

## Baijius Overtake Whiskeys to Become World's Most Valuable Spirit Brands

- **Global brand study reveals values of the world's top beer & spirit brands**
- **Baijius account for 37.5% of total value vs 28% for Whiskey/Whisky**
- **Individual Baijiu brands growing by as much as 91% year on year**
- **Budweiser and Bud Light grow strongly despite Superbowl ad controversy**

Every year, leading valuation and strategy consultancy [Brand Finance](#) values the brands of thousands of the world's biggest companies. The world's 50 most valuable spirits brands are included in the Brand Finance Spirits 50 and the top 25 beer brands in the Brand Finance Beers 25.

2017 is the year of Baijiu brands. For the first time, the fiery Chinese drink now accounts for a greater share of brand value than any other spirit type. In 2016, Baijiu accounted for 23% of the total brand value of the Brand Finance Drinks 50 behind Whiskey/Whisky on 37%. However this year, the tables have turned. Whiskey's share has dropped to 28% while Baijiu's has surged to 37.5%. The world's top Baijiu brands have a combined value of over US\$22 billion.

Moutai maintains its position as the world's most valuable spirits brand with an outstanding 60% increase in brand value to US\$11.5 billion. The Chinese brand has been performing well with a 19% year-on-year increase in revenue and 7% increase in net profit, driving up its share price. 50% of all sales in 2012 were to government entities so Moutai's brand value and future success appeared to have been seriously threatened by a government crackdown on excess and gift-giving that might be construed as bribery. However the gap has been filled by individual consumers and private enterprise. Demand is now stronger than ever, with the price of a bottle recently rising to 1,200 yuan.

Moutai is even tentatively expanding outside China, celebrating the one year anniversary of Moutai Day in San Francisco in 2016 as well as launching in Germany.

Other Baijiu brands are performing extremely well too. Gujing Gong Jiu is the fastest growing brand this year, nearly doubling its brand value to US\$1.1 billion. Wuliangye, Luzhou Laojiao and Yanghe follow suit, with 86%, 73% and 50% increases respectively. Brand Finance's CEO David Haigh comments, "These rates of growth support existing evidence to suggest that consumers are trading up to more premium Baijius. The Baijiu market is resurgent but some have suggested this may only be temporary and that Chinese consumers' tastes will diversify without corresponding growth internationally to compensate. In such a situation, strong brands will be essential to maintain market share."

Johnnie Walker remains the world's most valuable Whiskey/Whisky brand by a considerable margin despite a 2% brand value drop this year. Its US\$4.5 billion brand value keeps it in second place within the sector as a whole.

Malibu has fallen more than any brand this year, mainly as a result of falling sales. Brand value is down 17% to US\$273m. A perennial problem for owners Pernod Ricard has been Malibu's seasonality with sales spiking in July and spiking in September/October. To counter this, Malibu black has been introduced. With a less sweet taste and packaging more akin to a traditional dark rum, it is hoped that it will help to keep the brand top of mind and maintain market share through the winter months.

The world's most valuable beer brand is Bud Light. It is also the fastest growing major beer brand this year, up 34% to US\$ 6.6 billion. Sister brand Budweiser is in second place at

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US\$5.9 billion. Anheuser Busch courted controversy with its Superbowl ad, 'Born the Hard Way'. The cinematic spot emphasized Budweiser's heritage and the perseverance of its founder, but drew the ire of Trump supporters who called for a boycott of the brand for what they saw as thinly veiled pro-immigrant propaganda. This does not appear to have had any lasting damage however, with brand value up 30%.

Heineken is in 3<sup>rd</sup> place again with a brand value growth of 22% to US\$5.2 billion. Heineken is a major global sponsor, particularly of sports. It has a longstanding relationship with the UEFA Champions League, however Heineken is slowly shifting its focus away from football which it sees as 'totally overcrowded' with competitors brands making differentiation difficult. It is instead developing its involvement with F1 and has renewed its association with Rugby by announcing that it will be the headline sponsor of the 2019 Rugby World Cup.

**ENDS**

## Note to Editors

More information about the methodology, as well as definitions of key terms are available in the [Brand Finance Alcoholic Beverages 2017 Report](#) document. 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."

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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.

