Brand Finance®

Google Pips Apple

Apple No Longer the World's Most Valuable Brand, Global Brand Ranking Reveals

- The world's most valuable brand is Google, with a value of US$109.4 billion
- Apple's brand value has dropped 27%, ending a 5 year period at the top
- Lego regains its status as the world's most powerful brand ahead of Lego Batman release

Google's brand value rose by 24% during 2016 (from US$88.2bn to US$109.4bn) whilst Apple's declined from $145.9bn to $107.1bn, according to the latest Brand Finance Global 500 report. Google last occupied the position of the world's most valuable brand in 2011. The company remains largely unchallenged in its core search business, the mainstay of its advertising income. Ad revenues were up 20% in 2016 as budgets are increasingly directed online and Google finds more innovative ways to monetise users.

David Haigh, CEO of Brand Finance, said: "Apple has struggled to maintain its technological advantage, with new iterations of the iPhone delivering diminishing returns, while the Chinese market is now crowded with local competitors. Apple has been living on borrowed time for several years by exploiting its accumulated brand equity. This underlines one of the many benefits of a strong brand, but Apple has finally taken it too far."

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). 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 results of this analysis are ranked, with the world's 500 most valuable brands featured in the Brand Finance Global 500.

Lego has regained its status as the world's most powerful brand. The building blocks for Lego's brand strength have always been present but the release of the Lego Movie in 2014 provided the final push required to make Lego the world's most powerful brand in 2015. The first sequel, the Lego Batman Movie will be released on February 9th. Its predicted impact has helped Lego regain its top position, lost to Disney in 2016. Further planned releases will continue to build the brand for years to come, while contributing significantly to Lego's already vast licensing income.

David Haigh adds: "Unvalued brands can lead to undervalued companies that are more vulnerable to takeover, struggle to secure adequate financing and miss market opportunities. Meanwhile a powerful brand can protect a company's value during turbulent market conditions, create new market opportunities and increase profit margins. All companies should therefore not just know the value of their brands, but also understand what drives that value and how it can be harnessed to benefit the business as a whole."

You can find more detailed insights into brands from industries such as TMT, Oil & Gas, Tech, FMCG, Banking, Fashion, and Aviation in the Brand Finance Global 500 2017 Report, highlights include:

- China's bank brands are now worth more than those of the United States
- ICBC is the world's most valuable banking brand
- AT&T has overtaken Verizon to become the world's most valuable telecoms brand
- Emirates is no longer the most valuable airline brand, having been overtaken by American, United & Delta
- Coca-Cola, Pepsi, McDonalds, KFC & Subway all see brand values fall, undermined by healthy eating trends
- Nokia's brand is back from the brink and back in the top 500, following takeover and rebrand of Alcatel and launch of the Nokia 6 phone

Read the full report on the world's 500 most valuable brands here

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Note to Editors

For access to any of the infographics or images in our reports, please get in touch. 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 Global 500 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 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.