Brand Finance®

Most Valuable Apparel Brand? Nike Just Does It Again

- **Nike remains the world's most valuable apparel brand, valued at US$32 billion**
- **H&M expands its e-commerce footprint and enjoys a 24% boost in value**
- **Zara's flexible business model provides competitive advantage, bolstering value**
- **Anta grows 67%, increasing its international presence through player deals**

Every year, leading valuation and strategy consultancy Brand Finance values the brands of thousands of the world's biggest companies. Brands are first evaluated to determine their power / strength (based on factors such as marketing investment, familiarity, loyalty, staff satisfaction and corporate reputation) and given a corresponding letter grade up to AAA+. Brand strength is used to determine what proportion of a business's revenue is contributed by the brand, which is projected into perpetuity to determine the brand's value. The world's most valuable apparel brands are ranked and included in the Brand Finance Apparel 50 2017.

Nike has retained its position as the world's most valuable apparel brand after a 13% rise in brand value to US$32 billion. Its brand strength score of 92 and AAA+ rating renders Nike the most powerful brand in the sector and third most powerful across all sectors. The brand's strength is partially attributable to the apparel giant's ability to continuously innovate and deliver state-of-the-art products to a range of consumer demographics. Last year, the brand released the anticipated self-lacing HyperAdapt sneakers popularised by the sci-fi movie, “Back to the Future”, as well as becoming the first major commercial athletic apparel brand to announce a plus-size workout and clothing line.

Alongside its tangible products, Nike's delivery of powerful messages through its marketing campaigns undoubtedly bolsters its brand value and strength. Its “Equality” campaign encourages people to take their attitude on the court or field off-court, demonstrating the same fairness and respect in their everyday interactions. Nike has also recently introduced the high-performance hijab for Muslim athletes. The new product seeks to normalise the fact that women – religious or otherwise, are equal to men in the sporting world. Nike's constant involvement in promoting an active, positive lifestyle both inside and outside the scope of sport will continue to positively impact its brand value and strength.

H&M is the second most valuable apparel brand with a brand value of US$19 billion after 24% growth. Whilst the Swedish company continues to expand its network of physical stores, opening 442 in 2016 alone, it is redirecting some of its efforts towards expanding its e-commerce operations to cater to the rising popularity of online shopping. The competitive business model and its investments in IT will aid it in generating future returns as it develops in emerging markets.

Spanish giant Zara is the third most valuable brand, valued at US$14.4 billion after an impressive 43% growth. The brand has seen total sales rise 14.5% and net profits were up 9% last year. Unlike the more rigid business models of other apparel brands, the flexibility that comes with Zara's fast fashion model allows it to adapt its clothing to unpredictable circumstances such as unusual changes in weather and the brand's value flourishes as a result of this competitive advantage.

Marc Jacobs is the fastest growing brand in the table, its brand value growing 84%. This is attributed in part to its recent restructure which involved folding its widely distributed “diffusion” collection Marc x Marc Jacobs into its main line to offer a wide range of products under a single unified brand in an attempt to move upmarket and fortify the brand name of each collection. If the restructure proves successful, the luxury apparel's brand value will continue to rise.

Chinese sports and footwear brand, Anta, is the second fastest growing brand in the table, its value up 67% to US$2 billion. While the brand is still relatively unfamiliar to those outside of China as the home market has always been a priority, Anta is increasingly shifting its focus overseas. Having secured a deal with NBA player Klay Thompson, Anta has successfully established a direct-to-consumer e-commerce relationship in the US. If Anta continues to effectively penetrate international markets, the increased recognition of its brand will drive its brand value up further.

ENDS

Note to Editors

Brand values are reported in USD. For precise conversions into local currency values, please confirm rates with the Brand Finance team.

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About Brand Finance

Brand Finance is the world's leading brand valuation and strategy consultancy, with offices in over 15 countries. We provide clarity to marketers, brand owners and investors by quantifying the financial value of brands. Drawing on expertise in strategy, branding, market research, visual identity, finance, tax and intellectual property, Brand Finance helps clients make the right decisions to maximise brand and business value and bridges the gap between marketing and finance.

Methodology

Definition of Brand

When looking at brands as business assets that can be bought, sold and licensed, a technical definition is required. Brand Finance helped to craft the internationally recognised standard on Brand Valuation, ISO 10668. That defines a brand as "a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities, or a combination of these, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits/value."

However, a brand makes a contribution to a company beyond that which can be sold to a third party. 'Brand Contribution' refers to the total economic benefit that a business derives from its brand, from volume and price premiums over generic products to cost savings over less well-branded competitors.

Brand Strength

Brand Strength is the part of our analysis most directly and easily influenced by those responsible for marketing and brand management. In order to determine the strength of a brand we have developed the Brand Strength Index (BSI). We analyse marketing investment, brand equity (the goodwill accumulated with customers, staff and other stakeholders) and finally the impact of those on business performance. Following this analysis, each brand is assigned a BSI score out of 100, which is fed into the brand value calculation. Based on the score, each brand in the league table is assigned a rating between AAA+ and D in a format similar to a credit rating. AAA+ brands are exceptionally strong and well managed while a failing brand would be assigned a D grade.

Approach

Brand Finance calculates the values of the brands in its league tables using the 'Royalty Relief approach'. This approach involves estimating the likely future sales that are attributable to a brand and calculating a royalty rate that would be charged for the use of the brand, i.e. what the owner would have to pay for the use of the brand—assuming it were not already owned.

The steps in this process are as follows:

1 Calculate brand strength on a scale of 0 to 100 based on a number of attributes such as emotional connection, financial performance and sustainability, among others. This score is known as the Brand Strength Index, and is calculated using brand data from the BrandAsset® Valuator database, the world's largest database of brands, which measures brand equity, consideration and emotional imagery attributes to assess brand personality in a category agnostic manner.

2 Determine the royalty rate range for the respective brand sectors. This is done by reviewing comparable licensing agreements sourced from Brand Finance's extensive database of license agreements and other online databases.

3 Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand's sector is 0-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.

4 Determine brand specific revenues estimating a proportion of parent company revenues attributable to a specific brand.

5 Determine forecast brand specific revenues using a function of historic revenues, equity analyst forecasts and economic growth rates.

6 Apply the royalty rate to the forecast revenues to derive brand revenues.

7 Brand revenues are discounted post tax to a net present value which equals the brand value.

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