ALL BRANDS ARE NOT CREATED EQUAL

Best Global Brands 2007

Interbrand

BusinessWeek

IF BRANDS ARE MANAGED
CORRECTLY THEY CAN
MOVE SEAMLESSLY ACROSS
GEOGRAPHIES, CREATING DEMAND
FOR THEIR GOODS AND SERVICES
AROUND
THE WORLD.

Interbrand

BEST GLOBAL BRANDS 2007

Interbrand is delighted to once again publish our annual ranking of the Best Global Brands by brand value, in co-operation with BusinessWeek magazine.

We're proud that over the course of the past decade our Best Global Brands study has become the barometer of successful brand management. The environments in which brands operate, and the challenges and opportunities they face, have changed dramatically during this time; however, we believe the one constant has been the notion that a brand has the ability to create significant economic value for the business it serves, and that we can measure the created value.

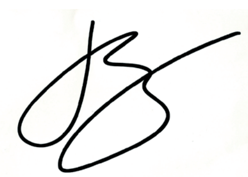
Interbrand pioneered the technique of measuring brands as business assets twenty years ago and draws upon a wealth of valuation experience and brand expertise in producing this annual report. In this time, we have conducted some 5,000 valuations for brands around the world. The clearest output of this exercise is the asset value of the brand to the organization. But understanding what is driving this brand value is far more important to the business. The insights gained through brand analytics and measurement focus brand management around the elements that will effectively increase the brand's value and allow it to fulfill its ultimate potential to the organization and its stakeholders. This reveals how a brand can drive revenue and profitability by influencing choice and sustaining margins.

We regard brand valuation as a proactive tool. The process of showing an organization the earnings attributable to intangibles, assessing the role that the brand plays in purchase decisions and the relative competitive strength of the brand within its markets, focuses attention on building the brand's value. Indeed, our experience shows that by simply recognizing the brand as an economic asset, like other business assets, activity can be created, managed and implemented to enable the brand to grow in value.

It is now common knowledge that branding is fundamental to business success, which is why Best Global Brands is one of the top published business rankings in the world. At Interbrand we have always placed great emphasis upon the need for a balance between the logical and the creative. Brands, after all, live in our heads and our hearts. But ultimately, brands are value generators for business. Increasingly, we need to understand how brands deliver value and use this information to better inform business decisions.

In this year's Best Global Brands report, we have focused on the business themes that we see as being intrinsically linked to brand value creation. In their own right these themes should encourage business leaders to act, but they also acutely reveal the tenets of growing the economic value of a brand, and thereby help to maximize the intangible wealth of an organization.

As ever, we are delighted to lead the debate. We recognize, and indeed relish, the responsibility that it places upon us as an organization. We thank our partners at BusinessWeek for their constant support in providing the platform for broadcasting this study to the business community and
look forward to sharing these insights and ideas with you for many years to come.



Jez Frampton
Group Chief Executive
Interbrand

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1.
INSIGHTS ON GLOBAL BRANDING

Our continued analysis of the world's most valuable brands enables us to provide insight and diagnosis for any organization that is keen to manage and grow the value of its brand.

We've entitled this study 'All brands are not created equal' because even though every brand starts with a notional value of zero, the brands that succeed are born into an environment where they are seen as assets by their organizations. Leaders plan for their success by creating, managing and implementing strong strategic visions that make businesses stand out and command attention. The successful brands recognize and commit to this as a cycle of activity, prospering while they deliver economic value to the brand and their organization.

The brands in our study are rightly recognized as leaders across the world, but as global brands they face unique challenges. While they have consumers who come from different cultures and geographies, they are driven by a desire to 'own' a single-minded global brand positioning.
So they're continuously challenged to sustain brand consistency across diverse geographies, cultures and market segments.

In light of this challenge, organizations must commit to, and implement, focused and realistic brand strategies in multiple geographies. This demands that brands transform the information and input they receive along the way into activities that build a global reputation. It requires constant measurement to ensure that actions complement, and holistically push, the brand towards its strategic goals.

The rewards are worth the effort. If brands are managed correctly they can move seamlessly across geographies, creating demand for their goods and services around the world. They can create magnetism, attracting the best talent to work for them. Most importantly, they'll be able to achieve a premium for their goods and services while securing future revenues. This, in turn, impresses the financial communities that enable investments in the future. This is the essence of brand value.

Whether you work for a global business, an international organization, or a company that is purely focused on its domestic or regional markets, everyone can learn lessons from the Best Global Brands.

By studying leading market indicators, such as the MSCI World Index and the S&P 500, we can see that the Best Global Brands index has consistently outperformed the markets by a considerable margin.

Interbrand Top 100 vs the leading market indicators

Such performance may be expected of category-leading companies, but the source of value is interesting and requires a closer look. How do these brands achieve a ranking within the top 100 most valuable brands in the world, and all the economic rewards that go with it?

What drives brand value?

As we share our brand valuation process with you, we also want to highlight the insights that we see building brand value for the organizations profiled in this report. Put simply, brand valuation draws together a financial analysis, a role of brand analysis and a brand strength score to arrive at a financial brand value. The resulting value is important, but understanding the themes or forces behind this value is what really drives the brand's performance. Effective brand management means orchestrating these forces to drive the business forward.

To focus the study, we talk about these themes in isolation from one another. In truth, it's the combination of these themes and ultimately their successful execution that creates value. We have shown particularly strong brands to exemplify each, but in reality a valuable brand will show some strength across all of the identified themes.

PUT IT AT THE HEART

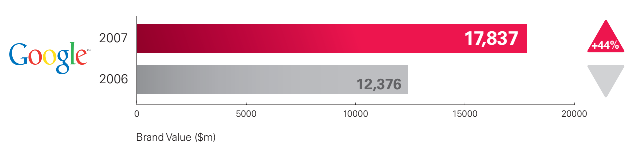
Brand Management

Every organization with expertise in brand management understands the complexity that the execution of great brand management requires.

Effective value creation comes to life in the hearts and minds of consumers. More often than not it requires a journey inside the organization: a journey that reveals the characteristics and behaviors that distinguish one organization from another. It requires an understanding that great brands are founded on hard numbers as well as imagination. This combination of analytic and creative business techniques is mirrored in the Interbrand product portfolio, which envelops rigorous business understanding with emotive execution to unlock the true potential of brands. At this point, the brand steps out of the marketing department's domain and embraces everything the business does. Ultimate responsibility for delivering the brand to stakeholders rests with the whole company. HR, Finance, Operations, Marketing and Sales must all feel a sense of ownership of the brand so that it lives throughout the organization, and that's why the leadership of the business must be the primary ambassadors for the brand. Great brand management sees the brand as a go-to-market strategy and action driver, not just a planning tool or theory. Each activity the company undertakes should holistically reinforce the idea of the brand itself. So the CEO should take ownership of the brand and act as its steward. Talking about brands in terms of financial value strengthens the bonds between marketing and the modern day demands for accountability to shareholders and business leaders.

Google

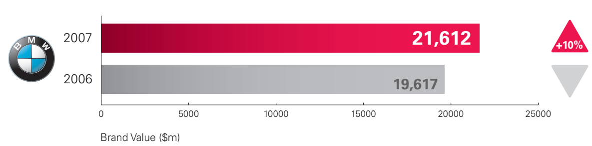
Google is a particularly good exponent of this sort of brand management. From relatively obscure and humble beginnings, the company has grown dramatically, achieving 45% year over year growth in brand value since 2005. Despite rapidly expanding its offering beyond search to encompass a range of other added-value services (such as news, financial information and geo-mapping), Google has managed to maintain a sincere and consistent feel to everything that it does. But beyond its product portfolio, Google has revolutionized the way it screens employees to ensure that everyone who comes through its door is 'Google-worthy'. Inevitably, it's become bigger and more complex, but this has done nothing to dilute the recognition and desire that the business is still held together by Google 'glue'. This is what makes Google the brand it is. This is why it has been able to break into the world's 20 most valuable brands within just two years. Yahoo! by contrast, was born with similar potential, but lacks (or perhaps lost) this singular, unifying purpose. Its pursuit of co-branded partnerships may have seemed attractive in purely financial terms, but this detracted from the company's sense of self, causing the brand to fade.



EVERY SINGLE EXPERIENCE COUNTS

Touch Point Development

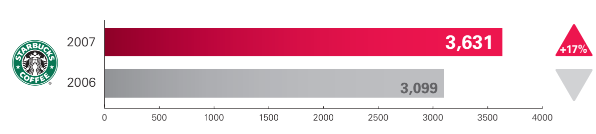
BMW
BMW is another great example. The business is directed by a clear value system that guides management actions. If actions submit to the values, they're recognized as being 'on-brand'. This means they will cumulatively build the organization's desired long-term reputation (entering a team into the world of Formula 1 is a good example). But if a proposal doesn't match BMW's values, like sponsoring a marathon, BMW appreciates that it risks fragmenting what it wants the brand to stand for, so it won't do it, however compelling the idea. This doesn't mean the brand is rigid, nor does it deny BMW opportunities; rather, it serves as a framework for decision-making, enabling the business to feel confident that all its operational decisions are building the brand towards its long-term ambitions. This year BMW has once more grown its brand value by 10%.



In today's world, to say there is a multitude of ways we can reach people is an understatement. How does a brand recognize the relative value of these opportunities? The best brands follow their stakeholders' journeys so that they provide effective, consistent and appropriate messaging throughout the experience. Effective Touch Point Development is about branding the customer experience. These experiences are sometimes within the brand's domain (such as retail environments), but often they are not and travel by word-of-mouth. How can a brand embrace these complexities to ensure that it comes out on top and that its desired messages are getting through?

Starbucks
Starbucks has mastered the challenges of ensuring a consistent sense of 'Starbucks' permeates consumers' worlds. From its retail environments and non-traditional advertising policy, to its fair trade coffee, the experience is unmistakably Starbucks. One brand transcends it all. The Starbucks brand is now worth over $3.5 billion dollars. To broaden its retail offer, but more importantly to communicate and provide the accessories for the 'third space', Starbucks now sells and recommends books that invariably scale the bestsellers lists.

Having successfully taken coffee retailing across the world, Howard Schultz is reportedly wary of the message becoming stale, and is considering ways of maintaining a contemporary edge to the brand. We applaud the sense of leadership that demands an on-going freshness to an already successful brand. Starbucks is now blessed with such a scale, infrastructure and embedded role in people's lives that any evolution of the brand can be truly wrapped around its customers, rather than simply broadcast in 30 seconds and the Sunday circular.



Ikea is another great example of Touch Point Development. The product design communicates the simple sense of Scandinavian style at affordable prices; but the store experience, with its themed spaces, restaurants and kids' areas, further communicates and amplifies the Ikea brand proposition. Ikea's brand value has risen 15% this year.

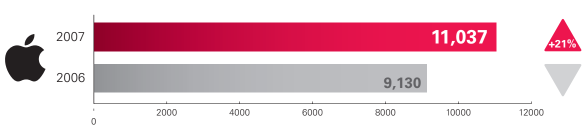
IF YOU BRAND IT, THEY WILL COME

Demand Creation

We're exposed to thousands of brand messages every day. Estimates vary as to exactly how many, but what's undeniable is that a vast surplus of brands are trying to engage with us. Indeed, it's considerably more than any human being can cope with. So how does one brand successfully reach out and engage with us when another fails to do so? This is the principle of Demand Creation. It's not simply about communication; it's about making the right customer desire the brand's products or services over and above all competitors, today and tomorrow, and ideally encouraging their friends to do the same. In short, it's about making sure that a brand's messages receive a warm, favorable and engaged welcome from its audience so that they're then acted upon.

Apple

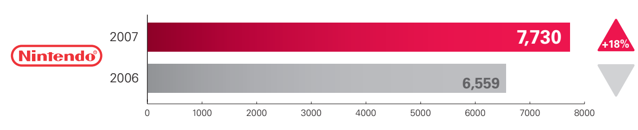
Apple is the supreme master of Demand Creation. Consumers are now happy to own multiple iPods that are styled for particular functions: home, video or exercising. And in a world filled with technology, the expectation created around the launch of the iPhone demonstrates the supreme desirability this brand has created. With iPhone, Apple plays a double trick on its competitors. It transcends the problems of the highly saturated communications environment by creating products with such extraordinary customer pull that there's no need to push. At the same time, the phenomenon of the product launch pulls free media toward it, proliferating brand impressions and flooding media channels with branded messages. Essentially, it has created such a profound demand that the product itself generates a media blitz. It's a high profile demonstration of the convergence of technology. It was unthinkable some years ago that Apple could make a phone. Consumers wouldn't have given the brand permission to do so. But now Apple can transcend the 'old thinking' of limited boundaries. In this sense the brand has become its passport, to roam wherever its proposition can be applied.



Nintendo

Nintendo was a brand that seemed to be losing its appeal with consumers but the launch of the Wii console and hugely successful DS range has heralded a significant bounce-back in consumer interest. The brand has rediscovered its ability to create demand for its products. While competitors focused on technology, Nintendo spotted the opportunity to theme the brand around the simple enjoyment of gaming. With new game consoles, Nintendo is actively targeting new consumer segments and has differentiated itself from traditional competitors. The Wii console, with its physically active and convincing interface, has created a real stir in the marketplace and is shifting attitudes towards the whole gaming category. Rather than being something that 'teenage boys play', Nintendo is encouraging people to think of gaming as an activity that can be enjoyed by anybody at any time. The supporting media communications have been instrumental in generating demand, showing the products being used by a broader demographic, including parents and thirty-somethings. Indeed, to a degree, Wii surpassed expectations. Stories of lines forming around the block when new products arrived were not uncommon this year. Consoles were selling on eBay for twice the retail price.

The next challenge for Nintendo may well focus on the Brand Management theme: defining the relationship between the hugely popular sub-brand Wii and the parent brand in order to generate long-term value.



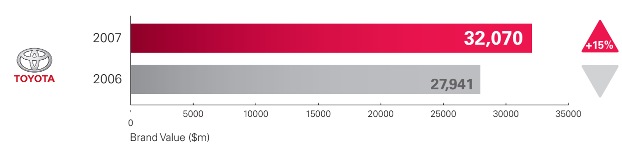
THINK ABOUT WHAT CAN BE, NOT WHAT MIGHT HAVE BEEN

Modeling Contingencies

As we've suggested, thorough brand management is deep and complex. Organizations need to understand what drives their market performance so that they can plot a path to generate and grow brand value. Winning brand managers simulate future opportunities to anticipate the potential fields-of-play. They use models that reveal the range of possible outcomes instead of the allure of a single big idea, and align resources and investments to scenarios with the highest likelihood of making an impact. Estimation, probabilities, risk – these are new additions to the branding lexicon and a challenge for those content to play it all from the hip. Having foresight helps companies make informed choices about their brand and frees leaders up to make bold moves with full knowledge of the implications – essential to thriving in a competitive environment.

Toyota

A recent example is the confluence of environmental concerns and rising oil prices. Ten years ago any company talking about these two issues in the automotive industry would have largely been thought of as foolish or eccentric. SUV sales were growing, cars were getting bigger, engines less efficient, and gas was cheap. In the wider world, the political climate was stable; global GDP growth was moderate, the impact of China just emerging, and world oil supplies high. As forward-looking brand managers, Toyota considered these factors and built a scenario that now differentiates them from the pack. Recognizing the value of leading the 'green' agenda, it positioned itself to capitalize on this significant driver of demand that has been accelerated by, and conjoined with, the rapid rise in gasoline prices. Brands cannot lead through reaction. They must anticipate the needs of the future and be ready for it when it arrives. The Toyota Prius has become a statement of environmental care, as well as achieving staggering sales in its own right. But better still for the Toyota brand, it casts a 'green halo' across its entire portfolio.



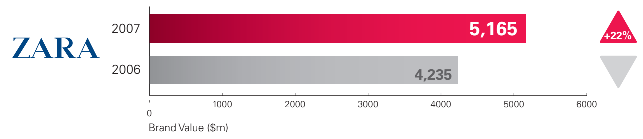
MAKE RESOURCES CO-OPERATE, NOT COMPETE

Planning Efficiencies

The last theme that we have identified as influencing brand value creation is that of Planning Efficiencies. Essentially, this is understanding where and how to invest for the best return of brand value. It involves models that optimize competing alternatives, resulting in solutions that cut spend in one area to reapportion it in another, or grow spend across the brand's domain to deploy resources and deliver brand value most efficiently. If you get things working together, a little spending can go a long way.

Zara

Zara is a paragon of planning efficiency. Focusing the brand's reputation for rapid product turnover and a great in-store experience, Zara recognized the efficiency of its retail stores as a media channel and consequently invested most of its spending there. By maintaining relevant design in its locations and keeping people coming back for more, Zara was able to keep its spending on traditional advertising channels down to just 0.3% of sales, compared to competitors' 3-4%. The results were the envy of the industry with customers visiting Zara's stores an average of 17 times per year, and with same store sales rising 5.5% in the last year. This breaks all records for moving fashion en masse from the catwalk to the main street.



MAKE IT CLEAR, MAKE IT LIVE AND KEEP IT MOVING

Conclusions

The fundamentals of brand value creation, exemplified by the top 100 Best Global Brands, show leading global organizations managing their brand's value as a series of actions and initiatives that promote the brand agenda within the business. Whether these initiatives focus on a communication output or an internal program to engage employees with the brand, all of our evidence suggests
that the brand strategy itself has the ultimate impact on the brand's ability to create and build its value.

But brands don't operate in passive environments. They must live and respond to the world to stay relevant. Markets are dynamic; influences on the brand will constantly change, so any brand strategy needs to articulate its right to own a market position. Brands must manage their way through the influences and forces that determine the ownership of that market position. Brand management is a constant process. Activities are created to achieve distinction. They are managed and implemented, and then their success must be measured and used to influence future strategy. Brand valuation is a great measure of this success, but as our report has shown, each year some organizations do better than others. Those that do best recognize the dynamic needs of effective brand management and hardwire these actions. It becomes a cyclical process where there's an acceptance that to truly own a strategic position in customers' hearts and minds, activity must be ongoing and constant. As much as anything, this is an attitude towards understanding and continuous improvement.

BRANDS WHICH PLACE HIGH IMPORTANCE ON MANAGING THE ECONOMIC VALUE OF THEIR INTANGIBLE ASSETS, AND PRIMARILY THEIR BRANDS, CONSISTENTLY OUTPERFORM BASIC ECONOMIC MEASURES.

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2.
BEST GLOBAL BRANDS

2007 RANKING

2007 Rank	2006 Rank	Brand	Country of origin	Sector	2007 Brand Value ($m)	Change in brand value
1	1	Coca-Cola	US	Beverages	65,324	-3%
2	2	Microsoft	US	Computer Software	58,709	3%
3	3	IBM	US	Computer Services	57,091	2%
4	4	GE	US	Diversified	51,569	5%
5	6	Nokia	Finland	Consumer Electronics	33,696	12%
6	7	Toyota	Japan	Automotive	32,070	15%
7	5	Intel	US	Computer Hardware	30,954	-4%
8	9	McDonald's	US	Restaurants	29,398	7%
9	8	Disney	US	Media	29,210	5%
10	10	Mercedes	Germany	Automotive	23,568	8%
11	11	Citi	US	Financial Services	23,443	9%
12	13	Hewlett-Packard	US	Computer Hardware	22,197	9%
13	15	BMW	Germany	Automotive	21,612	10%
14	12	Marlboro	US	Tobacco	21,283	0%
15	14	American Express	US	Financial Services	20,827	6%
16	16	Gillette	US	Personal Care	20,415	4%
17	17	Louis Vuitton	France	Luxury	20,321	15%
18	18	Cisco	US	Computer Services	19,099	9%
19	19	Honda	Japan	Automotive	17,998	6%
20	24	Google	US	Internet Services	17,837	44%

2007 Rank	2006 Rank	Brand	Country of origin	Sector	2007 Brand Value ($m)	Change in brand value
21	20	Samsung	Republic of Korea	Consumer Electronics	16,853	4%
22	21	Merrill Lynch	US	Financial Services	14,343	10%
23	28	HSBC	UK	Financial Services	13,563	17%
24	23	Nescafé	Switzerland	Beverages	12,950	4%
25	26	Sony	Japan	Consumer Electronics	12,907	10%
26	22	Pepsi	US	Beverages	12,888	2%
27	29	Oracle	US	Computer Software	12,448	9%
28	32	UPS	US	Transportation	12,013	12%
29	31	Nike	US	Sporting Goods	12,004	10%
30	27	Budweiser	US	Alcohol	11,652	0%
31	25	Dell	US	Computer Hardware	11,554	-6%
32	33	JPMorgan	US	Financial Services	11,433	12%
33	39	Apple	US	Computer Hardware	11,037	21%
34	34	SAP	Germany	Computer Software	10,850	8%
35	37	Goldman Sachs	US	Financial Services	10,663	11%
36	35	Canon	Japan	Computer Hardware	10,581	6%
37	36	Morgan Stanley	US	Financial Services	10,340	6%
38	41	Ikea	Sweden	Home Furnishings	10,087	15%
39	42	UBS	Switzerland	Financial Services	9,838	13%
40	40	Kellogg's	US	Food	9,341	6%

2007 Rank	2006 Rank	Brand		Country of origin	Sector	2007 Brand Value ($m)	Change in brand value
41	30	Ford		US	Automotive	8,982	-19%
42	48	Philips		Netherlands	Diversified	7,741	15%
43	44	Siemens		Germany	Diversified	7,737	-1%
44	51	Nintendo		Japan	Consumer Electronics	7,730	18%
45	45	Harley-Davidson		US	Automotive	7,718	0%
46	46	Gucci		Italy	Luxury	7,697	8%
47	New	AIG		US	Financial Services	7,490	New
48	47	eBay		US	Internet Services	7,456	10%
49	New	AXA		France	Financial Services	7,327	New
50	49	Accenture		US	Computer Services	7,296	8%
51	53	L'Oréal		France	Personal Care	7,045	10%
52	50	MTV		US	Media	6,907	4%
53	54	Heinz		US	Food	6,544	5%
54	56	Volkswagen		Germany	Automotive	6,511	8%
55	55	Yahoo!		US	Internet Services	6,067	0%
56	57	Xerox		US	Computer Hardware	6,050	2%
57	58	Colgate		US	Personal Care	6,025	7%
58	61	Chanel		France	Luxury	5,830	13%
59	59	Wrigley		US	Food	5,777	6%
60	60	KFC		US	Restaurants	5,682	6%

2007 Rank	2006 Rank	Brand		Country of origin	Sector	2007 Brand Value ($m)	Change in brand value
61	52	Gap		US	Apparel	5,481	-15%
62	65	Amazon.com		US	Internet Services	5,411	15%
63	63	Nestlé		Switzerland	Food	5,314	8%
64	73	Zara		Spain	Apparel	5,165	22%
65	62	Avon		US	Personal Care	5,103	1%
66	68	Caterpillar		US	Diversified	5,059	10%
67	67	Danone		France	Food	5,019	8%
68	74	Audi		Germany	Automotive	4,866	17%
69	71	adidas		Germany	Sporting Goods	4,767	11%
70	64	Kleenex		US	Personal Care	4,600	-5%
71	72	Rolex		Switzerland	Luxury	4,589	8%
72	75	Hyundai		Republic of Korea	Automotive	4,453	9%
73	81	Hermès		France	Luxury	4,255	10%
74	66	Pizza Hut		US	Restaurants	4,254	-9%
75	80	Porsche		Germany	Automotive	4,235	8%
76	78	Reuters		UK	Media	4,197	6%
77	69	Motorola		US	Consumer Electronics	4,149	-9%
78	77	Panasonic		Japan	Consumer Electronics	4,135	4%
79	82	Tiffany & Co.		US	Luxury	4,003	5%
80	New	Allianz		Germany	Financial Services	3,957	New

2007 Rank	2006 Rank	Brand		Country of origin	Sector	2007 Brand Value ($m)	Change in brand value
81	85	ING		Netherlands	Financial Services	3,880	12%
82	70	Kodak		US	Consumer Electronics	3,874	-12%
83	86	Cartier		France	Luxury	3,852	15%
84	76	BP		UK	Energy	3,794	-5%
85	87	Moët & Chandon		France	Alcohol	3,739	15%
86	79	Kraft		US	Food	3,732	-5%
87	83	Hennessy		France	Alcohol	3,638	2%
88	91	Starbucks		US	Restaurants	3,631	17%
89	84	Duracell		US	Consumer Electronics	3,605	1%
90	88	Johnson & Johnson		US	Personal Care	3,445	8%
91	93	Smirnoff		UK	Alcohol	3,379	11%
92	92	Lexus		Japan	Automotive	3,354	9%
93	89	Shell		Netherlands	Energy	3,331	5%
94	96	Prada		Italy	Luxury	3,287	14%
95	98	Burberry		UK	Luxury	3,221	16%
96	99	Nivea		Germany	Personal Care	3,116	16%
97	94	LG		Republic of Korea	Consumer Electronics	3,100	3%
98	90	Nissan		Japan	Automotive	3,072	-1%
99	New	Polo RL		US	Luxury	3,046	New
100	New	Hertz		US	Automotive	3,026	New

THE BEST BRANDS FOLLOW THEIR STAKEHOLDERS’ JOURNEYS SO THAT THEY PROVIDE EFFECTIVE, CONSISTENT AND APPROPRIATE MESSAGING THROUGHOUT THE EXPERIENCE.

Interbrand

3.

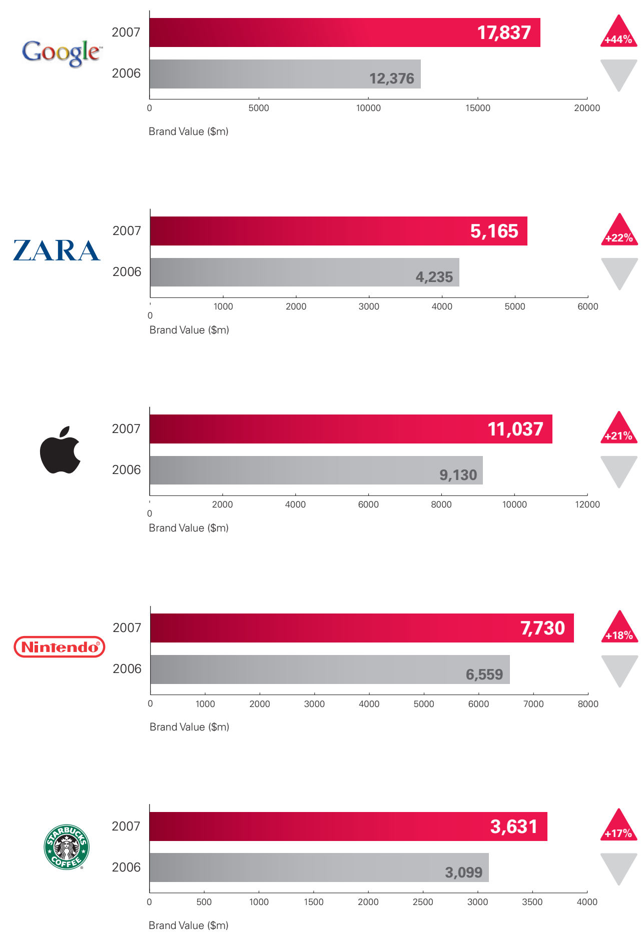
LESSONS FROM THE RISERS AND DECLINERS

THE TOP RISERS

All businesses are under immense pressure to provide results quickly. The Best Global Brands study provides a compelling case that those which place high importance on managing the economic value of their intangible assets, and primarily their brands, consistently outperform basic economic measures.

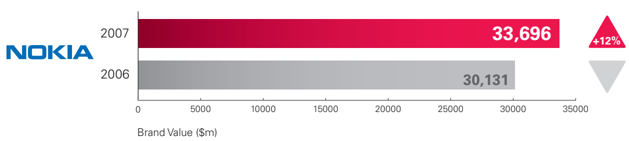
Tangible asset growth is often a slow process that requires deep and resource-intensive long term planning. Intangible asset growth, on the other hand, involves getting the best out of something that the company already owns. It's a case of managing these assets more effectively, and it's an efficient method of adding very real value to business.

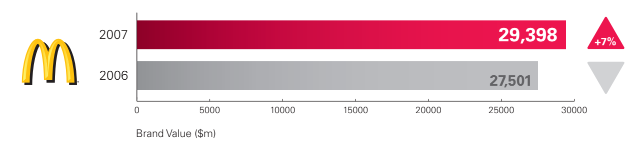
In this section we will look for lessons that can be learned from more of the brands that have thrived in the last year and those that have struggled. What did the brands that prospered get so right and the brands that declined fail to deliver?

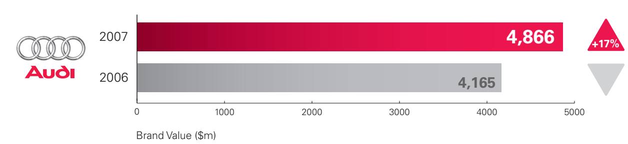


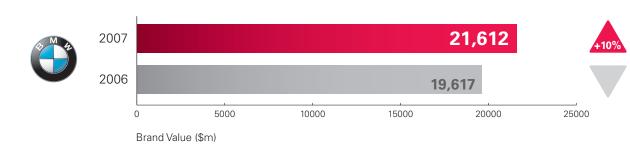
See pages 3-8 for more detail

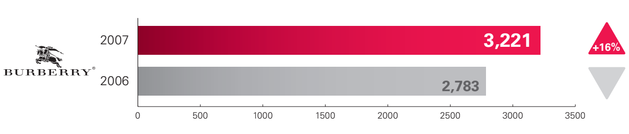
OTHER NOTABLE PERFORMERS



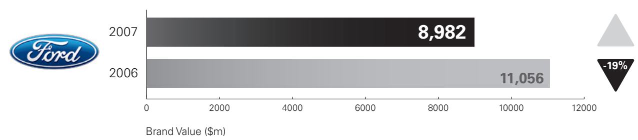


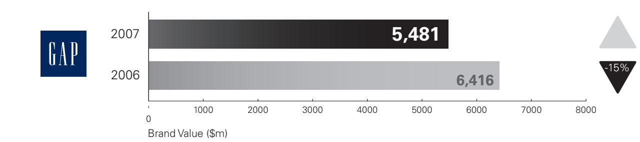


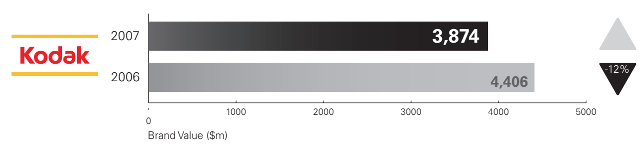


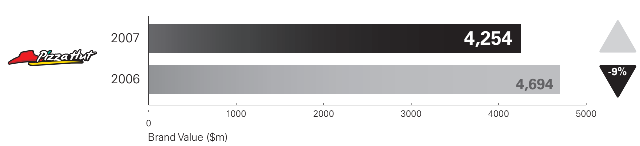


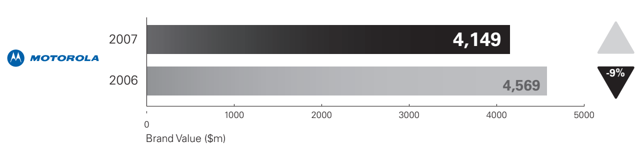
THE DECLINERS











NOKIA

Valued at $33.7bn this year, Nokia's 12% increase has been driven by a renewed focus on the brand. Consumer insights have steered product design back on course. In short, it has rediscovered the theme of Demand Creation by focusing on simple, easy-to-use handsets that are sleek and stylish.

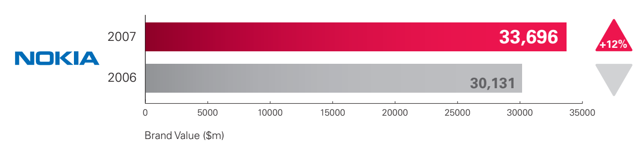
Nokia has not enjoyed quite as much success in the US, where Motorola has been the dominant player. It will be interesting to see how this unfolds. Nokia's improvement in product and design innovation should challenge Motorola's RAZR, but the recently launched Apple iPhone has the potential to change perspectives. The device has created a lot of excitement and it seems set to be popular with technology-savvy and fashion-conscious consumers alike.

In recent years, handset design has emerged as an increasingly important demand driver. Competitors such as LG and Samsung have created stylish products and gained market share, some of it at Nokia's expense. The brand's 'bounce back' this year has been driven by a reinvigorated focus on product design and feature innovation. For example, the Nokia N95 was hugely successful, integrating mail, web and music in a single handset. It has become the equivalent of the BlackBerry for the consumer market.

To maintain its leadership position, Nokia should focus on defining a cohesive visual style to differentiate its entire offering, rather than being driven by individual models.

Brand	Nokia
Country of origin	Finland
Sector	Consumer Electronics
Brand Value ($m)	33,696
Rank 2006	6
Rank 2007	5

Best Global Brands 2007
Interbrand



22 Best Global Brands 2007

NOKIA HAS REDISCOVERED THE THEME OF DEMAND CREATION BY FOCUSING ON SIMPLE, EASY-TO-USE HANDSETS THAT ARE SLEEK AND STYLISH.

McDonald's resurgence picks up on all the themes of brand value creation, from Demand Creation through to Brand Management, Modeling Contingencies and Planning Efficiencies. While the brand is still on a journey, it has done many things right, and this is reflected in its 7% increase in brand value.

Firstly, it refocused corporately on being a single-brand company, McDonald's, by de-emphasizing Pret a Manger, divesting Chipotle and beginning the process of selling Boston Market. This sense of focus is also demonstrated in the b2c brand through its consistent use of the global advertising theme, 'I'm loving it'.

The McDonald's brand continues to reinvent itself in the face of changing consumer preferences towards healthy eating. It has shown that being responsive to customers is critical to success. McDonald's is providing healthier alternatives and the nutritional profile of everything it offers. The introduction of new sandwiches, salads and fruit items to the menu has created a 'halo' effect that augments the traditional McDonald's offering. These items add a healthy 'accent' to the McDonald's image and create demand.

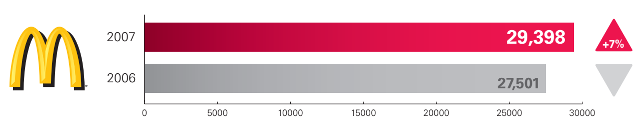
But the success is deeper than simply creating demand. The brand has been managed and planned well too. The broader menu, coupled with remodeled/more stylish restaurants, is helping McDonald's to shift traditional perceptions of the brand and encourage existing customers to engage with it more frequently. Rather than being a place where people go to grab a quick snack on the go, McDonald's is trying to attract diners who appreciate better quality, better tasting food and are willing to pay a premium for it. The range of high-quality coffees, for example, is more likely to appeal to Starbucks customers than parents who are merely there to keep their children company. Its coffee range has been ranked best in class in consumer reports.

Instead of expanding its number of outlets (which do still continue to expand at 3-5% per year) the focus has been on improving the total customer experience. The changes have allowed McDonald's to open up a clear gap between itself and Burger King, which has not gone down the same 'healthy food' road.

McDonald's is successfully managing to move the brand along, while not losing sight of what it has always stood for: quality, value and convenience.

Brand	McDonald's
Country of origin	US
Sector	Restaurants
Brand Value ($m)	29,398
Rank 2006	9
Rank 2007	8

Best Global Brands 2007
Interbrand



THE McDONALD'S BRAND CONTINUES TO REINVENT ITSELF IN THE FACE OF CHANGING CONSUMER PREFERENCES TOWARDS HEALTHY EATING.

Audi's success builds on a story of Demand Creation, Brand Management and Planning Efficiencies.

By applying a consistent design philosophy based around quality, sophistication and performance, Audi has developed a unique, distinctive personality in the marketplace. The brand is considered to be hip, cool and understated. In the mind of the consumer, Audi is now a genuine alternative to BMW and Mercedes-Benz, with the brands going head-to-head in many categories.

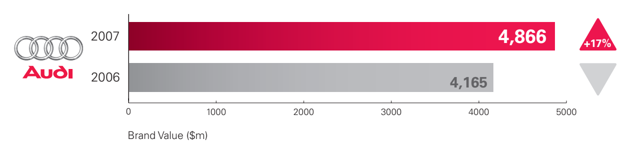
Audi has recently completed a design overhaul of its entire product line. This is a bold move, which modernizes the range with a consistent look, feel and attitude while still maintaining the valuable equity of "Vorsprung durch Technik".

With the refreshed A6 and A8 models, Audi has succeeded in moving up the value chain and has created a buzz around its top-of-the-range saloon cars. The company also launched an SUV at the high-end, which has been well-received.

The strength of the brand has enabled Audi to stretch into the coupe and sports car segments; the hugely successful TT and the new R8 are testament to this. The design credentials of the TT and the performance credentials of the R8 cascade throughout the entire Audi range and provide greater clarity to Audi's overall positioning in the marketplace. This portfolio strategy is a model example of how to use marketing and product development resources to efficiently generate brand value.

Brand	Audi
Country of origin	Germany
Sector	Automotive
Brand Value ($m)	4,866
Rank 2006	74
Rank 2007	68

Best Global Brands 2007
Interbrand



THE DESIGN CREDENTIALS OF THE TT AND THE PERFORMANCE CREDENTIALS OF THE R8 CASCADE THROUGHOUT THE ENTIRE AUDI RANGE AND PROVIDE GREATER CLARITY TO AUDI'S OVERALL POSITIONING IN THE MARKETPLACE.

Burberry has re-established itself as a credible fashion brand for a younger generation. It has successfully refreshed its image, while maintaining true to its 'British' heritage.

A few years ago the Burberry brand in the UK became confused after being adopted by football hooligans and minor celebrities. It quickly acquired associations of thuggishness and became a conspicuous emblem of new wealth, which repelled many of its traditionally loyal customers.

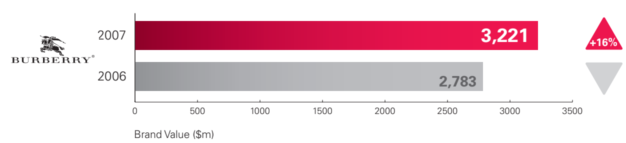
However, since that set-back, the brand has revitalized itself and gone from strength to strength, appealing to new customers in new markets all over the world, regardless of the PR backlash around its factory closure in Wales.

Burberry has achieved this success by carefully managing customer perceptions and experiences at all touch points – in-store, online, through advertisements and sponsorship. It has positioned itself as young, modern and fashionable, while maintaining the 'British' essence of its appeal.

It is a great example of Touch Point Development, Modeling Contingencies and Planning Efficiencies.

Brand	Burberry
Country of origin	UK
Sector	Luxury
Brand Value ($m)	3,221
Rank 2006	98
Rank 2007	95

Best Global Brands 2007
Interbrand



BURBERRY HAS ACHIEVED SUCCESS BY CAREFULLY MANAGING CUSTOMER PERCEPTIONS AND EXPERIENCES AT ALL TOUCH POINTS.

The lessons from Ford are highly indicative of the themes of value creation. The brand lacks focus on Demand Creation, and its product range would indicate that it has not planned effectively to have a portfolio that is in tune with the movements of consumer attitudes and behaviors.

The Ford brand continues its long-term decline demonstrating how an iconic brand can lose its way. Despite reasonable success in Europe with the Focus and Mondeo, performance in the core US market has been less impressive and a permanent discount policy has eroded the value of the Ford brand.

Heavy reliance on big SUVs, Pick-Ups and its American heritage increasingly look out of touch with the needs of US car buyers. As gas prices remain high, demand for gas-guzzling SUVs has waned and the construction of factories in the US by foreign brands means that the "made in America" positioning is no longer differentiated.

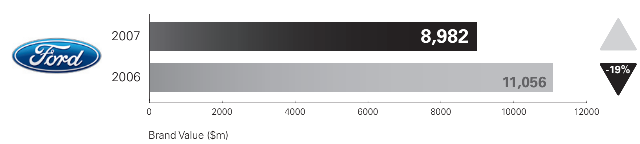
Ford, unlike the competition, has not invested in distinguishing itself in any meaningful way. Toyota, for example, has become synonymous with quality, reliability and more recently for being 'green'; BMW stands for precision and driving experience. Ford lacks an equivalent differentiating position and is in search of a central meaning and sense of identity.

To regain momentum, Ford could learn from BMW's experience. By applying a more holistic approach to managing the brand and sub-brands and using a handful of core principles to guide product design, Ford could develop a distinctive positioning that resonates with consumers.

The Mini is an example of a classic car with cult appeal that re-launched itself very successfully. The Ford Mustang carries an equally strong following in the US. In the same vein as the Mini, Ford could re-launch the Mustang as a flagship model and use the momentum to rejuvenate the entire Ford brand.

Brand	Ford
Country of origin	US
Sector	Automotive
Brand Value ($m)	8,982
Rank 2006	30
Rank 2007	41

Best Global Brands 2007
Interbrand



HEAVY RELIANCE ON BIG SUVS, PICK-UPS AND ITS AMERICAN HERITAGE INCREASINGLY LOOK OUT OF TOUCH WITH THE NEEDS OF US CAR BUYERS.

The Gap brand has failed to secure or own a positioning within the apparel marketplace. It is a story that indicates an inability to create demand for its brand.

Gap continues to feel the pressure from low price suppliers offering the same American staple of t-shirts, jeans and chinos. Forays into a more fashionable positioning failed, and the brand was left with an irrelevant positioning and an overpriced product line.

In the US, Gap has further confused its consumers by offering less expensive, fun-oriented options at Old Navy and higher quality, more up-market items at Banana Republic. These alternative stores – often located in close proximity to Gap outlets – have cannibalized sales.

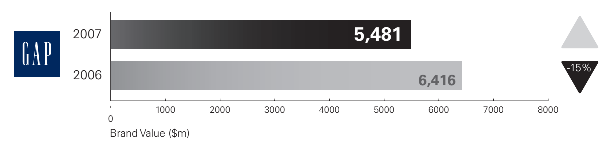
The brand has become trapped between several trends in the fashion market. Consumers are increasingly looking to mix low priced basics (from the likes of Zara, Target or Wal-Mart) with expensive signature pieces from premium brands. Gap is neither of these; it has lost its ability to segment and to identify its target customers.

To regain relevance with consumers, Gap could learn from other mass-market fashion brands. Abercrombie & Fitch, for example, has used a deep understanding of the consumer to make its brand sexier. The company knows what makes its customers 'tick' and offers a distinctive look and attitude that genuinely resonates.

An alternative strategy would be to follow the lead of fast-fashion retailers, like H&M or Zara, stocking more of-the-moment fashion designs at lower price points. To do this, it would need to differentiate itself from these brands, or reconsider its current corporate brand architecture in some meaningful way.

Brand	Gap
Country of origin	US
Sector	Apparel
Brand Value ($m)	5,481
Rank 2006	52
Rank 2007	61

Best Global Brands 2007
Interbrand



GAP CONTINUES TO FEEL THE PRESSURE FROM LOW PRICE SUPPLIERS OFFERING THE SAME AMERICAN STAPLE OF T-SHIRTS, JEANS AND CHINOS.

Kodak

The Kodak brand has been too late to read the signals of the marketplace and is therefore another story that highlights a lack of Demand Creation.

The Kodak brand still feels rooted in traditional film. The company is trying to reinvent itself as being about digital imaging. Unfortunately, a lack of any real point of difference, coupled with a relatively late entrance, has meant that the brand has struggled to gain a significant foothold in the digital market.

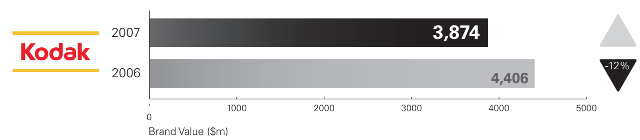
Despite launching innovative products such as the simple dock interface and, more recently, the printer with very affordable print cartridges, consumers have not embraced Kodak as a digital brand because it lacks a cohesive promise that the customer understands or cares about.

The 'Kodak Moment' positioning which was created over many years, does not seem to be transferable to the digital world.

Other brands have negotiated similarly large shifts in customer demands successfully in the past and Kodak could learn from these experiences. IBM's move into business consulting, for example, was achieved through acquisition of PwC's consulting business and supported by a strong global advertising campaign. Intel has similarly shifted from storage to processing and more recently from desktop PCs to handheld devices.

Brand	Kodak
Country of origin	US
Sector	Consumer Electronics
Brand Value ($m)	3,874
Rank 2006	70
Rank 2007	82

Best Global Brands 2007
Interbrand



Koda

CONSUMERS HAVE NOT EMBRACED KODAK AS A DIGITAL BRAND BECAUSE IT LACKS A COHESIVE PROMISE THAT THE CUSTOMER UNDERSTANDS OR CARES ABOUT.

Pizza Hut also tells a tale that lacks Demand Creation.

Pizza Hut is still one of the leading brands in the fast-food industry. However, the industry as a whole has been under pressure as consumer preferences have shifted towards healthier alternatives.

Minor changes to its product range (e.g. vegetarian options) and new services (e.g. deliveries and internet orders), have failed to revitalize the brand and it now looks tired in all of its touch points. The chain has struggled to maintain share of wallet against new 'fast casual' competitors, which offer higher quality food in more attractive surroundings at a higher price point.

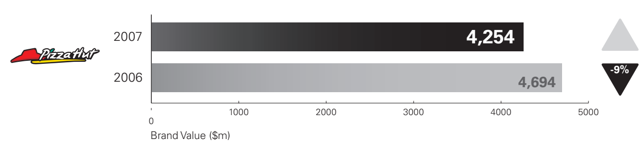
In an age where customers demand quality, wholesome, natural, nutritional food, Pizza Hut has held onto its outdated menu and restaurant format. It needs to return to basics by providing good pizzas, delivered in a more contemporary setting.

The brand should look to McDonald's for some ideas – many of Pizza Hut's customers are also customers of McDonald's, after all. McDonald's has re-energized its brand by contemporizing a number of its restaurants and significantly updating its menu to appeal to a broader demographic.

Starbucks could also provide some clues. The ubiquitous coffee chain understands the importance of ambience and environment in attracting and retaining loyal customers.

Brand	Pizza Hut
Country of origin	US
Sector	Restaurants
Brand Value ($m)	4,254
Rank 2006	66
Rank 2007	74

Best Global Brands 2007
Interbrand



IN AN AGE WHERE CUSTOMERS DEMAND QUALITY, WHOLESOME, NATURAL, NUTRITIONAL FOOD, PIZZA HUT HAS HELD ONTO ITS OUTDATED MENU AND RESTAURANT FORMAT.

MOTOROLA
intelligence everywhere™

The Motorola story is an interesting one. Having successfully created demand for the RAZR, it seems to have sat back on its laurels. More efficient planning for the Motorola brand itself could have delivered a stronger corporate brand, which in its own right could return more value.

Motorola is fundamentally an engineering company, rather than a consumer-focused brand. In recent years, it has enjoyed success with one-off products, but has failed to develop a pipeline of exciting replacement products to maintain upward momentum. The RAZR, for example, was highly successful at launch and significantly raised the profile of the brand. However, the company failed to launch any "blockbuster" handsets before the RAZR approached the end of its lifecycle.

In the ever-changing world of consumer electronics, it's important to invest in developing a strong corporate brand, rather than product brands. Investing in product brands is risky, because they can be quickly superseded by superior offerings as technology evolves. Motorola's falling brand value is due to the close association between the corporate brand and the RAZR phone. As RAZR has lost relevance with consumers, so too has Motorola.

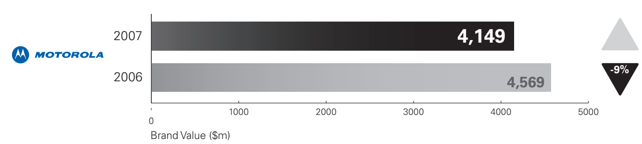
Motorola could take some lessons from Nokia, which has managed its brand architecture very successfully over the years. The Nokia masterbrand remains the focal point for the consumer and is always more prominent than the handset sub-brands. Similarly, BMW, through disciplined management of brand assets, has created a masterbrand that supports and enhances individual model brands.

Customer insight is at the heart of the successful branding.

Motorola would be well advised to carry out data mining to gain a deep understanding of what drives its consumers and to keep on top of emerging trends.

Brand	Motorola
Country of origin	US
Sector	Consumer Electronics
Brand Value ($m)	4,149
Rank 2006	69
Rank 2007	77

Best Global Brands 2007
Interbrand



MOTOROLA HAS FAILED TO DEVELOP A PIPELINE OF EXCITING REPLACEMENT PRODUCTS TO MAINTAIN UPWARD MOMENTUM. AS RAZR HAS LOST RELEVANCE WITH CONSUMERS, SO TOO HAS MOTOROLA.

Conclusions

The turnaround brands all show a rise in their brand value because they have understood and adopted the theme of brand value creation and the brand management practices associated with this.

The principal strength is evidently Demand Creation: a simple theme that requires the brand to move and evolve with consumer attitudes and behaviors and create a motivating strategy that it delivers against. Once demand is created, management processes need to be put in place to ensure the brand lives through all its touch points, and that the business plans ahead effectively and efficiently to build value into its brand. The themes are intrinsically linked, and to master them all takes leadership and an organization-wide commitment to building the value of the brand. As we've seen, the rewards are high.

Correspondingly, the brands that have suffered a decline in brand value seem to have lost the ability to create demand. They have all been hugely successful businesses and brands in the past and the future is there for them to dictate. The turnaround brands all show a sense of understanding consumers' needs and desires, and rediscovering the appetite to meet their customer promise. After all, what is a brand if not a promise to the customer? The brands that have failed to do this need to rediscover the connection with their markets and focus on the themes of brand value creation.

BRANDS ARE IMPORTANT ASSETS REQUIRING PROACTIVE AND CONSISTENT INVESTMENT, MANAGEMENT, AND MEASUREMENT.

HAVING FORESIGHT HELPS COMPANIES MAKE INFORMED CHOICES ABOUT THEIR BRAND AND FREES LEADERS UP TO MAKE BOLD MOVES IN THE FULL KNOWLEDGE OF THE IMPLICATIONS.

Interbrand

4.
HOW WE DID IT

Criteria For Consideration

Using our database of global brands, populated with critical information over the past 20 years of valuing brands and more than 30 years of consulting with organizations, Interbrand formed an initial consideration set. All were then subject to the following criteria that narrowed candidates significantly:

- There must be substantial publicly available financial data
- The brand must have at least one-third of revenues outside of its country-of-origin
- The brand must be a market-facing brand
- The Economic Value Added (EVA) must be positive
- The brand must not have a purely b2b single audience with no wider public profile and awareness

These criteria exclude brands such as Mars, which is privately held, or Wal-Mart, which is not sufficiently global (it does business in some international markets but not under the Wal-Mart brand).

Methodology

The Interbrand method for valuing brands is a proven, straightforward and profound formula that examines brands through the lens of financial strength, importance in driving consumer selection and the likelihood of ongoing branded revenue. Our method evaluates brands much like analysts would value any other asset: on the basis of how much they're likely to earn in the future. There are three core components to our proprietary method:

Financial Analysis

Our approach to valuation starts by forecasting the current and future revenue specifically attributable to the branded products. The cost of doing business (operating costs, taxes) and intangibles such as patents and management strength are subtracted to assess what portion of those earnings is due to the brand.

All financial analysis is based on publicly available company information. Interbrand culls from a range of analysts' reports to build a consensus estimate for financial reporting.

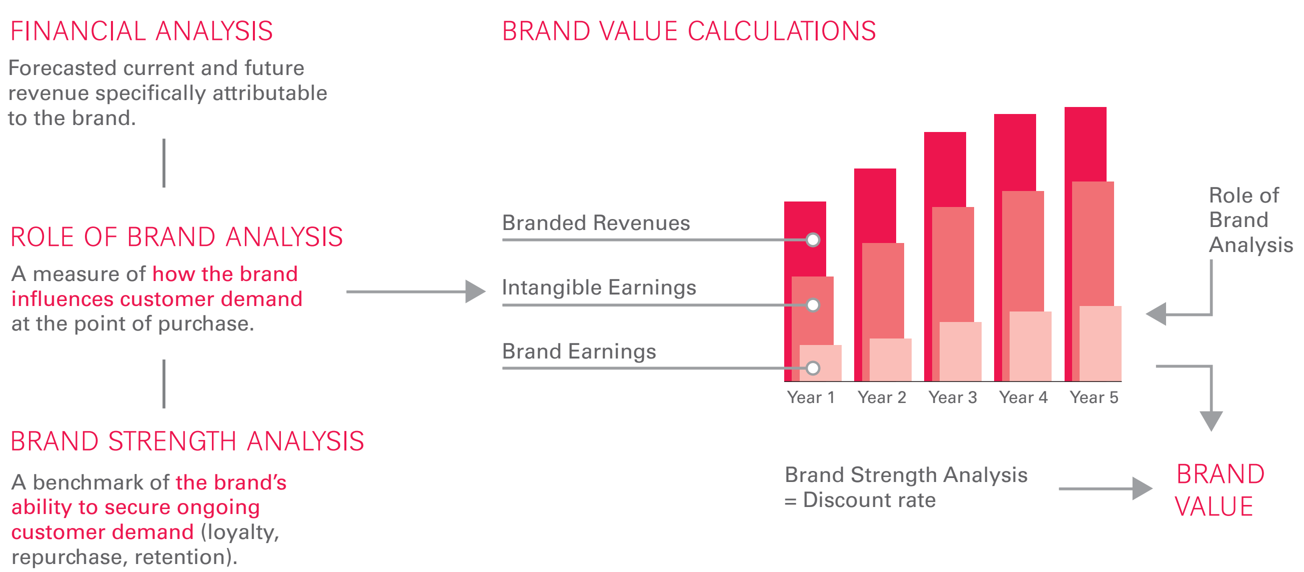
Role of Brand Analysis

A measure of how the brand influences customer demand at the point of purchase is applied to the intangible earnings to arrive at Branded Earnings.

For this study, industry benchmark analysis for the role brand plays in driving customer demand is derived from Interbrand's database of more than 5,000 prior valuations conducted over the course of 20 years. In-house market research is used to establish individual brand scores against our industry benchmarks.

Brand Strength Score

This is a benchmark of the brand's ability to secure ongoing customer demand (loyalty, re-purchase and retention) and thus sustain future earnings, translating branded earnings into net present value. This assessment is a structured way of determining the specific risk to the strength of the brand. We compare the brand against common factors of brand strength, such as market position, customer franchise, image and support.



5.

WHY THE RANKING IS IMPORTANT

Significance of the ranking

The Best Global Brands study provides a brand value that is a top-line measure of economic performance driven by the brand, stating what the brand is worth overall and among competitors. Brand value brings to marketing what "revenue goals" or "financial hurdle rates" bring to other aspects of the business.

The payoff comes when one looks behind the number – a single number only tells you so much. It's important to understand what drives brand value: intangible earnings (the cash flow of a business not associated with tangible assets such as equipment or materials), the role of brand (a measure of how much brand influences purchasing decisions) and brand strength (a benchmark of a brand's relative risk compared to competitors).

Understanding the drivers of brand value can inform management action, from overall business strategy to specific marketing tactics. It's an easy-to-understand metric to help brand owners determine where they are, where they're going and how to get there. It helps to make branding a more important aspect of global business management.

It tells you whether you are investing adequately in your brand. Putting an economic value on a brand (overall and by segment) can help make a strong business case for marketing investments, overall and across a company's portfolio.

It tells you whether you have a marketing strategy that positions your brand around the right messages. Your customers make decisions every day between you and your competitor; analyzing the role of brand in those decisions helps focus your strategy on the attributes that differentiate your brand from others and strengthen your relationship with your best customers, ensuring future earnings.

It tells you whether you have the right short-term tactics to drive value. By analyzing the strength of your brand, you can target marketing campaigns to the most valuable customers and against your most formidable competitors, driving short-term sales.

There are many insights from this ranking, but the core message is clear: brands are important assets requiring proactive and consistent investment, management, and measurement.

APPENDICES

6.

FREQUENTLY ASKED QUESTIONS

The purpose of this section is to address the questions that you might be asking in relation to the Best Global Brands.

Contents

What is brand value?

Brand value is the dollar value of a brand, calculated as Net Present Value (NPV) or today's value of the earnings the brand is expected to generate in the future. Like any other financial value, brand value is at a point in time based on the assumptions and information available at that point in time. Brand value is calculated according to the most widely accepted and used valuation principles. This makes brand value comparable to business – and all NPV-based asset values.

The valuations of brands appearing in the Best Global Brands (BGB) are calculated in their current use to their current owner. They, therefore, do not necessarily represent the potential purchase, extension or licensing value of the brands.

Why value brands?

The purpose of these valuations is to demonstrate to the business community that brands are very important business assets and in many cases the single most valuable company asset. We also aim to show that branding and marketing are key business issues that have direct shareholder value impact. Through six years of publishing Best Global Brands in BusinessWeek magazine we have created the world's most significant and influential brand and marketing study. In fact, PRWeek magazine produced a study that showed the BusinessWeek/Interbrand Best Global Brands ranking was the third most sought-after benchmark report by CEOs and CFOs.

How does Interbrand derive the value of brands?

Our valuation approach is a derivative of the way businesses and financial assets are valued. It fits with current corporate finance theory and practice. There are three key elements and they are detailed below:

Financial Forecasting

We identify the revenues from products or services that are generated with the brand. From these Branded Revenues we deduct operating costs, applicable taxes and a charge for the capital employed to derive Intangible Earnings. Intangible Earnings are the earnings that are generated by all of the business's intangibles such as brands, patents, R&D and management expertise. This is a prudent and conservative approach as it only rewards the intangible assets after the tangible assets have received their required return. The concept of Intangible Earnings is therefore similar to value-based management concepts such as economic profit or EVA (Economic Value Added is Stern Stuart's branded concept). Based on reports from financial analysts we prepare a forecast of Intangible Earnings for six years.

Role of Branding

Since Intangible Earnings include the returns for all intangibles employed in the business, we need to identify the earnings that are specifically attributable to the brand. Through our proprietary analytical framework called Role of Branding, we can calculate the percentage of Intangible Earnings that are entirely generated by the brand. In some businesses (e.g. fragrances or packaged goods), the Role of Branding is very high as the brand is the predominant driver of the customer purchase decision. However, in other businesses (in particular b2b) the brand is only one purchase driver amongst many and the Role of Branding is therefore lower. For example, people are buying Microsoft not only because of the brand but mostly because the company has an installed base of 80% of the market and it would be for most users extremely difficult to switch their existing files to a new software platform. In the case of Shell people buy not only because of the brand, but also because of the location of the petrol stations. For each of the brands (and categories) we have assessed the Role of Branding.

The Role of Branding is derived as a percentage – thus if it is 50%, we take 50% of the Intangible Earnings as Brand Earnings. If it is 10%, we only take 10% of the Intangible Earnings.

Brand Strength

For deriving the net present value of the forecast Brand Earnings, we need a discount rate that represents the risk profile of these earnings. There are two factors at play: firstly, the time value of money (i.e. $100 today is more valuable than $100 in five years because one can earn interest on the money in the meantime); and secondly, the risk that the forecast earnings will actually materialize. The discount rate represents these factors as it provides an asset-specific risk rate. The higher the risk of the future earnings stream, the higher will be the discount rate.

To derive today's value of a future expected earnings stream it needs to be 'discounted' by a rate that reflects the risk of the earnings actually materializing and the time for which it is expected. For example, $100 from the Coca-Cola brand in five years requires a lower discount rate than $100 from the Fanta brand in five years, as the Coca-Cola brand is stronger and therefore more likely to deliver the expected earnings. The assessment of Brand Strength is a structured way of assessing the specific risk of the brand. We compare the brand against a notional ideal and score it against common factors of brand strength. The ideal brand is virtually 'risk free' and would be discounted at a rate almost as low as government bonds or a similar risk free investment. The lower the Brand Strength the further it is from the risk-free investment and so the higher the discount rate (and therefore the lower the net present value).

What was the basis of the financial assessments?

Published annual reports were used to examine the revenues, earnings and balance sheets of the brand-owning companies. Analyst reports from JPMorgan Chase, Citigroup and Morgan Stanley are used as the basis for identifying the specific brand revenues and earnings and for forecasting future earnings.

What was the basis for the marketing assessments?

Unlike other brand value league tables, Interbrand does not rely on a single source of marketing information. Using a single brand study would limit the type of information (usually limited to perceptual data) and the type of customer (usually general public) that can be considered. Because many leading brands operate in specific customer segments (especially b2b), only considering the general public can be very restrictive. Instead, Interbrand refers to a wide array of primary and secondary sources which are applicable to each brand. These include amongst others Datamonitor, ACNielsen, Gartner and Hall & Partners. Moreover, Interbrand utilizes its network of brand valuation experts from offices around the world to ensure that the league table considers the brands from a global perspective.

What was BusinessWeek's role in the Best Global Brands ranking?

BusinessWeek did not influence the selection of brands or the determination of any of the values. Their role was to publish the study and to tie the reported performance of brand value to some of the wider issues affecting these brands. They also provided the specific one-line comments that appear in the table. Interbrand is not responsible for these and they do not necessarily represent our views.

Why are certain brands not on the list?

This is a frequent question especially from companies who would expect their brands to be on the list. There are five reasons:

- The brand is not sufficiently global
- The brand has a pure b2b single audience and has no wider public profile and awareness
- The company does not produce public data that enables us to identify the branded business (the company has multiple brands or has unbranded production)
- The brand is not big enough (brand value below $3.0 billion falls below the 100 brand ranking)
- The business is driven by a number of intangible factors and it is difficult to separate the brand from the rest

Certain obvious global brands are missing. Were they considered?

In each case there was a reason why they could not be evaluated based on purely public data.

BBC – A unique organization since it's a government-owned corporation that is not supposed to generate a profit. There are, however, parts of it which are commercial and which do generate profits but these are still the minority of the business.

Red Cross – As a not-for-profit, it's not possible to value the brand based on an earnings model. This would be true of other global not-for-profit brands such as Greenpeace, National Geographic or Unicef. It is however possible to assess the financial value of such brands but using a different kind of model.

Mars – This is a privately held and highly secretive organization. Other privately held brands such as IKEA are included since appropriate financial data are publicly available.

Within certain large industry sectors there are no brands that appear on the list. Why?

Airlines – There has clearly been significant investment in airline brands (and many of them are, by definition, global) but they are still operating in situations where the brand plays only a marginal role. In most cases, the customer decides based on price, route, schedule, corporate policy or frequent flyer points. The brand may often only have a real impact when all these other items are at parity. We have assessed the brand value for airlines by using internal data to strip out the impact of these other factors. But from purely public information this is difficult to do reliably.

Telecoms – Although there are many large telecom brands that are highly valuable, at present none of these brands fulfill our 'global' criteria.

Pharmaceuticals – There are no pharmaceutical brands in this year's league table. Pfizer and Novartis – which were both included in the 2006 table – have been excluded following a review of our approach. Our review concluded that brands should only be included where they resonate with consumers on a global level. In the pharmaceutical industry, it is the product brand rather than the corporate brand with which the consumer builds a relationship. The lack of global recognition of pharmaceutical companies is fundamentally driven by regulatory differences around the world: in the US, for example, pharmaceutical companies are able to communicate and advertise directly to consumers, whereas in the EU this is forbidden.

A number of insurance companies appear on the league table for the first time – why is this?

Three insurance companies – AIG, AXA and Allianz – have entered the league table this year. Whilst insurance has traditionally been seen as a commodity product, the major players have invested significantly in differentiating themselves over the last year by using a range of brand-building measures. For example, they have developed centralized brand management functions to ensure global consistency of message delivery and they have used global sponsorship to significantly increase reach and recognition. These measures have raised the profile of the brands, turning them into household names.

What % of the branded business needs to be outside the home country to be considered global?

In most cases one-third, however if the home country of the brand is small (e.g. the Netherlands) we required a higher percentage. For US brands, the overseas sales ratio can be smaller due to the size of the US market, which is nearly as big as all of Europe. Applying the one-third overseas sales requirement would penalize US brands for being successful in their domestic market.

Was this the only test for being global?

No, we also wanted evidence that the brand was established in a wide number of markets around the world. At the very least it needed to have a substantial presence in at least one country in each of the following 4 regions: North America, Latin America, Europe and Asia-Pacific. It also needed to be managed consistently as a global brand. As an example, Wal-Mart is a valuable brand however it is not consistently branded as Wal-Mart around the globe.

Was there a limit to the number of brands included from any one industry?

No, however, one of the requirements of a leading global brand is that it is in fact leading. The mark of leadership is not just about market share but also about behaving as a leader – setting trends, quality standards, authority, etc. Thus, there are brands that are in the top three of their category's market share but did not make the cut; and there are brands that are not top three that did make the global ranking. The rules described are guidelines and ultimately each brand was assessed for inclusion on its own merits.

Are there any brands that have a sufficient brand value but did not make the list?

There are certainly strong national brands that have a value exceeding $3.0 billion but which did not make the list because they do not meet our global criteria.
This would be true of many of the financial services and telecom brands, but also surprisingly true of a lot of food, beer and retail brands.

How did you take account of the fact that brands are run through franchisees?

This was an issue with all the food retail brands – McDonald's, Pizza Hut, KFC and Starbucks. We based our valuation on the earnings that the brand owner makes from the brand and an estimate of the earnings that the franchisees make from the brand (what is called a total-system view). As in all other valuations, these earnings were then reduced to take account of a return for the use of the tangible and other intangible assets.

What is the relationship between the following terms: brand awareness, brand equity, brand share and brand value?

Brand value is the only measure that looks at the economic benefit of the brand to its owner. In other words, it is an end in itself. Brand awareness and brand equity are a means to an end. Brand awareness is simply knowledge that a brand exists, thus brand awareness may prompt customers to consider buying a product. Brand equity is a measure of customer perceptions of a brand; thus it may give a customer reason to prefer a product over the alternatives. Brand share is simply the market share achieved by the brand. Thus brand awareness, equity and share are all measures of what a customer thinks or does, it is not
an assessment of the economic value created by those thought or actions.

Do the valuations reflect the underlying state of the economy?

Yes – in two ways. The forecasts are prepared with an overall view on economic growth at a point in time. The formula for converting the Brand Strength Score into a discount rate is tied to the underlying government bond yield.

How should one understand the brand value as a % of market capitalization?

The market capitalization represents the market's valuation of all the equity of a company. In theory, the market capitalization is the value of all tangible and intangible assets owned by the company less all the debt owed by the company.
The brand value/market capitalization relationship can be read in a number of ways:
- If the brand value percentage of market capitalization is low, it suggests that the business is driven by other kinds of assets (tangible and intangible) and that the brand is relatively unimportant. It could also mean that the business is failing to leverage the brand as much as it should be and that investors should be concerned about that.
- If the brand value percentage of market capitalization is high, it suggests that the business is driven by the brand and that investors should take care of how the brand is being managed since this will have a very direct effect on shareholder value. It could also mean that the business is under-valued by the market and that they are failing to reflect the true value of all the assets of the business of which the brand is one (but only one).

The comparison of brand value to market capitalization is mainly useful for mono-branded businesses as the market capitalization relates to all company assets. For companies that own and operate under many different brands, such
as Nestlé and J&J, a comparison with market capitalization

is less useful.

How does brand value rank against ad spending?

It is not really appropriate to try to correlate these two. Brand value is a measure of the output from a series of brand investments and initiatives over a long period of time. Advertising is one element in a wide spectrum of communications companies employ. Other communications include sponsorships, online, point of sale, customer service, and so on. In some cases brands are built with very little or no advertising as in the case of Starbucks where retail space and employees are the key communications channels.

Is it possible to recognize brand value on a balance sheet?

Several accounting standards – such as International Accounting Standards (IAS) 36 and 38, US GAAP, FASB 141, UK FRS 10 – allow and/or require the recognition of acquired goodwill, including brands on the balance sheet. The standards clearly identify brands as intangible assets with an infinite economic life. This means unlike other intangible assets (e.g. patents, databases) or goodwill (e.g. training, workforce) brand value does not have to be amortized through the income statement. However, they are subject to an annual impairment test and their carrying value needs to be reduced if the value declined. The technique is consistent with the way in which Interbrand has assessed brands for balance sheet inclusion – though of course using more extensive and proprietary data.

What is Interbrand's view on brands appearing on balance sheets?

We support the stance of the different accounting standards which recognize the value of brands on the balance sheet. Interbrand has been leading the debate on this issue for many years. However, current accounting standards allow only for the recognition of acquired brands, not internally developed brands. Also, the impairment test for brands on the balance sheet allows only for a potential value reduction but not increase. The acquisition criterion means that the Gucci brand is recognized on the balance sheet of PPR as an intangible asset while the Louis Vuitton brand does not show up on the balance sheet of LVMH.

We conclude that the recognition of acquired brands on the balance sheet is a step in the right direction for providing shareholders with better information about the assets they have invested in. However, it's still not sufficient, as the value of internally generated brands cannot be disclosed despite making up the vast majority of the most valuable brands around the world.

As the need for some formal statement about brand value (and the value of other intangible assets) is becoming increasingly important we would advocate some type of statement in the annual report on the intangible business assets including brands. Whether this happens in the traditional balance sheet or whether it happens in a new 'Statement of Intangible Value' would be a secondary concern. N.B. There is a precedent for this in the way in which the Cash Flow Statement was developed to complement, but not replace, the Profit & Loss Account.

Why is Interbrand an expert in assessing brand value?

In 1988, Interbrand developed and introduced the first valuation of a portfolio of brands that used a brand-specific valuation approach. Since then we have continuously updated and improved our valuation approach to make it the global industry standard of brand valuation. The Interbrand brand valuation methodology is the widest endorsed and used valuation approach around the world. Interbrand alone has valued more than 5,000 brands in all industries worldwide.

Our valuations have been endorsed by leading academic institutions including Harvard, Thunderbird, Columbia, Emory and St. Gallen. Our valuation approach has the highest depth of applications including strategic brand management, marketing budget allocation, marketing ROI, portfolio management, brand extensions, M&A, balance sheet recognition, licensing, transfer pricing and investor relations. Our valuations have been audited for inclusion on the balance sheet by all leading accounting firms. Also, many tax authorities and law courts around the world have accepted our valuation approach.

Does Interbrand conduct other brand studies?

We have established national brand value league tables in Switzerland, France, Spain, Australia, Singapore, China, Taiwan, Mexico, Canada and Brazil. These follow an identical valuation process but only look at locally owned brands. A US specific study would be redundant due to the great overlap with the global table – 53 out of 100 are US-based.

What is the difference between the valuations in BGB and consulting valuations for clients?

The valuation methodology is the same, however, the level of detail and the data input significantly differ. The BGB valuations are mostly consolidated top-line assessments based on publicly available marketing and financial data. We recognize segment differences for diversified brands by product or service but not geography or any other classification (e.g. financial services or technology). As the valuations are based on publicly available data, they are only as reliable as the data that the brand-owning companies publish about themselves (in annual reports, analysts briefings, press articles, syndicated market research etc.).

Consulting valuations are based on detailed customer segmentations, as well as in-depth marketing and financial analyses. They have a much higher level of accuracy and granularity. The purpose of a consulting valuation goes well beyond assessing financial worth. It identifies and quantifies value drivers, and helps the company to manage its brand to increase the shareholder value of the underlying business. However, if clients undertake consulting valuations we are in a much better position to identify publicly available data that are likely to align the BGB valuation with the consulting valuation. In cases where companies make our consulting valuations publicly available, for example through a note in the balance sheet, these values will also be published as the BGB ranking value.

Thank you.

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ABOUT

Interbrand

Creating and managing brand value

The Interbrand Brand Value Management Model™

Brands do not become and remain successful on their own. Nor are they ensured ongoing leadership without proactive, diligent and detailed management. Interbrand works collaboratively with clients to consistently and continually evaluate, create and manage their brand assets. We do this by employing the following model.

The Brand Value Management model is a closed loop with neither a specific beginning nor definite end. The model begins at a different point for every brand, based on business need. However, one aspect does remain constant: once in progress, the model actually accelerates, by generating synergies and capturing new opportunities through carefully crafted and integrated activities. It becomes an inexhaustible source of energy and competitive advantage for every brand.

Brand Value Management comprises three distinct, yet interrelated, phases: Evaluate, Create, and Manage – three phases where the brand and market opportunities are painstakingly examined, creatively brought to life, and thoroughly and holistically coordinated.

For over 30 years, Interbrand has worked with leading global brands to create and manage brand value through an integrated set of offerings. We offer brand and business strategy, brand valuation, quantitative and qualitative research, retail design, brand architecture and portfolio optimization, naming, corporate identity design, packaging design, communications creation and online digital asset management tools.

Interbrand has 34 offices in more than 20 countries around the globe and clients from among the most respected businesses.

Interbrand is a wholly owned subsidiary of the Omnicom Group, the industry leader in Marketing Communications.

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CONTACT US

General inquiries:

Jez Frampton
Group Chief Executive Officer
Tel UK: +44 (0)20 7554 1000
Tel US: +1 212 798 7777
jez.frampton@interbrand.com

Graham Hales
Global Chief Communications Officer
Tel UK: +44 (0) 20 7554 1169
Tel US: +1 232 798 7581
graham.hales@interbrand.com

Media inquiries:
Lisa Marsala
Global Communications Manager
Tel: + 212 798 7646
lisa.marsala@interbrand.com

Additional information on brands

www.interbrand.com
www.brandchannel.com