Brand Finance®

The World's Most Valuable Logistics Brands Revealed

- **UPS remains the most valuable logistics brand, valued at US$22 billion**
- **FedEx completes the acquisition of TNT Express, the fastest falling brand**
- **Royal Mail's troubles go beyond the standard negative impact from Brexit**

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 logistics brands are ranked and included in the Brand Finance Logistics 25 2017.

With the rapid rise of e-commerce and technological developments in the past few years, there are vast opportunities for logistics brands that can simplify business processes and capitalise on new technologies. The two most valuable logistics brands, UPS and FedEx, have already carved out vastly sophisticated transport and delivery networks on a global scale and adapted to the challenges of this new era.

With a BSI score of 83 and brand value of US$22 billion, UPS is the most valuable as well as the most powerful logistics brand. UPS recently invested in 14 Boeing 747s, in addition to some much smaller aircraft, as it joins Amazon in the race to use drones for deliveries. UPS rolled out its 'What's Your Story?' campaign in March last year, to further develop its relationship with small business customers. This forms part of its broader "United Problem Solvers" strategy intended to position UPS as more than a delivery service, but rather as a go-to service to realise business ambitions or overcome hurdles. It humanises the factual, though (arguably) less engaging 'We Love Logistics' campaign adopted in 2010.

Though still in second place, FedEx, saw its brand value grow by an impressive 31%. The company has increased its spending to US$5.1 billion for the year starting June 1st 2016 to update its aircraft fleet and to facilitate growth in e-commerce facilitation. FedEx has also recently handed its UEFA Europa League sponsorship assets to the UEFA Foundation and children's charity, Street League to enable over 100 children the chance to walk out with Liverpool Football Club's players. Though there is a risk that this move will reduce FedEx's awareness scores, the goodwill gesture may improve recommendation and scores for governance and CSR measures.

FedEx and UPS have been embroiled in disputes over their controversial takeover bid of Holland's TNT Express. UPS was blocked from acquiring the business for US$5 billion by EU anti-trust authorities in 2013 over concerns about market dominance in Europe. Eyebrows were raised however when FedEx was subsequently allowed to acquire the business. In a significant decision this month, the EU's general court ruled that UPS' rights of defence had been infringed, opening the door for UPS to sue for damages. UPS, though understandably frustrated, may well have dodged a bullet however. FedEx acquired TNT Express for US$1 billion less than the previous agreed price and over the course of the last year the value of the brand has plunged. Brand value is down 42% to US$810 million, making TNT Express the fastest falling brand this year. Profitability has been weak for years but brand value remained high on optimism that the picture would change. Time and optimism have now run out for TNT Express however and even FedEx may find maximizing value a challenge.

Royal Mail is another poor performer, down 21% year on year. The Brexit referendum has negatively affected many UK brands but Royal Mail's troubles go beyond this. Its share price has dropped consistently from September 2016 and now stand at a near all-time low. Online migration of ad budgets is hitting revenue from direct mail (despite the best efforts of the great and the good of the UK's advertising and marketing community pitching in for the 'MailMen' campaign) while a continuing fall in letter volumes is weighing heavily on Royal Mail given its Universal Service Obligation.

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.