Press Release – For Immediate Release

Time is Ticking for the Swiss Watch Brands

Every year, leading valuation and strategy consultancy [Brand Finance] values the brands of thousands of the world's biggest companies. The 50 most valuable Swiss brands are included in the Brand Finance Switzerland 50.

The falling brand values of Tissot (down 18%), Omega (17%), Longines (12%) and Swatch (11%) reflect the current decline in the Swiss watch industry. The industry has suffered more than two years of declining sales, which were down 9% in the first five months of 2016 due to weaker demand from China and emerging markets. Brands like Apple and Samsung, who are well established in the tech space, have introduced smartwatches, threatening the necessity for an old-fashioned watch. Time is ticking for traditional watch brands to invent new products that incorporate technology or they risk losing market share.

Interestingly, TAG Heuer's brand value grew 39% to CHF 3 billion. Amidst a 10% decline in Swiss watch exports, TAG Heuer reported more than 10% revenue growth in 2016. The revival is attributed mainly to new models and the launch of its 'TAG Heuer Connected' line, which makes the brand the first Swiss watchmaker to offer smartwatches. The main challenge Swiss watch makers currently face is the rise of technology. TAG Heuer recently opened an office in Silicon Valley to solidify its smartwatch alliance with Google and Intel Corps. It is clear that TAG Heuer has embraced the need for change and its growing brand value reinforces the importance of innovation.

Rolex is the most powerful Swiss brand this year with a Brand Strength Index score of 89.2. Compared with the more affordable Swatch and mid-market Tissot, Rolex's renown and premium status seem to allow it to bypass the industry's market conditions. Rolex's brand value is up 14% to CHF 6.8 billion.

Despite a 20% drop in brand value to CHF 18.8 billion, Nestlé remains Switzerland's most valuable brand and the world's most valuable food brand. Its brand value is more than double that of Switzerland's second most valuable brand, UBS. In spite of its incredible feat, Nestlé has been hit by the pervasive trend for healthier, more natural food, which has reduced demand for Nestlé's crucial confectionary brands. Nestlé operates dozens of individual product brands such as KitKat and Butterfinger, however, the Nestlé brand acts as an endorser, visible on all packaging - a decline in these product brands hits the value of the Nestlé brand too.

In contrast, Lindt's brand value has risen 18% to CHF 1.5 billion, making it the fastest growing Swiss food brand in the table this year. The chocolate industry has been plagued with higher raw material prices and weak consumer sentiment, yet, Lindt bucks the trend. The brand reported higher profits and grew at a faster pace than the overall chocolate market in 2016. Results in Japan and Brazil were particularly impressive with high double-digit sales growth mainly due to the opening of the company's own shops and cafes. Furthermore, in line with its global expansion strategy, Lindt has opened new stores in Wales and Australia, boosting its network to close to 400 stores. Thanks to seasonal and premium products such as Lindor chocolate balls and gold foil-wrapped Easter bunnies, Lindt has grown sales in stagnant markets; organic sales growth increased 2.6% as a result of Christmas season promotions. With its growing network and product lines, Lindt manages to escape the declining industry, and it will be interesting to see whether the brand bolsters its value further next year.

Pharmaceutical giant, Roche, is Switzerland's fastest growing brand and eighth most valuable. Roche's brand value has grown 52% in value to CHF 5.9 billion and has overtaken Pfizer to become the world's most valuable pharmaceutical brand. New immune-oncology drug, Tecentriq, achieved FDA approval for lung cancer and Roche expects almost €4.5 billion in revenues by 2021 as a result. A trio of breast-cancer therapies boosted earnings, which offsets sluggish sales of some older drugs. Novartis, the only other pharma brand in the table, has also performed well, its brand value up 9% to CHF 4.5 billion, which seems mainly as a result of strong Growth Products performance.

View the Brand Finance Switzerland 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 Switzerland 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 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.