Fama & French 5-factor model, it compared High and Low BVR portfolios. While no significant abnormal return was found between these main portfolios, sector-level analysis was crucial. High BVR segments like Technology and Healthcare drove alpha, while low BVR segments showed lower volatility. This BVR approach offers novel insights into the brand's complex role in firm value.

## Contribuição / Impacto

This study introduces Brand Value Relevance (BVR) as a new factor to analyze the brand-firm value relationship. It challenges prior research by showing that firms in low BVR industry segments have lower volatility. Crucially, alpha (abnormal returns) is not uniform; it is concentrated in high BVR segments, proving investors don't reward all strong brands equally. The findings reveal that brand value benefits are contingent on industry context, opening new research avenues on the mechanisms of value creation and the interplay between brand and other intangible assets.

## Referências Bibliográficas

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