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# NetEase is China's Fastest Growing Brand

- **NetEase doubles brand value in a year, making it China's fastest growing brand**
- **WeChat is also growing strongly, its value is up 90% to CNY 41.5 billion**
- **Huawei and Alibaba are also growing strongly, by 77% and 65% respectively**
- **China Mobile is China's most valuable brand, worth CNY 319 billion**
- **China's bank and insurance brands are also growing in value rapidly**
- **CCB is the world's most powerful banking brand**

Every year, leading brand valuation and strategy consultancy Brand Finance puts thousands of the world's top brands to the test. They are evaluated to determine which are the most powerful and the most valuable by country, by industry and against all other brands worldwide. China's most valuable brands can be found in the Brand Finance China 250.

NetEase is China's fastest growing brand. NetEase has enjoyed massive success by developing hugely popular games such as the Westward Journey series as well as countless ecommerce and other internet tools. Games revenue topped CNY 18.5 billion in 2015 contributing to a profit of nearly CNY 7 billion. Shares have gained 20% this year and look set to grow further based on this encouraging news about its brand and consensus equity analyst forecasts.

WeChat is also growing strongly and is in the top 5 in terms of year on year growth. The user growth has remained consistently strong, adding 40-50 million new users a quarter since 2012 with the total now standing at around 850 million. As a result, advertising revenue is soaring; revenue for Q3 2016 is up 51% on the previous year at CNY 7.5 billion. WeChat has become the default communication method for the majority of people in China and is rapidly gaining ground across the world. Consumers' relationship with WeChat is more profound than other brands. They see it throughout the day and it is the way that they engage with many other brands, their friends and family and the wider world. As such it commands almost unrivalled awareness and loyalty.

China Mobile, the world's largest mobile operator by subscribers, is China's most valuable brand. Its latest valuation of CNY 319 billion represents an 8% increase from last year's value. Although the smartphone market and 4G coverage are approaching saturation, China Mobile's increasing market share contributes towards its continued brand value growth.

On the hardware side of the telecoms sector, Huawei is making astonishing progress internationally. In 2015 it overtook Microsoft to become the world's third largest manufacturer of smartphones and now has a 9% market share. After the success of the P9, the April 2017 launch of the P10 will be eagerly awaited and should contribute to further brand value growth. From 2015 to 2016, Huawei was up 77% to CNY 126 billion, making it one of China's top 10 most valuable brands.

Chinese bank brands have been performing well for a number of years, however this year has seen particularly strong growth. China now accounts for 28% of global bank brand value while

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China Construction Bank has become the world's most powerful banking brand. Alex Corringham, Consultant at Brand Finance comments, "Chinese banks are moving beyond provision of basic banking services and are investing in their brands, they are performing well on customer brand equity measures such as familiarity, consideration, preference, satisfaction and recommendation, leading to some of the highest scores in Brand Finance's Brand Strength Index."

The slight slowdown in the economy has had affected brands differently. Demand for luxury goods has been reduced, negatively affecting Chow Tai Fook, its brand value dropped 12% to CNY 23.7 billion. On the other hand ecommerce giant Alibaba saw its brand value grow 65% to CNY 115 billion. Jack Ma, founder of Alibaba commented, "As the economy goes down, people look online to Alibaba to buy cheaper things."

Brand Finance CEO David Haigh comments, "China is already a long way down the road towards achieving successful Nation, Corporate and Product brands. There seems little doubt that President Xi Jinping is strengthening both the China Nation Brand and individual commercial brands, enabling China to compete globally on a level playing field with US and EU brands".

**ENDS**


**Media Contacts**

For enquiries in Mandarin

Minnie Fu
T: +44 (0)2073899400 M: +44 (0)7969296337 m.fu@brandfinance.com WeChat ID: kikiminnievip

Vinchy Chan, Analyst
T: +44 (0)2073899400 M: +44 (0)7427674975 v.chan@brandfinance.com WeChat ID: vinchychan

For enquiries in English:

Robert Haigh, Marketing & Communications Director
T: +44 (0)2073899400 M: +44 (0)7762211267 r.haigh@brandfinance.com WeChat ID: roberthaigh

Joslyn Pannu, Communications Manager
T: +44 (0)2073899400 M: +44 (0)7885666236 j.pannu@brandfinance.com


**Note to Editors**

The 2017 edition of the Brand Finance China 250 will be completed in late December 2016. If you are interested in an exclusive on this information, please get in touch as soon as possible.

2016 brand values are calculated with a valuation date of 1/1/16.

The full table can be found here - http://brandirectory.com/jl/a035733ab12da4c61a0336daa3cfc3af - to convert the currency from USD to CNY, hover over the 'i' button and select the desired currency code.

**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.

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**Methodology**

*Definition of Brand*

In the very broadest sense, a brand is the focus for all the expectations and opinions held by customers, staff and other stakeholders about an organization and its products and services. However when looking at brands as business assets that can be bought, sold and licensed, a more technical definition is required. Brand Finance helped to craft the internationally recognized 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.

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.