Brand Finance®

Press Release – For Immediate Release

Sweden's Most Valuable Brands Revealed

- **IKEA grows 42% in brand value to US$24 billion**
- **H&M is second following 24% increase to US$19 billion**
- **Ericsson brand value plummets but careful restructuring may help make up for losses**

Every year, leading valuation and strategy consultancy Brand Finance values the brands of thousands of the world's biggest companies. A brand's strength is assessed (based on factors such as marketing investment, familiarity, preference, sustainability and margins) to determine what proportion of a business's revenue is contributed by the brand. This is projected into perpetuity and discounted to determine the brand's value. The 50 most valuable Swedish brands are included in the Brand Finance Sweden 50 league table.

IKEA tops the Brand Finance Sweden 50 league table with a brand value of over US$24 billion after impressive growth of 42% year on year. The strength of IKEA's brand is built on its associations with much of what is best about the Swedish national 'brand', namely; style, simplicity, functionality and a lack of pretention. Though customers grumble about the difficulty of assembling flat pack furniture, IKEA's striking but tasteful designs, reliability and extremely competitive pricing have assured its position. This year's rapid brand value growth has been supported by a 20% increase in profits last year combined with continuing creative and effective communications.

Advertising and marketing campaigns range from the whimsical, to the practical, and to the meaningful. The 'IKEA Retail Therapy' website was ostensibly created to enable customers to find solutions to their everyday problems as easily as possible. The light-hearted initiative saw the official names of IKEA products replaced with common Google searches such as 'My Partner Snores' and 'How To Get Over Someone'. The page featured a catalogue of the brand's products with their original names replaced by the internet searches, in this way offering quick solutions to everyone who searched for an answer to their dilemma online. Campaigns with more of a social purpose have been employed too, including the 'Where Life Happens' series, intended to provoke discussion on family issues, such as ageing, adolescence, divorce, and adoption.

IKEA is looking to the longer term too. Brand extension is one route to growth; a chain of IKEA restaurants has been mooted to capitalize on the affection and demand for the brand's in store food offerings such as its famous meatballs. The 'internet of things' is claimed to herald a revolution in domestic life. As one of the most iconic domestic lifestyle brands globally, IKEA has not shied away from the challenge, surveying its customers' attitudes to the idea of embedding smart systems in furniture to help manage homes.

H&M is second, with a brand value of over US$19 billion, following 24% growth. The clothing giant is also the country's most powerful brand with a Brand Strength Index (BSI) score of 86. Emerging online competitors are pushing the H&M Group to look for new ways to attract customers. One solution has been to launch new brands such as COS, Monki, Weekday, or the recently announced Arket. Although at the corporate level this may increase revenue and customer acquisition, the decision not to deploy the core brand and focus attention and resources elsewhere could reduce its strength and value in future.

Ericsson has seen its financial problems reflected in the loss of almost half of its brand value in a year. It has dropped from US$9.5 billion to a 10-year low of just over US$5 billion. Despite this decline, the brand remains a key asset for the business constituting 29% of the total Enterprise Value. Restructuring could help to put Ericsson back on a more stable financial footing, so a stabilization of brand value in 2018 could be expected. Prudently, new CEO Börje Ekholm has promised not cut the R&D budget as part of the restructuring process. Brand investment of this kind is essential even at difficult times to ensure long term growth.

Bank brands continue to feature prominently in the Brand Finance Sweden 50 ranking with four in the top 10; Nordea (3th), Swedbank (7th), Svenska Handelsbanken (8th), and SEB (9th). However, recently unveiled government plans to increase resolution fees (to aid struggling financial firms) could drive this number down if brands such as Nordea make good threats to move out of Sweden.

View the Brand Finance Sweden 50 report here

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Note to Editors

For more definitions of key terms, methodology and more stories, please consult the Brand Finance Sweden 50 report document.

Brand values are reported in USD. For conversions into local currency, please consult the hover over the ‘i’ button on the web version of the table and select.

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About Brand Finance

Brand Finance is the world’s leading brand valuation and strategy consultancy, with offices in over 25 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.