Global Brands

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How the fickle become faithful

The shifting digital landscape can be frustrating, writes *Scheherazade Daneshkhu*

A common complaint from some of the world's biggest brands these days is that they cannot convince consumers — especially younger ones — to stay loyal. Time was that once hooked, a consumer would keep buying the same familiar brand. No longer. Millennials in particular want to try different things, making them frustratingly "brand-fickle" to those selling them goods and services.

Yet the world's 100 biggest brands still command a significant premium over others and that value increased by 3 per cent to $3.4tn this year, according to the latest BrandZ rankings compiled by Millward Brown, the research agency.

Over the past 10 years, the value of the top 100 brands has more than doubled — increasing by 133 per cent. That value (see box on page 3 for methodology) is calculated in terms of financial measures such as revenues and profitability combined with surveys of how consumers view brands.

What has changed over the decade, however, is the relative fortunes of different categories of brands.

In 2006 — when BrandZ issued its first rankings — the top five were leaders in their respective fields. Each came from a different sector — Microsoft (technology) headed the list, followed by GE (industrial conglomerate), Coca-Cola (soft drinks), China Mobile (telecoms) and Marlboro (tobacco).

As the power of digital communication has grown, technology companies have displaced other sectors at the top of the listing. This year, four of the top five most valuable brands are technology companies: Google, with a brand value of $229bn, Apple ($228bn), Microsoft ($122bn) and Facebook ($103bn). AT&T, valued at $107bn and ranked fourth, is in telecoms.

Elspeth Cheung, head of BrandZ valuation at Millward Brown, says: "The top 10 used to be dominated by consumer goods. This year, it's technology."

She says that as consumers have become less brand loyal, so companies are having to change their marketing strategies — through greater use of digital methods, which has enhanced the value of these technology brands. "Those born in the digital age can access information easily to shift to whatever brand they find interesting. So companies are trying to engage consumers through the use of digital means, through social media," says Ms Cheung.

Coca-Cola, for the first time, has fallen out of the BrandZ top 10 and is now ranked 13. The 4 per cent drop in its brand value, compared with 2015, reflects the backlash against sugary soft drinks from health officials over the past year.

Nonetheless, Coca-Cola's brand value has almost doubled over the past decade — from $41bn in 2006 to $80bn in 2016, reflecting primarily the growth in the company's sales and profits.

However, that value is a fraction of today's leader — Google's $229bn. In 2006, when Coca-Cola was ranked third, its brand value was two-thirds of that of Microsoft, then the world's most valuable brand, with a $62bn valuation.

Other big names have followed a similar pattern, including Marlboro, McDonald's and Louis Vuitton in luxury, which have all fallen down the rankings over the past decade but still command a substantially higher brand value compared with 10 years ago.

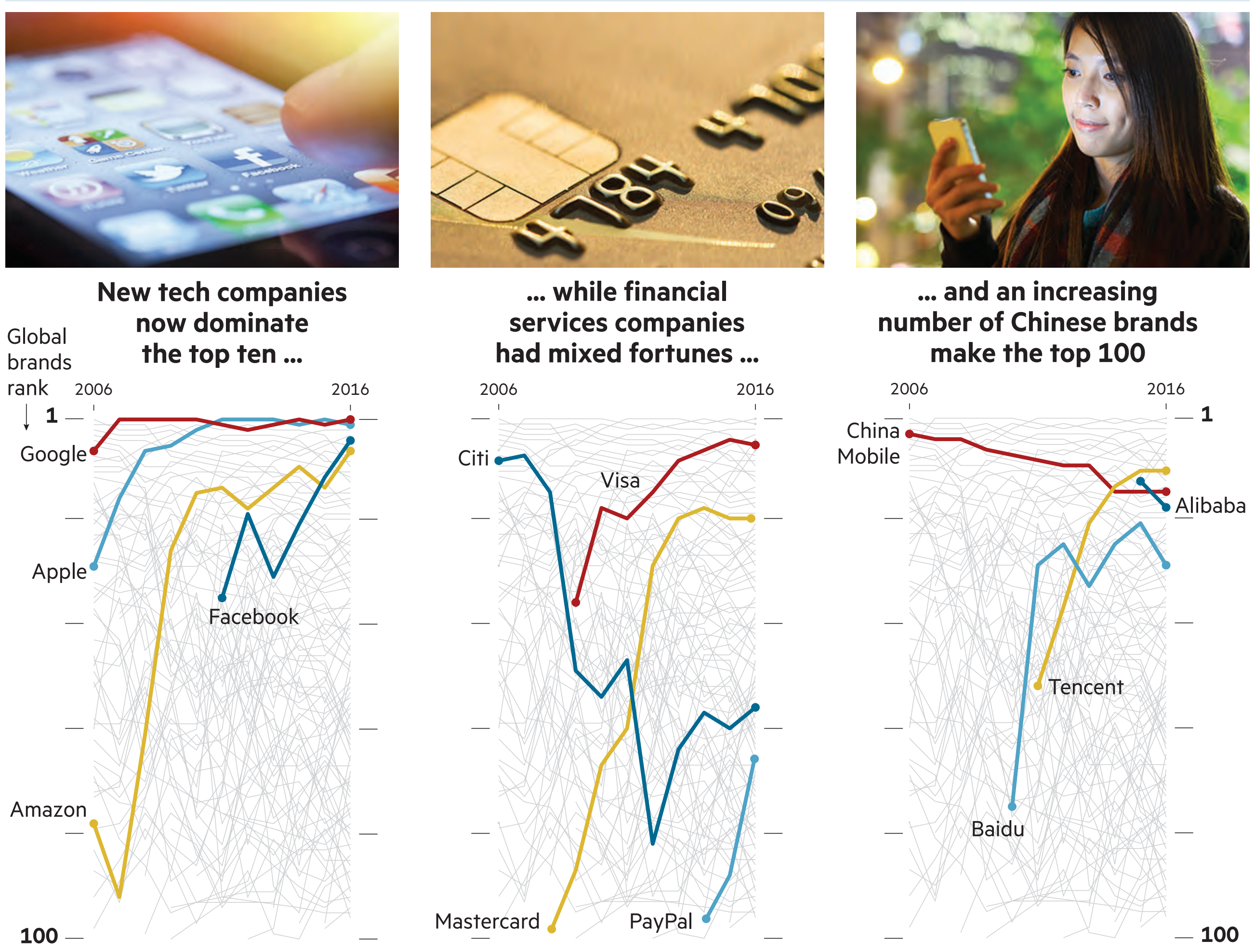
Liz Claydon, partner and UK head of consumer markets at KPMG, the professional services firm which recently released a study of companies delivering the highest organic growth rates, says that agility, innovation and staying close to consumers are key to outperformance.

"You can get superior brand growth almost regardless of size and category, so long as you do not rest on your laurels but are clear about your strategy and execute against it," she says.

In fact, 54 of the brands in the BrandZ Top 100 of a decade ago are still in today's list, but 46 have been replaced by new entrants.

"This shows how a strong brand can sustain its value over time, but also illustrates the potential . . . for new brands to shake up the status quo," says Ms Cheung.

How today's top brands made the rank



Source: Millward Brown (including data from BrandZ, Kantar Retail, LinkedIn and Bloomberg) Photos: Dreamstime

Inside

Fakes give Alibaba chance to turn crisis into opportunity

OPINION

Frederick Mostert

A collision last month between members of the International Anti-Counterfeiting Coalition (IACC) and ecommerce giant, Alibaba, is a tale of high emotions, larger-than-life characters and festering animosity between brand owners and the world's largest online platform. Beneath the noise, however, are serious questions of how to cope with an ocean of fakes.

Courts worldwide are grappling with whether to place the burden of policing online counterfeit on platforms, rights owners or both. Brand owners chafe at having to commit vast resources to policing online platforms. Platforms protest that filtering every transaction and trying to determine what is counterfeit across all industry sectors is mission impossible.

We have been here before. The same problems plagued eBay. In 1999, I faced the company's deputy general counsel, Jay Monahan, in a windowless law office in New York on behalf of a number of luxury brands. Rights holders were concerned that eBay was fostering an environment friendly to fakes. Mr Monahan was grappling with demands to rid eBay of deceptive offerings. To delist high volumes of fakes and avoid endless litigation, we had to to work together: we hammered out a constructive co-operation which has endured. How did eBay do it? By ceaselessly monitoring the seller listings on their back end and by putting extraordinary resources into developing cutting edge tools and strategies, including smart filtering, possibly the first notice-and-take down procedures for trade mark violations, stringent measures against repeat offenders and — crucially — fast response times (usually within hours) to take down notices. These methods were revolutionary then and still provide the gold standard for online retailers.

Meg Whitman, eBay's chief executive at the time, understood that credibility with brand owners is key.

The company faced a choice: do as little as it could hope to get away with, or back up its rhetoric with breakthrough technology and procedures. By opting for the latter, it spawned an era of voluntary co-operation with brands.

Alibaba finds itself at a similar crossroads. The Chinese company has become the world's biggest retail online platform. Its chief executive Jack Ma was appointed to David Cameron's business advisory group, met US President Barack Obama and Alibaba was invited to join the IACC.

This invitation, though, sparked outrage among members, with Lee Sporn, general counsel to Michael Kors, stating: "The IACC has chosen to provide cover to our most dangerous and damaging adversary." Gucci, Michael Kors and Tiffany resigned from the anti-fakes group. Alibaba's membership was revoked and Mr Ma cancelled his keynote speech at the IACC's annual conference. Alibaba's charm offensive lost its way. There is a way back however. If Alibaba develops modern weapons for the current online environment, it has the potential, like eBay, for constructive co-operation with brand owners.

Pirates are more adept at using new technologies than those trying to shut them down. This has turned the fight against counterfeit sites into a "whack a mole" game. Take down a pirate page and an identical one pops up in a new location. Michael Evans, Alibaba's president, has asserted, however, that Alibaba has "the tools to change the way this war is waged . . . using data and technology . . . to defeat the counterfeiters". Rights holders are understandably keen for Alibaba to demonstrate the advanced tools of which it speaks. At a meeting last week, a group of British brand owners presented Alibaba with a wish list including notice and trackdown, digital fingerprinting and a piracy indicia module for red-flagging offenders. Such tracing parallels the fundamental "follow-the-money" principle. The meeting concluded on a positive note. If Alibaba delivers, it will be a game changer by stopping counterfeiting at source rather than at platform level.

Alibaba's implementation of any new voluntary measures must be swift and rigorous. If not, courts and legislators will be pressed to act. Alibaba should not waste a crisis. It can turn it into an opportunity.

The writer is lead author of Famous and Well-Known Marks and a past president of the International Trademark Association

How to win friends online and influence people

Social media

A hundred endorsers with 1,000 followers each can convey a message better than one big celebrity, says *Anna Nicolaou*

At a YouTube event last month, Lilly Singh, a 27-year old comedian who has risen to fame through her online videos, quipped that she had great hair, adding: "By the way, shout out to Pantene."

Ms Singh — who is a brand ambassador for Coca-Cola — was making a joke at an event designed to showcase YouTube's talent in the hope of luring advertisers' dollars.

Her joke illustrates the role social media influencers have taken on for brands, as companies look to promote products through the support of internet personalities, many of whom have millions of followers.

So-called influencer marketing has grown in popularity as companies try to reach the masses, in the face of the decline in television viewing, by harnessing a rise in social media consumption. It has become a lucrative business. Aimee Song, whose Instagram page draws 3.6m followers, was reported last month to be paid $500,000 by Laura Mercier, a beauty brand, to be its "digital influencer".

Barbara Soltysinska, founder of indaHash, a business which aims to broker deals between brands and influencers, says the technique's appeal has grown as people have become less sensitive to traditional advertising. "We are back to the time that people were recommending to others what to do and what to use . . . they don't want to be surrounded by so many ads."

More than 80 per cent of respondents to a 2013 Nielsen survey said they trusted endorsements from people they know, compared with about 60 per cent for television ads and less than 50 per cent for ads on social networks. "This generation doesn't dislike brands," said Erin McPherson, former chief content officer of Maker Studios, the digital video network, at a conference last year. "What they don't like is advertising."

Comic influence: Lilly Singh on stage in New York in May
Taylor Hill/FilmMagic

Yet insufficient transparency over the endorsement of influencers is threatening the credibility of this new marketing channel among consumers. In the US, the Federal Trade Commission updated its guidance last December in response to the rising popularity of influencer advertising. Influencers must make "clear and conspicuous" disclosures in their posts if they are paid for talking about a product, the FTC says. The watchdog cracked down on this recently by rebuking Lord & Taylor, the retailer, for paying influencers to post promotional photos on Instagram without disclosing it.

In the UK, the Advertising Standards Authority, too, says brands must disclose paid content under consumer protection laws. In 2014, the body banned a series of YouTube videos for not making it clear that they were advertising for Oreo cookies.

While brands are still working out the kinks in rules surrounding the use of influencers, some concede measuring success in the field can be difficult.

"It's tricky to figure out the potential reach of something I'm doing with an influencer," says Noah Mallin, social practice lead at MEC, a media buying company owned by WPP. "Just because somebody is following the influencer, doesn't mean they're going to see the post they make."

Sometimes brands will place special code into online content for influencers to post, so that any purchases by followers can be traced, says Mr Mallin. Ms Soltysinska argues that a campaign's success can be judged on the metric of "engagement rate", which is the percentage of people who liked, shared, clicked or commented on a post.

Pay has become contentious, as the rise in the relevance of influencers has prompted them to demand more money for content.

> 'This generation doesn't dislike brands. What they don't like is advertising'

As the debate over the value and presentation of advertising-backed content continues, there has been a shift towards using smaller and medium-sized influencers, and away from some brands' initial focus on endorsements by celebrities or big stars. "It's much better to have a hundred influencers with 1,000 followers each, than one influencer with 100,000 followers," says Ms Soltysinska. "Together they are much bigger than the biggest stars and often they're more credible."

Influencers who are not generally famous can sometimes be more effective because they often appeal to a specific niche, says Mr Mallin. "Car enthusiasts, people who like to cook at home . . . all those niches can be served really well by influencers who might be in the 20,000 follower range."

Advocates of virtual reality spot light at the end of the tunnel

Technology

Advertisers look beyond the novelty value of branding through immersive headsets, says *Lindsay Whipp*

You are in a racing car, with a Nascar star, and two tunnels come into view. You must choose which one to enter and, wearing a virtual reality headset, you have to steer the car into it. One enters the "Pitch Black" experience reminiscent of the film *Blade Runner*, the other leads to the so called "Baja Blast" and the southern California desert.

This is the latest virtual reality advertisement for PepsiCo's Mountain Dew brand released in late May. The tunnels represent the Mountain Dew flavours Pitch Black and Baja Blast. The driver's choice of tunnel represents a vote for which drink they want to remain on grocery store shelves.

Pepsi is one of a number of global companies including Volvo and Disney that have been experimenting with VR as an advertising medium — in Pepsi's case since 2014.

VR technology has been around for decades but it is only in recent years that costs have come down enough for the concept to be commercially viable. While its presence in advertising campaigns is fairly common, it has yet to reach the vast majority of consumers.

This novelty value remains one factor in its favour. Being willing to dabble with different and novel platforms for advertising can help build brands, experts say, even if those experiments do not always fully work.

Other recent Pepsi experiments include a New York restaurant, Kola House, themed on the kola nut, which contains caffeine and gives cola beverages their name. It displays little or no sign of the Pepsi logo, the idea being to get people talking on social media about not Pepsi but the restaurant's products. "There may be no direct marketing impact but the buzz around it has a lot of value," says Thomas Ordahl, chief strategy officer at Landor, a brand consultancy. "They [advertisers] want to be current, fresh and topical and to do that they have to be experimenting."

As a drink and snacks company, Pepsi may not appear to be the obvious choice for taking on the technology. Film and television studios, carmakers, and hotels might seem more obvious clients, for campaigns offering visually immersive experiences.

Pepsi says VR works for a brand like Mountain Dew because it is closely associated with sports such as Nascar racing and is popular among gamers. "You have to find the right story that makes sense to tell in VR," says Sadira Furlow, a senior marketing director at Mountain Dew. "Technology should never be used for the sake of technology."

As exciting as the prospect of VR in advertising is, there are several obstacles standing in its way. The most obvious constraint is a limited number of headsets now in use in across the world. These are typically owned by serious VR gamers.

Head in the clouds: a VR fan at play

Deloitte, the consultants, estimates about 2.5m headsets will be sold worldwide this year. But the number of households with VR equipment remains just a fraction of the total that global companies aim to reach.

This limited audience means that companies such as Pepsi often aim to make their VR commercials adaptable to other platforms such as YouTube's 360 degree videos and normal viewing.

Albeit from a small base, the VR consumer economy is thriving. Deloitte forecasts that sales of VR products will breach $1bn this year. That may sound a large sum but two-thirds of it will be spent on hardware and the remainder on content, of which branded material is just a part.

Improvements in headset design will continue to drive interest, says Tyler Hopf, a VR designer at Framestore in New York, which has worked with companies from HBO and Marvel to Marriott and Fiat.

Clients still need to be patient in discovering what will and will not work. "Half the job is educating people, brands and agencies," Mr Hopf says. "Ideas don't necessarily translate well into VR."

PayPal wants to be more than just a last resort for 170m users

Financial services

The payments provider sees a 'multi-app strategy' as a way of gaining customer loyalty, writes *Neil Munshi*

Last month PayPal held its first investor day since it spun off from eBay, its slower-growing parent, just under a year ago.

It was a key occasion for the company, giving it a platform to tell shareholders how it plans to compete in the payments industry following the entrance of rival Apple in the field.

Dan Schulman, chief executive, said PayPal was "focused on where the world is going", adding: "We think this is going to be a mobile-first world — you are going to see us moving directly into that world." The question is whether the customer base of 170m users PayPal has built over the past 17 years — and the 15m-20m they add each year — will automatically follow.

PayPal occupies an unusual position in the financial services industry: it is a tech company valued at $48bn that both competes with, and works alongside, credit card issuers. Its revenue streams come from diverse sources including merchants, customers and its software.

Mr Schulman stressed that the company has plenty of room to grow alongside other competitors in the market that processes $100 trillion in digital commerce and money a year. "I am not going for 100 per cent share," he said.

But as PayPal moves towards the mobile-first world its managers envision, analysts say the company must find a way to make its customers eager to press that PayPal button — whether on a retailer's website or on its own mobile app — rather than using it as a last resort, which tends to be the case.

"They have a loyalty problem," says Lisa Ellis, analyst at Bernstein. "They have very, very high adoption among users — 60 per cent of online US users use PayPal, which is astonishingly high — but most of those users only use it once or twice a year, when they have to — not because they want to."

In his speech to investors, Mr Schulman alluded to that problem.

"What we really aspire to is to go from a PayPal customer using PayPal twice a month to a PayPal customer using us twice a week," he said. "But my own personal ambition is that a PayPal user should use PayPal every single day." One way the company hopes to increase loyalty, he said, was by letting retailers set up their own private-label rewards programmes using its system.

170m	60%
PayPal customer base built up over 17 years	Proportion of US internet users that have used PayPal

However, Moshe Katri, analyst at Sterne Agee CRT, questions whether that would be effective. "If I'm getting points from using Visa, I can use them in many different places — but here it maybe limits me because I can only use them at the retailer's website or stores," he says.

Some PayPal customers already use the company's services every day — they just do not use PayPal. Rather, they use Venmo, the peer-to-peer payments app that it acquired through its $800m purchase of Braintree in 2013.

The service is popular with millennials who want to split bills or pay each other back, and processes $1bn in transactions every month.

Bill Ready, head of product and engineering, noted that young people have even started using the app's name as a verb, as in: "I'll Venmo you."

What makes Venmo unique is its embedded social media feed, which allows users to see which of their friends is paying who for what, and to comment on the transactions. It is part, Mr Ready told investors, of PayPal's "multi-app strategy", which also includes Xoom, a remittances platform with 1.6m users. He compared it to the way in which users of Facebook can also use Instagram, or Google users can use its maps, mail or docs apps. "You have slices of experiences that are separate apps, but you have a common network across these things."

The goal, he said, is to increase the ways consumers can put money into, and withdraw it from, the PayPal system: "Previously you thought of PayPal and you had just a few ways to get money into PayPal and you had really only one way to get it out. If you only had one way to get it out you are probably not going to put as much money in because it is harder to get it out."

Monetising a service like Venmo, however, may be difficult. Consumers are used to the free service. But PayPal is testing a scheme under which about 1m users can pay at select retailers using Venmo, which would allow it to charge a transaction fee to the merchant.

Tech groups lead game of snakes and ladders

Rise and fall

Digital ventures have strengthened their grip on the top 100 rankings, writes *Scheherazade Daneshkhu*

Here are some of the trends that emerge from this year's BrandZ rankings compiled by Millward Brown, the research group:

Star risers
Amazon, Starbucks and Facebook have seen their brand values shoot up in 2016 compared with 2015. Amazon's 59 per cent rise in value to $99bn and seventh place ranking, is partly due to its ability to create demand and not just satisfy it, according to Elspeth Cheung, head of BrandZ valuation at Millward Brown. She says Amazon's one-hour delivery service has put pressure on other retailers to speed up delivery times while the online retailer's move into logistics poses a threat to courier services UPS, FedEx and DHL.

Facebook, up 44 per cent, has added new features including disaster alert, which lets users quickly inform family and friends that they are safe. Such innovations add to the media group's importance as an integral medium for worldwide connection and enhance its value to advertisers, Ms Cheung says.

Starbucks, up 49 per cent to 21 in the ranking, has evolved from a café to a place where people can hang out all day since it now sells breakfast, lunch and evening meals, accompanied by alcohol in some places.

Sectors: what's in
The fastest-rising sector is apparel, driven by Nike in sportswear as people pay more attention to health and fitness, and Zara, whose fast fashion is becoming increasingly popular in China.

Technology and telecoms are on the up as are some fast food companies, including Starbucks, which BrandZ puts in this category, and McDonald's, whose brand value is risen by nine per cent even though its ranking is unchanged.

Sectors: out of favour
The biggest falls in brand values include oil and gas companies, still suffering from low commodity prices, and banks, which face growing competition from rival payment systems such as PayPal — whose brand value increased by 35 per cent (see story page 2).

Regional
There are 15 Chinese brands in the top 100, one more than last year and a sharp rise on a decade ago, when China Mobile was the only Chinese brand.

Their inclusion has come at the expense mainly of European companies, signalling the shift in economic power towards the east. There is only one Indian brand in the top 100 ranking — HDFC Bank. Russian, Mexican and Brazilian brands have fallen out of the ranking in the past few years — a sober reflection of the changing fortunes of these emerging markets.

The US remains home to the biggest brands and the value of its top 10 increased by 10 per cent to $1.3tn in 2016. The top 10 UK brands, headed by Vodafone, lost 8 per cent of their value. Those in continental Europe — led by Germany's SAP software group — rose 5 per cent. Finally, the $360bn value of Asia's top 10 brands, headed by Tencent, China Mobile and Alibaba, was only 10 per cent lower than the value of the top 10 in continental Europe and the UK combined.

Local champions
Consumers in many parts of the world have a preference for buying local which has helped boost the value of local brands. These brands are close to their domestic markets, helping them to gain market share at the expense of global brands, and they are also winning share in new regions, according to BrandZ.

Huawei, the Chinese technology group, has taken market share from both Apple and Samsung, according to BrandZ. Its brand value has increased by 22 per cent to $19bn and it has climbed 20 places up the ranking to number 50.

Brands vs the market
The biggest brands outperform financial markets, according to BrandZ, which says this illustrates their financial power and value to shareholders. Since April 2007, the value of the top 100 brands has increased by 106 per cent. That compares with a 61 per cent rise in the S&P 500 and growth of 21 per cent in the MSCI world index over the same period.

Kindling your interest: Amazon, Starbucks, Ikea and Nike have all climbed the table

Global brands: the top 100

▲ Biggest risers ▼ Biggest fallers

Rank 2016	Rank 2015	Change	Brand	Brand Value 2016 ($m)	Value change 2016 vs 15
1	2	1	Google	229,198	32%
2	1	-1	Apple	228,460	-8%
3	3	0	Microsoft	121,824	5%
4	6	2	AT&T	107,387	20%
5	12	7	Facebook	102,551	44%
6	5	-1	Visa	100,800	10%
7	14	7	Amazon	98,988	59%
8	7	-1	Verizon	93,220	8%
9	9	0	McDonald's	88,654	9%
10	4	-6	IBM	86,206	-8%
11	11	0	Tencent	84,945	11%
12	10	-2	Marlboro	84,143	5%
13	8	-5	Coca-Cola	80,314	-4%
14	16	2	Wells Fargo	58,540	-1%
15	15	0	China Mobile	55,923	-7%
16	17	1	GE	54,093	-9%
17	18	1	UPS	49,816	-4%
18	13	-5	Alibaba	49,298	-26%
19	19	0	Disney	49,229	15%
20	20	0	Mastercard	46,141	15%
▲ 21	29	8	Starbucks	43,565	49%
22	24	2	SAP	39,023	2%
23	27	4	Deutsche Telekom	37,733	12%
24	28	4	Nike	37,472	26%
25	23	-2	Vodafone	36,750	-4%
26	31	5	The Home Depot	36,440	32%
27	22	-5	ICBC	33,637	-13%
28	30	2	Toyota	29,501	2%
29	21	-8	Baidu	29,030	-27%
30	32	2	Louis Vuitton	28,508	4%
31	33	2	Budweiser	27,925	5%
32	26	-6	Walmart	27,275	-23%
33	34	1	BMW	26,837	2%
34	25	-9	American Express	26,641	-30%
35	42	7	Zara	25,221	14%
36	38	2	L'Oréal Paris	23,524	1%
37	37	0	Pampers	22,911	-4%
▲ 38	51	13	Accenture	22,813	13%
39	43	4	Mercedes-Benz	22,708	4%
40	46	6	Movistar	21,945	3%
41	40	-1	Subway	21,567	-4%
42	39	-3	HP	21,387	-7%
43	35	-8	HSBC	20,276	-16%
▲ 44	55	11	Hermès	19,821	5%
45	36	-9	RBC	19,635	-18%
46	41	-5	China Construction Bank	19,617	-11%
47	New	n.a.	NTT	19,552	n.a.
48	45	-3	Samsung	19,490	-10%
49	44	-5	Oracle	19,489	-10%
▲ 50	70	20	Huawei	18,652	22%
51	56	5	Intel	18,632	1%
52	58	6	BT	18,575	3%
▲ 53	61	8	Orange	18,465	6%
54	57	3	Colgate	18,319	2%
▲ 55	64	9	IKEA	18,082	6%
56	60	4	Citi	17,055	-2%
▲ 57	68	11	Ping An	16,910	6%
58	49	-9	ExxonMobil	16,838	-18%
59	62	3	China Life	16,712	-4%
▼ 60	47	-13	TD	16,543	-20%
61	52	-9	Gillette	16,400	-17%
▼ 62	50	-12	Agricultural Bank of China	16,331	-19%
63	53	-10	FedEx	16,236	-17%
▼ 64	48	-16	Com'wealth Bank of Australia	16,227	-21%
▲ 65	88	23	PayPal	15,910	35%
▼ 66	54	-12	Shell	14,940	-21%
67	67	0	Cisco	14,508	-10%
▲ 68	97	29	Costco	14,461	29%
69	74	5	HDFC	14,440	3%
70	72	2	US Bank	14,098	-5%
71	65	-6	Bank of China	13,803	-16%
72	63	-9	Sinopec	13,206	-24%
73	66	-7	DHL	13,199	-19%
74	78	4	Honda	13,195	-1%
75	80	5	Ford	13,084	0%
76	New	n.a.	Lowe's	13,001	21%
▼ 77	59	-18	ANZ	12,883	-27%
78	82	4	Telstra	12,825	1%
79	75	-4	H&M	12,665	-8%
80	76	-4	Gucci	12,592	-9%
▼ 81	69	-12	Siemens	12,485	-19%
82	83	1	KFC	12,386	-2%
▼ 83	71	-12	Petrochina	12,341	-18%
84	89	5	Chase	12,330	6%
85	85	0	LinkedIn	12,314	1%
86	79	-7	Pepsi	12,188	-7%
87	90	3	ALDI	12,077	4%
88	New	n.a.	CVS	12,074	17%
▼ 89	77	-12	J.P. Morgan	11,943	-12%
90	94	4	Red Bull	11,667	3%
▼ 91	73	-18	Ebay	11,509	-19%
92	93	1	Nissan	11,479	1%
93	New	n.a.	Moutai	11,465	n.a.
94	98	4	SoftBank	11,343	2%
95	95	0	Bank of America	11,289	0%
▼ 96	81	-15	BP	10,552	-18%
97	New	n.a.	Heineken	10,549	9%
98	New	n.a.	AIA	10,545	10%
99	New	n.a.	JD.com	10,496	37%
100	New	n.a.	Adobe	10,440	41%

Brand value of Coca-Cola includes Lights, Diets and Zero; Budweiser includes Bud Light; Pepsi includes Diets; Red Bull includes sugar-free and Cola; NTT is now valued as a telecom provider and brand value is restated this year
Source: Financial Times analysis based on ranking data by Millward Brown (including data from BrandZ, Kantar Retail, LinkedIn and Bloomberg)

Methodology

How the brands achieved their ranking

BrandZ uses a mixture of financial information and customer surveys to come up with its ranking for the top 100 most valuable global brands. The research covers 3m consumers and 100,000 brands in more than 50 markets.

Three characteristics of a brand are subject to measurement. First, how "meaningful" it is; the brand's appeal, its ability to generate "love" and meet the consumer's expectations and needs.

Second, how "different" it is; its unique features and its ability to "set the trends" for consumers.

Third, the research measures how "salient" the brand is; that is whether it springs to mind as the consumer's brand of choice.

The financial information used as an input to the valuation is based on what each company earns. If the company owns only one brand, all its earnings are attributed to that brand.

For banks and insurance companies, the earnings metric used is net income. For all other companies it is operating profit. Otherwise, earnings are attributed across the company's portfolio of brands using information from annual reports and other sources.

The next step is to predict "brand earnings" using inputs, including market capitalisation, taken from Bloomberg, to derive a ratio similar to a current price/earnings ratio. Current "brand earnings" are then multiplied by this number to arrive at the brand's "financial value".

BrandZ then uses customer surveys, either online or face to face, to assess a brand's ability to stand out from the crowd, generate desire and cultivate loyalty.

The output from this research is then 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.

Sarah Gordon

Fairytale football champions seek their commercial reward

Sport

Leicester City face the challenge of cashing in on last season's surprise Premiership triumph, reports *Malcolm Moore*

Just three days after Leicester City stormed to an unlikely English Premier League title in May, the club shop put next season's replica shirts on sale.

The new shirts bore a small but important change: a gold badge on the sleeve to denote the club's champion status. They sold out in minutes. Puma, the kit sponsor, plans to raise production to have 90,000 shirts on sale by the time the new season kicks off in August.

Leicester's triumph caught the imagination even of people who do not follow football. Companies, meanwhile, were quick to link themselves to the club.

Supermarket chain Asda created a "Vardy Cardy", a cardigan in royal blue, the team colour, named in honour of chief goalscorer Jamie Vardy. Captain Morgan issued a limited edition bottle of its rum with the face of Wes Morgan, team captain, on the label. Walkers Crisps, based in the city, took out a page advertisement in the Sun newspaper featuring Gary Lineker, the ex-England striker, a Leicester fan and the long-serving face of Walkers' advertising.

In addition to the substantial television and other revenues they would expect to earn as a Premiership club, Leicester City could earn hundreds of millions of pounds next season from having qualified for the European Champions League and improved sponsorship and marketing deals.

The club, however, has to be nimble. Its star could fade if it suffers a loss of form when the new season begins, giving it a matter of months to reach as many agreements as possible.

"They have to capture the impact quickly," says Patrick Nally, a sports marketing executive who helped Fifa, the world's chief football body, to build its commercial model. "Their window is six to eight months. I hope they have already planned to respond . . . This is an opportunity for Leicester to expand, particularly through Asia," he adds, mentioning China in particular.

The club — controlled by the owners of Thai duty-free company King Power since 2010 — has moved quickly to consolidate its south-east Asian links. It has a tie-up with the British government export agency, UK Trade and Investment, to host trade missions to Thailand. Shortly after the season ended, the team drew a crowd of more than a million people during a tour of Bangkok.

King Power is looking for a sharp increase in its revenues as it expands further into Asia. "From King Power's view", says Mike Dalzell, Leicester city council's director of tourism, culture and inward investment, things have "gone bananas". The value to the company of the publicity that the club is enjoying is huge, he adds. The council is keeping a file of media coverage on the club and the city, from Saudi Arabia to Argentina and from Norway to Japan.

Roaring success: a Leicester City fan shows off his Premier League winner's badge
Glyn Kirk/AFP/Getty Images

The number of the club's followers online has grown dramatically. Brandtix, which analyses social media exposure, says it saw Leicester City's following rise from 2m across Facebook, Twitter and Instagram to 5.6m as it clinched the Premiership title.

Many of Leicester's new fans are overseas, hence giving the club the chance to sign up foreign "partners". While Leicester City's sponsorship with its owners King Power is worth £1m a year, Manchester United, by comparison, earns an annual $70m from its deal with US carmaker Chevrolet. Chelsea recently signed a £60m-a-year kit deal with Nike.

If Leicester City can consolidate a global fan base, it will open a route to multiple sponsorship regions and categories.

A key role model is Manchester United, one of a growing number of UK and European clubs including the likes of Barcelona, Real Madrid and Bayern Munich, which has already pioneered this lucrative international strategy. Manchester United has both "global sponsors" and "regional partners". Among the club's deals are one with Honda to be the company's official motorcycle partner for Thailand and another with drinks company CHI to be its official soft drink partner for Nigeria. Unilever is Manchester United's official male shampoo partner in Indonesia.

> Transfer dealings will be critical. Leicester City does not have superstar footballers like its rivals.

Transfer dealing before next season will be critical. Leicester City does not have the superstar footballers of its top rivals and very few of its players are household names. The club declined to comment on its commercial strategy for the year ahead.

The city council points out that it is drawing up its own plans for the next 12 months. The city was already focusing on tourism in the wake of the discovery nearly four years ago of the skeleton of King Richard III under a local car park. Mr Dalzell says the football club has supercharged the city's international profile.

The number of tourists visiting Leicester has "expanded significantly" over the past 12 to 18 months, he says, with hotel occupancy above 80 per cent. From 9.5m tourists in 2013, the city projects a rise to 13.6m by 2020.

Champions League fixtures will present big marketing opportunities. The council expects each home game to attract up to 4,000 relatively affluent away fans.

"We are really concentrating on providing a welcome to them and the journalists and making sure they have a great time," says Mr Dalzell.

When scandal hits, it helps to stay ahead of the game

Risk assessment

Corruption, doping and match-fixing do not have to spell disaster for a brand, writes *Malcolm Moore*

It has been an awkward year for companies sponsoring sport. Football, athletics and tennis have been dragged through allegations of corruption, doping and match-fixing. At the same time, with the Euro 2016 Championship in France and the Olympics in Brazil, spending on sport sponsorship could be higher than ever this year. Here are five lessons brands should learn from past disasters:

Don't panic

The barrage of criticism in the media, even when directed at sponsors, may not be as damaging as it seems.

"There is no evidence that the huge public negativity around Fifa officials' behaviour has had any effect on key sponsors," says Peter Walshe, BrandZ strategy director at Millward Brown, which is part of the WPP group.

"Looking at our data, if you look at five key Fifa sponsors over the past year — Adidas, Budweiser, Coca-Cola, McDonald's and Visa — their brand value, with the exception of Coke, all went up, by an average of 5 per cent. On average, the top 100 brands only rose by 3 per cent."

He adds that the brands had also done well when customers were asked to rate which companies they trusted.

"You might have expected that trust would reduce. Actually it went up a bit. On the trust index they averaged 112 before scandal, and a year later, 117. The benchmark is the top 100 brands, which again are more trusted than others. They only went up 1 point."

Fans will always love sport

Despite corruption, doping and match-fixing, sport remains one of the most effective ways for companies to reach out to billions of fans across the world.

If you happen to sponsor a scandal-stricken organisation, try to distance yourself from the institution while retaining links with the sport itself.

"These incidents have been unbelievably damaging to the brand of Fifa," says Michael Payne, former head of communications for the International Olympic Committee. "A few years ago you might not have thought twice about putting the Fifa logo on your communications as a badge of honour, in the same way you used the Olympic rings.

"Now you probably say, 'I want to be talking about the World Cup and the passion people have for it and you will forgive me if I'm not putting Fifa in spotlights at the top of the ad campaign.'"

He adds: "I am not sure that when it comes to sponsoring the 2022 tournament in Qatar, that there will be a lot of reference to Qatar."

Of course, he says, there may be some pushback: "Fifa will say the name of the event is the Fifa World Cup, not the World Cup."

Some sports will be hit harder than others

Football is uniquely popular around the world, but if you sponsor a minor sport and scandal hits, you will have to evaluate the situation more carefully.

After years of accusations, doping is now thought to be endemic, for example, in athletics and cycling. When news broke that figures close to the top of athletics also took bribes, Nestlé was quick to act to cancel its deal with the International Association of Athletic Federations.

"In terms of athletics, the sport is suffering because its presentation is old-fashioned, its relevance is under question, and how will they rebuild trust?" says Patrick Nally, who helped Fifa commercialise in its early years. "[If I were a sponsor] I would be seeking some significant assurances that they would respond to radical change, and the drug element is just one small piece."

If you have gambled on an individual, make sure you have good lawyers

One of the best ways to reach a younger audience is to focus on the athletes. Even when she is not playing tennis,

> 'If you look at key Fifa sponsors — Adidas, Budweiser, McDonald's and Visa — their brand value went up an average of 5%'
>
> **Peter Walshe, marketing expert**

Maria Sharapova has 1.6m followers on Instagram, the photo-sharing service.

"The benefits of sponsoring a star are great, but the risk is great, too," says Mr Walshe.

For years, sponsors have included morality clauses in their contracts with athletes so that, if disgrace occurs, they can cut their losses.

Go in with your eyes open, says Mr Nally. "You take the chance based on all the criteria you can check. There have been enough incidents now. You have to look at what you would do if something goes wrong, but there are now plenty of consultants and risk assessors. It is very professional, very sophisticated."

How you react to a scandal depends on who you are

"If you are Visa and it is trust in finance which defines your brand, the moment that something is jeopardising that, you are bound to react fast," says Mr Walshe.

If you are Adidas, you may judge that you could stay loyal for longer. But timing is everything — even in a bad situation, by acting ahead of other sponsors you can burnish your brand.

Mr Walshe adds: "If you behave in a fair, transparent and first-mover way, justified by the circumstances, that is seen as a positive . . . Being slow to react is never a good thing in any crisis."

How global banks can pull back from the brink

Banking

Marketing chiefs at HSBC, Wells Fargo and Citigroup reflect on the 2008 financial crisis, writes *Laura Noonan*

Branding challenges do not come much bigger than those faced by banks in the aftermath of the financial crisis. The marketing chiefs at three of the world's biggest banks give their perspectives, with expert contributions from Professor Priya Raghubir of New York University Stern School of Business, and Sana Carlton, managing director of banking and finance at market research agency Millward Brown.

Show your human side

Prof Raghubir says that "humanising" the brand can help in an imploding industry: "That can be done through showcasing your service competence; it could be done through a logo.

"The basic idea is that if you allow the brand to be human, then it's going to take on some of those human qualities . . . the fact that it's this money-making machine is likely to not occupy centre stage as much."

Swiss bank UBS embraced this concept with particular vigour last year with its "Am I a good father?" campaign, which asked a variety of personal questions, in what the bank's marketing consultants described as an effort to be "increasingly human in their approach to today's banking customers".

Focus on the customer

Wells Fargo has weathered the bank branding storm better than most. "[We are] continuing to do what we've been doing for many decades, which is sticking to our vision," says Jamie Moldafsky, chief marketing officer at the bank.

Strategies include showcasing how the bank helps its clients, with ads portraying Wells Fargo helping individuals, businesses and communities.

Chris Clark, head of marketing at HSBC, says good customer experience is essential. "The fundamental shift in brands is not really around whether the marketing or the advertising is the right thing to do," he says. "It's how those marketing activities can highlight the positive experience and the proposition for the customer."

The experts agree. "The relationship banks have with their customers is critical," says Ms Carlton. "How customers experience the bank's services . . . needs to be consistent and relevant locally if the bank is to stand out as different and good enough for them to choose."

Review your spending

NYU's Prof Raghubir says there are good reasons to cut brand spend when the going gets tough: "You probably don't want to be investing too heavily at a time when a greater mention of your brand is only going to backfire and remind people that you exist, when you're trying to just weather a crisis."

However, the bank marketing bosses disagree. "If you don't tell your story, nobody is going to tell it for you," says Edward Skyler, in charge of sponsorship and branding at Citigroup. "Hiding is never an option."

Ms Moldafsky says Wells Fargo increased its branding spend slightly during the crisis. "We felt the need to ensure that our customers knew that we're here for them."

Consider a name change

The most extreme way to break the link between your bank and a tarnished brand is getting rid of the old name. Yet name changes have been relatively rare in the financial crisis. One example was AIG, the insurer, which rebranded its property and casualty arm as Chartis in 2009 after AIG's traumatic $180bn rescue. In 2012, it reversed course and brought Chartis back under the AIG umbrella.

HSBC's Mr Clark would not have recommended that approach which he dismisses as "absolutely ridiculous".

Sticking to its vision: Wells Fargo

"You wouldn't want to go and hide behind some flag of convenience."

Let your brand evolve

While the marketing bosses agree that axing a brand is not the way to go, they do see a case for evolution. HSBC dropped the "world's local bank" tagline in the wake of the financial crisis.

"It wasn't true any more," says Mr Clark. "We were selling businesses all over the world in an effort to rationalise our spread, which was the right thing to do." The tagline — so successful other banks privately coveted it — was not replaced.

Issue an apology

"Apology ads" divide opinion. Prof Raghubir says they are a "brilliant idea" but notes that "very few banks do that".

HSBC ran such an ad in the aftermath of the 2015 Swiss private banking scandal. "Where you think you've got an opportunity to explain yourself, you should take it," Mr Clark says. "By doing nothing you can make things a lot worse."

Mr Skyler says that Citi has publicly acknowledged its mistakes in the past and that "people want to know . . . about what value you provide. An apology doesn't answer that."

Are we there yet?

Eight years on from the financial crisis, experts agree that the battle to restore brand values is not yet won. "The data show that we made progress, but there are really strong headwinds that have been challenging this industry since the crisis," says Mr Skyler.

The marketers know, as well, that good branding is not enough. As Prof Raghubir puts it: "You can never make an apple look like an orange. Unless they actually change their proposition, messaging will only take them so far."

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