

## Star Wars Sends Disney’s Brand into Hyperdrive

- Disney is the world’s most *powerful* brand, thanks to Star Wars’ record-breaking success
- Despite slowing sales, Apple is the world’s most *valuable* brand, up 14% to US\$145.9 bn
- VW brand value falls by US\$12 billion following emissions scandal
- 4 of the 10 fastest growing brands are Chinese
- Strongest brands’ shares outperform the S&P 500 average

Every year, leading brand 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 (based on factors such familiarity, loyalty, promotion, marketing investment, staff satisfaction and corporate reputation) and which are most valuable and ranked in the [Brand Finance Global 500](#).

### The World’s Most Powerful Brands (Top 10)

Rank (brand strength) 2016	Rank (brand value) 2016	Brand	Sector	Domicile	Brand Value 2016 (USDm)	Brand Strength Index Score (/100)	Brand Rating 2016
1	24	Walt Disney	Media	US	31,674	92	AAA+
2	324	Lego	Toys	Denmark	4,520	92	AAA+
3	80	L'Oréal	Conglomerate	France	14,990	92	AAA+
4	58	PWC	Commercial Services	US	18,569	91	AAA+
5	288	McKinsey	Commercial Services	US	4,881	91	AAA+
6	29	Nike	Apparel	US	28,041	91	AAA+
7	79	Johnson's	Consumer Products	US	15,115	91	AAA+
8	17	Coca-Cola	Soft Drinks	US	34,180	90	AAA+
9	72	NBC	Media	US	16,103	90	AAA+
10	2	Google	Technology	US	94,184	90	AAA+

Disney is the world’s most powerful brand. Disney’s strength is founded on its rich history and original creations, however its now dominant position is the result of its many acquisitions and the powerful brands it has brought under its control. ESPN, Pixar, The Muppets and Marvel are all now Disney owned, but perhaps its most important acquisition of all has been Lucasfilm, and thus Star Wars.

Star Wars Episode VII ‘The Force Awakens’ has broken countless box office records, becoming the fastest to take US\$1 billion, enjoying the most successful opening weekend (\$529 million) and based on its total box office gross of nearly US\$2 billion is Disney’s most successful film ever. Meanwhile Star Wars toys have generated over US\$700 million.

Brand Finance has estimated the value of the Star Wars brand to be US\$10 billion, dwarfing the US\$4.05 billion Disney paid for Lucasfilm in 2012. Though this might suggest that Disney engineered a very favourable deal, it has undoubtedly contributed to the growth of the Star Wars brand. Disney is managing to exploit the Star Wars concept both rapidly and sensitively, a difficult feat to pull off. Disney styles itself as ‘the happiest place on Earth’. That has proved true not just for its customers but for investors too.

### Lego Loses Out

Lego has lost its position at the top of the table. Though it remains a very powerful brand and retains its AAA+ brand rating, the Danish company has been beset by a series of controversies of late which threaten to affect its wholesome image. It has been fined by German regulators for attempting to prevent retailers from discounting its products. It was also accused of colluding in censorship for trying to prevent dissident Chinese artist Ai Wei Wei from using Lego in his work. Lego has since reversed its policy of restricting purchases to be used for political ends following widespread condemnation (including from Ai Wei Wei himself).

Brand strength/power is only the initial part of Brand Finance’s analysis however. Using its Brand Strength Index assessment, Brand Finance determines a royalty rate for each brand, which is then applied to revenue information to calculate the brand’s value.

## The World’s Most Valuable Brands (Top 10)

Rank 2016	Rank 2015	Brand	Sector	Domicile	Brand Value 2016 (USDm)	Brand Rating 2016	Brand Value Change (%)	Brand Value 2015 (USDm)	Brand Rating 2015
1	1	Apple	Technology	US	145,918	AAA	13.7%	128,303	AAA
2	3	Google	Technology	US	94,184	AAA+	22.8%	76,683	AAA
3	2	Samsung	Technology	S Korea	83,185	AAA	1.8%	81,716	AAA-
4	8	Amazon	Tech/Retail	US	69,642	AA+	24.1%	56,124	AAA-
5	4	Microsoft	Technology	US	67,258	AAA	0.3%	67,060	AAA
6	5	Verizon	Telecoms	US	63,116	AAA-	5.5%	59,843	AAA-
7	6	AT&T	Telecoms	US	59,904	AA+	1.8%	58,820	AA+
8	7	Walmart	Retail	US	53,657	AA	-5.4%	56,705	AA+
9	11	China Mobile	Telecoms	China	49,810	AAA-	4.0%	47,916	AAA-
10	15	Wells Fargo	Banking	US	44,170	AAA-	26.5%	34,925	AAA-

### Apple Not Rotten Yet

In terms of brand *value*, Apple comes out on top. Apple has maintained its dominance at the summit of the Brand Finance Global 500. Brand value is up 14%, thanks to the huge success of the iPhone 6 and recently released iPhone 6s. Revenue for Q4 of the fiscal year 2015 was a record-breaking US\$51.5 billion with profits at US\$11.1 billion while revenues for the year were US\$233.7 billion. This huge surge is partly responsible for recent disappointing sales growth (the slowest since the iPhone was launched in 2007). However with 74.8 million handsets sold in the last quarter in a saturated market,

assertions that Apple has gone rotten are premature. Apple Pay is beginning to generate traction, potentially heralding the brand's long-anticipated expansion into the broader arena of financial services, to say nothing of its rumoured foray into the auto industry.

#### **China's Fantastic 4**

Chinese firms are among the top performing from any sector; four of the top ten are Chinese including all four of the top performing brands. WeChat is a good example. Its user base grew over 40% between late 2014 and late 2015 and is now over 650 million, with 70 million outside China. It is often compared to the more familiar (at least in the West) Whatsapp. However WeChat is much more than a messaging app and offers video-gaming and payment services. Brand value is up 83% to US\$6.5 billion. Evergrande Real is the fastest growing brand this year, having added 112% to its brand value between 2015 and 2016. While the continued rapid growth of Chinese firms is to be welcomed and lauded, the presence of a real estate brand at the top of the list could be grist to the mill of those claiming that China's property market is overheated and its economy as a whole set for a shock.

#### **VW Goes into Reverse**

Volkswagen is also amongst this year's worst performing brands. This may come as little surprise given the scale of the scandal that has engulfed the brand, following revelations that it programmed its diesel vehicles to activate their optimal emission-reduction settings only when being tested and that, driven under normal conditions, they would emit up to 40 times the more nitrogen oxide. In December Brand Finance estimated that VW may see brand value fall by as much as \$10 billion. In fact the affair has turned out to be even more damaging than that. Brand value is down by US\$12 billion to US\$18.9 billion leading to a fall in rank from 17th to 56th.

#### **Brand Value and Share Price**

In December of 2015 Brand Finance took a retrospective look at the share price of the world's most valuable brands and the subsequent stock market performance of the businesses that own them, revealing compelling evidence to suggest that highly branded businesses and those with strong brands can outperform the market.

Between 2007 and 2015, the average return across the S&P was 49%. However by using Brand Finance's data, investors could have generated returns of up to 97%. Investing in companies with a brand value to enterprise value (BV/EV) ratio of greater than 30% would have generated returns of 94%. Investing exclusively in the 10 companies with the highest BV/EV ratios would have resulted in a 97% return.

115 of the top 500 brand in the 2016 list fall into this category. The group includes luxury goods businesses that one might expect to be highly branded such as Burberry, Gucci and Ralph Lauren, well-known consumer brands such as Audi, Land Rover, Dove, Ikea and Nestle, but also financial and B2B brands such as Shinhan, Fujitsu and Allstate. It will be interesting to see whether these brands deliver similarly impressive investor returns over the coming years.

**ENDS**

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## Note to Editors

2016 brand values are calculated in USD with a valuation date of 1/1/16. The full list of all 500 brands can be found here – <http://brandirectory.com/jl/903b6775b1d6dd4e85ffd749a669b5c5>

More information on our methodology can be found on our website [here](#).

## 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*

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 1-5% 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 4.2%.

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.