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TJ Maxx's Brand Value rises 79%

- **TJ Maxx's brand value reaches US$5.6 billion**
- **Alibaba is the fastest growing retail brand, almost doubling in value**
- **Amazon, the most valuable retail brand, grows 53% to US$106.4 billion**

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 retail brands are ranked and included in the Brand Finance Retail 50 2017.

TJ Maxx (known as TK Maxx in Europe) has grown rapidly this year, with brand value rising 79% to US$5.6bn. A stronger trend for cost consciousness in western markets, originally initiated by the financial crisis, has been sustained even as the economy has recovered. TJ Maxx's reputation for exceptional value is key to its success and consumers' affinity for its brand. However just as significant is the fact that it is a gateway to the World's most powerful and desired apparel brands for a vast swathe of consumers who could otherwise not afford them. Ross Dress for Less operates in a similar way and is also growing strongly. Like TJ Maxx, it has minimal online presence, relying on its buying and merchandising expertise to sell designer goods (in addition to own brand) for up to 70% less than conventional retailers. Its brand value is up 71% to US$5.278bn.

Nudging slightly ahead of TJ Maxx's growth, Alibaba's brand value has nearly doubled, making it this year's fastest growing retail brand. Valued at over $34.8 billion, the online marketplace continues to thrive in China and globally. Alibaba has created a fair and open portal for small businesses and enterprises. Its success stems from the opportunities to both open up and simplify commerce for Chinese communities, particularly rural ones. Its service has clearly underpinned brand value growth at home, but in order to accelerate growth abroad by aiding brand recognition, it is investing in marketing communications including joining McDonald's, Coca-Cola and Visa as a major sponsor of the Olympics Games.

Amazon is the world's most valuable retail brand. Its strong 53% brand value growth this year meant Amazon was close to becoming the most valuable brand across all industries. For now, with a brand value of US$106.4bn it sits just behind Google (US$109.5bn) and Apple (US$107.1bn). The firm is growing strongly as it continues to both reshape the retail market and to capture an ever larger share of it. Its brand value is already nearly double that of second-placed Walmart. Amazon Fresh, its grocery service, is still relatively limited in scale but this year began operating overseas for the first time, serving Central and East London initially. Amazon has stated it will create 100,000 jobs in the US over the next 18 months. Such confidence suggests that Amazon may well become the most valuable brand in the world in 2018.

IKEA, the world's largest furniture retailer, is another brand that has always been very price-led and reliant upon physical sales. However, it is making more concessions to the digital revolution than TJ Maxx and Ross, expanding its click-and-collect network and opening more of much locations in than traditional stores in 2016. IKEA has been making plans to accelerate its expansion in China and India as it seeks to boost sales by almost 50% over the next four years.

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IKEA draws upon its national heritage more than almost any other major firm for its brand positioning. Its visual identity and brand personality are strongly associated with Sweden's reputation for quality manufacturing, simplicity, design expertise and social modernity. However, the IKEA brand is now owned and managed from the Netherlands rather than its how country. Managing intellectual property from a different jurisdiction can be a sensible strategic move for many brand owners, however the potential repercussions for consumer-facing brands in particular must be carefully assessed against the financial benefits.

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.

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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.