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# INTERPRETATIONS

# OF MANUFACTURERS' CONSUMER BRANDS

# AND FINANCIAL REPORTING:

# *AN EXPLORATION OF MULTIPLE REALITIES*

VOLUME 1

A Thesis
submitted in partial fulfilment of the requirements
of the degree of Doctor of Philosophy
at the
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**Dot Cochrane**

**1996**

## Abstract

In this study, interpretations of the nature of brands and financial reporting with reference to brands disclosure are examined in an interdisciplinary, multifaceted, and exploratory investigation which incorporates a strong empirical focus. The thesis constitutes interpretive research into brands and financial reporting as complex, dynamic constructs of contemporary society. Through interests in the creation of brands in contemporary consumption and aspects of financial reporting, the thesis is informed by marketing, sociology and accounting. The specific focus of the study is manufacturers' consumer goods brands. Problems of reporting brands as company assets were illustrated by accountants' reactions in the United Kingdom to the actions of Ranks Hovis McDougall plc, which, in 1988, recognised and disclosed acquired and self generated brand assets at a valuation in the company's annual financial statements. Issues concerning the reporting of brands as assets on corporate balance sheets continue unresolved. This study focuses upon interpretations of diverse business people, who, directly and indirectly, are involved in aspects of creating manufacturers' brands, or with the financial statements, in which some companies now report consumer brands at valuation as corporate assets.

The thesis pursues an interpretive approach, based within the naturalistic paradigm. Central research questions are *'What is a brand?'* and *'How do brands fit with financial reporting?'* The interdisciplinary nature of the research impacts upon the study design. Dynamic fields of marketing and accounting/finance provide the framework within which are situated the sixteen institutional reference groups of some seventy interview respondents. The multiple realities, constituted by group and field perspectives, yield diverse interpretations of brands and financial reporting. The design of the study explicitly introduces potential for levels of comparison across and within fields of marketing and accounting/finance, and between and within the reference groups. Within the framework of the naturalistic paradigm, ethnographic methods shape the execution of empirical fieldwork, and creation of the chapter texts.

The design of the study incorporates development of thick descriptions which give cultural and contextual dimensions for the field reports from analyses based upon the extensive interviews. Wide ranging interpretation combines field reports, thick descriptions and background themes. Thick descriptions are built in chapters three and four through exploration and interpretation of issues significant for the central research questions of *'What is a brand?'* and *'How do brands fit with financial reporting?'* Extensive sources are drawn upon - bodies of appropriate literature; a prior in depth analysis of brand disclosures in annual

reports of listed New Zealand companies; company documents filed at the Companies Office, Department of Commercial Affairs; and diverse social, legal, and accounting documents. The empirical research data derives from sixty one taped interviews and further interviews through questionnaires. The empirical data was analysed to yield two separate chapter reports which are framed by conceptual themes reflexively developed in the stages of the empirical data analysis. The reports from the fields incorporate verbatim quotations. The analysis and reporting processes are informed by the thick contextual and cultural descriptions. Consequent interpretation is structured within the conceptual themes framework. The interpretation develops insightful perspectives of brands through combining dimensions of understanding of brands and financial reporting constructs arising within multiple contemporary commercial realities. Key patterns of explanation constitute the findings of the research study.

The contributions of this research to accounting knowledge may be classified in diverse categories, and at different levels. Firstly, there is the original contribution to the understanding of brand natures and their complex construction derived from the research anchored in marketing and sociology. Secondly, by exploring aspects of brand natures, the study further elucidates the brands-financial reporting interface. Through developing insights into the nature of brands, the study enables greater understanding of those properties of brands significant for accounting practice. The study raises questions out of its analysis of the fascinating world of brands and their interface with financial reporting. Through research into the brand as a contemporary commercial construct, the thesis raises analogous questions for financial reporting as another business construct which gains shape and contemporary meaning in current commercial practices. The study makes an original methodological contribution, because its research design and execution enable particular insights into brand natures to facilitate better informed financial reporting regulation. Finally, the thesis fulfils a confirmatory role; through the verbatim words of respondents, the study offers direct confirmation of views expressed in recent literature.

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**PREFACE:**

The research that I have undertaken arises from a fascination with differing perceptions of brands among diverse reference groups in contemporary commercial society. My research uses ethnographic methods to explore the ways in which business people reference brands. For some brand owners, the professed dimensions of brand values appear huge. Other business people contest the notion that brands may have significant value. Their concerns appear complex. For many years before I came to study accounting, my interests were in marketing, advertising, and the construction of brand imagery. I first became conscious of quite different perceptions of brands in conversations with fellow accounting academics. My examination of varied brand disclosures by companies in their annual reports (Cochrane, 1994b) added further dimensions to observed differences between marketing and accounting *'ways of seeing'*. In the United Kingdom in 1988, actions by Ranks Hovis McDougall plc (RHM) in disclosing acquired and internally generated brands at valuation on the balance sheet, gave impetus to debate over goodwill and separable intangibles. The manner in which accountants and regulators appeared, through contributions to the debate, to perceive brands further increased my interest. Reporting of brands appeared problematic given my understanding of the traditional accounting framework. There appeared to me, in this regard, to be something of a misfit between the overall reporting requirements for a *'true and fair view'*, and the accounting regulations which shape reporting requirements.

In modern consumer markets, brands facilitate people's choices among many, often otherwise substantially identical, products. The role of consumer goods brands can be delineated by contrasting contemporary consumer markets in westernised countries with the former markets of the eastern European communist bloc. Around 1990, news photographs from Eastern Europe and Russia indicated that people queued to gain access to meagre supplies of commodities. With products in short supply (and little product choice), consumers had no use for brands. The commercial infrastructure through which brand owners build and manage consumer goods brands was consequently non existent. It can be seen that brands gain identity in consumer purchasing. Examination of the phenomenon of consumption, and the significance of branded consumer goods within contemporary consumption, are explored in the study. The examination provides contextual and cultural referencing for the fieldwork undertaken.

The brands of manufacturers of branded consumer goods are the focus of this study. Such brands are created and managed by the manufacturer owner, but brand success is achieved through consumers' continuing adoption. The particular interest of the thesis is financial reporting and disclosure of brands on balance sheets, for which the nature of brands has central significance. In setting out the marketing and financing operations of the manufacturer of branded consumer goods, the study outlines two commercial fields - marketing and accounting/finance. The research sought interpretations of brands from business people from institutions within these two commercial areas. It also sought perceptions of financial reporting from people within the accounting/finance field.

Accounting and reporting practices in contemporary society are substantively influenced, at least ostensibly, by accountants' frameworks of formal concepts or their equivalent. Conceptual frameworks are recent creations of regulatory accounting bodies. Assets are conceptually -

> *..service potential or future economic benefits controlled by the entity as a result of past transactions or other past events* (New Zealand Society of Accountants (NZSA), *Statement of Concepts,* 1993, para. 7.7).

Accounting assets may refer within physical reality to buildings and land, or to intangible constructs within social reality. Such intangibles may be legally based in property rights - for example trade marks and patents, or they may be constructs deriving from social and commercial practices - for example goodwill and brands.

The annual report is the vehicle through which company managements communicate information to their shareholders and to society. Within the annual report, the financial statements are structured according to accounting regulations, which explicate accounting concepts. There is also an overall view, grounded in legislation in New Zealand. The financial accounts presented must give a *'true and fair'* view of the company operations reported (*Financial Reporting Act* (NZ) 1993). In the commercial world, accountants and accounting regulators seem divided over recognition of brands as assets, and companies' reporting of brands appears to vary greatly.

The personal roots of the research which structures my study are multiple. My interest in brands has a fourfold derivation. It comes cumulatively on the one hand from around thirty years of shopping experiences as a consumer. Secondly, for over twenty years, I was involved in forms of advertising and marketing employment[1]. Thirdly, my practical experiences in marketing and advertising became grounded in marketing theory when I took five marketing courses in the management degree, which I completed at the University of Waikato during the 1980s. Although my management degree has an accounting major, there is a strong marketing/information component. Prior to returning to university, I had been employed for four years as a legal accountant in law offices, and had successfully completed the legal executives' course of the New Zealand Law Society. My interests in the manner in which people perceive brands derive from this combination of legal/ accounting/ marketing-information/ consumer background. My understanding of professional societies has been formed firstly through my association with the practice of law and secondly through partial completion of the membership process in joining the New Zealand Society of Accountants.[2] My background knowledge of professional societies has been extended through lectures I have prepared and given concerning the roles and nature of the New Zealand Society of Accountants, on preparatory courses for the Society's professional examinations.

Company documents for shareholders and noteholders arising from personal investments form the basis of a document study. Incorporated into the thesis is an extensive study of brand disclosures in annual reports (Cochrane, 1994b). Particular brands, which are part of my lifestyle, inform aspects of the field design and constitute examples. A characteristic of the naturalistic enquiry, which frames the research, is the primary significance accorded humans as data gathering instruments (Lincoln and Guba, 1985). McCracken (1988) observes that the investigator's experiences add a richness of possibilities and pointers.

> *The investigator cannot fulfil qualitative research objectives without using a broad range of his or her own experience, imagination and intellect in ways that are various and unpredictable* (Miles, 1979, quoted by McCracken, 1988, p. 18).

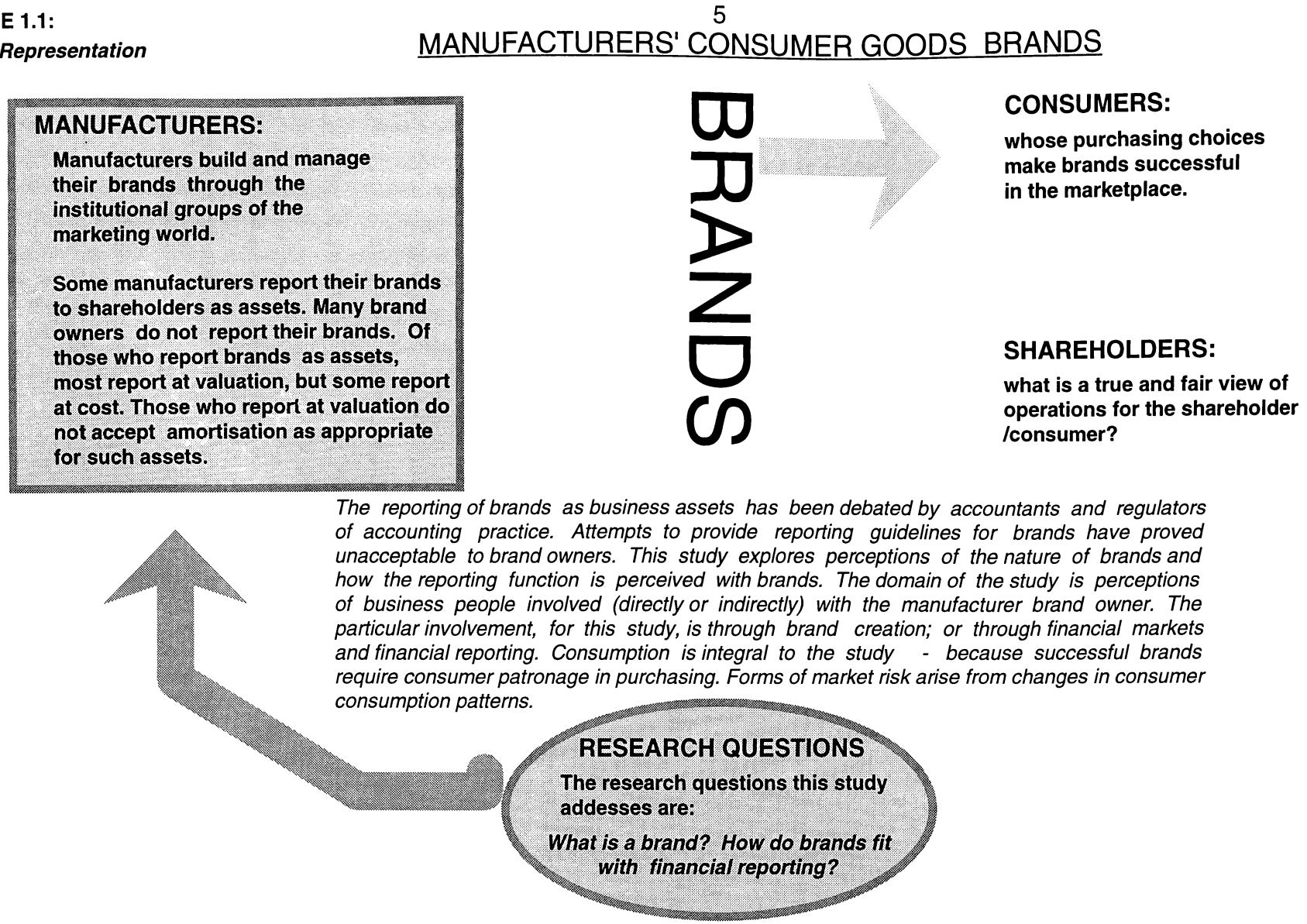
The manner in which this study is constructed is important. Field research was carried out using ethnographic methods. Contextual interpretations developed

through examination of historical and dynamic dimensions of the individual fields of marketing and accounting/finance contribute to a deeper and richer comprehension of brands and financial reporting as constructs of contemporary society. Such comprehension, as thick description, informs understanding of the particular institutional group perspectives developed through the analysis of empirical data.

Thick description of social structures may be historical, contextual, cultural and interactive (Guba and Lincoln, 1981; Denzin, 1989). In this study, creation of thick description draws upon bodies of literature primarily in accounting, marketing and sociology; and also draws upon anthropology, finance and law literatures[3]. Contemporary social documentation provides further sources of material for building thick descriptions. Where a study is interdisciplinary, Marshall and Rossman (1989) argue the relevant literature may be inchoate or fragmented, and therefore better incorporated during the study on a continuing basis. Patton (1990) argues similarly, that in qualitative enquiry the incorporation of the literature may be suited to the structure of the enquiry. The ethnographic methods used in this study privilege fieldwork, analysis and text creation. Van Maanen (1988) argues that ethnographies may be *'crammed with details and facts'*. In creating the text, focused illustrations explicate, or further develop, points made. These concise illustrative examples are given particular typographical profile, inset within the chapter texts.

The study seeks understanding of business people's interpretations of brands. An attempt to gain insights into the manner in which business people perceive brands, and the senses in which they express brands as valuable, is understood as giving indications of people's interpretations of brands. In interviews with people in the accounting/finance field, views were sought on communication of brands in annual financial statements. The focus encompasses financial reporting as a contemporary commercial construct. The study is thus concerned with dynamic aspects of business, in which diverse business groups articulate different interpretations of brand and financial reporting constructs, valorised in contemporary commercial and social practices. Through its exploration of brands, the study emphasises the need for maintaining contemporaneity of brand constructs. Analogously, the research raises questions about the current correspondence of financial reporting constructs to contemporary corporate reporting requirements. **Figure 1.1:** (next page) sets out a representation of the study domain.

**FIGURE 1.1:**
***Study Representation***



# 1.0 CHAPTER ONE: *INTRODUCTION*

> *A perspective is an ordered view of one's world - what is taken for granted about the attributes of various objects, events and human nature. It is an order of things remembered and expected as well as things actually perceived, an organised perception of what is plausible and what is possible; it constitutes the matrix through which one perceives his[4] environment. The fact that men have such ordered perspectives enables them to conceive of their ever changing world as relatively stable, orderly and predictable* (Shibutani, 1955, p. 564).

## 1.1 *Introduction*

Each of us is a part of the continually changing social world in which we live; cultural worlds of seemingly shared values and expectations. But for each of us the world is not identical. Perceptions are selective, and dependent upon the values which are derived partly from background, circumstance, and the various groups of which we are part (Shibutani, 1955).

In this study, the understanding of brands of differing business groups is the focus. The study reports on research into the interpretations which business people have of brands and financial reporting. Currently, reporting of brands is perceived as problematic. Exploration of the nature of brands is argued to assist in clarification of brand attributes, given consideration in decisions determining financial reporting of brands, and to give insights into the complexity of the issues involved.

This introductory chapter outlines the focus of the study and its format. Firstly, a general introduction sets out preliminary perspectives of contemporary society; aspects of consumption and marketing in which brands are constructed; and accounting and financial reporting practices that are important to the study. Secondly, the nature, focus and purpose of the research into brands and financial reporting are outlined. Thirdly, as broadly delineated background, assumptions of the study are reviewed and interests involved in the study are introduced. Marketing

issues which encompass contemporary consumption and the currently emerging awareness of brands are presented. In the accounting field, the debate over reporting brands as separate corporate assets is reviewed. A survey of brand reporting internationally gives an indication of levels of awareness and perceptions. The phenomenon of value is outlined, in a general manner, as background to specific aspects of value which are raised in subsequent chapters. The chapter concludes with a presentation of the organisation of the thesis chapters.

### 1.1.1 *Consumer Society and Brands*

In westernised *'post industrial'* societies, business and society are reflexively intertwined, and the true focus of contemporary economic operations, Morgan (1993) argues, is no longer centred upon the making of products, but on the consumption of the results of mass production.

> *It is a world in which the production of commodities and services is no longer the central problem; the gravity has shifted to consumption, to persuading people to buy the things that are produced* (Morgan, 1993, p.137).

Morgan's arguments are informed particularly by Baumann (1987), and similarly advanced by Slater (1989). These authors investigate relationships embedded within the materialist dynamics underlying the consumption framework of contemporary society. For Morgan, notions of marketing are central to the nature of our world. He suggests that marketing is both formed by, and formative of, the consumption culture of society. Morgan argues that particular societies are reflexively produced and therefore, in contemporary consumption, the consumer has essential complicity [refer 3.2.3.2; 3.2.3.3; 3.2.3.4, *subter*].

One form of consumer complicity is through brands. Manufacturers produce products; consumers buy brands [refer chapter 3, *subter*]. This succinct distinction is emphasised by many writers (Pitcher, 1985; Aaker, 1991b; Biel, 1991; de Chernatony, 1992; Kapferer, 1992, 1994; Ogilvy, quoted by Blackston, 1992; Restall and Gordon, 1993). The centrally positioned roles of brands and branded consumer goods in modern consumption is examined in chapter three. The ways in which consumers contribute to brand success provide cues for brand owners' management of their brands.

Brands can be viewed from different perspectives - for example from that of the consumer whose on going purchasing patterns are necessary for continuing brand life, and from that of the manufacturer, as the owner and manager of the brand. This latter perspective - the creation and management of brands by the brand owner - is the particular aspect of interest focused upon in this study. It is given representation in **Figure 1.1:** [*supra*].

### 1.1.2 *Changes in Business and Accounting Practices*

The reporting of brands as part of the operations of business is not new. American examples from the 1930s are given by Walker (1938). The examples show brands grouped with trade marks and goodwill. From a similar period, Fjeld (1936), emphasises great variety in reporting practices concerning goodwill. In his analysis of 587 balance sheets of companies listed on the New York Stock Exchange, Fjeld lists reporting of goodwill with other intangibles[5].

What is new sixty years later, is that it is widely held that the marketing assets which underlie sales revenues - for example, brands and market share - are no longer peripheral to successful operations, but are critical in consumer oriented industries and for some multi national firms (Garland and Farmer, 1986; Egginton, 1990; Radebaugh and Gray, 1993; Simensky and Bryer, 1994). Indeed, authors stress that commercial success is derived from competitive advantage involving differentiation in the marketplace (Levitt, 1980, 1988; Piercy, 1986b; Day and Wensley, 1988; Doyle, 1989; Crainer, 1995). International texts emphasise emerging interest in intellectual property in legal and economic perspectives (Caves, 1983; Bertin and Wyatt, 1988; Radebaugh et al., 1993; Simensky et al., 1994).

The emerging importance of market operations for business success has made some traditional accounting practices contentious. An example is the accounting rules for goodwill (Corry, 1990; Collum, 1991). Accountants' customary treatment of goodwill has been attained after much debate (Hughes, 1982; Cochrane, 1992a, 1992b). The recognition of acquired goodwill and non recognition of internally generated goodwill is discussed in chapter four [*subter*]. To avoid the accounting ramifications of goodwill classification, some businesses are identifying acquired brands as

separate intangible assets, instead of part of the goodwill collective asset[6]. A few companies are extending the separate recognition to include disclosure of internally generated brands. The actions of Ranks Hovis McDougall plc (RHM) in 1988 in arranging valuation of all its brands (acquired and self generated) and disclosing brand values on the corporate balance sheet, provided impetus to accountants' controversy over brand disclosures, particularly in the United Kingdom [refer 1.5.1, *subter*][7].

> *The valuation showed RHM's brands at about £680 million, against its net tangible book value of only £300 million. The valuation was accepted by RHM's auditors, and incorporated into the 1988 balance sheet* (Napier, 1994, p. 90).

Many companies are claiming that systematic amortisation is unsuited to such assets, for which companies claim indeterminable lives [**Appendix 1.IX**:]; [refer 4.4.2.4A, *subter*].

Accounting regulators have failed to date to provide successfully for regulation of intangible asset reporting in the United Kingdom, Australia or New Zealand [refer 1.5, *subter*]; [**Appendix 1.V:**]. There are currently attempts by the International Accounting Standards Committee (IASC) to establish regulations for intangible asset disclosures in annual financial statements [refer 1.5.2.2, *subter*].

## 1.2 *Nature of the Research Study*

The controversy over the financial reporting of brands has focused my interests. My research centres upon the nature of brands; how different groups in society perceive brands; and broadly, the implications of their views for *'true and fair'* financial reporting of business operations in which brands have significance. To gain understanding of the perceived correspondence of brands with dimensions of financial reporting, I am interested in views currently held by business people of annual reports, financial reporting, financial reporting regulation, and brand disclosures. Respondents from the institutions of the accounting/finance field are assumed to have views of corporate intangible assets, and of current reporting practices concerning such assets.

In this study, brands are assumed as a resource of marketing. It is within a company's marketing operations, that brands are built and managed. The annual report and the financial statements are created within the finance operations of the company. Historically, advertising agencies have supplied expertise in creation and placement of advertisements [refer 1.4.2, *subter*]. In the creation of brands and in the design of annual reports, companies are increasingly going to the marketplace for supply of promotional expertise [refer *Empirical Field Example* 3.12, *subter*]. In company financing, the marketplace is also changing. Activities of analysts and institutional investors particularly have increased, and relationships between the investing institutions and corporate manufacturers have become more complex. The people involved with these activities are at the centre of the field research, and their views provide the data for empirical analyses and reports.

### **1.2.1** *Research Problem*

The thesis is concerned to explore how different groups of business people perceive brands. Do brands have value? Are brands business assets? If brands are business assets, are brands recognisable for the purposes of financial reporting of business operations? The disclosure of brands on the balance sheet by Ranks Hovis McDougall plc (RHM), in 1988, provoked reaction from many accountants in the United Kingdom, because the brand assets disclosed were not only acquired assets, but also those generated by the firm. My research questions are *'What is a brand?'* and *'How do brands fit with financial reporting?'* Disclosure of brand assets in balance sheets mobilises many composite issues. The issues are multifaceted and dynamic. Some aspects relate specifically to brands, which are complex phenomena constructed and valorised in contemporary consumption patterns. Other issues arise from accounting as presently practised. The nature of professions in contemporary society is examined in questioning responsibility for determining financial reporting requirements. Accounting for brands is described by Napier (1994) as the most recent manifestation of conflicts over the nature and purpose of corporate accounts.

**1.2.1.1**. *Purpose of the Study*: The purpose of this study is to research the nature and value of brands. The financial reporting perspective is stated. The thesis explores perceptions of brands as expressed by many business people who are

involved directly and indirectly with operations of manufacturers of branded consumer goods. Many issues concerning brands and financial reporting are raised. The research questions *'What is a brand?'* and *'How do brands fit with financial reporting?'* express the research focus.

### **1.2.2** *Structure of the Study*

The study is exploratory; the approach taken is open and non dogmatic, it is based in the naturalistic paradigm (Lincoln et al., 1985; also Tomkins and Groves, 1983). Research is carried out using ethnographic methods.

In creating the research design, assumptions of reference groups and fields were made to substantiate the domains of marketing and accounting/finance. The assumption of the reference groups is based upon the arguments of Tamotsu Shibutani (1955). The creation of the marketing and accounting/finance fields encompasses not only the physical institutions, but also dynamic interrelationships [refer **Appendix 2.II:**] .The discourse of marketing, which encompasses brand creation and continuing brand promotion, is perceived as potentially very different from the discourses of financial markets in which financial reporting is constructed. To encompass dimensions of dynamic activity, recourse is made to notions of competitive interests which are part of the theory of fields developed by Pierre Bourdieu. A brief introduction is made in **Section 1.3** *Background to Groups and Fields.*

Following upon the initial introductory chapter, the methodological basis of the study is presented in chapter two. Also in chapter two, *theoretical* aspects of the study design and field research are argued; *practical* aspects of the fieldwork, the framework of analysis, and the creation of the chapter texts are detailed in chapter five. Chapters three and four build measures of thick description (Guba et al., 1981; Denzin, 1983, 1989; Lincoln et al., 1985) to create contextual and cultural understanding that gives richer descriptive dimensions of comprehension to the later field reports. The discussions in these chapters replace formal literature reviews. The chapters give thick descriptive structure to the dynamic field environments in which brands and financial reporting constructs are currently constituted and valorised.

As observed, the practical aspects of the fieldwork are detailed in chapter five. The placing is immediately before the field reports. In chapter five, the processes of the analysis and the iterations of text construction are presented. In these processes the conceptual themes emerged. These themes are further refined through the differing perspectives of chapters six, seven and eight. The themes have continuing significance because they emerged reflexively in the data analysis processes, and continue to develop within the changing perspectives of the chapters. The themes frame field reports, interpretation, and findings in chapters six, seven, eight and nine.

The reports from the fields of marketing and accounting/finance are articulated in sequential chapters six and seven, prior to the study interpretation in chapter eight, which combines field reports, thick contextual description and also draws upon the introductory background explicated in chapter one. Denzin (1989) observes

> *Interpretation builds, ... , on description. It gives meaning to experiences that have been thickly described* (Denzin, 1989, p.108).

The central interests of the research are business people's interpretations brands, and the manner in which brands may be communicated in financial statements. The structure of the study is illustrated in **Figure 1.2:** *Design of the Study* (refer p. 32, *subter*).

### **1.2.3** *Scope and Interdisciplinary Nature of Research*

The study is a research work in itself; it is also suggestive of further avenues for future research. The study fieldwork is empirically grounded in the interviews conducted with respondents in the fields of marketing and accounting/finance. There are twenty six interviews in the marketing field and forty two interviews in the finance field[8]. Some limitation arose from the availability of respondents, and also from constraints of time and project size. The interviews and respondents are listed in **Appendices 1.I:** *Interviews* and **1.II:** *People Interviewed.*

The study is limited to brands of manufacturers whose branded goods are selected and purchased by consumers in retail outlets. Excluded from the study are pharmaceuticals, because doctors' (and chemists') professional expertise is

interposed between the manufacturer and the ultimate consumers' choices. In a similar manner (prior to self service operations), the consumer used to rely upon the expertise, advice and service of small shopkeepers such as grocers (Strasser 1989). Also excluded are house and retailer brands, because the locus of responsibility for brand and product are separated. Service industry brands are different again, and are excluded. Whereas with product brands, the emphasis is on branding the tangible goods, with services it is the company that is branded (Berry and Parasuraman 1991)[9].

Instead of starting immediately with the potential for brands shaped as assets in accounting terms, the study is anchored outside the accounting profession in the wider social context, with historically evolving cultural patterns of consumption. There is thus a sociological/anthropological frame of reference which enables new insights into brands. Not only are brands explored as constructs of contemporary society; but also, brand meanings and values within the individual perspectives of marketing and of accounting business groups, are investigated. This wider frame of reference allows for examination of the perspectives of differing business groups - for example, perceptions of corporate brand owners, of personnel in advertising agencies, of analysts, bankers, and of valuers, and the interests of various groups such as regulators and auditors within the accounting profession.

Rather than isolating the companies and the accounting profession and regulators as objectively viewed protagonists debating regulation of financial reporting (of brands), the broader frame and qualitative approach employed enables different and deeper insights, given that brands, organisations, annual reports and professions, are all constructs embedded in contemporary society.

### **1.2.4** *Contribution to Knowledge*

Previous research into brands in New Zealand has been undertaken by Godfrey (1993), and Guilding and Godfrey (1995). The research has been based predominantly on questionnaire surveys mailed to companies. In their 1995 publication, Guilding and Godfrey have incorporated interviews with senior marketing and accounting personnel in five New Zealand companies, selected from returns to their prior mailed

questionnaires. Their research surveyed the prevalence and nature of brand valuation activities in strongly branded New Zealand based companies. Whiting (1995) suveyed the views of financial report preparers and sophisticated users in New Zealand concerning the presence of brand valuations on balance sheets. The research was carried out through two postal surveys.

To this researcher's knowledge there has not been extensive qualitative field research into the nature of brands, which has drawn extensively upon the creative institutions of the marketing field, as well as the institutions of the accounting domain. A 1989 survey in the United Kingdom by Jones and Williams (1992) interviewed/corresponded with respondents classified as preparers, professional accountants and users[10]. Qualitative research reported by Guilding and Pike (1994a; 1994b) interviewed a small range of marketing and accounting personnel in companies in the United Kingdom. The interviewees were eleven corporate personnel plus senior Interbrand officials[11]. The authors expressed that the research was exploratory and its focus was on brand management. The research in which this study is grounded differs from previously reported research in the range of interview respondents across both marketing and accounting fields. It differs also in its unstructured nature. The research focuses on the nature of brands; it asks *'What is a brand?'* The research differs also from a management accounting focus in its predominantly financial reporting interests. It asks *'How do brands fit with financial reporting?'*

This study's contribution to knowledge is therefore founded upon *multiple bases.* It interprets existing knowledge in diverse bodies of literature in sociology, anthropology, law, marketing and accounting to build a *clearer, and more informed understanding* of the complex constitution of brands in contemporary society. By providing a better understanding of the natures of these complex constructs, a more informed standpoint is achieved. Better insights and information may facilitate resolution of the issues and tensions which currently envelop attempts to provide regulation for financial reporting of brand values.

In the design of the fieldwork, the various groups within the fields of marketing and accounting have been chosen to enable a diversity of business groups' perspectives to be drawn into the single research study. Thus the design of the study in itself is

original in the nature and breadth of its constitution, and also in the unstructured nature of its approach. In its nature, the study is suggestive for the format of further inquiry where understanding rather than explanation is the intention. A further original contribution is achieved through the *geographic placement* of the empirical fieldwork, which is informed by the perspectives of a wide range of people in marketing and accounting/finance institutions in New Zealand. The study has also a *corroborative role*, in relation to previous literature.

## 1.3 *Background to Groups and Fields*

Business entities are forms of groups, with cultures facilitated through internal communication channels (Shibutani, 1955, p. 566). Varied external communications of a business such as branded product advertising, executive personnel advertisements and corporate annual reports offer perspectives of internal business operations, intimating aspects of the intangible resources of organisations, which are as crucial to successful operations as the physical building blocks. But, within images created by annual financial statements, the tangible asset basis of the firm appears favoured in numerical representation over intangible assets (Hines, 1988); [refer 4.4.2.1, *supra*].

Within societies, some groups become institutionalised, and their respective perspectives gain status as accepted standards. Shibutani (1955) emphasises the formality of the internal communication channels in such associations, as evidenced through journals which disseminate the cultural values of a particular group. Professionals' values are based in part upon traditions and conventions, and their activities are structured by professional judgement, an ability which derives from practical experience informed by a particular body of theoretical knowledge. While professional judgement may be classified among knowledge regimes alongside particular intuitive knowledge derived from specific experience, the substantive content of any two or more knowledge regimes may be totally different, even contradictory.

> *These conflicts are essentially alternative ways of defining the same situation, arising from several possible perspectives* (Shibutani, 1955, p. 568).

Variations in outlook arise through differing value sets, which come from alternative traditions and definitions of social and business situations (Berger and Luckmann, 1966, pp.102-105). People become aware of the existence of specific differences only when situations, which are coterminous in differing perspectives, have dissimilar value sets (Shibutani, 1955, pp. 567-568). For example, people who value commercial entities for lending purposes may have estimations of the existence and consequent value of particular business resources different from those of managers who deploy these resources in operations, and potentially different also from executive managements who oversee firm strategy.

Groups in society can be categorised into larger domains, in which the groups are linked through their interests. Pierre Bourdieu (1984, 1990, 1991, 1993a, 1993b; Bourdieu and Wacquant, 1992) develops notions of dynamic fields. In this study, Bourdieu's theories of fields are employed to substantiate the separate fields of marketing and accounting/finance, in which the institutional groups are positioned. The groups are positioned in the fields through their particular interests and relationships [refer **Appendix 2.II:**]. The positioning is not only within physical production processes, but also reflects the contemporary dynamics of the fields. In this study, Bourdieu's theories of fields are drawn upon for insights into demonstrating conceptually the coexistence within contemporary society of quite different dynamic views, values and beliefs. Reliance is placed upon an understanding of the fields and groups as part of the holistic contextual approach to understanding brand interpretations, as expressed by people within particular groups.

## 1.4 *Background to Problem - Marketing*

Many of the brands which exist today had their origins in the later nineteenth century. International examples are *'Coca-Cola'* from the United States of America and *'Sunlight Soap'* from the United Kingdom. In New Zealand, one of the oldest brands presently existing is the Edmonds baking powder *'Sure to Rise'* brand, originally used by Thomas J. Edmonds Limited in 1879[12] (Wolfe, 1987, pp. 71-72). In this section, there is a brief overview of emerging markets in which many modern brands and contemporary formats of advertising agencies have origins. The growing awareness of brands which took place during the 1980s is briefly discussed. Initial

exploration of contemporary marketing and consumption practices is made. The section expands upon the very brief outline of the introduction [refer 1.1.1, *supra*]; it serves to delineate derivations of themes and issues which have impact both for the thick contextual descriptions built in chapters three and four, and also for the fieldwork reports and interpretation presented in chapters six, seven and eight.

### 1.4.1 *Emerging Markets*

In the second half of the nineteenth century, people were turning to new nationally produced products, thus shaping an emerging consumer society (Strasser, 1989). Coincidentally, previous cultural conventions of religion, classes and behaviour were breaking down (Fox and Lears, 1983, p. xi). People were no longer bound by circumstances of birth, but were beginning to mark out their lives through possessions acquired in the marketplace (Leiss, Klein and Jhally, 1986).

Tracing the emergence of mass markets in the United Kingdom, Fraser (1981) describes Lever, who registered *'Sunlight'* soap under the 1875 *Trade Marks Act* (UK), and wrapped soap tablets from the mid 1880s. In tracing the evolution of American consumption, Strasser (1989) notes that notions of national goods were a novelty at this time.

> *... as the creators of the first national market for manufactured consumer products, these companies faced a further task. A population accustomed to homemade products and unbranded merchandise had to be converted into a national market for standardized, advertised, brand-named goods in general* (Strasser, 1989, p. 7).

It is suggested that many manufacturers resorted to branding in the later nineteeth century to distinguish their products for consumers, effectively eclipsing the power of wholesalers and retailers (Leiss et al., 1986, p. 37; de Chernatony and McWilliam, 1989a, p. 154); [refer 3.2.1, *subter*]. In New Zealand, brands were common in advertising by 1900 (Tucker, 1967a). Tucker quotes an advertisement from 1890 with New Zealand brand names which existed until recently [refer **Appendix 1.III:** *Bedding Brands*].

### 1.4.2 *Advertising Agencies*

Advertising agencies originated as space brokers who acted as intermediaries between manufacturers and the media. Increasingly, they became advisors to the manufacturer advertisers, growing in importance as manufacturers extended markets, and therefore the need to advertise their branded goods. From the 1880s and 1890s in the United States of America, changes in newspaper ownership brought display set advertising with bold print and imagery (Leiss et al., 1986, p. 74).

> *Publishers began to regard their publications not so much as products to be sold to readers, but more as vehicles that organised audiences into clearly identifiable target groups that could be sold to advertisers; the audiences themselves became the "products" generated by the media industry* (Leiss et al., 1986, p. 77).

As the nature of advertising images gained sophistication, the glossy images slowly eclipsed public knowledge of agency expertise in such things as media, which continues to be a specialised skill of advertising agencies.

### 1.4.3 *Changing Awareness*

Through the twentieth century, technological changes have impacted equally upon production processes and the media. Greater homogeneity in production has made processes and products more easily replicable; and the focus of manufacturers' competition has moved into market arenas (Egginton, 1990; Mullen, 1993). At the same time, technological advances have spread the reach of media (and with it advertising) into people's personal lives.

During the 1980s, numbers of company acquisitions accelerated, particularly in the sector of fast moving consumer goods. Kapferer (1992) emphasises that the objects, for which huge acquisition prices continue to be paid, are invisible on many companies' balance sheets. The perceived values that are sought lie in the intangible business assets, and - most often in the food and drinks sector acquisitions - in the brands.

> *For decades, the value of a company was measured in terms of its real estate, then tangible assets, plants and equipment. However it has recently been recognised that a company's real value lies outside the business itself, in the minds of potential buyers* (Kapferer, 1992, p. 9).

It is a change in awareness. Previously, takeover bids focused upon production, with the target company visualised in terms of production values and fixed assets. Lion Nathan Limited, for example, gained Australian brewery installations and operations in 1990/91, not *'Tooheys'*, *'Swan'* and *'Castlemaine'* beer brands. The strategic implications are conceptually and actually very different - on the one hand potentially production strengths (tangible assets); on the other, consumer mindsets (brands). Or, in different phraseology, on the one hand products from the factory, on the other hand sales and sales revenues from the marketplace.

### 1.4.4 *Contemporary Marketing and Consumption*

While changes in technology have shifted the arena of competitive advantage into the marketplace, the role of marketing has deeper implications within the consumption society. Arguing from a critical perspective on marketing, Morgan (1993) claims that within the marketing arena there is little understanding of the manner in which marketing is constituted, and a failure to recognise its reflexive contribution to the consumption society in which we live.

> *It is a world in which individual and social identity are more than ever bound up with the consumption of goods and services. What has not yet been sufficiently clearly recognised in critical analysis is that marketing stands at the centre of these social processes.* (G. Morgan, 1993, p. 137).

For many marketers, reality is structured in the manner of traditional marketing wisdom. Piercy (1991) suggests that traditional academic teaching of marketing assumes that there is a real world of neatly ordered existence, in which marketing not only functions, but can be seen in action. The traditional model of marketing -

> *... assumes and relies on the existence of a world which is alien and unrecognizable to many of the executives who actually have to manage marketing for real* (Piercy, 1991, p. 15). (Emphasis in original).

From a consumption perspective, Baumann (1987) examines the creation of needs within the marketplace. He discusses the ability of the market to create artificial needs. Within the consumption society, we have new needs created by the market, which we as consumers no longer differentiate from basic, natural needs. Old human skills have disappeared because throw away products are a way of life. Both need and satisfaction are fabrications (Haug, 1986); [refer 3.2.3.2; 3.2.3.3, *subter*].

## 1.5 *Background to Problem - Financial Reporting*

Accounting practice is argued by authors to have traditionally favoured physical and tangible business resources [refer 4.4.2.1, *subter*]. With greater awareness of intangible resources, some companies are formally acknowledging previously unrecognised brands as intangible assets. Accounting for brands as assets is presently problematic. The historic cost measurement base of accounting practice is argued as inappropriate for reporting intangibles such as brands (Cairns, 1995), because there is often only potentially tenuous links between original costs incurred and value created (Accounting Standards Committee (ASC), ED 52, 1990, para. 9 (now withdrawn)). With brands, there is also the problem of identity. Is a brand purely a trade mark? Is a brand just a registerable property right? On going expenditures (such as advertising and market research) are currently categorised as expenses by accountants. Immense expenditures, which are crucial to the continuing life of brands, are thus made invisible on the balance sheet, because they are classified as expenses of the accounting period, and written off in the period incurred. Putting brands on the balance sheet at valuation focuses on cost and value as alternative measurement bases; on arguments over the purpose of the balance sheet; and raises, for accountants, questions concerning the reliability of brand valuations, and the status of internally generated brands [refer 4.3.4.1; 4.3.4.2; 4.4.2.2; 4.4.2.3; 4.4.4.1, *subter*].

Attitudes among accountants appear divided. For many, conservative preferences favour historic cost for its basic reliability. Writing in 1941, Scott claimed that the accountants' doctrine of conservatism was necessary under earlier primitive conditions of accounting practice, but was no longer acceptable.

> *Unfortunately tradition has glossed over the circumstances under which the doctrine of conservatism arose. Many accountants have*

> *come to accept it as a principle in its own right. When so accepted it ceases to serve its original function of supplementing or implementing the principle of truth. Instead it contradicts the principle of truth and brings confusion into the counsels of the profession* (Scott, 1941, p. 343).

For Mattessich, final choice is not with accountants, but is confirmed through users' consensus (Mattessich, 1991b, p.20). He observes -

> *... most accounting measurements are not for scientific, but for practical business needs* (Mattessich, 1991b, p.19)

Accountants' continuing reluctance to recognise brand valuations, particularly concerning reporting of internally generated brands, provides a benchmark which Mullen (1993, p.23) claims is seen as generally strengthening unnnecessarily conservative attitudes in financial markets.

### **1.5.1** *The Debate Over Brand Disclosures*

In this subsection, the debate over brand disclosures is reviewed.

One area which has contributed to the debate over recognition of brands, is accounting for goodwill. Statements of goodwill accounting were given clear expression in 1984 in Australia and the United Kingdom, with newly drafted standards AAS 18 (AUS) and SSAP 22 (UK). The standards more restrictively defined the manner of goodwill accounting (Goodwin and Harris, 1991; Napier, 1994). In Australia, purchased goodwill must now be systematically amortised to income; also the requirement in USA, Canada and in New Zealand from 1988 (refer **Appendix 1.IV:** *Goodwill Accounting Standards*). In the United Kingdom, purchased goodwill is either written off to reserves at acquisition, or systematically amortised to income [refer 4.4.3.3, *subter*]; [**Appendix 1.IV:**].

Coincidentally over this period of the later 1980s, trends in marketing and business strategy arenas contributed to give unprecedented significance to regulatory changes being enacted in accounting for goodwill. Company takeovers in the 1980s grew in numbers [refer 3.4.1, *supra*], and increasingly occurred in food and drink industries (Tauber, 1988; Murphy, 1990a; Lannon, 1993), with remarkable amounts paid to

gain not so much the tangible assets, but particularly the brands [refer 3.4.1, *subter*]; [**Appendix 3.VIII:** *Acquisitions Quoted*]. Higson (1994) confirms that there was not so much a shift to service industries, (which grew at this time[13]) but increases in goodwill paid in the manufacturing sector. Thus awareness of brand assets was perceived in accountants' terms in escalating goodwill payments. In the United Kingdom, the goodwill paid in takeovers -

> *... as a proportion of the acquirer's net worth the average goodwill in UK takeovers grew from negligible levels between 1976 and 1983 to 60% in 1988. These levels were maintained until 1991, when the ratio fell back to 24%* (Higson, 1994, p. 3).

The new accounting reality required systematic amortisation of purchased goodwill, which either reduced future profits, making acquisitions look less profitable; or it required (in the United Kingdom) immediate writeoffs, which seriously weakened balance sheet debt equity ratios - equally unacceptable to firms interested particularly in financing further acquisitions. Actions by companies to reduce purchased goodwill magnitudes (thereby minimising amortisation charges or write-offs) gained momentum in 1988 in Britain, when thirteen companies chose to capitalise brands, with most disclosing only acquired brand assets (Peasnell, 1992, p.7). While similar activities by publishers had attracted little comment (Norton, 1992), the actions of particular British food and drink companies such as Grand Metropolitan plc, Guinness plc, and Ranks Hovis McDougall plc (RHM), have been cited often (Jones and Williams, 1992; Godfrey, 1993; Napier, 1994). Greatest exacerbation of the controversy was made by the capitalisation undertaken by RHM[14], which valued not only acquired brands, but also those internally generated, adding £680 million to its 1988 balance sheet; with both valuation (by Interbrand plc) and disclosure accepted by the company's auditors (Napier, 1994, p.90). **Appendix 1.V:** *Chronology of Events* gives an overview of actions taken.

Accountants' questioning the reliability of brand valuations, and particularly doubting the valuation methodology of Interbrand plc, added further contentious dimensions to the controversy over brand disclosures. Objections continued strongly against recognition of self generated brands, perceived by accountants as a manner of recognising self generated goodwill.

In the United Kingdom, the controversy over brand reporting has been complex, with active participation by many groups and individuals[15]. Each group is informed by its own values (Shibutani, 1955), which Jones and Williams (1992) argue as obvious self interest, with observations drawn from their empirical survey of a small number of preparers, professional accountants, and sophisticated users.

> *These views are perhaps not surprising. All of the interested parties are acting in their own best interests* (Jones and Williams, 1992, p.23).

The controversy has been characterised by regulators' actions, particularly in Britain (SSAP 22 *Accounting for Goodwill* 1984; ED 44 *Proposed Revision to SSAP 22*, 1988; ED *47 Accounting for Goodwill* 1990; ED 52 *Accounting for Intangible Fixed Assets* 1990) and publications (Accounting Standards Board (ASB), 1993, 1995); by publications linked to British professional accounting bodies[16] (for example - Barwise et al., 1989; Arnold, Egginton, Kirkham, Macve and Peasnell 1992); marked by individual valuers' publications (for example - Cameron-Smith and Mattiussi, 1989; Murphy, 1990a, 1990b; Mullen, 1993) and valuations made by specialist companies; by management actions in seeking intangible asset valuations and making brand disclosures in annual reports (for example - Grand Metropolitan plc, Guiness plc, Ranks Hovis McDougall (RHM)); by company personnel, with individuals' publications and group reports (for example Moorhouse, 1990a; *Arthur Andersen Report,* 1992; Pearce, 1994[17]); by accounting firms acting as firms and in individual accountant personnel capacities with publications and reports (for example *Corfield Report*, 1990; *Arthur Andersen Report*, 1992; Woolf, 1992); by academic accountants with publications and papers (for example Egginton, 1989, 1990; Napier and Power, 1992; Peasnell, 1992; Power, 1992; Godfrey, 1993; Napier, 1994); and by auditors who have agreed with the fairness of the newly visible brand valuations, and the disclosures made.

This sub-section has given a brief outline of the complexity which has attended choices made by companies in disclosing brand values on balance sheets. The issue has been debated particularly in the United Kingdom. In the next section, awareness internationally of separable intangible assets and the problematic nature of brand reporting is briefly outlined.

### 1.5.2 *International Review*

In this subsection, a report gives insights into both the extent of regulatory activities and corporate disclosure practices concerning intangibles in five jurisdictions. Firstly, following on the account of the debate over brand disclosures, recent developments in the United Kingdom are reviewed. Then, the following jurisdictions are briefly examined - recent activity by the International Accounting Standards Committee (IASC), the European Community, the United States of America, and Australia.

**1.5.2.1** *The United Kingdom - Recent Developments*: Entrenched opposition to subsuming of brands into goodwill in the United Kingdom has shown little interest in acceding to regulatory interests[18]. The discussion paper *'Goodwill and Intangible Assets'* issued in December 1993 by the British Accounting Standards Board (ASB), brought clear opposition to its contentious proposal that all intangible assets, such as brands and mastheads, be recognised within purchased goodwill.

> *The 100 responses received on the paper were unanimous in only one respect - that intangibles should not be subsumed into goodwill* (---- *Accountancy*, July, 1995, p.10).

Currently, the ASB has reviewed approaches (Mitchell, 1995a), with a further *Working Paper* published in June 1995 (ASB, 1995).

> *... treatment of intangible assets and goodwill should, as far as possible be identical, the ASB believes. This would avoid the possibility of acquirers being shown in a more favourable light by classification of expenditure as either intangible asset or goodwill.*

> *The ASB has also taken on board the view that when intangible assets and purchased goodwill have indefinitely long lives, this should be recognised in their accounting treatment* (Mitchell, 1995b, p.73).

The Board now proposes amortisation when finite lives are observable, no depreciation of assets with indefinitely long economic lives where the presumption of finite life can be rebutted. Where intangible assets and goodwill have recognised balances - yearly review will be required for impairment of value (Mitchell, 1995b, p.73; ----, *Accountancy,* October, 1995, p.11). The approach to impairment is detailed by Kennedy (1995, p.79)[19]. Brief reports of the ASB turn around on goodwill and brands

have been given (Mitchell 1995b; ------- , Marketing Globe, 1995, p.4). The problems of pleasing many vested interests are examined (Fisher, 1995, p.28).

**1.5.2.2** *International Accounting Standards Committee (IASC):* The complexity of gaining consensus for accounting regulation of identifiable intangible assets has troubled attempts by International Accounting Standards Committee (IASC). In January 1994, the IASC Steering Committee on Intangibles issued a Draft Statement of Principles[20]. From the submissions returned, the IASC exposure draft E50 *'Intangible Assets'* was developed and issued in 1995.

IASC's guidelines on accounting for intangible assets bring into contention varying national Statements of Concepts which allow/forbid recognition of asset valuations and revaluations. The exposure draft allows initial recognition based only upon cost. Intangible assets are recognised only when the cost to the enterprise can be *'measured reliably'*. E50 uses the phrase *'measured reliably'* many times, but *'reliably'* does not appear in the definitions paragraph. *'Reliably'* in terms of *'measured reliably'* calls for a value judgement [refer 1.7; 4.4.2.2, *subter*]. The draft emphasises consistency with other standards. It notes that the approach *'is consistent with the approach adopted'* for particular tangible assets set out in IAS 16 (IASC E50, para. 27); [refer 4.2.3.2, *subter*]. If fair values are to be allocated on acquisition between separately identifiable assets and goodwill, reference to an active secondary market in the type of asset is seen as acceptable (IASC E50, para. 30). Amortisation of all intangible assets on a systematic basis is required over the shorter of useful life or twenty years. An exception is recognised where the asset is inseparable from a legal right of more than twenty years, or reference to an active secondary market in that sort of asset is possible (IASC E50, paras. 80-81).

Committee members of the Intangible Assets Steering Committee had representatives of the accountancy profession from Canada, Italy, New Zealand[21], United Kingdom and the European Commission. For most representatives, valuation and certainly revaluation, was unacceptable accounting practice in their country of origin.

**1.5.2.3** *Brand Accounting in Europe*[22]: In Europe, the Fourth Directive of the European Economic Community (1979) calls for disclosure of goodwill on the

balance sheet (Articles 9 and 10 of the Fourth Directive). The Fourth Directive does not provide definitions for intangibles other than goodwill, but intangibles are included in presentation requirements in the balance sheet, or notes to the accounts. The Fédération des Experts Comptables Européens (FEE) notes that for purposes of its survey (1992) on emerging accounting issues, that -

> *Concessions, patents, licenses, trademarks and similar rights in this section are meant to cover brands, publishing rights and software and similar rights* (FEE, 1994, p.119).

From survey results, FEE reports high evidence of disclosed intangibles (all kinds other than goodwill) in all countries surveyed, except Ireland. Focusing specifically on brands and trademarks - capitalisation is found in seven of ten European Union countries, and three of five non European Union countries[23].

Generally, patterns of amortisation, differed from country to country, as did the information disclosed (ibid., pp.136-137). The FEE survey found, across all intangibles, only in four sets of accounts, that the amount for intangibles was capitalised and not amortised. Two of these sets of accounts were from the United Kingdom and both concerned brands.

> *One UK company Guinness plc, disclosed the amounts in the notes to the accounts and explained its valuation policy in the accounting policy notes. It was noteworthy that the useful economic lives of brands were considered not to be limited. It was also interesting to see that almost all the issues relating to the debate on brands were reflected in the accounting policies* (FEE, 1994, p.138).

**1.5.2.4** *The United States of America*: In the United States of America, the problem of accounting for and reporting of intangible assets is structured by accounting practices built within an historical cost framework. Walker (1992) traces the efforts of the SEC to ban (once acceptable) upward asset revaluations and current market information from the later 1930s. Brands which are now reported, are valued at cost and amortised. Specifically identifiable intangible assets, even if acquired as part of a group, may be separately identified at cost, with the period for amortisation according to (estimated) asset life, or to 40 years maximum (APB No. 17, para. 26). Brand valuation methodologies are perceived as having dimensions of subjectivity

ill suited to the *'litigious environment'*.

> ... (the) *importance of objective and verifiable evidence for measuring brand value is difficult to overstate* (Farquhar, Han and Ijiri, 1991, pp.5-6).

**1.5.2.5** *Australia:* In Australia, evidence of increasing numbers of disclosures of intangible assets in balance sheets is reported.

> *In 1989 approximately 20% of Australia's top companies recorded brand names and other identifiable intangible assets in their balance sheets. In the current survey 44% of the Top 100 companies now record these assets in their financial statements* (Ernst & Young, 1995, p.2).

The Ernst & Young survey finds that 85% of manufacturers of food and household products surveyed now account for identifiable intangible assets (ibid., p.2).

In Australia there is currently no standard which regulates disclosure of intangible assets other than purchased goodwill. The exposure draft ED 49 *'Accounting for Identifiable Intangible Assets'* issued in August, 1989, was withdrawn in May, 1992 because there was -

> ... *lack of consensus on the subject at national and international level* (Upfront, Australian Accountant, May, 1992, p. 8).

Under Commonwealth *Corporations Law* (chapter 3, division 4, section 294 (4)), directors are required to report non current assets shown in the accounts, at a current acquisition value and to provide explanation where no writing down is adequately made[24]. There is no requirement for reporting of assets not currently shown in the accounts.

Australian companies are required to amortise non-current assets (AASB AAG 5[25]). The Australian Accounting Standards Board (AASB) Guideline observes that in recognising identifiable intangible assets separately from goodwill, companies are avoiding the requirement to amortise or depreciate the asset over its useful life (ibid.)[26].

## 1.6 *Background - New Zealand Brand Disclosures*

In New Zealand, actions concerning regulation of brands, and brand valuations and disclosures have not created noticeable public argument (Godfrey, 1993; Cochrane, 1994a, 1994c; Whiting, 1995). In 1986-1987, following upon new goodwill standards in Australia and Britain, the New Zealand Society of Accountants, developed SSAP-8 *'Accounting for Business Combinations'*, issued in 1987. Accounting for goodwill was given cursory explication in SSAP-8, and was central to ED-43 *'Accounting for Intangible Assets'* released in 1988 (now withdrawn). The twenty six submissions received for ED-43 were not by number anomolous in comparison to returns for other asset exposure drafts (**Appendix 1.VI***: Submissions Received*). However, 5 returns from 298 copies sent to companies does suggest a level of disinterest by corporate firms in 1988[27]. The Society's reactive stance was evident, from the explanation given on withdrawal of the exposure draft.

> *... the international trend is towards a more conservative position than that outlined in ED-43* (... . Accountants' Journal, June, 1990, p.6).

In the period during which ED-43 was on issue, two major New Zealand companies published brief brand policy statements, and three further companies commenced brand disclosures which they still continue (Cochrane, 1994b); [**Appendix 1.VII:** *Brand and Goodwill Disclosures*]. At no time (1987-1992) was a qualified audit report occasioned by brand disclosures (ibid.). Noticeable in **Appendix 1.VII:** is the increasing trend, in the years to 1992, for brand disclosures in parts of the annual report other than the financial statements. The types of disclosures made are set out in **Appendix 1.VIII:** *Brand Information Disclosed.*

Information concerning current brand disclosure practices in New Zealand is tabled in **Appendix 1.IX:** *Brands Measured, Accounted and Disclosed.* To the present in New Zealand, three firms have continually (from 1989/90) disclosed brand values on their balance sheets and in notes. Currently (late 1995) seven companies listed on the New Zealand Stock Exchange, are making brand disclosures on the balance sheet, or notes to the balance sheet[28]. Some variability in accounting practices (cost and value) can be seen from **Appendix 1.IX:**. Industry concentration is apparent from the

table; five of the seven companies are food/liquor producers.

In the area of publishing, the two major New Zealand publishing companies have distinguished selected publishing titles and mastheads from goodwill in financial statements, and consider amortisation inappropriate for these assets. In March 1996, it was reported that Wilson and Horton Limited had arranged valuation of all publishing titles and mastheads (refer **Appendix 1.X**: *Publishing Titles and Mastheads*). There has been little public discussion of the valuation.

The clustering of brand/masthead disclosures in particular industries emphasises the importance of intangible assets relative to particular operations (Financial Times, 1993). In the New Zealand business world, there are signs of widespread commercial interest in brands. Examples are seminars held: the Brand Seminars of TRADENZ/New Zealand Tourism Board, held in Wellington, Auckland and Christchurch (September/October, 1994); and the strategic brand management seminar of the Market Research Society of New Zealand featuring professor Kevin Keller of Stanford University (Auckland, November, 1994). Further TRADENZ seminars are planned on brands in 1996. Evidence (of brand valuation interest in New Zealand) is surveyed by Godfrey (1993) and Guilding and Godfrey (1995), who report -

> *The discovery that a significant proportion of strongly branded New Zealand companies have been involved in brand valuation activity* (Guilding et al., 1995).

The report of Whiting (1995) indicated *'considerable interest'* in the issue. Her survey of preparers and sophisticated users was conducted through two postal questionnaires. Respondents were reported as finding that brand valuations disclosed on the balance sheet did not provide useful information.

**Conclusion:** This section has reviewed the awareness of brand disclosures as an issue, and has briefly reported the debate on brands which was given impetus, particularly in the United Kingdom, with the disclosures made by Ranks Hovis McDougall (RHM) in 1988. In the final background sections of this introductory chapter, a brief review of value is set out.

## 1.7 *Background - Value and Valuation*

Aspects of value and valuation are important issues raised by brand disclosures. General aspects of value are reviewed in this chapter as an introductory background to particular aspects of value explored in the study.

In his extensive interdisciplinary summary of concepts of value, Pauls (1990) emphasises the complexity of the phenomenon of *'value'*. Because of this complexity, he observes that there are potentially many different approaches to *'value'* classification. The choice of classificational principles depends upon the purpose of the inquiry and underlying assumptions (Pauls, 1990, p.17). The observation is important in researching potential for regulating brand disclosures at valuation, which necessitates some form of standardisation. Pauls offers a typology of theories of value; he also gives classifications from diverse authors. Pauls quotes a list of eight realms of value developed by Perry (1926, 1954); and six main classifications from Rescher (1969). Perry (quoted by Pauls) discusses both demand side and supply side theories of value in his chapter on economic value (Perry, 1968). In an accounting theory context, Tinker, Merino and Neimark (1982) approach value differently. They outline historical development of theories of value. In an explication of demand and supply side theories, they locate the labour theory of value which is their focus.

The concern of this study is with broadly drawn economic values. Of greater importance are the nature and properties of value and valuation. In economic contexts, Mattessich (1991a) argues value may be a property. But he stresses that value, in turn, may have properties - for example variability or volatility (Mattessich, 1991a, p.13). Najder (1975, p. 42), stresses the ambiguity of value as a term; he indicates that value may be quantitative, which he claims is typical of economic contexts (ibid., p. 43). As such, Nadjer argues that *'value'* in quantitative form has a measure of independence as a property. Such independence may be challenged from another context. Although Najder (1975, p.46) comments that Frondizi (1971) '*sees value as a quality',* the latter's axiological discussion of objective and subjective approaches to value is illuminating of the relationship between value and evaluation. Frondizi examines value as either objective or subjective. If value is objective, it is intrinsic to the object or thing. Most values, he claims are subjective; they are interpreted within people's value systems. As such they are assigned values.

> *Value is "objective" if its existence and nature is independent of a subject; conversely, it is "subjective" if it owes its existence, its sense, or its validity, to the feelings or attitudes of the subject* (Frondizi, 1971, p. 19).

Frondizi demonstrates the contrast between subjective and objective views. From the subjective perspective, value cannot be divorced from valuation. To have value (subjectively) there must be some evaluation. Objectivism allows that valuation is subjective, but here value must be distinguished from valuation. Value is then prior to evaluation (Frondizi, 1971, pp.20-21).

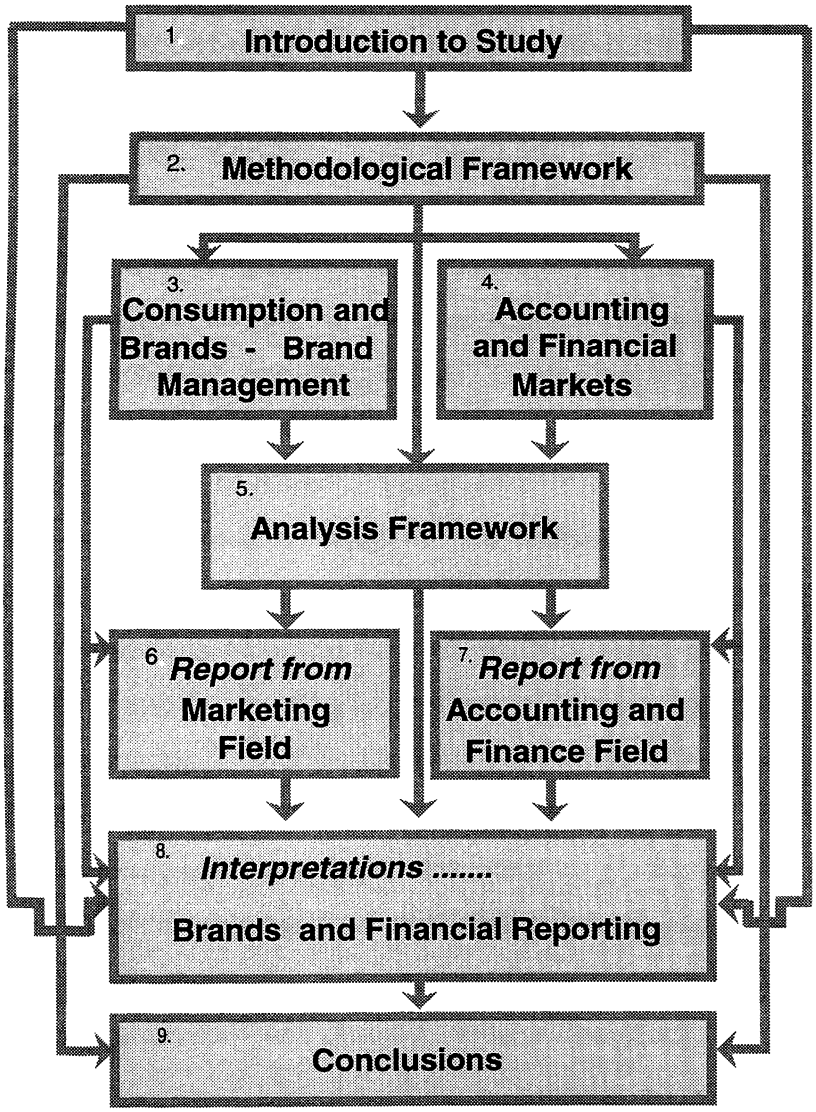
There are diverse issues of value and valuation in this study. In discussing consumption and the marketplace, exchange values and use values are examined [refer 3.2.2, *subter*]. Differentiation between exchange values and use values have significance for discussions concerning referencing of brand values to market exchange values in chapter four [refer 4.4.2.4B, *subter*]. Causes of accountants' controversy over brand recognition are the reliability of brand values and queried acceptance of valuation methodologies [refer 4.4.2.2; 4.4.4, *subter*]; [**Appendix 4.XVI:**]. Choice of measurement bases for accounting practice between cost and various value based alternatives are argued [refer 4.4.4, *subter*]. Professional values are built up in the traditions of professions such as accountancy. Exercise of professional judgement is based on subjective evaluation. Examples are the auditor's evaluation of the *'true and fair'* view [refer 4.3.4.1, *subter*]; and references to measurement reliability in reporting guidelines [refer 1.5.1, *supra*; 4.4.2.2, *subter*]. Lukka (1990) observes only limited discussion of notions of value in accounting [refer 4.4.4, *subter*].

**Conclusion:** These background sections have, firstly, outlined aspects of marketing which are important for this study. Secondly, the complexity of brand disclosures in financial statements has been briefly explicated. The awareness of brands, and extent of financial reporting of brands, internationally and in New Zealand was reviewed. A brief examination of value indicated the complexity, subjectivity and relativity of value constructs. The closing sections of the chapter give an overview of the study, before a brief chapter summary and conclusion.

## 1.8 *Organisation of the Thesis*

This study is organised in nine chapters, which are now briefly delineated. An overview of the design is given in **Figure 1.2:** *Design of Study.*

**FIGURE 1.2**
***Design of Study***



The *preface* to the study reviews the interests of the researcher and articulates particular aspects of the study. The *introductory chapter* serves to introduce, firstly, the assumptions on which the research is constructed and preliminary outlines of the domains of interest. Secondly, the research problem and study purpose are explicated, and the nature of the research study is set out. The original research contribution is outlined. Thirdly, the chapter gives a delineation of the complex nature of the research domains in specific background sections - for marketing and accounting/finance - respectively. A broad discussion on value is articulated as background to general aspects of value, which are integral to the study.

*Chapter two* is concerned with the philosophical and methodological bases of the thesis. The study reports on results of research into business people's perceptions of manufacturers' consumer goods brands and perceptions of financial reporting. Brands and financial reporting are constructs, constituted and valorised by contemporary commercial and social practices. The research is structured in an open manner by the axioms and characteristics of the naturalistic paradigm argued by Lincoln et al. (1985). An interpretive approach informs the central enquiry into ways in which business people interpret contemporary brand constructs and financial reporting. This interpretive approach draws on the phenomenological theories of everyday life of Alfred Schutz (1967, 1970a, 1970b, 1971, 1973), examined also by Berger and Luckmann (1966). Schutz's explication of sign communication informs the particular research focus on the brand owner's perspective of brand creation and perceptions of brand nature. In the design of the research domain, fields of marketing and accounting/finance are created encompassing dynamic and institutional dimensions. Mobilisation of Pierre Bourdieu's theories of fields contributes to the articulation of dynamic field infrastructures (Pierre Bourdieu (1990, 1992, 1993a, 1993b; Bourdieu and Wacquant, 1992); [refer 2.2.3, *subter*]. Institutions positioned within the fields of marketing and accounting/finance such as manufacturers; advertising, market research and design firms; bankers; firms of chartered accountants; and analysts - are characterised in the study as types of reference groups, which Tamotsu Shibutani (1955) articulates as the basis of particular perspectives in mass societies [refer 2.2.4, *subter*].

In employing an interpretive approach within the naturalistic paradigm, this study uses ethnographic methods in seeking understanding. Ethnography focuses upon

culture, which is argued as constitutive of the understandings sought in the multiple realities of the research domains. Ethnography privileges social processes; it emphasises the contextual (Britan, 1981). Explication of the research design includes discussion of the role of chapters three and four in the study. The chapters build thick descriptions of the fields of marketing and accounting/finance to contribute further dimensions to cultural understanding of the multiple realities, which are perceived as shaping respondents interpretations of brands and financial reporting. In both the naturalistic paradigm and ethnographic fieldwork, the researcher as instrument has primacy. Also of particular significance is the manner in which ethnographic methods privilege the analysis and extend interest into the crafting of the text construction (Stanley, 1990).

*Chapters three and four* build thick contextual descriptions, which create dimensions of social and cultural understanding of the contemporary environments in which brands and financial reporting constructs are constituted and valorised. Creation of thick description is argued as having correspondence with the naturalistic paradigm (Lincoln et al., 1985, p.316); and with the use of ethnographic research methods (Van Maanen, 1988, pp. 116-118). The use of these chapters to build descriptive environmental dimensions is argued as particularly appropriate, because brands arnd financial reporting, as societal constructs, gain both existence and their current values reflexively with contemporary practices [refer 2.3.2.2. *subter*]. Each chapter has major sections in which particular aspects of field dynamics pertinent to the brand and/or financial reporting constructs are explored and interpreted in a descriptive manner. Specific issues, which impact upon contemporary understanding of brands and financial reporting, are examined. The nature of the chapters is descriptive and interpretive.

*In chapter three*, there are three sections. The first section is sociological, with the focus on consumption and culture, and the central significance of consumer goods in modern society. Secondly, the focus is specifically marketing oriented. Growing use of visual imagery and symbolism particularly in advertising communications is examined as part of brand image creation. Theoretical brand models of marketing authors are described, and current marketing interpretations of brands are discussed. Thirdly, description of the emergence of manufacturers' brand awareness from the 1980s prefaces an interpretation of brand management activities. The

chapter closes with interpretive description of the institutions and processes of the marketplace. In building thick description of the marketing field, bodies of literature in sociology, anthropology and marketing are drawn upon. Material from post modern authors, sources in technology and innovation, and urban geography are incorporated. Use of many social documents yields important contextual material.

In *chapter four*, thick descriptions encompass cultural and contextual dimensions which add understanding to the complexity of brand disclosure issues within the accounting/finance field. There are three major aspects to the chapter. Firstly, an examination of professional ideology and traditions builds historic and contextual comprehension of accountants' present authority to regulate financial reporting and balance sheet disclosures. The chapter explores aspects of regulation and capital markets; it delineates multiple realities in examining reported attitudes of auditors, analysts and bankers. Secondly, the focus is turned to financial reporting and annual report issues. Descriptive interpretation of the conventions which structure reporting regulations creates contextual dimensions of significance for later field reports and the interpretation in chapter eight. Aspects of contemporary annual reports are explored. Thirdly, diverse issues concerning the balance sheet and accountants' asset constructs are scrutinised to build further thick description of the environments which shape contemporary group and field perspectives. The section includes review of cost and value and brand valuation methodologies.

*Chapter five* focuses on the practical methods employed in the project fieldwork; analysis of data and conceptual theme development; and creation of chapter texts. Practical aspects to negotiation of fieldwork are set out. Secondly, the steps of the analysis process are described. The process is reflexive - in the processing of the field data, the themes are simultaneously developed and moulded through the analysis steps. Thirdly, the chapter outlines the iterative steps of the text creation. At each stage, the conceptual themes are further reviewed and refined.

In ensuing *chapters six and seven*, field reports are presented. Each chapter commences with a review of the conceptual themes. Secondly, the views of respondents are presented within the frame of the focused chapter themes. Verbatim quotations are introduced from the returned interview writeups. (As a measure of validation each quotation is returned to the respondent for authorisation).

Each quotation is numbered sequentially within the chapter, to enable further reference. At the end of each chapter, the themes are reviewed against the chapter reports. Each chapter has a full summary, framed by the conceptual themes. The summaries are taken forward to chapter eight.

In *chapter eight,* the theme framework becomes broadly representative of the study. It is therefore in contrast to the narrower frames of chapters six and seven. Implications of the broader structure are evident in the review of themes which commences the chapter. The manner in which the brand themes are refocused through the chapters gives emphasis to the diverse interpretations of brands in multiple realities. Chapter eight combines differing views from the fields of marketing and accounting finance and draws simutaneously on the thick descriptions built in chapters three and four. The rich interpretation presented in chapter eight brings together the many dynamic aspects of brand and financial reporting constructs which have been explicated in multifaceted dimensions throughout the study. Primacy is given to interpretation of the multiple realities of respondents' views. Thick descriptions add dynamic dimensions through exploration of cultural and contextual interpretations, and background information from the introductory chapter adds further measures of comprehension. A chapter summary reviews the interpretation. The final review and conclusion for the chapter is articulated as part of the closing of the study in chapter nine.

*Chapter nine* briefly summarises the study and reviews its undertaking. The key findings of the study are presented and contributions to knowledge are articulated. The chapter looks out from the study in a speculative reflection grounded partly in the interdisciplinary origins of the study. Agendas for further research, which have been highlighted and given potential by this study, are presented.

## 1.9 *Chapter Summary and Conclusion*

The domain of this enquiry is constituted by exploring perceptions that business people may have of manufacturers' consumer goods brands, and the manner of disclosing brand assets in corporate financial statements. In researching business people's interpretations of brands, two fields were created, which encompass

aspects of the marketing and financing activities of manufacturers of branded consumer goods.

This introductory chapter outlined the focal interests of the thesis. As intangible business resources, only recently have brands been perceived generally as having potential for valuation and separate disclosure as major assets in financial statements. Disclosure on the balance sheet is contested, often vigorously by some accountants and accounting regulators. In drawing out the perspectives, and presenting the diverse views held, a clearer understanding of brands, perceived brand values, and the complexity of brand natures is made possible. From this understanding of brands, implications for financial reporting may be assessed more knowledgeably.

Background to the chapter traverses both marketing and accounting fields. Background to marketing brings initial observations on the problematic nature of marketing. It emphasises the changing awareness of brand values from the mid 1980s. The embedded position of branded goods in contemporary consumption is articulated. From the accountants' perspective, the introductory background reviews the debate over brands disclosure. The brief international review indicates current levels of awareness. The New Zealand situation is separately profiled. Because issues of value have significance in this study, the introduction gives a broad delineation to the evaluative nature of *'value'*.

The chapter is designed to give a brief overview of the central problem of the study and the numerous complex issues which appear problematic when considering financial reporting of manufacturers' consumer goods brands. The preface to the study outlines the interests of the researcher, and particular aspects of the study's structure. In the next chapter, the appropriateness of the chosen philosophical paradigm is argued and the structure of the study is theoretically grounded.

1. In his ethnographic study of accounting education in United Kingdom, Michael Power observes that most social research is based in autobiographical experience, but the degree of disclosure varies. Power further observes -

> *This perspective provides an epistemological access which, though it does not claim to be privileged, is at least as good as the participant observer basis underlying a great deal of qualitative sociological research* (Power, 1991, p.334).

2. I am currently a provisional member of the New Zealand Society of Accountants.

3. Examples are the article by Glennie and Thrift (1992), drawn from urban geography literature; and the work of McCracken (1987; 1988; 1990), in anthropological literature. The line between sociological and anthropological literature is close and appears at times blurred. Mouck (1994) quotes McCracken on the meaning of consumer goods.

4. Use of exclusively the male pronoun is an example of constructed value that lacks contemporariness with current social values. The impact is psychological and emotive. In similar manner, brand owners commented on the need for contemporary imaging of brands - refer chapter six: quotations 6.83; 6.84; 6.85.

5. Fjeld observes the reporting of goodwill. He records the reporting of goodwill as a separate item on 86 balance sheets. He observes that goodwill was more often reported with other intangible assets. Fjeld lists eighteen different intangible classes. The first eight classes are reproduced.

| Goodwill reported - | at zero | at $1 | at more than $1 |
|---|---|---|---|
| Patents | 3 | 53 | 52 |
| Trade marks | 1 | 42 | 49 |
| Trade names | | 20 | 8 |
| Brands | | 4 | 5 |
| Formulae | | 4 | 7 |
| Patent rights | | 9 | 7 |
| Leaseholds | | 6 | 7 |
| Licenses | | 6 | 5 |

6. The valuation of Rupert Murdoch's News Corporation's mastheads in 1984 by Hambros Australia Limited is remarked as one of the first substantial valuations of intangible assets. The valuation was carried out at the time that the Australian goodwill accounting standard was revised [refer **Appendices 1.IV:**; **1.V:.** The News Corporation valuations are alluded to by Napier, 1994; and discussed by Cameron-Smith and Mattiussi (directors of Hambros Australia Limited) (1989).

7. The RHM action was subsequent to an unsuccessful takeover bid by Australasian food company Goodman Fielder Wattie Limited. The strong reaction from accountants and regulators in the United Kingdom [refer 1.5.1, *supra*] was occasioned because RHM disclosed not only acquired brands but also self generated brands. RHM arranged valuation of all its own brands, but it also requested information on brands (given certain criteria) from subsidiaries, including Cerebos Pacific Limited in Singapore and the Cerebos' subsidiary Cerebos Gregg's Limited in New Zealand. Nothing further was heard by the New Zealand subsidiary (interview, 1995). The Cerebos companies are no longer subsidiaries of RHM. The brands of Wattie subsidiaries of Goodman Fielder Wattie Limited, were valued locally at the time of the merger between Goodman Fielder and Watties Ltd. Goodman Fielder Limited disclose brands in the notes to the balance sheet at cost less amortisation [refer **Appendix 1.IX:**].

8. The fieldwork interviews are listed chronologically in **Appendix 1.I:** *Interviews*. There are two domains - marketing and accounting/finance. The interviews are, as arranged with respondents, anonymous. General detail given is whether oral (taped) interview or questionnaire; marketing or accounting/finance field list number; generalised indication of the firm's operations; and date of interview. The list of people interviewed is by business (i.e. the types of firms) in which the people are (self) employed. The list is set out in **Appendix 1.II** *People Interviewed*. For the purposes of the empirical research project, there are, in total, seven groups of interviews in the marketing field, and nine groups of interviews in accounting/finance field.

9. The research domain focuses on the product brands of manufacturers of branded consumer goods. Such manufacturers have responsibility for the brands and the products. With house and retailer brands, the responsibility for manufacture of the product lies with the manufacturer, but the responsibility for the brand is with the retailer brand owner. With service brands, goodwill attaches not to the physical product, but is more closely allied with the firm goodwill.

10. Jones and Williams (1992) identified their interviewees as preparer companies (RHM, Guinness, WPP, BA); preparer management consultants (one unidentified); professional accountants (ASC/ASB, big six technical partner, IASC; users (bankers, investment analysts; and the stock exchange).

11. The journal article by Guilding and Pike (1994a), describes the interviewees in the following manner: five senior brewing or fast moving consumer goods companies (the companies chosen replicated choices made earlier by Mather and Peasnell (1991)). In addition Guilding and Pike interviewed senior marketing officials in two of the companies (four people) There was a further interview conducted with a chief accountant in a medium sized firm not visited by Mather and Peasnell and with another marketing director. Interviews were conducted also with senior Interbrand officials. The interviews were described as typically of approximately one hour duration and were videotaped. The authors advised that the interviews followed a semi-structured format.

12. Edmonds *'Sure to Rise'* baking powder today commands a leading market share for the product in New Zealand. The firm of Thomas J. Edmonds Limited was the original owner of the brand. Present owners are Bluebird Foods Limited of Auckland.

13. In New Zealand in 1987, an amendment to the Trade Marks Act allowed for registration of service marks.

14. The action by RHM has been seen as a defensive action. The company was reacting to a take over bid by Goodman Fielder Wattie Limited, the Australasian food company [refer end note 7, *supra*].

15. Aspects of the brands debate have been discussed and referenced by many accounting authors - for example, Barwise, Higson, Likierman and Marsh, 1989, 1990; Bryant, 1989; Cameron-Smith and Mattiussi, 1989; Egginton, 1989: Ferris and Hall, 1989; Woolf, 1989; Corfield Report, 1990; Damant, 1990; Egginton, 1990; King and Cook, 1990; Guilding and Pike, 1990: Moorhouse, 1990, 1990a; Murphy, 1990a, 1990b; Power, 1990; Saunders, 1990; Blackett, 1991; English, 1991; Harvey, 1991; Pizzey, 1991; The Economist, February 8, 1992; Arthur Andersen, 1992; Guilding, 1992; Jones and Williams, 1992; Mather, 1992; Napier and Power, 1992; Peasnell, 1992; Power, 1992; Financial Times Management Report, 1993; Godfrey, 1993; Mullen, 1993; Cochrane, 1994a; Egan and Guilding, 1994; Guilding and Pike, 1994a, 1994b; Jones and Morgan, 1994; Pearce, 1994; Tollington, 1995.

16. In the United Kingdom, the Accounting Standards Committee (ASC) was replaced by the Accounting Standards Board (ASB) in 1990. The entire standard setting structure was replaced at the time. The establishment of the standard setting process in the private sector, and within the accounting profession, works imperfectly. In New Zealand, Australia, the United States of America, Canada and the United Kingdom there are various forms, which have moved to incorporate both the responsibility for standard setting and the legal power of enforcement. In the United Kingdom it was suggested that the life of the ASC was an ongoing series of crises (Singleton-Green, 1990). The ASC failed, Singleton-Green claims, because it failed to establish some uniformity of practice guidelines in areas that were strongly contested. Peasnell (1982), in his examination of the function of conceptual frameworks, examines and argues the implications of the various formats for the standard setting regimes.
The regulatory domain is discussed in chapter four. It is important to this study, because brand accounting has proved to be an area of conflict in which attempts at regulation have met with implacable opposition from major corporates, particularly in food and drink industries - and also, with less argument, by publishers. This situation has ocurred in Australia, and particularly in the United Kingdom.

17. Martin Moorhouse is named in his article on the brands debate as Group Chief accountant, Ranks, Hovis, McDougall plc. Christopher Pearce is named in the published article as Finance Director of Rentokil, and chairman of the 100 Group's technical committee.

18. In the United Kingdom, opposition to ED 47 *'Accounting for Goodwill'* was 93% of corporate respondents and 73% of all respondents. Opposition to ED 52 was 80% of corporate respondents and 62% of all respondents (Mitchell, 1995b, p.73) Even given that strong opposition may have encouraged replies, the strength of the opposition appears significant.

19. In contrast to the controversy over brand reporting, in the United Kingdom other anomalies and departures from depreciation requirements (for example buildings and infrastructural assets) currently attract little contentious comment (Mitchell 1992, p.73; Skerrat and Tonkin 1994, p. 202-206).

20. Evidence of the problematic nature of producing regulations for accounting for intangible assets can be inferred from the long time which the Intangible Assets Steering Committee took to produce the first Draft Statement of Principles before the Committee issued the exposure draft ED50.

21. New Zealand had strong personal representation in the IASC intangibles activities in the person of John Hagen. He was the President of the New Zealand Society of Accountants (1994) (therefore at the centre of professional changes [refer 4.2.1, *subter*] and is the first chairperson appointed to the new Accounting Standards Review Board [refer 4.2.1, *subter*]; [**Appendix 4.II:**]. John Hagen's interest in accounting for intangibles and intangibles valuation is grounded in practical experience, as indicated by the quotation from a New Zealand weekly business newspaper.

> *The valuation of intangible assets was carried out by John Hagen of Deloitte Touche Tohmatsu. Hagen's report, dated July 14, 1993 attributes to Shotover Jet $5.83 million in river rights and $2.92 million in brand name: ....* (Macfie, 1993, p.31).

Published comment on the purchase of Levene's by Skellerup Limited (reproduced in **Appendix 4.X:** ) also has comment from John Hagen on accounting for brands.

22. Material in this subsection on the European Community is drawn from the 1994 publication by Fédération des Experts Comptables Européens '*FEE 1994 Investigation of Emerging Accounting Areas'.* The report is based upon surveys undertaken in 1992; companies surveyed are the ten main trendsetting* listed companies in the countries surveyed. The investigation (1992) covers fifteen countries: ten European Union countries, plus Austria, Finland, Norway, Sweden and Switzerland.

*The companies selected are public companies quoted on an official list of a recognised stock exchange. They are domestic companies and not subsidiaries of foreign parent undertakings, and they prepare consolidated accounts. The companies are selected in the following industry sectors

- construction
- pharmaceuticals/chemicals
- manufacturing
- trading
- services (not financial).

23. FEE reports from the survey that capitalised brands and trade marks were found in Belgium, Denmark, France, Italy, Portugal, Spain and the United Kingdom. In countries other than the United Kingdom, brands and trade marks are amortised. The period of amortisation varies by country and by company. Three companies from the United Kingdom disclosed brands. The FEE report expresses surprise at the low number, and also notes that economic lives are not perceived to be limited; and that -

> *almost all the issues relating to the debate on brands were reflected in the accounting policies* (FEE, 1994, p.138)

24. Sections 292 and 293 of Division 4, Chapter 3, Corporations Law ($C^{th}$) 1989, concern profit and loss account and balance sheet respectively. Section 292(4) establishes steps to be taken before accounts are made out. Requirements for non current assets are -

> *Non - current assets. The Directors shall take reasonable steps :*
> *(a) to find out whether the value of any non current asset is shown in the company's accounting records at an amount that, having regard to the asset's value to the company as a going concern, exceeds the amount that*

*it would have been reasonable for the company to spend to acquire the asset as at the end of the financial year: and*
*(b) unless adequate provision for writing down the value of that asset is made - to cause to be included in the accounts such information and explanations as will prevent the accounts being misleading because of the overstatement of the value of that asset.*
(Section 292(4), Division 4, Chapter 3, *Corporations Law* 1989.

25. Australian Accounting Guidance Release AAG 5 Accounting for Intangible Assets was issued April 1988, by the Australian Accounting Standards Board.

26. An example of recognition of intangible assets which are carried without amortisation is given in the balance sheet notes of BTR Nylex Limited. The company carried tradenames at 1992 directors' valuation. Further information in the notes to the balance sheet disclosed that the tradenames were revalued in 1992 using either the royalty relief or gross product differential valuation methodologies. Under the Statement of Accounting Policies the directors state that tradenames were considered separately identifiable intangible assets -

*which do not diminish in value over time and accordingly no amortisation is necessary* (BTR Nylex Limited annual report 1994, p.23)

Minority shareholders of BTR Nylex were bought out by the majority shareholder parent, BTR plc in December 1995.

27. Numbers gained from the researcher's investigation of the files held by the New Zealand Society of Accountants. Search undertaken at Wellington, February, 1993.

28. Since late 1995, company changes have reduced the current number of firms reporting brands. In later 1995, Huttons Kiwi Limited was restructured and the Huttons Kiwi smallgoods operations were sold back to the major shareholder, Brierley Investments Limited. In 1996, Skellerup Limited, which acquired Levenes, was delisted after a management buyout. Another company, LWR Limited, discloses in the notes to the financial statements that they recognise their valuable brands, but do not formally value their brands.

# 2.0 CHAPTER TWO: *METHODOLOGICAL FRAMEWORK*

> *A **paradigm** is a set of propositions that explain how the world is perceived; it contains a world view, a way of breaking down the complexity of the real world, telling researchers and social scientists in general 'what is important, what is legitimate, what is reasonable.' (Patton 1990: 37.) A **methodology** is a model, which entails theoretical principles as well as a framework that provides guidelines about how research is done in the context of a particular paradigm... . In simple terms a methodology translates the principles of a paradigm in a research language, and shows how the world can be explained, handled, approached or studied. **Methods** refer to the tools or instruments employed by researchers to gather empirical evidence* (Sarantakos, 1993, p.30). (Emphasis in original).

## 2.1 *Introduction*

Disclosure of brands as valuable business assets in financial reports has raised complex issues for traditional accounting and reporting practices (Barwise et al., 1989). The purpose of this study is to research the nature and value of brands. This research focuses on the nature of brands, perceptions of brand values, and how brands fit with present financial reporting. The research explores the questions - *'What is a brand?'* and *'How do brands fit with financial reporting?'* The particular area of enquiry is constituted by interpretations of brands held by business executives employed in marketing and financing activities connected (directly and indirectly) to operations of manufacturers of branded consumer goods. The preface to the first chapter set out the researcher's relevant previous interests and involvement. In the first chapter, the domain of the study was delineated, and background issues of significance to the study were explicated.

In this second chapter, the major philosophical understandings which inform the study are presented. One's perceptions of the way in which the world is constructed are conceptually a *'way of seeing'* (Hines, 1988, 1989; Lukka, 1990). Such ontological conceptions deal with the constitution of reality. The chosen ontological view has implications for the nature of knowledge and the manner of knowledge discovery (Bryman, 1992, p. 27). In the field of accounting research, the consequences of

ontological assumptions for knowledge regimes and methodologies are clearly explicated by Chua (1986a, 1986b) and Lukka (1990). Choices in ontology, epistemology, and methodology are closely interrelated (Despres, 1995, p.71). Morgan and Smircich (1980) argue further, that choices cannot be made abstracted from particular research, because choice in methods relates back to deeper ontological assumptions about the subject of investigation.

> *... the choice and adequacy of a method embodies a variety of assumptions regarding the nature of knowledge and the methods through which that knowledge can be obtained, as well as a set of root assumptions about the nature of the phenomena to be investigated* (Morgan and Smircich, 1980, p.491).

Firstly, this chapter relates the philosophical choices which shape the study. Secondly, it articulates the theoretical bases which inform the research design and research methods. Arguments for reliability and validity, as they pertain to qualitative research, are examined. Chapter two concludes with a brief review, and an introduction to the dual chapters, three and four.

## 2.2 *Paradigm Choices*

Any approach to research is based upon assumptions about the world and the way it may be approached. *'Ways of seeing'* the world are produced through cognitive orientation, formed through content and process (Borden, 1991, p.66). In the last fifteen years, there has been growing interest in qualitative research approaches. These provide for diverse *'ways of seeing'.* It is not merely a change of method allowing different data to be collected, but it is a change in the notion of data constitution; Bryman (1992, p.27) claims there is a change in what is recognised as contributing to knowledge. In accounting, there has been increasing interest in qualitative approaches to research (Colville, 1981; Hopwood, 1983; Tomkins and Groves, 1983; Chua, 1986a, 1986b; Hines, 1988, 1989a). Advocates of the adoption of qualitative research - for example Colville (1981), Tomkins and Groves (1983), Chua (1986b), Roslender (1990) - argue that such approaches make available different understandings of social reality. Chua (1986b) distinguishes three approaches to accounting research - mainstream accounting research dominated by a belief in physical realism - and interpretive and critical approaches.

Paradigms are perceived as characterised in terms of answers to questions concerning assumptions about three aspects of the nature of knowledge (Burrell and Morgan, 1979; Morgan, 1983; Lincoln and Guba, 1985; Guba, 1990). Guba (1990) poses the questions in the following manner -

> (1) ***Ontological:*** *What is the nature of the "knowable"? Or what is the nature of "reality"?*
> (2) ***Epistemological:*** *What is the relationship between the knower (inquirer) and the known (or knowable)?*
> (3) ***Methodological:*** *How should the inquirer go about finding out knowledge?* (Guba, 1990, p.18).

The chosen *'way of seeing'* privileges that way, and makes relatively invisible countless other ways of seeing. Paradigms may be seen as narrowly defining individual research approaches, or (as here) as broad defining world views (Sarantakos, 1993, p.31). Within paradigms, there is diversity of views around the central assumptions. There are arguments whether paradigms are incommensurate with other paradigms (Chua, 1986b). In contrast, Gioia and Pitre (1990) argue for multi paradigm perspectives.

Choice of paradigm is decided on its explanatory power for the research question (Morgan and Smircich, 1980). There must be an appreciation of the arguments that underlie the assumptions of the paradigm. Patton (1990) observes of the strengths and weaknesses of paradigms -

> *... their strength in that it makes action possible, their weakness in that the very reason for action is hidden in the unquestioned assumptions of the paradigm* (Patton, 1990, p.37).

For this research, very open and unstructured approaches are required, because the research is seeking people's interpretations of the natures of constructed social phenomena from perspectives in multiple realities. The constructs - brands and brands/financial reporting are not static, but are dynamically constituted in contemporary society. As constructs, brands and financial reporting may be differently perceived in diverse perspectives. The mode of the naturalist paradigm, advanced by Lincoln et al. (1985), is structured by five axioms or guidelines. The naturalistic paradigm gives primacy to the belief in multiple constructed realities[1] .

Lincoln et al.'s five axioms address firstly, ontological, and secondly, epistemological concerns. The axioms are briefly detailed in **Appendix 2.1:** *Naturalistic Inquiry*. In the study, there are multiple realities; interpretations from within each perspective add to comprehension of the contemporary social constructs *'brands'* and *'financial reporting'*. Epistemologically, with naturalistic enquiry, there is interaction between the knower or instrument, and the inquiry. In this study, the researcher has significance [refer preface, chapter one, *supra*; 2.3.3.2, *subter*]. The inquiry leads to the development of idiographic knowledge. Lincoln et al. (1985) argue the emergence of *'patterns'* of explanatory theory, grounded in particular contexts (ibid., pp.206-208). Patterns are argued as outcomes to ethnographic research and analysis (McCracken, 1988, p. 42; Fetterman, 1989, p.93). Fetterman argues that patterns repeat across various situations and people; cultural patterns are interwoven strands (ibid.). The *'pattern model'* emerges when particular relations hold to constitute a pattern (Kaplan, 1964, quoted by Lincoln et al., 1986, p. 206] In this research, patterns of explanation constitute key findings [refer 9.3, *subter*].

Lincoln et al. (1985) express important implications of the naturalist paradigm in fourteen operational characteristics of naturalistic enquiry (ibid. p.39). The fourteen characteristics are referenced in **Appendix 2.1:** *Naturalistic Inquiry*. In this chapter, in presenting the manner in which the research was conceptualised and carried out, references will be explicated to the appropriate naturalistic research axiom or characteristic.

### **2.2.1** *Guiding Paradigm Choice and Brands Research*

The overall guiding paradigm, within which the research is conceptualised, is naturalistic. In implementing the approach to the research problem, reliance is placed upon the explanatory power of interpretivism. The central issue of the interpretive paradigm is seeking understanding of the social actor's own interpretation. Within their interpretivist quadrant, Burrell and Morgan (1979) locate, as interpretive, philosophical concepts which attempt -

> *to understand and explain the social world primarily from the point of view of the actors directly involved in the social process* (Burrell et al., 1979, p. 227).

The interpretive ontology, which views reality through subjective understanding, fits within the naturalistic approach, in which realities are multiple and constructed [**Axiom 1**, refer **Appendix 2.1:**]. This ontological basis has resonance with the research project, which positions individual respondent's understanding within institutional groups and particular field domains. The value bound axiom of the naturalistic paradigm has correspondence with an interpretivist approach in which knowledge is not value free [**Axiom 5**, refer **Appendix 2.1:**]. Sarantakos observes value neutrality is neither necessary nor possible (Sarantakos, 1993, p.36).

In approaches to research there are potential ranges of interpretation. Differently based approaches privilege explanatory insights that may yield different knowledge regimes (Llewellyn, 1993). There can be also some blurring between approaches - for example an interpretivist approach that seeks understanding, and consequently raises questions about social practices, may be argued as moving towards a critical theoretical position. In this study, three specific theoretical structures, were perceived as potentially appropriate to inform the investigatory activity. These were an open critical approach; hermeneutics; and a phenomenological interpretive approach. These theoretical approaches are now briefly reviewed.

**2.2.1.1** *Critical Theory Approaches:* Beliefs which constitute the critical theory paradigm establish an understanding of reality which embraces the entirety of subjective and objective worlds, with thus a totality of the perspective. Consciousness is the force, which creates and sustains the social world; it is internally generated, but influenced through objectification of forms, giving rise to an on going dialectic. Critical theorists have a focus on theories of interest. Lukka observes -

> *The purpose of critical studies has often been to reveal the implicit links between accounting and various power structures in organisations and society. Usually the key issues addressed deal with competing interests and the significance of diverse accounts* (Lukka, 1990, p.243).

This study has particular emphasis on accessing **how** people perceive brands; and **how** people understand the fit of brands in current financial reporting constructs. Differentiation is made by Gioia and Pitre -

> *Whereas proponents of interpretive theory building focus on how a particular social reality is constructed and maintained, radical humanists focus on why it is so constructed and ask whose interests are served by the construction and sublimation to the deep structure level* (Gioia and Pitre, 1990, p.589).

While critical theory may add value dimensions to this inquiry, an interpretive approach is adopted to gain more open understanding.

**2.2.1.2** *Hermeneutics:* The hermeneutic tradition originates in making sense of texts through understanding original meaning within the text. The emphasis is on the discrete or disconnected contexts of the individual person, or individual social situation. It is argued that a broader underlying conceptualisation, in which the **nature** of the constructs can be explored, is more appropriate. The hermeneutic approach privileges understanding through expression and language[2] used within the individual situational contexts. In contrast, the research design here gives primacy to the brand and financial reporting foci of various perspectives. Language use is of interest as an indicator of understanding; but it does not have special primacy. The varied bases of value, are perceived as fitting within the broadly interpretive approach taken.

**2.2.1.3** *Phenomenology:* In discussing phenomenology, authors note differing interpretations with the central notion of the *'essence of experience'* (Burrell et al., 1979, p.240; Patton, 1990, pp.68-69; Miles and Huberman, 1994, p.8). The manner in which a person approaches the phenomenon is termed *'intentionality'* or the *'directional shape of experience'* (Ihde, 1977, p.41; Sanders, 1982, p.354). Therefore the two correlates of phenomenological perception - *'essence of the experience'* and the manner of perception (*'intentionality'*) are individual, although inseparable [refer 2.2.2, *subtet*]. The search for subjective understanding, which is the focus of phenomenology, is argued as applicable in the present research, as it is the understanding of business people's perceptions of brands and brand values, and their understanding of financial reporting, that is sought - the *'essence'* of their view, within the particular business activity group[3] which may shape their *'way of seeing'*.

In phenomenological enquiry, Patton (1990) claims potential for confusion:

> *A phenomenological perspective can mean either or both (1) a focus on what people experience and how they interpret the world*

> *(in which case one can use interviews without actually experiencing the phenomenon oneself) or (2) a methodological mandate to actually experience the phenomenon being investigated (in which case participant observation would be necessary)* (Patton, 1990, p.70).

In this research, the first described practice is operationalised in the research design, although activities are informed by the researcher's twenty two years of experience in the marketing field [refer preface, chapter 1, *supra*]. In ethnographic research, autobiographical experience is argued by Power (1991) as *'at least as good as the participant observer basis'* (Power, 1991, p. 334). In the movement from theoretical argument to field practice, pristine intentions can become blurred. Miles and Huberman (1994) observe -

> *No study conforms exactly to a standard methodology; each one calls for the researcher to bend the methodology to the peculiarities of the setting* (Miles et al., 1994, p.5).

Similar observations are made by Morgan (1983, p.15, pp.396-397) and Patton (1990, p.89).

Significant explanatory power for this study is found in the manner in which Alfred Schutz (1967, 1970a, 1970b, 1971, 1973) applies phenomenology to the social world of everyday life. The appropriateness of the interpretive paradigm, phenomenology, and specifically the work of Alfred Schutz to brand research, are further examined in the next section.

### 2.2.2 *Phenomenology, Alfred Schutz and Sign Communication*

In this section, the philosophical basis of phenomenology is outlined, and the particular phenomenological interpretation advanced by Alfred Schutz is explored as a perspective upon which this study draws (Berger and Luckmann, 1966; Schutz 1967, 1970a, 1970b, 1971, 1973). Schutz's theorising not only concerns everyday life, but also explication of sign communication (Schutz, 1967, p.120).

**2.2.2.1** *Phenomenological Inquiry*: Phenomenological inquiry aims at understanding how people interpret social experiences in order to make sense of their world. It

seeks to elucidate and make explicit the *'essence'* of human experience within the *'intentionality'* of that experience.

The focus is therefore on the experience and the manner of experience. The notion of essence of experience is tied to the correlation between the object as perceived (known as the noema) and the subjective apprehending (known as the noesis) of that object or experience (Ihde, 1977, p.44). The one cannot occur without the other. The particular shape of the experience (noema) is indicated by the noesis. The diagramatic interpretation in **Figure 2.1:** *Noesis and Noema* shows the relation.

**Figure 2.1:** *Noesis and Noema*

**noesis** ----------› **noema**

> *Here, noema stands for that which is experienced, the arrow indicates that this experience is directed or referential and its particular shape in the "how" experienced is indicated by noesis. Within the phenomenological reduction, then, only that which is so correlated is considered* (Ihde, 1977, p. 44).

The analysis of the experience starts with the noema or experience and moves to the manner of experience or the correlated noesis (ibid., p.50). The noesis or *'directional shape of experience'* is a *'way of seeing'*.

**2.2.2.2** *Alfred Schutz and Everyday Life:* The phenomenological interpretation advanced by Alfred Schutz focuses upon the *'life-world'*, or the world of social life. It prioritises explanation of the manner in which people individually understand and structure their existence in the everyday social life. Alfred Schutz observes that -

> *... every lived experience is open to numerous interpretations (noeses) without in any way detracting from the identity of its noematic nucleus* (Schutz, 1967, p.85).

Schutz searches into consciousness, which he claims is a stream of lived experiences, which individuals can apprehend only reflexively (Schutz, 1970). Natanson (1970, p.121) claims that Schutz emphasises that phenomenology is concerned with meaning. Lincoln et al. (1985) quote Schutz:

> *The aim, then, is to interpret the actions of individuals in the social world and the ways in which individuals give meaning to social phenomena* (Schutz, 1967, p. 11, quoted by Lincoln et al., 1985, p. 77).

One may equate the brand with the noema, and correlated to the way it appears, is the noesis or intentional manner of perception. Meaning cannot be captured in a vacuum - but is relative. Thus the manner of perception yields a version of meaning of the phenomenon perceived. Brands and financial reporting are artefacts constructed in contemporary social reality. It is contemporary reality which invests current meaning and values. The study explores differing interpretations of meaning of these constructs through articulations of respondents, based in diverse business realities.

Schutz (1970) argues that individuals construct their own worlds; they do this through cognitive structuring of the world around them, which is given to them. As we pass to indirect experience, we resort to increasing conceptualisation. It is seen as a process of typification (Berger et al., 1966, p. 46; Schutz, 1967, 1970a, 1970b, 1971, 1973); and through such typifications we organise everyday life, thereby building a personal stock of knowledge.

> *Schutz argues that the stock of knowledge which we use to typify the actions of others and understand the world around us varies from context to context* (Burrell and Morgan, 1979, p. 246).

Many types of constructs are used by people in the meaning structure and ordering of their worlds of everyday life. Covaleski and Dirsmith (in a different context) quote Schutz's observation that:

> *... social experience can only be understood with respect to it by the social actors themselves* (Schutz, 1967, quoted by Covaleski and Dirsmith, 1991, p.5).

Constructs exist in people's minds, where meaning is attributed; constructs do not exist if unperceived (Wisdom, 1953, p.8; similarly Berger and Pullberg, 1965, p.202). The existence of brands is built in this manner. The power and value of brands is activated through meaning attributed in consumers' minds (Restall et al., 1993); [refer 3.3, *subter*]. Brands have potential for individualised meaning. Goldman (1987) notes that people '*decode advertising in the light of their prior familiarity ...*' [refer 3.3.2, *subter*; [**Appendix**

3.IV:]. Brands do not have meaning/significance for people who have no knowldege of them. Knowledge of a brand can be created through experience of the product, through hearsay, and through impressions gained from advertising and other forms of promotion. A respondent remarked on consumers building images from advertising:

***Empirical Field Example 2.1*** -

> **Respondent:** Image .... yes I was going to say perceived experience. But you see something advertised on television you haven't actually experienced - so it might be say Cathay Pacific Airline, and you've never flown Cathay, so you don't really know if what they say is true. But you build up a perception that well it probably is, and if I did fly Cathay that's probably what I'd experience [M. Int. 11].

In a group situation, for Schutz the subjective meaning of the group consists in common knowledge and common systems of typifications (Schutz, 1970a, p.82). Similarly Shibutani (1955) discusses the values and standards of groups to which people belong, as reference points for individual action [refer 2.2.4, *subter*]. Scott, in examining consciousness, observes that symbolic structures of our consciousness are often communally shared in a common language (Scott, 1971, p.629). When we use a language, it functions as a structured part of our consciousness (ibid.). In the fieldwork, patterns of word use became apparent with some institutional groups Word use may also denote stereotypes. Borden (1991, p.53) observes that stereotypes occur where people categorise other people and classes of people by associating with them certain patterns of behaviours or traits (Borden, 1991, p.53). Thus a group of people may be characterised by another group or groups by perceived characteristics. Alfed Schutz observes :

> *Even the socially most stereotyped cultural ideas only exist in the minds of individuals who absorb them, interpret them on the basis of their own life situation* (Schutz, 1970a, p.93).

**2.2.2.3** *Schutz and Sign Communication:* Schutz's analysis of the structure of human communication through signs gives insights into brand communication. Thus Schutz (1967, p.119) indicates that a sign exists not as a direct signal, but as a representation of something else. There is therefore the existence of a *'relation of representation'*

between the sign and that which it signifies. Signs are defined as -

> *artefacts ... which are interpreted not according to those interpretive schemes which are adequate to them as objects of the external world, but according to schemes not adequate to them and belonging rather to other objects. Furthermore, it should be said, that the connection between the sign and its corresponding non adequate scheme depends upon past experience of the interpreter* (Schutz, 1967, p.120).

Schutz emphasises that in interpreting a sign, it is not necessary to refer to the fact that someone made it or used it. The interpreter need only know the meaning of the sign, not its creator (ibid.). With brands, the consumer does not enquire as to the owner of the brand, but interprets the brand messages according to personal understanding [refer 1.4, *supra*]; [**Appendix 3.IV:**]. Within brand communication, the total pattern of meaning contexts can be viewed as -

- the sign, word, design or mark itself (empirical facticity);
- what the user of the brand intends by using it (expressive meaning);
- the significance or interpretation given the brand by the interpreter (interpretive meaning).

Facticity of the brand itself: the name or some aspect in itself may have impact through wide popular recognition of the name, or logo simpliciter - for example '*Hermes*'. '*Hermes*' fashion leather goods are made only in France, the name *'Hermes'* is synonymous with luxury accessories. Experience of the brand through ownership, advertising, or hearsay would give knowledge of the brand and its perceived quality. These factors - experience, ownership, knowledge - are all human constructs (Berger et al., 1965, p. 202). Brands or parts/attributes of brands can have significance. For example, Coca-Cola uses imagery in colour and the ribbon, which transcend national languages.

***Empirical Field Example 2.2*** **-**

**Respondent:** ... the interesting thing with brands is that you don't actually have to see the word or anything else. It is just really a visual representation of a colour or a ...
**Researcher:** Something that goes into my mind.
**Respondent:** Yeah, it is subliminising. I was in Korea, I think,

> and obviously all the wording was totally foreign to me - I couldn't make sense of it, anyway. But going past, seeing the dynamic ribbon of Coca-Cola. The red ribbon, that's all I needed to see to indicate to me that it was Coke that was being ... [A/F. Int. 18].

Beyond simple recognition are two functions of meaning.

(i) In its interpretive meaning a sign has '*significative function*' (Schutz, 1967, p.126). The recipient interprets a sign for a meaning within his/her own existing scheme of personal experiences. Thus interpretation of a brand depends upon the experience scheme of the consumer [Refer 3.2, *subter*].

(ii) A sign also has meaning, seen as *'expressive function'* (Schutz, 1967, p.126), within the context of discourse. This meaning is that held by the person employing the particular sign. With brands, it is the meaning which the brand owner entertains for the brand. It underlies the creation and structure by manufacturers of promotional activities and promotional material [refer 3.3.2; 3.3.3; 3.4.2; 3.4.3.1, *subter*]; [refer **Appendix 3.IV:**].

Again using Coca-Cola, an example makes clear the domain of brand owner contribution.

***Empirical Field Example 2.3*** -

> **Respondent:** ... take Coca-Cola, they obviously have a clear policy and an image. But I don't think they register that, they wouldn't regard that as a trade mark ... whereas it's a character of their brand, and it is a very important part. I'd say it is part of the culture that goes with those sorts of things. It will only do so many things, it will only behave in a certain fashion, be seen in certain areas [A/F. Int. 29].

**Conclusion:** Dimensions of understanding of the ways in which brands are constructed in consumer society gain explication from Shutz's explanations of the manner in which people build typifications through repeated occurrence of subjective perceptions. Through advertising, hearsay, and experience, consumers construct imagery representing brands, which become typifications as consumer brand

relationships [refer *Empirical Field Example 2.1, supra*]. Secondly, Schutz argues that lived experiences are open to various interpretations (*'noeses'*), through which the *'essence'* of the nucleus is experienced (refer 2.2.2.2, *supra*). Analogously, brand constructs may be interpreted differently and differently privileged in the operational values of diverse business realities. Thus Schutz's explication aids comprehension of diverse interpretations of brands and brand values. Thirdly, Schutz's examination of the intersubjective manner in which signs are communicated offers explanatory insights into manufacturers' activities in building brands [refer 3.4.2, *subter*]. From Schutz's explanation of the *'expressive function'*, the domain of the manufacturers' interests and the processes concerning brands can be more clearly delineated against the complexity of contemporary commercial and social activities.

Clear delineation of complex processes enables greater appreciation of the constituted dimensions of the differing perspectives, and better insights into the *'essence'* of what is being viewed. In this study, the arguments of Alfred Schutz contribute to a better understanding of the complexity of brands in contemporary society, to enable more informed decisions concerning brand reporting in annual financial statements.

### 2.2.3 *Dynamic Nature of Research Fields*

The focus of this study is on the individual's perspective (within the reference group). The phenomenological experience is argued as having explanatory power [refer 2.2; 2.2.1; 2.2.2, *supra*], because it is the personal interpretations of brands that are sought. However, in constructing domains of activity in fields of marketing and accounting/finance, an objective framework is created. The fields are illustrated in **Figure 2.2:** *Fields of Marketing and Accounting/Finance* on page 56. The field dynamics are perceived as centred upon particular activities of the corporate brand owner. The social artefacts of *'brands'* are created and managed in the marketing field; the social artefact of *'financial reporting'* has meaning within the accounting/finance field. The fields integrate within the brand owner's particular operations.

In order to articulate the dynamism of the fields in which the institutional groups are implicated, recourse is made to the theories of *'fields'* of Pierre Bourdieu. The

domains of marketing and accounting/finance are not mediated through Bourdieu's theory of fields, but are given particular dynamic substantiation through specific underlying relations or interests, which are theorised by Bourdieu (1993, p.72). In **Appendix 2.II:** *Dynamic Representations of Fields*, the dynamics of the field of marketing and the field of accounting/finance are given representation from the perspective of the manufacturer/owner of consumer goods brands [refer **Figures 2.3; 2.4, Appendix 2.II:**]. Bourdieu perceives fields as structured spaces of relational modes of activities (1993, p.72); he also claims that historical understanding is important to grasp the genesis of structures, as they can be observed at any given moment (Bourdieu, 1990, p.42). In this study, chapters three and four build thick descriptions of the fields [refer 2.3.2.2, *subter*]. The chapters present cultural and contextual issues important in the fields of marketing and accounting/finance, in which brand and financial reporting constructs are created and sustained.

### 2.2.4 *Reference Groups*

The concerns of this study are with the potentially differing understandings of business people of brand and financial reporting constructs in contemporary commercial society. In the structure of the study, diverse business operations within the fields of marketing and accounting/finance, are categorised as different groups [refer 1.3.1 *supra*; **Figure 2.2:**, *subter*]; [refer also **Figures 2.3:; 2.4:**, **Appendix 2.II:** *Dynamic Representations of Fields*]. Because of the differentiated character of modern mass societies, Shibutani (1955, p.569) claims the concept of reference groups, or similar units, has significance conceptually for any scheme of analysis. Particular perspectives from one group to another may be potentially very different. The notion that people think, feel, and see from the standpoint peculiar to the groups in which they participate is not new. Groups exist as a unity of order, each with its own culture, which is bound by the existence of communication channels (ibid). Shibutani's arguments concerning multiple realities are analogous to the notions of multiple realities of the naturalistic paradigm (Lincoln et al., 1985).

Shibutani claims that the organisation of perceptual experience depends in part on what is anticipated and what is taken for granted. The perspectives of the members reflect standards, values, and norms of the groups.

*Judgements rest upon perspectives, and people with different outlooks define identical situations differently...* (Shibutani, 1955, p.564).

The arguments of Shibutani have resonance with Schutz's theories which explicate subjective meanings in everyday life [refer 2.2.2.2, *supra*].

The study focus concerns the ways in which individual business people interpret brands and how they understand financial reporting in relation to brands. Creation of reference groups, and the fields in which the groups are situated in the business world, contribute in two ways to the study. **Figure 2.2:** lists the groups within a representation of the fields.

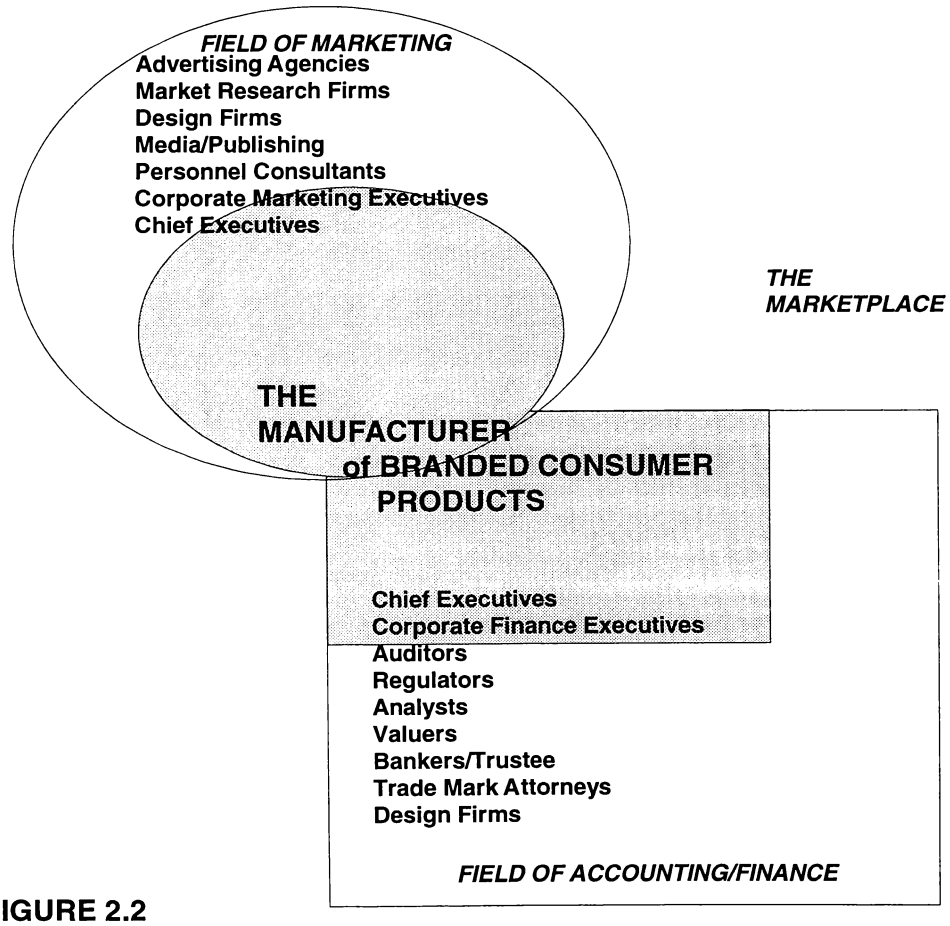



**FIGURE 2.2**
*Field of Marketing*
*Field of Accounting/Finance*
*and Constituent Groups*

Firstly, the groups and fields contribute a conceptual frame to structure the study; secondly, the groups and the fields are argued as creating potential dimensions of meaning, which are reflexively formed as part of particular enculturalisations (Reilly and DiAngelo, Jr., 1990); [refer 3.4.3.3, *subten*][4]. The fields can be perceived as existing within the manufacturer of branded consumer goods or more broadly conceived in the commercial environment.

**Conclusion:** This section presented the philosophical groundings of the research study. A review of choices was made. The following philosophical framework for this study was set out. The research is conceptualised in an open manner; it is structured on the axioms of the naturalistic paradigm. The specific research approach is interpretive. It is informed by the phenomenological theories of Alfred Schutz. The research domain is framed in dynamic fields and reference groups.

The next section examines the research design and argues its application, using ethnographic methods.

## 2.3 *Methodological Considerations*

Because the chosen paradigm's assumptions structure the world view and the nature of knowledge, such theoretical assumptions impact also upon methodological principles, and order the nature of both research design and inquiry methods (Morgan and Smircich, 1980; Lincoln et al., 1985; Llewellyn, 1993; Richards, 1993; Sarantakos, 1993). From the linking of theory and method, it follows that the manner in which the researcher studies the world shapes what will be learned about the world (Patton 1990, p.6; Llewellyn 1993, p.233). Miles et al. (1994, p.4), warn -

> *Like Howe (1988), we are wary of abstract epistemological arguments that do not connect operationally with the actual research practices used to gain knowledge.*

It is important that the theoretical framework used is clearly stated (Zuboff, 1988; Richards, 1993). Patton (1990, p.39) emphasises that the implications are made clear for -

> ***study focus, data collection, fieldwork and analysis***, (Patton 1990, p.87). (Emphasis in original)).

In questions of methodology, Patton (1990, p.39) argues for methodological appropriateness, rather than methodological orthodoxy.

> *The first mandate of qualitative methods is to go into the field and learn ..... firsthand* (Patton, 1990, p. 48).

In designing the research project, and in the approaches used, recourse is made to ethnographic methods. Such claims for the grounding of the overall research project are made with the awareness that authors claim that research (particularly of a qualitative nature), cannot be totally conceived and designed prior to the essential fieldwork focus (Morgan, 1983, p.15, pp.396-397; Lincoln et al., 1985; Patton, 1990, pp. 87-89). Research designed within the naturalistic paradigm is characterised as *'emergent'* [**Characteristic 8**, refer **Appendix 2.1:**]. Måseide, however, warns

> *Labels such as 'interpretative methods', 'in depth interviewing', and 'hermeneutics' are regularly used by researchers to describe their methods and justify their inferences. Unfortunately these terms may sometimes have more the effect of creating a context of justification than of describing an adequate context of discovery. For many qualitative researchers, their preference for this approach is based on a theoretical criticism of positivism. The problem is, however, that this criticism has been more explicit on what to avoid than on what to recommend* (Måseide, 1990, p.5).

The next sub-section now examines the suitability of ethnographic methods for research design and execution. A comparison is made between ethnography and ethnographic methods. Secondly, the research design is reviewed. Thirdly, theoretical aspects of research methods in the field are discussed.

### **2.3.1** *Ethnography and Ethnographic Methods*

With increasing interest in qualitative research, forms of research developed within other disciplines have been more broadly adopted in accounting. An example is ethnography, originally a research approach used in anthropology (Van Maanen, 1988). A discussion of views of ethnography is followed by examination of the

characterisations which are perceived as constituting ethnography. The manner of *'using ethnographic methods'* is then presented. This latter approach is the basis for the research design of this study.

Stanley (1990) observes of ethnography -

> *Ethnography can exist as a method or technique, as a methodology or perspective and as an epistemology or theory of knowledge; and the ethnographer can be differently positioned in regard to these in relation to ethnographic processes ('field research', 'doing ethnography') and to ethnographic products ('writing ethnography', ethnographic texts')* (Stanley, 1990, p.8).

Atkinson (1990, pp. 4-5) mentions traditions in ethnographies built up over some sixty years by writers in anthropology and sociology in North America and Great Britain. He indicates that ethnographies as a general class are broad, and cover a diverse range. Marcus and Cushman (1982) refer similarly to sixty years of tacit, if not explicit, recognition of ethnographic activity in the field, as well as ethnographic method. Ansari (1991) emphasises the central role of ethnography in cultural anthropology. He reiterates Van Maanen's definition that the subject matter of ethnography is culture and its method is field research (ibid., p.2). Despres (1995) observes that an ethnographic approach allows for an inductive interpretive research study. Hammersley (1990, p. 597) indicates that ethnography and other forms of qualitative method have moved to mainstream positions in the social sciences in the past thirty years. Stanley (1990) suggests wider origins, including travellers' tales. She also adds new strands of postmodern and feminist ethnographies, and claims ethnographies as plural rather than singly ethnography. For Hammersley, ethnography is method (Hammersley, 1990, p. 597); for Atkinson, ethnography is discussed at length as genre, indicating a literary emphasis (Atkinson, 1990, p. 8). Spradley gives his view of the essential core of ethnography -

> *... is this concern with the meaning of actions and events to the people we seek to understand. Some of these meanings are directly expressed in language; many are taken for granted and communicated only indirectly through word and action* (Spradley, 1979, p.5).

Fetterman (1989) discusses the interpretive basis of ethnographic studies. Stanley (1990) observes the influence of the work of Alfred Schutz on ethnographers (ibid.,

p.620). Sarantakos claims a range of paradigms are potentially informative. The choice of the interpretive paradigm is seen as aiming -

> *... at understanding the dynamics of a sociocultural system as well as of how people interpret their world* (Sarantakos, 1993, p.266).

Three disparate areas (broadly characterised) are suggested as essential to ethnographic characterisation -

- fieldwork involving cultural studies,
- unique textual representation of the study area as a perspective of reality,
- the intended (academic) audience.

The final textual form (whether written, film or other medium) is the centering focus and overriding perspective. Ethnography does not entail extensive pre-fieldwork design. It reflects, very much, naturalistic axioms and characterisations [refer **Appendix 2.I:**]. Flexibility is important. Strategy and even direction of the research can be changed relatively easily. Ethnography explores social processes in everyday settings; it has a multi stranded character which provides a basis for triangulation (Hammersley and Atkinson, 1983, p. 24). An ethnography, or ethnographically informed report, attempts to be holistic. The ethnographer's task is not only to collect information from the insider's perspective, but to make sense of the data from an external, social scientific perspective. Fetterman (1989) observes that verbatim quotations allow the reader to judge the quality of the work - and whether the researcher's conclusions are appropriate (ibid.).

Differences between full ethnographic studies and research which *'uses ethnographic methods'* arise from the intensity of involvement in the field, and the time frame of involvement. The involvement in fieldwork creates the essential infrastructure, whether for ethnography or ethnographic methods. For Hammersley (1990, p. 106) fieldwork is the anchor; for Spradley (1979), it is the hallmark. Fetterman observes -

> *... fieldwork is the most characteristic element of any ethnographic research design. Classical ethnography requires from six months to two years or more in the field. Field work is exploratory in nature* (Fetterman, 1989, p.18).

Ethnographic researchers have varying views of the time period in the field which constitutes an ethnography. There is much discussion over levels of participation in the field and types of informants (Hammersley and Atkinson, 1983; Power, 1991). In differentiating ethnography from qualitative enquiry generally, writers stress the concern of ethnography with culture in social settings (Spradley, 1979; Fetterman, 1989; Patton, 1990; Ansari, 1991). Sarantakos (1993) observes the difference between case study research and ethnography.

> *The former is geared towards an intensive analysis of single cases (or a few cases) in their own right, often with little relationship with each other or with the social context. The latter demonstrates a form of research that places groups or units of analysis in the context of the whole culture, studying them in a holistic context* (Sarantakos, 1993, p. 258).

Fetterman (1989) stresses that the most important element in fieldwork is being there. He notes that in many applied settings -

> *... long term, continuous fieldwork is neither possible nor desirable* (Fetterman, 1989, p.19).

Fetterman observes that in many applied situations, limited resources in time and funding may mean that the researcher uses *'ethnographic techniques'* (ibid., p. 47).

In the present study, the employment of the researcher for twenty two years in marketing and advertising is considered important. Also significant are the researcher's experiences in investing (corporate annual reporting) and in accounting employment. The interviews which yielded the field data, were conducted from September 1994 to March 1995 intensively, then to November 1995. There are sixty eight interviews altogether, with two respondents in two interviews (seventy respondents in total). Sixty one interviews are taped interviews of three quarters of an hour, to an hour and a half, and longer. In each field (marketing and accounting/finance), the interviews create a range of perspectives of brand constructs and construction of financial reporting. Given the mix of significant background experiences of the researcher, and numbers of interviews, the researcher characterises the research as *'using ethnographic methods'*[6].

### **2.3.2** *Research Design - Overview*

As structure, the research design is distinguished from the research methods (Bryman, 1992, p.28); it provides a framework for the phases of the study and it may influence the shaping of the written thesis. In a naturalistic approach, the research design is *'emergent'* [**Characteristic 8**:, refer **Appendix 2.1:**]. This sub-section examines firstly, the implications of ethnographic methods for the research design; secondly, it argues the basis of building thick descriptions in chapters three and four.

**2.3.2.1** *Design Implications of Ethnographic Methods:* In contrast to a more general *'qualitative'* research label, or *'multimethod'* research, the ethnographically based research is distinguished by certain characteristics. Particular areas, in which ethnographic values are seen as insightful for research into brands, are in the holistic dimensions, the explication of cultural values, centrality of the field of enquiry, the role of the researcher, and conscious crafting in the construction of the final (written) report. Thornton (1992) argues that the *'holism'* of ethnography is achieved not only in observation, but also through the creation of the text. There is an interplay between the parts and whole of social reality, and the parts and whole of the text.

> *Once we have begun to collect and combine these records they are no longer given to experience in quite the same way. The "experience of fieldwork" is both the experience of social life and the experience of the textual fragments in which it is recorded* (Thornton, 1992, p.21).

In the emphasis on a holistic approach, ethnographic methods have resonance with the axioms and characteristics of the naturalistic paradigm in which the research is anchored. These are referenced in aspects of field design [refer 2.3.3, *subter*].

The claim that social wholes cannot be directly experienced by a single observer (Thornton, 1992, p. 18) is partially overcome in the present study by the multiple groups and fields in the design construction. The focus of this study is particular social constructs, created in the fields of marketing and accounting/finance. These constructs - brands and financial reporting - are valorised by the contemporary society in which they are continuously created. The respondents' interpretations of brands and the perspectives of the multiple realities, as reported from the analysis,

are given a cogency through the verbatim quotations included. From the secondary sourced material, different dimensions of the constructs are developed. Societal issues which directly and indirectly impact upon creation of brand and financial reporting constructs are explored. The explorations mobilise different dimensions of cultural understanding, and give insights into the dynamic interests of the fields. They elucidate interests involved in the creation and maintenance processes relating to brand and financial reporting constructs. In ethnographic terms, the chapters contribute *'thick description'*[6] (Guba and Lincoln, 1981, p. 119].

**2.3.2.2** *Building Thick Descriptions.:* This sub-section makes out the case for the thick descriptions built in chapters three and four, prior to analysis reports from the fields of marketing and accounting/finance. In chapter eight, extensive interpretation brings together description, theory and empirical field reports. In its interdisciplinary character, this study builds thick description incorporating accounting, marketing, and sociological and anthropological perspectives. It includes aspects from law. The descriptions built in chapters three and four mobilise many different perspectives, and thus contribute to building cumulatively, wider and richer frames of understanding of brands and brands/financial reporting, and the complex environments in which these constructs are presently continually created and valorised.

The aim of ethnographic studies is to -

> *map the morphology of some area of the social world* (Hammersley, 1992, p.23.).

Hammersley (1990, 1992) discusses the mixture of description and explanation that characterises ethnographic work and the ways in which ethnographers appear to disregard inconsistencies in their approaches. Hammersley questions the goal of ethnography in producing theoretical descriptions. Stanley (1990) queries the differentiation made between theory and description by Hammersley. She emphasises that description is central to ethnographic accounts. For Spradley (1979), ethnographic descriptions are potentially mixtures. He insists that every ethnographic description is a translation that mixes the meanings of respondents with those of the ethnographer. *'Thick description'* is a term used by Geertz to convey *'webs of*

*significance'* in evoking concepts of culture (Geertz, quoted by Shankman, 1984). Lincoln et al. (1985, p.316) observe that the constituents of thick description are not well defined. In Guba et al., (1981) the authors discuss the role of thick description as providing extensive knowledge of circumstances, characteristics and nature. It can involve interpreting meaning:

> *... But thick description also involves interpreting the meaning of such demograpic and descriptive data in terms of cultural norms and mores, community values, deep-seated attitudes and motives, and the like* (Guba and Lincoln, 1981, p.119).

Guba et al. (1981, p. 375) claim that thick description is *'so important'* to naturalistic evaluation. Denzin (1989) argues that social scientists have produced several different types of thick description.

> *A full, or complete, thick description is biographical, historical, situational, relational, and interactional. But not every thick description is full or complete. Some focus on relationships, others on individuals, some on situations, and so on* (Denzin, 1989, p. 81).

Patton (1990) observes that description *'sets up and makes possible interpretation'* (Patton, 1990, p.430). Description, in the view of Patton, is balanced by analysis and leads into interpretation. Denzin also observes that interpretation builds on description (Denzin, 1989, p.108).

In this study, chapters three and four build thick descriptions, which articulate richer cultural dimensions of understanding concerning brands and financial reporting as current constructs, and the contemporary environments in which they are continuously constituted, and gain both meaning and values. With a complex and dynamic area, drawing on multidisciplinary concerns, Moore (1991) argues that some selection of trends and issues is essential on account of both size and complexity (Moore, 1991, p.786). Chapters three and four are designed in this manner. The chapters thus function to build cultural and contextual dimensions to achieve indirect and descriptive measures of understanding. Shankman (1984, p. 261) articulates Geertz's understanding of culture -

> *'culture is symbolical and meaningful, involving neither behaviour nor social action directly'* (Shankman, 1984, p. 261).

The chapters are integrated into the study design in place of the traditional literature reviews. When previous and current studies are conceptualised differently, existing bodies of literature may not directly encompass the research focus (Marshall et al. 1989, p.39). In contrast to much of the accounting literature on brands [refer 1.5.1, *supra*; chapter I, end note 15], which is confined within an accounting cultural context, this study draws, not only on bodies of literature in diverse disciplines of different cultures, but also on social documents. The basis of approach to the chapters is interpretive; and the analyses of issues are descriptive. Arguments supporting the particular research design can be derived also from Bourdieu (1984, 1990, 1991, 1993a, 1993b). In his theorising on the structure of fields, Pierre Bourdieu argues the need for accounts of past evolution, to understand the genesis of contemporary structures (Bourdieu, 1990, p.42; 1993a, p. 72).

Chapters three and four elaborate diverse cultural and contextual images and issues; the chapters contribute dimensions of dynamics which are integral to the contemporary construction of brands and financial reporting. The ranges of secondary sources utilised to inform the selected descriptive analyses are diverse. They are both formal and informal. They are drawn upon to create images of context, dynamics and history. Systematic searching of literature indices[7] gave access to bodies of literature in marketing and accounting. Searches in literature spread further into sociology and anthropology, and into aspects of financial markets and law, to draw on wider ranges of information, as perceived relevant to the underlying issues. Beyond formal searches, there were also informal searches made through reference lists and *ad hoc* journal searches.

Specific secondary sources in contemporary New Zealand society and business contribute also to provide the contextual description and cultural knowledge. A study undertaken by the researcher into brand disclosures in annual reports of companies listed over the years 1987 to 1992 yields information on financial reporting and general disclosure practices (Cochrane, 1994b); [**Appendix 1.XII:**]. Illustrations to illuminate arguments in the thesis are taken from a study of the documents of Lion Nathan Limited[8], and from an annual report of Donaghys Limited. Examples sourced from these documents include *Examples from Documents 4.1*; *4.6*; and **Appendices 3.V:** *Words and Brands*; and **4.VIII:** *Annual Reports - Lion Nathan Limited.*

Searches of company files at the companies office, department of commercial affairs, Ministry of Commerce (Auckland) yielded evidence of brand communications in prospectuses by Lion Nathan Limited and Cerebos Gregg's Limited. Searches of company files also provided a different perspective from interview tape data. Further corporate documents were provided by respondents, who made available pro forma material, which evidence internal company communications and external communications with trade customers and clients.

Material sourced from newspapers is used to document aspects of brand image dissemination in contemporary society. Business and newspaper articles illustrate general background information of current interest [refer **Appendices 3.XII:, 4.V:, 4.VI:, 4.X:].** A further newspaper source is executive appointment advertisements placed on business pages of the New Zealand Herald (daily audited circulation 244,535 copies[9]). Over a period in excess of twelve months, all advertisements for executive marketing and sales positions were collated. Examples are taken from the collected material to illustrate arguments in the thesis [refer **Appendices 3.X:; 3.XI:, 4.XI:**]; and the advertising copy per se, is used to evidence dissemination of brands awareness among agency personnel, and applicants who reply to executive personnel advertisements [refer 3.4.3.2, *subter*]. In presenting these arguments, cognisance is taken of the potential limitation through document bias (Sarantakos, 1993, p.209). All social documents - for example, annual reports - are produced *'for a reason'* [refer 4.3.3, *subter*]. Documents are '*strategies of presentation of self*' (Bourdieu, 1988).

Brands and financial reporting functions are constructs of contemporary commercial and consumer society. Their existence is rooted in past social practices; and the meanings and values attributed to these constructs have contemporary derivations. Chapters three and four integrate not only traditional literature reviews, but also information from socially derived sources to contribute rich cultural dimensions of meaning to this exploration of brands and brands/financial reporting.

### **2.3.3** *Field Research Design - Discussion*

Documentation of consumer brands is found in various communications from manufacturers - for example branded goods advertisements and promotional

material, executive personnel advertisments, prospectuses, annual reports, and letters to shareholders. While the documents are recognisable artefacts of contemporary culture, the diverse firms involved in the production processes (and their contributions), remain shadowy beside the publicly recognisable outcomes. The processes can be argued as creating *'networks of meaning'* (Smircich 1983), which are integral to the discourses of the particular fields.

In planning empirical research, there must be translation of the research problem to a physical situation to enable access for the researcher (Marshal et al., 1989). The physical domain for this research is constituted by particular institutions in the marketing and accounting/financial markets, centring upon the manufacturer of branded consumer goods. The firms are linked in the particular fields through dynamic interests [refer 2.2.3, *supra*]. The empirical base of the research is anchored in those institutions whose outputs contribute to marketing processes by which manufacturers build and manage consumer brands; and those institutions whose activities are linked to financing (and therefore financial reporting) of such manufacturers' operations. The two fields delimit the theoretical analyses in chapters three and four. Views of brands of individual business people, who are engaged in the activities of these institutional groups, form the basis of empirical reports in chapters six and seven and subsequent interpretation in chapter eight.

Particular aspects of the field design are now reviewed. The four areas discussed are *theoretical* aspects of fieldwork practice; researcher as instrument; field respondents; and field interviews. Some illustrations are drawn from the fieldwork as examples of theoretical points made.

**2.3.3.1** *Approaches to Fieldwork Design:* Qualitative fieldwork design may be developed through three possible approaches. In a theory driven approach the researcher decides in advance the design for informants. In a data driven approach, the researcher first explores the field to uncover, and then analyse available networks to arrive at choosing informants. In most approaches there is a mixture of predetermination and subsequent adjustment, deriving from discovery and development in the field (Johnson, 1990; Richards, 1993).

Because of the exploratory and emergent nature of qualitative fieldwork, flexibility

is essential in the research design (Lincoln et al., 1985, p.225). The occurrence of individualised elements of *'luck and serendipity'* is noted by many authors (Johnson, 1990, p.19-20; Hammersley and Atkinson, 1983, p.132; Kirk and Miller, 1986). Examples are *Empirical Field Examples 2.4* and *2.5.*

***Empirical Field Example 2.4*** **-**

> Working well past midnight to prepare questions for faxing to a respondent, *'media research'* was unconsciously typed by the researcher into an interview schedule instead of *'market research'*. (The market research respondent kindly allowed the mistake as the *'Cinderella syndrome'*). However, the mistake served to subsequently highlight media research and the significance of the media role in advertising agencies. References to confidentiality, to huge investment costs, and to media expertise in advertising agency field interviews aggregate to indicating the sophistication and centrality of media research behind the contemporary facade of creative advertising glitz [refer 1.4.2, *supra*; 3.4.4, *subter*]; [refer chapter 6 quotations - 6.106; 6.107, 6.108; 6.109].

Flexibility argued in naturalistic research [refer 2.2.1, *supra*]; [also **Characteristic 8:** Emergent Design (**Appendix 2.1:**)] is maintained in the potential spread of ethnographic data collection [refer 2.3.1, *supra*]. During the design stage of the project, it was resolved to bring one company into the study through the format of document research. Further examples of the flexibility afforded by the research design are the addition of the design firms and patent attorneys as groups in the fields. Practical ad hoc procedures adopted are described in chapter five [refer 5.2.1, *subter*].

**2.3.3.2** *The Researcher As Instrument:* In the naturalistic paradigm, the human being is the primary data gathering instrument. The use of human instruments is integral to naturalistic epistemology **(Axiom 2);** and formulated through the **Characteristic 2:** *Human Instrument* and **Characteristic 3:** *Utilisation of Tacit Knowledge* [refer **Appendix 2.1:** *Naturalistic Paradigm*]. With ethnography, past experiences of the researcher, where relevant, are seen as integral to the fieldwork. Past experiences provide familiarity which may dull powers of observation, but equally, may create finer insights (McCracken, 1988, p.34; Power, 1991, p.334); [refer example **Appendix 1.III:**]. The notion of *'insight'* is seen to equate with the *'tacit'* knowledge claims of the naturalistic approach [refer **Characteristic 3:**, **Appendix 2.I:**]. Inclusions and exclusions may derive from the relevancies of a perspective or viewpoint (Stanley, 1990, p.624); therefore it

is important that the particular interests of the researcher are made clear (McKinnon, 1988; Richards, 1993). Ethnographic description, however, is not and cannot be literal description (Stanley, 1990); [refer 2.4, *subter*]. Smith (1992) comments that each interpretive account may be based on different interests, purposes and values. Shankman (1984) observes that human phenomena are like texts, and therefore open to several readings. Bryman (1992) quotes Van Maanen and Kolb (1985) to distinguish the researcher from the world researched.

> *The fieldworker's understanding of the social world under investigation must always be distinguished from the informant's understanding of this same world .... To argue that we have become part of the worlds we studied, or that we understand them in precisely the same way as those who live within them do, would be a grave error* (Van Maanen and Kolb, 1985, quoted by Bryman, 1992, p.164).

**2.3.3.3** *Respondents in the Field:* Part of the research design constituted by field interviews, is consideration of the people to be interviewed.[10] Many potential respondents are selected because they are perceived as knowledgeable through their positions within organisations. Johnson (1990) notes -

> *... access to certain kinds of information or knowledge that itself may be a function of things such as social status, position in an organization, or comprehension of cultural knowledge* (Johnson, 1990, p.10).

The selection process is informed by the researcher's judgement, based upon prior research. Johnson refers to selection as

> *"purposive" (Warwick & Linninger, 1975), "strategic" (Hunt, 1970), or "judgement" sampling (Bernard, 1988; Honigmann, 1970; Pelto & Pelto, 1979). Informants chosen for a specific reason or purpose are those informants selected on the basis of judgement sampling. .... selection is not ad hoc or opportunistic; rather it is guided by the ethnographer's theroretically and experientially informed judgements* (Johnson, 1990, p.27-28).

With the naturalistic paradigm, **Characteristic 5:** *Purposive Sampling*, addresses the purposive or theoretical sampling adopted to facilitate the uncovering of multiple realities [refer **Appendix 2.I:**]. Such sampling has implications for validity [refer 2.4.3, *subter*]. In this research, initial approaches are directed to specific people - for

example chief executives, marketing executives, auditors, and accounting regulators. Some access is gained through prior interviews [refer **Appendix 2.III:**] and chance occurrences.

***Empirical Field Example 2.5*** -

> At a special market research presentation (Auckland, November 8, 1994), remarks made by one member of the audience about uncaring treatment of brands intrigued the researcher. From this chance meeting came a subsequent interview and brand information of material interest for the study.

**2.3.3.4** *Field Interviews:* Because people attribute meaning subjectively (Wagner, 1970, p.82), meanings cannot be observed directly. What people say, and the manner in which they speak, gives indications of people's understandings (Schutz, 1967, p.182-183). With interviews of a qualitative nature, there is the assumption that the researcher can enter into the understanding of the other person. Qualitative interviews build on -

> *... the assumption that the perspective of others is meaningful, knowable and able to be made explicit* (Patton, 1990, p.278).

Spradley (1979) discusses ethnographic interviews in terms of building rapport, and in terms of eliciting information (Spradley, 1979, p.78). Rapport is built on the ability to convey empathy with understanding (Patton, 1990, p.317). Ethnographic interviews are specifically characterised by the lack of prior design structure, consequently there can be an initial uncertainty. There is no rigidly constructed questionnaire; the ethnographic interviewer may have open ended discussion questions, or merely the intention to cover particular issues (Hammersley and Atkinson, 1983, p.113). The loose structuring of the interview is to encourage the respondent to talk in his/her own way about about how things are done and understood in his/her world (McCracken, 1988, p.34).

> *The ethnographic interview is one strategy for getting people to talk about what they know* (Spradley, 1979, p.9).

Knowledge generated by ethnographic interviews is characterised as personal and existential (Smircich, 1983, p.163); it is knowledge about how people understand things

in their living spaces [refer *Empirical Field Example 2.9, subter*]. In a phenomenological perspective, Sanders (1982, p.356-357) claims that it is essential that the interview is tape recorded, and that the tapes are transcribed literally[11]. Note taking involves some selection of data, and omits non verbal dimensions, unless specifically noted. Thus tape recording lessens interviewer bias. The transcribed narratives (after checking with respondent) constitute the data to be analysed. Tapes and transcriptions record the exact words of the respondent, and the manner in which they are uttered. Thus not only the conversations, but the emotive manner of the conversation, and the interest and attitude of the respondent are captured.

***Empirical Field Example 2.6*** -

**Researcher:** Everything's spelt out and accountable?
**Respondent:** Oh shit yeah, it has to be. Shit, when you're dealing with two million bucks going through TV or something like that, you've got to make sure that somebody's spending your dollars right. It's very exciting (M. Int. 9).

The sub-section has discussed the methodological model which frames the central fieldwork of the study. Within the naturalistic frame, the underlying approach is interpretive, with ethnographic methods employed to design and implement execution. In the next section, an overview of the field enquiries is set out.

## 2.4 *Methods - Theoretical and General Practical Aspects*

In this section, theoretical and practical considerations of research are briefly reviewed. The research methods used are categorised as interviews and questionnaires (primary research) and document study, literature search, document file search and newspaper advertising search (secondary research). The use of various methods of enquiry is based upon the characteristic spread of ethnographic data collection, and the concept of triangulation[12]. A brief outline of the fieldwork design is given and the approach to interviews is explicated. Aspects of validation which apply to qualitative research are reviewed, and limitations of the study are discussed.

### **2.4.1** *The Research Domain*

Design of the empirical research phase is based upon the establishment of the two fields of marketing and accounting/finance [refer 2.2.3, *supra*]. In naturalistic terms, the design is *'emergent'* [refer **Axiom 4:** and **Characteristic 8:, Appendix 2.1:**]. Initially, lists were made of the different firms perceived as constituting the institutional groups within each field. Through informal checks with colleagues, intermediaries, business indices[13], and business and New Zealand professional journals,[14] some measure was gained of the completeness of the institutional lists, from the perspective of gaining relevant business people's views of manufacturers' consumer goods brands. The lists were kept flexible, both for problems with access and for potential additions during the fieldwork. The types of institution, numbers of firms in each institutional group (originally listed and added during fieldwork), and whether an intermediary was used to effect an approach, are tabled in **Appendix 2.III:** *Institutional Groups.*

**2.4.1.1** *Preferred Institutions and Access:* Design of empirical fieldwork commenced with the institutions, perceived as constituting the marketing field. The initial list of companies was derived from previous research into brand disclosures by listed New Zealand companies over the period 1987-1992 (Cochrane 1994b). It was augmented by seven unlisted companies and one producer board group. Overall there was no one rational pattern of selection, but a complex interlocking of intentional plans, available intermediaries and serendipitous approaches and occurrences. Selection of groups and detail of approaches are contained in **Appendix 2.IV**: *Creation of Fields.* Initial approaches were to corporate personnel through an intermediary, or with reference to a mutually known person. Kitchen and Proctor (1991) claim that FMCG[15] firms are considered *'difficult to access'.* In one company, the personnel manager was exceptional in arranging interviews. Apart from corporate introductions, there were few intermediaries or introductions used to gain access in the marketing field. Remaining approaches were made directly.

In the accounting/finance field, introductions in the corporate institutions were first established through prior interviews with chief executives or corporate marketing personnel, or through the agency of the personnel manager. For the remaining accounting/finance institutions approached, where introductions were arranged, some resulted from personal contacts of the researcher with professional firms and

bodies. Some introductions were achieved only after a period of searching and persistence.

***Empirical Field Example 2.7 -***

> Achieving interviews takes persistence. In attempting to access one major company, an initial approach was arranged through a colleague to an intermediary in middle management. After the intial arrangement was broached, there was a delay of some weeks with the researcher busy in the field. Subsequently, the arrangement through the colleague was established and contact (after many attempts) was made by telephone with the intermediary. An overview letter was sent introducing the researcher and giving a separate outline of the research. After numerous further telephone calls, the intermediary reported that any interview was impossible as (marketing) personnel were too busy. Some weeks later a separate and unconnected approach was made by letter faxed to the corporate chief executive, who agreed to an interview.

Access continued as an ongoing state throughout the empirical fieldwork. The interests of design firms in both marketing (brand designs and packaging) and accounting/finance (corporate imaging, including annual reports) were uncovered during fieldwork [refer *Empirical Field Example 3.12, subter*]. Successful arrangements were entered upon usually after persistence by the researcher. Sixty one taped interviews and seven questionnaire interviews provided field data for the study. There were three definitive refusals among manufacturer brand owners, made on the basis of a blanket refusal given to *'educational requests'*; the company personnel were reported as *'extraordinarily busy'*; the information was seen as *'too confidential'*.

Many initial approaches to firms were made by faxed letter, with which was enclosed an overview of the research. The steps taken are recorded in **Appendix 2.V***: Approach to Arranging Interviews.* It was clear to the researcher that the promise of the interview outline contributed to some people agreeing to interviews[16]. **Appendix 2.V:** includes samples of letters written, and accompanying research overview sent.

The researcher was given fullest cooperation, and at all times respondents were very generous in making time available, in many cases well in excess of the time requested.

### 2.4.2 *Field Interviews*

The interviews were framed by generalised schedules of questions. **Appendix 2.VI:** *Interview Schedules* contains replications of the sixteen interview schedules. Practical aspects of question creation is reviewed in chapter five [refer 5.4.2, *subter*]. There are sixty one interviews which were recorded on dictaphone tape, two long questionnaires (identical) were used where live interviews were not feasible, and five short questionnaires (identical) were designed when a particular area of enquiry became apparent during execution of the fieldwork. Information was also generated by forms sent with writeups [refer 5.2.1, *subter*] and occasional *ad hoc* measures[17].

Telephone conversations with prospective respondents stressed that the interview schedules were a guide only. The impression gained, first in telephone conversations, and strengthened in interviews, was that respondents welcomed the notion of an interview schedule. The vagueness of some questions appeared to make some respondents less relaxed.

***Empirical Field Example 2.8*** -

In reply to a general introductory question the following comments were made:

**Respondent:** Is this the sort of thing you are wanting? [A/F. Int. 1].
**Respondent:** I wasn't quite sure what it meant [A/F. Int. 7].
**Respondent:** No ... well I don't really think the question is relevant to the conversation - so I don't really wish to say anything [A/F. Int. 33].

The researcher sought dimensions of others' understanding within their own context. The following example alludes to multiple perspectives.

***Empirical Field Example 2.9*** -

**Respondent:** So what I'm trying to do is understand where your question's coming from, so I can answer the question.
**Researcher:** Yeah - that's fine, basically it's there to see what does come out.
**Respondent:** The trouble is what's going to come out is you're going to get everyone with a different view of what public regulation is.
**Researcher:** Yeah, but this in itself is interesting... [A/F. Int. 34].

Very broadly worded questions, with no sub comments, often elicited very short answers. However, where generally worded issues had sub questions, the structuring facilitated general observations which were sometimes wide ranging [M. Int. 12; M.Int. 14; A/F. Int. 18].

Interviews were commenced and terminated in a standard manner. An overview of interview procedures is contained in **Appendix 2.VII:** *Overview of Taped Interview Procedures.* At each interview, usually as a final question, the respondent was asked to differentiate between a brand and a product.

***Empirical Field Example 2.10*** -

**Researcher:** And one final question ..... May I ask you please ..... what is a product and what is a brand?

At the conclusion of the interview, the researcher thanked the respondent for the interview and the time generously made available. The assurance as to anonymity and confidentiality was repeated. A copy typed from the verbatim transcript of the taped interview was promised to the respondent, with a second copy for validation [refer 2.4.3; 5.3, *subter*]. Field research observations and the steps post interview are reported in chapter five [refer 5.2; 5.3; 5.4, *subter*].

### 2.4.3 *Validity Criteria*

In qualitative research, the standards for assessment of research results are debated. Firstly, claims are made that critics may judge qualitative research by quantitative standards (McCracken, 1988, p.49; similarly Lincoln et al., 1985; Kirk and Miller, 1986, p.30; Bernard, 1988, p.5; McKinnon, 1988, p.52). Secondly, there are also ambiguities in the ways in which validity and reliability are defined and used (Hammersley, 1992, p.67). Lincoln et al. (1985) quote Morgan's observation that:

> *Different research perspectives make different kinds of knowledge claims, and the criteria as to what counts as significant knowledge vary from one to another* (Morgan, 1983, p15, quoted by Lincoln et al., 1985, p294).

Two factors, particularly, make reliability measures, derived from quantitative research, inappropriate in this study. Firstly, the integration of the researcher in the field [refer 2.3.3.2, *supra*]; secondly, the degree to which ethnographic methods contribute to individually crafted reporting of the representation of reality (Stanley, 1990; Thornton, 1992); [refer 2.3.3.2, *supra*].

To substantiate validity, confirmation of findings through outcomes of different methods can be used This is a form of triangulation [refer end note 12]. But multiple outcomes do not of themselves necessarily achieve such effects (Kirk et al., 1986, pp.18-19; Hammersley et al., 1992, p. 67).

> *... one should not, therefore adopt a naively 'optimistic' view that the aggregation of data from different sources will unproblematically add up to produce a more complete picture. Although few writers have commented on it, differences between sets or types of data may be just as important and illuminating* (Hammersley and Atkinson, 1983, p. 199).

Similar arguments on triangulation, with attendant convergence and divergence, are made by Brewer and Hunter (1989, p.17-19) and Miles et al. (1994, p. 267). Where triangulation requires generation of data in different ways, Silverman notes the need for ontological and epistemological consistency (Silverman, 1985). Arguments for validity are seen as having dimensions of circularity by Bernard (1988, p.54)

In this study, the design of the research contributes to overall validity. Holsti (1969, p.142) emphasises the importance of well planned research design to overall validity. Lincoln et al. (1985) and Marshall et al. (1989) similarly express concern for sound research design on grounds of validity. Multiple sources are integral to the design of this study. McKinnon (1988) notes the strength deriving from multiple views of the phenomenon in question. There are multiple sources within all but one of the groups, and multiple institutional groups within each field [refer **Appendix 2.II:**].

The salience of the particular groups within the fields also has significance for validity (Bryman and Burgess, 1994, p.104). Choice of informants is based upon assumptions of the researcher, that business executives have access to knowledge through their positions in organisations (refer 2.3.3.3, *supra*). Therefore through specific

choice of informants, the information obtained in interviews can be validated in some measure (Miles et al., 1994, p.268). People's understandings both within and across the groups, and in the two fields are central to the research.

In itself, the relatively unstructured nature of the interview method transfers some dimensions of selectivity from fieldworker to respondent, again giving a measure of validity to respondents' discourses. A further measure of validation is introduced through checking the individual writeups from tape transcripts with individual respondents. In addition, all verbatim quotations were separately returned for authorisation [refer 5.5.3, *subter*]. In ethnographic research, Fetterman (1989) claims that substantiation of patterns -

> *are a form of ethnographic reliability* (Fetterman, 1989, p.93)

The pattern model of research results has significance for this research. Pattern explanations are discussed above [refer 2.2, *supra*].

In contrast to knowledge held by people and divulged through interviews, the use of documentary sources [refer 2.4.1, *supra*] provides evidence of the existence of information generally in society (for example in executive personnel advertisements) [refer **Appendices 3.X:** *Executive Appointments Advertised*; **3.XI:** *Advertisement, Firm Culture*]; and documentary sources also provide written evidence in legally required forms (for example annual reports and prospectuses). Again the differences in data sets are important, because they indicate contrasting ways in which brands are used as constructs of value.

## 2.5 *Limitations*

In this chapter, the notion of ways of seeing the world are discussed, and the manner in which one *'way of seeing'* privileges things perceived [refer 2.1; 2.2.1, *supra*]. Because there is no one approach, different approaches were reviewed. The chosen philosophic basis is set within the naturalistic paradigm. The approach to the research domain is interpretive. Choice of paradigm and choice of methodology and methods for the design of the study and its explication, while they structure the

study, they coincidentally act as forms of limitation (Brewer et al., 1989, p.73; Llewellyn, 1993].

Many of the criticisms of ethnographic research methods stem from positivistic criteria. An ethnography is in itself a project, it cannot be the social life which it reports (Thornton, 1992). Already noted is Van Maanen's distinction between researcher and researched [refer 2.3.3.2, *supra*]. Pfaffenberger (1988) quotes Agar's succinct observation -

> *... all ethnographic models attempt to translate between one tradition (the informant's) and another (the researcher's)* (Agar, 1986, quoted by Pfaffenberger, 1988, p. 86).

Stanley (1990) stresses potential variety of interpretations: the experience of being *'there'* is different for each person who is *'there'*. Thus -

> *Ethnographic description is actually not, and cannot be, literal description: rather it is a gloss, a summary which contains and indeed is an interpretation which provides a partial selection of 'what was' within the description. The inclusions and exclusions of ethnographic description derive from the relevancies of a perspective or viewpoint* (Stanley, 1990, p.624).

Limitations of method may be claimed in the nature of the interviews. Criticism that people may not necessarily do what they say they do, arises from the interrelationship between attitudes and behaviour[18] (Hammersley, 1990, p.597). Similarly there are problems in the perceived artificiality of the interview practice. The manner of the meeting is seen as something introduced; the effect of the interview upon the respondent is unknown; and the cognitive understanding that is reached between interviewer and respondent is questioned. Reliance upon a single interviewer may give rise to suggestions of interviewer bias (Denzin, quoted by Patton, 1990). However, more than one interviewer may overtly formalise the interview, resulting in less candid observations from the respondent. Also the particular phenomenon of interest may require less/more formality and candidness of views. A practical point also occurs when similar voices in unstructured tape recorded interviews make later transcription difficult. McKinnon (1988) suggests there are problems that are not so much to be eliminated, but to be managed (McKinnon, 1988, p. 38). With more than one interviewer there may be very real limitations in time and

costs.[19] On a different level, limitations may arise in the usability of interview data. In some situations, if respondents talk freely, their observations may be unacceptable as potentially defamatory, or on grounds of commercial sensitivity[20].

## 2.6 *Chapter Summary and Conclusion*

This chapter explicates the framework within which interpretations of manfacturers consumer goods brands and financial reporting are researched. The central research questions in this study are *'What is a brand?'* and *'How do brands fit with financial reporting?'* Ontologically, reality is viewed in an openly naturalistic manner, focused through a lens drawn from Schutz's phenomenology of everyday life and understanding of sign communications [refer 2.2.2, *supra*]. The fields of marketing and accounting/finance, and the institutional reference groups are constructs for which reliance is made on the theories of Bourdieu (1992; 1993a) and Shibutani (1955). The manner of undertaking the study is through use of ethnographic methods which privilege aspects of field research, analysis and text creation.

Rich, descriptive analyses of issues and contexts, important for understanding the complexity of brand and financial reporting constructs, are presented in chapters three and four. Chapter five is differentiated from chapter two because it outlines the *practical* steps of the empirical analysis, as distinct from the *theoretical* discussions of chapter two. Chapters six and seven, collate reports of respondents in marketing and accounting/finance fields, respectively. In chapter eight, themes of the fields are brought together, in a full interpretation, which draws upon the field reports, thick contextual descriptions and background introductory material. Chapter nine draws the threads of the study into a review, and reports the key findings in the format of patterns of explanation. The contributions to knowledge are delineated. In the conclusion, the study reflects and speculates upon brands and financial reporting as constructs given meaning and valorised in contemporary society. Potential future directions are outlined in the agenda for further research which concludes the study.

1. In their exposition, Lincoln et al. (1985) contrast positive with naturalistic approaches. This study is concerned specifically with the manner in which the naturalistic approach provides the appropriate frame of inquiry for the research study. The explanatory power of the naturalistic paradigm for this research is discussed, not the contrast with positivism. To some degree, the structure of the text by Lincoln et al., which argues postpositivism (or naturalism) versus positivism, can be seen as commensurate with elucidation of theory in the early to mid 1980s. Lincoln et al. differentiate themselves as postpositivists, from people whom they

term 'neopositivists', who attempt to respond to criticisms of positivism by making adjustments to positivism. Many of the naturalistic arguments of Lincoln et al. are similarly argued by McCracken (1988, 1990) within an anthropological framework, and are argued by accounting theorists (for example, Chua, 1986). Måseide (1990) [refer 2.3, *supra*] makes the clear observation that there is a difference between mere justification *ex post* and actual application.

2 While many qualitative research approaches have interest in the use of language and the manner in which people express relevant meaning, with hermeneutics the notion of words *(parole)* and language *(langue)* have special meaning, because of the derivation of hermeneutics from textual applications.

3 The potential trade off between the individual respondent's views and the influence of the reference group is not made explicit in this study. While there is a presumption of reference groups argued as a basis to the study, it is also inescapable that respondents were interviewed as individuals. The intermingling of influences is not contested. The trade off is set out in the quotation from Jones and Williams -

> *.... it is important to set out that this article sets out the views of individuals belonging to various organisations: it does not necessarily represent the organisation's 'official' view; prima facie, however, we have no reason to think that these views are not representative* (Jones and Williams, 1992, p.22).

4. Similarly, Smircich (1980) argues *'systems of meaning'* which are brought into the thesis at section 2.3.3 Field Research Design - Discussion.

5. In the view the researcher, both prior experience (twenty two years in marketing, and many years of financial investing and working) and the ranges of interviews, contribute to understandings of the differing cultures and dynamics of the fields of marketing and accounting/finance.

6. There are varying interpretations of the meaning of *'thick'* description (Guba et al. 1981; Shankman, 1984; Lincoln et al., 1985; Schiff, 1986; Denzin, 1983, 1989),

7. Information on searches: systematic searches have been undertaken in ABI/Inform (computer file) at the University of Waikato Library, and the University of Waikato library catalogue to search bodies of literature in marketing and accounting. Keyword searches of ABI/Inform have been made for the following key words and word combinations. Accountability, accounting cost and value, annual reports, financial reporting, true and fair, goodwill, intangible assets, marketing assets, advertising, brands, product manager and brand manager, ideology. Keyword searches of the University of Waikato online library catalogue have been undertaken for the following key words and word combinations. Accounting cost and value, fairness, true and fair, ideology, intangible assets, brand and manager, product and manager. In addition, research for papers (Cochrane 1991, 1992a, 1992b, 1993, 1994b) contributed to literature searches.

8. Company documents of Lion Nathan Limited which constitute the document study are annual reports from 1988 to 1995, prospectuses issued over this period, documents sent to unsecured noteholders prior to the 1994 meeting (and second meeting) to authorise alteration to the asset securities of the trust deed.
These documents are either personal to the researcher as a shareholder and unsecured note holder (to March 1, 1995) of Lion Nathan Limited, or the documents were searched when the researcher examined the official file copies on register file AK001373 at the Auckland companies office, department of commercial affairs, District Court Building, Auckland, November, 1994.

9. Daily audited circulation of the New Zealand Herald is 244535 copies (New Zealand Official Yearbook '94, 97th edition published by Statistics New Zealand, Auckland, p.249).

10. In this study, people interviewed are termed respondents. No paticular significance attaches to the term (apart from the researcher's dislike of the term interviewee). Some writers do differentiate between *'interviewee'* and *'respondent'* (Johnson, 1988, McKinnon, 1988). Within the classifications offered by McKinnon (1988) and Johnson (1990), the people interviewed by the researcher are, almost all, in the respondent class.

11 The uncomfortable reaction of some respondents to verbatim reports of taped interviews is referenced in chapter 5. *Empirical Field Example 5.1* is illustrative.

12. Triangulation is the term given to combining, within one study, more than one research approach, action or method with the aim of strengthening the study. The concept of triangulation is discussed in texts on research methods (Marshall and Rossman, 1989; Patton, 1990; Sarantakos, 1993), Authors quote Denzin (1978) on forms of triangulation. Denzin argues that employment of triangulation helps to overcome the inherent bias which exists in a *'single method, single observer, single theory study'* (Denzin, 1970, quoted by Patton, 1990, p. 464. Patton (1990) has identified -

> *(1) data triangulation - the use of a variety of data sources in a study; (2) investigator triangulation - the use of several different researchers or evaluators; (3) theory triangulation - the use of multiple perspectives to interpret a single set of data; and (4) methodological triangulation - the use of multiple methods to study a single problem or program* (Patton, 1990, p.187).

Patton (1990) notes that triangulation is ideal, and that it can be very expensive. Triangulation in this research is discussed as part of validation.

13. Business indices consulted include the following publications -
Ad/Media's Agencies and Clients 1994/5, Minty's Media Limited, Auckland.
*AMRO* Publication, Association of Market Research Organisations, Auckland.
*Marketing Services Directory 1994,* Minty's Media Limited, Auckland.
*New Zealand Official Yearbook 94*: 97th Edition, Statistics New Zealand, Wellington.
*Telecom Corporation of New Zealand Telephone Directory*: Part 2 - Yellow Pages 1994.
*Universal Business Directory, Auckland City,* Auckland, N.Z. 7th edition: UBD.

14. New Zealand specialist journals referenced are the following -
The Accountants' Journal/The Chartered Accountants Journal.
Marketing Magazine.
The National Business Review.
The Independent.

15 FMCG is the customary marketing abbreviation for 'fast moving consumer goods'. The types of goods are consumed reasonably quickly and purchased often. Such goods can be contrasted with consumer durables, which are long lasting and are not purchased often.

16. Some people approached for interviews, when telephoned as the follow up to the intial letter of introduction, were hesitant to agree to an interview. The suggestion that a generalised interview schedule be sent the day prior to the interview often appeared persuasive in gaining agreement. Prior structuring of the interview, through use of the question schedules, may be argued as imposing the researcher's perspective, and contrary to ethnographic construction. Interview schedules for most institutional groups were kept reasonably general, and were explained to respondents as merely guidelines. Observations made in 2.3 *Methodological Considerations* emphasise the need to adapt to the reality of the field.

17. Because ethnographic methods emphasise more the information gained than justification of methods used, various *ad hoc* measures were used when opportunities arose. An example is the approach made to trace the present day developments of New Zealand brands advertised one hundred years ago [refer **Appendix 1.III:**]. Thus a small number of anecdotal illustrations were uncovered and pursued during the project. Their inclusion is argued as part of contextual thick description [refer 2.3.2.2, *supra*].. The illustrations are indicative of the crafting of the study which again is characteristic of ethnographic methods [refer 2.3.1, *supra*].

18. The potential for discrepancy between what people say and what people do is a weakness inherent in survey data, which is well recognised in marketing, where questionnaire surveys are well used (Piercy, 1991; Morgan, 1993).

19. While the presence of more than one interviewer may reduce interviewer bias, there may be a loss of informality, which, while suited to some areas of interest, may be stifling in others. This researcher considers there are many trade offs, some particularly practical. Can one, for example, expect any one (other than the researcher) to rise at 5a.m. endure a drive (of over 130 kilometres which varies from well in excess of speed limits to clogged motorway halts to arrive in a professional office tower by 8 a.m.. Can one ask anyone but one's self to arrive on the first flight in and leave, many taped interviews later, on the last flight out. On a very tight budget there are no fancy lunches, no nice accommodation overnight, and no spare time. There are many practical considerations and trade offs of essentially qualitative origin involved in generating interview data. Also, Patton (1990) notes the practical limitation of cost on research, which can be very real in conducting many interviews in other cities.

20 Interviews in some situations may yield asides and casual comments which are potentially defamatory. In the present study, field data generated has been checked with a lawyer academic specialising in defamation. Some of the most colourful material has not been used on account of potential for defamation. Also the taped interview process presented problems because many brand names have to be checked after the interviews for correct spelling. Many novelties in food lines have brand names which depend upon spoken sound for effect and are spelt/written in a particular way.
As is recorded in the acknowledgements, all verbatim quotations taken from the interview transcripts have been authorised by respondents expressly for use only in this thesis.

# 3.0 CHAPTER THREE: *CONSUMPTION AND BRANDS*

> ***Factories make products, consumers buy brands.*** *Even the most sophisticated products can be reduced to a set of technical specifications, which rival manufacturers can duplicate and improve on with astonishing speed. ... Brands are another story. A brand is the intangible sum of a product's attributes, name, packaging, price, history, reputation* ***and*** *the way it is advertised. A brand can also be defined by consumers' impressions of the people who use it, and their own experiences. ... In other words the brand is not the* ***producer's*** *but the* ***consumer's*** *idea of the product* (Pitcher, 1985, p.241). (Emphasis in original).

## 3.1 *Introduction*

This study researches the nature of brands in contemporary society and the fit of brands with financial reporting. Central research questions are *'What is a brand?'* and *'How do brands fit with financial reporting?'* The area of interest is constructed, dynamic and complex. It is mobilised by contemporary social values. Brands are constructs which exist through complex and continuing formulation in contemporary consumer society. Financial reporting is also a construct of modern commercial practices. The particular perspective of the research interest is given impetus by accountants' debate over financial reporting of brands [refer 1.5.1, *supra*]. The research centres upon the perceptions of business people, involved (directly and indirectly) with manufacturers of branded consumer goods. Involvement comes either through brand creation and maintenance, or through financial reporting and financial markets. In this study, the empirical research seeks interpretations of brands and brands/financial reporting from such business people.

The fields of marketing and accounting/finance are established for this study to elaborate the physical domain of the research [refer 1.3; 2.2.3; 2.2.4, *supra*]. The fields are dynamic structures. In chapters three and four, thick descriptions are presented to delineate multifaceted and dynamic dimensions of the discourses of marketing and accounting/finance[1]. In chapter two, the bases of these chapters were argued [refer 2.3.2.2, *supra*]. Denzin (1989, p.112) claims that the product of ethnographic

research is a *'thick interpretation'* which encompasses *'context, interaction and history'*. Thin interpretation by contrast does not rest upon thick description; it lacks *'context, biography, history and interaction'* (ibid.). To understand the genesis of present structures, Bourdieu (1990) argues for historical examination of fields. In exploring aspects of the relations which mobilise the contemporary fields, chapters three and four build thick cultural and contextual descriptions of the environments in which brands and financial reporting are currently constructed and valorised.

The approach to chapters three and four is interpretive. The aim is to collate and interpret existing views drawn from literature and social documents. Because brands and financial reporting are constructs, and are created within dynamic social environments, perceived images may be diverse in differing perspectives. Chapters three and four bring together many dimensions of brands and financial reporting to delineate the potentially multifaceted and mobile natures of brands and financial reporting as constructs constituted within contemporary social environments. In addition, vignette examples (created from empirical data or documents) are used as specific illustrations.

The traditional literature review of background theory (Phillips and Pugh, 1994) is encompassed in the chapters within rich, thick contextual descriptions broadly sourced from social issues. The manner of approach is argued on a number of grounds [refer 2.3.2.1; 2.3.2.2, *supra*]. Chapter three explores the nature of brands within consumption, marketing, and manufacturing frameworks. The following chapter, chapter four, is concerned with creation of thick description encompassing various perspectives and issues of the accounting /finance environment.

### **3.1.1** *Chapter Construction*

Chapter three explores the creation of brands at loosely framed levels of theoretical representation, to elucidate perceived facets of brand constructs and the nature of brands in contemporary society. The chapter has three sections. Each section provides a different perspective of brand creation and brand management. The various issues and aspects discussed are chosen because they bring insights to understanding the nature of manufacturers' consumer goods brands in contemporary

society. Each section is separate, and many aspects within each section are separate, the one from the other. Based upon the arguments of Guba et al. (1981, p. 119), and observations of Denzin (1983) that thick description reveals or permits the uncovering of *'underlying knowledge and relational structures'* (Denzin, 1983, p.144), the chapter creates multifaceted and interpretive description of the social world in which manufacturers' consumer brands are created and maintained. The sections are firstly, expositions of consumption activities in which consumer goods brands are created; secondly, perspectives of brands created in marketing terms, with the focus shifted from consumer activity to perspectives interpreted from marketing literature; and thirdly, particular aspects of companies' activities are scrutinised as forms of potential brand management. In the third section, the focus is on the activities of the brand owner manufacturer. Denzin observes that the world of lived experience is shaped by cultural understandings and cultural texts (1989, p.127). In this study, thick contextual descriptions are built to enable richer social and cultural dimensions of interpretation of the later field reports.

This chapter draws upon literature and social documents. Main sources are various bodies of marketing literature. In discussing consumption and consumer goods, sources also include literature in sociology, anthropology, and urban geography. In exploring the activities of manufacturers of branded consumer goods, recourse is made also to literature in communication, technology and management accounting. Material from social documents such as annual reports, newspaper business articles and newspaper advertising are incorporated to create a richly contextual social review of brand focused activities.

## 3.2 *Consumption and Branded Consumer Goods*

With Pitcher's claim that brands are a consumer's idea of a product, this first focus is on consumption. It is in consumption choices that the consumer references brands. Brands enable consumer choices among like products. Restall et al. (1993) observe -

> *A brand is simply a collection of perceptions in the mind of the consumer, and, most directly, the means by which consumers organise each marketplace in order to make purchase decisions...* (Restall et al., 1993).

The aim of the section is to demonstrate the manner in which brands are embedded in contemporary consumer society, and the building of consumer-brand relations. Consumption is first examined from the later nineteeth century to the present day. This examination outlines the growth of consumer-brand bonding. Secondly, *'use values'* and *'exchange values'* are contrasted to distinguish differing perspectives of value. Thirdly, four different theoretical perspectives of contemporary consumption give insights into different aspects of brands. The perspectives demonstrate the complexity of consumption situations in which consumer brands gain value. Finally, in this section, a brief reveiw examines the interface between brands and trade marks from a consumer perspective.

### **3.2.1** *Consumption in Nineteenth and Twentieth Centuries*

Writers variously place origins of twentieth century consumption culture in the latter nineteeth century (Fraser, 1981; Chaney, 1983; Bowlby, 1985; Porter-Benson quoted by Laermans, 1993); or in evolution through eighteenth and nineteenth centuries (Leiss, 1976, p.74; McKendrick, Brewer and Plumb, 1983; McCracken, 1990, p.27; Glennie and Thrift, 1992; Laermans, 1993, p.80). During the nineteenth century, goods previously made at home were increasingly mass produced (Bowlby, 1985, p.19; Leiss et al., 1986, p.107), and goods came onto the market with quality and reliability guaranteed on a scale previously unknown (Schudson, 1984, p.158; Caulkin, 1987, p.46; de Chernatony and McWilliam, 1989b, p.155). Shopping patterns prior to mass market developments saw purchasers patronising local shops where few goods were on display, and many goods were in bulk form, often bought in from numerous suppliers (Caulkin, 1987, p.46; de Chernatony et al., 1989b, p.155; Strasser, 1989, p.21). Personal relationships were built between purchaser and shop keeper, who was knowledgeable both as to his clients' needs, and as to his stocks[2]. The consumer thus relied on the shop keeper's expertise.

Chaney (1983, p.27) stresses that the new department stores of the later nineteenth century were a crucial element[3] in changing patterns of selling. Concurrently, processes of buying were being remoulded as purchasers reacted to the focus on presentation and display. New social skills were needed, with anonymous looking and comparing, which did not necessarily end in purchasing (Chaney, 1983, p.23;

Schudson, 1984, p.150; Bowlby, 1985, p.3). There is a marked change from more actively involved buying, to passive shopping.

> *While the traditional customer had to negotiate in the function of his or her spending power, the modern consumer, created by the department stores, had to gather comparative knowledge about the desired products before he or she bought them* (Laermans, 1993, p.87).

Integrated with changing notions of presentation and display were new forms of packaging. Developments in technology impacted not only in production and distribution, but also in packaging and advertising displays (Strasser, 1989). Branding by use of the trade mark became a process through which manufacturers specifically indicated their goods to the consumer. The change has been argued as effectively combatting traditional distribution channel powers of wholesalers and retailers (Fulop, 1964, p.16; Fraser, 1981; Leiss et al., 1986, p.37; Caulkin, 1987, p.46; de Chernatony et al., 1989b, p.155; Strasser, 1989, p.28). Coincidentally, the activity made possible new identities for packaged goods, enabling repeated recognition by consumers. The new packaged goods became more personalised for consumers, thereby creating the beginnings of a bond between consumers and goods, which is endemic in contemporary consumption (Schudson, 1984, p.157; Strasser, 1989, p.28; King, 1991b, p.8). This relationship potential, adopted by the consumer, constitutes a basis of contemporary brands (Passikoff, 1992). Customers' old localised relationships, dependent upon the shopkeeper's knowledge, became replaced by consumers' expertise built through familiarity with brands, with branded goods produced nationally and even internationally.

Thus the exchange transaction became embedded within activities of a different nature [refer 3.2.2, *subter*]. While the outward demonstration was the new manner of merchandise presentation, the underlying motives were for profit. As Bowlby (1985) comments on the new department stores:

> *... the transformation of industry into a shop window. This massive and revolutionary extension of scope is achieved by the association of commerce with ideological values that seem to be diametrically opposed to the mundane actuality of work, profits and rationality. The* ***grands magasins****, like the great exhibitions, appear as places of culture, fantasy,* ***divertissement****, which the customer visits more for pleasure than necessity* (Bowlby,1985, p.6). (Emphasis in the original).

In the (department) stores, the retailer is concerned no longer with stocks geared to satisfaction of predominantly needs, but with the creation of emotional desires in the passersby, who in turn come not necessarily intending specifically to buy, but often to view or browse. Increasingly, many types of goods came prepackaged, communicating directly with the consumer through their brand messages. Shopping developed significance as a new sociable leisure activity, particularly for middle class women (Packard, 1957, p.177). The significance of women in the spreading consumer culture is inescapable (Fraser, 1981; Chaney, 1983, p.28; Bowlby, 1985, p.11; Laermans, 1993, p.25; Reekie, 1993, p.xi); even now the majority of shoppers continue to be women[4] (Bowlby, 1985; Norton, 1993; Reekie, 1993) [refer chapter 8; end note 6]. From a different perspective, Strasser (1989) notes the complexity of change in which people turned to buy, publicly, mass produced goods for private use (Strasser, 1989, p.26). It is a huge cultural change, from private and individual creation in the home (mainly by women), to building personal relationships with prepackaged and branded goods mass produced for the marketplace.

Elements of modern consumption are present in these late nineteenth century changes. Featherstone (1983, p.4) implies dimensional notions of permanent economic expansion. Urry (1990, p.24) suggests that consumption cannot exist without some degree of leisure, that while purchase is possible, consumption involves some necessary element of socialisation (ibid.; Leiss et al., 1986, p.247). But the socialisation has very different aspects. Previously, goods lacked the personalisation of brand individuality. Goods were anonymous, and dependent upon the shop keeper's personal recommendation and service. Branded, prepackaged goods have their own individuality. In the changes, Haug (1986), and Pollay (1986), examine the implications of commodity aesthetics. There is emphasis on elements of the symbolic (Leiss, 1983; Goldman, 1987; Bocock, 1993, p.64), and consumer ideology (Winship, 1983). A contemporary example of brand positioning imagery, in which socialisation is a key consideration is outlined in **Appendix 3.I:** *Brand Positioning* . The imaging is that of the brand, not the product.

Strasser (1989) observes that by the 1920s, people asked for brands at stores and that brands dominated sales in many industries. Many brands failed; but successful brands became central to marketing schemes that built powerful companies. Fulop

(1964) and Caulkin (1987) comment on the dominance of brands in Britain. By 1964, Fulop notes that manufacturers' branding had long dominated many product groups, and had expanded into -

> *textiles, carpets, corsetry, fashion and furniture. Consequently it has been esimated that some 50 per cent of all consumer goods are now branded* (Fulop, 1964, pp.90-91).

In contemporary markets, it is the relationship which the *consumer chooses* to build with the brand that continues, irrespective of the brand owner and goods producer. An example of an old New Zealand brand is the Edmonds *'Sure to Rise'* baking powder brand [refer 1.4, *supra*]. The Edmonds brand used by Thomas Edmond from 1879, is now owned by Bluebird Foods Limited. While the companies may be variously owned, the consumer acknowledges the brand, not the brand owner [refer 2.2.2.3, *supra*]. For example - many consumers may connect the Edmonds *'Sure to Rise'* brand with baking powder; and many, many more consumers connect the *'Bluebird'* brand with potato chips.

### 3.2.2 *The Exchange Transaction*

Central to notions of consumption is the acquisition of goods for consuming. Increasingly, during the later nineteenth and early twentieth centuries, goods previously produced in the home became commodified and entered the marketplace as commercial products (Bowlby, 1985; Strasser, 1989). With increasing mass production, the manufacturers' perspective gains ascendancy, and the value of goods in market exchange gains in importance over the value of their use (Haug, 1986). For producers and for retailers, commercial interests are focused on promoting their merchandise to effect sales (Bowlby, 1985; Haug, 1986, p.16). For the consumer, the exchange transaction merely represents the purchase which is the preliminary to use after acquisition. Thus, in contrast to the seller, the basis of consumption is use value, as it expresses the relation between consumer and object consumed. For the producer, interests are focused on manufacture of products and the potential for exchange value. Haug (1986) indicates that the only manner in which *'use value'* is considered by the producer, is in terms of potential buyer expectation as part of efforts to effect sales (ibid., p.16).

Exchange value is argued by Perry (1968) as a derivative of a value in use, or interests[5]. People have different utility values which make up their interests at any time. The price that the consumer pays is linked to the consumer's perceptions of his/her use for the commodity. Attention therefore to the particular needs of the consumer flows through into achievement of exchange values, and thus raises questions of needs creation and potential manipulation [refer 3.2.3.2, 3.2.3.3, *subter*].

The distinguishing of *'exchange value'* from *'use value'* is significant for later examination of brand valuations in this study.

### 3.2.3 *Interpretations of Contemporary Consumption*

Consumption is not a new phenomenon. However, the manner in which consumption is integral to the way of life in so called *'western'* societies in the later twentieth century, makes consumption particular in time and place. The previous sub-sections drew out and examined some of the threads of change in consumer activities which have lead to the later twentieth century consumption society. The manner in which the buying processes have evolved, and the growing relationships between people and brands were explicated. Cultural significance of goods also changed with consumers' involvement in purchasing more and more goods in public arenas. These aspects of brands are important for understanding the natures of brands, the dynamic complexity of their construction, and their essential individuality.

Four approaches to interpretation of consumption and goods are now briefly set out. Each approach privileges aspects of consumption and brings a focused perspective of the complex environment in which consumer brands are created and derive value. Anthropological, behavioural, critical, and postmodern interpretations of contemporary consumption are now explored. The diverse perspectives make possible a richer understanding of the multiple and mobile facets of the contemporary consumption phenomenon, in which brands have continuing existence and value.

**3.2.3.1** *Anthropological Approaches*: Anthropological perspectives emphasise the expression of cultural significance and meaning in goods (Douglas and Isherwood, 1979;

Appadurai, 1986; McCracken, 1987, 1990). For McCracken, culture -

> *... means the ideas and activities which construe and construct the world* (McCracken, 1990, p.xi).

The need to culturally *'construe and construct the world'* is of reasonably recent origin according to Bauman (1987, p.81). who indicates that the concept of culture appears as recently as the eighteenth century. There is a breakdown of previous lifestyles including urbanisation and secularisation (Fox and Lears, 1983; Glennie et al., 1992), which leads to new constructs of identity.

Both historically and presently, categories of culture are perceived as stabilised and made visible through goods (Bourdieu, 1984; Douglas and Isherwood, 1979, quoted by Mackay, 1995, p.46). Historically, use of goods to denote membership of social groups is well documented (Douglas, et al., 1979; Mason, 1981; McKendrick et al., 1983; McCracken, 1990; Veblen, quoted by Bocock, 1993, pp.18-19; Reekie, 1993). Members of contemporary social groups communicate association through the brand messages of their personal goods and clothing (Solomon and Assael, 1987; Solomon and Buchanan, 1991; Bocock 1993, p.67). Consumption and culture are strongly integrated in the views of McCracken. He defines consumption as -

> *... the processes by which consumer goods and services are created, bought, and used. Culture and consumption have an unprecedented relationship in the modern world. No other time or place has seen these elements enter into a relationship of such intense mutuality. Never has the relationship between them been so deeply complicated* (McCracken, 1990).

Mouck (1994) quotes McCracken on the cultural character of consumer goods in his arguments on corporate definition and redefinition of categories of self through advertising (Mouck, 1994, pp. 16-17). A respondent observes -

***Empirical Field Example 3.1*** -

**Respondent:** One of the most interesting aspects of branding - or one of the better examples is Rolls Royce. They still say that Rolls Royce is the best car in the world, but in fact when you do road tests on them and work it all out, it's not the best car in the world. Yet Rolls Royce are still regarded as the best car in the world .... why?

**Researcher:** Tradition, or what you've heard?

**Respondent:** Well, what they've done - they've done a very

> good job in selling their brand. It's got all the prestige people actually pay a premium for .... people will pay much more for the name Rolls Royce as a component in their purchase price [A/F. Int. 28].

**3.2.3.2** *Behavioural: Approaches:* Behavioural aspects imply degrees of consumer complicity with brand messages. Strasser (1989) notes that manufacturers early found the mass markets *'malleable'*. The notion of consumer needs, and needs satisfaction, is viewed as very complex by Scitovsky (1976). Scitovsky examines psychological perspectives of needs stimulation, the role played by novelty, and how emotive drives affect different types of people. Scitovsky allocates needs for goods to luxury and necessity categories.

Discussion of needs, false needs and manipulation of needs through advertising has created opposing views over much of the twentieth century (Leiss et al., 1986, p45). Jhally quotes many authors[6] in support of his claim that -

> *advertising works to create false needs in people (false because they are the needs of the manufacturers rather than consumers)* (Jhally, 1987, p3).

Packard (1957), Ewen (1976) and Ewen and Ewen (1992) have expounded claims of manipulation of consumers. Leiss (1976), however, claims that it *'is not a matter of false needs'*. He suggests that the confusion over needs arises through the relationship between peoples' needs and the commodities available for need satisfaction (Leiss 1976, p.3). Needs are perceived as having a dual nature, existing both as a material need and equally as a symbolic or cultural state. Leiss denies that the duality can be collapsed into a single dimension, nor can the symbolic be separated from the material. In this attitude he opposes Baudrillard's post modern order of the symbolic [refer 3.2.3.4, *subter*].

From the 1920's, advertising design has been increasingly oriented to the results of market research of consumers, which in turn has yielded new ways to segment markets (Pope, 1982, quoted by Leiss et al., 1986, p.151). Salesmen adopted psychologically based selling structures (Bowlby, 1993). Use of psychological insights has been extended by demographics which give statistical shape to particular populations; then by psychographics (Wells, 1975), which profile deeper consumer

motivation and consumer *'lifestyles'*. Although advertisement construction continues to be perceived as playing on ambiguities about wants (Leiss, 1976, p.21), consumers in turn *'have become curiously comfortable'* despite acknowledgement of manipulation claims (Strasser, 1989, p.288). Haug (1986) similarly observes that there can be no social deception without some level of self deception (Haug, 1986, p.134). Use of psychological measures, per se, is certainly not new; they can be found historically (though not in name) in religious practices. For example, the word *'symbol'* comes to fifteenth century English from church latin (The OED, 1989, vol.17, p.451).

From a behavioural perspective, the complicity of consumers in marketplace relations, and the contributions of consumers to marketplace constructs is argued.

**3.2.3.3** *Critical Approaches to Needs Creation:* With a critical perspective, greater complexity is made visible. Morgan (1993, p.136) investigates creation of consumer needs at a deeper level. Employing a critical approach, he unpacks the traditional role of marketing, and he suggests that behind the traditionally neutral image of marketing exists -

> *a set of discourses and practices which help constitute and shape social relations in modern western societies* (G. Morgan, p.137).

Morgan examines the relational dynamics of modern mass production and mass consumption in which, he claims, marketing plays a significant role in articulating and shaping consumer needs (noted also by Bocock, 1993, p.111). The emphasis is placed not so much on consumer needs for objects, but on the derivation of needs from values which are part of lifestyles characteristic of contemporary society. The needs and the social patterns are perceived as emanating from the basic capitalist mode of society. Kellner (1983) argues similarly. But again there is the question of the implication of consumers. In focusing on socially shaped development and the production of technology, Mackay observes of the social forces -

> *People are not merely malleable subjects who submit to the dictates of a technology: in their consumption they are not passive dupes suggested by crude theorists of consumption, but active, creative and expressive subjects* (Mackay, 1995, p44).

Bauman (1987, p.164) discusses the manner in which products become necessary to modern lifestyles. The artificiality of the value of many created products is not only

intrinsic to the use, but may be derived in turn from a false or fabricated lifestyle[7] (Haug, 1986; Pollay, 1986; Baumann, 1987). The increasing importance of such goods makes critical the shopping skills necessary to acquire them. Part of those skill are brands. Bauman observes -

> *Shopping becomes the skill to deputise for all other skills redundant or extinct* (Bauman, 1987, p.165).

***Empirical Field Example 3.2*** -

**Researcher:** .... would you shop as efficiently as you wife does?
**Respondent:** Oh definately not, no. There was a time about 3 years ago - that I did the shopping every week with our elder child, every Saturday morning. And in that period I really got to know it .... I'd know which one to choose out of the three that were there, or the one we liked or didn't like sort of thing. Whereas that's three or four years ago now, and if I had to go and do it now, I'd be back where I was before.
**Researcher:** Yeah?
**Respondent:** Just pick what looks good! (Laughs) [A/F. Int. 26].

**3.2.3.4** *Postmodern Celebrations of Self:* Postmodern interpretations of consumer culture are celebrated in ways which accentuate the cult of the individual within an increasingly homogeneous society, in which pace and processes accelerate and experiences become transitory (Wernick, 1983; Winship, 1983; Goldman, 1987; Featherstone, 1990, 1991; Kellner, 1992; Bocock, 1993). Bocock links consumption in postmodernity with a move away from productive work roles to a sense of identity through significant consumption.

> *Now, it is consumer goods and household patterns of consumption which play an important part in the social and cultural construction of identities for men, women and children.*
> *The question 'Who am I?' is one which is as likely to be answered in terms of consumption patterns as it is in terms of an occupational role by many people in western capitalism* (Bocock, 1993, p.109)

Similar observations are made by Firat and Venkatesh (1993, p.235) and Firat, Dholokia and Venkatesh (1995, p.42). Fashion is seen in turn as the popular language[8] through which individuals represent themselves publicly (Baudrillard, 1988; Finkelstein, 1991, p.124; Norton, 1993, p.4). Existence and level of novelty in culture noted by Lury (1993), contrasts with increasing standardisation and homogeneity of goods

production. While products may be standardised, the consumer turns producer in customised production of personal imagery (Firat et al., 1993; Firat et al., 1995). Thus people use brand images and brand messages to communicate public statements of self definition. Firat et al. (1993) make a further development -

> ..... *the producers are the images (represented in products, commodities, goods, etc.) and the products are the human beings* (Firat et al., 1993, p.236).

Baudrillard argues from a postmodern perspective, that the constituency of consumption is changing, creating a realm of the symbolic (Baudrillard discussed by Bocock, 1993, p3, pp67-68, p116; and by Hoshino, 1987, p.46; Wernick, 1991). In Baudrillard's interpretation, symbolic expressions of human desires are separated to constitute a symbolic order of consumption (Leiss, 1976, p.64) which the consumer buys into (Firat et al., 1995). The consumer's identity and self become social product constructed in the symbolic (Baudrillard, 1981; Poster, 1975 quoted by Firat et al., 1993, p.235) with meanings independent of functional uses (Firat et al., 1993).

***Empirical Field Example 3.3*** -

> **Respondent:** ... you're probably led to believe that because it supports rugby teams, yachting and all that - that's what you should be doing - so you're probably not drinking a product, you're drinking a brand name [A/F. Int. 14].

It is not the products, but the images that have significance (Firat et al., 1993) and become sovereign (Firat et al., 1995). The example of Nike can be drawn both from literature and from empirical field interviews.

> *Successful marketing organizations, such as Nike, realise that they are not in the business of selling shoes but of crafting images. Such organizations communicate the image not the product in their promotional campaigns. In fact, the Nike advertisements are often a form of video poetry* - ... (Firat et al., p.46).

***Empirical Field Example 3.4*** -

> **Respondent:** ... it allows us in television - and this is getting back to the sort of Nike, and the Coke sort of thing. I mean at the end of the day they are saying nothing whatever about the product, there is no kind of tangible. ... They are saying a lot about the equity. They are building some kind of slow thing [M. Int. 18].

It is imagery that explodes and fragments as the instances of consumption become transitory and on the surface (Kellner, 1992; Firat et al., 1993).

> *Arguing that consumer commodities in late capitalism have developed the capacity to take up a wide range of imagistic and symbolic associations, which overlay their initial use value and hence become commodity signs, he* [Baudrillard] *detects a qualitative shift in the intensification of this process which leads to the loss of a sense of concrete reality as the consumer television culture with its floating mass of signs and images produces an endless series of simulations which play off each other. Baudrillard refers to this as a 'hyperreality', a world in which the piling up of signs and images and simulations through consumerism and television results in a destabilised, aestheticised hallucination of reality* (Featherstone, 1991, p.99).

In this sub-section, four diverse interpretations of contemporary consumption and culture were briefly outlined to delineate the complex environment of brand creation. Anthropological interpretations emphasised cultural significance and meaning in goods. The example of Rolls Royce brand was quoted from empirical field material. Secondly, an exploration of behavioural perspectives highlighted an underlying consumer complicity in marketplace relations. Thirdly, critical approaches unpacked the complexity of interests and suggested more entangled and complex relationships. Fourthly, postmodern interpretations of consumption accented the individual and the symbolic. A field respondent's observations coincided with imagery from marketing and sociological literatures. Within consumption, consumer brands are created and live; it is consumption patterns that provide many cues for marketing and for brand management [refer 3.4.2; 3.4.4, *subter*].

To conclude this section, brands and trade marks are interpreted within a consumption framework [refer 4.4.3, *subter,* for trade marks within accounting perspectives].

### **3.2.4** *Brands and Trade Marks - Consumption Views*

Brands and trade marks are the same construct, but in some social perspectives, business use of the construct and people's perceptions give different interpretations. For a patent attorney, the brand is the trade mark; for consumers, the brand and the trade mark appear as different constructs.

***Empirical Field Example 3.5*** -

**Researcher:** .... if you asked me - What's your favourite beer brand? You wouldn't ask me what my favourite beer trade mark is.

**Respondent:** No. At that level they mean something different because - say what's your favourite beer trade mark, and what you'll do is .... you would hunt around for the trade mark that appealed to you most, not the beer that appealed to you most [A/F. Int. 28].

In this chapter, brands and trade marks are contrasted from a consumer marketing and consumption perspective. In the next chapter, there is a wider explication of trade marks, and the contribution of trademarks to the development of brands is examined within an accounting framework [refer 4.4.3, *subter*]. Trade marks appear to attract little interest in marketing. Kapferer (1994), for example, indexes *'trade marks'* with a two page reference. On those two pages, the words *'trade mark'* appear as a sub heading. They appear in the text once, and *'brand'* appears thirteen times in the pages. Comment on the use of words in texts is examined in **Appendix 4.XIV:** *Trade Marks: Usage of Terms.*

For Kapferer, there is a difference between brands which represent dynamic relationships, and trade marks and labels (which are stuck onto goods) (Kapferer 1992, p.15). Kapferer claims that a brand becomes progressively a virtual contract over time - an economic contract, not a legal contract (ibid., p. 20). Gardner and Levy (1955) argue that

> *a brand name is more than the label employed to differentiate among manufacturers of a product.* (Gardner et al., 1955, p.35).

Equally, de Chernatony (1992) is emphatic about the difference between brands and *'products with names'*. The perceived differences are important, because what is signified is a conceptual change in consumer attitudes. Changing cultural patterns of consumption during the twentieth century continue to bring more emphasis to the sociological aspects of consumption of commodities, rather than to products themselves and their sources [refer 3.2.1; 3.2.3, *supra*]. At this end of the twentieth century it is brands that are embedded in the mindset of contemporary consumers. The brands perspective puts emphasis on the consumer participation in a relationship, as opposed to the manufacturer as source, which characterises the

trade mark perspective [Smith v Chanel Inc. (1968) federal reporter 2d series 562]. The contemporary value of brands arises from the consumer choice, not the trade mark registration.

**Conclusion:** This section provides a rich descriptive interpretation of consumption contexts. Contemporary consumption valorises brands through consumer purchasing patterns. In the section, consumption is variously interpreted in historical and contemporary representations. The images are varied, dynamic and complex. Central in every perspective is the complicity of people in the creation of consumption. This complicity is present in the ordering of cultural meaning in goods; it is present in behavioural perspectives; it is a force in the creation of constructed consumer values; it contributes to shaping technological development; it is equally part of the postmodern spectacle. The role of goods, and the central and active part played by the consumer, provide perspectives of the complex social nature of consumption in which brands are continuously constructed in consumer choices. Within a consumption perspective, the section has also reviewed exchange values and use values, and interpreted perceived differences between consumer brands and manufacturers' trade marks as different economic constructs.

In contrast to the consumer oriented brand creation of this first section; the next section centres upon marketing discourses within which brands are built and managed (by the manufacturer owners). The section defines brands in marketers' terms; discusses brands and brand symbolism created by marketers; and reviews academic marketing authors' brand management models. The section explores theoretical infrastructures of brands in terms of views expressed in predominantly marketing literature [9].

### 3.3 *An Explication of Brands*

In this section, the focus is upon academic marketers' definitions and theories of brands, and an examination of manufacturers' brands drawn from predominantly marketing literature. The different perspective brings another dimension of the contextual and rich description of brands, and further delineates the dynamic environment of brand creation.

The quotation from Pitcher (1985), which heads the chapter, argues the essential contribution made by consumers to the existence of successful brands. Consumer perceptions and participation spell ultimate success for brands; consumer choice, based upon personal cognitive awareness, is the lifeblood of brands. Many authors are in support of the view[10]. However, it is the owner of the brand who builds and manages it, through many contemporary forms of publicity and communication. Kapferer (1992, 1994) claims -

> *it is not for the public to say what the brand should be - the brand must have its own identity* (Kapferer,1992, p.30, 1994).

Kapferer's call tempers the overriding consumer interest, recognising the manufacturer's role as sender of the brand message (Kapferer, 1992, p.34). The manufacturer's management and nourishment of the brand maintains its vigour. Pitcher's quotation identifies the manufacturer and the consumer - other essential contributors to brand creation and management are merely glossed in the description, and remain shadowy. The empirical research for this study sought interpretations of brands held by these disparate groups of contributors to brand construction and brand maintenance. People, whose business interests engage those of the manufacturer in building consumer brands, are perceived as having interpretations of the nature of brands and the value of brands to their manufacturer owners, which are of interest in exploring the nature and properties of brands.

### **3.3.1** *Definitions of Brands*

So, what is a brand? Branding in some form or another as regards goods can be traced to ancient history (Aaker, 1991b, p.7). '*Brand*' as a word comes into Old English in the 4th century from Teutonic languages (The OED, Vol. II, p.488). In contemporary western marketplaces, branding has developed far beyond a simple protective mark to become a sophisticated marketing tool.

Forty years ago Gardner et al. (1955) analysed the communications potentially embodied in a brand:

> *It is a complex symbol that represents a variety of ideas and*

> *attributes. It tells the consumers many things, not only by the way it sounds (and its literal meaning if it has one) but, more important, via the body of associations it has built up and acquired as a public object over a period of time. ... It will also convey meanings which advertising, promotion, publicity, and even sheer length of existence have created* (Gardner et al., 1955, p.35).

The approach grasps the potentially numerous ways in which consumers build received brand images; it emphasises the need for a time period, and the continuing nature of brand building. Conversely it indicates the many channels through which manufacturers may build and manage imagery of their brands in the communication interface with the consumer. Similarly de Chernatony (1992), and de Chernatony and McDonald (1992) examine the *'input'* and *'output'* aspects of brands [refer 3.3.3.2, *subter*].

In defining a brand, recourse to marketing literature yields few concise definitions. De Chernatony et al. (1992) observe the *'plethora'* of brand definitions, none of which *'fully describe the concept'* (de Chernatony et al., 1992, pp. 18-19). Ogilvy's succinct expression is quoted -

> *a brand is a* ***consumer's*** *idea of a product* (Ogilvy, quoted by Blackston, 1992, p.79). (Emphasis in original).

Within marketing discourses, many authors offer lengthy texts in which brands and the processes of branding are discussed. Kapferer (1992) describes brands by value in action (potential for cash flows, ability in risk reduction), as a landmark (for consumers), and he credits brands with stabilising influences (for supply), and with facilitation of international trade. Kotler (1980) offers a number of definitions; in 1994, Kotler et al. individually define brand and brand name (as well as trademark and copyright) (Kotler, Chandler, Brown and Adam, 1994, p.269). Biel (1990, p.35) examines the attributes of strong brands, without a basic definition of a brand.

Roles, nature and applications of brands include *'brand concept'* (Park, Jaworski and MacInnis, 1986), *'brand equity'* (Aaker, 1991a, 1991b; Biel, 1991; Blackston, 1992; Aaker and Biel, 1993; Irmscher, 1993; Keller, 1993; Kirmani and Zeithaml, 1993; G. Morgan, 1993), *'brand extensions'* and *'brand leverage'* (Tauber, 1988, 1993; Aaker and Keller, 1990), *'brand identity'* (Kapferer, 1992, 1994), *'brand image'* (Schudson, 1984; Biel, 1991; Kapferer, 1992; Blackston, 1993)

*'charisma'* (Smothers, 1993), *'branding strategies'* (Park et al., 1986; Sinclair and Seward, 1988; Murphy, 1990; de Chernatony, 1992; Griffiths, 1992) and *'brand valuation'*[1] (King and Cook, 1990; Murphy, 1990; Saunders, 1990; Blackett, 1991; R. Morgan, 1993; Simon and Sullivan, 1993). Crainer, (1995, pp. 33-36) collates many expressions as the *'language of brands'.*

When definitions are given, dual notions of identity and differentiation are emphasised (Sinclair and Seward, 1988; Murphy, 1990; Aaker, 1991b; Kotler, quoted by Blackett, 1991), and the participation of the consumer is emphasised (Pitcher, 1985; Murphy, 1987; Jones, quoted by Saunders, 1990; de Chernatony, 1992). **Appendix 3.II:** *From Literature: Definitions of Brands* lists seven examples of contemporary definitions from literature. Some definitions quoted (Murphy, 1987; Aaker, 1991b; de Chernatony, 1992), are part of longer detailed delineations of the nature of brands and branding processes.

For many people, brands are an everyday part of contemporary living, yet the apparent lack of simple definitions is stressed (de Chernatony et al., 1989a; Goodyear, 1992; Irmscher, 1993; de Chernatony et al., 1992). Lack of simple definition may derive from brands' composite constitution - while instigated and built by manufacturers, brands are dependent upon consumers' patronage for success. The paucity of simple definitions is argued as evidence of the multifaceted and complex nature of brands. Eight intuitive views of brands from literature are given in **Appendix 3.III:** *Intuitive Perceptions of Brands.* The brand relationship may be perceived from differing perspectives; and in consequence has the potential for varied interpretations (Irmscher, 1993, p.102). Given Shibutani's succinct quote *'what a man does depends largely upon his definition of the situation'* (Shibutani, 1955, p.562), questions arise in this study as to whether there can be determination of the exact nature of a brand and therefore an exact all purpose value.

### 3.3.2 *Brand Imagery and Symbolism*

Brands are perceived by Gardner et al. (1955, p.35) as complex symbols representing many ideas and attributes. As symbols, they are more readily processed into meaning by consumers (Aaker, 1991b; Biel, 1991). An overview of symbolic

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[1] Examined in depth in the next chapter from an accounting perspective.

communication is given in **Appendix 3.IV :** *Communication Through Images.*

For marketers, advertising of branded goods is aimed at differentiating (for the benefit of the consumer) the manufacturer's product from identical commodities of competitors in the marketplace. The aim (for the manufacturer) is specifically to effect further product sales (Wernick, 1983, Goldman, 1987); [refer 3.2.2, *supra*]. As physical uniformity of products offered converges, advertising moves choices toward the symbolic (Haug, 1986, pp.30-31; Packard, 1957, p.23); [refer **Appendix 3.1:** *Brand Repositioning*]. Wernick (1983, p.20) emphasises that it is not the usefulness of the product to the consumer (physical *'use value'*) that is paramount, but, as in Haug's phrase, *'image fights image'* for sales and market share (Haug, 1986).

***Empirical Field Example 3.6*** -

**Respondent:** In a number of markets in which we compete, we have more than one brand. The intrinsic differences between products are sometimes not that great and the only differences are thereby created through the brand positioning and brand personality [M.Int. 24].

Marketers' brand advertising aims to effectively link brands with images, which consumers build in their conscious and unconscious minds (Wernick, 1983, p.28; Goldman, 1987, p.693; Bocock, 1993, p.90; Stern and Schroeder, 1994). Consumer interpretation however, even in targeted audiences, may vary (Goldman, 1987; Elliott, 1994). In creating a brand name, the marketer invests an everyday word or word combination with (valuable) symbolic power. Haug (1986) comments -

> *Spending out 'many millions' of Deutschmarks on a brand-name campaign, which entails appropriating and privatising a word in common usage and consciousness and making it into a name exclusive to one's own commodity, is seen by the capitalist as a normal purchase, and what has thus been 'earned' is regarded self evidently as a piece of private property. The words turned into brand-names by the campaign become a part of the company's capital assets* (Haug, 1986, p.29).

The use of everyday words as constructs of symbolic meaning concretises the verbal message into a visually transmitted format [refer **Appendix 3.IV:** *Communication Through Images*]. For example, the New Zealand company Donaghys Limited promote

clearly the *'Fairydown'* label of subsidiary Sunshine Ellis Limited, both in narrative and visually in their annual reports. (While not exactly exemplifying the comment of Haug, the use of *'fairy* and *down'* is similar). **Appendix 3.V:** *Words and Brands* illustrates *'Fairydown'* visual imagery.

Brand symbols and images need to have continuing cultural empathy with the targeted consumers. Contemporary imaging is crucial for the brand personality, to maintain its dynamic force. Aaker discusses the core images of *'Coca-Cola'* -

> *'the red colour, the dynamic curve, the vertical lettering and the dual brand identities of "Coke" and "Coca-Cola"* (Aaker, 1991b, p.203).

Hearne (1987, p.65) offers interesting insights in research into changing images of youth culture to reposition new Coca-Cola advertising in Australia. In their advertising, Coca-Cola sets the (sociable) imagery which people absorb and associate with the brand[11].

***Empirical Field Example 3.7*** -

**Respondent:** - let's say a can of Coke. I mean it's just basically, the product is a very sickly sweet sort of fizzy drink, you know - for what you're buying is the lifestyle perception. You know, as a young person, you think, well it's cool to drink Coke, and it's non alcoholic and it's .... I don't think anyone thinks it's healthy, but it's more of a sociable .... you know goes with the good times, outdoors, that type of thing.

**Researcher:** That's interesting, because you say to me okay, it's outdoors, it's fun sort of thing. Where have you got those ideas from ... you've got those ideas because Coke set ... [M.Int. 9].

In New Zealand, some advertising of Australasian brewer Lion Nathan Limited suggests a macho beer drinking image through visual images of beer brands, male sports and leisure scenes and the slogan for Lion Red -*'The Measure of a Man's Thirst'* (Lion Nathan Limited annual report 1993, p.27). Lion Nathan's annual report (1993) features marketing of their newly developed light beer, Tooheys Blue; it illustrates the strength of created imagery. Shareholders were told -

> *The marketing of Tooheys Blue downplayed the word "light" which drinkers associated with bland and boring. Its strong, dark blue*

> *packaging overturned the notion that light beers must be sold in white cans - which drinkers felt embarrassed to hold. And it moved into sports sponsorships such as rugby league and boxing which were the traditional domain of full strength beers. The rest, as they say, is history* (Lion Nathan Limited annual report 1993, p. 21).

Earlier in the same narrative, efforts in launching the new beer are commented upon.

> *... with Tooheys Blue Label Light Bitter, the brand development team at Tooheys delivered* (ibid., p.21).

The eclipse of the product is similar to Haug's suggestion that Frankfurter Allgemeine's correspondent *'drowned his sorrows with a pint of 'Marketing Mix"* (Haug, 1986, p.158). Elevation of the brand and simultaneous elision of the product evidences the importance of imagery associations and symbolic use values [refer **Appendix 3.IV**:], and the secondary importance of the product use values, in building sales of commodity style products such as beer. Allison and Uhl (1964) and Jacoby, Olson and Haddock (1971) document the influence of beer brands on consumer choice; that blind taste tests indicate lack of consumer ability to distinguish among unlabelled beers. Brands may therefore be argued as essential to a brewing company in achieving beer sales.

### 3.3.3 *Marketers' Brand Management Models*

In this section, marketers' brand management models are investigated. The models give further insights into brand natures.

There are few valuation models argued in marketing literature. One model is that explicated by Simon and Sullivan (1993) which estimates a firm's brand equity, based on the financial market value of the firm. Most marketing authors who examine brands (Aaker, 1991b; de Chernatony, 1992; de Chernatony et al., 1992; Kapferer, 1992, 1994), focus on the brand consumer interface and models of brand management. In this section, such models of brand management within marketing literature are discussed. At the end of the sub-section, contributions to brand management from other literatures are briefly reviewed.

The models discussed focus upon explication of brands to facilitate brand management by owners within an operational marketing context. Three models for

brand management are discussed - those of brand equity, whose principal promoters are David Aaker (1989, 1991b, 1993), Alexander Biel (1990, 1991, 1993), and the model of Kevin Keller (1993); the model evolved by Leslie de Chernatony (de Chernatony, 1992; de Chernatony et al. 1989b, 1989c, 1990; de Chernatony et al., 1992); and the model expounded by Kapferer (1992, 1994). The perspective argued by Griffiths (1992) gives a conceptually different approach.

There are other models than those selected[12]. Those examined are the most popularised. The chosen models are more thoroughly detailed in **Appendix 3.VI:** *Brand Models from Marketing Literature*. The models are important for this study because they demonstrate how marketing theorists envisage brand creation and management. Aspects of the nature of brands, and attributes of brands within a marketing perspective, can be deduced from the brand models.

**3.3.3.1** *Brand Equity Models*: *'Brand equity'* has high profile as a phrase, and is claimed by Aaker (1991b) to be constituted by a set of brand assets which are linked to a brand, its name and its symbol, and which add significant value. The assets (and potentially also liabilities) can be grouped as brand loyalty, name awareness, perceived quality, additional associations and other proprietary assets - patents, trademarks, channel relationships. For Aaker, brand equity is not simply the brand/trademark alone. The mix of assets (and liabilities) on which brand equity is based is dynamic, and may change relationship structure from context to context (Aaker, 1991b, pp.15-16). The spread of resources included in the brand conceptualisation is important in later discussions on brand separability and indecision over brand constituents [refer 4.4.2.2; 4.4.2.3; 4.4.2.4, *subter*]. Brand equity as a group of assets, is driven by brand image, the consumers' perspective of the brand (Biel, 1991, p.42; Amoroso and Kover, 1993, p.4). Keller (1993) builds a model of conceptually based brand equity which he defines as

> *the differential effect of brand knowledge on consumer response to the marketing of the brand* (Keller, 1993, p.170).

Many marketing authors use the term *'brand equity'* in their analyses of brands (Tauber, 1988, 1993; Aaker and Keller, 1990; Aaker, 1991a, 1991b, 1993; Biel, 1991, 1993; Blackston, 1992; Keller, 1992, 1993; Aaker and Biel, 1993; Batra, Lehmann and Singh, 1993; Irmscher, 1993; Kirmani and Zeithaml, 1993; R. Morgan, 1993; Wansink and Ray, 1993). However, like many terms

which designate perspectives of brands, brand equity may be meaningful within a particular group (Shibutani, 1955), while others, although cognisant of the term and its popularised use, do not use it.

Some authors comment on vagueness of the meaning of the term *'brand equity'*. For example - Irmscher (1993), Keller (1993) and Crainer (1995) stress the fact of diverse perspectives and applications, and Blackston (1992) suggests that some of the problem arises from attempts to quantify what he perceives as a qualitative relationship between the brand and the consumer. Too little attention has been given to the *'**nature** of the added-value equities of the brand'* (Blackston, 1992, p.79). Ehrenberg (1993) terms brand equity a *'fashionable management focus'* and quotes the American Marketing Science Institute's observation that *'little consensus has emerged on how to measure it'*. For R. Morgan (1993, p.33), brand equity is ambivalent in meaning - he suggets that for marketers there is a meaning viewed from a consumer perspective, and secondly brand equity has a balance sheet asset meaning. The first view involves a dynamic process, the second views the brand as a static asset in financial management terms [refer 4.4.4.1 *subter*]; [**Appendix 4.XVI:**].

**3.3.3.2** *de Chernatony Model:* Work by de Chernatony offers hierarchical interpretations of brands which allow translations into perceptual mapping (de Chernatony, 1992; de Chernatony and McWilliam, 1989a, 1989b, 1989c, 1990; de Chernatony and McDonald, 1992). Instigation for the branding process rests with the manufacturer or distributor, but the final form of the brand is that held by the consumer, who participates in the creation (de Chernatony et al., 1989b; de Chernatony et al., 1992). From a search of literature, de Chernatony et al. (1989c, p.339) create a taxonomy of five possible brand categories. The authors stress that

> *Each of the ways of interpreting brands has an implication in terms of the way marketing resources are used to develop a brand strategy* (ibid., p.344).

De Chernatony et al. (1989b) translate four of the brand typologies into a quadrant based upon functionality and representationality, which they further develop (de Chernatony et al., 1990), to demonstrate applications of the model for brand strategies through perceptual mapping. (Their categories of functional and representational have similarity with Scitovsky's (1976) *'necessity'* and *'luxury'* classifications of needs

[refer 3.2.3.2, *supra*]). De Chernatony (1992) reviews brand types; he establishes -

> *an eight stage evolutionary model of brand types ..., moving from an input to an output perspective* (de Chernatony, 1992).

The eight category hierarchy which is established, evolves from brands as differentiating devices employed by the marketer to gain notice in the marketplace for particular product(s), to the eighth frame in which brands are positioned as symbolic in consumers' perceptions. The eight stages have a suggestion, but not the necessity, of evolutionary progression (ibid.). The eight level model is also explicated in de Chernatony et al. (1992).

Both brand equity and de Chernatony models make available detailed frameworks which clearly establish differing implications for strategy. Other analyses emphasise various aspects of the two main models but give greater significance to the focus of a specific perspective. Further examples are those of Smothers (1993) who examines the image of brands suggesting that, as with people, charismatic appeal is possible. Blackston (1992, 1993) looks beyond personality and image to examine the relationships between brand and consumer, and, between consumer and brand. The approach detailed by Plummer (1984/85) characterises individual brands under three heads: the physical attributes which constitute the brand objectively; secondly the functional characteristics which are the objective use value; thirdly the symbolic and qualitative dimension which constitutes the brand's personality (Plummer, 1984/85, p.288-289). Batra et al. (1993), also explore constructs of brand personality akin to people's personalities. From different perspectives, McCracken (1993) examines brands within an anthropological frame; Wernick (1983, 1991) delineates brands integral to his analyses of symbolic advertising; Murphy (1987, 1990a) gives insights into brands from a valuation viewpoint, and Blackett (1991, 1993) also provides valuation overviews within marketing literature[13].

**3.3.3.3** *Kapferer Model:* The models which originate in Britain or America weight the disaggregated parts equally with the overall brand. In contrast, European based Kapferer (1992, 1994) takes a holistic view, insisting that a brand cannot be managed piecemeal, and that the concept is an overall brand identity, not an image of consumer perception.

> *Too often, brands are examined through their component parts: the brand name, its logo, design, or packaging, advertising or sponsorship, or image and name recognition, or very recently in terms of financial brand valuation. Real brand management, however, begins much earlier, with a strategy and a consistent, integrated vision. Its central concept is brand identity, not brand image. This identity must be defined and managed. It is the heart of brand management* (Kapferer, 1992, pp.11-12; 1994, p.5).

Kapferer claims the branding process is not an end in itself; basically branding is about a strategy aimed at imprinting products in a manner that gains recognition from the consumer. It is not something added on, but *'what goes in'* (1992, p.16).

**3.3.3.4** *Other Models:* There are models which attempt to reconcile accountants' brand values with brand equity within an integrated model. For Irmscher (1993), brand equity is the marketing yardstick, which is non financial in nature, and brand value is the financial yardstick given by a financial figure. Irmscher approaches the modelling of brands and model integration from a market research perspective. From the perspective of management accounting, Guilding (1992) has researched the potential for a management/marketing model variously articulated in Egan and Guilding (1994) and Guilding and Pike (1994a, 1994b). In the articles, arguments are made to reinforce the long term investment requirements of brands through management accounting frameworks. The focus is long term management and strategic values. The technique explicated by Simon and Sullivan (1993) is argued as giving both a macro approach to assign an objective value to a company's brands and a micro approach which isolates changes in brand equity at the individual level.

In contrast to the many authors who perceive brands as particular constructs, Griffiths (1992, p.41) argues better understanding is gained from visualising, not the brand and its situations and relations, but branding as process. In this manner, he claims, better strategic insights are gained.

The marketing models can be explicated within the theoretical framework of sign communication of Alfred Schutz. The *'significative function'* of the sign is encompassed within the relationship which the consumer has with the brand [refer 2.2.2.3, *supra*]. The relationship is built up over time in the consumer's mind as his/her feelings for the brand. Brand image, which contributes to brand equity, is the

personal relationship that the consumer may have with the brand. Thus brand equity type models of brands are attuned to the consumer perspective. Such models are those particularly of Aaker (1991b) and of Biel (1991). The de Chernatony model[14] weights the consumer interpretation *(significative function)*, but also gives greater attention to the orientation of manfacturers' activities in meeting consumer interests. In the Kapferer model (1992, 1994) emphasis is upon the *'expressive function'* which encompasses brand management and nurturing; the brand is seen as an intrinsic personality, and the consumer involvement is less privileged.

The differing interpretations and significant variety in definitions (which are often more descriptive than definitive) emphasise the diversity in understanding of brands in the marketing domain. Irmscher (1993) notes that from this diversity follows the numbers of ways which are argued for measuring brands. It is questionable whether the variety arises more from differing and imprecise language use, and is thus of semantic derivation, or whether discrepancies are systematic of differences embedded in differing perspectives which appear to group into American, British and continental origins, emanating potentially therefore from differing consumer cultures and cultural traditions. Such differences may be inconsequential, but in some situations contradictions otherwise unnoticed are brought into the open and choices are forced (Shibutani, 1955, p.568).

Important for this study are observations which can be made. As noted there is underlying diversity. There is lack of specificity in brand constitution. The models articulate an underlying sense of determining the uniqueness of the brand. Some models give explicit recognition to the consumer contribution, which is measured with difficulty. While the diversity of brands is an expected characteristic in an operational mode, it has implications of uncertainty for standardised valuations required for financial reporting.

**Conclusion:** In this section, interpretations of marketing perspectives of brands were discussed. The section explored the symbolism of brands, and the ways in which marketers communicate brand messages through imagery and symbolism. Illustrations of brand communications in annual reports of New Zealand companies were given. Examination of brand definitions and brand management models from marketing literature emphasised the lack of specificity with brands. Marketers

themselves remarked upon the lack of agreement. Apparent in the marketing literature is greater concern with theories of brand management than with brand valuation. The focus of marketers is on the brand-consumer relationship, expressed by many authors as building *'brand equity'*. Implications of this focus can be argued as having contextual, spatial and temporal impacts. The nature of the focus is integral to the dynamics of marketing functions.

In the third section of this chapter, the focus shifts from theories of brands and brand definitions as expressed in current marketing literature, to activities of brand rich manufacturers who build and manage consumer brands.

## 3.4 *Manufacturers and Their Brands*

In this section, a review of the emerging awareness of manufacturers' consumer brands, and potential brand management, contribute further facets to understanding of contemporary brand natures. Firstly, the changing awareness of brands is outlined. Secondly, a review of strategic choices for manufacturers' consumer brands is built from recent marketing literature. Thirdly, examination of particular aspects of the manufacturer's internal organisation (where brands are material resources), adds further contextual and interactive descriptions to brand creation and maintenance. Fourthly, review of external organisations and market relations implicated in brand creation, gives a different view of forces impacting brand building and continuing management. The section draws on a variety of literatures in marketing (including advertising and market research), technology, and management accounting, and urban geography. It draws also on social documents. Management accounting is included as part of brand management, because, in this study, the focus is distinctively brands/financial reporting, and thus financial accounting concerns. Management accounting is seen as integral to brand management activities.

### 3.4.1 *Manufacturers' Brands - Awareness*

Facets of the emergence of brands and aspects of brand consumer relationships are

encompassed in earlier sections of this chapter [refer 3.2.1; 3.2.3, *supra*]. Marketing authors variously perceive an apparent increased awareness of brands as valuable company resources during the decade of the 1980s (Tauber, 1988; Aaker, 1991b; Kapferer, 1992, 1994; Aaker and Biel, 1993; Kotler et al., 1994).

> *The brand name suddenly has emerged as the most coveted corporate asset of all. Brands no longer are merely products competing for market share; they are annuities being plugged into the big-money equations of corporate acquisitions. It has become wiser to grab someone else's established brands and extend the lines than spend $80 million or more trying to get a new name into the mix* (Advertising Age, October, 1985, quoted by Tauber, 1988, p.26).

Saturation of consumer goods markets and increasing media diversity are factors advanced by Irmscher (1993) for escalating advertising costs. Huge costs of establishing new brands and the high attendant failure rate (Tauber, 1988; Booz, Allen and Hamilton, 1982, quoted by Doyle, 1989, p.89; Aaker and Keller, 1990; Jones, 1990; Saunders, 1990; Schultz and Schultz, 1990; Hise, 1991) made other ways of gaining brand resources increasingly attractive. Where previously in a merger or takeover, the acquisition was valued in terms of product manufacturing and the tangible asset infrastructure, there was a conceptual change, which shifted the focus to sales potential [refer 1.4.3, *supra*]. As Kapferer (1992) succinctly notes -

> *Today, the primary capital of many businesses is their brands. For decades the value of a company was measured in terms of its real estate, then tangible assets, plant and equipment. However it has recently been recognised that a company's real value lies outside the business itself, in the minds of potential buyers* (Kapferer, 1992, p.9).

It is the awareness of the brand and what it represents in the mind of the consumer, built up over many years, that represents future cash flows for the manufacturer owner. **Appendix 3.VII:** *Manufacturers Quoted on Brands* reproduces observations of various business people/manufacturers evidencing the significance of brands to them.

The increase in take overs, in which rapidly escalating premiums were paid to secure the acquired firms, was predominantly in fast moving branded consumer goods. Acquisitions in the period to 1992 are variously tabulated by Tauber (1988,

p.26), Murphy (1990b, p.39), Blackett (1991, p.29), and Lannon (1993, p.19). **Appendix 3.VIII**: *Acquisitions Quoted* lists authors' examples.

Although used prior to the 1980s, brand extensions are increasingly perceived as investments which provide notable core growth for many firms (Tauber, 1988; Aaker, 1990; Aaker and Keller, 1990; Kapferer, 1992, 1994). The connotation of brands as investments is important for this study [refer 6.6.2.3; 8.3.3, *subter*]. Tauber argues for capacity for greater utilisation of the existing brands of a firm, stressing that:

> *consumers know brands; they do not know plant, equipment, technology or the workforce* (Tauber, 1988, p.30).

In looking to lever brands, marketers give unprecedented scrutiny to brand resources. As awareness gains momentum, brands are no longer perceived as the exclusive preserve of marketing departments, but are increasingly perceived as important to management as part of firm strategy (Irmscher, 1993; Kapferer, 1994). Aaker et al. (1993, p.1) emphasise the changes -

> *Brand equity, a concept born in the 1980s, has aroused intense interest among marketing managers and business strategists from a wide variety of industries. The Marketing Science Institute, a consortium of over 50 leading firms, considers brand equity one of its top research priorities* (Aaker et al., 1993).

### 3.4.2 *Brand Choices*

Brands are now evaluated from the brand owner/manufacturer's perspective. The sub-section presents strategic brand choices. In the following sub-section, a theoretical analysis of internal operations is presented.

For manufacturers currently building and maintaining a particular trading advantage in the marketplace, understanding of firm resources is perceived as essential, because competitive advantage is based upon a firm's ability to deploy a unique blend of resources and skills (Park et al., 1986; Day and Wensley, 1988; Doyle, 1989; Aaker, 1991b; Blackett, 1991, p.29; Appelbaum and Halliburton, 1993, p.225; Dubois and Duquesne, 1993; Egan et al., 1994; Guilding et al., 1994a; Crainer, 1995; Guilding et al., 1995). Itami (1987, pp.12-13) observes that *'invisible assets'* are the real source of competitive power. Brands enable competitive advantage that is difficult for competitors to match (Itami, 1987, p.13; Appelbaum et al., 1993, p.225; Blackett, 1993, p.112; Crainer, 1995). But, to successfully

differentiate anything (Levitt, 1980) requires appreciation of what is being differentiated (Shibutani, 1955). Opportunities for brand extensions and acquisitions are perceived as part of competitive operating (Hise, 1991; Kapferer, 1992; Irmscher, 1993).

Contemporary choices for brand rich manufacturers are claimed as not as clear cut as the 1960s, when manufacturers' brands were strongest (de Chernatony et al., 1989b, p.157). King (1991b, p.20) claims new perspectives for consumer-brand relationships; he foresees multi-levels of relating with people combining roles of consumers, employees, and shareholders. For brand owners, future options are on a continuum from traditional strong branding through to supplying products for retailer brands (Caulkin, 1987, p.104). Best options for manufacturers are seen by marketing authors as long term investment in building strong brands and maintenance of already strong brands (de Chernatony, 1989b, p.154; Schroer, 1990; King, 1991b; Lannon, 1993)[15]. Increased spending is required to maintain consumer franchises (Park et al., 1986; Caulkin, 1987; de Chernatony et al., 1989b; Biel, 1990; King, 1991b; Lannon, 1993, p.17). Strong brands are distinguished by more than high market share; Kapferer notes that strong brands project values and segment markets according to their own standards as the reference point (Kapferer, 1992, p.23; 1994). Strong brands have salience and stand out in consumers' minds (Biel, 1990, p.36, 1991, p.42; Verbeke, 1992, p.8; Restall et al., 1993, p.61); they enjoy credibility, have shape and substance, and evoke richer associations. Strong brands are trusted (Gardner et al., 1955; Strasser, 1989; Irmscher, 1993). Trust is emotional, it is built over time, and it cannot be bought (Lannon, 1993, p.19; Moorman, Deshpandé and Zaltman, 1993). Consumers' trust gives strong brands a robustness and ability to survive short term misfortune (Murphy, 1990a, p.9).

***Empirical Field Example 3.8*** -

> Strong brands can withstand adversity. In New Zealand, from January to March, 1994, Cerebos Gregg's Limited received a succession of 6 complaints of glass shards in jars of pickles. A total recall of the product lines on March 12, 1994, brought in many, many thousands of jars of pickles and chutnies from throughout New Zealand. Cerebos and Whitlocks brands (and house brands) of pickles and chutnies were affected and market share fell to virtually zero during the recall, which gave an unprecedented trialling opportunity to a new competitor. Within three months of recommencement of supply, the company share had surpassed the market share held prior to the incident. Staff were impressed at the support given by brand loyal consumers who sent over 2000 letters and telephoned in support from throughout the country.

**Respondent:** It really does reinforce perhaps that there is a passion in the brands that we don't often read through market research. [Interview with Marketing Director, Cerebos Gregg's Limited, 1994]; (Boland, 1994).

On price, strong brands are more resistant to price competition, and can command higher prices. Strong brands command greater shelf space (Appelbaum et al., 1993, p.224). Weaker brands have fewer buyers and at any given time, the buyers tend to buy weaker brands less often - the notion of *'double jeopardy'* (Ehrenberg, Goodhardt and Barwise, 1990, p.82).

In the following sub-sections, an analysis of internal operations makes explicit aspects of brand creation and brand management.

### 3.4.3 *Internal Perspectives*

In this sub-section, six individual perspectives of the operations of a brand owner manufacturer are used to examine views from the literature on aspects of brand creation and maintenance. Kapferer (1994) observes that in acquiring brands, companies not only acquire positions in people's minds, but they also assume the duties and requirements of the brand's ownership (Kapferer, 1994, p.3). The six frames used in the present descriptive interpretation are seen as constituting a multifaceted composition of brand management. The investigation is created from current discussions significant in marketing literature. Also drawn upon, are views of authors in management accounting, and technology. The aim of the analysis is to present the potential complexity of brand construction and brand management from an internal operating perspective. The examination brings visibility to particular features of brands, within the manufacturer owner's domain. It is central to the research inquiry.

**3.4.3.1** *Manufacturers' Branding Decisions:* Branding decisions concern both whether and how to brand products.

***Empirical Field Example 3.9***

**Respondent:** Everybody can make (commodity item); if you

> make (commodity item) you are only at the bottom of the market. But we are talking about value and continuity. You have to add value and then you need brands. It is probably the same whether you are talking about soft drinks or preservatives or clothing. If you sell the product you make so much money, if you sell a brand you can make more money. If you sell a *'Ralph Lauren'* or a *'Boss'* shirt, the cost price is similar, but you can make more because of the added value [M.Int. 22].

Brand strategy decisions are many. Such decisions may be argued as brand management. They are not new decisions, but awareness of the implications of the decisions has increased, and the implications are more widely acknowledged (Irmscher, 1993, p.104). A firm may have a single brand or multiple brands. Naming decisions may lead to creation of brands which incorporate the firm name. Acquisitions may bring different brand names. Naming is very important (Collins, 1977; Van den Bergh, Adler and Oliver, 1987; Kapferer, 1992, 1994); [refer **Appendix 3.IX**: *Creation of a Brand*]. With some firms a multiple branding strategy is successful. A New Zealand example is *Huttons Kiwi Limited* [refer **Appendix 4.XII:**]. Other firms use a single brand and have multiple products. A New Zealand example of the single brand strategy is *'Ernest Adams'* baked goods and frozen lines[16]. A manufacturer may have an umbrella brand with sub brands and novelties: a New Zealand example is the branding strategies adopted by Tip Top Icecream Company Limited, whose umbrella brand is *'Tip Top',* with many sub brands (such as *'Tip Top Trumpet')* and also shorter life novelties. Further important brand decisions include positioning and repositioning (Kapferer, 1992, p.36), and packaging (Kotler et al., 1994).

**3.4.3.2** *Internal Structures:* In the United Kingdom, authors report wide variance in investigation into firms' marketing departments, marketing personnel numbers, and allocation of marketing functions, including marketing budgeting (Wills and Kennedy, 1982; Piercy, 1985, 1986a, 1986b, 1991). In New Zealand, published surveys find similarly (van der Walt, Lysonski, Queree, Harper and Hales, 1989; Mueller-Heumann and Osborn, 1993). Piercy (1991) asserts that the claim to possess a marketing orientation is often a meaningless slogan, not reflected in the firm's structure, culture or operations. Where management perceives the importance of brands, decisions are made at higher levels and marketing departments are losing some identity and responsibilities (Wills et al., 1982; King, 1991a; Piercy, 1991; Schofield, 1991; Irmscher, 1993; Mueller-Heumann et al., 1993). Not only are there large differences within the

marketplace, but also contradictions are seen between textbook and academic perceptions of marketing and brand activities, and the reality perceived occurring in the marketplace (Bridges, 1981; Piercy, 1991; Kapferer, 1992, p.10; Mueller-Heumann et al., 1993; Palmer, 1994; Thomas, 1994a).

Evidence of differing structures in firm marketing departments can be concluded from the variety of executive personnel appointments advertised in New Zealand, which give similar job descriptions for differently labelled positions [**Appendix 3.X:** *Executive Positions Advertised*]. The ambivalence of the product/brand manager positions has been long questioned (Buell, 1975; Clewett and Stasch, 1975; Macrae, 1996). In New Zealand, few firms seek brand managers, but there are numerous advertisements for product managers [refer **Appendix 3.X:**]. Category managers are a recent development, which give another focus.

Young (1991) observes also the growing contrast between the junior level appointments and the increasing importance and value of brand decisions. Similar observations are made by Irmscher (1993). Turnover in the brand manager position reinforces perceptions of the inherent positional weaknesses and conflict (Young, 1991; Boland, 1993). A further dimension is added in the experience and responsibility of the position, and interaction with the firm's advertising agency (Blackett, 1993).

> *Companies are beginning to realise that their most precious assets cannot be left to the whims of that most unholy of alliances, the 24 year-old brand manager and his advertising agency! Brands are very serious business indeed and key decisions regarding this management properly belong with the marketing director and the company's management* (Blackett, 1993, p. 113).

This incoherence described in traditional marketing applications appears further destabilised with postmodern interpretations appearing recently in marketing literature. Traditional marketing conceptualisations are termed *'implacably modernist in orientation'* (Brown, 1993, p.23; Firat et al., 1995).

**3.4.3.3** *Internal Culture*: The importance of organisational culture, and the manner in which it shapes corporate communication is discussed by Reilly and DiAngelo Jr. (1990). They indicate that best use of resources results when internal communications are effective. In turn, effective communication is based in deep

seated cultural meanings.

> *... culture is not an indiviudal event but a historical reality with symbols, myths and meanings. These become embedded into the organizational reality ...* Reilly et al., 1990, p.130).

The authors observe that the organisation's culture may be designed to give emphasis to particular characteristics. Among their list are technological and product leadership, and innovations. The arguments of Reilly et al. (1990) are analogous to earlier observations by Shibutani (1955) on group values and culture as the basis of reference groups. Contextual aspects of organisations, and contrasts in internal cultures are advanced by various authors. Perspectives are from management/organisational (Pettigrew, 1979; Meyer and Scott, 1992; Despres, 1995) and professional (Whittington and Whipp, 1992) perspectives. Some views are contradictory. Whittington et al. (1992) advance arguments for the spread and domination of accounting based cultures. Similarly, arguments are advanced by Wills et al. (1982) and Srikanthan, Ward and Neal (1989). In their arguments, Whittington et al. claim that marketing suffers a lack of control over their ideological resource because -

> *... the rhetoric of the market is not the exclusive property of marketers* (Whittington et al., 1992, p.60)

Contrasting with Whittington et al.'s tentative view of marketing culture, Firat et al. (1993, p.239) offer, from a postmodern context, a confident expression of marketing in which they claim particular mutuality between marketing and post modernity, which will enable extension of marketing discourses into other cultural domains. Kapferer (1992) argues that accountants have traditionally short term outlooks derived particularly from legal requirements such as annual reporting and tax compliance (Kapferer, 1992, p.24). But management accounting literature recently argues the need for long term strategic investment in brand building (Guilding et al., 1990; Guilding, 1992; Egan et al, 1994; Guilding et al., 1994a, 1994b).

Of interest is the congruence/discrepancies between staff and consumer perceptions of brands (Doyle, 1989, pp. 85-86; de Chernatony, 1992, pp.19-20; Kapferer, 1992, pp. 10-11); and the existence and fit of marketing strategy within overall firm strategy (Gardner et al., 1985). Observations on the necessity for strong marketing culture within firms is made by Kapferer as a *'total behaviour pattern'* (Kapferer, 1992, p.83). The following

example illustrates conscious creation of culture, both internally and externally.

***Example Written from Documents 3.1*** -

> Australasian brewer Lion Nathan Limited links brands with strong images of company culture internally and with local pride and ethos externally *(Lion Nathan Limited annual reports 1991, 1992, 1993).* Lion has both brands associated with the company name *(Lion Red, Lion Brown),* different brands for export beers *(Steinlager),* and brand names acquired (for example *Castelmaine XXXX, Swan Gold)* with rich historical associations of their own, which again draw on regional ethos. Lion's recently developed light lager is an example of extending the *Tooheys* brand; named *Tooheys Blue,* the new beer is sold in cans coloured a strong blue shade [refer 3.3.2, *supra*]. The notion of Lion Nathan culture extends to executive advertising ...*'Key to this role will be an understanding and empathy with the Lion Nathan culture...'*[**Appendix 3.XI:** *Firm Culture*]

**3.4.3.4** *Internal Brand Management:*[17] The cultural orientation is reflexively linked to brand management. Already noted is Kapferer's (1992) observation of a *'total behaviour pattern'* created by the brand. Kapferer claims the ultimate responsibility for the brand personality is the company's (ibid., p.34). There must be explicit marketing orientation (Liu, 1995); internal as well as external marketing (Kapferer, 1992, p.20; Park et al., 1986, p.136). De Chernatony et al. (1989b, p.158) comment on the cost of a brand to an organisation. It includes not only -

> *... materials, R&D, media and sales force costs, but other costs such as brand management, market research and logistics implications from range complexity ...* (de Chernatony et al., 1989b, p.158).

Similar observations are made by Kapferer (1992, pp.25-26; 1994) and by Ernst & Young (1995). The debate which has taken place among (predominantly) accountants concerning brand reporting [refer 1.5.1, *supra*], and the substantive amounts of brand values [refer 3.4.1, *supra*], are giving brands increasing recognition and increasing legitimacy within firms' internal value systems (Kapferer, 1992, 1994; Godfrey, 1993; Egan et al., 1994; Guilding et al., 1994a; 1994b; Ernst and Young, 1995, Guilding et al., 1995; Macrae, 1996). Macrae claims that the classical model with young brand managers is no longer appropriate. Macrae argues for a more visionary, long term approach, located higher in managerial hierarchies.

***Empirical Field Example 3.10*** -

**Respondent:** Just say it created a general awareness of the

potential value of brands. I don't think it translated into any firm internal decision making in reference to support strategies and so forth. But I think it made the finance area and management generally a little bit more of what the .....

**Researcher:** Marketing would know what it was worth?

**Respondent:** Well, marketing .... yes. Marketing probably would have argued it was worth three times that [A/F. Int. 35].

The appropriateness of brand valuation as a management tool is advanced by Guilding (1992), who argues that brand valuation heightens the importance of such marketing assets, and accountability for them (Guilding, 1992; Guilding et al., 1994a, 1994b). There still appears little consistency of practice.

> *The potential for brand valuation to carry internal managerial implications is dependent upon, amongst other things, the extent to which brand valuation becomes formally integrated into the internal accounting system* (Guilding et al., 1994a, p.105).

> ... [brand valuation is] *currently insufficiently developed to be used as a hard measure of brand performance* (Respondent quoted by Guilding et al., 1994a, p.105).

Guilding et al., (1994a) observe that where a firm is already highly oriented to the marketplace, the capacity of brand valuation to further inform may be limited.

At an international level, brand management is a recognised phrase. Expertise in distribution, brand management and investment in technology are perceived as key. Of Unilever's profile in the cosmetic and perfume industry, The Economist notes-

> *Like Proctor and Gamble, its American arch-rival which also invested in cosmetics throughout the 1980s, Unilever has brought expertise in distribution, brand management and a large investment in technology to a business that had traditionally been a cottage industry dominated by small family-owned specialist firms. "They are interested in volume ... marketing is entering the world of cosmetics"* (The Economist, October 21st, 1995, pp. 71-72).

**3.4.3.5** *Technology and Production:* A marketing orientation requires a strong relationship with innovation (Brown, 1991; Liu, 1995; Egan et al., 1994). Particular production aspects which link to consumer brand perceptions are quality and technology innovation [refer **Appendix 3.XII:** *Swanndri*].

In packaging, technological developments facilitated quality standards in products,

which became a selling point for early brands (Strasser, 1989, p.32). Packaging also has promotional use in attracting consumer attention with brand messages[18]. Contemporary consumers use brands to reference quality, according to their particular standards. An example of the building of a leading fashion brand with meticulous attention to quality (and the origin of a contemporary brand name) is given in **Appendix 3.IX:** *Creation of a Brand.* For contemporary manufacturers, quality standards are encompassed in standard specifications and total quality management measures (Hall, 1994). Doyle (1989) observes that quality is a leading factor in branding.

The linkage between technology and design and branded products is not only functional but also symbolic. Bollard and McNaughton (1992) emphasise that value added technological developments must be both economically justifiable and market driven. Mackay (1995) describes Philips shavers in the words of Forty (1983).

> *The Ladyshave (as it is called) is pink, round and decorated with a floral motif; the male shaver, in contrast, is black, angular and robust looking. Clearly this contrast has little to do with function - it has to do with symbolism which serves to confirm and consolidate existing ideologies of gender and patriarchy, which were mobilised by designers in their efforts to develop product designs which would sell* (Forty, 1983, quoted by Mackay, 1995, p.480).

Further linkages between technology, brand imagery, symbolism and consumption are evidenced by Mackay in the styling of (sports) cars. Similar observations are made by Hoshino (1987), and Wernick (1991). But evidence of linkage between research and development and marketing within manufacturing firms in literature is contradictory. An individual example indicates very close association (O'Donoghue, 1994), but reported surveys are ambivalent[19] (Mueller-Heumann et al., 1993, Fisher, Jenkins and Taylor, 1994). The R&D -marketing interface is explored by Haggblom, Calantone and Di Benedetto (1995); and Calantone, Di Benedetto and Haggblom (1995). Taking a different perspective Cornish (1995) relates consumer input into product innovation through market intelligence efforts of manufacturers.

**3.4.3.6** *Short Term and Long Term Contrasts:* Short term and periodic frameworks are perceived structuring management perspectives which favour short term results to enhance good profits for shareholders (Aaker, 1991a). In marketing, short term reactions to immediate consumer needs, and moves by competitors are seen as

undermining long term investment in brand building and management, which by its nature must extend over the lifetime of the brand (Park et al., 1986; Aaker, 1989, 1991a, 1991b; de Chernatony et al., 1989a, 1989b; Biel, 1990: Schroer, 1990; King, 1991b; Kapferer, 1992; Lannon, 1992; Egan et al., 1994; Guilding et al., 1994a, 1994b; Guilding et al., 1995). Irmscher (1993) notes that ready availability of consumer activities through scanning data, privileges short term measures over more difficult long term measurement (Irmscher, 1993, p.104). Short term, reactive positioning also undermines the need for long term actions - it can *'choke'* the brand meaning (Kapferer, 1992, pp.36-37). The lure of short term profits to enhance marketing career moves further reinforces the short term characterisation (Aaker, 1991a, p.14; Young, 1991; Kapferer, 1992, p.24; Boland, 1993). Short termism is noted generally in product managers (Haggblom et al., 1995); general beliefs in short term attitudes are observed by Zaltman and Moorman (1988/89). In contrast, the interest of management accountants argue emphasising long term brand investment (Egan et al., 1994, Guilding et al., 1994a, 1994b).

### 3.4.4 *External Perspectives*

Marketplaces are not unambiguous realities: they are shaped by activities and commodities, which in turn depend upon cultural, economic and technological aspects of a particular society[20] (Appadurai, 1986). Reality in the marketplace can be also formulated by perspective - for example those of manufacturer and consumer can be contrasted in exchange values and use values [refer 3.2.2, *supra*]; and for corporate marketing personnel, the perspective is delineated by brand position, market share, and strength and dimensions of competitors. Marketing is claimed to stand at the centre of contemporary business processes, but the effect of marketing and the range and significance of its impact, lack both recognition and understanding (Slater, 1989; G. Morgan, 1993, pp.136-137). Strasser comments that manufacturers' and agency personnel's perceptions early characterised the marketplace as *'malleable'* (Strasser, 1989, p.123, p.129). Modern marketing reality is seen as socially and psychologically constructed (Hudson and Ozanne, 1988; Sauer, Nighswonger and Zaltman, 1982, quoted by Hunt, 1990, p.2). Views of future markets are varied - diverse views indicate increasing fragmentation of markets (Lannon, 1993; Douglas and Wind, 1987; Firat et al., 1993). In contrast, Levitt emphasises globalisation, in which like markets are repeated in many parts of the world ( Levitt, 1983; 1988).

Between the manufacturer and the marketplace agencies, exist relationships which operate at many levels. With increasing values accorded to brands, the brand manager becomes the day to day decision maker, with important decisions taken at higher levels (Irmscher, 1993; Macrae, 1996); [refer 3.4.3.2, *supra*]. Observations on advertising agency-company relationships emphasise the individuality of each relationship (Beltramini and Pitta, 1991; Piercy, 1991; Flandin, Martin and Simkin, 1992; Islam and Eadie, 1993; Mueller-Heumann, 1993). Ways in which such relationships may be managed successfully long term, are examined (Verbeke, 1989/90; Beltramini et al., 1991; Kaynak Kucukemiroglu and Odabasi, 1994).

Advertising is widely perceived as instrumental in effecting changes in market share of particular branded products (Ehrenberg, 1974; Scitovsky, 1976, p.205; Leiss et al., 1986, p. 37; Jones, 1990). Some authors question the wisdom of the brand manager-agency relationship for brands (Young, 1991; Blackett, 1993; Irmscher, 1993); [refer 3.4.3.2, *supra*]. Advertisers are able to build representations of their branded goods, associating images in a manner that finds reciprocity with potential consumers because there are *'shared meaning systems and cultural codes'* (Goldman, 1987, p.693). The images potentially hook into not only the consumers' conscious minds, but also into their deeper unconsciousness (Bocock, 1993; p.89-90) [refer 3.2.3, *supra*]. The interplay of symbols in design of products, labelling, packaging, advertising, and media choice are calculatively arranged, both in nature of signification and also repetitively, to stimulate and enhance recall (Wernick, 1983, p.23; Wernick, 1991, p.37); [**Appendix 3.IV**:].

***Empirical Field Example 3.11*** -

> **Respondent:** Whether you talk about packaging, that is communication, how the brand is packaged - the colours, the shape of the lettering, the lot. The promotional activities, the kind of promotions you tie in with that brand personality, the media, the normal advertising, everything is communication in the end. And that is creating a residual feeling, an attitude with the consumer (M. Int. 22).

The marketplace is dynamic. Recent trends are to greater reliance on outside specialist agencies (Zaltman and Moorman, 1988/89). New agencies offer specialised and individualised aspects of the many services - for example, public relations (Kitchen and Proctor, 1991), market research, media placement and recently, design and direct mailing. In market research and wider market intelligence, there is huge expansion

(Cornish, 1995); and intelligence from the trade is gaining importance with privileging of customer servicing (Verbeke, 1992; Barnes, 1994; Palmer, 1994). The Economist (December 2nd, 1995) devotes a page to management theorists' emphasis on the rising importance of design. The emergence of design agencies is noted from fieldwork.

***Empirical Field Example 3.12*** -

> **Respondent:** The design fraternity is very much at the bottom of the chain of the communications industry. The things that we specialise in like corporate communications - It's only in the last ten years that we have come of age. It's as much because of the change in the business environment - also I guess the influence of overseas trends. ... The trend now is to establish a team of specialists which feed into the company. The PR firm, the market research company, the advertising agency and the design company. There is also a growing trend that everyone knows what everyone is doing [A/F. Int. 30].

Many specialist activities and dimensions of expertise which contribute to creation and continuing management of manufacturers' consumer goods brands have been explored in this sub-section. Beneath the mobility and the multifaceted characterisation of activities in the marketplace, there are dynamic associations and continuing patterns of production and consumption in which brand relationships are continually kept attractive for consumers. Because brands gain value in contemporary society, it is important that the extent and quality of these activities are explicated. They are activities which constitute the ongoing costs of brand management; and under present accounting rules, such costs are classified as expenses of a given period. Such treatment gives little attention to the continuing nature of benefits gained for the manufacturer brand owner. It is hardly *a 'true and fair'* view.

**Conclusion:** This sub-section has provided many perspectives and insights into brand management and therefore the nature of brands. Many actions that constitute brand management are integral to brand rich operations. It is awareness of the impact of these actions for company success that has changed (Kapferer, 1992, 1994; Macrae, 1996). The importance is not so much rooted in the firms, but is a function of change in the marketplace, and the integration of the firm within its changing commercial and social environment.

## 3.5 *Chapter Summary and Conclusion*

There are many problematic aspects of modern marketing practices, which constitute the environment in which manufacturers' consumer brands are built and maintained. In this chapter, thick descriptions of context and culture were built from multiple literature sources and social documents. Firstly, the nature of consumption was explored to gain insights into consumption practices in which brand values are generated. Problems of definition of the brands per se were examined [refer 3.3.1, *supra*]. Given Shibutani's succinct quote *'what a man does depends largely upon his definition of the situation'* (Shibutani, 1955, p.562), questions arise with the nature of brands and branding processes. Lack of clear definition increases the potential for multiple interpretations. Problems of definition are perceived in many aspects of marketing operations -

> *"marketing" is a highly ambiguous term in describing the organisations found and the functions fulfilled in practice* (Piercy, 1986b, p.288).

Views of future markets are varied, and consequently continuing brand loyalties may be legitimately questioned.

In this chapter, notions of needs and wants were reviewed. In market activities, while the strategies and relationships of manufacturers and agencies are commercial, and are described by some as manipulative, the consumer was perceived as acquiescing in forms of self deception.

The symbolic nature of brands was elucidated, and the manner in which brands and brand management are perceived by leading marketing authors was investigated. For manufacturers, brands were argued as term investments. The example of beer brands was given, with examination of the contribution of brands to beer sales. Brands were perceived as continuing constructions, with ongoing needs for quality and technological innovation. The need to maintain the contemporaneity of brand images with consumers was detailed. Internally, strong company cultures were argued to provide necessary infrastructures for successful brands; and externally, market intelligence, advertising and media communication were observed as constituting market environments for successful brand management.

In this chapter, the research question *'What is a brand?'* had primacy. The next chapter, chapter four, changes the focus to the field of accounting/finance and makes visible the institutions of the financial markets. The interests in chapter four are brands and financial reporting, which give significance to the research question *'How do brands fit with financial reporting?'* Thick descriptions of context and culture are built from sociology, accounting, finance and law literatures and reference is made to statute law, common law and regulations.

1. Moore (1991) emphasises that in a multifaceted study *'highlighting trends and focussing on issues'* may not cover every aspect. In this study, the size, complexity and differing dynamics of worlds in which diverse interests are mobilised, leaves open the potential for insufficient coverage to issues raised, and questions also of selection.

2. In similar manner today, one relies on the chemist's knowledge of non prescription drugs for other than known purchases. Thus the expertise of the retailer is interposed between the manufacturer and the end consumer. With self service, the manufacturer's design package has to perform the sales job previously performed (although differently) by the retailer.

3. Intangible elements of socialisation and spatial dimensions are perceived by many researchers in the phenomenon of consumption. Because these dimensions are part of the infrastructure of brand constructs, through consumer contribution (and manufacturer modelling of a particular brand), explication is made in this end note. Elements of socialisation also underlie brand positioning detailed in **Appendix 3.I.** Postmodern writers particularly link spectacle and space in various planes. The nineteenth century department stores are variously described as *'consumers' palace'* Laermans (1993), *'grandiloquence'* (Chaney, 1983), *'grandiose'* (Bowlby, 1985), *'palaces' 'theatres' 'veritable dream worlds'* (Featherstone, 1991). But as Bolwby reiterates (1986, p.3) the floating irrationality is the structured *'result of a rigorously rational entrepreneurial scheme'.* Notions of spatial dimensions and the freedom to wander are equally present in contemporary lifestyle descriptions. Morse (1990) examines notions of *'derealised space'* in linking malls, freeways and television as products of the late twentieth century. Schudson (1984), Wernick (1991) and Bocock (1993) all argue the importance of display, desire and spatial elements as integral to modern consumption. The dimensions of space and the unreality are important in this study of brands because they are indicators of the spaces in which brand messages provide references for those who use them.

4. Norton (1993) notes the example of a present day consumption legend.

> *This passion for consumption, ascribed to all women, is more evident in the activities of some of their number. The shoes of Imelda Marcos have become a metonym for this excess* (Norton, 1993, p.57).

In contrast to this caricature of women, figures released in the 1995 annual report of the New Zealand Society of Accountants indicates that just under 23% are women. In 1991, the published statistics set women's membership of the Society at 17.6% The dominance of men in the marketing and sales fields for much of this century is noted by Reekie (1993). In contrast, authors note the part played by women as shoppers in spreading consumption culture [refer chapter 8, end note 6, *subter*].

5. In his chapter on economic theory, Perry (1968) discusses aspects of value theory. He argues that value in exchange is a derivative of use value. *'Use'* he broadens into the notion of *'interest'*. Then, in a generalised manner he claims *'value in exchange'* to be a derivative of *'interest'*. Exchange value in the marketplace is therefore derived from the interest or use perceived by the potential purchaser. The labour theory of value is reviewed by Perry as an attempt to divorce economic value from interest (Perry, 1968, pp.250-251).
In this thesis, discussions of value in the marketplace are conceptualised in terms of exchange value in the transaction and perceived interests/utility which structure the actions

of the purchaser within notions of use value - or value in use. The potential dependence of exchange value upon use value has significance.

6. Authors quoted by Jhally are the following: John K. Galbraith, Stuart Ewen, Herbert Marcuse, Raymond Williams, Paul Baran, Paul Sweezy, Ernest Mandel, Guy Debord, Vance Packard, and Jerry Mander (Jhally, 1987, p.3).

7. Bocock (1993) observes the increase in novelty lines in prepackaged foods, such as fozen crumbed fish fingers. Such easy to use (branded) products are a creation fitted to contemporary lifestyle needs.

8. Norton in her introduction to popular American culture observes -

> *'This consciousness of consumption as a form of speech underlies the insistence on the availability of consumer goods as an index of political freedom. The use of commodities as a means for the expression of individuality gives us another language and other material forms. Our use of this language in goods is not merely a form of self expression, the practice of an already constituted self. It is a constitutional practice - in which we make ourselves. In this as in other languages, we find ourselves in forms that were there before us, and we alter them, where we will and where we can, to our specifications'* (Norton, 1993, p4).

9. There is a long tradition in accounting literature which has been critical of accountants' lack of attention to accounting for marketing expenses and adequately reflecting the informational needs of marketing (refer Ratnatunga, Pike and Hooley, 1989).
This study is informed by a desire to understand the nature of brands in contemporary commercial perspectives. It is framed by the problems of financial reporting of brands which have been made evident in debates over brand reporting. The focus is therefore concerned primarily with financial accounting problems. It is not a study of management accounting problems, and developments within management's internal reporting.

10. For example - Gardner and Levy, 1955, p.35; Jacoby, Szybillo and Busato-Schach, 1977, p.210; Lannon and Cooper, 1983, p.202; Stokes, 1984, p.233; Plummer, 1984/85, p.28; Pitcher, 1985, p.241; Park, Jaworski and MacInnis, 1986, p.135; Sinclair and Seward, 1988, p.29; Tauber, 1988, p.28; de Chernatony and McWilliam, 1989(a), p.40; 1989(b), p.162, 1989(c), p.340; 1990, p.113-115; Doyle, 1989, p.78; Baker, 1990, p.34; Biel, 1990, p.35, 1991, p.42; Saunders, 1990, p.95; Blackett, 1991, pp.27-28; King, 1991b, p.41; Blackston, 1992, p.79, p82; Ogilvy, quoted by Blackston, 1992, p79; de Chernatony, 1992, p.3; Kapferer 1992, p.9, 1994; Lannon 1992, p.11, 1993, p.22; Amoroso and Kover, 1993, p.4.

11. The quotation from Aaker (1991b) and the *Empirical Field Example 3.7* are indicative of Coca-Cola's communication through symbols, which was discussed with reference to Scitovsky [refer Appendix 3.IV: *Communication Through Images*]. Scitovksy comments on the ability of the brain to process visual messages unconsciously, which is illustrated in the *Empirical Field Example 2.3*, chapter two, detailing experience of unconscious Coca-Cola recognition.

12. The models given greatest attention in this chapter are models of those authors who have highest profiles in marketing literature. They are models which aim to evaluate brands in order to facilitate marketers' management of brands and management appreciation of the needs of successful brand management. Further contrasts are provided by two models of brand management developed by Park et al. (1986) (and similarly Lannon 1992, and Plummer 1984/85). The perspective argued by Griffiths (1992) gives a different approach conceptually, with branding as a process. Two models exhibiting similar development and aspects to that of de Chernatony et al. are Park et al.'s (1986) normative framework centering upon brand concept, and Lannon's (1992, p.15) five category continuum of advertising merging into brands, in which there is again some notion of evolution over time.
More recently there are models advanced which attempt to combine both marketing and accounting brand perspectives in the one brand model. R. Morgan (1993) argues that there are two perspectives of brands - a dynamic marketing perspective and, secondly, a snapshot

valuation perspective for accounting. Recent articles advance models that attempt to develop brand models which bridge the marketing/accounting interface. These models include the version by Irmscher (1993) which brings together both accounting and marketing perspectives; another is advanced by Simon and Sullivan (1993) which develops a technique for estimating a firm's brand equity that is based on the financial market value of the firm. Guilding and Pike (1994a) present a further model from a management accounting perspective. Egan and Guilding (1994) has a further perspective. These models are briefly commented upon in the chapter.

13. John Murphy is the founder of Novamark International, London, and Chairman of the worldwide Interbrand/Novamark Group of companies, leading specialists in the development of brand names. (Notes on Contributors, *Branding a Key Marketing Tool,* J. M. Murphy, editor, 1987). Material drawn from books by John Murphy appears in chapter four which examines brands from accounting/finance perspectives. Tom Blackett is managing director of Intebrand Group plc, London, and Group Deputy Chairman.

14. The de Chernatony model of brand management is explicated in de Chernatony, 1992; de Chernatony and McWilliam 1989a, 1989b, 1989c; de Chernatony and MacDonald, 1992.

15. The characterisation of brands as investments among marketing people is emphasised by Doyle (1989) and noted by Guilding and Pike (1994a). They distinguish this investment attitude among marketers from the traditional views of accountants concerning brands.

16. Ernest Adams is the brand of Ernest Adams Limited which produces baked goods and frozen food lines. The brand is both consumer goods brand and company name/logo. The company have also their Fetherflake pastry brand. (There was a previous firm started in 1921 by Ernest Adams). Information from Ernest Adams Limited annual reports.

17. The brands management environment within major companies is argued in the literature as changing (Macrae, 1996). Changes in markets and business practices are continuing to increase the value of intangible assets. Implications for information needs and therefore accounting information systems are still being appreciated. In contrast to reports which focus on brand management within major companies, research reported in articles by Sweeting (1995) and by Birkett (1994, 1995) present wider perspectives in the arena of strategic management and management accounting, and broader interpretation of internal business activities, in which traditional functional boundaries are breaking down. Not only the separation between marketing/accounting finance functions is perceived as changing (refer 3.4.3.2; 3.4.3.4, *supra*), but also marketing/research and development boundaries are being investigated as needing re-evaluation, with the market orientation of manufacturing firms (refer 3.4.3.5, *supra*).

18. In the twentieth century, consumer goods packaging has gained new display uses with the spread of self service stores. As consumers learn to choose their own goods, packaging designs become the vehicles of sales messages which attract consumer attention and provide information. The irresistable appeal of displayed goods noted by Bowlby (1985, p.2) and Reekie (1993, p.6) encourages acquisition of goods, no matter the means, as the rising incidence of shoplifting has attested. Reekie emphasises early efforts to *'stem the tide of shoplifting'* (ibid., p.104); Haug quotes de Boor *"the seductive offer, this provocative wealth',* and concludes that *'both buyer and thief succumb to the same impulse'* (Haug, 1986, p.38).

19. With results which derive from quantitative surveys, there exist always questions about the representativeness of the sample and the non response bias. Comparison may also be unwise from results from quantitative surveys which have general bases to qualitative research in specified firms in particular industries. One article cautions on generalising results (Fisher, Jenkins and Taylor, 1994).
In the area of reporting and reliability of surveys Hart (1995) makes pertinent points.

20. Dimensions of the manner in which particular societal characteristics shape markets may be emphasised from the differences in consumer markets in Western and Eastern European countries at the time of the failure of communism around 1990.

# 4. 0 CHAPTER FOUR: *FROM THE ACCOUNTANTS' PERSPECTIVE*

> *In attempting to solve the brands issue, accountants must come closer to answering questions as to the essential nature of assets, the relative status of cost and value, and at a professional level, how far accountants are able to assert a monopoly over the form and content of company accounts* (Napier, 1994, p77).

## 4.1 *Introduction*

The central research questions for this study are: '*What is a brand?'* and *'How do brands fit with financial reporting?'* In chapter three, consumption, marketing and manufacturing perspectives were presented to build thick contextual descriptions which contribute cultural dimensions of understanding of the nature of brands and the environment in which brands are created. The focus of this thesis is on the nature of brands, and the manner of their creation and continuing sustenance from the perspective of the manufacturer of consumer brands. Integral to investigating the nature of brands is the question of whether brands are valuable. In the sociology of consumption, brands are perceived gaining value through consumer brand relationships built through consumer purchasing activities. Interpreted within marketing discourses, are brand definitions, brand imagery and symbolic communication, and marketing authors' brand management models. In the third section of chapter three, the activities of brand rich manufacturers were explored to provide a contextual infrastructure to brand creation and brand management. In delineating brands within consumption, marketing and manufacturing perspectives, perceptions of long term brand investment emerged, and brand natures were perceived as valuable multifaceted and complex personality constructs within contemporary society.

In this chapter, chapter four, the research question *'How brands fit with financial reporting'* has primacy, and the focus is turned to the accounting/finance field. The question

*'What is a brand?'* concerning the nature of brands, becomes focused now through an asset lens. The approach to the chapter is interpretive. The aim is to build contextual dimensions of thick description that reflect the contemporary complexity of the research domain. The chapter quotation highlights assets, cost and value, and professions. These areas have significance within the major sections which constitute the chapter contents. Each section contributes to constitution of thick description through exploration of issues relevant to financial reporting and brands as constructs in multiple realities of contemporary business contexts.

The basis of the chapter was articulated in chapter two [refer 2.3.2.2, *supra*]. There are three major sections. Firstly, the study examines the position of the accountants' profession in contemporary society through actions recently taken by the New Zealand Society of Accountants, and recent changes in setting of financial reporting standards in New Zealand. The section also investigates perspectives of institutional groups in financial markets[1]. The second major section investigates aspects of financial reporting. Annual reports are reviewed, and accounting conventions which currently shape reporting regulations are interpreted in a descriptive manner from the perspective of brand disclosures. Thirdly, balance sheets and assets are scrutinised as creations within traditional accounting perspectives. As part of the examination of assets, accountants' perceptions of the interface between brands, trademarks and goodwill are investigated. Reviews of cost and value, and brand valuation methodologies, are articulated within accounting discourses.

Main sources, upon which the chapter draws, are bodies of accounting literature. In examining the accountancy profession, references are made also to psychological and sociological literature in order to explicate understanding of professional groups. Reviews of regulation and law draw upon regulatory pronouncements and statutes in the United Kingdom, Australia, New Zealand and the United States, and also on legal cases as specialist sources. Reporting practices of New Zealand companies are used as the major contextual illustrations. These are derived from the author's research into companies' disclosure practices in annual reports 1987-1992 (Cochrane, 1994b)[2], and from subsequent research by the author into literature and social documents. Specific use has been made of documents of Lion Nathan Limited, the Australasian brewer listed on both New Zealand and Australian Stock Exchanges.

## 4.2 *The Accountants' Profession, Regulation, and Financial Markets.*

In this section, the relationship between the accountants' profession and society generally is explored. Examples are drawn from recent activities of the New Zealand Society of Accountants. Views of auditors, within accounting traditions, are examined. Secondly, in a broader financial market environment, dissemination of intangible asset values is interpreted; and views of analysts and bankers are presented.

### 4.2.1 *Accountants' Profession - New Zealand*

During the later nineteenth century, the practice of accountancy generally evolved into professional standing (Abbott, 1988). In New Zealand, the New Zealand Society of Accountants was incorporated under the *New Zealand Society of Accountants Act* (NZ) 1908. Currently, the Society awaits the impending passage of a bill which incorporates the Society as the Chartered Accountants Institute of New Zealand. The proposed Act delegates to the Institute, in a deregulated marketplace, power to -

> *Control, regulate and promote the profession of accountancy by its members in New Zealand* (Institute of Chartered Accountants of New Zealand Bill (NZ) 1995, s.3 (3)(a)).

Changing requirements, perceived by the New Zealand Society of Accountants as necessary to be established through statutes legislated in 1908, 1958, and 1996. are set out in **Appendix 4.1:**.

Recently, the New Zealand Society of Accountants has instigated a programme of extensive change which aims to significantly substantiate the new quality reference claims of Society members as accounting professionals. The changes are driven by the central executive of the Society, to maintain the pre-eminent position of their members in a changing (deregulated) environment. Concurrent with the extensive changes in its structure, the Society has worked to bring to fruition its *'Statement of Concepts for General Purpose Financial Reporting' (Statement of Concepts),* released by the

Council in 1993. The Statement sets out, in one authoritative document, the requirements of the Society on all aspects of general purpose financial reporting [refer 4.3.2; 4.4.2.1, *subter*]. The *Statement of Concepts* is an influential document; it is authoritative for financial reporting practices in New Zealand. Its status is reinforced by the newly appointed Accounting Standards Review Board (ASRB), which, in its *Release 3* (1994), adopts the Society's *Statement of Concepts* as a standard benchmark for financial reporting standards. The empowerment of the ASRB (as a visible part of the new machinery for enforcement of standards), and its apparent closeness to the professional body are set out in **Appendix 4.II:** *The Accounting Standards Review Board.* The establishment of the ASRB indicates potentially a dilution in the accountancy profession's control of regulation. However early pronouncements of the ASRB give impressions of current closeness to the profession [refer **Appendix 4.II:**].

### 4.2.2 *Professions - Traditions and Ideology*

In discussing the existence of different groups in modern societies, Shibutani (1955) emphasises that group standards and values structure perspectives of social reality, thus functioning as frames of reference for group members. Berger et al. (1966) argue similarly. Recently in society, there is evidence of increasing accountability demanded of professionals, with greater demand for enunciation of formerly accepted professional mystique (Coles, 1993, p.25). Bougen (1994) tracks changing societal views in a different manner. Bougen examines the stylised accountant stereotype; he argues that the seemingly unambiguous and stable traditional representation constitutes in fact a complex and fragile assemblage of associations and images, relating the technical to the personal. Recently, Bougen suggests, the balance has been disturbed and that the traditional humorous characterisation has been coupled with *'more destructive imagery.'*

> *Never has the reputation of accountants been so wretched. Bean counters have always been thought boring; now it seems they are* ***also*** *bad - incompetent and, in some cases, corrupt (The Economist, 1992, p.14, emphasis added)* (quoted by Bougen, 1994, p. 332).

In their current restructuring, the New Zealand Society of Accountants cogitate

needs for retaining visibility given by statutory recognition.

> *The Council is of the view that the retention of a minimalist Act for the Institute is a much preferred option. Not only does it provide the Institute with statutory recognition as the pre-eminent professional body, but it reinforces "chartered accountant" as a designation* (New Zealand Society of Accountants, 1994, p.i).

To claim pre-eminence through only tradition and ideology, lays open such claim to any questioning which validly can be made of the inherent properties of both traditions and ideologies. For traditions, the authority of acceptance is conditional upon a continuing state of displacement of alternatives (Goetschel, 1993, p.164). Ideologies are characterised by stronger partiality. Lichtheim (1965) claims professional ideology has power when its distinctive (partial) view of the world is given credence in preference to (and/or in absence of ) competing interpretations (ibid., p.194).

For Abbott (1988), professional legitimation draws on cultural values to justify what professions do, and how they do it. Richardson (1985, 1987) argues that accounting may be seen as a legitimating institution to the extent that it mediates the mapping between action and values. Richardson (1987) examines such a role for accounting through three contrasting perspectives - structural functionalist, social constructionist and hegemonic. His studies articulate differing perceptions of accounting within society. Sikka and Willmott (1995) critically evaluate the accounting profession in the United Kingdom; with a central focus on maintenance of professional jurisdiction[3]. Sikka and Willmott argue the significance of perceived independence to the profession. They claim that self regulatory structures often function more as agencies of self protection. Bougen (1994) claims accountants suffer from the fragility of their technological core. For Hines (1989b, 1991), accountants' conceptual frameworks constitute strategic manoeuvres for public legitimation (similarly Burchell, Cooper and Scherer, 1982, p.15; Cooper and Scherer, 1984, p.223; Abbott, 1988; Whittington et al., 1992, p.53;). Hines argues that conceptual frameworks -

> *... have generally failed to accomplish their stated functional purposes..... Viewing these attempts as* ***claims*** *to accounting knowledge, which are used as a political resource in reducing the threat of government intervention and competing with other groups, in order to maintain and increase professionalisation and social*

> *mobility, seems to explain these projects better than viewing them from a technical/functional perspective* (Hines, 1989, p.74 and p. 85). (Emphasis in original).

Peasnell (1982) observes a pattern of conceptual type statements issued on behalf of regulatory bodies, whenever the situation under regulatory focus is controversial. Shuttleworth (1996, p. 23) queries whether the *'fount of all accounting wisdom'* can be encapsulated in the brief definitions of a Statement of Concepts..

The manner in which subjectively derived activities become objectivated and unquestionably accepted as general practice or codified professional roles is discussed by Napier et al. (1992, p.92) with reference to valuation methodologies. In their arguments against valuers' practices, Napier et al. claim -

> *powerful organisations attempt to build their goals and procedures directly into society as institutional rules* (Meyer and Rowan, quoted by Napier et al., 1992, p.30).

Richardson (1987), claims similarly of accountants. Bougen (1994) argues that the profession has been involved in an on-going dialogue with clients to buttress claims of credibility. From a different perspective, Lukka (1990) emphasises that the objectivity with which lay people accept annual reports may result from -

> *... accountants' unwillingness and perhaps also inability to inform other parties of the uncertainties behind their calculations and reports* (Lukka, 1990, p.254).

Traditional perceptions of independence and integrity of accountants, and the status accorded the professions, may mediate to privilege accountants' views over those of other groups in contemporary society. The potential for such privilege is seen as having impact in the controversy over brand valuation and reporting, by substantiating reporting requirements through derivations of (ideological) technical origin, in contrast to fitting reporting requirements with contemporary economic and commercial practices, and users' current needs [refer 4.2.3.2, *subter*].

**4.2.2.1** *Perspectives of Auditors:* Auditors (and also regulators, traditionally), as accountants, are a subset of the accounting profession who share the training and knowledge regimes of the profession. The audit function in society -

> .... *denotes the independent checking and validation of information which is produced to account for the stewardship of funds* (Pratt and van Peursem, 1995, draft).

The auditor's field of enquiry is the significant estimates and judgements made by the directors, in preparation of the financial statements. The auditor reports on whether the financial statements comply with generally accepted accounting practice, and give a *'true and fair view'* of the financial position of the company (*Companies Act* (NZ) 1993, s.205, 206; *Financial Reporting Act* (NZ) 1993, s.11 (2)).

While accountants, regulators, valuers and company accountants have debated perspectives of brand reporting [refer 1.5.1, *supra*], there have been few views of auditors publicised (Sherwood, 1990). Taylor and Turley (1986) describe the equivocal position of the auditor. As arbiter of the company's compliance with standards, he/she has also professional allegiances within the standard setting body, and an economic dependence upon the company's management (Taylor et al., 1986). In New Zealand, auditors are appointed by the company (*Companies Act* (NZ) 1993, s.196 (1)). Literature on audit practice is of interest for brand disclosures. Specific areas of interest in this study are seen as *'true and fair view'*, *'going concern'* [refer 4.3.4.1; 4.3.4.3, *subter*] and (re)valuation (refer **Appendix 4.III***: Auditors' Perspectives*). Increasing interest in revaluation is reflected by recent literature (Henderson and Goodwin, 1992; Goodwin and Trotman, 1995; Guilding et al., 1995; Holgate and Hodgson, 1996).

Power (1992) observes no audit qualification of financial statements on account of brand reporting. There is no qualification of accounts in New Zealand (1987-1992) representing disagreement on brand reporting (Cochrane, 1994b). The absence of standard guidelines is suggested by Tweedie and Whittington (1990, p.97) to weaken an auditor's abilities to counter management's intentions in reporting. In contrast, Myddleton (1995, p.92) claims that increasing numbers of standards leave little room for auditors' exercise of professional judgement.

Brand reporting (in the absence of standard guidelines) raises basic questions which the auditor must check to his/her satisfaction. If the client chooses to report brands at historic cost, the auditor must be satisfied as to the costs included and those excluded (Sherwood, 1990, p.81). If brands are included in statements at valuation, the auditor must be satisfied as to the expertise of the valuer, and also as to the

reliability of the valuation methodology. Lack of an active market in brands precludes comparison with market values [refer 4.4.2.4B, *subter*]. However, individuality of brand assets (Itami, 1987, p.13) may be such that market transactions offer little comparability (Lin, 1993, p.70). The potential for difference between going concern values and exchange values of brands [refer 1.7, *supra*; 4.4.2.4B, *subter*] makes NZSA Audit Standard 11, 1995, *Going Concern* of particular significance where brands are material.

NZSA Audit Standard 5, 1994, *Work Performed By Other Auditors and Experts* sets procedure guidelines concerning recognition of the work of an expert (such as a valuation) in an audit. Requirements include evaluation of the relationship between the expert and the client, and knowledge of valuation processes[4]. Goodwin (1993) observes, from her survey of forty four senior auditors, their acceptance of different types of valuation in an audit.

> *Eleven auditors of general property said a valuation is usually accepted after inspecting the valuation report, while only two stated they would never accept a valuation at face value.*
>
> *For all other classes, no auditor stated that the valuation is usually accepted from the report, while for forests and intangibles all auditors stressed they would never accept the valuation at face value* (Goodwin, 1993, May, p.60)

In 1994, two companies listed on the New Zealand Stock Exchange arranged brand valuations with chartered accounting firms [refer **Appendix 1.IX:** *Brands Measured, Accounted and Disclosed*]. Godfrey (1993) noted six valuations by audit firms among brand owners surveyed. Goodwin's survey *Asset Revaluations and the External Auditor* (1993) includes intangible assets among its classification of asset revaluations. Auditors' behaviour patterns, concerning valuations of intangibles, are taken from the Goodwin survey, and are tabled in **Appendix 4.III :** *Auditors' Perspectives.*

### 4.2.3 *Value Perceptions and Information Disclosure*

In this sub-section, expressions of value gaining currency in contemporary financial markets are scrutinised. The sub-section reviews evidence of dissemination of understanding of brand values in society. Secondly, it looks more specifically at

regulation of information disclosures.

**4.2.3.1** *Recognition of Value:* The growing importance of value based intangible assets derives from changes and developments in business operations (Garland and Farmer, 1986; Bryant, 1989; Radebaugh et al., 1993; Simensky et al., 1994); the market environment; and contemporary consumption society [refer 3.2.3, *supra*]. According to the efficient markets hypothesis (EMH) all information, for example on intangible business resources, is impounded into share prices as soon as it becomes available (Hines, 1982; Lev, 1988; Barwise et al., 1989). The hypothesis has both supporters and detractors. With regard to arguments against disclosure of brand values on balance sheets, it is argued that no new information, unknown to the market, is being disclosed (Barwise et al., 1989, p.40; Bryant, 1989, p.10; Mather and Peasnell, 1991; Scherer, 1991). Various examples can be quoted from the marketplace (Barwise et al., 1989; Mather et al., 1991). In New Zealand, the announcement by Lion Nathan Limited in 1989, of their brand values, did not demonstrably affect share prices (**Appendix 4.IV:** *Brand Values and Share Prices*). On the addition of Montana wine label values to the balance sheet of Corporate Investments Limited, in 1994, few comments were made[5]. In contrast, Nestlé's take over of Rowntree has been perceived as showing a lack of information initially in the marketplace, or a premium paid by Nestlé (Barwise et al., 1989; Bryant, 1989, p.111). Cerebos New Zealand Limited's takeover of Cerebos Gregg's Limited in 1989 suggests not only an imperfect market, but also potentially a premium paid.

***Example from Documents 4.1*** -

> In New Zealand, the firm Cerebos Gregg's Limited was formed in 1984 by the merger of Cerebos New Zealand Limited and Gregg's Limited. The prospectus stressed the value of the two companies' '*leading brands*'. In 1988 the Cerebos parent, Cerebos Pacific Holdings Limited, launched a takeover bid for the 28% (approximate) minority shareholding. Initial offer of $2.50 per share was overtaken by a rising market, and resisted by independent directors, who gained an independent, professional valuation at $3.10 per share. A further offer at $2.70 failed to achieve necessary purchase. In February 1989, the offer of $3.50 per share gained acceptance, and the company was delisted in May 1989. (Excerpts from newspapers are in **Appendix 4.V:** *Takeover Offers*).

Arguments are advanced that markets have tended to undervalue brand rich firms

(ibid., p.49), particularly prior (in the United Kingdom) to Nestlé's takeover of Rowntree. Murphy (1990a, 1990b) attributes systematic undervaluation in the market, to the late 1980s, to lack of awareness of brand values, primarily through an inability to arrive at a brand value, and secondly from lack of disclosure (Murphy, 1990a, p.156). In contrast, Mather et al., (1991) conclude from their study that the market does not systematically undervalue companies with large investments in intangible assets (ibid., p.163). A description of being *'undervalued'* is used by analysts -

***Example from Documents 4.2*** -

> Buying by New Zealand investment company Brierley Investments Limited, for a 4.9 per cent stake in Goodman Fielder Limited (January, 1995) brought comments from an analyst concerning companies *'which are regarded as being undervalued'* (**Appendix 4.VI:** *'Undervalued' Firm*). (Refer also O'Brien quotation, **Appendix 1.X:**).

***Empirical Field Example 4.1*** -

> **Researcher:** ... what qualifies a company to be a company that you're particularly interested in?
> **Respondent:** If we perceive that there's value in the company shares. ..... In simple terms that they are undervalued [A/F. Int. 12].

Generally, in society, the value of brands can be perceived in specific formats, even illegally. One indication of the potential value of brand names (particularly for luxury goods) in contemporary business, is the extent of counterfeit operations (Carratu, 1987; Warneminde, 1991, p.40; *The Economist*, July, 1994, p.60), which are carried on worldwide (including in New Zealand[6]).

***Empirical Field Example 4.2*** -

> **Respondent:** *'Hermes'*, of course, the big company in France - they are having a lot of their product knocked off. Mainly I think it is happening in Italy and coming through Korea to New Zealand that way. *'Givenchy'* just intercepted a whole load of watches, just come through. Again it is amazing when you see the documentation they've got. You know, notary publics and all this sort of thing in the States, when in fact it is all fake ... all the authentication [A/F. Int. 18].

While expressed and recognised through some formats, other groups of contemporary society are reluctant to formally recognise values of intangible assets such as brands.

> *In sharp contrast to its prestige in legal circles, intellectual property and its potential value have until recently evoked relatively little interest in or appreciation within financial markets* (Simensky et al., 1994, p.453).

**4.2.3.2** *Regulation of Information Disclosure:* The leadership and self regulatory traditions of professionals (Benson, 1981; Richardson, 1987; Brien, 1994) can be argued as both fostering and facilitating the establishment and evolution of accounting regulation within professional boundaries. From narrow confines within the profession, the English/American model of standard setting has been broadened in base, still within the private sector (Taylor et al., 1986; Whittington, 1993). Major problems of regulation are seen as enforcement and independence (Taylor et al., 1986; Whittington, 1993). Recently the need for mandatory backing for private sector based systems has been acknowledged. In New Zealand, it has taken the form of the creation of the ASRB [refer **Appendix 4.II:** ].

Because standards are rules, and rules standardise (Scott, 1935; Harris, 1987), there is need for standard setters to gain consensus. This is demonstrated in the United Kingdom in attempts by the Accounting Standards Board (ASB) to gain agreement on goodwill regulation (Mitchell, 1995a), and in failed attempts to regulate accounting for intangible assets generally [refer 1.5; 1.6, *supra*]. But it is not only regulators and preparers of accounts that are involved. Harris (1987) emphasises that there is an interdependence between standard setters and users of accounts. Emerging in Harris's arguments is the notion of accountants' privilege. Harris indicates it is not an interdependence of equals -

> *Users' interests would have existed even if there had been no standards, but if there had been no users' interests to begin with there would have been no need for standards, ... . In the ongoing debate about the standard-setting process the fundamental importance of users' interests is seldom remarked. The danger in this is that standard setting may become thought of as something merely for the convenience of accountants, with potential standards being judged not in terms of their effects on users, but merely by how they fit into a unified system of standards* (Harris, 1987, p.81).

IASC's Exposure Draft E50 *'Intangible Assets'* makes references to consistency with other IASC standards [refer 1.5.2.2, *supra*]. Intangible resources may be recognised as assets only when measurement is reliable [refer 4.4.2.2, *subter*]. Draft E50 notes -

> *This is consistent with the approach adopted in IAS 16 for property, plant and equipment* (IASC, E50, para. 27).

The notion of internal consistency is an argument for conceptual frameworks. It privileges accounting technicality over commercial application and/or appropriateness to economic substance. With greater orientation to the marketplace, the long recognised disparity between cost and value is problematic for accountants [refer 4.4.4, *subter*]; (American Correspondent, 1913). Formalised examples of value estimates are increasingly expressed in financial reporting standards (Beresford, 1990). New Zealand examples are disclosure requirements for fair values, market values and valuation assumptions as set out in SSAP-28 (NZ) *Accounting for Fixed Assets*; SSAP-17 (NZ) *Accounting for Investment Properties and Properties Intended for Sale;* FRS-9 (NZ) *Information to be Disclosed in Financial Statements;* and FRS-31 (NZ) *Disclosure of Information About Financial Instruments.*

Comparability is argued by Solomons (1989, p.6) as a justification for setting accounting standards. In New Zealand, the lack of comparability between leading brewers is often remarked[7]. Myddleton (1995) disagrees with Solomon's claim - he suggests that accounts are rarely that comparable. Ormrod and Cleaver (1993) focus on the contracting uses for which accounting information is used. They argue this application of balance sheet information in lending is little acknowledged by regulators (ibid.), although it is extensively used (Whittred and Zimmer, 1986; El-Gazzar and Pastena, 1990; Citron, 1992a, 1992b, 1995; Whittington, 1993; Goodwin and Trotman, 1995). Concerning brand capitalisation, Mather et al. (1991) reiterate observations of Watts and Zimmerman (1986), that the principal role of accounting is in facilitating the firm's contracting functions, rather than in providing information useful for decision makers.

The arguments have particular application for brand capitalisation. For firms who capitalise brands, there is an attractive improvement in gearing ratios. Mather et al. (1991, p.163) stress the contracting gains available to firms who capitalise brands through *'markedly lowered reported gearing ratios'*. Similar views are advanced by Woolf (1989), Pizzey (1991), Cleaver et al. (1992). Growth of intangible asset disclosures is

observed as having '*unforeseen*' impact in areas where balance sheet figures give rise to financial restrictions (Cleaver et al., 1992). Borrowing limits set in terms of balance sheet ratios, and restrictive covenants in loan agreements use measures which derive from balance sheet results. With gearing ratios, the artificiality of such measures is obvious if the gearing ratio is so easily manipulated by arbitrary accounting procedures (Pizzey, 1991, p.22). A New Zealand example of changes, through inclusion of intangible assets, is set out in **Appendix 4.VII:** *Brand Values Entered in Trust Security.*

In New Zealand, a further example of use of balance sheet asset values arises with the Solvency Test introduced in section 4 of the *Companies Act* (NZ) 1993[8]. Valuations relied upon in meeting the solvency test are to be *'reasonable in the circumstances' (Companies Act* (NZ) 1993, section 4(2)). The question of divergence between use value and exchange value is pertinent in recognising intangible assets for the purposes of the test [refer 1.7, *supra*]. Benston notes -

> *... the value in use of an asset is generally higher than its value in exchange, because otherwise it would be sold* (Benston, 1982b, p.162).

In this sub-section, general aspects of value perceptions in society, and considerations of regulating information disclosure in balance sheets were examined. In the next sub-section, specific perspectives of bankers and analysts within financial markets are considered.

### 4.2.4 *Perspectives of Bankers and Analysts*

In this sub-section, currently reported research, texts, and social documents, are drawn upon in building perspectives of bankers and analysts.

**4.2.4.1** *Bankers' Perspectives:* Current literature indicates two contradictory streams of evidence concerning the use of brand values in securities. Firstly, it appears that recognition of intangibles (such as brand disclosures in balance sheets) is not of material concern for bankers and other lenders. Because intangible assets, such

as brands, lack active markets, it is difficult to estimate whether market or exchange value at any time may converge on the asset's value in use. Benston (1982) argues that exchange value is generally below use value[9]. Whittred and Zimmer (1986), in their survey of trust deeds supporting Australian listed public debt issues, report *'complete exclusion of intangible assets'* from the basis for borrowing limitations. Further reports of exclusion of intangible assets are made by Citron (1992b, p.25) in his survey of United Kingdom bankers. El-Gazzar and Pastena's (1990) enquiry into negotiated accounting rules in private financial contracts (the United States) states -

> *Classification of Goodwill and Intangibles (APB No. 17 issued in 1970): most agreements exclude goodwill and other intangibles from equity (net worth). These tailorings address solvency by excluding GAAP assets that cannot produce cash for creditors* (El-Gazzar and Pastena, 1990, p. 395).

Whiting (1995) indicates two thirds of bankers surveyed in New Zealand exclude intangible asset values, and one third provide ratios with and without intangibles. From these researchers, the conclusion appears that intangible assets are ignored or disregarded in bankers' lending practices in the United States of America, the United Kingdom, Australia, and New Zealand.

In contrast, Simensky et al., (1994) report emerging practices internationally with large firms and well known, major brands. Contributing authors discuss the granting of security interests in intellectual property rights as an emerging area in some countries. It is reported as *'unusual, but not exceptional'* (ibid., p.481) in Australia. In New Zealand, the alteration made by Lion Nathan Limited to an Unsecured Notes Trust Deed in 1994 is an example. The change was termed *'very unusual'* [10]. (Refer **Appendix 4.VII:**). Internationally, security interests in intangible assets appear at only an emergent stage (Simensky et al., 1994, pp.480-572).

**4.2.4.2** *Analysts' Perspectives:* Surveys of investment analysts, reported in the literature, indicate diverse views of analysts in varying employment positions. Arnold and Moizer, (1984) comment on contrasting views according to whether analysts are funds management or stockbroker analyst. Breton and Taffler (1995) find similarly. Whiting (1995) observes five subgroups among analysts surveyed, and reports non

normal distribution of replies across subgroups. The differences underline the manner in which a generalised term may mask variation in practice, representing different perspectives.

Breton et al. (1995, p.81) argue differing but pre-eminent roles for investment analysts under weak or strong market hypotheses[11]. Meetings with a particular company and their executive personnel are viewed as very important as an information source by analysts (Arnold et al., 1984; Day, 1986; Preis and Berbers, 1990; Mitchell, 1992). Therefore, it can be argued, that analysts have extensive understanding of companies through ability for closer association.

Analysts view annual reports as a major source of information. This claim by Breton et al., (1995), is based on numerous findings[12]. But it is perceived as base information (Day, 1986) and confirmatory (Gniewocz, 1990); however it may convey new information (Breton et al., 1995). Most important source for information in the financial statements is the notes to the accounts (Tweedie et al., 1990; Mitchell, 1992). Numerous surveys note requests for greater disclosure (Arnold et al., 1984; Wilson, 1989; English, 1990; Jones et al., 1992; Trites and Roy, 1992); requests are made for fuller policy statement (Day, 1986), and greater comparability (Jones et al., 1992). Whether increased disclosure would then yield information wanted is queried by Egginton (1989).

Some authors claim that analysts focus on earnings and cash flow (Jones et al., 1992; Peasnell, 1992). Comment on analysts continuing interest in *'bottom line and gearing ratios'* despite technological change and development, is made sceptically by Tweedie et al. (1987, p.91). Analysts and stockbrokers are reported unimpressed with brand information added into balance sheet disclosures (Barwise et al., 1989; The Economist, February, 1992); particularly internally generated brands at valuation (Jones et al., 1992), because comparability is lessened. British financial users' opinion is noted by Barwise et al. (1989) as against brands on balance sheets, whereas in Australia the financial press report support for disclosures, according to Egginton (1989).

In New Zealand, there is little reported evidence of market opinion of brand disclosure. Whiting (1995) surveyed preparers and sophisticated users to conclude that brand disclosure, while of considerable interest, was not an issue. Few major companies in New Zealand who are listed on the Stock Exchange own brands

dominant in the marketplace (Cochrane, 1994b; Whiting, 1995), many major brands are owned by multinational companies. Although there are surveys of analysts' views of annual reports in New Zealand, brands do not appear to evoke great interest (if paucity of published material is an indicator).

***Empirical Field Example 4.3*** -

> **Respondent:** We get a number of surveys and questionnaires coming through on how we look at annual reports and what we think of them. Both from companies and their agencies, and from university people up and down the country [A/F. Int. 17].

**Conclusion:** In this section, professional status is argued as privileging accountants' *'ways of seeing'* within the framework of accounting and financial reporting. The traditional accounting perspectives inform attitudes of auditors and (many) regulators as sub groups within the accounting profession. Dissemination of brand values and general use of annual report information were reviewed within a capital market context. Attitudes of bankers and analysts to brand value information were profiled as part of the structure of the financial market field. Disinterest in brand valuations by analysts is noted; and bankers' disregard of brand values was explored in contrast to emerging interest internationally.

## 4.3 *Brands and Financial Reporting*

Accountants' debates over brand disclosures gained impetus through the actions of Ranks Hovis McDougall (RHM) who chose to report acquired and internally generated brands as assets on the company's 1988 balance sheet [refer 1.5.1, *supra*]. In this section, financial reporting is examined with reference to brand reporting. In chapter three, brands were examined as constructs created in contemporary consumption practices. Financial reporting, also, can be examined as a contemporary social construct. This section focuses on reporting arguments, a review of requirements to report, reporting formats, and reporting issues. The section collates and interprets views from current literature and legislative requirements. While the research domain may be cast also in accountability terms,

in this thesis the primacy is with financial reporting, with the central research question - *'How do brands fit with financial reporting?'* Accountability is examined within the financial reporting focus and reporting arguments[13] .

### 4.3.1 *Reporting Arguments*

Arguments are made both for and against brand disclosures [refer 1.5.1, *supra*]. Arguments which favour brand disclosures stress the need to communicate values of key intangible assets to shareholders, for their better understanding of a company's worth, and therefore the worth of their shares (Moorhouse, 1990a, p.30; Murphy, 1990b; Pearce, 1994, p.97). The arguments are about communication of information from management to shareholder owners. The requirement for *'true and fair'* disclosure has application [refer 4.3.4.1, *subter*].

Arguments against brand reporting centre, not so much on disclosure of brand values, but upon technical attributes of accounting origin. Arguments against brand disclosures on the balance sheet claim that reliability is lacking in brand valuations [refer 4.4.2.2; 4.4.2.3; 4.4.4 *subter*]. Arguments also derive from concerns about the purpose of the balance sheet and effects of incorporating further measures of value in cost based statements [refer 4.4.1; 4.4.4, *subter*] These arguments are derived from accountants' perceptions and are based in accountants' evaluations [refer 4.2.2, *supra*].

Requirements for reporting have historic roots in traditions of accountability which are embedded now also in statute. Corporate accountability is seen as an historically constructed discourse (Hoskin and Macve, 1988, p.43) of continuing importance (Rosenfield, 1974, p.125; Page, 1992, p.84; Pearce, 1994, p. 97). The image of accountability is traditionally that of monitoring of management (Cyert and Ijiri, quoted by Rosenfield, 1974, p.125; Grinyer, Russell and Walker, 1990, p.225; Pizzey, 1991, p.23; Myddelton, 1994, p.90). Chen (1975) claims that management stewardship has also a notion of social performance (Chen, 1975, p.542). Central to corporate accountability are resources and information (Birkett, 1988). Recent querying of accountability has stressed the need for decision useful information. Williams (1987) emphasises that there is an essential contradistinction between ends (choice facilitation) focused decision usefulness, and means (resources) focused accountability.

### 4.3.2 *Financial Reporting Review*

The American Financial Accounting Standards Board (FASB) (1978) highlights its *Statement of Financial Accounting Concepts No. 1* with emphasis that *'financial reporting is not an end in itself'* (ibid., p.vii). Financial reporting is drawn as a broadly understood construct. In this thesis, financial reporting has the generally ascribed meaning, as the means of communicating -

> *information about an enterprise's resources, obligations, earnings, etc.* (FASB, 1978, p.4).

Financial reports and financial reporting are a domain of continuing research (Parker, 1986; McMonnies, 1988; Solomons, 1989; Arnold, Boyle, Carey, Cooper and Wild, 1991; American Institute of Certified Public Accountants, 1994). In New Zealand, legal requirements for annual financial reporting are found in the *Companies Act* (NZ) 1993, and the *Financial Reporting Act* (NZ) 1993, which oblige the directors of every company to prepare financial statements (*Financial Reporting Act* (NZ) 1993, section 10). The financial statements must comply with generally accepted accounting practice (GAAP) and give a *'true and fair view'* (the requirements are stated in the preamble to the *Financial Reporting Act* (NZ) 1993*)*. The *'true and fair view'* is discussed shortly [refer 4.3.4.1, *subter*].

The *Statement of Concepts for General Purpose Financial Reporting (Statement of Concepts)*, issued by the NZSA in 1993, is the general reference for accountants who prepare financial statements. The *Statement of Concepts* observes that, beyond legislated obligations, there is also a societal responsibility to report, arising from membership of a community (NZSA *Statement of Concepts*, para. 2.2). To fulfil the accountability role -

> *financial reports should reflect the* ***nature and dimensions that are relevant*** *to the entity* (NZSA *Statement of Concepts*, 1993, para. 3.4). (Emphasis added).

Corporate general purpose financial statements are prepared by a company -

> *to communicate information about its financial performance, financial position and cash flows. The term includes the notes and schedules ...* (NZSA *Financial Reporting Standard,* No. 9, para. 1.2).

A company's financial statements are prepared from company records, which predominantly use accounting data. Benston notes -

> *A principal use of accounting data and the double entry bookkeeping system from which these data are derived is the establishment of control over resources. ... economic values not only are unnecessary for this purpose, but also may even be dysfunctional since they require subjective estimations.*
> *Accounting records are also kept because various authorities demand reports that can be readily audited. These authorities require data derived from verifiable market transactions and predetermined rules and coventions* (Benston, 1982, p.212).

### 4.3.3 *Reporting Formats and Annual Reports*

Without the fundamental interests of users, Harris (1987) notes there is no need for published accounts at all (Harris, 1987, p.81); [refer 4.2.3.2, *supra*]. Contention over inadequacies in current reporting statements may be solved by different reporting formats. Financial reporting is the means, not the form, of communicating information. In the United Kingdom, there has been interest in the Operating and Financial Review (OFR) format, with a discussion document issued by the ASB (Mitchell, 1992, p.84; --- *Accountancy,* September, 1992, p.14; Gold, 1994, p.100). The lead comes from the American Securities and Exchange Commission and the Ontario Securities Commission (Mitchell, 1992, p.84). A similar document is suggested by NZSA's FRS-2 (Cochrane, 1994c, p.80).

Of annual reports, Parker (1986) argues, that accountants traditionally have confined their focus narrowly to the financial statements. Only recently has their recognition of the annual report encompassed the broader impact as perceived by users/receivers (Parker, 1986, pp.10-12). The financial accounts through their *'way of seeing'* or selection, contribute to a planned organisational representation (Hines, 1988, p.258, n.2; Lukka, 1990, p.246); what is included and what is left out shapes the company's profile [refer 2.3.3.2, *supra*].

> ....(Ewen) *describes the creation of corporate personality by means of image in annual reports* (Ewen, 1988, quoted by Lee, 1994, p.219).

Recent interpretations of annual reports link *'brilliant colour pictures, gloss and novelty formats'* to television epistemology (Graves, Flesher, and Jourdan, 1995) and to postmodern spectacle (Cadiz, 1995).

The annual report is perceived by writers as no longer simply a legal document, manifested in accounting terms, but a leading promotional publication geared to communication of images and information (Lee, 1994, p.216; Cadiz, 1995; Graves et al., 1995). In New Zealand, while few companies disclose brand information in financial statements and notes, increasing numbers of companies transmit messages about brand resources in other parts of the annual report. Disclosures made by companies (1987-1992) are tabulated in **Appendix 1.VIII:** *Brand Information Disclosed.* Greatest numbers of brand messages were in narrative reports and illustrations; food and drink companies predominate (Cochrane, 1994b). **Appendix 4.VIII:** *Annual Reports - Lion Nathan Limited* reviews, longitudinally, the imagery created and reported by a company which capitalises its beer brands on the balance sheet.

In the next sub-section, accountants' conventions which structure financial reporting are explored within the perspective of financial reporting of brand assets.

### 4.3.4 *Financial Reporting Conventions*

Accountants function under traditional assumptions and particular conventions, which structure their collection, measurement and reporting of business operations (Buzby, 1974). Accountants' outputs are thus shaped by the technical properties and historic and traditional conventions of professional accounting practice [refer 4.2.2, supra]. Under the production centred paradigm, the operations and resources of manufacturing companies were reported relative to a production focus. With a market and consumption orientation, some business resources require renegotiation, given changing societal perceptions of values. An example is trade marks and brands, in which the emphasis moves from manufacturer source to consumer choice [refer 3.2.4, *supra*; 4.4.3, *subter*].

Corporate accountants, for example Moorhouse (1990a), argue for brand disclosures on the balance sheet, based both on a stewardship notion of reporting to shareholders the results of operations, and on the suggestion that shareholders also be appraised of the value of firm brand assets[14]. Given the quotation from the *NZSA's Statement of Concepts* (1993, s. 3.4) - *'the nature and dimensions that are relevant'* - one may argue that valuable brands, which are generating sales, are *'dimensions relevant'* to the

entity's operations.

Four conventions, which may be argued as impacting upon corporate choices for reporting brands are now examined. These conventions are *the 'true and fair view', 'reliability and relevance',' going concern',* and *'materiality'*. Conventions of *'prudence'* and *'conservatism'* are briefly reviewed within conditions of '*uncertainty*'.

**4.3.4.1** *True and Fair View*: The *'true and fair view'* is a dynamic concept of statutory origin[15]. What is signified by the *'true and fair view'* is open to interpretation; there is no definitive definition (Walton, 1993). For some it is -

> ..... *incapable of definition. To Flint (1982, p.2) true and fair is a philosophical concept and the fact that it is not susceptible to definition by a comprehensive set of detailed rules is its 'most fundamental and characteristic feature'* (Nobes and Parker, 1991, p.360)

Presently, legal requirements for provision of further explanatory information to achieve a *'true and fair view'* exist in many jurisdictions (Alexander, 1993). Nobes (1993), and Parker and Nobes (1994) examine the impact of the Fourth Directive Requirement on EC member states. Its existence in Australian Corporations Law, is noted by Leung (1995). Kapferer (1992, pp.210-211) explicates *'true and fair'* reporting requirements in French law. Kapferer (1994) quotes Gelle (1990) on the lack of faithfulness when part of the company's assets are excluded.

> *If the value of created brands is not brought to public attention - by whatever means - it represents a practical distortion of information which could have grave consequences for companies who have chosen the path of internal growth (Gelle, 1990)* (Gelle, 1990 quoted by Kapferer, 1994, p.304).

In New Zealand, the *Financial Reporting Act* (NZ) 1993, requires that directors add additional information and explanations where financial statements do not give a true and fair view of the matters to which they relate. The additional information may be in addition to compliance with generally accepted accounting practice (ibid., sections 11(1), 11(2))[16]. It is the statutory duty of the company's directors (ibid., section 10). The statute defines *'generally accepted accounting practice'*; it does not define a *'true and fair view'*. Compliance with *'generally accepted accounting practice'*, is deemed achieved if the statements comply with applicable financial reporting standards. Where no standards

exist, reference is made both to circumstances appropriate to the reporting entity, and to authoritative support within the accounting profession in New Zealand (*Financial Reporting Act* (NZ) 1993, s.3). In the case of brand disclosures, there is no authoritative support, and reference to brand disclosure practices finds contradictions [refer **Appendix 1.VIII:**].

Further requirements for a *'true and fair view'* are stated by regulations of the NZSA. The NZSA's *Explanatory Foreward to General Purpose Financial Reporting (Explanatory Foreward)* explicates that *'fair presentation'* has the same meaning as a *'true and fair view'* and *'fairly presents'* (NZSA Explanatory Foreward, 1995, para. 5.2). The *Explanatory Foreward* does not define a *'true and fair view'*. It claims that -

> *In order for general purpose financial reports to show a true and fair view it is necessary to comply with generally accepted accounting practice* (NZSA *Explanatory Foreward*, section 5.1).

Further, in situations termed *'rare circumstances'* where compliance is perceived as not giving a *'true and fair view'* -

> *additional information and explanations are to be provided in order to give a true and fair view* (ibid., section 5.2).

*'True and fair'* arguments have importance for accountants' debate over brand disclosures, because a *'true and fair view'* contests questions of economic substance versus legal form. Within the accountancy profession worldwide, the precedence of economic substance is widely accepted (Hays, 1990, p.1; (US) APB Statement No.4 (1970) quoted by Tweedie et al., 1987, p.92). But in law, there are reservations to giving effect to commercial substance over legal form (Hoffman and Arden, 1983; Gibbons and Freedman, 1991, p.29) - and the concept of *'true and fair'* has not been commented upon in a legal judgement[17]. Judges, in deciding cases, may have recourse to commercial practice, which is the domain of accountants' and accounting interpretation. While Tweedie et al. (1987) claim that, through the domain of accounting practice, accountants have the custodianship of the notion of the *'true and fair view'* (quoted by Radcliffe, 1990, p.330), such claim may be attacked if accountants' practice is strongly disputed. The reporting of brands on the balance sheet is an example in which economic substance appears to have been ignored by accounting regulators, and

present practice is disputed (Whittington, 1990, p.91). Beyond disclosure considerations, insistence on systematic amortisation of brand intangibles is also argued as disregarding economic reality and *'misleading'* (Pearce, 1994, p.97); [refer 4.4.2.4A, *subter*].

Review of recent literature on the concept (Harris, 1987; Nobes et al. 1991; Alexander, 1993; Goodwin, 1993; Nobes, 1993; Deegan, Kent and Lin, 1994; Parker et al., 1994; Ross, 1994; Leung, 1995), indicates that there is little specific agreement on the definition of *'true and fair'*. Evidence in the literature indicates a range of interpretations, with no indication of an authoritative pattern. Nobes (1993) observes that the concept is potentially changeable, and may, among other inclusions, require the reporting entity to -

> ... *include current value information* (Nobes, 1993, p.35).

Evidence reported from surveys of practice, indicates both narrow and broad interpretations. A survey of auditors in the United Kingdom reports that -

> ... *the TFV requirement is used by auditors as a means of obtaining compliance not only with extant law and standards but also of auditors' views of what the laws or standards ought to be on issues which are so new or so controversial that there is as yet no established rule* (Nobes et al., 1991, p357).

In New Zealand, Goodwin (1993, March, p.46), reports that auditors viewed the *'true and fair'* construct as compliance with accounting standards, or, also, a wider view in which reflecting reality[18] was paramount. Since 1994, in New Zealand, new legislation has taken effect, and compliance with approved financial reporting standards has become mandatory. The registrar general of companies, responsible for enforcement, recently commented -

> *The way matters stand at present, entities are able to file financial statements which do not give a true and fair view, or which clearly breach the spirit and intent of the legislation, but which are not covered by approved financial reporting standards.*
>
> *In these situations, my hands are tied* (Harris, 1995b, p.33).

Inconsistencies appear in narrower and broader interpretations of reported views of the *'true and fair view'*. A further dimension of complexity are differing interpretations of the *'true and fair'* concept in the marketplace (Houghton, 1987)[19]. Flint (1982, quoted

by Nobes et al., 1991, *supra*) claims the true and fair concept is not susceptible to definition by a comprehensive set of rules; yet compliance with financial reporting standards is indicated as potentially yielding such a view. In turn, the differing legal and accounting based interpretations appear in conflict. When applied to brand reporting, practice is conflicting [refer **Appendix 1.IX:**].

**4.3.4.2** *Relevance and Reliability:* Questions of relevance and reliability of information are central to the controversy over brand reporting (Godfrey, 1993). Lack of reliability pertains both to the generally subjective nature of valuing brand constructs - *what* is being valued? [refer 3.3.1; 3.3.3, *supra*; 4.4.2.3, subter] - and the valuation methodology itself [refer 4.4.4.1, *subter*]. The greater the relevance of an item, the more material the need for disclosure. Should shareholders have to turn to the unaudited material for information on essential assets such as brands? (Bryant, 1989, p.108). Should material marketing assets be disclosed only in the notes, because regulators are sceptical of valuation reliability? (Tweedie et al., 1990, p.91). [Refer 4.3.4.5 *'Uncertainty'* and 4.4.2.2 *'Measurement Reliability'* for further discussion of reliability]. For example, the greater the relevance of brands to the sales figure of the income statement, the more significant the disclosure of brand assets.

***Example from Documents 4.3*** -

> The essential contribution of brands to the selling of beer, is long documented (Allison and Uhl, 1964; Jacoby, Olson and Haddock, 1971). In their 1994 annual report, Australasian brewer, Lion Nathan Limited, record sales of $2514.1 million. Brands are reported on the balance sheet as intangible assets aggregated with goodwill. Notes to the balance sheet indicate brand values total $2142 million. The brand values are 60% of total assets. Without brands on the balance sheet, the material assets essential to the sales levels are invisible (Lion Nathan Limited annual report 1994); [also refer **Appendix 4.VIII:**].

Intrinsic to brand messages and brand imagery, is salience (Ries and Trout, 1981; Biel, 1991, p.42). The materiality of brands within the Lion Nathan Limited's operations appears to be within the NZSA *Statement of Concepts'* (1993) call for reflection on the *'nature and dimensions that are relevant to the entity'* [refer 4.3.2, *supra*].

***Empirical Field Example 4.4*** -

> **Researcher:** ...what about somebody like Lion Nathan?
> **Respondent:** In that particular company's case, we leave the

> brand name there, however we clearly indicate in our research that it is there, and without it ... [A/F. Int. 12].

The trade off between information attributes of relevance and reliability in financial reporting is discussed in the literature (Stanga, 1980; Beresford, 1990, p.50; Peasnell, 1992; Godfrey, 1993). At a notional level, while total absence of reliability is, ipso facto, a bar to relevance (Stanga, 1990), there are also properties of reliability that are problematic. The discussion of the American Accounting Association Committee focuses on the choices.

> *The recognition of valuable intangible assets on the balance sheet would without doubt add to that document's relevance. What makes recognition difficult if not impossible is the problem of valuing such assets reliably. But it is worth pausing to consider the meaning of "reliably". The FASB has defined reliability as "the quality of information that assures that information is reasonably free from error and bias and faithfully represents what it purports to represent" (SFAC 2). Another definition says that "accounting information is reliable if the user of it has a reasonable assurance that it faithfully represents what it purports to represent." Both definitions make it clear that faithful representation is an essential ingredient of reliability, and a balance sheet that omits what may be a company's most important assets can hardly be said to be representationally faithful, and hence is not reliable. It is the other ingredient of reliability, verifiability, that is lacking from the numbers put on intangible assets that have been internally generated. Thus neither including nor excluding non purchased intangibles can be said to be reliable - including them because they may lack verifiability, excluding them because that lacks representational faithfulness* (AAA Committee on Accounting and Auditing Measurement 1989-1990, 1991, p. 99).

The NZSA's *Statement of Concepts* (1993) lists the qualities which determine the usefulness of reports to users as relevance, understandability, reliability, and comparability (ibid., section 4). Relevant information is perceived as being useful when feedback value or predictive value are present. Reliable information has representational faithfulness, is capable of verification, and is neutral (free from bias). Mullen (1993) questions accountants' suspicions of reliability of brand values. In turn, Murphy (1990b) observes -

> *The 'balance sheet/brand valuation' debate is, however, not really about brands at all: it is about the role of accounting (how accounting should adapt to a changing business environment especially one in which 'worth' often principally comprises*

*intangible rather than tangible assets) and the role of the balance sheet* (Murphy, 1990b, pp.151-152).

**4.3.4.3** *Going Concern:* It is only as a going concern that a company's assets have *'use'* values. The potential for divergence between use value and exchange value with intangible assets is discussed [refer 4.4.2.4B, *subter*]. If the going concern assumption is not viable[20], and the problem area is revenues, then brands, as revenue driving assets, have questionable realisation values [refer 4.4.2.4B, *subter*]. The going concern assumption is therefore particularly important with intangible assets such as brands. Valuations by Interbrand Group plc stress the *'value to the business'* nature of their brand valuations (Murphy, 1990a, pp.159-161; Stobart, 1989, p.27).

> *The beer brands have been valued at their* ***current use to the business.*** *Special factors such as alternate use of the brands, additional market opportunities such as licensing or extension of the brands' product ranges have been ignored. The valuations were undertaken by Interbrand Group plc, brand consultants of England. The basis used for the valuations was to forecast future brand cash flows*and to discount them to their net present values* (Lion Nathan Limited annual report 1994, p.39). (Emphasis added).*refer end note[21].

**4.3.4.4** *Materiality:* The materiality of a brand's value to the firm, unless in connection with charges of uncertainty and unreliability (Tweedie et al., 1990, p.98), appears to be ignored by many financial accountants. An exception is Farquhar, Han and Ijiri (1991, p.3) who stress that the importance of a firm's brand assets can easily exceed its other assets[22]. While there is much interest in corporate reporting generally, there is little evidence of constructive discussion on how to report material brands. In contrast, recognition of the importance of brands is made in recent management accountant research (Guilding et al., 1990; Guilding, 1992; Guilding et al., 1994a, 1994b; Guilding et al., 1995). Recognition of brands as valuable investments is articulated particularly in marketing [refer 3.4.1; 3.4.2, *supra*].

Determining the materiality of an item is essentially a matter of judgement (NZSA *Statement of Concepts*, (1993) section 6, paragraph 6.6). Questions of omission or non disclosure are related only to items considered relevant or reliable (ibid.). Marketing intangibles, such as consumer brands, are material resources, essential for contemporary operations of many manufacturers of consumer products - for example for Lion Nathan Limited and for Canterbury International of New Zealand

Limited. The issue is made invisible because accountants have focused upon accountants' goodwill perspectives of the debate on brand disclosures, and have not recast the arguments in terms of the nature/properties of the brand marketing assets material to operations. The manner of approach to questions of recognition appears more of a condemnatory nature, than constructive -

> *The common accountancy response would probably be: fine, but you tell me how to recognise something as fickle in nature as a brand and then tell me also how to reduce the subjectivity in its valuation* (Tollington, 1995, p.58).

Hines (1988) emphasises that accountants create images of reality in what they choose to account for -

> *We communicate reality: that is the myth; that is what people believe. It is even what most of us believe. And in a sense we do communicate reality. ... There is no full picture. We make that picture* (Hines, 1988, p.254).

Lukka (1990) similarly observes that accounting is involved in creating and modifying reality (Lukka, 1990, p. 246). Should a goodwill version of reality be presented to shareholders/consumers, when management are shown a brand reality? (Moorhouse, 1990a, p.30). Does the difference in views infringe upon the NZSA's *Statement of Concepts 'relevant dimensions'* of the entity? [refer 4.3.2., *supra*] Does the difference in views infringe upon the requirement in the *Companies Act* (NZ) 1993 for directors to -

> *Describe, so far as the board believes is material for the shareholders to have an appreciation of the state of the company's affairs and will not be harmful to the business of the company or of any of its subsidiaries, any change ...* (Companies Act (NZ) 1993, s.211(1)(a)).

**4.3.4.5** *Uncertainty:* Uncertainty with reliability of brand valuations is central to the debates over brand disclosures [refer 1.5.1, *supra*]. Authors' discussions on the uncertainty and subjectivity which are perceived as part of brand valuations have led to calls for greater levels of disclosure (English, 1990, p.21; Harvey, 1991, p.29; Arnold, 1992, p.35; Pearce, 1994, p.97). Within the market environment, uncertainty is perceived as currently inadequately dealt with by accountants (Whittington 1989, p.203, 1990); it affects not only whether an item is recognised as an asset, but the manner of its disclosure in financial statements (Tweedie et al., 1990, p.98; Arnold et al., 1991). Accountants claim there is a certain level of reliability conferred through balance

sheet positioning *per se,* which is not conferred in notes disclosure (Tweedie et al., 1990, p.91).

With brands, uncertainty derives from the marketplace (Barwise et al., 1990); [refer **Appendix 4.IX:** *Market Uncertainty*]. Uncertainty, as distinct from lack of reliability, is a dimension of brands not discussed often in accounting literature - an exception is Barwise et al., (1989). Guilding (1992) makes reference to brand risk. Weetman (1983) observes that accountants' convention of prudence is intended to reduce uncertainty. With uncertainty, in the area of value measurement, there is often a range of answers. Weetman observes -

> *Economic reality cannot be changed by applying an arbitrary rule of conduct. Uncertainty is thereby concealed, not eliminated* (Weetman, 1983, p.58).

Accountants' conventions of conservatism and prudence reinforce traditional approaches of aggregating intangible assets into goodwill (Bryant, 1989, p.107). Scott (1941) argues that conservatism has become embedded in accounting practice, but is an anachronism [refer 1.5, *supra*]. The result can be consistency within accounting tradition, but a material misfit with current economic and social realities, which accord increasing values to assets of an intangible nature. The NZSA's *Statement of Concepts* (1993) states that use of the concept of prudence to make a deliberate misstatement is incompatible with representational faithfulness *(Statement of Concepts,* 1993, section 6, paragraph 6.9; Emery, 1993, p.74).

**Conclusion:** In this section, aspects of financial reporting were presented to delineate the present construction of the financial reporting function. The lack of commensurability between brands and financial reporting as currently constructed was evidenced. However, applying conventions that currently shape financial reporting - *'true and fair', 'relevance',* and *'materiality'* - to brands, indicates brand significance as reportable information. Also discussed in the section, was the infrastructure of financial reporting - requirements for reporting and reporting formats.

In the next section, accountants' asset constructs are examined; and cost and value choices as measurement bases are reviewed; and brand valuation is examined.

## 4.4 *Balance Sheets - Asset Issues and Brands*

In this section, views of the balance sheet are briefly reviewed, and exploration is made of accountants' classification of assets. Within the asset classification, the interface between goodwill, brands, and trade marks is investigated; issues of cost and value as measurement bases are examined; and approaches to brand valuation are scrutinised.

### 4.4.1 *Balance Sheets*

What does the balance sheet represent? Debates over disclosing brands as assets on the balance sheet have given further impetus to questioning the nature and purpose of the balance sheet (Tweedie et al., 1987, p.9; Tweedie and Blanchet, 1989, p.21; Damant, 1990; Chambers, 1970, quoted by Tweedie et al., 1990, p.98; Murphy, 1990b; Thomas, 1990a, p.34; American Accounting Association (AAA) Committee, 1991, p.92; Tonkin and Robertson, 1991, p.28; Mitchell, 1992, p.73; Chambers, 1970, quoted by Napier and Power, 1992, p.86; Holgate and Hodgson, 1994, p.102; Napier, 1994). With strict historic cost, the values set out on balance sheets are residual costs; under modified historic cost, the values may be both residual costs and amortised revaluations. With brand valuations - present values of expected future cash flows are added.

> *Current financial accounting practice in the UK is an uneasy hybrid of traditional historical cost and various methods of current valuation* (Tweedie et al., 1990, p.96).

Houghton's (1987) findings of accountant/shareholder discrepancies in *'true and fair'* views indicate another facet for confusion (refer 4.3.4.1, *supra*). A similar observation is expressed as -

> *What the balance sheet is purported to be by accountants, and what it is perceived as generally, is evidence of the financial reporting gap* (AAA Committee on Accounting and Auditing Measurement 1989-1990, 1991, p.82).

Which reality is the reporting criterion - that of accounting regulations; that of the firm's operations; or generalised public perceptions? (Bhattacharya, 1988). Are the firm's operations/dimensions standardised to fit technical regulations, that may owe

more to accountants' past traditions and ideology, and regulators' current consensus politics, than to a firm's business operations as part of contemporary culture and society? As successful business operations are increasingly facilitated by the contribution of intangible assets (Murphy, 1990b; Kapferer, 1994), financial statements which ignore the values of socially recognised intangibles, and make invisible necessary continuing costs of a capital nature, present to the shareholder/consumer created myths derived from the technicalities of accountants' traditional conservative practices (Hines, 1988, Lukka, 1990). The Chief Executive Officer of Lion Nathan Limited observed in his 1989 review -

> *The value of the brands is an economic reality and consequently the Directors believe it should be disclosed* (Lion Nathan Limited annual report 1989, p.18).

The sudden recognition of assets previously undisclosed, potentially impacts upon uses of balance sheet information. Certainly there is a surface effect - there are additional assets recognised (but not created). But effective change depends upon the user of the numbers [refer 4.2.3; 4.2.4, *supra*]. The notion of *'strengthening the balance sheet'* is pervasive; it is commented on by Lion Nathan Limited with the disclosure of the brands in the annual report[23] (Lion Nathan Limited annual report 1989). Goodwin (1993) in her survey of external auditors includes observation upon -

> *a desire to "improve the appearance of the balance sheet" ...* (Goodwin, 1993, April, p.45).

Motives for disclosure are raised. Like revaluations of fixed assets (Brown, Izan and Loh, 1992), disclosure of intangible assets requires certain commitments and expenses by management. But for what end? Holgate et al., (1996) note current revaluation interest in the United Kingdom; Guilding et al. (1995), observe parallel interests with brand valuations. In this study, the question is perceived as outside the frame of reference. It remains rhetorical, indicating an area for further research[24].

This sub-section has examined the questions currently raised over balance sheets and balance sheet disclosures of brand values. Next, with reference to brands, the accountants' asset classification is investigated.

**4.4.2** *Classification of Assets*

In this sub-section, firstly, the accountants' asset category is scrutinised. Within the descriptive analysis, aspects of measurement reliability and separability status are emphasised. The review of the nature of brands highlights aspects of brands from an accounting perspective.

**4.4.2.1** *Asset Classification:* Accountants' conception of an asset is a construct, shaped by accounting ideology. Miller and Islam's (1988, pp.7-38) historical literature survey of assets discusses the evolution of changing asset definitions of accounting authors and accounting bodies from 1907 to 1987.

Some components of accountants' recognition of assets appear based in ideological partiality. Perceptions that accountants have appeared in the past to reserve to themselves a power to select which resources may be designated as assets, is advanced by Henderson and Peirson (1985, p.27), Hines (1988), and Egginton (1990, p.194). Hines claims -

> *As professional people, we arbitrarily combine, and define, and add, and subtract things, in a different way to the everyday way: that is what differentiates us* (Hines, 1988, p.254).

Also observed is a perceived preference of accountants for hard/physical assets, which disadvantages intangibles for recognition (Ijiri 1975, quoted by Peasnell, 1992, pp.23-24; similarly Egginton, 1989, p.27; Egginton, 1990, p.19; Beresford, 1990, p.50).

Recently, promulgations of *Statements of Concepts*, by accounting regulatory authorities and professional accounting bodies, has provided conceptual frames of authority for accounting technology and regulation. Can the guidance of conceptual frameworks serve to defeat ideologically based preferences; or are such frameworks equally questionable? [refer 4.2.2, *supra*]. In New Zealand, the NZSA's '*Statement of Concepts*' (1993) provides for the definition of elements of financial reports and the criteria for recognition of those elements. Assets are defined as -

> *... service potential or future economic benefits controlled by the entity as a result of past transactions or other past events* (NZSA Statement of Concepts, 1993, paragraph 7.7).

Recognition for balance sheet presentation occurs *'when and only when'* (NZSA: *Statement of Concepts,* paragraph 7.9) it is probable that the service potential will eventuate, and also -

> *the asset possesses a cost or other value that can be measured with reliability* (NZSA Statement of Concepts, 1993, paragraph 7.9(b)).

**4.4.2.2** *Measurement Reliability:* Recognition devolves to measurement. Recognition becomes potentially problematic, as it requires that the asset has an attribute measurable within an acceptable level of reliability. In discussing the attributes of reliability there is proximation to questions of separability, which are discussed below [refer 4.4.2.3, *subter*]. Levels of reliability are themselves value judgements [refer 1.7; 4.3.4.2, *supra*]. With acceptance of brand valuations, accountants' questioning of reliability is disputed by Murphy (1990a) and Mullen (1993). Reliability of measurement is seen as an essential criterion for recognition by Solomons (quoted by Whittington, 1990, p.87); similarly noted by Woolf (1989, p.35). Miller et al. (1988, pp.37-38) observe the equivocal position of measurability, either as inherent in the definition of an asset, or as essential at the recognition level. *'Measurement reliability'* is a criterion used in the IASC ED50, but not defined [refer 1.5.2.2, *supra*]. Recently, the status of measurement has been discussed in the United Kingdom with the ASB's attempted solutions to regulating accounting for goodwill and other intangibles (Fisher, 1995, p.28). Flowcharts in the ASB's *Discussion Paper* reference *'reliable'* - as a measure of market value and of replacement cost (ASB, 1955, p.16). As with all value measures involving judgement or evaluation, the question is reliable *'to whom'?* Is there some social or commercial consensus? [Refer 1.7, *supra*]. In New Zealand, the NZSA *Statement of Concepts* is unclear on reliability[25].

When a brand has been acquired bare in the marketplace, the cost of the brand is determinable (and not contestable), and thus the brand is *'reliably measurable'* in historic cost terms. Transaction value, however, may not be *'fair value',* nor *'value in use'*. When the brand(s) is/are part of a business acquisition, the allocation of values among separately identifiable intangibles and goodwill may be problematic. Rutteman (1990) observes there may be more than one interpretation. The new IASC ED50 *Accounting for Intangibles* allows reference to an active secondary market in the type of intangible asset, to determine value (IASC E50, para.30). Market exchanges are

also referenced in the approaches developed by the ASB in the United Kingdom (ASB, 1995). In New Zealand, general guidelines are given for estimating the fair values of individual identifiable intangible assets[26] in an acquisition (for example SSAP-8 (NZ) paragraph 4.56(e)). **Appendix 4.X:** *Skellerup and Goodwill /Brands* presents a recent New Zealand example.

**4.4.2.3** *Separability Status:* Identification of brand dimensions is perceived as problematic (Barwise et al., 1989). Driving identification is the question whether the brands are separable, or whether they are part of the accountants' goodwill aggregate (Barwise et al., 1989, p.30-31; The Economist, February, 1992, p.78). Are the values perceived as generated by brands able to be separately attributed? (Hall et al., 1989, p.37; Kapferer, 1992, p.187). The marketers' lack of definitive definition of a brand is already discussed [refer 3.3.1, *supra*]. Potential for separability is positively demonstrated in licensing of brands and franchising (Brown et al., 1989, p.12; Hall et al., 1989, p.37). Licensing of brand names is used by internationally active firms [refer 4.4.3, *subter*].

Napier et al. (1992), argue that lack of market trading in individual intangibles propels measurement technologies into the primary position, leading to a situation in which measurement constructs assets' marketability (ibid.; Power, 1992; Sherman and Power, 1994). Napier et al. (1992) also stress that separability underlies notions of economic value, as future cash flows attributable to the brand must be separated from those generated by other intangibles. They advance the notion of *'measurement separability'* which, through the ability to measure the asset, pre-empts identification.

> *Measurement separability goes further by effectively collapsing all three stages of identification, recognition and measurement into one. In other words if we can measure the resource in an acceptable manner, then it is difficult to resist the identification of the resource as an asset and its consequent recognition in financial statements* (Napier et al., 1992).

The potential for polemic in the quotation from Napier et al. is the adjective *'acceptable'*, which begs the question *'acceptable to whom?'*

Currently, there is an increasing trend for brand valuations (Ernst and Young, 1995), and brands are being disclosed as assets in annual reports [refer 1.5.2.5; 1.6, *supra*].

Where accountants are dubious as to the reliability of valuations, questions arise when accounting firms have extended business activities to include valuation practices, which may include brand valuations [refer **Appendix 1.IX:** *Brands Measured, Accounted and Disclosed*].

***Example from Documents 4.4*** -

> There are diverse examples available of varied valuation interests of New Zealand chartered accountants. An advertisement for valuers placed by Ernst and Young [refer **Appendix 4.XI:** *Chartered Accountants and Valuations*]; valuation details in annual reports list chartered accounting firms as valuers (Huttons Kiwi Limited annual reports; Shotover Jet Limited annual reports): and two '*valuations by own auditors'* returned in a 1992 questionnaire survey (Godfrey, 1993, p.31). [Refer also current end note 3].

***Empirical Field Example 4.5*** -

> **Respondent:** ... it's interesting, we have been involved in some brand valuations and we are doing it in conjunction with a big accountancy firm ... ..... But a lot of them are loath to do it.
>
> **Researcher:** Do you think the accountants are dragging the chain?
>
> **Respondent:** Maybe .... no, perhaps not. I think perhaps the companies are loath to do it. It is going to cost them a fair bit to get a brand valued [A/F. Int. 18].

Separability is crucial to brand recognition. Without *'capacity for separate sale'* (Cameron Smith et al., 1989, p.25), internally generated brands are denied disclosure and become off balance sheet resources with self generated goodwill, while acquired brands are reported as part of purchased goodwill. Kapferer (1994) argues that financial reporting is distorted when material internally generated brands are made invisible (Gelle, 1990, quoted by Kapferer, 1994); [refer 4.3.4.1, *supra*]. Rutteman (1990b, p.62) observes that the interpretations made are often not clear cut, and that there is potential for different views.

**4.4.2.4** *Accountants and Nature of Brands:* There appears little understanding by many financial accountants and regulators of the nature and properties of brands, leading to a suitable manner for reporting material brand resources.

***Empirical Field Example 4.6*** -

> **Researcher:** They (accountants) haven't looked at what an

> intangible ... well how an intangible is made up .... and therefore how you account for an intangible....
> **Respondent:** **That** is where I think the criticism against accountants is justified [A/F. Int. 25]. (Emphasis on tape).

In the debate over brands, accountants have focused upon perceived lack of reliability of brand values, lack of market trade in brands, and lack of determinable economic life. IASC's newly released exposure draft E50 illustrates such observations. The nature of brands accords ill with the requirements of E50 [refer 1.5.2, *supra*]. Cairns (1995) observes -

> *Very few intangible assets are likely to qualify for recognition under E50. Those that are recognised will usually be carried at amortised cost rather than at a valuation. So that it is not surprising that a director of Interbrand has described E50 as 'over-prudent, unworkable and contradictory'* (Cairns, 1995, p.112).

Features of indeterminate life and lack of market trade are now examined. Brand valuation is discussed in following sub-sections **4.4.4** *Cost and Value Issues*, and **4.4.4.1** *Valuation Methodologies* [refer also **Appendix 4.XVI:**].

**A.** *Brand Life:* For accountants, all assets (except land) have finite lives. The costs of term assets are written off to income over the accounting periods which constitute the presumed economic life of the asset. For example, the acquisition cost of purchased goodwill is systematically reduced over an appropriate time within a defined finite period (refer **Appendix 1.IV:** *Goodwill Accounting Standards).* Of depreciation charges, Benston observes -

> *.... they are not considered by accountants to represent costs in the economic sense; rather they are only allocations to time periods that span the useful lives of the assets, so that by the end of the useful life, the original cost of the asset is written off. This write-off procedure was not generally followed before the advent of income taxation. ..... Depreciation is not and never was considered a valid measure of the periodic economic cost of using such assets* (Benston, 1982, p.185).

In contradiction to the theoretical application of depreciation/amortisation charges, the residual amount of an asset is termed book value and is recognised in general terms as an established value. The dictionary definition of book value is -

> *book keeping - the value of a commodity as shown by the firm's books, as distinct from its market value* (The OED, 1989, Vol. II, p.395).

Popularly, book value is the firm's estimate of value, and depreciation is seen as a mechanism of value. With conservatism, accountants do not carry assets above recoverable market value. In applications of balance sheet figures such as ratios, depreciation/amortisation as a cost allocation merges into a valuation mechanism. Accountants are not seen clearly disputing such understanding.

With brand natures, there is the requirement for continuing expenditures, necessary for continuing brand life. Many brand rich firms are advising in policy statements that systematic amortisation is inappropriate because asset lives are deemed indeterminate [refer **Appendix 1.IX:** *Brands - Measured, Accounted and Disclosed*].

> *Each brand valuation will be subject to independent annual review and any increment or diminution in the aggregate value of the brands will be charged to the asset revaluation reserve* (Corporate Investments Limited annual report 1994, p.22).

Amortisation is being replaced by annual or periodic review. The treatment raises the question of differences between revaluation and review, the perceived understanding of terms, and the quality and reliability of the chosen processes. Activities of regulatory bodies offer sharp contrasts in approaches; and many accountants' attitudes appear entrenched. For example - IASC's E50 document requires systematic amortisation (IASC E50, para.30). In 1995 the United Kingdom's ASB issued a further *Discussion Paper* inviting interested parties' participation in holding public discussions [27] (ASB, 1995). The Board is seeking -

> *... to establish what type of intangibles they* (the groups) *believe should be recognised in the balance sheet, and what they regard as acceptable and reliable for measuring the* ***carrying values*** *of such intangibles* (Mitchell, 1995a, p. 88). (Emphasis added).

**B.** *Brands and Market Exchange:* Brands are individualised constructs (Itami, 1987, p.13). The constituency of brand nature, with its established position in consumers' minds, makes a particular brand highly sought after in a business acquisition, and makes another brand potentially of much less value in a business liquidation. Another contribution to brand nature is through explicit nurturing by the manufacturer owner. Brands are uniquely built and nurtured.

> *If intangibles such as brands could be easily bought, competitors with sufficient resources would buy them; if they could be easily duplicated, competitors would quickly copy them* (Itami, 1987, p.13).

The market based properties of brand natures, their consumer derived values, and their value in use to businesses' operations, mean no stable and active market is likely. On value in the marketplace, Mattessich (1991b) observes:

> *Values are derived from subjective preferences (some might say they are quantifed preferences), and preferences are not so much properties of things as of specific situations (composed of persons, things and a set of circumstances)* (Mattessich, 1991b, p.16).

Of markets for intangible assets, one respondent remarks -

***Empirical Field Example 4.7*** -

> **Respondent:** ... it can change. I mean, you can get a real premium because it happens to be a hot area, or you may not get anything, because noone's willing to buy at that stage ... [M. Int. 11].

In a discussion on the market approach to valuation of brands, Lin (1993) elaborates that not only must the market be in existence, but the precise terms must be available, and transactions must be recent, so that competitive conditions remain similar. Lin observes -

> *Since each buyer of a brand has different characteristics and purpose, the value for a brand varies considerably. Every buyer has a different set of criteria and parameters used to assess the value of a brand to buy, ...* (Lin, 1993, p.70).

Kapferer (1994) also observes that in market values of brands there may be a strategic component inflating the price paid, which again brings fair values and comparability into question. Guilding et al. (1994b) remark on the potentially strategic derivation of brands' market values. Recent sales/purchases of brands bare in New Zealand are few[28], with little information available. Subsequent treatment in the accounts varies. An example of disclosure treatment of acquired and self generated brands is presented in **Appendix 4.XII:** *Brands Purchased and Self Generated.* Business

acquisitions which include brands have been of both 'fire sale' and strategic natures[29]. The notion of referencing values in the marketplace in order to establish the fair value of an intangible asset can be found in IASC's Exposure Draft E50 at section 62.

> *In the absence of a transaction the fair value of an intangible asset can be measured reliably only when it is determined by reference to an active secondary market in that type of intangible asset* (IASC E50, s. 62).

**Conclusion:** this section has examined accountants' traditional conventions which generally inform the contemporary perspectives of accountants, auditors and accountant regulators. Such conventions shape balance sheet disclosures and recognition of assets. Features of brands which accountants criticise - indeterminate lives with need for continuing expenditures, and lack of market trade, were scrutinised. In the final parts of this sub-section, the goodwill, brands and trade marks interface is interpreted within an accounting perspective, and aspects of cost and value - as they relate to the balance sheets and brand valuation - are detailed.

### 4.4.3 *Trademark and Goodwill Influences*

Trade marks, brands, and goodwill are each a social construct given meaning in contemporary society. In this sub-section, firstly, trade marks are explicated, and the changing interface of trade marks and brands with goodwill is examined. Secondly, reviews of accounting for goodwill, and the contrasting interpretations of goodwill which accountants reference are explicated.

Initially, how does a *'brand'* relate to a *'trade mark'?* Wilkins (1994, p.15) claims that, having searched in vain for discussion, she uses the terms brand names, trade marks and trade names interchangeably. A search of statutory definitions yields the fact that a trade mark is a sign, and in turn a sign can include a brand.

> *' Sign' includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, colour or any combination thereof:'* (Trade Marks Act (NZ) 1953, section 2), as amended by section 2, Trade Marks Amendment Act (NZ) 1994. [Refer **Appendix 4.XIII:** *Trade Mark Legislation* for relevant excerpts from New Zealand statutes].

The diverse uses of terms in legal, accounting and commercial applications are contrasted in **Appendix 4.XIV:** *Trade Marks - Usage of Terms,* with examples given. Contrasting usage and perspectives are tracked, not only in speech, but also in accounting, marketing, and law texts. Although terminology does appear to depend upon perspective, it can be mixed, as is illustrated in a leading law text -

> *The trademark will now serve not just to justify a brand, but to confer monopoly power on the owner of the mark* (Posner, 3rd ed. 1986, p.38).

Changing terminology (such as the legislative change from *'mark'* to *'sign')* is as much an example of changing conceptualisation and contemporary consumer relationships as is the superceding of *'trademark'* by *'brand'* in consumers' perceptions [refer 3.2.4 *supra*]. In the second half of the nineteenth century, trade marks became important with the growth of mass production; emphasis on the manufacturer; and development of more distant and mass markets (Fraser, 1981; Strasser, 1989; Wilkins, 1994); [refer 1.4; 3.2.1; 3.2.4; 3.4.1, *supra*]. In Great Britain, registration of trade marks was encouraged under the *Trade Marks Registration Act* (IMP) 1875 (Fraser, 1981, p.146; Napier, 1994, p.82); in the United States the first federal trade mark act was passed by Congress in 1870 (Strasser, 1989, p.44)[30]. Thus two perspectives arose - the existing trade mark per se, and the legal registration creating the property right to its use[31].

Changing emphasis in perceived views builds differing traditions and images of the same underlying business asset (Jacob and Alexander, 1993, p.109); [refer 3.2.4, *supra*]. During the twentieth century, merchandising of the marks themselves has added new dimensions with licensing and franchises (Brown and Grant, 1989, p.12; Simensky et al., 1994). Trafficking in the mark per se was forbidden (Landes and Posner, 1987, p.283-284; *Re* American Greetings Corp [1983] 2 All ER:620). With brands, legal ownership is a matter of relative indifference to the consumer (Schechter, 1927, p.814; Landes et al., 1987, p269; Stobart, 1989, p.27); [refer 3.2.1, *supra*]. But the legally registered trade mark protects the property rights, giving exclusive use of the sign to the owner (Standard Brands Inc. v Smidler (1945) 151 federal reporter 2d series 34); while the investment in the brand, aims to effect profitable relationships reflexively established with consumers [refer 3.2.4, *supra*]. Accountants' recognition does not encompass the valuable brand (or the trade mark), but is a measurement referenced to registration costs of the legal right

to use the mark/sign. With the unregistered trade mark, there are no such costs, and therefore no recognition by accountants[32]. In contrast, the common law, and now statute law, recognise and provide protection for unregistered trade marks[33].

**4.4.3.1** *Brands, Trademarks and Goodwill:* The interface of goodwill with brands and trade marks is now reviewed. Secondly, differing bases for commercially attributed lives, and differing approaches to assignment (separability) in accountancy and law are examined.

The building of goodwill was early recognised as essential to the successful use of trade marks (Leake, 1914, pp.81,82; Graham and Peroff, 1987, p.32; New Zealand Ministry of Commerce, 1991, p.30; Jacob et al., 1993, p.72), and to successful brands (Bryant, 1989, p.106; Baker, 1990, p.34). Put succinctly,

> *... brand loyalty arises through goodwill which develops in the mark'*
> (Jacob et al., 1993, p.72).

The significant value of consumer brands derives from the building of goodwill relationships by the consumer with the particular intangible. Kapferer (1992, 1994) characterises the consumer-brand relationship as an *'economic contract'* [refer 3.2.4, *supra*]. This goodwill is commercially and economically integral to the specific intangible. It is separate from the asset known by accountants as purchased goodwill (Stobart, 1989, p.27), which Day and Wensley (1988, p.5) reference as an *'arithmetic necessity'*. The problematic aspects of valuing internally generated brands are reviewed by many authors, for example - Barwise et al. (1989), Moorhouse (1990) and Rutteman (1990b). For some accountants, valuation of internally generated brands is valuation of internally generated goodwill. The ability to separate business goodwill and brand goodwill is perceived as open to interpretation [refer 1.5, *supra*].

**A.** *Brand Lives:* Purchased goodwill is an asset created by accountants' rules. Like all assets (except land), it has a finite economic life and cost of acquisition is amortised. With modified historic cost accounting systems, differentiation of brands from goodwill gives potential for different accounting treatment [refer 1.5.1; 4.4.2.4A, *supra*]; [Refer **Appendix 1.IV**: *Goodwill Accounting Standards*]. Brand owners, who capitalise brands, reject any prejudged determination of brands' lives, and find systematic amortisation inappropriate [refer 4.4.2.4A, *supra*].

> *Brands are considered to have no predeterminate finite economic life and are not amortised. The carrying value of each brand is subject to annual review and any provision for permanent diminution in the aggregate value of the brands will first be charged against Group revaluation reserves if diminution arises* (Lion Nathan Limited annual report 1995, p. 32).

In contrast, the life of a trade mark (in law) is potentially infinite with renewal of initial registration of seven years, and unlimited subsequent renewals of fourteen year periods (*Trade Marks Act* (NZ) 1953, section 29). The perpetual reregistration of a trade mark gives a core of indefinite life to a brand.

> *The fair value of brands owned by Montana Wines Limited has been recognised where earnings of a brand can be separately identified, where the title is clear by reference to trade mark registration and where the brand achieves earnings in excess of those achieved by unbranded products* (Corporate Investments Limited annual report 1994, p.22)

**B.** *Assignment:* For accountants, the contemporary question of separability of intangible assets is complex, with problems of identification and measurement [refer 4.4.2.3, *supra*]; and also there are aspects of ideology and traditional attitudes [refer 4.2.2, *supra*]. Under previous legislation, goodwill was not assignable without the business, and a trade mark, when registered, could be assigned only -

> *in connection with the goodwill of the business concerned in the goods for which it has been registered, and shall be determined with that goodwill* Patents, Designs and Trade-marks Act (NZ) 1921, section 87).

The subsequent New Zealand statute, in 1953, reflects the change in commercial practice in the intervening period.

> *(1) Notwithstanding any rule of law or equity to the contrary, a registered trade mark shall be, and shall have been deemed always to have been, assignable and transmissable either in connection with the goodwill of a business or not.*
>
> *(2) A registered trade mark shall be, and shall be deemed to have always been, assignable and transmissable in respect either of all the goods in respect of which it is registered, or was registered, as the case may be, or of some (but not all) of those goods* (Trade Marks Act (NZ) 1953, section 31).

Section 31(3) of the statute extends the power to unregistered trade marks. Similar

change is found also in British statutes between 1905 and 1938 (*Trade Marks Act* (IMP) 1905 section 22; *Trade Marks Act* (UK) 1938 section 22(1), (2), (3)).

Changes in the law, which facilitate the assignment of trade marks, reflect changes in commercial activity and perceptions. The changes contrast with accounting practice, in which increasingly valuable, market based business resources are subject to accountants' traditional collective goodwill classification. Where brands are self generated, accountants' current conventions deny recognition, and doubts about separability are raised, thus denying visibility in the accounts and business reports (Kapferer, 1992, 1994); [refer 3.2.4, *supra*].

Following this review of the contemporary interface between brands, trade marks and goodwill, an outline of accountants' goodwill creates contextual depth for accountants' current attitudes to brand recognition.

**4.4.3.2** *Goodwill - Overview*: Contributing to the present controversy over brand disclosures, is the manner in which accountants conceptualise goodwill. In this subsection, problems with accounting for goodwill are delineated, to contribute to the genesis of accountants' current attitudes and views on brand disclosures.

Accountants have come over time to recognise only goodwill acquired as part of a business acquisition (Cochrane, 1992a, 1992b). This purchased goodwill acquires its accounting representation through (one-off) cost of acquisition. The value pre-exists the transaction, which substantiates the amount of value[34] for accountants' records. While the earliest use of the term *'goodwill'* in a commercial sense is recorded as 1571 (The OED, 1989, vol. VI, p.680), for accountants goodwill yet remains an *'accounting anomaly'* (ASB, 1993, p.5). Recent regulatory guidelines for accounting for goodwill continue to emphasise that the focus is purchased goodwill and that internally generated goodwill is specifically excluded from consideration ((AUS) AAS 18.6; (AUS) AASB 1013.20; (UK) SSAP 22.4; (UK) ASB 1993 p.2; (NZ) ED-43 4.8); [Refer **Appendix 4.XV:** *Regulation - Accounting for Goodwill*].

In New Zealand, accounting treatment for goodwill has not been a controversial issue[35]. The New Zealand Society of Accountants gives cursory treatment to (purchased) goodwill in the 1987 issue of the (NZ) SSAP-8 *'Accounting for Business*

*Combinations'* (revised 1990); greater attention was given to discussion of goodwill and its accounting treatment in (NZ) ED-43 *'Accounting for Intangibles'* released in 1988 and discontinued in June, 1990. SSAP-8 requires amortisation of goodwill to the profit and loss account from 1988. In the period 1988-89, 19 (23%) of 82 New Zealand publicly listed companies surveyed, indicated changes in goodwill policy (Cochrane, 1994b, p.22) One company continued the reserve write-off for a further year (with audit qualification) (ibid.).

Goodwill standards measure goodwill as a residual, allowing first for identification of separable intangible assets. In an acquisition situation, where goodwill and brands/mastheads are identified as existing separately, the allocation decision between general business goodwill and values attributable to brands/mastheads, may be open to interpretation (Rutteman, 1990b). In accounting jurisdictions, where modified historical cost measurement allows revaluations of term assets, differing accounting treatments for goodwill and brands add to the complexity of the decision. A recent example in New Zealand of an acquisition involving goodwill and brands is the Skellerup purchase of Levenes [refer **Appendix 4.X:** *Skellerup and Goodwill/Brands*].

**4.4.3.3** *Accountants' Interpretations of Goodwill* Purchased goodwill is variously conceptualised by accountants as simply another acquired asset, recognised in the accounts and reported at its cost price (less amortisation); or it is understood as the present value of expected future cash flows (again systematically amortised) [Cochrane, 1992a, 1992b].

Some perception of goodwill as excess profits is long supported in accountants' literature (Leake, 1914, p.83; Paton, 1922, pp.312-314; Yang, 1927, p.87; Hatfield, 1927, p.117; Preinreich, 1937, p.31-33; Avery, 1942, p.362; Walker, 1953, p.213; Spacek, 1964, p.36). Gynther (1969, p.247), argues that the real nature of goodwill is submerged by the methods used to calculate its value - that reported goodwill is simply a bundle of intangible assets at historic cost.

Recently, authors have examined the different interpretations of goodwill. Grinyer, Russell and Walker (1990, p.24) discuss two contrasting definitions of goodwill, emphasising the coexistence of cost and economic value interpretations. Hodgson, Okunev and Willett (1993) examine at length transaction based theories (T-theory)

and valuation based theories (V-theory) and the derivations of these theories. Similarly Peasnell (1992) examines the differing measurement bases and the implications.

Definitions from regulations vary between present and future connotations -

> ... *future benefits from unidentifiable assets* ((AUS) AAS 18, AASB 1013); *probable future benefits of unidentifiable assets* ((NZ) ED-43 - now withdrawn); *the difference between the value of a business as a whole and the aggregate of the fair values of its separable net assets* ((UK) SSAP 22.26); ... *commonly considered to be a composite of all the factors which cannot be individually identified and valued and which contribute to or accompany earnings capacity of a company* ((CAN) CICA 1580.54); ... *difference between the cost of an acquired company and the sum of the fair values of tangible and identifiable intangible assets less liabilities is recorded as goodwill* (USA) APB Opinion No. 16); *Goodwill arising on acquisition represents a payment made by the acquirer in anticipation of future economic benefits. The future economic benefits may result from synergy between the identifiable assets acquired or from assets which, individually, do not qualify for recognition in the financial statements but for which the acquirer is prepared to make a payment in the acquisition* (IAS -22 para. 41, revised 1993).

**Conclusion:** the complex interface of brands, trade marks and goodwill was discussed. Different interpretations of trade mark and brand constructs in law, accountancy and marketing reinforce Shibutani's (1955) observation of diverse perceptions by different groups in modern societies. More problematic is the interface between accounting based rules, referencing legal rights, and economic implications deriving from the contemporary marketplace. In the final section of this chapter, the shaping of the accountants' perspective is continued. Cost and value as measurement bases are briefly outlined from a brand reporting perspective, and brand methodologies are delineated.

### 4.4.4 *Cost and Value Issues*

This sub-section contributes another contextual and cultural aspect to the genesis of the accounting/finance perspective. Cost and value are now examined as measurement bases for reporting brands in financial statements. Brand valuation methodologies are briefly reviewed. **Appendix 4.XVI:** *Brand Valuation Methodologies* sets out in greater detail approaches to brand value measurement.

From a brand information perspective, current dissatisfaction with historical cost reporting derives from the inability of historical cost measurement to satisfactorily communicate dimensions of value (Benston, 1982; Hall et al., 1989, p.3; Murphy, 1990a, p.163). Neither cost nor any value category is perfectly suited to business operations (Benston, 1990). The dissatisfaction gains significance with the increasing importance of brands for successful business operations in particular industries. Clearly, it is the value of the brand to the firm (present value in use), not the brand's historic cost, nor the standardised cost of its trademark registration (as amortised), that provides relevant information to the shareholder. Problems with value in accounting practice are not new. In 1913, an American correspondent observed in *'The Accountant'* -

> *... Values represent human judgements; they vary as judgements vary, at best they are perhaps extremely uncertain things. If this be true, why should not the fact be recognised in accounting?* (American Correspondent, 1913).

Alternatives to historic cost accounting are various present value models and some hybrid models[36]. Some forms of present value models are based on contemporary costs, either replacement cost (RC) or net realisable value (NRV). Both RC and NRV have little relevance for brand valuation, as owners are unlikely to plan brand disposals, except for strategic reasons. There is little market trading in brands [refer 4.4.2.4B, *supra*], and, as each brand is unique (Itami, 1987, p.13), marking to any current transaction is not necessarily relevant (Lin, 1993). Other present value models discount cash flows to the present. Such models introduce concepts of values, which may be criticised as they produce a fundamental conflict in the cost based balance sheet (Damant, 1990; Peasnell, 1992); although, in a modified historic cost system, the balance sheet already mixes original costs with values, arrived at through application of subjectively decided depreciation writeoffs.

**4.4.4.1** *Overview: Valuation Methodologies:* Brand valuation establishes the value of a brand, and enables the owner to measure the brand value over time (Egan et al., 1994; Guilding et al., 1994a, 1994b).

The worth of a brand to management is noted in the following areas -

1. *Intracompany use*

2. *Extracompany use*
3. *Financial statements*
4. *Collateral for loans*
5. *Corporate acquisitions*
6. *Third party licensing* (Getzoff in Simensky et al., 1994, p.438).

Lukka observes that general discussion on the notion of value -

> *in spheres of accounting has been very limited, both in depth and scope, compared with economics* (Lukka, 1990, p. 247).

In contrast, valuation of brands has been extensively debated, by not only accounting authors [refer 1.5.1, *supra*]. Extensive and detailed discussion of valuation methodologies has been made - for example by Barwise et al. (1989), Murphy (1990), Kapferer (1992, 1994) and by the *Financial Times Management Report* (1993). Differing perspectives underlie the views - the *Barwise Report* from the London Business School was commissioned by the Institute of Chartered Accountants in England and Wales, John Murphy is Chairman of Interbrand Group, leading brand valuation consultants; the Financial Times Management Report chapters are contributed[37]; and Jean-Noel Kapferer is a French academic (with American PhD.) and an European authority on branding.

An overview of valuation methodologies is set out in **Appendix 4.XVII:** *Brand Valuation Methodologies.* The models delineated are firstly, historic cost - because historic cost is the accounting measurement base presently used in most western countries; and secondly, present value methodologies - because most brand valuation methodologies currently in use employ a form of present value evaluation. Models reviewed are the Interbrand methodology and relief from royalties approaches.

Problems arise in several aspects of the valuation process. With *'value'*, perspectives are subjective and relative (Barwise et al., 1989); [refer 1.7, *supra*]. Subjective decisions made on values are open to questions of reliability, in itself subjective [refer 1.7; 4.4.2.2, supra]. Identification of brand dimensions to be valued is problematic (Barwise et al., 1989). Marketers' lack of definitive definition has been examined, and marketers' varied brand constituencies were discussed [refer 3.3.1; 3.3.3, *supra*]. Which brand identity is valued? R. Morgan (1993) - for example - differentiates the dynamic process involving consumers from the static balance sheet assessment. Linked with

identity questions, is separability (Barwise et al., 1989, pp.30-31; Napier et al., 1992; The Economist, February, 1992, p.78); [refer 4.4.2.3, *supra*], to enable value measurements. In an accountants' perspective, Guilding et al. (1995) differentiate further when they distinguish valuation of brands from capitalisation with financial reporting.

The need for separability with valuation is argued by Damant (1990) from a different perspective. Damant observes that the balance sheet represents the mechanisms (for example fixed assets and stocks) used to generate cash flows. Using parts of these cash flows to arrive at a value which appears in the balance sheet has aspects of circularity. Damant (1990) therefore argues a different separability.

> *This leads to a clear definition of 'separability'. This is a valuable distinction if what is meant is the ability to separate the valuation of the asset concerned from any taint of the company's present or future earnings or cash flow, which is what one is trying to forecast* (Damant, 1990).

Different charges of circularity are made by Napier et al. (1992, p.89), who criticise claims of the *Arthur Andersen Report* (1992) to enhanced acceptance of valuation methods through increasing marketability of intangibles (separate from the business). Napier et al. (1992) stress it is the valuation technology which enables separate marketability (ibid.; Power, 1992; Sherman et al., 1994). Kapferer (1994, p.298) observes that *'use does not serve to validate the practice.'*

Napier et al. (1992) and Sherman et al. (1994) attack both the credibility and the reliability of present value valuations. Do their questions derive from self interest (Jones et al.. 1992), or do the concerns go to the heart of valuation methodologies? Mattessich (1991b) observes that -

> *...most accounting "measurements" are not for scientific, but for practical business needs. And the major criterion for any practical measurement is that its expected long run benefits ought to exceed its costs. .... it is ultimately the user or users' consensus that decides which method is considered to be cost-effective - even at the risk that it may not be cost-efficient* (Mattessich, 1991b, p19). [As emphasised in the original].

Kapferer (1994, p.298) questions the underlying data of the Interbrand model. He claims use of market data will always incorporate an element of *'overbid'* reflecting

the strategic nature of brand acquisitions, which Lin (1993) claims are individualised to the bidder [refer 4.4.2.4B *supra*]. Kapferer's charge raises the question of which brand position is being analysed - a management strategic asset or a marketing tool? Barwise et al. (1989, p.71); and Guilding et al., (1994b, p.249) observe similarly. Interbrand claims it is *'value to the firm'.* A further premise is the contribution of management to successful deployment of intangibles over time, particularly in international arenas (Caves, 1983; Bertin and Wyatt, 1988).

Different perspectives support contrasting claims. The potential for separability has long been demonstrated in licensing of brands and franchising (Brown et al., 1989, p.12). Mullen (1993) (of Coopers & Lybrand's valuation division (UK)) charges that accountants' actions are too conservative.

> *Part of the profession's reluctance to recognise intangible assets stems from an underlying suspicion that the methodology available for valuing intangible assets is incapable of delivering results of sufficient reliability for financial reporting purposes. This suspicion is, in my view and that of professional valuers generally, unfounded* (Mullen, 1993, p.92)

Pearce (1994) observes similarly. Accountants appear to doubt the reliability of brand valuation methodologies, but accord little attention to underlying market based uncertainty to which brand values are exposed (Barwise et al., 1989). Guilding (1992) makes various references to brand risk, and to the uncertainty and lack of clarity of the brand manager task (Guilding et al., 1994b); [refer 4.3.4.5, 4.4.2.4B, *supra*]. The contribution of consumers to brands' success is ably demonstrated in failed brand extensions [refer 3.4.1, *supra*]. A specific example of fluctuations in consumer support is the sudden loss in value of the *'Marlboro'* brand [**refer Appendix 4.IX:** *Aspects of Market Uncertainty*]. It is the nature of brand constitution to require consumer complicity. However, consumer familiarity and usage may also reduce a brand to an everyday generic - for example common usage of '*aspirin*' (Haigh, 1996); [refer **Appendix 4.IX:**].

## 4.5 *Chapter Summary and Conclusion*

This chapter contributes to the study by providing a genesis of the accounting/finance field. In three sections, particular aspects and issues were

explored to build images of thick description of the accounting/finance field in which the contemporary financial reporting construct is constituted, and arguments over guidelines for financial reporting of brands on balance sheets remain unresolved. In the first section, the focus was more general; the domains of interest were professionalism, regulation, and aspects of reporting brands from capital market perspectives. The interests of auditors, bankers and analysts were reviewed. In the second section, reporting conventions and annual reports were the focus. Exploration of particular reporting issues implicated brands within financial reporting contexts. Interpretive discussion scrutinised reporting conventions such as contemporary considerations of the *'true and fair view'* in accounting literature, and reviews of other accountants' financial reporting conventions, which have relevance for brand disclosures. In the third section, locating brands within reviews of relevant balance sheet and asset concepts, highlighted presently problematic issues deriving from traditional conventions of accounting practice. Scrutiny of the interface between brands, goodwill, and trade marks indicated diverse evaluations of the constructs from accounting and legal perspectives. Exploration of cost and value, as appropriate measurement bases for brand reporting, led into a brief exposition of brand valuation methodologies.

In chapter three, theoretical description encompassed contextual interpretations of brands drawn from literature and social documents. Three perspectives were presented - consumption, marketing and that of the brand rich manufacturer. Each perspective built different images of brands and brand contexts. In the sociology of consumption, brands are created and gain value through consumers' on-going purchasing activities. In the second section of chapter three, images of brands were presented within a discourse of marketing. Brand definitions from the marketing literature were discussed; marketers' use of symbolism and imagery to create brand personalities and communicate brand messages were examined; and marketing authors' brand development models were reviewed. Thirdly, activities of brand rich manufacturers were investigated in six separate frames. In this multifaceted framing, the close connections of brands with company culture, innovation and technological development were briefly explicated. The long term nature of brand investment and brand management was emphasised. In delineating brands within consumption, marketing, and manufacturing perspectives, brand natures as complex personality constructs were elucidated. Within these varied perspectives in chapter three,

measures of uncertainty emerged, given consumers' complicity in contemporary consumption culture, within which brand values are mobilised.

Chapters three and four are important in the overall design of the study. In these chapters, thick descriptions are built through exploration of significant contextual and cultural perspectives and issues, which impact directly and indirectly upon the social and business environments in which brands and financial reporting are currently constituted. The two chapters serve dual roles in the study. Firstly, exploration of significant issues and perspectives articulates the dynamics and values of very different discourses of marketing and accounting/finance. Through description and interpretation, significant cultural and contextual dimensions of understanding are mobilised which not only explicate further the different frames of comprehension, but also indicate very different conceptions of business operating. The second role of the chapters is informatory within the analysis and text creation processes. The thick descriptions contribute frames of cultural and contextual reference to later phases of empirical field data analysis, and in the iterations of text creation processes [refer **FIGURE 5.2:**, *subter*]. Thick descriptions also make contributions to development of the question schedules and later conceptual themes which frame reports in chapters six and seven, the interpretation in chapter eight, and are influential in chapter nine.

From here, the study turns to examine the views of business people, currently engaged in marketing and accounting/finance fields. Chapter five is explanatory; it explicates, given the theoretical base established in chapter two, the manner in which the data from the field interviews were first processed and then analysed, to yield the reports which chapters six and seven articulate, within the framework of the conceptual themes.

1. In the creation of the field research design, particular institutional groups - for example auditors, design firms, corporate accountants/finance managers - were constituted within the fields of marketing and accounting finance. In this chapter, the images of thick description encompass more general accountancy perspectives of the profession and financial markets, and some specific group perspectives. The group perspectives build dimensions for later empirical reports.

2. The conference paper reported upon intangible asset disclosures made by companies listed on the New Zealand Stock Exchange over the six years 1987 - 1992. The research consisted of an extensive analysis of annual reports - narrative reports, illustrations, report covers and financial statements. The wider focus of the report was all types of intangible asset disclosures, and the specific narrower focus of the paper was brand disclosures.

3. Among their descriptions of activities which have recently enlarged the jurisdiction of accounting practices, Sikka and Willmott (1995) footnote observations on an auditor who threatened a rise in audit costs if the client firm went to an independent brand valuation firm in preference to the auditor's firm. The observations indicate contestability over jurisdiction between accounting firms who offer valuation services and independent valuers. It raises questions about the interests at stake in the accountants' debate over brand disclosures.

4. NZSA Audit Standard 5, *Work Performed by Other Auditors and Experts* has requirements for checking technical qualifications, and the expert's reputation and experience in the field. The relationship between the expert and the client must be checked. All other reasonable assurances must be sought to substantiate appropriate audit evidence.

5. In 1994, when Corporate Investments Limited published the valuation of Montana Wine Labels as brand values in their annual balance sheet, newspaper headlines focused on the bottom line loss and ignored the new brand capitalisation (*The New Zealand Herald,* September 20, 1994, Section 3, p.1).

6. In New Zealand, a newly formed organisation *International Brands Protection Group* claims that counterfeit brands are costing New Zealand licencees up to $5 million a year in lost sales. The group has major concerns with inferior quality of the counterfeit goods and bad representation of copied logos and colours *(The New Zealand Herald*, March 9, 1995).
Of luxury goods, The Economist notes that it is not problems of excess demand, but problems of counterfeiters that are the main concern (*The Economist,* July 2, 1994, p.60).

7. *The National Business Review,* November 26, 1993. A comparison of the balance sheets of New Zealand's two leading brewers, DB Group Limited and Lion Nathan Limited led Money & Investing columnist in *The National Business Review* to question balance sheets. The columnist noted lack of comparability because Lion's balance sheet disclosed brands valued by Interbrand, while DB was silent on brands in the financial statements - and any valuation.
With no formal guidelines for disclosures of intangibles such as brands, each reporting entity may choose whether or not to disclose information, and the information disclosed. Therefore, initial comparability is not available, and comparability may be gained only after adjustment, as the columnist indicates (Ferdinand, *The National Business Review*, November 26, 1993, p.55).

8. The solvency test was introduced by the *Companies Act* (NZ) 1993. The test has a liquidity arm (income statement) and a financial situation (balance sheet) arm. The requirements of the section 4, *Companies Act* (NZ) 1993, are the following. A company satisfies the solvency test if
   - (a) the company is able to pay its debts as they become due in the normal course of business, and
   - (b) the value of the company's assets is greater than its liabilities, including the contingent liabilites.

   *Companies Act* (NZ) 1993 section 4(1).
   Currently the Solvency Test applies only to those companies who are registered (or have reregistered) under the 1993 Act.
   The Act requires that directors must have regard to most recent financial statements of the company that comply with the *Financial Reporting Act* (NZ) 1993, section 10, and all other circumstances of which the directors know, or ought to know.
   Both parts of the Solvency Test must be met before the company can make any distribution. A distribution includes the following - any transfer of money or property; incurring of a debt for the benefit of a shareholder; purchase of property for undervalue; purchase of own shares; financial assistance; reducing shareholder liability on unpaid/partly paid shares; any other direct or indirect transfer of money or money's worth to a shareholder.
   With a distribution, following the distribution, the company must meet the solvency test. Directors must sigh a certifcate certifying company solvency (Section 52(2) *Companies Act* (NZ) 1993).

9. In quoting Benston's observations, one must note that the date (1982) is prior to the greatly increased awareness of intangible resources which occurred in the mid 1980s [refer 3.4.1, *supra*]. It may be that values of intangibles in exchange may now be more reflective of use value. However further discussion [refer 4.4.2.4B, *subter*] leaves such an observation open to question.

10. Comment made by stockbroker to researcher, November 21, 1994.

11. With the naive investor hypothesis, the investment analyst plays a major role in correctly interpreting information and keeping the market efficient. A potential consequence of the EMH is that only information relating to changes in expected cash flows is price sensitive and that accounting methods are irrelevant. Investment analysts have a role in enhancing market efficiency, through improving flows. Breton and Taffler note that both paradigms place the investment analyst in a pre-eminent position (Breton and Taffler, 1995, p.81).

12. Breton and Taffler (1995, p.82) note that

> *published accounts are a key source of information for analysts, and the finding is uniform across markets and through time (e.g. Lee and Tweedie 1981; Hines 1982; Chang et al. 1983; Arnold et al.1984; Day 1986; Gniewosz 1986; Vergossen 1993; Pike et al. 1993).*

13. In the conduct of the field enquiries, accountability was part of discussion. However, field enquiries using ethnographic methods create a breadth of enquiry. After analysis, in chapter construction stages, the focus is narrowed. In this research, constraints of size are very real, given the interdisciplinary nature of the enquiry. Therefore the focus is kept closely to the research questions of *'What is a brand?* and *How do brands fit with financial reporting?'* Requirements of accountability are acknowledged as part of the review of current financial reporting, but, major investigation into accountability is noted as outside this research.

14. Guilding and Pike (1994a) quote observations of a company group accountant who observed that there must be the same messages relayed internally and externally. The group chief accountant referred to a lack of internal dissemination of information relayed externally.

15. The requirement derives from the *Joint Stock Act* (IMP) of 1844 which required the directors of a company to cause a *'full and fair'* balance sheet .... (Nobes and Parker, 1991).

16. Requirements are for additional information and explanations - not for glossy visual imagery.

17. The Argyyll case which concerned the true and fair view of consolidation reporting was a lower court case with no reported judgement (Ashton 1986).
Leung, 1995, discusses three legal cases in which observations are made on the duties of the auditor to enquire beyond compliance with accounting standards. The cases are Leeds Estate Building and Investment Co. v Shepherd (1877); Verner v The General and Commercial Investment Trust Ltd (1894) 2 CH.239; and Pacific Acceptance Corporation Ltd v Forsyth and Others (1970) 92 W.N. (N.S.W.) 29.
Leung emphasises that the cases indicate that

> .... *for the court to determine that a true and fair view has been presented is that compliance with generally accepted accounting principles is not necessarily sufficient* (Leung, 1995).

In New Zealand, the second case is authoritative in law, and the third case is persuasive.

18. Goodwin (1993) reports the use of terms *'commercial reality'* and *'realism'*. The terms are not further elaborated.

19. Houghton (1987) reports potential misunderstandings in the phrase *'true and fair'* with differing perceptions among accountants, shareholders, and accountants' interpretation of shareholders' views. Given that the financial statements (upon which the true and fair concept is pronounced) are constructs of accountants, the *'true and fair'* interpretation must be widely drawn (Bhattacharya, 1988, p.126) for general purpose understanding.

20. The *'going concern'* convention has been focused upon recently in New Zealand with the New Zealand Society of Accountants release of the new Auditing Standard 11, 1995, *Going Concern.* The concept of going concern has been of interest also in the United Kingdom (Gold, 1994, p.110)

21. The brands of Lion Nathan Limited are valued by Interbrand Group plc. There is a discrepancy in which cash flows are used. Explications of the Interbrand valuation methodology (Birkin, 1990; Birkin, 1993, in The Financial Times Management Report (1993); Kapferer, 1994) indicate that **historic** cash flows are the original basis (brought to the present)). However, in the notes to the balance sheet, Lion Nathan Limited state that *'the basis used for valuations was to forecast* ***future*** *brand cash flows and to discount them to their net present values'* (Lion Nathan Limited, annual report 1994, p.39). (Emphasis added).

22. The quotation from the American Accounting Association Committee on Accounting and Auditing Measurement 1989-1990 similarly notes
*'... what may be a company's most important assets ...'* (ibid.)
The example of the beer brands of Lion Nathan Limited, given in *Example from Documents 4.5,* exemplifies the value dimensions of importance of intangible assets to some forms of contemporary business operations.

23. The disclosure by Lion Nathan Limited in 1989 of brand values concerned only the New Zealand brands which are internally generated brands. Lion Nathan's Australian brands are acquired through firm acquisitions.

24. In the conduct of the field research, material was sought on views of revaluation and review. In a naturalistic approach, at the time of the field work, the shape and size of the final study is not determined. Many of the avenues pursued in the research stage are winnowed during the construction of the text. With this study, size is a very real restriction. In reviewing revaluation, a decision was made that the area of revaluation was a research domain in itself. Therefore, in this study, it is seen as an area of further research in the future.

25. Reliable measurement is one of the criteria for recognition of elements in a *Statement of Financial Position,* but is not an essential characteristic deriving from the given definition of an asset (NZSA *Statement of Concepts*, 1993, paras. 7.7, 7.8, 7.9).

26. SSAP-8 (NZ) gives an inclusive example list of intangible assets. On this list, patents appear, but neither brands nor trade marks are noted ((NZ) SSAP-8 *Accounting for Business Combinations*).

27. The moves made by the ASB signal a change of approach. Marketing Globe Volume 6, issue no. 6/7, August/September 1995 lists among news notes:

> *Brand on the Balance Sheet: Britain's Accounting Standards Board is moving to recognise the value of bands on companies' balance sheets, after resisting the move for years. Previously intangibles such as brands, licenses and patents were lumped together under the term goodwill. But separating the value of brands out will give companies extra incentive to invest in their brands and put extra pressure on marketing departments to perform against the value of brands* (Marketing Globe, 1995).

28. *The New Zealand Herald* (January 23, 1993) reported the purchase of brands from AFFCO New Zealand Limited. The brands and product formulae were sold to Huttons Kiwi Limited. The brands are Tenderkist bacon and ham ranges, Tiki bacon and Troopers sausages. The accounting for purchased and self generated brands by Huttons Kiwi Limited is reviewed in **Appendix 4.XII**: *Brands Purchased and Self Generated.*
*The New Zealand Herald* (November 2, 1993) reported the purchase of the Seasmoke brand name by Salmond Smith Biolab Limited from private company Angus McNeill Limited.

> *The Seasmoke brand is reported as having high standing internationally as a New Zealand brand for salmon, mussels, squid and mackerel.* [*The New Zealand Herald*, November 2, 1993].

Salmond Smith Biolab were reported with the intention of using the Seasmoke brand as a

flagship and positioning existing brands beneath the acquired brand. The brand purchase is not traceable in the financial statements.

29. Acquisition of one company's brand(s) by take over by another company is rarely of the magnitude to be reported in New Zealand. The example of Lion Nathan Limited takeover of the Bond brewing empire brands was an exception. It was a composite and complex acquisition. It took place as the Bond investments were breaking up. Lion Nathan Limited acquired first a one half share in Australian Consolidated Holdings Limited, then the second half share.
The recent acquisition of Levenes by Skellerup Limited in 1994 is an example of acquisition of a store and retail name which is being treated as acquisition of a brand by Skellerup. The acquisition is reviewed in **Appendix 4.X:** *Skellerup and Goodwill/Brands.*

30. Strasser notes that the passing of the federal Trade Mark Act in 1870 was not a straightforward achievement, and legal case decisions changed numerous times.

> *Throughout this period, the courts reversed themselves several times over the property rights relating to trademarks, the legal symbols of goodwill, which also had long established rights in common law. The confusion stemmed in part from the changing definition of property, in part from a conflict between property issues and questions of public protection from fraud, and in part from successive revisions of trademark legislation. Although the United States Constitution specifically referred to patents and copyright, it made no provision for trademarks. Responding to cases in the civil courts and to growing international interest in trademarks, Congress passed the first American trademark act in 1870. In the first year, 121 trademarks were registered* (Strasser, 1989, p. 44).

Strasser observes growing interest in trademarks internationally and the founding of the first society to foster trademarking was the Union des Fabricants, founded in Paris in 1872.

31. In the accountants' perspective of intangibles, the existence of a legal right has traditionally given rise to separate identification and recognition of the intangible*. Therefore a brand which is a registered trade mark can be recognised in the accounts. Accountants' recognition is thus constituted by costs of registration. The pre-existing trade mark and the registered property right to use the 'sign' are coalesced for accounting purposes. The brand which is a trade mark which cannot be registered (for example, Alliance Textiles *Royal Wool* trade mark [refer next end note 32 and 3.2.4, *supra*]), cannot be recognised in the accounts for reasons arising from technicalities of the Trade Marks Act.
*An example of accountants' willingness to adopt the legal right as basis of separate identifiability is given in the the IASC Exposure Draft E50 Proposed International Accounting Standard - Intangible Assets, paragraph 13.

> *Non-monetary assets which are without physical substance satisfy the definition of intangible assets when they can be identified by reference to legal rights, including the right of ownership, and are held for use over the long term.*

32. The *'Royal Wool'* brand is an example of a trade mark which cannot be registered under the *Trade Marks Act* (NZ) 1953. Section 21 of the Act declines registration for emblems and words which cannot be used under sections 12-15 of the *Flags, Emblems and Names Protection Act* (NZ) 1981. Section 14 (3) (1) does not allow registration of the word *'royal'*. The manner in which the researcher tracked the *'Royal Wool'* brand is set out in **Appendix 1.III:** *Bedding Brands.*
The situation reflects the claims of Hines (1988, p. 254) - *... there is no full picture. We make that picture* [refer 4.3.4.4, *supra*].

33. Common law affords protection for the unregistered trademark. Dicksee and Tillyard quote the case Pinto v Badman (1891 8 R.P.C. 181) (ibid., 1976, p.5). Law of Torts: For misrepresentation in trade, action may be available in tort law under passing off (Clark and Livermore, 1994, pp. 250, 251). Statute Law: with misleading or deceptive conduct generally, action may be available under section 9, *Fair Trading Act* (NZ) 1986. The Thornton Hall cases were for breach of the Copyright Act 1962. Thornton Hall Manufacturing Ltd v Shanton

Apparel Ltd [1988] NZLR 1 235; Thornton Hall Manufacturing Ltd v Shanton Apparel Ltd (No. 2) [1988] NZLR 1 239; Thornton Hall Manufacturing Ltd v Shanton Apparel Ltd [1989] NZLR 3 304.

34. The transaction provides a cost based value. Without the cost for recognition accountants do not recognise goodwill - as estimations of value may differ widely. An example of unreliability as to perceived value of goodwill can be quoted from a case reported in the Chartered Accountants Journal, June 1995, p.70. In the case Gordon v Idameneo (1995) 15 ACSR 536, three estimations of fair value of goodwill in a unit trust share valuation varied, from $A16.3 million, to $A11.5 million and $A6.4 million. In the Court decision, the middle amount was found acceptable.

35. In New Zealand, while goodwill may not be an issue in terms of practice, recent features in the *Chartered Accountants Journal* demonstrate the variety of understandings which exist. In the April edition of the *Journal*, the New Zealand Society of Accountants' Technical Director, April Mackenzie, surveyed international developments in the goodwill arena and discussed particularly the amortisation method *'inverse sum of the years digits '*(ISYD).
In the October edition of the *Journal,* three commentators present opinions on goodwill. Bob Hope claims that the whole theory of amortisation of goodwill lacks logic. Goodwill as part of the entity's resources is an asset which should be stated, whether its origins are through acquisition or self generation. Keith Hooper and Jon Greenheld give a brief international review of goodwill and survey the activities of major listed New Zealand companies. Keith Hooper, thirdly, looks at the latest ASB *Working Paper* 'Goodwill and Intangible Assets' and makes observations from the proposals in the paper.

36. Hybrid models - for example Egginton (1990) Peasnell (1992) - argued in literature are noted, but not further examined.

37. One contributor on brand valuation is Michael Birkin of Interbrand Group plc.

# 5.0 CHAPTER FIVE: *FRAMEWORK OF ANALYSIS*

> *The quantitative project requires investigators to construct a "sample" of the necessary size and type to generalize to the larger population. In the qualitative case however the issue is not one of generalizability. It is that of access. The purpose of the qualitative interview is not to disclose how many, and what kinds of, people share a certain characteristic. It is to gain attitudes to the cultural categories and assumptions according to which one culture construes the world. How many and what kinds of people hold these categories and assumptions is not, in fact, the compelling issue. It is the categories and assumptions, not those who hold them, that matter. In other words, qualitative research does not survey the terrain, it mines it.* (McCracken, 1988, p.17).

## 5.1 ***Introduction***

This study researches the problematic domain of financial reporting of brands through seeking interpretations of brands and financial reporting as constructs of contemporary society. The particular focus is the nature of brands in the understanding of business people [refer 1.2, *supra*]. The research questions are *'What is a brand?'* and *'How do brands fit with financial reporting?'*

In chapter two, the philosophic and theoretical bases of the study were explicated; implications of the naturalistic paradigm as the overall framework for the study were presented. Lincoln et al. (1985) emphasise that

> *naturalistic enquiry is defined not at the level of* ***method****, but at the level of* ***paradigm*** (Lincoln et al., 1985, p.250). (Emphasis in original).

In chapter two, the axioms of naturalistic inquiry and the interpretive nature of the research approach were discussed; and the methodological choices made in designing and constructing the study were substantiated. The two fields of marketing and accounting/finance were delineated as dynamic representations of relational activities, analogous to the theories of fields advanced by Pierre Bourdieu in Bourdieu (1990) and Bourdieu et al., (1992); [refer 2.2.3, *supra*]. Within the fields, the

particular institutions were argued as reference groups (Shibutani 1955); [refer 2.2.4, *supra*]. In addition, the fields perform a role in reflexively contributing to the structure of the study, and reinforcing the visibility of its interdisciplinary nature [refer 2.4.1, *supra*].

Chapters three and four build thick contextual description through exploration of perspectives and issues which have significance for dynamics in marketing and accounting/finance fields [refer 2.3.2.2, *supra*]. The dimensions presented in the chapters are argued as delineating particular cultural and contextual facets of significance for greater comprehension of the present social constitution of brands and financial reporting as constructs of the contemporary fields.

This chapter, chapter five, presents the manner in which the tape data from the field interviews were developed, analysed and interpreted. The chapter articulates the steps in the *practical* application of the research, *theoretically* grounded by the methodological choices argued in chapter two. The choice of ethnographic methods is seen to privilege the fieldwork, analysis, and creation of the final study text. In consequence, discussion of the fieldwork in chapter two set out particular *theoretical* arguments in support [refer 2.3; 2.4, *supra*]. Brands and financial reporting are constructs within contemporary society. Neither construct is new, but as constructs, they are shaped and valorised by the contemporary environments of their continuing constitution. The central research questions of this project - *'What are brands?'* and *'How do brands fit with financial reporting?'* - sought contemporary explanations. Financial reporting of brands - for example - has recently appeared contentious [refer 1.5.1, *supra*]. The project sought interpretations of brands from business people directly and indirectly concerned with marketing and financing operations of branded consumer goods manufacturers.

### 5.1.1 *Chapter Linkages*

This chapter is derived from chapter two. Chapters three and four have influence indirectly through the content of interview question schedules and through the researcher's roles in interviews and analysis [refer 2.3.3.2, *supra*]. Discussion in chapter two was oriented to the field interview environment. In this chapter, the orientation

is predominantly to the analysis process. The opening quotation to the chapter is chosen to differentiate the qualitative research project from quantitatively based and executed research. McCracken (1988) emphasises that the focus is upon categories or themes, and assumptions. In this study, McCracken's framework of categories are the conceptual themes which are developed; and the assumptions are the *'ways of seeing'* in which the various business people perceive brands as assets in their world structures [Berger et al., 1966, pp 102-105; Schutz, 1967, p.85 quoted at 2.2.2.2, *supra*]. Secondly, in talking with accounting/finance respondents, discussion ranges also over construction, views and uses of annual reports, and brand disclosures in financial statements.

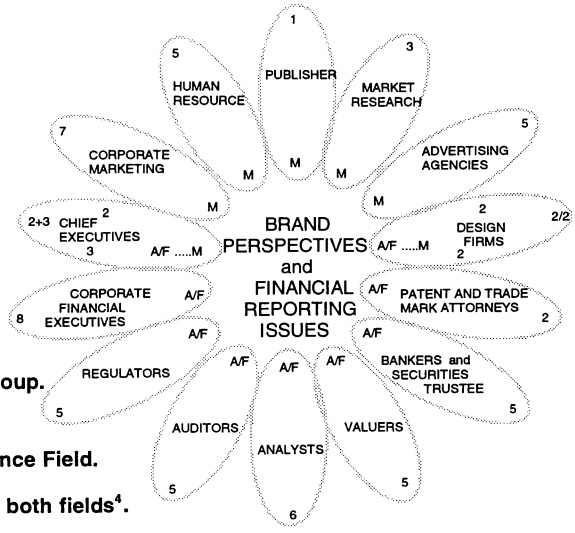
In *'mining the terrain'* (McCracken 1988), the interview environment yields myriad impressions of potential importance[1]. For example - in some interviews, particular phrases and words recur across the groups; in other interviews there is a feeling of lack of fit or resonance - Taylor (1979) talks of conceptual webs which are incommensurable (Taylor 1979, p.69)[2]; and Berger and Luckmann articulate contrasts in differing institutional orders (Berger et al., 1966, pp.10-105). These developments which crystallised in the course of fieldwork are discussed in this chapter. The data gathering is multivariate; and researcher reaction and feelings contribute [refer 2.3.3.2, *supra*]. This manner of data accession contrasts sharply with the quantitative style of preset specifically developed questionnaires which frame in advance the information sought, through selection of questions asked. In this project, the questions per se do not have primacy, the respondents discourses are the key[3].

The structuring of the research study into reference groups within two fields gives physical presence (Marshall et al., 1989). Through structure of question schedules - sixteen in all - further structuring may be intimated. Arguments in explication of this structuring are now intimated. These assumptions of the groups and fields of the study design (refer 2.3.3, *supra*] serve as a structural reference for the analysis framework. Hammersley et al., (1983) contrast information analysis per se, with the potential insights gained with perspective analysis. In this study the diverse perspectives and multiple realities are important both for content and meaning, and for structure and research design [refer 2.3.3, *supra*].

The groups are delineated in **Figure 5.I:** *Constitutent Groups*. The **Figure** serves as an

image link through chapters five, six and seven, in order to visually convey the constitution of the reference groups in the relevant field(s). For each group interviewed, a separate question schedule was created. There are seven groups in the marketing field, and nine groups in the accounting/finance field. As stressed in chapter two, there was no notion of *'completeness'*, or of a *'set'* about the question schedules. The schedules were envisioned as differing *'facets'* of the central research focus on brands and financial reporting. The *'facets'* were seen primarily as a combination of respondent reassurance and initial interview structure. Observations arising from the questions are discussed below [refer 5.2.2, *subter*].

**FIGURE 5.1**
*Constituent Groups of the Fields of Marketing and Accounting/Finance.*




**KEY:**

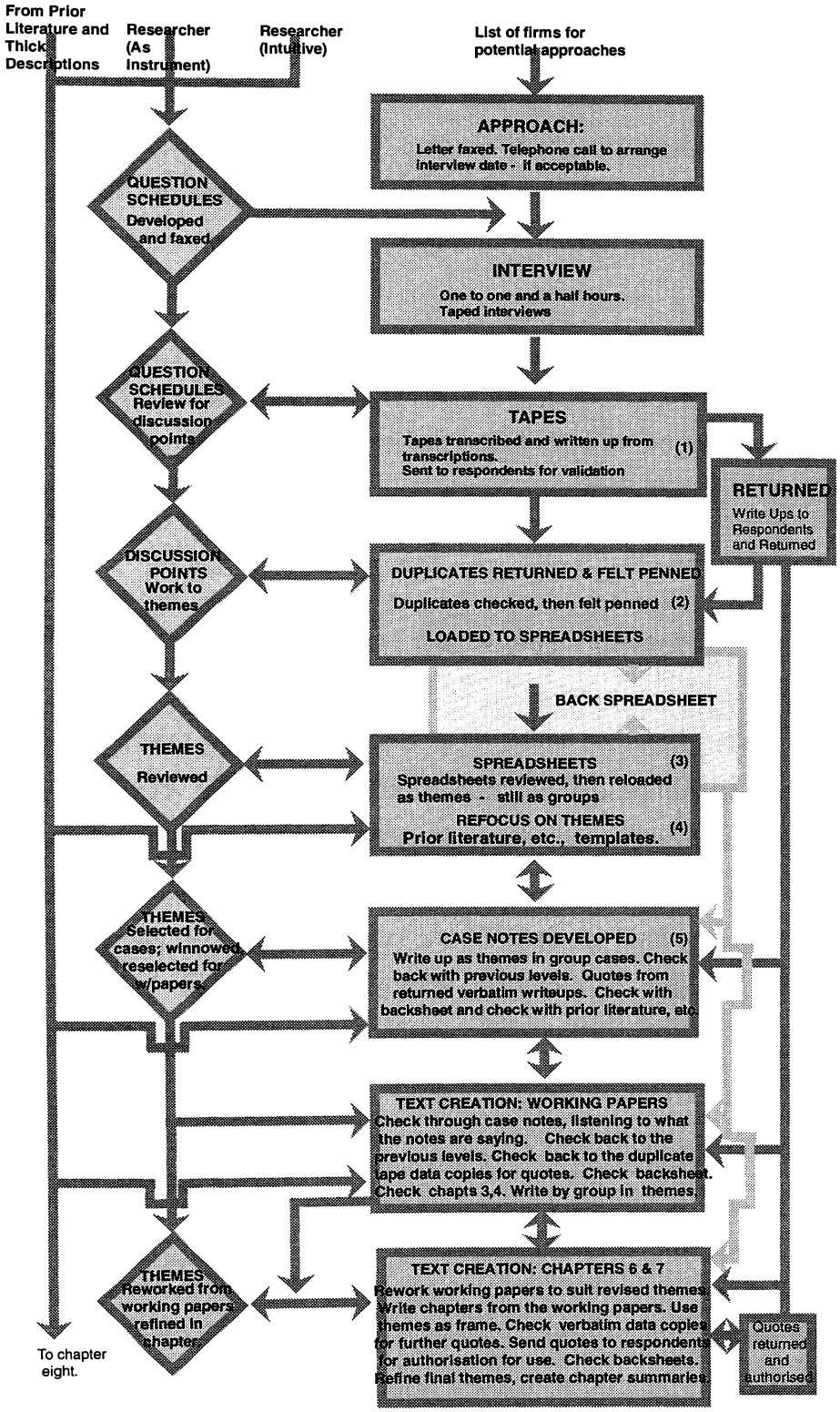
- **End numbers give number of firms in each group.**
- **[M] indicates a group in the Marketing Field.**
- **[A/F] indicates a group in the Accounting/Finance Field.**
- **Chief Executive and Design groups belong to both fields[4].**

### 5.1.2 *Ensuing Chapter Structure*

The content of this chapter develops from later subsections in chapter two [refer 2.4.1; 2.4.2; 2.4.3, *supra*]. The orientation of this chapter is to the later stages of data gathering, then the analysis, and finally the iterations of text construction. The development encompassed in the chapter is holistic, with the analysis conceptualised as a whole; but the format of written description necessitates that the parts of the whole (which are reflexively intertwined), are separately considered (Hammersley et al., 1983, p.212; Thornton, 1992, p.22). Aspects of the integration of differing wholes is further considered in discussion of text creation (refer 5.5.4, *subter*). The analysis stages are set out in **Figure 5.2:** *Fieldwork and Analysis Steps* on the next page.

**FIGURE : 5.2**

*Representation of Analysis and Text Creation*



In this chapter, observations arising from the interviews and secondary research are considered after the introduction. Secondly, the transcription and return of the tapes for validation are briefly described. The central section of the chapter sets out the stages in the analysis of the tape data. In **Figure 5.2:**, the tape analysis steps are numbered (1) to (5). The total sequence of steps (top to bottom) on the right side of **Figure 5.2:** constitutes the progression from creating the interview tape data, through analysis, to written text. On the left, is the development from question schedules to themes. Integral to the analysis is the reflexive referencing between tape and question development processes. The interchanging serves to mediate the emerging category themes through the tape data, while simultaneously contributing to shaping the data development.

A final section discusses text creation and the interplay of field data views and constituted text. The discussion examines aspects of ethnographic *'wholes'* and the linear *'wholes'* of constructed texts, which are pertinent to the text construction.

## 5.2 *Observations from Primary and Secondary Research*

Specific observations from the conduct of the research (both primary and secondary), are briefly reported. As the research is exploratory and executed within the naturalistic paradigm using ethnographic methods, prior plans were minimal [refer 2.3.3.4, *supra*]; [refer **Characteristics 1** and **8, Appendix 2.I:**]. Areas of further interest emerged and were incorporated into the fieldwork. New research items were uncovered in social documents, in interviews, and on reflection during the first immersion in the tape data.

### 5.2.1 *Further Research Leads*

The *'ethnographic methods'* approach [refer 2.3.1, *supra*] facilitated ad hoc approaches on individual items and the opportunity for a closer focus on particular discussion points which appeared significant. These matters were developed in two ways.

1. Event type subjects were pursued by individualised approaches. For

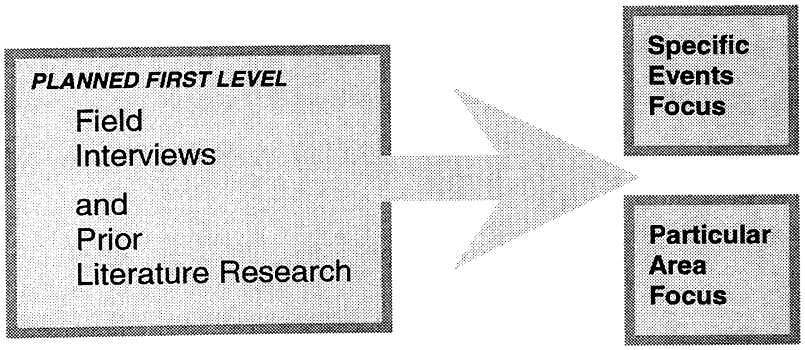
some, a special questionnaire sheet was sent requesting information. The outcomes gained were used as particular examples, which illustrate points in the study. An example is the positioning of a brand [refer **Appendix 3.1:** *Brand Repositioning*].

2. Particular themes became apparent in interviews with some groups, and consequently more specific observations were sought through open questionnaire forms. An anonymous questionnaire was drawn up, requesting differentiation between brand, trade mark and product. For respondents in accounting/finance groups, a second questionnaire request format asked for views on amortisation of intangible assets and revaluation/review[5]. Forms are reproduced in **Appendix 5.1***: Further Forms Sent.*

The taped field interviews constituted the first, planned level of research; the developments which derived from the primary level research are seen as a second and more focused level, as illustrated in **Figure 5.3:** *Levels of Research.*

**FIGURE 5.3**

*Primary, Secondary and Specific Levels of Research*




### 5.2.2 *Respondents' Reactions to Question Schedules*

Qualitative observations arose from the interviews. They can be categorised into three kinds.

Firstly, varied reactions of corporate finance managers to interview questions were observed. In two interviews respondents made some observation as to the marketing nature of the interview question schedule. One observation was general and the second intimated a lack of detailed knowledge of the question area. The observations were in contrast to six other interviews with corporate accounting/finance personnel who did not make any observation of the type, and appeared happy to converse in the area [refer 7.5.1.2, *subter*]. The differences are argued as indicating varying levels of dessemination of brand information inside companies [refer 3.4.3.3, *supra*].

Secondly, the very general nature of some interview questions brought enquiries as to the meaning of the question [refer 2.4.2, *supra*]; [*Empirical Field Example 2.8*, page 74, *supra*]. Two implications could be taken from the reaction. Firstly, that the question was too general and/or unclear. Secondly, it reinforced the intuition and the impressions gained from telephone approaches, that respondents have preference for some *ex ante* clear structure for an interview.

Thirdly, in interviews with analysts, a major misfit appeared. It appeared that the accounting derived focus on brands found little purchase with most analyst respondents [refer current end note 2]. The different perspective of analysts which gave rise to the incommensurability is apparent in observations by analysts in chapter seven [refer 7.4.1.6, *subter*]. For the researcher there was a feeling of different perspectives with different values.

### 5.2.3 *Observations from Literature Research*

In two areas, observations and research developments arose from document and legal studies which contributed to chapters three and four.

1. Perusal of the master of commerce thesis by Tucker (1967), on the Milne and Choyce department store business, yielded a nineteenth century advertisement in which brand names attracted the researcher's interest.

> *"On March 25 we shall make a splendid show of all the various makes and styles including ROSLYN, KAIAPOI and ONEHUNGA"* (Evening Star, 25th March 1890, quoted by Tucker, 1967a, p.41).

For the researcher the advertisement reawakened knowledge of woollen blanket brands. *'Roslyn'* had been a brand of Mosgiel Woollen Mills, which went into liquidation *circa* 1980. Research to track *'Onehunga'* resulted initially in no leads, but enquiries through local department stores led to Alliance Textiles Limited which took over some of the Mosgiel operations. Contact made with the marketing manager of Royal Wool Bedding systems at at Alliance Textiles Limited led to the modern *'Royal Wool'* story [refer **Appendix 1.III:**].

2. One aspect of research concerning the influence of trade marks on accountants' brand perspectives focused on trade mark legislation. Changes in legislation created impressions that trade mark legislation more closely follows contemporary commercial practice [refer 4.4.3, *supra*] than the present fit of financial accounting and reporting with commercial operations. Examples are recent changes in trade mark legislation - the extension to service marks and replacement of *'mark'* with *'sign.'* [refer **Appendix 4.XIII:** *Trade Mark Legislation*]. Internationally, the emerging importance of intellectual property is observed by the legal text of Simensky et al. (1994) [refer 4.2.4.1, *supra*].

> *In sharp contrast to its prestige in legal circles, intellectual property and its potential value have until recently evoked relatively little interest in or appreciation within the financial markets. This attitude shifted radically in the 1980s as bankers and business persons came to acknowledge the significant value represented by intellectual property.* (Simensky and Gootkin, in Simensky et al., 1994, p.453).

### *5.3 Transcription of Tapes and Validation*

In this subsection, processes of interview tape transcription and returns to respondents are described. Execution of almost all the primary level fieldwork took place before analysis began [6] [refer 2.3.1, *supra*].

After the majority of the interviews were completed, the interview tapes were transcribed professionally. Mistakes in content - misspelt brand names, for example, and words miss-heard (*'mature'* instead of *'immature'*; *'tangible'* instead of *'intangible'*; *'thirty'* instead of *'thirteen'*) necessitated a thorough check and retype of every verbatim transcript. There were two bonuses: firstly, a thorough immersion in the data at this point by the researcher/analyst - an immersion that has resonance with views of ethnographic and qualitative research authors (Spradley, 1979; Riley 1990); [refer 5.4.1, *subter*]. Secondly, the opportunity to review the style and setting out of the write ups to be sent in duplicate to respondents, was made available.

The verbatim write ups were made carefully from the interview transcripts. The writeups were segmented by discussion points, which, while derived from the question schedules [refer **Figure 5.2**:], were moulded by the transcript content, group by group. Confidentiality and anonymity were stressed in both the covering letter and the writeup introduction [**Appendix 5.II:** *Letter to Respondent (Example One)* and **Appendix 5.III:** *Write Up Presentation Cover*].

Two copies of the interview write up were posted to each respondent, the duplicate copy for validation and return. The validation measure was derived from the fundamental research design. At the time of posting, the researcher telephoned each respondent, explaining the return procedure. The telephone calls reinforced the return requests, and, except for three duplicates, the copies were returned. With a few respondents, repeated calls were required to obtain return[7].

### 5.3.1 *Further Formats Sent*

The return of the written up interview material presented an opportunity to send also short focused questionnaires to respondents in particular groups [refer 5.2.1, *supra*]. In the accompanying letter [**Appendix 5.IV:** *Letter to Respondent (Example Two)*] an appreciative request was made to the respondent to complete the enclosed questionnaire. During the time that these initial processing steps were taken, one further taped interview was also undertaken on specific aspects which had emerged, and some other specific areas were researched using questionnaires[8].

### 5.3.2 *Duplicates Returned - Observations*

Negative reactions of some marketing field respondents to verbatim tapes were noted. Initial researcher reaction was surprise, because such people use market research, and are therefore interested in how people appear and react. But marketing people are also image creators, which may explain their reactions. Secondly, there were comments about the lack of eloquence, and requests for cosmetic changes.

***Empirical Field Example 5.1***[9] -

> **Respondent:** I never knew just how ineloquent I could be [ ....].
> **Respondent:** I also note that, just as we find when transcribing interviews, spoken language is horribly less fluent and competent looking than written. I trust that if you were to quote me, you would do me the favour of some tidying up/editing [ ....].

There were no deletions in the accounting/finance tapes returned, but noticeable deletions to tapes were made by marketing personnel. The changes made may have reflected sensitive commercial information, which in retrospect was better left unsaid. However, given the interest of marketing personnel in people's attitudes as consumers, the extent of changes and the discomfort with verbatim material was surprising.

## 5.4 *Analysis Processes*

In this section, the steps of analysis set out in **Figure 5.2:** are discussed individually. The process was accomplished using Lotus 1-2-3 spreadsheets. The potential for using a computer programe was investigated. Two programmes were intially investigated - *'Text Based Alpha'* and *'Nud.ist'*. For each programme some framework or understanding of the content of the data material is necessary. As the study is exploratory and seeking peoples' interpretations, there was no initial framework upon which to negotiate the understanding, beyond the structures of groups and fields, and the very general question schedules. Discussion with sociologists and a psychologist who had experience of the programmes indicated that, without a

framework, extensive initial rummaging in the data is necessary[10]. The decision was made to take an *'organic'* approach (McCracken, 1988, p.47), and proceed with the analysis without a computer programme.

### 5.4.1 *Analysis Process: Discussion*

As stated, there was no *a priori* specific framework to structure analysis of the data. Equally, there was no zero based beginning. The analysis phase brought together a multiplicity of strands, which could be grouped into three major components. Primacy lay with the interview data, but also contributing were the interview question schedules informed by the thick descriptions built in chapters 3 and 4 [refer 2.3.2.2, *supra*]. Influence was also derived from the researcher. Power (1991, p. 334) argues that the status of the autobiographical perspective is as good as that of participant observer. Naturalistic inquiry presumes heavy reliance upon the human as instrument (Lincoln et al., 1985, p.250) [refer **Characteristic 2, Appendix 2.II:**]. The importance of the human role is presumed also with ethnographic methods (Spradley, 1979; Fetterman, 1989; Power, 1991); [refer 2.3.3.2, *supra*].

> *... the role of the researcher as active participant in the research process becomes clear. He or she is the research instrument* ***par excellence****. The fact that behaviour and attitudes are often not stable across contexts and that the researcher may play an important part in shaping the context becomes central to the analysis. Indeed it is exploited for all it is worth* (Hammersley et al., 1983, p.18). (Emphasis in original).

In contrast to the enthusiasm of Hammersley et al., (1983), McCracken (1988) emphasises the pragmatic and constructive potential of the researcher's experience.

> *There is no crude transfer from the investigator's experience to that of the respondent. On the contrary, the investigator's experience is merely a bundle of possibilities, pointers, and suggestions that can be used to plumb the remarks of a respondent* (McCracken, 1988, p.19).

The process of analysis moves from data as ideas embedded in the individual transcripts, through intermediate steps, to more generalised observations across

numbers of interview data sets (McCracken, 1988, p.42). Fetterman (1989) argues that there is no single form, or stage, in ethnographic analysis.

> *Multiple analyses and forms of analyses are essential ... . Analysis is iterative and often cyclical* (Fetterman, 1989, p.103).

During stages of the analysis, there is potentially further contribution from the prior chapters of thick description. This contribution comes through checking whether there exists correspondence between the empirical interview data with issues examined in the building of thick descriptions. The process of analysis is set out in **Figure 5.2** (*supra*). Both **Figure 5.2:** *Overview of Analysis Plan,* and **Figure 1.1:** *Design of the Study* (in the first chapter) indicate the flows from prior chapters into the analysis at initial and later developed stages. Overall, the process is loosely based on the five-stage analysis process of McCracken (1988).

> *There are five stages to the analysis process. Each of them represents a higher level of generality. The first stage treats each utterance in the interview transcript in its own terms, ignoring its relationship to other aspects of the text. The treatment of each useful utterance creates an observation. The second stage takes these observations and develops them, first, by themselves, second according to the evidence in the transcript, and third according to the previous literature and cultural review. The third stage examines the interconnection of the second-level observations, resorting once again to the previous acts of literature and culture review. The focus of attention has now shifted away from the transcript and towards the observations themselves. Reference to the transcript is now made only to check ideas as they emerge from the process of observation comparison. The fourth stage takes the observations generated at the previous levels and subjects them, in this collective form, to collective scrutiny. The object of analysis is the determination of patterns of intertheme consistency and contradiction. The fifth stage takes these patterns and themes ... and subjects them to a final process of analysis* (McCracken, 1988, p.42)

The process, as it is applied in this study, is further informed by the explication of qualitative research and analysis of Spradley (1979); Lincoln et al. (1985); Fetterman (1989); and Riley (1990). Riley stresses the need for immersion in the data, observed as a *'time honoured'* ethnographic approach (Spradley, 1979, p.190).

> *The ethnographer who has not gone to to live in another society for a year or two can still make use of this strategy. For example, if you*

> *have been conducting interviews each week over a period of several months, you can take a day or two to spend entirely on reviewing the data collected ..... After several intensive days, new relationships will emerge that a superficial acquaintance with a cultural scene can never give* (Spradley, 1979, p.190).

The manner in which the steps of the process were integrated, required access to each full tape on three occasions. These times were, firstly, when the transcribed tapes had to be fully retranscribed and attractively set out for return to respondents. Secondly, there was a double process. When the duplicate write ups were returned, each was checked for alterations - and therefore fully reread. At this point - as a separate step - each tape was felt pen underlined. Thirdly, when the duplicate copies were loaded into spreadsheets they were again fully perused. Because there was no *a priori* framework beyond the groups and fields, each tape was fully and thoughtfully examined. Thus the immersion in the tape data (emphasised by Riley (1990) and Spradley (1979)) was executed. The process steps are individually described in the following sub-section.

### **5.4.2** *Question Schedules: Development to Themes*

This sub-section examines firstly, the nature of the interview questions, and secondly, the processual development from questions to themes. The creation of the question schedules, used in the interviews, was driven by a focus on the (then forthcoming) interviews [refer 2.4.2, *supra*]. The question schedules were therefore generalised, although some were specific and descriptive as to functional aspects. Two reasons structured the generalised approach. Spradley (1989) explains that -

> ..... *ethnographic interviewing involves two distinct but complementary processes:* ***developing rapport*** *and* ***eliciting information*** (Spradley, 1979, p.78). (Emphasis in original).

The interpretive and ethnographic basis of the research means there can be no prior framing of answers through questions asked. Asking specific questions structures replies. It also, more broadly, has a segmenting or directional effect by making more visible that which is asked [refer end note 3]. Spradley (1979) observes of general descriptive questions:

> *Descriptive questions aim to elicit a large sample of utterances in the informant's native language. They are intended to encourage an informant to talk about a particular cultural scene* (Spradley, 1979, p.85).

Theoretical discussion of field interviews and question schedules is presented in chapter two [ refer 2.3.3.4, *supra*].

**5.4.2.1** *Development to Themes*: In the production of verbatim write ups, the underlying focus was moved from the questions to the emergent discussion points, which were worked to have resonance, effectively group by group, with the write ups. This step was perceived as beginning to privilege the data as the main focus. Thus the interview questions were reviewed against the individual transcripts on a group by group basis, so that the original questions were worked through and recast as discussion points, relevant to the data of each group.

Subsequent to this step, the discussion points were further worked through, and regrouped to become theme categories. The process moved the questions/discussion points away from the individual schedules to create emergent sets of themes, one for each field, marketing and accounting/finance. Again this further elaboration was informed by reflexive referencing between emergent themes and the tape data (undergoing simultaneous processing - as demonstrated in **Figure 5.2:**).

Integral to this referencing process were elements of winnowing (again on a group by group basis), to gain the essential character of each group's perspective. Overall the focus was moving away from individual sources to placement of data in a group frame, within the particular fields.

In this manner, working group by group, and finally with each field, sets of themes were developed iteratively from the original question schedules. While the themes evolved from the question schedules, they became mediated through the tape data. This reflexive process resulted in emergent themes which have resonance not only with secondary sources, but are culturally resonant firstly with the groups, and at a more general level within the fields, giving shape to an emergent range of perspectives.

### 5.4.3 *Stages in Analysis of the Tape Data*

In this subsection, the stages of analysis are individually identified and discussed. The overall design of the fieldwork was loose, in that there was no specific construction beyond the generalised question schedules. The only existing structure for the analysis was provided by the substantiated fields and the reference groups which are basic assumptions of the study, and are derived from initial conceptions for the research [refer 2.2.3; 2.2.4, *supra*]. The stages of analysis are developed from the McCracken model (1988); they are encompassed in steps numbered (1) to (5) in **Figure 5.2:** *Fieldwork and Analysis Steps.* The stages are analogous to McCracken's five steps [refer 5.4.1, *supra*].

**5.4.3.1** *Spreadsheet Basis*: Spreadsheets were used to display the data taken from the individual duplicate writeups that were returned. Reference to **Figure 5.2:** indicates that spreadsheets became operative between steps (2) and (3) and at the reloading (3) to (4). Rather than a cut and paste programme, a reloading was effected. In some instances photocopied spreadsheets were reformed as the new (reloaded) stage.

A particular feature of the analysis was the *'back'* spreadsheet. This further spreadsheet was set up to operate as an immediate access reference sheet during the analysis process. The spreadsheet is illustrated as the *'back sheet'* in **Figure 5.2:.** It was fed into during analysis processes at stage (2) and at stage (3). The back spreadsheet was loaded throughout stages (2) and (3) and operated as a catchall for occasional referencing. In practice there were two *'back'* spreadsheets, one in operation during analysis of marketing duplicates data; and the second in operation during the analysis of accounting/finance duplicates data. The spreadsheet format was appropriate as it allowed unlimited expansion. The respondent/firm was entered on the 'y' axis and subjects were expanded across the 'x' axis. A final column was used to enter unclassified 'other' material[11].

***Example from Analysis 5.1 -***

> The *'back'* spreadsheets proved invaluable for referencing recurring phrases and words. In working through duplicate data sheets validated by eight corporate finance personnel, the phrase *'strengthen the balance sheet',* or similar phrasing, recurred. The expression was

> also used by an analyst. Particular word uses that were noted were firstly, use of the word *'heritage'*. Strong brands were characterised as developing a *'heritage'* over time. The word was used by many respondents; it appears in authorised quotations from very diverse respondents in the marketing field [refer chapter six - 6.36; 6.53; 6.58, *subter*]. Similarly *'nurture'* was used of caring for the brand [refer chapter seven - 7.33; 7.47, *subter*]. Auditors and regulators talked of being *'comfortable'* with reported figures [refer chapter seven 7.45; 7.77; 7.80; 7.118, *subter*]. For each strand of references, the ability to switch effortlessly between spreadsheets was a bonus.

As **Figure 5.2:** indicates, the *'back'* sheet fed out into stage (5), when the group case notes were developed, and finally into the creation of the text.

**5.4.3.2** *Tapes to Writeups:* The first stage of transcription, write up and return to the respondent, is set out above [refer 5.3, *supra*]. It is step (1) in **Figure 5.2:**. At this point the questions were reworked against the data and recast as discussion points.

**5.4.3.3** *Returned Duplicates Felt Penned:* When the duplicate copy of each write up was returned, it was reread and photocopies were made from this copy, to ensure that any changes made by respondents were carried forward. This level of work corresponded to McCracken's first level of analysis [refer 5.4.1, *supra*]. However, in contrast to McCracken's referential use of the literature at this point, the literature and issues from the chapters of thick descriptions were not specifically introduced as part of the step. A focus which concentrated on the data yielded by the field groups (to gain immersion in the data) was the primary concern. But, the knowledge and understanding of the analyst/researcher was informed by the literature and life experiences - to that extent, the cultural and contextual material built in the chapters three and four had indirect influence in this stage of analysis [refer 5.4.1, *supra*].

One copy of each returned writeup was read, and ideas and sentences were underlined with various colours of felt pen. The process was undertaken group by group, within the particular field. Grouping in this manner allowed for contrast and similarity between the individual data sets to start emerging and melding. The schemata were purposely kept simple at this initial level. In working through the write ups, incorporation of the discussion points was necessary, in order to prepare for loading into spreadsheets. From the original schedules, specific questions took on less/more importance as they were worked against the data, and ideas emerged

from the data. In working through the duplicate write ups, the significance of distribution became apparent.

***Empirical Field Example 5.2 -***

> Distribution: in some interviews, specific references were made to the crucial importance of distribution for successful operations. The observations were introduced and explicated by diverse respondents. General references were made by two respondents - an advertising agency respondent, and an analyst. Two chief executives specifically discussed their views of the crucial contributions of distribution. Two corporate finance managers also made specific observations on distribution.
>
> **Respondent:** Well I don't see the brand as actually being necessarily distinct from the business, It is just one aspect of your business. Like you've got ... in our industry ... you've got to have a distribution system. If you don't have a distribution system, you are not there [A/F. Int. 7].

By working between discussion points and text, some new categories were added, and some discussion points were disaggregated into constituent categories, because the lower levels of meaning were more appropriate to the data for some groups. For example, in the accounting/finance groups, disaggregation of the financial reporting and financial markets areas was perceived necessary to capture diverse attitudes of particular groups. From this workout a more detailed frame emerged for loading into spreadsheets.

***Example from Analysis 5.2 -***

> The process of analysis has an expansionary dynamic as the tape data is deconstructed. The domain of financial reporting is an example. Original questions concerning aspects of reporting asked generally about '*financial reporting*' and '*accountability*' (auditors' question schedule); *'accountability', 'annual reports constitution'* and '*relations with financial institutions*' (corporate finance personnel's question schedule). Further themes were developed though the analysis steps. Emerging themes which had meaning and resonance in the data analysis were *'financial markets research', 'financial markets relationships'* and '*financial pages*'.
>
> The expansionary dynamic later turns and recedes as the steps of text creation take over. In this stage, the focus of the study and the central research questions come sharply into view and the themes are reworked and winnowed in iterative steps within the narrowed focus. In the above example the *'financial reporting'* theme became the central focus.

**5.4.3.4** *Loading into Spreadsheets*: In **Figure 5.2:** the duplicate copies were loaded

into spreadsheets at the stage (2). After loading, the spreadsheets were again reviewed (stage (3)). Each group was loaded serially in individualised respondent columns across the spreadsheet. Specific sentences and paragraphs, which had been marked as pertinent to the evolving themes, were loaded. In the relevant passages, the entire material was loaded verbatim. Any area that may have been of interest in more than one area was reloaded as appropriate. During the loading process, the *'back'* sheet was set up [refer 5.4.3.1, *supra*] to facilitate referencing of ideas and any item remarked upon. Once a group was loaded, the pages were printed out - on A3 sheets for greater legibility.

The reading and checking process, with the felt tipped pens, was recommenced with the spreadsheets. At this stage the material was still within the particular data set, so that there was still an awareness of individual origins in the analysis process. The stage is analogous to (but not totally identical with) McCracken's second stage.

**5.4.3.5** *Refocusing from Sources to Themes*: This stage is numbered (4) in **Figure 5.2:.** The spreadsheets, which had been worked through in steps (2) and (3) [refer 5.4.3.4, *supra*], were reviewed and the themes were re-examined. At this point the focus was moving onto the emergent theme material, which was extracted from the interview data sequences. The individual themes were gathered together for each group. The focus on themes corresponds to McCracken's stage three. Patterns were appearing among the different groups - both occurrences and lack of occurrences could be observed in the spreadsheets. Through the process, as group perspectives emerged, their diversity and similarities were becoming apparent. Differences, occasional thoughts, and surprises were noted on the *'back'* sheet. During this stage the images from the thick description chapters were brought in.

***Example from Analysis 5.3*** -

> Questions on the marketing/research and development interface came into the analysis from the question schedule for marketing personnel. From the literature there is conflicting evidence of this interface [refer 3.4.3.5, *supra*]. The area became an emergent theme of interest as the analysis developed. The emphasis on product development and innovation appeared as a key area for successful brands, highlighting the need for high levels of integration inside the manufacturing company between marketing and research and development functions.

**5.4.3.6** *Working to Case Studies:* In this stage, the data was arranged in themes. There was an overall group framework. Still employing the reference group structure, the material was packaged as individual case studies. There were seven studies in the marketing field, and nine studies in the accounting/finance field. The stage is shown as number (5) in **Figure 2:.**

Use of case studies is part of the naturalistic paradigm structure [refer **Characteristic 10, Appendix 2.1:**]. The format of the cases evolved as a generalised introduction, common theme discussion, and group perspective themes. The introduction outlined the group and its contemporary position within the particular field dynamics. A brief description gave the manner in which interview access was effected. Next, the case format was framed by the themes which had emerged from the analysis [refer 5.4.2.1, *supra*], and were still characterised as group relational themes in the particular perspective taken. As such, the themes were integral to the perspectives of multiple realities. Manner of presentation was a discussion which highlighted significant individual perspectives of the group on common themes of the field; and secondly, reporting of the significant individual group themes. Illustrative quotations were taken from the validated verbatim writeups.

In this case writing stage, all the marketing groups were written serially, and then all the accounting/finance group cases. By concentrating on one field at a time, the focus was moving around the field groups and the differing dynamics of the field relationships were brought to mind [refer **Appendix 2.II:**].

## 5.5 *Written Chapters*

The process, from case studies to created and completed chapter texts, continued iteratively. Each group case study was conceived as a separate facet of the particular field. The case studies provided the basis for the next step, which initially, was intended as constitution of chapter six and chapter seven. In retrospect, the step became informal working papers, and a further iteration shaped the substance of the chapter texts. The iterations, which implicated both content and themes, are shown at the base of **Figure 5.2:** *Fieldwork and Analysis Steps.*

### 5.5.1 *Reworking of Themes*

This sub-section outlines the steps in the development of the conceptual themes which frame the field reports in chapter six and chapter seven. The themes which emerged from the analysis to frame the case studies were grounded in the fields, with immediacy for the individual groups.

The themes can be grouped into three category areas. Firstly, themes concerning brands; secondly themes concerning aspects of corporate culture and brands (marketing field), or themes concerning financial reporting and brands (accounting/finance field); and thirdly, the particular group perspective themes. Within the brand focused themes, three perspectives were developed as having significance for the study. These were, firstly, concerned with brand natures, reflecting the research question *'What is a brand?'*; secondly, brand valuation; and thirdly, a generalised concern with brands and value. In the field reports and in the interpretation, *'Brands and Value'* is given primacy to establish, from the perspective of financial reporting, that brands are perceived as significantly valuable resources. Respondents' perceptions of value establish brand materiality in a financial reporting context for the research question *'How do brands fit with financial reporting?'*

In the iterations from case study to completed chapter, the themes were reworked at each step to become conceptual themes of the fields. The steps are now briefly outlined.

**5.5.1.1** *Working Paper - Themes:* The individual group case studies were written to fully encompass the analysed group material. In working from case study to working paper, the focus was narrowed and some material was excluded. In this winnowing process, the themes were first examined relative to the interpretative aims of the study. All the themes of the field's groups were brought together (each field separately) in a spreadsheet list. Winnowing took place, across the spreadsheet, by amalgamation and discarding, to emerge with sets of broad conceptual themes for the marketing and accounting/finance fields.

**5.5.1.2** *Working Paper to Chapter Text - Themes:* In the iteration from working paper to creation of chapter texts, the themes were further worked to become

chapter themes, which frame the reports in chapter six and chapter seven. Major changes were made in compacting the group perspectives. The substance of the changes are set out at the commencement of the respective chapters [refer 6.1.2; 7.1.2, *subter*].

### 5.5.2 *Case Studies to Working Papers - Text*

Chapter text creation was iterative. The completed case studies were conceived initially as the basis for the chapter texts. In practice, the case study and informal working papers provided further iterations from the analysis to the chapter texts. **Figure 5.4:** *Marketing Field Working Paper* and **Figure 5.5:** *Accounting/Finance Field Working Paper* (on the next two pages) are representative of the papers.

Content of the papers was drawn from the case studies. Selection was framed by the themes [refer 5.5.1.1, *supra*]. The papers were structured in three sections. In the marketing field papers, the structure was firstly, brand interpretations; secondly, themes of corporate culture and brands; and thirdly, individual group perspectives. In the accounting/finance field papers, the structure was firstly brand interpretations; secondly, various aspects of financial reporting; and thirdly, individualised group perspectives. In writing the papers, quotations were taken from the case studies, and further quotations were added as illustratively appropriate.

### 5.5.3 *Authorisation of Quotations*

Respondents' quotations make an important contribution to this study. Each quotation is personal to the respondent. Quotations are part of the field data, and they provide a dynamic link in the finished text back to the multiple realities of the fields. Verbatim quotations allow the reader access to the reality of the field (Fetterman, 1989); [refer 2.3.1, *supra*]. The study set out to gain understanding of the ways in which business people in marketing and accounting/finance worlds perceive and understand brands and financial reporting. The verbatim data quotations provide not only an illustrative link, but direct expressions, eclipsing the researcher.

**FIGURE 5.4:**

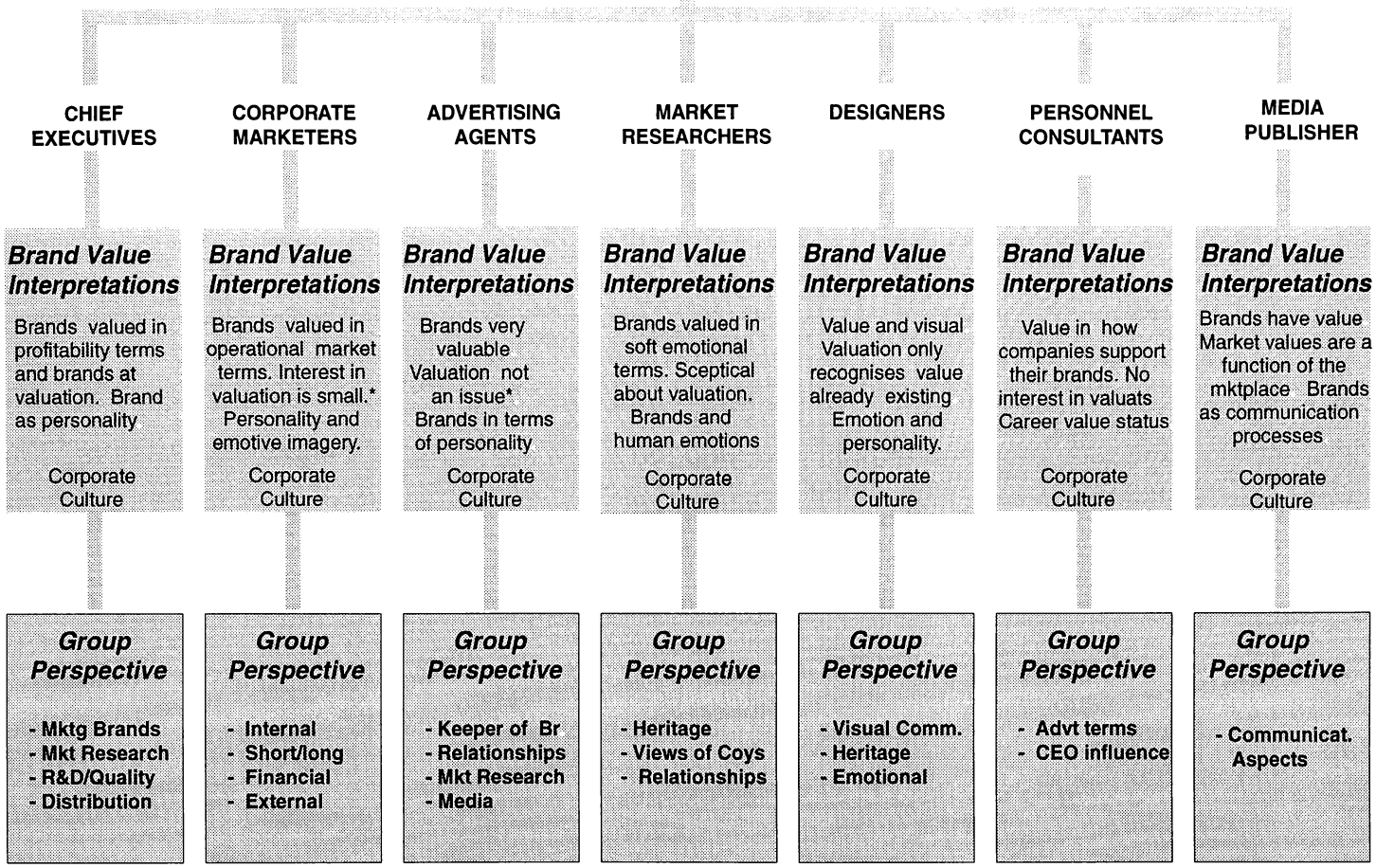
*Brands - Working Paper Representation*

**MARKETING FIELD**

# BRANDS

## *WORKING PAPER REPRESENTATION*

## *Marketing Field*




*Valuation seen as applying on sale/acquisition of company.

**FIGURE 5.5:**

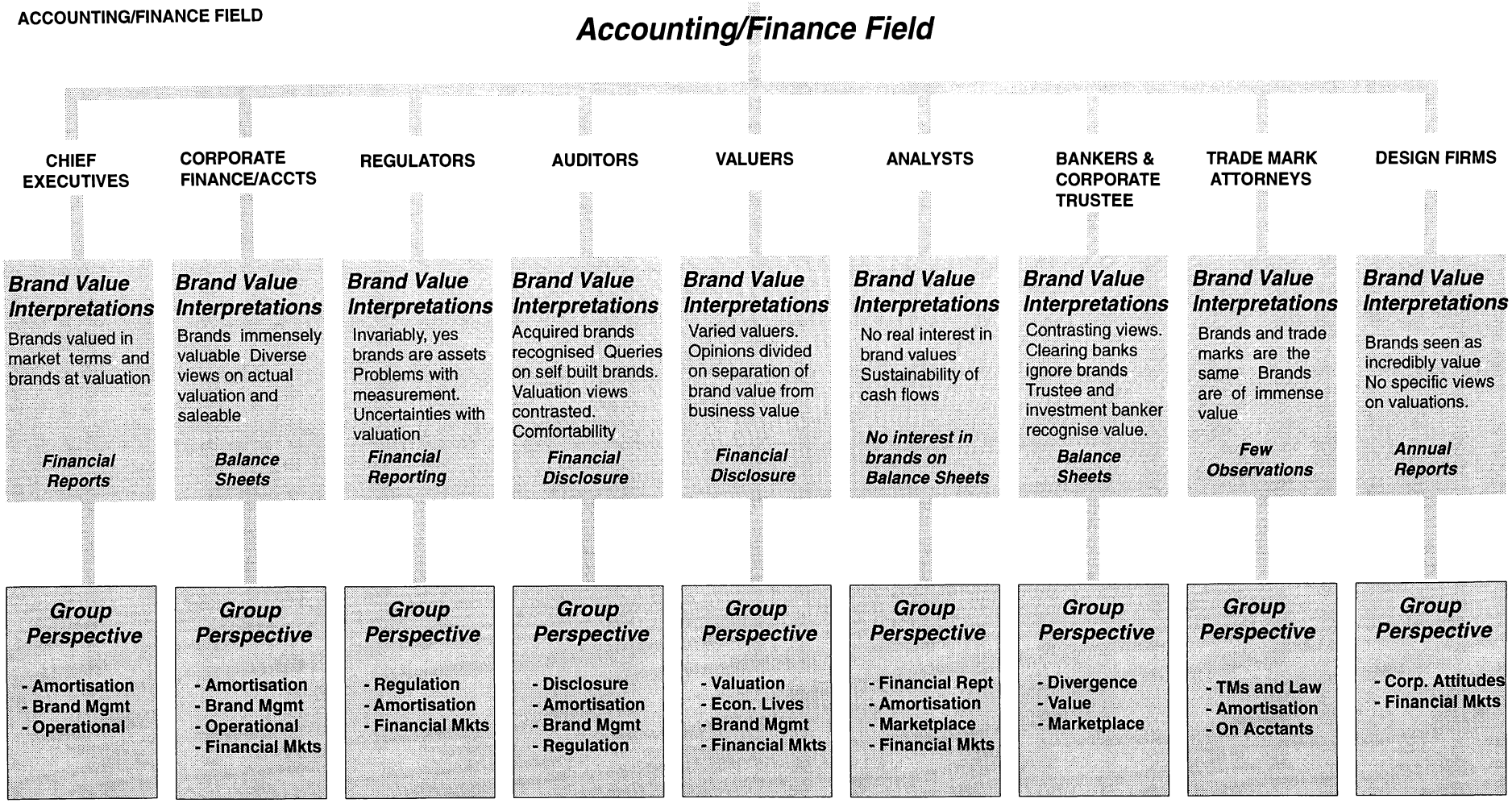
*Brands - Working Paper Representation*

**ACCOUNTING/FINANCE FIELD**

# BRANDS

## *WORKING PAPER REPRESENTATION*

## *Accounting/Finance Field*



At this stage, the quotations used in chapter texts were returned for authorisation by respondents. Pages of the text (at working paper level) were printed referencing all quotations on the page, but printing only the quotation(s) of the respondent[12]. A reference list was also sent indicating the level of anonymity intended. Also returned for authorisation were all *Empirical Field Examples* which were constituted by direct quotations, five appendices, and one end note. Again, a telephone call was made to request return, and appreciation was expressed. Examples of letters sent with the quotation page(s) and further requests for quotations are given in **Appendix 5.V:** *Letters For Quotation Authorisation.* The attention given by respondents was appreciated. The authorisations of respondents' verbatim quotations were given for use in this thesis only.

### **5.5.4** *Chapter Texts*

In construction, the informal working papers became unwieldy in size and lacked crispness. To shape the chapter texts, the construction of the working paper was reviewed, and the themes reworked [refer 5.5.1.2, *supra*]. The aims were reduction in bulk size and clarity with simplicity - aptly described by McCracken -

> *What has been allowed to multiply profusely must now be harvested and winnowed* (McCracken, 1988, p.46).

Greater difficulty was experienced with the accounting/finance field. In going from seven groups (marketing field) to nine groups in the accounting/finance field, the addition of two groups seemed even greater in bulk dimensions. The creation of the chapter texts is detailed in the respective chapters six and seven.

The research for this study is based in *'using ethnographic methods'*, and the ethnographic importance of text creation is recognised as part of the project. Van Maanen claims that ethnographies are received in their respective fields in different ways.

> *In sociology, ethnography is regarded as a low budget, modest, somewhat odd, but more or less respectable product that is rather peripheral to the field and its goals. In anthropology, ethnography is the field, its central rationale for being* (Van Maanen, 1988, p.22).

How such studies are received in accounting is unknown to the researcher. Where studies have been carried out, the interest appears more on the forms of qualitative research than evaluation of the resulting texts [refer chapter 2, *supra*].

Ethnographers' concern with the structuring of the text is evident with numerous authors (Marcus and Cushman, 1982; Van Maanen, 1988; Atkinson, 1990). Emphasis is given to descriptive interpretation and conscious construction. The text is not merely a retelling of field conditions and experiences (Marcus and Cushman, 1982, p.26). For Atkinson, there is a reflexive awareness of the writing itself in the creation of the text (Atkinson, 1990, p.180). Van Maanen (1988) observes that while an ethnography may be crammed with details and facts, there must be an interweaving (ibid.) to provide overall shape. In this study, the underlying interest is in the nature of brands as constructs. Respondents' perceptions of value are important. Through the exercise of researching brands as constructs, insights are gained also into the constructed nature of financial reporting. There is the researcher's underlying fascination with the multiple realities evidenced in very different group perspectives of brands, which are different *'ways of seeing'* (Shibutani, 1955; Berger and Luckmann, 1966; Hines, 1988, 1991).

## 5.6 *Chapter Summary and Conclusion*

This chapter presented the format for the analysis and development of the tape data from the field interviews. It outlined the manner in which the analysis process interactively developed the question schedules and field data. **Figure 5.2:** *Fieldwork and Analysis Steps* is a representation of the chapter's iterative processes. It delineates the steps of the later stages of fieldwork; the analysis with development of conceptual themes; and creation of the chapter texts. Further communication with respondents is outlined with return of verbatim write ups and later return of quotations for authorisation. Richards (1993) observes that qualitative theories do not just emerge spontanteously. The *'fingerprints'* of the researcher should be acknowledged through clear explication of the methods (Richards, 1993, p.41).

The analysis yielded the reports which form the basis of chapters six (marketing field) and seven (accounting/finance field). From these reports, the interpretation (in chapter eight) is developed, encompassing also cultural material from thick

contextual descriptions developed in chapters three and four. In chapter six and chapter seven, the conceptual themes are the categories for reporting group interpretations. Most reports are supported by verbatim quotations, to add dimensions of direct understanding. The quotations bring the multiple realities of the respondents directly into the text.

Concluding chapter six and chapter seven are refinements of the themes and extensive summaries. The summaries are taken forward as material for chapter eight, which presents the focal interpretation of the study encompassing material from the reported empirical analyses, from the extensive thick descriptions in chapters three and four, and introductory material.

1. McCracken (1988) argues from an anthropological perspective that the discourse of the respondent is the total focus. However, in the present study the multiple realities are dynamic and value laden. There is information in the group affiliation of the respondent, because it potentially indicates a particular perspective. For example, within the marketing domain, the market researcher is differently oriented, dynamically, from the advertising agent (refer **Figure 2.3**; **Appendix 2.II:**). An example from the accounting/finance field can be seen in the potentially different views of the corporate finance manager and the regulator (refer **Figure 2.4**; **Appendix 2.II:**). It is also apparent in quotations in chapter seven [refer 7.27; 7.114; 7.153; 7.157, *subter*]. Therefore, in this study, the groups have potential for adding meaning.

2. This incommensurability was felt by the researcher in interviews with analysts. There appeared a lack of fit between accounting based constructs and the perspectives of analysts in many interviews. It is apparent in some quotations brought into chapter seven [refer 7.132; 7.133; 7.134; 7.135, *subter*]. This feeling of incomensurability is also explicated in sub-section 5.2.2 of chapter five.

3. In quantitative research using questionnaires, the questions have central place as the instrument of research. The questions may be well researched. The questionnaire may be given pilot testing. In qualitative research, the understanding of the respondent has primacy. Obviously any pilot testing may have little consequence when the research domain has multiple realities. In this project, the questions were planned to ensure generality. Some questions were functional. As emphasised in chapter two, the question schedules were viewed more as reassurance to the potential respondents and as a means of gaining interviews, rather than a pre-set structure.

4. The Chief Executive group consists of five interviews. Two interviews were specifically oriented to marketing material. Three interviews are more management in content. In the latter three interviews, the content is drawn upon for marketing perspectives, but the interviews are classified as accounting/finance field interviews. The two marketing interviews are not drawn upon for the accounting/finance material.
The design group is part of both the marketing field (brand signage and packaging) and part of the accounting/finance field (annual report design and other corporate identity imaging). The design firm respondents were interviewed twice - once concerning brands, and once concerning annual report constitution.

5. The research aimed to gain understanding of how business people perceive brands and financial reporting. This aim necessitated an open and unstructured approach to the fieldwork. With lack of structure, many research aspects were of interest. The field research therefore was of an expansionary nature, it generated a huge amount of data. In creating the text many sub-areas became peripheral to the central focus. Such areas are noted in the study

as having potential for research, but the areas are closed from this study. Often the areas appear as research topics in themselves. '*Revaluation and review*' is an example of such an area.

6. The majority of interviews were conducted prior to processing the data. The research was exploratory, and processing of data during interviews would have further informed the researcher. This was recognised by the researcher when circumstances made possible one much later interview. The potential interview had been previously refused by a 'gatekeeper'. On reflection, the later interview, although using the same question schedules as previously, was much more focused. There was less general discussion of a totally unfocused nature; but there was general discussion on more specific topics. In retrospect, and given the opportunity for contrast, the interviews over the seven months from September 1994 to March 1995 are broader and more unstructured in the conduct of the interview and the interview content.

7. After numerous telephone calls, three write up duplicates were unreturned. As the arrangement was that any verbatim quotations would be returned for authorisation, it was decided not to pursue the outstanding material, but to ensure that any quotations from these respondents were authorised. This was subsequently achieved. The approach succeeded in maintaining pleasant relations with the respondents, evidenced in some light interchanges by telephone.

8. Questionnaires were used because the area of focus was more specific, and because of time factors. Questions were kept general, and comments requested.

9. The comments were returned with write ups. They have not been returned for authorisations.

10. Three major discussions on the analysis of the data took place. The first was a one hour discussion with Associate Professor David Swain and Dr Judith MacDonald of the department of Sociology and Social Anthropology, University of Waikato. A second one hour session to discuss the potential for the Nud.ist computer application was with Ms Heather Hammerton, assistant lecturer in psychology, University of Waikato. At the time, Ms Hammerton lectured on Nud.ist applications. It was decided that the work undertaken in rummaging through the data gave as good or better knowledge of the data than using a computerised application. A further half hour discussion on the methodological steps of analysis was held with Associate Professor Swain. The written chapter was reviewed with Associate Professor Stewart Lawrence of the department of Accounting, School of Management Studies, University of Waikato.

11. The accounting/finance reference spreadsheet printed out to a printout which is seven A4 size sheets wide and 3.5 A4 size sheets deep. Type size is 6 point. The marketing printout is smaller.

12. Among respondents contacted for authorisation of quotations were three respondents who had not returned verbatim write ups, despite a number of telephoned requests. Each respondent returned the quotations with authorisation signatures [refer current end note 6, *supra*].

# 6.0 CHAPTER SIX: *REPORTS - THE MARKETING FIELD*

[6.1]

> *I think a product is a very basic commitment. It does not give you any assurance of say, longer term support from the consumer. And it is the consumer in the end who gives you business. I believe that that is where the brand comes in. You create a personality, create imagery that people relate to* [M. Int. 22].

## 6.1 *Introduction*

The focus of this study is on manufacturers' consumer goods brands and the financial reporting of such brands. Brands and financial reporting are both social constructs which derive their existence and meaning from current uses/roles in contemporary society. The research questions ask *'What is a brand?'* and *'How do brands fit with financial reporting?'* The thesis explores the nature and values of brands in the views of business people who create and manage them; and views on brand reporting in the observations of people involved directly and indirectly in financial reporting. The particular *'brand'* focus of the study is manufacturers' consumer goods brands.

The empirical research was designed to gain understanding of how business people involved with consumer brand constructs and financial reporting constructs comprehend them. Basic structures of the empirical framework were the fields of marketing and accounting/finance; and within the two fields, the differing business groups [refer 2.2.3; 2.2.4, *supra*]. The study makes the assumption that groups provide perceptual frames of reference in defining situations. Shibutani (1955) observes -

> *... perception is selective; that the organisation of perceptual experience depends in part upon what is anticipated and what is taken for granted. Judgements rest upon perspectives, and people with different outlooks define identical situations differently* (Shibutani, 1955, p.564).

The ideas advanced by Shibutani range across groups and culture as collective

referencing of particular outlooks. Conflicts of meaning between different *'actor types'* are discussed by Berger and Luckmann (1966, pp.102-105). Similar observations are made by Taylor (1970, p. 52).

In chapter five, the analysis of the field data was explicated. Integral in the analysis was development of themes [refer 5.4.2.1; 5.5.1, *supra*]. Iterative steps which constitute the bridge from tape data analysis to chapter text construction were outlined in sections 5.4 and 5.5 of chapter five.

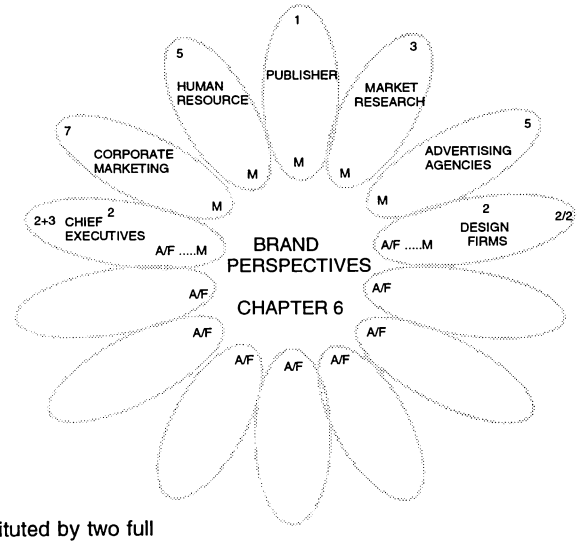
Reports from the empirical analysis are now presented. This chapter, chapter six, is concerned with the interpretations of respondents in the marketing field. The next chapter, chapter seven, reports views of respondents in the field of accounting/finance. In creation of the chapters, the quotations reproduced are numbered for referencing purposes within the study. At the end of chapter six and of chapter seven, long chapter summaries review the respective chapter reports.

### 6.1.1 *The Marketing Field*

The marketing field is constituted by seven groups for the purposes of the study [refer 2.2.3; 2.2.4; 2.3.3, *supra*]. **Figure 6.1**: *Groups in the Marketing Field* sets out the groups and the numbers of interviews in each group.

**FIGURE 6.1:**
*Groups in the Marketing Field.*

| GROUP | NO. OF INTERVIEWS |
|---|---|
| Chief Executives | 2+3* |
| Corporate Marketing Executives | 7 |
| Advertising Agencies | 5** |
| Market Research Firms | 3 |
| Design Firms | 2 |
| Human Resource Consultants | 5 |
| Publisher | 1 |




*The Chief Executive group in the marketing field is constituted by two full interviews and three further interviews are drawn upon.
** One further advertising agency interview was specifically focused (refer 5.2.1, *supra*).

### 6.1.2 *Themes in the Marketing Field*

Marketing field themes, which were developed through the analysis, were categorised in chapter five in three broad categories [refer 5.5.1, *supra*]. These are firstly, brand themes and secondly, company culture themes; both general themes are common to all seven marketing field groups. While the themes are common across groups, particular interpretations may differ. Such differences in perspective are argued as indications of multiple constructed realities (Shibutani, 1955; Berger et al., 1966; Lincoln et al., 1985). Differing perspectives of groups are given representation in **Appendix 2.II:**. Thirdly, there are themes which are argued as important within their group derivation, and interesting for the insights yielded into brands. These are grouped in this chapter under the label *'Group Perspectives'*.

In this chapter, the brand theme category is divided into three sub-themes. The aim is to draw out, from the field data, dimensions of brands that have particular meaning and/or significance in the understanding of marketing field respondents. The purpose is to gain indications of the *'essence'* of understanding of brands (*noema*) and the manner of understanding *(noesis)*[1] [refer 2.2.2.1, *supra*]. These *'ways of looking'* are interpreted within the notions of *'everyday typifications'* of Berger et al. (1966) and Alfred Schutz (1967); [refer 2.2.2.2, *supra*]. Particular interpretations are sought in the research to give insights into the nature of brands.

The theme of *'Brands and Value'* is used to capture images of generalised value meanings. Respondents' perceptions of value are given primacy because without value brands lack materiality for financial reporting. The second theme, *'Brand Valuation'*, explicates the importance of valuing brands in dollar terms within an operational marketing perspective. The theme is used to gain understanding of respondents' perceptions of the benefits and/or meaning of such valuation. Thirdly, *'Brand Aspects'* is a general theme used to collect and articulate diverse views and understandings of brands, and brand natures. The theme has primacy for the research question *'What is a brand?'*

The corporate culture theme *'Company Cultures'* gives insights into the manufacturing environment in which consumer goods brands are created. Observations are made on the importance of culture for nurture and growth of

brands; and on the manner in which the attitude of the chief executive has crucial importance for culture, and therefore for brands.

The third `*Group Perspective*' theme broadly encompasses aspects relevant to developing images of brands, and brand management. The reported views make visible contributions to the constitution of contemporary brand creation and brand building. The reports emphasise diverse specialised investments which are part of the complex infrastructure of contemporary brands. In moving from the working paper stage to the chapter text, the contents of some group perspectives have been reshaped and/or relabelled. The major themes and sub-themes are displayed in **Figure 6.2:** *Conceptual Themes.*

**FIGURE 6.2** *Conceptual Themes*

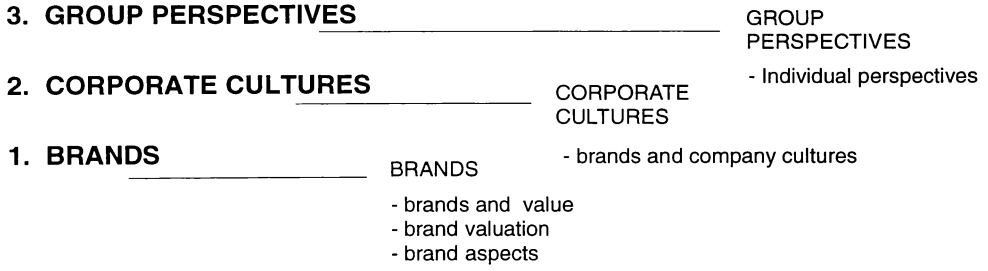



**FIGURE 6.2:** *Conceptual Themes, Marketing Field, Chapter 6.*

## 6.2 *Manner of Report Presentation*

The aim of the presentation, is to report the manner in which the groups of the marketing field perceive and interpret brands. From respondents' perceptions, as articulated, images of brands emerge which appear to have significance with the respondents[2]. The articulation of views across groups serves to highlight differently constructed realities, with seemingly different interpretations of the same brand constructs. At the end of the chapter, the major chapter summary reviews the themes with reference to the reported texts. The chapter is then fully summarised framed by these themes. The format is as follows.

**Section 6.3** *Brand Themes*:

- The brand themes - *'Brands and Value', 'Brand Valuation'* and *'Brand Aspects'* - are presented. These separate sub-themes are reported in three separate sub-sections, each concluded by a brief summary. The intermediate summaries briefly review the points made.

**Section 6.4** *Corporate Cultures and Brands*

- This section reviews perceptions of the nature and importance of corporate culture within companies which own consumer goods brands. The section ends with an intermediate summary.

**Section 6.5** *Group Perspectives*

- Particular themes characteristic of each group are briefly presented. The intermediate summary reviews the themes and the points which emerge.

**Section 6.6** *Chapter Summary*

- Firstly, the themes of the chapter are reviewed against the emergent chapter content. The refined themes are then used to structure a concise account of the chapter reports. Quotations are referenced using the allocated numbering of the chapter. This detailed summary carries forward the empirical report of the marketing field to chapter eight.

**Section 6.7** *Chapter Conclusion*

- The chapter conclusion briefly reviews the chapter and introduces chapters seven and eight.

## 6.3 *Brand Themes*

This section reports respondents' observations of brands collated by conceptual themes *'Brands and Value', 'Brand Valuation'* and *'Brand Aspects'*.

### 6.3.1 *Brands and Value*

In this sub-section, initial, very generalised images of brands are framed by the lens of value. The sub-section reports, group by group, the manner in which respondents related their general understanding of brand values.

**6.3.1.1** *Chief Executives and Brand Values:* The report is based on interviews with one corporate chief executive and with a director. Material from interviews with three further chief executives is drawn upon in support. Brands are perceived as important for the continuity of the business operation. Brands are the means through which profitability is made sustainable. Three respondents particularly saw brands as investments.

[6.2]

> *It means that if you want to grow your bottom line, and keep your profitability growing, you have to add value. So our whole focus is now on added value, and that is exactly where the brands come in, to maximise that position* [M.Int. 22].

[6.3]

> *Because of the premium we are able to attach to the brand values and everything that goes with those brand values, which are built around ...* [A/F. Int. 9].

[6.4]

> *So it is a very valuable asset of the business; in fact of any business- it is more valuable than the production side* [A/F.Int. 29].

**6.3.1.2** *Corporate Marketers and Brand Values:* Brand values were discussed by marketing respondents in strategic and operational terms. Corporate respondents had very definite images of brand values. Brands were seen as adding value to products. They represented the potential for further product introduction. The brand had value for its differentiation qualities, which were built in personality and position. Indirectly and directly, the marketers' observations implied consumer contribution.

[6.5]

> *One must be conscious of how far one can stretch the brand and what the real meaning of the brand is, because that is the muscle, that's what gives you the added value* [M. Int. 9].

[6.6]

> *For me the value of the brand is the ability for the brand to sustain - create new concepts and to achieve value - or added value over and above commodity status* [M.Int. 9].

[6.7]

*The brand adds the positioning values and the personality values* [M. Int. 24].

[6.8]

*He used to say in those early days that was part of the brand, that was the ..., what it means to people* [M. Int. 21].

**6.3.1.3** *Advertising Agents and Brand Values:* Respondents observed that there was currently a trend to increasing appreciation of the value of brands, driven by an increasingly competitive environment.

[6.9]

*... brands are something that are any company's most valuable asset* [M. Int. 14].

[6.10]

*It's the most valuable thing you own* [M. Int. 13].

[6.11]

*... most of our client companies are actually focused on the long term brand building. There is no doubt about that whatsoever. There is an increasing, rapidly increasing, appreciation of the value of the brands* [M. Int. 16].

[6.12]

*There are not many operators and owners of substantial brands that still don't recognise that absolute vitality of the brand itself* [M. Int. 17].

[6.13]

*It is a huge investment. It's their next biggest investment after capital investment ... and it's decided upon in a very unscientific manner, so* [management] *they are uncomfortable with it. You rarely find marketing managers or directors running companies. Boards of directors are not comfortable with it. And that's a real shame* [M.Int. 13].

One respondent reported that they did have one client who did not have a belief in brands. In his view, the client was short term financially focused. The respondent did not question so much the financial focus, but, in his view, the short term aspect was not appropriate for brand building [M. Int. 16].

**6.3.1.4** *Market Researchers and Brand Values:* Market research respondents emphasised the equity being built in brands by particular brand owners [M. Int. 15; M.

Int. 23]. One respondent gave a take over example from previous experience. Brand equity is conceptualised within an 'investment' frame.

[6.14]

> *We were part of 'company x', of course the arch rivals, and so we had to actually lose the brand over to 'company y'. I'll tell you about equity there, that we had invested millions over the years in 'brand ', and within two years it had to go back to 'company y'. And then they had the benefit of all that equity that we had invested in the brand* [M.Int. 15].

One respondent observed that if another producer attempts to emulate a brand for gain, the brand owner will *'very quickly spend megabucks protecting it'* [M.Int. 12].

**6.3.1.5** *Designers and Brand Values:* In the view of a design firm respondent, the visual design is seen communicating more strongly than words, because it is a more direct image [M. Int. 5]. This ability at the communication level gives successful brands power in sending messages. *Empirical Field Examples 3.3; 3.4* [refer page 95, *supra*] are illustrative.

[6.15]

> *The extra value that it can add in the design can help in the communication process because it's a more powerful means of communication. That's I suppose an obvious way that designers are able to help a brand communicate better. But there are other issues that, if you are trying to give a subtle toning to a brand - if you as a brand manager or a brand owner are trying to communicate quite subtle brand values. For instance, perfumes, or women's cosmetics are a good example. I mean there's only so much you can say in words. The rest of it you have to use images, which portray the message in a quite diffuse, understated way* [M. Int. 5].

**6.3.1.6** *Human Resource Consultants and Brand Values:* Human resource consultants' perceptions of brand values were linked to companies' support of their brands. Information about internal marketing positions was gauged from company brands in the marketplace. Positions with big brand companies were also perceived as confering career status.

[6.16]

> *Brands and other things; it's all tied together. Like I never have a shortage of people wanting to work at company 'K' in marketing. I never have a shortage of people wanting to work at company 'Q'. But it's not so much their valuing of the brand, it's their perception of the company's support for the brand. For example, company 'K' spend a lot of money on supporting their brands, so for a marketing person that means that they will have megabucks to spend, and that means fun* [M. Int. 4].

The value articulated by human resource respondents is indirect. It is potentially powerful, because it demonstrates companies' ability to attract premium applicants to executive marketing positions. Thus top brands have value dimensions in attracting top quality staff.

**6.3.1.7** *Publisher and Brand Values:* The publisher's observations were shaped by experiences in owning valuable mastheads, and from media experience in publishing. Brands were perceived as long term investments needing continuous attention [M. Int. 11]. The respondent remarked upon traditional management attitudes -

[6.17]

> *... there was not the attitude that it was a proper investment, and that a brand is worth a lot of money. If you stop advertising, it can lose its value, because it allows competitive brands to move in as well* [M. Int. 11].

**6.3.1.8** *Summary:* The sub-section examined the general notion of values for brands, through the ways in which respondents talked about brands and brand values. Some perspectives came from within the manufacturing firm; others were externally anchored within the service institutions of the marketing field. All groups emphasised the great value of brands. Managing directors saw the value of brands in terms of profitability. They were interested in added value, which was seen as sustaining greater profits in the marketplace. Corporate marketers' views were expressed in operational and strategic terms. Value related to brand extension, to adding value, and to differentiation through brand personality.

Advertising agency managers stressed the recent trend to greater appreciation of the value of brands by brand owners. Perceptions were expressed in dimensions of *'most valuable'*. The long term nature of brand investment was highlighted. Market researchers observed the immense equity investment in brands. Again the term *'invest'* was used. Comment from one design respondent focused on the nature of visual communication and the value dimensions of design for brand communication processes. A different facet of brand values was added by human resource consultants. Brand rich companies were perceived attractively by applicants for executive marketing positions. The publisher respondent differentiated investment connotations among perspectives. He observed the crucial need for continuing support.

Emerging from the discussions of respondents are generalised images of brands as very valuable in business terms. Generally, within the marketing field, brands are perceived as long term, very important investments.

### 6.3.2 *Brand Valuation*

Accountants' arguments over brand reporting have arisen partially through perceived lack of reliability in brand valuations. Few marketers have contributed to the debate over brand valuations [refer 1.5.1, *supra*]. In this sub-section, views of brand valuation are drawn from observations made by marketing field respondents.

**6.3.2.1** *Chief Executives and Brand Valuation:* Contrasting views on brand valuation were given by chief executive respondents. The valuation of brands was affirmatively recognised by one chief executive who observed -

[6.18]

> *You do have ways of measuring brands ... and we have done that, we've actually got them in our balance sheet ...* [A/F. Int. 29].

The respondent stressed that the company's brands were measured as having a value - the objective was to see that value grow [A/F. Int. 29]. In contrast, two chief executive respondents remarked -

[6.19]

> *That is all baloney, so we are not interested. The real value of the brands combination will come out when somebody is making a bid for the company* [M. Int. 22].

[6.20]

> ***Are you interested in having the brands valued?***
> *Not particularly. I think the share market in a sense does that ... You could say that the difference between the asset backing and the capitalisation of the company is essentially the brand value* [A/F. Int. 2].

Another chief executive put arguments both for and against brand valuation and disclosure on the balance sheet [refer 7.99, *subter*]. The respondent concluded that they did not value their brand(s), and that valuation had not been discussed. He remarked, but did not further explain, that he had -

[6.21]

> *... seen the kind of brand valuation work that was done by people like '.....'* [A/F. Int. 9].

**6.3.2.2.** *Corporate Marketers and Brand Valuation:* The was little specific discussion of valuation of brands by corporate marketers. Asked about the brand having a dollar value and its meaning for marketing, one marketing respondent said -

[6.22]

> *nothing to do with marketing* [M.Int. 19].

One respondent conceded that internal impact was possible.

[6.23]

> *I think it may be helpful in a tactical sense. Within the organisation it would probably assist in justifying certain expenditures which are at present hard to justify* [M.Int. 24].

For another respondent, the value of the brand was well recognised throughout the firm without valuation.

[6.24]

> *I reckon it has one hell of a premium and I think the financial people realise that ... we don't say that that is the value of the brand ... I am sure we are all aware of it* [M. Int. 21].

**6.3.2.3** *Advertising Agents and Brand Valuation:* Brand valuations were generalised as *'nice to know"* [A/F. Int. 13]. Generally, on brand valuation, agency respondents claimed that brands could not be valued accurately. One respondent failed to see the urgency of any issue, unless a company was being sold.

[6.25]

> *There is a lot of conjecture about how to do this, because there's no way that I know of that you can accurately quantify what a brand might be worth. And it isn't really an issue at all. It is only an issue by and large if a company is being sold ...* [M.Int. 18].

[6.26]

> *There are some people who just can't value things unless there's a dollar figure on them* [M. Int. 16].

It was claimed that good marketing people already knew the value of their brands from their contining awareness and knowledge of the brand in the marketplace. Numerous respondents emphasised that the valued amounts of brands might be very important internally, within the operating culture of the brand owning company. Their observations reiterate the view of the corporate marketer [6.23, *supra*].

[6.27]

> *I guess the greatest benefit of the valuing of brands to marketing people is it increases their importance and therefore their role, and it increases the chance they will get what they want* [M.Int. 16].

[6.28]

> *.... where it turns around, where the accountants come in they say - because of their investment in this brand, it's obviously got a premium - so this is where we are going. It's easier to defend* [M.Int. 14].

[6.29]

> *A good marketing person knows the value of their brand from the way it moves. If you said to your marketing director 'You realise this brand is worth $2 billion dollars if we valued it'. It might be of interest to him, but not to the customer. However when they go back to the Board and say - I want to invest $3 million in this campaign. And they say ' God, that's a bit over the top.' And you say 'Well, just a second, this is a $2 billion dollar brand I am talking about'. ... That's how they use it* [M. Int. 13].

**6.3.2.4** *Market Researchers and Brand Valuation:* One respondent expressed scepticism of brand valuations.

[6.30]

> *How do you put a value on a brand - when you don't know what your competition's going to do, you don't know how your market's going to respond?* [M.Int. 23].

Other respondents did not comment specifically on brand valuations. One respondent commented generally on talk about valuation.

**6.3.2.5** *Designers and Brand Valuation:* The notion of brand disclosure in financial statements was perceived as recognition of an existing value. Where a company was successful it was seen as acceptable; but misleading if a company was not successful. The work of a specialist brand valuer was perceived by one respondent as contributing to companies' understanding of their brands.

[6.31]

> *'..... ' - they try to help people who are buying brands to understand how valuable they are ... or are not* [M. Int. 5][3].

**6.3.2.6** *Human Resource Consultants and Brand Valuation:* Respondents had few observations on brand valuations, and little interest was expressed.

[6.32]

> *I do know that some companies actually do value their brands. ... It depends again on the company's philosophy and their accounting function* [M. Int. 4].

Brand valuations and the amount of valuations were perceived as not having meaning for applicants for executive marketing positions [M. Int. 8]. In contrast, brands per se sent important messages about executive positions[4] [refer 6.3.1.6, *supra*].

**6.3.2.7** *Publisher and Brand Valuation:* Involvement with masthead valuation was discussed by the respondent. The observations made were particularly insightful on the potential difference between market value and valuation.

[6.33]

> *The mastheads were valued quite a few years ago, by one of the partners in* [ firm of chartered accountants]. *But it has not been done recently. It is difficult in our particular territory, because there aren't many sales. Just a few. We base it on what we regard as market value. Basically market value comes down to what someone is willing to pay. I mean you get a real premium because it happens to be a hot area, or you may not get anything because no one's willing to buy at that stage. Well the values wax and wane - well a brand can go up or can go down, depending on perceptions and sales - it's a very liquid sort of thing* [M. Int. 11].

**6.3.2.8** *Summary:* This sub-section examined perceived attitudes of marketing field respondents from the differing groups to brand valuations. Corporate marketing executives made few observations specifically on valuation of brands. One remarked that the dollar value of a brand had no meaning in marketing. One respondent saw a tactical advantage, internally, in knowing the dollar brand valuation. He argued potential for justifying expenditures, currently more difficult to gain. Another respondent saw no need to specifically quantify knowledge already generally recognised throughout the firm.

Brand valuation was seen as not of interest, and not an issue by advertising agency respondents. Respondents claimed that marketing people already knew the value of their brands in marketing terms. The only area of potential application for brand valuation was within the operating culture of the brand owning company. Respondents claimed that it was difficult to accept that a brand's value could be accurately quantified. Generally, brand valuation had application only when a company was being sold.

One market research respondent remarked upon brand valuation aspects. He doubted whether an accurate and meaningful quantification of value could be achieved. Human resource consultants showed little interest in brand valuations. One design firm respondent perceived brand valuation in terms of making visible existing value, and helping companies understand their brands. The publisher discussed valuation and value. He emphasised the unpredictability of market value.

### 6.3.3 *Brand Aspects*

In the previous sub-sections, perceived measures of the great value of brands, the perceived investment nature of brands, and the general lack of meaning of brand valuation were drawn from discourses of respondents of the marketing field. This sub-section explores further the attitudes of respondents to brands. It builds images of the nature and properties of brands as they are perceived in the marketing field.

**6.3.3.1** *Chief Executives and Brand Aspects:* Many respondents perceived brands in terms of created personalities. Respondents emphasised the need to understand the essences of brands. They described intangible properties which they ascribed to brand personalities. Respondents discussed perceptions of their brands in the marketplace, and the need to reinforce and build on those perceptions.

[6.34]

> *Every brand is individual. In the individuality is its role and its limitations and its potential. You really have to go to the core of the brand* [M. Int. 22].

[6.35]

> *I mean a brand can easily be destroyed, so you've really got to understand what the essential components of that brand are and then try and reinforce those ...* [A/F. Int. 2].

[6.36]

> *You buy into quality, heritage, tradition, timeless values, consistency, integrity* [A/F. Int. 9].

[6.37]

> *The busy consumer - well they trust certain brands.*
> ***What do you think they trust 'your brand' for?***
> *I think for quality, reliability, taste* [A/F. Int. 2].

**6.3.3.2** *Corporate Marketers and Brand Aspects:* Respondents' differing perceptions of brands were informed by the nature of business. Perceptions were partially determined by the product, partially by the company's chosen imagery. Respondents' choice of words reflected brand and company imagery. One respondent talked strongly about the '*culture*' of the brand and its emotive imagery

[6.38]

> *... elitism is very much part of the 'name' brand and it comes back to the generic traits of New Zealand being rugby, sailing, the outdoors* [M.Int. 20].

The essence of the brand -

[6.39]

> *You've got to be conscious of what the soul of the brand is; but then to develop the brand, to maintain its modernity, its contemporaneity ....* [M. Int. 9].

Emotive imagery was also the focus for one respondent -

[6.40]

> *'name' to me means winning, it's sport, it's grit, it's just energy I guess ... energy and sport is the way we have positioned it. And it's been that way for a long time, and those connotations come through quite strongly in research that we do* [5] [M.Int. 3].

Notions of personality and positioning were central -

[6.41]

> *The intrinsic differences between products are sometimes not great, and the only differences are thereby created through brand positioning and brand personality* [M.Int. 24].

Other determinants which respondents mentioned were aspects of the longevity of the brand. Some respondents observed identically -

[6.42]

> *People grow up with it* [M.Int. 1; M.Int. 3; M.Int. 21].

Cognisance of ongoing support was important, and a characteristic of brands -

[6.43]

> *We have products in 'firm name'. that have been around for a long time. For example 'brand' product, that have been around since 1935. So it's very important we find, in this company, to support these brands that have been around for years* [M.Int. 3].

From observations made by corporate marketing respondents, the importance of research and development is very, very significant for some brand rich companies. Market drivers to research and development appeared particularly where there were strong novelty dimensions to branded products. Innovation was seen as essential to brand imagery by three respondents [M. Int. 1; M. Int. 3; M. Int. 9].

[6.44]

> *Novelty, innovation and maintaining support. I mean it's R&D in a big way and creativity in a big way* [M.Int. 9].

The technological edging was recognised as very significant. Frequency of innovative introductions was part of competitve advantage, particularly for two respondents. In contrast one company, not seen as '*especially innovative*', focused on brand and line extension in existing markets.

Consistent and very high quality was emphasised by two respondents. It was something *'you live and die on'*. Packaging had particular meaning for all respondents, except in durables. Packaging was part of '*added value*'.

[6.45]

> *You have to make sure that the packaging is in the mood of the brand. Packaging must reinforce brand images* [M.Int. 1].

**6.3.3.3** *Advertising Agency Respondents and Brand Aspects:* Brands are interpreted by advertising agency respondents as *'personalities'* in emotional dimensions.

[6.46]

> *If this was a person, what sort of personality would this brand be? What is the soul or essence of this brand?* [M.Int. 16].

[6.47]

> *... it's about personality, it's about ethereal characteristics, it's about warmth. It's a bit like people relate to each other. If people like a brand they will forgive it, they will allow it to make a mistake and they will still come back to the brand* [M.Int. 17].

[6.48]

> *.. this is a brand continuum, at this end - is the emotional end, and this end is the logical end. At this end we have the personality, if you like and at this end here, we have the performance ...* [M. Int. 18].

**6.3.3.4** *Market Researchers and Brand Aspects:* In qualitative brand research, market researchers explore the relationship constructed by the consumer with the brand. The significance of underlying dimensions of emotion was inescapable in all market researchers' reported views of consumer-brand relationships.

[6.49]

> *Your emotional attachment, which you can rationalise as much as you like, but there is an emotional thing there* [M.Int. 23].

[6.50]

> *A product connects up here with the head stuff. And the brand connects with the heart and the gut and - it's the visceral. And often a brand will connect with a part of you you wouldn't be able to articulate, and you wouldn't recognise* [M.Int.15].

Of empathetic brand advertising -

[6.51]

> *Somehow it strikes you in the gut* [M.Int. 12]

Market researchers also discussed the ability of brands to have residual impact in consumers' memories.

[6.52)

> *there's a lot of very powerful residual branding. I mean '.....' has been left to slide. There's some very powerful stuff there, but just needs to be re-ignited* [M. Int. 15].

[6.53]

> *...some things that change a lot less than others. For instance brand images tend to change reasonably slowly. Even things like Rinso has still probably got a wonderful sort of heritage to it ...* [M. Int. 12].

[6.54]

> *It fits with psychological memories and models of memories. We have modelled this sort of thing in different markets - the extent of the fall off, it's exponential* [M.Int. 12].

Respondents observed that strong brands build a *'heritage'* of attachment which they perceived as having huge value in modern society. Particular emphasis was given to the importance of research and development and innovation by one respondent. He spoke of creating points of difference with brands, with points of difference *'now coming out of technology'* [M. Int. 23].

Another market researcher observed consumers' interest was focused on the product, framed by the brand [M. Int. 15]. This consumer focus excluded the manufacturer [M. Int. 15]; [refer 2.2.2, *supra*].

**6.3.3.5** *Designers and Brand Aspects:* Brands were seen by designers in terms of emotion and personality.

[6.55]

> [Marketers] *also work hard to communicate a whole raft of image and emotion type sells, that are to do with emotional issues* [M. Int. 5].

[6.56]

> *... a company that sells a service or a product and it's branded - then they obviously have to promote that brand. One of the things they do is create a personality for the brand. In other words it's like a human being. You are looking at someone and you say - well, they have a certain personality - they're outgoing, they're vibrant, they're attractive .... So it's the same sort of principal that you give to brands. So that people want to be associated with the brand, therefore they will buy the product* [M. Int. 25].

Brands had to be resold to the *'next generations'* [M. Int. 5]. Brand creation was understood as a continuing operation.

[6.57]

> *The process of creating a brand is a continual process. You create a brand and then you keep on creating it* [M. Int. 5].

In respondents' views, there were various ways of keeping a brand continuously contemporary. Over time a central core gave the *'heritage'* to which imagery continually related.

[6.58]

> *You look at Levi's jeans - they've changed only a few things in a hundred years essentially. You buy Levi's, which is all that heritage, the created personality of the brand...* [M. Int. 25].

Brands were seen as *'quite conservative'*, and the qualities which they communicated were reliable.

[6.59]

> *... they are often trying to communicate issues of trustworthiness, longevity and so forth, that they are actually predictable. That they have been around for a long time, and are going to be around for a lot longer* [M. Int. 5].

**6.3.3.6** *Human Resource Consultants and Brand Aspects:* There was general agreement by respondents, that brands had some significance in marketing appointments, in contrast to no significance with sales and accounting/finance appointments. For one respondent, however, company size was initially the key factor. Three respondents emphasised that big brands had status for some marketing personnel.

[6.60]

> *Being a brand manager for some of the big names - say for company 'K' certainly has appeal* [M. Int. 2].

**6.3.3.7** *Publisher and Brand Aspects*: Observations made by the respondent were concerned with branding and brand communication. Branding was articulated as an approach to selling of product. In the respondent's view, branding was building of perceptions. Illustrative of the respondent's views are *Empirical Field Examples 2.2* and *3.4* [refer pages 53 and 95, respectively] The respondent remarked upon the effectiveness of formal communication through advertising, and also the informal impressions beyond the control of the brand owner.

[6.61]

> *So you've got two parallel brand images and perceptions going. One's controlled by the company and one's not. And even the one that's controlled by the company may not work to their requirements, because - let's face it, how much advertising does achieve what it's meant to do?* [M. Int. 11].

**6.3.3.8** *Summary:* This sub-section used quotations by respondents to further illustrate their understanding of brands.

Brands were perceived in terms of constructed personalities. Chief executives stressed the need to know the essences of brands. Respondents talked about understanding the *'core'*, the *'soul'* and the *'essential components'* of brands to build and reinforce the imagery of the personality. Dimensions of consumer perceptions were articulated in respondents' views of their brands.

Corporate marketing personnel stressed emotional dimensions of brand personalities and the essential understanding of the brand's core. One marketing respondent indicated the need to build product differentiation through positioning and

personality. Another described particular positioning in emotional terms, and the manner in which market research confirmed receipt of positioning and personality messages.

Concerns with building brand personalities, and the relationships with brand personalities were expressed by advertising agency respondents. Again the dimensions were predominantly emotional. With market research respondents, the consumer brand relationship came explicitly into focus. Emotional dimensions were more deeply probed, to gain understanding of consumer-brand constructed relationships, and the strength of brands in consumers' memories. Design firm respondents explained dimensions of brands in terms of creating personalities, with which potential consumers might wish to be associated. Personality creation was seen in emotional terms; over time a continuing *'heritage'* evolved. Brand creation was perceived as a continuous creative process. Longevity of brands was seen by corporate marketers also in terms of the crucial importance of continuing support.

Brands and brand rich firms were described by human resource consultants in terms of significance for applicants for executive marketing positions. For the publisher, brand communication gave further insights into branding processes. In the respondent's view, brand messages and the receipt of brand messages could not be controlled fully. His observations indicated indirectly dimensions of market uncertainty.

The intertwining of brands with technology became apparent in observations of corporate marketers. The notion of technologically based differentiation was reflected on by one market researcher. The importance of innovation and novelty were emphasised.

## 6.4 *Brands and Corporate Cultures*

Brands and corporate cultures are contemporary constructions of intangible dimensions. Respondents made observations linking company cultures with brands.

### 6.4.1 *Perspectives of Corporate Cultures*

This section seeks to draw together and accentuate the ways in which different groups in the marketing field perceived linkages between brands and culture.

**6.4.1.1** *Company Culture and Chief Executives*: For two chief executives, culture was recognised as underpinned by family related values which were traditional within the firms, and had been promoted over years in the marketplace.

[6.62]

> *That's what the brand is about, and the brand describes not only the product, but also describes the company, and that's been a very important part of the strategy too* [A/F. Int. 9].

Another chief executive acknowledged the impact of culture internally in a brand rich entity -

[6.63]

> *'Name' has driven a culture there that has been very successful* [A/F. Int. 29].

**6.4.1.2** *Corporate Marketers and Company Culture*: Respondents, as part of the company did not refer directly to company culture. References come indirectly through other observations on company integration. For one respondent it was special company marketing wide teams [M.Int. 1]; for others it was the closeness of informal contact. It was not only what was said, but also the respondent's choice of discussion. Comments are informed by different cultures, and give contrasts.

[6.64]

> *It's no longer three buildings. We live and breathe together, we eat together, we drink together. When we have strategic meetings with the agency, there is generally a sales person there, and there is always a R&D technical person there* [M.Int. 9].

[6.65]

> *We have a small product development team, and we have product development meetings which include the sales arms of the company, the marketing departments* [M.Int. 19].

[6.66]

*'Brand' is the overall image, and all aspects of the entire company. Obviously the product is the main feature, but also the back up service, the service on the accounting side of things and the delivery service, the order processing, any back up service to the end consumer, that will all come under brand* [M.Int. 19].

[6.67]

*.... the organisation at many points is not that interested in the brand. It is more interested in the product group, in the product, or the product family* [M.Int. 24].

**6.4.1.3** *Advertising Agency Leaders and Company Culture*: There was a feeling among respondents that brands had little future if not backed by a company culture that understood the brands. Brands, company people and company culture were seen as intermixed. One respondent claimed it was symbiotic -

[6.68]

*I think brands are the most important; I think brands are usually a reflection of the people and of the culture. We've yet to see a company with fantastic brands that isn't a great company. If they're fantastic brands then they're fantastic people and they've got a fantastic culture. It's all symbiotic* [M. Int. 16].

[6.69]

*An organisation that doesn't believe in strong brands, but is about brands ... that doesn't have a culture, but reflects its focus on brands; I mean it's going to go nowhere is it. Because there is nobody internally that is going to buy into what that opportunity is* [M. Int. 17].

Given long term relationships between agency and manufacturer, an empathetic understanding of company culture is presumed. Observations from two respondents on chief executives were similar -

[6.70]

*... comes down to the way they elect to drive the company. And these days I don't think you can drive a company unless you have a marketing orientation* [M. Int. 18].

[6.71]

*Auckland are pretty much onto it as far as marketing and advertising are concerned ...* [M. Int. 16].

One respondent observed a lack of understanding of marketing and brands among management.

[6.72]

> ..... *I mean, there is an inert suspicion of marketing among management, who don't understand what it does* [M. Int. 13].

**6.4.1.4** *Market Researchers and Company Cultures:* Culture was seen by market researchers as an essential factor in companies with strong brands.

[6.73]

> *In terms of who looks after the brand - I would say it is the culture of the company that cares for the brand* [M.Int. 15].

[6.74]

> *But company 'S' are creating huge equity in their brands. But what value do you actually put on that. How do you create an accounting postulate - that this company is extremely innovative? But you need to keep those people, and the culture* [M.Int. 23].

One respondent observed efforts of a strong brand company to effect *'internal marketing'*. The efforts were perceived to gain company wide support for the firm brands.

One market research respondent indicated that (as a stereotype comment) in becoming chief executives, marketers had a spirit of innovation, whereas accountants had a certain conservatism [M. Int. 23]. The respondent cautioned that the comment was in the nature of stereotyping. He observed that managing directors with accounting careers wanted -

[6.75]

> ... *a balance sheet on everything - they want it quantified in the 'nth' degree, and they actually want the future quantified. Accountants have got a postulate called conservatism* [M. Int. 23].

The respondent argued that good brand management was an essential part of successful brands.

[6.76]

> *Your brands are only as good as the horsepower that you are putting behind them. The advertising, the marketing oomph, and the pull through as regards incentives for distributors that are selling the*

> *product. If you don't invest in the brands you will actually lose, and people will notice that you are not investing and they will take share from you* [M. Int. 23].

**6.4.1.5** *Design Firms and Company Culture:* In the marketing interviews with design respondents, there was little comment on companies and company cultures. One respondent observed -

[6.77]

> *.... usually the person at the top tends to drive the organisation* [M. Int. 5].

**6.4.1.6** *Human Resource Consultants and Company Culture:* The importance of company culture for brands was observed by three respondents. Culture and brands were perceived as important in making marketing appointments; but were not seen as important for appointments in sales or other functions. One respondent noted that companies -

[6.78]

> *... tend to recruit people who fit into their culture* [M. Int. 4].

Two respondents observed that the managing director tended to drive the culture of the company. In the view of one respondent, there was a different slant whether the chief executive had marketing, accounting or production background. Some people had indicated that they would not work for chief executives with accounting backgrounds. Conversely, one respondent remarked that some people from marketing were perceived as lacking numbers experience.

**6.4.1.7** *Publisher and Company Culture:* The respondent observed that traditionally managing directors tended to have backgrounds in production, accounting, and in finance. He commented on increasing numbers of market oriented managing directors.

In his view, in the past many managing directors did not have a good appreciation of marketing, or of the worth of a brand. Marketing, and particularly advertising of products, were viewed as expenses which were necessary, but could be slashed if times were tough.

[6.79]

> *Traditionally, five years ago, a lot of MDs were from production, from accounting .... particularly from finance; and they didn't have a very good appreciation of marketing or even their brands' worth .....* [M. Int. 11].

The respondent noted that during the recent recession, many of the big internationals with high profile brands, cut back their advertising dramatically, which showed a lack of belief. In his view, the cost cutting was very much a financially driven directive.

**6.4.1.8** *Corporate Culture And Brands - Summary:* Chief executives interviewed were cognisent of company culture and acknowledged its importance. Two respondents remarked upon the internal strength of particular corporate cultures and the contribution externally to creation of brand imagery.

In talking with corporate marketers, images of internal cultures emerged. In strong brand companies there appeared high levels of integration across functional departments. Particularly, there appeared close integration across marketing, sales, and research and development. The significance of market driven research and development was noticeable, with emphasis on innovation and novelty. Attention to quality levels and packaging were also integral to internal cultures.

Respondents from the institutions of the marketplace reinforced these perceptions of culture. One advertising agency manager claimed that it was *'all symbiotic'*. Respondents' observations of chief executives emphasised that chief executives drove company cultures. Some respondents' views intimated stereotyped characterisations deriving from marketing or accounting/finance backgrounds. Two respondents disagreed; they indicated that a marketing orientation was now a prerequisitie for running a company. The publisher observed that previously chief executives from non marketing backgrounds had lacked understanding of the investment nature and worth of brands. Chief executives from such backgrounds had perceived costs of maintaining brands as expenses, which were cut back in recessionary periods.

## 6.5 *Group Perspectives*

This sub-section presents themes which emerged as significant in the group perspectives of the marketing field. It is argued that the views arise from existence of multiple constructed realities. The aggregate *'Group Perspectives'* is a collective theme within the focus of this chapter. In the processes of constituting the chapter text, the themes have been reworked from the analysis, through case studies and working paper stages [refer 5.5.2, *supra*]. This section draws now from the working paper stage, as delineated in **Figure 5.4:** [refer **Figure 5.4:**, *supra*].

For this sub-section, the themes were developed because they give particular insights in three perspectives: into the nature and properties of brands; the importance of brands in operational settings; and the market environment in which brands are created and managed. Some themes indicate the currently changing awareness of brands and the changing dynamics of the contemporary marketing field. All these contemporary aspects are important in understanding the nature and value of brands, because brand natures and values are constructions within current consumption culture [refer 3.2, *supra*].

### 6.5.1 *Perspectives Presented*

The themes are reported group by group. At this level of iteration, there are few themes obviously common to all groups in the marketing field. Market research is potentially an exception. In the end of chapter summary, and in chapter eight, the group perspective themes are further worked as a continuing dynamic within the study.

**6.5.1.1** *Group Perspective - Chief Executives*: Chief executives' discourses indicated particular understanding of marketing of brands. Concerns for market research were also expressed.

**A.** *Brand Marketing*. Aspects of brand marketing are illustrated in the following quotations from interviews. Firstly, explicit and implicit recognition of the consumer -

[6.80]

*A lot of people are putting marketing on the door of their company and they are still producers. You have to turn that around and look through the consumer eye at your brands.* [M. Int. 22].

[6.81]

*'Brand name' is almost unique worldwide in the brand awareness it has created in its market* [A/F. Int. 9].

[6.82]

*As a consumer, the product is what you want, basically. But the brand is what you buy into. So you can make a rational choice. But people don't make rational choices - people make emotional choices* [M. Int. 22].

Observations were made on the need for, and manner of updating brand personalities. The need to maintain the brand's contemporary imaging was stressed.

[6.83]

*When you are trying to adjust your brand over time you have to be careful not to alienate your supporters* [M. Int. 22].

[6.84]

*If you picked up a '.....' today, you wouldn't think it was any different in its label component - but if you saw the original it is quite marked* [A/F. Int. 29].

[6.85]

*What we did wrong with '.....' was that we modernised it. We were not adjusting to a more contemporary design. We were taking away the history, the values, the core values .... . And they* [consumers] *said 'What are you doing with my brand? That's not my brand'* [M. Int. 22].

All aspects of marketing were seen by chief executives as communication to the consumer. The communication is by choice of colour, print, packaging, quality, everything that is done. Even choice and placement of retail outlet. It is *'creating a residual feeling, an attitude with the consumer'* [M. Int. 22].

[6.86]

***The colour of the boxes?***
*Oh, we copied one from overseas. They were important, you know, the different types of boxes. They* [leading international fashion designers] *were doing that* [M. Int. 6].

[6.87]

> *The old corner store grocer who could say - madam I recommend you have this one. The packaging has got to do the job that that grocer used to do. The packaging and the brand* [A/F. Int. 2].

Distribution emerged as a very important area. Some chief executives specifically introduced distribution as a very significant aspect of marketing strategy. Individually, for different operations and product types, the aspects and the problems of distribution appeared very different. One respondent discussed the crucial significance of very sophisticated information systems, which contribute to competitive advantage in his view [A/F. Int. 2]. A second respondent discussed the importance of the distribution network for their operations. Distribution was seen as crucial -

(6.88)

> *An integrated marketing programme that is working to reinforce and support and motivate the dealer, as well as addressing the consumer - because in our business, the dealer or the retailer wields a huge amount of power* [A/F. Int. 9].

**B.** *Market Research:* Respondents' observations gave impressions of increasing use of market research. They reported detailed quantitative reports on very regular bases, and individual qualitative projects to understand the markets for specific products and positioning, and for brands. Qualitative research was described as commissioned - and with some smaller projects - was done directly.

[6.89]

> *We have looked at both prompted and unprompted recall of the brand which is very, very high* [A/F. Int. 2].

In the view of one respondent, market research was a real skill that must dig deep to the core of the brand relationship with the consumer.

**6.5.1.2** *Group Perspective - Corporate Marketers:* Group perspective themes concern financial aspects; long/short term views; and a brief survey of externally oriented concerns.

**A.** *Financial Aspects:* Brands did not appear to be extensively integrated into financial frameworks. Budgets were reported as negotiated. One respondent only observed specific allocations for brand advertising. Another respondent remarked

that much of the financial analysis was done around product groups, rather than brand analysis.

From respondents in multinationals, there were observations on the importance of meeting *'bottom line'* figures.

[6.90]

> *We have to deliver this bottom line performance* [M. Int. 24].

[6.91]

> *So obviously at the bottom line you have got to achieve 'X' amount of profit for the year* [M. Int. 3].

[6.92]

> *We are all very accountable. You have got to know what you are making at the end of the day. We are a company, and a company that makes money at the end of the day ... we are not a charitable organisation* [M.Int. 9].

**B.** *Short and Long Term:* Observations from respondents emphasised the short and long term trade offs which appeared implicit in many marketing decisions. For some respondents, there were increasingly questionable returns from long term strategies. The need for innovation was market and competitively driven. But price was seen as not the only factor. Long term aspects of brands were both implicit and explicit.

[6.93]

> *We can't let that idea live for five years. I mean people are bored with it after six months* [M.Int. 9].

[6.94]

> *.... but really that's one of the strengths of 'brand' is quality over the years. When people buy a 'brand name ' product they have the right to expect a certain amount of quality and consistency in what they buy, and that's what you live and die on* [M. Int. 3].

[6.95]

> *But unfortunately what's happening with a lot of markets - maturity, commoditisation, generics - you can't just operate on one dimension - price. There still needs to be the added value which is the consumer marketing effort* [M.Int. 9].

[6.96]

> *' name' is a brand, and a brand is something that you can't develop overnight. It is something that happens over time, and you have to continue to support that brand and continue to build it* [M.Int. 3].

[6.97]

> *... the equity of the brand - is that from a marketing perspective I think it's the first role when I come to work every day; it's the first thing that*

*I should think of - is maintaining the equity of the brand* [M. Int. 20].

**C.** *External Views* Observations on the marketplace were reported in the following areas. Firstly, on distribution, and secondly, on market research and advertising agencies.

Distribution had significance for successful operations. The importance of distribution was inescapable in numerous corporate respondents' discourses [M. Int. 9; M. Int. 19; M. Int. 20].

Concerning market research, two respondents reported that a change in chief executive had brought greater emphasis in market research. Other respondents also emphasised the increasing significance of market research.

[6.98]

> *... do a lot of research as far as the end consumer, in terms of what they are wanting out of the brand* [M. Int. 20].

[6.99]

> *.... Very much more qualitative to understand the positioning framework and the brand personalities within the various markets* [M.Int. 24].

[6.100]

> *We do some studies on the brand and attitudes and overall image, or probably more awareness of advertising ..... what the messages are and the propensity to purchase our brand over anyone else's* [M.Int. 19].

Advertising agencies were seen as extensions of the firms [M.Int. 2], with something happening continually, which reflected in weekly meetings between agency staff and corporate marketing personnel [M. Int. 3]. While there was integration at differing levels, with some firms the integration was broader, involving also research and development specialists. In some firms, the advertising agency was perceived as an extension of marketing.

[6.101]

> *Oh it is a huge thing, yeah. We have been with 'agency' for quite a number of years. We try and keep a close relationship with the agency; it's in our own interests* [M.Int. 3].

[6.102]

> *Yes we are probably very lucky that our account exec. used to work*

> *for us, so he knows the culture of the brand. He knows exactly what the brand represents. He really has an empathy for the brand* [M.Int. 20].

One respondent commented on a change of advertising agency. He had wished to try services in which the agency did not specialise, and he alluded to personality problems after agency staff changes [M. Int. 19]. One respondent questioned the appropriateness of agency accountability as it is developing overseas [M. Int. 9]; other respondents made no comment. Differing terminology was indicated by one respondent. Product group was used internally; with trading partners, the term was product category; with market researchers the terms might be product category and the individual brands within the product category; with the advertising agency it was brand(s) [M. Int. 24].

**6.5.1.3** *Group Perspective - Advertising Agencies:* Three themes emerged as reinforcing the role of the advertising agency in brand creation. Group themes were the agency role as *'keeper of the brand';* agency media interests; and observations on market research are presented.

**A.** *Keeper of the Brand:* Respondents observed that it was *'ironic'*, but advertising agencies appeared more concerned about brands in the long term[6] than many key company executives. This was phrased as -

[6.103]

> *One of the prime tenets of the way we operate is to acknowledge that we see ourselves as the custodians of our clients brands* [M.Int. 17].

[6.104]

> *It sounds a little bit high and mighty, but somebody said that the advertising agency should really be the custodian ...*[M.Int. 14].

[6.105]

> *That's true in many cases. It's not true in all cases, but it is true in many cases .... and the one thing we find increasingly, is that we invariably end up with more staying power than some of the* [management] ..... [M. Int. 18].

The stability of long term relationships between an agency and client manufacturer was perceived as countering the changeability brought about through corporate staff movements. The client-agency relationship was perceived as very important - the

notion that *'agencies are about relationships'* [M. Int. 17]; the better ones are *'partnerships'* [M.Int. 13]. The trend of corporates to building relationships with expert agencies was termed *'seamless'* operating [M. Int. 18].

**B.** *Media Expertise:* Media placement has always been part of advertising agency expertise [refer 1.4.2, *supra*]; today there are more and more media options, and information is readily available in increasing amounts. Media was perceived as *'so very important'*.

[6.106]

> *... too important to be out of agency control* [M.Int. 14].

[6.107]

> *We are probably spending a couple of million dollars on the development of exclusive software ....* [M. Int. 18].

[6.108]

> *Yes we spend hundreds of thousands of dollars every year on the latest research like everybody else does. We are looking to develop our media ...* [M.Int. 17].

Any number of specialists were perceived as able to crunch out the numbers. Ability to interpret media information was seen by agencies as part of competitive advantage ... as important as creative services [M.Int. 18].

(6.109)

> *.... how you interpret it is really the critical factor, because anyone can get the information. It's how you use it that is the key factor. And of course, increasingly, there is so much information that you can get hold of* [M. Int. 18].

**C.** *Market Research:* All respondents emphasised strong conviction in market research beliefs. There was a perceived need for agencies to create advertising communication in ways which consumers are receptive to. Varying amounts of qualitative work were reported by most agencies - two agencies indicated special developments in house. All agency respondents described interaction with the client's research house.

[6.110]

> *A lot of research has come via the client. Clients have their favourite research companies that they like to work with* [M.Int. 18].

[6.111]

> *... they, the clients ... it* [market research] *is not something that they understand all that much, so we will normally offer it just as part of the service, to be involved in the briefing* [M. Int. 14].

One respondent articulated the crucial need for distribution. Even with a wonderful brand and a great campaign *'you still have to get it distributed'* [M. Int. 13].

**6.5.1.4** *Group Perspective - Market Research Firms:* Observations of respondents were of interest concerning corporate brand managers, and concerning marketplace relationships.

**A.** *Corporate Personnel:* Observations were made on the turnover of corporate marketing personnel. One respondent also remarked on a tendency for marketing personnel to become *'production driven'* [M. Int. 15].

[6.112]

> *Further down the organisation there's this churn and people actually don't understand the brand. They have been with the company only a short time* [M.Int. 15].

[6.113]

> *...in a lot of cases the brands are actually stronger than the individuals working on them. They happen be the architect for the moment in time - reponsible for the stewardship of where it's going* [M.Int. 23].

Respondents perceived an effect, that this lower performance resulted in privileging the advertising agencies in brand matters.

[6.114]

> *.....the advertising agency would actually be a better brand keeper than the marketers* [M.Int. 15].

[6.115]

> *There will be a strong culture within advertising agencies that understands the brand* [M.Int. 12].

**B.** *Marketplace Relationships:* Respondents indicated that there was a trend for manufacturers to have recourse to specialist expertise from the marketplace with '*seamless*' relationships, rather than employing their own experts.

[6.116]

> *There is a three way relationship between the manufacturer, market researcher and the ad agency, because the research outputs plug straight into advertising agency decisions* [M.Int. 12].

[6.117]

> *Evolving now is the long term relationship. ... the expression 'seamless' relationships. Companies not so much have their own MR ... but have a relationship with an outside MR house* [M.Int. 23].

**6.5.1.5** *Group Perspective - Design Firms:* Particular interests of design firm respondents, which characterised their perspective, were concerned with visual

communication and perceptions of consumers.

**A.** *Visual Communication:* The ability of human beings to absorb images was stressed. With television, people were learning from an early age to respond to visual images. Visual imagery was observed as particularly suited to communicating brand messages.

[6.118]

> *... there's a whole raft of emotional additives that you get when you use pictures rather than words. Part of it - designs are becoming more important because increasingly we are living in a visual age. We are living in a television age now, where people learn from their earliest years to respond to pictures in a more sophisticated way* [M. Int. 5].

**B.** *Perceptions of Consumers/People:* Respondents' perceptions of brands and people were cast in emotional terms. The difference between necessity and luxury was observed -

[6.119]

> *I guess it's the difference between necessity and luxury, that's where brands come in. You can go to certain bargain basements and get some basketball shoes; you can go somewhere else and get a set of $250 Nikes* [M. Int. 25].

Although brands may represent stability and conservatism, respondents also remarked upon people's liking for novelty and difference.

[6.120]

> *They like novelty, they like new ideas* [M. Int. 5].

Brands were seen as providing a dimension of differentiation.

[6.121]

> *Basically what you are trying to do with a brand or a logo is to communicate the differentness of a particular idea. That's part of what went wrong with the USSR, they tried to do the opposite. They tried to make everything bland and uniform ...* [M. Int. 5].

**6.5.1.6** *Group Perspective - Human Resource Consultants:* Personnel respondents were asked about their understanding of the terminology in executive marketing positions. Respondents indicated that for some companies brand manager and product manager were interchangeable; for other companies they denoted different positions and different levels. Category manager was seen as a different concept. A category manager might have responsibility for a number of brands.

**6.5.1.7** *Group Perspective - Publisher:* The publisher commented upon the lack of commonality between demographics in which media measures were made, and psychographic profiles which are used by marketers to delineate consumers in deeper lifestyle and behavioural characteristics.

**6.5.1.8** *Group Perspectives - Summary:* The sub-section examined particular themes which emerged from the analysis as relevant for the specific institutional groups of the marketing field. Through respondents' discourses, the themes delineate brand natures, or the enviroment in which brands are created and managed.

Chief executives' interests in brand marketing emphasised awareness of the primacy of consumer perspectives, and the need to keep brand imagery contemporary. Some chief executives made a particular point, that distribution was equally important for successful operations. The increasing significance of market research was stressed. Corporate marketers also emphasised the importance of distribution. Corporate marketers acknowledged the need to meet short term requirements, but also to maintain longer term brand commitment. With specialist institutions in the marketplace, corporate brand owners were building ongoing relationships based on specialist expertise. There was no acknowledgement or interest concerning intergrating brand values into day to day financial measures.

Advertising agencies articulated a self appointed role as *'custodian of the brand'*. They claimed greater stability in agency client relationships, in contrast to perceptions of continuing changes in corporate personnel. The agencies' attitudes to their media interests revealed the significance of a traditional area of advertising agency expertise. Given modern technology, it is an area of huge investment. The increasingly *'seamless'* interrelationship among market research, advertising agencies, design firms and corporate brand owners was another perspective of the dynamics of the contemporary marketing field. Market research respondents reinforced beliefs of advertising agencies' expertise with brands. The brand manager was termed *'the architect of the moment'*. The development of *'seamless'* operating was reiterated. Design firm respondents articulated the increasing importance of visual communication. People's interests in novelty and difference were remarked; and choices between necessity and luxury observed. Brands were seen to provide for differentiation.

Differing terminology for executive positions was reviewed in observations from human resource consultants. The publisher differentiated between demographics of the media and the psychographic profiles of brand users. A marketing respondent explicated differing terminology use - internal use of *'product'* and *'product family'*; trade use of *'product category'*; and *'brand'* with the advertising agency and with market researchers. (*'Trade mark'* was not among the constructs referenced).

In the next section, the chapter summary refines the themes and gives a concise statement of the chapter, framed by the themes.

## 6.6 *Chapter Summary*

The end of chapter summaries are drawn from the individual chapter reports. The decision was made because of the nature of the material. The reports are written from the analysed and worked data, but are illustrated by quotations which are taken from the verbatim writeups of the taped interviews (the raw data). Because these quotations not only illustrate the reports, but also contribute to them by speaking directly from respondents, a summary of the intermediate summaries would merely gloss the original material, having moved a step further away. Full verbatim quotations are not repeated, but phrases from the quotations are employed to give illustrative emphasis. Full quotations are referenced by allocated number.

### 6.6.1 *Refinement of Conceptual Themes*

The six conceptual themes which frame the chapter summary are now refined with reference to the chapter reports. The brand sub-themes *'Brands and Value', 'Brand Valuation'* and *'Brand Aspects'* are redefined as individual themes. Sub-themes are introduced. The generalised *'Group Perspectives'* has been reworked as two broad themes - *'Marketing of Brands'* and *'Marketplace Relations'*, with appropriate sub-themes. The continuing dynamic development of the themes emphasises the mobile and multifaceted nature of the research domain. The new framework of themes and sub-themes is set out in **Figure 6.3:** on the following page.

**FIGURE 6.3** *Conceptual Themes, Chapter 6, Summary*

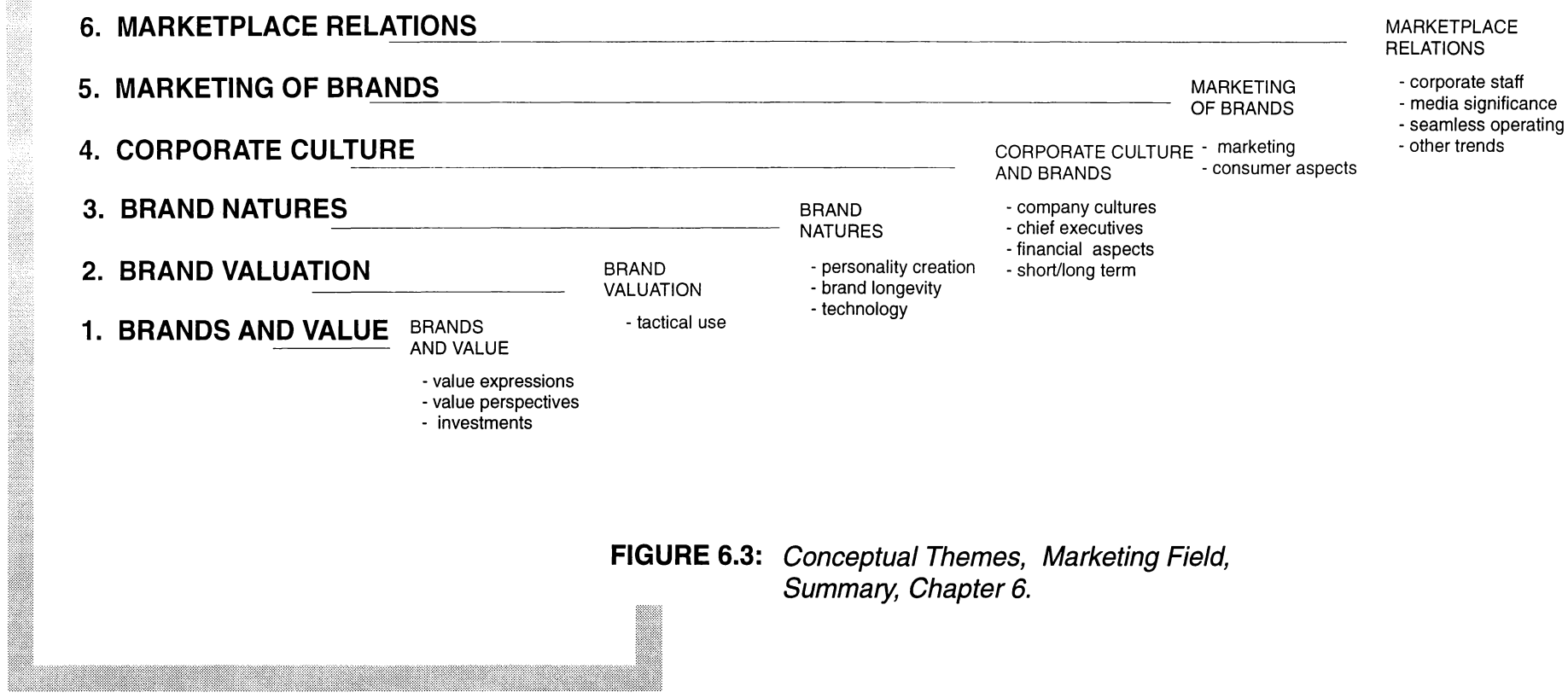



**FIGURE 6.3:** *Conceptual Themes, Marketing Field, Summary, Chapter 6.*

### 6.6.2 *Brands and Value*

This sub-section examines the manner in which brands were perceived to have value by respondents.

**6.6.2.1.** *Most Valuable Asset:* Advertising agency respondents reported that companies appeared to have increasing appreciation of the value of their brands [6.11; 6.12]. Brands were seen as any company's most valuable asset by advertising respondents [6.9; 6.10; 6.13]; and appeared so in the view of one chief executive [6.4]. Brands were *'more valuable than the production side'* .

**6.6.2.2** *Value Perspectives:* The role of brands was seen by corporate personnel in adding value to products [6.2; 6.3; 6.5; 6.6]. Respondents' conceptions of value varied. Chief executives perceived brand values in terms of profitability [6.2; 6.3]; corporate marketers talked about brand values in operational and strategic marketing terms. Examples were brand extensions [6.5; 6.6] and positioning [6.7]. Market research respondents discussed building huge equity in brands [6.14; 6.74]. For human resource consultants, brands had value through the ability of the brand owner to attract the best marketing staff [6.16]. Choice of words may be argued as characterisation of groups' perspectives and multiple constructed realities [refer 2.2.2.2, *supra*] For example, with market researchers the emotive expression 'gut' was repeated across respondents [6.50; 6.51]. Brand *'equity'* has strong consumer connotations (Aaker, 1991b; Biel 1991; Keller 1992); [refer 3.3.3.1, supra]. *'Equity'* was used by market researchers and one corporate marketer [6.14; 6.74; 6.97].

**6.6.2.3** *Brands as Investments:* The investment nature of brands appeared in the views of various respondents. With three chief executives, there is indirect expression of long term investment [6.2; 6.3; 6.4]. The publisher stressed that brands are a long term investment [6.17]. The long term aspect of brand building is emphasised by advertising respondents [6.11; 6.13]. Observations on brand management, by one market researcher, indicated that market share is lost when brand owners stop investing [6.76]. Another observed the investment in brand equity [6.14]. *'Investment'* appeared a natural and descriptive word choice.

### 6.6.3 *Brand Valuation*

Interest in brand valuations was not significant in the marketing field; few respondents made comments. Generally, the personnel group was disinterested. One respondent remarked that there was no perceived interest in brand valuation by applicants for executive marketing positions. Another personnel respondent vaguely knew that some companies did value their brands - and added that it depended upon the company's *'philosophy and their accounting function'* [6.32] Design firms claimed that valuations merely recognised existing values.

Some respondents from advertising agencies and market research houses queried how a brand's value could be measured. One advertising agency respondent observed that, as far he knew, there was *'no way you can accurately quantify what a brand might be worth'* [6.25]. A market research respondent queried how future moves of competitors and the market could be known [6.30]. He could not see any application for brand valuation in day to day selling of products. Further observations by advertising respondents emphasised brand valuation was not an issue. At any time successful marketing people had very good measures of the working values of their brands [6.29]. One corporate marketing respondent echoed this observation [6.24]. Another corporate marketing respondent reflected that brand valuation had *'nothing to do with marketing'* [6.22]. An observation was that some people cannot value things without *'a dollar figure on them'* [6.26].

In the views of advertising agency and market research respondents, brand valuations were seen as becoming an issue *'by and large'* when a company was sold or taken over [6.25]. One chief executive agreed; he termed brand valuation *'all baloney'* [6.19]. The real value of the brands would become apparent if somebody made a bid for the company.

A tactical use for brand valuations was perceived by advertising agency respondents, and by a corporate marketing respondent. Valuation was argued as useful for marketing executives within brand rich companies, to justify expenditure internally. The valuation would signal the value of the brand investment to management, and provide justification for expenditure *' at present hard to justify'* [6.23; 6.27; 6.28; 6.29].

A specialist brand valuer had valued the brand(s) of one firm. The chief executive indicated that the brand value(s) had been disclosed on the balance sheet [6.18]. Much of his discussion focused upon internal management applications of the valuation. The size (visually)[7] of the valuer's report indicated a huge volume of information. The respondent queried one of the seven measures used by the valuer to build brand profiles.

Two chief executives stated that they were not interested in valuation of their company brands. One respondent gave arguments for and against brand valuation [refer 7.99, *subter*]. He remarked that he had seen the kind of valuations done [6.21]. The other respondent referenced value measures available through the market pricing of the company shares [6.20]. Other market derived values were introduced by the publisher. He discussed the valuation of the company mastheads, and emphasised that there was little trade in such intangibles. Market value, was merely the price on the day - *'what someone is willing to pay'* [6.33]. He termed market value *'a very liquid sort of thing'*.

### 6.6.4 *Brand Natures*

The initial *'Brand Aspects'* theme is now more focused as *'Brand Natures'*. Sub-themes collate insights of ways in which respondents perceive brands. Their views concern the natures and properties of brands, implications of the life of brands, and respondents' perceptions of interconnections between brands and technology.

**6.6.4.1** *Brands as Constructs:* Brands were perceived in terms of created personality and imagery by chief executives [6.1] and a design firm director [6.56]. Particular brands had perceived characteristics [6.8; 6.36; 6.37; 6.38; 6.40]. To successfully manage a brand, marketing respondents emphasised, there had to be understanding of the core of the brand [6.3; 6.5; 6.6; 6.7; 6.34; 6.35; 6.36; 6.37; 6.38; 6.39; 6.40]. The essence of the brand was variously termed by respondents across the marketing field as the *'core', 'essence', 'essential components', 'soul'*. Three of these four expressions are emotive, emphasising the manner in which marketers understand brands. Notions of created personality, emotively cued imagery and constructed positioning in the marketplace are derived from this understanding. Such aspects

were central to discussions with corporate marketers [6.38; 6.39; 6.40; 6.41]; with advertising agency respondents [6.46; 6.47; 6.48]; and with design firms [6.55; 6.56; 6.57; 6.58; 6.118]. Consumers were perceived as buying into the imagery and building relationships with the personality of the brand [6.1; 6.56; 6.58; 6.82]. Many brands were *'quite conservative'*, and *'predictable'*. Brands communicated *'trustworthiness'* [6.37; 6.59]. Market research respondents stressed the non rational, totally emotional connection between brands and consumers [6.49; 6.50; 6.51]; with *'the heart and the gut - it's the visceral'* [6.50]. This emotional connection was also stressed by other respondents [6.56; 6.82].

**6.6.4.2** *Brands' Potential Longevity:* Brands were seen clearly by respondents with potentially endless lives. Of some powerful brands, corporate marketing respondents commented identically - *'people grow up with it'* [6.42]. The importance of continuing support was strongly expressed [6.57; 6.76; 6.96; 6.97]. One design firm respondent commented that having created the brand, *'you keep on creating it'* [6.57]. It gets sold to the *'next generation'*. Brands are perceived as building a *'heritage'* over time [6.36; 6.53; 6.58]. They must be kept contemporary, but without alienating supporters [6.35; 6.39; 6.83; 6.84; 6.85]. The residual power of brands to live on in people's memories was stressed by market research respondents [6.52; 6.53] The *'Rinso'* brand was quoted [6.53]. One respondent had modelled fall off; he termed the pattern *'exponential'* [6.54].

**6.6.4.3** *Brands and Technology*: The linking of brands with technology was made in various ways. One market research respondent argued that increasingly products had the same technological base, but the points of difference from brand to brand were now emerging from greater product innovation. One advertising agency respondent noted similarly. The crucial role of research and development, and innovation was emphasised by corporate marketers and observed by design firm respondents [6.6, 6.93; 6.120; 121].

### 6.6.5 *Corporate Cultures and Brands*

Company culture was perceived by respondents as very significant for brands.

**6.6.5.1** *Company Cultures:* Advertising agency respondents observed that brands

had little future if not emanating from a company culture which understood and focused on brands [6.68; 6.69]. There had to be someone to recognise the opportunity for the brand [6.69]. One respondent claimed it was *'symbiotic'* [6.68]. Similarly, company culture and company people were interconnected with innovation by a market researcher [6.74]. The respondent stressed that brands were very dependent on the *'horsepower'* you put behind them [6.76] Company culture cared for the brand [6.73]. It was seen as important in making executive appointments. Companies tended to recruit people who fitted their culture [6.78]. Chief executives interviewed appeared very cognisent of their companies' cultures [6.62; 6.63].

**6.6.5.2** *Aspects of Culture:* Dynamic images of the culture in branded companies were revealed in corporate respondents' discourses. There was evidence of strong integration across sales, marketing, and research and development functions; and for some integration was company wide [6.64; 6.65; 6.66]. One company exhibited less interest internally in its brands [6.67]. In the views of market research respondents, companies with strong brands had to internally market their brands [6.74]. It was the culture of the company that was perceived as caring for the brand [6.73].

**6.6.5.3** *Chief Executive and Company Culture:* Respondents in advertising agencies, personnel, publishing and design firms observed that the chief executive officer drove company culture. The publisher remarked that chief executives traditionally came from accounting and production backgrounds [6.79]. Now, chief executives increasingly have marketing backgrounds, an observation also made by advertising agency respondents [6.70; 6.71]. One advertising agency respondent disagreed, he claimed management continued to have suspicions of marketing [6.72]. One market researcher, although warning that stereotypes were dangerous, remarked that chief executives were characterised by their chosen career paths. He said that marketing backgrounds gave greater capacity for innovation. Accounting backgrounds emphasised conservatism. As stereotypes, accounting career chief executives wanted a *'balance sheet on everything'* [6.75].

The stereotyped views were echoed by personnel and publisher respondents. One respondent claimed there was a different slant, whether chief executives had a marketing, production or accounting background. A chief executive's background was seen as influencing applicants for marketing positions. The publisher observed

that in the past, many chief executives did lack appreciation of marketing and the worth of brands [6.79]. Brand expenditures were previously seen not as investment, but as expenses to be cut back when times were tough [6.17].

**6.6.5.4** *Financial Aspects:* Financial aspects were not extensively addressed by most respondents. One respondent observed specific allocations for brand advertising. One chief executive remarked on a working allocation, which included the brand. For one corporate marketing respondent, much financial analysis centred on the products and product groups. Observations on meeting bottom line figures was made by some marketers [6.90; 6.91; 6.92]. Financially driven cuts by multinationals were observed by an advertising agency respondent and the publishing respondent.

**6.6.5.5** *Short/Long Term Views:* Observations by corporate marketing respondents illustrated the short and long term tradeoffs implicit in many marketing decisions. Their observations were all derived from market based factors [6.93; 6.94 6.95; 6.96]. However, the observations on financial aspects [refer 6.6.5.4, *supra*], indirectly imply short term horizons originating from internal company directives.

### 6.6.6 *Marketing of Brands*

This sub-section reviews aspects of corporate operations concerning communication of brand imagery, in order to build and maintain brand personalities with consumers.

**6.6.6.1** *Marketing:* Successful brands do not just happen. Respondents acknowledged the need to actively market company brands [6.56; 6.57; 6.80; 6.81; 6.93; 6.94; 6.96]. It was important to maintain the personality of the brand in contemporary imagery [6.39; 6.83; 6.84; 6.85]. Communication to the consumer was seen in all activities; it was specified in terms of colour, print, and packaging [6.45; 6.86; 6.87]. The communication was not only through advertising, but in store [6.87]. Design firm respondents emphasised the manner in which visual communication aided creation of brand imagery and personality [6.15; 6.118]. Visual imagery was seen to communicate at emotive levels. Chief executive respondents inferred the need for understanding consumer awareness on a continuing basis [6.80; 6.81; 6.85; 6.94; 6.96]. Both chief executive and corporate marketer respondents emphasised the increasing

significance of market research [6.89; 6.98; 6.99; 6.100]. Market research enabled brand owners to gauge the effectiveness of their communications. The publisher respondent observed that both formal and informal communications existed, and images received were not always as intended [6.61].

In discussing marketing efforts, two chief executive respondents emphasised at length their perceptions of the crucial contribution of aspects of distribution [6.88]; [refer 6.5.1.1A, *supra*]. Corporate marketers also reflected significance of distribution [refer 6.5.1.2, *supra*]. Distribution was recognised as significant by one market research respondent [6.76] and an advertising agency respondent [refer 6.5.1.3C, *supra*].

**6.6.6.2** *Consumer Aspects:* Marketing respondents expressed views of people's general need for novelty and difference [6.44; 6.93; 6.120; 6.121]. Consumers were seen to make emotional choices [6.49; 6.50; 6.51; 6.55; 6.82]. The consumer focus did not include the manufacturer. The publisher observed the difference and lack of commonality between agencies' demographic measures in media and the psychographic dimensions of life styles used by brand marketers. Design respondents noted consumers' growing receptivity for visual messages [6.15; 6.118].

### 6.6.7 *Marketplace Relations*

This sixth theme collates aspects of the marketplace in which brands are created and managed by consumer goods manufacturers. The manner in which corporate staff were perceived in the views of respondents in marketplace institutions; and the perceived brand *'custodian'* imagery of advertising agencies are referenced. The sub-section encompasses trends which emerged in respondents' discourses.

**6.6.7.1** *Corporate Staffing and Keeper of the Brand:* Advertising agencies are *'about relationships'*. In the view of one advertising respondent, senior agency personnel invariably had far greater staying power than corporate executives [6.105]. Market research personnel commented similarly on turnover in lower levels of corporate marketing personnel - *'there's this churn'* [6.112]. Lack of continuing *'stewardship'* of the brand [6.113] was seen also as the reason for advertising agencies' role as *'keeper of the brand'* [6.114; 6.115]. Two agencies termed the role *'custodian'* of the brand [6.103;

6.101]. One respondent observed it was true in many, but not all cases [6.105]. The views of the advertising agency personnel and market researchers were not replicated in corporate discourses[8] [6.101; 6.102].

**6.6.7.2** *Media Significance:* Any examination of brand creation and brand management cannot overlook the significant media expertise built within advertising agencies [6.106]. Advertising agency respondents' discourses indicated dimensions of huge investment values [6.107; 6.108]. In the view of one respondent, ability to interpret information was critical to an agency's competitive advantage [6.109].

**6.6.7.3** *'Seamless' Operating Trend:* Respondents from advertising agencies, market research firms, and a design firm discussed the efforts of brand owners to form teams of marketplace expertise through associations with advertising and market research specialists. Some respondents termed the associations *'seamless'* operating [6.117]; [refer 6.5.1.3A, supra]. Examples of *'seamless'* operating were evident in observations by market research firms, advertising agencies and design firms on linking into market research projects [6.110; 6.111; 6.116; 6.117].

**6.6.7.4** *Further Trends:* A number of trends emerged from respondents' discourses. Taken together, various aspects indicated a greater sophistication in the corporate market interface where consumer brands are concerned. There were observations by the publisher respondent on the increasing tendency for chief executives to emerge from marketing careers. In the views of the publisher and advertising agency respondents, there was an increasing marketing orientation [6.70; 6.71]; and greater understanding of brand values [6.11; 6.12]. There appeared to be greater appreciation of market research and increasing use of market research [6.98; 6.99]. Design firms were rapidly becoming more important; and the use of design in branding and corporate imaging was growing. There was increasing awareness of the power of visual communication - and the sophistication, of society generally, in understanding visually communicated messages [6.118]. The linkage between brands and technological innovation was seen as gaining significance. Pertinent to some strong brands was the ability of corporate cultures to sustain programmes of innovation. The importance of innovation was apparent with particular types of branded consumer goods [6.44; 6.74].

## 6.7 *Chapter Conclusion*

This chapter reported the findings from the interviews with respondents in the marketing field. Firstly, the chapter introduced the three conceptual theme categories, given representation in **Figure 6.2:**, *supra.* The themes had been developed through the analysis of the field data [refer 5.5.1; 6.1.2, supra]. Secondly, the reports were presented, framed by the themes. Integral to the reports were verbatim quotations from the writeups, validated by the respondents. All quotations were also separately authorised by respondents. In the final summary, firstly, the conceptual themes were briefly reviewed against the reports and disaggregated into six conceptual themes, with further sub-themes making particular aspects visible. The development within the body of conceptual themes reflects the mobility encountered through the differing perspectives of the multiple constructed realities of the research domain. The final chapter summary is framed by the refined themes [refer **Figure 6.3:**, *supra*].

In chapter seven, the reports of the accounting/finance field are similarly presented. In chapter eight the conceptual themes are worked together (within the broader focus of the chapter) to provide an overall structure for chapter eight, which presents the study interpretation, combining reported perspectives from both the marketing and the accounting/finance fields, the earlier thick contextual descriptions, built in chapters three and four, and material from the introductory chapter.

1. It is argued that the research aims to gain measures of understanding of how brands are understood and interpreted, which is analogous to the phenomonological notion of the *'noema'* and *'noesis'*. The *'noema'* does not exist without the *'noesis'* or manner of understanding [refer 2.2.2, *supra*]. The manner of understanding is argued as shaped by individual views, and by the reference group constructions of reality. Within the naturalistic paradigm, concern is with the existence of multiple realities [refer 2.2, *supra*]. The manner of seeing brands appears integral to the group perspective. Contrasting understandings emanate from particular *'ways of seeing'*, or perspectives (Shibutani, 1955; Berger and Luckmann, 1966).

2. The position of the respondent within the particular firm was important in making the original choice of respondents. But at no time were respondents asked for opinions as official representatives. However, at the same time, people in similar positions and within particular professions or industries, have similar perspectives, and therefore their views may be loosely referenced as group views (Shibutani, 1955).
   In the study there is therefore a trade off between group views and individual expression. The views recorded in the fieldwork are personal to the respondents. Some respondents in public life have an official role, and therefore stress upon the personal nature of the views must be recorded. However the views of respondents are loosely referenced as group views unless otherwise stated (Jones and Williams, 1992).

3. The respondent's comment in the negative gives an indication that some brands may not be as valuable as generally presumed. It destabilises notions that brands are intrinsically valuable [refer 1.7, *supra*]. However valuation was explicated by many respondents as giving recognition to values already existing, but unacknowledged. One respondent, in general conversation, made a reference ro brands with '*negative*' value. A potentially negative brand value raises questions about the value of the item being valued, and about subjective choices made in valuation processes. Also it may indicate marketing problems.

4. The observations made by human resource respondents are interesting because they indirectly emphasise the types of brand knowledge current among marketing people who are applying for, and gaining, marketing positions. Human resource consultants stressed that brands per se do have messages for marketing people, but brand valuation in dollar terms does not seem to have currency among the messages marketing people receive and interpret. Respondents also remarked that while brands have messages for applicants for marketing positions, they do not have the same strength of message for executives applying for positions within other business functions.

5. The observations of the respondent are interesting on a number of counts. Expressions of the imagery of the essence of the brand are of interest for the building of intangible characterisations. Also, the respondent's words trace the completed circle of communication through advertising messages and market research feedback. The respondent indicates that the brand personality has been in existence for a long time. Observations encompassing advertising and market research, and the time period are indicative of potentially large investment outlays.

6. The attitude expressed by the advertising agency respondents is also observed by market research respondents [refer quotations 6.114; 6.115].

7. As seen by the researcher, at interview, 1995.

8. Comments were made by advertising agency respondents and market research personnel on turnover in corporate marketing positions. Similar turnover was observed during the time of the research and study by the researcher. Movements in executive employment were much less evident in other positions over the two year period.

# 7.0 CHAPTER SEVEN: *REPORT - ACCOUNTING/FINANCE FIELD.*

*Sed quis custodiet ipsos Custodes?*[1] (Juvenal, *Satires 6*)

## 7.1 *Introduction*

This chapter reports from the accounting/finance field. In the last chapter, chapter six, a frame of conceptual themes was employed to shape the report from the marketing field. Chapter six first set out the theoretical basis of both chapters, six and seven. Secondly, the chapter established the thematic structure of the two chapters, with particular reference in chapter six to the marketing field.

In chapter five, detailed explication was given of the processes through which the tape data evolved from analysis to written individual case studies for each group. From the case studies, the material was reworked into concise group reports, internally structured by the emergent themes. **Figure 5.5***: Working Paper, Accounting/Finance* represents the group reports as informal working papers.

The text of this chapter is developed from the working papers. Quotations used in the chapter are taken from the working paper, and further quotations are added. The quotations are illustrative, and also add a dimension of direct communication. Each quotation (within its page setting) was returned to the respondent for authorisation, together with a reference list, to indicate the level of anonymity in referencing.

The quotation used to head this chapter, was chosen for two reasons[2]. The argument over brand reporting is concerned with balance sheet disclosures. Who owns the balance sheet within the framework of financial reporting processes? Is it the corporate entity which reports? Is it the regulator who sets the regulatory guidelines for financial reporting? Is it the auditor who pronounces on the truth and

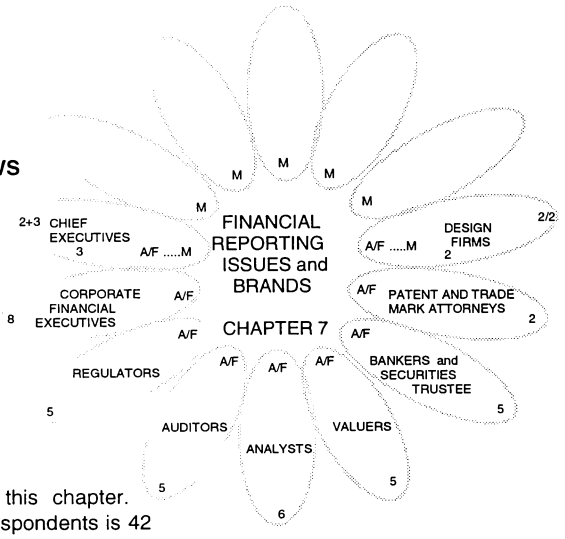
fairness of the disclosures? Or, the registrar of companies who may prosecute? The question of who regulates the regulators underlies examination of the accounting profession, financial reporting, and accountants' balance sheet and asset conventions. Contextual, cultural and theoretical issues were explored in chapter four. This chapter reports views of brands and financial reporting of business people in the accounting/finance field.

### 7.1.1 *The Accounting/Finance Field*

The accounting/finance field is constituted by nine groups for the purposes of the study [refer 2.4.2, *supra*] **Figure 7.1:** *Groups in the Accounting/Finance Field* sets out the groups and the numbers of interviews in each group.

**FIGURE 7.1:**
*Groups in the Accounting/Finance Field*

| GROUP | NO. OF INTERVIEWS |
|---|---|
| **Chief Executives** | **3** |
| **Corporate Finance Managers** | **8** |
| **Regulators** | **5** |
| **Auditors** | **5** |
| **Valuers*** | **5** |
| **Analysts** | **6** |
| **Bankers*/Trustee*** | **5** |
| **Trade Mark Attorneys** | **2** |
| **Design Firms** | **2** |




* Questionnaires are included as interviews for the purposes of this chapter.
At two interviews there were 2 respondents. Total number of respondents is 42
One interview respondent also completed a questionnaire.

### 7.1.2 *Themes in the Accounting/Finance Field*

Themes drawn from the analysis have been categorised under three headings. Themes of *`brands'* and *`financial reporting'* collate common observations by respondents. Three sub-themes collate observations relevant to brands. These are *`Brands and Value, `Brand Aspects'* and *`Brand Valuations[3]'*. Within the *`Brand Aspects'* sub-theme, most respondents discussed brands within some business asset

characterisations. Discussion of *`Financial Reporting'* was marked by differing perspectives among many of the nine diverse groups. The existence of multiple realities was emphasised. Perspectives reflected differing aspects of a broad conceptual theme. In the third theme, a generalised *`Brand Management'* category encompasses group perspectives. **Figure 7.2:** *Themes* sets out these conceptual themes, which structure the chapter.

**FIGURE 7.2:** *Conceptual Themes*

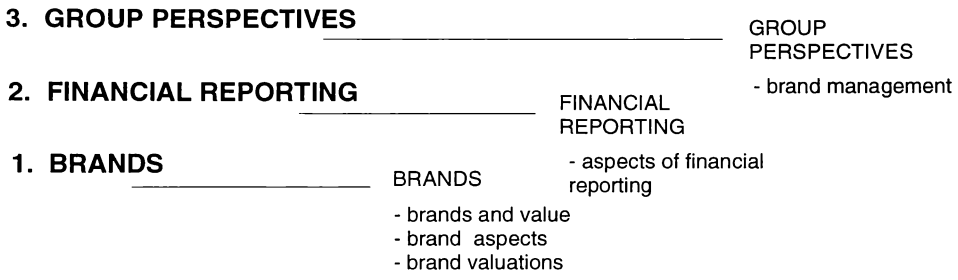



**FIGURE 7.2:** *Conceptual Themes, Accounting/Finance Field, Chapter 7.*

## 7.2 *Manner of Report Presentation*

The aim of the presentation is to report the ways in which the groups of the accounting/finance field perceive and understand brands, and secondly, their views of financial reporting and/or annual reports. Articulation of views across groups serves to highlight differing perspectives of the same constructs. A major chapter summary ends the chapter. It reviews and refines the themes, with reference to the group reports. The chapter is then summarised in accordance with these refined themes. A brief conclusion completes the chapter. The format is as follows.

**Section 7.3** *Brand Themes:*

- The brand themes - *`Brands and Value', `Brands as Assets'* and *`Brand Valuations'* are presented. These three separate sub-themes are each concluded by a brief intermediate summary.

**Section 7.4** *Financial Reporting*

- This section reviews financial reporting within the perspectives of the individual groups. The focus is not only a review of financial reporting, but a close focus on the disclosure of brand information. A short summary completes the section.

**Section 7.5** *Group Perspectives:*

- The group perspective themes are drawn into a broad category of *'Brand Management'*. There are two classifications - firstly brand management in an operational sense. Secondly, accounting for brands, which focuses on the question of determination of the economic life of the brand, and whether amortisation is appropriate accounting.

**Section 7.6** *Chapter Summary:*

- Firstly, the themes of the chapter are reviewed. The reviewed themes are then used to structure a concise report of the chapter. Quotations are referenced in the summary, using the numbering allocated in the chapter. This summary carries forward the accounting/finance field report to chapter eight.

**Section 7.7** *Chapter Conclusion:*

- The chapter conclusion briefly reviews the chapter, looks back to chapter six, and introduces chapter eight.

## 7.3 *Brand Themes*

This section reports respondents' observations of brands collated by conceptual themes *'Brands and Value'*, *'Brand Aspects'*, and *'Brand Valuations'*.

### 7.3.1 *Brands and Value*

In this sub-section images of brands and value are built up through respondents' general expressions of brand values.

**7.3.1.1** *Chief Executives and Brand Values:* One chief executive explicated brand values within a framework of valuation processes [A/F. Int. 29]. Two chief executives articulated brand values in market terms [A/F. Int. 2; A/F. Int. 9]. Market derivations were from share price indicators and through market research. Primary importance was given to the manner in which consumers perceived the brand(s). Both internally within the firm, and externally, great emphasis was placed upon reinforcing those brand values which differentiate the brand for consumers, and thus provide its significance [A/F. Int. 2; A/F. Int. 9]. There is a consciousness of maintaining the quality of the brand. One respondent referred to price fighter brands, which protect the quality of premium brands.

[7.1]

> *We have one or two - or three, in fact - fighting brands which we use from time to time if we are going to put out products which might not necessarily live up to the quality specifications that we believe we have got to adhere to under that 'brand name' brand* [A/F. Int. 2].

**7.3.1.2** *Corporate Finance Managers and Brand Values:* Within the corporate business framework, brands were seen by corporate finance respondents as integral parts of the whole business operation.

[7.2]

> ... *it is involved with the value of the company* [A/F. Int. 1].

[7.3]

> .... *they are part of the whole business, part of the mix and part of the value adding process* [A/F. Int. 7].

[7.4]

> ... *they're part of the mix* [A/F. Int. 4].

Brands were characterised generally by respondents as -

[7.5]

> *powerful* [A/F Int. 4].

[7.6]

> *the basis of our business success* [A/F Int. 11].

[7.7]

> *biggest asset of the company* [A/F. Int. 1].

The observations of one respondent indicated some of the complexity of brand constructs and the existence of different realities. The respondent remarked upon

differing value perspectives and terminology, which surround brands in the business operations.

[7.8]

> *...You market different values. When you market to the consumer you are marketing them a*(n item)*, you are marketing a brand value, you are marketing personality. When you are marketing that product to your customer you are marketing profit opportunities* [A/F. Int. 10].

Two corporate finance respondents referred to company use of lesser quality, price fighter brands [A/F. Int. 4; A/F. Int. 35].

**7.3.1.3** *Regulators and Brand Values:* Regulators observed potential for confusion between the values of brands and the value of the particular business operation [M. Int. 34]. The manner in which intangible operating values may be captured and expressed in a brand was also evident in the following remarks.

[7.9]

> *... I guess the question is if you didn't actually have the brand, some of those things might still be in place in terms of your business, but you wouldn't have any lever to incorporate them in the value of a particular item ..... it may well be you still have those qualities of management, and those sorts of things which, without something you could say ..... well as an identifiable brand you probably don't have a lever/flag to say - this is it, we can attach these ...* [A/F. Int. 26].

**7.3.1.4** *Auditors and Brand Values*: Auditors made few remarks about the general value of brands. Their discussions were framed within audit based perspectives of assets and brand valuations. One auditor remarked of a firm and its brands -

[7.10]

> *they are passionate about it in fact* [A/F. Int. 19].

**7.3.1.5** *Valuers and Brand Values:* Valuers interviewed represented both general valuers and specialist brand valuers. In overview, respondents saw brands generally as important and valuable. The value of brands and the ability to value brands was recognised by brand valuation specialists. In contrast, some valuers, who did not specialise specifically in brand valuations, questioned whether the nature of operating interrelationships allowed for separate valuation of brands.

[7.11]

> *... in one big pot and it's very hard to say, well this little bit here - we have built it up this way. I mean how do you value that?* [A/F. Int. 24].

**7.3.1.6** *Analysts and Brand Values:* Little interest in brand values was expressed by analysts. One respondent claimed that although the market was cognisent of brand values, analysts' recognition was merely implicit.

[7.12]

> *The market as a whole is very cognisent of the value that is attached to a brand - and the financial projections and models that people build will include that, although implicit rather than explicit* [A/F. Int. 22].

One analyst queried fluctuations in marketplace values -

[7.13]

> *... have you looked at all in terms of changing value attached to a brand ... like the Marlboro one?* [A/F. Int. 17].

Some respondents disputed that brands per se had value; they argued that the value lay in the ability to sell product. For one analyst, the power of a brand was built upon its past sales achievement. Any brand continues to be only -

[7.14]

> *as good as the last product it sells* [A/F. Int. 27].

One respondent stressed that the analyst's focus was on the market forces, and a business's sustainable cash flows -

[7.15]

> *... it is a business - there is this formation of individuals and buildings and offices and brew houses or whatever - and trucks and vans and everything we can earn money off. It's so pervasive - and where the value actually sits - and they are trying to put it into the brand* [A/F. Int. 23].

**7.3.1.7** *Bankers, Securities Trustee and Brand Values:* This group was loosely constructed with clearing bankers, an investment banker and a securities trustee. The common denominator was the corporate security. For clearing banks, the values of intangibles such as brands, were simply disregarded.

[7.16]

> *As bankers we are relying on the company's financial position as security. If we are at the point of having to recover from our security, what value does a brand have? Land, buildings, plant, etc. have known estimable resale values. What value attaches to a brand from a failed entity?* [A/F. Int. 42].

[7.17]

> *current practice is to discount all intangible assets on the balance sheet* [A/F. Int. 40].

In contrast, the investment banker argued that, for some businesses, brands are material business assets. He observed that measurement of assets and liabilities in cost based, accounting terms was seen as *'irrelevant and meaningless'* [A/F. Int. 39]. The securities trustee observed of brand valuations as security, that *'it was something we hadn't struck before'* [A/F. Int. 31].

**7.3.1.8** *Trade Mark Attorneys and Brand Values:* Respondents emphasised that their clients, who own brands, place immense value upon them. One respondent remarked -

[7.18]

> *It's interesting the importance they place upon their brands. Also the brand loyalty the staff must show. It's quite American the way it's carried out* [A/F. Int. 18].

One respondent used the example of counterfeiting activities as an indication of immense values of some brands in contemporary society. He discussed aspects of counterfeit imports into New Zealand [A/F Int. 18].

**7.3.1.9** *Design Firms and Brand Values:* The involvement of design firms in production of corporate annual reports created a different perspective on company brands. Brands were termed *'valuable, incredibly valuable'*. The respondent observed differing branding strategies which companies use. He remarked that product brand and firm brand may be different or may coincide.

[7.19]

> *This gets really complicated if you have a brand that does both* [A/F. Int. 30].

**7.3.1.10** *Summary:* The sub-section investigated the importance of brand values. A variety of contrasting views became apparent across the nine groups in the accounting/finance field.

Differing conceptions of value emerged from the ways in which respondents discussed brands. Corporate managing directors emphasised the need to recognise and reinforce consumers' perceptions of their brands. Insights gained from brand

valuation processes were emphasied by one respondent. Corporate finance managers perceived brands as powerful, and valuable within the business mix. One respondent discussed differing projections of brand values made to consumers and customers. In the perspective of regulators, the positioning of brands within the business mix created confusion as to separable identity for brand values. For one respondent, the brand potentially constituted a lever to facilitate value measures.

Valuers interviewed generally allowed that brands were valuable. Specialist brand valuers in the group did not question separability, but general valuers queried whether the nature of operating interrelationships allowed for individual valuation of brands. Analysts emphasised their focus was on the cash flows generated by a business as a whole; no analyst respondent showed specific interest in brands. Some analyst respondents denied value for brands per se. In the banking group, contrasting views emerged. Brand values were specifically ignored by clearing banks for securities. The investment banker respondent and the securities trustee recognised potential value of brands in some business operations.

In perceptions of respondents from firms of patent attorneys and design firms, brands were emphasised as potentially very valuable. Counterfeiting activities were observed as emphasising significant dimensions of brand values.

### 7.3.2 *Brand Aspects*

In the previous sub-section general statements of brands and value have been explored, and differing value perspectives emerged. In this sub-section, perceptions of aspects of brands predominantly represent brands as assets. Again the theme is used broadly to build images of brands from the ways in which the respondents appeared to interpret brand constructs.

**7.3.2.1** *Chief Executives and Brand Aspects:* The chief executives interviewed came from general management backgrounds. An interest in giving visibility to brands within business operations was articulated both specifically and generally.

[7.20]

*The biggest concern to me from the management point of view as we*

*now advance forward, is that you could spend hours, days, sometimes worrying about expenditure on a piece of capital equipment, because accountants can touch it, feel it and put it on the balance sheet. And you could spend five microseconds spending the same amount of money on an intangible asset* [A/F. Int. 29].

[7.21]

*On the other hand you could say if you believed it was an asset - and you valued it, then perhaps it imposes a discipline on you to use that asset. And if you are not using it, it will be reflected in your return on shareholders' funds* [A/F. Int. 2].

[7.22]

*A brand, brand imagery is very, - quite rare in the ..... business. 'Firm name' is almost unique worldwide in the brand awareness it has created in its market* [A/F. Int. 9].

One respondent differentiated between the narrower conception of the registerable trade mark, and the *'broader issue'* of a brand. In referring to Coca-Cola, he described perceptions of management -

[7.23]

*They obviously clearly have a policy and an image... it's a character of their brand and it is a very important part. I'd say it is part of the culture that goes with those sorts of things. It will only do so many things, it will only behave in a certain fashion, be seen in certain areas* [A/F. Int. 29].

**7.3.2.2** *Corporate Financiers and Brand Aspects:* Brands were recognised by respondents as business assets. One respondent ranked brands below fixed assets in significance [A/F. Int. 5]. Brands were of central importance for two respondents -

[7.24]

*....as a management team if we were asked to say what the biggest asset of the company was, we would say the brand .... if there is one thing that we have to protect more than bricks and mortar .... even more than one person in the company ... the brand is seen as the biggest asset, and we will often comment on that* [A/F. Int. 1].

[7.25]

*It is a brand which is probably the main reason for our success ..... I think the brand is an essential component to our profitability. I think everyone recognises that here ...* [A/F. Int. 11].

One respondent recognised the significance of brands in revenue generation, but

questioned whether brands were assets under traditional accounting definitions [A/F. Int. 10].

[7.26]

> .... *whether or not a brand is in fact an asset in the traditional, well under the traditional definition? That's a difficult question* [A/F. Int. 10].

Differing realities can be argued in another respondent's remarks concerning accountants' perceptions -

[7.27]

> *a big gap between, I guess, what management or what marketing see, and where the accounting profession is on the question of brands. I think the accounting profession hasn't caught up ...* [A/F. Int. 33].

The notion of separability has been central to controversies over brand recognition and disclosure [refer 4.4.2.3, *supra*]. Corporate accountants, in the majority, indicated that brands were saleable [A/F. Int. 4; A/F. Int. 5; A/F. Int. 7; A/F. Int. 11; A/F. Int. 33]. Observations included -

[7.28]

> *definitely, oh, yes definitely* [A/F. Int. 33].

[7.29]

> *you can buy brands. I mean it's not as though there is anything very special about them, I just think that they are significant ... they are an asset from which you can create a revenue stream* [A/F. Int. 4].

[7.30]

> *Yes of course they are saleable. The rights to useage of those brands and those marks are certainly saleable. Absolutely* [A/F. Int. 4].

[7.31]

> *At the end of the day where a brand is acquired you're looking at profitability, and that profitability is driven by the brand* [A/F. Int. 33].

In contrast, one respondent claimed that, in his view, brands might have complex infrastructures, such as processes, research and development, technology and expertise. He queried the potential for sale[4]. Quality aspects could be tied into the processes. He argued that, with a managed portfolio of brands, potential sale of one brand became problematic [A/F. Int. 10].

[7.32]

> *I think if you have a look at marketing strategy, '.....' brand portfolio is managed - it's managed as a portfolio, a balanced portfolio of*

*brands. If you take one of those out of the balanced portfolio, you've got to put something else in. If you're putting it into the same slot, what are you doing to the value of the brand you've just sold* ? [A/F. Int. 10].

Among corporate finance personnel, there was great awareness of the need for continuing financial support for brands.

[7.33]

*It is something we have to continually nurture and build* [A/F. Int. 11].

[7.34]

*.... life spans.... it varies from brand to brand. Also it varies depending upon the support you give brands* [A/F. Int. 33].

[7.35]

*...it's only if you keep spending money on them. ....If you didn't do so then the brand value would deteriorate. Companies spend a lot of money on creating brands* [A/F. Int. 4].

[7.36]

*... the brand has to evolve with them, or evolve over to the next age group. The intrinsic value of the brand has to be re-sold on a continuing basis ... it may be quite subtle* ...[A/F. Int. 5].

**7.3.2.3** *Regulators and Brand Aspects:* Within the modified historical cost measurement framework, brands were seen as potential assets by regulators [A/F. Int. 6; A/F. Int. 8; A/F. Int. 26].

[7.37]

*.... from a standard setter's perspective I suppose it boils down to a conceptual kind of line of thinking which says brand 'A', is this an asset? And invariably the answer is 'Yes'* [A/F. Int. 26].

However, some respondents queried whether brand values should be reported formally as assets on the balance sheet [A/F. Int. 8; A/F. Int. 21]. An area of perceived contention discussed by respondents was the interface between brands and business goodwill. One respondent observed that brands exist separately from business goodwill [A/F. Int. 34]; but there were expressions of the practical difficulties in differentiating brands from goodwill in business acquisitions [A/.F. Int. 8; A/F. Int. 26; A/F. Int. 34].

[7.38]

*I still think there are difficulties there, because what they have bought is more than the brands, they've bought the total goodwill of which brands are a part* [A/F. Int. 8].

(7.39]

*... when you're dealing with a brand in some cases you can get confused between the value of the brand per se and the value of the*

*business, part of which is reflected in the value of the other assets. And I think that's where the controversy lies, between that dividing line ...* [A/F. Int. 34].

With financial reporting, respondents perceived the problem not as recognition, but in the domain of separate measurement[5].

[7.40]

*The problems are on the measurement side of things* [A/F. Int. 26].

For regulators, the focus was not only uncertainty about the separability status. Dimensions of subjectivity in the measurement processes, led regulators to question the reliability of measurement amounts. Reliability is further discussed in brand valuation [refer 7.3.3.3, *subter*].

With their central concerns on potential confusion concerning separability, subjectivity and reliability, regulators appeared not to give great consideration to the materiality of self generated brands in many operations, and potentially the need, in contemporary society, to report such assets. One respondent observed that the brand reporting problem was important for very few companies in New Zealand [A/F. Int. 34]. (The observation was reiterated by one business valuer and an analyst). From a cost based perspective, a respondent stressed the problem of tracking brand cost over a long period [A/F. Int. 8]. Implicit in the observation is the potential longevity of brands, and the value judgements made of the nature of expenditures.

**7.3.2.4** *Auditors and Brand Aspects:* Various expressions of auditors supported classification of brands as assets [A/F. Int. 19; A/F. Int. 20]. Equally, other respondents queried the asset classification. Brands were seen as *'driving the revenue stream'* and also as *'reputation'* in the market place. [A/F. Int. 15]. The respondent queried recognition of reputation.

[7.41]

*.... hard to justify booking reputation in the accounts* [A/F. Int. 15].

Successful brands continuing requirement for support for was widely remarked. One respondent observed

[7.42]

*... you could say if you wanted to get really hypothetical - the brand name has a liability, because it has a continued commitment to support* [A/F. Int. 14].

Recognition of purchased brands earned cautious approval; recognition of internally generated brands brought diverse observations from auditor respondents. One respondent could not see differences between bought and self generated brands, if the valuation was done properly, and was properly disclosed [A/F. Int. 16]. Other respondents had different views.

[7.43]

> *And you have to be concerned where you value up internally generated goodwill to strengthen your balance sheet* [A/F. Int. 15].

[7.44]

> *I am horrified at the suggestion of valuing internally generated brands, because of the subjectivity* [A/F. Int. 14].

[7.45]

> *... I guess I feel less comfortable about that, being a reasonably conservative accountant* [A/F. Int. 19].

In differentiating brands from purchased goodwill at acquisition, sharply contrasting views were indicated by respondents. In the experience of one auditor, the motivation for client's acquisitions had been to acquire brands, but the intangible asset valued was goodwill [A/F. Int. 14]. In contrast, another respondent claimed that nobody paid for something called '*goodwill*' anymore. He claimed companies acknowledged existence of diverse intangibles.

[7.46]

> *People say 'Gee what else did we get with that?' We bought people and they are not on the books, and depending on the sort of entity, things like patents, trademarks, engineering drawings, mastheads. People are not saying paid $X full stop. They are saying, well yeah, okay, we paid more and we paid for this, and for that, and the other thing* [A/F. Int. 19].

**7.3.2.5** *Valuers and Brand Aspects:* Diverse opinions were expressed, and differing realities were evident. Specialist brand valuers supported recognition of brands as assets. In contrast, a business valuer termed the assumption of asset status arbitrary. He criticised accountants for lack of real understanding of the innate nature of brands [A/F. Int. 25]. Another valuer expressed dissatisfaction. He argued that brands were not an expense to be cut back when a firm wanted to increase profit figures. Currently, with brands on the balance sheet, on going activities are expensed, and quite separately, every now and then, the brands are revalued [A/F. Int. 24]. There had to be cognisance taken of what was happening, and somebody made accountable for the expenditure, so that the brand is visible.

[7.47]

> *Not unless you record it, do you value it, you nurture it, you look after it and you monitor performance* [A/F. Int. 24].

There was general awareness that brands needed to be continually supported and *'nurtured'* [A/F. Int. 24; A/F. Int. 25; A/F. Int. 36]. One respondent noted that on going expenditure would typically include product creation and design, advertising promotion, marketing and quality control [A/F. Int. 36].

[7.48]

> *Characteristics of an identifiable intangible asset should be that it properly can be regarded as a capital asset rather than the carry over effects of some recent expenditure* [A/F. Int. 36].

**7.3.2.6** *Analysts and Brand Aspects:* Analysts emphasised that their holistic view of any business did not profile individual business assets. [A/F. Int. 17; A/F. Int. 22; A/F. Int. 23; A/F. Int. 27]. One respondent indicated that further investigation might focus on the divisional breakdowns and cost structures of a company [A/F. Int. 22]. He stressed that the brand value was -

[7.49]

> *not particularly useful, actually* [A/F. Int. 22].

Two respondents queried whether brands were asset resources [A/F. Int. 17; A/F. Int. 23]. One respondent observed that examining the sustainability of cash flows might lead to some conclusions about brands, but he was very hesitant about inclusion of brands.

[7.50]

> *It doesn't really matter how it's done - it's the cash flows that come off it. We say how sustainable are these, and I suppose indirectly you have to start thinking about the sustainablity of the cash flows which goes through the the branding - but - we never look at brands on the balance sheet and be worried either way whether they were there or not* [A/F. Int. 23].

**7.3.2.7** *Bankers and Securities Trustee and Brand Aspects:* Attitudes of bankers markedly differed among the interests of clearing banks and investment banks. Respondents from clearing banks disregarded the existence of intangible assets. The respondent from the investment bank insisted that the economic values of many brands were material to the operations of particular firms [A/F. Int. 39]. The securities trustee commented on brands as securities. He observed that intangibliity was a problem.

[7.51]

> .... *the biggest problem with brands as a security is that people can't come to grips with it, because they can't grab onto it and say this is what I've got as my security* [A/F. Int. 31].

**7.3.2.8** *Patent Attorneys and Brand Aspects:* Respondents explained that in law, the brand or trade mark is a property right that is owned. The trade mark is the registerable property right, but the brand is what people perceive.

[7.52]

> .... *the actual ownership of it is in the minds of consumers* [A/F. Int. 28].

[7.53]

> *Legally it's a trade mark, but people perceive it as a brand* [A/F. Int. 18].

People's perceptions and actions build goodwill in the brand as opposed to the trade mark [A/F. Int. 28]. The subject matter was essentially the same, but differing constructions and terminology were perceived in differing perspectives based in differently constructed realities.

[7.54]

> *We talk about trade marks and goods, but clients talk about brands and products* [A/F. Int. 28].

The trade mark attorneys observed that trade marks had potentially perpetual lives. Initial registration is for seven years, and thereafter for periods of fourteen years. One respondent noted that one of New Zealand's oldest trade marks is the *Edmonds Sure to Rise* mark [A/F. Int. 18]. The respondents discussed the manner in which trade mark legislation reflects changes in the market place. Statutory recognition of service marks in 1987 resulted in increasing trade mark registrations. Now, any sign that can be rendered graphically is registerable.

[7.55]

> *Well the definition of a trade mark was widened by the Trade Mark Amendment Act which came into force on the first of January [1994]. Yes, it's now any sign, any sign that's capable of being rendered graphically ...* [A/F. Int. 28].

[7.56]

> *In New Zealand, and in other British countries who have this common law concept, you don't have to have a trade mark registered to have a valuable asset* [A/F. Int. 28].

**7.3.2.9** *Design Firms and Brand Aspects:* Discussions with design firm respondents

were centred upon annual report production. One respondent noted awareness with some companies that the brands drove the thinking of the company [A/F Int. 30].

**7.3.2.10** *Summary*: The sub-section investigated brands as assets. Diverse views emerged, evidencing multiple constructed realities. The importance of market derived characteristics of brands as assets was stressed by chief executives. Most corporate financiers valued brands as very important or the most important of all business assets. Brands were seen as separable and saleable. Internally generated brands (and separability) were not an issue for corporate respondents. But, one corporate respondent questioned whether traditional accounting practice defined brands as assets. He queried motives for recognition, and disputed the ability to sell separately brands which had complex technological infrastructures.

Regulators agreed that brands were potentially assets; but queried balance sheet disclosure. Separability was seen as problematic. The subjective nature of brand measurement was raised, and potential confusion with general business goodwill was stated. Auditors raised similar queries. Some auditors disputed asset. recognition. One auditor noted a trend to recognition of intangible assets individually at acquisition, instead of as the traditional purchased goodwill collective asset Specialist brand valuers focused on intangible assets individually; in contrast, some business valuers criticised the exclusive focus on brands as assets. Brands attracted little to no interest from analysts, and were disregarded by respondents from clearing banks. The investment banker and the securities trustee saw value in brand assets. The securities trustee suggested the lack of tangibility might present problems for some people in conceptualising brands as a security.

Recognition of self generated brands was problematic for regulators and for some auditors. For regulators, problems of subjectivity and reliability appeared to subsume recognition questions. Some auditors perceived such recognition as really recognition of internally generated goodwill. Analysts found any distinction of no interest.

Life of brands raised diverse observations. Trade mark attorneys remarked upon potential of trade marks for perpetual lives with periodic renewal of registration. Brand longevity brought observations on the difficulty of tracking cost by one

regulator. There was recognition for the necessity for continuing support and *'nurture'*. The need to differentiate capital expenditures from expenses of the period was made by one specialist valuer.

Criticism of current accounting for brands was made by corporate personnel and valuer respondents. It was suggested that accountants lacked understanding of brands, and *'hadn't caught up'*.

### 7.3.3 *Brand Valuations*

The crux of arguments over disclosure of brands on the balance sheet concerns valuation of brands. This section examines attitudes of the nine groups in the accounting/finance field to brand valuations. Valuations are discussed from the perspective of financial reporting disclosure. Other uses alleged by brand valuation specialists are peripheral to this study.

**7.3.3.1** *Chief Executives and Brand Valuations:* Two respondents indicated no particular interest in having the company brand(s) valued. Both chief executives emphasised that internal recognition of the importance of the brand was consciously very high. One respondent alluded to seeing the kind of brand valuations done (by a specialist brand valuation firm). For one respondent, measures of value were indicated by the company's share price [A/F.Int. 2].

(7.57)

> ... *but we don't do it, and we have not talked about doing it* [A/F. Int. 9].

(7.58)

> *Not particularly, I think the share market in a sense does that* [A/F. Int. 2].

One respondent observed that the decision to value company brands and disclose them on the balance sheet had been under consideration for some time.

[7.59]

> *It is something we have toyed with for a while* [A/F. Int. 29].

The respondent discussed the valuation methodology of a specialist brand valuer.

He remarked that the firm put values on certain things '*because it works*' [A/F. Int. 29]. The respondent had queried the appropriateness, for his brand(s), of aspects of their international mobility measure - one of seven key characteristics [refer 4.4.4.1, *supra*]; **[Appendix 4.XVI:** ].

**7.3.3.2** *Corporate Finance Officers and Brand Valuations:* Valuation of brands for the purpose of balance sheet disclosures was perceived as based in corporate policy decisions and balance sheet management [A/F. Int. 10]. Of valuation, one respondent observed -

[7.60]

> .. *certainly, that decision to value the brand was not driven by the marketing department at the time ... absolutely not. It was business to business ...* [A/F. Int. 35].

Valuation gives management and finance people a better measure of brands' worth.

[7.61]

> *I think at least ... it gives people a feel for saying these could be worth, or are probably worth '.....' million dollars* [A/F. Int. 35].

Respondents from two firms indicated that brands were disclosed on their balance sheets at (amortised) valuations, undertaken under prior regimes [A/F. Int. 4; A/F. Int. 7]. Base values had been completed by a firm of chartered accountants. The actions were perceived in terms of minimising goodwill. Neither firm had formally revalued brands recently. Both respondents articulated brands as very important business assets. Neither had integrated brands at low levels of operation. One advised an annual review procedure; one incorporated the brand in high level management reporting measures. On owners' attitudes, one respondent remarked -

[7.62]

> *As a multinational, there is a strong financial focus. Our owners have a financial focus* [A/F. Int. 4].

Another respondent queried appropriate valuation with changing branding strategies.

[7.63]

> *Once you would have put 'umbrella brand' on the balance sheet. Now there are the smaller brands. Do you devalue the umbrella and value up the smaller? But the scale is so small that it doesn't justify valuation* [ A/F. Int. 10].

Five respondents whose firms had not valued brands represented diverse attitudes. One respondent explained that the overseas parent specifically declined to value brands. The format for internal reporting included goodwill, but not individual intangibles. Two respondents indicated interest; but for one, currently conservative philosophy meant no serious intent. Another respondent queried the operational utility of the dollar figure.

[7.64]

> *... we have talked about it - we understand that we have a valuable brand, but what has that got to do with running a company day to day* [A/F. Int. 1].

However, the respondent argued that if you acquired a brand, consistency would be essential, and therefore all brands would be valued and reported [A/F. Int. 1].

A brand may have huge perceived value in the firm's operations (its use value), but is that its worth in the marketplace? What does cost indicate?

[7.65]

> *...really at that stage when it was up for sale there was no buyer for it. There were absolutely no buyers for it ..* [A/F. Int. 11].

[7.66]

> *I mean how do you assign a value - you know, who knows? Externally you've got a basis of what it's worth because that's what you pay. But I mean who knows? Once you pay for it - is that necessarily the value of it?* [A/F. Int. 11].

Of valuations, one respondent commented -

[7.67]

> *I think there's all sorts of variables included and I think that ... you come up with an estimate. But, it's never going to be any better than that ... In respect of other assets, you can identify a more perfect market in which to come up with resaleable values. With respect to brands you are not able to do that. Clearly, if you've got a physical asset that is very unique, you have got exactly the same problems you've got with brands. But at least in a lot of those cases, you do have historic cost* [A/F. Int. 4].

There was little further discussion among corporate finance personnel of the robustness of brand valuations or of valuers. One respondent remarked -

[7.68]

> *Who the .... are '.....' anyway?* [A/F. Int. 7].

**7.3.3.3** *Regulators' Views and Brand Valuations:* Respondents claimed that there was inherent uncertainty in a number of areas concerning brand valuations. The intangibility factor - respondents queried what was being valued (A/F. Int. 26; A/F Int. 34]. With tangible assets, the underlying physical structure was seen as facilitating understanding of what was being valued. With brands, there was potentiallty confusion between the brand's value and the general business goodwill [A/F. Int. 8; A/F. Int. 34]; [refer 7.3.2.3, *supra*]. Secondly, respondents observed greater comfort in valuation methodologies used for land and buildings, because such methodologies had been accepted as established commercial practices over many, many years [A/F. Int. 8; A/F. Int. 34].

[7.69]

> *Yes, yes there is a block of land with a building on it that can be seen - tangible. And there is - how many - fifty years of methodology behind an expert valuer's technique and valuing* [A/F. Int. 8].

[7.70]

> *Well the difficulty there is what you are dealing with. If you are dealing with a piece of land and it's a separable separate asset, fine - it's quite easy to value that. But when you're valuing a brand - in some cases you can get confused between the value of the brand per se and the value of the business, part of which is reflected in the value of the other assets. And I think that's where the controversy lies - between that dividing line ...* [A/F. Int. 34].

The apparent confusion over the constitution of brands, and perceived subjectivity in decisions concerning brand valuation has led regulators to scepticism over the reliability of brand valuations. The subjectivity, and thus the adequacy of reliability, was queried by respondents.

[7.71]

> *If you are further down the spectrum toward relevance as the primary objective of financial reporting, you'll be a bit more tolerant of subjective techniques for valuation. They* (standard setters) *may be more tolerant of the need for relevant information* [A/F. Int. 8].

[7.72]

> *adequately reliably measure* [A/F. Int. 8].

[7.73]

> *Well I guess "reliably measure" is reasonably subjective, and not necessarily defined as to who it is - but I guess it's the range of .... in the perspective of the users of a financial report .... external users, it's more shareholders, public, regulators, analysts, media* [A/F. Int. 26].

Respondents emphasised that dimensions of uncertainty in valuation processes could not be avoided by reference to active markets in brands - an option available with other assets which are valued. Respondents generally commented upon the lack of market trade in brands [A/F. Int. 6; A/F. Int. 8; A/F. Int. 26; A/F. Int. 34].

[7.74]

> ..... *as distinct from property valuations, where there is a reasonable market in existence for exchange, there is a limited market. You've mentioned a couple of sales, but there are not many - and I wouldn't think any of the self generated '.....' brands have ever been tested. There is no secondary market, really, or market of any sort. I think that's quite a big distinction ...* [A/F. Int. 8].

[7.75]

> *if you had an active market and they could say, well that's the market price, then they would have no hassle about allowing revaluations ...* [A/F. Int. 6].

There was no comment by respondents on brand valuations undertaken by accountancy firms.[6] One respondent observed that there had been mistrust expressed overseas for the valuation methodology of a specialist brand valuer. In his view, he noted

[7.76]

> ... *at least it gives you some number* [A/F. Int. 6].

Respondents discussed the levels of comfort that they, as accountants, felt with the subjectivity inherent in brand valuations.

[7.77]

> ... *the degree to which accountants are comfortable with something that is less than certain. The cost is the cost is the cost, and we knew what it was, and we could actually measure it at the time. But when you move across out of a cost arena into a value arena .... while it makes economic sense, while it's good for decision making, you've got to accept that it's less certain* [A/F. Int. 34].

At a personal level there were diverse observations made. One respondent emphasised that to the extent that a person believed the Efficient Markets Hypothesis, some measure of intangible value was available in market share prices[7]. Another respondent stressed that, in his personal, view he favoured current value.

[7.78]

> *While I personally hold the view that current values are what we should be aiming for, the reliability of data is the problem* [A/F. Int. 6].

**7.3.3.4** *Auditors and Brand Valuations:* Auditors' cognisance of valuation methodologies appeared varied. In general terms, valuation methodologies were perceived as not hugely dissimilar by one respondent [A/F. Int. 19]. Other auditors evidenced a wish to understand valuation practices better [A/F. Int. 16], or admitted a lack of close knowledge[8] [A/F. Int. 14]. One respondent rejected the deficient reliability claim concerning valuations -

[7.79]

> *The argument that it is only reliable as realised is nonsense, because you can only recognise it, if it is reliable value anyway* [A/F. Int. 16].

*'Comfortability'* of the auditor with valuations and the valuation process was seen as central [A/F. Int. 20]. Contributing to this *'comfort'*, was knowledge of how often the brand was revalued (or its value reviewed), and transaction evidence, which would indicate brand management activities [A/F. Int. 20].

[7.80]

> *I think it's really important from an auditor's perspective not only to get comfortable with a brand value that may be determined at any point in time, but what is the procedure for monitoring and maintaining the value* [A/F. Int. 20].

Concerning the valuation, information perceived of particular interest to auditors included instructions to the valuer, continued employment of the same valuation methodology, and its perceived appropriateness [A/F. Int. 16; A/F. Int. 20]. While the audit file came forward from year to year, matters to be checked annually were seen to include industry situation, and the major assumptions underpinning the valuation methodology. The certainty of a successful brand's past was contrasted with dimensions of future uncertainty [A/F. Int. 19]. Valuation on a yearly basis was recommended [A/F. Int. 15].

[7.81]

> *We also look at the marketing of various products, to say well sure that's the arithmetic, but what is actually happening with this brand in terms of what is the company doing with it this year - has it changed? We as auditors also go and talk to the marketing people - what's happening with this brand, what do you think will happen with the value of this brand? ...* [A/F. Int. 19].

The valuation process was termed expensive. Also, valuation had to be undertaken regularly to remain relevant to market changes. On account of frequent cost, one

respondent claimed many companies might opt not to undertake valuations of brands for the purpose of balance sheet disclosure [A/F. Int. 19].

From one respondent, there was a succinct comment of the choices between cost and value.

[7.82]

> *As an auditor, I like to be able to say, yes that's what it cost. There's no debate as to what it cost. What it's value is today, we could spend the morning discussing the value. And at the end of the day, the auditor's got to make a decision. Is he/she comfortable with that value, and in a lot of cases - as in .... internally generated brand names - the answer at the end of the day is I don't know'* [A/F. Int. 14].

One respondent observed the difference from valuation in a going concern situation to market value with:

[7.83]

> *willing buyer, willing seller, is very different to assessing the value of something in a stable on going operation* [A/F. Int. 15].

**7.3.3.5** *Valuers and Brand Valuations:* One specialist brand valuer emphasised that the impetus to value brands came first from financial accountants [A/F. Int. 37]. Another specialist valuer observed an increasing trend to recognition and valuation individually, of diverse intangible assets [A/F. Int. 36]. Brands were perceived no longer to be valued solely for balance sheet disclosure, but brand values were required for disclosure to investors in floats, and for bankers [A/F. Int. 36]. Sophisticated lending institutions were now recognising the value of identifiable intangible assets such as brands, as securities for loans [A/F. Int. 36]. There was significant interest seen in brand information from management personnel [A/F. Int. 25; A/F. Int. 36; A/F. Int. 37]. The legal significance of accounting standards was also seen as a reason to value specific intangibles [A/F. Int. 36]. Valuations for mergers and acquisitions, for brand disposal and licensing were reported as one off valuations, but brand valuations for financial reporting and for management were recorded as on going. Specialists in brand valuations briefly reviewed the strengths of their particular methodologies.

Respondents whose interests were in business valuation made very different observations of brand valuations. For one respondent, brands came sharply into focus only when a brand value was the request [A/F. Int. 13]. He also observed that

brand valuation could be seen in the realm of creative accounting [A/F. Int. 13]; brand valuation had potential for avoidance of goodwill writeoffs. The allocation of acquisition costs between separately identifiable brands and purchased goodwill was seen as particularly problematic [A/F. Int. 13]. The respondent noted that there was no huge swing to brand valuation among New Zealand companies, because there were not huge numbers of listed companies with strong brands. He remarked that analysts did not perceive brands as having indefinite lives, which capitalisation without any writeoff assumed [A/F. Int. 13].

One respondent queried intuitively whether brand valuation was all *'just a fad'* [A/F. Int. 25]. Another respondent suggested that it made management *'feel good'* [A/F. Int. 24]. An observation from the respondent stressed the operational -

[7.84]

> *...we just don't have brands here - we work them* [A/F. Int. 24].

Brand valuation was perceived as conceptually good, but in practice extremely difficult and unrewarding by one respondent. In his view, there were different emphases in practice; some brands might be politically more favoured than others within firm structures [A/F. Int. 25]. Practice also meant that only established brands were valued [A/F. Int. 36].

**7.3.3.6** *Analysts' Views and Brand Valuations:* Lack of interest and scepticism generally, characterised analyst respondents' observations on brand valuation. One respondent observed that there was no one basis for valuation measurement. Valuation might be derived from cash flow valuation, market related value, some perception of the intrinsic value of the company in question, or a mixture of all three [A/F. Int. 17]. Generally, the subjectivity of the whole area of research and analysis was observed by another respondent -

[7.85]

> *..so two analysts could be given the same information and come up with totally different views on what is a new perspective on this information* [A/F. Int. 23].

Two respondents remarked of brand valuation methodology -

[7.86]

> *A: I'm not really familiar with it myself.*
> *B: It's the present value of the future cash flows.*

*A: Well, what's your discount rate, what's your terminal value?*
*B: Subjective, isn't it.?* [A/F. Int. 17].

One analyst claimed that he was not convinced that a brand could be valued. In an acquisition situation, brand value was perceived as a problem, because the respondent saw difficulty in separating brands from business goodwill [A/F. Int. 12]. Another respondent asked what was being valued in brand valuations.

[7.87]

> *... it's a moot point as to how much you can attribute to a brand. Where you can attribute some of that to management ability or to your market position or technology or product innovation - you know there's a whole raft of things* [A/F. Int. 17].

Concentrating solely on the brand was called into question as *'too narrow.'* The valuation was perceived as really a business valuation. The respondent questioned whether the firm had done themselves *'a disservice'* [A/F. Int. 23].

Few observations were made on valuers and the valuation product. There was no criticism of a specialist brand valuer's product, but only very generalised knowledge of the methodology was admitted [A/F. Int. 17; A/F. Int. 22; A/F. Int. 23].

[7.88]

> *... by and large we accept their valuations* [A/F. Int. 22].

One respondent expressed interest not so much in the actual valuation, but in the information generated in the valuation process [A/F. Int. 23].

[7.89]

> *I'd be fascinated to see actually what 'name ' did, because presumably they'd have management input in terms of cost of production, the selling prices, the breakdown of their expenditure, how much they think they need on marketing and that sort of stuff* [A/F. Int. 23].

Allusion to valuations undertaken by accounting firms was made by one respondent only.

[7.90]

> *I mean, all you are going to get is a function of the interest rate. So tomorrow when interest rates move and I look at the data on the balance sheet, it's just become outdated ...* [A/F. Int. 27].

**7.3.3.7** *Bankers and Brand Valuations:* In this group, perceptions of valuation are given by respondents from clearing banks. One respondent advised that he had no personal knowledge of how brand names are valued. Another respondent stressed particular aspects of brand valuation, which he termed problems. These were -

[7.91]

> .... *the relatively recent recognition of brand value and the lack of accepted measurement criteria to measure their value . ..... There is no objective valuation methodology. Any NPV type valuation methods are dependent on far too many subjective criteria. (i.e. what is the lifetime of a brand, what contribution to sales does a brand have, what costs of inputs should be included/excluded) ?* [A/F. Int. 42]. (Emphasis in original).

The respondent noted that the variability of practice to date contributes to the perception of problems with brand values. Many entities do not attempt to value brands, or do not record brand values for accounting purposes. Therefore he commented -

[7.92]

> ..... *those that do are doubted, and questioned - why?* [A/F. Int. 42].

**7.3.3.8** *Trade Mark Attorneys - Brand Valuations:* Brand valuations were specifically discussed only in respect to balance sheet disclosure. One respondent reported that many companies appeared loath to value brands.

[7.93]

> *I think perhaps the companies are loath to do it. It's going to cost them a fair bit to get a brand valued* [A/F. Int. 18].

High cost of valuation is a factor, particularly as brands must be revalued regularly. The respondent felt that the cost must come down in time [A/F. Int. 18]. One respondent remarked that the firm was involved in brand valuations with a firm of chartered accountants. Another respondent remarked -

[7.94]

> *I think probably what accountants have done is they have said that it is too difficult and therefore we will go the easy way - and we won't give it a value. Why? Because it is too difficult. If you don't know it's there ... just because it's too difficult to quantify, doesn't mean to say it's not there; doesn't mean to say it's not big ...* [A/F. Int. 28].

**7.3.3.9** *Brand Valuations - Design Firms:* In interviews concerning annual report production, respondents did not discuss brand valuations [refer 6.3.2.5, *supra*].

**7.3.3.10** *Summary:* This sub-section examined attitudes to brand valuations. The focus was specifically on brand valuations, not brand disclosures.

The following observations emerged. Firstly, choices in brand valuation methodologies are available to, and taken by, manufacturers owning consumer brands. These options were formal valuation by specialist valuers or general valuers[9]; secondly, use of informal market based measures of value. Corporate finance personnel observed that formal brand valuations derived from corporate strategy. Valuations were not perceived as important for, or applicable to, day to day operations. At best valuations were estimates. Where brands had been valued previously, respondents reported they were not integrated at low levels of operations.

Dimensions of uncertainty, and lack of reliability in valuations, appeared to cause concern to some groups and to individual respondents. Particularly problematic, for some respondents, was distinguishing brand goodwill from business goodwill. Most regulator respondents expressed greater comfort with valuation of tangible assets and the historic acceptance accorded tangible asset valuation methodologies. Cost represented reliability. One respondent preferred a move to current values, but recognised reliability as problematic. Auditors had varied knowledge of brand valuation methodologies. In audit situations, achieving *'comfort'* with the brand valuation, valuation processes, and brand maintenance/management was seen as important. *'Comfort"* with cost based measures was expressed.

Specialist brand valuers reported growing interest in brand valuations. Initial impetus had been from corporate finance personnel. They claimed growing interest from management, and from bankers. Situations included financial reporting, takeovers and mergers, prospectuses and securities, and internal management information. In contrast, business valuers questioned the exclusive focus on brands. A conservative view saw brand valuation akin to creative accounting, used to reduce writeoffs of purchased goodwill.

Analyst respondents evinced little interest in brand valuations. Concentration on the brand was perceived as *'too narrow'*. Observations on uncertainty and subjectivity were made. One respondent accepted a specialist brand valuer's valuations *'usually'*.

Bankers also emphasised the subjectivity of brand valuations, and recency of such activity. Variability of acceptance contributed to doubts. High cost of brand valuations was stressed as a deterrent by trade mark attorneys, and also by auditors.

Lack of market trade in brands to confirm valuations was observed by regulators, some corporate financial personnel, bankers and some valuers. One corporate finance respondent articulated aspects of the market values. He queried whether transaction cost was anything more than cost at that particular time. An auditor noted the difference between market exchange and going concern values.

## 7.4 *Financial Reporting*

In this section, aspects of financial reporting and annual reports are examined. The study focuses upon financial reporting as a contemporary construct. Detailed investigation into questions of broader accountability are outside the focus of the study [refer 4.3, *supra*].

### 7.4.1 *Aspects of Financial Reporting*

Images of annual reporting are reported group by group. Different perspectives deriving from very different business realities focus on particular aspects.

**7.4.1.1** *Chief Executives and Annual Reports*: Respondents indicated overall responsibility for the company's annual report. One respondent stressed the dual nature of the financial statements and brand marketing aspects -

[7.95]

> *.... in large part a financial document with a sort of public relations factor to your shareholders, and in part a selling effort when they are taking the brand overseas and domestically* [A/F. Int. 2].

Changing requirements for disclosure in financial statements were discussed, and the manner in which the firm's policy on disclosure had changed.

[7.96]

> *As times have changed and accounting regulations have changed - and requirements of disclosure are much more stringent* [A/F. Int. 9].

[7.97]

> *We have moved from a fundamental policy of telling nothing to a fundamental policy of telling as much as is genuinely possible. As much as we can tell them without revealing commercially sensitive information* [A/F. Int. 9].

Some of the thinking behind choices in brand disclosure was articulated by one respondent.

[7.98]

> *We did think about just in the notes. But then we thought, what's the point? We should put them where they really mean something. If people don't like them, they can take it out. It's easy enough to deduct $..... from $ .....* [A/F. Int. 29].

One respondent outlined general arguments for and against brand disclosures -

[7.99]

> *.... if your brands aren't adequately valued in the balance sheet, the argument might go that the company is undervalued - and what happens to undervalued companies is that they get taken over because they are bargains. .... On the other side of the coin - the value of the brands is what we have driven to the bottom line, and what we have driven to the bottom line is what drives the value of the company. So you don't need to concern yourself about it - and building intangible assets into the balance sheet is all bullshit anyway* [A/F. Int. 9].

**7.4.1.2** *Corporate Finance Personnel and Financial Reporting*: Brand disclosure on the balance sheet attracted diverse observations from corporate respondents. One asked what companies were trying to do with balance sheets if assets generally were revalued; was revaluation an attempt to show a company's worth? [A/F. Int. 7].

[7.100]

> *... that's why I like a simple consistent balance sheet. I know it's just basically cost, purchase cost. Then I've got no doubt as to actually what the balance sheet means ... whereas I don't know what balance sheets mean* [A/F. Int. 7].

Another queried whether it was *'worth'* at a certain point, on the basis of going concern? [A/F. Int. 10]. There was an inconsistency in having tangible assets *'at book value'* and disclosing brands at valuation [ibid.]. Present values were commented upon -

[7.101]

> *... I think that the problem in trying to recognise that* [brands at

> valuation] *in financial statements is that again ... it's so jolly nebulous. I go back to the old current cost accounting standards that came out. Where everybody fluffed around and tried to measure the movements in assets in time ... and the thing just got so complicated that everybody threw it out. It was somewhat subjective ... and it just got too jolly complicated ...* [A/F. Int. 35].

In the respondent's view, nothing was achieved by capitalising brands on the balance sheet. One respondent claimed there were elements of circularity.

[7.102]

> *So in some ways you could argue that it is a duplication ... it just doesn't gel with me* [A/F. Int. 10].

With the unique technological infrastructure to many branded products, the respondent saw two potential approaches to capitalisation.

[7.103]

> *Well there's two things you can do with a brand. You can value the brand itself and pop it on the balance sheet, or you can capitalise certain aspects of its development - as in R&D. If you were to do that then those costs should be amortised* [A/F. Int. 10].

Another respondent remarked that disclosing brand values changed the balance sheet. With a return on assets measure, would intangibles be included? [A/F. Int. 5]. The alteration of balance sheet ratios by brand disclosure was observed as ineffective with financiers [A/F. Int. 10]. For the respondent, balance sheet disclosure of brands was not so much competitive strategy, as corporate strategy. It had nothing to do with actual production operations. It might indicate a gearing problem. Such balance sheet changes were phrased by other respondents as *'more beef to the balance sheet'* [A/F. Int. 4]; and the need to *'strengthen the balance sheet'* [A/F. Int. 11].

Recognition of internally generated brands attracted little comment. One respondent observed *'it's simply a valuation'* [A/F. Int. 4]. One company used note disclosure. A corporate respondent stressed there was no issue, if brands generally were not disclosed [A/F. Int. 10]. Disclosure was claimed by one respondent as making an asset visible, as such it could be a useful management tool.

[7.104]

> *People take things a bit more seriously if you've got dollars down on a page. We look at debtors and we look at inventory because they are high dollar values on our balance sheet and if you've got a brand that's got a high dollar value in your balance sheet, then you might actually cause management to focus on that a little bit more. It could be a good management tool to make people think about it* [A/F. Int. 1].

With financial reporting, two respondents expressed beliefs in financial reporting that made things *'quite transparent'* and gave as much information as possible [A/F. Int. 4; A/F. Int. 11]. On regulation, generally, one respondent observed -

[7.105]

> *I can't really get excited about accounting pronouncements. I can't get excited about them at all. They have become less and less relevant* [A/F. Int. 7].

**7.4.1.3** *Regulators and Financial Reporting:* Regulators appeared concerned with technical aspects of financial reporting, and the effects of regulatory requirements. There were considerations of the authority of the Conceptual Framework [A/F. Int. 21], and the purpose of annual reports. One respondent agreed there was an emphasis on internal consistency in standard setting [A/F. Int. 26]. Following overseas leadership was observed by respondents [A/F. Int. 8; A/F. Int. 34].

[7.106]

> *But equally we could do nothing here in New Zealand really, without it fully endorsed in major markets overseas* [A/F. Int. 8].

Respondents were emphatic that balance sheet disclosure communicated a message of reliability, which in the case of brand valuations, many suggested, might not be true [A/F. Int. 21; A/F. Int. 26.].

[7.107]

> *I think you send a message about its reliability - which may not be true. ..... As I say, my position is that they should be in the notes* [A/F. Int. 21].

[7.108]

> *...from a standard setter's perspective, what you are saying is that if you can't reliably measure this item, then to place it in the balance sheet gives it a degree of precision, or implies a degree of precision, which is not justifiable, and therefore you shouldn't put it there* [A/F. Int. 26].

Support for note disclosure of current value information was emphasised with an observation that overseas there was a move to greater note disclosure [A/F.Int. 8].

The *'true and fair view'* requirement was discussed. One respondent observed that the nature of the *'true and fair view'* may vary; it was seen as relative to the reporting entity and its accounting policies; it may range from the innovative to the conservative [A/F. Int. 8]. Another respondent discussed the manner of putting the *'true and fair'*

requirement into operation. Where a business has resources important for operations, that are not recognised in financial statements, there should be some form of resources disclosure.

[7.109]

> *I mean it's happening on a bit of an ad hoc basis, some people are making some voluntary type disclosures, but I think often these things need something to trigger them along* [A/F. Int. 26].

Consideration was given to the existing disclosure practices of companies with consumer brands. There was a perceived need for values which were objective and reliable. Directors' valuations were seen as not acceptable. Brands should be fully revalued, frequently. There was less danger perceived within a framework of on going assessment and a stable business. Periodic revaluation was seen as re-establishing value at each period [A/F. Int. 26].

The arbitrariness of existing brand disclosures also led to remarks on implications of disclosure of acquired and not self generated brands. In the view of the respondent, this made ratio measures, such as return on assets, meaningless.

[7.110]

> *Well the anomalies that it creates in things like measuring performance on assets and things like that ..... it's just crazy* [A/F. Int. 26].

One reason advanced for lack of regulatory guidelines for reporting intangibles, was that the problem of brand intangibles affected only a few companies (observed also by a valuer respondent [refer 7.3.3.5, *supra*]), whereas regulation of purchased goodwill had much greater impact in terms of numbers of entities affected [A/F. Int. 32; A/F. Int. 34]. The potential for annual financial statements to continually take on board dissemination of more and more information was questioned.

[7.111]

> *... if you take that degree of detail, and you keep on expanding that degree of detail, you end up with not being able to produce a set of financial statements. Because a set of financial statements must necessarily be a summary* [A/F. Int. 34].

Respondents remarked that regulations could not be set out of step with general practice. Respondents remarked that there were many people who preferred cost based measurement [viz 7.100; 7.101, *supra*].

[7.112]

> *... a large group of businesses, managers of businesses, advisers,*

*accountants ... amongst those who would still prefer we went back to historic cost* [A/F. Int. 8].

[7.113]

*... there's a huge degree of just doing what you did yesterday, because you know how to do it ... rather than looking forward. And we do have a danger I think. Accountants, if they don't deliver what the market wants, then the market will get what it wants elsewhere* [A/F. Int. 6].

The impact and effect of regulation on management was observed by two respondents

[7.114]

*... I think the standard setting fraternity will always be conscious of not wanting to leave too much to manipulative judgement opportunities; or to not have too much reliance on management's intent and management's vision of the future in measuring assets today* [A/F. Int. 8].

[7.115]

*I think that the concern is the ability of management to manipulate the numbers. I'm sure that must be the underlying concern and I suppose there's some good reason to have concern over that, because there is evidence that's happened in the past* [A/F. Int. 6].

Scepticism as to management's actions was further expressed.

[7.116]

*.. and what's happening with all these brands where they do drop them* [the value], *do they adjust their valuations? The answer is probably no* [A/F. Int. 34].

One regulator also emphasised the risk potential for auditors.

[7.117]

*... have a growing caution rather than a growing preparedness to take things on board and recognise these valuations while you have got that highly litigious sort of environment. Without reforms in that area you're going to continue to have a big block of the auditing faction within the accounting profession - and they influence standard setting quite a lot - holding back* [A/F. Int. 8].

### 7.4.1.4 *Auditors and Financial Disclosures:*

The annual report was seen by auditor respondents as the one major communication from the issuers to the investors and the marketplace [A/F. Int. 15]. The present nature of reporting practices was seen as *'retrospective'* and *'traditional'* [A/F. Int. 14; A/F. Int. 16].

[7.118]

> ... *auditors like myself feel comfortable with them* [A/F. Int. 14].

The *'true and fair view'* was perceived by respondents as an overall statement about the financial statements [A/F. Int. 14; A/F. Int. 16; A/F. Int. 19; A/F. Int. 20]. While generally accepted accounting priniciples (GAAP) concerned how to account, the requirement for a *'true and fair view'* was perceived as concerning disclosure [A/F. Int. 16; A/F. Int. 19].

[7.119]

> *You've got generally accepted accounting practice, which is how to account. But then its the disclosure bit to me, that is really saying - do they show a true and fair view* [A/F. Int. 16].

[7.120]

> *A true and fair view is a reporting statement, and it's a judgemental statement aimed at those who take responsibility for the accounts. .... As a judgement statement it is almost impossible to define, because what is true and fair to one auditor may not be exactly so to another, depending on how they have interpreted the facts they looked at, in carrying out the audit process, and also how they interpret other issues that impact* [A/F. Int. 15].

The balance sheet was described as a snapshot in time, based on the accounting policies. Only some assets and liabilities were disclosed. One respondent stressed the ease with which brand values may be booked in accounts, but that -

[7.121]

> ... *it takes a long time in financial reporting to recognise a decrease in value* [A/F. Int. 16].

The balance sheet did not purport to show the value of the business.

[7.122]

> *The fact that Pepsi and Coke have all those sales is nothing to do with whether they have brands on the balance sheet. The balance sheet is residuals and the way you are funding your operations. Why pick on some assets you can recognise the value of to put on the balance sheet*? [A/F. Int. 16].

Respondents felt that brands, for which the company had paid cash, should be accounted for, and reported on the balance sheet [A/F. Int. 16; A/F. Int. 19]. However disclosure of internally generated brands attracted contrasting opinions. The materiality of brands to the operation might have significance with a *'true and fair'* view [A/F. Int. 15; A/F. Int. 20]. One respondent observed that financial analysts take out intangibles when examining balance sheets [A/F. Int. 14]. He queried -

[7.123]

*Why put them there, then?* [A/F. Int. 14].

A balance sheet relevant to the company's operations was argued by another respondent. (In contrast, a corporate finance respondent had queried the profiling of intangible assets on the balance sheet, and their inclusion in balance sheet ratios [refer 7.4.1.2, *supra*]). The auditor respondent queried a return on assets ratio, based on balance sheet figures, that failed to include assets such as brands, which were generating the return [A/F. Int. 20]. Valuation and disclosure of brands may be problematic for accountants and auditors, but the respondent insisted that the dfficulties had to be met.

[7.124]

> *... having balance sheets more reflective of value that's driving the business is a good thing - even though for accountants and auditors it presents real problems - and for us auditors it does* [A/F. Int. 20].

With brands disclosed at valuation, information was given in understandable form for the ordinary user, who may not understand some market capitalisation format [A/F. Int. 19]. With brand disclosures, extensive brand information disclosure would enable readers to exercise their own subjective judgement [A/F. Int. 16].

[7.125]

> *I would say definitely say - I mean if brands are going to be accounted for, the disclosure must be enormous, if you like. I mean it definitely, it is giving information to the readers, so if they don't like it - they can take it out, or they can say, - oh I don't like that bit of it* [A/F. Int. 16].

Disclosures perceived necessary included the amount of the latest valuation, date of valuation and valuation intervals, details of the valuer, and major assumptions which structure the valuation methodology [A/F. Int. 14; A/F. Int. 16]. On a materiality level, there might also need to be further disclosure about which brands were valued and disclosed. The observation has significance for portfolio disclosures.

[7.126]

> *To me if you had fifty brands and five of them made up 80% of it, that should be disclosed. The user of financial accounts needs to know what is in that number* [A/F. Int. 15].

The amount which goes to the Profit and Loss Account should be disclosed, as evidence of brand management on a yearly basis [A/F. Int. 16; A/F. Int. 20].

The *'comfortability'* of the auditor with brand values and indicators of brand management was stressed [A/F. Int. 20].

[7.127]

> *I think it's really important from an auditor's perspective not only to get comfortable with a brand value that may be determined at any point in time, but what is the procedure for monitoring and maintaining the value. What monies or actions are required in order for that to be maintained. In addition too, how regularly will it be revalued or reviewed, what are the amounts that we expect to see happen in order for you to maintain this value - and that's a similar sort of issue to infrastructural accounting* [A/F. Int. 20].

For one respondent there was the responsibility of signing something off that '*I can get my mind around*'.

Auditors made varied observations on regulations. One observed the need for flexibility [A/F. Int. 20]. In contrast, another respondent observed more frequent arguments [A/F. Int. 14]. One auditor remarked-

[7.128]

> *There were many times that I have prayed that they* [standards] *were black and white, so that you didn't have to have horrendous arguments with people as to what things mean. There is no way they are black and white* [A/F. Int. 19].

**7.4.1.5** *Valuers and Financial Disclosures:* Valuer respondents agreed on the need for information to be communicated to investors and their advisors about business operations, about management and growth - including brands [A/F. Int. 13; A/F. Int. 24; A/F. Int. 36]. Otherwise the balance sheet -

[7.129]

> *seriously misrepresents the assets of the organisation* [A/F. Int. 37].

One business valuer observed that shareholders may not be fully aware of the potential value of their shares.

[7.130]

> *... shareholders may not be fully aware of the intrinsic value of their shares, and may be seduced into selling something that they should hold onto* [A/F. Int. 25].

Another business valuation respondent observed that if brands were perceived by the company as important assets in its operations, they should be included in annual reports, and on the balance sheet [A/F. Int. 24]. Manner of presentation was not

specifically an issue, as long there was an explanation of why the management perceived it important to value brands, the basis of valuation, and how this perception of the brands reconciled with the rest of the business [A/F. Int. 24].

Respondents observed that when revaluations are permitted as a modification of historic cost measurement, much accessory information concerning assumptions had to be communicated to guide understanding.

[7.131]

> *.. you are open to when it was done, whom it was done by, on what basis, what time, how long ago, what were the instructions* [A/F. Int. 13].

**7.4.1.6** *Analysts and Annual Reports:* This sub-section reports, firstly, upon analysts views of brand information disclosed on balance sheets. Secondly, the sub-section examines analysts reported use of annual report information.

The financial reporting function was termed *'following a set of rules'* [A/F. Int. 17; A/F. Int. 27]. Analysts focused on cash flows, and found little meaning in balance sheets [A/F. Int. 12; A/F. Int. 17; A/F. Int. 22; A/F. Int. 23; A/F. Int. 27]. In terms of brand valuations, balance sheet disclosures meant nothing [A/F. Int. 23; A/F. Int. 27].

[7.132]

> *What really matters is the cash flows coming in, and the interest payments going out. It's that, that drives the company bust, not what the company looks like ... What a company chooses to bung in a balance sheet, or not bung in a balance sheet, is not of particular importance* [A/F. Int. 22].

[7.133]

> *... the analyst, when he looks at the ' ..... ' balance sheet, doesn't take into account the value of the brand on the balance sheet. What an analyst would do is look at the level of interest bearing debt, and also the amount of free cash flow and the relationship of their servicing of the cash flow to the debt level* [A/F. Int. 17].

Issues of disclosure of self generated brands appeared not to exist -

[7.134]

> *Well, I don't really mind whether they put them there or not. It doesn't make a lot of difference* [A/F. Int. 22].

Observations were individual. One respondent expressed interest in regarding the working capital levels - brand valuations were seen as *'not an issue'* [A/F. Int. 23].

Another respondent indicated that obviously, some values were material, such as in media and in beer - *'but it's not really a primary area of focus for me'* [A/F. Int. 22]. A further respondent claimed that in the case of '..... ', the value remained included on the balance sheet, but the firm's *Client Reports* clearly communicated the effect without the value [A/F. Int. 12]. For two respondents, such values would be either disregarded or ignored [A/F. Int. 17; A/F. Int. 23]. Similarly one respondent remarked -

[7.135]

> *I mean I've never yet looked at the brands in balance sheets ...* [A/F. Int. 27].

One respondent observed the following of management disclosure decisions.

[7.136]

> *And talking to some companies, they have had I suppose - quite internal arguments about whether they put brands on the balance sheet* [A/F. Int. 17].

The respondent dismissed balance sheet disclosure of brands as window dressing. Essentially, New Zealand companies were perceived as bringing brand values onto their balance sheets when the balance sheet was looking weak in traditional accounting terms [A/F. Int. 12].

[7.137]

> *.... it was a public relations exercise, because you know their debt levels were enormous* [A/F. Int. 17].

Respondents' attitudes to disclosure of brand valuations were apparent in observations made. Terms used were *'unbelievable'* and greeted *'with cynicism'*.

[7.138]

> *I think they did that to offset the .... loss. I think that's more cosmetic* [A/F. Int. 17].

[7.139]

> *At the end of the day you don't know why they bother. Who are they fooling? You know, certainly the market, the financial analyst doesn't really take that into account* [A/F. Int. 17].

Despite rejection of such moves as accounting based, three respondents commented that without the brands on the balance sheet '..... ' technically had negative shareholders funds [A/F. Int. 12; A/F. Int. 22; A/F. Int. 23]. The observation is based in accounting measurements.

Analysts remarked that bankers had a different perspective; they were perceived as more closely focused on balance sheet measures, and particularly on debt to equity ratios [A/F. Int. 17; A/F. Int. 22].

[7.140]

> *I think bankers are a little different. I think bankers are even more focused on balance sheets and they tend to look very much at debt v. equity. So someone like '..... ' that has a lot of debt is under a lot of pressure I suspect to try and get the balance sheet into shape by revaluing brands or whatever* [A/F. Int. 22].

Diverse use was made by analysts of information contained in annual reports. The notes to the accounts were seen as yielding greatest value [A/F. Int. 17; A/F. Int. 22; A/F Int. 27]. The notes released information behind the numbers -

[7.141]

> .... *how many fish hooks are dangling* [A/F. Int. 17].

One respondent felt many companies could be more forthright in their disclosure [A/F. Int. 27]. For one analyst, almost all the annual report was of use - except the brand value.

[7.142]

> *We use virtually all of the annual report - the brand value is probably not particularly useful* [A/F. Int. 23].

For this respondent, the focus was the softer part - '*the written bit and the general information*' [A/F. Int. 23].

Accountants' claims of the importance of annual reports to individual investors was treated with scepticism [A/F. Int. 17; A/F. Int. 27].

[7.143]

> *Enormous hue and cry is actually made by accountants as to the numbers that are actually presented for the person in the street - the person in the street hardly ever reads them* [A/F. Int. 27].

Two observations about the imagery of annual reports are insighful.

(7.144]

> *Certainly for your average investor if '.....' came out with a photocopied sheet of paper as their annual report, people would scream and holler and say '.....' are in terrible trouble, because their annual report reflects a company that doesn't have any money to spend* [A/F. Int. 17].

The contrast is a paradox because the content which forms the raison d'être of the

publication is ignored, but the ephemeral imagery delivers effective impressions. Most companies see the annual report as an opportunity to market themselves to their shareholders and interested investors [A/F. Int. 17].

[7.145]

> *It's a corporate communication if nothing else - an enormous amount of effort goes into it - and cost* [A/F. Int. 27].

**7.4.1.7** *Bankers, Securities Trustee and Balance Sheet Disclosures:* Concerning brand disclosures, bankers rejected claims of manipulation of balance sheet ratios. They observed that usually only tangible assets were included in ratios. One banker respondent emphasised that manipulation of other asset categories was equally possible through accountants' measures -

[7.146]

> *... through revaluation, depreciation/amortisation, capitalising v. expensing costs* [A/F. Int. 42].

The personal views of the investment bank analyst agreed with observations made on balance sheet ratios.

[7.147]

> *You only need take note of the antics of ..... in 1987 to identify that fact* [A/F Int. 39].

On brand disclosure, one banker respondent argued that balance sheet disclosure might reflect the importance which the particular company placed on its brands. Disclosure might also serve as notice to competitors, rather than an exercise in strengthening the balance sheet [A/F. Int. 40]. He argued on two counts. That only companies of some substance disclose brand values; and that readers would carefully assess brand values disclosed. Detail had to be provided in the notes to the accounts, if the disclosing entity wished the value to be taken seriously.

For the investment banker, disclosure was essential.

[7.148]

> *for the accounts to be 'true and fair', explicitly valuing and reporting the value of brands and human capital is absolutely essential* [A/F. Int. 39].

**7.4.1.8** *Trade Mark Attorneys and Brand Disclosure:* Trade mark attorneys made few observations on financial reporting and brand disclosures. One respondent had recommended brand valuation to a client firm. He remarked -

[7.149]

> ... someone high up said no, they did not want to see it there [A/F. Int. 18].

**7.4.1.9** *Design Firms and Annual Reports:* The annual report was seen by respondents as the managing director's document.

[7.150]

> *I think the CEO should really determine the marketing aspects of an annual report. It is essentially his document. He talks about the review of the previous year and the opportunities for the next period of time. If we are dealing with the accountancy based person, he usually has the power to make decisions. But he is not necessarily concerned, he doesn't grasp in his head the marketing aspects of the document* [A/F. Int. 30].

Respondents observed two parts to the annual report - the emotional marketing part, and the conservative financial part [A/F. Int. 3].

[7.151]

> *Pictures of brands - make you appreciate the effort that's gone into marketing and promotion - the emotional issues. The accounting part is just a different document. It is the cold hard realisation of just what this emotional effort has achieved. I don't see any problem with that. They are two different worlds* [A/F. Int. 3].

One respondent emphasised that companies, which are market oriented, have to convince users of the reports that they are able marketers, and that their brands are valuable.

[7.152]

> *Because most intelligent readers of the report would realise what the situation is - and it is a dry as dust document without any mention of all the brands and commercial activity* [A/F. Int. 3].

Respondents observed that corporate accounting/finance personnel tended to focus on the financial statements in the report. There was a lack of vision as to the marketing potential of the overall document.

[7.153]

> [Finance] *People on the whole tend not to be too interested in visual matters. Basically you get the financial information given to you and you don't play around with that at all* [A/F. Int. 3].

[7.154]

> *... the financial pages, there's not much you have to do to them. ... The accountants are incredibly careful about the way each mark goes on the paper, even. The layout they are incredibly careful about* [ A/F. Int. 3].

Perceptions of corporate personnel were perceived as bound by successful company operations and focused on financial markets audiences.

[7.155]

> *People have certain audiences primarily in their sights, with accountants it is analysts and advisors. That's what they see and they don't want any peripheral information that detracts from the financial part. Whereas we argue, certainly relate to your key audience, but your shareholder base isn't going to understand a word of it* [A/F. Int. 30].

**7.4.1.10** *Summary:* The sub-section reports respondents' attitudes to financial reporting and observations on annual reports. Evidence of differing constructions of business reality may be perceived - both in contrasts between observations, and in the content of observations made.

The annual report was seen by design firm respondents as the chief executive's document. Respondents found less appreciation from corporate finance personnel for the visual constitution of the document and the marketing role. Corporate finance personnel had a particular financial audience in mind. But for one chief executive, the annual report was a financial document with a public relations role. An analyst observed similarly; he commented on the effort and cost of the annual report. The paradox of messages given by appearance were observed by another analyst. Scepticism was expressed on accountants' views of the importance of the annual report to individual shareholders.

For corporate personnel, financial reporting was structured by regulation. Observations were diverse. One respondent found regulations less and less relevant; another remarked on increasing stringency. Generally, corporate respondents were interested in disclosure that made things *'quite transparent'.* One respondent discussed preference for brand disclosure on the balance sheet over the notes. Another company respondent preferred note disclosure for brands at valuation. Balance sheet disclosure of brands was perceived by some respondents in terms of *'strengthening'* the balance sheet. It was seen as a corporate policy decision. One respondent saw brand disclosure as indicating a gearing problem. There was little comment on self generated brands. Two corporate respondents argued for a cost based balance sheet - one remarked that he *'knew what it meant'.*

Regulators stressed the technical framework of regulation and internal consistency.

The reliability they saw conferred by balance sheet disclosure was questioned for brand valuations. Interpretations of a *'true and fair view'* were discussed. The effect of regulation in restricting management's choices was remarked. Preferences in the marketplace for cost based measurements were noted. Brand disclosures were perceived as affecting few companies. One respondent observed that the summary nature of annual reports precluded endless expansion of information.

Auditors saw current reporting policies as traditional. The *'true and fair view'* was a disclosure measure requiring exercise of professional judgement. One auditor argued that disclosure should be representative of operations. There was agreement on disclosure of acquired brands, but reporting of internally generated brands was strongly contested. Auditors needed to become *'comfortable'* with valuation processes and evidence of brand management. Information disclosure required with valuations was articulated by auditors and valuers. Specialist brand valuers stressed that where brands were material to a business, firms which made no brand disclosure misrepresented the assets of the business. One business valuer emphasised that manner of presentation was not an issue, but management's perceptions of value of brands to the business, and their management of the brands, required disclosure.

Analysts appeared indifferent as to reporting of brands (acquired or self generated) on the balance sheet. Brand disclosures by firms - were again viewed as *'strengthening'* the balance sheet. On the informational use of annual reports, analysts' views varied. Bankers rejected claims that balance sheet ratios could be manipulated through disclosure of brands. (Potential for distortion in financial ratios had been suggested by individual corporate and regulator respondents). Other areas of asset value manipulation through accounting measures were given by one banker respondent. One banker argued that disclosure might also emphasise the importance of brands to the company. Individual analyst and trade mark attorney respondents, evidenced specific decisions by companies against brand disclosures.

## 7.5 *Perceptions of Brand Management*

Respondents perceptions of brand management are argued as part of this study.

The manner in which differing groups of respondents perceived brands in operations conveys indications about the nature of brands, and brand properties. The significance of brand management for auditors emerged during the study.

### 7.5.1 *Brand Management - Two Aspects:*

In discussing brand management two aspects are considered in sequence. Firstly, there is the manner in which brands were perceived operationally by respondents. Operational aspects of brands are central to the study, because brands are constructed and maintained through operations in the marketplace. Secondly, there is the manner in which respondents perceived accounting for brands, which involves decisions on finite economic life and amortisation.

**7.5.1.1** *Chief Executives and Brand Management:* ***A.*** *Management.* None of the chief executive respondents interviewed claimed to have brands separately identified in any budget. Active support of the brand was claimed by one respondent.

[7.156]

> *... we manipulate with some care the balance between brand support and sales promotion* (A/F. Int. 9).

The respondent also emphasised that for the firm and its product(s), the importance of distribution was crucial. Valuation of brands was seen as giving visibility to brands for internal management by one respondent. He discussed the intention to integrate brands into operations.

[7.157]

> *With tangibles you can go out to the factory and it's still there. They* [accountants] *assume that because they spend the money on a brand it has disappeared. I think that this is a convenient way for accountants to approach this sort of thing* [A/F. Int. 29].

**B.** *Accounting-amortisation.* Few remarks were made by respondents on amortisation of brands. One chief executive observed -

[7.158]

> *It's a growing asset. I mean why would you amortise. I mean if you were going to value it, why would you amortise it?* [A/F. Int. 2].

**7.5.1.2** *Brand Management - Corporate Finance Personnel:* **A.** *Management.* Three

respondents stressed that there was value inherent in the ability to create and successfully market brands. They suggested it was a management skill. One further respondent also reviewed whether brand managment was a core competency at corporate level or at business unit level [A/F. Int. 7].

[7.159]

> *Our ability to create and market brands has significant value* [A/F. Int. 10].

[7.160]

> *It is a question of value creation, and if you are good at it you will presumably create more value than if you are not* [A/F. Int. 4].

Five corporate finance respondents discussed consciously planned internal dissemination of the brand(s), and the levels of brand information which they receive.

[7.161]

> *Daily, I mean we know daily what a brand's doing in the marketplace. We research the market regularly. What are the consumers thinking about our brands, what do our brands cost to produce, what do we have to discount our brands in the marketplace to sell them through, what contributions do they make, how much marketing needs to go into it, what is the appropriate marketing* [A/F. Int. 10].

[7.162]

> *In this organisation, our CEO has a sales and marketing background, so he gets quite involved in the sales and marketing aspect. So yes, and senior management get involved in the brands. Not necessarily like consumer perception type information of what a brand is, but certainly in terms of the financial profitability. And just the different types of innovations or product developments that are going on* [A/F. Int. 7].

[7.163]

> *Yes, a very clear strategy, but it's not a written strategy as such. But we do understand the significance of the brand, and we have regular strategy meetings. We have formally written down what we believe the strengths of the brand are* ... [A/F. Int. 1].

[7.164]

> *There is a semi conscious strategy - or clear strategy within the company to manage it and I think it's really more at management level than at board level. ... we have got a high representation, probably 50% executive directors* [A/F. Int. 11].

[7.165]

> *...we do track how the brands are going ... actually weekly, we monitor our sales by brand. And some basic profitability measures by brand.* [A/F. Int. 35].

One respondent reported budget allocation specifically for the brand(s) [A/F. Int. 1].

In three firms the management of company brands was perceived by respondents as a function of marketing departments. While there was great awareness and understanding of brands reported by finance personnel, any clear strategy for managing the company brands was not personally acknowledged. One respondent indicated it might be merely terminology used. He also observed that management measures were short term based [A/F. Int. 4]. The short term focus of management measures was evident in the discourse of another respondent [A/F. Int. 7].

[7.166]

> *No it can't be that clear, because I'm not sure what it is, so we don't have a clear strategy. I think from a marketing point of view - yeah. I think they have a strategy for managing the brands. They understand the brands. ... It depends on what you mean by 'managing'. I mean we have marketing plans, we have a certain amount of money and I know we have to spend on promoting brands. We know things like market share, but we don't see anything else* [A/F. Int. 4 ].

[7.167]

> *We do not receive regular information about the brand. Not on a regular basis of six monthly or less. It is more ad hoc. There is more an understanding that the brands have to be managed and protected. That is understood clearly, and not written down* [A/F. Int. 5].

Another respondent who distinguished brands as part of marketing activity, observed that although information on sales, advertising, promotional spend and brand profitability went regularly to senior management, the information was reported internally mainly on product group, rather than by brand.

Distribution was perceived as important. Four corporate respondents made very specific observations on the crucial importance of distribution to business success.

**B.** *Accounting-amortisation.* On amortisation of brands, respondents had clearly contrasting views. Two respondents emphasised that a policy of noncapitalisation precluded comment. For two respondents with strong brands (not valued) observations were -

[7.168]

> *So do you amortise it? ... I think that is a very tricky question* [A/F. Int. 1].

[7.169]

> *I think it is a very difficult question* [A/F. Int. 11].

One respondent vehemently argued that where there is no diminution in value, amortisation is inappropriate.

[7.170]

> *Yes but I don't see a diminution. If somebody's got a value and it's based on cash flow and you are investing - why do you actually need to amortise the bloody thing? That's only what accountants do for Christ's sake* [A/F. Int. 7].

**7.5.1.3** *Brand Management - Regulators:* **A.** *Management* There was little discussion by regulators specifically on brand management. Discussion on amortisation was detailed.

**B.** *Accounting - amortisation.* All assets (other than land) were perceived by the majority of respondents as having finite lives. Amortisation was reported as prudent and appropriate accounting treatment [A/F. Int. 8; A/F. Int. 21; A/F. Int. 34]. As well as amortisation, two respondents argued for concurrent revaluation where it might be appropriate [A/F. Int. 8; A/F. Int. 21].

[7.171]

> *If you are under modified historical cost, one would presumably say that you would revalue the brand, but you would still amortise it - revalue and amortise* [A/F. Int. 21].

The writeoff was seen as arbitrary by one respondent [A/F. Int. 8], but was characterised by another as needing to reflect the pattern of loss in service potential [A/F. Int. 21]. If values fluctuated or suddenly fell away, the writedown might be large. One respondent remarked that -

[7.172]

> *....accountants have tended in the past not to like the idea that you have a sudden drop in value that you have got to account for* [A/F. Int. 34].

With two respondents, there was discussion of the theory of amortisation as an allocation of the cost of the asset, in contrast to a valuation mechanism [A/F. Int. 34]. One respondent commented that personally he had formerly believed in amortisation, but was now inclined to current values [A/F. Int. 6].

**7.5.1.4** *Brand Management - Auditors:* **A.** *Management.* The continuing need for brand support and management was recognised by all auditor respondents. Parallels to fashion inventory and portfolio management were drawn [A/F. Int. 15].

[7.173]

> *I think people need to monitor and assess the value of brands. I think it's an important strategic issue for those companies where brands are an important part of the business* [A/F. Int. 20].

Brand valuation formalises value dimensions for management, whether or not brand values are reported. A memorandum account, at least, records value and continuing expenditure.

[7.174]

> *So they can actively manage it, because if they don't, it becomes this nebulous airy fairy thing that some people in high positions in a company, usually chief executives, understand only too well - I think - but directors who may be accountants or lawyers, you know they may not understand it so well. So I would think it's helpful in just keeping the focus* [A/F. Int. 20].

**B.** *Accounting-amortisation.* Auditors were divided on the appropriateness of amortisation treatment for brands as assets. One auditor who recognised the continuing need of brands for support also endorsed amortisation. He felt that the lack of any authoritative standard for revaluation was a problem [A/F. Int. 14]. Another respondent emphasised the potential for sudden changes in intangible asset values. In his view the established nature of accounts and reports militated against effecting timely adjustments [A/F. Int. 15]. Amortisation was considered by some respondents applicable only where there was no evidence in the accounts of continuing support for the brand [A/F. Int. 16; A/F. Int. 20). There was criticism of amortisation when it appeared contrary to economic reality, and based only in technical rules [A/F. Int. 16; A/F. Int. 20].

[7.175]

> *You could amortise and revalue at the same time I suppose. But if you are going to amortise, then the question is - is it fair to amortise and hit the P&L at the same time with the cost of maintaining the brand- so do you have a double whammy in the P&L account. Now I am starting to sound like one of our clients, aren't I. It's a reasonable argument. I guess in summary I feel comfortable with the revaluation process, rather than necessarily amortisation* [A/F. Int. 19].

**7.5.1.5** *Brand Management and Valuers:* ***A.*** *Management.* Valuers reported increasing awareness of the value of brands and need for brand management. One business valuer raised the issue of brand management action should a modest market valuation of the business indicate that the brand valuations were excessive. He felt that business sense then indicated the need to sell the brands at such values [A/F. Int. 24].

**B.** *Accounting-amortisation.* For specialist valuer respondents, where the brand continued to provide undiminished benefits, amortisation was seen as inappropriate [A/F. Int. 36]. One business valuer expressed a qualified view.

[7.176]

> *... brands do not have indeterminate lives - their lives are very dependent upon maintenance of expenditure on the brand, otherwise they die* [A/F. Int. 25].

The respondent differentiated between the nature of a tool asset, which might suffer obsolescence and the nature of a brand. Exposure to market risk was encompassed in the respondent's remarks on *'Marlboro'*. He remarked that (American) regulatory intervention on health might impact upon the health of the Marlboro Cowboy [A/F. Int. 25]. For one respondent, all brands had finite economic lives and there had to be a writeoff policy [A/F. Int. 13]. He observed that the assumption that brands continued forever had been discredited within the last year or two.

[7.177]

> *look at Philip Morris and what's happened to its brand* [A/F. Int. 13].

The potential introduction of an accounting policy that prohibits current *ad hoc* practices and requires amortisation, was a cautionary aspect for this respondent.

[7.178]

> *... they would have to change, but they would have a backlog catch up - and that's what usually happens with a change in accounting policies, which would mean that it would be reclassified as goodwill. Then all the write offs that should have occurred over the life would be taken as a backlog type of adjustment, so that current year and prior year in the comparative figures weren't distorted and you'd have a prior year adjustment* [A/F. Int. 13].

**7.5.1.6** *Brand Management and Analysts:* **A.** *Management.* There were no reported observations by analysts directly on brand management. Indirectly, marketplace observations alluded to management -

[7.179]

> *When brewers launch a brand they basically want it to go on and become a mainstream brand, at whatever point it might be.... Some of them don't* [A/F. Int. 22].

**B.** *Accounting-Amortisation.* Amortisation was perceived by analysts as an artificial depression of earnings, which increased the difference between reported earnings and cashflow [A/F. Int. 22]. Only if you believed that the value of your investment was

declining should you amortise.

[7.180]

> *... a brand, depending on how it goes and depending on how it is supported, potentially has a hugely long life and I would tend to favour with that - that you don't amortise until you get to a point where you can clearly see that the value is no longer there. ..... but just regular kind of unthinking amortisation - no - I don't go for it at all* [A/F. Int. 22].

For two respondents, the treatment by accountants of goodwill, generally, was termed *'a nonsense'* [A/F. Int. 12; A/F. Int. 23]. In general, respondents believed that the value of brands should be rising, as should the value of the goodwill of the business. The difference in impact on the profit and loss account was highlighted where brands were not amortised [A/F. Int. 32].

**7.5.1.7** *Brand Management and Bankers*: **A.** *Management.* With balance sheet indicators, respondents from clearing banks disregarded intangibles, and no direct observations were made on management.

**B.** *Accounting-Amortisation.* In discussing manipulation of balance sheet ratios, one banker indicated manipulation of asset categories through accounting measures including *'revaluation .... depreciation/amortisation'* [A/F. Int. 42]. The investment banker's preference for economic values precluded any interest in accountants' amortisation measures [7.139]. He called for accounts to be *'true and fair'.*

**7.5.1.8** *Brand Management and Trade Mark Attorneys:* **A.** *Management.* One respondent remarked upon the importance placed upon brands by '.....' Limited. He noted the internal importance given to brand(s) and the loyalty demanded of staff [A/F. Int. 18].

**B.** *Accounting-Amortisation.* One trade mark attorney expressed complete disagreement with accountants' amortisation practices as he perceived them.

(7.181)

> *Say take Coca-Cola, and the brand has increased in its value. So what are you doing writing off a piece of property that increases in value - and there you are writing it down* [A/F. Int. 28].

**7.5.1.9** *Brand Management and Design Firms:* **A.** *Management.* Observations from design firm respondents were not specific. However, their remarks distinguish corporate accounting/finance personnel as having a narrow focus on financial aspects, and on the immediate financial world [refer 7.150; 7.153; 7.154; 7.155]. There emerged a feeling that accounting/finance personnel lack empathy with the marketing aspects of operations.

**B.** *Accounting-Amortisation.* There was no reported observation from design firm respondents on amortisation.

**7.5.1.10** *Summary:* This sub-section reported upon brand management - firstly, operational brand management; secondly, attitudes to economic life and amortisation. The main summation is part of the chapter summary [refer 7.6.6, *subter*].

## 7.6 *Chapter Summary*

In this section, the reports are brought into a full chapter summary. Firstly the chapter summary reviews the themes with reference to the chapter reports. The refined themes shape the final chapter summary and are the basis of material taken forward to chapter eight. There are five final themes. They are set out on the next page in **Figure 7.3:** *Conceptual Themes.*

### 7.6.1 *Development of Conceptual Themes.*

The initial brand sub-themes of *'Brands and Value', 'Brand Aspects'* and*'Brand Valuations'* are redefined as individual themes. With the characterisation by most respondents of brands as assets, the *'Brand Aspects'* theme is recast as *'Brands as Assets'. 'Financial Reporting'* continues as a broad theme which encompasses both financial reporting and views of annual reports. The generalised *'Group Perspectives'* has been crystallised more strongly as a general *'Brand Management'* theme. Specific sub-themes are shown in **Figure 7.3:.**

**FIGURE 7.3** *Conceptual Themes, Chapter 7, Summary*

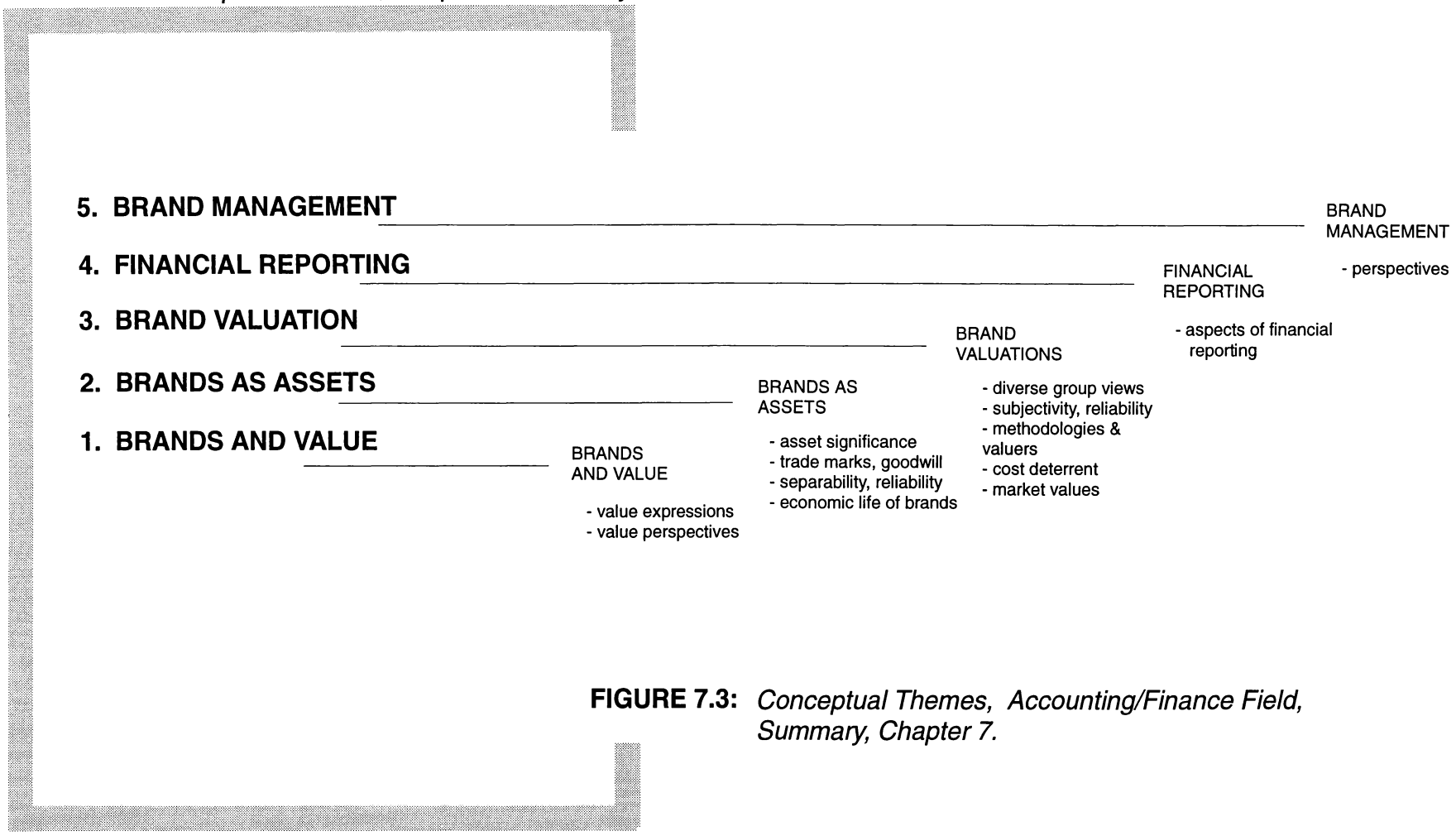



**FIGURE 7.3:** *Conceptual Themes, Accounting/Finance Field, Summary, Chapter 7.*

### 7.6.2 *Brands and Value*

This sub-section summarises the manner in which brands are perceived as having value by respondents in the accounting/finance field. Views from differing groups offer sharp contrasts.

**7.6.2.1** *Value Expressions:* Brands were described by corporate finance personnel as *'powerful'*; the *'basis of business success'*; and the company's *'biggest asset'* [7.5; 7.6; 7.7]. Talking of clients' brands, trade mark attorneys and design firm directors stressed *'incredible value'.* Clients' internal orientation to their brands was described by respondents in terms of *'passionate'* and *'importance and loyalty'* [7.10; 7.18]. The descriptions are emotive. One trade mark attorney also observed brand values shown indirectly by counterfeiting activities. In contrast to these views, some analysts disputed that brands had value [7.15]. Brand values lay in past sales. A brand was observed as merely as good as the last product sale [7.14]. Potential for changes and fluctuations in value were raised [7.13; 7.116; 7.177].

**7.6.2.2** *Value Perspectives:* Differing conceptions of value emerged from the manner in which respondents perceived derivation of brand values. Chief executives recognised brand values generated in the marketplace. In terms of profitability, their interests were in reinforcing the values perceived by consumers. Corporate finance personnel saw brands in operational terms; as integral to the business mix [7.2; 7.3; 7.4].

Regulators also saw brands relative to the business, but regulators focused on the potential for confusion between brand value and the value of general business goodwill [7.39]. One respondent argued that having a brand maybe enabled factors of internal operations to be encompassed in the brand value. Without the brand, such value was inexpressible in quantified terms [7.9].

Specialist brand valuers and business valuers gave contrasting expressions of brand values. Valuers who were not brand valuation specialists queried the exclusive concentration on the brand [7.11]. Similarly, analysts' interests in cash flows of a whole business meant little interest in specific brand values [7.15]. Cognisance of a generalised expression of brand value was made [7.12], and also queried [7.14; 7.15].

For respondents from clearing banks, the potential value of brands was totally disregarded. Bankers' regard for potential realisation of securities has led to policies which completely discount brand values 'in exchange' [7.16; 7.17]. In contrast, the investment banker stressed the material economic 'use' values of many brands for brand owners. Trade mark attorneys emphasised that in common law, registration was not needed in order to have value [7.56].

**Conclusion:** Brands are perceived as potentially immensely valuable in operational terms by some reference groups. For the purposes of other groups, brand values appeared problematic, irrelevant, or were disregarded. In some groups - for example valuers and bankers - contrasting views were expressed, within the groups.

### 7.6.3 *Brands as Assets*

Within the accounting/finance field, the majority of views expressed about aspects of brands reflected observations based upon views of brands as business assets. The observations are summarised under four headings.

**7.6.3.1** *Asset Significance:* Chief executive respondents observed that recognition of brands as assets conferred visibility on the brands within operations. Recognition created an awareness and a management discipline to use the asset [7.20; 7.21; 7.22; 7.23]. Company wide recognition of the huge importance of brand assets was expressed by corporate finance respondents [7.24; 7.25]. But, one respondent ranked brands below fixed assets in importance; and whether brands were really assets in traditional accounting classifications was raised by one respondent [7.26]. A remark that the accounting profession *'hadn't caught up'* with management or marketing was made [7.27]. It was notable that distinctions between self generated and acquired brands were rarely discussed. The distinction was not of operational importance. Most respondents' companies had internally generated brands.

Brand natures and brand attributes were not widely discussed[10]. Two corporate finance respondents and one chief executive indirectly alluded to the perceived quality of their brands by use of price fighting brands representing products with lesser quality specifications [7.1]. Regulators generally expressed acceptance that

brands were potentially assets [7.37]. But some regulators strongly queried whether brand values should be reported as assets on the balance sheet. Little discussion on self generated brands emerged. Auditors both supported and questioned classification of brands as assets. Brands were seen as *'driving the revenue stream'.* One respondent argued that brands were really *'reputation'* in the marketplace. The respondent queried booking *'reputation'* [7.41]. There was approval for recognition of purchased brands. Recognition for internally generated brands was specifically contested [7.43; 7.44; 7.45].

In the valuers group, specialist brand valuers assumed brands were potentially very valuable business assets. Aspects of brand natures were discussed. Distinction between acquired and self generated brands was seen as an accountants' distinction. Two business valuers argued that accountants did not understand the nature of brands. They observed that current accounting rules did not fit brand natures. One valuer stressed the need for ongoing records of brand expenditures for accountability [7.47]. One specialist valuer emphasised the capital nature of much ongoing expenditure [7.48].

Analysts' observations on brands emphasised that brand information was *'not particularly useful, actually'* [7.49] Two respondents queried whether brands were assets. There were noticeable levels of hesitancy about any specific brand recognition [7.50]. There was even less interest in accountants' contested recognition of self generated brands [7.51].

Attitudes of bankers differed among clearing bankers and investment bankers, evidencing differing business realities. The existence of intangible assets was disregarded by bankers for securities [7.17]. Investment bankers looked at the worth of the company, and were interested in the economic values of brands as assets. The securities trustee remarked that people might find the intangibility of brands as problematic as securities [7.51].

**7.6.3.2** *Brands Trade Marks and Goodwill:* Perceived differences between brands and trade marks was apparent in various observations. Trade mark attorneys focused on the property right which is at the heart of most brands. For them, brand and trade mark were ostensibly the same construct. One respondent observed that

differing terminology was used by different groups of people [7.53]. He emphasised that consumer goodwill attached to the brand, not the trade mark. Brand ownership was *'in the minds of consumers'* [7.52]. One chief executive differentiated between the narrow conception of the trade mark, and the broader notion of the brand [7.23]. The ability to sell the registerable property right at the heart of the brand was also observed by two corporate finance managers [7.30].

Consumer goodwill attaches to the brand, but also can be generated generally by the business. Problems created by specific allocation of value between general business goodwill and brands arise in acquisition situations, and in recognition of internally generated brands as assets. Perceptions of subjectivity and differing interpretations in the allocation of value was perceived as problematic specifically by regulators [7.38; 7.39; 7.40] and also by some auditors [7.44]. One auditor noted of acquisitions, that the traditional view of aggregating all intangibles into goodwill was no longer common among companies [7.46].

**7.6.3.3** *Separability and Reliability:* Questions of separability of the brand value constituents from other aspects of operations has been central to debates over brand valuation. Is the brand separable? Corporate finance personnel saw questions of separability in terms of sale. Their views were anchored in operational reality. The majority of respondents agreed that brands were able to be sold [7.28; 7.29; 7.30; 7.31]. One respondent questioned the potential to sell brands with complex infrastructures. From the perspective of having a balanced portfolio of brands, he reflected on the effect on the portfolio of a single sale [7.32]. He queried also the effect on the value of the sold brand, if the sold brand was replaced in the portfolio.

As discussed with goodwill - regulators and auditors perceived difficulties in separability and therefore measurement [7.70; 7.71; 7.72; 7.73; 7.74], which led on to problems with reliability of valuation [7.38; 7.39; 7.40]. The degree of subjectivitiy allowed for differing interpretations [7.70]. Separability and reliability were discussed in terms of recognition of internally generated assets. Recognition was contested. In contrast, one auditor respondent saw recognition in terms of properly executed valuations. But, some respondents expressed concern with such recognition. Reaction was articulated as *'concerned', 'horrified'* and *'less comfortable'* [7.43; 7.44; 7.45].

Implicitly specialist brand valuers supported the separability of the constitutents of brand values. Generally, business valuers expressed concern with the theoretical notion of separation of brands from the general business; they queried the narrower focus. Analysts also queried the narrow focus on brand generated cash flows [7.49; 7.50]. Clearing bankers gave some generalised recognition to brands, but in policy decisions disregarded all intangible assets [7.16; 7.17].

**7.6.3.4** *Economic Life of Brands:* Corporate finance personnel acknowledged the need for continuing support for brands. There was awareness of both the continuing nature of brand support (*'nurture'*), and the magnitude of such support [7.33; 7.34; 7.35; 7.36]. Discussion on the economic life of brands by regulators was seen more from the perspective of the difficulties of tracking costs over time. There was some discussion concerning the period of establishment by regulators. The continuing requirement for support was widely remarked by auditors. One respondent alluded to continuing *'liability'* [7.42]. Specialist brand valuers differentiated between ongoing expenses and the ongoing capital expenditure [7.48] required by brands in areas such as product development, marketing (market research) and advertising. Valuers generally observed the crucial need for continuing *'nurture'* [7.47; 7.176]. They remarked upon accounting practices which failed to recognise specifically such expenditures. A different perspective on indeterminate life was added by trade mark attorneys, who indicated that trade marks have potential for perpetual lives through repeated registration of the property right.

**Conclusion:** Within companies, corporate respondents recognised brands as major assets. Brand information appeared actively and widely disseminated in some companies. Also, trade mark attorneys', design firms', and valuers' recognition of brands as assets was strongly expressed. With auditors there was contested recognition of internally generated brand assets. With regulators, bankers, and analysts, recognition was qualified, disregarded, or denied. Perceptions and understanding of brand natures was not strong, and varied from group to group. Understanding varied also among individual respondents, within groups.

### 7.6.4 *Brand Valuations*

In this section, observations on brand valuations are summarised. The sub-themes

review selected group views; subjectivity and reliability in valuations; knowledge of valuers and methodologies; cost of valuations; and market aspects.

**7.6.4.1** *Group Views:* Because of their current involvement with brands and brand reporting - valuers', corporate personnel's, and auditors' perspectives - are selected for review of valuation views.

**A.** *Group Views - Valuers:* The views of the valuer group on brand valuation appeared clearly divided. Scepticism and conservatism voiced by general valuers, contrasted strongly with the support for brand valuations from brand valuation specialists. Brand valuation specialists noted that first impetus for brand valuations came from corporate finance personnel[11]. Their interest was in balance sheet disclosures. Brand valuers reported an increasing trend for valuation across a wide variety of intangible assets. Wider use of brand valuations was also noted. Applications included mergers and acquisitions, floats and securities. Management generally were reported as now taking interest in brand valuation. Bankers now showed interest with securities. In practice only major brands were being valued.

Business valuers made more conservative observations. One respondent questioned whether brand valuation really meant anything, or was it merely a distraction. Another respondent contrasted static valuation with operating values [7.84]. Brand valuation was perceived as conceptually good, but more difficult to achieve in practice. A very conservative view was taken by one valuer. He claimed that there was potential for brand valuations to be seen in the realm of creative accounting. It could be seen as an avoidance of goodwill writeoffs. Particularly problematic was the allocation of cost between brands and goodwill after acquisition.

**B.** *Group Views - Corporate Personnel:* On valuations, views of corporate personnel were divided. One chief executive had arranged brand valuations with a specialist brand valuer.The decision had been taken after long consideration [7.59]. Brands were disclosed on the balance sheet. The respondent observed that the valuer valued certain things '*because it works*'. From his observations, greatest gains were in management information. Two chief executives were not interested in brand valuation [7.57; 7.58]. One was conversant with valuations from a specialist brand valuer. Attitudes of corporate finance managers varied. Valuation made

management more aware of brand values [7.61]. In two companies, prior regimes had valued brands. Brand values continued to be reviewed, but not used in low level applications. There had been no formal revaluations. Respondents did not articulate huge support for brand benefits. For two respondents, conservative company policies were claimed for lack of action. Two respondents valued acquired intangibles at cost (one classified brands in goodwill). Another respondent queried the operational application of a brand valuation, day to day [7.64]. A different query questioned valuation focus with changing branding strategies [7.63].

**C.** *Group Views - Auditors:* Central to auditors' perceptions of brand values in an audit, was the need to get *'comfortable'* with the valuation. A range of knowledge was seen as essential to auditors' 'comfort' with brand valuations [7.80]. Aspects of the valuation process, the major assumptions, and evidence of brand management were articulated as necessary for understanding and acceptance by respondents. Also, the industry situation and marketing information were stressed as needing enquiry [7.81]. One respondent articulated the reliability of cost and the uncertainty of value [7.82].

**7.6.4.2** *Subjectivity and Reliability:* Regulators claimed that there was inherent uncertainty in numerous aspects of brand valuations. Movement from cost to value brought uncertainty [7.77]. They perceived subjective decision making in deciding the range of brand constitutents; particularly in the allocation of value between brands and business goodwill [refer 7.6.3.3, *supra*]. Valuation methodologies were also perceived as having areas of subjective decision making. In consequence, valuations lacked *'adequate'* reliability [7.72; 7.73]. Regulators gave examples of the greater surety available with tangible asset valuations, which had been tested commercially over a long period [7.69; 7.70]. Greater comfort, generally, with less subjective measures was articulated [7.70; 7.71; 7.77].

For analysts, there was general scepticism over concentration on the brand within the business. Brand valuation was questioned as *'too narrow'*; with the firm doing itself *'a disservice'*. There were observations on the whole area of research and analysis as *'subjective'* [7.85; 7.86]. One analyst claimed he was not convinced that a brand could be valued. Uncertainty over what was being valued, and general levels of subjectivity were voiced [7.85; 7.86; 7.87].

Respondents from clearing banks made similar observations on the relative recency of brand valuations, and on the subjectivity involved in brand valuations [7.91]. One respondent commented that variability in practice had led to doubts about those companies who did value and disclose brand valuations [7.92].

**7.6.4.3** *Brand Valuation Methodologies and Brand Valuers:* Few respondents interviewed gave indications of extensive knowledge of brand valuation methodologies. Among auditors, one respondent indicated indirectly understanding of various brand valuation methodologies; other auditors evidenced the wish to understand such practices better. One commented on lack of close knowledge. One regulator observed that a particular methodology had been criticised - but at least it gave you *'some number'* [7.76]. An analyst also had little understanding of a specialist brand valuer's methodology, but accepted the valuations *'by and large'* [7.88.] Another analyst expressed interest in the volume of information that a particular valuation methodology would access and generate [7.89]. There were few questions from respondents relative to the reputation of valuers [7.68; 7.90].

**7.6.4.4** *Cost of Valuation:* Cost of brand valuation was expressed as expensive by some valuers and auditors. It was seen as a deterrent. Financial reporting requirements for regular revaluation increased cost commitments. Trade mark attorneys observed that some companies were loath to value brands, because cost was high [7.93]. Remarks were made concerning corporate consideration and rejection off brand disclosures [7.136; 7.149].

**7.6.4.5** *Market Values:* In discussing valuation, references were made by respondents to market values. Because valuations were articulated as never more than *'an estimation'*, reference to market sales was observed as a potential guide [7.67]. Respondents noted the lack of markets in intangible assets [7.67; 7.74; 7.75]. One corporate respondent queried whether market transaction price would be any guide to intangible asset values or worth [7.65; 7.66]. The market price depended upon the market at that time [7.65]. An auditor noted that *'willing buyer and willing seller'* was different from going concern operational values [7.83]. One respondent observed that he doubted that "....' brands had ever been *'tested'* ' in the marketplace [7.74].

Few references were made to the exposure of brands to uncertainty in the

maketplace. Uncertainty arises through consumers' changing contribution to brand support. Observations on *'Marlboro'* alluded directly to changing values [7.13; 7.177]; and remarks on beer brands did so indirectly [7.179]. Comments on market values also alluded to potential change [7.65; 7.66; 7.83]. Changing brand strategies also reflect market changes [7.63]. Three corporate finance personnel remarked on the potential for future markets to change. Fragmentation of markets was observed by one corporate finance executive. Analysts' observations on brand values being as good as the last sale [7.14] were indicative of the potential uncertainty of future markets. An auditor commented similarly on the certainty of the successful past.

**Conclusion:** Respondents' views of formal brand valuation were divided. Brand owners appeared divided between disinterest and support for formal valuations. Specialist brand valuers supported brand valuation in order to fully evaluate the worth of brands. Business valuers appeared unconvinced. On policy counts, clearing banks disregarded brand valuations. Regulators and auditors were divided. Most auditors and few regulators supported valuations, Some auditors and most regulators questioned the reliability of brand valuation methodologies. Analysts were equivocal and disinterested. Generally, expressions of lack of support derived from perceived lack of reliability, grounded in perceptions of subjectivity and interpretation. Disinterest appears to arise from groups' purposes. There was little direct discussion of market uncertainty.

In the next sub-section, aspects of financial reporting are summarised. The particular interests are aspects of annual reports, financial reporting and brand disclosures.

### 7.6.5 *Aspects of Financial Reporting*

This section summarises perceptions of financial reporting. Firstly, general observations are made of annual reports; secondly, observations of financial reporting are summarised.

**7.6.5.1** *Annual Reports:* Annual reports were characterised as essentially two documents by a design firm respondent [7.151; 7.152]. Accounting based executives were reported as having little appreciation of the marketing aspects; their focus was

an audience of *'financial analysts and advisors'* [7.150]. One respondent reported little appreciation by finance executives of the visual creation; but strict guidelines were given for the financial part [7.153; 7.154]. Overall, the document was the product of the chief executive. One chief executive reinforced observations on the dual nature [7.95]. The enormous effort and cost of production were observed [7.145]. Observation on the summary nature of annual reports, and that reports could not be endlessly expanded was made by a regulator [7.111]. The paradox of the impact of glossy visual images in conveying messages of successful operations was remarked [7.144]. Use of the annual reports by analysts appeared varied [7.133; 7.134; 7.135; 7.141; 7.142]. Analysts also commented on use by bankers and ordinary shareholders [7.140; 7.143].

**7.6.5.2** *Financial Reporting Summary:* The observations are summarised by reference group.

**A.** *Corporate Executives*: Expressions on financial reporting were varied and individualised. One respondent observed that company policy was now to give as much information as possible, given lines of commercial sensitivity [7.97]. He claimed that accounting regulations were now more stringent as to reporting [7.96]. On brand disclosure, one respondent discussed the options of note disclosure or balance sheet listing. He intimated that as brands were perceived as very valuable assets, they had opted for balance sheet disclosure - *'where they really mean something'* [7.98]. He stressed that users could adjust the disclosure *'It's easy enough to deduct ...'* [7.98]. One respondent reiterated general arguments for balance sheet disclosure which were built on the propensity for undervaluation without disclosure. Arguments against disclosure were that brands drove the revenues, and building intangibles into balance sheets was *'all bullshit anyway'* [7.99].

**B.** *Corporate Finance Personnel:* Respondents remarked upon the nature and purpose of the balance sheet, aspects of disclosure, and upon financial reporting. On balance sheets generally, two respondents preferred simple, consistent, cost based balance sheets [7.100; 7.101]. Disclosure of brands on the balance sheet was perceived as corporate strategy and balance sheet management. Brand disclosures added *'more beef to the balance sheet'*; potentially indicating a gearing problem [refer 7.4.1.2, *supra*]. Such views were reiterated by an auditor [7.43]; and in analysts' observations [7.137; 7.138; 7.139]. Where brands were closely tied to technological

development, one respondent saw two options - either brand valuation or capitalisation similar to capitalisation of research and development costs with subsequent amortisation [7.103]. For this respondent, there were elements of duplication in brand capitalisation, which *'didn't gel'* [7.102].

Disclosure of internally generated brands was not perceived as an issue by corporate respondents - either generally, or specifically. One respondent reflected that disclosure could make brands visible, and might be a useful management tool [7.104]. Most respondents stressed the need for *'transparent'* reporting, with information clearly given. On accounting pronouncements generally, one respondent observed they were becoming *'less and less relevant'* [7.105].

**C.** *Regulators' Views:* Specific aspects remarked by regulators concerned the technical approach to regulation, the reliability conferred by balance sheet disclosure, the relative status of the *'true and fair view'* concerning disclosure, and the effect of standards on management choices.

Technical aspects were evident in the expressed need for internal consistency in standard setting. Following overseas leads was observed [7.106]. Brand information disclosure in financial statement notes was supported [7.107], in line with overseas trends. Disclosure on the balance sheet was perceived as bearing messages of reliability. Respondents felt that in the case of brand valuations, this reliability might not be true [7.72; 7.73; 7.107; 7.108]. The relationship of the *'true and fair view'* to disclosed accounting policies was discussed. In operation, the *'true and fair view'* might require further disclosure where brands were concerned. One respondent felt that currently, disclosure of business resources such as brands was *'ad hoc'* [7.109]; it had arbitrary and anomolous effects [7.110]. Respondents gave consideration to existing brand disclosures as currently appearing. The small numbers of companies affected was noted [refer 7.3.2.3; 7.3.3.5, *supra*].

Traditional perceptions of effects of regulation on restricting management choices were also technically based. Scepticism with management manipulation was expressed both formally [7.114; 7.115] and indirectly [7.116]. One respondent observed that many business people preferred the reliability of historic cost [7.112; 7.113]. Dimensions of audit risk were remarked [7.117].

**D.** *Auditors' Views:* Respondents commented upon the annual report, the nature of the *'true and fair view'*, aspects of brand disclosure, and the balance sheet generally. The audit report was in relation to the disclosed accounting policies. The application of the *'true and fair view'* to disclosure was discussed [7.119; 7.120]. The constitution of the balance sheet was examined - it was seen as residual asset balances and an indication of funding [7.122]. Two respondents remarked upon the materiality of brands for company operations. Disclosure of acquired brands was accepted, but disclosure of self generated brands was contested. One respondent observed that financial analysts removed brands [7.123]. Another respondent argued for greater relevance to operations, however difficult to achieve [7.124]. Time lags in entering decreases in brand values were discussed [7.121]. Respondents articulated the information disclosures necessary for adequate reporting of brands [7.125; 7.126]. Observations called for the auditor to be *'comfortable'* with brand value and valuation methodology, and evidence of brand maintenance/management [7.127].

**E.** *Valuers' Views:* Respondents' focus was on the reporting of brand values. Specialist brand valuers, argued that brand rich companies gave serious misrepresentation to assets when brands were not reported [7.129]. One business valuer remarked that, without brand information, shareholders may not appreciate the intrinsic value of their shares and be *'seduced into'* selling them [7.130]. Another business valuer observed that, if brand values were perceived by the company as material to operations, there should be communication of management's perception of the importance of brand contributions. The extent of disclosures required, concerning assumptions and processes, were articulated by another business valuer respondent [7.131]. He warned of requirements and effect of potential future regulation [7.178].

**F.** *Analysts' Views:* Respondents remarked upon financial reporting, use of annual report information and the nature of annual reports. Financial reporting was seen as *'following a set of rules'*. With a holistic focus on business cash flows, balance sheets and brand disclosures were not of importance [7.132; 7.133; 7.135]. Brand disclosures - whether of acquired or self generated brands - did not indicate the health of the company in analysts' views [7.132; 7.134]. When brand values were very material, some cognisance of the brands was forced by the material dimensions - but it meant little. Analysts' attitudes were sceptical of management motivations for balance

sheet brand disclosures. Perceptions were that, in New Zealand, brands were disclosed to strengthen balance sheets that appeared weak in traditional accounting terms [7.137; 7.138; 7.136; 7.139].

**G.** *Bankers' Views:* Respondents from clearing banks were solicited for views on balance sheet ratios. Their reported focus was therefore narrow. Claims of effective manipulation of balance sheet ratios by brand disclosures were rejected by all respondents - from both clearing and investment bankers [refer 7.147, supra]. One clearing banker emphasised that manipulation of other asset categories was possible through traditionally accepted accounting practices [7.146]. On disclosure, the investment banker noted that without reporting brands and human capital, accounts did not give a *'true and fair view'* [7.148].

**H.** *Trade Mark Attorneys' Views:* Few remarks were made on financial reporting. One respondent had recommended brand valuation and disclosure to a client, but someone *'high up said no'* [7.149].

**Conclusion**: Annual reports were perceived as essentially two documents. Design firm respondents claimed there was little appreciation of the extent of the marketing role of annual reports by many corporate finance executives, who privileged financial markets as their audience. One analyst respondent observed the messages communicated by gloss and imagery in the marketplace. Analysts gave varied accounts of their use of annual report information. Financial reporting was perceived as *'complying with rules'.* One corporate respondent claimed the rules were increasingly stringent; another observed the rules were increasingly less relevant. Choices in brand disclosure were articulated. Preference for the balance sheet over note disclosure was made by one chief executive. Issues of capitalisation and disclosure did not interest other chief executives. Brand disclosures were seen to add *'beef to the balance sheet'*, and gave indications of gearing problems. Financial reporting should be as *'transparent'* as possible.

Alterations to balance sheet figures were disregarded by bankers concerned with ratios. Regulators and some auditors claimed that balance sheet positioning conferred dimensions of reliability, which they felt might be unwarranted given their

perceptions of the reliability of brand valuations. Note disclosure was preferred. Some respondents felt the operation of a *'true and fair view'* might require further disclosure with brands. Regulation was seen as restricting the reporting choices available to managements. Disclosure of self generated brands was contested by regulators and many auditors. Specialist brand valuers claimed balance sheets without brand disclosures misrepresented company assets. The investment banker observed the need for disclosure of intangible assets, such as brands, in economic values. Analysts, generally, were disinterested in individual intangible asset values on balance sheets.

### 7.6.6 *Brand Management Perspectives*

There was diversity in recognition of brand management. Within companies, none of three chief executives had brands specifically in budgets; one chief executive explained consciously structured support for firm brand(s) [7.156]. Management information gains from brand valuations were articulated [7.20; 7.157]. Among corporate finance executives, five indicated very high general levels of brand knowledge dissemination internally [7.161; 7.162; 7.163; 7.164; 7.165]. One stressed specific budget allocation for brands. However, three respondents indicated brand management as a marketing function [7.166; 7.167] Of these, one queried meanings during the discussion [7.166]. One respondent indicated *'ad hoc'* dissemination; another respondent stressed internal breakdowns more by product group. Ability to create and manage brands was perceived as a valuable skill [7.23; 7.159; 7.160].

In respondent groups outside the companies, articulation of brand management was either strong or non existent. Trade mark attorneys commented on specific examples of strong brand recognition [7.18]. Auditors saw brand management as a very important issue where brands were material [7.80; 7.173; 7.174]. Parallels to fashion inventory and portfolio management were remarked. The need for specific evidence of brand management in an audit situation was stressed. Specialist brand valuers, and some business valuers, also emphasised the crucial need for brand management [7.47; 7.48; 7.84]. In contrast, brand management did not appear as a focal interest for regulators. Analysts, with their interest in overall business cashflows, recognised management ability, but appeared uninterested in specific

brand aspects [7.50; 7.87]. Bankers disregard of intangibles precluded interest in specific brand management. In contrast to brand management structures, specific mention of the crucial contribution of distribution to successful operations was made by corporate respondents.

Attitudes to accountants' amortisation of disclosed brand values were extremely varied, and, in many cases, appeared personalised to individual understandings. By implication, the chief executive who had arranged valuation of brands, intended further revaluations. Applicability of amortisation was criticised when valuing was the intention [7.158]. Corporate finance personnel's views of amortisation were diverse. Some respondents amortised acquired brands (one within a goodwill categorisation). Two respondents indicated that there was no issue where brands were not capitalised. Two respondents found the question *'difficult'* or *'tricky'* [7.168; 7.169]. Strong opposition to amortisation came from one respondent, where values were increasing and investment continuing [7.170].

For regulators, amortisation was perceived as the prudent and appropriate accounting treatment. The majority of respondents perceived all assets (except land) had finite economic lives. Concurrent revaluation was perceived as possibly appropriate by two respondents [7.171]. Writeoffs were characterised as arbitrary by one respondent; and needing to reflect the loss of service potential by another. Amortisation was discussed theoretically as a cost allocation. Traditionally, accountants have been unhappy to account for sudden fluctuations in value [7.172]. A personal preference for current values was recorded by one respondent.

Auditors' opinions were divided on amortisation of brand values. One respondent observed that the lack of an authoritative standard on revaluation was a problem. The respondent favoured amortisation. With some respondents, arbitrary amortisation, based in technical reasoning and not economic evidence, was strongly criticised [7.175]. Among general business valuers, some respondents insisted all brands had finite lives, and there had to be a writeoff policy. One valuer discussed the exposure of brands to market uncertainty. *'Marlboro'* was given as an example of fluctuating values by two valuers [7.177] and an analyst [7.13].

For specialist brand valuers, amortisation was inappropriate where brands continued

to provide undiminished benefits. Some analysts termed accounting amortisation treatments *'a nonsense'*. Systematic amortisation was seen as an artificial depression of earnings, and unacceptable [7.180]. Trade mark attorneys had similar views [7.181].

The chapter has reported respondents' views on brand values within an asset framework, and brand valuations. There was little discussion of brand natures. Financial reporting and aspects of brand disclosures were investigated through respondents' views. A generalised impression of brand management was focused operationally, and also through views of amortisation of brand values.

## *7.7 Chapter Conclusion*

This chapter reported the findings from the interviews with respondents in the accounting/finance field. Firstly, the chapter introduced the conceptual themes, whch had been developed through the analysis of the field data. Secondly, the views of respondents were reported, framed by the themes. Integral to the reports were verbatim quotations from the writeups, validated by the respondents. All quotations were also individually authorised by respondents. After presentation of the reports, the conceptual themes were briefly reviewed against the report contents. The final chapter summary was framed by the further refined themes.

Chapter six and chapter seven have reported the views of respondents in the fields of marketing and accounting/finance. In chapter eight, the views of respondents are brought together. Material from thick contextual descriptions in chapters three and four is also referenced. To structure chapter eight, the theme categories from chapters six and seven are initially brought together and further worked to reflect the wider combined perspective of the chapter. Consequent upon chapter eight, chapter nine completes the study with a review of the chapter eight themes, key findings in the form of pattern explanations, and outlook from the study research domain.

1. Juvenal's enquiry from *Satires 6* is found translated usually as *'But, who guards the guards'?* In this chapter, I have used the quotation in the sense of who watches the regulators. The quotation is thus paraphrased to enquire 'But, who regulates the regulators?'
The quotation has been used by many people in many ways. Briloff (1981), for example, uses *'Who will guard the guardians?'* in questioning corporate accountability. In my study, the

question is turned from the accountability questions to questioning the basis, in contemporary society, of who decides what will be reported and how it will be quantified.

2. The second reason for the choice of quotation is that it is a quotation which I have known for as long as I can remember. Until my recent tracing of its origins, I knew it as *'Who will watch the watchers?'*. I suspect I owe my knowledge of it to my late father, a sometime latin scholar. I see it as his contribution to my thesis.

3. In this chapter the conceptual theme 'Brand Valuation' was changed to 'Brand Valuations'. To the researcher, it seemed that brand valuation appeared objectively to marketers, whereas with accountants there was greater (and more subjective) interest in brand valuation methodologies. The 'Brand Valuations' theme appeared more appropriate.

4. Sale of brands which are dependent upon technological infrastructure is demonstrated in the acquisition by Huttons Kiwi Limited of the AFFCO brands and formulae. The brands were reported on the corporate balance sheet as intellectual property. Further references are **Appendix 4.XII:**; and chapter four, end note 28.

5. Inquiry into financial reporting of brands concerns both valuation and disclosure. Valuation of brands may take place for reasons other than financial reporting. It is a separate aspect. Within disclosure, there are questions of the asset status of brands. Asset status devolves into recognition and measurement [refer chapter 4, *supra*]. Measurement highlights questions of separability. Financial reporting also raises questions about the reliability of the asset valuation. In turn, questions about the levels of reliability highlight the subjectivity of valuation methodology, and the nature of the brand. For example - what is being valued? These issues are interrelated and complex. The field interviews were not highly structured - and the observations made by respondents have mixed references to the issues. It is not possible always to match the quotation to the issue. Some quotations may be appropriate for more than one theme - or the choice of placement may be equivocal.

6. While regulators criticise the valuation processes and particularly dislike the perceived uncertainties and lack of reliability, accountancy firms are carrying out valuations for business firms [refer **Appendix 1.IX:** for a Table of brand reporting which includes New Zealand examples]; [**Appendix 4.XI:** reproduces an advertisement for valuers placed by an accounting firm].

7. On the Efficient Markets Hypothesis, one analyst respondent observed that if the market were truly efficient, he would be unemployed [A/F. Int. 22].

8. The lack of widespread knowledge of brand valuation methodologies confirms findings observed by Goodwin (1993) in her survey of 44 New Zealand auditors [refer **Appendix 4.III**:].

9. Many chartered accountants firms have extended business interests to include valuation. Valuations may be of a specialist nature or a general business nature [refer end note 6, *supra*].

10. The quotation [7.23] is from an interview in which the natures of brands were discussed by the respondent. Discussion of brand natures, as distinguished from brands as assets, was unusual among the interviews with respondents in the accounting/finance field.

11. The observation by brand valuation specialists that the impetus to brand valuation originated with corporate finance personnel is borne out by the observations of respondents in the corporate finance group - quotations from one respondent are illustrative 7.60; 7.61. [refer 7.3.3.2, *supra*].

# 8.0 CHAPTER EIGHT: *INTERPRETATION*

> *People become acutely aware of the existence of different outlooks only when they are successively caught in situations in which, conflicting demands are made upon them, all of which cannot possibly be satisfied. ... These conflicts are essentially alternative ways of defining the same situation, arising from several possible perspectives* (Shibutani, 1995).

## 8.1 *Introduction*

In chapter six and chapter seven, views of respondents were reported, framed by the conceptual themes. This chapter builds interpretive discussion which combines the chapter summaries. It incorporates the verbatim quotations through referencing the numbers allocated in chapters six and seven. The interpretive discussion in this chapter also draws on the thick descriptions encompassing contextual and cultural issues and previously published research established from bodies of literature and social documents in chapters three and four. Patterns of explanation emerge (Lincoln et al. 1985, p.151; McCracken, 1988, p.42; Fetterman, 1989, p93); [refer 2.2, *supra*], at times within the groups, but also across groups and fields. Intermediate section conclusions briefly conclude each theme. A brief summary closes the chapter. In the final chapter, chapter nine, each theme is reviewed to close discussion for the study; and the patterns of explanation are argued as the key findings of the study.

### 8.1.1 *Chapter Focus*

In this chapter, the focus is upon explication of the nature and properties of brands and attributes of financial reporting. Making sense of culture through culturally defined constructs is articulated by Hammersley et al. (1983). This study focuses upon people's explication of brand and financial reporting constructs and the manner in which they culturally define them. In this chapter, the perceptual focus moves

from confinement within individual fields, as in chapters six and seven, to a more broadly based configuration with multiple realities both in the groups and across the fields (Lincoln et al., 1985). Differing realities have been made explicitly apparent by respondents, who indicated different terms for identical constructs [refer 6.5.1.2.C; 6.5.1.6, *supra*]; [7.8; 7.53; 7.54]. The example of trade mark and brand is significant for this study [7.52; 7.53]. Examples of differing perspectives in marketing, and different business term uses were brought into the building of thick descriptions [refer 3.2.4; 4.4.3.1, *supra*]; **[Appendix 4.XIV:]**. A different example is now given.

> ***Example from Interpretation 8.1*** **-**
>
> The fields of marketing and accounting/finance are contrasted in the characterisation of brands as investments. Investments generally are a concept developed within the accounting/finance field. But brands are perceived as investments by respondents within the marketing field, and (until recently) not within the accounting/finance field [6.79]. As a consequence, in traditional accounting practices, further brand expenditures are not perceived as capital expenditures, but are treated as periodic expenses, which lack long term profile in the accounts.

## 8.2 *Presentation*

The chapter is presented in the following manner. Firstly, the summaries are brought forward, with refinement of the summary themes within the broader chapter eight scope. Secondly, the format for presentation is briefly set out.

### 8.2.1 *Summaries Brought Forward*

In combining the summaries into the present chapter, the perspective shifts and broadens, requiring refocusing of the conceptual themes.

In the marketing field, group perspective themes *'Marketing of Brands'* and *'Marketplace Relations'* are reformulated as a *'Brand Management'* theme. Sub-themes are reworked and a *'stereotype'* sub-theme is built from respondents' observations. In the accounting/finance field, the broadening of perspective brings changes. The more specific theme *'Brands as Assets'* is reclassified as a sub-theme within the broader *'Brand Natures'* theme. Further consideration of sub-themes takes place. The major themes and sub themes for chapter eight are displayed in **Figure 8.1:** *Conceptual Themes, Chapter Eight,* on the next page.

**FIGURE 8.1:** ***Conceptual Themes, Chapter Eight***

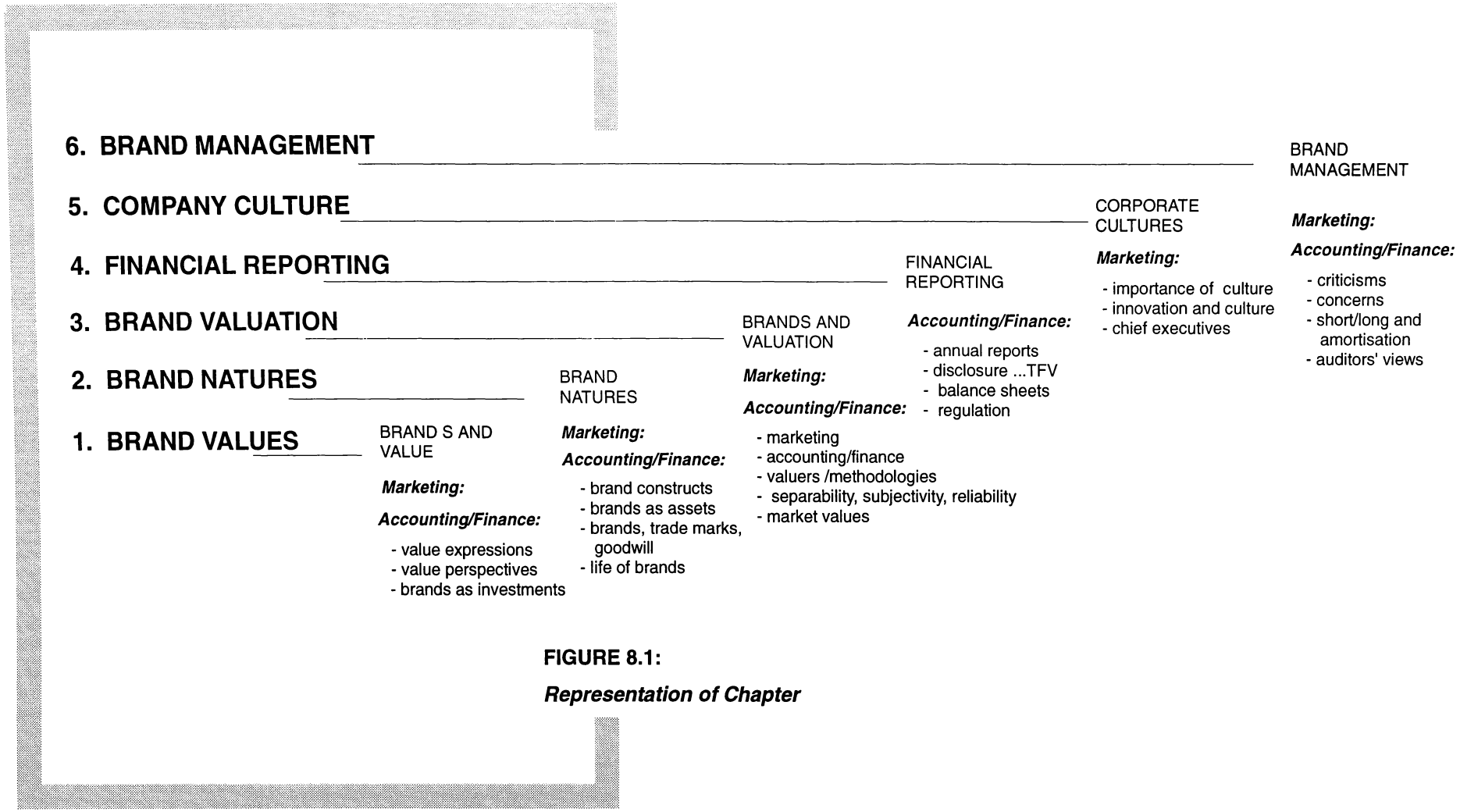



**FIGURE 8.1:**

***Representation of Chapter***

### 8.2.2 *Manner of Presentation*

The chapter is presented in the following manner. Conceptual themes (set out in **Figure 8.1**) are used to frame interpretations of respondents' views. With each section, there is a final discussion sub-section. The format of interpretation and discussion is as follows.

**Section 8.3** *Brands and Value:*

- The theme *'Brands and Value'* is exploratory. Brand values are perceived subjectively [refer 1.7, *supra*]. The theme is used to frame a general level of contrasts evidencing differently constructed realities among the groups, and from field to field. The existence of the investment interpretation within the marketing field is discussed.

**Section 8.4** *Brand Natures:*

- The theme of *'Brand Natures'* is a broad abstraction to collate the varied ways in which brands are perceived. Different perspectives reveal contrasting interpretations in respondents' perceptions.

**Section 8.5** *Brand Valuation[1]:*

- Discussion of brand valuation continues to clarify the differing understandings of brands, which are contrasted between the fields. Examinations of market values and market uncertainties are important.

**Section 8.6** *Financial Reporting:*

- Aspects of financial reporting are reviewed, from the perspective of brand disclosures. Respondents' views from the field are brought together with material sourced from thick contextual descriptions. Patterns of interest emerge in contrasting group views.

**Section 8.7** *Corporate Cultures and Brands:*

- The importance of corporate culture has been established for brand rich manufacturing firms in chapter six. This section collates views from the marketing field with thick description images. Observations

on stereotypes give further insights.

**Section 8.8** *Brand Management Perspectives*

- Brand management has emerged in this study in a variety of perspectives. The general *'Group Perspectives'* of respondents' groups in both accounting/finance and marketing fields, have been progressively condensed, collated, and refined, through analysis and reporting stages, to various perspectives of the multifaceted phenomenon of contemporary brand management. The conceptual theme collates and discusses these views. The final audit sub-theme imposes a financial accounting dynamic onto a marketing driven schema of brand management.

**Section 8.9** *Chapter Conclusion*

- A brief conclusion ends the chapter. In chapter nine, the themes are reviewed and concluded as closure to chapter eight and the study as a whole.

The six themes are now used to frame the interpretation, drawing from empirical reports (chapters six and seven); thick contextual descriptions of contemporary social environments and theoretical representations (chapters three and four); and background descriptions (chapter one).

## 8.3 *Brands and Value*

The *'Brands and Value'* theme creates an initial general category. Three sub-themes reflect different aspects of general brand values - *'value expressions' 'value perspectives';* and *'brand investments'.* With this initial theme, the groups and fields are significant for contrasts.

### 8.3.1 *Value Expressions.*

In the views of advertising agency respondents, brands were seen as *'the most*

*valuable thing'* owned by the company [6.9; 6.10; 6.11; 6.13]. All groups in the marketing field ascribed value to brands, and gave often very great significance to expressed dimensions of value. In the view of one chief executive, brands were *'more valuable than the production side'* [6.4]. There were no negative views on brand value expressed by marketing field respondents.

In contrast, among accounting/finance groups, specifically differing views were expressed. Corporate finance personnel articulated their perceptions of great significance of brands as *'powerful'*, the *'basis of our business success'* and *'the biggest asset of our company'* [7.5; 7.6; 7.7]. Trade mark attorneys and design firms characterised clients' brands as *'valuable, incredibly valuable'* [refer 7.3.1.9, *supra*]. Three auditors commented indirectly on positive brand values. Another auditor found it hard to justify booking marketplace *'reputation'* [7.41]. Specialist brand valuers recognised brands as potentially very valuable; but, business valuers queried the exclusive focus on the brand [7.11]. Almost total disinterest in brands characterised analysts' attitudes [7.15]. If anything, values were implicit. A brand was only as good as its last product sale [7.14]. Formal policies of clearing banks generally disregarded brand values [7.16; 7.17]. Brand values were recognised by one clearing bank respondent, more as a personal aside.

### 8.3.2 *Brand Value Perspectives*

The theme collates perceived derivations of value. Within the marketing field, differing positive conceptions of value emerged. Corporate personnel saw brands as adding value to products [6.1; 6.2; 6.3; 6.4; 6.5]; [refer *Empirical Field Example 3.9*, page 114]. For chief executives, brand values were perceived in terms of profitability in the marketplace; for corporate marketing personnel, the frame was operational and strategic - for example, capacity for brand extension and strengths for positioning [6.5; 6.6; 6.67]. Brand choices articulated in the marketing literature have resonance with these views [refer 3.3.3; 3.4.1; 3.4.2, *supra*]. In the marketplace, huge *'equity'* being built in brands was remarked by market researchers and corporate marketers [6.8; 6.14; 6.74; 6.94; 6.97]. Personnel consultants emphasised that big brand firms attracted premium applicants for executive positions [6.16]; an articulation of indirect brand values.

In contrast, within the accounting/finance field, sharply divergent value perspectives emerged. Corporate finance personnel emphasised brands' values as integral and very valuable in the business *'mix'* ... *'part of the mix'* [7.2; 7.3; 7.4; 7.6; 7.84]. Regulators reflected similar value views, but had problems with *'confusion'* between brand values and other business values. Disaggregation of the *'mix'* appeared problematic for regulators [7.38; 7.39], and for some auditors [7.41; 7.43; 7.44]. Positive views of brand values, in terms of economic value, were also expressed by an investment banker [7.148] and specialist brand valuers.

For analysts, brands were subsumed into holistic views of business value. Analysts' focus was sustainability of business cash flows; and disinterest in brand values was specifically expressed [7.15; 7.49; 7.50; 7.135]. Within the valuers' group, business valuers (in contrast to specialist brand valuers) perceived brands as integral to the total business value [7.11], unless specifically requested otherwise. One respondent emphasised brands were worked as part of the business [7.84]. This operational perspective, recognised in contrast to a property right ownership (static) view, has resonance with the views of some authors (Griffiths, 1992; Irmscher, 1993; R. Morgan, 1993); [refer 4.4.4.1, *supra*]. Both business valuers and analysts queried specialist brand valuers' exclusive concentration on specific brand values [7.11; 7.15]. Bankers views were different. Bankers (from clearing banks) had views totally different from the economic value views of the investment banker respondent. Bankers' views were not so much negative, as disregarding of brand values [7.16; 7.17]. Their focus was not *'value in use'* but future *'exchange value,'* with potential realisation of a bank security in a situation of business failure.

The strongly positive views of brand values expressed by respondents in the marketing field, by corprorate executives and specialist brand valuers have resonance with observations reported from the literature. Quotations from corporate leaders on brand values were collected in Appendix **3.VII:** *Manufacturers Quoted on Brands.* The quotations are from eminent business people, and those who have quoted them are leading authors. The huge equity being built in brands was articulated by market researchers and corporate marketers. In the literature, *'brand equity'* is driven by brand image and consumer perspectives [refer 3.3.3.1, *supra*]; **[Appendix 3.VI:]**. Both the literature sources and the field respondents prioritise brands with marked assurance. The materiality of brands for some business operations is inescapable.

Equally, the disinterest and disregard expressed by analysts and clearing bank respondents has counterparts in recent literature [refer 4.2.4.1; 4.2.4.2, *supra*]. The emergent role of intellectual property in securities is noted by specialist brand valuers, but does not appear (to the researcher's knowledge) in accounting based research. Discussion in the area did not emerge generally in the field research. It appears, with its emergent nature documented, in a recent legal text, Simensky et al. (1994); and is an area of interest internationally[2] [refer 4.2.4.1, *supra*]. The emergence is referenced by specialist brand valuers. It was also documented in the change in a trust deed [refer 4.2.4.1, *supra*]; **[Appendix 4.VII:]**.

### 8.3.3 *Brands as Investments*

Characterisation of brands as investments appeared in the views of respondents from market research, advertising agencies and publishing [6.14]. *'Brands'* and *'investing'* appeared as a natural association of terms [6.13; 6.14; 6.76]. Market research and advertising agency respondents observed that most brand owners were very aware of the long term nature of their brands [6.11; 6.74]. *'It's a huge investment'*[6]. One respondent remarked upon a client with a short term view, which he characterised as ill advised for brands. Chief executive respondents also emphasised the long term nature of brands [6.1; 6.2; 6.3, 6.4]. The need for *'support'* and *'nurture'* was often remarked by respondents [6.43; 7.33; 7.34; 7.47; 7.176]. The publisher respondent observed that, until recently, views in financial market circles were that brands were not really a *'proper investment'* [6.17]. Previously, many chief executives lacked understanding of brands' worth [6.79]; and accountants' characterisation of brands failed to ascribe any capital nature to huge continuing brand expenditures [6.13; 7.48; 7.176]. Respondents' views in the marketing field confirmed the observations of Guilding et al., (1994a) that marketing literature treats brands as investments (Doyle, 1989, quoted by Guilding et al., 1994a); [refer 3.4.3.6, *supra*].

**Conclusion**: This section examined perceptions of brand values. For marketing field respondents, brands appeared very valuable. Brands were seen as major investments. Views on brand values were divided among respondents in the accounting/finance field. Corporate respondents, specialist brand valuers, design firm respondents, patent attorneys and an investment bank respondent expressed

strong positive views of brand values. Analysts were disinterested, some denied any value for brands. Business valuers were generally sceptical of the exclusive focus on the brand; and respondents from clearing banks disregarded brand values. Words used by respondents in talking about brands are argued as indicative of *'ways of seeing'* [refer 2.2.2.2, *supra*].

## 8.4 *Brand Natures*

The theme of *'Brand Natures'* is broadly conceptual to collate respondents perceptions of brand constructs, and thus the natures of brands as respondents understand them.

In chapter seven, accounting/finance field respondents' predominantly categorised brands as assets. The NZSA *Statement of Concepts* 1993 [refer 4.4.2, *supra*] defines assets by specific characteristics set by accountants. In contrast, marketing respondents' observations, reported in chapter six, concerned creation of brands. Their observations gave greater insights into the natures of brands. Examination of the sub-themes from chapters six and seven elaborates the distinction in perspectives.

**Figure 8.2:** *Brand Themes - Marketing v. Accounting/Finance*

| **MARKETING** | **ACCOUNTING/FINANCE** |
|---|---|
| **THEMES: Chapter six** | **THEMES: Chapter seven** |
| *Brand Natures* | *Brands as Assets* |
| - Personality creation | - Asset significance |
| - Brand longevity | - Trade marks, goodwill |
| - Technology | - Separability, reliability |
| | - Economic life of brands |

**SOURCE:** From Figure 6.3, Chapter 6; and Figure 7.3, Chapter 7.

The distinctions reflect observations of Shibutani (1955), and Berger et al. (1966) of social groups who articulate very different views (and therefore different

understandings) of the same phenomenon.

In the present chapter, the conceptual theme is *'Brand Natures'* which broadly focuses upon aspects of the natures of brands, as perceived by the respondents. There are four sub-themes. Firstly, brand constructs; secondly, brands as assets; thirdly brands, trade marks and goodwill; and fourthly, interpretations of brand life[4].

### 8.4.1 *Brand Constructs*

Created brand personalities and imagery were likened by marketing respondents to people's personalities [6.1; 6.7; 6.46; 6.47; 6.48; 6.56; 7.23]. Similarities of brand personalities to human personalities is explored in the literature by Plummer (1984/85) and Batra et al. (1993); [refer 3.3.3.2, supra]. To create emotively cued brand imagery [6.39; 6.46; 6.55], there has to be understanding of the brand's essence or core [6.5; 6.6; 6.7; 6.34; 6.35; 6.36; 6.37; 6.38; 6.39; 6.40; 6.41; 6.46; 6.47]. In chapter three, examination of consumption emphasised the consumer-brand relationship [refer 3.2.3; 3.2.4, *supra*]. Interpretations of consumption were explored through anthropological, behavioural, critical, and postmodern lenses to delineate ways in which consumers identify with brands [refer 3.2.3, *supra*]. Respondents in the marketing field talked of consumers' choices as non rational; consumers were perceived by brand creators as emotively buying into brand imagery, and building relationships with the personality of the brand [6.1; 6.36; 6.37; 6.38; 6.40; 6.47; 6.48; 6.56; 6.58; 6.82;]; [refer *Empirical Field Examples 3.3; 3.7,* pages 95, 103 respectively]. Kapferer (1992, pp11-12; 1994, p.5) argues that the brand has its own identity. This notion of brand presence is reflected by one respondent's observation *'the absolute vitality of the brand itself'* [6.12]. Market research respondents reiterated the non rational and emotional connections [6.49; 6.50; 6.51]. Kapferer (1992, 1994) terms the consumer-brand relationship an *'economic contract'* [refer 3.2.4, *supra*]. The relationship is evidenced in brand equity through the brand images which consumers build (Aaker, 1991b; Biel, 1991; Keller 1993); [refer 3.3.3.1, *supra*]. For Restall et al. (1993) a brand is a collection of perceptions in the mind of a consumer. The notion of the continuing consumer-brand relationship explicates the continuing need for brand *'nurturing'* by the brand owner [6.40; 6.43; 7.33; 7.47; 7.176]. Product innovation and research and development, advertising, and marketing - were seen within *'nurturing'* by some respondents [refer 7.3.2.5, *supra*]; and

had resonance with views in the literature [refer 3.3.3.1, *supra*]. But the perspective was also contested [7.87]. The need to keep brand imagery contemporary was also perceived as important for *'nurturing'*. It is examined shortly, as part of brand life [refer 8.4.4, *subter*].

Specific links between brands and technology/innovation were articulated by a respondent in market research as an increasingly significant aspect of brands' natures [6.74]; [refer 6.3.3.4, *supra*]. Corporate marketers and some corporate finance personnel[5] articulated crucial links between brands, innovation, research and development, and technology [6.44; 6.64; 6.93]; [refer 7.3.2.2, *supra*]. Their views reinforce the views expressed in recent marketing literature [refer 3.4.3.5, *supra*]; and in the marketplace [refer **Appendix 3.XII**:].

Brands communicate through images and symbols. Respondents from design firms emphasised the directness and potential subtlety of visual messages in contemporary society [6.55; 6.56; 6.58; 6.118; 6.121]. Their views have resonance with descriptive reports of postmodern and promotional imagery [refer 3.2.3; 3.3.2, *supra*]; [**Appendix 3.IV:**]. Schutz (1967; 1970a) explicates the manner of sign communication [refer 2.2.2.3, *supra*]. There is communication through packaging [6.45; 6.84; 6.85; 6.86; 6.87], advertising, and promotion [6.15; 6.81; 6.100]; [refer 6.5.1.1A, *supra*]. Invisible within advertising is the huge advertising agency investment in media research and applications [6.106; 6.107; 6.108; 6.109]. The significance of symbolic communication with the consumer often leaves invisible the essential roles of market research and market intelligence which increasingly structure communication feedback [6.40; 6.89; 6.98; 6.99; 6.100]. Contemporary contributions of the consumer are tracked in diverse literatures (Restall et al., 1993; Cornish, 1995; Mackay, 1995) Reflection of consumer use of brand image communication is evident in *'badging'*,[6] which postmodern theorists are now explicating within marketing and consumption [refer 3.2.3.4, *supra*].

### **8.4.2** *Brands As Assets*

In this sub-section, scrutiny is on brands as assets within an accounting/finance definition. Asset classification for brands is potentially argued by chief executives and some corporate finance personnel to confer visibility for brands within

management activities [7.20; 7.21; 7.61; 7.104; 7.157]. The classification gives impetus to frameworks for accountability and explicit brand management. The need for brand *'nurturing'* implies formal management of brands. The materiality of brands was measured by one finance respondent as *'the biggest asset of the company'* [7.24].

In contrast to the properties which are inherent in a brand's nature, asset characteristics derive from accountants' conventions. The NZSA's *Statement of Concepts,* 1993, defines assets and sets out the *'essential characteristics of assets'* [refer 4.4.2.1, *supra*]. The American Financial Accounting Standards Board's (FASB) *Statement of Financial Accounting Concepts No. 6* establishes further -

> *Assets commonly have other features that help identify them - for example assets may be acquired at a cost and they may be tangible, intangible or legally enforceable. However those features are not essential characteristics of assets* (FASB, 1985).

For some types of assets, accountants have created accounting rules, which derive from the natures of particular assets. For example, rules have evolved for accounting for inventory. Depreciation rules evolved to account effectively for the long term nature of fixed assets. Assets are classified by accountants as current, term and tangible/intangible. Such classifications not only arise directly from the characteristics of assets, but also from their essential natures.

The problem for accountants, auditors and regulators is whether to recognise brands as assets within the accounting framework [7.37]; [refer 4.4, *supra*]. The traditions of accountants' conventions and the professional heritage which structure the domain of contemporary accounting practice were explored in chapter four [refer sections 4.2; 4.4, *supra*]. One corporate finance respondent questioned whether a brand constitutes an asset within traditional accounting definitions [7.26]. An auditor claimed that brands were marketplace *'reputation'* [7.41]; [refer 7.3.2.4, *supra*]. The constructed and intangible nature of brands was seen as making problematic the separability of brand values from other business values in the *'mix'.* The problem of separability of brands has been a key feature of accountants' debate on brand issues [refer 1.5.1; 4.4.2.2; 4.4.2.3, *supra*]. The *'subjectivity'* involved weakens the reliability of brand measurements in the perceptions of many regulators and auditors, who have traditional accounting training [7.38; 7.39; 7.40; 7.69; 7.70]; [refer 4.4.2, *supra*]. Problematic aspects are discussed in the next sub-section.

Analysts, in contrast to other groups, appear to have little interest in brands. Their focus is holistic, on cash flows generated by a business as a whole [7.15; 7.50]. Respondents emphasised that brand information *is 'not particularly useful, actually'* [7.49]. Their views reflect findings in the literature [refer 4.2.4.2, *supra*]. With bankers, clearing bank respondents disregarded brand values [7.16; 7.17]; in contrast, the investment banker respondent argued for economic values for a *'true and fair'* measure of brand assets [7.148]; [refer 8.3.2, *supra*].

Both specialist brand valuers and general business valuers criticised current accounting treatment for brands. Valuers stressed the misfit between accounting rules and the nature of brands. Some valuers claimed that accountants have not understood the nature of brands [7.48]; [*refer Field Example 4.6*, p.161]; [refer 7.3.2.5, *supra*]. A manager and a trade mark attorney claimed that accountants lacked *'comfort'* with intangible assets such as brands and dimensions of brand values [7.20; 7.94; 7.157]. Some regulators and an auditor agreed [7.71; 7.77; 7.82; 7.172]. A business valuer respondent was emphatic that current accounting rules were specifically detrimental to brands. He stressed the need for accountability for brand expenditures, which the present accounting framework militated against [refer 7.3.2.5, *supra*]. Balance sheets without material brand values misrepresented company assets in the view of one specialist brand valuer [7.129]. The view is observed in the literature by Kapferer (1994), who quotes Gelle (1990); [refer 4.3.4.1, *supra*]. The valuer observed trends to greater interest among companies in valuing diverse intangible assets. Increasing business interest generally, in intangible assets, was noted by trade mark attorneys. Their observations have resonance with the auditor's remark on the trend to specific differentiation among intangibles [7.46], and the emergent practices documented internationally by Simensky et al. (1994).

### **8.4.3** *Brands, Trade Marks, Goodwill*

**8.4.3.1** *Brands and Goodwill:* The goodwill/marketing interface continues problematic for accountants [refer 4.4.3, *supra*]. In contemporary society, the value of brands arises from their referencing by consumers in marketplace purchasing and consumption patterns [refer 3.2.3, *supra*]. The complex consumer-brand relationship [refer 3.2.1; 3.2.3; 3.2.4, *supra*] is perceived by Kapferer (1992; 1994) as an economic contract [refer 3.2.4;

*supra*]. It can be glossed as a form of goodwill. Although goodwill is endemic to commerce, accountants have described goodwill as an *'anomaly'* [refer 4.4.3.2, *supra*].

Separation of brand goodwill from general business goodwill is perceived as problematic by many accountants in specific situations within a financial reporting framework. These situations are firstly, in a business acquisition situation; secondly in the situation of recognising and reporting self generated brands. The problems are specifically recognised by regulator respondents [7.38; 7.39; 7.40]; and by some auditors [7.43; 7.44; 7.45].

The huge amounts being paid to acquire brands and brand rich businesses [refer **Appendix 3.VIII:** *Acquisitions Quoted*]; and the contrasting accounting choices available [refer 1.5.1; 4.4.3.2, *supra*] give potential for a range of interpretations in these goodwill/brand situations. Rutteman (1990) examines the potential for differing measurement allocations between brands and business goodwill [refer 4.4.2.2; 4.4.3, *supra*]; [refer **Appendix 4.X:**]. With huge payments paid in acquisitions, minimisation of goodwill (and consequent avoidance of amortisation) is available through recognition of brands as assets with indefinite lives. Avoidance of amortisation affects reported income. Respondents indicated a range of actions from practice [refer 7.3.3.2, *supra*]. A business valuer characterised brand recognition as goodwill avoidance [refer 7.3.3.5, *supra*], in contrast to views of specialist valuers. One auditor claimed that management were now more aware of the individual assets acquired, and less likely to group all intangibles as *'goodwill'* [7.46]. Varied interpretations (as articulated by respondents) constitute the antithesis to the standardisation and comparability aimed for with financial reporting guidelines [refer 4.2.3.2, *supra*]; (Scott, 1935). One respondent claimed the brand may act as a lever to value and make visible internal resources otherwise unable to be reported [7.9]. For some auditors, this appeared as recognition of internally generated goodwill [7.43; 7.44; 7.45]. With recognition and reporting of brands in such situations, the professional judgement of the auditor has significance [refer 4.2.2.1, *supra*]; [**Appendix 4.III**:].

**8.4.3.2** *Brands and Trade Marks:* Important in the accountants' conception of brands as assets, is the relationship between a brand and a trade mark. Essentially they are the same intangible asset, but the construct differs in diverse social situations [7.52; 7.53]; [refer 6.5.1.2C, *supra*]. There are many trade marks of which consumers

know little. It is only the trade marks that the owner chooses to promote to the consumer as a brand personality, built through advertised brand imagery, that the consumer relates to as a brand. [Examples are in **Appendices 1.III; 3.I; 3.XII:**].

Accounting practice traditionally allows recognition of an intangible asset - such as a brand - where there is a legal right for which costs can be recorded. An example is given by the IASC's new Financial Reporting Exposure Draft E50 *'Intangible Assets'*. The exposure draft allows recognition in such cost based terms [refer 1.5.2.2, *supra*]. The recognition is tradition bound, and can be argued as ideologically based [refer 4.2.2, *supra*]. Some brands cannot be registered as trade marks[7], and therefore cannot be accounted under present accounting rules. In such cases, Kapferer's (1992, 1994) economic contract is made invisible [refer 3.2.4, *supra*]. One trade mark attorney observed that such invisibility negates neither existence nor size [7.94]. The *'economic contract'*, represented by the brand, was perceived by some respondents as the most valuable asset of the company [refer 8.3.1, *supra*].

The recognition extended in accounting traditions to constructs recognised in law, but not to constructs of contemporary commercial marketplaces, contrasts clearly with recent changes in the trade mark legislation, which reflect contemporary commercial practices [7.55]; [refer **Appendix 4.XIII:** *Trade Mark Legislation.*].

### 8.4.4 *Life of Brands*

The need for time in the establishment of brands is made clear both in the literature (Gardner et al., 1955); [refer quotation, 3.3.1, supra] and in respondents' discourses [6.40; 6.42; 6.43; 6.96]. For marketing field respondents, the nature of a brand is such that having created the brand, *'you go on creating it'* [6.57]. The ongoing function has equal primacy with the original creating. The need to sell to the next generation was remarked by both design and corporate finance respondents [6.57; 7.36]. *'People grow up with it'* [6.42]. Trade mark attorneys indicated the potential for trade marks to have continuing lives through reregistration [refer 4.4.3.1A, *supra*]. Longevity of brands builds a *'heritage'*, which enriches the brand personality [6.36; 6.53; 6.58]. Longevity also necessitates maintaining the contemporary appeal of the brand identity [6.39; 6.83; 6.84; 6.85]. Few brands survive long term, indicating the potentially problematic nature

of maintaining contemporaneity [6.85]. The complexity of maintaining brands' contemporary imagery and appeal for consumers is explored in symbolic communication in chapter three [refer 3.3.2 *supra*]. Maintenance of consumers' expectations of quality ('*what you live and die on*') is observed by a respondent [6.43; 6.94].

Classification of brands as assets brings into focus the finite economic life attributed to all assets (except land) under traditional accounting conventions [refer 4.4.2.4A *supra*]. Finite economic life contrasts specifically with marketers' understanding of brand lives. The issue of economic life devolves into various aspects. Questions of finite life and amortisation are discussed presently [refer 8.8.3.2, *subter*]. The crucial dependence of brands on continuing support was generally observed by accounting/finance respondents [6.43; 6.57; 7.33; 7.34; 7.35; 7.36; 7.170; 7.176]. The dollar magnitude was remarked. One auditor commented that brands constituted a continuing *'liability'* [7.42]. Regulators talked about longevity in terms of the difficulties of tracking costs. They saw difficulty in determining the establishment period and identifying capital costs. A specialist valuer noted the need to differentiate between the continuing capital requirements of brands and periodic expenditure [7.48]. Valuers termed *'insufficient'* accounting treatments of brands which classified brand expenditures as periodic expenses [refer 7.3.2.5, *supra*]. No one became accountable for the expenditures [7.47]. The need for *'nurture'* was reiterated.

**Conclusion.** This section examined perceptions of brand natures. Apparent in the views expressed by respondents is a basic contrast in the ways brands are conceptualised. The essential understanding appears different. Marketing respondents appear to understand brands in terms of created personality and emotive imagery. Cues are taken from the consumer-brand relationship. Maintaining the contemporaneity of brands has implications for market research and for creative imagery. In the accounting/finance field, brands, if recognised, are perceived as assets of the business. Assets have characteristics that are determined by accountants. Trade marks and purchased goodwill are recognised as assets on the basis of cost. The interface between brands, trade marks, and goodwill is not clearly set out. Currently, there is potential (in some accounting jurisdictions) for different accounting treatments, which affect reported income. For regulators, and for some auditors, the subjective determination of brand and goodwill values leads

to questioning the separable status of brands. Therefore measurement and recognition of brands as assets is queried by accountants. Perceptions of brand life can also be contrasted between differing group and field realities. Brands have continuous lives, dependent upon continuous creation in which consumers participate. For accountants, all assets except land have finite economic lives and the capitalised cost of acquisition must be amortised, over the useful economic life. Valuers criticised current accounting treatments of brands as *'insufficient'*.

In the next section, interpretations of brand valuation are reviewed.

## 8.5 *Brands and Valuation* [8]

In this section, the different interpretations of brand valuation are contrasted. After the review of valuation, a sub-section discusses values in the marketplace, and the impact of market uncertainty on brand values.

A review of the sub-themes in **Figure 8.3:** *Brand Valuation Themes, Marketing v. Accounting/Finance* confirms a contrast between he field of marketing and the field of accounting/finance on brand valuation. Among marketing respondents there appears little interest in issues of brand valuations.

**Figure 8.3:** *Brand Valuation Themes ..... Marketing v. Accounting/Finance*

| **MARKETING** | **ACCOUNTING/FINANCE** |
|---|---|
| **THEMES: Chapter six** | **THEMES: Chapter seven** |
| Brand Valuation | Brand Valuations |
| - Tactical use | - Diverse group views<br>- Subjectivity, reliability<br>- Methodologies and values<br>- Cost deterrent<br>- Market values |

**SOURCE**: From Figure 6.3, Chapter 6; and Figure 7.3, Chapter 7.

### **8.5.1** *Brand Valuation - Marketing*

Authors (Irmscher, 1993; Lin, 1993) argue that the brand valuation controversy has clarified awareness of brands for marketers [refer 3.3.3.4, *supra*]. There are few explicit financial brand valuation models in marketing literature. Simon et al. (1993) is an exception. In discussions with marketing respondents, there was little interest in brand valuation issues. Some respondents expressed doubt that a brand's worth could be accurately valued [6.19; 6.21; 6.25; 6.26]. One respondent remarked that brand valuation had *'nothing to do with marketing'* [6.22]. Numerous respondents, expressed strong opinions that marketing people had good working measures of brand values [6.5; 6.6; 6.7; 6.24; 6.29; 6.62;. 6.96]. One market research director observed that owners of big brands had particular understanding of their brands. This became evident in talking with chief executives [6.1; 6.2; 6.34; 6.35; 6.36; 6.37]. One (marketing) respondent remarked succinctly that some people cannot appreciate dimensions of value *'without the dollar figure'* [6.26].

With personnel consultants or their clients, brand valuation was not an issue at all. One respondent observed that brand valuation was dependent upon the company's *'philosophy and their accounting function'* [6.32]. In the view of one design firm respondent, a specialist brand valuer's valuations helped brand owners understand their brands [6.31]. The observation has resonance with Kapferer's explanation of brands. In Kapferer's view, brands place obligations on their owners for understanding and continued nurturing [Kapferer, 1994]; [refer 3.3.3.3; 3.4.3, *supra*]; [**Appendix 3.VI**:].

**8.5.1.1** *Tactical Application:* An insightful view of brand valuation use within the marketing domain concerns its tactical application. Advertising agency personnel and one corporate marketing respondent surmised that brand valuation had tactical application within the brand owner company. It enabled marketers to signal brand investment importance in terms understood by finance and management personnel. In the view of a marketing respondent, recognised brand value would provide justification for expenditure *'at present hard to justify'* [6.23; 6.27; 6.28; 6.29]. The observation is an example of the remark that, for some people, having a dollar figure enables appreciation of value [6.26]. It also contributes to the observations [refer 8.3.3, *supra*], that traditionally, brands were not perceived as investments [6.17]. The attitude is potentially confirmed by one corporate finance respondent who remarked that

valuation gave management a feel for brand values [7.61].

### 8.5.2 *Brand Valuations - Accounting/Finance*

From review of **Figure 8.3:** *Brand Valuation Themes,* brand valuation has impact within the accounting/finance domain. In this examination, the focus is on brand valuation[9]; aspects of disclosure are reviewed at section **8.6** *Financial Reporting* (*subter*). The three groups, perceived as currently concerned with valuations of brands - valuers, corporate personnel, and auditors - have varied opinions on brand valuations. The views expressed, and the strengths and contrasts in views, give some measure of the differing positions apparent in the *'brands debate'* [refer 1.5.1, *supra*]. The differing views arise through different group purposes and realities in contemporary society; and also from individually held convictions [7.79; 7.80; 7.157; 7.170; 7.172; 7.178]. Views have resonance with reports in more recent literature [refer 4.3.4; 4.4.1; 4.4.2; 4.4.4, *supra*]; and with particular arguments of Shibutani (1955), Berger et al. (1966), Lincoln et al., (1985) concerning multiple realities. In interviews with accounting/finance respondents, many referenced the example of Lion Nathan Limited, the Australasian company which has valued beer brands [refer **Appendix 4.VIII:**].

For people whose careers are based in accounting, accounting for brands and brand valuations appear problematic. Accountants' have conventions of conservatism [6.75; 7.45; 7.118]; (Scott, 1941); [refer 1.5; 4.3.4.5, *supra*]; [**Appendix 4.XII:**]; and are perceived as reassured by assets which have physical attributes [7.20; 7.94; 7.157]; [refer 4.4.2.1, *supra*]. Regulators and auditors appear to be influenced by these outlooks [7.44; 7.45; 7.77; 7.82]. Observations of corporate finance personnel appear more representative of company environments, and therefore reflect a range of understandings and attitudes. The trade off between reliability of information and its relevance is well recognised [4.3.4.2; 4.4.2.2, *supra*]; (Mullen, 1993).

**8.5.2.1** *Valuers' Views:* Respondents' observations indicated clearly that the views of the valuers' group were divided. Strong support for brand valuations from specialist brand valuers contrasted with scepticism voiced by general business valuers. Observations from specialist brand valuers appear supported in the literature at an international level as an emerging practice [refer 4.2.4.1; 8.3.2, *supra*].

Views of other valuers were in contrast. Business valuers queried the exclusive focus on the brand [7.11]. Brand valuation was variously seen as *'a passing fad'*; *'a distraction';* something to make management *'feel good';* in the realms of creative accounting; and problematic where allocation of values between goodwill and brands was concerned [refer 7.3.3.5, *supra*].

**8.5.2.2** *Corporate Views.* Among chief executives, views were divided on formal brand valuations. One respondent had brands valued by a specialist brand valuer. In his view, the visibility achieved had significance for brand management. Three chief executives expressed varying levels of opposition to brand valuation. Each respondent indicated very high informal recognition of brand values within his company[10]. None stated any plans or interest in arranging formal brand valuations [7.57; 7.58]. Brand valuation (with balance sheet disclosure) was termed *'all baloney'* [6.19]; and *'all bullshit anyway'* [7.99]. In the view of one respondent, the real value of the brands was apparent in the market only when the company is sold or taken over[11]. Market capitalisation as an indicator of value was observed by one respondent [7.58].

Corporate accountants made few observations; and showed no huge enthusiasm for brand valuations. One respondent, with brands valued (once), emphasised it was a management decision. Valuation gave an indication of worth to management [7.60; 7.61]. For one respondent, brands at valuation were seen as *'contingent'* assets [**Appendix 4.XII:**]. Two respondents briefly alluded to prior valuations. Brands were not integrated at low levels of operation. Another respondent queried any day to day operational application of a dollar value [7.64]. There was nothing special about brands, except that they were significant - *'an asset from which you can create a revenue stream'* [7.29]. One respondent queried what one valued - the umbrella brand, or the smaller brands [7.63] Many respondents' firms had internally generated brands.

**8.5.2.3** *Auditors' Views:* Auditors appeared concerned to have understanding of brand valuations. Clear differences between cost and value were articulated by one respondent. With cost there was reliability; with value *'I don't know'* [7.82] In contrast, another auditor observed that some level of reliability had to be present for recognition to take place [7.79]. The requirements to achieve *'comfortability'* with brand valuations were discussed in detail [7.77; 7.80; 7.127]. The importance of *'comfortability'*, not only with valuation and valuation processes, but also with monitoring and

maintaining brand values was articulated [7.127]. Aspects to be scrutinised included the valuation process, the major assumptions, evidence of specific brand management regimes, and the particular industry [7.81]. Discussions confirmed the reports in Goodwin (1993) of audit requirements perceived by auditors where intangible valuations exist [refer 4.2.2.1; 4.3.4.1; 4.3.4.1, *supra*]; [**Appendices 4.III:, 4.XVI:**].

### 8.5.3 *Perceptions of Valuers and Valuation Methodologies*

No respondent made serious discussion of valuing brands at cost. One regulator remarked on the difficulties of tracking costs. His views had resonance with literature discussion [refer **Appendix 4.XVI:**]. Only four respondents (accounting/finance field) made observations of brand valuers and their valuation products [7.68; 7.76; 7.88; 7.90]. Reference to past distrust of one specialist valuer's product was made. Distrust may have arisen through lack of understanding of the methodology. Generally, few respondents (apart from valuers) gave indications of extensive knowledge of brand valuation methodologies. One auditor was an exception. Analysts made varied comments. One observed of a specialist valuer that he accepted their valuations *'by and large'* [7.88]; another expressed interest in the volume of internal information that a specialist brand valuation methodology would access and/or generate [7.89]. One analyst was sceptical; he argued that post valuation changes in assumptions out dated valuations [7.90]. One (clearing bank) banker indicated no knowledge of brand valuation methodologies; other bankers made no comment.

The origins of brand values are in consumer purchasing and consumption patterns [refer 3.2, *supra*]. The derivation of value contributes to fluctuations, requiring regular revaluations. However, only one respondent, who had had brands valued, indicated any urgency for regular revaluation. Cost of brand valuation was expressed as expensive by valuers, auditors and a trade mark attorney [7.93].

### 8.5.4 *Separability, Subjectivity, and Reliability.*

Generally, respondents perceived both many and varied sources for confusion and misunderstanding in brand valuations. Confusion expressed by regulators over the

allocation of value between goodwill and brands has been noted [refer 8.4.3.1, *supra*]. There appears to be little widespread understanding of many brand valuation methodologies [refer 8.5.3, *supra*].

In previous chapters, many areas of uncertainty have been examined. Extensive debates in accounting literature have focused on the questionable separability of brands from other resources within companies (Napier et al., 1992); [refer 4.4.2.3, *supra*]. Little agreement is evident on a simple marketing definition of a brand [refer 3.3.1, *supra*]. In marketing views, there appears to be some variety in the constitutent elements of brands [refer 3.3.1; 3.3.3 *supra*]. Terminology varies from situation to situation [6.62; 6.66; 7.8; 7.53; 7.54]; [refer 4.4.3; 6.5.1.2C, *supra*]; **[Appendix 4.XIV:]**[12]. In the literature, Aaker (1991b) includes patents, trade marks and channel relationships (i.e. distribution) as part of the brand [refer **Appendix 3.VI:**]. Irmscher (1993) discusses the potential for various perspectives making various values appropriate; R. Morgan (1993) contrasts the operational value and the static valuation perspectives.

Different groups in the accounting/finance field also appeared to have different perspectives and business realities which privilege and question differing aspects of separability and reliability in brand valuations.

**A.** *Corporate Finance Managers:* For corporate finance respondents, brand issues of subjectivity and reliability had lesser significance. The brand valuation had indicative value and the information which attached to the valuation process was perceived as having management significance [7.20]. For management purposes, specific accuracy in the brand value figure was not an issue. It was perceived by one respondent as never better than an estimate [7.67]. Two respondents mentioned *'rule of thumb'* measures. In terms of the firm's construction of the brand, two corporate respondents indicated that brand strategy was an overall image across product, firm and service [6.62]. Another corporate respondent discussed values within the frame of a balanced portfolio. He queried the ability to separate one brand from a balanced brand portfolio [7.32] Changes in branding from few umbrella brands to many micro brands led to a query on what to value [7.63].

**B.** *Regulators:* For regulators, reliability of the valuation figure appeared central. Potential for confusion and differing interpretations on the brands-goodwill interface

was examined [refer 8.4.3, *supra*]. Perceived areas of confusion and subjective decision making led regulators to doubt the reliability of valuation accuracy. A focus on questions of reliability appeared also to subsume exploration of potential recognition of internally developed brands. Regulators referred to greater *'comfort'* with tangible asset valuations [7.69; 7.70]. The ability to understand easily the physical dimensions of the object of valuation gave assurance. They emphasised that tangible asset valuation methodologies had been tested over a long period and were commercially acceptable [7.69; 7.70]. Regulators stressed comfort with cost because *'we knew what it was'* [7.77]. An auditor expressed similar opinions [7.82]. Sudden changes in value were not liked by accountants [7.172]. One regulator emphasised that people had differing tolerances for the trade off between needs for relevance and reliability [7.71] which led to acceptance/rejection of brand valuations.

**C.** *Analysts:* Analysts' views of brand valuations appeared part of their generally sceptical attitude to individualising items from business cash flows. Respondents remarked upon the potential for widely different subjective interpretations [7.85; 7.86]. Movement in interest rates was observed as effectively outdated valuations [7.90]. Definitive determination of brand dimensions was also queried by respondents. One respondent excluded management ability, market position, technology and product innovation from the brand [7.87]. The observation reflected views also expressed by regulators. But, in the views of marketing authors (Aaker, 1991b); refer 3.3.3.1, *supra*), and a brand valuation specialist, product innovation and technology were included in brand dimensions.

**D.** *Bankers:* Bankers from clearing banks similarly questioned the subjective choices of brand constitutents, and raised other queries. For example - recency of recognition, no accepted measurement criteria, no objective valuation methodology and subjective decision making on lifetime and inclusions/exclusions - were advanced [7.91].

**E.** *Trade Mark Attorneys*: One respondent observed that English common law does not require registration to presume the existence of a valuable asset [7.56]. The nineteenth century English case Pinto v Badman (1891 8 R.P.C. 187) is an example [refer also to Strasser 1989, p.44; quoted in chapter 4, end note 30, *supra*].

### 8.5.5 *Market Values*

The variability of perceptions about brands and brand values is endemic to brands as constructs. Irmscher has argued that there are several types of brand values. He notes

> *The meaning of the term 'brand value' and the method to measure it depends on the valuation objective which must be defined clearly beforehand* (Irmscher, 1993, p.105).

Irmscher's observations echo the more general observations of Pauls on the complexity of *'value'* and the subjective nature of values [refer 1.7, *supra*]. Potential for varying forms of value in the marketplace, such as *'exchange values'* and *'use values'* have been reviewed [refer 1.7; 3.2.2, *supra*]. Other forms of value, such as professional values, and the excercise of value based professional judgement are also important in this study [refer 4.2, *supra*]. With brands, marketplace determinations are both indirect and direct indications of value. An indirect measure of value can be gained through the company share price and market capitalisation. Secondly, there are suggested comparative indications of value from market trade in brands. These market based value indicators are now reviewed.

**8.5.5.1** *Share Price Indicators:* Market perceptions of the value of the company, gained by share price, are used as a general indicator of value. Market capitalisation, based on the share price is a rough and ready indication of company value. This form is referenced by one chief executive [6.20; 7.58]. One regulator remarked upon existence of value indicated by the share price, depending upon belief in the efficient markets hypothesis. (An analyst indicated, that if the market were truly efficient, he would be unemployed).

If a company reports increased brand values against a falling share price, questions may arise as to the accuracy of the valuations. In December 1994, Lion Nathan Limited did report increased brand valuations against a falling share price[13]. Benston's observation that if the market perceptions of intangible assets values are markedly less than management's perceived values through valuation, then good management requires sale of the assets (Benston 1982). The observation was also made by one business valuer [refer 7.5.1.5A, *supra*].

**8.5.5.2** *Market Trade:* One chief executive observed that the values of company brands would be apparent only at a takeover or sale [6.19]. A similar observation was made by an advertising agency respondent [6.25]. The ability to check the valuation amount against a recent market trading transaction was perceived as a reassurance measure with valuations generally [7.74; 7.75]. A regulator respondent commented on the potential link between regulatory recognition of intangibles and market values [7.75]. The Exposure Draft released during 1995 by the IASC, is an example of regulatory referencing to values in active markets for intangibles [refer 4.4.2.4B, *supra*]; **[Appendix 4.XVI].** A regulator remarked that some brands of '.....' had not been *'tested'* in the marketplace [7.74]. Lin (1993) claims that the sale must be similar, and must be recent. Market trading is also perceived as an indication of separability [7.28; 7.29; 7.30; 7.31]. Aspects of market exchange were examined by Mattessich (1991b); [refer 4.4.2.4B, *supra*]. Any market transaction depends upon *'what someone is willing to pay'* at that time [6.33; 7.65]. One respondent observed that *'willing buyer, willing seller'* may be very different from stable going concern values [7.83]. Brands do not have intrinsic value [refer 1.7, *supra*]. A *'hot number'* will impact upon the market price [6.33]. One respondent emphasised that transaction cost meant merely that; it is not necessarily an indication of worth, or value [7.66]. Irmscher (1993) notes that the value is relative to the intending purchaser. The value of a brand in the market is *'a very liquid sort of thing'* [6.33]. Similar qualities of value are referenced in chapter one [refer 1.7, *supra*].

The lack of market trading in intangibles has been observed in the literature (Napier et al., 1992; Lin, 1993; Kapferer, 1994); [refer 4.4.2.4B, *supra*]. With tangible assets, the coincidence between market trading value and value in use is often close. With intangible resources, this closeness does not exist [7.66]. Lack of sales does not totally account for the difference. Brands are individual and constructed very differently [Itami, 1987]. Brands are constructed by companies for success in specific markets - the consumer element is essential [6.8]; [refer chapter 3, *supra*]. While there may be a core value to an individual brand, (and a core consumer following [6.52; 6.53; 6.57; 6.58]), any brand's value is relative to the manner of use and management by the brand owner (Irmscher, 1993; Kapferer, 1994). Interbrand valuations, for example, are based on values *'in use'* (Lion Nathan Limited annual reports- refer **Appendix 4.VIII:**).

Lack of ready reference to markets for brand values is argued as not a failing of brands; it is a function of their unique construction and employment.

**8.5.5.3** *Market Uncertainty:* In discussing values in the market place, reference is made to market risk and uncertainty [refer 4.3.4.5, *supra*]. Few respondents addressed market uncertainty. It is indirect in the query of one advertising agency respondent concerning accurate quantification of value [6.25]. It is present in observations made on intentional and unintentional advertising messages [6.61]. It is implied by a business valuer respondent who prefers a traditional (and conservative) goodwill classification of brands [7.177; 7.178]. It is implied in an auditor's reference to brands as marketplace *'reputation'* [7.41]; and an analyst's comment on mainstream expectations of brand success - *'some of them don't'* [7.179]. One market research respondent directly implicated market derived uncertainty in questioning brand valuations [6.30]; and the actions of competitors [6.76]. An analyst made observations on value fluctuations [7.13]; which were also observed from an accountant's viewpoint as disliked [7.172].

Successful brands, by nature, have continuing consumer relationships (through repeat purchasing and consumption activities) as an essential ingredient [refer 3.2.1; 3.2.3, *supra*]. Corporate marketers and design firm respondents alluded to uncertainty, with consumers' need for innovation and novelty [6.44; 6.93; 6.120]. Scitovsky (1976) discusses human needs for novelty [refer 3.2.3.2, *supra*]. Analyst and business valuer respondents introduced dimensions of market risk [7.179]. An illustration used by respondents was *'Philip Morris'* and the *'Marlboro'* brand [7.13; 7.177]. The *'Marlboro'* brand is also used in **Appendix 4.IX:** *Aspects of Market Uncertainty*, to illustrate wide variation potential in brand valuations. In the literature, markets were noted as *'malleable'* (Strasser 1989). Uncertainty, however, may derive from deeply rooted changes in society - for example, currently growing anti tobacco attitudes. One respondent succinctly commented on the *'effect of health regulations on the health of the Marlboro Cowboy'* [refer 7.5.1.5B, *supra*]. Dangers exist also in over use, and the brand becomes the generic term - for example *'aspirin'* [refer **Appendix 4.IX:**]; (Haigh, 1996). *Impact of 'commoditisation, generics'* were remarked by a corporate marketing respondent [6.95]. In the accounting literature, there is little discussion of these dimensions of uncertainty inherent in brands [refer 4.3.4.5, *supra*].

**Conclusion:** This section reviewed valuation of brands. It examined the manner in which respondents viewed brand valuation, and the resonance of their views with attitudes reported in the literature. For respondents in the marketing field, brand

valuation did not appear an issue. Brands had *'nothing to do with marketing'*. For one respondent valuation depended upon the *'company's philosophy and their accounting function'* [6.32] Recently, some marketing authors have claimed that brand valuation debates were adding further impact to brand awareness among marketing people. Impact from brand valuation was not found among marketing respondents interviewed. Marketing respondents argued only that brand valuations had potential for tactical application. Valuations alerted boards and management to brand worth and potentially enabled marketing personnel to gain expenditures *'at present hard to justify'*. The information gained by management from brand valuations was observed by one company secretary respondent. Guilding et al. (1994a) observe that brand valuations add little to companies already oriented to the marketplace [refer 3.4.3.4, *supra*].

The contrasting observations from respondents in the accounting/finance field are indicative of positions articulated both in the brands debate [refer 1.5.1, supra], and in ensuing dialogue reported in the literature. The differing views appear derived from particular group perspectives on brand valuation, and are further differentiated by individual respondents' personal convictions [7.44; 7.78; 7.79; 7.102; 7.170; 7.178]. Queried reliability of valuations appeared to have central significance for regulators. Auditors appeared divided in opinions but constructively addressed the need to be *'comfortable'* with brand valuations and maintenance of brand values.

The section briefly examined the prevalence of other forms of value indicators in the marketplace. Finally, the exposure of brands to forms of market uncertainty was examined. The next section examines aspects of financial reporting. Because respondents were involved in different ways with financial reporting various aspects of the financial reporting function are of interest.

## 8.6 *Brands and Financial Reporting*

The disclosure of brands on the balance sheet by RHM in 1988, and the debates which intensified after that action [refer 1.5.1, *supra*], are background to the social field research undertaken in this study[14]. This section reviews aspects of financial reporting and regulation, with a central focus on brand disclosures. The aspects now

discussed are annual reports; financial disclosures framed by the *'true and fair view'*; and balance sheets and regulation. The views of some groups are specifically reviewed. The groups are chosen for the insights and contrasts gained through their particular perceptions. A final discussion examines the concept of *'undervalued firm'* and views on whether lack of brand disclosures leads to situations of undervaluation.

### **8.6.1** *Annual Reports*

The annual report is a hybrid document, part marketing and promotional, and part legally required financial report [refer 4.3.3, *supra*]. The dual nature was recognised by design firm respondents [7.151], and a chief executive [7.95]. Annual reports were seen by design firms as essentially the document of the chief executive [7.150]. Auditors termed annual reports the *'only formal communication from issuers to owners'.* Production represents an enormous amount of effort and cost [7.145]. One design firm respondent observed that preparers are not so interested in the visual imagery or marketing aspects [7.150]; but there were strict guidelines given for production of the financial information [7.150; 7.153; 7.154]. The importance of symbolic and visual imagery was observed by design firm respondents and is investigated in recent literature [refer 4.3.3, *supra*]; [**Appendices 3.IV; 4.VIII:**]. Succinct remarks by one respondent underscored the extent to which annual report communication is created firstly through visual and symbolic messages, and only secondly, through legally required financial information content [7.144]; [refer 4.3.3, *supra*]; [**Appendix 4.VIII:**]. Of financial statement figures, an analyst respondent claimed that the average investor *'hardly ever reads them'* [7.143].

### **8.6.2** *Disclosure - True and Fair View*

This sub-section reviews respondents' interpretations of the *'true and fair view'* requirement for financial reporting disclosures.

**8.6.2.1** *Auditors' Views:* For auditors, the *'true and fair view'* requirement is a judgemental statement on disclosure, constituted by personal interpretation of the

auditor [7.119; 7.120]. It thus reflects a relative view. Goodwin (1993) classified auditors' interpretations of the *'true and fair'* construct as either compliance with accounting standards, or a wider requirement, reflecting *'reality'* [15]. Nobes et al. (1991) and Parker et al. (1991; 1994) argue similarly [refer 4.3.4.1, *supra*]. Auditors' perceived requirements for further information have resonance with the requirements reported by Goodwin (1993) for audits including intangible assets [refer **Appendix 4.III:**]. An overall view of audit requirements is reported from literature [refer 4.2.2.1, *supra*]. Respondents' requirements focused on brands disclosed at valuation. Requirements included not only extensive particulars of valuation (including which brands, if material [7.126]); but also transaction evidence which demonstrated levels of brand management over the reporting period [7.80; 7.81; 7.124; 7.125; 7.127]. Many auditor respondents stressed the need to get *'comfortable'* with the brand values and brand management indicators. It was seen as *'really important from an auditor's perspective'* [7.127]; [refer 8.5.2.3, *supra*].

The materiality of brands for company operations was recognised by some auditors [7.173]. One respondent argued for balance sheets that were more reflective of operations [7.124]. Difficulties for auditors and accountants were acknowledged. Generally, disclosure of purchased brands was accepted by respondents, but recognition and disclosure of self generated brands was contested [7.43; 7.44; 7.45]. Disclosure of valuations was perceived as requiring potentially enormous detail [7.125], to allow users to adapt to their own assumptions of valuation. One valuer observed similarly [7.131]. Again, comparison with the survey of Goodwin (1993) reinforces perceptions of requirements for much increased disclosure where intangible assets and (re)valuations are audited [**Appendix 4.III:**].

**8.6.2.2** *Regulators' Views:* For one regulator respondent, the *'true and fair view'* is anchored in the published accounting policies of the reporting entity. In his view, the *'true and fair view'* may have interpretations from conservative to liberal [refer 7.4.1.3, *supra*]. The view is relative. Disclosure was perceived by another regulator as occuring currently on an *'ad hoc'* basis - often things *'need something to trigger them along'* [7.109]. In making the *'true and fair view'* operational with intangible assets, the respondent argued the potential for a statement of resources format. Some formats of qualitative statements have had currency in discussions in a number of overseas jurisdictions [refer 4.3.3, *supra*]. In New Zealand there is potential in the NZSA's FRS-2

*Presentation of Financial Reports,* 1994, which sets out financial and non financial statements and a range of supplementary information disclosures (Cochrane, 1994c).

**8.6.2.3** *Corporate Personnel's Views:* Truth and fairness in financial reporting appeared to have resonance with corporate views. One chief executive expressed that their policy on disclosure had moved to telling as much as possible within bounds of commercial sensitivity [7.97]. Two corporate finance respondents similarly commented on making things *'quite transparent'* [refer 7.4.1.2, *supra*]. A chief executive articulated the impact which he perceived flowing from brands disclosed as assets [7.21]. Similarly, a corporate finance respondent thought disclosure of brand value might create *'a good management tool to make people think about it'* [7.104]. The similarity to (fashion) inventory management was remarked by the respondent, and reiterated by an auditor, who included portfolio management in comparisons [refer 7.5.1.4A, *supra*].

**8.6.2.4** *Analysts' Views:* Analysts were sceptical of brand disclosures *'Who are they fooling?'*. The lack of interest evinced by analyst respondents coincides with analysts' attitudes reported in literature [refer 4.2.4.2, *supra*] - *'Analysts scrutinised balance sheets for levels of interest bearing debt'* [7.50; 7.132; 7.133; 7.137; 7.138]. There was indifference as to disclosure of internally generated brand assets [7.134]. In their use of annual report information, analysts' views varied [7.141; 7.142]; [refer 7.4.1.6, *supra*]. Least useful were published brand values [7.132; 7.135; 7.142]. One analyst remarked *'I've never yet looked at brands in balance sheets'.*

**8.6.2.5** *Other Views - 'True and Fair':* *'True and fair'* decisions are value judgements [7.120]. In contrast to relative construction of auditors' and regulators' *'true and fair'* concepts[16], other respondents interpreted the phrase more broadly. An investment banker respondent used an *'economic reality'* yardstick in remarking that a *'true and fair view'* of material brands called for disclosure of economic values [7.148]. In the literature, Houghton (1987) claims discrepancies in understanding of *'true and fair'* between the constructions attributed by accountants, and those understood by report users; and also accountants' interpretation of users' understanding. Specialist brand valuers claimed that balance sheets, which omitted disclosure of material brands, seriously understated the assets of the business [7.129]. Their view coincides with that of Kapferer (1994) who quotes the views of Gelle (1990) that non reporting

of internally generated brands by a company that has chosen expansion through internal generation, is serious misrepresentation [refer 4.3.4.1, *supra*]. In New Zealand, the registrar of companies has noted that he currently lacks legislative backing for enquiry in this area - *'In these situations, my hands are tied'* (Harris, 1995b); [refer 4.3.4.1, *supra*].

The problematic nature of value based measures for accountants raises questions about the continuing dominance of financial reporting regulation by accountants. Tension potentially exists between the legally embedded requirement to report a *'true and fair view'* of business operations (*Financial Reporting Act* NZ, 1993 section 11(2)) and financial reporting guidelines, which appear to privilege coherence with accountants' conceptual frameworks over the perceived economic reality of contemporary business operations. The situation raises questions about the appropriateness of current financial reporting constructs for some industries [7.27; 7.56; 7.94; 7.105; 7.154; 7.158; 7.170; 7.180; 7.181]. Are financial reporting constructs contemporary - economically, commercially, or even socially ?

**8.6.2.6** *Contrasts in Attitudes:* Empirically derived interpretations of disclosure can be clearly contrasted. The chief executive who perceived the brands as *'more valuable than the production side'*, disclosed brands at valuation on the balance sheet. As he reasonably indicated, the amount would adjust easily by subtraction. Why put the brands (the most valuable asset) in the notes? [7.98]. In contrast, a corporate finance respondent observed that there were elements of duplication and circularity in brand valuation disclosure - *'it just doesn't gel with me'* [7.102]. The respondent claimed that brands might be either valued and disclosed, or, viewed similarly to research and development, and certain aspects capitalised and amortised [7.103]. One respondent claimed, (on reliability grounds), that brands should be disclosed in the notes [7.107]. Another observed that reliability must exist for recognition to occur [7.79]. An auditor remarked that analysts will take the amount of brands out, and queried *'Why put them there, then?'* [7.123] A business valuer and an auditor observed the huge increase in information that had to be disclosed with valuation [7.125; 7.131]. One banker commented that a brand owner may wish to communicate brand information to shareholders - and to competitors [refer 7.4.1.7, *supra*]. An auditor argued that the average investor understood a given valuation figure better than some market capitalisation figure [refer 7.4.1.4, *supra*]. Analysts saw disclosure as more

cosmetic and countering debt levels [7.137; 7.138; 7.139]. Many corporate respondents claimed brand disclosures had little to do with information disclosure, but derived from company policy and balance sheet management [refer 7.3.3.2, *supra*]. Popular arguments for and against balance sheet disclosure of brands were rehearsed by one respondent. The arguments concluded that building intangibles into balance sheets was *'all bullshit, anyway'*.

A different set of contrasts may be made. From introductory background material, interests in brands among business people in New Zealand can be observed [refer 1.6, *supra*]. Whiting (1995) reports interest in the issues and Guilding et al., (1995) indicate increasing activity among brand owners - also remarked as occurring in Australia (Ernst and Young, 1995). Yet companies who disclose brands as assets in financial statements are few [refer **Appendix 1.IX**:]. Respondents remarked that financial reporting of brands affected few companies [refer 7.3.2.3; 7.3.3.5, *supra*]. One respondent observed that present values can get *'too jolly complicated'*. Other respondents indicated that some companies had considered and rejected such disclosures [7.136; 7.139]. The comment of Martin Moorhouse has significance - that brand disclosures forced companies to communicate their values as well as their profits to shareholders (Moorhouse 1990, p.30).

**8.6.2.7** *Undervalued Companies:* The arguments rehearsed for and against disclosure of brands [7.99] emphasised (on the one hand) that without disclosure of brands, some companies might be undervalued. Disclosure was characterised as communicating otherwise invisible dimensions of company value. Companies perceived as undervalued tended to be taken over, according to the argument (7.99). Similar views were reiterated by a valuer, who remarked that without such information, shareholders may lack understanding of the value of their shares and be *'seduced into selling'* [7.130]. An auditor commented similarly on the need for simply expressed amounts to effectively communicate value dimensions [refer 7.4.1.4, *supra*].

Arguments on undervaluation are reviewed [refer 4.2.3.1, *supra*]. Examples of the expression *'undervalued'* as used by analysts are given in **Appendices 1.X:, 4.VI:**, and by a respondent [refer *Empirical Example 4.1*, page 137, *supra*]. One regulator disagreed, given belief in the efficient markets hypothesis. But, an analyst emphasised that in a perfectly efficient market, he would be unemployed.

**8.6.3** *Balance Sheets*

In this sub-section, respondents' views on balance sheets, and regulation are briefly reviewed, and apparent preferences expressed by some respondents for cost based reporting are discussed. Views on balance sheets varied. An auditor, for example, thought that balance sheets should be more reflective of what was driving the company [7.124]; another characterised the balance sheet as showing *'residuals'* [7.122].

**8.6.3.1** *Corporate Views:* The accountants' debate over brand disclosures [refer 1.5.1, *supra*], concerns brand assets reported on the balance sheet at valuation. One corporate respondent observed that differentiation between acquired and self generated brands was not operational, but only for financial reporting purposes [**Appendix 4.XII:**]. Corporate finance managers reported balance sheet disclosure of brands as action to *'strengthen the balance sheet'* [refer 7.4.1.2, *supra*]. An auditor agreed [7.43]. An analyst remarked similarly, that brand capitalisation in New Zealand was used when balance sheets were looking weak in traditional accounting terms [refer 7.4.1.6, *supra*]. The pervasiveness of the intention to *'strengthen the balance sheet'* is referenced in building thick contextual description in chapter four. It is used by a business leader and also by an auditor, quoted by Goodwin (1993); [refer 4.4.1, *supra*].

**8.6.3.2** *Bankers' Views:* Generally, respondents' observations on balance sheet disclosures [7.122; 7.129] indicated that ensuing balance sheet ratios may be meaningless if superficially constructed. Research has shown that, generally, clearing banks disregard intangible assets [refer 4.2.4.1, *supra*]. Claims of manipulation were rejected by respondents from clearing banks and the investment bank respondent [7.16; 7.17]; [refer 7.4.1.7, *supra*]. Emergent practices at an international level detailed by Simensky et al. (1994), contrast with the generally established research [refer 4.2.4.1, *supra*]; and with banker respondents' observations. A New Zealand example is given in **Appendix 4.VII:**.

**8.6.3.3** *Analysts' Views:* Analysts termed financial reporting *'following a set of rules'*. They found little meaning in balance sheets [refer 7.4.1.6, *supra*]. Respondents discussed their use of annual reports as information sources [7.132; 7.133]; [refer 7.4.1.6, *supra*]. Uses were individual, a finding which has resonance with recent

literature [refer 4.2.4.2, *supra*]. Least useful, generally, were brand disclosures [7.132; 7.133; 7.135; 7.142]. *'What a company chooses to bung in a balance sheet, or not bung in a balance sheet, is of no particular importance'.*

**8.6.3.4** *Cost Based Balance Sheets:* Arguments over balance sheets were reviewed in chapter four. The American Accounting Association Committee on Accounting and Auditing Measurement (1991) claims there is a *'financial reporting gap'* between general perceptions of the balance sheet and accountants' understanding [refer 4.4.1, *supra*]. The debate over brand disclosures has focused attention on cost and value preferences. Some respondents made specific observations about balance sheets and cost and value. In accounting literature, Benston (1982, 1990) stresses that neither cost nor value perfectly suit reporting. Cost is argued as ill suited to brand reporting (Cairns, 1995). Reviews of cost and value are detailed in chapter four [refer 4.4.4, *supra*]. Preference for the reliability (and simplicity) of cost was noted by two corporate accountants [7.100; 7.101] One remarked that *'then I've got no doubt as to actually what the balance sheet means'.* A regulator and an auditor observed the reliability of cost [7.77; 7.82]. Two regulators remarked that there were many accountants and business people who prefer cost as a measurement base *'a huge degree of just doing what you did yesterday'* [7.112; 7.113]. One corporate accountant observed that previous attempts with current cost accounting got too subjective and complicated [7.101].

This sub-section reviewed aspects of balance sheets. Significant among observations were claims that brand disclosures were made for balance sheet management reasons. Also significant is the differentiation made between acquired and self generated brands, which derives from accountants' rules. Emerging international recognition appears in contrast to traditional accounting perspectives. The next sub-section collates observations on regulation.

### 8.6.4 *Regulation*

This study has explored the nature of brands and financial reporting. Impetus for the study derived from debates over financial reporting of brands. In the United Kingdom, Australia, and New Zealand, there has been a failure to provide financial regulation for disclosure of brands in annual financial statements [refer 1.5.1; 1.5.2; 1.6,

*supra*]. The recent exposure draft released by the IASC has been criticised as inappropriate for brands (Cairns, 1995); [refer 4.4.2.4, *supra*]. This section briefly reviews attitudes of respondents to financial reporting regulation. Coinciding with observations on the preferences of many business people for cost based balance sheets [refer 8.6.3.4, *supra*], one regulator remarked that regulation required the support of the markets [7.113]. The need for consensus is discussed in the literature (Taylor et al., 1986); [refer 4.2.3.2, *supra*].

The subsection draws on views of corporate personnel, auditors and regulators. There was a general observation by corporate finance personnel that accounting regulations have changed. One chief executive observed that requirements for disclosure had become much more stringent [7.96]. In contrast, one corporate finance manager remarked that he found himself increasingly less interested in accounting pronouncements - they had become less and less relevant [7.105]. Views on the stringency of regulations differed among auditors. Two auditors commented on the need for clear direction in standards to avoid *'horrendous arguments'* with people over meaning [7.128]. One observed that arguments were more frequent now. In contrast, an auditor remarked on the need for flexibility to allow for individual company differentiation [refer 7.4.1.4, supra]. In the literature, recent observations argue that increasing numbers of standards lessens application of professional judgement [refer 4.2.3.2, *supra*]; (Myddleton, 1995). It can be argued therefore, that if *'true and fair'* is perceived as a judgement call [7.120], greater numbers of standards increasingly align *'true and fair'* with compliance, and narrower technically based interpretation.

**8.6.4.1** *Regulators' Views:* Respondents expressed the need for internal consistency in standard setting. Most recent example of internal technical consistency is expressed in provisions of the IASC Exposure Draft E50 *Intangible Assets* [refer 1.5.2.2, *supra*]. Regulators argued that balance sheet disclosure conferred a level of reliability on disclosed amounts. Such implication of precision as to amount was held not justifiable with brand valuations [7.69; 7.70; 7.73; 7.107; 7.108]. Focus on reliability by regulators appeared to preclude much discussion on internally generated brands and their materiality. The adequacy of reliability [7.72], and reliability on whose terms, is not amplified by regulators. On request, one regulator gave a broad user designation [7.73]. Included were many sophisticated users, whose ability to judge reliability would be assumed. One analyst observed that he accepted valuations

from a particular specialist brand valuer *'by and large'* [7.88]. One regulator respondent indicated that most unsophisticated users invested on brokers' advice. In the view of an analyst, most ordinary investors hardly ever read *'the numbers'*, which accountants make *'enormous hue and cry over'* [7.143]. An auditor criticised regulators' stance on reliability, because recognition was given only on the assumption of *'adequate'* reliability. She argued that for recognition to occur, some level of reliability must be existing [7.79].

During the time over which research for this study took place, the regulatory basis of standard setting, and its enforcement in New Zealand, was changing [refer 1.6; 4.2.1, *supra*]. Auditors interviewed made many observations on the nature of standards appropriate for the world of commercial transactions, and the legal interpretation of standards. Auditors who were interviewed, observed that the ability to reference the law strengthens the particular auditor's application of professional judgement against management intention. The new regime also gives different visibilities to personifications of state, such as the role of the registrar of companies. It has potential to bring a new dimension to the relationship of the accountants' profession with society [refer 4.2.1; 4.2.2, *supra*]. It raises the question of whether, in pronouncing the truth and fairness of legally enforceable standards, auditors are interpreting the law.

**Conclusion:** This section reviewed aspects of financial reporting and regulation, with a focus on brand reporting. Firstly, annual reports were examined and the differing levels of communication were observed. The paradox of the impact of the visual imagery over lack of attention paid to the legally required core financial statements was remarked. Secondly, group and generalised perspectives of the *'true and fair view'* were scrutinised and resonance with discussions in recent literature was observed. Examples of contrasting perspectives on brand disclosure were set out and perceptions of the *'undervalued company'* were presented. The concept is used as an argument favouring balance sheet disclosure of brand values. Attitudes to the balance sheet and to regulation were discussed, drawing on expressions of respondents, and referencing thick descriptions built in chapter four, and background material from chapter one. For Lavoie (1987), accounting is *'the language of business'*, but contemporary financial reporting of significant market based assets appears currently problematic and strongly influenced by historic accounting traditions, rather

than by contemporary economic (and social) reality.

In the next section, views on the corporate environment and brands expressed by respondents are brought together with descriptions built from recent literature.

## 8.7 *Corporate Cultures*

One chief executive emphasised that nothing was achieved by merely putting *'marketing'* on the production door. The company had to look through consumer eyes at its brands and operations [6.80]. His remark paraphrased observations of Piercy (1991); [refer 3.4.3.2, *supra*]. Raising internal consciousness to the importance of the marketplace and the centrality of the brands was also stressed by one market research respondent, referencing the actions of a brand rich manufacturer [6.74]. This section brings together literature, thick description and views of respondents in the marketing field. It combines the differently sourced material to interpret perceptions of the importance of company culture in brand rich manufacturing entities.

### 8.7.1 *Importance of Culture*

Succinct observations from specialist agencies' personnel, confirmed that companies' internal cultures are very important in building brands [refer 6.4, *supra*]. In the views of respondents, brands were going nowhere without a company culture to nurture them [6.62; 6.63; 6.69; 6.70; 6.73]. One respondent stressed that opportunities for the brand in the marketplace had to be perceived by the company. If company personnel were not attuned to the needs of company brands, who would perceive the opportunity? [6.69]. Another commented on brands, people, culture - the mix was seen as *'all symbiotic'* [6.68]. Market researchers observed similarly of advertising agency cultures and brand nurturing [6.114; 6.115].

The observations have resonance with general expressions of the importance of culture in the literature [refer 3.4.3.3, *supra*]. Comments from de Chernatony (1992) on the congruence (and discrepancies) between consumer and staff perceptions of

brands are echoed by the observations of one respondent, who observed the importance of internally disseminating brand images [6.74]. Recent literature argues similarly - expressing the '*all symbiotic*' claims of one respondent.

> ... *"A strong internal marketing culture which connects all the way through to marketing presentation and so continuously improves the link between internal motivation of employees and external delighting of customers." This is what I call a brand organisation ...* (Collins and Porras, quoted by Macrae, 1996).

The views are supported in the notion of '*loyalty*' from staff and the *'passionate'* corporate attitude to brands reported by respondents [7.10; 7.18].

### 8.7.2. *Innovation and Culture*

In some companies, the dynamics of culture emerged clearly in discourse. The crucial importance of innovation was clear [6.44]. The strong relationship with innovation is emphasised in the literature (Brown, 1991; Liu, 1995; Dwek 1995/96; Simms 1996); [refer 3.4.3.5, *supra*]. The accent on innovation was specifically referenced by one market research respondent [6.74], and noted generally by a design firm respondent [6.120]. A finance manager indicated the interest taken by senior management in innovation [7.162]. In differing ways, there were clearly planned efforts to draw on multiple talents across companies [6.64; 6.65; 6.66]; [refer 6.4.1.2, *supra*]. Some companies did appear differently encultured [6.67]. In most companies there was a marketing domination of culture. But the marketing domination did not preclude strong emphasis on meeting targets and accountability. With one exception, there was not the impression, generally, of strongly accounting/finance department driven cultures [6.23]. The impressions gained contrasted with images presented by Whittington et al. (1992) [refer 3.4.3.3, *supra*].

### 8.7.3 *Chief Executives*

The observation that company culture was led by the chief executive, was made by various human resource respondents, and also by other respondents [6.63; 6.77]; [refer

6.4.1.6, *supra*]. One personnel respondent observed that companies recruited to fit their culture [6.78]. The observation was reinforced by a corporate personnel respondent, who indicated the use of particular agencies in recruiting for particular functions and positions. Advertising reproduced in **Appendix 3.XI:** *Advertisement - Firm Culture*, illustrates the importance of culture in making executive appointments.

Some chief executives interviewed were very conscious of the role of company culture [refer 6.4.1.1, *supra*]. One respondent elaborated that the brand messages were constructed to build images which incorporated not only the product, but also the company. Building of the brand in this manner had been part of conscious strategy [6.62]. With one company, particulars of unique culture were promoted as recognisable strengths in the marketplace.

Many respondents stressed that their chief executives had backgrounds in sales or marketing[17]. It was seen as *'important for the company'* in companies in which revenues were brand driven. Traditionally, many chief executives with backgrounds in accounting, finance or production, had lacked an appreciation of marketing and the worth of brands [6.79]. Brand expenditures were seen previously, not as investments, but as expenses which could be cut back, if cost cutting was required [6.17; 6.79]. Recently, perceptions were changing, and chief executives increasingly had marketing backgrounds or a marketing orientation [6.70; 6.71]. But one respondent observed that management still had an *'inert suspicion of marketing'* [6.72]. In his view, boards of directors were *'uncomfortable'* with marketing [6.13]. An auditor made a similar observation [7.174].

**8.7.3.1** *Stereotypes:* One respondent offered a stereotypical view. He noted that stereotypes were dangerous overstatements - but he contrasted differences in backgrounds for chief executives. In his view, chief executives who emerged from careers in marketing had greater capacity for innovation. Accounting backgrounds emphasised conservatism [refer 8.5.2, *supra*]. As stereotypes, such chief executives wanted everything totally quantified *'.... they actually want the future quantified'* [6.75]. The quality of *'conservatism'* was used by respondents in the accounting/finance field [refer 8.5.2, *supra*]. Bougen (1994) claims -

> *An accountant stereotype has become embedded in various forms of popular culture* (Bougen, 1994, p.319).

Stereotypes arise when the perceiver comes to associate certain patterns of behaviour, or traits, with certain categories of people (Borden, 1991); [refer 2.2.2.2, *supra*]. Such observations of accountant trained chief executives, were echoed by human resource and publisher respondents [refer 6.4.1.6; 6.4.1.7, *supra*]. One respondent claimed there was a different slant, depending upon background; it was sometimes very important in placing applicants.

Further stereotypical observations may be interpreted. The notion of management *'getting away with it'* was expressed by one respondent concerning aspects of regulation. Feelings intimating such attitudes may be claimed informally and formally in some observations by regulator respondents [7.114; 7.116]. Concern with management's manipulating contents of financial reports was expressed by regulator respondents [7.114; 7.115]. Equally, auditors need unequivocal regulatory standards to prevent management *'getting away with it'.* Some auditors observed there are now more arguments than previously, and that standards lacked clear direction [refer 8.6.4, *supra*]. An analyst queried managements' brand disclosures - *'Who are they fooling?'*

**Conclusion:** This section reviewed the role of corporate culture in *'nurturing'* brands. Respondents emphasised the need for market oriented cultures in brand owner companies, and in advertising agencies which nurture brands. Respondents' views had resonance with discussions in recent literature of the importance of culture and the need for a market orientation. Aspects of company culture which are important for the flourishing of brands were perceived as long term vision with emphasis and interest in innovation. The chief executive was observed as giving impetus to company culture [refer 3.4.3.3; 3.4.3.4; 3.4.3.5, *supra*].

In the sixth and final section brand management is reviewed.

## 8.8 *Brand Management Perspectives*

In this section, perspectives on brand management are brought together. Brand management emerges in the study through a variety of perspectives. The general *'Group Perspectives'* of the respondent groups both in the marketing and accounting/finance fields have been progressively condensed, through analysis and

reporting stages, to brand management perspectives. Theoretical marketing studies of brands are concerned with brand management [refer 3.4.4, *supra*]; **Appendix 3.VI:**]; (Aaker, 1991b; de Chernatony, 1992; Kapferer, 1992; 1994). It is not the traditional brand manager versus product manager, but an overall conceptualisation of approach, which is advanced as a new trend (Macrae, 1996). The brand management approach is evident also in research by market research and marketing/management accounting researchers who argue models of brand management (Irmscher, 1993; Egan et al., 1994; Guilding et al., 1994a, 1994b; Macrae, 1996) as well as those of marketing authorities [refer 3.3.3, *supra*]; [refer **Appendix 3.VI:**]. Also in chapter three, internal perspectives of potential brand management practices draw from literature sources and social documents [refer 3.4.3.1; 3.4.3.2; 3.4.3.4, *supra*].

### 8.8.1 *Criticisms of Accounting Practices*

Some respondents observed that traditional accounting practices have not facilitated awareness of brands and their potential value, nor made visible continuing investment in brands [6.17; 6.79; 7.47; 7.48; 7.129; 7.158; 7.170]; [refer 7.3.2.5, *supra*]. One valuer agreed that accountants have not understood brands [refer *Empirical Example 4.6*, page 161, *supra*]. Respondents observed accountants' lack of comfort with intangible resources [6.74; 6.79; 7.20; 7.94; 7.157]. Opposition of specialist valuers to accounting treatments for brands is well recognised [refer 1.5.1, *supra*]; (Murphy, 1987, 1990a; Mullen, 1993). RHM's corporate accountant[18] has argued similarly (Moorhouse, 1990b). Various corporate respondents claimed that if brands are formally recognised as assets, a discipline is created for managing the continuing investment [7.20; 7.21; 7.84; 7.104; 7.157; 7.173; 7.174]. Analogies between brand management, fashion inventory management and portfolio management were made [7.104]; [refer 7.5.1.4, *supra*].

Respondents with brands valued, reported only high level measurements (if any), and no systematic revaluations [refer 7.3.3.2, *supra*]. One other respondent (with brands valued) spoke of intentions to integrate brand valuations into operations [refer 6.3.2.1, *supra*]. Managing of brand values (through recurring valuations) may be an indicator for brand management, but managing brand constructs is marketing derived and executed.

### **8.8.2** *Concerns for Brand Management*

Initial concerns for brand management can be drawn from the observations of a chief executive who remarked that understanding the consumer market is not achieved by simply putting a marketing label on the production door [6.80]. In the literature Piercy (1991) notes similarly. There is widespread recognition from respondents that brand creation is a continuing investment [6.2; 6.3; 6.4; 6.14; 6.76; 6.94; 6.96]; [refer 8.3.3, 8.4.4, *supra*]. The brand is cared for by the culture of the company [6.69; 6.73]; the need for continuous *'nuture'* and *'care'* is noted [refer 8.4.4, *supra*].

**8.8.2.1** *Aspects of Brand Management:* This sub-section collates representations from interview discourses (as quoted) to build images of brand management. The representations concern the following aspects: - **A.** the policy on the created awareness of the brand and its imagery; **B.** internal dissemination of brand personality, significance and information; **C.** aspects of innovation; and **D.** external relations. (The correspondence to chapter 3, sub-section 3.4.2, (*supra*) is partial [19]).

At a general level, two corporate finance respondents argued that the ability to create and manage brands had value in itself [7.159; 7.161]. Another respondent remarked *'your brands are only as good as the horsepower you are putting behind them'* [6.76]. The huge materiality of brands to some business operations is inescapable from respondents' observations [refer 8.3.1; 8.3.2; 8.3.3, *supra*].

**A.** *Awareness and Dissemination:* Management of brand images flows from understanding the core of the brand [6.34; 6.35; 6.36; 6.37; 6.38; 6.39; 6.40; 6.46; 7.23]. Respondents referenced the need for external brand messages to be consistent [6.43; 6.832; 6.84; 6.93; 6.94]; [refer *Empirical Field Example 3.11*, page 122, *supra*]. The arguments are similarly expressed in the literature (for example - de Chernatony, 1992; de Chernatony and McDonald, 1992; Kapferer 1992, 1994). Maintenance of brand personality must be in contemporary imagery [refer 8.4.4, *supra*]. Reported very high brand awareness is argued as evidence of expertise in managed brand communication [6.81; 6.89]. To position a brand, specific imagery has to be made explicit and consistently managed [6.40; 6.41]. Respondents observed that increasingly market research provides feedback [6.40; 6.98; 6.99; 6.100].

**B.** *Internal Awareness:* Awareness, internally, is also part of brand management [6.11; 6.62; 6.64; 6.65; 6.66; 7.10; 7.18]; [refer 7.5.1.8, *supra*]. It ties into culture [6.11; 6.63; 6.69 6.73; 6.74]. It's *'all symbiotic'* [6.68]. In the literature, de Chernatony (1992) and Macrae (1996) observe the need for checking brand owners understanding of brands internally against consumer understanding of the brands. Potential for discrepancy was remarked by one respondent [6.61]; [refer 3.3.2, *supra*]. Guilding et al. (1994a, p.107) observe that in companies already highly oriented to the marketplace, brand valuation has limited power to achieve further awareness [refer 3.4.3.4, *supra*]. In one firm manufacturing branded consumer goods, a respondent reported internally disseminated information shaped by product lines, with some brand information available across product line reports [6.67; 7.5.1.2A, *supra*].

Observations by corporate finance respondents indicated diverse degrees of internal brand management applications and dissemination [7.162; 7.163; 7.163; 7.164; 7.165; 7.166]. Widely explicated brand management appeared in the discourses of some corporate finance respondents [7.161; 7.162]; but other respondents were more hesitant. One respondent questioned terminology [7.166]. Observations on information measures ranged from systematised to *'ad hoc'*; and from daily to six monthly. Diverse levels of information appeared to be reported.

**C.** *Innovation:* Recent literature has drawn attention to the need for close relationships with innovation and quality (Brown, 1991; Liu, 1995; Egan et al., 1994); [refer 3.4.3.5, *supra*]; where a firm's operations are strongly oriented to the marketplace. Scitovsky (1976) has researched human needs for novelty and difference [refer 3.2.3.2, *supra*[20]; **Appendix 3.IV:**]. Respondents in the marketing field confirmed the importance of novelty argued by sociological and marketing authors. One respondent remarked of people *'they like novelty, they like new ideas'* [6.120]. Specific references to innovation were made by corporate marketers and a market researcher [6.44; 6.74; 6.93]. Few references were made by accounting/finance respondents. One respondent remarked senior management interest in innovation and product development [7.162]; another articulated technological processes and expertise when arguing against brand separability [refer 7.3.2.2, *supra*]. One corporate finance respondent doubted close links between research and development and brands - but allowed that innovation is important in some industries. Attention to packaging and to quality have great significance in brand management *'what you live and die on'* [6.45; 6.86; 6.94].

**D.** *External Relations:* The infrastructure of brand management reaches into the institutions of the marketing field. Diverse agency and corporate respondents evidenced complex and close relationships. Increasing use of market research, and the emergence of design firms were perceived trends [refer *Empirical Field Example 3.12, supra*]. The changing dynamics of the marketplace, explored in literature and social documents [refer 3.4.4, *supra*], is reflected in respondents' discourses. There is a growing integration of activities evidenced by respondents in *'seamless'* operating [6.110; 6.111; 6.116; 6.117]; [refer 6.5.1.3; 6.5.1.4; 6.6.7.3, *supra*], with corporate firms drawing on marketplace expertise.

Perceptions of turnover in corporate marketing staffs is expressed in many ways by respondents in advertising and market research[21] *'there's this churn'* [6.112; 6.113; 6.114; 6.115]. With reference to corporate staff changes, advertising agency respondents termed themselves *'custodians of the brand'* [6.103; 6.104; 6.105]. Market researchers agreed [6.114; 6.116]. Their observations had resonance with various focuses in the literature. These include the variety found in marketing hierarchies, and new presentations of brand management [refer 3.4.3.2; 3.4.3.3; 3.4.3.4;, *supra*]. Brand management was perceived as a long term construction by respondents in marketing institutions [6.11]. In many situations the brands were perceived as stronger than the brand manager, described as the *'architect for the moment in time'* [6.113]. In marketing literature the position and role of brand manager is strongly criticised (Blackett, 1993); [refer quotation 3.4.3.2, page 199, *supra*].

Also part of external relations is distribution. Distribution was emphasised as extremely important to operations by four corporate finance respondents, one chief executive respondent, and an advertising agency respondent [refer 6.5.1.2C, 7.5.1.1; 7.5.1.2A, *supra*]; [6.88]. An appreciation of the contribution of distribution is recorded in *Empirical Field Example 5.2, supra.*

In the next section, aspects of operating time are reviewed.

### 8.8.3 *Short/Long Term and Accountants' Amortisation*

The sub-section reviews firstly, trade offs in short and long term measures; and

secondly, perceptions of the application of accountants' finite economic life construct to brands as assets.

**8.8.3.1** *Short/Long Term:* Short term outlooks in meeting bottom line figures emerged across discourses from accounting/finance respondents in multinational companies. Strong financial interests of the multinational parent were expressed by one respondent. Observations on other financially based directives in multinationals were made by other respondents. One agency respondent remarked with reference to investment in brands, that it was not so much financially driven culture, but an emphasis on short term measures that militated against brand development [refer 6.3.1.3A, *supra*].

From chief executives' general observations on brands, images of long term vision were gained [6.1; 6.2; 6.3; 6.4]. Some observations were individual and specific; few respondents discussed brands in terms of financial support. One chief executive indicated conscious working of allocations between brand(s) and sales promotion [7.156]. A corporate finance respondent indicated specific budget support for the brand(s). In one company, much financial analysis centred on products and product groups, with brand figures only implicit across groups. In one company, which appeared strongly market oriented, levels of accountability based on financial measures were very evident.

Many short term considerations were explicit in decisions recounted by corporate marketing respondents [6.90; 6.91; 6.92]. The continuous nature of trade offs between short and long term considerations was much more explicit in respondents' observations from practice, than in the literature [refer 3.4.3.6, *supra*]. The literature can be argued, as reported and representational. In contrast, respondents' observations were specific and direct [6.93; 6.94; 6.95; 6.96]. In some industries, there appeared a continuous and definite trade off between short and long term, that was clearly a characteristic part of operating.

**8.8.3.2** *Attitudes to Amortisation:* Amortisation of brands as assets assumes that the economic life of brands is determinable. Attitudes to amortisation varied from group to group within the accounting/finance field. It also varied within groups among individual respondents. Greatest variety was apparent in corporate views, which

reflected accountants' rules, business practices, company policies and individual convictions. Corporate respondents had diverse views from strict amortisation of acquired brands (some respondents classified acquired brands as purchased goodwill) to queries and strong criticism where values were increasing and investment was continuing [7.158; 7.170]. Two respondents were equivocal [7.168; 7.169].

Auditors and valuers expressed varied views. Auditors' opinions were divided from a writeoff policy to preference for a valuation policy. One auditor criticised amortisation with revaluation [7.175]. Arbitrary amortisation based on technical grounds and not economic evidence was strongly criticised. Among valuers, again, individual views were obvious. Specialist valuers found amortisation inappropriate where brands continued to provide undiminished benefits. One general business valuer insisted on a write off policy, because, in his view, assets had finite lives [7.178].

Other groups interviewed showed greater coherence among attitudes. Regulators, generally, saw amortisation as the appropriate and prudent accounting treatment. One regulator remarked that amortisation with revaluation was possible [7.171]. Analysts generally termed amortisation *'a nonsense'*. It was an artificial depression of earnings, and unacceptable unless values were declining [7.180]. Trade mark attorney respondents also expressed views very much against writing down the reported value of valuable assets [7.181].

Many of the views expressed indicated either misunderstanding of amortisation which is the allocation of expended costs; or an intolerance of the accountants' practice. Benston (1982, 1990) argues that many accounting practices are misunderstood. Many accounting products are adopted for general commercial use, which often popularises practices with little understanding of underlying rationales. Mattessich (1991b) notes pragmatic commercial useage of accounting measures.

### 8.8.4 *Auditors and Brand Management*

Auditor respondents expressed strongly the need for evidence of brand support and

management. Otherwise the brand is *'this nebulous airy, fairy thing'* [7.174]. One auditor drew parallels with fashion inventory and portfolio management [refer 7.5.1.4, *supra*]; another observed that brands are an important strategic issue where they are material to operations [7.173]. Respondents articulated views on the extent of information potentially required in an audit with brands. Information requirements were indicative not only of valuation and assumptions [7.124; 7.125; 7.126]; and marketing expectations for the brand(s) [7.81], but also information indicating *'monitoring and maintaining brand values'* [7.127]. Auditors appeared very aware of the need for formalised evidence of brand management which indicated management's awareness of brand goodwill separate from business goodwill [refer 4.4.3.1, *supra*].

**Conclusion:** This section built images of brand management from observations of respondents and referenced discussions of brand management in literature, which contributed to thick descriptions built in chapter three. Secondly, the section reviewed attitudes to amortisation of brands as an indicator of people's understanding of brands' lives. Widely different views were held. Thirdly, the views of auditors on brand management were discussed. Of interest are the implications of auditors' observations for tracking brand management within the brand owning company. Auditors' interests appeared not only in the many aspects of valuation, but also in gaining evidence of continuing monitoring and maintenance of brand values to gain dimensions of management's intentions.

This chapter is now concluded briefly in the final section. The major review is encompassed within the final conclusions of the thesis in chapter nine.

## 8.9 *Chapter Conclusion*

The focus of this chapter encompassed the fields of marketing and accounting finance and the thick descriptions which were built in chapters three and four to reflect contextual and cultural issues important for a fuller comprehension of brands and brands and financial reporting in contemporary society. Also drawn into this chapter, was the background to the study presented in chapter one. The reported views of respondents, and the contextual and cultural descriptions were brought together in the wide ranging and detailed chapter interpretation. Interpretive

discussion was framed by the conceptual themes which evolved through the analysis of empirical field data and were further worked with each individual chapter focus. In this chapter the themes were again initially refined to reflect the broader dynamics of the chapter focus.

In chapter nine, the intepretations presented in this chapter are reviewed and concluded for the study. Within the framework of the conceptual themes, the major explanatory patterns drawn from the interpretations are presented and argued. The explanatory patterns constitute the key findings of the project.

1. The conceptual theme *'Brand Valuation'* was entitled *'Brand Valuations'* in the accounting/finance chapter. In the broader focus of chapter eight, the more generalised and objective *'Brand Valuation'* is used again.

2. The domain of intellectual property, of which brands are a part, is currently emerging in importance internationally. As the writing of this thesis draws to a finish in March/April 1996, Fortune magazine features brands as its cover story. From the Internet comes notice of the SEC Symposium on Intangible Assets, Washington D.C. April 11-12, 1996. At the European Accounting Congress in Bergen, Norway in May 1996, a special symposium is given on goodwill and intangibles.

3. Spradley (1979) discusses expressions and the manner of using words as indicative of particular *'culture'*. In this research, the manner in which marketing respondents used various forms of *'invest'* when talking about brands is assumed to indicate the manner in which marketing people understand brands. The term was not used in accounting/finance interviews. Brands were seen as *'fickle'* (Tollington, 1995) and *'nebulous'* [7.101; 7.174]. The articulation of marketing personnel's huge investment as something 'nebulous' is an indication of different interpretations by societal groups (Shibutani, 1955; Berger and Luckmann, 1966).

4. The sub-themes are chosen to interpret aspects of brands which are important for the research questions *'What is a brand?'* and *'How do brands fit with financial reporting?'* The different themes are used to demonstrate differing interpretations of the essential brand, and the manner in which interpretations appear differently with different groups and in field realities. *'Brands as constructs'* collates interpretations of brand nature through brand creations; and *'brands as assets'* interprets differing attitudes within financial markets to brands. *'Brands, trade marks and goodwill'* as a theme, brings a closer focus to these asset constructs and the manner in which differing perspectives in contemporary society privilege particular aspects - and the impact for financial reporting. Finally *'brand life'* profiles contrasting interpretations of brand life given different value bases, in different social realities.

5. One corporate finance respondent disagreed that there was a direct link between brands and innovation and research and development. But he conceded that the linkage may be appropriate in particular industries.

6. During the fieldwork, the researcher noted two respondents were wearing business shirts with 'YSL' on the pocket. [YSL = Yves St Laurent]. In both cases, when asked about the shirt choice, each respondent indicated that the shirt was bought by *'my wife'* or *'my fiancée'*. The comments reinforced the observation of one marketing manager, that women make most fashion clothing purchase decisions [refer also 3.2.1, *supra*]. Another (different) example of 'badging' is the aside made by one respondent *'I'm a Lion Red man, myself'*[A/F. Int. 7].

7. The *'Royal Wool '* brand is an example; refer chapter 4, end notes 31 and 32; and **Appendix 1.III:**.

8. A throwaway remark by one respondent in an interview raised the question of negative brand valuations. The researcher has not found other references to the possibility of negative valuation. What are the implications? Is it merely that the discourses of marketing and of valuation have potential for misfit? That the assumptions are incorrect? Is it some indication of cannibalisation among brands within the marketing domain?

9. The study separates brand valuation from financial reporting as two separate areas. The general interest of the study is financial reporting from the perspective of brand disclosure. Examination of brand valuation is within the frame of intended financial reporting.

10. Other respondents within the same companies reinforced the chief executives' views. In three situations, the internal impact of the brand(s) had been increased by the particular chief executives.

11. One advertising agency respondent also noted that brand valuation was really an issue only in the sale of a company [6.25].

12. Differing use of words is argued as part of differing understandings indicative of different perspectives (Shibutani, 1955; Berger and Luckmann 1966); and different cultures (Spradley, 1979).

13. The report in the New Zealand Herald (7 December, 1994) on the Lion Nathan Limited annual general meeting the previous day, was captioned *'Myers defends a languishing Lion share price'.* Lion's brands were reported at increased valuation in the annual report. The brand valuation is not dated in the notes to the balance sheet. The balance sheet is dated 31, August, 1994. On the days - December 7th, 8th, 1994, the researcher made numerous interview calls, and many respondents made observations on the effect of the presence of brand values on the Lion Nathan balance sheet.

14. RHM's actions did not create new assets; asset recognition was given to existing valuable brands. The accounting treatment turns on the recognition, not the creation [7.94]; [refer 4.4.1, *supra*].

15. '*Reality'* is an expression used by interviewees reported by Goodwin (1993). The article does not specifically define '*reality',* but it does offer further phrases from interviewees. These are *'commercial sense', 'commercial reality'* and *'realism'* (Goodwin, March, 1993, p. 46).

16. Auditors and regulators variously described true and fair views as deriving from the accounting policies of the reporting entity. There were also narrow and broader constructions. The true and fair view was described as a value judgement on disclosure [7.119; 7.120]. As such the judgement depends upon the criteria of the evaluator [refer 7.1, *supra*].

17. In four companies, respondents observed that the chief executive was from a sales/marketing background. Some respondents stressed that this was important in a company strongly oriented to the marketplace.

18. Martin Moorhouse was chief accountant of RHM in 1988 when RHM valued both acquired and internally generated brands and disclosed the values on the balance sheet.

19. In chapter three, the approach is broader, to allow a more generalised basis. Thick descriptions are built from various bodies of literature. In chapter eight, the four categories represent a combination of the views found among respondents discussion, and the five categories in chapter three. The fit of each set of categories is not one to one. Reviews A. *'Awareness and dissemination'* and B. *'Internal awareness'* incorporate aspects of *'Internal culture'*, *'Brand management'* and *'Branding decisions'*. Aspects of *'Innovation'* C,. has correspondence with *'Technology and innovation'*. *'External relations,'* D., has

correspondence with 3.4.4, *'External Perspectives'*.

20. Scitovsky's classification of consumer needs as necessity and luxury was specifically reiterated by a respondent in an uncanny echo [6.119].

21. Observations from respondents on turnover in corporate marketing personnel was also experienced by the researcher. Of seven marketing personnel interviewed, four were no longer in the particular position in the eighteen months from the interview dates.

# 9.0 CHAPTER NINE: *CONCLUSION AND OUTLOOK*

> *Introducing a new brand in the marketplace, especially when it must compete against well established brands enjoying widespread consumer awareness, has become prohibitively expensive. It has been estimated to cost $100 milion to launch a new soap brand and three hundred million to launch a new cigarette brand.*[14] *Even with these huge expenditures, the odds against success are enormous. With such fundamental barriers to entry, it is not surprising that well entrenched existing marks should be perceived as so valuable.* (Simensky and Gootkin, in Simensky and Bryer,1994, p. 455).

## *9.1 Introduction*

In this study, interpretations of the nature of brands and financial reporting with reference to brands disclosure, have been examined in an interdisciplinary and multifaceted investigation which incorporates a strong empirical focus. The research approach was based upon the naturalistic research framework explicated by Lincoln et al. (1985). The approach was interpretive, informed by the theories of everyday life and sign communication advanced by Alfred Schutz [refer 2.2.2, supra]. The research domain was created in two fields - marketing and accounting/finance - substantiated in physical institutions and dynamic relationships. The field framework drew on the work of Pierre Bourdieu (1990; 1991; 1993a, 1993b; Bourdieu et al., 1992). Bourdieu theorises the existence of fields as structured spaces with dynamic contexts mobilised through relational modes of activity. Secondly, the institutions of each field were conceived as reference groups, drawing on the arguments of reference groups in modern mass societies, advanced by Tamotsu Shibutani (1955). The design explicitly introduced potential for levels of comparison across and within fields of marketing and accounting/finance; and between and within the reference groups. The patterns of contrast and reinforcement available within the research design contribute to validation of the research.

In chapters three and four, through exploration and description of cultural and

contextual issues and perspectives, thick descriptions were built to give further dimensions of comprehension to the field reports. Chapters three and four draw on bodies of literature in marketing and accounting; and further literatures in anthropology, sociology, management, finance and law are accessed to build richer understanding of significant issues. Information from social and commercial documents in forms of legal cases, company files, annual reports and shareholder circulars and reports, and newspapers, also contributes. An in-depth analysis of brand disclosures and communications in annual reports of eighty two companies listed on the New Zealand Stock Exchange over years 1987-1992 contributes further to creation of thick contextual description.

In execution of the empirical field research, ethnographic methods provide the frame for data generation, analysis and text creation. The field data consist of some sixty one taped interviews with respondents in institutional groups of the created fields. A further seven interviews were undertaken by mailed questionnaires. Additional information was solicited on particular brands. The method of analysis of the interview data, and development of the conceptual themes, are explicated in chapter five. Choices of respondents and of particular firms were preplanned to the extent that many chosen respondents have significance within particular fields. Firms are leaders in their domains of activity. Brands are well known and established, both in New Zealand and internationally. Choices made to enhance validity are discussed in chapter two. In chapters six and seven, the analyses of the field data are reported, framed by the emergent conceptual themes. Verbatim quotation reports add directness. In chapter eight, extensive interpretation combines interview reports, from chapters six and seven with thick descriptions built in chapters three and four, and introductory background from chapter one.

In the processes of analysis and text creation, field respondents were further involved. Firstly, all writeups of taped interview transcripts were returned to respondents for validation. Secondly, the verbatim quotations numbered in chapters six and seven, in empirical field examples, and in appendices, have been individually authorised by respondents. The quotations were returned in formats which included the page context[1]. This further involvement of respondents, on two occasions, contributes to validation of material.

### 9.1.1 *Chapter Plan*

The stated research questions of this study are *`What are brands?* and *'How do brands fit with financial reporting?'* This final chapter commences, firstly, by summarising briefly the conclusions for the six conceptual themes, which were developed through the analysis of empirical data. The themes have shaped the reporting (chapters six and seven) and interpretation (chapter eight), and are used in this chapter as a framework for the emerging patterns of theoretical insights. Secondly, with recourse to the themes, the key findings are presented as explanatory patterns. Thirdly, contributions of this research to current knowledge are considered, and some speculative reflection is made. Fourthly, agenda for further research are advanced.

## 9.2 *Themes Reviewed*

In this section, the six conceptual themes which have been developed through the analysis and chapter iterations are briefly reviewed and concluded. The themes are illustrated in **FIGURE 9.1:** *Conceptual Themes.*

**FIGURE 9.1** *Conceptual Themes*

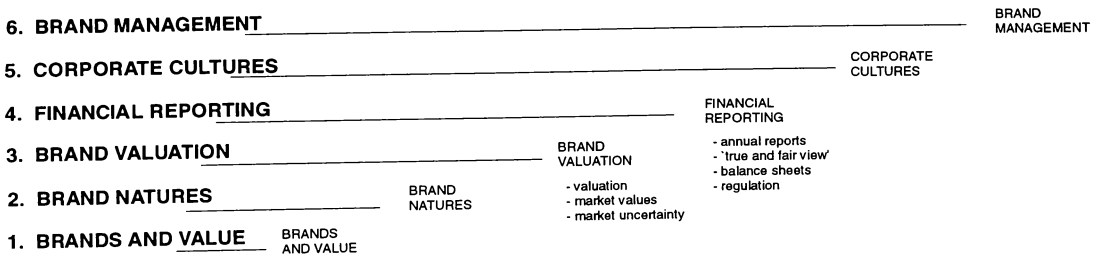



**FIGURE 9.1:** *Conceptual Themes, Study Conclusion, Chapter 9.*

### 9.2.1 *Brands and Value*

The theme *'Brands and Value'* was developed to collate respondents' general

perceptions for and against the materiality of brand values, and dimensions of respondents' value expressions[2].

**9.2.1.1** *Theme Review: Brands and Value* Brand owning corporate respondents perceived their brands as very valuable investments. This perception of brands as investments appeared in the discourses of many marketing respondents. It confirms views expressed in marketing literature (for example - Doyle, 1989), and in recent management accounting literature (Guilding et al., 1994a). Many respondents reiterated observations of brand values. Brand value dimensions were expressed as the *'most valuable thing you own', 'most valuable asset', 'huge investment', 'basis of our business success', 'biggest asset of the company'.* In contrast, analysts and bankers (clearing banks) professionally either disregarded brand values, or expressed specific disinterest. Some bankers and analysts, expressed views personally that brands may have values. Many regulators, who are responsible for the formulation of financial reporting standards, gave qualified recognition to brand values. Most regulators expressed possible confusion in determining brand values separately from general business goodwill values. Their view was supported by some auditor respondents and a business valuer.

Both *'use value'* and *'exchange value'* were implicated in respondents' views of brand values. No distinction was made explicitly between these differently derived measures of value by most respondents.

### 9.2.2 *Brand Natures*

Research into brand natures delineated the nature of brands as perceived in different perspectives. The theme is central to the main research question *'What are brands?'*

**9.2.2.1** *Theme Review: Brand Natures* There appeared significant differences in the ways in which brands were conceptualised by respondents in the two fields. Marketing field respondents talked of brands loosely as *'assets'*, and their focus was on brand creation. Their understanding of brands appeared in terms of created brand personality, emotive imagery, the *'heritage'* of the brand, and the responsibility

of the continuing consumer-brand relationship. Input into the continuing relationship included maintaining the contemporary appeal of the brand. The owners of brands *'clearly have a policy and an image'* which means that the brand *'will only behave in certain ways, be seen in certain areas'*. In contrast, brands were seen as *'this nebulous airy fairy thing'* and *'so jolly nebulous'* by auditor and accountant respondents. For accountants, perceptions of brands as *'assets'* appeared specifically structured within an accounting framework, established on accounting terms. Accountants impute specific characteristics to assets. It is the asset characteristics, as traditionally established by accountants, that are essential for recognition; other features are not necessarily considered. Therefore any generalised designation of a brand as *'the biggest asset of the company'* and accountants' recognition of a brand as an asset, need not coincide. For recognition as assets, precisely quantifiable measurement is essential. The specificity of measurement dimensions required by accountants, with the intangible nature of brands, problematise recognition on accounting terms. For regulators, two situations concerning the separation of brand goodwill from business goodwill appeared problematic. These situations arise in business acquisitions involving brands, and in internally generated expansion involving brands. Some auditors had views which appeared similarly informed by traditional accounting conventions. However, within the auditor group there appeared constructive interest in approaches to brand valuation, and the need for recognition of brand management to give evidence as to brand existence.

Investigation into brand lives also juxtaposes differing understandings. For marketers, brands have potentially indeterminate lives, crucially dependent upon continuing support. Many valuer respondents recognised this crucial need for continuing brand support. Accountants argue that brands' economic lives are viewed as determinate. Continuing expenses, essential for brand support, are not perceived by accountants as of a capital nature, but are classified as expenses of the accounting period.

### **9.2.3** *Brand Valuation*

Research into brand valuation perspectives found specific contrasts in respondents' concerns with brand valuation, between marketing and accounting/finance fields.

These are now reviewed. The sub-section also concludes the review of attitudes to market values and market uncertainty.

**9.2.3.1** *Theme Review: Valuation* Observations on brand valuation made explicit the differing dynamics of marketing and accounting/finance fields. In marketing, although brands were seen as very valuable investments, specific brand valuation amounts were not given primacy. Brand valuation had *'nothing to do with marketing'*. Some respondents saw tactical application for brand valuations in demonstrating marketing's worth inside brand owning companies. Marketing field respondents specifically doubted the possibility of achieving a precise brand valuation in dollar terms. In the accounting/finance field, positions on brand valuations were many, and diverse. Corporate views varied from disinterest to active support for valuations. Information generated was of interest for management; but practical application of the actual valuation to daily operations was queried by many respondents. Only one corporate respondent expressed interest in regular revaluations. Analysts, generally, accepted valuations, but were disinterested; respondents from clearing banks disregarded brand valuations. The securities trustee recognised value in brands. Economic values of brands were important for the investment banker, and for specialist brand valuers.

For regulators and for some auditors, brand valuations were problematic. Regulators particularly, reported confusion over brand constituency, and subjectivity in brand valuation methodologies. In consequence, they emphasised perceived lack of reliability in valuations. Some auditors were unhappy with the lack of objectivity in valuations and capitalisation of internally generated brands. Other auditors did not express these misgivings.

**9.2.3.2** *Market Values:* Market based indications of value were expressed by respondents as indirect alternative indicators of brand values. Two respondents remarked on measures available in market capitalisation and share prices.

The research uncovered differing attitudes to *'market exchange value'/'value in use'*. Some respondents failed to clarify the difference between *'value in use'* and *'exchange value'*. Respondents who observed that market trade in brands would give reassurance for brand valuation amounts, either ignored or lacked understanding of the nature of

intangible assets and properties of exchange values. Other respondents made specific references which clearly differentiated the two forms of value. Recent contributions to market research literature have clearly underlined the multiple natures of brand values and the unlikely development of heavy trading in brands (Irmscher, 1993; Lin, 1993).

**9.2.3.3** *Market Uncertainty:* The inherent exposure of brands to market uncertainty, through the consumer contribution to their continuing value, did not appear extensively in respondents' discourses. Passing references to market uncertainty appeared in some observations; clear queries were made by some analyst and valuer respondents referring to *'Philip Morris'* and the *'Marlboro Cowboy'*. Dimensions of market uncertainty are important for robustness of valuation. There are few references to market uncertainty in accounting literature or in marketing literature (Haigh, 1996).

### **9.2.4** *Financial Reporting*

Problematic issues in financial reporting of brands are a central research area of this study. The conclusion examines in turn, annual reports; financial disclosures framed by a *'true and fair view'* with a review of expressions of *'undervalued'* companies; balance sheets and cost and value; and aspects of regulation.

**9.2.4.1** *Theme Review: Annual Reports* The annual report is the one public communication from the issuers to owners and the marketplace. Design firms saw the annual report as the chief executive's document. Annual reports were seen building images of operations and culture. The paradox of messages was succinctly remarked by an analyst respondent. He observed that messages of success had immediacy in the gloss and visual imagery of annual report presentations. Design firms gave particular emphasis to the dual nature of annual reports. Financial executives lack of empathy with marketing was expressed - *'he doesn't grasp in his head the marketing aspects'* of the document; financial executives' focus was on the financial pages and the intended financial market audience.

**9.2.4.2** *Theme Review: True and Fair View'* All *'true and fair'* judgements are value

based and interpretive. Evidence from literature gives no authoritative form to the true and fair view. There appear both narrow (compliance) and broad (realistic) interpretations. Evidence from respondents confirmed the range of observations reported in the literature, and gave another perspective to interpretations that stressed the *'relative'.* Auditors' and regulators' observations led to an interpretation relative to the professional judgement of a particular auditor, or relative to a company's set of accounting policies. Such interpretations are argued as narrowly constructed, based on the particular relativity. In contrast, other respondents gave generalised applications of societal requirements for '*true and fair*' information in arguments for disclosure of material brand values.

The research collated the following views of particular respondents on the *'true and fair view'* requirement.

**A.** *Regulators*: One respondent argued the need to give impetus to currently *'ad hoc'* disclosure practices with brand information. In his view, a statement of resources had potential; such statements had been discussed overseas. The range in potential *'true and fair views'* was expressed *'relative to a company's accounting policies'.*

**B.** *Auditors:* For auditors, the *'true and fair view'* was seen as a judgemental statement on disclosure. For one auditor the nature of a judgemental statement may be impossible to define - because the circumstances which give rise to a *'true and fair view'* may be judged differently by different auditors.

**C**. *Corporate Respondents:* Various respondents claimed beliefs in making reported information *'quite transparent'*. Visibility conferred by disclosure was suggested as a management tool. Analogies to (fashion) inventory and portfolio management were remarked by corporate and auditor respondents.

**D.** *Analysts:* Analysts expressed almost total disinterest in balance sheet disclosures. The attitudes expressed confirmed literature findings. Reported use of annual report information varied among respondents. Brand disclosures on balance sheets were *'least useful, actually'.*

**E.** *'Undervalued' Companies:* The research uncovered expressions of the *'undervalued'* company. The concept ties into arguments for disclosure of brand values. Observations made by respondents both supported and refuted the argument. The argument was reiterated by analyst and valuer respondents. An auditor made similar observations in support of balance sheet disclosures of brand information. In disagreeing, one regulator respondent relied on the efficient markets hypothesis, to claim that the last paid price of a company's shares, at any given time, was the fair price. Arguments for and against undervaluation in the literature were reviewed in building thick descriptions in chapter four.

**9.2.4.3** *Balance Sheets:* Research interest in brand disclosures gave rise to questions about cost and value measurement bases, and the nature of the balance sheet. Group views gave particular insights into aspects of brand disclosures. Some brands currently disclosed on balance sheets at valuation are at values set by specialist brand valuers. Other brand valuations are undertaken by accounting firms who have extended their practices to include valuations. An analyst commented on accepting the valuation product of specialist valuers *'by and large'*.

**A.** *Corporate Views:* Corporate respondents anchored balance sheet disclosure of brands in decisions of balance sheet management and policy. The action was variously phrased to effect *'strengthening the balance sheet'*. This concept was expressed by corporate respondents, by an auditor, by an analyst, by a business leader (expressed in social documents), and in literature.

**B.** *Regulators' and Auditors' Views:* Balance sheet disclosure was perceived as conferring dimensions of reliability on amounts disclosed. With brand valuations, such precision was seen as unjustifiable by regulator respondents. The manner in which regulators determine the justifiable or acceptable level of reliability is subjective and a value judgement. Some auditor respondents agreed with regulators' views. Some auditors did not. One auditor emphasised that recognition per se required reliability to exist.

**C.** *Bankers' Views:* Various observations by diverse respondents on choices in balance sheet disclosures indicated that balance sheet ratios cannot be superficially

constructed - or meaningless measures would result. Observations of bankers, from clearing banks, indicated that, in policy terms, all intangibles are ignored for balance sheet ratios for bank purposes. In contrast, one respondent remarked upon the potential for manipulation, of accounting data, generally, through depreciation and revaluation. The respondent's remarks were in direct contrast to claims of regulators, that depreciation/amortisation was purely an allocation of cost. Observations had resonance with literature arguments of contracting uses made of accounting figures. A analogous example is the new solvency test in New Zealand. Contrasting with bankers' reported disregard for intangibles, is the evidence of emerging international use of intangibles in securities reported by Simensky et al., (1994), and noted by specialist brand valuers.

**D.** *Cost Based Balance Sheets*: The research study uncovered expressions of preference for cost, as a measurement base. Two corporate finance respondents noted the reliability (and simplicity) of cost based balance sheets. They said - *'there is no doubt as to what the balance sheet means'.* One respondent observed that previous attempts with current cost accounting had been too subjective, and too complicated. A regulator and an auditor remarked on the reliability of cost. Discussions of cost and value in the literature note that neither measurement base totally suits all purposes (Benston, 1982; 1990). Cost was argued as ill suited to brand reporting (Cairns, 1995). Two regulators remarked that many business people took comfort in cost based measurement in some degree - it was just *'doing what you did yesterday'.* Generally, implementation of financial regulation was perceived as ineffective without the support of the business people.

**9.2.4.3** *Theme Review - Regulation:* In the domain of regulation, the existing situation is notable for failure to provide acceptable regulatory guidelines for disclosure of intangible assets. In New Zealand, the regulatory background is changing, with new mandatory enforcement of financial reporting standards. The changes have brought new roles and greater visibility to departments of state. There is potential for change also in the traditional relationships between the accountants' professional organisation and society generally. Particular observations on aspects of regulation, and potential implications of changes, were made by auditors, regulators, and by corporate respondents.

**A.** *Auditors:* Views of respondents were divided. The need for clear and unambiguous direction in financial reporting standards was perceived necessary to stop *'horrendous arguments'* over meaning. In contrast, one respondent argued for flexibility to allow differentiation. The views of respondents reflected the range of views reported in recent literature (Nobes et al., 1991;Parker et al., 1994; Goodwin, 1993)

**B.** *Regulators:* In regulators' discourses, the cross referencing within the technical framework was observed. Overseas leadership was remarked as currently unclear[3]. The need for overseas leadership derives from technical accounting considerations rather than from New Zealand business practices. The small number of companies perceived as affected by brand disclosure problems was noted. Application to few listed companies was observed also by a valuer and an analyst.

In formal publications, financial reporting is stressed as not an end in itself (Financial Accounting Standards Board, 1978); it is a means for expressing accountability. Recent developments in regulation can be argued as prioritising regulations per se, over their application. For example, development of conceptual frameworks are argued by some authors, as more political defences of professional accounting bodies than authoritative references [refer 4.2.2, *supra*]. Harris (1987) notes that without the fundamental interests of users, there is no need for published accounts - and regulation of disclosure. Theoretical frameworks appear privileged over contemporary business operations requiring to be reported (Tonkin et al., 1991).

### 9.2.5 *Corporate Cultures*

The importance of corporate/company culture to brand construction was argued in marketing literature.

**9.2.5.1** *Theme Review: Corporate Cultures* Empirical field research sought observations on corporate cultures from respondents in the marketing field in which brands are constructed and managed. Respondents strongly supported the role of company culture in *'nurturing'* brands. Without a strongly market-oriented company culture *'nobody internally was going to buy into the opportunity'* for the brand. Aspects of culture perceived as important for the building of brands included explicit recognition

of long term vision, particular emphasis and interest in innovation, and internal marketing. Recent literature links strong internal marketing culture with external marketing, in which interests loop from employees to consumers (Macrae, 1996).

The chief executive was perceived as giving impetus to company culture. References to stereotypes were both implicit and explicit in respondents' remarks on links between company culture and chief executives. Stereotypical categories give insights into various aspects of this study. The characterisation of the chief executive as a conservative accountant with *'a balance sheet on everything'* or as an innovative marketer is one example. Another example is the perception of management as manipulative and *'getting away with it'*. Or an observation by analysts on management's balance sheet brand disclosures as *'Who do they think they are fooling?'*

### **9.2.6** *Brand Management*

Brand management emerged as a conceptual theme in the study through a series of chapter iterations, which progressively condensed particular group themes to a collective understanding of brand management.

**9.2.6.1** *Theme Review: Brand Management* The succinct observation by one respondent that marketing does not consist of nailing the marketing notice to the production door, is significant for a brand management orientation. The respondent's observation echoed a very similar observation in the marketing literature (Piercy, 1991) The study has collated images of brand management from literature and from respondents. In the field research, images of brand management were both directly expressed by respondents and indirectly discerned from respondents' discourses. Within companies, management of brands often was characterised as part of 'the mix'. In reporting the research, the study has collated criticisms of the perceived inadequacy of accountants' current treatment of brand investment. Observations on amortisation practices are also used to register dimensions of brand management and understanding of brands. A range of views was expressed. Some respondents in the accounting/finance field spoke negatively of amortisation of growing investments.

**9.6.2.2** *Auditors and Brand Management* There was growing awareness expressed by auditors for evidence of brand management to support the brand owner's classification of brands as separate assets. Otherwise brands were characterised as *'this nebulous airy, fairy thing'.*

### 9.2.7 *Conclusion*

The research on which this study is based was designed to draw upon physical and dynamic dimensions of marketing and accounting domains. The physical dimensions are represented by the institutions which constitute the groups in the marketing and accounting/finance fields. The dynamics of the fields are captured in the spread of institutions involved, in the building of thick contextual and cultural descriptions, and in the field reports enriched by verbatim illustrations. From the analyses of field data, six emergent conceptual themes were elaborated to clarify patterns of explanation within the data.

The research provides widely researched interpretations of the nature of brands in contemporary society. The constituency of brands emerges from the views of business people who are involved in the creation and maintenance of contemporary brand constructs. The importance of contemporaneity in brand imagery has been demonstrated. At the same time, the study outlines views of contemporary financial reporting constructs from a perspective of brand disclosures. The research raises questions concerning accountants' domination of the construction processes of financial reporting regulation in contemporary society. Questions are also raised about the degree of contemporaneity of financial reporting guidelines. Given the *'true and fair view'* requirement, financial reporting as a contemporary construct appears inappropriate for reporting many manufacturers' very valuable brands. *'Less and less relevant'* was the observation of one respondent.

In the next section, major patterns of explanation are presented as the key findings.

## 9.3 ***Patterns and Explanations***

With naturalistic enquiry, inductive theory produced may take the form of patterns

of explanation (Lincoln et al. 1985). Explanations are accounts that represent present patterns of dynamic processes in multiple constructed realities (ibid.); (McCracken, 1988, p.42; Fetterman, 1989, p.92). The patterns are the key findings of the study. In this section the conceptual themes of the study are retained to present the explanatory patterns, built predominantly from the respondents' observations, and also from thick contextual descriptions of the contemporary environments, in which brands and financial reporting are constituted and valorised.

### **9.3.1** *Brands and Value*

The *'Brands and Value'* theme was developed to elucidate general expressions of brand values (or the lack thereof). The understandings contribute directly to the research question *'What is a brand?'* Because the theme establishes the potential materiality of brand values, contribution is also made to the research question *'How do brands fit with financial reporting?'*

1. **Pattern:** *Brands have material values. Marketing respondents perceive brands as investments.*

1. **Explanation:** Brands are perceived as valuable; they give added value [6.1; 6.2; 6.3; 6.5; 6.6; 7.64]. Dimensions of value expressed by some respondents are very great [6.4; 6.9; 6.10; 6.13; 6.24; 7.7; 7.24]. Often expressions were superlatives - for example, *'the biggest'.* It is inescapable that, for brand owners, brands are potentially very valuable assets. An example is the brand values disclosed on the balance sheet of Lion Nathan Limited [refer **Appendix 4.VIII**:]. In accounting terms, such brands are potentially material, within criteria established in reporting guidelines, and the NZSA's *Statement of Concepts,* (1993, s. 3.4).

Perspectives of material value are perceived by corporate brand owners, and leaders of specialist agencies in the marketing field. In the accounting/finance field various levels of recognition are accorded to brand values. In addition to brand owners, trade mark attorneys, design firm directors, brand valuers, and an investment banker respondent gave unequivocal recognition to brand values. Some auditors and regulators recognised brand values; qualified recognition of value was

given by some regulators, auditors and business valuers. Implicit values were acknowledged by some analysts and clearing bankers, although, for working purposes, brand values were disregarded by clearing bankers on policy grounds, and disinterest was expressed by analysts [7.49; 7.50; 7.135].

In the marketing field, the characterisation of brands as investments was discernible (directly and indirectly) from respondents' expressions and word choices [6.13; 6.14; 6.17; 6.28; 6.74; 6.76; 6.94; 6.96; 6.97; 6.94]. The finding confirms views of brands as investments in marketing literature (Doyle, 1989); and recently acknowledged in management accounting literature (Guilding et al., 1994a).

### 9.3.2 *Brand Natures*

Brands as constructs in contemporary society do not exist outside their construction. The theme of *'Brand Natures'* was developed to elucidate the ways in which respondents appeared to understand brands. The theme is central to the research question *'What are brands?'* The theme also has significance for the research question *'How do brands fit with financial reporting?'*

**2. Pattern:** *Marketing people view brands in terms of created personality. Many respondents in the accounting/finance field see brands as assets.*

**3. Pattern:** *The nature of a brand appears ill fitting with accountants' traditional asset construct.*

**2.,3. Explanation:** From respondents' discourses, the contrast in perspectives became apparent between marketing and accounting/finance views [refer 8.4, *supra*]. Differing conceptualisations of brands are clarified by juxtaposition of sub-themes of brands from the marketing field, and the accounting/finance field [refer **Figure 8.2:**, *supra*].

Brands are unique constructions; brands exist in the minds of consumers (Restall et al.,1993; Ogilvy, quoted by Blackston, 1992). For respondents in the marketing field, brands are conceptualised in terms of created personality and emotive imagery [6.1; 6.55;

6.56; 6.58; 6.82]. Brand lives are indeterminate, but crucially dependent upon continuing support both from owners [6.40; 6.43; 6.57; 6.76; 6.94] and from consumers [6.98; 6.100]. Leading from this conceptualisation are requirements for maintaining contemporary and attractive imagery on a continuing basis [6.83; 6.84; 6.85; 7.23]. The sporadic and very individualised market trade in brands derives from brands' complexly constructed natures (Itami, 1987; Irmscher, 1993; Lin, 1993).

In contrast, assets are accounting constructs. Within the accounting perspective, assets have particular characteristics, which have been developed by accountants (FASB, 1978; NZSA Statement of Concepts, 1993). Beside the essential asset characteristics, potential assets must be separately quantifiable [7.38; 7.39; 7.40]. Accountant regulator respondents recognised brands as (potential) assets [7.37]. One corporate accountant queried whether brands were assets in traditional accounting terms [7.26]. Some auditor respondents contested the recognition of brands. Brands were variously conceptualised by respondents as marketplace *'reputation'* and as *'goodwill'* [7.41; 7.42; 7.43]. All assets (except land) are perceived by accountants to have finite economic lives. The cost of the asset is amortised over the perceived period of economic benefit, or a period established by accountants' rules.

Currently, brand constructs are creating tensions with traditional accounting practices. In the context of financial reporting of brands, accountants' interpretation of the interface between brands, goodwill and trade marks is problematic for *'true and fair'* financial disclosure of brand values. For some other types of assets, accountants have evolved rules to represent economic reality within their accounting framework. Examples are rules for inventory; depreciation rules for fixed assets; and non depreciation of land. Currently, there are no accounting rules for brands.

The theme of *'Brand Natures'* enabled clear demonstration of very different conceptualisations of brands within contemporary commercial society.

### **9.3.3** *Brand Valuation*

The theme of *'Brand Valuation'* was used to clarify attitudes to brand valuation. The

theme was very broadly interpreted and was extended to include values in the marketplace and market uncertainty. Five patterns of interest were developed. Two patterns of interest concerning valuation emerged in the marketing field. In the accounting/finance field diverse positions were held on valuation. **Pattern 6.** focuses on the regulators; **Pattern 7.** references market values; and **Pattern 8.** profiles the exposure of brand natures to market uncertainty.

**4. Pattern:** *In the marketing field, brand valuation in dollar terms is not an issue.*

**5. Pattern:** *In the marketing field, brand valuation has tactical application. Brand valuation, in dollar terms, clarifies management's understanding of the significance of marketing.*

**6. Pattern:** *For regulators, positioning on the balance sheet confers dimensions of preciseness or reliability. Such reliability is questioned with brand valuations.*

**7. Pattern:** *Referencing brand values 'in use' to market value is potentially meaningless.*

**8. Pattern:** *The essential complicity of consumers in the brand-consumer relationship exposes brands to market uncertainty.*

**4. Explanation:** Brand valuation raised little interest among marketing respondents. Marketing respondents observed, firstly, that brand valuation had little or nothing to with marketing [6.22; 6.25]; and secondly, that good marketers understood their brands' values from market moves [6.29]; [viz. 6.5; 6.6]. The derivations of value elucidated by the *'Brand Values'* theme reinforces these observations [refer 8.3.2, *supra*].

**5. Explanation:** Of great interest among marketing field views was the perceived tactical application of brand valuation within brand owning companies. Brand valuation was a method of demonstrating the significance of marketing and the importance of brands. The claim is made in observations of advertising agency leaders [6.27; 6.28; 6.29]; one corporate marketing respondent [6.23]; and is discernable in other observations [6.24; 6.26].

**6. Explanation:** For regulators, the balance sheet confers dimensions of reliability [7.107; 7.108]. Regulators find in brand valuations a lack of acceptable reliability which they argue derives from potential confusion in brand/goodwill distinctions, and subjective decision making in brand valuation methodologies [7.38; 7.39; 7.69; 7.70; 7.72; 7.73]. The level of reliability is a subjective judgement which remains undefined. Regulators professed greater *'comfortability'* with values of tangible assets and tangible asset methodologies [7.69; 7.70]. Accountants' *'comfort'* with tangible assets was perceived by other respondents [7.20; 7.94; 7.157].

**7. Explanation:** The potential for coincidence between market *'exchange values'* and *'value in use'* is tenuous with brands [6.33; 7.16; 7.65; 7.66; 7.67; 7.83]. Acquisition values are perceived by respondents as not necessarily worth [7.66]; nor going concern values [7.83]. Lin (1993) emphasises that any market trade must be recent and similar; Itami (1987) argues each brand is unique in construction; Irmscher (1993) recognises diverse value perspectives; Mattessich (1991b) stresses the relative properties of specific market situations.

**8. Explanation:** Each brand has a created personality [6.1; 6.34; 6.35; 6.39; 6.46; 6.47; 6.55; 6.56; 6.58; 6.81; 7.23]. People are attracted to the personality and brand imagery [6.1; 6.56; 6.58; 6.82]. To associate with the brand, consumers buy the product [6.56]. Thus consumer purchasing patterns are the basis of brand value. Future purchasing patterns can be an estimation only [6.30; 6.76; 6.93; 6.95; 6.120]. Uncertainty derives from many origins. It may derive from changes in use, or over use [refer **Appendix 4.IX**:]. The existence of future uncertainty was recognised by few respondents either directly or indirectly[3] [6.61; 6.76; 6.83; 6.85; 6.93; 6.95; 7.13; 7.177; 7.179]; [refer 7.5.1.5B, *supra*].

### 9.3.4 *Financial Reporting*

The theme of *'Financial Reporting'* was developed in the accounting/finance field as a very broad theme to collate attitudes and elucidate explanations on facets of financial reporting.

**9. Pattern:** *Materiality of brands in business operations has significance with*

*reference to materiality guidelines in financial reporting.*

**10. Pattern:** *Materiality of brands has significance for the 'true and fair view' requirement in financial reporting.*

**11. Pattern:** *Regulators have imposed an undefined 'acceptability' criterion on brand valuation reliability when balance sheet disclosure is intended.*

**9. Explanation:** *Materiality.* The perceived materiality of brands in operations of manufacturers of branded consumer goods is demonstrated [refer 9.3.1, *supra*]. Brands are perceived as investments in the marketing field. For accountants, *'materiality'* is defined in the NZSA's SSAP-6 *Materiality in Financial Statements*. Brands can be argued as material within the accountants' definition, on account of their perceived values. Relevant requirements of the NZSA's *Statement of Concepts* (1993) were discussed [refer 4.3.2; 4.4.2.1, *supra*]. Financial reporting is the mechanism for conveying accountability. It is not an end in itself [refer 9.2.4.4, *supra*]. Financial reports are required to reflect the ***'nature and dimensions of performance*** *that are* ***relevant to the entity'*** (*NZSA Statement of Concepts*, 1993, para. 3.4) (emphasis added). Given the materiality of brands to operations of manufacturers of branded consumer goods, arguments for their inclusion in audited financial statements are made.

**10. Explanation:** *'True and Fair View'.* The *'true and fair view'* is a value judgement that has both narrow and wider interpretations [refer 9.2.4.2, *supra*]. The *Financial Reporting Act* (NZ) 1993, section 11(2), requires that if financial statements do not give a true and fair view of the matters to which they relate, the directors must add such information and explanations as will give a true and fair view of those matters. Major brands drive revenue streams, and are therefore implicit in profit and loss statements of brand rich companies [7.99]. Does implicit existence give a *'true and fair view'*? The legislation does not require some visual or narrative elaboration somewhere in the annual report, nor does it require extensive study and presumptions by the report user. The legislation specifically requires addition to the financial statements in the form of *'information and explanations'* (ibid.). Brands were perceived by many respondents as the prime assets of the business. Note disclosure of such assets was contested by a brand owner [7.98] and agreed as appropriate by another brand owner [refer **Appendix 4.XII**:]. Given contemporary use

appropriate by another brand owner [refer **Appendix 4.XII**:]. Given contemporary use of brands in society, does no disclosure, or only note disclosure adequately reflect the importance of brands to a particular business operation? [7.119; 7.120] Lack of disclosure of brand values is used as an argument for the occurrence of *'undervalued'* companies [refer 9.2.4.2, *supra*]. Also, what of the auditor's judgement? And who regulates the choices, and the availability of choice?

**11. Explanation:** Acceptability. Valuations were observed as an estimate, and were *'never going to be any better than that'* [7.67]. With valuations, auditor respondents and a business valuer noted the need for much greater disclosure requirements [7.125; 7.126; 7.131]; analyst respondents observed the subjectivity involved in valuation methodologies [7.85; 7.86; 7.87]. For regulators, reliability of valuation has to be *'acceptable'* [7.72; 7.73; 7.107; 7.108] for disclosure on the balance sheet. *'Acceptable'* is also featured in the accounting literature (Napier and Power, 1992); [refer 4.4.2.3, *supra*]. *'Acceptable'* is a value judgement. One respondent explained '*acceptability'* in terms of the end user [7.73]. Discerned in various respondents' observations are feasible queries to this assumption [7.79; 7.88; 7.143]. Also, accountants' discomfort with intangible assets was observed by some respondents [7.20; 7.94; 7.124; 7.157]; [refer 8.8.1, *supra*]. While regulators and some auditors queried reliability of valuers' numbers, a clearing bank respondent queried the reliability of accountants' numbers in some formats [7.146]. The continuing doubt over brand valuations was queried by some respondents [7.92; 7.94]; and in the literature (Murphy, 1990a, 1990b; Mullen, 1993). One respondent remarked that those companies that do disclose brand values are doubted and questioned [7.92].

The tension between cost and value has been recognised by accountants as problematic for much of this century [refer 4.4.4, *supra*]. However, until the emergence of market intangibles as crucial to many business operations, problematic aspects of value and valuations have appeared peripheral to much accounting practice.

### 9.3.5 *Corporate Cultures*

The theme of corporate cultures was developed in the marketing field to elaborate aspects of culture and brands.

**12. Pattern:** *Corporate cultures are important for successful brands.*

**13. Pattern:** *Appointments to chief executive positions were traditionally men from accounting or production career backgrounds. Such appointments militated against understanding of brand natures and brands' worth.*

**12. Explanation:** In marketing and management literatures the essential contribution of corporate culture for successful brands is argued [refer 3.4.3.3, *supra*]. Many respondents observed the integration of company culture and brands [6.64; 6.66; 6.70; 6.71]. In some companies the culture of the company, the people, and the brand were perceived as intertwined [6.62]. *'It's all symbiotic'* [6.68].

**13. Explanation:** The explanation is argued from a series of assumptions from respondents' observations. (The danger of stereotyping is noted [refer 8.7.3.1, *supra*]). The chief executive was perceived by many respondents as leader of the company culture [refer 8.7.3, *supra*]. One respondent observed that traditional appointments to chief executive positions were made from accounting or production [6.79]. In contrast to marketers' spirit of innovation, accounting/finance careers accented conservatism and certainty [6.74; 6.75]. Conservatism and certainty are referenced by accountants and auditors [7.45; 7.77; 7.82]; [**Appendix 4.XII:**]. Traditional accounting practices militate against visibility for brands, and against encouraging accountability for brand expenditures [7.47; 7.48]; [refer 8.8.1, *supra*]. Until recently, brands were perceived as '*not a proper investment*' in the accounting/finance field [6.17; 6.79].

The influence of accounting backgrounds is noted by Armstrong (1987). It is argued that traditionally, chief executives from accounting backgrounds, would be encultured in conservatism and certainty, and would drive a conservative and financial culture as leaders. Personnel consultants observed that people recruit to fit their culture [6.78]. Brands are seen as investments both by marketing respondents and in the marketing literature [refer 9.3.1, supra]. Marketing literature notes a change in awareness toward the significance of brands in the mid 1980s [refer 3.4.1, *supra*]. Simensky et al., (1994) argue a second Industrial Revolution which emphasises information. Recently there is a change [6.70; 6.71]; although one respondent claimed management's suspicion of marketing runs deeper [6.72].

In the companies from which respondents came, two of five chief executives interviewed were from marketing or sales careers. Of the three, two were from general business and one was from production. One respondent noted the importance for a sales/marketing person to be in the chief position, as the firm was specifically market oriented. In the literature, Guilding et al. (1994a) observe that brand valuation has only limited contribution where firms are already strongly market oriented.

### 9.3.6 *Brand Management*

Concerns for brand management were developed through the continuing iterations of the text creation of the study from chapter five to chapter eight. The conceptual theme evolved in the fields as the particular sub-themes were collated. As a theme *'brand management'* did not have primacy among respondents, but aspects of brand management can be discerned in responses. Among responses there is equally evidence against privileging brand management specifically. The brand management theme can therefore be argued as in some respects a theme iteratively developed through the latter phases of the study. Its constitutents can be traced into the field reports and into the recent literature; but its existence is also derived from ethnographic development of the text.

**14. Pattern:** *Emergent brand management is rooted internally, with an external focus. It accents innovation and a long term orientation; it is more than just a brand manager in a marketing hierarchy.*

**15: Pattern:** *Auditors must acquire comfort not only with brand valuation requirements, but also with evidence of continuing brand management.*

**14. Explanation:** Images of management of brands were given by chief executives, who reflected on brand visibility [7.20; 7.21]. But brand management is more than visibility [7.23; 7.47]. Brand management is more than just a brand manager name in

the marketing department hierarchy. The disparity between the junior level of brand managers and the increasingly huge value of brands has attracted critical discussion in some literature [refer 3.4.3.2, *supra*]. Brand manager positions were characterised by turnover *'there's this churn'*. Respondents observed turnover of staff at both lower and senior corporate marketing levels [6.105; 6.112; 6.113; 6.114], which led advertisng agencies to claim they were *'custodian of the brand'* [6.103; 6.104; 6.105]; a claim reiterated by other respondents [6.114; 6.115].

To manage the brand, there must be understanding of the brand core [refer 8.8.2.1A, *supra*]. Investment in marketing and distribution was perceived as *'essential horsepower'* [6.76]. In some industries, respondents emphasised distribution was crucial [6.88]; [refer 8.8.2.1D, *supra*]; [*Empirical Field Example 5.2, supra*]. Expertise in distribution and brand management as significant business resources are observed by *The Economist* (October, 1995); [refer 3.4.3.4, *supra*]. Brand strategy was referenced [6.64; 6.66; 7.23]; and brand management was perceived as long term [6.11; 6.43; 6.94; 6.96 6.97]. It was seen involving innovation and culture [6.63; 6.64; 6.66; 6.68; 6.69; 6.73]. References to innovation were discernable in discourses [6.44; 6.64; 6.74; 6.93; 7.162]. Market research was increasingly seen as essential [6.40; 6.98; 6.99; 6.100; 6.110; 6.116; 6.117].

**15. Explanation:** Evident in observations by auditor respondents, is an emergent attitude to understanding brands as assets in business operations. Where brands are strategic in company operations, some auditor respondents stressed the need for explicit levels of brand management [7.80; 7.173; 7.174]. Respondents argued the need not only to understand the ramifications of brand valuation methodology, but also to look at the industry and the marketing outlook [7.80; 7.81].

The observations of some respondents confirmed and extended observations reported by Goodwin (1993); [refer **Appendix 4.III:].** In looking for demonstrated evidence of brand management, the auditor takes on the reponsibility of checking as *'true and fair'* the distinction between the brand and business goodwill. Particular evidence of the planned management of the brand may demonstrate the difference. Structured brand management was perceived to give shape and focus to otherwise *'nebulous airy fairy'* brands. With the new legal backing to accounting regulations, and the legal status of the *'true and fair view'* requirement, the status of the role of the auditor in applying the law is raised.

### 9.3.7 *Conclusion*

The research for this study was framed within the naturalistic paradigm, using an interpretivist approach. The nature of the research was exploratory. The research domain, conceptualised as the fields of marketing and accounting/finance, was both institutional (physical) and dynamic. The manner of research, using ethnographic methods, was chosen to enable the researcher to access dimensions of respondents' interpretations of brand and financial reporting constructs, and to encompass the varied dynamics of the fields and groups.

The fifteen patterns presented in this section are the key findings of the study. As such, they offer insightful understandings of the central research questions *'What is a brand ?'* and *'How do brands fit with financial reporting?'*. Patterns are rooted in the field data; they are representative of the multiple realities investigated (Lincoln et al., 1985, p.155). The patterns encompass key current perspectives of contemporary dynamic field processes. It is noted that these are not the only patterns that may be developed from the present data. They are patterns important for the research questions, which have shaped and focused the study. There are many different ways by which this research domain may be approached [refer 9.6, *subter]*. Differing approaches privilege and weight different patterns of understanding. In the next section the contributions to knowledge made by this study are elucidated.

## 9.4 *Contributions to Knowledge*

The ways in which this study contributes to accounting knowledge are presented in this section. The contribution of the study may be classified in four categories, and at different levels. Firstly, there is the contribution to understanding of brand natures. Secondly, the study elucidates further the brands-financial reporting interface. Thirdly, the study contributes through its collation of views and observations of many people in New Zealand, who are expert in their particular fields. Fourthly, the study makes a methodological contribution. The particular design of the research enables insightful exploration to reveal aspects of brand natures for better informed decision making in financial reporting regulation. There are also contributions at different levels. The study makes original contributions to knowledge; and it serves a

confirmatory role. Through the reported words of respondents, the study confirms views explicated in recent literature. These contributions to knowledge are now set out.

### 9.4.1 *The Nature of Brands*

The aim of the research is to explore the nature of brands through business people's interpretations of brands. It is in the reported findings of this exploration that the study's major contribution to accounting knowledge is made. Brands are constructs of market societies; in their construction, brands are reflexively part of contemporary society. The research was designed specifically to encompass the major business groups involved in brand creation, and the major groups of financial reporting. The themes of *'Brands and Value'*, *'Brand Natures'* and *'Brand Valuation'* were developed through the analysis phase. The themes were used to collate and build interpretations of brand natures from respondents' discourses. Prior exploration of relevant issues developed frames of thick contextual description, which add futher dimensions of comprehension to interpretations of brands and financial reporting as contemporary business constructs. In exploring perceptions of brand natures, the research focus is on properties of brands' natures. The essence of the brand, and the manner of seeing the brand are explored in the multiple realities of diverse business groups within fields of marketing and accounting/finance. Marketing respondents appear to articulate readily aspects of brand constitution. Brands are perceived as assets. One valuer respondent commented that accountants have not understood the nature of brands. A corporate finance respondent suggested that the accounting profession had not *'caught up'*. Brands are queried by many accountants within the accounting construct of *'assets'*. Through the necessary consumer complicity in successful brand construction, brands have inherent uncertainty.

The research has elucidated the ways in which brand owners build and interpret the created personality of brands and, from brand owners' perspectives, the manner in which the consumer-brand relationship is activated and continously nurtured. The crucial quality of brand nurturing, and its necessary continuance, have been explored through the perspectives of those involved in the execution. Also, through observations of diverse respondents, the research investigated the exposure of the

brand to forms of market uncertainty.

From direct observations of many marketing respondents, and their manner of referencing brands, the study confirms that brands are perceived as investments within the marketing domain. The thesis thus confirms claims in marketing and management accounting literatures.

### 9.4.2 *Financial Reporting from a Brand Perspective*

In this study, the exploration of financial reporting as a contemporary construct is informed by the accountants' debate over brand disclosures. A central question of the research is '*How do brands fit with financial reporting?*' The theme of '*Brand Valuation*' is used to collate attitudes across the two research fields. This broad and general approach resulted in clear demonstration that, in New Zealand, within the marketing field, brand valuation is perceived as the concern of the accounting profession and financial reporting regulators. Brand valuation did not appear to be conceptualised as a marketing tool. The exception is the perceived tactical application of valuation within the brand rich firm. On facets of financial reporting, observations were drawn from the accounting/finance field. The juxtaposition of diverse perspectives of financial reporting and annual reports across varied interest groups makes this study original in its contribution. The study is original in its investigation into contemporary creation of annual reports and the views of design specialists whose understanding encompasses both marketing and accounting/finance perspectives. By exploring successful brands as contemporary constructs in society, this study raises questions about the nature of financial reporting as another social construct, and its current fit with commercial operations.

### 9.4.3 *Contribution of Views*

From the content of the study, a contribution is made to knowledge as a collation of original, verbatim material, contributed by people who are, in the majority, currently among business leaders in the New Zealand commercial world. The empirical focus of the study brings together some sixty one taped interviews, fifty

nine of the interviews recorded over a seven month period from September 1994 to March 1995, with later interviews in the ensuing seven month period. There are seven further questionnaire based interviews, and two additional information requests. The study reports directly from an analysis of these interviews. Three hundred personally authorised illustrative quotations from the interviews also function to provide a very direct dimension of observation. The involvement of respondents is threefold - at interviews, through personal validation of interview writeups, and through personal authorisation of the attributed direct quotations.

### **9.4.4** *Methodological Contribution*

This study also makes a definite contribution to research knowledge through its methodological originality. The study is interdisciplinary. It is partly anchored in marketing and moves to an interdisciplinary position with a second anchor in financial reporting. The study is based in the naturalistic paradigm, which both shapes and informs the methodological approach to the research design. The chosen naturalistic approach is argued as having explanatory power for a research domain of multiple realities. Central to the study are sixty one taped interviews and seven questionnaires, which have been analysed and developed into coherent themes. The conceptual themes are grounded in the data through the analysis process. In accounting research into brands and brands disclosures, there is no current study of this interdisciplinary nature or this extent, conducted by a single researcher. The are studies which originate on a smaller scale and/or inside particular firms, matching finance and marketing functions. There are extensive quantitative studies. Some studies report from both quantitative and qualitative research. There are also studies in auditing. However, there are no studies situated in the general business fabric of marketers' brand construction. In this study, the institutional groups are not only corporate, but also market research firms, advertising agencies, design firms, personnel consultants and publishing, in the marketing field. In the accounting/finance field, the nine groups - regulators, auditors, valuers, analysts, bankers, patent attorneys, corporate accountants, chief executives and design firm directors - also represent an original base for the research. In the manner in which the fields are juxtaposed, contrasts of very different dynamics from the field of marketing and the field of accounting/finance are made available. In the

juxtaposiiton of institutional groups, further knowledgeable insights become possible both within and between groups. In extensive use of authorised quotations directness of views is achieved.

### 9.4.5 *Conclusion*

In analysis and reporting, the study has achieved the research aims. The study sets out clear expositions of the nature of brands; brand materiality as contemporary social value; and the manner of brands' exposure to marketplace uncertainty. Emerging in the study, are some dimensions of the misfit of the current financial reporting construct with contemporary business operations. The demonstrated importance of contemporaneity for brands further highlights the lack of currency of financial reporting constructs for brand rich manufacturing firms. This situation gains greater significance with changing dynamics deriving from the legal backing now built into financial reporting standards in New Zealand. The study constitutes a serious investigation into diverse, multifaceted and mobile, contemporary commercial and social domains. The study makes definite contributions to accountants' understanding in the currently contentious and complex area of brand reporting. It questions the degree of contemporaneity in presently constructed financial reporting frameworks, particularly where reporting of valuable brands is concerned. The study also raises questions concerning accountants' dominant role in construction of financial reporting guidelines.

## 9.5 ***Reflection and Speculation***

This section affords the researcher opportunity for brief speculative review of central aspects of the study.

All research is value laden. The accounting arena of the research domain for this study is recently developed and contested. In taking an interdisciplinary approach one brings different values into the domain. Colville (1981), Tomkins et al. (1983), Chua (1986b) and other authors have argued for new ways of researching the accountant's reality. The authors have also cautioned that transfers have dangers

(for example - Colville, 1981, pp.120-121). Hines (1988; 1989) argues *'ways of seeing'*. This research is interdisciplinary. In researching respondents' interpretations, the research is naturalistic, starting from a very loosely bounded value position. The researcher's attitudes and experiences are set out in the preface.

Brands, and financial reporting, are constructs of contemporary society. It is the contemporary that must be accented, because as constructs, although there is both history and the values of traditions, the contemporary dynamics provide current interpretations and current value bases. Brands and financial reporting are shaped by the dynamics of the particular field in which they are constructed, and the genesis of that field. Where different *'ways of seeing'* intersect, differing value constructs can be contentious (Shibutani, 1955). Napier et al. (1992) provide insights into contention over brand reporting.

In the domain of financial reporting, the dynamic *'true and fair'* requirement can be argued as making conventions of financial reporting contemporary. *'True and fair'* is not definitively defined (Parker et al., 1991, 1994; Nobes, 1993). The view has been interpreted both narrowly and broadly. This study has uncovered in respondents' expressions, both accounting based, and broader societal views of *'true and fair'*. Financial reporting is not an end in itself, but the way through which companies account to present shareholders and society. The NZSA *Statement of Concepts* (1993) argues a broad accountability for reporting entities, beyond the historic and narrow confines of a company's shareholder base. In New Zealand, the *Financial Reporting Act* (NZ) 1993 sets out the obligation for directors to prepare financial statements which give a *'true and fair view'* of the matters to which the statements relate. The NZSA *Statement of Concepts* (1993) requires information on dimensions of performance that are relevant to the entity.

In building cultural and contextual facets of thick description, arguments support the manner in which the visual imagery of brand communication is increasingly integrated into the growing visual orientation of contemporary culture. The arguments are reinforced by respondents' views. Secondly, in the descriptive analyses, the importance of particular branding decisions are discussed. Such decisions are based in the dynamics of the marketing field. For a *'true and fair view'* of operations in a market driven society, the value profile of the reporting company

must be made evident to its owners.

In contemporary society, brands are demonstrated through valuation to have potentially immense value for the brand owner. Financial reporting of brands appears currently problematic, for perceived lack of reliability of valuations. This study has shown that regulators continue to question brand valuation reliability. Accountants' traditions of conservatism may have evolved to suit the practice of accounting (Scott, 1941, p.343); [refer 1.5, *supra*]. But financial reporting and the profession of accountancy can be perceived as separate, but overlapping, fields. Regulators appear to find brand valuations problematic. Valuers are experts in valuation. Analysts appear to make their own acceptances of valuations. Some auditors perceive internally generated goodwill as problematic, but also perceive the need to become constructively *'comfortable'* with valuations. And the interests of those who must report? Corporate respondents have observed that brands are very valuable assets. Within the perspective of financial reporting, a report of revenues without brands is not a *'true and fair view'* of the nature and dimensions of performance in contemporary society. Not relevant, but essential assets are missing.

The audience for financial reporting products has been broadened. The legal element in financial reporting has been changed. What of the financial reporting construct? It appears currently regulated to some tangible, predominantly cost based, commercial reality in a world of increasingly intangible values (Simensky et al., 1994). Recent revises of financial reporting guidelines in New Zealand now require market values for publicly traded investments; and for investments not publicly traded, an indication of fair value and basis of valuation is required (NZSA FRS-9 paras 8.3; 8.4).

What of publicly advertised market investments? Brand constructs are referenced by many people (including shareholders) as part of contemporary living (refer chapter 3). Many accountants' and regulators' attitudes appear to focus on what brands are not, in accountants' traditional and technical terms, rather than upon what brands are in contemporary business terms, and how they may be reported in the contemporary marketplace.

## 9.6 *Research Agendas*

This research is based within the naturalistic paradigm. It is exploratory and interpretive in approach. The research domain is multifaceted and dynamic. With its interdisciplinary focusing, the research brings new *'ways of seeing'*. Other *'ways of seeing'* have potential for different forms of knowledge and different explanatory insights. Different approaches may weight the accounting differently from the marketing. Perspectives create different profiles. A critical approach, for example, may privilege other values. A political approach imputes different interests. An economic approach energises different characterisations. In a dynamic social setting no knowledge is total; no *'way of seeing'* is definitive; and no understanding is all encompassing.

This research demonstrates that brands are perceived as material investments for corporate brand owners. The research clarifies properties of brand natures. In doing so it opens up new research agendas. It has uncovered emerging use of major brands in securities. In enquiring also into the contemporary construction of financial reporting, new avenues of interest become apparent. There are more patterns than those highlighted - for example the centrality of financial analysts emerges across various observations by respondents. The research also raises questions concerning accountants dominance of contemporary construction of financial reporting regulation. In its focus on regulation, the research has explored the changing dynamics of financial reporting with new visibilities in emergent departments of state. In marketing, research avenues uncovered include changing forms of brand management. These agendas are now briefly reviewed.

### 9.6.1 *Brand and Asset Constructs*

This study demonstrates clearly the implications of conceptualisations of marketers' brand constructs and accountants' asset constructs. The study emphasises that for some asset types, accountants have evolved particular rules. The properties of brand natures require a new approach to thinking through the brand within an accounting constructed asset framework.

### 9.6.2 *Contemporary Financial Reporting Issues*

The research raises questions about the fit of the financial reporting construct with contemporary society. In a general manner many issues are raised. One hundred years ago, commercial society was very different. Professional societies were few, and newly established. This research raises questions about the weighting of accounting interests in financial reporting. Contemporary commercial society is very complex, and there are many professional societies. Whose interests does the current regime serve? Whose interests should be served? Emerging in some respondents' observations is the centrality of the financial analyst. Changing relationships within financial markets are peripheral to this study, but the impact of analysts' interests appears to have growing significance.

### 9.6.3 *Brands and Financial Reporting*

One derivation of interest for this study was the failure of current financial reporting constructs to accommodate reporting of brands. The empirical research undertaken has collated business people's observations of brands. The study reports the perceived materiality of brands for business operations. In marketing and corporate perspectives, brands are perceived as valued investments. Differentiation between acquired and internally generated brands is not made in operations. The differentiation arises in financial reporting on technical accounting grounds. Yet, financial reporting requires a *'true and fair'* view of operations [refer 8.6.2, *supra*]. Contemporary reporting of brands in financial statements remains unregulated. Various areas of research have potential. Specifically there is potential for further research into the fit of brands and financial reporting constructs. This study was not focused to examine the interface between accountability and financial reporting. The inability of financial reporting to offer guidelines for reporting material brands raises questions about the relationship between financial reporting and accountability. From this research can be seen emergent issues for auditors in audit of brand valuations, and the need for demonstrable evidence of brand management. Another area which arises is the need for standard guidelines on revaluation. This requirement brings into contention the differentiation between review and revaluation of valuations. Revaluation appears an area of interest in recent accounting literature.

### 9.6.4 *Marketing Research*

The research undertaken arose from personal interests in brands. Brands are created in marketing. While the basis of brands and branding processes have a long history, brands are valorised by contemporary culture and consumption patterns. In its exploratory trajectory, the research has examined current interfaces of brands and innovation and technology. It has sampled, through respondents' views, varying approaches in which brand management is integrated in operations, but not made explicit. The power of brands; ties between brands and technological innovation; and formats of brand management; are dynamic areas of marketing research interests.

### 9.6.5 *Study Conclusion*

There is no conclusion to research. Only a pause, and a further start.

This study has used a naturalistic, qualitative approach which has opened up many different perspectives. The financial reporting of brands is a small focus in the larger problem of the interface between accounting, marketing, financial reporting, and the value dimensions of intellectual property in contemporary business operations.

## 9.7 *Valedictory*

The domain of this research is interdisciplinary, it is contemporary, complex and dynamic. By March/April, 1996, this study is coming to a close. Dynamic situations continue active. In the United States of America, the Securities and Exchange Commission has announced a *'Symposium on Intangibles'* for April, 1996. The cover story of *Fortune* magazine (March 4, 1996) claimed *'The Brand's the Thing'*[4]. Symposia at the 19th annual congress of the European Accounting Association, May 1996, included Symposium V *'Accounting for Goodwill and Intangibles'*[5]. Such interest publicly acknowledges the increasing importance of intangible assets in contemporary business and society.

1. The checking of three hundred quotations with respondents is argued as analogous to the requirements of the naturalistic paradigm, in which the textually created reality is checked with respondents (Lincoln et al., 1985). Each quotation was returned in page format to give an indication of use [refer Characteristic 9, Naturalistic Paradigm, **Appendix 2.II:**].

2. The problems of brands and financial reporting arise because brands are perceived as valuable by some people. Therefore, although the central focus of the research is upon the nature of brands *(What is a brand?),* perceptions of value have been sought *a priori* to establish whether there is justification, on grounds of perceived value, to argue for reporting of brands *(How do brands fit with financial reporting?)*

3. Two respondents spoke specifically of looking to overseas leadership.

4. Morris, B. (1996) 'The Brand's the Thing', *Fortune*, March 4.

5. The Symposium was introduced by Professor Stephen A. Zeff, with speakers Mr Allan V.C. Cook, Technical Director and member Accounting Standards Board, and Professor Michael Power.