SA's Top 50 Valuable Brands in 2016: What constitutes brand value?

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On Thursday, 15 September 2016, Brand Finance, the world's leading independent branded business valuation and strategy consultancy headquartered in London, together with Brand South Africa, a company entrusted with creating a positive and compelling brand image for South Africa, announced South Africa's top 50 most valuable corporate brands for 2016.

Image credit: Big Brand System

In consideration of the report, I found myself with the following renewed questions:

- **What is a brand value?**
- **What does it mean?**
- **Why it is important?**
- **How to get it, have it and keep it?**

In all the world's listed brand value descriptions the one I consider most accurate and appropriate is by Seth Godin, an author, serial entrepreneur, marketer, and public speaker. Seth described a brand value as follows:

"A brand's value is merely the sum total of how much extra people will pay, or how often they choose, the expectations, memories, stories and relationships of one brand over the alternatives."

Seth's thoughts on brand value resonate with that of the late Steve Jobs, who once asserted that:

"Marketing is about values. This is a very complicated world, it's a very noisy world. And we're not going to get the chance to get people to remember much about us. No company is. So we have to be really clear on what we want them to know about us."

Personally, here's my definition of a brand value:

To me, a brand value is the more money and sales that a brand can generate from products and services of its famous brand, than other rival brands – especially competing brands, which are not famous, after its brand name has been made famous. My brand value definition lies exactly in the consumers' belief that a product and service from a famous brand is more superior and much better than products and services from less famous brands. This means that marketing and advertising efforts have really paid off in building the brand value. Companies invest a lot of money building their brand and promising consumers what qualities and performances to expect from a brand and its products and services. For me, brand value would have been achieved if consumers give more of their hard-earned money to your brand, give more sales to your brand, hold your brand in high esteem and revere it in such a way that they will do anything to buy it, own it and be proud of it.

If CEOs, marketers and their companies want to really understand the concept of brand value, what it is, its meaning, importance, how to get it, have it and keep it; they only have to look at companies who made the list of South Africa's top 50 most valuable corporate brands for 2016. Scrutinise these companies' products, value propositions, customer service, product guarantees, product return policies, brand promises, innovation strategies, et cetera, and then ask yourselves:

- How these companies and their products and services have remained useful and relevant to their customers every time?
- Do the products offered meet the professed claims and purpose? If they do, the brand value goes up and if they don't, it shoots steeply down.
- What are their innovation strategies at play in order to keep up with the demands of the changing markets?
- How do they keep pleasing the demanding consumer who is never satisfied?
- How do they stop the serial switcher from switching?
- Analyse the seamlessness of their service delivery and customer care. Think about this: If your phone breaks, will MTN (No. 1 on the SA Brand Value List) give you a loan phone whilst yours is being fixed if it is out of warranty? If it is within warranty, will they give you a brand new phone as a replacement with no questions asked? Such acts constitute brand value. No consumer wants to be stranded without the product they purchased if the product fails to perform.
- What about consistency and one voice? Does the store in Cape Town speaks with one voice and offer the same customer care as the store in Johannesburg or Durban?
- Brand value through brand promises: In any relationship, let alone brands, things go horribly wrong when promises and expectations have not been met. Meeting every brand expectation and every brand promise pushes up the brand value.
- What made the late South African queen of pop music, Brenda Fassie, such an unparalled and unsurpassed South African musician to date, with a brand value so high that no South African musician has managed to beat it?
- What made Michael Jordan such a valuable basketball player?
- Why is shopping at Woolworths (No. 5 on the SA Brand Value List) so much more important than shopping at any other South African grocery store? Why not Shoprite (No. 12 on the list), Spar (No. 15 on the list) or Pick n Pay (No. 19 on the list)?
- Why do consumers insist on having insurance from Old Mutual (leading insurance provider on the list at No. 18)? Why not Sanlam (No. 21), Discovery Health (No. 22), Liberty Holdings (No. 28) or Santam (No. 42)?
- What made the iPhone so valuable in the eyes of consumers?
- What makes a Porsche or a Tesla so revered with avid fans?
- What makes Disney Theme Parks timelessly enduring?
- What made the iPad a must-have?

- Why is Google the number one search engine compared to all others?
- And surprise, surprise, why is Johannesburg the most visited city in South Africa? Why not Cape Town, with all its impressive tourist attractions, which include the amazing Table Mountain as the Mother City's crowning glory. According to Computicket Travel data, Johannesburg is the most popular city in Africa, and the one with the biggest global footprint, about 4.3 million international overnight visitors each year. The second most popular city is Cape Town, with a flock of over 1.6 million tourists frequenting the Mother City each year. What makes the brand value of Johannesburg extremely higher than that of Cape Town? I mean, the gap in visitor numbers between the two cities is staggeringly huge.

For the sake of transparency and fairness of the game, what is Brand Finance's methodology for determining brand value?

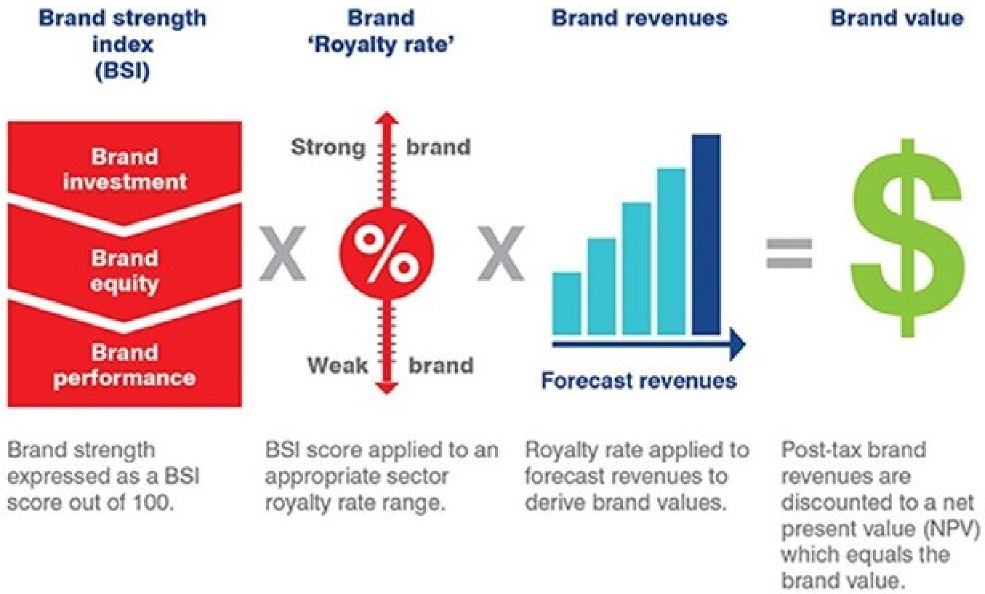

Image credit: Brand Finance

On its website, Brand Finance explains that it calculates brand value using the Royalty Relief methodology, which determines the value a company would be willing to pay to license its brand as if it did not own it. This approach involves estimating the future revenue attributable to a brand and calculating a royalty rate that would be charged for the use of the brand. According to Brand Finance, the steps in this process are as follows:

1. Calculate brand strength on a scale of 0 to 100 based using a balanced scorecard of a number of relevant attributes such as emotional connection, financial performance and sustainability, among others. This score is known as the Brand Strength Index.
2. Determine the royalty rate range for the respective brand sectors. This is done by reviewing comparable licensing agreements sourced from Brand Finance's extensive database of license agreements and other online databases.
3. Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand's sector is 0%-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.
4. Determine brand specific revenues estimating a proportion of parent company revenues attributable to each specific brand and industry sector.
5. Determine forecast brand specific revenues using a function of historic revenues, equity analyst forecasts and economic growth rates.
6. Apply the royalty rate to the forecast revenues to derive the implied royalty charge for use of the brand.
7. The forecast royalties are discounted post tax to a net present value which represents current value of the future income attributable to the brand asset.

Brand Finance's brand ratings are derived from the Brand Strength Index, which benchmarks the strength, risk and future potential of a brand relative to its competitors on a scale ranging from D to AAA. It is conceptually similar to a credit rating.

1.	AAA+	Extremely strong.
2.	AA	Very strong.
3.	A	Strong.
4.	BBB-B	Average.
5.	CCC-C	Weak.
6.	DDD-D	Failing.

For more clarity, guidelines and procedures for brand valuations CEOs, CMOs and brands can refer to ISO 10668, a specification by the International Organization for Standardization (ISO) for the procedures and methods of measuring the value of a brand. The ISO 10668, Monetary Brand Valuation, sets out the principles which should be adopted when valuing any brand. ISO 10668 applies to brand valuations commissioned for all purposes, including:

- Accounting and financial reporting.
- Insolvency and liquidation.
- Tax planning and compliance.
- Litigation support and dispute resolution.
- Corporate finance and fundraising.
- Licensing and joint venture negotiation.
- Internal management information and reporting.
- Strategic planning and brand management.
- Brand and marketing budget determination.
- Brand portfolio review.
- Brand architecture analysis.
- Brand extension planning.

  Let me conclude by stating that the 2016 BrandZ™ Top 100 Most Valuable Global Brands ranking and report, published by Millward Brown and WPP, gives useful lessons for the future from the practices of brands that performed especially well for the 2016 period of disruption:

  1. They disrupted before being disrupted.
  2. They excelled in digital and social media.
  3. They expressed a clear and consistent brand purpose.

  On the same report, there are 10 listed action points for building and sustaining valuable brands:

  1. Be purposeful.
  2. Be authentic.
  3. Be in the conversation.
  4. Grow the triple bottom line.
  5. Refine the brand experience.
  6. Talk to individuals, not generations.
  7. Use data respectfully.
  8. Simplify the value exchange.
  9. Change the transaction mindset.
  10. Widen the competitive set.

ABOUT BANDILE NDZISHE

CEO, Founder & Global Consulting CMO at Bandzishe Group | CMO-Level Marketing Mastermind Bandile is a Prolific Growth Driver, a seasoned CMO-level global growth master marketer with 25+ years' practical marketing strategy experience, a multi-faceted EXCO-level Chief Marketing Officer, a board-level marketing mastermind and a consumer psychologist who delivers a broad range of strategic marketing planning, marketing management initiatives and digital marketing efforts that guarantee measurable sale results for businesses. Bandile generates an upsurge in new leads, sales and repeat business.

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