BRANDS BY VALUE



Value stakes

DI and Brand Finance present their annual analysis of spirits brands' global standing by value, beginning here with the methodology behind the table

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".

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 (a score of 90 out of 100) are exceptionally strong and well managed while a failing brand would be assigned a D grade (a score of 5 out of 100) .

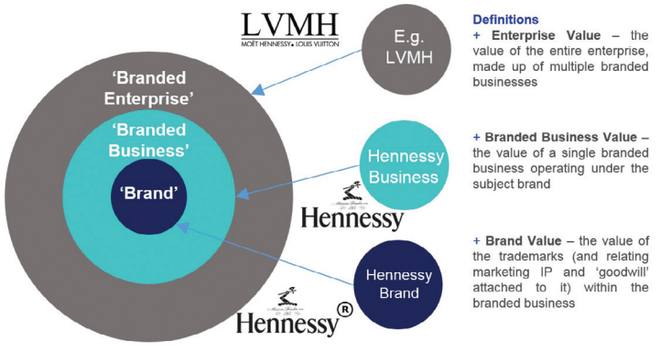
Brand Finance calculates the values of the brands in its league tables using the Royalty Relief approach. This involves estimating the likely future sales that are attributable to a brand and calculating a royalty rate that would be charged for the use of the brand, ie what the owner would have to pay 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 marketing investment, emotional connection and financial performance, among others. This score is known as the Brand Strength Index. This year, Brand Finance has incorporated market research from BAV Consulting to help inform this process.
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 approximately 4%.
4. Determine brand-specific forecast revenues using a function of case sales, average prices and equity analyst forecasts to determine the proportion of a parent company's revenues attributable to a specific brand.
5. Apply the royalty rate to the forecast revenues to derive brand revenues.
6. Brand revenues are discounted post tax to a net present value which equals the brand value.

▶ p28

What do we mean by 'brand'?



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Top 50 Spirits Brands by Value

RANK 2015	RANK 2014	BRAND	PARENT COMPANY	DOMICILE	CATEGORY	GLOBAL/ REGIONAL	BRAND VALUE 2015 (USD $M)	BRAND RATING 2015	CASES SOLD 2013 (M)	BRAND VALUE CHANGE	BRAND VALUE 2014 (USD $M)	BRAND RATING 2014	CASES SOLD 2012 (M)
1	1	Johnnie Walker	Diageo	Britain	Whisky	Global	5,603	AAA	20.1	13%	4,966	AAA	18.9
2	2	Kweichow Moutai	Kweichow Moutai	China	Baijiu	Regional	4,483	AAA-	n/a	8%	4,165	AAA-	n/a
3	3	Hennessy	LVMH	France	Cognac	Global	3,379	AA+	5.4	21%	2,787	AA+	5.2
4	6	Chivas Regal	Pernod Ricard	France	Whisky	Global	2,474	AA+	4.9	23%	2,019	AA+	4.8
5	4	Smirnoff	Diageo	Britain	Vodka	Global	2,118	AAA-	26.1	-6%	2,259	AAA-	25.8
6	8	Jack Daniel's	Brown-Forman	US	Whiskey	Global	1,946	AAA-	11.5	9%	1,788	AA+	10.7
7	5	Bacardi	Bacardi	US	Rum	Global	1,908	AA+	19.1	-6%	2,022	AA+	19.8
8	10	Absolut	Pernod Ricard	France	Vodka	Global	1,764	AA	11.6	9%	1,615	AA+	11.4
9	7	Wuliangye	Wuliangye Yibin	China	Baijiu	Regional	1,679	AA-	n/a	-6%	1,796	AA-	n/a
10		Yanghe	Jiangsu Yanghe Brewery	China	Baijiu	Regional	1,521	AA-	n/a				
11	11	Crown Royal	Diageo	Britain	Whisky	Regional	1,417	AAA-	5.5	14%	1,240	AAA-	4.9
12		Ruang Khao	Thai Beverage	Thailand	Rum	Regional	1,354	A+	n/a				
13	13	Grey Goose	Bacardi	US	Vodka	Global	1,229	AA+	3.9	14%	1,077	AA	3.8
14	12	Baileys	Diageo	Britain	Liqueur	Global	1,025	AAA-	6.5	-13%	1,178	AAA-	6.5
15	9	Luzhou Laojiao	Luzhou Laojiao	China	Baijiu	Regional	904	A+	n/a	-44%	1,616	AA-	n/a
16	14	Ricard	Pernod Ricard	France	Anis	Regional	893	AAA-	4.6	-11%	1,005	AAA-	5.5
17	15	Ballantine's	Pernod Ricard	France	Whisky	Global	850	AA+	5.9	-1%	858	AA+	6.1
18	19	McDowells/McDowell's No.1	Diageo	India	Brandy, Whisky, Rum	Regional	752	AA-	55.3	20%	626	AA	53.4
19	18	Chamisul	Hite Jinro	South Korea	Soju	Global	743	AA+	66.5	13%	659	AA+	65.3
20	21	Jameson	Pernod Ricard	France	Whiskey	Global	700	AA	4.3	14%	612	AA	4.0
21	25	Jägermeister	Mast Jägermeister	Germany	Bitters	Global	669	AA-	7.2	25%	533	AA-	6.9
22	16	Grant's	William Grant & Sons	Britain	Whisky	Global	637	A+	4.7	-15%	752	A+	4.5
23	20	Jim Beam	Beam Suntory	US	Whiskey	Global	625	AA	6.9	1%	619	AA	6.3
24	26	Cîroc	Diageo	Britain	Vodka	Global	609	AA	2.1	18%	516	AA	2.1
25	24	Havana Club	Pernod Ricard	France	Rum	Global	575	AA	3.9	6%	544	AAA-	3.9
26		Gujing Gong Jiu	Gujing Gong Jiu	China	Baijiu	Regional	554	A+	n/a				
27	17	Remy Martin	Rémy Cointreau	France	Cognac	Global	538	AA	1.7	-20%	670	AA	n/a
28		Jose Cuervo	Tequila Cuervo	Mexico	Tequila	Global	528	AA+	N/A				4.4
29	23	Captain Morgan	Diageo	Britain	Rum	Global	512	AA+	10.3	-8%	554	AA+	9.8
30	27	Ketel One	Diageo	Britain	Vodka	Regional	467	AA+	2.4	4%	448	AA	2.2
31	34	Glenfiddich	William Grant & Sons	Britain	Whisky	Global	462	AA-	1.1	35%	342	A+	1.0
32	29	Famous Grouse	Edrington Group	Britain	Whisky	Global	456	AA	3.3	7%	425	AA+	3.3
33		Belvedere	LVMH	France	Vodka	Global	437	AA+	n/a				
34	28	Buchanans	Diageo	Britain	Whisky	Regional	433	AAA-	1.5	0%	431	AAA-	1.7
35	33	Malibu	Pernod Ricard	France	Rum	Global	429	AA	3.7	15%	375	AA	3.8
36	31	Martell	Pernod Ricard	France	Cognac	Global	356	AA	2.6	-7%	385	AA	2.0
37	36	Kahlua	Pernod Ricard	France	Liqueur	Global	342	AAA-	1.6	8%	318	AA+	1.7
38	35	Brugal	Edrington Group	Britain	Rum	Global	324	AA	3.3	0%	323	A+	4.0
39	30	Gordon's Gin	Diageo	Britain	Gin	Global	323	AA+	3.7	-18%	392	AA+	3.9
40	32	J&B Rare	Diageo	Britain	Whisky	Global	314	AA+	3.8	-17%	376	AA	4.6
41	41	The Glenlivet	Pernod Ricard	France	Whisky	Global	311	AA	1.0	13%	275	AA	0.8
42		Maker's Mark	Beam Suntory	US	Whiskey	Global	282	AA+	1.4				1.3
43	37	Beefeater	Pernod Ricard	France	Gin	Global	280	AA	2.6	-8%	303	AA+	2.5
44	38	Bombay Sapphire	Bacardi	US	Gin	Global	274	AA+	2.8	-8%	299	AA+	2.6
45		Courvoisier	Beam Suntory	US	Cognac	Global	260	AA	1.4				1.4
46	45	El Jimador	Brown-Forman	US	Tequila	Regional	251	AA-	1.2	0%	251	AA-	
47	48	Finlandia	Brown-Forman	US	Vodka	Regional	247	AA+	3.5	15%	214	AA	
48		Hong Thong	Thai Beverage	Thailand	Whisky	Regional	247	A	n/a				
49	47	William Lawson's	Bacardi	US	Whisky	Global	242	AA	2.8	11%	219	AA	2.6
50	50	Sauza	Beam Suntory	US	Tequila	Global	233	AA-	3.6	11%	209	A+	3.3

Whisky

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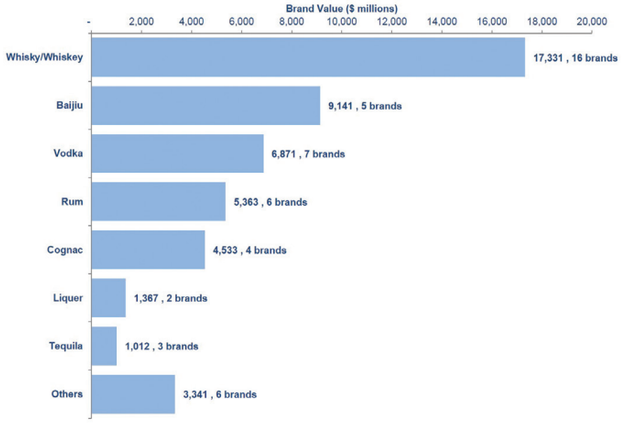
Vodka

RANK 2015	RANK 2014	BRAND	PARENT COMPANY	DOMICILE	CATEGORY	GLOBAL/ REGIONAL	BRAND VALUE 2015 (USD $M)	BRAND RATINGS 2015	SOLD 2013 (M)	BRAND VALUE CHANGE	BRAND VALUE 2014 (USD $M)	BRAND RATING 2014	CASES SOLD 2012 (M)
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2	2	Absolut	Pernod Ricard	France	Vodka	Global	1,764	AA	11.6	9%	1,615	AA+	11.4
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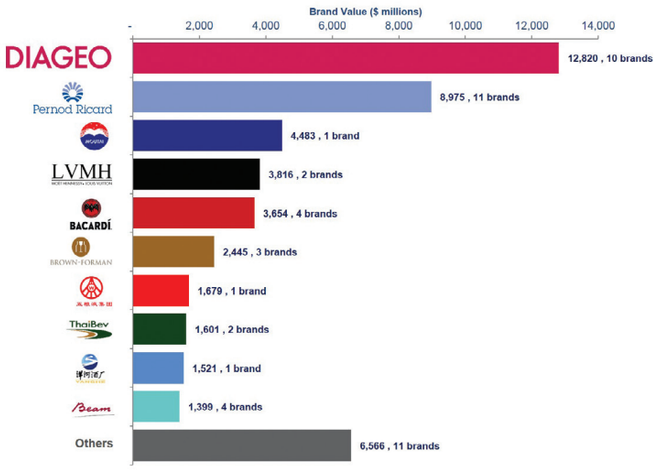
Baijiu

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Brand value by category

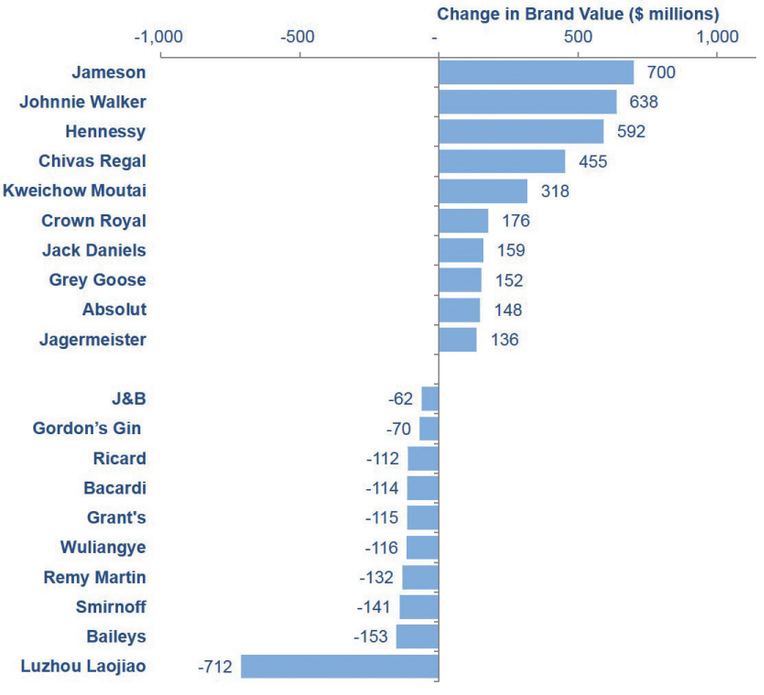


Brand value by parent company





Biggest movers



Executive summary



Despite slowing growth in emerging economies and excise tax increases as governments seek to curb drinking, the spirits sector is on track to maintain the momentum it has achieved over the past few years. Global sales growth is being driven by an increased taste for pricier brands and innovation such as new flavours of vodka and, more recently, whisk(e)y.

Johnnie Walker

The global whisky brand has retained its position as the most valuable spirits brand in the world this year, achieving a 13% increase in value. Johnnie Walker's brand value for 2015 stands at $5.6bn, more than $1bn above second place Moutai.

Clever marketing strategies and a truly global presence have helped the brand achieve consecutive gains in brand value.

Although sales in the US have been hit, the brand has had success on the back of the global growth in consumer preference for premium brands, seeing increasing demand for Johnnie Walker's premium Blue, Double Black and Platinum label variants.

Jack Daniel's

Jack Daniel's has climbed two places in the Spirits Top 50 and is now the 6th most valuable spirits brand in the world, with a brand value of $1.95bn.

The company has experienced rising sales as the popularity of brown spirits increases, particularly in the US which has seen a rise in the popularity of bourbons. Jack Daniel's has realised significant benefits on the back of successful flavour innovation, the Tennessee Honey variety of its world-renowned bourbon has experienced sizeable growth – the possible result of increased appeal to women – selling a million cases in only three years.

Jägermeister

Jägermeister has experienced a growth in popularity over recent years, seeing the brand gain in value by 25% to $669m this year.

The brand has no clear competitors and its distinctive flavour and aggressive marketing campaigns have won over the masses. Despite the brand facing recent competition in the American market from Fireball Cinnamon Whiskey, that trend is yet to translate internationally and, therefore, Jägermeister remains the "shot of choice".

Brand value in brief

Brand value is the amount that an independent third party might pay to buy the trademark and associated intellectual property. For example, Johnnie Walker's brand value in this year's Brands by Value is $5.6bn. This represents Brand Finance's opinion on how much someone might be willing to pay to acquire the Johnnie Walker trademark.

Chinese anti-extravagance

Government austerity measures have seen decreased sales of upmarket spirits, affecting domestic and international spirits brands alike.

The Chinese government has been seeking to put an end to the extravagance that officials and entrepreneurs have become accustomed to and resultantly a decline in spirits sales within the country has been seen.

Chinese brands in particular have been affected. There are five Chinese brands in the top 50 spirits brands this year – Kweichow Moutai, Wuliangye, Yanghe, Luzhou Laojiao and Gujing Gong Jiu – all of which produce baijiu.

Moutai ranks second in our top 50 spirits table with a brand value of

Brand Finance

About Brand Finance

Brand Finance is the world's leading independent brand valuation and strategy consultancy. It was set up in 1996 with the aim of 'bridging the gap between marketing and finance'. For almost 20 years we have helped companies to connect their brands to the bottom line, building robust business cases for brand decisions, strategies and investments. In doing so, we have helped finance people to evaluate marketing programmes and marketing people to present their case in the board room.

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.

As with any asset, without knowing the precise, financial value, 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 buy or sell, how do you know what the right time is? Brand Finance has conducted hundreds of brand and branded-business valuations to help answer these questions.

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$4.48bn, an 8% uplift on last year's value. However, growth of the company's brand value has slowed significantly, having achieved a 76% increase last year.

Meanwhile, Luzhou Laojiao suffered a 44% decline in brand value this year.

Vodka

The market for vodka has grown slowly over the past year, appearing to lose some ground in the spirits industry as consumers switch to whisky.

Smirnoff remains the biggest brand within the segment, despite losing 6% in brand value this year as a result of stagnant sales, particulatrly in the US.

The brand has been increasing its marketing expenditure, seeking a partnership with Spotify and launching a range of pre-mixed sorbet-flavour cocktail pouches.

However, brands including Grey Goose, Cîroc, Belvedere and, to a certain extent, Absolut, have experienced gains in brand value as a result of increasing consumer preference for premium spirits.

AAA Brands

As part of a brand valuation exercise, the strength of a brand is evaluated against its peers across a number of measures, including marketing investment, emotional connection and financial performance, among others which is used to arrive at a brand strength score out of 100.

This is, in turn, translated into a brand rating which ranges from D to AAA+. This year, Brand Finance has incorporated market research from BAV Consulting to help inform this process.

There are nine brands in the table that have achieved a brand rating of AAA- or better (ie a brand strength score higher than 80).

Of particular interest are Kahlua, Baileys and Ricard, which have managed to achieve this status despite stagnant sales over the past five years. The challenge for these brands is to convert the high levels of affinity that people have for these drinks into stronger financial performance.

Another interesting case is that of Kweichow Moutai, which has maintained its AAA- brand rating, demonstrating the immense popularity of the brand in its home market.

However, given the slowdown that is currently being experienced in China, breaking the international market may be the only route to financial sustainability.

It remains to be seen whether the rest of the world will develop a taste for baiju or whether there is potential to extend the Kweichow Moutai brand into other categories.

Note – Brand Finance relies on publicly available financial data in order to value the brands in the table. As such, notable brands where financial data was unable to be sourced and therefore not valued include Patrón, Suntory whisky portfolio and Russian Standard vodka portfolio.

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Premiumisation

Premiumisation is a well-known trend in the last several years within the world of spirits. Consumers are constantly thirsty for premium brands as their wallets grow deeper and, thus, the desire to treat themselves to presumably higher quality alcohol increases as well.

However, there exist differences, albeit arguably subtle ones, in the concept of premiumisation across demographics. In this article, BAV Consulting leverages its extensive global database to further explore this trend in two of the largest markets, the US and UK.

The term 'premium' is comprised of four attributes that are tracked in the BAV survey – Best Brand, High Performance, High Quality, and Worth More, or, in other words, when spirits are considered premium, consumers are willing to pay more money for the experience.

Unsurprisingly, many of the top 10 premium brands within the US and the UK also are synonymous with brands that have the highest monetary value globally, as shown by the league tables compiled by Brand Finance.

Below is a snapshot of the top premium spirit brands to American drinkers in 2014. Compared to other alcohol labels, these brands are consistently seen as unique, trustworthy and social. Additionally, American drinkers consider these brands similar to other high quality and well-known brands such as Bergdorf Goodman and Starbucks.

Many of the same attributes once again pop up in the UK. When it comes

US SPIRIT DRINKERS' PREMIUM ALCOHOL BRANDS

Top premium alcohol brands



Premium alcohol brands essences

Leader
Upper Class
Trustworthy
Distinctive
Authentic
Original
Social
Prestigious
Reliable
Traditional
Trendy
Fun
Friendly
Good Value
Unique

Brands in other categories similar to premioum alcohol brands



UK SPIRIT DRINKERS' PREMIUM ALCOHOL BRANDS

Top premium alcohol brands



Premium alcohol brands essences

Trustworthy
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Distinctive
Trendy
Good Value
Reliable
Upper Class
Original
Fun
Leader
Authentic
Unique
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Glamorous

Brands in other categories similar to premioum alcohol brands



BAV Consulting

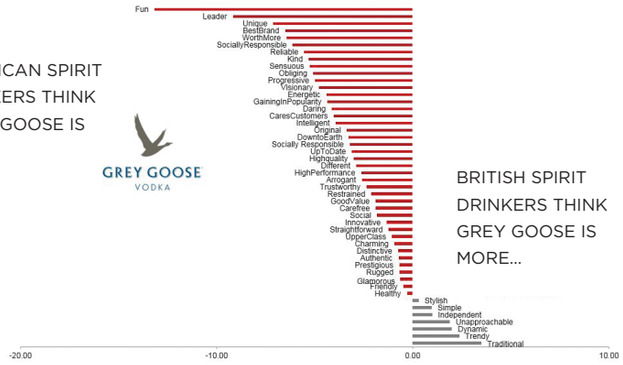
About BAV Consulting

BAV Consulting is a global strategic consultancy with expertise in corporate, brand and marketing strategies, trends, and consumer insights. It seeks to change the way the world thinks about brands by using a proprietary and academically validated model that leverages the Brand Asset Valuator database to connect the emotional attachment created by brands to financial returns. Through its brand and business strategy engagements, the clients of BAV Consulting see increased consideration, usage, sales, and shareholder value. The BAV Database is the leading and largest quantitative, empirical study of brands and consumers in the world. Spanning 20 years, 51 countries, and over 1,000,000 respondents, BAV contains ratings of 50,000 brands on 72 dimensions.

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AMERICAN & BRITISH DRINKERS' PERCEPTIONS OF GREY GOOSE

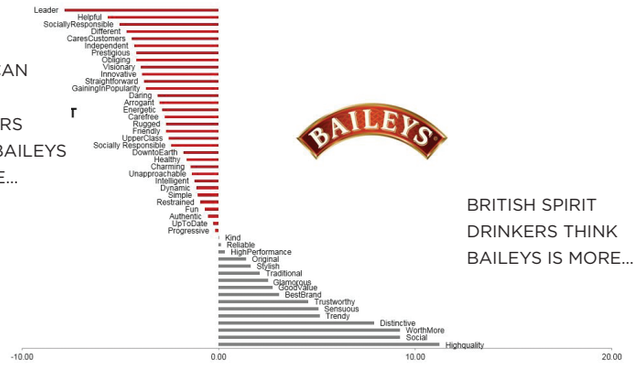
AMERICAN SPIRIT DRINKERS THINK GREY GOOSE IS



BRITISH SPIRIT DRINKERS THINK GREY GOOSE IS MORE...

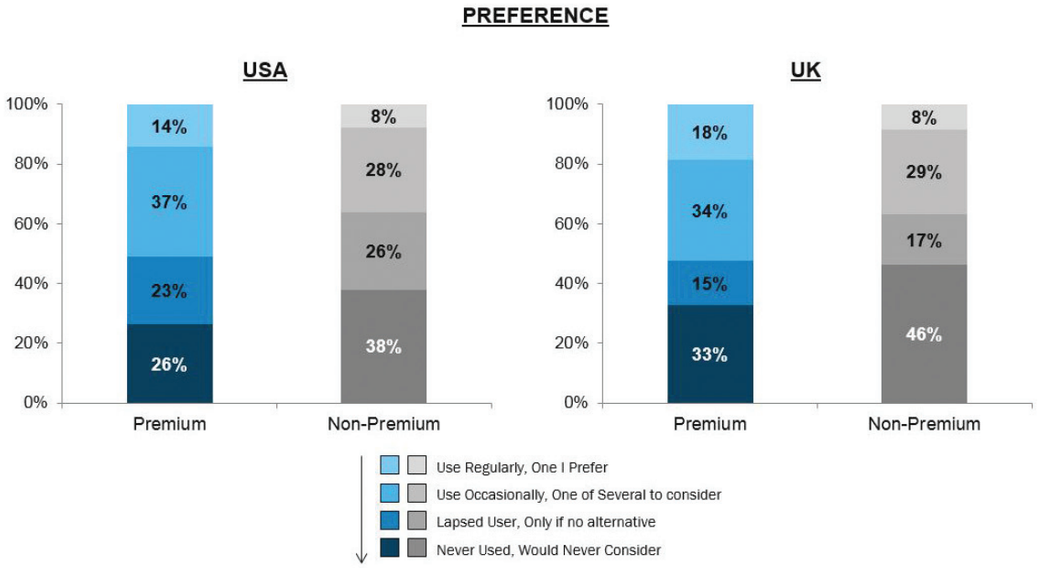
AMERICAN & BRITISH DRINKERS' PERCEPTIONS OF BAILEYS

AMERICAN SPIRIT DRINKERS THINK BAILEYS IS MORE...



BRITISH SPIRIT DRINKERS THINK BAILEYS IS MORE...

PREFERENCE OF PREMIUM AND NON-PREMIUM ALCOHOLS IN BOTH US AND UK



to these premium brands. They are also seen as trustworthy, distinctive, upper class, original and social. To British drinkers, these spirits are most similar to reliable household names such as Coca-Cola and Starbucks.

Within the US, Grey Goose is the most premium brand among spirit drinkers, followed by Crown Royal and Patrón, whereas Baileys is the most premium brand within the UK among spirit drinkers, followed by Smirnoff and Jack Daniel's. Sentiments regarding the topmost brands differ drastically across the pond, as Americans think of Grey Goose as a fun and sensuous leader in the space, and the British think of it more as a traditional brand.

For Baileys, American drinkers think of it as a socially responsible brand that cares for its customers, whereas British drinkers feel that it is high quality, social and trendy.

Lastly and most importantly, premium-ness is a strategy that can be employed by a brand to bolster sales and consumer engagement. Among all the spirit labels, premium alcohols tend to be highly correlated to overall brand equity, which ultimately translates to higher preference of each brand.

As seen here, the top 10 premium brands command substantially more preference than the other alcohol brands in both countries. In fact, the UK seems to value premium brands even more than the US as the gap between premium and non-premium brands is wider. (For example, 18% UK drinkers prefer premium brands vs 14% US drinkers.)

Bottom line, one of the ways brands can increase their value, regarding both intangible and tangible equity, is to create an aura that they are premium brands.

However, since many of these spirit labels are global, they will need to learn how to curate premium-ness across countries, especially in countries that differ more greatly in their values and in emerging countries that are awash with new wealth. DI

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