

How Much is a Brand Worth?

By Tom Silva, Principal, Silva Brand

How Do You Create Value in Your Brand?

Do you remember when WhatsApp, the instant messaging app for smartphones that uses the Internet to send text messages and images, was purchased by Facebook for \$16 billion? What were WhatsApp's revenues that year? Just around \$20 million -- about as much as a top Chicago steakhouse makes in a year.

And remember when Tumblr, the micro-blogging platform and social networking website, was purchased by Yahoo for \$1.1 billion? Its revenue numbers that year were \$14 million.

In both cases, the purchase price didn't seem to follow any of the commonly used approaches to valuation: the asset-based approach, the income-based approach or the market-based approach, all of which use the company's earnings before interest and taxes (EBIT) as a benchmark of what a company is worth. Clearly, none of that applied here.

So what did Facebook and Yahoo pay for, if not revenue? In the past, M&A people referred to this X factor as 'goodwill' (the premium people are willing to pay over the value of the physical assets) and it was equated with the value of the loyalty of the firm's customers. But, over time, goodwill has been replaced by the much more commodious word, brand. While not cash cows, both Tumblr and WhatsApp are juggernauts because of their mind share more than their market share; their value is a reflection of how their brands have insinuated themselves into the lives and workdays of people all over the world.

Take WhatsApp's whose user base is at 900 million. In less than two years, services like WhatsApp, along with Snap-chat, Kik, Line, KakaoTalk and WeChat have blown

up (to use the tech parlance for success) because they do so many things for their customers: they are social lifelines for millions of users; they save their customers lots of money by reducing text-message and telephone fees; they feel more private than the broadcast method of Facebook; they foster a more natural feeling of conversation between ad hoc groups of friends; and it taps instantly into your phone's address book. In other words, they deliver value not at one point but across a matrix of functions.

So does any of this apply to real estate? The answer? Look at the numbers. If you have a strong brand there is no question that it raises the value of your company or asset regardless of your revenues. I've already written about how a slew of established brands commanded a premium in the real estate marketplace recently. But to many, all of this seems vague. How does branding create that value? It's a reasonable question to ask when you sit down to write a check for thousands or tens of thousands of dollars; namely, what do I get in return?

The value of branding can seem vague if it's conflated with simply marketing (which is why people think changing a logo or launching a new website can't possibly make a difference). But branding is about something much more profound than creating collateral. According to New York City agency Interbrand, a brand is a living business asset that creates three things: identity (so people recognize your name), differentiation (so they set you apart from competitors) and value (so people are willing to pay more for your product or service).

But the way to accomplish this is not to layer your brand like a fresh coat of paint over your organization; to create value, a brand must be embedded across the entire customer value chain -- just like WhatsApp or Tumblr. Accepting that a customer

value chain is those things that you do to retain existing customers, classic real estate value chain items would be incentive packages, after-move-in care and support, and rebates for early renewal.

As brand strategists Jens Martin Skibsted and Rasmus Bech Hansen wrote in the Harvard Business Review, "Organizations can no longer draw clear lines between marketing and product development, between communications and services. Products and services must be able to tell a story and communicate value without an extra advertising layer on top. As information is more and more available and the importance of brands increases, the ability to tell a meaningful story through actions and products, not words, is the only way to win."

So, let's think about how that would look in real estate development. If your unique selling proposition is converting historic Class-B buildings into tech offices (like a Friedman Properties or Sterling Bay), your brand idea might be "high-tech heritage buildings." If that's the case, that brand idea must be reflected across all your company's touchpoints from customer interface to periodic reporting to your built environment to collateral. So, to create a true value chain, you would pay for your leasing and property management teams to gain certification from the National Council for Preservation Education, use green leases to reward sustainable practices, seek landmark status for buildings, showcase historic elements within your facility (Sterling Bay's conversion of 1000 West Fulton, an old warehouse, includes a reception area clad in wood salvaged from shipping pallets), employ the language of preservation throughout your sales presentation (Friedman uses phrases like "our urban renewal" and "preserving the past"), create a living wall within your offices to underscore the "preserve" theme and even use



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soft-branded affiliations like retaining the names of historic facilities (the way Bloomingdale's downtown Chicago location, for example, still leverages the name and history of the 1912 Medinah Temple which it converted).

All of this is much more profound than a website or collateral materials because it tells the story of your brand in every interaction with the firm. The brand story becomes part of the DNA of your company through its practices, places and people. And why does that create value? Because it can't be easily replicated by competitors (unlike a new website or logo). Ultimately, embedding your brand across your organization in this way makes it come alive.

Tom Silva is founder of Silva Brand, a brand consultancy and marketing agency in downtown Chicago. A business strategist and creative director for two decades, his work has been recognized by the International Academy of Digital Arts and Sciences, the International Academy of the Visual Arts and the Web Marketing Association. Tom's writing about business and branding has been featured in numerous publications, including Thomson Reuters' Inside the Minds series of books.