Brand Finance®

Auto Brand Values Revealed for Paris Motor Show

As the great and good of the auto industry meet in Paris, leading brand valuation and strategy consultancy Brand Finance, reveals what their brands are worth.

Toyota Tops the List

Toyota has reinforced its position as the world's most valuable auto brand. Its brand value increased 23% year on year to a total of US$43 billion, extending its lead over second placed BMW from US$2 billion to US$8 billion.

The Japanese giant continues to hold onto its position as the world's biggest car manufacturer by volume. Toyota shipped 6.69 million units to VW's 6.66 million in the first eight months of 2016. It is in the top ten of advertising spenders in the US from any industry and invested 1.6% of revenues on marketing, advertising and sales promotion in 2015. This investment is clearly paying off, with revenues increasing 50% since 2010 (90% in the US). The popularity of services such as Uber is aiding Toyota for now, with Prius the model of choice for many drivers with the ride-sharing service.

Emissions Scandal sends VW into Reverse

Volkwagen had held the ambition of unseating Toyota in the battle for volume dominance but its turbulent year has seen its desire to take the top spot put on hold for now. The impact of the emissions scandal has been clearly reflected in the brand value of VW, which is down 39% to US$18.9 billion which sees it drop out of the top five for the first time since 2010. Fortunately other group brands have been unaffected, with Lamborghini and Bentley growing by 22% and 16% respectively. Meanwhile Audi has dropped just 2%, a result solely down to the strengthening dollar over the last year; when measured in EUR, Audi's brand value has in fact increased.

Ferrari Remains Most Powerful Car Brand

Ferrari, MINI and Volvo show minor declined in brand value terms from 2015 to 2016, also as a result of exchange rate changes rather than fundamental performance. Ferrari remains the world's most powerful car brand and after last year's successful IPO, continues on a track to value growth.

Hyundai Down More than 50%

Hyundai is the worst performing of any major auto brand this year. Brand value has more than halved year on year. Korean car brands historically stole a march on western rivals via innovation, efficiency and exceptional labour relations. Hyundai is now plagued by labour unrest with 50,000 union members downing tools in September in the most recent incident. This disruption and sluggish sales are hitting the bottom line; Hyundai posted its tenth consecutive profit drop for the April to June period this year.

Harley Revs Ahead Fueling Investor Interest

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Harley Davidson is the most valuable motorcycle brand with a brand value in excess of US$5 billion following 18% year on year growth. Brand strength is undimmed too, having been upgraded from an AAA to AAA+ rating this year. These figures may well please KKR, the private equity house rumoured to be targeting Harley for a buyout. However there are challenges ahead, the strength of the US dollar and falling margins, amongst them.

For the full table, please click here: http://brandirectory.com/league_tables/table/auto-100-2016

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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.