

Aeroflot Trumps America's Airline Brands

- **Global brand study reveals Aeroflot is the world's most powerful airline brand**
- **Domestic brand equity, marketing investment, a new fleet and Russia's growing hub status underpin the result**
- **American Airlines is the most valuable brand however, worth US\$9.8 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 50 most valuable airline brands are then ranked and included in the Brand Finance Airlines 50.

Aeroflot is the world's most powerful airline brand, with an AAA brand rating. The news may come as a surprise to those in Europe and North America more familiar with Western or Gulf flag carriers. Aeroflot's brand strength stems in part from dominance of its domestic market. Its brand equity scores for metrics such as familiarity, consideration, preference and loyalty are formidable, both when compared against other Russian airlines and against foreign ones within their home markets. This is all the more impressive given that there are no air routes for which Aeroflot has exclusive access, demonstrating that its strength is underpinned by competitive advantage rather than monopoly.

Vitaly Saveliev, CEO of Aeroflot, said: "Aeroflot is honoured to be named the world's strongest airline brand. This recognition reflects not just our 93-year legacy as the No.1 air carrier in the world's biggest country, but also our best-in-class service offering on domestic and international routes, the youngest fleet of any major carrier globally, and of course our marketing efforts. Our current focus is on digitising Aeroflot – whether the customer experience or the behind-the-scenes management of logistics. As we continue to deliver on these goals and others, we are confident that the Aeroflot brand will grow ever stronger and both passengers and the industry will continue to recognise it as synonymous with excellence."

Investment in the brand, which lays the foundations for future resilience and growth, is another key component of brand strength in which Aeroflot excels. It has the youngest fleet of any major airline and is investing heavily in marketing promotion, particularly in Asia. This is reinforced by its sponsorship of Manchester United (the world's most valuable football brand), which helps Aeroflot reach a vast audience across East Asia in particular. The approach is clearly paying off.

President Donald Trump may find it somewhat difficult to reconcile his desire to 'Make America Great Again' with Aeroflot's success, however he will be consoled by the performance of America's top airline brands based on brand *value*.

The top three most valuable airline brands are now all American. For the last five years Emirates, had held the title of world's most valuable airline brand, but 2017 sees a dramatic shift. Last year, Emirates' half-year profits plunged 75%. The lower oil price might have been expected to help all airlines, however it has worked against the Gulf carriers, reducing demand from its home region. The lower oil price has also levelled the playing field for international rivals, leading to increased competition, driving down fares. The discount rate applied to all Gulf airlines has increased in tandem with this less favourable environment, reducing long

term value. Finally, the strength of the dollar has increased operating costs and also had a negative FX impact on all non-US domiciled brands.

As a consequence, Emirates' brand value is down 21% to US\$6.1 billion, Etihad's value is flat (staying at US\$1.56bn) while Qatar Airways has been most strongly affected, with brand value falling 38% from 2016 to US\$2.16bn. Despite these brand value falls, brand strength has not been affected. Etihad and Qatar Airways retain their AA and AA+ brand ratings while Emirates continues to challenge for the title of world's strongest airline brand, with an AAA rating.

Meanwhile all US airlines have soared in value. The average year to year growth rate of the seven US brands in the table is 68%. The challenges that the Gulf carriers have faced have been to the advantage of America's major airlines. The lower oil price and a rebounding US economy see United, Delta and American all overtake Emirates with 60%, 47% and 59% growth respectively. With a brand value of US\$9.8 billion, American is now the world's most valuable airline brand for the first time since 2007.

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Note to Editors

Brand values are reported in USD. For precise conversions into local currency values, please confirm rates with the Brand Finance team. More information about the methodology, as well as definitions of key terms are available in the Brand Finance Airlines 50 report document.

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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.