

Top 100 global brands hemorrhage \$67B in value

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The flailing economy has drained \$67 billion in value from the top 100 global brands-even before the investment-bank crisis last week.

So says Brand Finance, a London-based brand-valuation consultancy. The company released its Brand Finance Global 500 in March but was compelled to update it in late summer due to an economy roiled by consumer uncertainty, rising commodity prices, a credit crunch, rising unemployment and a shaky stock market.

David Haigh, CEO of Brand Finance, said a number of brands have shifted as consumer priorities readjust. Discounter Wal-Mart edged Coca-Cola out of the top slot as the highest-valued brand, and Vodafone replaced financial marketer Citi in the top 10. Oil and gas brands, as well as health-care brands, saw increases in brand value, while financial-services brands generally saw decreases. In total, brand value for the top 100 brands has declined 4.2%, or \$67 billion, between January and September.

"As the recession has generally affected brands, there is very clear growth in the value of brands that have what you would call more basic, everyday products," Mr. Haigh said. "People are longing to rely on brands they can trust-brands that are good value for the money."

Mr. Haigh said consumers are interested in brands such as Avon, Johnson & Johnson, AT&T, Wal-Mart and McDonald's, while they are shying away from brands with more expensive or discretionary profiles, such as Starbucks, L'Oreal, Nokia, Nike and Coca-Cola. Banking brands such as HSBC, Wachovia and Bank of America are still resonating with consumers, he said.

"We look at a variety of brands, and the ones that are having success have a very strong value system," Mr. Haigh said. "Even a brand like Wal-Mart, which is unpopular with some people, has a brand proposition that [the company] believes in and sticks to. Consumers are flocking to Wal-Mart, whatever they may say about some of its business practices."

Mr. Haigh said he believes current trends will largely remain intact in the coming months, but the company is dealing in "very fast-moving markets." Case in point: American International Group, which last week was rescued from the brink of bankruptcy by the federal government to the tune of \$85 billion, ranked No. 44 in the new study conducted in August, with a brand value of \$13.6 billion. Certainly the value of that brand has plummeted since then.

To determine its brand rankings, Brand Finance uses the Royalty Relief Method, which assumes that a company owns no brands and needs to license them. The method involves estimating likely future sales and then applying a royalty rate. That forecast represents the value of the brand to the business. Brand Finance notes that the method is favored by tax authorities and the court system.

Brand Finance limits its study to public companies unless substantial data is publicly available, as in the case of PricewaterhouseCoopers and the BBC. The company published its first comprehensive brand ranking by valuation last year.

Interbrand, which released its ninth-annual Best Global Brands study last week, utilizes a different methodology. The company does a financial and brand analysis to determine earnings for the brand. A brand strength score is then applied against those analyses to arrive at a brand value. Brands must also meet certain criteria to be considered for Interbrand's list.

For example, one-third of revenue must come from outside of the brand's country of origin, and a substantial amount of financial data must be public. That eliminates Wal-Mart, which Interbrand does not deem sufficiently global, and Mars, which is privately held.

Interbrand executives were not available to comment on the methodology of their study, how it compares to the Brand Finance study or whether it had a valuation of what brands had lost in recent months.

Change in value of top five brands

Global Finance compared numbers for March to September (in dollars)

WAL-MART	↑	+3.6 BILLION
COCA-COLA	↓	-3.6 BILLION
MICROSOFT	↓	-5.1 BILLION
IBM	↓	-0.4 BILLION
GOOGLE	↓	-5.6 BILLION

BRAND VALUE

Brand Finance's rankings and how they changed

MARCH 2008 (IN MILLIONS)

1	Coca-Cola	45,441
2	Microsoft	44,501
3	Google	43,085
4	Wal-Mart	39,001
5	IBM	37,949
6	GE	36,123
7	HSBC	35,456
8	Hewlett-Packard	34,109
9	Nokia	33,116
10	Citi	27,817

SEPTEMBER 2008 (IN MILLIONS)

1	Wal-Mart	42,567
2	Coca-Cola	41,853
3	Microsoft	39,358
4	IBM	37,508
5	Google	37,504
6	GE	33,965
7	HSBC	33,742
8	Hewlett-Packard	32,427
9	Vodafone	26,688
10	Nokia	26,564

Source: Brand Finance

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