



# Cosmetics

# 50

# 2017

The annual report on the world's most valuable cosmetics brands

April 2017

---

# Foreword



David Haigh, CEO, Brand Finance

What is the purpose of a strong brand; to attract customers, to build loyalty, to motivate staff? All true, but for a commercial brand at least, the first answer must always be ‘to make money’.

Huge investments are made in the design, launch and ongoing promotion of brands. Given their potential financial value, this makes sense. Unfortunately, most organisations fail to go beyond that, missing huge opportunities to effectively make use of what are often their most important assets. Monitoring of brand performance should be the next step, but is often sporadic. Where it does take place it frequently lacks financial rigour and is heavily reliant on qualitative measures poorly understood by non-marketers.

As a result, marketing teams struggle to communicate the value of their work and boards then underestimate the significance of their brands to the business. Skeptical finance teams, unconvinced by what they perceive as marketing mumbo jumbo may fail to agree necessary investments. What marketing spend there is can end up poorly directed as marketers are left to operate with insufficient financial guidance or accountability. The end result can be a slow but

steady downward spiral of poor communication, wasted resources and a negative impact on the bottom line.

Brand Finance bridges the gap between the marketing and financial worlds. Our teams have experience across a wide range of disciplines from market research and visual identity to tax and accounting. We understand the importance of design, advertising and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money. That is why we connect brands to the bottom line.

By valuing brands, we provide a mutually intelligible language for marketers and finance teams. Marketers then have the ability to communicate the significance of what they do and boards can use the information to chart a course that maximises profits.

Without knowing the precise, financial value of an asset, how can you know if you are maximising your returns? If you are intending to license a brand, how can you know you are getting a fair price? If you are intending to sell, how do you know what the right time is? How do you decide which brands to discontinue, whether to rebrand and how to arrange your brand architecture? Brand Finance has conducted thousands of brand and branded business valuations to help answer these questions.

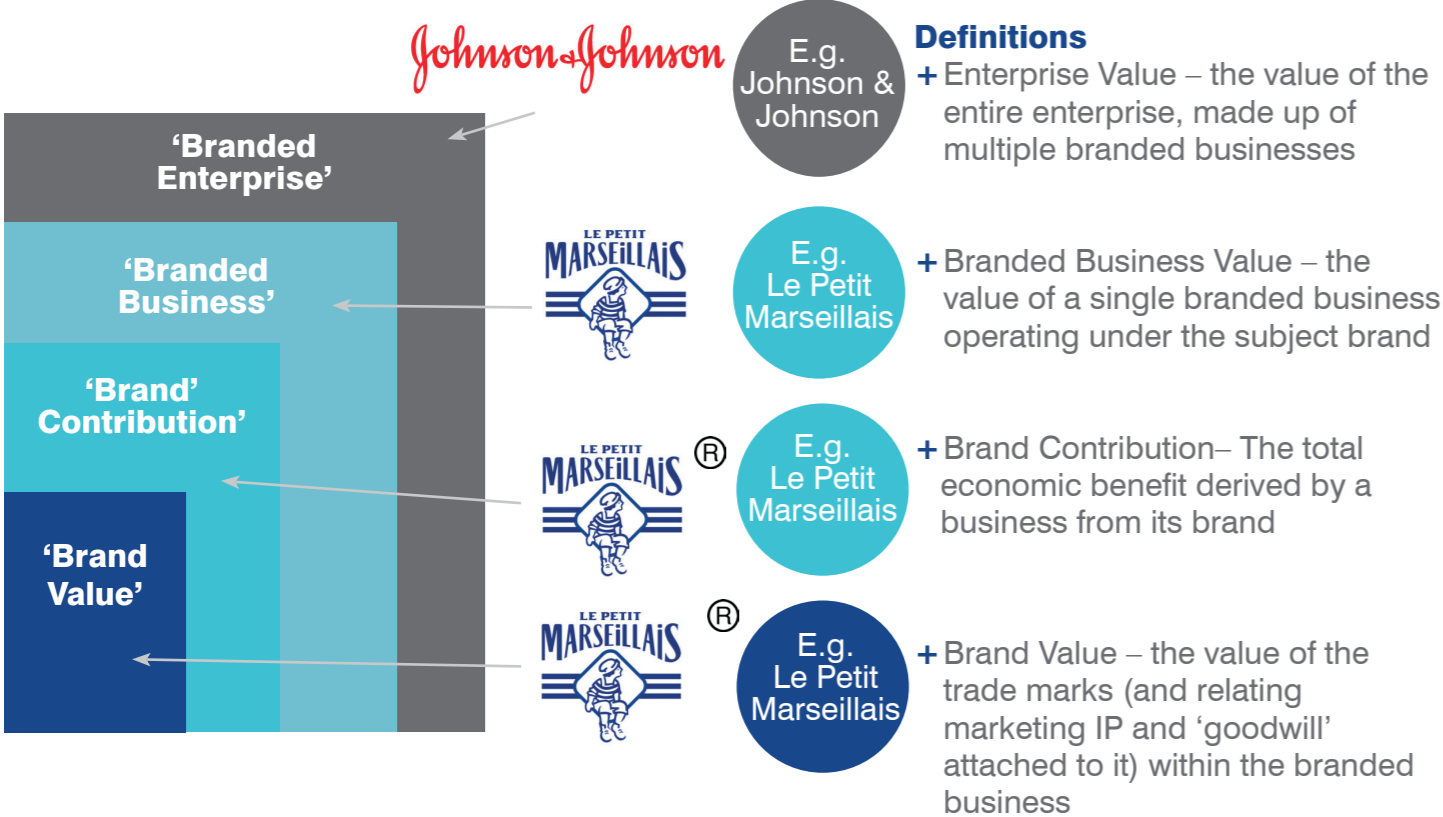
Brand Finance’s recently conducted share price study revealed the compelling link between strong brands and stock market performance. It was found that investing in the most highly branded companies would lead to a return almost double that of the average for the S&P 500 as a whole.

Acknowledging and managing a company’s intangible assets taps into the hidden value that lies within it. The following report is a first step to understanding more about brands, how to value them and how to use that information to benefit the business. The team and I look forward to continuing the conversation with you.

# Contents

<b>Foreword</b>	<b>2</b>
<b>Definitions</b>	<b>4</b>
<b>Methodology</b>	<b>6</b>
<b>Executive Summary</b>	<b>8</b>
<b>Full Table</b>	<b>12</b>
<b>Understand Your Brand’s Value</b>	<b>13</b>
<b>How We Can Help</b>	<b>14</b>
<b>Contact Details</b>	<b>15</b>

# Definitions



## Branded Business Value

A brand should be viewed in the context of the business in which it operates. For this reason Brand Finance always conducts a Branded Business Valuation as part of any brand valuation. Where a company has a purely mono-branded architecture, the business value is the same as the overall company value or ‘enterprise value’.

In the more usual situation where a company owns multiple brands, business value refers to the value of the assets and revenue stream of the business line attached to that brand specifically. We evaluate the full brand value chain in order to understand the links between marketing investment, brand tracking data, stakeholder behaviour and business value to maximise the returns business owners can obtain from their brands.

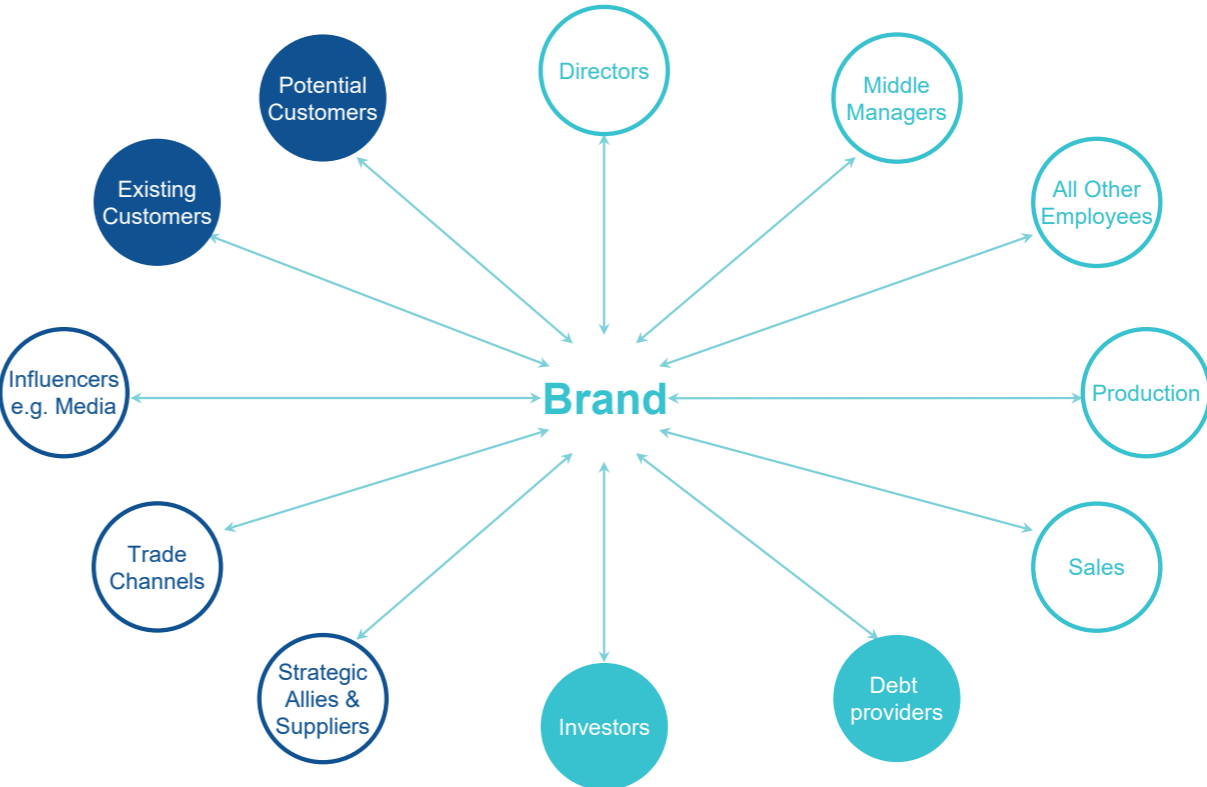
## Brand Contribution

The brand values contained in our league tables are those of the potentially transferable brand asset only, but for marketers and managers alike. An assessment of overall brand contribution to a business provides powerful insights to help optimise performance.

Brand Contribution represents the overall uplift in shareholder value that the business derives from owning the brand rather than operating a generic brand.

Brands affect a variety of stakeholders, not just customers but also staff, strategic partners, regulators, investors and more, having a significant impact on financial value beyond what can be bought or sold in a transaction.

## Effect of a Brand on Stakeholders



## Brand Value

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”.

## 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.

# Methodology

## League Table Valuation Methodology

**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.

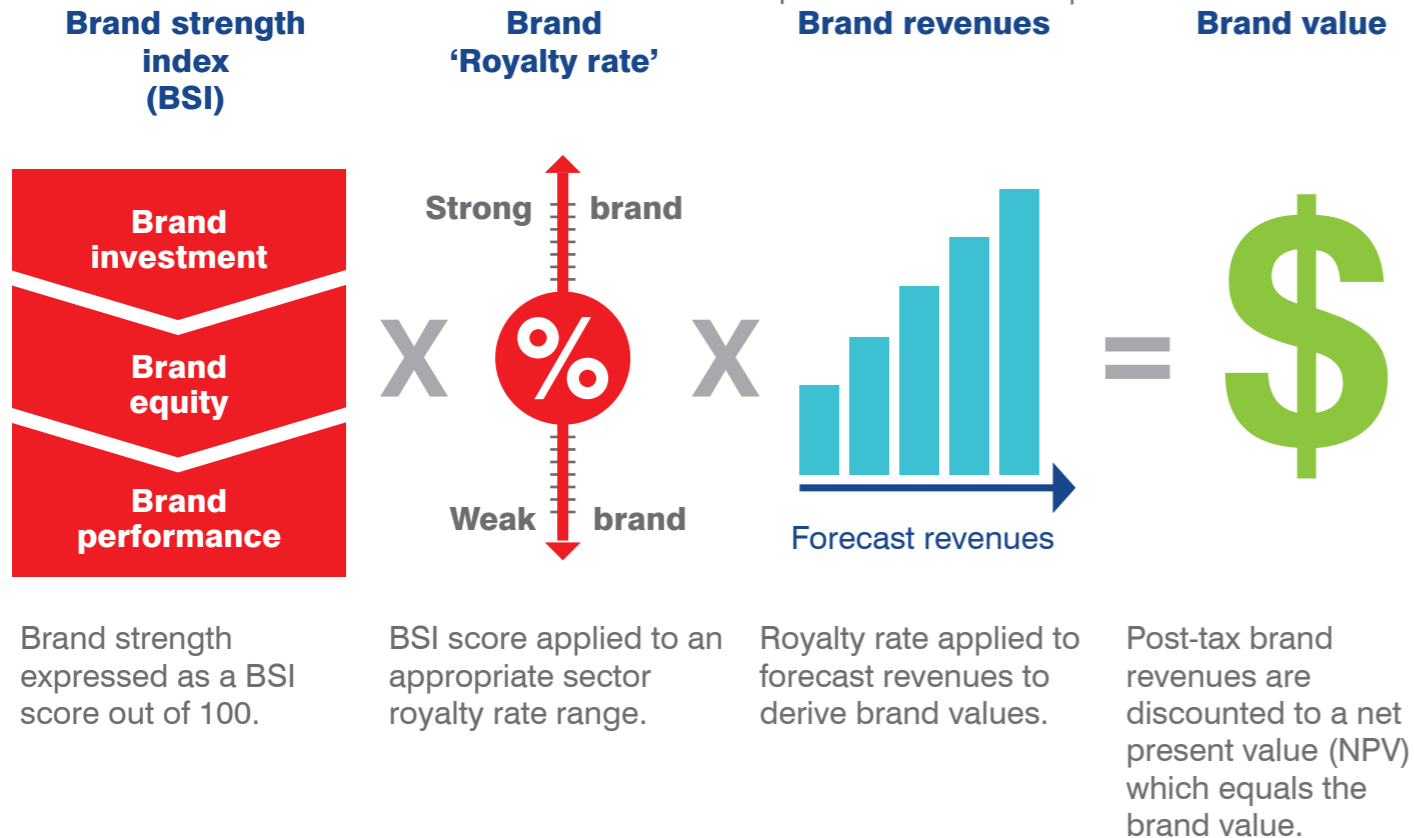
**3** Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand's sector is 1-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand 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.

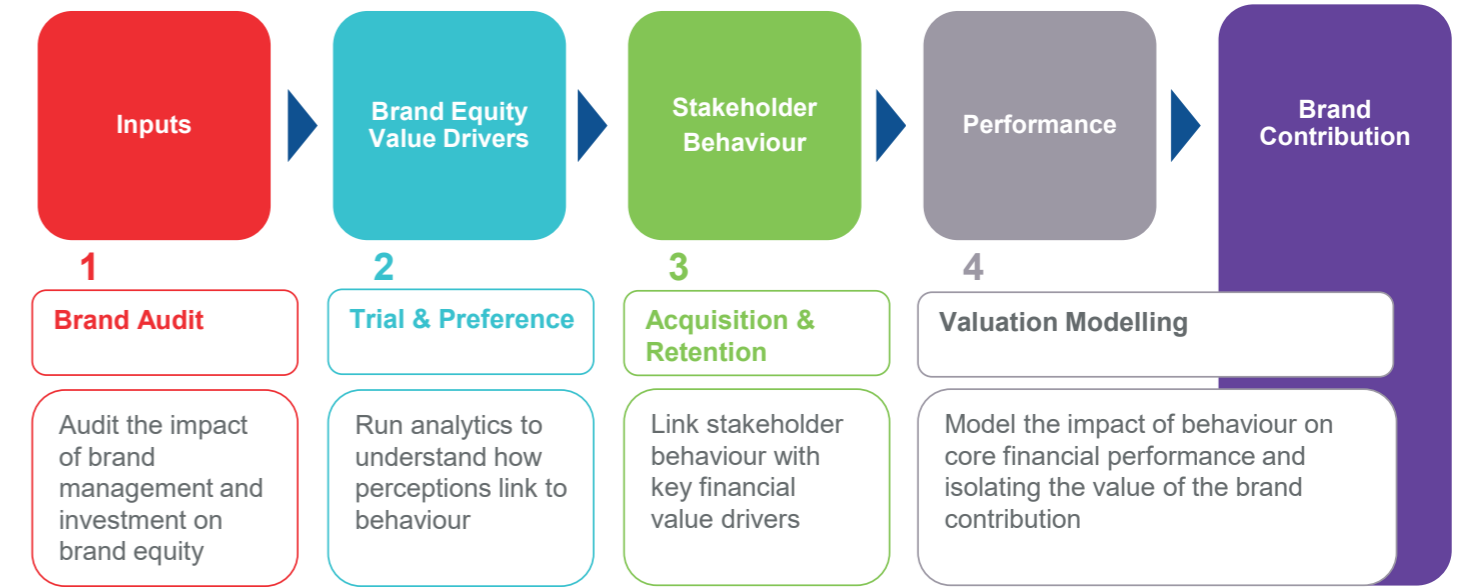
**5** Determine forecast brand specific revenues using a function of historic revenues, equity analyst forecasts and economic growth rates.

**6** Apply the royalty rate to the forecast revenues to derive brand revenues.

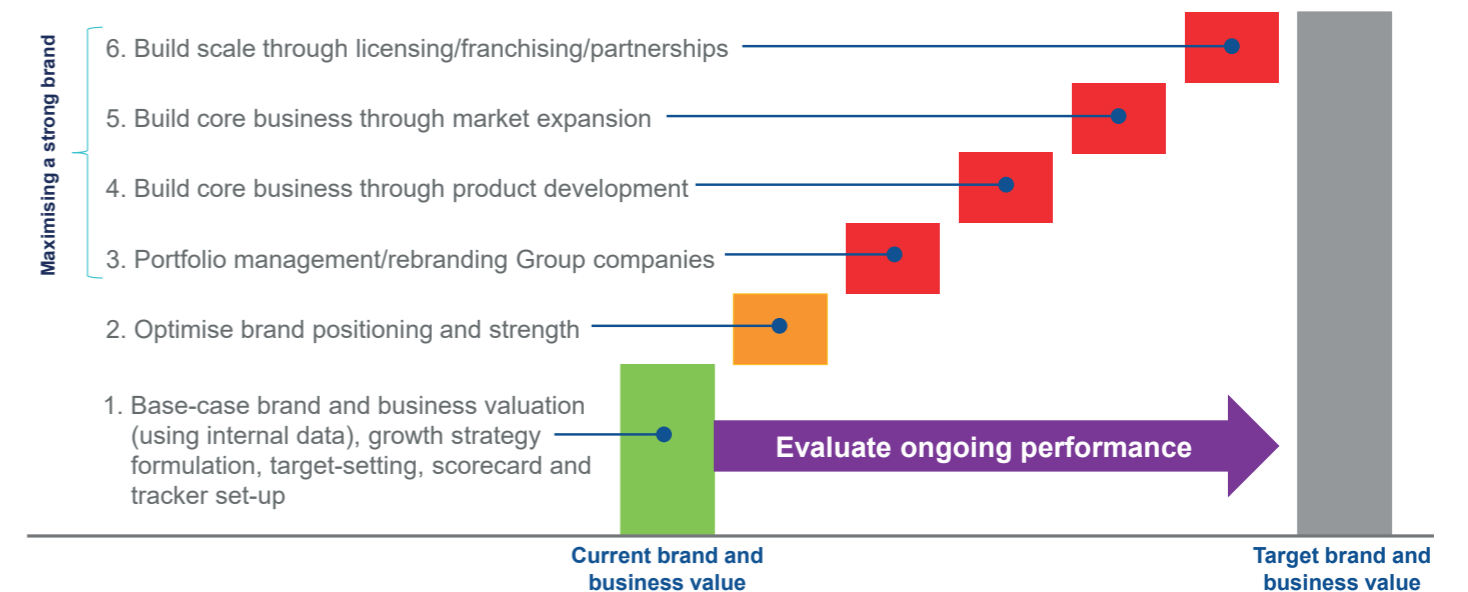
**7** Brand revenues are discounted post tax to a net present value which equals the brand value.



## Brand Finance Typical Project Approach



## How We Help to Maximise Value



# Executive Summary

# Cosmetics 50



Johnson's tops the list of Brand Finance's 50 most valuable cosmetic brands, with a brand value of US\$16.8 billion. Johnson's high brand value stems from both its revenues and its high brand strength, which indicates the relative contribution of a brand compared to other business assets. Johnson's has a brand strength score of 89, second only to Garnier. Part of the reason for this its associations with maternity. An exceptionally high level of brand trust is required to succeed when marketing products for infants. Johnson's has earned this over decades with effective, safe and reliable products and advertising that positions the brand in this way.

Second-placed Gillette was one of the fastest growing brands in the sector this year. Its brand grew by 68% in value last year to reach \$12 billion. The Procter & Gamble-owned brand continued to deliver razor-sharp marketing campaigns,

including its "Perfect isn't pretty" campaign in the lead up to the Olympics. Beyond strengthening brand awareness and consideration through association with such a high profile event, the campaign is designed to align the dedication and precision of Olympic athletes with that of Gillette's product developers.

L'Oréal Paris has lost ground this year, falling behind Gillette to 3rd. Brand value is down 11% in value to US\$8.7 billion. Whilst the brand has rolled out powerful campaigns in 2016, such as the #YoursTruly campaign which featured 23 'beauty influencers' from a diverse range of backgrounds and ethnicities, these have not translated into immediate sales as well as would have been hoped. Though demand in the US remained relatively strong, conditions in L'Oréal's core market of western Europe and in particular its home market of France were more challenging.

	<b>1</b> Rank 2017: <b>1</b> 2016: <b>1</b> ← BV 2017: \$ <b>16,829m</b> BV 2016: \$ <b>15,115m</b> +11% Brand Rating: <b>AAA</b>		<b>6</b> Rank 2017: <b>6</b> 2016: <b>6</b> ← BV 2017: \$ <b>6,189m</b> BV 2016: \$ <b>5,709m</b> +8% Brand Rating: <b>AAA</b>
	<b>2</b> Rank 2017: <b>2</b> 2016: <b>3</b> ↑ BV 2017: \$ <b>12,065m</b> BV 2016: \$ <b>7,189m</b> +68% Brand Rating: <b>AAA</b>		<b>7</b> Rank 2017: <b>7</b> 2016: <b>16</b> ↑ BV 2017: \$ <b>5,394m</b> +101% BV 2016: \$ <b>2,680m</b> Brand Rating: <b>AAA</b>
	<b>3</b> Rank 2017: <b>3</b> 2016: <b>2</b> ↓ BV 2017: \$ <b>8,662m</b> -11% BV 2016: \$ <b>9,783m</b> Brand Rating: <b>AAA</b>		<b>8</b> Rank 2017: <b>8</b> 2016: <b>7</b> ↓ BV 2017: \$ <b>5,062m</b> +5% BV 2016: \$ <b>4,815m</b> Brand Rating: <b>AAA</b>
	<b>4</b> Rank 2017: <b>4</b> 2016: <b>8</b> ↑ BV 2017: \$ <b>8,261m</b> +72% BV 2016: \$ <b>4,802m</b> Brand Rating: <b>AAA</b>		<b>9</b> Rank 2017: <b>9</b> 2016: <b>5</b> ↓ BV 2017: \$ <b>4,987m</b> -16% BV 2016: \$ <b>5,960m</b> Brand Rating: <b>AAA-</b>
	<b>5</b> Rank 2017: <b>5</b> 2016: <b>4</b> ↓ BV 2017: \$ <b>6,689m</b> +8% BV 2016: \$ <b>6,171m</b> Brand Rating: <b>AAA</b>		<b>10</b> Rank 2017: <b>10</b> 2016: <b>11</b> ↑ BV 2017: \$ <b>4,822m</b> +17% BV 2016: \$ <b>4,104m</b> Brand Rating: <b>AAA</b>

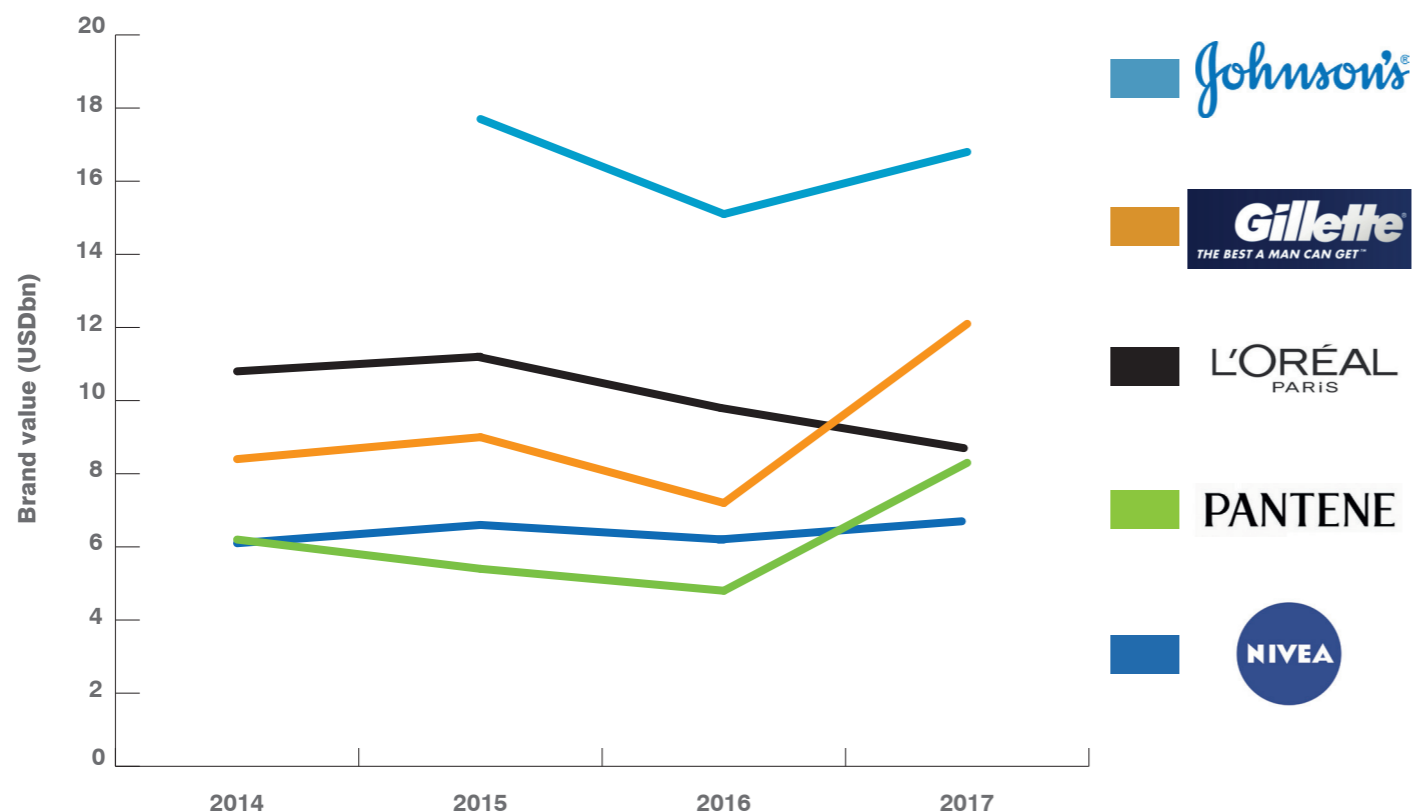


NOW MATCHES 98% OF UK SKIN TONES.  
23 TRUE STORIES BEHIND 23 SHADES, WRITE YOURS.



# Executive Summary

## Brand Value Over Time



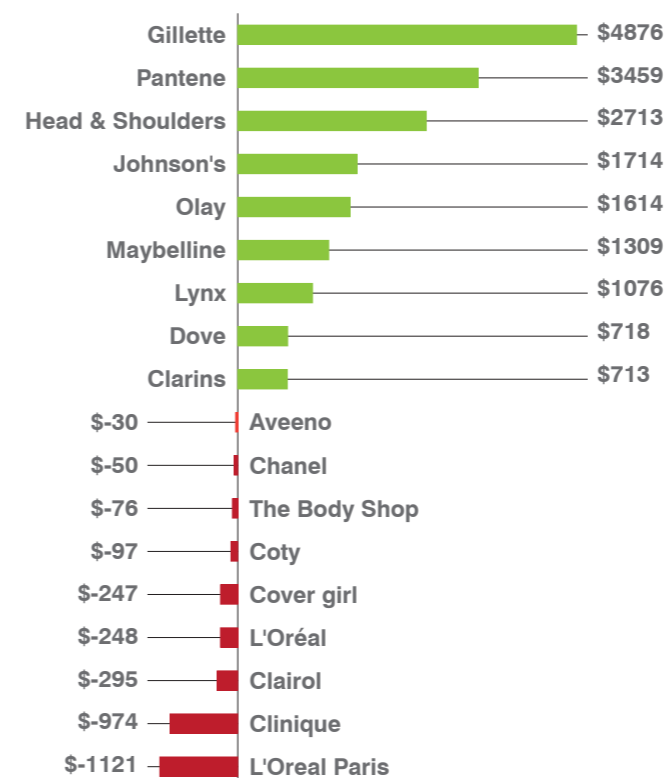
Amongst the brand owners, P&G comes out on top, with 8 brands in the sector's top 50, with a combined brand value of US\$34.1 billion. P&G's brands are growing very strongly; in addition to Gillette's strong growth, Pantene, Olay and SK-II are growing by 72%, 74% and 80% respectively. Recent divestments have enabled P&G to focus more on its core capabilities and best-selling brands. A US\$10 billion cost saving is being pursued by CEO David Taylor, which saw earnings beat analyst expectations in 2016.

Head & Shoulders is perhaps P&G's biggest success story this year. The anti-dandruff shampoo is the fastest growing cosmetics and personal care brand this year, more than doubling brand value to US\$5.4 billion. Recent campaigns include "Scalp Brave." In a break with ads that tended to rely solely on Head & Shoulders' functional attributes, this campaign takes a quirkier approach. The faces of celebrities such as Sofia Vergara and

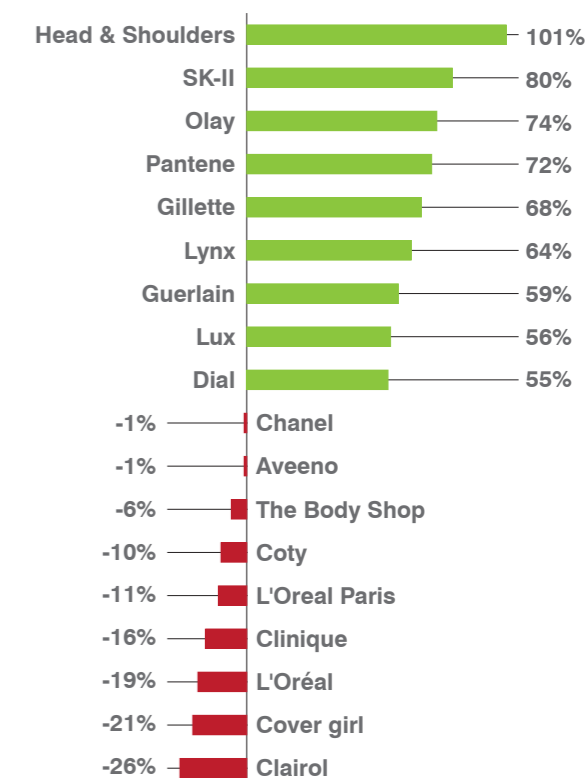
footballer Giovanni Dos Santos are shaved into people's hair, to illustrate the confidence to do bold, fun things that having a flake-free scalp allows. P&G has demonstrated that well-executed creativity can help boost brand value.

Coty has acquired many of the brands that P&G has divested itself of. It is possible that the sudden influx of 43 brands has proven too much of a challenge for Coty, leading to a lack of focus. Since the acquisition, Coty's revenue of \$2.3 billion for the three months leading up to December 2016 fell below expectations and it reported a 7% drop in revenues for its fiscal second quarter. All four of Coty's brands in the table have lost brand value. The Coty brand itself is down 10%, Rimmel 5% and Cover Girl 21%. Clairol is the fastest falling brand this year; its brand value is down 26% to US\$ 859 million.

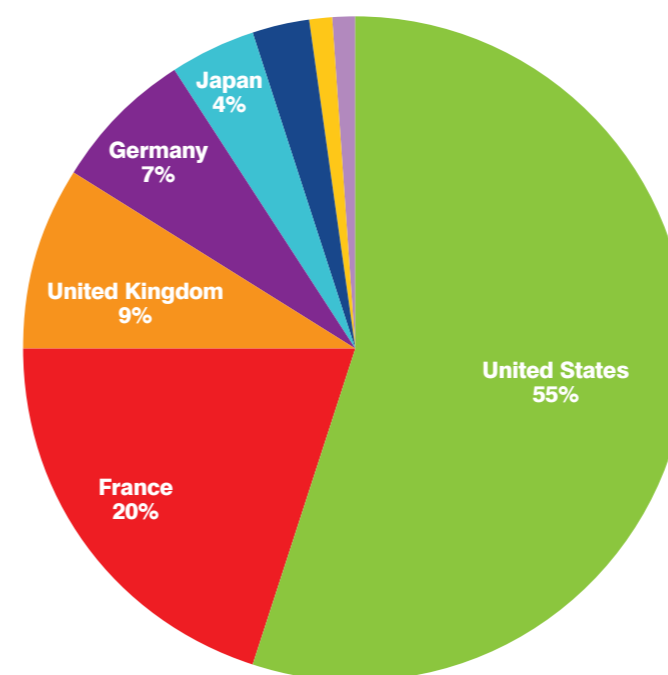
## Brand Value Change 2016-2017 (USDm)



## Brand Value Change 2016-2017 (%)



## Cosmetics 50 2017 - Total Brand Value by Country



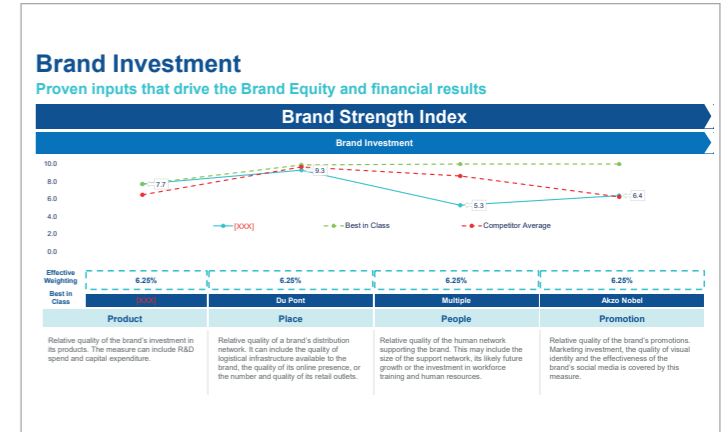
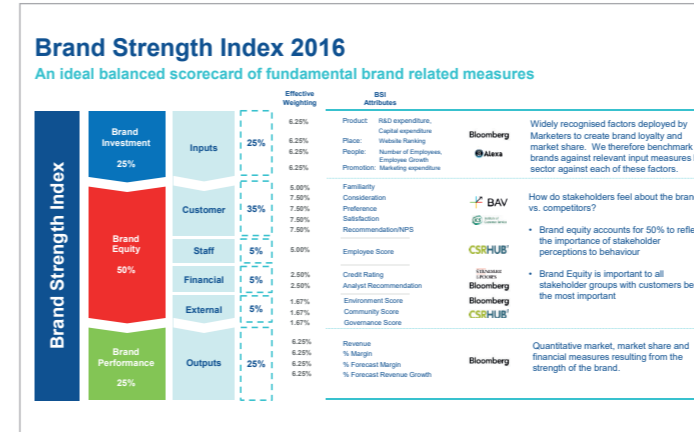
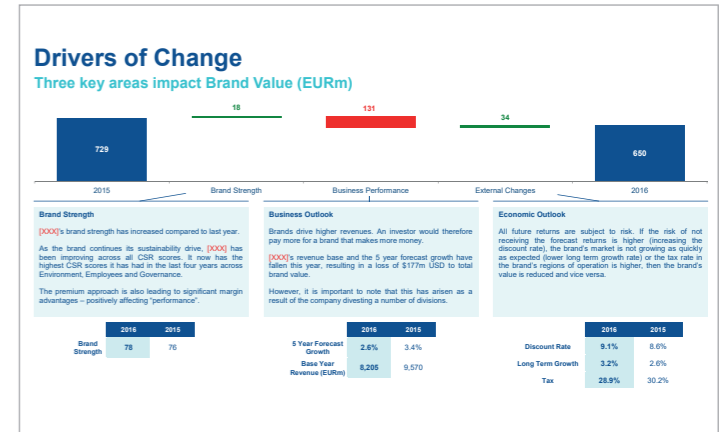
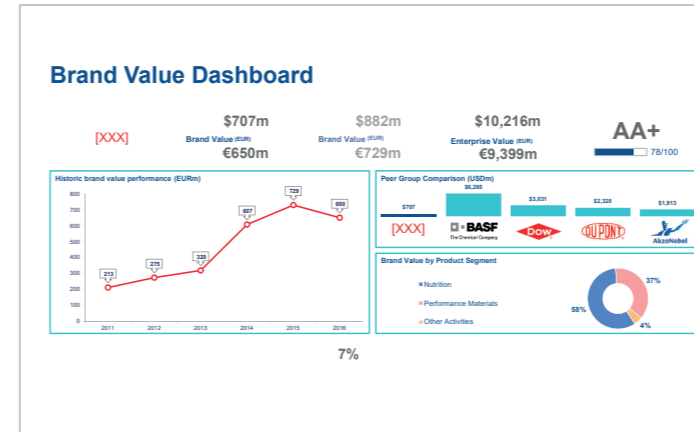
Colour	Country	Total Brand Value (USDm)	% of Total Brand Value
Green	United States	86,111	55%
Red	France	31,523	20%
Orange	United Kingdom	13,699	9%
Purple	Germany	10,472	7%
Cyan	Japan	5,833	4%
Dark Blue	South Korea	5,115	3%
Yellow	Brazil	1,544	1%
Light Purple	Switzerland	960	1%
	<b>Total</b>	<b>155,257</b>	<b>100%</b>

# Brand Finance Cosmetics 50 (USDm)

## Top 50 most valuable cosmetics brands 1 - 50.

Rank 2017	Rank 2016	Brand name	Domicile	Brand value (USDm) 2017	% change	Brand value (USDm) 2016	Brand rating 2017	Brand rating 2016
1	1	Johnson's	United States	16,829	11%	15,115	AAA	AAA+
2	3	Gillette	United States	12,065	68%	7,189	AAA	AAA
3	2	L'Oreal Paris	France	8,662	-11%	9,783	AAA	AAA+
4	8	Pantene	United States	8,261	72%	4,802	AAA	AAA
5	4	Nivea	Germany	6,689	8%	6,171	AAA	AAA-
6	6	Neutrogena	United States	6,189	8%	5,709	AAA	AAA
7	16	Head & Shoulders	United States	5,394	101%	2,680	AAA	AAA
8	7	Garnier	France	5,062	5%	4,815	AAA	AAA
9	5	Clinique	United States	4,987	-16%	5,960	AAA-	AAA-
10	11	Dove	United Kingdom	4,822	17%	4,104	AAA	AAA-
11	14	Maybelline						
12	9	Chanel						
13	10	Estée Lauder						
14	12	Clarins						
15	18	Olay						
16	13	Shiseido						
17	15	Lancome						
18	24	Lynx						
19	17	Schwarzkopf						
20	22	Mac						
21	20	Palmolive						
22	26	Rexona						
23	23	Avon						
24	19	Aveeno						
25	21	Elvive						
26	25	L'Occitane						
27	30	Sulwhasoo						
28	36	Natura						
29	31	Le Petit Marseillais						
30	38	Sunsilk						
31	42	Guerlain						
32	28	Innisfree						
33	45	Rejoice						
34	34	Laneige						
35	27	The Body Shop						
36	46	Lux						
37	35	Bioré						
38	53	SK-II						
39	48	Dial						
40	50	Kosé						
41	52	Safeguard						
42	29	L'Oréal						
43	43	Clean & Clear						
44	39	Old Spice						
45	54	Oriflame						
46	41	RoC						
47	32	Cover girl						
48	37	Coty						
49	33	Clairol						
50	44	Hera						

# Understand Your Brand's Value



**A Brand Value Report provides a complete breakdown of the assumptions, data sources and calculations used to arrive at your brand's value.** Each report includes expert recommendations for growing brand value to drive business performance and offers a cost-effective way to gaining a better understanding of your position against competitors. It includes:

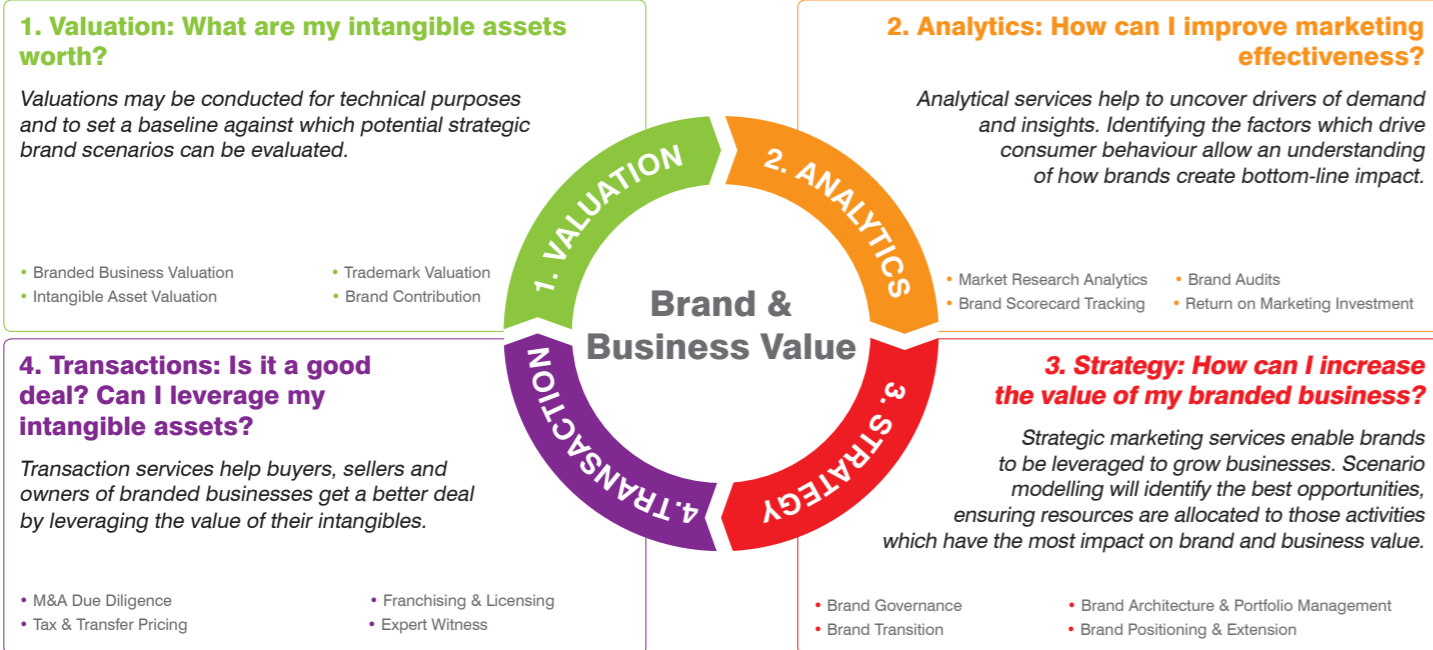
- Brand Valuation Summary**
  - + Internal understanding of brand
  - + Brand value tracking
  - + Competitor benchmarking
  - + Historical brand value
- Brand Strength Index**
  - + Brand strength tracking
  - + Brand strength analysis
  - + Management KPI's
  - + Competitor benchmarking

- Royalty Rates**
  - + Transfer pricing
  - + Licensing/ franchising negotiation
  - + International licensing
  - + Competitor benchmarking
- Cost of Capital**
  - + Independent view of cost of capital for internal valuations and project appraisal exercises
- Trademark Audit**
  - + Highlight unprotected marks
  - + Spot potential infringement
  - + Trademark registration strategy

For more information regarding our Brand Value Reports, please contact:

**Alex Haigh**  
 Director of League Tables, Brand Finance  
[a.haigh@brandfinance.com](mailto:a.haigh@brandfinance.com)

# How we can help



**MARKETING**

We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand based decisions and strategies.

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Market Research Analytics
- + Brand Scorecard Tracking
- + Return on Marketing Investment
- + Brand Transition
- + Brand Governance
- + Brand Architecture & Portfolio Management
- + Brand Positioning & Extension
- + Franchising & Licensing

**FINANCE**

We provide financiers and auditors with an independent assessment on all forms of brand and intangible asset valuations.

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Market Research Analytics
- + Brand Scorecard Tracking
- + Return on Marketing Investment
- + Brand Transition
- + Brand Governance
- + Brand Architecture & Portfolio Management
- + Brand Positioning & Extension
- + Mergers, Acquisitions and Finance Raising Due Diligence
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness

**TAX**

We help brand owners and fiscal authorities to understand the implications of different tax, transfer pricing and brand ownership arrangements.

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Market Research Analytics
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness

**LEGAL**

We help clients to enforce and exploit their intellectual property rights by providing independent expert advice in and outside of the courtroom.

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Tax & Transfer Pricing
- + Expert Witness

# Contact details

## Contact us

For brand value report enquiries, please contact:

**Alex Haigh**

Director of League Tables  
Brand Finance

[a.haigh@brandfinance.com](mailto:a.haigh@brandfinance.com)

For media enquiries, please contact:

**Robert Haigh**

Marketing & Communications  
Director Brand Finance

[r.haigh@brandfinance.com](mailto:r.haigh@brandfinance.com)

For all other enquiries, please contact:

[enquiries@brandfinance.com](mailto:enquiries@brandfinance.com)

+44 (0)207 389 9400



[linkedin.com/company/brand-finance](https://www.linkedin.com/company/brand-finance)



[facebook.com/brandfinance](https://www.facebook.com/brandfinance)



[twitter.com/brandfinance](https://www.twitter.com/brandfinance)

## Disclaimer

Brand Finance has produced this study with an independent and unbiased analysis. The values derived and opinions produced in this study are based only on publicly available information and certain assumptions that Brand Finance used where such data was deficient or unclear. Brand Finance accepts no responsibility and will not be liable in the event that the publicly available information relied upon is subsequently found to be inaccurate.

The opinions and financial analysis expressed in the report are not to be construed as providing investment or business advice. Brand Finance does not intend the report to be relied upon for any reason and excludes all liability to any body, government or organisation.

## Our offices



For further information on Brand Finance's services and valuation experience, please contact your local representative:

Country	Contact	Email address
Australia	Mark Crowe	<a href="mailto:m.crowe@brandfinance.com">m.crowe@brandfinance.com</a>
Brazil	Pedro Tavares	<a href="mailto:p.tavares@brandfinance.com">p.tavares@brandfinance.com</a>
Canada	Bill Ratcliffe	<a href="mailto:b.ratcliffe@brandfinance.com">b.ratcliffe@brandfinance.com</a>
China	Minnie Fu	<a href="mailto:m.fu@brandfinance.com">m.fu@brandfinance.com</a>
Caribbean	Nigel Cooper	<a href="mailto:n.cooper@brandfinance.com">n.cooper@brandfinance.com</a>
East Africa	Jawad Jaffer	<a href="mailto:j.jaffer@brandfinance.com">j.jaffer@brandfinance.com</a>
France	Victoire Ruault	<a href="mailto:v.ruault@brandfinance.com">v.ruault@brandfinance.com</a>
Germany	Dr. Holger Mühlbauer	<a href="mailto:h.muehlbauer@brandfinance.com">h.muehlbauer@brandfinance.com</a>
Greece	Ioannis Lionis	<a href="mailto:i.lionis@brandfinance.com">i.lionis@brandfinance.com</a>
Holland	Marc Cloosterman	<a href="mailto:m.cloosterman@brandfinance.com">m.cloosterman@brandfinance.com</a>
India	Ajimon Francis	<a href="mailto:a.francis@brandfinance.com">a.francis@brandfinance.com</a>
Indonesia	Jimmy Halim	<a href="mailto:j.halim@brandfinance.com">j.halim@brandfinance.com</a>
Italy	Massimo Pizzo	<a href="mailto:m.pizzo@brandfinance.com">m.pizzo@brandfinance.com</a>
Malaysia	Samir Dixit	<a href="mailto:s.dixit@brandfinance.com">s.dixit@brandfinance.com</a>
Mexico	Laurence Newell	<a href="mailto:l.newell@brandfinance.com">l.newell@brandfinance.com</a>
LatAm (exc. Brazil)	Laurence Newell	<a href="mailto:l.newell@brandfinance.com">l.newell@brandfinance.com</a>
Middle East	Andrew Campbell	<a href="mailto:a.campbell@brandfinance.com">a.campbell@brandfinance.com</a>
Nigeria	Babatunde Odumeru	<a href="mailto:t.odumera@brandfinance.com">t.odumera@brandfinance.com</a>
Portugal	Pedro Tavares	<a href="mailto:p.tavares@brandfinance.com">p.tavares@brandfinance.com</a>
Russia	Alexander Eremenko	<a href="mailto:a.erenenko@brandfinance.com">a.erenenko@brandfinance.com</a>
Scandinavia	Alexander Todoran	<a href="mailto:a.todoran@brandfinance.com">a.todoran@brandfinance.com</a>
Singapore	Samir Dixit	<a href="mailto:s.dixit@brandfinance.com">s.dixit@brandfinance.com</a>
South Africa	Jeremy Sampson	<a href="mailto:j.sampson@brandfinance.com">j.sampson@brandfinance.com</a>
Spain	Lorena Jorge Ramirez	<a href="mailto:l.jorgeramirez@brandfinance.com">l.jorgeramirez@brandfinance.com</a>
Sri Lanka	Ruchi Gunewardene	<a href="mailto:r.gunewardene@brandfinance.com">r.gunewardene@brandfinance.com</a>
Switzerland	Victoire Ruault	<a href="mailto:v.ruault@brandfinance.com">v.ruault@brandfinance.com</a>
Turkey	Muhterem Ilgüner	<a href="mailto:m.ilguner@brandfinance.com">m.ilguner@brandfinance.com</a>
UK	Alex Haigh	<a href="mailto:a.haigh@brandfinance.com">a.haigh@brandfinance.com</a>
USA	Ken Runkel	<a href="mailto:k.runkel@brandfinance.com">k.runkel@brandfinance.com</a>
Vietnam	Lai Tien Manh	<a href="mailto:m.lai@brandfinance.com">m.lai@brandfinance.com</a>



## Contact us.

---

**The World's Leading Independent Branded Business Valuation and Strategy Consultancy**

**T:** +44 (0)20 7839 9400

**E:** [enquiries@brandfinance.com](mailto:enquiries@brandfinance.com)

[www.brandfinance.com](http://www.brandfinance.com)