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Brand value analysis of the most succesful brands worldwide in 2017

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Abstract: As new dynamics emerge and change the shape of business by the minute, it demands new ways for organizations to harness and channel that change. In this paper we are operating with the methodology used by a worldwide company Interbrand which evaluates brands annualy. The Top 10 Brands hold 42% of the Best Global Brands total value. Half of the ten brands at the top of the Best Global Brands 2017 list are in the technology sector. Total brand value over the last 10 years has grown. While the technology sector dominates, all top growing brands are translating technology into experience. The changes we are observing are societal, attitudinal, technological, economic, industrial, and impact every aspect of commerce and life. Within this ever-shifting context, growth becomes ever more challenging.

Key words: brand, top 10, value, equity

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1. Introduction

Growth has taken on a new form in the Age of You. As new dynamics emerge and change the shape of business by the minute, it demands new ways for organizations to harness and channel that change. But the world's leading brands aren't waiting for change to happen—they're acting rather than reacting, growing rather than maintaining, and mastering Growth in a Changing World. With so many directions to grow in, flexibility and adaptability are key. Businesses must be ready to change their trajectories along with people and markets: embracing emerging technologies, leaping engagement barriers, and rethinking their growth strategies - breaking things down to start them up again. They must be be ready to grow, change, and grow all over again. To meet these challenges, organizations need to make brands the center of gravity—the closer you get, the faster you grow. Brands are what connects businesses to people inside and out, creating real proximity by understanding what people want and what they believe in. Brands are what personalize technology so that it becomes a means for authentic engagement and unforgettable experiences. Brands are the constancy that accelerates business growth—moving at the speed of life, reflecting how people want to grow, growing along with them, and standing out in a shifting landscape

2. Theoretical background

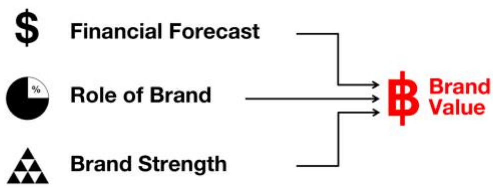
Brand equity is a key construct in the management of not only marketing but also business strategy. It helped create and support the explosive idea that emerged in the late 1980s, that brands are assets that drive business performance over time. That idea altered perceptions of what marketing does, who does it and what role it plays in business strategy. Brand Equity also altered the perception of brand value by demonstrating that a brand is not only a tactical aid to generating short-term sales but also a strategic support to a business strategy that will add long-term value to the organization. (Aaker, 2016)

Brand equity is a set of assets or liabilities in the form of brand visibility, brand associations and customer loyalty that add or subtract from value of a current or potential product or service driven by the brand. Brand visibility means that the brand has awareness and credibility with respect to a particular customer need—it is relevant. If a customer is searching for a buying option and the brand does not come to mind, or if there is some reason that the brand is perceived to be unable to deliver adequately, the brand will not be relevant and not be considered. Brand associations involve anything that created a positive or negative relationship with or feelings toward the brand. It can be based on functional benefits but also a brand personality, organizational values, self-expressive benefits, emotional benefits or social benefits. Customer's loyalty provides a flow of business for current and potential products from customers that believe in the value of the brand's offerings and will not spend time evaluating options with lower prices. The inclusion of loyalty in the conceptualization of brand equity allows marketers to justify giving loyalty priority in the brand building budget.(Aaker, 2016)

Brand equity refers to the value of a brand. In the research literature, brand equity has been studied from two different perspectives: cognitive psychology and information economics. According to cognitive psychology, brand equity lies in consumer's awareness of brand features and associations, which drive attribute perceptions. According to information economics, a strong brand name works as a credible signal of product quality for imperfectly informed buyers and generates price premiums as a form of return to branding investments. It has been empirically demonstrated that brand equity plays an important role in the determination of price structure and, in particular, firms are able to charge price premiums that derive from brand equity after controlling for observed product differentiation. (Baltas, Saridakis, 2010)

Brand equity is strategically crucial, but famously difficult to quantify. Many experts have developed tools to analyze this asset, but there is no agreed way to measure it. As one of the serial challenges that marketing professionals and academics find with the concept of brand equity, the disconnect between quantitative and qualitative equity values is difficult to reconcile. Quantitative brand equity includes numerical values such as profit margins and market share, but fails to capture qualitative elements such as prestige and associations of interest. Overall, most marketing practitioners take a more qualitative approach to brand equity because of this challenge. In a survey of nearly 200 senior marketing managers, only 26 percent responded that they found the "brand equity" metric very useful. (Farris et al, 2010)

Figure 1. Three key components to brand valuations:



Source: Interbrand, 2017

Financial Analysis: This measures the overall financial return to an organization's investors, or its economic profit. Economic profit is the after-tax operating profit of the brand, minus a charge for the capital used to generate the brand's revenue and margins.

Role of Brand: This measures the portion of the purchase decision attributable to the brand as opposed to other factors (for example, purchase drivers such as price, convenience, or product features). The Role of Brand Index (RBI) quantifies this as a percentage. RBI determinations for Best Global Brands derive, depending on the brand, from one of three methods: primary research, a review of historical roles of brands for companies in that industry, or expert panel assessment.

Brand Strength: Brand Strength measures the ability of the brand to create loyalty and, therefore, sustainable demand and profit into the future. Brand Strength analysis is based on an evaluation across 10 factors that Interbrand believes constitute a growing brand. Performance in these areas is judged relative to other brands in the industry and relative to other world-class brands. The Brand Strength analysis delivers an insightful snapshot of the strengths and weaknesses of the brand and is used to generate a road map of activities to grow the brand's strength and value into the future. (Interbrand, 2017)

3. Methodology

In this paper we are operating with the methodology used by a worldwide company Interbrand which evaluates brands annualy. Over the scope of decades they have perfected the methodology so nowadays it is one of the moste accepted. Interbrand's brand valuation methodology seeks to provide a rich and insightful analysis of a brand, providing a clear picture of how a brand is contributing to business growth today, together with a road map of activities to ensure that it is delivering even further growth tomorrow. The brand valuation model also provides a framework for conducting one-off business case models to evaluate brand strategy options - such as positioning, architecture, and extension—and make the business case for growing your brand in new directions.

Finally, when Interbrand conducts valuations for financial reasons, we provide strategic branding recommendations, in addition to delivering a rigorously analyzed and defensible valuation number. This delivers value to the business—beyond the knowledge of the valuation amount. Strong brands influence customer choice and create loyalty; attract, retain, and motivate talent; and lower the cost of financing. This brand valuation methodology has been specifically designed to take all of these factors into account. A strategic tool for ongoing brand management, valuation brings together market, brand, competitor, and financial data into a single framework within which the performance of the brand can be assessed, areas for growth identified, and the financial impact of investing in the brand quantified. There are three key components to all of our valuations: an analysis of the financial performance of the branded products or services, of the role the brand plays in purchase decisions, and of the brand's competitive strength based on evaluation of 10 factors that constitute a growing brand.

Those 10 brand strengths presented above are based on both internal dimensions and external dimensions. Internal consists of *clarity, Governance, Commintment* and *Responsiveness.* External dimensions include *Authenticity, Consistency, Relevance, Presence, Differentiation* and *Engagement.*

Robust brand valuation requires a holistic assessment that incorporates a wide range of information sources. In addition to extensive desk research and expert panel assessment, the following data feeds are incorporated into those

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valuation models: Financial data: Thomson Reuters and company annual reports, Consumer goods data: Canadean (brand volumes and values), Social media signal: Twitter and Social media analysis by Infegy.

4. Findings

The Top 10 Brands hold 42% of the Best Global Brands total value. All of the Best Global Brands make customers a priority, but the most successful make it the absolute priority. Whether it's engineering solutions tied directly to a strong customer understanding, anticipating what customers want with forward-thinking design, or just obsessively working to delight users at every opportunity—the Best Global Brands Top 10 make the people they serve with their brands their first consideration.

Half of the ten brands at the top of the Best Global Brands 2017 list are in the technology sector—Apple, Google, Microsoft, Samsung, and Facebook. Each one of these brands either moved up on the list or stayed in the same place, which is a testament to their continued momentum. Yet all of these businesses do much more than just create cool new technology. They have mastered creating experiences through technology that reinforce the value of the brand itself. For all ten brands, nothing is invented for the sake of it. New innovations merge seamlessly into an ecosystem of other experiences, totally oriented around the brands themselves.

Despite strong legacies and investments in products and business practices that are renowned the world over, the Best Global Brands are ready to pivot at any moment to pursue growth. Nothing is so essential that it can't be reinvented. What was foundational one day can become outdated the next morning, but those at the top of the list have brands strong enough to maintain their relationships despite fundamental change. Radical flexibility means that tech giants can become grocery stores, food and beverage providers can become lifestyle brands, car companies can launch vehicles into orbit, and phone manufacturers can pioneer AI. When change is the new normal, anything is possible.

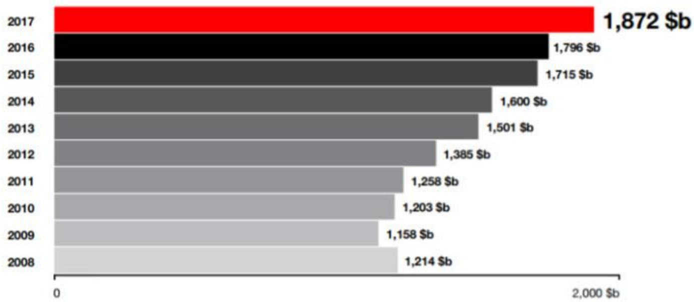
Table 1. Top ten brands in 2017

2017 Rank	Brand	Sector	Change in Brand Value	Brand Value
01	Apple	Technology	+3%	184,154 $m
02	Google	Technology	+6%	141,703 $m
03	Microsoft	Technology	+10%	79,999 $m
04	Coca-Cola	Beverages	-5%	69,733 $m
05	amazon	Retail	+29%	64,796 $m
06	SAMSUNG	Technology	+9%	56,249 $m
07	TOYOTA	Automotive	-6%	50,291 $m
08	Facebook	Technology	+48%	48,188 $m
09	Mercedes-Benz	Automotive	+10%	47,829 $m
10	IBM	Business Services	-11%	46,829 $m

Source: Interbrand, 2017

Total brand value over the last 10 years has grown by 54%. In 2017, it grew by 4.2%, and individual brand value by an average of 3.1%. Best Global Brands consistently outperform in the market, compared to leading indices such as MSCI. This is because strong brands can protect a business in a downturn and boost it in an upturn—evidence that brands can be business accelerators in periods of both rebuilding and growth.

Table 2. Ten years of growth



Source: Interbrand, 2017

The five leading sectors in 2017 range vastly in number of brands and value - with a 578,746 $m USD difference between Technology (15 brands) and Retail (3 brands), which rises into this year's Top 5, knocking out FMCG.

While the technology sector dominates, all top growing brands are translating technology into experience. Retail brands are putting convenience at the core of their experiences: IKEA (+4%) ramps up city-center pickups; while eBay (+1%) improves shopping and discovery, and grows its mobile offering; and Amazon (+29%) moves further into the real-world with stores, logistics centers, and delivery drones- and they're using VR and AI to add value to people's lives. All are growing based on a core ethos, whether sticking to sustainability targets, pricing principles, or a mission of user-empowerment.

5. Conclusion

The only constant is change, and we are living in one of the most exciting periods of change since the Industrial Revolution. The changes we are observing are societal, attitudinal, technological, economic, industrial, and impact every aspect of commerce and life. Within this ever-shifting context, growth becomes ever more challenging. Businesses need a medium that clearly communicates purpose and energizes cultures, a platform upon which to create engaging and unique experiences, a means to stay relevant, meaningful, and valued. In this changing world, businesses need brands more than ever. So, for future Growth in a Changing World - Brands: are a business strategy brought to life, and are the primary means for differentiation and growth. People: brands are about people and how they connect to the purpose of a business. Technology: helps accelerate growth and customer proximity, but only through brands can it deliver meaningful engagement.

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