Brand Finance®

A380 Demand Fails to Take-Off Despite Airbus' Marketing Efforts

- **Airbus' brand value falls 10% to US$9.2bn as innovative marketing fails to halt order decline**
- **Innovative marketing campaigns have not been able to reverse faltering demand for the A380**
- **Boeing is the most powerful and valuable aerospace brand, growing 17% to US$16 billion**

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 aerospace and defence brands are ranked and included in the Brand Finance Aerospace & Defence 25 2017.

Airbus retained 2nd position in Brand Finance's list despite a 10% fall in brand value to US$9.2 billion. The A380 superjumbo has been positively reviewed and well received, yet has been beset by problems and threatens to become an albatross around Airbus' neck. Orders have disappointed with only a handful of Airlines such as Emirates fully committing to the model. Airbus has made concerted attempts to persuade customers with its marketing communications. In a mostly B2B sector, it has taken the innovative approach of reaching out to the consumer level to create demand for Airbus (and the 380 specifically) as an endorsement brand of Airline brands. Its visually stunning 'A Family that Flies Together' ad went viral, topping Campaign Magazine's viral chart, an almost unheard of feat for a B2B brand. The 'iflyA380.com' website was launched to encourage travellers to post Instagram pictures of their experiences on the A380. The impact of these initiatives is yet to be seen however but cannot come too soon, with an end to A380 production rumoured.

Boeing remains the world's most valuable and strongest Aerospace & Defence brand with an increase in brand value of 17% to US$16 billion. The 737 Max model received a total of 3,419 orders and is Boeing's fastest-selling plane. Boeing also signed a US$16 billion deal with Iran for 80 passenger planes, the biggest US-Iran deal since the Islamic revolution.

Northrop Grumman, another US giant, is the industry's biggest riser this year with a 50% increase in brand value. The brand has been making headlines by beating Boeing and Lockheed Martin to a US$80 billion Long Range Strike Bomber contract for the U.S. Air Force.

Brazil's Embraer had a good year with a sizable share of the midsize markets and orders of its well-priced Legacy Aircraft. It is set to fly its new E195 commercial jet sooner than expected, which could boost the order backlog for the jet. In 17th place with 10% brand value growth, alongside profits that exceeded expectations, the future looks positive for Embraer.

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.