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Qantas: \$100 million Decline in Brand Value

"Qantas is an iconic Australian brand. Despite its loss in value, the brand has the resilience to recover from the current trauma. However, all stakeholders should be acutely aware that the dispute is eroding a cornerstone of the business."

Tim Heberden, Managing Director of Brand Finance Australia.

Background

With a value of \$1.1 billion, the Qantas brand was in 13th position on Brand Finance's table of Australia's most valuable brands at the beginning of 2011. Even then, it was noted as the biggest loser of brand value since our 2008 study.

Strong brands shift the demand curve by increasing sales volumes and generating a price premium. In addition to influencing consumers, strong brands have a favourable impact on other stakeholders such as staff, investors and joint venture partners.

Declining Goodwill and Brand Value

Brand Finance has estimated that the value of the Qantas brand has declined by **\$100 million** since January. The 9 per cent decline places it precariously close to the **\$1 billion** mark.

The goodwill towards a brand can be considered as a 'stock' which rises and falls according to public perceptions. The current industrial dispute will have eroded the stock of goodwill towards Qantas, and this will continue to damage performance long after peace has been declared between management and unions.

Reputational Risk

Considerable attention has focussed on whether management or unions are to blame for the disruptions in Qantas' service over recent months. From a passenger perspective this is of little relevance. Loss of trust in the brand results in lost revenue - no matter who is to blame.

Brand Finance (Australia) Pty Ltd ABN 99 094 698 638
Level 11, 37 York Street, Sydney, NSW 2000
Postal: GPO Box 3587, Sydney 2001
tel: +61 2 8236 8900 fax: +61 2 9290 1740 www.brandfinance.com

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Sensitivity to reputational damage increases following a serious event which has reduced people's trust in a brand. In these conditions, the value impact of future negative events is magnified as they reinforce prevailing negative views. Tim Heberden, managing director of Brand Finance Australia, said that *"Qantas has faced a number of negative headlines in the last few years and should evaluate the cumulative effect of reputational risk when considering future actions and statements."*

For further information, contact:

Tim Heberden

T: +61 8236 8902; M: +61 405 121820; E: t.heberden@brandfinance.com



Brand Finance is the world's leading independent brand valuation firm. Brand Finance operates in sixteen countries, and has valued intangible assets for the purpose of financial reporting, tax compliance and litigation. We advise companies on brand governance and the value implications of marketing strategy.