



# Why Brands Matter 2020

October 2020

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# About Brand Finance.

**Brand Finance is the world's leading independent brand valuation consultancy.**

**We bridge the gap between marketing and finance**

Brand Finance was set up in 1996 with the aim of 'bridging the gap between marketing and finance'. For more than 20 years, we have helped companies and organisations of all types to connect their brands to the bottom line.

**We quantify the financial value of brands**

We put 5,000 of the world's biggest brands to the test every year. Ranking brands across all sectors and countries, we publish nearly 100 reports annually.

**We offer a unique combination of expertise**

Our teams have experience across a wide range of disciplines from marketing and market research, to brand strategy and visual identity, to tax and accounting.

**We pride ourselves on technical credibility**

Brand Finance is a chartered accountancy firm regulated by the Institute of Chartered Accountants in England and Wales, and the first brand valuation consultancy to join the International Valuation Standards Council.

Our experts helped craft the internationally recognised standards on Brand Valuation – ISO 10668 and Brand Evaluation – ISO 20671. Our methodology has been certified by global independent auditors – Austrian Standards – as compliant with both, and received the official approval of the Marketing Accountability Standards Board.



## Get in Touch.

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Brand Finance®



# Request your own Brand Value Report

A Brand Value Report provides a complete breakdown of the assumptions, data sources, and calculations used to arrive at your brand's value.

Each report includes expert recommendations for growing brand value to drive business performance and offers a cost-effective way to gaining a better understanding of your position against competitors.

  
Brand Valuation Summary

  
Brand Strength Tracking

  
Royalty Rates

  
Cost of Capital Analysis

  
Customer Research Findings

  
Competitor Benchmarking

  
Education

  
Communication

  
Understanding

  
Insight

  
Strategy

  
Benchmarking

What's in a Brand Value Report?

Benefits of a Brand Value Report

# Brandirectory.com



Brandirectory is the world's largest database of current and historical brand values, providing easy access to all Brand Finance rankings, reports, whitepapers, and consumer research published since 2007.

- + Browse thousands of published brand values
- + Track brand value, strength, and rating across publications and over time
- + Use interactive charts to compare brand values across countries, sectors, and global rankings
- + Purchase and instantly unlock premium data, complete brand rankings, and research

Visit [brandirectory.com](http://brandirectory.com) to find out more.

## Brand Finance Group.

**Brand Dialogue**



### Brand Dialogue

Brand Dialogue is a public relations agency developing communications strategies to create dialogue that drives brand value. Brand Dialogue has over 25 years of experience in delivering campaigns driven by research, measurement, and strategic thinking for a variety of clients, with a strong background in geographic branding, including supporting nation brands and brands with a geographical indication (GI). Brand Dialogue manages communications activities across Brand Finance Group's companies and network.

**BRAND EXCHANGE**  
WHERE BRANDS MEET FINANCE



### Brand Exchange

Brand Exchange is a contemporary and exclusive members' club and events space nestled in the heart of the City of London. It was launched in 2015 to provide members with a private space to network and socialise. The club has since held several prestigious events and welcomed many key figures in the marketing and finance sectors as speakers. The membership brings together senior professionals from the world's strongest and most valuable brands.

**vi360**

### VI360

VI360 is a brand identity management consultancy working for clients of all sizes on brand compliance, brand transition, and brand identity management. VI360 provide straightforward and practical brand management that results in tangible benefits for your business.

Brand Finance®



# Customer insight drives our valuations

Our brand valuations are underpinned by extensive market research across a wide range of sectors, countries and brands.

Our research integrates all key brand measures, linking them to commercial outcomes.

Available for purchase separately or as part of a Brand Value Report.

- Over **1,500 brands** researched each year
- 29 countries** and **10 sectors** covered
- More than **50,000 respondents** surveyed annually
- Key metrics** across all industries and brands
- B2B** and **B2C** results
- We are now **in our 4<sup>th</sup> consecutive year** conducting the study



# Foreword.

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**David Haigh**  
CEO, Brand Finance

What is the purpose of a strong brand: to attract customers, to build loyalty, to motivate staff? All true, but for a commercial brand at least, the first answer must always be 'to make money'.

Huge investments are made in the design, launch, and ongoing promotion of brands. Given their potential financial value, this makes sense. Unfortunately, most organisations fail to go beyond that, missing huge opportunities to effectively make use of what are often their most important assets. Monitoring of brand performance should be the next step, but is often sporadic. Where it does take place, it frequently lacks financial rigour and is heavily reliant on qualitative measures, poorly understood by non-marketers.

As a result, marketing teams struggle to communicate the value of their work and boards then underestimate the significance of their brands to the business. Sceptical finance teams, unconvinced by what they perceive as marketing mumbo jumbo, may fail to agree necessary investments. What marketing spend there is, can end up poorly directed as marketers are left to operate with insufficient financial guidance or accountability. The end result can be a slow but steady downward spiral of poor communication, wasted resources, and a negative impact on the bottom line.

Brand Finance bridges the gap between marketing and finance. Our teams have experience across a wide range of disciplines from market research and visual identity, to tax and accounting. We understand the importance of design, advertising, and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money. That is why we connect brands to the bottom line.

By valuing brands, we provide a mutually intelligible language for marketing and finance teams. Marketers then have the ability to communicate the significance of what they do, and boards can use the information to chart a course that maximises profits. Without knowing the precise, financial value of an asset, how can you know if you are maximising your returns? If you are intending to license a brand, how can you know you are getting a fair price? If you are intending to sell, how do you know what the right time is? How do you decide which brands to discontinue, whether to rebrand and how to arrange your brand architecture? Brand Finance has conducted thousands of brand and branded business valuations to help answer these questions.

Brand Finance's research revealed the compelling link between strong brands and stock market performance. It was found that investing in highly-branded companies would lead to a return almost double that of the average for the S&P 500 as a whole.

Acknowledging and managing a company's intangible assets taps into the hidden value that lies within it. The following report is a first step to understanding more about brands, how to value them and how to use that information to benefit the business.

The team and I look forward to continuing the conversation with you.



**Dagmara Szulce**  
Managing Director,  
IAA Global

With digital revolution opening new channels and a growing middle class creating new markets all over the world, corporations and governments that understand the value of owning leading global brands have a significant economic advantage. Brands are not only an emotion attached to a commodity but can be critical strategic assets to creating incremental value for consumers, corporations and governments.

When leveraged well, brands can significantly contribute to societies and economies by creating jobs and fuelling economic growth. The most valuable brands in the world are global corporate giants. They generate billions in annual profit, hold enormous influence over public opinion and are recognizable around the world. But the process of building brands has significantly evolved over the last 100 years. Today's global corporate giants move from individual product and service brands to a new era of highly disruptive, Living Brand Ecosystems. These Living Brands are the way to build highest brand value and emotional loyalty. They disrupt and define new categories with new products, services and experiences. They deliver hyper-personalized experiences by leveraging human empathy and tech-enabled intelligence. Marketers in charge of Living Brands replace consistency with flexible strategies that are continuously tested and optimized to create constant relevancy and brand addiction.

Yet, many brand owners and governments fail to understand the value this new type of brand building model can create for both corporations and governments and should consider a new, more collaborative regulatory approach to allow for flexibility and optimization to account for the ongoing technology evolution and constantly changing consumer behaviors.

An approach where creativity, innovation and entrepreneurship can yield highest returns.

The COVID-19 pandemic has triggered an unprecedented global economic crisis which is having a profound impact on businesses and economies worldwide. Governments should consider brands as strategic tools in reviving economies. In the face of the current economic challenges, brands do better in tough times compared to unbranded products. And they can contribute better value to all of its stakeholders vs. private labels. Therefore, all stakeholders should protect brands over commodities. No branding, no differentiation. No differentiation, no long-term profitability.

This ongoing pandemic represents an opportunity to revisit the regulatory operating model to allow for creativity and innovation to flourish and brands to thrive resulting in highest returns for people, corporations and economies.

# What are Brands?



**Laurence Newell**  
Managing Director,  
Brand Finance Americas

## What is a brand?

One of the great challenges in marketing is that there is no uniform definition of a brand: the term is used differently by different people to encompass a relatively broad range of assets. Furthermore, if you were to drop the question, what are brands? into Google's search box you would get 1,870,000,000 results in less than a second (0.71 seconds to be exact). This could easily lead one to believe that there are more than 1.8 billion working definitions of what a brand is.

However, if you narrow the search to working definitions, Brand Finance defines a brand as "a bundle of trademarks and associated IP which can be used to take advantage of the perceptions of all stakeholders to provide a variety of economic benefits to the entity." Perhaps a more technical definition is the ISO's (International Organization for Standardization) definition, which defines a brand as "an intangible asset, including to, but not limited to, names, terms, signs, symbols, logos, and designs, or a combination of these, intended to identify goods, services or entities, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefit/values".

Whichever way you'd like to define what a brand is, the evidence abounds that brands are, in many cases, the most valuable asset a company owns. In Brand Finance's Global 500 2020 report, Amazon, the disrupter of the entire retail ecosystem boasts the highest brand value ever by breaking the so far unattainable US\$200 billion value mark. Following an 18% growth from US\$187.9 billion last year, Amazon's brand value has now reached US\$220.8 billion, over US\$60 billion more than Google's and US\$80 billion more than Apple's. Numbers like these make a compelling case to understand how to and why value brands.

## Why value brands? Uses and benefits of brand and intangible asset valuation

By valuing brands and understanding the drivers of value, the influence of marketing can be measured beyond conventional metrics – including market share, attracting customers, and building loyalty – to understand how this strategic investment adds to the bottom line in terms of business performance, maximizing profits and increasing shareholder value.

The benefits of valuing a brand are:

1. Attribute a financial value to the brand to determine the role it plays in driving business performance
2. Articulate brand performance to boards in a language that is familiar to them – assets and cash, not just percentages
3. Determine what parts of the business are adding or detracting from the economic value of the brand
4. Demonstrate how the brand is driving value and how it can be leveraged across the business

5. Establish a solid basis for comparison of brand performance – by market and audience – over time

6. Understand the relationship between brand equity and key value drivers in the business model

7. Steering of brand resources

## Approaches to valuing brands

Over recent years, intangible assets have become more important to businesses operating in a wide variety of industries. This, in turn, has put a premium on being able to come up with credible ways to value brands.

ISO 10668 specifies three alternative brand valuation approaches - the market, cost and income approaches. The purpose of the brand valuation, the premise or basis of value, and the characteristics of the subject brand, dictate which primary approach should be used to calculate its value.

The market approach measures value by referencing what other purchasers in the market have paid previously for similar assets. The application of a market approach results in an estimate of the price expected to be realized if the brand were to be sold in the open market. Data on the price paid for comparable brands are collected and adjustments are made to compensate for differences between those brands and the brand under review. As brands are unique and it is often hard to find a relevant comparable this is not a widely used approach.

The cost approach measures value by reference to the cost invested in creating, replacing, or reproducing the brand. This approach is based on the premise that a prudent investor would not pay more for a brand than the cost to recreate, replace, or reproduce an asset of similar utility. As the value of brands seldom equates to the costs invested in creating them (or hypothetically replacing or reproducing them) this is not a widely used approach.

Last, but perhaps most often preferred and performed by brand valuation practitioners, is the income approach. The income approach measures value by reference to the economic benefits expected to be received over the remaining useful economic life



of the brand. This involves estimating the expected future, after-tax cash flows attributable to the brand, then discounting them to a present value using an appropriate discount rate. Under the income approach, risks that are not already reflected in future cash flows, must be considered in the discount rate. The discount rate used for discounting future expected cash flows attributable to a brand is usually derived from the Weighted Average Cost of Capital ('WACC') of the business. As the value of brands stems from their ability to generate higher profits for either their existing or potential new owners this is the most widely accepted and used brand valuation approach.

### Conducting brand evaluations for brand valuations

A comprehensive measure of brand equity sits at the heart of brand valuation. This is the degree to which stakeholders are aware of the brand, and their perceptions of it. Most (but by no means all) brand owners measure brand equity or brand image in some way. Brand evaluation is also an input into brand valuation – some kind of evaluation is required as part of a brand valuation exercise.

Naturally, any evaluation will generally be in some sort of competitive context - many of the key measures are only insightful when compared with other brands. Even organizations with few or no direct competitors (e.g. a state-monopoly energy provider) will still wish to benchmark in some way, and in any case will be competing with others on some level (e.g. with other large organizations for talent/employees).

#### Evaluation programs use a range of relevant indicators to assess:

1. The overall strength and reputation of the brand
2. Aspects of the brand that are stronger and weaker
3. Whether and how the brand is responding to measures designed to support it, e.g. advertising
4. The impact of the brand on the actions of customers and other stakeholders
5. Diagnostic measures to guide why the brand is evolving in the ways observed

Finally, evaluation can contain both qualitative and quantitative assessments, and best practice combines both. A purely qualitative assessment can be problematic – such programs are always open to challenge by appearing to be more subjective – and more sophisticated ROI analysis is impossible without a degree of quantification. Hence to all intents and purposes, evaluation is largely a quantitative discipline.

### The broader context of intangible assets

In accounting terms, an asset is defined as a resource that is controlled by the entity in question and which is expected to provide future economic benefits to it. The International Accounting Standards Board's definition of an intangible asset requires it to be non-monetary, without physical substance, and 'identifiable'. To be 'identifiable' it must either be separable (capable of being separated from the entity and sold, transferred, or licensed) or it must arise from contractual or legal rights (irrespective of whether those rights are themselves 'separable'). Therefore, intangible assets that may be recognized on a balance sheet under IFRS are only a fraction of what are often considered to be 'intangible assets' in a broader sense.

However, the picture has improved since the beginning of this century, when IFRS 3 in Europe, and FAS 141 in the US, started to require companies to break down the value of the intangibles they acquire as a result of a takeover into five different categories — including customer and market-related intangibles — rather than lumping them together under the catch-all term 'goodwill' as they had in the past. But because only acquired intangibles, and not those internally generated, can be recorded on the balance sheet, this results in a lopsided view of a company's value. What is more, the value of those assets can only stay the same or be revised downwards in each subsequent year, thus failing to reflect the additional value that the new stewardship ought to be creating.

Therefore, whatever the requirements of accounting standards, companies should regularly measure all their tangible and intangible assets and liabilities, not just those that have to be reported on the balance sheet - the higher the proportion of 'undisclosed value' on balance sheets, the more critical that robust valuation becomes.



# Microeconomic Analysis.

## Why brands matter to businesses

Brands are the sum of interactions. Interactions between the customer and the product or service. Interactions between suppliers and the procurement team. Interactions between any stakeholder and the corresponding touchpoint.

At each of these touchpoints, the brand has an impact – some obviously more significant than others and depending on the brand’s attributes, some more positively than others.

But how does brand have an effect? On the consumer, that’s plain to see, but on other stakeholders you have to think more deeply to identify cost savings. Suppliers might offer a discount to work with a brand they think is easy to deal with. Staff who feel pride in their brand might work that much harder so increase profitability. Over the last 10 years, the strongest brands in the Brand Finance Global 500 – the annual report on the world’s most valuable and strongest brands - have also been the most resilient and recover fastest after economic shocks.

There are two ways of thinking about a brand – how much does it cost me? Or how much does it make me? If you start to shift the way you think about brands to focus more on the second question than the first, you can start to unpick how the intelligent use of a brand can provide incremental profit to a business on all lines of the P&L.

Brands are often the most valuable asset in a company, at around 20% of total business value on average. Understanding and using them effectively can provide faster growth, unlock shareholder value, and allow for a sustainable future.

## Why brands matter to investors

Brand Finance analysis has found strong benefits to investors from brands.































There have been many studies highlighting the fact that brands tend to bring stability in returns and outsized growth in comparison to competitors – these, in turn, lead to growing share price and higher security for loan repayments.

This is the reason why Warren Buffet frequently cites strong intangibles, and brands in particular, as moats

### Top 10 Most Valuable Brands

	<b>1</b> ← 1			2020: \$220,791m 2019: \$187,905m	+17.5%
	<b>2</b> ↑ 3			2020: \$159,722m 2019: \$142,755m	+11.9%
	<b>3</b> ↓ 2			2020: \$140,524m 2019: \$153,634m	-8.5%
	<b>4</b> ← 4			2020: \$117,072m 2019: \$119,595m	-2.1%
	<b>5</b> ← 5			2020: \$94,494m 2019: \$91,282m	+3.5%
	<b>6</b> ↑ 8			2020: \$80,791m 2019: \$79,823m	+1.2%
	<b>7</b> ← 7			2020: \$79,804m 2019: \$83,202m	-4.1%
	<b>8</b> ↑ 11			2020: \$77,520m 2019: \$67,867m	+14.2%
	<b>9</b> ↑ 14			2020: \$69,041m 2019: \$57,626m	+19.8%
	<b>10</b> ↑ 12			2020: \$65,084m 2019: \$62,278m	+4.5%

### Top 10 Strongest Brands

	<b>1</b> ← 1			2020: 94.1 2019: 94.8	AAA+ AAA+	-0.7
	<b>2</b> ↑ 32			2020: 93.9 2019: 87.2	AAA+ AAA	+6.7
	<b>3</b> ↑ 4			2020: 92.9 2019: 90.4	AAA+ AAA+	+2.5
	<b>4</b> ↓ 2			2020: 91.6 2019: 93.1	AAA+ AAA+	-1.5
	<b>5</b> ↓ 3			2020: 91.4 2019: 91.2	AAA+ AAA+	+0.1
	<b>6</b> ↑ 8			2020: 90.9 2019: 89.9	AAA+ AAA+	+1.0
	<b>7</b> ↑ 43			2020: 89.9 2019: 86.5	AAA+ AAA	+3.4
	<b>8</b> ↓ 7			2020: 89.8 2019: 90.0	AAA+ AAA+	-0.2
	<b>9</b> ← 9			2020: 89.8 2019: 89.8	AAA+ AAA+	0.0
	<b>10</b> ↑ 15			2020: 89.7 2019: 89.3	AAA+ AAA	+0.4





that protect his investments' value and help them grow in the long run.

In 2015, with this knowledge in mind, we created an analysis looking at the returns that strong brands make relative to less strong brands according to our Brand Strength Index analysis of the world's biggest companies and their brands. What we found was that those brands that received the top AAA rating according to our index, outperformed the market by almost 70% in average growth.

We have frequently identified that strong, well-positioned brands have a positive impact on returns and risk. As a result, lenders are influenced by them strongly.

Many years ago, we conducted an analysis of a large B2B construction materials company from a developing country that had been issuing debt with a cost premium of 50% due to it being seen as a developing market brand.

Using its brand marketing to communicate that it made over 90% of its revenue in developed markets, and thereby positioning it as a developed market brand, helped reduce its cost of debt to normal levels, increasing its value by hundreds of millions of dollars.

That particular issue was one of positioning, but the extension to this effect is one caused by overall

strength of positive perceptions. Every year we conduct an analysis of the effective rate of annual interest certain branded businesses pay for their debt relative to others. We find a clear relationship between strong brands and lower interest rates with a spread of up to 4% on premiums.

Brands bring benefits to investors in terms of the security and return. Therefore, investors should take them in to account when analysing the businesses they invest in. Contrary to some popular belief, most of the time they do.

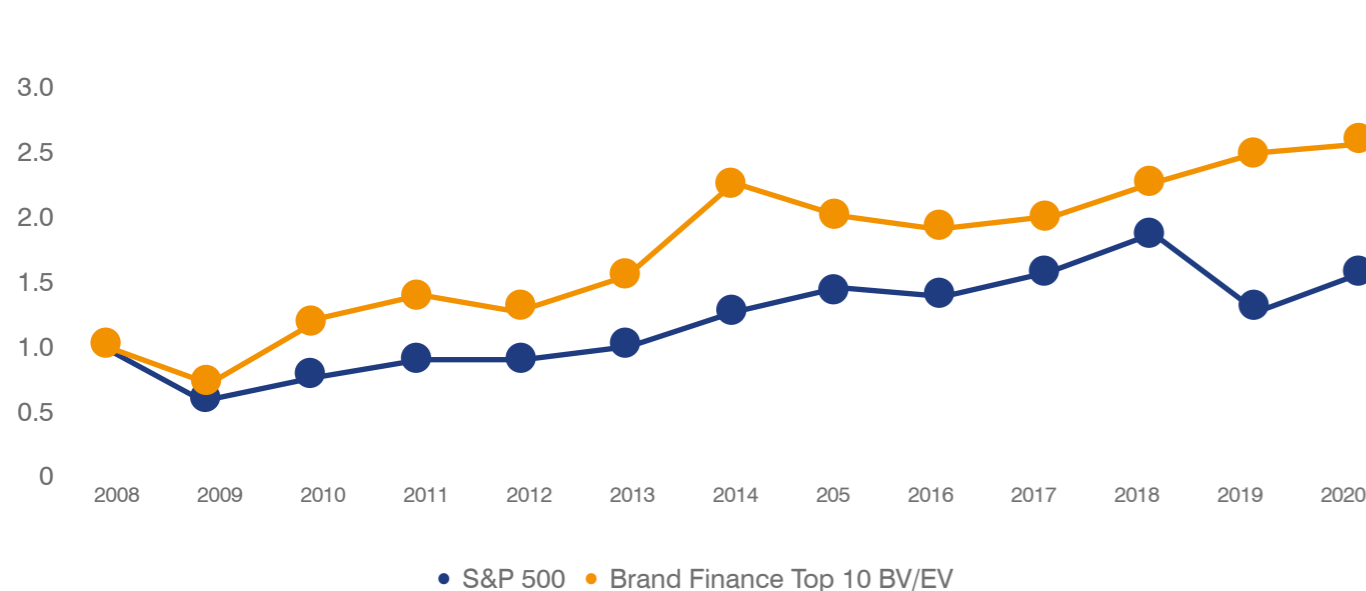
However, with accounting rules the way they are – disallowing internally generated intangibles on the balance sheet – they are often left without the information they need to do so. For the benefit of investors, as well as other stakeholders, good brands should be invested in. It's time we stopped making it unnecessarily hard to do so.

Figure 1: Share Price Returns: Brand Finance Top 10 vs S&P 500

Source: Brand Finance

Companies with a higher proportion of Brand relative to the overall Enterprise Value of the business outperform the S&P 500 on annual basis since 2008.

Figure 1: Share Price Returns: Brand Finance Top 10 vs S&P 500



### Why brands matter to consumers

Ultimately, brands are there to help consumers make informed decisions. In the simplest of terms, brands allow consumers to quickly identify the products they like or differentiate between them on the shelves. This is important given that products are inherently very different – driven by past innovation and competition in the market.

Brands are also an important indicator of quality. Companies use trademarks to show customers exactly where their products originate from, and their protection, therefore, provides a form of privately funded quality control. Brands are there to protect consumers from the risks that are posed from unregulated and adulterated products. This can ultimately give consumers peace of mind that they have chosen a trustworthy product.

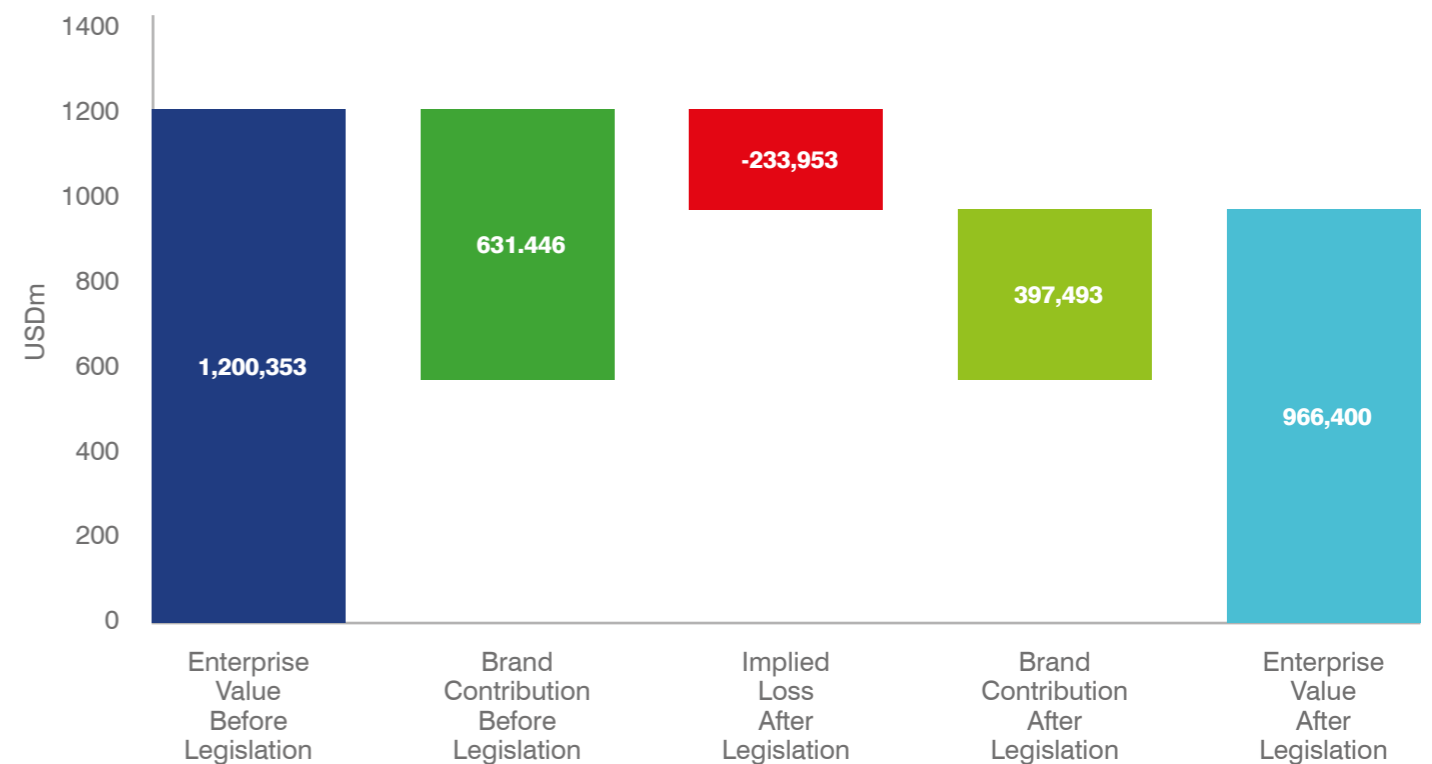
Brands bring joy and colour to people's lives and are an avenue for consumers to express who they are. In today's world, brands are now often seen as a lifestyle

choice. As societies become ever more conscious, consumers are now not choosing brands purely based on price, but also on what the brand represents - its morals, values, and ethos.

Brand Finance has previously done analysis assessing the damage that plain packaging – the most extreme marketing restriction, and ultimately the final step before the outright banning of a product – causes for both businesses and consumers alike.

We analysed the potential impact of the introduction of plain packaging across the alcohol, confectionary, savoury snacks, and sugary drinks categories on eight major companies. Take aside the fact that our research pointed to potential losses of US\$234.0 billion (see figure 2) for these brands combined – to put this in context, this loss, from just a handful of companies, is equivalent to the GDP of countries such as New Zealand or Greece – we have always stood by the fact that the real harm of plain packaging is to the consumer. Government should not extend to removing brands and thus freedom of choice.

Figure 2: Implied Loss for Analysed Brand-Owning Companies in the Sample of Plain Packaging Enacted Globally



### Why brands matter to governments and nations

The effect of a country's national image on its home-grown brands and the economy as a whole is now widely acknowledged. In a global marketplace, it is one of the most important assets of any state, encouraging inward investment, adding value to exports, and attracting tourists and skilled migrants.

For the past decade, the Brand Finance Nation Brands report has provided key benchmarks for diplomats, tourism boards, trade agencies, nation brand consultants and managers. The study analyses the benefits that a strong nation brand can confer, but also the economic damage that can be wrought by global events and poor nation brand management.

#### Location brands can boost corporate brands

Location branding is a term encompassing nation, region and city branding and marketing, through which local and global businesses strive to create visual, emotional, and perceptual connections with locations in order to effectively market their products and services.

The concept of location branding stems from the idea that places evoke strong emotional connections that are highly effective in conveying characteristics and perceptions associated with the location.

Sweden's reputation as a global design capital, the precision of German engineering, and Japanese efficiency, or Italy's reputation in luxury fashion are perceptions and associations that countries have earned and established for themselves through a history of performance in the field over the years.

This concerted effort to retain association with the country of origin of the brands has been used by marketers for years. Association of a brand with a country provides cues on the product's quality, credibility, value, and attributes.

British luxury sports car brand Aston Martin, favoured by James Bond and the younger members of the Royal Family, has benefited hugely from its quintessentially English connections. Aston Martin were selected back in 2015 to become ambassadors for the UK Government's highly successful "GREAT" campaign. The initiative promotes British business, tourism, culture, and education around the world – essentially showcasing the best of Britain. By affiliation, the British luxury carmaker represents British design and manufacturing excellence. Ongoing association with the British film industry and the Bond franchise no doubt adds a longer life expectancy because constructing a link between a brand and its products and services to its country of origin is a mechanism of elongating and protecting the lifespan of a brand. Trust and reputation are attributes that can take years to build and effectively communicate, however references



to countries which have an already established reputation can help this process.

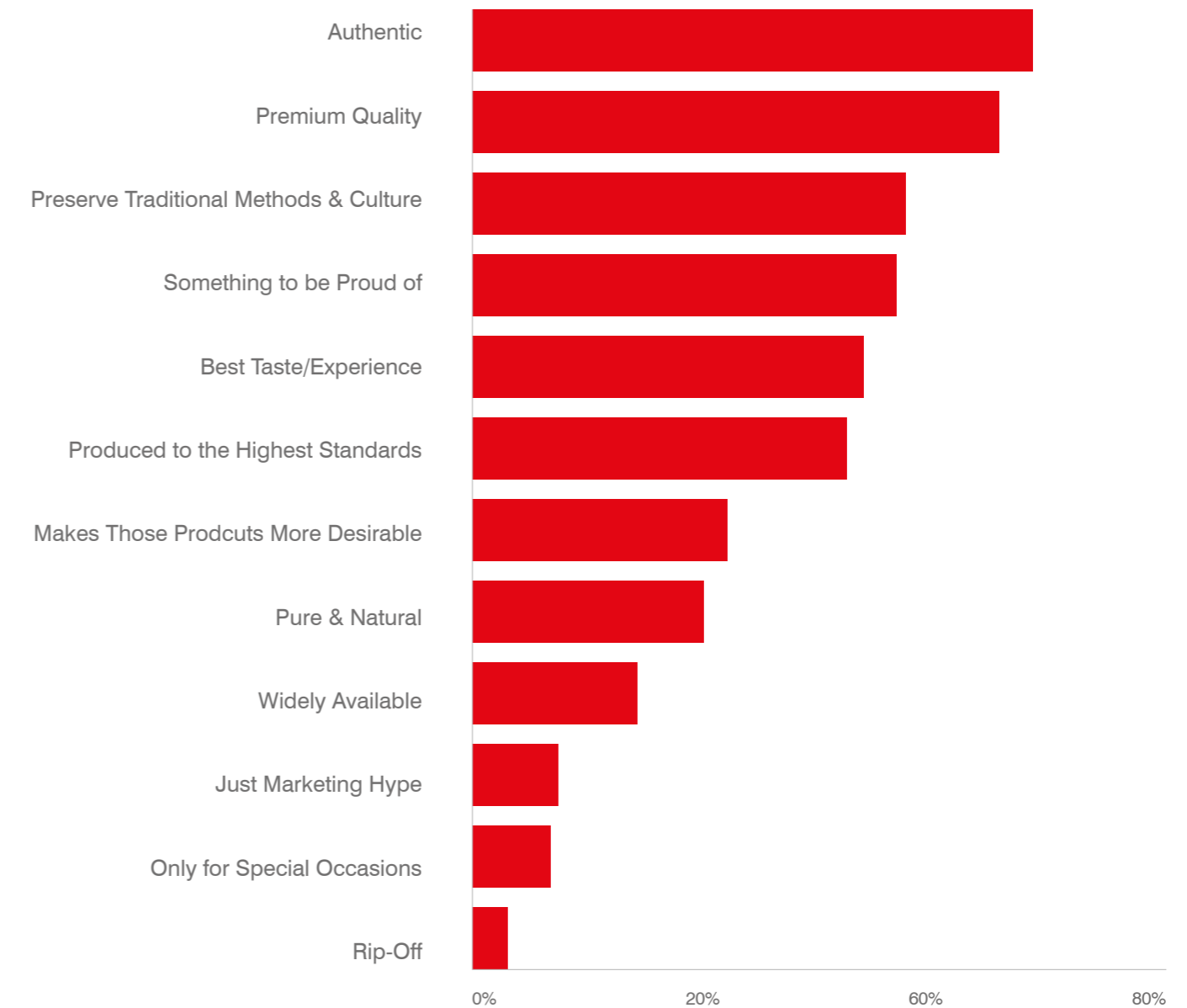
A recent study conducted by Brand Dialogue, a public relations agency part of the Brand Finance Plc group, on global geographic indication (GI) brands validates the view that brands with a geographic location association can drive positive perceptions about brands. The study revealed that for GI brands, having a geographical indication in the UK fares well with British consumers. Phrases associated with protected status

skew positive with "Authentic" (66.2%) and "Premium Quality" (62.2%) receiving the highest scores, followed by "Preserve Traditional Methods and Culture" (50.6%) and "Something to be Proud of" (49.6%). The two lowest-scoring phrases were "Only for Special Occasions" (8.6%) and "Rip-off" (4.4%) – see figure 3.

Figure 3: Phrases associated with brands that have protected status

Source: Brand Dialogue

Figure 3: Phrases Associated with Protected Status



## Why brands matter to society

In the wake of social movements and protests sparked by police brutality in the US, many brands have pledged to fight systemic racism through various initiatives.

But do these initiatives have a significant impact on brand equity? To answer this question, we conducted an analysis of our database, correlating the perception of Diversity and Inclusion (D&I) with the Brand Strength Index (BSI). We found a correlation between the two variables, which is higher in the US than in Europe. This could be explained by the fact that the treatment of minorities has been at the forefront of public debate more prominently than in Europe over the last couple of years.

Now, how are brands building their perceptions of D&I? Through the following four types of initiatives:

1. Communication-oriented initiatives - statements to express solidarity with the cause
2. Society-oriented initiatives - donations to organisations that fight against systemic racism or university scholarships
3. Brand management initiatives - reviewing brand identities and portfolios, as in the case of Aunt Jemima or reviewing collaborations with social networks, as in the case of the "Stop Hate for Profit" campaign
4. Talent management initiatives - committing to hire black and Latino professionals, or with training initiatives

If D&I is important to build brand strength, and brands are taking different initiatives to address this, we wanted to understand how the public was reacting to these initiatives. We conducted a survey to study specific reactions from the specialist audience to the D&I initiatives taken by some of the "champions" in the field. After exposing respondents to Nike's "For Once, Don't" as well as Ben & Jerry's "Dismantle White Supremacy" and Accenture's "Together Against Racism," they were asked to rate the campaigns in terms of authenticity and consistency and effectiveness in promoting real change. Nike performs better on all of these attributes. One hypothesis is that its tone and narrative have been more positive and more focused on what unites us rather than what divides us as a society.

The varying reactions of stakeholders towards brands' initiatives show the path forward when it comes to D&I activism: not only facts are more important than words, but the way you take a stand is as important as taking a stand – exemplifying unity and not agitation.

What all this data makes clear is that D&I is increasingly important as a lever of brand strength and this imposes a new mandate for brands: design clear D&I policies, implement them consistently, monitor their adoption, communicate them effectively, and report the impact of all these initiatives.

For once,  
Don't Do It.




**Alex Haigh**  
Technical Director,  
Brand Finance

## Equity analyst survey

### Strong demand for improved reporting of intangible assets

In 2016, Brand Finance commissioned an extensive study into the attitude of investment analysts in the City towards the reporting of intangible assets including brands. The study repeated an annual study we conducted for 5 years from 1997 to 2001. Back then, analysts felt that conventional accounts failed to give them the absolute values or the factual and narrative detail to form a correct view about the intangible assets owned by companies they followed. That research programme prompted Brand Finance to initiate the GIFT™ study and to launch the Brand Finance Institute to advocate for more granular reporting of intangible assets among accounting professionals.

GIFT™ continues to show the huge black hole in conventional accounting and financial reporting. Our Investment Analysts Study reveals that there is as much if not more dissatisfaction with the lack of information on intangible assets now as there was in 1997. Nothing has changed. Yet changes in the nature of the world economy over the last 20 years, and the inexorable growth in the number of intangibles-based enterprises, means that the need for better reporting is even stronger now than 20 years ago. Our Investment Analysts research clearly shows that there is a strong demand from the most important users of financial reports for a sea change in the way intangible assets are recorded and reported. Systematic underreporting of intangible assets in balance sheets. When IFRS 3 was published in 2004 there was a great deal of optimism that this would be the first step towards better, more meaningful, and more insightful reporting of intangible assets. However, for various reasons that optimism was hugely premature, and expectations have been dashed. IFRS 3 specifically banned the recognition of internally generated intangible assets and the revaluation of externally acquired intangible assets, making it of limited relevance or use.

	2001 Analysts	2016 Analysts	2016 CFOs
<b>Agree that brands are becoming more important in...</b>			
...risk management	20%	53%	68%
...lending decisions	18%	47%	53%
...tax planning	4%	25%	27%
...M&A activity	53%	72%	76%
...financial reporting	22%	38%	53%
...traditionally unbranded sectors	52%	53%	53%
Global brands will inevitably push out local brands	41%	34%	32%
Emerging market brands will inevitably push out global brands		16%	16%
All acquired intangible assets should be separately included in the balance sheet		79%	80%
All internally generated brands should be separately included in the balance sheet	56%	68%	58%
All intangible assets should be revalued each year		73%	58%
<b>Who should prepare the valuations of intangible assets that are included in annual financial accounts?</b>			
Independent third party intangible asset valuers		58%	46%
Intangible asset valuers working for the company's auditors		29%	19%
Staff and directors of the companies concerned		11%	30%
Other		2%	5%

However, IFRS 3 made it compulsory for CFOs and their financial advisers to fairly value all tangible and intangible assets at the point of acquisition and to conduct impairment reviews as and when appropriate. This requirement has created a huge industry in point in time valuations for accounting purposes which has lined the pockets of valuers and accountants but has delivered very limited informational value to management or users of accounts. Arguably one of the most expensive and pointless financial reporting exercises of all time. About 5 years after the introduction of IFRS 3 the Financial Reporting Council commissioned a review of compliance with IFRS 3 which found that CFOs tended to underreport the number of intangibles acquired, perhaps because each asset identified required a specialist valuation and then amortisation or impairment testing thereafter. Better to leave them out and drop the value into residual goodwill, which is only subject to an annual impairment test, and only if there are reasons to believe there has been an impairment. Inevitably CFOs do not willingly instigate the impairment process because of the cost and perceived low value of the outcomes. The study also found that there was a tendency towards conservatism in the values attributed to those intangible assets which were identified. So, it is a widely held view that the utility of IFRS 3 reporting of intangible asset values is low. Hence the cynicism of many CFOs.

One aspect of this is that while the use of IFRS 3 valuations of brands and other intangibles for comparable valuation purposes is of some value it is unwise to rely on so-called comparable market transactions to value brands and other intangibles for all purposes. In many cases, IFRS 3 asset valuations tend to be very conservative with any excess value from the transaction amount dropping into residual goodwill. A Swiss firm called Markables has created a database which records all IFRS 3 valuations as a reference source for valuers and companies to benchmark the value of their intangibles. The Markables database is of some value but it has to be recognised that Purchase Price Allocations are just that... Allocations. They are not actual Transaction values. They are not stand-alone arm's length valuations. Misdescribing them as Transaction values creates the risk that conservative Allocations of value to specific intangibles will indicate lower values than the subject assets would command in standalone arm's length transactions for the assets alone, separate from an enterprise valuation.

The upside with IFRS 3 reporting is that it has created a generation of professional valuers that are capable of producing reliable enterprise and intangible asset valuations from time to time. It is a huge resource waiting to be properly used. They could easily value the subject companies every year,

identifying all internally and externally generated intangible asset and reconciling to enterprise value. Anecdotally, it seems that the identification and fair valuation of all intangible assets post acquisition has improved. However, internally generated intangibles and revalued acquired intangibles are still 'Cinderella Assets' waiting to come to the financial reporting ball. Recently, I have been made aware of certain companies which actually commission an IFRS 3 style valuation of their whole business each year with all intangible assets, both acquired and self-generated, identified and reported on. These valuations are used confidentially by the board to understand what assets are owned by the business and to aid decision making. This is the first step towards public disclosure.

Given the requirements of the IASB's own Conceptual Framework for financial reporting, which calls for the inclusion of all assets and liabilities in financial statements, to improve the usefulness of financial accounts for stakeholder decision making, it is surprising that such disclosure is not already compulsory.

#### **Breakthrough in setting standards for intangible asset valuation**

Fortunately, there has been a progressive improvement in valuation standards led by IVSC, at the instigation of the SEC and others. There is a strong and growing pressure from regulators worldwide for tighter standards on how these hugely valuable 'Cinderella Assets' are valued. Sir David Tweedie has become the unlikely Prince Charming for these long-neglected assets.

#### **Massive change in accreditation of valuers**

In 2017, the final piece in the puzzle came in April when The Royal Institute of Chartered Surveyors (RICS), the Association of International Certified Professional Accountants (AICPA) and the American Society of Appraisers (ASA) launched a new valuation qualification, the Certificate in Enterprise and Intangible Valuation (CEIV). It is recommended by the SEC that values appearing in accounts for which the SEC is the regulator, should only be signed off by a CEIV valuer. The bar is set high and will no doubt transform the perception of the quality and reliability of intangible asset valuations in future. This should make it easier for accounting and other authorities to accept intangible asset values for publication.

#### **Action is required**

There now needs to be a concerted call from all stakeholders to demand that these long neglected 'Cinderella Assets' should finally be allowed to attend the annual financial reporting ball!

# Macroeconomic Analysis.



## Intangibles Globally

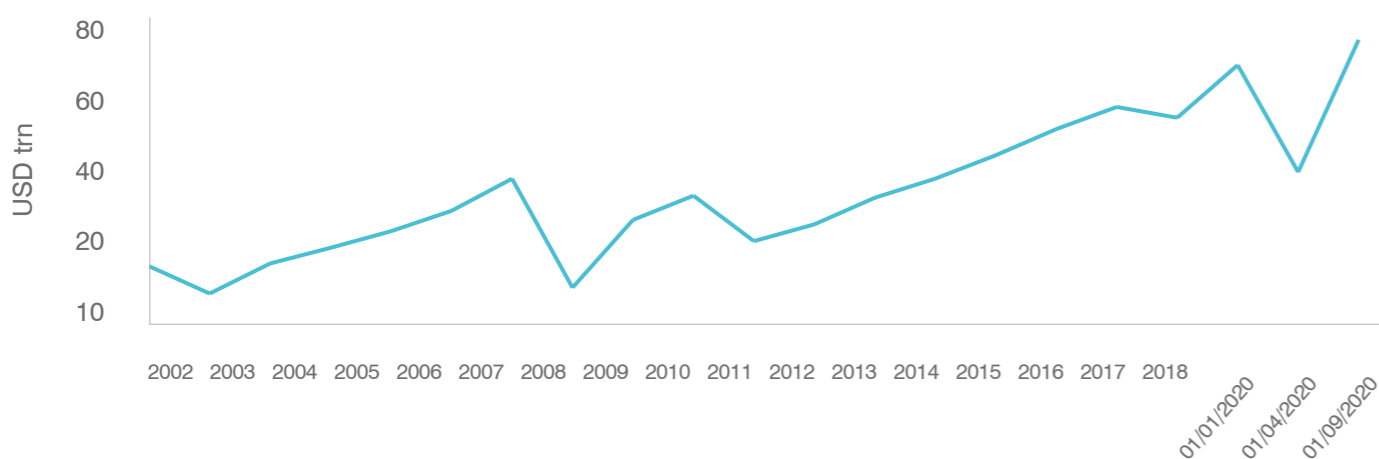
Strong, valuable intangible assets are crucial for growth in the modern economy. Between the 2008 financial crisis and the beginning of 2020, global intangible value has grown on average by 13.2% per annum. By contrast, tangible net asset value has grown by 8.4% per annum.

Following the outbreak of COVID-19, total global intangible value had dipped from US\$61 trillion to under US\$40 trillion, stripping away 5 years of value growth.

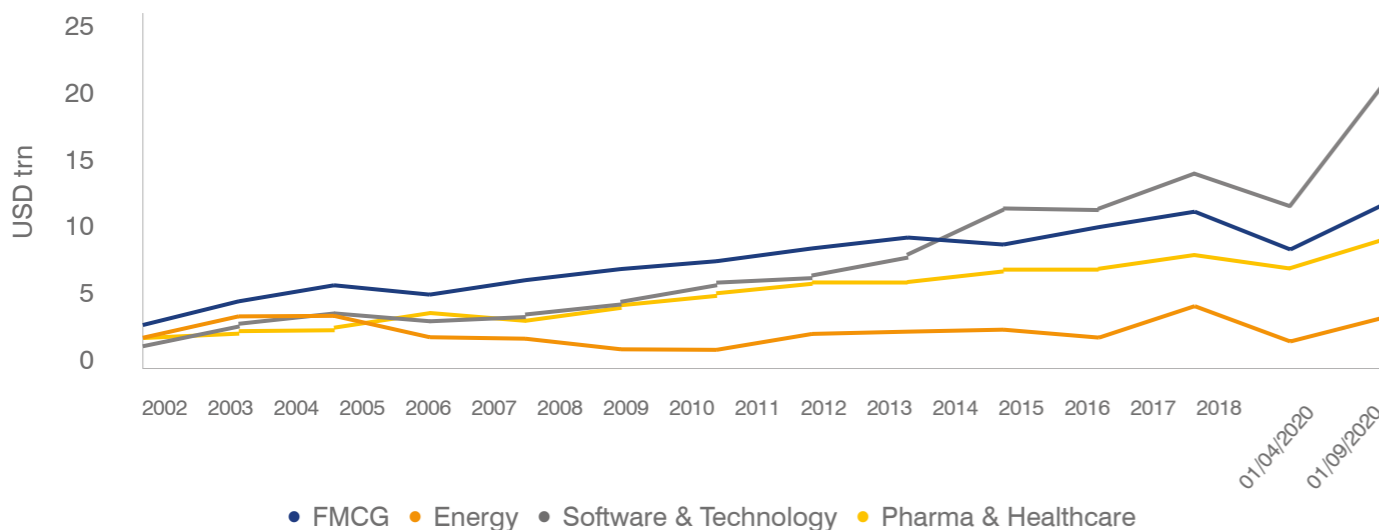
Since then, the market corrected itself and total intangible value reached an all-time high of US\$65.7 trillion as at 1<sup>st</sup> September.

**Annabel Brown**  
Associate,  
Brand Finance

### Total Intangible Asset Value Globally



### Total Intangible Value by Industry Group



The Brand Finance Global Intangible Finance Tracker (GIFT™) study ranks the top global companies by total intangible value. The top 10 companies this year are Apple, Amazon, Aramco, Microsoft, Alphabet, Facebook, Alibaba, Tencent, Tesla, and VISA.

During the year, the intangible value of these companies started at US\$7.2 trillion, then dropped by just shy of US\$1 trillion during the COVID-19 crash, and finally skyrocketed to a total of US\$10.8 trillion as at 1<sup>st</sup> September. This enormous volatility points to fundamental flaws in investor understanding of company assets.

Global stock markets have been extremely volatile in 2020 as a result of COVID-19, Brexit, a negative oil price, and the rollercoaster of Biden vs Trump. 2020 is considered to be the most volatile year since 1929, suggesting that most investors do not fully understand the underlying value of the companies they invest in, leaving room for wildly fluctuating share prices and mass panic.

The vast majority (97%) of the US\$10.8 trillion of intangible value among the top 10 companies ranked in the Brand Finance GIFT™ 2020 study is undefined and remains undisclosed on company balance sheets. Brand Finance makes strides to narrow this disclosure gap by publishing the value of 5,000 of the world's most valuable brands each year. Our brand values account for between 3% and 25% of the intangible value of these most intangible companies. The monetary value of other intangibles – technology, rights, relationships – remains unknown.

### Technological Innovation

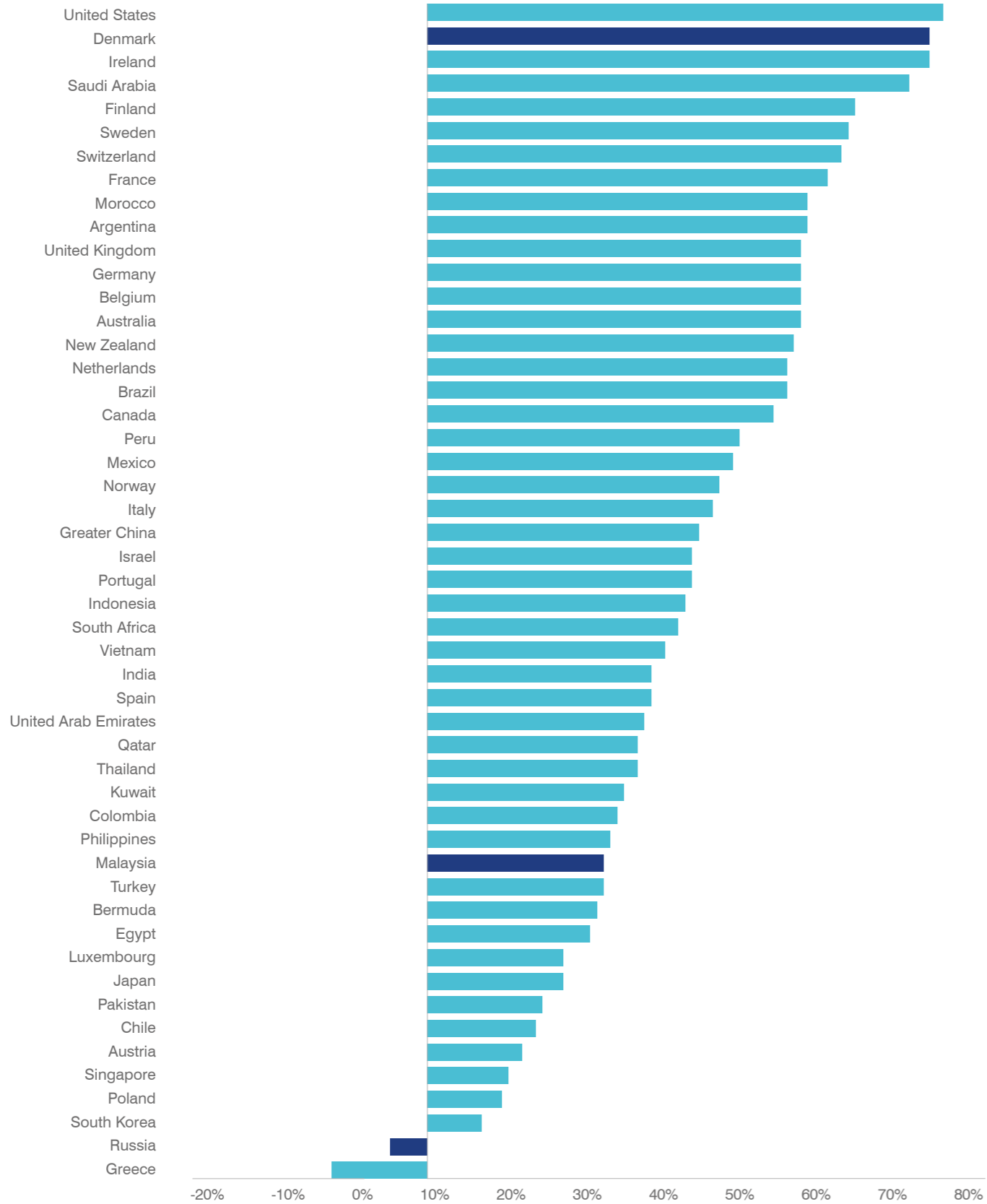
Empirical evidence about patent applications over time suggests that technological innovation increases during a crisis. In 2008, phones got faster with the introduction of the iPhone 3G and the Apple App store. In 2020, Apple brought us the first 5G-enabled iPhone. The depth of transformative disruption of digital technologies between the financial crisis of 2008 and the pandemic of 2020 have contributed greatly to economic growth.

Beyond 2020, individuals, corporates and nations must all consider how to adapt to the disruption presented by COVID-19. The City of London are among many jurisdictions acknowledging the need to reinvent itself. London has listed IPOs, small businesses, the arts, and better flexible working facilities among its priorities.

### The Intangible Value of the Top 10 Companies in the World

	<b>1</b>			<b>\$2,151bn</b>
	<b>2</b>			<b>\$1,694bn</b>
	<b>3</b>			<b>\$1,651bn</b>
	<b>4</b>			<b>\$1,598bn</b>
	<b>5</b>			<b>\$838bn</b>
	<b>6</b>			<b>\$704bn</b>
	<b>7</b>			<b>\$693bn</b>
	<b>8</b>			<b>\$610bn</b>
	<b>9</b>			<b>\$433bn</b>
	<b>10</b>			<b>\$427bn</b>

### Most Intangible Countries at 1<sup>st</sup> September



### Intangibles by sector

Software and technology have contributed greatly to the global rise in intangible value. Following 2008, most innovation came from Silicon Valley. While this region is still overrepresented in patent applications, global participation from China has skyrocketed.

Denmark is the 2<sup>nd</sup> most intangible country in our study, and the most intangible country in Europe.

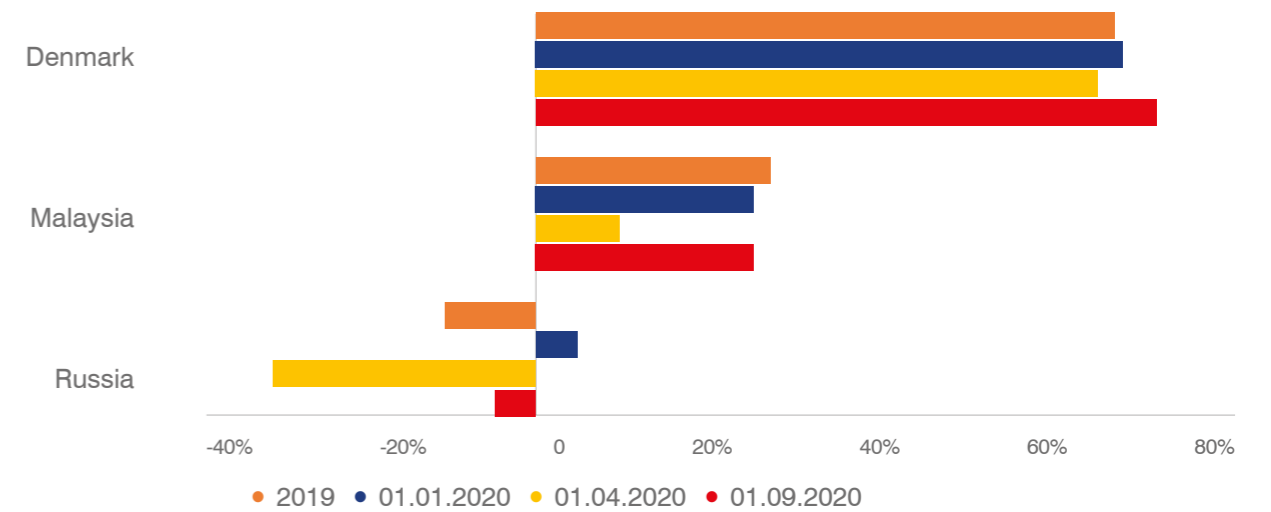
The composition of listed entities suggests that the economy is dependent on the pharma industry, both for income generation- as represented by total value - and for innovation - as suggested by the share of intangible value. 37% of Denmark's intangible value is attributable to the pharma industry.

### Denmark

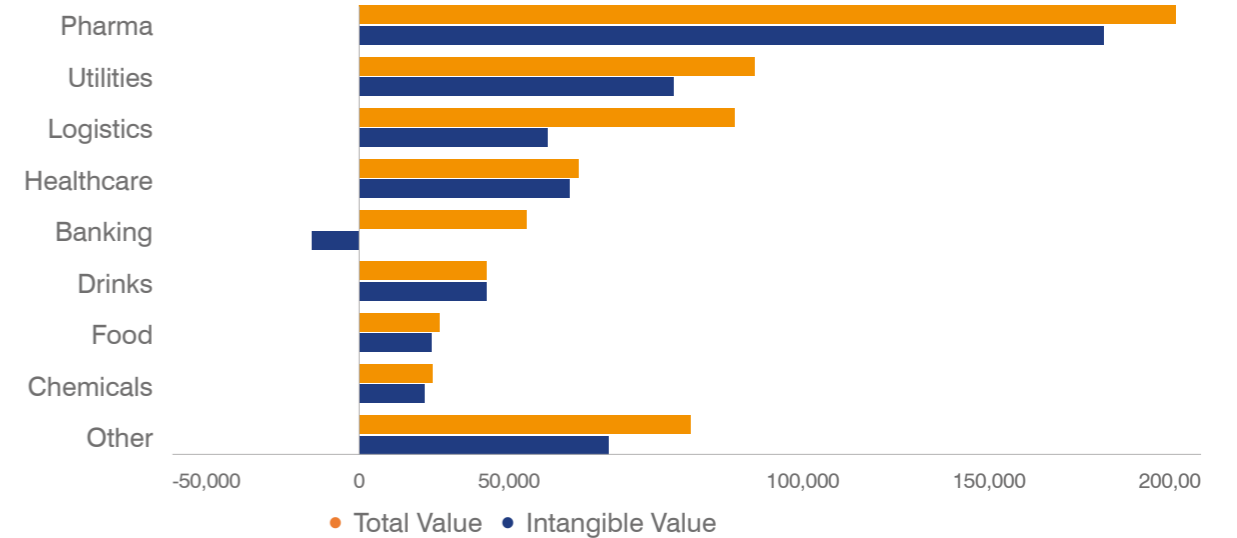
From Viking long boats to the Wegner wishbone chair, Denmark has a long legacy of innovation. Today,

A further 16% is attributable to the utilities sector. World leader in offshore wind energy, Ørsted, and

### Intangible Share of Total Value Over Time



### Denmark



wind turbine manufacturer, Vestas, contribute greatly to the high intangible value of utilities within Denmark.

Relative to overall sector value, the drinks industry is the most intangible in Denmark, due to Carlsberg. Carlsberg is highly intangible due the value of its relationships or contracts with distributors, recipe formulas, and the strong global brands of Carlsberg and other portfolio brands including Tuborg and Kronenbourg 1664.

### Malaysia

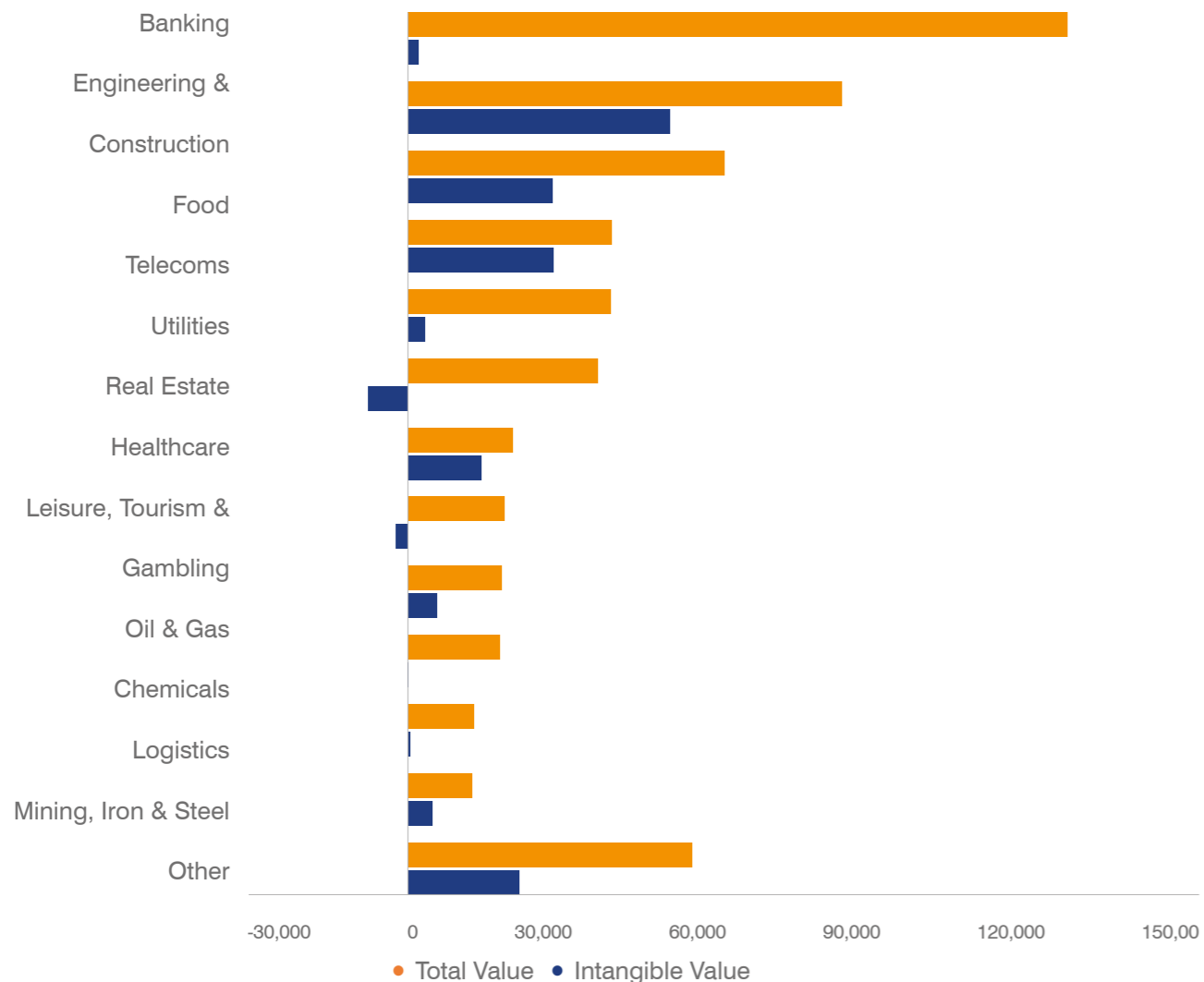
By contrast to Denmark, the most valuable sector in Malaysia – banking – is also one of the least intangible

sectors. At a global level, banks are on average 11% intangible, in Malaysia they are only 2% intangible.

Malaysia’s other dominant sectors such as engineering & construction, food and telecoms contribute greatly to national intangible value.

Within the Malaysian food industry, one of the main contributors to national intangible value is Oriental Foods. Oriental Foods is comprised of 97% intangible value, which consists of the rights and relationships with distributors, formulae, and leading local brands such as Zess and Super Ring.

### Malaysia



For Malaysia to become one of the most intangible countries, subsidies and investment should focus on more typically intangible sectors such as cosmetics and software.

### Russia

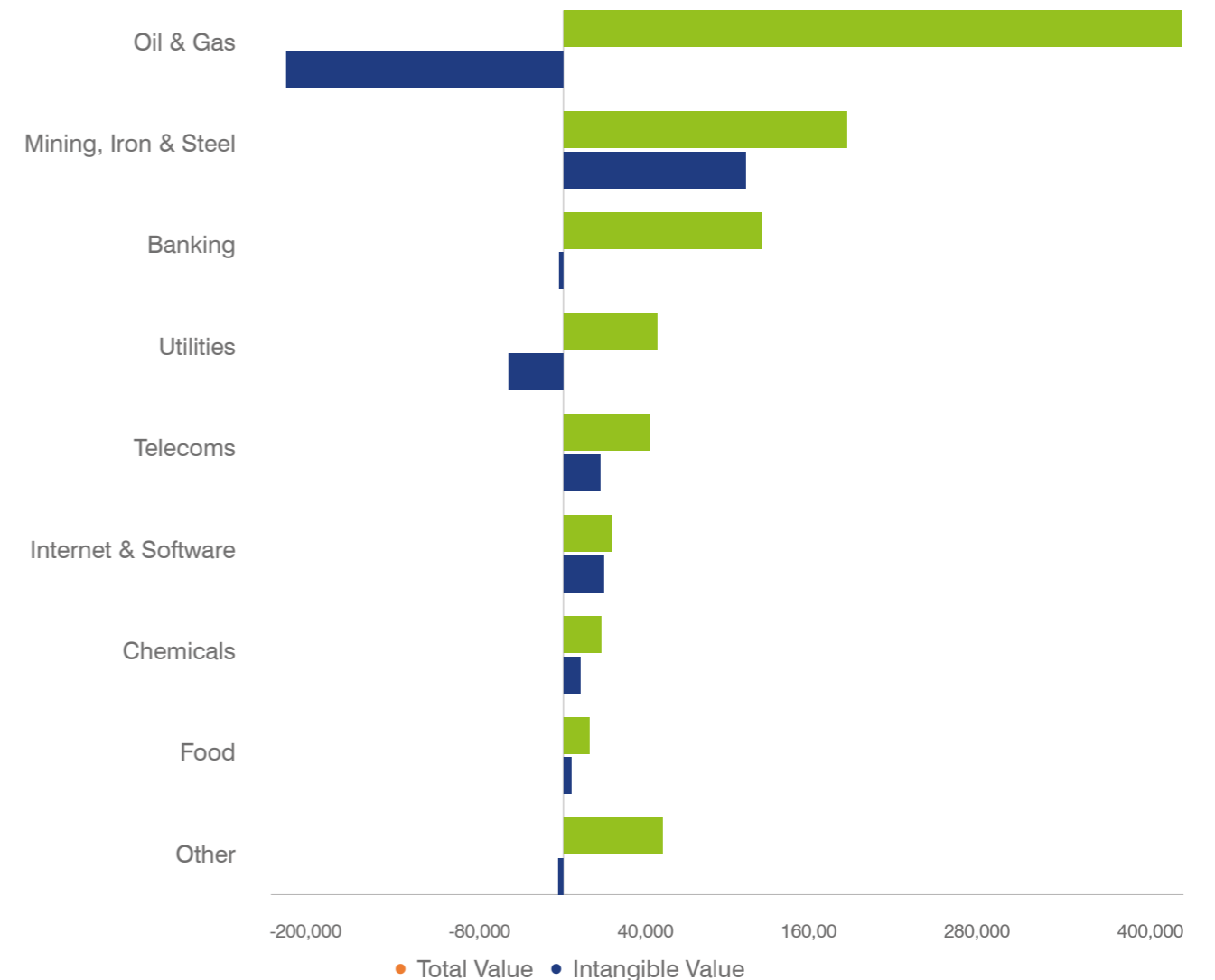
Russia is the second least intangible country in our study. The Russian economy is predominantly comprised of oil & gas entities and other traditional industrial sectors, such as mining and utilities.

Players such as Nornickel and Pplus contribute to the relatively high intangible value of the mining sector in Russia. Nornickel is the world’s largest producer of Palladium -

the world’s most valuable precious metal. About 85% of palladium is used in motor vehicle exhaust systems to reduce harmful toxins, and tightening legislation around emissions has caused an increase in global demand.

For Nornickel, the rights to its reserve base are an intangible asset and the growing market demand for these reserves has helped investors to recognise the value of those reserves. However, the role of more “modern” intangibles such as cutting-edge software or global brands do not appear to play as much of a role in the Russian economy currently. This is either because corporates are not investing sufficiently in developing innovative technology or reputable brands, or it is because barriers to investing in Russia are suppressing the fair value of those intangibles.

### Russia



# How can Brands Protect Businesses in Times of Crisis?



The pandemic is affecting a broad spectrum of brands, but not all are impacted in the same way. As the pandemic has triggered market crashes across the globe, analysts at Brand Finance estimate the brand value at risk for the world's most valuable brands at US\$400 billion. Brand Finance has assessed the impact of Covid-19 based on the effect of the outbreak on enterprise value, compared to what it was on 1<sup>st</sup> January 2020.

But this risk is not uniform for all sectors and all brands. Usually, there are two types of risks that affect brands during a crisis:

**Sectorial** - the range of impact depends on the type of product, service or category where the brand operates

**Own** - the impact also depends on the company's own culture, appetite for risk, orientation to innovation, and flexibility

## 1. Sectorial Risk

Based on this impact on business value, Brand Finance estimated the likely impact on brand value for each sector. Each sector has been classified into five categories based on the severity of business value loss observed in the period between January 2020 and July 2020:

High positive impact (20% brand value gain) E.g. technology and spirits sectors

Moderate positive impact (5-15% brand value gain) E.g. commercial services and pharma sectors

Limited impact (0% brand value loss) E.g. food and cosmetics sectors

Moderate negative impact (5-15% brand value loss) E.g. apparel and media sectors

High negative impact (up to 20% brand value loss) E.g. airports and hotels

Figure 1 shows the sectors that fall in each one of the five categories.

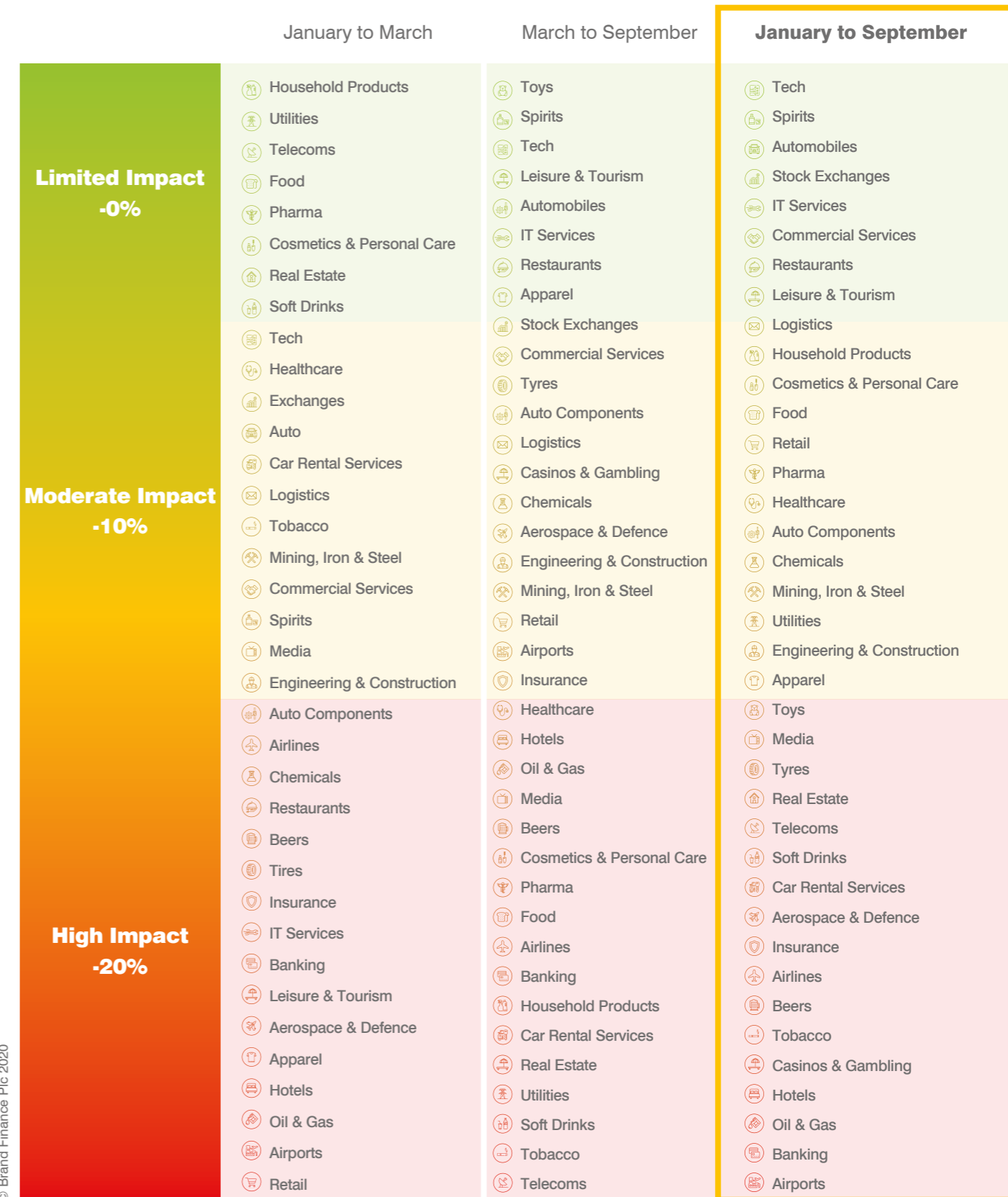
## 2. Own Risk

But within categories and sectors, not all brands are impacted in the same way. This depends on their own risk. Analysing individual impact, we have identified three ways brands across categories have been impacted (see Figure 2).

### 2.1. Thriving

Some companies are now thriving and are well placed to cater to our changed lifestyles, but how they act now can shape future trajectory. Zoom, Vodafone and Amazon are good examples of brands that fit into this category. But all of them are facing their own challenges. Zoom due to privacy concerns, Vodafone for raising prices in the UK in the middle of lockdown, and Amazon is faced with trade union problems in the US, Spain and Italy. These reputational issues must be tackled for

Figure 1: Brand Value at Risk



© Brand Finance Plc 2020



Amazon to emerge out of the crisis as a stronger brand and fully optimise its long-term profitability. The surge won't be forever, and these examples illustrate that managing brand reputation through scrutiny is key to maximize long-term profitability. For this, brands need to undertake a multi-stakeholder approach.

## 2.2. Striving

A second group of brands are striving, adapting and reacting rapidly, either by adapting business plans, products, and services to maximise changing

opportunities and stay current, or adapting the production to cater for urgent social needs. For example, Cabify has launched a courier service on top of its traditional people transportation services. Similarly, LVMH decided in mid-March, that it would dedicate three of its perfume manufacturing premises to produce hand sanitizer.

## 2.3. Surviving

A third group of companies is merely surviving, as they are unable to transition online or have come to a standstill. Apparel and airline brands could lose up to 20% of their brand values and are good examples of companies in this third cluster.

3. How to mitigate the impact of the pandemic and leverage long-term brand profitability

There are no universal recipes, but some ingredients must always be present in our "crisis mix":

Keep investing in communications but avoid meaningless messages - Find the right content and tone. It's not about how much you invest, but how you invest.

Consider how your brand actions will improve the lives of stakeholders - Build reputation, not campaigns.

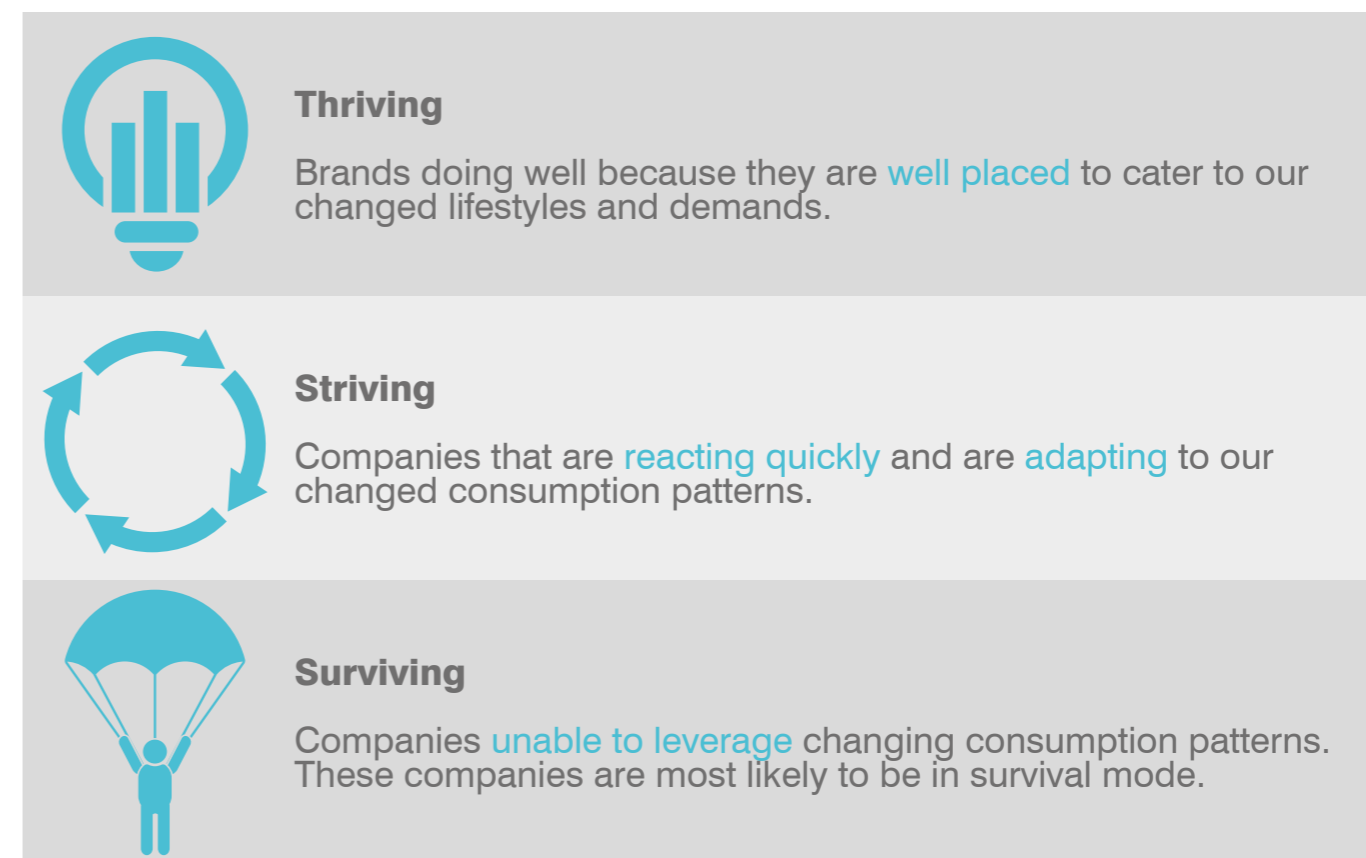
Adjust all the elements of your "marketing mix" and not just your promotion - Ask yourself what you can do to improve the lives of your customers.

Consider whether taking short-term losses can generate long-term profitability - In particular when it comes to protecting employees.

Consider how you can collaborate with other stakeholders and share your resources to alleviate the impact of the pandemic in your community - Today, brands are expected to provide collaboration, protection and security, placing collective interest on short-term gains.

To manage the aforementioned risks, metrics linked to the creation of brand value must be measured and monitored. But measuring requires a clear vision. So, the question every smart, committed brand leader should be asking now is: where do we want to be in 2021?

Figure 2. Own risk. There are three ways brands across categories have been impacted



# What can Governments do to Stimulate Brand Creation?

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# Threats to Brands. What can Governments and Businesses do to Protect Brands?

**Carla Michelotti**  
International Advertising  
Association VP  
Self-Regulation

A brand is a valuable intangible that indicates the source and quality of products and services. A brand is a “trademark”, it conveys authenticity, integrity, quality, and consistency to consumers. Today, as the world continues to deal with the economic and public health implications of the COVID-19 pandemic, we certainly need authenticity and consistency of expectations more than ever!

At the outbreak of the pandemic consumers seemingly panicked as supply chains were impacted and product insecurity affected consumer choice. While supply lines were challenged, the branding of products selected for purchase was secondary to purchasing needed commodities. (e.g., sanitary wipes, paper towels, toilet paper, cleaning goods, etc). There was no comfort in selecting much needed commodities based upon their shelf availability! Purchases were made without ability to select preferred brands, offerings were limited, quality was often unknown, price comparisons were not possible. As recognized and trusted brands once again appeared, consumer confidence increased, bulk buying ended, and trust returned to the marketplace. Simply said, this consumer confidence, based upon availability of trusted and recognized brands, is yet needed to reboot the economy.

Brands have the power to help fuel the engine of economic recovery.

You can't touch a brand, but it touches you. It has intangible value, and is reported by corporations as an asset on balance sheets. Governments have long recognized the importance of trademark owners protecting and defending the ownership of their brands. The unique and valuable ownership of a brand can be registered by governments, which allows the brand owner the clear recognized ability to use that brand identity for specific purposes on specific products, thus conveying the source and consistency of the quality of that unique product to consumers.

Brand freedom can be defined as being the ability to use a brand as intended, on the goods or services as intended, and to prevent others from using the brand at all.

Respecting brand owners' ability to use and protect their own brands is foundational to building a robust marketplace where a variety of brands compete and thrive. Lack of brands can create monopolistic possibilities, can stifle the ability to compete, and may result in challenged consumer trust.

Government and regulators should recognize the importance of brands to help build the economic marketplace. Allowing brands to be used by brand owners as intended is key. Restrictions placed upon the ability to use this intangible property debunk the purpose of that brand, the purpose of trademarks themselves! And, restricting the ability to use a brand to identify the source and quality of goods, owned by that same brand owner, frustrates the ability to build greater consumer trust..

There have been instances of some governments around the world preventing a brand owners' ability to use their brands as intended. The aim of any such potential branding restriction is usually to discourage the consumption of certain products, (including alcohol beverages, tobacco products, or products with high sugar, salt, calorie or fat). The International Advertising Association (IAA) has repeatedly gone on record in opposition of such efforts to impose behavior modification through restrictions placed upon branding. The IAA believes that brands drive the economy and that restrictions

in one category can quickly move to another category. IAA strongly believes that regulations which restrict brand freedom does not directly impact the unwanted behavior, nor the underlying very real health issues that the restrictions hope to affect. Rather, restricting branding establishes a precedent of censorship, which has unintended consequences, which the IAA understands are damaging in any economy, and in an economy which needs to be rebooted, the ability to build and grow brands become critically important.

Brands build consumer trust. Governments and regulators should always recognize and respect

the commercial and economic benefit of brand freedom. Brands promise a consumer that they will receive the quality and integrity of the products and services selected without risk or surprise. Rather than reinventing everything in the post-covid world, brands can continue to promise that purchases will be as expected – what can be better than promising consistency now?

Brands can deliver hope, trust and confidence. Brand owners should be able to use their valuable intangible assets as intended, to help build a strong marketplace going forward.



# Why Brands Matter - The Campaign.



**Joel E. Netty**  
World President & Chairman,  
International Advertising  
Association

It is an undeniable fact that the COVID-19 pandemic has fundamentally altered our world and how we as humans, interact with our environment.

Its impact has been massive and governments across the world have been encumbered with a multi-faceted problem. Not only have they had to bear the responsibility of finding innovative ways to protect their people but they are also having to find ways to either build resilience to withstand the impact of the COVID-19 pandemic on their economies or finding ways to kick-start economies that have been severely hit by the impact of the pandemic.

Fact is, brands will play a leading role in re-starting the pulse of economies across the world.

Brands convey the source, quality and authenticity of products. Brands represent creativity, innovation and optimism. Strong brands restore consumer confidence and brand competition can rebuild economic strength. In fact, research shows that the importance of brands actually increases during times of crisis.

This is why the IAA is launching a global campaign to promote the role brands can play in driving economic revival.

Our campaign visuals show the benefits brands bring to consumers - choice, trust, identity, pride and passion amongst many others. At the same time, they highlight what will be lost to all of us if we lived in a world without brands. It would be a poorer world with less choice, less clarity and less trust.

These are reasons why brands matter ... and why at the IAA, we love brands!

These indeed are tough times for Countries, People and Brands. But one thing's for certain: "This too, shall pass!"

As is becoming my custom, let me end this with an African proverb that puts our roles in perspective: It says "where you will sit when you are old, shows where you stood in your youth".

In other words, the actions all of us – Governments, Citizens, Brands and Marketeers - take now, will determine where we will be in the future. It is the brands that show up during times of crises that will be remembered when the dust of this pandemic and every other crisis settle. I encourage all of us to commit ourselves to ensuring the success of this campaign. Let me also use this opportunity, on behalf of the International Advertising Association, to call on governments and all brands around the world to work together to create an environment that gives consumers the confidence to invest in brands that matter to them; an environment where brands are protected and nurtured and allowed to fulfil their full potential.

Thank you for being part of IAA's Creativity 4 Better conference ... and our Brand Protection Campaign Launch. This is the only global conference that brings together the United Nations, Government Experts, Leading Brands and Marketeers to leverage creativity to create a better world.

Enjoy the Conference and please look out for and support the campaign in your home regions.



## A WORLD WITHOUT BRANDS IS A WORLD WITHOUT CHOICE

This is why brands matter. A brand is a promise to consumers. It's a commitment to quality, trust and standards. Through their distinctive logos, packaging and colors, brands express their values and vision. Let's work together to make sure brands have a future and consumers are free to choose.

### WE LOVE BRANDS

The Global Compass  
of Marketing  
Communications

[IAAglobal.org](http://IAAglobal.org)



# Our Manifesto.

## How Governments and Businesses can Help Support Brands and Promote Economic Recovery

1. Brands matter for **customers**, as they indicate the source of origin, represent a shortcut for decision-making and allow them to express their own values and beliefs. More and more, brands are playing an activist role, and buying a particular brand is, at times, a political act.

2. Brands matter for **businesses**, as they create value through relevant differentiation. Businesses can leverage brand value, by staying on top of social and consumer trends, translating them into relevant value proposition and protecting the IP associated to it. Particularly, in times of crisis, strong brands contribute to business resilience. Businesses should recognize the role that brands play during tough times, and keep leveraging brand strength through continued investment. For that, a strong, almost real-time brand information system is required.

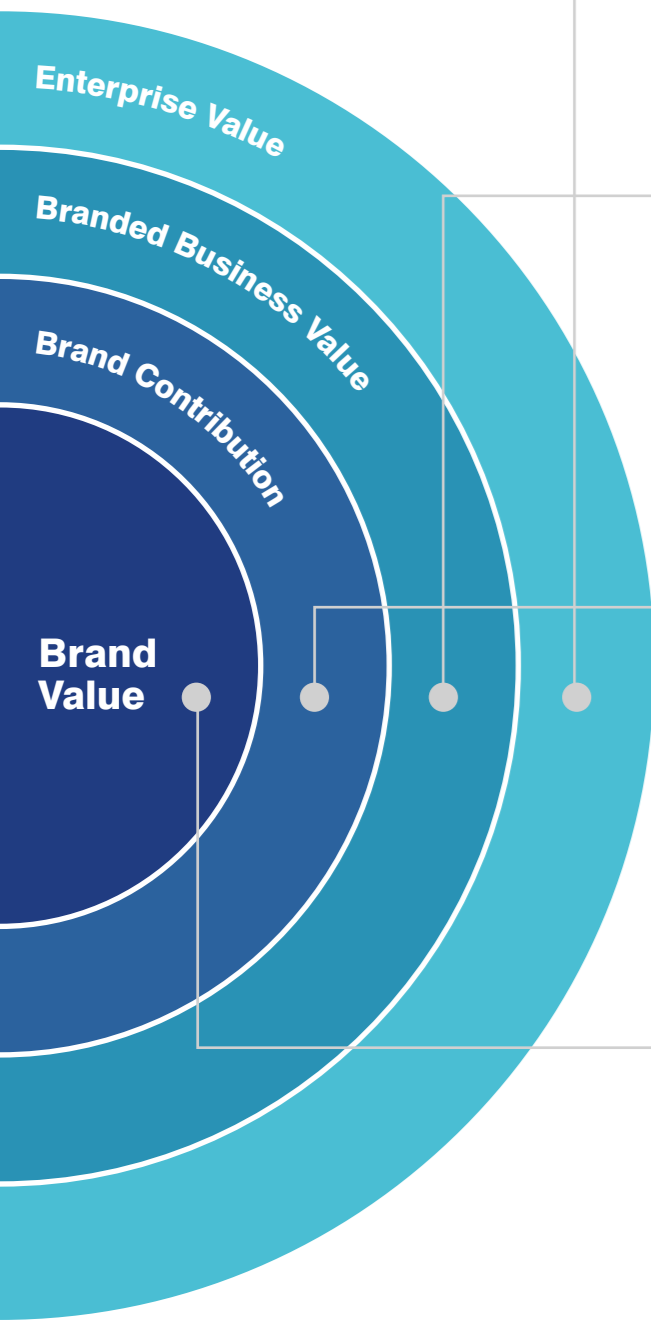
3. Brands matter for **investors**, as well-positioned brands have a positive impact on risk and return. Reputation is a leading indicator of business value. Investors should incorporate multi-stakeholder, broad brand metrics into their decision making.

4. Brands matter for **governments**, as they are key instruments of their economic diplomacy. Governments must support businesses and forge the right environment for brands to thrive. More and stronger local brands translate into more soft power, and this, in turn, into more foreign direct investment, more jobs and more influence into the world.

5. Brands matter for **society**, as they create social value. At a time in which governments have less resources and less reach than many global brands, and of high volatility, brands play a crucial role at protecting citizens, helping governments in need and having a positive impact on local communities and underprivileged groups. Business should recognize this role and understand leadership in a broader way, not just market share. If before we spoke about brands as ideas, now they are ideologies.

6. In an increasingly volatile, complex and ambiguous **world**, human beings need anchors, safety and protection. This context saw a new leadership style emerge: one that provides safety, security and protection. The pandemic came to shake the gameboard even further. We are witnessing increasing polarization, social conflict and extreme uncertainty. Populism and its divisive tactics are creating a social breach. Now more than ever, brands need to lead with courage and compassion.

# Definitions.



## Brand Value

**Alphabet**

[Alphabet]

**+ Enterprise Value**  
The value of the entire enterprise, made up of multiple branded businesses.

Where a company has a purely mono-branded architecture, the 'enterprise value' is the same as 'branded business value'.

**Google**

[Google]

**+ Branded Business Value**  
The value of a single branded business operating under the subject brand.

A brand should be viewed in the context of the business in which it operates. Brand Finance always conducts a branded business valuation as part of any brand valuation. We evaluate the full brand value chain in order to understand the links between marketing investment, brand-tracking data, and stakeholder behaviour.

**Google**

[Google]

**+ Brand Contribution**  
The overall uplift in shareholder value that the business derives from owning the brand rather than operating a generic brand.

The brand values contained in our league tables are those of the potentially transferable brand assets only, making 'brand contribution' a wider concept. An assessment of overall 'brand contribution' to a business provides additional insights to help optimise performance.

**Google**

[Google]

**+ Brand Value**  
The value of the trade mark and associated marketing IP within the branded business.

Brand Finance helped to craft the internationally recognised standard on Brand Valuation – ISO 10668. It defines brand as a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos, and designs, intended to identify goods, services or entities, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits.

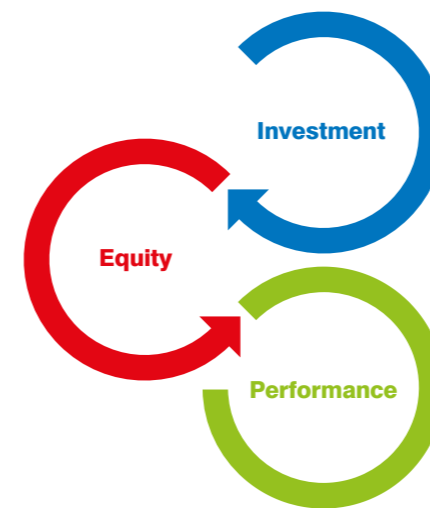
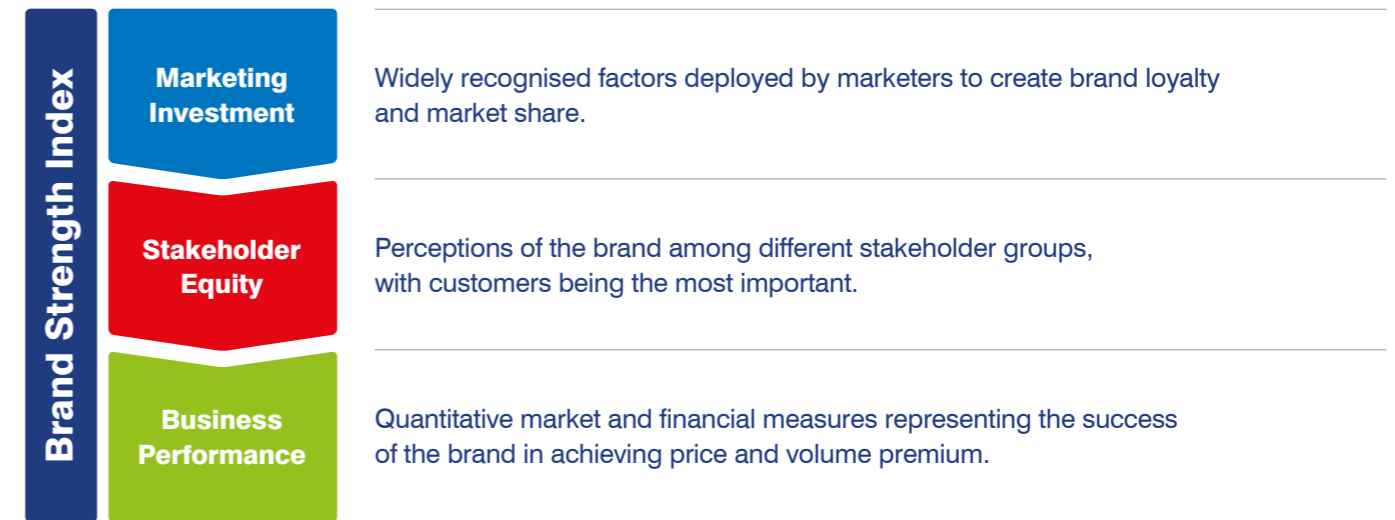
## Brand Strength

**Brand Strength is the efficacy of a brand's performance on intangible measures, relative to its competitors.**

In order to determine the strength of a brand, we look at Marketing Investment, Stakeholder Equity, and the impact of those on Business Performance.

Each brand is assigned a Brand Strength Index (BSI) score out of 100, which feeds into the brand value calculation. Based on the score, each brand is assigned a corresponding rating up to AAA+ in a format similar to a credit rating.

Analysing the three brand strength measures helps inform managers of a brand's potential for future success.



### Marketing Investment

- A brand that has high Marketing Investment but low Stakeholder Equity may be on a path to growth. This high investment is likely to lead to future performance in Stakeholder Equity which would in turn lead to better Business Performance in the future.
- However, high Marketing Investment over an extended period with little improvement in Stakeholder Equity would imply that the brand is unable to shape customers' preference.

### Stakeholder Equity

- The same is true for Stakeholder Equity. If a company has high Stakeholder Equity, it is likely that Business Performance will improve in the future.
- However, if the brand's poor Business Performance persists, it would suggest that the brand is inefficient compared to its competitors in transferring stakeholder sentiment to a volume or price premium.

### Business Performance

- Finally, if a brand has a strong Business Performance but scores poorly on Stakeholder Equity, it would imply that, in the future, the brand's ability to drive value will diminish.
- However, if it is able to sustain these higher outputs, it shows that the brand is particularly efficient at creating value from sentiment compared to its competitors.

# Consulting Services.





MARKETING



FINANCE



TAX



LEGAL

We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand-based decisions and strategies.

We provide financiers and auditors with an independent assessment on all forms of brand and intangible asset valuations.

We help brand owners and fiscal authorities to understand the implications of different tax, transfer pricing, and brand ownership arrangements.

We help clients to enforce and exploit their intellectual property rights by providing independent expert advice in- and outside of the courtroom.

**Disclaimer**  
 Brand Finance has produced this study with an independent and unbiased analysis. The values derived and opinions produced in this study are based only on publicly available information and certain assumptions that Brand Finance used where such data was deficient or unclear. Brand Finance accepts no responsibility and will not be liable in the event that the publicly available information relied upon is subsequently found to be inaccurate. The opinions and financial analysis expressed in the report are not to be construed as providing investment or business advice. Brand Finance does not intend the report to be relied upon for any reason and excludes all liability to any body, government or organisation.

# Brand Evaluation Services.



## How are brands perceived in my category?

Brand Finance tracks brand fame and perceptions across 30 markets in 10 consumer categories. Clear, insightful signals of brand performance, with data mining options for those who want to dig deeper – all at an accessible price.

## What if I need more depth or coverage of a more specialised sector?

Our bespoke brand scorecards help with market planning and can be designed to track multiple brands over time, against competitors, between market segments and against budgets. Our 30-country database of brand KPIs enables us to benchmark performance appropriately.

## Do I have the right brand architecture or strategy in place?

Research is conducted in addition to strategic analysis to provide a robust understanding of the current positioning. The effectiveness of alternative architectures is tested through drivers analysis, to determine which option(s) will stimulate the most favourable customer behaviour and financial results.

## How can I improve return on marketing investment?

Using sophisticated analytics, we have a proven track record of developing comprehensive brand scorecard and brand investment frameworks to improve return on marketing investment.

## What about the social dimension? Does my brand get talked about?

Social interactions have a proven commercial impact on brands. We measure actual brand conversation and advocacy, both real-world word of mouth and online buzz and sentiment, by combining traditional survey measures with best-in-class social listening.

# Brand Finance Network.

For further information on our services and valuation experience, please contact your local representative:

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