

WHITEPAPER

The Measure of a Brand: The Online Challenge

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The value of a brand

The Internet has changed the way organizations do business today. At the same time, the proliferation of information available online can be both a blessing and a curse when it comes to protecting a corporate brand.

Organizations are quickly realizing that monitoring and protecting brand and copyright usage has become exponentially harder with the rise of the Internet. Phishing, spoofing sites, phony links, misleading photos – there are literally thousands of ways a brand or copyrighted images can be misused. The rise of blogging and recent amendments to fair-use laws in the United States that allow journalistic use of copyrighted material without permission, have made it even more challenging.

While the task seems overwhelming, protecting a brand online is vital in today's competitive environment. Overlooking online brand usage can lead to loss of revenues through counterfeiting and spoofing; loss of reputation where customer trust has been compromised; and even loss of rights to the brand if a company has not demonstrated due diligence in protecting it. In addition, with blogs providing an open forum for consumer complaints and editorial challenges, it is critical to one's reputation to have comprehensive knowledge of what is being said about a brand, by whom, and what – if any – type of response is needed.

In addition, many organizations have a regulatory obligation to address foreseeable threats to their customers, which can include online activities associated with identity theft, misleading information or even simple nuisance events.

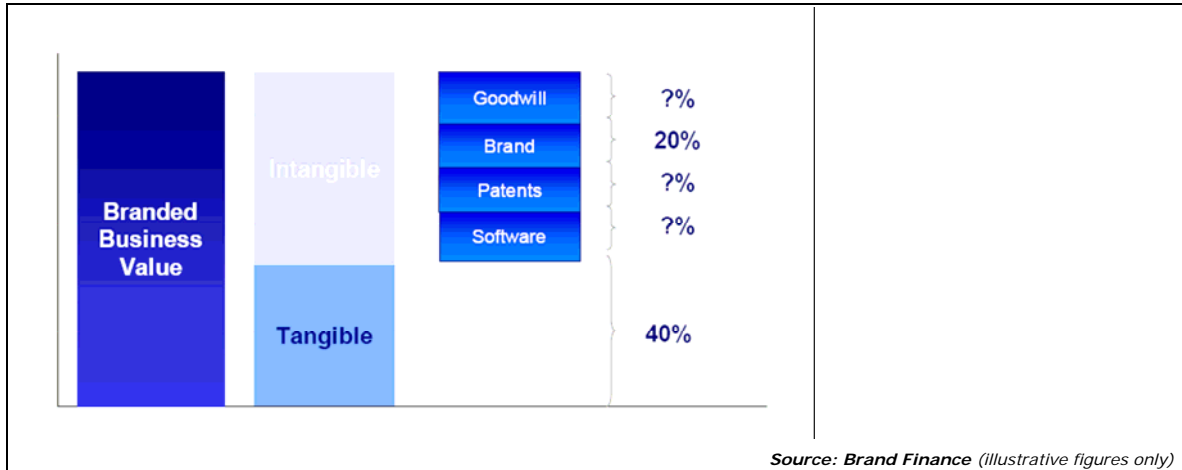
The dollar value behind the brand

The value of a brand is far more significant than most people realize today. Beyond the obvious goodwill and recognition factor, a brand is a highly valuable corporate asset. In some cases it can be worth tens of millions to billions of dollars, and represent more than 50% of a company's net worth. Brand Finance, a global brand valuation consultancy, reports that Nike's brand for example represents 84% of its total enterprise assets, making it the most valuable contributor to its parent company's value.

According to the Brand Finance 250 January 2007 report on the world's most valuable brands:

- The total value of the 250 most valuable global brands is \$2,179 trillion.
- Coca-Cola is the world's most valuable brand with an estimated value of \$43,146 million.
- Google's brand value is the highest of the Internet brands at \$24,687 million.
- On average, brand values represent 18% of the total enterprise value of the businesses represented within the BF250.
- New financial reporting standards have led to a marked increase in disclosed intangible assets, including brands, amongst listed companies.

Intangible versus tangible assets:



Brand value is an integral component of a business' intangible assets. Its percentage value can vary depending on a number of factors, including the type of industry, earning streams that can be attributed directly to brand and the cost to license the brand, among others.

Setting the precedent

Policing a brand is not simply a matter of addressing the obvious threats such as Internet fraud or phishing attacks however. Ignoring what seem like minor nuisances – such as widespread unauthorized use of logos – can also lead to loss of rights to the brand. When challenging a brand violation in court, enterprises must demonstrate due diligence in protecting their logos and brand. If a company has not done that, courts will typically rule that the mark is no longer meaningful and has become ubiquitous. For some that could translate into the loss of tens of millions of dollars in brand equity. This turned out to be the fate for such brands as escalator and aspirin, simply because there was not enough effort put into protecting them – and this was long before the Internet came into play.

A growing need

It has become obvious to those that are close to the task of managing their brands that brand protection is a vital component for any corporate strategy. However, industry observers report that brand protection online in fact represents a major area of weakness for many enterprises today.

Gartner's October 2007 report, "*Managing online reputation is becoming a business imperative*" says that businesses need to become more proactive in managing their reputation online in the face of rising crime and reputational persistence. As the Internet evolves and the level of sophistication of online crime increases, it is becoming ever riskier to participate on the Internet."

It also predicts that by the end of 2010, criminals will routinely use the Internet to extort funds, which will damage corporate reputations by ensuring that routine online search activities return negative or libelous results. This leads to the inevitable conclusion that there is a compelling need for organizations to "get to grips" with Internet reputation management.

Brand Finance in its report notes, "Many companies continue to regard the recognition of brand values as tedious compliance rather than as an opportunity to better manage the business. This will have to change as competition increases in all sectors and countries." It also states that brand valuation and analysis tends to be conducted under duress or for short-term reasons rather than as a management process.

Tackling a global challenge

It comes as no surprise that enterprises are falling short of the mark in policing brand usage online. Given the scope and complexities of the online world today, policing a brand is simply too monumental a task that is well beyond the scope of most in-house resources. While one can put in place process to automate Web searches and generate alerts to brand usage, these actions only scratch the surface.

To illustrate the scope of brand infractions on the Internet, BD-BrandProtect has identified four groups of Web-based threats, each of which contain multiple types of infractions. These are:

- Phishing (fraudulently acquiring sensitive information, such as usernames, passwords and credit card details, by masquerading as a legitimate business in an electronic communication)
- Brand-based (i.e. counterfeiting, trademark and copyright infractions)
- Domain-based (e.g. registering with a brand name you don't own or other variations on the theme)
- Weblinking (broken links or links being diverted to such things as pornographic sites)

Common Internet branding infractions include:

- When a user clicks on a link with the client's name or logo and it diverts them to a competitor's site, a third party industry site, a search engine or other corporate sites or pages
- Initial Interest Confusion – a page that leads a customer to believe they are on the client's website
- Counterfeit activity – selling fake products under a brand name
- Misrepresentation – when a third party website displays a reference to an organization usually in the form of an authorized reseller, agent or broker of your company
- Framed website – when a company website appears in a frame contained within the boundaries of a third party website
- Website content – where the content on a third party Web page implies that a formal relationship exists with the company
- Non-hyperlinked logo – a third party website displays a reference to an organization using their logo which infers the site is associated with the company
- Client in third party URL and third party URL – a company's trademark appears in a third party URL and the web page does not reference the company; or the URL contains the name in the address but the domain name is registered to a third party
- Unauthorized association – a third party that claims to be a partner, client, member, lender, investor or sponsor with an association to your organization
- Employment listings – placement of false employment listings by head hunters to lure potential candidates

- Business listings – when a company is included in an unauthorized business listing
- Logo mis-use – displaying logos that are not current, incorrect or distorted
- Vanity website – a member of an organization creates a website representing the company without approval

Domain infractions are also part of the brand searching exercise. In these cases, a newly registered domain will resolve into pages that:

- State the domain is for sale or auction
- Have monetized links so the page will attract attention and create a flow of money
- Contain adult content
- Redirect you to a corporate site through an affiliate page
- Show your corporate logo
- Say that the page is under construction

The starting point

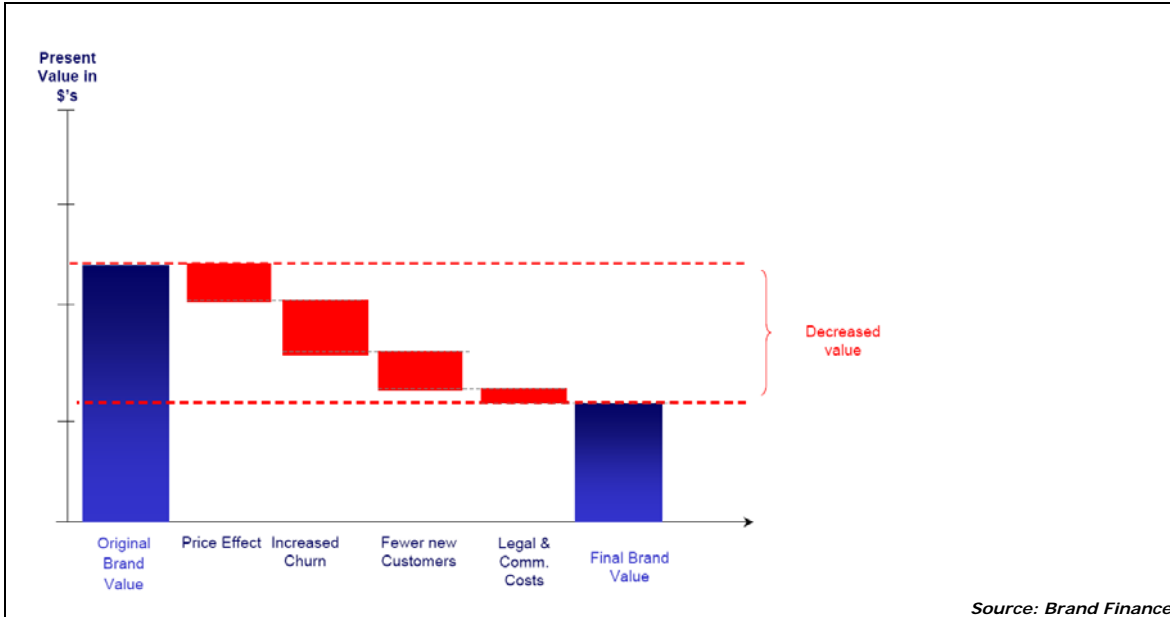
Tracking all of these efficiently and effectively requires highly sophisticated technology tools, as well as relationships with global Internet service providers (ISPs) and regulatory authorities. In our experience, searches can turn up hundreds – or even thousands - of infractions a day. However, it is estimated that 90% of improper usage is harmless (e.g. a charitable organization posting a sponsoring company's logo on their Web site).

To avoid being overwhelmed with mountains of data, it is essential to have the processes in place to prioritize infractions according to their level of risk. Overall, brand concerns are the same for most companies. However, priorities can vary depending on a company's market. For example, a consumer-products company would consider tracking counterfeit products and channel partner brand usage as top priorities, while a company marketing to family values would be suffer greater damage if their brand was linked to pornographic sites. A financial institution would place a higher priority on phishing and spoofing activities, since these activities would quickly erode consumer confidence.

Dealing with the aftermath

In situations where an infraction is detected and action required, engaging in the proper follow up processes is equally critical. In a majority of cases, issuing a cease and desist letter will be sufficient to remove sites that are misusing a logo or brand or have registered an inappropriate domain name.

Conceptual impact of an online infraction on a brand
(e.g. a phishing attack):



An online brand infraction can have a significant impact on a brand's value. This chart conceptually illustrates the potential damages and costs associated with an incident if proper policing measures are not put in place.

However, larger scale infractions can require extensive knowledge of - and connections with - international regulatory providers, jurisdictional authorities and regional ISPs. For those that do not have the infrastructure to deal in matters on this scale, it can be an extremely labor-intensive and costly process. In many cases it has taken companies months to implement the appropriate measures to take down offending sites or stop fraudulent activities, whereas an experienced specialist can escalate mitigation procedures and deliver actionable results within a matter of days.

Policing the online world

Research attests to the fact that enterprises to date have been relatively slow in addressing the issue of online brand protection. However, as search and mitigation technologies and processes evolve, enterprises now have affordable and flexible access to resources that can play a key role in staying on top of online brand usage.

While Gartner says in a September 2007 report "Evaluating Brand Monitoring and Anti-Phishing Services", that the market for brand monitoring and anti-phishing services is small to date (less than US\$50-million a year), "early detection capabilities will become increasingly useful to enterprises during the next two years, as online threats escalate."

With millions of dollars of brand equity at stake – and the prospect of ever-increasing online threats - it is evident that enterprises can no longer afford to be reactive in their brand monitoring and protection activities.

Appendix 1

Steps to proper brand protection:

Step 1 - Measure

- Perform a thorough analysis of an enterprise's online presence including internal brand protection procedures, history and analysis of threats, customer opinions

Step 2 - Monitor

- Continuously scan the Internet to uncover threats that put an organization's reputation at risk; and then verify, category and prioritize each threat.

Step 3 - Manage

- Apply human filtering to create detailed and actionable reports that provide insight into the highest priority and most relevant infractions; issue immediate alerts for severe infractions upon detection; initiate and escalate response protocols where required.

Step 4 – Mitigate

- Collaborate with law enforcement agencies and other relevant third parties to take proactive measures to mitigate risks and brand infractions, including cease and desist letters, take downs of offending sites, and follow up.

Appendix 2

What it takes to police branding on the Internet

The BD-BrandProtect Internet map includes the following:

- Over 275 millions sites
- Over 9 billion web pages
- Over 70 billion links
- Over 1 billion fetched/processed pages per month

Appendix 3

Brand rankings for 2007

Top 10 Global Brands

Rank	Brand
1	Coca-Cola
2	Microsoft
3	Citi
4	Wal-Mart
5	IBM
6	HSBC
7	GE
8	Bank of America
9	Hewlett-Packard
10	Marlboro

Largest Brand Contribution to Enterprise Value

Brand Value	Enterprise Value %
Nike	84%
Prada	77%
Acer	71%
Avon	68%
Bulgari	68%
Chanel	66%
Estee Lauder	61%
Quicksilver	60%
Calvin Klein	58%
Adidas	56%

Source: Brand Finance

About BD-BrandProtect

BD-BrandProtect, the leader in online threat protection, empowers organizations to gain control over how they are represented online. The company's services help organizations detect, uncover and take down online threats to their brands, such as phishing, fraud, copyright infringement, web traffic diversion and more. By combining advanced technology and around the clock human analysis, BD-BrandProtect filters, reports and takes action on the threats that present the most risk to a brand. The company has relationships with more than 2,000 Internet Service Providers globally that account for more than 85 percent of the traffic flowing across the Internet. Founded in 2001, BD-BrandProtect is headquartered in Toronto, Canada, with offices in the United States, Singapore and London.

For more information: www.bdbrandprotect.com



About Brand Finance

Brand Finance is the world's leading independent brand valuation consultancy. It advises strongly branded organizations, both large and small, on how to maximize shareholder value through effective management of their intangible assets. It has extensive global experience in all aspects of intangible asset valuation, transaction support, brand management and licensing. As branding specialists, Brand Finance brings together a unique combination of strategy, finance and marketing experts to offer unrivalled expertise in this area.

For more information: www.brandfinance.com



About the Authors

Kevin Joy

As Vice President Mr. Joy brings more than 16 years of industry experience to his role at BD-BrandProtect, where he is responsible for all aspects of global branding and marketing, as well as product strategy and go-to-market initiatives. Prior to this, Mr. Joy led the market strategy and program development of all Deloitte Canada's services and played a major role globally as a member of the firm's marketing, communications and business development council - most notably as a leader of its branding initiative.

He also spent eight years with Unilever in Canada and Mexico. In Canada, he built BeceL into one of Canada's most successful and trusted household brands and then went on to lead Lipton's food innovation effort. While in Mexico, he was an integral part of a successful new joint venture for Unilever's ice cream business, which included franchise operations.

Mr. Joy was a founding member and director of Integrative Proteomics, a Canadian biotech startup.

He holds a Bachelor's degree in Chemical Engineering and an MBA in International Business and Marketing.

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Mr. Zimakas has extensive senior operating experience in marketing and general management at tier one organizations across packaged goods, technology, and financial services in Canada and the U.S.

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