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Press Release: For Immediate Release

# Will Snapchat's Ambitious Valuation Last Longer Than its Posts?

Every year, leading valuation and strategy consultancy Brand Finance values the brands of thousands of the world's biggest companies. Snapchat's brand has been found to be worth only US$1.7 billion. This is 8-9% of the suggested US$19.5-22 billion value range, an unusually low percentage which suggests that the value range may be over-ambitious.

Brand Finance's CEO David Haigh comments, "'Brand Finance has valued the Snapchat brand from first principles. The brand value is relatively low because of low revenues and margins and an unproven ability to monetise the platform substantively. Snapchat has made its name by delivering posts which are here one minute and gone the next. Its users appreciate its ability to make their photos disappear, but over-excited investors certainly won't feel the same about their cash."

Snapchat's brand value is in fact so low that it fails to make Brand Finance's list of the 100 most valuable tech brands, despite the fact that its IPO is expected to be the 4th biggest in the industry's history.

The full list reveals Twitter's precipitous fall as its inability to prove itself and slowing user growth have caught up with it. Brand value is down 39% year on year to US$2.538 billion which sees it fall out of the top 50 to 83rd.

Apple is another brand to suffer this year. US$38.7 billion has been wiped off its brand value as optimism around its ability to innovate and sustain revenue growth wane. David Haigh continues, "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 such as Huawei. 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."

Despite these notable casualties, on the whole this was another stellar year for tech brands, which achieved an average brand value growth rate of 26%, against a figure of 20% across all sectors. Google's brand value rose 24% (from $88.2bn to US$109.4bn) overtaking Apple to become the most valuable brand not just in tech but across all sectors.

Chinese tech brands are performing particularly well. Alibaba's brand value has nearly doubled to US$34.8 billion. Its success stems from the opportunities to both open up and simplify commerce for Chinese communities, particularly rural ones. It is now aiming to accelerate brand recognition and growth abroad by joining McDonald's, Coca-Cola and Visa as a major sponsor of the Olympics Games.

WeChat has over 850 million users and despite being largely confined to its domestic market. It offers a more extensive range of services, than any comparable brand, from mobile payments to video games and text messaging to video sharing. As a result, it is far more embedded in the daily life of its average user, even replacing work emails for many Chinese. This central position in daily life builds an intense brand affinity, helping to build brand value to US$13.2 billion.

**ENDS**

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**Note to Editors**

You can find more information and stories covering the world's 100 most valuable tech brands in the Brand Finance Tech 100 2017 report.

Click here to read the full Brand Finance Tech 100 report document

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 Tech 100 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.