

## Shell's Consolidation Strengthens World's Most Valuable Oil & Gas Brand

- **Shell maintains status as the world's most valuable Oil & Gas brand with a value of US\$36.8bn**
- **Strategic divestment and marketing communications help to strengthen brand**
- **However, growth rates of 40%+ mean Sinopec and PetroChina likely to overtake Shell this year**

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 most valuable oil & gas brands are ranked and included in the Brand Finance Oil & Gas 50 2017.

In brand value terms, the last year has been perhaps surprisingly successful for oil & gas brands. Just seven of the top 50 have lost brand value, with dozens of major brands seeing double digit growth. Oil prices saw a fairly steady increase across 2016 as supply became slightly more constrained, helping to improve revenues. After a drop at the beginning of the year, Brent Crude nearly doubled in value from early January to the end of December.

Shell remains the world's most valuable oil and gas brand with a brand value of US\$37 billion, up from US\$31.6 billion last year. Shell's asset disposal program combined and geographic pullback have helped it to consolidate the strength of its brand. Shell's brand strength has been upgraded from AA+ to AAA-. Its longstanding partnership with Ferrari continues to deliver returns, with a demonstrable price premium attributable to the association with the world's most powerful auto brand. As part of its 'Make the Future' initiative, Shell enlisted the help of six popstars from around the world for its 'Best Day of My Life' video, which became one of the most viral ads of 2016. David Haigh continues, "The enhanced strength of Shell's brand will enable it to maintain or improve margins, even as revenues fall."

2<sup>nd</sup> and 3<sup>rd</sup> place are Sinopec and PetroChina are growing rapidly. As in so many other of Brand Finance's brand value league tables, Chinese brands are just on the cusp of taking the number one spot. Sinopec and PetroChina's brands are worth US\$29.6 billion and US\$29 billion respectively and even with far lower rates of growth than this year (47% and 43%), both could easily overtake Shell in 2018.

Brand Finance CEO David Haigh continues, "Sinopec is planning a US\$10 billion IPO of its retail business which includes over 30,000 sites. A clear understanding of brand value drivers will be a useful tool in extracting maximum value from the listing and, post-sale brand management will become even more critical as shareholders demand accountability."

**ENDS**

### Note to Editors

Brand values are reported in USD. For precise conversions into local currency values, please confirm rates with the Brand Finance team.

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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.

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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.