Ferrari Brand Speeds Ahead of the Field

- **Global brand study shows Ferrari is the world's strongest auto brand**
- **It has extended its brand strength advantage over 2nd placed Porsche**
- **Ferrari's brand value is also up, increasing 40% to US$6.15 billion**
- **Toyota remains the most valuable auto brand, with a value of US$46.3 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 100 most valuable auto brands are then ranked and included in the Brand Finance Auto 100.

Ferrari is the world's most powerful auto brand and is among the top ten strongest brands from any industry. Its brand strength has improved by three points this year to 92, leading to an upgrading of its brand rating to the maximum AAA+ designation. Porsche is the second most powerful auto brand with a score of 86.

The strength of Ferrari's brand is all the more remarkable given its increasingly commercial approach and improving revenues. Former Chairman Luca di Montezemolo enforced a strict production cap of 7,000 vehicles, convinced that this was essential to maintaining perceived exclusivity and brand strength. However since Sergio Marchionne took command, and particularly since Ferrari's IPO, a less puritanical approach has been employed. The annual production cap has been raised to 9,000 and a new Ferrari land is set to open at PortAventura in Spain on April 7th. This increased commercial exploitation of the brand has seen brand value surge 40% to US$6.15 billion this year.

Brand Finance CEO David Haigh comments, "The fact Ferrari has boosted revenues without compromising brand strength suggests that it has found the perfect formula to sustainably exploit brand equity to maximize shareholder value."

Overall, the most valuable auto brand is Toyota. Its brand value has increased by 7% to US$46.3 billion. Profitability remains strong and, at the date of valuation, most recently reported revenues were up 32% on the same period last year. Toyota was recently overtaken by Volkswagen AG as the biggest auto manufacturer by unit volume (Toyota sold 10,175,000 units in 2016 to Volkswagen AG's 10,213,486) but Volkswagen's sales are split between multiple brands including VW, Audi, Lamborghini, Skoda, SEAT, Porsche, Bentley, Bugatti and Ducati motorcycles.

Volkwagen's flagship VW brand is growing strongly, up 32% to US$25 billion. Despite ongoing legal cases, VW is rebounding rapidly from the damage caused by the emissions scandal that broke in late 2015. This reputational recovery is clear from a 6-point improvement in brand strength, making VW the third strongest auto brand in the world. European sales rose in 2016, while sales in the increasingly critical Chinese market are up over 12%.

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. More information about the methodology, as well as definitions of key terms are available in the Brand Finance Auto 50 report document.

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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®

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.