

Top global brands' valuation down by US\$67 billion

LONDON & NEW YORK: Independent brand valuation consultancy Brand Finance yesterday, Thursday, 18 September 2008, revealed the impact of recession on the 100 leading global and US brands - between January and September, the brand value of these top brands has decreased by 4.2%, a drop of US\$67 billion.

"In the current climate, it is essential to understand the absolute value of brands and what drives their value," said David Haigh, CEO of Brand Finance.

He continued, "The BRANDFINANCE Global 500 report provides an insight into the effect of recession on leading brands. There is clear evidence that basic, value for money brands like WalMart, AT&T, Exxon and McDonalds are performing very strongly, particularly when they invest consistently in advertising and marketing. By contrast unnecessary or discretionary brands like Starbucks, Nike, Coca Cola and L'Oreal are declining in value as consumers watch their finances more carefully."

"There is also evidence at the global level that developing world brands are growing rapidly. Samsung, Tata, Bank of China and Lukoil are all good examples of this phenomenon."

2008 version

In March 2008, Brand Finance released the 2008 version of its report on the 500 most valuable Global Brands. The effective valuation date was 31 December 2007, using financial forecasts for 2008 and beyond. Since January, the economy has been hit by commodity prices rises, the credit crunch, rising unemployment and tumbling share prices. As a result of this global economic crisis, Brand Finance has revisited its findings and has updated the values of the top 100 Global and top 100 US brands.

The study is calculated by Brand Finance based on the widely used and technically superior "Royalty from Relief" methodology, which assumes that a company does not own its brand name, and then calculates how much it would have to pay to license it from a third party.

The update reveals that:

- Global trends:
 - Between January and September the enterprise value of the 100 most valuable global branded businesses has decreased by 13.3%, a drop of US\$1.6 trillion.
 - Between January and September the brand value of the 100 most valuable global brands has decreased by

4.2%, a drop of US\$67 billion.

- Sector trends:

- As the price of oil continues to rise, so does the value of the leading petrochemical brands. Four of the top five brands that record an increased in brand value belong to leading brands in the oil and gas sector. These include; ExxonMobil (19.4%), BP (18.3%), Chevron (17.9%) and Shell (12.8%).
- The only other sector to record a significant increase in overall brand value is healthcare, suggesting that despite a decrease in spending, consumers are prioritising health and well-being. Johnson & Johnson does especially well and outperforms its competitors by jumping an impressive 16 places to 84 in the table, illustrating the trend across the sector.
- The retail sector's total enterprise value has risen by 9.1%. During the current recession low-priced retailers are leveraging their position by providing customer with value for money goods.
- Everyday consumer brands have benefitted as consumers trade-down and rediscover good value products. McDonald's is an example of a brand that has benefitted from successful re-positioning as a healthier, value for money option. Trading on its heritage and consumer brand equity, McDonald's brand value increases by 9% to US\$23 968 million. On the other hand, brands such as Starbucks struggle to gain share of (shrinking) wallet as consumers cut unnecessary spending habits and turn to more essential goods.
- With the current economic conditions, it is not surprising that the financial services sector has decreased in brand value across the board. Financial service institutions need to refocus attention on the key value drivers of their brands and develop longer term strategies.

Brand Rankings:

- Wal-Mart has overtaken Coca-Cola to become the most valuable global brand in the BrandFinance500. The value of the brand has increased 9% since December to US\$42 567 million, driving a 23.5% increase in Wal-Mart's enterprise value over same period. Wal-Mart has turned the recession to its advantage by leveraging its reputation for low prices.
- CITI tumbled out of the top ten to 15th place with a brand value of US\$24 058 million (a 14% decrease) reflecting its poor performance in the current sub-prime crisis. This allows Vodafone to enter the top ten in ninth place as the leading telecommunications brand (with a brand value of US\$26 688 million), closely followed by Nokia (with a brand value of US\$26 564 million)

For a more detailed analysis of the BRANDFINANCE Global 500 report, go to www.brandfinance.com. For the methodology, go to www.brandfinance.com/Uploads/pdfs/DetailedMethodologyBF500.pdf.

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