

Chasing the Fame: Investing on Brand Equity

Wei Feng
Lynn University

Robert Reich
Lynn University

Ye Sheng
Barry University

This paper examines the relationship between the brand equity and company investment value. “Brand equity is defined as the incremental cash flows which accrue to branded products over unbranded products. The estimation technique extracts the value of brand equity from the value of the firm's other assets” (Simon & Sullivan, 1993). Our study shows that stocks with higher growth in brand equity provide better value for investment. By way of contrast, stocks with deteriorating brand equity would feature lower return potential. An empirical portfolio strategy is used to demonstrate our findings and show how to capitalize on the return potential from such a relationship.