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## **INTERNATIONAL BRAND: METHODOLOGICAL REVIEW OF THE EFFECTIVENESS OF FUNCTIONAL COMPONENTS**

**Objective.** *Purpose of this article is to determine the essence of functional component of international brand, research opportunities of methodological bases as evaluation of branding effectiveness in the international space.*

**Methods.** *Used during the research: principles of axiology and functionality, by means of which functional essence of international brand, principle of systemic universal relations and development, which helped to reveal dialectics of relations between methods and tools of branding, functional structure of brand and quality of relevant functions implemented by brand, have been revealed.*

**Results.** *Based on this research, a scientific and methodical approach to evaluation of international branding effectiveness on the basis of its functional component has been proposed.*

**Academic novelty.** *Improved scientific and methodological provisions on evaluation of branding effectiveness, which in contrast to the existing ones are built on the principles of functional approach, considering the level of significance and quality of functions implementation by international brand, which gives a more complete and clear picture of brand effectiveness, reveals its target content and identifies strengths and weaknesses in comparison with brands of competitors.*

**Practical importance.** *Practical significance is that the main provisions delivered in the article, have been brought to the level of methodological developments and practical recommendations, are expedient for implementation of functional approach, and constitute a methodological basis for evaluating effectiveness of international brand.*

**Key words:** *brand, branding, methodology, effectiveness of branding, functional component.*

**Problem statement.** Today, at the stage of development of market relations in Ukraine and conquest of international space, the problem of creating strong, competitive brands and determination of a unique place in the market and in minds of consumer audience that reflects a brand identification strategy in all communications, has become urgent. Particularly, a methodological review of functional component of branding and high expertise of a company's professionals in conjunction with marketing support for projects, determines effectiveness of solutions and becomes quite an urgent problem of today.

Methodological overview of brand functional component is quite important and creates the most objective scientific basis for evaluating effectiveness of brand as

a whole, and primarily considered in terms of demonstration of common properties in the environment and occupation of leading positions in the international space. Particular emphasis should be put on presence of internal relations between attributes and associative elements of brand, and on the necessity to analyze external relationships and correlation functions.

**Analysis of recent research and publications** of famous researchers, such as D. Aaker [1], O.M. Azaryan [2], P. Doyle [3] A. Kendyuhova [4], R. Koontz and O'Donnell [6], J. Maryotty [10] , M. Yurdakul [11], and others show that today not enough attention is paid to study of international brand from the position of reasoning the role of functional component, there is a discrepancy of classification system in the functional aspect.

The underlined problems have determined the objective need for further research, justified urgent character, purpose and objectives.

**Purpose of this article** is research of opportunities for methodological foundations as evaluation of branding effectiveness in the international space, determination of the essence of functional component of international brand.

To achieve this purpose the following objective has been formulated:

- To conduct a methodological review of evaluation of brand effectiveness;
- To reveal epistemology of functional component of brand;
- Justify feasibility and possibility of using a functional approach in branding as for evaluation of its effectiveness.

**Presentation of basic research material.** Main problems of evaluating an international brand are that the final results of industrial and economic activities are expressed in integrated indicators of a company performance.

Sphere of a particular market, products of a particular company have special influence on the formation of integrated indicators; level of competition, geographical scope of the market, dynamics of the market capacity, consumer properties of products, financial capacity of a company are taken into consideration.

Methodological overview of evaluation of international brand values provides a wide aspect of existing evaluation methods: method of presenting brands as valuable assets in the financial report in the line "immense assets", an example of Gadbury Schwepps, (when buying brand Pilsburry for \$ 5 billion), selection of financial, marketing and even combined approach to evaluation of brand value based on calculation of total costs of the brand formation for the definite period of time, using the method from the position of shareholder value, determining value of brand on the basis of expert estimates of key parameters of the " brand strength": market share, volume of sales, dynamic of earnings and others.

P. Doyle [3, p. 330] distinguishes evaluation methods by disclosing the key aspects: forecasting free cash flows (indicators of sales, operating profit, actual amount of taxes, net investments and fixed assets are used for forecasting), calculation of the brand added value (determination of additional cash flows generated by intangible asset), determination of discount rate (discounting of future cash flows to their current value, where direct dependency on stability and riskiness of cash flows generated by the brand can be traced).

It is becoming obvious that a great variety of situations, purposes of evaluation of brand functional component encourages seeking alternative approaches to evaluation.

On the other hand, Valmatrix Consor method adds to its analysis a model scoring with the use of twenty key factors so far, including: profit rate, development curve, brand lifecycle, international protection, financial and economic evaluation of brand. Certainly, this is an advantage of this technique and it involved in cooperation for brand evaluation such companies as Procter & Gamble, Ford, Exxon, General Electric.

A somewhat different approach is offered by GFK, which is among the world leaders in market research. In 2008, it introduced a tool called BASS - Brand Assessment System. This method is based on measuring potential sales of brand based on information received by Consumer Panel (collection of consumption data from daybooks, daily filled by a representative rule of households in many countries). BPI (Brand Potential Index) is used in this tool, which is calculated on the basis of 10 criteria, and is able to provide short-term and medium-term market forecasts. One of the needs for development of this tool is that in today's conditions Strong Brands are characterized not only by market share or market penetration depth, but also by "strength" or ability to ensure long-term loyalty of their consumers. In this regard, it is possible to emphasize that this method takes into account factors relating to sales volume and they determine strength of the brand [7].

Capitalization of future cash flows (using the "brand strength" index and discounting the expected flow and getting the result, which is value of the brand). Of course, there is criticism of this method [11, p. 24-27], but annually Interbrand offers a list of world's most expensive brands.

It is worth mentioning BAV (Brand Asset Valuator method of) method for estimation of brands, proposed by Young & Rubicam and tested in Ukrainian conditions by researcher L. Radkevich [5, p. 233-256]. Research of brands under Brand Asset Valuator method shows that state of market of any brand (regardless of product category, country of origin and age) can be described on the basis of four basic criteria, which are closely related to its ability to ensure growth of a company profit and to increase its value for the owner accordingly.

Search for alternative approaches to evaluation of brand effectiveness has become urgent. This evaluation method of ACNielsen Company is based on the panel survey with the central role of Brand Monitor System, with modules of brand screening (Brand Screening System), brand value (Value System) and brand control (Brand Control System). Valmatrix Consor method adds to its analysis a model of scoring, which is a positive advantage of this technique and attracts for cooperation such companies as Procter & Gamble, Ford [8, p 615].

Overview of many methods for evaluation of brand values gives a conclusion that there is an assumption of importance of functional component as a methodological basis for evaluating effectiveness of brand, which is the basis of a strong positioning of brand and building material aspects in close contact with the consumer audience, calculation of transformational changes of functional essence of

brand with periodic repositioning, restoration, regular monitoring and search for new models, adapted to modern marketing techniques.

It is advisable to evaluate effectiveness of branding in a competitive environment considering this environment, comparing with similar indicators of those competing brands. The main thing is to compare with the average absolute efficiency on the market, where brands are competing with each other.

Complexity of evaluation of brand effectiveness is in conformity of the latter to the target market, and lack of a unified base. At this stage there is a need to consider methodological tools for evaluation of investment projects proposed by O. Kendyuhov [4, p. 217-221] while using the following economic indicators: net discounted income, profitability index, and annuity method. The main emphasis in development of brand performance indicators needs to be put not on non-economic indicators, but on qualitative evaluation of brand functions: informational, social and emotional, behavioral aspects.

Effectiveness of international brand from the position of functional component is that a brand is considered on the basis of usefulness (functionality), which it has or should have. Certainly, analysis of functional component of brand is considered in terms of its function attributes that are considered in terms of their relevance, forms of exposition, formation and size of expenditures in order to fully meet the specified requirements, with disclosure of its value aspects both for consumer audience, and for the brand owner. From the position of functional component, an international brand is a system of different functions that are closely interrelated.

Study of functional component of brand represents a set of interrelated properties that influence behavior of various contact audiences. The principal limit of functional interpretation of brand is that it is considered as a set of specific functions that reveal its value both for consumers and for the brand's owner. Brand is actually intended for implementation of certain functions.

When determining a composition and classification of brand functions, it is recommended to consider dialectical unity of all functions that characterize its essence and content. In relation to consumer, a composition of functions should provide a predetermined reaction of consumers to a product or service that is sold under a particular brand.

Functioning of any object, including a brand, is connected with expression of its general qualities in the environment. Thus, external linkages and correlations, which are the functions, along with the presence of internal relations between its attributes and associative elements, are typical for every brand. Analysis of functional component of international brand allows setting a degree of compliance of functions content of brand to the current state of the market, customer requirements, and level of competition.

Functional approach involves a systematic research of functions implemented by the object, considers it as a functional operational complex.

Functions, in which essence of the brand should be disclosed, are universal, meaning that they should characterize the essence of any brand. At the same time, concreteness of the brand content means that it should, based on the functional approach, be characterized by quality of functions implementation that fills the brand

with specific content. That is, functions of brand, on the one hand, should be universal, to characterize any brand, but on the other hand, each universal function can be specified depending on the type of brand or goods sold under it. Thus, essence of branding is preserved, but the content varies depending on specificity of a particular brand, with separation of position for brand's functions in a number of major categories of branding.

**Conclusions and recommendations for further researches.** After analyzing the existing methods for evaluation of branding effectiveness, it has been revealed that at present for evaluation of branding effectiveness in domestic and foreign practice there is no single consensus view on methods for its determination. Existing methods for evaluation of branding effectiveness are isolated and do not have a single unified form. They are designed to implement a specific purpose and do not provide an integrated system of indicators and evaluation criteria, they are one-sided and do not fully reflect the essence of brand. Since a brand foundation is its functional component, evaluation of branding effectiveness by analyzing its functions have become of great importance.

It is proved that a methodological review of brand effectiveness in terms of its functional component provides a systematic research of functions implemented by the object, considering it as a set of functions that it performs, is the central category of functional approach.

Based on the methodological review: a grounded, functional component is the methodological basis for evaluation of brand effectiveness and it does not depend on the forms and methods and it is a purposeful action on consumer's consciousness by forming in his mind an image of the brand, maintenance of the desired ratio between the concept of positioning, functional structure of the brand and marketing communications, as well as timely detection of such a situation when the existing structure of positioning reflexes functional essence of the brand, purposes of branding and promotes a domestic brand to the international market.

Perspectives of further research is a more detailed analysis of branding effectiveness, evaluation criteria and main factors of influence on effectiveness of international brand.

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