

IMPACT OF BRAND VALUE FACTORS ON STOCK PRICE RETURN: A STUDY OF BSE-30 COMPANIES

Mr. Harendra Singh, Prof (Dr.) Anil Vashisht

Assistant Professor, Professor and Director
Amity Business School, Amity University Madhya Pradesh
Gwalior, M.P. (India)

Abstract: *Investors run behind the big brand for investment for secure and good return. It is question whether the brand value factors affect the stock return or not. So in this research we have tried to find out the impact of brand value on the return of stock prices. We have taken some factors of brand equity to measure the brand value and have established the relationship with daily percentage return of BSE-30 companies. The result of this study shows that there is significant impact of EPS and Revenue from operations on stock return of companies.*

Keywords: *Correlation, regression, brand value, stock return*

1. Introduction

The efficient markets hypothesis proposes that the share-price of a firm reflects shareholder impression of the present and future profit capability of the greater part of its assets, both tangible and intangible. Brand value can be seen as an intangible firm resource and research recommends brand value impacts share prices. In any case, the impact of brand value on purchasers contrasts from its impact on organizational purchasers. In this study we tried to examine the impact of brand value on the share price performance.

1.1 Brand Value

We as often as possible allude to 'Brand Value' as though everybody recognizes what we mean. It is accepted that there is a general understanding that a brand remains for something and what it remains for must have an esteem. These qualities can be fundamentally essential or little unimportant things yet most importantly they are the things which give the brand its value and separate it from all others. Through these brand values an item or administration is upgraded past its practical reason. In this context the brand furnishes the buyer with more esteem and this is the reason they are set up to pay a premium to obtain it.

Brands plainly have an incentive to the organizations which claim them; the business is worth more in light of the situation of the brand in its market. As we have seen, the estimation of a brand has generally been viewed as a component of generosity (the additional value of a business far beyond the estimation of physical resources) and bookkeepers have just esteemed this at the time a business is sold up to then it doesn't show up on the monetary record at any rate in B2B or mechanical organizations. As of late some significant buyer brands have been promoted an esteem has been put on the brand and included as a monetary record resource of the organization owning the brand. Different ways to deal with estimating brand esteem have grown yet are not up 'til now institutionalized. Issues remain, including that brand worth can vacillate rapidly (e.g. as the aftereffect of some showcasing calamity). We have seen that in numerous modern markets there is extra intricacy to esteeming brands; The brand and the organization name are regularly the same. Albeit, apparently, the two can be isolated thoughtfully, how or whether this ought to be done practically speaking is up 'til now dubious.

1.2 Measurement of Brand Equity: While monetary measurements are dependably the main thing that administrators need to see to affirm that a brand is productive and should live to see one more day, money related measurements ought to really be the last piece of the brand value estimation process. That is on account of money related measurements result from the brand quality and customer measurements portrayed underneath. So, your money related brand value measurements should accumulate the accompanying information: Market share, Price affectability, Profitability, Revenues, Marketing ventures, Growth rate, Cost to secure new clients, Cost to hold clients. Obviously, this is simply short rundown of the money related measurements you should track. Search for abnormalities and patterns, so you can distinguish activities that drive positive outcomes and guarantee your image is building positive value after some time. Utilize this information to exhibit how vital the brand resource is to your association, to help mark expansions, to secure showcasing spending plans, and that's just the beginning. Because of restriction of information accessibility we have taken Profitability, Revenues, Market offer to reflect mark esteem and have look at the effect of offer execution.

2. Literature Review

As indicated by Tiwari (2013), brand value is an idea of numerous elucidations. As expressed already, it can be seen from two points of view: monetary viewpoint and advertising viewpoint (Tiwari, 2013). In spite of the fact that the writer has effectively expressed that the focal point of this examination is mark an incentive in money related viewpoint, the two points of view will at present be talked about in the accompanying because of the way that the two ideas are interconnected to each other.

Under advertising viewpoint, mark esteem is frequently alluded to as brand value. It is an idea initially brought about by Tom Aaker in his book, titled *Managing Brand Equity*, which was discharged in 1991. Aaker characterized mark value as brand – based resources and liabilities that can enhance or decrease estimation of an item and additionally benefit (Aaker, 1991).

Beside the previously mentioned factors, Aaker (1991) likewise recognized that these five determinants have its advantages towards the investors, predominantly mark reliability, value premium, and upper hand. At the point when a firm gets a grip of these advantages, at that point it implies that the firm as of now secures a specific degree of future income, since clients will continue purchasing the brand at a higher cost within a reasonable time-frame. By understanding this, at that point it is clear how brand can offer some benefit to clients, and thus, to firms. It is extremely conceivable that the esteem creation was inferable from elusive resources (Interbrand, 2013). In that capacity, one might say that brand is the most essential resource that a business would ever have. As expressed beforehand, brand could impact clients' discernment and buy choice to the point of securing future income (Brand Finance, 2007 - 2015).

At in the first place, putting a monetary incentive in a brand appeared to be unseemly. The primary organizations that really put mark an incentive in their monetary record (as generosity) were charged for esteem – upgrading hones (Interbrand, 2013). In any case, a few nations like UK and France, recognized the estimation of brand and enabled organizations to place them in a critical position sheet. In 1988, a UK nourishment aggregate named Rank Hovis McDougall first spearheaded the act of valuation in his image portfolio. From that point on, the acknowledgment of brand esteem gets more spotlight. In 1989, London Stock Exchange embraced the brand valuation strategy from McDougall. In 1999, IFRS 10 and 11 were issued on the point of generosity and elusive resources. What's more, these days, the financial estimation of brands is at long last generally acknowledged (Interbrand, 2013).

As indicated by Walter T. Harrison and Charles T. Horngren (1998), in the business world, stock cost can be deciphered in different definitions. To begin with, there is Market Price definition, which is characterized as the ostensible incentive at which one can purchase or offer a unit of stock. The stock value definition alluded in this examination is the market cost of the stock. The reason is that market cost is the one utilized and recorded in stock lists around the world. Market cost changes in its own respect.

3. Research Methodology

3.1 Objective

To study the relationship between brand value factors and Stock price

3.2 Measurement of Brand Value

The factors that we have considered for calculation of brand equity are:

a. Earnings per share

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability. EPS is calculated as:

$$EPS = (\text{Net Income} - \text{Dividends on Preferred Stock}) / \text{Average Outstanding Shares}$$

b. Revenue from operations

Income from operations (IFO) is also known as operating income or EBIT. Income from operations is the profit realized from a business' own operations. Income from operations is generated from running the primary business and excludes income from other sources. For example, this would exclude income generated from selling the property of a manufacturing company.

c. Enterprise Value

The Enterprise Value, or EV for short, is a measure of a company's total value, often used as a more comprehensive alternative to equity market capitalization. Enterprise value is calculated as the market capitalization plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

$$EV = \text{market value of common stock} + \text{market value of preferred equity} + \text{market value of debt} + \text{minority interest} - \text{cash and investments.}$$

3.2 Concept of Return:

The price return is the rate of return on an investment portfolio, where the return measure takes into account only the capital appreciation of the portfolio, while the income generated by the assets in the portfolio, in the form of interest and dividends, is ignored. This contrasts with the total return, which does take into account the income generated in the portfolio.

$$\text{Percentage (\%) Return} = \frac{P_1 - P_0}{P_0} \text{-----(3.1)}$$

P₀ = Current Market price of share

P₁ = Price of share after period n

To achieve the objective we have applied the **correlation** and **regression** between brand value factors and share price return.

4. Data Analysis

To achieve the objective we have collected the share price (daily closing prices) data of BSE-30 companies from January 2012 to December 2017 and calculated the percentage (%) return. Further, we calculated Brand equity factors like: earnings per share (EPS), Revenue from Operations per Share and Enterprise Value (EV) into for period from January 2012 to December 2017.

To study the relationship between brand equity factors and share price return we have first applied the correlation, analysis is shown in table 4.1.

Table No. 4.1
Correlation between Brand equity factors and share price return

	Correlation Value
% Return/ Basic EPS	0.768280163
% Return/ Revenue from Operation/Share	0.692501995
% Return/ Enterprise value	-0.20187876

Correlation of percentage return with basic EPS and Revenue from Operation/Share is positive and significant. It means if EPS/Revenue from operations increases percentage return increases and vice-versa. Correlation of Enterprise value with % return is negative but not significant. So for further analysis we have considered only 2 factors (Revenue from Operation/Share, Basic EPS). To see the impact of brand value factors (Revenue from Operation/Share, Basic EPS), we have applied the linear regression; analysis of the same can be seen table 4.2.1 to 4.2.3.

Table 4.2.1 Output of linear regression

<i>Regression Statistics</i>	
Multiple R	0.792919
R Square	0.680137
Adjusted R Square	0.636815
Standard Error	10.9362
Observations	30

Table 4.2.2 Output of linear regression

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	986257.5	493128.8	11.08302	0.00039
Residual	28	1067858	44494.1		
Total	30	2054116			

Table 4.2.3 Output of linear regression

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-25.4184	6.56478	-4.40627	0.048142
Basic EPS	-0.31966	1.956457	-3.16339	0.041583
Revenue from Operation/Share	0.485005	0.180039	2.693894	0.012683

Table 4.2.1 shows the regression statistics. R-Square value is 0.6368 which is more than 0.5 so we can say that our regression model fits the data well. Table 4.2.2 shows the ANOVA, It tells the story of how the regression equation accounts for variability in the response variable. Value of F-statistics is also significant.

Table 4.2.3 shows the coefficients of each variable, there standard error and t-statistics. The coefficients column shows the value associated with each variable and t-stat explain it significance. The p value of each variable is less than 0.05, which indicates that coefficient associated with each variable and intercept is significant.

Regression Equation

$$\% \text{ Return} = -25.4184 - 0.31966 * (\text{Basic EPS}) + 0.485005 * (\text{Revenue from Operation/Share}) \quad \text{---- (4.1)}$$

Above equation is the output of regression analysis (as per table 4.2.3). The equation shows that "Basic EPS" has negative and significant impact on % return and Revenue from Operation/Share has positive and significant impact on % return.

5. Conclusion

The objective of the research was to find out the relationship between return of stock prices with the brand value factors. The regression analysis and equation 4.2 shows that brand value factor have impact on % return of stock prices. So if we have information for Brand value factors, we can predict the % return.

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