Global Brands

Tuesday May 21 2013

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Innovation cedes to refinement

The times appear to have settled into being neither stellar nor devastating for world's favourite names, writes *Louise Lucas*

MEESON

It is tough at the top. Apple, the one-time darling of geeks, hipsters and investors, has lost a little of its star dust in the past year and its brand value has barely budged after last year's meteoric 19 per cent rise.

Apple's uninterrupted trajectory as the world's most valuable brand, worth $185bn according to the BrandZ Top 100 ranking, set the tone for a year that was, in the round, neither stellar nor devastating for the world's favourite names.

Overall, the combined value of the top 100 rose 7 per cent to $2.6tn. Oil and gas suffered a dent of 4 per cent, largely a result of finances taking a tumble at Brazil's Petrobras.

There was also a good deal of flatlining: technology, once rocket-propelled, contracted 1 per cent and telecoms nudged up 1 per cent.

"It was a year of recovery," says Robin Headlee, vice-president for Europe at Millward Brown Optimor, a strategic brand consultancy. It followed a year of stagnation and means the top 100 are now worth 32 per cent more than pre-recession in 2008.

Steve Wilkinson, head of consumer products at Ernst & Young in the UK, believes that, having survived the financial crisis, brand owners have had to make tough choices in the mid-term as they adjust to slower growth.

"They have focused more resources and money on the brands they see as winners in the market and invested as little as possible to maintain or manage the decline of others," he says.

The recovery was sharper for some than others. Leading the field were brewers, up 36 per cent – in sharp contrast to their performance in the bars and stores of North America, where drinkers have been supping less beer and more spirits for several years.

Brand improvement is all down to consolidation and globalisation, explains Peter Walshe, global director of BrandZ. "Beer-makers are wheeling out brands in many new territories and making sure they are maximising distribution."

This is exactly what brewers have set out to do in what is a consolidating industry, with the two behemoths, Anheuser-Busch InBev and London-listed SABMiller, having spent the past decade or so snapping up rivals as far apart from one another as Australia, China, Peru and Scotland.

Brewers are split on the merits of international brands, of which there are only a handful. That reflects the nature of beer: bulky to transport and arguably with a bigger tug on the heart strings than taste buds.

Yet, like other premium beers, international brands are growing faster than local or regional mainstream beers as drinkers trade up. They typically have higher gross margins and, once up and running in countries and investment has normalised, also boast fatter net profits.

Last year, Anheuser-Busch InBev, began boosting efforts to turn Budweiser into a global brand. Globally, volumes rose 3 per cent. More than half of Budweiser's sales come from outside the US, up from 28 per cent four years ago.

Budweiser is the number two global beer brand after Heineken and ahead of Corona, according to 2012 figures from data group Plato Logic. It sold 20m hectolitres overseas, compared with 29.1m for Heineken and 13.3m for Corona. SABMiller which, together with China Resources, home to the

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Global Brands

Consumers luxuriate in shopping on the web

Ups and downs Prada leads the catwalk pack, says *Louise Lucas*

Girls – and presumably boys too – just wanna have fun. The companies whose brand values have risen the most in the 2013 BrandZ rankings are all about the fun things in life: designer outfits, cheap and cheerful fashion, beer, shops and movies. All washed down, of course, with lashings of Brazilian beer.

Leading the catwalk is Prada, the Italian luxury designer that listed on the Hong Kong stock exchange in June 2011 under the ticker 1913 – the year it was founded – to join L'Occitane and Samsonite in tapping Asian investor demand for well-known western consumer brands with a convincing China growth strategy.

Milan-based Prada raised \$2.14bn when it became the first luxury brand to list in Hong Kong. Fast forward nearly two years and its brand value has pirouetted 63 per cent in the past year to \$9.4bn, just ahead of the 61 per cent leap posted by Brazilian beer Brahma.

Peter Walshe, global director of BrandZ, dubs Prada "exclusivity that travels": strong brand management that it has successfully transported to the likes of China and Latin America.

Far from diluting the brand with lower price offerings, such as perfumes, it has opened entry points along the chain "allowing different people access without having to dilute the brand too much".

> 'Gucci is keeping it modern, but keeping the craftsmanship and doing a lot digitally'

The same applies to Gucci, Prada's luxury fashion house stable mate, which saw its brand rise 48 per cent to \$12.7bn.

Gucci also holds the title of highest brand contribution in the category – as opposed to the financial component of the brand valuation. Alongside Burberry, it has the category's highest growing brand contribution.

"Gucci is exceptionally good at retaining the classic look but adding the modern touch, which is what Coca-Cola does so well," says Robin Headlee, vice president for Europe at Millward Brown. "They are keeping it modern but keeping the craftsmanship and doing a lot digitally: 13 per cent of online sales come from its mobile platform."

Digital sales are blossoming in importance, for all the fancy sleek glass stores that dot the most chic streets of Shanghai, Tokyo and Paris. The trick, says Mr Walshe, is to recreate the luxury experience of super-smart stores online – and not just on bigger screens, but also on mobiles as a lot of sales are generated via phone handsets.

Steve Wilkinson, head of consumer products at Ernst & Young in the UK, says social media has created a win-win for the luxury and apparel sectors.

"Brand owners, on the one hand, are able to get more feedback from consumers more quickly, while the most loyal consumers are able to get more engaged with the apparel and luxury lifestyle, on the other," he says.

"This interaction may be nothing new, but social media have made this interaction much more frequent, and ultimately richer."

Perhaps no one platform sums up that interaction so well as eBay, where shoppers and sellers come together and buying entails more than a single click – and can, indeed, include anxious moments crouched over the computer or phone to see if you have won your quarry.

Ebay's brand value rose 40 per cent over the year, ranking it the 11th biggest riser with a brand value of \$17.7bn. This put it on a par with Disney, valued at \$23.9bn.

In between luxury experiences and bidding came the High Street fashion stores. The number three big riser, Zara, was up 60 per cent at \$20.2bn. As a result, the Spanish fashion house has overtaken sportswear group Nike as number one in the apparel rankings. Behind it was Calvin Klein, up 52 per cent at \$1.8bn.

"Zara is relevant because it is affordable fashion, being delivered very quickly and then expanding that into the wider regions," says Mr Walshe. "It's a good example of a company investing in the brand and exporting that difference to relevant segments and markets."

Also highlighting a bigger theme is the ascent of Amazon, the online retailer, which rose 34 per cent to \$45.7bn, overtaking the far less virtual Walmart: a classic tale of clicks winning out over bricks.

"We saw bricks suffering but now there is the advance of the clicks" says Mr Walshe. "But also Amazon has been more fleet of foot and maybe it is easier [to move from online to physical than vice versa] because it does not already have existing infrastructure, so can create something more cost efficient in the first place."

It is the first time such a gap has opened up between Amazon and Walmart.

At \$9bn, that gap is the equivalent of Aldi – the German discount store whose brand value has slipped lower even as its popularity with Europe's cash-strapped shoppers surges – that is wedged between them.

Global Top 100

By value

Rank change	Rank 2013	Brand	Brand value 2013 (\$m)	Brand value 2012 (\$m)	% Brand value change 2013 vs 2012	BC index
0	1	Apple	**185,071**	**182,951**	**1%**	**4**
+1	2	Google	**113,669**	**107,857**	**5%**	**3**
-1	3	IBM	**112,536**	**115,985**	**-3%**	**3**
0	4	McDonald's	**90,256**	**95,188**	**-5%**	**4**
+1	5	Coca-Cola *	**78,415**	**74,286**	**6%**	**5**
+2	6	AT&T	**75,507**	**68,870**	**10%**	**3**
-2	7	Microsoft	**69,814**	**76,651**	**-9%**	**3**
-1	8	Marlboro	**69,383**	**73,612**	**-6%**	**3**
+6	9	Visa	**56,060**	**38,284**	**46%**	**4**
0	10	China Mobile	**55,368**	**47,041**	**18%**	**3**
0	11	GE	**55,357**	**45,810**	**21%**	**2**
-3	12	Verizon	**53,004**	**49,151**	**8%**	**3**
+1	13	Wells Fargo	**47,748**	**39,754**	**20%**	**3**
+4	14	Amazon	**45,727**	**34,077**	**34%**	**3**
+1	15	UPS	**42,747**	**37,129**	**15%**	**5**
-3	16	ICBC	**41,115**	**41,518**	**-1%**	**2**
-5	17	Vodafone	**39,712**	**43,033**	**-8%**	**3**
-1	18	Walmart	**36,220**	**34,436**	**5%**	**2**
+3	19	SAP	**34,365**	**25,715**	**34%**	**2**
+9	20	Mastercard	**27,821**	**20,759**	**34%**	**4**
+16	21	Tencent	**27,273**	**17,992**	**52%**	**4**
+2	22	China Construction Bank	**26,859**	**24,517**	**10%**	**2**
+5	23	Toyota	**24,497**	**21,779**	**12%**	**4**
-1	24	BMW	**24,015**	**24,623**	**-2%**	**4**
+6	25	HSBC	**23,970**	**19,313**	**24%**	**3**
+17	26	Disney	**23,913**	**17,056**	**40%**	**3**
-7	27	Deutsche Telekom	**23,893**	**26,837**	**-11%**	**2**
+2	28	American Express	**23,514**	**20,198**	**16%**	**4**
-8	29	Louis Vuitton	**22,719**	**25,920**	**-12%**	**4**
25	30	Samsung	**21,404**	**14,164**	**51%**	**3**
-12	31	Facebook	**21,261**	**33,233**	**-36%**	**4**
+3	32	Pampers	**20,594**	**18,299**	**13%**	**5**
-8	33	Baidu	**20,443**	**24,326**	**-16%**	**5**
+14	34	Budweiser **	**20,297**	**15,882**	**28%**	**4**
+31	35	Zara	**20,167**	**12,616**	**60%**	**3**
-9	36	Oracle	**20,039**	**22,529**	**-11%**	**2**
+1	37	Agricultural Bank of China	**19,975**	**17,867**	**12%**	**2**
+2	38	RBC	**19,968**	**17,225**	**16%**	**4**
-5	39	ExxonMobil	**19,229**	**18,315**	**5%**	**1**
-8	40	Hermès	**19,129**	**19,161**	**-0%**	**4**
+21	41	The Home Depot	**18,488**	**12,968**	**43%**	**2**
+15	42	L'Oréal	**17,971**	**13,773**	**30%**	**4**
+3	43	Mercedes-Benz	**17,952**	**16,111**	**11%**	**4**
-2	44	Starbucks	**17,892**	**17,072**	**5%**	**4**
-12	45	Gillette	**17,823**	**19,055**	**-6%**	**4**
+8	46	TD	**17,781**	**14,561**	**22%**	**4**
+17	47	eBay	**17,749**	**12,662**	**40%**	**2**
+12	48	Commonwealth Bank	**17,745**	**13,083**	**36%**	**3**
-10	49	Shell	**17,678**	**17,781**	**-1%**	**1**
+1	50	Colgate	**17,250**	**14,948**	**15%**	**4**
+1	51	Subway	**16,691**	**14,843**	**12%**	**4**
N/A	52	ANZ	**16,565**	**N/A**	**N/A**	**3**
-8	53	Accenture	**16,503**	**16,118**	**2%**	3
-28	54	HP	**16,362**	**22,898**	**-29%**	2
-19	55	Tesco	**16,303**	**18,007**	**-9%**	4
-12	56	Nike	**15,817**	**16,255**	**-3%**	4
-4	57	China Life	**15,279**	**14,587**	**5%**	3
+3	58	Bank of China	**14,236**	**12,982**	**10%**	2
+4	59	ICICI Bank	**14,196**	**12,665**	**12%**	1
-10	60	Orange	**13,829**	**15,351**	**-10%**	2
-12	61	Intel	**13,757**	**15,633**	**-12%**	2
+8	62	FedEx	**13,732**	**11,723**	**17%**	4
+9	63	US Bank	**13,716**	**11,488**	**19%**	3
+18	64	Citi	**13,386**	**9,760**	**37%**	2
+3	65	Petrochina	**13,380**	**12,105**	**11%**	1
-25	66	Movistar	**13,336**	**17,113**	**-22%**	2
-11	67	Sinopec	**13,127**	**13,940**	**-6%**	1
N/A	68	Gucci ***	**12,735**	**8,602**	**48%**	5
-11	69	H&M	**12,732**	**13,485**	**-6%**	2
+4	70	Sberbank	**12,655**	**10,649**	**19%**	3
-6	71	Honda	**12,401**	**12,647**	**-2%**	3
+1	72	Siemens	**12,331**	**10,676**	**16%**	1
-4	73	Moutai	**12,193**	**11,838**	**3%**	3
+15	74	Ikea	**12,040**	**9,206**	**31%**	3
-8	75	Pepsi ****	**12,029**	**12,598**	**-5%**	4
+0	76	Target	**11,879**	**10,506**	**13%**	3
-18	77	Cisco	**11,816**	**13,317**	**-11%**	2
-1	78	BP	**11,520**	**10,424**	**11%**	1
+9	79	MTN	**11,448**	**9,273**	**23%**	3
N/A	80	Woolworths	**11,039**	**N/A**	**N/A**	3
+11	81	Chase	**10,836**	**8,644**	**25%**	3
+3	82	MTS	**10,633**	**9,553**	**11%**	3
-3	83	Red Bull *****	**10,558**	**9,984**	**6%**	3
-6	84	Ping An	**10,558**	**10,174**	**4%**	3
-2	85	Scotiabank	**10,396**	**9,627**	**8%**	2
-5	86	Nissan	**10,186**	**9,853**	**3%**	3
-8	87	Standard Chartered	**10,160**	**10,064**	**1%**	2
N/A	88	Westpac	**10,070**	**N/A**	**N/A**	3
-18	89	Airtel	**10,054**	**11,531**	**-13%**	3
-43	90	NTT DoCoMo	**10,028**	**15,981**	**-37%**	3
0	91	KFC	**9,953**	**8,852**	**12%**	3
N/A	92	Yahoo	**9,826**	**N/A**	**N/A**	3
N/A	93	JPMorgan	**9,668**	**N/A**	**N/A**	2
N/A	94	BT	**9,531**	**N/A**	**N/A**	2
N/A	95	Prada	**9,454**	**5,788**	**63%**	4
-1	96	Santander	**9,232**	**8,546**	**8%**	3
-4	97	Chevron	**9,036**	**8,599**	**5%**	1
+2	98	DHL	**8,940**	**7,601**	**18%**	3
-12	99	Aldi	**8,885**	**9,310**	**-5%**	2
-4	100	Volkswagen	**8,790**	**8,519**	**3%**	3

* The brand value of Coca-Cola includes Lights, Diets and Zero
** The brand value of Budweiser includes Bud Light
*** The 2012 brand value of Gucci has been reinstated to \$8,602
**** The brand value of Pepsi includes Diets
***** The brand value of Red Bull includes sugar-free and Cola

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

Rankings Customer research and financial analysis produce a unique result

The BrandZ valuation methodology, used to calculate the Top 100 Global Brands, combines extensive and continuing consumer research with rigorous financial analysis. BrandZ is distinguished from other brand rankings because of the way it obtains consumer viewpoints.

WPP's BrandZ is the world's largest repository of brand equity data. Worldwide, in-depth quantitative consumer research is conducted to build-up a global picture of brands on a category-by-category and country-by-country basis.

This research covers two million consumers and more than 10,000 different brands in over 30 countries. This in-market consumer research differentiates the BrandZ methodology from valuations that rely only on a panel of "experts" or purely financial and market desk research.

Before reviewing the details of the BrandZ ranking methodology, it is worth considering these three fundamental questions: why is brand important? Why is brand valuation important? How does BrandZ work as a valuation tool?

Brands provide clarity and guidance for choices made by companies, consumers, investors and other stakeholders. They embody a core promise of values and benefits consistently delivered and provide the signposts needed to make decisions.

At the heart of a brand's value is its ability to appeal to relevant and potential customers. BrandZ measures this appeal and validates it against actual sales performance. Brands that succeed in creating the greatest attraction power are those that are:

- Meaningful. In any category, these brands appeal more, generate greater "love" and meet expectations and needs.
- Different. These brands are unique in a positive way and "set the trends," staying ahead of the curve for the benefit of the consumer.
- Salient. They come spontaneously to mind as the brand of choice for key needs.

Brand valuation is a metric that quantifies the worth of these powerful but intangible corporate assets. It enables brand owners, the investment community and others to evaluate and compare brands and make faster and better-informed decisions.

BrandZ is the only brand valuation tool that peels away all of the components of brand value and gets to the core – how much brand alone contributes to corporate value. This core, what Millward Brown Optimor, who create the ranking, call brand contribution, differentiates BrandZ. The brand value is calculated in three steps.

- First, calculating financial value. This starts with the corporation. In some cases, a corporation owns only one brand. All corporate earnings come from that brand. In other cases, a corporation owns many brands. The earnings of the corporation need to be apportioned across a portfolio of brands.

Financial information from annual reports and other sources, such as Kantar Worldpanel and Kantar Retail, is analysed to ensure the correct portion of corporate earnings is attributed to each brand.

This analysis yields a metric called the attribution rate. Corporate earnings are multiplied by the attribution rate to arrive at branded earnings, the amount of corporate earnings attributed to a particular brand. If the attribution rate of a brand is 50 per cent, for example, then half the corporate earnings are identified as coming from that brand.

What happened in the past or even today is less important than future earnings. Predicting these requires adding another component to the formula. This component, the brand multiple, assesses future earnings' prospects as a multiple of current earnings. It is similar to the calculation used by financial analysts to determine the market value of stocks.

Information supplied by Bloomberg data is used to calculate a brand multiple. Branded earnings are multiplied by the brand multiple to arrive at financial value.

- Second, calculating brand contribution. This reveals the branded business as a proportion of the total value of the corporation. To arrive at brand value, a few more layers need to be removed, such as the rational factors that influence the value of the branded business, for example, price, convenience, availability and distribution.

Because a brand exists in the mind of the consumer, the brand's uniqueness and its ability to stand out from the crowd, generate desire and cultivate loyalty that have to be assessed. This unique factor is called brand contribution and is provided by the BrandZ study.

- Third, calculating brand value. The Financial Value is multiplied by brand contribution, which is expressed as a percentage of financial value. The result is brand value.

Brand value is the dollar amount a brand contributes to the overall value of a corporation. Isolating and measuring this intangible asset reveals an additional source of shareholder value that otherwise would not exist.

Innovation cedes to refinement for the world's favourite names

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world's biggest selling brand of all, China's CR Snow, is firmly in the local camp, as Nick Fell, group marketing director of SABMiller says: "The inescapable physical attributes of beer, being both perishable and bulky, dictates that brewing remains an overwhelmingly local business.

"And, far from becoming more global in nature over time, the emergence of a craft beer industry in many developed markets would suggest that it's becoming more local than ever.

"So, in our view, deep local consumer insights will continue to be a source of huge competitive advantage in the brewing industry."

Mr Walshe disagrees. "The Heinekens of this world are truly global. So making them available in these other markets as well as more of a premium increases the brand value."

He sees this trend being borne out by emerging markets players too. Brahma of Brazil ranks as the number nine brewer, with a 61 per cent increase in brand value – a sharp contrast to fellow countryman Petrobras. "Latin America is certainly the party region and we have seen that consistently through the years," adds Mr Walshe.

Also enjoying strong growth are the financial sectors, although much of this comes down to the financial part of the equation.

Millward Brown calculates that the brand value – predicated on a mix of branding and financial metrics – of global banks rose 23 per cent. Their regional peers – newly split out – gained 15 per cent. Both were flat the previous year and gained from the stock market rally.

By contrast, "sectors you would think would be more dynamic, like technology and telecoms, flatlined," says Ms Headlee. She attributes that to a dearth of game changing gadgets, with manufacturers just tending to tweak existing models.

Telecoms, meanwhile, were in "a year of transition", moving towards more value-added services as voice and, to a lesser extent, data services, became commoditised.

Ms Headlee explains: "Because of this commoditisation they are looking for new areas of profit, such as technology.

"So, for example, Verizon is starting to compete with IBM and the like and creating a new eco-system because there is no money in voice and data.

"In a couple of years we will see more of this and IBM and Verizon will be playing very much in the same space."

That said, the technology giants dominate the rankings. Apple and Google continue to lead the field, albeit with the equivalent of a (number five ranked) Coca-Cola in between them.

Samsung of South Korea, part-time nemesis of Apple, was one of the biggest risers, up 51 per cent and 25 notches to number 30. Again, the gap between Samsung and its North American nemesis is huge: Apple is nearly nine times bigger than Samsung's \$21.4bn.

Technology was a feature in the Chinese rankings, with Tencent and Baidu both in the country's top 10.

While Baidu was down 16 per cent on the year, Tencent – the company that runs the world's largest instant messaging tool by users – saw its brand value gain 52 per cent to \$27.3bn.

Many of China's technology groups are firmly domestic, but that does not apply to Lenovo, ranked at 23 in the China listings with a value of \$2.3bn.

Lenovo began life in 1984 in the labs of a Beijing university and came of age with the 2005 purchase of IBM's PC business. Today, it has headquarters in Hong Kong, Beijing, and North Carolina and its brand reflects these multicultural roots, says David Roman, Lenovo's chief marketing officer.

"We are fundamentally not really a Chinese company, we are a global company," he says.

"The acquisition of the IBM business set us on that course."

For many it is online sales and social media that have driven their brands, winning over copious numbers of shoppers and taking their names global.

Their values may have increased only modestly, but brands remain firmly on the move.

Global Brands

National winners can punch above their weight

Market manoeuvres

Going global pays dividends but getting there can be a real challenge, finds *Nick Cooper*

We live in an increasingly globalised economy and the BrandZ rankings reflect this. The most common route to reaching the top 100 is for a brand to become global. Many categories are completely or largely dominated by global brands (cars, luxury, personal care, beer, technology, apparel, soft drinks).

However, there are many successful brands that are based in one country or region that also reach the Top 100, and there are a number of categories that are still defined by local characteristics rather than global ones. In particular, because of the size of their domestic economies, the rankings show that regional brands from the US and China can be as big, if not bigger, than global brands.

BrandZ is part of the continuing effort to understand how brands work (What makes them successful? What makes them grow?). This raises a key question: which is the better brand model, global or regional?

The data show that brands tend to be strongest in their home market. As global expansion gets underway, the measure of brand strength ("brand contribution") tends to decline in the short to medium term. This is because it takes time for brands to build up their relationship with consumers in overseas markets. Many need to develop a story to be seen as a local rather than a foreign brand.

In the longer term, brands can nurture their strength so that it is higher in overseas markets than in their home markets. We see this across categories from soft drinks (Coca-Cola) to technology (Samsung). What this means is that globalising a brand does pay dividends – but it can be a real challenge getting there and success is not guaranteed. We then need to see what is happening in the markets and this shows three broad types of models: globalising, localising and balancing.

Retail is a market that has historically been driven by local consumer tastes and cultural traditions. Walmart, The Home Depot and Target are all regional brands and major forces in the industry. Only recently have we seen the rise of globalised players, such as Carrefour, Aldi and Tesco, which are challenging or reshaping local market structures.

It is not all one-way traffic (look at Tesco's decision to withdraw from the US), but with Amazon now clearly surging ahead of Walmart in terms of brand value, the future in this category seems to be global. It should be noted that Walmart is already going global, but it has done this as a business not as a brand.

We see a similar story in telecoms, where big regional brands (AT&T and China Mobile) are pitted against major global brands (Vodafone, Deutsche Telekom, Orange). For now, economic problems in the European market are constraining the ambitions of global players, but we see a new wave (MTN and Airtel) coming through, which suggests globalisation is a trend that is set to continue.

> The thing about global players is they learn from mistakes and come back stronger

In oil and gas, we see almost the opposite trend. An industry that has long been driven by global players (ExxonMobil, Shell, BP, Chevron) is now seeing national champions that have emerged as large and growing participants in the category (Petrochina, Sinopec, Gazprom and Petrobras). The commercial imperatives that drive the global players may well see them win out, but they are up against the economic imperatives of the national champions. For the moment it is nip and tuck.

The battle between global and regional branding is at a tipping point within financial services. Partly because of consumer preferences, but also because of regulatory regimes, financial services have historically been a localised market. Now, however, leading global banking brands, such as HSBC, Citi, Chase and Standard Chartered, are catching up with the big local players (Wells Fargo, ICBC, China Commercial Bank). As the need for better risk management, greater operating efficiencies and stronger balance sheets grows, it appears that the long-term trend is backing the global brands. This leads to some intriguing questions: Will every category end up being globalised? There will always be room for local gems. But every market where consumers have free choice is either already global, or well on the way to being so.

What happens to the domestic brands? Logic says that, if a brand remains local, it will never be able to challenge a global brand and the best it can do is attempt to repel them when they come on to local turf. The thing about global brands is that they are intelligent – they learn from their mistakes and tend to come back stronger.

Nick Cooper is managing director at Millward Brown Optimor Europe

Online retailer grabs top spot from bricks and mortar rival

Building blocks Walmart grows but Amazon has its nose in front, writes *Barney Jopson*

Calling Amazon the "Walmart of the web", a common moniker for the online giant, is one way to make people from Walmart bristle. The bricks-and-mortar behemoth tends to think that if any company is going to be the Walmart of the web, then it should be Walmart.

That is why, after several false starts, the 50-year-old retailer from Arkansas is in the throes of its latest – and most serious-looking – effort to build a substantial online business. The results will help shape the evolution of the Walmart brand for years to come (as will the progress of its international bricks-and-mortar business).

But the 2013 BrandZ Top 100 ranking shows that Amazon still has more momentum. For the first time since the ranking began, Amazon, founded in 1994, has leapfrogged Walmart to become the most valuable retailer in the rankings: a 34 per cent rise in its brand value to $45.7bn lifted it to position number 14 overall.

Walmart kept growing, too, but in spite of a 5 per cent rise in its value to $36.2bn it slipped one place down the table to 18.

The tussle between the two – the superstore from backwoods America and the tech-whizz from waterfront Seattle – is the biggest rivalry in global retail. And because they have such distinct approaches it will have a defining impact on how shopping evolves: outside their home US market, Walmart and Amazon compete head-on in the UK, China and Japan and both are inveterate expansionists.

While Walmart's core US customers typically have a household income of between $30,000 and $60,000, Neil Ashe, chief executive of Walmart ecommerce, told the Financial Times in March that he was also going after wealthier customers, which Amazon knows well. "We can get to every customer in the world via ecommerce. It doesn't matter where they live or how much they earn."

Amazon is still considerably smaller than Walmart. Analysts expect the online retailer to generate sales of $75bn this year, while Walmart is forecast to sell $492bn of goods. However, Walmart's forecast for its online-only sales – more than $9bn – is less than 2 per cent of its expected total.

Walmart's ecommerce success will depend partly on whether it is right in one conviction: that fusing digital assets with bricks-and-mortar shops will give it an advantage over online-only rivals at a time when the speed and cost of deliveries is crucial.

It boasts that it can use its 4,000-plus US stores as warehouses to fulfil online orders quickly. But Walmart faces the difficult job of grafting new ecommerce systems on to its legacy store software systems. Training shop workers to pick and pack online orders while also doing their current jobs is no easy task.

Amazon is no longer the "pure play" internet business it once was. Jeff Bezos, its founder and chief executive, said last November that it would "love to" open physical stores if it could make them distinctive, but the real blurring of the boundaries between the physical and the digital comes with its warehouses.

Amazon has always needed them, but it has been on a building binge since 2010. It will always have far fewer warehouses than Walmart has stores, but Amazon's bet is that the most efficient way to reach consumers is from storage facilities that are huge and specialised, not mid-sized and multi-purpose.

Consumers have more "emotional attachment" to the Amazon brand than Walmart, according to the BrandZ ranking, and David Roth, chief executive of the global retail practice at WPP, the world's largest communications services group, links that to the nuts-and-bolts of its reliable delivery system. "The lesson Amazon teaches us is that meeting your promises is a way [to make] people feel emotionally good about you . . . Consistency is the essence of a great brand and Amazon is very consistent," he says.

Walmart and Amazon differ in their approach to customer loyalty in other ways. Walmart says the best way to foster loyalty is to offer the lowest prices – which partly explains why it has not introduced loyalty card programmes similar to peers such as Tesco of the UK and the US's Kroger.

Frugality and low prices are virtues Amazon learnt in part from Walmart.

But Amazon has developed more elaborate ways to promote loyalty. Its Prime programme gives customers unlimited free delivery for $79 a year (in the US), and its Kindle devices tie people into its digital "ecosystem".

Amazon has also made great use of its data trove on online shopping habits to shape its merchandising and marketing. Walmart, meanwhile, is trawling Twitter, Facebook and Pinterest for insights.

Mr Roth says an ability to organise and analyse data will separate the winners from the losers. But the question of which kinds of data will prove to be most valuable remains unanswered. "I don't think Amazon is surpassing Walmart never to be caught again. This is a cat-and-dog fight."

Stockpiled: Amazon's Rugeley site in the UK
Ben Roberts

Retail bricks and clicks

Rank change	Rank 2013	Brand	Brand value 2013 ($m)	Brand value 2012 ($m)	% Brand value change 2013 vs 2012	BC index
1	1	Amazon	45,727	34,077	34	3
-1	2	Walmart	36,220	34,436	5	2
1	3	Home Depot	18,488	12,968	43	2
1	4	eBay	17,749	12,662	40	2
-2	5	Tesco	16,303	18,007	-9	4
2	6	Ikea	12,040	9,206	31	3
-1	7	Target	11,879	10,506	13	3
New	8	Woolworths	11,039	N/A	N/A	3
-2	9	Aldi	8,885	9,310	-5	2
1	10	Lowe's	7,559	6,022	26	2
-2	11	Carrefour	7,372	7,836	-6	2
1	12	Costco	6,789	5,092	33	2
New	13	Whole Foods	6,728	N/A	N/A	4
New	14	Walgreens	5,925	N/A	N/A	2
New	15	CVS	5,620	N/A	N/A	3
-4	16	Falabella	5,611	5,263	7	5
-2	17	M&S	4,649	4,327	7	3
-2	18	Asda	4,617	3,881	19	3
-5	19	Lidl	4,524	4,605	-2	2
New	20	Coles	4,416	N/A	N/A	3

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

Brand power Diversity is the name of the game for the most successful companies

L'ORÉAL

When L'Oreál launched its sixth global innovation centre in Mumbai in January, the backgrounds of the staff made clear this was not mere international window-dressing. Researchers had signed on from fields ranging from analytical chemistry to biotechnology to physics. Unsurprisingly, the focus since has been on the science behind various lotions, shampoos and soaps, as the team aims to craft products with "Indian hair" and complexions in mind.

But innovation has not stopped in the chemistry lab. The team also noted that price-conscious local customers often bought their shampoo in sachets, in part because workers in India tend to be paid weekly. From there, L'Oreál started puzzling over how to give those customers a better experience by letting them buy bottles, but at sachet price points. They finally struck upon an instalment plan – a scheme that would be mad in, say, France, home to L'Oreál's headquarters, but perfectly suits many Indians.

This was not rocket science – or even, pointedly, shampoo science – but it is part of the reason Robin Headlee, vice-president at Millward Brown Optimor, a strategic brand consultancy, singled out L'Oreál for "really, really getting to know the local customer". It is also a strategy that appears to have paid off for the company, whose brand overtook both Gillette and Colgate this year to become the most highly valued in the personal care category.

Still, Harold Thompson, an industry analyst at Deutsche Bank, thinks L'Oreál's success comes less from its R&D budget – which is big compared with competitors, but still small as a portion of sales next to truly innovation-dependent sectors such as healthcare – than from consistent spending on marketing and the brand itself. "The reason L'Oreál's brand metrics are continually on the rise is that they are very longterm in their thinking," he says.

"Brands cannot be managed on a yearly basis. L'Oreál are just more patient as a brand builder."

Tencent

It has become something of an article of faith that Chinese companies are not leaders in innovation and tend to borrow from their international rivals rather than come up with new products independently. But Tencent, China's biggest internet company, is challenging that notion. Its chat app WeChat, with 350m users and growing, is the biggest in the world and the envy of more than one western company, in part because it incorporated voice messaging before competitors.

One blogger for the technology review website CNET Asia pointed out that when Facebook launched its own voice message function, it was "the first time in recent memory that I've seen a US company bucking this typical trend of innovation adoption across the Pacific".

This starts to explain why Tencent's brand value grew by 52 per cent this year, against a 1 per cent decline across technology brands, helped by sales that were also up more than 50 per cent – in line with the growth trend for the past five years. That moved Tencent 16 places up the brand ranking this year, to 21st.

The only Chinese companies ranked higher were China Mobile, which retained its number 10 spot, but only saw an 18 per cent rise in brand value, and banking group ICBC which fell three places to number 16.

However, analysts point out that rising brand value might not translate into similarly strong profit growth.

Tencent is working hard to diversify its product offerings beyond the gaming and social networking from which it derives nearly a quarter of annual revenues. And that means some moves into lower-margin areas such as internet advertising. Even so, diversification is good for the brand, says Ms Headlee. "They are also going cross-platform, and expanding geographically."

A case in point is a recent tie-up with Disney, the US entertainment group helping Tencent develop animation for its platforms.

GUCCI

For people who are not close watchers of the luxury goods market, it might come as a surprise to learn that Gucci only recently launched a smartphone app that allows users to buy as well as browse.

But Christopher Walker, a luxury analyst at Nomura, says Gucci is not atypical in coming slowly to "shoppable" apps. "A lot of these companies are reluctant to go down the ecommerce route," he says. "They use the internet to provide educational and research resources, but they aren't confident people will buy such expensive items online."

Now Gucci is betting otherwise and not without reason. Many of the reviews of past iterations of the app asked for the ability to order items, with some people even asking for a system that lets you buy using "one click as if on ur [sic] regular website". (Many others complained about the app crashing – another hazard of new retail platforms.) Sales through the app should help build on 2012's double-digit growth in online revenues.

Mr Walker attributes Gucci's outperformance last year, both financially and in terms of brand value – where it entered the top 100 for the first time since 2010 – to a range of strategies. "They've been good on the evolution from logo to non-logo products and from canvas to higher-value leather products," he says.

These trends have been supported by first quarter results from PPR, Gucci's parent.

The company also believes that a focus on sustainability will increase the brand's appeal, in Europe and north America, and among customers from emerging markets, too.

A spokesman calls Gucci's "sustainable profile", which includes a policy aimed at addressing areas ranging from worker health and safety to business ethics to environmental protection, a "key strategic pillar".

Underscoring the important role brand will play in this approach is the new Gucci Responsibility logo – very similar to the original, but in two shades of green.

Rose Jacobs

Exploration of fresh territory ought not divert attention from home

Partnerships

Emerging markets and domestic relevance make for good strategy, says *Johanna Kassel*

The key for long-term success for both new and established brands is to stay relevant in home markets while aggressively expanding abroad, especially in developing economies, according to the BrandZ Top 100 Most Valuable Global Brands ranking released today.

Tapping the consumer base in these emerging markets is key to brand expansion and behind some of the biggest risers in this year's top 100, says Peter Walshe, global BrandZ director at Millward Brown Optimor, a strategic brand consultancy.

"Most of the brands that are successful are encroaching into territories beyond their home markets," says Mr Walshe. "Growth is very difficult if you are not in big growth markets."

Visa, the payment processor, ranked number nine with a 46 per cent brand value change, is focusing resources in emerging markets, especially Brazil, to "educate and motivate" consumers on electronic payments instead of cash.

Sponsorship agreements at the upcoming World Cup and Olympics in Brazil will be key opportunities to expand Latin American and world-wide recognition of Visa, which can eventually lead to millions of new customers.

Coca-Cola, which just celebrated its 127th birthday, is the longest running sponsor of the Olympics.

Steve Soltis, Coca-Cola's chief marketing and commercial officer, says these partnerships are "more than just slapping your logo on a sign or an ad. It is important to becoming a fully integrated partner with the owner creating enhanced value for the property."

More than 4bn people are estimated to watch the Olympics these days and most venues include some kind of Coke or Visa branding. Coca-Cola, ranked number five and with a 6 per cent brand value change, is particular about which events to sponsor. It chooses those that "stay true and authentic" to brand identity, which Mr Soltis describes as focusing on the "uplifting, positivity and happiness".

Both Coca-Cola and Visa, which was founded in 1958, turned to social media for the first time in major global campaigns for London's 2012 Olympics.

Coca-Cola's "Move to the beat" campaign incorporated Tweets and a Facebook app through which users could access music, focusing on attracting younger customers.

Visa took advantage of social media by connecting consumers with athletes through the "Go World" campaign, which resulted in 60m "cheers" and 48m views on YouTube. After the campaign, Visa said its brand equity grew at a significant level and propensity to use scores also increased.

While expanding globally is vital to brand development, it is just as important to retain and develop customer base in companies' established markets.

Ranked sixth, AT&T, which added 10 per cent to its brand value, has the bulk of its 100m customers in the US, though it supports them as they travel abroad with network partnerships. To continue to expand its share in the crowded US mobile market, AT&T has focused on innovation and the personal connection to the customer. In the past decade, the telecoms company has moved from being a utility brand to a lifestyle brand. "In the last six years, since the launch of the iPhone, we actually had to catch our brand up to our company, the company that we have always been," says Cathy Coughlin, AT&T's chief marketing officer.

This change in brand strategy means more focus on the customer as a person, including a new "don't text and drive" campaign, to putting the customer in control of the products. AT&T had to adapt to demands for new technology as well.

> 'We want to withstand the test of time, generation after generation'

To stay relevant in home markets, Visa aims to "remain timeless" by connecting with customers with on-point marketing and new innovations. "We want to withstand the test of time, generation after generation, by becoming indispensable in consumers' lives," says Antonio Lucio, Visa's chief brand officer.

This presence in customers' lives and loyalty, is one of the most important factors in retention. Staying relevant is the primary one, saysMr Walshe, because, although global marketing campaigns may be eye catching, local efforts are important.

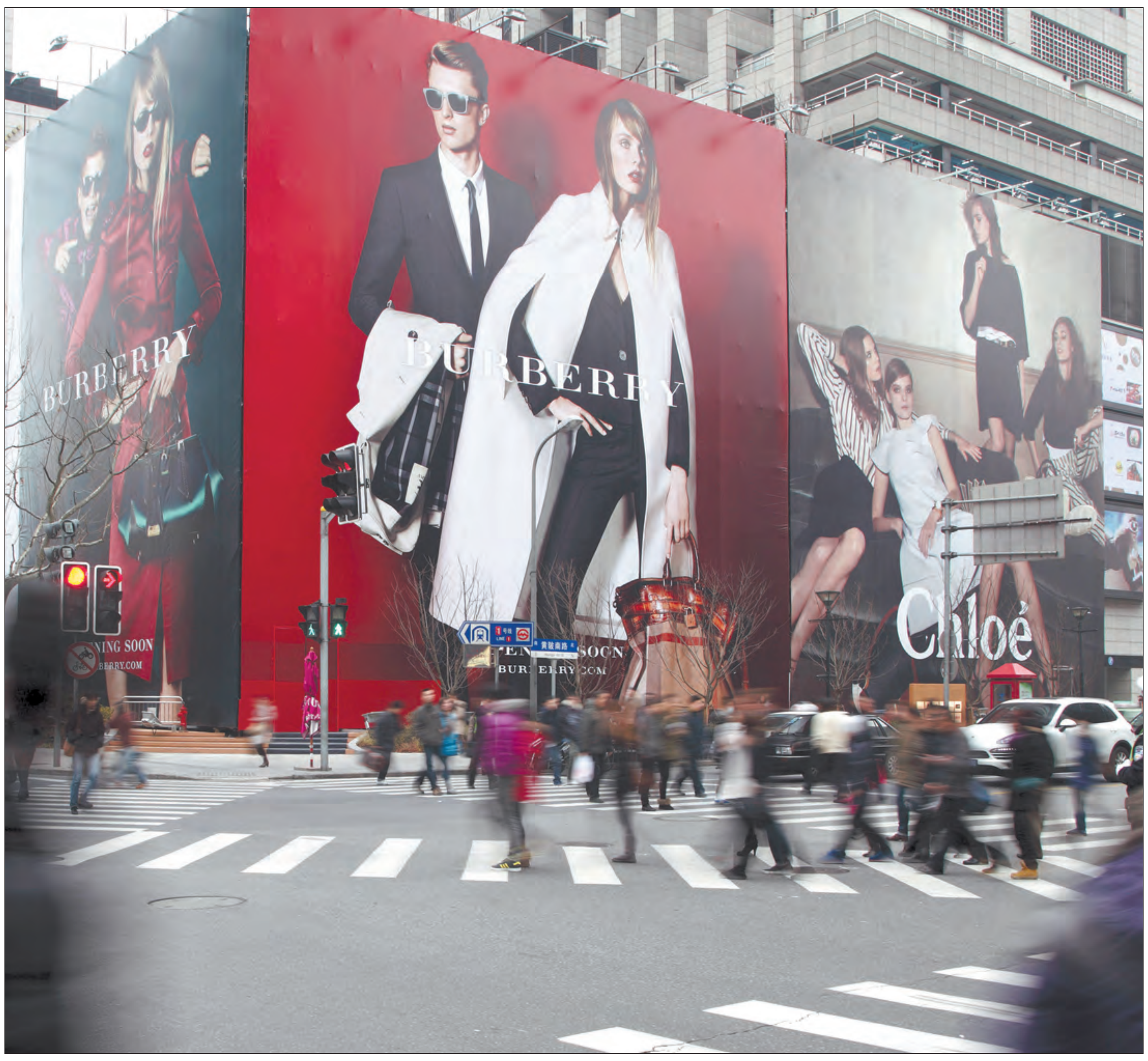
Coke is in 200 countries and has more than 1,000 manufacturing facilities with regional and local marketing teams. "It's a matter of balancing the global and local. We're a huge global brand, but we are producing locally, distributing locally and sourcing materials locally. We are getting an understanding of the experience at the ground level," says Mr Soltis.

Coke's highest per capita market is Mexico.

"We don't want to be the American brand in Mexico," says Mr Soltis. "We want to be the Mexican brand in Mexico."

Technology helps buyers revel in big name heaven

Retail Luxury consumers want a personalised experience that newly digitised stores are working to deliver, says *Andrea Felsted*



Luxury looms: billboards dominate a shopping mall under construction in Shanghai Bloomberg

Luxury retail has defied forecasts that it would suffer during the world economic downturn and continues to power ahead.

Sales of watches, luxury handbags and jewellery have been far more resilient than many had forecast as the global economy lurched downwards.

"The top end of luxury is still growing and you can see that in many ways," says Anastasia Kourovskaia, a vice president at Millward Brown Optimor, a strategic brand consultancy.

One way that the desire for luxury is reflected is in the value of high-end brands. According to the BrandZ ranking of The Top 100 Most Valuable Global Brands, the value of luxury brands has escalated over the past year. The value of the luxury sector rose 6 per cent, putting the category just ahead of where it was before the start of the recession. Prada is the top riser of all brands, up 63 per cent.

As the pattern of consumption changes, with roughly 10 per cent of total retail sales made online in the UK and the US, the value of physical luxury goods is being elevated.

"The reason for the continued growth of luxury is people are moving towards definitive luxury objects," says Ms Kourovskaia.

"Effectively, what you observe is when you have the ability to access almost anything, at any time through a digital device, the value of these digital items seems less. It feels less special and we tend to value the physical object a lot more," she says.

She attributes this to the fact that when objects are consumed digitally, whether music, books or newspapers, this is often for practical considerations, because it is easier, quicker or cheaper.

In contrast, purchasing offline is increasingly about the experience, and the level of gratification that can be obtained by buying a physical object, whether this is a luxury wrist watch or a carefully crafted handbag.

"It is almost to the point where physical objects are romanticised," says Ms Kourovskaia. "They are a thing of beauty and experience. They provide emotional attachment. In contrast, digital objects are functional and rational.

"What we can see quite often with physical objects is that even their imperfections, scratches and scuff marks are seen as something that adds character.

"Physical objects add to the quirkiness and personality of the owner. They emphasise individuality."

For luxury groups, the primary vehicle for managing the physical embodiment of the brand is their stores. Burberry, the British fashion house, has opened flagship stores in London, Chicago and Hong Kong to merge the digital and physical elements of the brand.

Burberry's store in London's Regent Street opened last September and integrates the physical and the digital with the help of 500 speakers and 100 screens. Special technology is woven into clothing and accessories and these transform mirrors into screens displaying catwalk images.

'The luxury customer is increasingly global and increasingly mobile'

The digitally enabled gallery and large auditorium enables events, such as catwalk shows and live music, to be staged at the store. Sales consultants have access to the latest technology, keeping them up to date with customer profiles and purchasing history, to drive personalisation, and maintain a constant relationship with the customer – even when they are not in store. Burberry has talked about the store being the physical embodiment of its website, known as Burberry World, not the other way round. Angela Ahrendts, Burberry's chief executive, says: "The luxury customer is increasingly global and increasingly mobile. Their brand journey is not linear. They might browse online and purchase in store, or vice versa. They might try on a coat in Chicago but decide to purchase it in Beijing. Our focus is on integrating the benefits of the physical and digital spheres to deliver them a seamless, personalised experience on any platform and in any geography."

Gucci has renovated and refurbished many of its directly operated stores. They are ultimately seen as the best means of communicating the luxury brand, part of the Kering group, which still firmly believes in their importance in terms of offering clients a unique brand experience.

Meanwhile, Louis Vuitton's *maisons*, its landmark stores around the globe, offer consumers both shopping and a luxury experience.

Luxury groups have been developing their online presence. Burberry World contains an internet store and streams catwalk shows, has a social networking site and even specially selected music. Ms Kourovskaia says with luxury brands online it brings to the fore two sources of tension: exclusivity versus availability and tradition versus modernity. "For luxury brands, online is about driving content. It's about allowing people to experience your brand beyond just experiencing your product," she says.

Ms Ahrendts says: "It's no longer possible to think of the physical and digital as two different worlds. You have to create a consistent brand experience however and wherever a customer touches your brand, online or offline. The lines are forever blurred."

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Management of harsh news shields reputation in tough times

Financial services

Banks have fared well but might have done better, writes *Gill Plimmer*

Nearly five years after the collapse of Lehman Brothers, the US investment bank, financial services companies are still battling to restore their reputation.

Just as one crisis passes another seems to arise, whether it be the scandal over manipulation of Libor rates, the continued outcry over bankers' pay, the misselling of payment protection insurance, reverses suffered by small business thanks to interest-rate swaps, or the downgrade to junk status of the Co-operative bank – to list a few.

Given the number of misdemeanours it is almost surprising that a quarter of the names that made it to the BrandZ Top 100 Most Valuable Global Brands ranking carried out by Millward Brown Optimor are banks, insurance companies or credit cards.

Contrary to expectations, financial brands also gained, on average, 20 per cent compared with 7 per cent for the top 100 as a whole in the past year.

Citi, the Commonwealth Bank of Australia and even Barclays were among the top risers in 2012 at 37 per cent, 36 per cent and 34 per cent respectively.

Barclays is perhaps the most surprising, given there were protests both inside and outside its annual general meeting last month.

Not only was the bank's management lambasted over big bonuses, tax avoidance and speculation on food prices, but also last July Bob Diamond was forced to resign as chief executive in the wake of the Libor scandal.

Anastasia Kourovskaia, vice-president at Millward Brown Optimor, says companies such as Barclays benefit from their strong branding, which helps to protect them during crises.

Global banks

Rank 2013	Brand	Brand value 2013 ($M)	Brand value 2012 ($M)	% Brand value change 2013 vs 2012	BC Index
1	HSBC	23,970	19,313	24	3
2	Citi	13,386	9,760	37	2
3	Chase	10,836	8,644	25	3
4	Standard Chartered	10,160	10,064	1	2
5	JPMorgan	9,668	N/A	N/A	2
6	Santander	9,232	8,546	8	3
7	Barclays	7,989	5,961	34	2
8	ING Bank	7,596	N/A	N/A	3
9	UBS	7,429	N/A	N/A	2
10	Goldman Sachs	7,351	N/A	N/A	3

Note: Global banks are defined as those who generate more than 40% of revenues outside their home market

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

"The strong brands have outperformed by a country mile," she says.

"If you have a strong brand it protects the business during a crisis and allows you to emerge much stronger than the competition.

"This is more important for financial institutions than it is for most brands because, if you manage a crisis well, the stock market will remain stable and some consumers will see the news as irrelevant to their decisions. It depends very much on how the news is managed as to whether they pay attention to it."

'A strong brand allows you to emerge much stronger than the competition'

Barclays also gained from its international expansion. Controversies that played in Britain, its home country, have not necessarily tarnished its reputation abroad. Meanwhile, it was able to grow aggressively in the US.

HSBC was the leader among the global banks, rising 24 per cent in the year, partly as a result of expansion in Latin American and Asian markets where it has established itself as a leading player. Its advertising slogan – "the world's leading local bank", as featured in airports and on television worldwide – has proved a resounding success.

Citi, too, has benefited from a successful advertising campaign. It celebrated its 200th anniversary last year with an extensive campaign, including photos, videos and Facebook apps that celebrated human progress over the past two centuries. Its efforts paid off, with a 37 per cent rise in brand value – the strongest next to Barclays.

The growth in brand value is all the more important given that banks face new threats, including competition from online upstarts, retailers and alternative brands such as PayPal.

Ms Kourovskaia says this is particularly true in the case of young people who are among the most willing to embrace digital channels and who, therefore, make it more difficult for banks to manage their wealth.

"Banks have lost a lot of trust and, although there's a significant pick-up in financial performance, there is increasing pressure from alternative brands.

"The gap between banks and retailers in terms of trust has shrunk. Twenty years ago it would have been unthinkable to bank with a retailer but that's no longer the case."

Credit cards have done a particularly good job of expanding in the face of banks' weakness.

Visa rose by a handsome 46 per cent as a result of an outstanding financial performance and its sponsorship of the London 2012 Olympic Games.

Amex expanded in Latin America and rose 16 per cent up the rankings.

MasterCard has also made inroads into developing markets and prospered from its hugely successful advertising campaign. This featured families in "priceless" activities such as a baseball game, before concluding: "there are some things in life money can't buy. For everything else, there's MasterCard."

Although the global financial services brands have grown more quickly in the past year, regional banks, too, have been expanding their brand power internationally.

There has also been consolidation in emerging markets, with several Chinese banks, for example, buying assets outside China, though not always rebranding them.

The China Construction Bank, the Bank of China and Agricultural Bank of China have all moved between 10-12 per cent higher up the rankings. This leaves them listed among the top 10 regional banks at numbers three, nine and four respectively.

Despite their continued resilience, banks need to tread cautiously, though, says Ms Kourovskaia.

"Banks seem to be doing okay financially, but the financial services universe has grown dramatically and banks are getting a smaller piece of it because of that erosion of trust," says Ms Kourovskaia.

"They could have captured a larger chunk of consumers' wallets if they had had that," she adds.

"It's not how good they are. It's how good they could be."