Brand Finance®

‘I’m a Barbie Girl, in a changing world’

- **Brand value of top 25 toy brands totals US$9.4 billion, almost half from Lego**
- **Lego is the most valuable toy brand and the second most powerful brand globally**
- **My Little Pony is the fastest growing toy brand this year with a 40% rise in value**
- **Barbie enjoys 20% growth after focusing on improving diversity and equality**

Every year, leading branded business 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. The most valuable toy brands can be found in the Brand Finance Toys 25.

The total brand value of the table is US$9.4 billion. The United States is home to 16 brands in the table, contributing US$3.5 billion to the overall sum. Japan follows with seven brands and a national value of US$1.2 billion. Although Denmark is home to only one brand in the table, it contributes US$4.5 billion to the total, higher than the total brand value of the United States’ 16 brands. Canada finishes off the table with one brand valued at US$132 million.

Denmark’s Lego is by far the most valuable toy brand this year, with a brand value of US$4.5 billion, making up half of the table’s total brand value. It is the world’s second most *powerful* brand with an AAA+ rating. Disney overtook Lego as the world’s most powerful brand after the release of Star Wars VII: The Force Awakens last year. Despite that, Lego shows continual growth, with films and television shows playing a large role in its success – The Lego Movie was a major driver of value, and the brand’s rapid expansion in China and ongoing growth in core western European markets have also had a strong positive impact.

My Little Pony is the fastest growing toy brand this year, enjoying 40% growth to a value of US$141 million. The television show ‘My Little pony: Friendship is Magic” re-established interest in the brand just as The Lego Movie enhanced Lego’s. The My Little Pony movie is set to be released in October and, should it follow in Lego’s footsteps, the brand can expect to enjoy further success in the future.

Barbie is ranked third in the table, with a brand value of $571 million after an impressive 20% increase. Manufacturers are increasingly grappling with social and economic pressures to think beyond the conventional marketing of dolls and action figures. Barbie has faced criticism on the grounds of ethnic diversity and the negative image the dolls convey. The brand addressed these concerns with the launch of new Barbie dolls in seven different skin tones and dolls with ‘real’ body shapes and sizes. This represented a significant departure from Barbie’s traditional marketing strategy but the brand has recognised that times have changed and it must evolve in order to stay competitive.

Play-Doh and Nerf both enjoyed a rise in brand value, growing 6% and 11% to US$143 million and US$231 million respectively as parents focus on keeping children their children physically as well as mentally stimulated. Monopoly’s value fell 16% this year to US$140 million, although the drop in value is at least partly because of growing pressure from competing products such as independent board games.

Brand Finance®

Growing income levels in China mean parents may be swayed towards more expensive, official toys and away from cheaper counterfeit goods. Overall, the toy industry should look to China for future expansion and growth. As Lego and My Little Pony have shown, what is most important is interaction with customers through digital and entertainment media. It is vital that toy brands embrace this in order to continue playing the game.

ENDS

Media Contacts

Emilie Milton-Stevens, Head Analyst
T: +44 (0)2073899400 M+44 (0)7718371676 e.milton-stevens@brandfinance.com

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

Note to Editors

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

About Brand Finance plc

Brand Finance plc is the world's leading branded business valuation and strategy consultancy, with offices in over 30 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

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 organisation 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 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.

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.