Strong brand puts fizz in business capital raising, study finds

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Investment in building a company's brand is not just about generating sales but also has a measurable impact on the business's ability to raise funds, a new study has found.

Researchers found that improving brand perception by just 10 per cent increased the financial resources available to the average business in their study by nearly $US400 million over subsequent years.

The study appears in the latest issue of the prestigious *International Journal of Research in Marketing*.

"A strong brand sends a positive signal to funders and investors," says Professor Marc Fischer of UTS Business School, who conducted the study with Assistant Professor Alexander Himmer of Kuehne Logistics University, Germany.

At the same time, by contributing to revenue and profit growth, it also reduces the need to take on debt.

The worlds of marketing and finance officers intersect more closely than they might have thought, Professor Fischer says of the findings.

"Marketing and finance executives have different objectives and focus on different stakeholder groups: marketers want to create sales impact, while finance executives are concerned about the financial health of the firm. As a result, their worlds tend to be rather disconnected day to day."
"But our research shows that investment in building a strong brand improves key financial metrics such as financial leverage and cost of capital – lifting the financial resources available to companies to run and grow their businesses."

Professor Fischer says this is because a strong brand lowers expected risk, which can translate into a better credit rating, for example. That means fresh capital can be secured at a lower cost from capital markets.

The study is the first to show how marketing and financial metrics dynamically interact with each other in what the researchers have dubbed the "financial brand value chain".

It is also the first to quantify the extent to which brand building activities contribute to capital raising efforts.

This means it has implications for senior executives and for the investor community.

"If marketing and finance officers don't fully appreciate the interplay of their key metrics, companies may be forgoing a substantial amount of money that is crucial for financial wellbeing and growth," Professor Fischer says.

The researchers studied seven years' of brand perception and financial data for 155 business-to-consumer firms from 10 industries, internationally, in conducting the study.
