Brand Finance®

Essilor is the World's Most Powerful Healthcare Brand

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 score out of 100 and 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 medical and healthcare brands are ranked and included in the Brand Finance Healthcare 25 2017.

Essilor is the most powerful brand in the medical and healthcare industry, with a Brand Strength Index score of 74. Its brand value is US$2.9 billion, backed by strong revenue growth over 2016, particularly from online and sun-wear sales. Essilor recently agreed to join forces with Luxottica in what could become one of Europe's largest ever international mergers. The proposed merger has caused quite a stir, but has been generally well received. As medical considerations and functional attributes become more important to eyewear brands, there are clear opportunities for collaboration. Brand Finance's results show however that Essilor brings more that know-how and exceptional products to the table, its brand is an essential asset too. Brand Finance's David Haigh comments, "The strength and value of the Essilor brand are clear. Post-merger, management will therefore need to structure the new entity's brand architecture very carefully and understand the sources of and potential threats to brand value going forward."

The global healthcare industry is dominated by the US with 22 brands in the top 25 table. UnitedHealth Group, the largest US health insurer, leads the industry as the most valuable brand despite a 10% fall in brand value to US$13 billion. Despite the fact that the industry has in many cases struggled to operate profitably under Obamacare, UnitedHealth Group released impressive numbers for fiscal year 2016, with revenue growth of 17.6% year over year. The healthcare giant has already exited from most of the states that offer plans under Obamacare and President Trump's planed reforms to the policy may make further retrenchment unnecessary. Additionally, the company is planning to buy Surgical Care Affiliates for about US$2.3 billion which is expected to close in the first half of 2017.

The much-hyped US$54 billion merger between Anthem and Cigna was dropped due to an adverse legal judgement, though an appeal has been launched. Cigna, with a brand value of USD 5.3 billion, is the fastest growing brand with 50% brand value growth. Cigna has also been active in collaborations to bring additional features like fingerprint access and more health resources to their customers. Both companies exceeded the earnings and revenue expectations of 2016. Anthem's results were driven by strong performance in its government-business segments and increase in Medicaid membership, whereas Cigna's were driven by its commercial Healthcare and Global Supplemental Benefits business.

Cardinal Health was this year's highest new entry. It secured 15th place thanks to its strong revenues and its huge contract wins. The growing health giant landed a USD 2.25 billion contract with Pentagon to provide worldwide ordering and distribution of surgical supplies.

Germany's most valuable healthcare brand (and the only German brand in the table), Fresenius, is looking forward to its largest takeover to date, as it acquires Quironsalud for US$6.4 billion. Acquiring Spain's biggest private hospital chain solidifies Fresenius's position as the leading private hospital operator in Europe.

Medtronic saw a disappointing earnings result this year, accounting for the 15% year to year drop in brand value. The company still made a huge leap with the FDA approval of its artificial pancreas for diabetes, which is to hit market in spring of 2017 so brand value could well rebound next year.

Becton Dickinson was another less successful brand. It suffered a major drop in both rankings and brand value, which is down 45%. The Occupational Safety and Health Administration (OSHA) found a dozen health violations by the brand after cases of finger amputations of its employees came on the news.

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.