Global Brands

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Apple's core business adds value

Times may be difficult for some companies, but big technology groups are booming, writes *Brian Groom*

The world's top technology brands, headed by Apple, extended their influence yet more deeply into consumers' lives as their dominance increased in the past year. Times were more difficult, though, for companies in sectors such as luxury goods, fashion, retail and global banking.

Global brand values continued to accelerate after their slowdown during the financial crisis, according to the latest annual BrandZ top 100 brand rankings compiled by Millward Brown, a research agency owned by WPP.

Successful companies not only provided goods and services that were distinct from those of competitors, but also found new ways to connect with customers and navigate the swirling waters of social media.

Peter Walshe, strategic director of BrandZ, says: "Branding is becoming more important. People are taking it more seriously and it is becoming more of a factor in driving value and success."

But, he adds: "If you are going to grow a brand these days, you have to have something meaningfully different. You have to have something that fits into what consumers want, and you have to then got to communicate and drive that."

Steve Wilkinson, managing partner, UK and Ireland markets at EY, the professional services company, says: "In technology, there is still a lot of space to build brands. In the world of products and services, it's probably more difficult than it has been for some time to build a globally consistent brand."

The years 2007-12 were a "golden age" for branded consumer products, as emerging markets expanded, says Mr Wilkinson. Since then, a cooling in many economies has made it harder to maintain profitable growth. Nonetheless, the combined value of the top 100 brands in 2015 grew 14 per cent from \$2.9tn to \$3.3tn compared with the previous year, the fastest rate for four years, beating the average growth of 9 per cent a year since the rankings began in 2006.

During the recession, their combined value grew 8 per cent a year on average. The ranking combines financial measures with surveys of how consumers view brands.

US brands achieved 19.1 per cent overall growth and accounted for the entire top 10, whereas growth in continental Europe was just 1.5 per cent, reflecting sluggishness in cars and luxury goods. The UK was down 4.2 per cent. Asian brands recovered by 24.7 per cent, despite the emerging market slowdown. This was driven in part by the entry of Alibaba, the Chinese ecommerce company, at number 13 in the top 100, after its initial public offering. There were rises for Chinese portal Tencent, search engine Baidu and China Mobile. In 2006 there was just one Chinese brand (China Mobile) in the top 100; now there are 14.

Illustration: Hitandrun

Technology continued to dominate the top 10 global brands. Apple recovered its number one slot with a 67 per cent rise in brand value to \$247bn, having previously held it from 2011 to 2013. Its growth was powered by the iPhone 6. Google slipped to second, although its brand value rose 9 per cent to \$174bn. Facebook was the fastest riser, up 99 per cent, followed by Apple and Intel. Microsoft, which is making it easier for developers to adapt apps to Windows, was up 28 per cent.

Elspeth Cheung, global head of valuation for BrandZ, says technology companies are not only opening up their platforms, "they are trying to acquire a bigger slice of everyone's life". Apple is doing so through developments such as Apple Watch and the Apple Pay mobile payments venture. Google is looking beyond internet search to driverless cars, devices for the "smart home" and treatments associated with ageing.

> 'Branding is becoming more of a factor in driving value and success'

The technology category accounted for just under a fifth of the top 100 brands and nearly a third of the total value. There was 17 per cent growth in telecoms, 9 per cent in beer, 8 per cent in soft drinks, 4 per cent in fast food and 3 per cent in cars, but zero in apparel. Luxury goods, affected by the emerging

Continued on page 3

Inside

On FT.com

Big US groups fall victim to shifting trends

Retail China's booming electronic commerce market helps Alibaba take the top spot, writes *Andrea Felsted*

Alibaba has become the most valuable retail brand in the world, overtaking global behemoths Amazon and Walmart, according to the 2015 BrandZ ranking of the world's 100 most valuable brands.

The entrance of Alibaba at 13 propelled the value of the retail category upwards by 24 per cent, tying it with technology as the fastest-rising category in the BrandZ top 100.

Alibaba became eligible to enter the ranking after its record $25bn initial public offering in New York last September. But David Roth, chief executive of The Store, WPP's global retail practice, says it is emblematic of broader trends, including the growth of electronic commerce in China, now the largest ecommerce market in the world.

Alibaba has also developed a strong bond with consumers, he says, by being a market linking buyers and sellers, and facilitating payment through its Alipay system.

According to Mintel market research, Alibaba's online retail platforms, Taobao and Tmall, accounted for more than 70 per cent of Chinese online retail sales in 2013. "Alibaba has the most phenomenal bond with consumers," says Mr Roth. "It fulfils an amazing need. It's seen as very entrepreneurial. Alibaba itself, as a brand, has enabled probably millions of Chinese consumers not only to be consumers, but [to] be entrepreneurs and start their own businesses."

He adds: "It is almost an indispensable part of daily life. That is a tremendous place for a brand to be."

Alibaba is not the only Chinese electronic commerce business to enter the ranking. JD.com, the largest Amazon-like direct sales ecommerce seller in China, boasting its own distribution and logistics network, has also entered the retail ranking at number 16.

Mintel says Alibaba acts as more of a facilitator for online vendors, whereas JD.com is the largest actual online retailer, with a 6 per cent share of the total Chinese online market in 2013. JD.com recently threw down the gauntlet to Alibaba, with the launch of a cross-border platform designed to bring foreign brands to the Chinese middle class.

But it is not just electronic commerce in China that is influencing the rankings of retailers.

Globally, the way consumers shop is changing. The march of online retailing shows no sign of abating. Meanwhile, in developed markets, consumers are moving away from doing a big weekly grocery shop, towards shopping locally, and more frequently. They are also experimenting with different formats, such as shopping in the no frills German supermarket chains, Aldi and Lidl.

The company that represents these trends the most is Tesco, Britain's biggest retailer. The value of its brand has fallen 37 per cent, the biggest fall in the retail ranking, as it has sunk from sixth place in 2014, to 12th in 2015.

Tesco has suffered a disastrous 12 months, ousting its chief executive and revealing that its first-half profit had been overstated by £250m. In April, the company made a £6.4bn pre-tax loss, one of the biggest in British corporate history, after £7bn worth of writedowns and charges.

In contrast, the value of Lidl's brand rose by 27 per cent, while Aldi's brand value is up by 22 per cent. Aldi is now the eighth most valuable retail brand in the world. Lidl and Aldi are muscular retail groups with huge economies of scale and international reach.

"What is dangerous for the big players is that Aldi and Lidl are able to act locally and small . . . but they have got just as much, if not more muscle than the majors," says Richard Hyman, an independent analyst who runs the Richard Talks Retail website.

Some "big-box" retailers have also seen the value of their brands fall, including Ikea, Target and Carrefour.

In contrast, reflecting the trend towards convenience shopping, the 7-Eleven group has entered the top 20 for the first time at number 17.

Meanwhile, some big retailers have seen the value of their brands remain stable or rise. Amazon, which like Alibaba and JD.com, has no physical store presence, remains the second most valuable retail brand in the world, trailing only Alibaba.

Costco, the warehouse club, which has been performing strongly, also saw the value of its brand rise 19 per cent, while Macy's, which has been transforming itself from a tired department store brand to one focused on technology and teen and millennial shoppers — those born in the early 1980s to late 1990s — has entered the top 20 for the first time at 18, showing it is possible for a bricks and mortar retailer to reinvent itself for the digital age.

By contrast, Whole Foods, which should capture many of the trends towards more local shopping, and in stores whose foods have more clarity on where products are sourced from — a particular concern of millennial shoppers — saw the value of its brand fall 24 per cent.

Another enclave of the retail sector to enjoy a rise in its brand value is home improvement, with Home Depot and Lowe's enjoying 25 per cent and 23 per cent rises respectively in their brand values. Home Depot is now the world's fourth most valuable retail brand.

According to Mr Roth, this reflects a recovery in the US property market, and the fact that individuals increasingly want to express themselves through their homes. "[There are] lots of green shoots in the retail arena, but in different parts of the garden," he says.

Ecommerce Alibaba: icon of Chinese capitalism

While the inscription 'Made in China' has long been found on products worldwide, it has usually been overlaid by foreign brands. Ecommerce group Alibaba is changing this trend.

"Alibaba shows that you can make products in China and use a Chinese brand," says Andre Spicer, professor of organisational behaviour at City University's Cass Business School in the UK, emphasising its appeal in China. "It's become one of those national, iconic brands just like Coke did in mid-20th century US."

Prof Spicer says this success has been achieved primarily through trust. "By using an online platform, Alibaba was able to create trust between consumers and businesses," he says. "It represents Chinese online capitalism in some ways, which establishes an emotional connection."

Alibaba's impressive entry to the rankings this year at number 13 echoes the success of its initial public offering last September, which hit a record $25bn on the New York Stock Exchange. The boom in business-to-business transactions and interest from foreign companies who want to work with Chinese companies have served the company well.

However, even Chinese dominance has its limits. Group founder and chairman Jack Ma recently announced a hiring freeze. In a speech posted online he said: "The purpose is simple: we need to get into formation. I think 30,000 people is efficient." This came after the share price dropped from $119 in November to $85 in April.

For some, Mr Ma is the reason Alibaba is successful, embodying the brand in the same way Steve Jobs did for Apple and Richard Branson for Virgin. Mr Ma himself and his employees cite Alibaba's female workforce as a key asset.

"The six female founding partners have risen through the ranks, 40 per cent of employees are female, as are 35 per cent of management," says Jennifer Kuperman, vice-president of international corporate affairs. "It's a huge part of our business and helps us think about customers first."

Charlotte Clarke

Founder: Jack Ma

Method How they were ranked

BrandZ uses a mixture of financial information and customer surveys to arrive at its ranking of the 100 most valuable global brands, **writes Brian Groom.**

The research covers 3m consumers and 10,000 brands in more than 50 markets. It assesses three aspects to evaluate the contribution that brands make to corporate value:

First, how "meaningful" they are — a measure of their appeal.

Second, how "different" they feel to consumers — their unique qualities and ability to set trends.

Third, how "salient" they are — whether they come spontaneously to mind when people make purchases.

The financial information used as an input to the valuation is based on what each company earns. For banks and insurance companies, the earnings metric used is net income. For all other companies it is earnings before interest and tax.

The next step is to predict "brand earnings" as a multiple of current earnings.

This involves creating a "brand multiple", which is similar to a price/earnings ratio used by financial analysts to determine the market value of stocks.

Current brand earnings are then multiplied by this number to arrive at a brand's "financial value".

BrandZ then uses customer surveys, either online or face-to-face, to assess how meaningful, different and salient a brand is — including the qualities that make it stand out from competing brands.

The results from this research are multiplied by the financial value to arrive at the brand value. Brand value is the dollar amount BrandZ estimates a brand contributes to the overall value of a company.

Glamour loses its gloss as consumer enthusiasm begins to wane

Luxury

Radical rethink sees store numbers fall and ecommerce take their place, reports *Elizabeth Paton*

Stellar growth appears to have gone out of fashion in the luxury goods industry. After a five-year run of soaring revenues and profits despite the financial crisis, a sales slowdown reflecting patchy Asian consumer enthusiasm, volatile exchange rates and geopolitical instability has taken its toll on some of the biggest names in this once unstoppable sector.

According to the BrandZ top 100 most valuable global brands ranking, compiled by Millward Brown, the value of luxury brands has slipped 6 per cent over the past year, outpaced by less glamorous sectors, including insurance, mass-market retail, telecoms and technology.

The category as a whole has been hit by anti-corruption laws in China that have weighed heavily on sales related to gift-giving. Student protests in Hong Kong, where 15 per cent of annual global luxury sales are made, have also taken their toll, as has Russia's lurch into recession, triggered by the conflict in Ukraine.

But the leading factor in the fading fortunes of some of the industry's most high-profile names has proven to be currency headwinds. Following the high-profile departure of both its chief executive and creative director announced in December, Gucci reported an 8 per cent first quarter sales fall last month, and signalled it would rebalance some prices as a weakening euro widens the differential between regions.

The onset of "logo fatigue" and a low euro have weighed heavily on revenues at the Italian fashion and accessories house, which slipped 16 places to 76.

Last month, Richemont, the world's second-largest luxury goods company by market capitalisation, issued an unexpected profit warning, which analysts said was in part linked to the Swiss franc's sharp rise in January, after the Swiss National Bank abandoned the cap on the franc's value against the euro.

Exchange rate movements have led to significant regional price differences at many labels beyond Gucci, with the same luxury item now sometimes costing more than 50 per cent less in European capitals than in major Chinese cities.

Chanel, for instance, cut prices on its iconic handbags by more than 20 per cent in China and raised them by the same margin in the eurozone in March. By contrast Hermès said it had no plans to harmonise prices during its latest quarterly results in March.

"We have a very strong French and European customer base," chief executive Axel Dumas told analysts.

"If we significantly increased our prices at this juncture, that would mean giving up on local customers and that is something we do not want to do."

Hermès, which makes high-end leather goods such as the Birkin bag, has withstood the slowdown in the luxury market better than its competitors, and has said it expects sales this year to grow 8 per cent in constant-currency terms.

Yet, according to Millward Brown, it has lost 13 per cent of its brand value in the past 12 months. The research company has mooted that this may be due to the fact that, in the digital era, as communication becomes more instant and mobility more widespread, luxury brands must work harder to find the balance between ubiquity and exclusivity in the mind of the consumer.

The conservative Hermès is hardly renowned for its online prowess, unlike accessible US luxury brands such as Tory Burch and Michael Kors. The latter has a fan base of millions on social media platforms such as Instagram and has ramped up ecommerce and mobile-commerce offerings, offsetting concerns over its aggressive retail expansion strategy and its subsequent risk of overexposure.

As Exane BNP Paribas analyst Luca Solca notes, many luxury megabrands, including Louis Vuitton, Gucci and Prada, have all now said they have the right number of stores, in part to protect the value of their brand across languages and geographies, especially in China which continues to be a powerful force for sales growth. Many of these labels have endured what Mr Solca describes as a "locust field effect": the tendency of Chinese buyers to devour a new brand disproportionately, before quickly seeking another.

Online prowess: Michael Kors (right) has used social media to build a fan base of millions for his brand — Larry Busacca/Getty

Global brands Top 100

Rank 2015	Brand	Brand value ($m) 2015	Brand value ($m) 2014	Rank 2014	Change	Value change 2015 vs 2014
1	Apple	246,992	147,880	2	1	67%
2	Google	173,652	158,843	1	-1	9%
3	Microsoft	115,500	90,185	4	1	28%
4	IBM	93,987	107,541	3	-1	-13%
5	VISA	91,962	79,197	7	2	16%

Rank 2015	Rank 2014	Change	Brand	Brand value 2015 ($m)	Brand value 2014 ($m)	Value change 2015 vs 14
11	14	3	Tencent	76,572	53,615	43%
12	21	9	Facebook	71,121	35,740	99%
13	New	n.a.	Alibaba	66,375	n.a.	n.a.
14	10	-4	Amazon	62,292	64,255	-3%
15	15	0	China Mobile	59,895	49,899	20%
16	13	-3	Wells Fargo	59,310	54,262	9%
17	12	-5	GE	59,272	56,685	5%
18	16	-2	UPS	51,798	47,738	9%
19	23	4	Disney	42,962	34,538	24%
20	18	-2	Mastercard	40,188	39,497	2%
21	25	4	Baidu	40,041	29,768	35%
22	17	-5	ICBC	38,808	42,101	-8%
23	20	-3	Vodafone	38,461	36,277	6%
24	19	-5	SAP	38,225	36,390	5%
25	24	-1	American Express	38,093	34,430	11%
26	22	-4	Walmart	35,245	35,325	0%
27	27	0	Deutsche Telekom	33,834	28,756	18%
28	34	6	Nike	29,717	24,579	21%
29	31	2	Starbucks	29,313	25,779	14%
30	26	-4	Toyota	28,913	29,598	-2%
31	40	9	The Home Depot	27,705	22,165	25%
32	30	-2	Louis Vuitton	27,445	25,873	6%
33	35	2	Budweiser	26,657	24,414	9%
34	32	-2	BMW	26,349	25,730	2%
35	28	-7	HSBC	24,029	27,051	-11%
36	38	2	RBC	23,989	22,620	6%
37	39	2	Pampers	23,757	22,598	5%
38	36	-2	L'Oréal Paris	23,376	23,356	0%
39	49	10	HP	23,039	19,469	18%
40	43	3	Subway	22,561	21,020	7%
41	33	-8	China Construction Bank	22,065	25,008	-12%
42	37	-5	Zara	22,036	23,140	-5%
43	42	-1	Mercedes-Benz	21,786	21,535	1%
44	45	1	Oracle	21,680	20,913	4%
45	29	-16	Samsung	21,602	25,892	-17%
46	46	0	Movistar	21,215	20,809	2%
47	47	0	TD	20,638	19,950	3%
48	44	-4	Co'wealth Bank of Australia	20,599	21,001	-2%
49	48	-1	ExxonMobil	20,412	19,745	3%
50	54	4	Agricultural Bank of China	20,189	18,235	11%
51	55	4	Accenture	20,183	18,105	11%
52	52	0	Gillette	19,737	19,025	4%
53	58	5	FedEx	19,566	17,002	15%
54	53	-1	Shell	18,943	19,005	0%
55	41	-14	Hermès	18,938	21,844	-13%

Source: Millward Brown Optimor (including data from BrandZ, Kantar Retail and Bloomberg)

Apple's clarity of purpose and communication skills keep it top

Technology Tencent, Facebook and Alibaba are fighting hard to close the gap, writes *Ravi Mattu*

In 2010, Apple was confronted with a thorny problem. The redesign of its iPhone 4 had left some users complaining the device was dropping calls. Many blamed the redesigned antenna, a sliver of metal that wrapped round the rectangular device.

But Steve Jobs, Apple's late co-founder and chief executive, refused to accept that the product was inferior. He said the issue was largely the result of users holding the phone improperly.

This month, Apple hit the headlines again when reports suggested its Watch did not work properly on tattooed arms.

Yet Apple has not suffered any lingering reputational fallout from a big product launch that did not go according to plan. According to Millward Brown's Top 100 Most Valuable Brands ranking, 2015, the iPhone maker is the world's most valuable brand.

Strikingly, it is not the only technology company with a winning reputation. Google, Microsoft and IBM round out the top four, while Tencent, the Chinese internet portal, Facebook and Alibaba, the ecommerce group, sit just outside the top 10. So, why are so many tech brands at the top of the table?

To answer that, it is useful to separate the companies into two camps: groups that have been around for a long time and are built on hardware and devices such as Apple, Microsoft and IBM; and newer internet businesses, such as Google, Facebook, Tencent and Alibaba. The enduring success of the former will inform how long the latter group are able to stay at the top.

For technology companies, says Rita Clifton, chairman of consultancy BrandCap, the "challenge has always been to stay up there, generating sustainable value in the long term, beyond today's technology".

To survive in a sector marked by rapid change and constant disruption, it is essential to adapt and evolve before customers become dissatisfied. She points to companies that have failed to do this — "think of Palm, BlackBerry and Nokia" — which quickly went from market leaders to also-rans.

"You need to build a brand that will thrive, stretch and be versatile," says Ms Clifton. "The important distinction is whether they continue to behave like a category-bound tech company — in the case of Nokia, a handset company — or a well-functioning brand, that is focused around customers and how their lives are changing."

Apple, Microsoft and IBM have all experienced highs and lows in reputation, only to recover again. But, as the survey suggests, the iPhone maker has been most successful in reestablishing itself at the top of the tree.

Ms Clifton suggests that the company's clarity about its purpose and ability to communicate it to customers have marked it out.

"Apple has reflected all the qualities of what makes a great brand, irrespective of sector: clarity for what it stands for, coherence about how that shows up through everything it does, from distinctive products and services, to the stores and online experience, to its people who are great to deal with."

For the internet-based technology companies, success has relied on becoming an essential part of customers' everyday lives and figuring out how to monetise that relationship. Their business model is built on the so-called network effect, where a company looks to pull in as many users as possible by offering free access or content and selling advertising.

These are "winner take all" businesses, says Patrick Barwise, professor of management and marketing at London Business School, which makes it hard for customers to leave.

"If you are part of that customer's life and you're meeting a need in such a way that they don't have to think about choosing you, the number one thing is to make sure they have no reason to go to somebody else," he says.

If a service becomes a utility, it is much harder for a user to quit, Prof Barwise adds. That makes a company more pervasive, but it also means it is under a particular pressure to ensure it does not take that relationship for granted when it comes to sensitive issues such as handling of data and privacy.

It is easy for companies to focus on what delights customers, says Prof Barwise, but it is just as important to make sure one eye is kept on what they do not like before they choose to jump ship.


Wrist bound: the company's most recent product, the Apple Watch — Eric Risberg/AP

Microblogger Twitter

Twitter is at the vanguard of new media, yet is not afraid to tap into more established methods to boost its brand profile.

Take its approach to television. Twitter has created a vast team of executives whose job is to assist broadcasters from MTV in the US to the BBC in the UK.

The San Francisco-based company provides these TV groups with vital feedback — who is tweeting and what they are saying — as people watch a given show.

Simon Cowell from The X Factor USA says he has changed live shows week-to-week, based on information provided by Twitter.

In return, broadcasters provide Twitter with free publicity. Many programmes will display a Twitter hashtag, inviting viewers to tweet about what they are seeing.

Twitter says viewers get to be a part of a "global conversation", making sure they are more engaged in what they are watching, as well as giving them a reason to update their Twitter feed.

Twitter also taps up pop stars, sportspeople and politicians. Company executives will meet celebrities personally, help set up their account, giving them a crash course in using the service and provide a direct line to Twitter HQ should they stumble.

Critics of this strategy say it can be baffling for non-Twitter users.

This is a problem, because Twitter is desperate to broaden its appeal beyond its 288m monthly users. Business analysts worry that it is not doing enough to increase its user growth rate, which Twitter reported in February was just 1.4 per cent quarter on quarter.

One of the reasons Twitter is suffering is the rise of internet trolls who use the service to direct abuse at public figures and private individuals.

In response, Twitter says it is rapidly expanding the team it has in place to respond to complaints.

Murad Ahmed

Apple's core business ensures fortunes rise

Continued from page 1

markets slowdown, were down 6 per cent, with falls at Gucci and Hermès. Retail, excluding the Alibaba effect, was up 2 per cent.

In financial services, there was growth for insurance companies such as China Life and Ping An, and payments companies including PayPal and Visa. But global banks, down 2 per cent, continued to suffer the hangover from the financial crisis and multiple scandals.

Since the BrandZ rankings began, only 58 companies have stayed in the top 100. Some analysts think volatility will increase as technology exerts its disruptive influence. This year, there are seven newcomers, more than the long-term average of four.

These are: Alibaba, expanding in areas from taxi hailing to financial services; Huawei, the Chinese telecoms equipment maker challenging Apple and Samsung in premium smartphones; HDFC, the Indian bank; Telstra, the Australian telecoms company; Costco, the US retail warehouse; SoftBank, the Japanese telecoms company; and China Telecom.

Millward Brown says the share price of its BrandZ strong brands portfolio — up 102 per cent since 2006 — has outperformed the S&P 500 at 63 per cent and the MSCI World Index at 30 per cent. It attributes the difference to the "power of brands".

Brand managers face a more complex task, however, at a time when consumers judge products and services from what others say on social media rather than taking their cue from marketeers. They are also grappling with changing demographics, such as trying to tap into the power of older customers and understand the millennial generation's shopping habits.

"You've got to be thinking about change, about innovating and improving what you have," says Mr Walshe.

"It is about refining your brand proposition and making sure it is the best. It's about paying attention to how consumers are using your product and the faster feedback that you get now. It's about dealing with complaints honestly and quickly and not ignoring them."

Ms Cheung says leaders need courage to act quickly, citing Chanel's bold decision to cut its retail prices in Hong Kong and China and raise them in Europe to harmonise the regional price difference which allows unauthorised cross-border trading. Mr Wilkinson says, although in theory social media widen the scope for brands that offer a consistent global experience, consumers may think more locally, as in the example of craft beer.

"You widen your net, but your advocacy group [of engaged consumers] may be recommending a certain real ale or craft lager from Bavaria rather than drinking Heineken," he says. "There is an argument that social media will be damaging for global brands."

He adds that consumer products companies are having to make tougher choices about where to invest, because profits are not good enough to do everything. "You've got to make choices about whether to acquire or to innovate internally. You can't invest everywhere, so where are the key markets? Are you going to do it with a global brand or something more locally relevant?"

1/3
Total value of the technology category in the top 100 brands

$3.3tn
The combined value of the top 100 brands in 2015

Companies ignore 'customer avengers' at their peril

Social media

When a complaint goes viral, it can cause considerable damage, says *Naomi Mapstone*

When Canadian musician Dave Carroll watched ground crew at O'Hare airport toss his beloved guitar around the tarmac back in 2009, YouTube, Twitter and Facebook were in their infancy.

Customers were still mostly locked into traditional, often fruitless complaint mechanisms, and companies' service lapses were not instant fodder for the masses.

But a little creativity, inspired by United's abysmal response to Carroll's broken guitar, changed everything. His quirky song, "United breaks guitars", went viral, causing considerable damage to the airline's reputation and linking corporate social media strategy to reputation and brand management.

"Carroll became the personification of the vigilante, the customer avenger," says Yany Grégoire, associate professor at HEC Montreal who specialises in customer revenge.

Today, anyone with a presence on Twitter, Instagram or Facebook can exact revenge for poor service or products. "Social media can represent a big threat, but also a very big opportunity if it's done right, with humour," says Prof Grégoire.

When the UK-based travel company Thomas Cook was asked for a free holiday by an enterprising 20-something who shared the company's name, it sent him a colourless stock refusal.

Rival company lowcostholidays.com saw a chance for a cheap public relations boost, and swooped in with an offer of a free week in Paris.

"Social media for existing customers adds transparency and accountability in a truly magnificent way," says Frances Frei, a professor at Harvard Business School who focuses on customer service. "But if jokey conversations are your sole customer acquisition strategy, then you're in trouble."

The corporate world's new agility in responding to customer revenge scenarios on social media is the result of a revolution in talent acquisition for social media management, says Prof Grégoire.

If companies are going to have the capacity to respond to "customer revenge" situations quickly and creatively, they need to employ highly skilled staff with a level of autonomy. This carries its own risks, but as Prof Grégoire adds: "If a company comes on to social media and tries to control everything, it will not work. You have to roll with the punches, go with the flow."

Internal experts, gifted communicators and data analysts are prized hires, as companies seek to not only protect their brand and find new customers but also to create significant value from the flow of information.

"In the past few years, companies have learnt that if they want to do social media in a world-class way they need high-class analytics talent," says H James Wilson, managing director at the Accenture Institute for High Performance, the professional services group. Social media strategy is no longer "owned and operated" solely by marketing or public relations executives in companies, he argues — analysts need to be crunching social media data and regularly talking with the top executives to identify business opportunities. In industries where a lot of transactional data can be mapped, such as banking, retail and insurance, the benefits of assigning skilled data analysts to social media information flows are clear.

The interface between social media and the "Internet of Things", how everything is connected, is also ripe for exploitation, says Mr Wilson.

"This is where we increase the value of digital platforms for users and for companies, particularly in the energy sector and automotive and health. There's going to be a lot more creative exploration — for example, home thermostats interfacing with social platforms to build a picture of neighbourhood environmental impacts."

Wearable fitness technology and smart cars were also creating opportunities for companies to harness social media to motivate behaviours in customers or micro-target groups.

"Companies are becoming more analytical," says Mr Wilson.

"They've got more data at their fingertips. Ways to use those data, to improve engagement with customers and even improve operational decisions. Information is coming not just from online, personal computers, social media; it's coming from wearable tech, from cars, from the interface between social media and tech."

Privacy and security Demand for transparency

It was no accident that Apple put privacy and security features at the heart of its pitch when it launched Apple Pay late last year.

The mobile payment service was a direct challenge to providers such as Paypal, one of the world's biggest internet payment companies, and privacy is consistently among the top concerns of social media users.

PayPal moved swiftly to buy the Israel-based malware detection specialist, CyActive, and mobile wallet company Paydiant to enhance its security capabilities.

H James Wilson, managing director at the Accenture Institute for High Performance, the professional services group, expects companies increasingly to compete for customers with appeals based on privacy features. As the lines between business, social media and the internet of things blur, demand for transparency and privacy will become ever greater, he says.

Already, social media users have far more contact with robots and automated communications than they realise, says Mr Wilson.

He adds: "Concerning the meaning of the word 'social' itself, there's a growing inconsistency, ambiguity. Social media is not humans connecting with humans in an emotionally engaging way. We're seeing an increasing amount of automation in the social space."

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Global brands Top 100 (continued)

Rank 2015	Brand	Brand value ($m) 2015	Brand value ($m) 2014	Rank 2014	Change	Value change 2015 vs 2014
6	AT&T	89,492	77,883	8	2	15%
7	Verizon	86,009	63,460	11	4	36%
8	Coca-Cola	83,841	80,683	6	-2	4%
9	McDonald's	81,162	85,706	5	-4	-5%
10	Marlboro	80,352	67,341	9	-1	19%

Rank 2015	Rank 2014	Change	Brand	Brand value 2015 ($m)	Brand value 2014 ($m)	Value change 2015 vs 14
56	86	30	Intel	18,385	11,667	58%
57	56	-1	Colgate	17,977	17,668	2%
58	64	6	BT	17,953	15,367	17%
59	51	-8	ANZ	17,702	19,072	-7%
60	57	-3	Citi	17,486	17,341	1%
61	62	1	Orange	17,384	15,580	12%
62	81	19	China Life	17,365	12,026	44%
63	67	4	Sinopec	17,267	14,269	21%
64	50	-14	IKEA	17,025	19,367	-12%
65	68	3	Bank of China	16,438	14,177	16%
66	73	7	DHL	16,301	13,687	19%
67	72	5	Cisco	16,060	13,710	17%
68	77	9	Ping An	15,959	12,409	29%
69	59	-10	Siemens	15,496	16,800	-8%
70	New	n.a.	Huawei	15,335	n.a.	n.a.
71	76	5	Petrochina	15,022	12,413	21%
72	65	-7	US Bank	14,786	14,926	-1%
73	61	-12	Ebay	14,171	15,587	-9%
74	New	n.a.	HDFC	14,027	n.a.	n.a.
75	63	-12	H&M	13,827	15,557	-11%
76	60	-16	Gucci	13,800	16,131	-14%
77	79	2	J.P. Morgan	13,522	12,356	9%
78	70	-8	Honda	13,332	14,085	-5%
79	88	9	Pepsi	13,134	11,476	14%
80	84	4	Ford	13,106	11,812	11%
81	74	-7	BP	12,938	12,871	1%
82	New	n.a.	Telstra	12,701	n.a.	n.a.
83	83	0	KFC	12,649	11,910	6%
84	85	1	Westpac	12,420	11,743	6%
85	78	-7	LinkedIn	12,200	12,407	-2%
86	91	5	Santander	12,181	11,060	10%
87	82	-5	Woolworths	11,818	11,953	-1%
88	97	9	PayPal	11,806	9,833	20%
89	87	-2	Chase	11,661	11,663	0%
90	100	10	ALDI	11,660	9,584	22%
91	98	7	ING Bank	11,560	9,771	18%
92	71	-21	Twitter	11,447	13,837	-17%
93	90	-3	Nissan	11,411	11,104	3%
94	92	-2	Red Bull	11,375	10,873	5%
95	94	-1	Bank of America	11,335	10,149	12%
96	95	-1	NTT DoCoMo	11,223	10,041	12%
97	New	n.a.	Costco	11,214	9,454	19%
98	New	n.a.	SoftBank	11,131	n.a.	n.a.
99	New	n.a.	China Telecom	11,075	n.a.	n.a.
100	89	-11	Scotiabank	11,044	11,351	-3%

Coca-Cola brand value includes Lights, Diets and Zero. Budweiser brand value includes Bud Light. Pepsi brand value includes Diets. Red Bull brand value includes sugar-free and Cola

Salvaging of reputations has been a long time coming

Financial services After the banks, attention is now shifting to insurers, reports *Emma Dunkley*

Few industries were left unscathed by the global financial crisis, but the banking sector was among the worst hit and is still nursing the wounds nearly seven years on.

In the eyes of many, global investment banks conducting risky mortgage-backed trades were largely responsible for creating the crisis.

As a consequence, consumer trust in the sector plunged. The past seven years have seen extensive regulation designed to clamp down on opaque investment banking practices, hitting profits and causing a number of lenders to retreat from the sector.

While some banks have managed to salvage their brand, others have been permanently tainted.

Royal Bank of Scotland, once the world's biggest bank with assets of £2.4tn, has been forced to undertake a sweeping restructuring after seven successive years of net annual losses.

The lender, bailed out by the UK government and still 80 per cent owned by taxpayers, recently unveiled plans to withdraw from global markets, cut its balance sheet by £65bn and radically shrink its investment banking arm.

"One of the biggest losers is the RBS brand," says James Daley, of consumer site Fairer Finance. "It has sunk to the bottom of [our] customer satisfaction tables over the past few years. It has gone from bad to worse, punctuated by an IT failure a few years ago, when people couldn't get access to their cash."

Conversely, Santander has risen up the customer satisfaction tables. The bank benefited from the financial crisis in that it was able to acquire struggling lenders — such as Alliance & Leicester — cheaply. "The bank is now gaining customers for its current accounts and its customer rating is up from the bottom of the table where it languished six years ago," says Mr Daley.

Regional banks are also faring better than global "universal" banks that attempt to combine investment and retail banking.

Millward Brown, the WPP research firm responsible for compiling the top 100 global brands list, believes regional banks are less subject to regulations and have forged better connections with consumers. HSBC's brand value, for example, has slipped 11 per cent compared with last year, while Wells Fargo, a US retail bank, is up 9 per cent.

But all banks face the threat of being disrupted by technology groups such as Apple and Google, which are moving into payments and making banking easier for consumers ever more reliant on mobile devices. Visa, for example, has seen its brand value soar 16 per cent over the past year, making it the most valuable financial services brand globally. However, experts believe the card provider must evolve to survive in an increasingly digitally focused world.

John Lunn, a partner at business consultancy firm Moorhouse, believes the move to digital is tough for card providers, because "they are so heavily dependent on plastic", such as credit and debit cards, as the core of their business.

Christophe Duthoit, a senior partner at Boston Consulting Group says: "The real question is: how do you transform an existing bank to make it more digital? The kind of customer experience offered by technology groups such as Google and Amazon is unparalleled by banks. They need to adapt and transform to offer a similar digital customer experience."

Insurance firms have had less of a torrid time, by comparison. "In the UK market, the insurance sector has been 'steady as she goes', especially in the general insurance market, where a lot of it is driven by price and scale," says Mr Daley.

He notes that Admiral and Direct Line continue to be two of the most profitable general insurers. "Aviva and Prudential are a bit more complex. They were steady until this year, when [UK] Budget reforms have thrown things into the air. But in terms of the financial crisis, they emerged relatively unscathed."

However, the insurance market experienced turmoil in 2008 when the US government was forced to bail out AIG in a $182bn rescue deal.

After years of clamping down on banks, regulatory scrutiny is starting to shift towards the insurance sector. The Financial Conduct Authority earlier this month revealed shortcomings in the insurance market following a wide-ranging review.

The watchdog said insurers are "not always providing customers with clear information about different payment options" when they buy general insurance products.

"We have not scratched the surface of the insurance market yet because new regulations are about to bite," says Richard Goold, a partner at Moorhouse.

Blues: RBS slips down the satisfaction stakes
Johnny Green/PA

> 'Customer experience offered by technology groups such as Google and Amazon is not paralleled by banks'

HDFC Domestic focus pays off

As one of the oldest private sector banks in India, HDFC is well known in the country.

Its domestic focus and lack of international presence helped the bank emerge from the financial crisis unscathed, as India proved more resilient than other countries amid the global economic turmoil.

The bank was launched in 1994 by its parent company, the Housing Development Finance Corporation, when the Indian government opened the market for private sector bank licences.

With more than 3,600 branches in India and a balance sheet of about $100bn, it is one of the largest private sector banks in the country. The parent company retains a 20 per cent stake in the bank, while the remainder is owned by institutional investors.

Aditya Narain, head of research for India at Citigroup, says it has "had a strong run" over the past 20 years, offering both corporate and retail loans in equal measures. "It is a high-quality bank in terms of quality assets."

The bank provides regular deposits, money transfers and business financing. This "plain vanilla business" is one of the reasons the bank was largely unaffected by the financial crisis, says Mr Narain. Indeed, its brand has entered the BrandZ top 100 global brands index for the first time, ranking 74 in terms of value.

Regional banks have generally fared better in terms of brand value than global lenders, as they were more susceptible to the economic downturn. Part of the reason why the Indian banking system has weathered the storm is its strong regulatory framework, requiring banks to hold substantial cash and government bond buffers.

Analysts at Barclays believe that HDFC in particular is "very well positioned", with increased investment spending by the bank on growing its infrastructure, a strong balance sheet and deposit franchise.

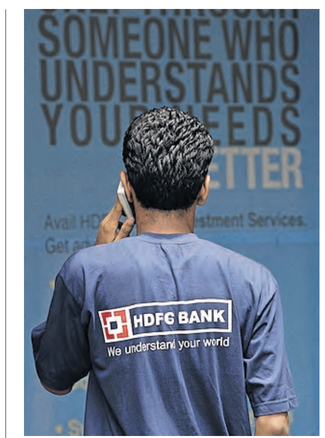
HDFC Bank is expanding its branch network, with 355 added in the fourth quarter of last year alone, which analysts believe "bodes well for future growth". It is also noted for being the first in India to enter new geographical markets and sectors, such as digital banking.

It claims to have been the first bank in India to launch international debit cards, as well as mobile banking and retail silver bars. Developing a strong domestic customer base is central to brand value.

The bank has focused on expanding its reach across India, forging a partnership with the country's Postal Department in 2008 to push into more rural locations. This is in stark contrast to UK banks, which are retrenching to save on costs.

Barclays says HDFC is poised to benefit from a market recovery due to its robust financial position, especially as it continues to expand its presence and brand into semiurban areas.

Emma Dunkley



People power: HDFC has more than 3,600 branches

German trio feels the heat, as Silicon Valley enters the arena

Automotive

Audi vies with BMW and Mercedes to be the top-selling premium carmaker, but outsiders are poised to compete, says *Andy Sharman*

In the early 1970s, when a young Ferdinand Piëch joined Audi, the German marque had lower revenues per car than Opel and was considered the weaker of the two brands.

Today, while Opel — General Motors' European arm — tries to break even, Audi is highly profitable and slugging it out with BMW and Mercedes-Benz, the carmaking unit of Daimler, for the crown of the world's top-selling premium carmaker.

That transformation is largely thanks to the work of Mr Piëch, an automotive trailblazer with a relentless focus on engineering and innovation who stepped down last month as chairman of Volkswagen, Audi's parent.

But the shift upmarket has helped set up one of the most fascinating battles in modern carmaking, as Germany's big three premium auto brands chase each other round the globe into new markets and push into ever more diverse product categories.

The dominance of German premium carmakers is reflected in the Millward Brown brand survey this year. BMW and Mercedes-Benz lie second and third among the auto brands, behind Toyota, the world's biggest carmaker by sales.

Though further down the rankings, Audi's ascent continues. Its brand value has risen 43 per cent in the past 12 months, part of a near 180 per cent rise in five years. That is thanks to impressive financial returns, with Audi's €5.2bn operating profit last year accounting for about 40 per cent of VW group earnings.

"In the premium sector, there is fierce competition," says Rupert Stadler, chief executive of Audi. "We are sitting close together [in Germany], so we smell each other, we love each other . . . but we fight."

Audi, BMW and Daimler's Mercedes-Benz marque account for about four-fifths of global premium sales, with Munich-based BMW taking top spot in global premium sales in 2014 with 1.8m deliveries.

With the space between the three ever tighter, each is looking to differentiate itself and establish a lead in the growth areas of the industry: low-emission vehicles, smartphone-era connectivity and autonomous driving.

Ferdinand Piëch: an automotive trailblazer with an unswerving focus on engineering and innovation

At the same time, the three must counter the threat of entrants from Silicon Valley.

"There are some new players on the block now, including Tesla — I take them all seriously," says Ian Robertson, BMW board member for sales and marketing, referring to the Californian electric carmaker run by Elon Musk. "The competition element is what makes it such an energetic and evolving industry."

Audi has continued to move away from the likes of Renault and Ford since the 1970s and now includes some Italian brands, including supercar maker Lamborghini, motorbike brand Ducati, and engineer Italdesign Giugiaro.

The transformation, spearheaded by Mr Piëch, is often summed up by the Audi slogan *Vorsprung durch Technik*, or "Leading through technology".

"It's a 30 or 40-year story of continuous improvement," says Felix Stoeckle, a Berlin-based partner at brand consultancy Prophet, who has worked with BMW and Mercedes-Benz.

Audi developed Quattro — introduced in 1980 as the first series production four-wheel drive system — as well as new lightweight technologies, such as the groundbreaking (but lossmaking) aluminium A2.

Now the company is at the forefront of what it calls piloted driving, with an A7 concept car driving itself from San Francisco to this year's Consumer Electronics Show in Las Vegas.

But for all its gains, Audi still lags behind BMW and Mercedes-Benz in terms of operating profit, and all three face the challenge of what Mr Stadler calls the "new normal" in China.

There are also signs that the furious rate of change in the industry, and the intense capital spending that it requires, is eroding profitability. Audi is investing heavily in new models, technology and expansion overseas — all of which took a toll on the operating margin in its latest quarterly results.

"The most important thing is you really feel the technologies . . . Then you have to execute it in a proper way," says Mr Stadler.

"Then you have to move on."

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