The New Consumer and the Science of Shopping
By Fred Richards and Bruce Dybvad

As a group, the fast-moving consumer goods companies on our 2012 Best Global Brands list increased in brand value over last year. For many of these industry leaders, ongoing product innovation and the continued expansion into new geographic markets drove top line business. However, these companies compete in a market with a daunting pace of change led by the new consumer — seemingly half human and half digital.

Like a sleeping volcano, new behavioral trends will inevitably disrupt the current landscape. Brands keeping up with the pace of change may find themselves vulnerable. Winning depends on leading the pace. The good news is that significant untapped opportunity lies in the creation of a brand strategy that integrates a digital strategy informed by consumer insight.

Change is driven by consumers, not technology

Much has been said about the new consumer — they're informed by online reviews and corporate transparency, empowered by price competition and have redefined brand loyalty. But the newest new consumer is even more challenging: the Millennial, age 25–35. This tech-savvy group tends not to shop in traditional mass or supermarket formats where FMCG companies compete via breakthrough package design and product innovation. Instead, Millennials are attracted to distribution outlets that are less conventional and more convenient. You'll find them online, at food trucks, in bodegas, and other grab-and-go places. Even the most engaging and effective aisle experience in the supermarket might totally miss this influential young target.

Take, for example, Gillette's impressive success in creating a "guy aisle" in stores, devoted to men's grooming. It makes the brand a category hero, synonymous with shaving and personal care. Contrast that with the irreverent and funny, not to mention cheap, appeal of the Dollar Shave Club.com, the $1 monthly blade subscription service. Is it an amusing side player or an indicator of tomorrow's market? Food for brand thought.

Given that consumer relationships straddle the physical and the online space, clearly, a digital strategy has to be more than a website, a coupon, and a Facebook post. Too few consumer goods makers bring their brands to life digitally. Brands do have personalities that consumers want to engage with, as demonstrated by the multiple-millions who adore Wrigley's eccentric candy brand, Skittles. Visual wit flows between the brand and its community, with videos and images of candy-covered projects from bundt cakes to ukeleles. Skittles is fully alive in its digital incarnation.

Around the world, consumers voice ever-louder concerns over health and obesity, demanding healthier and more flavorful fare, whether from cereal, frozen dinners or soup. It's been an eventful year for Campbell's, certainly, faced with the weakening popularity of soups, the failure of its low-sodium offerings, and a serious packaging problem. Its soup cans are made partly with BPA (Bisphenol A), a chemical found in plastic, which Canada has declared a toxic substance. The brand's leadership team conducted a comprehensive strategic business review this past year, emerging with new strategies to aid growth through the next decade. Plans include alternative packaging, bolder flavors — not to mention an engaging tribute to iconic Pop artist Andy Warhol to commemorate the 50th anniversary of Warhol's famed piece "52 Campbell's Soup Cans."

Not going away: the threat of private label

While national brands still make up the vast majority of US consumer goods purchases, private label goods are set to double their market share to half of all goods sold in supermarkets by 2025 (Rabobank Report, 2012). US retailers have taken a page from the leading stores of Europe. After studying the success of companies such as Sainsbury's and Tesco, they've refined their private labels to offer both cost savings and quality across many categories; shoppers feel good about buying them even if they don't necessarily need to save money.

Manufacturers are fighting back by creating new products. While private drugstore labels might be keeping the CEO of L'Oreal awake at night, the brand's research and development teams offset the threat by developing dozens of innovative beauty products to stay on top of the market. Health care and pharmaceutical goods giant Johnson & Johnson spent the last year climbing back from product recalls that cost them consumer trust, only to find private labels not only competing, but accruing true brand loyalty. Even a popular, brand like Kellogg's, known for its honesty, isn't completely immune to the consumer's willingness to try less expensive alternatives. To stay one step ahead of the private label competition, it too, introduced many new products this past year, including a gluten-free cereal. To win back market share, brands look for news ways of reaching consumers, often in the form of expanding into emerging markets.

The tenuous future of package design

Consumer goods makers traditionally look to new packaging to win trial and share. Kleenex introduced charming boxes, shaped like wedges of watermelon and other fruits, to increase summer sales. Heinz is still riding on the good feeling derived from its 3-ounce "dip & squeeze" carry-out ketchup packet, a consumer-pleasing innovation. In answer to issues of sustainability, both brands found a solution in packaging. Kleenex launched an initiative to reduce its UK products 33 percent in size to use less material, require fewer truck miles, and reduce carbon emissions, storage costs, and shelf space. Heinz now makes up to 30 percent of its packaging from plants instead of petroleum.

However, along with their new shopping behaviors, consumers bring with them the early warnings of a prodigious challenge: subscription replenishment. The promise of never running out of toilet paper has become part of the changing customer journey. As more people forgo trips to the store and simply sign up at Amazon, what's the impact on the packaging design community? It certainly increases the pressure to bring the brand to life digitally. Is it that we are doomed to the limits of a one-inch-square jpg on the website's page, or should we consider the changes in buying behavior to create new ways to educate and entice?

How could one inch become the entry point to a whole experience? How does a designer bring brand equities to life when the nature of shopping is changing so fast? It would certainly appear that the demands on packaging to help with in-store "way-finding" and differentiation will significantly reduce. But will the nature of physical shopping experiences change? And what of the on-line experiences themselves? Many were created with download speed restrictions in mind, but with full HD and 3D always on and at your fingertips, couldn't we be on the verge of a new paradigm in on-line shopping? Perhaps packaging will become functional versus aesthetic — with designers trading the pursuit of shelf impact for the ideal in-home dispensing package. Perhaps we need to rethink the whole way people will buy? Forward-thinking brands are well advised to undertake this challenge as a thought experiment, if not an outright R&D initiative. The trend is already underway.

As always, there's more risk in playing defense than innovating a new offense. Yes, there's always a chance that in pushing the envelope, a brand may make a packaging or public relations error that lights up the internet. But top brands recover quickly. The companies named "best brands in the world" need to be the leaders that others can only hope to copy — they must elevate the game, their sense of innovation, and their digital brand expression. Doing so requires that they never forget the "consumer" in consumer goods, and avail themselves of the modern methods of shopper science and analytics to search for fresh connections with their customers.

— **Fred Richards, Executive Creative Director of CPG, Interbrand Cincinnati**
Bruce Dybvad, Chief Executive Officer, Interbrand Cincinnati & Interbrand Design Forum

What Traditional Companies Can Learn from Technology Companies
By Robin D. Rusch

Today's companies need to make innovation a higher priority, or more ingenious minds will capture tomorrow's wealth. Time and again we've seen it happen — particularly in the tech sector where brilliant startups and breakthrough ideas routinely shake up the field, and fortunes are made seemingly overnight. Tech companies know they've got to stay at the cutting edge, or get left behind. But now, as markets and expectations continue to change, traditional brick-and-mortar businesses would do well to follow in their footsteps and systematically redirect a percentage of their profits toward innovation.

In the continuing quest for business growth, many companies have come to rely too heavily on cost cutting. In the past few decades, for example, outsourcing has become increasingly common: Headquarters plays the role of architect, while lower-cost markets execute or replicate, performing what is generally lower-skilled work. In basic principle, this arrangement is not dissimilar to the age-old hometown business model, with management upstairs and workers on the factory floor. These days the factory floor is a lot farther away — and that, as the news frequently reminds us, can be problematic. Outsourcing not only poses supply chain risks that can damage a brand, but it's also making the strategic differentiation between companies narrower and narrower.

This lower-cost work base generates more profit for the company, of course — but where is that money going? Ideally, this could be re-invested to secure against the future. However, most public businesses are not putting these savings into new ideas, innovations, R&D, or other kinds of competitive planning. Instead savings go to activities aimed in part at increasing share price. There is nothing inherently wrong with wanting to increase share price, but when this becomes the primary focus, the long-term health and sustainability of a brand are put at risk.

While stockholders are sometimes referred to as owners of the company, their intent and priorities are not the same as an owner's. Stockholders also aren't in it for the long haul. Fifty years ago, shareholders were content with earnings that were slightly higher than the cost of the capital, and they tended to hold on to stock for an average of eight years. But changing times and changing market conditions sparked a thirst for higher returns. Now, investors demand higher growth targets and, on average, sit on stock for a mere four months. Further, most managers of public companies are compensated by stock. This means they also have an incentive to see the stock price rise, as opposed to laying down a cogent long-term plan for steady, sustainable growth.

All this focus on stock price reduces the likelihood of spending money on anything risky, as generating consistently high margins takes priority over investment going back into the company. R&D, new product development or idea generation, can be expensive and there's no guarantee of success. Yet, the irony is, it's practically impossible to meet the rising expectations of shareholders and create wealth unless companies innovate.

That's why technology companies champion innovation. Google's 20% program is a good example. The 20% time is really the key to innovation at Google. They've hired the best people they can find (arguably some of the best available), and said "follow your passions, and make cool stuff." Does it yield brilliant solutions? Not always. Google's had its share of duds. But this method of (micro) crowdsourced innovation has been extremely effective for Google. Think Google News, Google Reader, Google Trends, and Google Maps, and you'll get a sense of what that 20% did for Google. As of now, these applications only generate about 1.5% of Google's total revenue (about USD $50 million), but we must consider the magnitude of the growth opportunity, especially in the long term.

Since its stock market launch in 1997, Amazon has also doggedly adhered to a long-term vision and resisted bowing to shareholders' quarterly demands. "It's all about the long term," CEO Jeff Bezos said then. He also warned shareholders that the company might "make decisions and weigh tradeoffs differently than some companies." Amazon's management and employees, he insisted, are "working to build something important, something that matters to our customers, something that we can tell our grandchildren about."

The company takes a beating from investors during earnings reports, and Bezos' outlier position baffles many mainstream managers, but economists tend to laud the strategy, which offers economies of scale and weakens (or eliminates) competitors. Borders has been pushed out of business, Barnes & Noble is struggling, and Best Buy has taken a hit. "If everything you do needs to work on a three-year time horizon, then you're competing against a lot of people," Bezos said in an interview in *Wired* last year. "But if you're willing to invest on a seven-year time horizon, you're now competing against a fraction of those people, because very few companies are willing to do that. Just by lengthening the time horizon, you can engage in endeavors that you could never otherwise pursue. At Amazon, we like things to work in five to seven years. We're willing to plant seeds, let them grow — and we're very stubborn."

Amazon's patience, commitment to innovation, and customer focus may explain why its growth is double that of e-commerce rates overall. Of course, one could argue that Amazon can afford to protect its vision and defend innovation because it's so large, but there are plenty of other large companies that are far more focused on short-term gains than vision and long-term growth. Tech companies thrive because they are bucking the short-term growth trend and proving that the long-term good of their organization and brand is more important than satisfying investors on a quarterly basis.

When companies institutionalize innovation as Google and Amazon have, they're more likely to generate new products, services, and customer experiences. They're also more likely to improve performance, invent new business processes and models, lower cost structure, and open up new business opportunities. Interestingly, whenever (usually ex-) employees say Google's 20% program is being threatened or is a sham, the discussion always returns to how important it is to protect and defend innovation and R&D at a tech company if it is to survive the future. And indeed, innovation is probably the best way to futureproof any company.

If that's the case, why do we think innovation is more important for tech companies than offline businesses? Sure, technology changes rapidly, but so can competitors and consumer interests. Therefore, all companies should be evaluating their products, services, and methodologies to ensure everything from workplace practice to business methodology, and product relevance is still competitive and in line with the targeted customer. Also, rather than constantly trying to return money to shareholders or investing large sums to position themselves against competitors, companies could invest in ideas and long-term strategy that would help them. In time, shareholders would be richly rewarded too.

The alternative is to chase short-term stock price growth, run the company into the ground, regroup, and start over. Some organizations like construction companies actually specialize in this. However, there are numerous problems with this strategy. In fact, one of the areas impacted most is brand. Brands are costly and often time-consuming to build. Any gains acquired by turning around your company under a new name would be offset by the time and money spent rebuilding the brand identity every other year. It's far better in the long term to innovate and create something the world actually needs or desires.

Many companies fall behind the innovation curve not for failing to keep up with competitors, but because they've failed to embrace the future. Going forward, companies will fare better that undertake the challenge of innovation instead of focusing myopically on unsustainable growth strategies. These "radical innovators" may not always win, but when they do, they win big — and they'll triumph over the long haul.

— **Robin Rusch, Chief Executive Officer, BrandWizard**

The Time of Tough Choices is Upon Us
By Tom Zara

2012 marks a magnificent yet dubious human achievement: populating the Earth with over 7 billion inhabitants. It's estimated that 2 billion more will join our ranks by 2052. With the population issue comes climate change, threatening to radically alter life on our planet. These facts make the relevance and poignancy of "sustainable" existence a sobering reality. Unless we dramatically improve the way we procure and produce energy and responsibly deal with greenhouse gases and other pollutants, it will be impossible to satisfy the relentless global demand for reliable, affordable energy without also creating a global catastrophe.

The rising demand

According to BP's Annual Report 2012, the growth in world oil consumption slowed in OECD (Organisation for Economic Co-operation and Development) countries in 2011, but robust growth in China and other non-OECD nations continued, partially offsetting the overall slowdown in demand. Though efficiency has improved, the National Bureau of Statistics reports that China's energy use rose at the fastest pace in four years in 2011 with consumption climbing 7%. To put this rapid growth in global perspective, if China alone were able to achieve First World living standards while everyone else's living standard remained constant, our total human impact on the world would double.

Yet, marketplace realities, global population trends, global urbanization, and geo-political tensions around energy will not abate. The US government Energy Information Administration predicts that by 2035, global energy use will balloon 53%, fossil fuels will be the dominant fuel of choice (with renewables constituting just 14% of the world's overall energy consumption), and that most renewable energy is likely to come from wind and hydropower.

The most troubling fact that we must consider, rather than scarcity, is that further fossil fuel reserves will be deeper underground, dirtier, and more expensive to extract or process, with higher environmental costs risks.

Challenges for energy brands

More complicated extraction and processing also translates into higher prices. According to BP's most recent annual report, average crude oil prices in 2011 were significantly higher than in the previous year, exceeding $100 per barrel for the first time (in nominal terms) and natural gas prices diverged globally. In the short-term, this may be good for the quarterly profits of energy companies, but it's not necessarily good for energy brands or the long-term needs of businesses and consumers that are currently dependent on fossil fuels.

As the world roils in the aftermath of Fukushima and debates hydraulic fracturing and Arctic drilling, a sense of discomfort with current energy choices is growing. This sentiment, combined with higher oil and gas prices (and falling costs of alternative energy technologies), have helped drive solar energy installations across the US and, of course, Germany (since announcing it would abandon nuclear power last year). India, Spain, and the UK are also making significant investments in renewable energy. In fact, underscoring grid vulnerabilities, recent blackouts in India were summed up in one telling headline: "coal failed, solar delivered." While the move toward renewables is still in its infancy, this trend is definitely on the rise.

In general, consumers have low confidence and satisfaction with energy brands because of rising energy costs and a justified perception of irresponsible actions regarding the environment. Global research conducted by Ernst & Young in 2011 found that, in the majority of the 13 countries surveyed, consumers' relationships with the largest energy providers were "at best…transactional, cold and distant; at worst, hostile." These negative perceptions tend to undermine a brand's efforts to secure a more meaningful relationship with its customers. There is currently a disconnect between what energy companies say and what they do — and that gap must be bridged through real efforts to adopt environmentally sensitive practices, clean up accidents if they occur, address health impacts, and invest in clean energy.

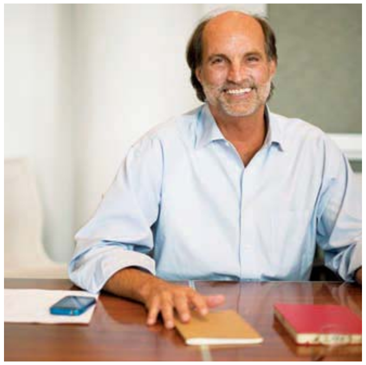
Building trust

Brands in this sector need to appreciate the role of the public in determining their "social license to operate." Unlike other fossil fuel companies with longer supply chains and a less public face, oil companies sell their fuel to consumers at gas stations, thereby making them an easier target for boycotts and blame. Another unfortunate disadvantage is the tendency of consumers to lump all brands in a sector together and condemn them more or less equally, regardless of real differences in the track record and polices of individual companies. Amplifying these risks, the ubiquity and accessibility of social media has given consumers increased power to determine the fate of a brand — whether they have their facts straight or not.

In order to build trust, energy companies need to become more engaged and respond to the concerns of consumers. Rather than relying on one-way communication, essentially telling consumers what to think about their brand through feel-good commercials or a clever logo refresh, energy companies need to interact with consumers and take advantage of social media. To gain credibility, energy brands must show consumers that they are not monolithically uniform in their attitudes. It might, for example, be smart to launch discussions with social and environmental organizations and associations of indigenous people, implement their recommendations — and make that public. In short, energy companies that behave and communicate like progressive, socially responsible organizations — and take the right steps during this pivotal time — may very well outcompete less progressive companies in the years to come.

Power companies might also benefit from extending their product lines, though merely having the capabilities is not enough to ensure success. Consumers have to trust the brand. If they don't give the brand "permission" to supply other services, they will look at an integrated offer with skepticism. It must be kept in mind that brands create differentiated choice for customers beyond price. Price certainly matters to consumers, but it's not the only consideration. Studies have shown that most consumers don't mind paying a fair price for energy, particularly "green" energy.

Shell is a strong brand in this category, at least for the time being. Despite a serious oil spill off the coast of Nigeria, Shell is still considered a premium brand that ensures best quality. In general, brands that live up to their promises, show genuine commitments to safety and sustainability, and regularly engage and communicate with their target audiences stand out in the category. The rise of Shell and the decline of BP illustrate the power and the failure of strong brand management in a category ripe for leadership and strength. Energy companies, as we know, are not non-profit charities, but profit-making entities that are under obligation to maximize profits for shareholders. We who specialize in managing brands, of course, want to see every brand succeed, but at some point, we have to ask ourselves — what kind of world are we going to be managing brands within? The urgency for sustainability is undeniable and, the truth is, we do not have to prosper at the expense of people and the environment. There are other, smarter ways — and we must find them. While our energy future still remains somewhat unclear, one thing is sure: How the world's leading energy brands carry the standard for innovation, consumer trust, environmental stewardship, and responsible practices will shape their relevancy and legacy as vital components of societal well-being in the years to come.



— **Tom Zara, Executive Director of Strategy, Interbrand New York & Global Practice Leader of Corporate Citizenship**

Slowdown in the Fast Lane

By Alejandro Pinedo

As Interbrand looked ahead to what 2012 would bring for fast-developing markets, "slowdown" was the buzzword that seemed to best describe the economic situation. The economic growth of the BRIC countries has indeed slowed, and the reasons differ from country to country. Governments are taking assertive measures to stimulate economies, including interest rate reductions, tax incentives, and providing easier access to credit.

While the economic expansion has decelerated, growth potential still exists and emerging markets continue to be an interesting arena for brand development. Competition in some of the larger developing countries is fierce.

FMCG giants battle for growth

Fast-moving consumer goods giants Unilever and Procter & Gamble (P&G) were featured in a recent article in *The Economist.* It showed how both companies are competing aggressively not only against each other, but also with local brands in countries like China, Brazil, India, Bangladesh, Pakistan, and Sri Lanka. Agile and effective innovation among local competitors has proven to be a critical factor that Unilever and P&G have had to face around the world.

Both companies depend on developing markets to achieve their long-term growth objectives. P&G expected to add 1 billion new customers by 2015, while Unilever wants to double its revenues by 2020, with 70% of sales generated in developing markets.

Large emerging markets are particularly challenging because they have consumers across the income spectrum, all with ample access to information via the internet. In order to grow in these markets, both Unilever and P&G invest a great deal of time deciphering consumer preferences to gain local relevance.

Successful multinationals realize that building the corporate brand is as important as building product brands in emerging markets.

Building consumer engagement

Sports events are one way in which brands have effectively established consumer connections and positioned themselves in large-population, fast-developing markets. Sports events such as the 2012 UEFA European Football Championship have provided golden opportunities to establish positive emotional connections with consumers.

P&G's "Thank You Mom" campaign, which aired in emerging markets, demonstrates how brands can connect with global audiences. With high visibility and a strong emotional resonance, events enable brands to connect with fans in a new way. This becomes more valuable in high-population, developing countries where, due to low internet penetration and fewer communication channels, there are fewer opportunities to reach a large number of consumers in a non-intrusive way.

Respecting local preferences

Another interesting story is developing in India, involving Coca-Cola and the leading local cola brand, Thums Up, which enjoys more than 40% of the local market share. When the Indian government introduced rules limiting foreign ownership of local companies in 1977, Coca-Cola and Pepsi pulled out of the country. Thums Up was launched as an alternative to Coke and was an immediate hit.

Coca-Cola returned to India in 1993, bought Thums Up, and tried to use the local brand to compete against Pepsi. More recently, Coca-Cola tried to kill Thums Up, pushing itself as a replacement. Yet local consumers won't give up the Thums Up brand.

International marketers must not underestimate the importance of consumer knowledge and preferences in fast-developing markets. Companies that ride roughshod over local preferences do so at their peril. Opportunities exist for those brands that can build meaningful, authentic connections with consumers.

Rebuilding Trust in Troubling Times
By Carola Jain and Mike Rocha

The financial services industry has been through an incredibly turbulent period since the 2008 financial meltdown, and as banks continue to lurch from crisis to crisis, the adversity shows no sign of letting up anytime soon.

In the past year alone, UBS had a € 2 billion Delta One problem; MF Global went bankrupt and lost over $1 billion USD of clients' money; J.P. Morgan Chase & Co reported a $4.4 billion trading loss in its chief investment office; and Barclays is the first of a number of banks to be tainted by the evolving Libor scandal.

Libor, according to MIT Professor of Finance, Andrew Lo, "dwarfs by orders of magnitude any financial scam in the history of markets." Regulators in at least seven countries are investigating the rigging of the Libor and other interest rates, and around 20 major banks have been named in investigations and court cases. This still-unfolding story that has revealed decades of abuse, has financial experts calling for an overhaul of how the rate is set.

The old growth tricks of consolidation are hardly defensible given the general notion that large banks are not only "too big to fail" but also "too big to manage." The Libor scandal, in particular, has intensified pressure on Wall Street to enact reform. Aside from potentially costing banks tens of billions of dollars in penalties and legal settlements, the scandal is further damaging the banking industry's already battered image. Analysts worry that it is eroding the faith of investors and consumers whose confidence in Wall Street has been shaken by continual scandals and unsettling stock market losses.

The failure of the industry to put its own house in order means that politicians and regulators will be more inclined to step in. In the short- to medium-term, ongoing regulatory change — of which we have likely only seen the beginning — is redefining the environment within which financial brands can operate. Financial institutions' capacity to generate returns above the cost of equity is already under extreme pressure, so business strategies and models will have to evolve rapidly — and brand strategies will need to evolve with them.

With stock prices sliding and investors' interest waning, uncertainty weighs heavily on the sector, but the picture may not be as bleak as it seems. The demand for financial services remains strong; wealth is being generated in commodity countries; emerging markets and pension funds continue to grow.

Another reason for cautious optimism is that corporate customers have broadly stood by their banks. However, it must be pointed out that this loyalty is partly due to the absence of an industry leader that might clearly show a differentiated strategy. While clients overall are continuing to demand more transparency and accountability, on the B2B side at least, it seems that the majority see safety in size and will continue partnering with global players.

Reassuring and connecting with consumers

From a consumer point of view, trust is at an all-time low, and willingness to consider alternative providers at an all-time high. This is creating significant opportunities for new entrants, particularly trusted brands from other sectors. We expect this trend to continue and accelerate, improving choice and increasing the role of brand as competition intensifies.

The ongoing digital revolution is also facilitating change in the industry, empowering consumers, expanding their consideration sets, and enabling greater opportunities to compare value. A sense of more options and more personal control over choices, coupled with the above-mentioned trust deficit, is also speeding a trend toward declining loyalty and less inertia. Consumers are increasingly willing to make a switch, creating further opportunities for new market entrants.

Financial services has been slower than most industries to embrace the transformational potential of digital. Outside of financial services, consumers are coming to expect personalized customer experiences due to their experiences with retailers like Apple and Amazon, which have raised the digital bar. Consumers increasingly expect a rich and engaging experience from all of the brands of their life, including their financial service providers, with content that is tailored to their profiles and individual financial needs. As this demand grows, financial services brands will need to develop tools that can mine data to build more personal, relevant customer profiles at higher levels of sophistication than today. In addition, this experience will need to be deployed across all of the increasing number of channels and touchpoints.

Opportunities around the world

Emerging market growth is another global trend that will continue to provide huge opportunities for financial brands over the next ten years. Opportunities exist at each level of an emerging market society. Through increased penetration of the unbanked, financial services organizations can offer a wider range of increasingly sophisticated products and services to the growing middle classes, as well as through private banking to the growing number of wealthy entrepreneurs.

Western brands can't simply assume they will be able to effortlessly expand into these new markets, as they will face regulatory restrictions and growing competition from emerging market-based international groups, possibly even becoming targets for acquisition themselves. While there is concern about the size of banks in Western markets, in emerging markets the race for consolidation continues, with many players seeking initially to become regional powers. We have no doubt that, in time, emerging-market financial brands will break into the Best Global Brands' top 100.

In the next year, we expect that most financial services institutions will be primarily focused on restructuring, grappling with regulation, and on the constant hunt for revenue. Banks will be looking for new revenue sources, as will governments that are introducing new taxes that could impact corporate customers and consumers alike.

Though it doesn't necessarily make the path forward easier, it helps to remember that times of great change — and great challenge — are also times of great opportunity. The power of brands during such turbulent times is their ability to act as the central organizing principle for their businesses, establishing clear values and principles which can guide future strategies and behaviors internally, and, over time, influence external perceptions.

For consumer banks, nothing is more important right now than rebuilding trust. To accomplish that, financial companies will need to clearly define what their brands stand for, and communicate those values in a way that is relevant and credible. It will also be necessary to involve managers and employees in a process of engagement, executing communication consistently across all touchpoints and creating metrics to galvanize management, manage performance, and monitor progress. The point is to use all the tools at your disposal, including new digital tools, to make meaningful connections with consumers that can be nurtured over time.

— **Carola Jain, Senior Director of Strategy, New York**
Mike Rocha, Global Director of Brand Valuation, Interbrand London

Branding's High-wire Acts
By Bill Chidley

Comprising both the lead position and 15 of the 100 Best Global Brands on this year's list, food and beverage brands are perhaps the world's most aggressive marketers as a group. Today, they are also the most under siege, as they experience increasing political pressure as symbols — and perceived causes — of health-related social maladies. Like high-wire acts, they amaze us with their spectacular abilities to delight our senses and entertain us as they always seem one slip away from disastrously negative media coverage.

The tension between these forces of doom and delight make these some of the hardest brands to successfully manage, yet they seem to rebound and even advance in the face of adversity. This summer, both Coca-Cola and McDonald's utilized the London Olympic Games as a world venue to showcase their latest approach to staying exciting and relevant, in spite of the controversy surrounding their sponsorship. While critics have pointed out that McDonald's and Coca-Cola's offerings conflict with the athletic Olympic ideal, the two brands placed emphasis on their healthier options and maintained that complex health issues cannot be solved by companies alone. A persistent drum of negativity, however, ultimately cannot be good for any brand or sector. The proverbial elephant in the room, namely health concerns, may not impact the choices of core users and loyalists, but it does disrupt the stream of potential new users who have not yet formed habits and are open to alternatives.

Evolving the soft drink and fast food offers

Since the margins involved in selling food and beverage brands are slim, it is imperative that these brands continually attract new consumers into their categories and, of course, to their specific brands. In order to achieve this, food and beverage leaders like Coca-Cola and McDonald's will have to tune into the concerns of the public and respond to them. More than ever, consumer conversations are driving the images and perceptions of brands, which means food and beverage companies will have to focus more on understanding, engaging with consumers, and even changing course if a product or practice proves to be unpopular.

Soft drinks have been a rite of passage among the youth cultures of modern societies for generations, and fast food has been the go-to rescue and even "fun" meal solution for families as well, which legitimizes these categories for future generations. However, it is becoming less and less likely that these traditional points of entry will be the "guaranteed" new consumer pipelines that they have been. The Cola Wars of the 1980s assumed cola consumption and pitted brands against each other for share. In the near future, we will see brands battling for an ever-shrinking piece of the market if their offerings are not adjusted to reflect evolving preferences, and if consumer relationships are not successfully managed to encourage trial and discourage defection.

As brands like Coca-Cola, Pepsi, McDonald's, and KFC balance on the high wire, there are other acts that are eager to steal the show. The energy drinks category looks as though it is here to stay, and remains above the fray of controversy for the time being. Brands like Red Bull (globally) and 5-Hour Energy (in the US) are sourcing volume and occasions from stalwart coffee and soft drink brands by offering a benefit focused on consumers' on-the-go lifestyles. These brands are drawing many imitators and capturing users beyond the early-adopting younger market. Starbucks, for instance, is responding to the trend with a line of natural energy drinks called Refreshers. Differentiating their "beverage innovation" from competing energy drinks, Starbucks is touting the benefits of green coffee extract, a natural source of energy derived from coffee, but without coffee flavor, that gives their fruity new drinks a boost. On the food side, premium offerings in the burger segment like Five Guys in the US and Canada, and global chicken chains like South Africa's Nando's are capturing more share from global brands.

Overall, the model for growth in food and beverage remains unchanged and is derived from three simultaneous investment areas: more accessibility and marketing presence in the underserved parts of the world; product innovation to reflect the unique preferences of diverse consumers; and more experiential innovation in packaging and delivery channels in mature markets. Coca-Cola is investing billions of USD in India to increase presence and preference and outpace competitors, and sees China eventually becoming its biggest market. McDonald's is continuing to invest heavily in renewing the brand experience in its aged fleet of restaurants in the US as it simultaneously tries to appeal to new mothers and silence critics with a healthier Happy Meal.

Drinking to the health of alcohol

Like soft drink and fast food brands, alcohol brands have survived their share of falls from the high wire over the years as well. Though there has been long-time awareness of the risks associated with consumption, alcohol brands continue to face challenges from legislators and the medical community. For example, a report published by the House of Commons Science and Technology Committee in the UK this year recommends that adults abstain from drinking for two days a week. The report and its findings seemingly justify a new push for legislation aimed at reducing consumption in the UK. Additionally, Russian beer will lose its classification as a "foodstuff" this year. The new classification will impose limitations on beer marketing by aligning it with spirits, which have been banned from TV for years in Russia, except on pay channels.

Despite these setbacks, alcohol offers on this year's list are looking for growth by strengthening their brands and seeking ways to drive preference. Mid-tier brands like Budweiser, for instance, are still heavily reliant on promotional activity to drive sales and periodic redesigns of their light beer variants to keep the category fresh. Distilled beer and spirits continue to see disproportionate growth in developing markets as evidenced by AB InBev signing with FIFA to be the official beer sponsor of the 2018 World Cup in Russia. In the US, unemployment has hampered beer sales and intensified price-related promotions, making growth difficult. China is currently the largest beer market and accounted for 43% of the world's volume growth. However, beer pricing remains low in China and profit margins are thin, which makes it challenging for global brands to invest.

China is also the focus of growth for classic spirit brands like Johnnie Walker (that boasts the highest brand value increase of alcohol brands at 12%) and Hennessy, which have become two of the top three brands in that market. Diageo, for instance, is shifting focus and investment from the mature markets to the faster-growing emerging markets, and is planning for half of its sales to come from developing economies within the next four years. Now that they've acquired Shui Jing Fang, maker of a traditional spirit known as baijiu that dominates the Chinese market, Diageo hopes to develop baijiu into a global brand.

The food and beverage brand space will continue to be an exciting one to watch as the big players flex their marketing muscle and thrill us on the high wire of the consumer stage. We expect to see more innovation in products, digital marketing, and social media, as well as agile marketing in developing countries as these brands continue to grapple with thorny ethical issues, health concerns, and growth challenges that are unique to their sector.

— **Bill Chidley, Senior Vice President, Interbrand DesignForum**

Continued Erosion Of The Blockbuster Model

By John Breen

Over the past year, InterbrandHealth has observed the progress of two notable trends in the healthcare sector. Firstly, the continued loss of exclusivity for a number of notable "blockbuster" pharmaceutical drugs, heralding a change to the industry's traditional brand model; and secondly, the increasing role of brand in the hospital and health delivery industries.

In the past 12 months, blockbuster brands such as Lipitor, Plavix, Singulair, and Lexapro have all lost patent exclusivity. By 2015, a number of important biologic brands that comprise a large proportion of the estimated USD $140 billion global biologics market — including MabThera, Aranesp, and Herceptin, are anticipated to lose patent protection, creating a potentially large market opportunity for biosimilars (imitations of biologic products with expired patents).

Perhaps more importantly, a number of anticipated potential blockbusters have continued to face delays or clinical failure. More stringent regulations and the dearth of new products have shifted the nature of innovation in the healthcare industry towards more niche opportunities. Recent drug approvals tend to be more specialized therapies targeted at smaller sub-groups of patients.

This trend has important implications for the healthcare industry brand model. For example, the marketing of niche products will require a different skill set to connect with very specific and smaller groups of more sophisticated stakeholders.

Leveraging corporate brands and current assets

Historically, pharmaceutical companies have not promoted their corporate brands to customers, choosing to focus on product brands because of the efficiencies of marketing a few products to many customers. With the rise of more "personalized" therapies, there is a need for companies to leverage the corporate brand to increase marketing efficiencies and differentiate their product brands.

To build stronger foundations for growth, pharmaceutical companies must also consider a broader focus than solely selling traditional compounds. Opportunities include entering end-consumer markets, focusing on emerging markets, and beginning to develop biosimilars. There are strong indications that this is already happening, with pharmaceuticals proactively identifying ways to redefine their brand offerings.

The industry must also find new ways to maximize the residual brand value of existing assets, as pipeline relief may not come anytime soon. Companies continue to try to squeeze as many uses as possible out of their current assets. As part of this strategy, they must measure and manage their brands to drive appropriate business decisions.

Proactive brand management will be of particular importance to the innovators of biologics, where physician and patient uncertainty surrounding biosimilars could present an opportunity to capture greater revenue after patent expiry. Unlike many drugs, biologics cannot be precisely replicated, making biosimilar development more costly and less predictable than that of generic drugs. The relatively small price gap between branded biologics and biosimilars, combined with the development of enhanced biologics ("biobetters"), should all drive greater investment in maximizing the residual brand value of biologics.

Conversely, because biosimiliars are closer to branded products than traditional generics, they represent a tremendous brand opportunity in both established markets (some predict the US will become the largest market for biosimilars) and emerging markets (where biosimilar activity is thriving due to less stringent regulations). The market's current combination of necessity and uncertainty call for a long-term brand strategy. This is an ideal playing field to leverage a strong corporate brand.

The evolving role of brand for hospitals

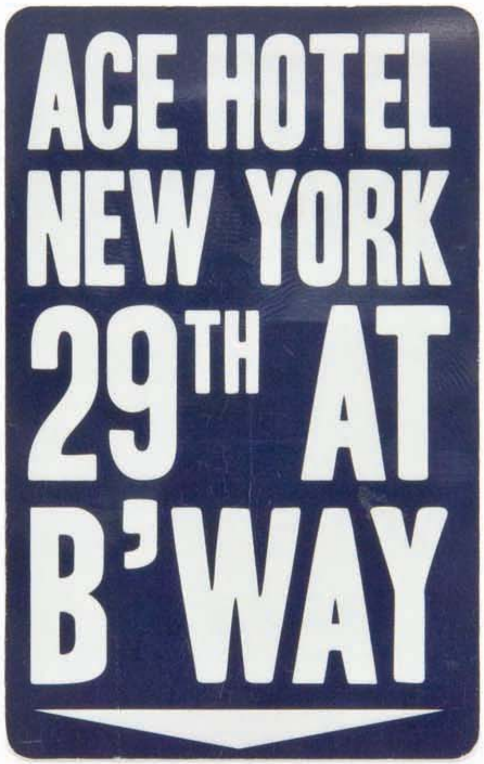
The role of brand in healthcare is also emerging as an urgent issue in areas never before considered brand-sensitive, like hospitals. In the face of shrinking reimbursements, rising costs, and a changing healthcare culture, we have seen hospitals begin to rethink their delivery of superior and cost-effective care to drive future success.

In Europe, public health networks are facing extreme pressures and challenges as economic decline continues alongside growing demand for services. As a result, community-based services are growing in importance, and competition for private hospitals is increasing considerably now that cheaper European travel costs are opening up opportunities for more patients to consider treatment locations beyond their local area.

Now, more than ever, it is critical to cultivate the ability to communicate positive, reassuring messages, make an emotional connection, and create lasting relationships. Hospitals face the same organizational, financial, and consumer issues as any business, but their success depends on a uniquely diverse range of stakeholders; this includes current and potential patients, employees, payers, donors, employers, government, volunteers, and the media. Hospitals also specialize in delicate and emotional concerns and services — matters of life and death. Therefore, while hospital customers are not always "customers" by choice, choice is playing an ever-greater role in where and how they get care.

A brand is a powerful business tool that has the potential to drive business performance. The transition period during a merger or acquisition, for example, is a crucial time for hospitals to use brand to consolidate identity, create efficiencies, rally employees, and reach targets. There is certainly an enormous opportunity for hospitals to leverage their brand to drive choice, bridge institutional gaps, differentiate their organization, and galvanize a diverse set of stakeholders. In turn, this will help them attract and establish meaningful relationships with consumers and, ultimately, strengthen their bottom line.

— **John Breen, Executive Director of Analytics, InterbrandHealth**



Post-glitz Hospitality
By Manfred Abraham

Just as it did in 2011, the hospitality industry has stood resilient against the Eurozone debt crisis and wider economic challenges during 2012. Europe still represents the largest hotel and travel market in the world and, despite the uncertain environment, most cities are showing improvements in key hospitality measures.

This feeling of strength is mirrored across the globe as larger hotel groups make aggressive expansions into Asia. China is already the second-largest market for InterContinental Hotels Group, behind only the US, and the group is planning to nearly double its Chinese presence over the next five years. This will make it the biggest and fastest-growing international hotel operator in Greater China.

Looking past the figures, however, there are warning signs that the market has changed. Revenue per available room has been improving, but it still hasn't recovered to the pre-recession peaks of 2007.

A new model suited to the post-recession digital consumer age involves delivering a branded experience that guests love — and for which they happily pay a premium.

Changing notions of value

While major hotel chains competed during the recession to offer heavy discounts, guests got used to the lower rates. At the same time, the ability to search online and seek "value clubs" and "flash sales" has made it far easier for consumers to compare and find deals on a desirable locale.

This represents a fundamental shift in consumers' attitudes toward value, but it doesn't mean that discounting is the way forward. In fact, some hotel brands are finding a low-cost, high-charge model that is perceived by their guests as good value. Current trends indicate that a new model suited to the post-recession digital consumer, age involves delivering a branded experience that guests love — and for which they happily pay a premium. This is the opposite approach to the "features war" that many luxury and premium hotels engage in to attract today's sophisticated customers. At Interbrand, we call the new approach "post-glitz hospitality."

This is a concept that goes beyond the idea of consumers valuing ostentation. Relevance, tailoring, and authenticity are the keys to success here. Post-glitz brands use only a selection of features that are truly relevant to their specific target audiences — such as superior service levels or informal dining — and they implement them expertly. At the same time, features that customers don't need or that don't fit the brand are simply left out.

In New York, for example, the Americano Hotel offers a room service menu with only three choices fit for the time of day. The meals (even the burgers) are served in bento boxes, which complement the hotel's branded concept perfectly: a blend of '50s chic and Japanese minimalist design, wrapped up in a Latin attitude. This convenient, no-fuss-yet-stylish approach is ideal for their guests, who typically stay for a couple of nights and are more likely to explore Chelsea's happening restaurant scene than order room service — but it's available and presented with flair for those who want and expect the option.

On a larger scale, the Joie de Vivre Hotel Group has a brand proposition that promises "opportunities to live the joy of life." It has a portfolio of more than 20 hotels and is expanding across the US. Each hotel is based on a unique experience concept that is executed to high standards and includes high levels of service. Though attentive, the service is delivered in a relatively relaxed style and the hotel environments are eclectically designed, with an aesthetic that varies from location to location. In this "curated" approach, the focus is on a more soulful, authentic hotel experience and local distinction, as opposed to uniformity.

Not all Joie de Vivre hotels share the same features, and no star rating is provided. But the features reflect the concept and correspond to the likely purpose of the visit — from colorful beach hotels to romantic retreats and sophisticated urban properties. Proving that customers will pay a premium for an experience that delivers beyond the usual expectations, some of the chain's hotels, like the Ventana Inn and Spa, can command up to USD $1,000 a night for their comfortable, thoughtfully designed rooms.

Food for thought

These approaches show that a strong brand concept and a clear proposition can drive efficiencies as well as higher margins, and build loyalty among key target audiences by offering guests a meaningful experience.

However, at present, it seems that most of the hotel industry still hasn't incorporated the idea of "branded experience" into their strategy, which would allow them to create carefully curated experiences for their guests. Perhaps this is why no hotel brand has taken a spot in the Best Global Brands rankings in 2012. Meanwhile experience purveyor Disney, who does have a place in the top 100, has successfully branched out into the hotel sector. It will also be interesting to see how IKEA fares in the space after recently announcing plans to open budget hotels across Europe in 2014.

Clearly differentiation, authenticity, style, and a tailored experience are becoming increasingly important in the hospitality industry, which has long been associated with either a pedestrian, cookie-cutter experience or glitzy ostentation. In the "post-glitz" (and post-pedestrian) era, guests — especially those who are willing to pay a premium — are looking for something different, something that reflects their lifestyle. They're not just looking for a place to stay, they're looking for an experience.

— **Manfred Abraham, Head of Consulting, Interbrand London**

The Consciousness of Luxury

By Manfredi Ricca

The current economic landscape would not seem to leave much room for optimism when it comes to luxury brands, yet all of the luxury brands in our Best Global Brands report increased their brand value this year.

In 2011, research suggested that luxury consumers were still spending freely despite gloomy predictions about the global economy. In America and Europe, that spending has been reigned in and, overall, an increasingly complex picture of the luxury market is emerging. Mature economies, home to luxury brands such as Burberry, Hermès and Tiffany, show signs of new contractions and seem to be stuck in stasis. All the while, the luxury market and conspicuous consumption is on the rise in developing countries.

With the emergence of new, wealthy consumers from the BRIC countries and the economic downturn for most other nations, the meaning of luxury is shifting. The changes stretch far beyond economic cycles. They reflect, in fact, a changing global consciousness.

In the depths of the 2008 recession, luxury went stealth. Ostentatious was out and discreet was in. However, even before the economy faltered, consumers were shifting away from purely status-oriented consumption and environmental concerns have become a more influential driver of choice.When it comes to corporate citizenship, brands like Prada and Gucci have the lon–gevity, credibility, and influence to champion causes which range from education to the arts. Most high-profile luxury brands have endured for generations, embodying the very principles of sustainable growth centuries before the term was conceived.

For luxury brands, storytelling is more important than ever. As author, Anaïs Nin, famously wrote, "Stories are the only enchantment possible." Enchantment and aesthetic delight are the very essence of the luxury experience. Luxury consumers want to engage with something more profound. They want to be swept away by captivating imagery and masterful storytelling.

Luxury consumers will be looking for brands that offer personalization and exclusivity and perhaps an entertainment factor. Ralph Lauren executive, David Lauren, refers to it as "merchantainment" — the blending of commerce and culture. The key concept underlying the philosophy is that the luxury shopping experience is not about a transaction, its about immersion and stoking desire. Luxury consumers expect exceptionally designed marketing communications and inviting websites, and will be using social media to research and qualify prior to purchasing.

When it comes to inspiring luxury consumers to spend, brands that can project elegance and glamour and build upon an authentic heritage have an immediate advantage. For luxury brands that don't have a strong history, the focus should be on exceptional quality, originality, attention to detail, or commitment to sustainability.

Brands that maintain a sleek and refined image — as well as the inherent quality of their manufacturing and design — will most likely come out ahead at a time when many luxury marketers are feeling compelled to head down-market amidst economic uncertainty.

During this period of recovery, companies will not be able to rely on a large pool of customers ready and willing to buy with little thought to cost. Today's luxury consumers are more sophisticated and have higher expectations. They understand value better and research their purchases much more thoroughly. This will mean leveraging every physical and digital tool available to deliver a fully tailored, experience-rich customer journey.

Post-recession success will be dependent not only upon a portfolio of superior products and superb quality of service, but also a strong, cohesive brand, a formidable online presence, and a reputation that is timeless, elevated, and refined.

Orientation in a Fragmented World
By Cassidy Morgan

The media world is transforming rapidly. Barriers to entry to become a media entity have never been lower, media consumption habits are changing continuously, distribution channels are exploding, and the speed and reach of media platforms are increasing all the time. And, in the midst of this sea change, the big players have consolidated large parts of the industry, and are faced with increased fragmentation and an ever-expanding definition of what media actually means. During these tumultuous times, with no end to change in sight, brands serve as a critical navigation device.

With the rapid digitization of media content, associated processes and resulting product innovations, heavyweights like News Corp., The Disney Company, and Viacom are contending with increasing competition, not only from other established players, but also from startups. Companies like Google, via YouTube and other assets, long ago realized the value of media platforms to create closer connections with customers. At the same time, innovative apps allow people to consume — and distribute — content in new and compelling ways. Perhaps most threatening to the established players are the trailblazers of the future, dreaming up ideas in a garage in Berlin, a dorm room in California, or an Indian incubator.

This upheaval has accelerated the decline of established media entities, like newspapers or TV stations, as the only source of information or entertainment. The result of this revolution in habits and technology is a progressively fragmented and oddly democratized media landscape in which nearly anyone has the power to establish himself or herself as newsworthy. Simple actions — a click of a button, a 140-character message, a short video — suddenly have the power to change our perspective, shift our point of view, and instantly provide us with useful information. Consumers today, and many businesses as well, rely on emerging technologies, particularly the internet and social media, as key sources of data. Such sources allow people to make critical personal or business decisions. While this has empowered us all tremendously, it has also created an element of confusion. The amount of information being generated is exploding, which overwhelms us with choices, and makes it harder to distinguish credible and honest news or data from the dubious and misleading. It is a brave new world, indeed.

While we now have access to more transparent information, we're also confronted with innumerable information sources. In the past, in the field of journalism for instance, sources were checked, double-checked, and then triple-checked before information was published. With the rise of bloggers, citizen journalists, a broad spectrum of alternative news sites, and a legion of internet personalities with opinions that run the ideological gamut, we can no longer assume accuracy and objectivity. We now have unlimited information at our fingertips, materialized in a matter of seconds, yet it's harder than ever to separate fact from fiction, hype from reality.

How can I be sure that this blog post is true? Does this video accurately reflect the incident in question? Who can I trust? The answers to these questions are not clear these days. Brands, however, can help us sort things out. Using their power and influence to cut through the noise, brands can help direct us to what is timely and relevant. They can clarify, simplify, inform, and guide in the midst of information overload.

Not only do we live in a period of economic and political uncertainty, we also live in a period in which information seems to have reached a dizzying peak of expansion and complexity, like a new universe unfolding. Somehow, we have to learn to navigate the intricate terrain. In times as complicated and uncertain as our own, people turn to those brands they trust. That is precisely why media brands have such an extraordinary opportunity in front of them. They can serve as a beacon — guiding consumers and businesses alike; bringing insight, identifying information that can be trusted, and ensuring that people are furnished with accurate, useful, relevant information that will help them make sound decisions, however swiftly things are changing.

At present, most established media brands, and even the newer media brands, under threat from emerging business models have failed to leverage their power in a meaningful way. There are two main reasons. First, they lack a basic understanding of what has made, and continues to make, their brand strong. Second, with the impossible goal of pleasing everyone, many have shied away from expressing a strong and clear point of view.

The bottom line is that people are overwhelmed by information and have difficulty cutting through the clutter. The magnitude of the issue is unprecedented and people are searching for those media outlets and networks that help them make sense of what's happening in the world. Media brands can help them do this. They are perfectly positioned for the task and can be the source people turn to when suspended between conflicting points of view. They can be the source people turn to when they desire a short-cut, snapshot, or overview of events — or when they need reliable analysis and a clear and compelling point of view. But first these brands need to understand their own strength and then define a clear role for themselves in this shifting landscape. Any media company that grasps these two critical points and develops its brand accordingly has the opportunity to shine a beacon of light in a fog of confusion.

— **Cassidy Morgan, Chief Executive Officer of Interbrand, Central & Eastern Europe**

Leading by Aligning
By Bruce Dybvad

Three macro trends hold the world's top retail brands to modest gains. The cost of commodities is up, challenging companies to operate more efficiently while maintaining quality. Modest income growth and fragile confidence continue to constrain consumer spending. And the irreversible shift in power to the shopper, thanks to social media, puts pressure on retailers to operate transparently and engage shoppers through brand experience.

Faced with the soaring prices of raw materials, energy, and labor, companies are reviewing operations to find ways to cut costs. For the furniture category, large products drive up the cost of logistics and impact price. International home furnishings giant IKEA minimizes costs with flat-packing, saving money in labor, shipping, and storage. Not only are devotees of IKEA's European-modern aesthetic content to assemble products themselves, they share pictures of their newly furnished rooms on the retailer's website.

Today, brands interact with consumers in a dialogue which amplifies the consumer's voice and influence. The top retail story in the US — the travails of JCPenney (JCP) — illustrates what happens when a leading retailer fails to keep pace, listen, and respond.

While JCP's attempt at brand transformation is highly commendable, it seems to have been done without consumer input. Marketing and pricing messages came out ahead of store reinvention and merchandising. Confused customers have not embraced the conversion of their beloved old-line department store into a new age fashionable boutique with everyday low prices. Consequently, JCP has suffered lost sales and plunging stock prices. Time will tell if the company's new strategy is too flawed to work. Meanwhile, there are two takeaways for the rest of the industry. First, rebranding a company is a complex endeavor, involving much more than a new pricing policy and image adverts. Second, retailers pay a steep price when they break a sacred covenant; that is, the need for the experience to deliver on the expectations set by its brand communications. Leaders of tomorrow will be those who effectively manage transformational change with the participation of their customers and keep their promises.

Conversely, American casual clothier Gap made strides this year, picking up strength after launching a global branding campaign. By refocusing on its California roots and regaining its identity for "slow" fashion, sales have increased and profits remained stable, despite the increased marketing expense.

For many retail categories, closeness with consumers depends more and more on their sensitivity to sustainability. Green products and services, facilities, and activism are heavily publicized and strongly supported by consumers. IKEA, for example, plans to be a 100 % green company, and works with the Forest Stewardship Council and the World Wide Fund for Nature.

Watchdog groups and conscious consumers continue to keep the pressure on Nike, Puma, and adidas to respond to accusations that their factories are polluting Chinese waterways. The three brands released a joint roadmap towards zero discharge of chemicals in the supply chain by 2020, setting a new standard for environmental performance in the industry. Big box retailers, such as Target and Walgreens, have developed in-store apps that help shoppers navigate and save time. Like a GPS, Walgreens mobile tool creates a way-finding pattern from a shopping list. It consolidates the trip and provides a platform for promotions at the optimal moment. 20% of sales are lost when shoppers can't find an item which makes creating such mobile apps a strong priority for retail.

Global retail leaders are continuously challenged to align with demand. That means engaging customers through any means possible, including innovations in mobile technology; increased emphasis on inventory management; brand extensions and global expansion; and innovating with the customer to capitalize on best opportunities.

Opportunities For The Swift-Footed

By Jonathan Bernstein

The sports industry, with its mix of markets and sectors, and its multitude of players, is often hard to pin down. Yet what is not in question is the speed at which it continues to evolve. For sports brands, the message is stark and clear: adapt and change, or risk losing relevance. Sport plays a central role in most cultures around the world, giving brands in this category enormous influence that few others can match. The power of sports brands lies in their ability to build deep and lasting connections with consumers.

The interplay between consumer and brand is fundamentally different in this sector. In most categories, brands deliver an experience that may, in time, create loyalty. Yet with the exception of a few star players, true brand loyalty is elusive and a real challenge to maintain. For sport brands (particularly club teams), loyalty comes easily, irrationally, and is "sticky" (often handed down from parent to child). Just ask any Chicago Cubs fan — it's been 103 years since their last championship season.

With billions of new global consumers/fans coming online in the next 10–15 years, it's clear that sports are no longer a local affair, something top European football clubs have known for years. Anyone strolling down Nanjing Road in Shanghai is guaranteed to see a young Chinese fan wearing a Chelsea FC jersey. There is massive growth potential for brands.

No one is doing a better job of this than Formula 1. In the past five years alone, it has introduced new races in India, Singapore, Abu Dhabi, and Korea, with future races planned for the US and Russia — significantly increasing its presence in strategically important growth markets. By partnering closely with local governments, Formula 1 has created a portfolio of iconic events that are highly relevant to a much broader set of stakeholders than just race fans. Take the Singapore Night Race. With the city as backdrop and a viewing audience of 100 million, the government is more than happy to promote the race via its tourism board (and foot 60 percent of the race bill). This is a smart brand strategy that creates enormous value for the brand owner, its partners, spectators, and others.

Like most other sectors, the capacity of sport brands to deepen existing relationships and develop new ones relies on their ability to leverage new technology. Now that the low-hanging fruit such as live streaming has been picked (but by no means maximized), the question is, how can brands create additional value in a multi-platform world of cheap digital content that is accessible to most anyone?

FC Barcelona is one brand that is taking a smart, and global, approach to digital. The club's website is in seven languages, its Twitter feed's in three. It has a strong presence on YouTube and QQ for its Chinese fans. In addition, Barça is developing the digital assets to monetize the passion and loyalty of its fans by developing a downloadable app for less than USD $1. Today an app, tomorrow a jersey; forever a fan.

Perhaps the most innovative sports brand today is Red Bull. The company has such clarity of identity that it managed to transform an energy drink brand into a mainstream sports brand without compromising or diluting what it stands for. The brand knows who its customers are, delivers the right kind of experience to them, and constantly innovates to maintain relevance. While many brands engage in sponsorship to sell more product, no others have yet created and taken ownership of the sport itself.

One of the biggest sports stories of the year was the global Linsanity phenomenon. While most experts agree that the Houston Rockets contract signed by Taiwanese-American Jeremy Lin was excessive, there is a debate around whether he creates enough value in other ways to justify the contract. Undeniably, the marketing value of a US-Asian star is potentially huge. But to help individuals and franchises make better business decisions, sports companies need a better understanding of how a brand creates value.

To Thrive in Turbulent Times:
Become a Tech Brand People Like
By Nirm Shanbhag

In 2012 the tech industry's titans supplied dramatic tales of dizzying success and dismal failure: Apple's astonishing rise to the top and BlackBerry's race for the bottom; HTC's jump forward versus Nokia's slide; and, as ever, Google's impressive growth. It all proves the old saying: If there's one constant, it's change. And in the tech industry, change is as tumultuous and plentiful as it gets.

Individually, each brand's trajectory is worthy of a case study, but taken as a whole, they tell a far more interesting story about what it takes to stand out and gain ground in rapidly changing markets. On the surface, the winners in this year's race — Apple, Google, Samsung, and Intel — are companies that have fought hard to find and maintain their relevance. Just as we asserted last year, those brands that found a way to matter in the hearts and minds of audiences also found ways into their wallets. Conversely, loss of brand value and market share hit hard for those who made missteps. HP suffered as its story shifted away from its products and towards its leadership turmoil. Nokia saw few results from its highly publicized partnership with Microsoft. But worst of all were those who simply refused to acknowledge that the world had changed. The most glaring example, of course, is BlackBerry, whose downward spiral shows just how quickly (and monumentally) the ground can shift in the world of technology.

Looking a little deeper, it becomes clear that the solution is not as simple as developing the right advertising campaign. The reality is that many of those who experienced brand success this year did so despite lukewarm campaigns. Others spent heavily to build up expectations, made promises they were ultimately unable to keep, and dropped as a result. Here is where we find the lesson for brand builders, marketing managers, and CEOs alike. In the technology sector, where today is so yesterday, the most important thing a company can do isn't to *find* its story, it's to *live it*.

For years, Apple has epitomized what happens when a brand goes from being a force that drives marketing to a force that drives the business. Volumes have been written about the many ways in which Apple's brand comes to life, from industrial design to retail salesperson training. The presence of Apple comes through in everything they do. Having equipped the global consciousness with a clear understanding of what an Apple experience should entail, Apple has been able to rewrite the rules of consumer computing in markets that were once deemed untouchable to premium brands. China has opened its doors to Apple, with millions craving iPhones, MacBooks, and the wonders of iTunes. Brazil is speckled with retailers creating stores within stores that recreate the Apple experience for discerning customers. iPads pop up in airport lounges around India.

In the past 11 years, Apple has launched three products — the iPod, iPhone, and iPad — that have created brand new markets, stoking and fulfilling desires consumers didn't even know they had. It has jump started and set a standard for the mobile era that others are now scrambling to follow. Yet nearly all experts agree that Apple's brand, not so much its products, is the real key to its success. Apple is the archetypal emotional brand. It's not just intimate with its customers, it is beloved. For many people, it embodies the very essence of imagination, design, and innovation. Apple has a story and a meaning; it lives that story and meaning, and lives it well.

> Customers will settle for things that are brand basics in other sectors, like easy-to-understand offerings and being rewarded for their loyalty.

At the other end of the spectrum lies BlackBerry, a company that defined the smartphone market just a decade ago. Today, the debate is whether we are about to witness a supernova or a quiet quelling of the flame. Earlier this summer, BlackBerry announced 5,000 layoffs, a huge quarterly loss, and that its next operating system, intended to be the linchpin of Research In Motion's turnaround, would be delayed. Some investors now fear the company won't be around long enough to launch the OS, which isn't expected to hit the market until the first quarter of 2013.

Interestingly, RIM's chief problem is the loss of its stronghold in the corporate market, which it once dominated. Rather than issuing company BlackBerries, many employers now have workers bring their own devices in to work, which are often iPhones and Android smartphones. With consumers free to choose and presented with more options than ever, BlackBerry should have perhaps put more thought into why people were opting for other brands when they had a choice in the matter.

Despite the fact that BlackBerry is a recognized brand, has an unquestionable heritage, and tens of millions of users worldwide, it suffers from the most fundamental of challenges. It's been too slow to respond to market changes, but too eager to claim it had an actionable strategy. The link between what was expected and what was experienced broke down and not enough effort was made to rejuvenate the brand before the situation hit what now looks like the point of no return. What, we might ask, did BlackBerry ever mean to users? A free smartphone issued by employers? A brand's value goes beyond commerce, convenience, and visibility. People have to actually care about it.

If Apple and BlackBerry represent the extremes of tech brand success and failure, what of those in the middle? Some, like Dell and Sony, have an opportunity to quickly turn the course if they can focus on leading through innovation and delivery, and communicating accomplishments in those areas. Others, like HP and Nokia, need to take decisive action, delivering leadership-worthy offerings that live up to their brands' potential. Those who are in the midst of brand reinvention and reinvigoration — like Microsoft and Adobe — must ensure at all costs that they realize — at a minimum — and ideally accelerate, their respective transformations.

For those who are shepherding the world's most valuable technology brands, the year ahead will pose a formidable challenge: pushing brand beyond marketing, and deep into the hands (and hearts) of audiences and users. It's not always easy, but it can be done; and when it's done well, it works wonders for a brand. Case in point: BlackBerry, and others, might find inspiration in recalling Apple's financial tailspin during the mid-1990s, when the company seemed in danger of going out of business. At the time, its brand and products were not the ones we know and love today. In a calculated and somewhat heroic rebranding effort, Apple abandoned its old rainbow-hued Apple logo in favor of a minimalist monochrome one, gave its computers a hip, modern look, and sought to establish a "heartfelt connection" with its customers. The rest, as they say, is history; and here they sit astride all but Coca-Cola in our Best Global Brands 2012 report.

— **Nirm Shanbhag, Managing Director, Interbrand San Francisco**

Brand Stretch In A Changing World
By Kevin Perlmutter

Telecoms are now truly at the heart of innovation — supporting, guiding, and powering other innovators and connecting everything that is important to our personal and business lives. Fast mobile networks are helping to revolutionize every aspects of our lives.

Telecom doesn't always receive the credit it might for helping to make lasting change across industries like healthcare, entertainment, home security and personal finance. As network speeds continue to increase, with 4G LTE networks beginning to light up, we will see more seismic changes in human behavior. Further, some developing countries that were once referred to as "third world" due to their remote connection to capitalism are now catching up, thanks to modern mobile networks that improve education, healthcare, and commerce. Growth into new areas for telecom carriers is so explosive that leading brands are being forced to stretch every year — more than some companies do in a lifetime.

Serving customers in new ways

With mobile penetration over 100% in major markets, telecoms are serving their customers in new ways to drive loyalty. Already, they are making it possible for consumers to pay for things with a mobile device; store and access data in the cloud; monitor their home from afar; run their business from the road; and watch HD movies on the go. But the real prize for these brands is building customers' appetite for, and reliance on, a rapidly expanding array of new offerings and capabilities.

While it may seem like we're in boom times for telecoms, these opportunities come with their own set of challenges. Inside the leading telecom companies, corporate strategists, technology visionaries, and operational orchestrators need to stay many steps ahead to pave the way for a future that does not yet exist. These companies are constantly evolving, working to bring their employees along, and trying to stay in front of consumer demand. Externally, the industry is intensely competitive, where making the first move or a claim of superiority is often a top priority.

Earning trust

For brands to stretch credibly, many will first need to earn the trust of their customers. This is not a challenge in all markets, as some carriers are associated with national pride. For example, Deutsche Telecom is felt by many to be the national carrier in Germany, and is the most trusted telecom brand in the market with a trust rating of 73% on the German Consumer Confidence Index. Vodofone and Telefonica's O2 each follow with a 60% trust rating in the German market.

In some other markets, years of advertising claims that showcase the best possible offering have eroded trust, because the experience doesn't always match. Customers are more able to see the cracks in the foundations — pointing out an opposite experience for every claim, and having little patience for less-than-perfect service. This dynamic is visible in the US, where the four major telecom brands — Verizon, AT&T, Sprint and T-Mobile — all make aggressive claims of network superiority that do not always match the user experience. Syndicated research from multiple sources shows that customer satisfaction averages below most other service categories, due to network coverage and customer service challenges.

Closely linked to trust and credibility is the brand's perceived corporate contribution to the community that it serves. Many telecom brands contribute significantly to their community through massive investments in infrastructure or philanthropic contributions, although they don't always get credit. In contrast, many seem to be at odds with consumers or local governments and face roadblocks when they want to expand their offering or stretch into new areas. We see differences in how this plays out when the telecom is not on the positive side of public opinion or government regulators. In China, for instance, brands like China Telecom are subsidized and supported by the government to extend service to the country. In Mexico, there is a public debate underway between the government and the dominant player in the category — who owns landline carrier Telmex and mobile carrier Telcel — about having too much control over the market. Recently, the Mexican government has taken steps to open the doors to new competition. In the US, the leading telecom carriers and the government seem to be at odds over how to keep up with consumer demand. This sparring has made it difficult for US telecoms to overcome regulatory hurdles for some acquisitions or to access new spectrum.

Capable and credible

Another consideration as telecoms stretch into new areas is to ensure that they are fully capable and credible to deliver the new offering, and that their business is set up to serve the new offering well. They need to evaluate whether they should build or acquire the capability; launch it on their own, through a joint venture or as a co-brand; treat it like a sub-brand or a product; or perhaps market it under a different brand. How the offering fits into their brand architecture and how it is launched will determine what potential value is added or detracted from the business. Movistar in Spain and Latin America is a prime example: As a sub-brand of Telefonica, the Movistar brand is used strategically and differently, or not at all, in the countries Telefonica serves.

Lastly, for telecoms to truly stretch, they will need to take their customers on a journey into new areas of possibility. Their outward focus should be less about blanketing a market with superiority claims, and more on understanding customers' needs and desires, and then overtly meeting or exceeding them. They should use their customer-facing employees and digital technologies to form closer bonds with customers, and to interest them in new capabilities that can improve their lives and businesses. Going forward, value won't come from having access, it will be based on how useful and meaningful access is for the customer.

Many telecoms will have to work extra hard to earn the trust of customers and governments to play in areas they want to go. In terms of brand strength, they will need to improve understanding around what their business can credibly offer customers. They will need to do so in a way that is authentic, both in terms of brand personality and competitive differentiation. And most importantly, they will need to truly listen to their customers and respond in ways that are most relevant to their basic and emerging needs.

For some, bold steps like reorganizing the company may be needed to realign and keep pace with consumer behaviors. For both SingTel, serving parts of the APAC region, and SFR in France, reorganizations are already underway. SingTel says that the reorganization is in part to "seize emerging opportunities in an era where consumer usage behaviors are quickly evolving." SFR says, "We have been designing plans to adapt to a new competitive environment…including quick wins and more drastic structural changes," according to parent company Vivendi CFO.

As the global telecom industry continues to rapidly evolve, its impact on other industries and peoples' lives will continue to be profound. Some telecom brands will stretch to keep up with the changing world. However, those who stretch in the right ways and take their customers on a fulfilling journey will be the ones who change the world.

— **Kevin Perlmutter, Senior Director of Strategy, New York**

Applications for brand valuation

Compared to when Interbrand first pioneered brand valuation in the 1980s, global business leaders now widely accept the importance and value of strong brands — and the significant role they can play in enhancing business performance.

For many years, Best Global Brands has been one of Interbrand's most important commitments to the promotion of brands as key value creators for business and for society. Strong brands enhance business performance primarily through their influence on three key stakeholder groups: customers (current and prospective), employees, and investors. They influence customer choice and create loyalty; attract, retain, and motivate talent; and lower the cost of financing.

The influence of brands on current and prospective customers is a particularly significant driver of economic value. By expressing their proposition consistently across all touchpoints, brands help shape perceptions and, therefore, purchase behavior, making products and services less substitutable. In this way, brands create demand, allowing their owners to enjoy higher returns. Strong brands also create continuity of demand into the future, thus making expected returns more likely — or less risky. Brands, therefore, create economic value both by generating higher returns and growth, and by mitigating risk.

Interbrand's brand valuation methodology has been specifically designed to take all of these stakeholders and value-creation levers into account. Role of Brand analysis is about understanding purchase behavior — the brand's influence on the generation of demand through choice. Brand Strength measures the ability of the brand to create continuity of demand into the future through loyalty and, therefore, to reduce risk. In doing this, it considers internal (management and employee) and external (customer) factors. Finally, these inputs are combined with a financial model of the business to measure the brand's ability to create economic value for its owner.

It is quite possible that you believe that your brand could be (or is) a significant source of competitive advantage for your business, but you are unsure of how a brand valuation exercise could help you.

The business applications for brand valuation can broadly be categorized into three areas:

- Financial
- Brand Management
- Strategy/Business Case Development

Brand valuation applications fall broadly into three categories

	Financial	Brand Management	Strategy/Business Case Development
Applications	• Investor relations • Mergers & acquisitions • Financing/securization • Licensing/royalty rate setting • Taxp lanning/transfer pricing • Balance sheet valuations	• Brandp erformance management • Brandp portfolio management • Resource allocation • Brandtr acking/ dashboards • Returno n investment analysis • Sponsorship evaluations • Senior management KPIs	• Brand positioning • Brand architectures • Brand extension • Business case for brand investment • Co-branding/JVan alysis
Typical Frequency	One-off	Recurring	One-off
Primary Objective	A robust value with supporting analysis	Ongoing brand management leading to insight and recommendations to grow brand value	Business case connecting brand change/investment to expected financial results

Applications for brand valuation (con't)

Financial applications

Increasingly, CEOs are placing more emphasis on their companies' brands in investor communications. Many more annual report column inches are now dedicated to discussing an organization's commitment to its brand, from the CEO down. Numerous companies take their brands seriously enough to report on their value over time to investors.

Brand also continues to be a key driver of acquisition premiums in M&A. Often, it is the latent potential of the brand that is driving this premium through its ability to enter new markets and extend into adjacent categories. A broad skill set, combining market research, brand, and business strategy, together with business case modeling, is required to quantify the latent financial potential of the target brand.

Interbrand's brand valuation methodology can also be used to complement other more traditional techniques for setting royalty rates for brands. By identifying the value created by a brand for its business, combined with an evaluation of the relative bargaining power of the parties involved, we are able to advise on the proportion of brand value that should be paid out as a royalty rate in return for the right to exploit the brand.

Brand management applications

Ultimately, everything we do as brand managers should be considered through a value creation lens. Considerable investments are made in brands and, ultimately, it is important to determine if these actions are creating value for your customers and, in turn, your shareholders.

Interbrand's brand valuation methodology seeks to determine, in both customer and financial terms, the contribution of the brand to business results.

A strategic tool for ongoing brand management, brand valuation brings together market, brand, competitor, and financial data into a single, value-based framework within which the performance of the brand can be assessed, areas for improvement identified, and the financial impact of investing in the brand quantified. It also provides a common language around which a company can be galvanized and organized.

Role of Brand analysis lets us know where investment in (and focus on) brand improvements will have the biggest impact. It can be thought of as a measure of "brand leverage."

Brand Strength is the key diagnostic tool with which we can measure brand performance and better understand the reasons behind a brand's strengths and weaknesses, both internally and externally. It supports strategic brand management by prioritizing areas of highest impact for managers.

Typical deliverables from a Brand Strength analysis are:

— A heat map indicating areas of strong and weak performance for the brand (this can be across geographies, products, or customer groups).

— Drill-down analysis into specific segments in the portfolio to identify reasons for over- and under-performance.

— Recommendations for improvement on Brand Strength factors, together with a cost/benefit analysis to inform prioritization.

The core benefits of Brand Strength analysis are that it:

— Enables constructive dialogue about the brand between different parts of the business by creating a common language for discussion of brand performance.

— Provides global and local managers with an actionable tool to make informed marketing decisions — empowering management with insights to implement brand strategy.

— Allows responsibility for performance on the ten Brand Strength factors to be allocated to functions across the business, building engagement and a sense of responsibility for the brand across the organization.

Finally, when the Role of Brand and Brand Strength analyses are connected to the financial model, they provide a framework for resource allocation and prioritization based on the opportunities to enhance brand performance that are expected to have the greatest impact on brand and business value.

Strategy/Business case applications

From time to time, businesses need to evaluate significant changes in brand strategy, whether it be re-positioning, brand architecture, brand extension, or even a complete re-brand. These kinds of changes typically involve significant financial outlay upfront, along with a high degree of uncertainty over when, or whether, a positive return will be made on that investment.

Some CEOs are willing to make these critical brand strategy decisions based on qualitative strategic analysis and intuition. The majority, however, are looking for a business case that goes further. They want to understand the likely overall financial impact on the business over time, covering a range of alternative scenarios. In addition to a detailed breakdown of the expected costs to deliver, a rounded business case will also quantify the expected impact on the top line through the modeling of key revenue drivers (these will vary based on the business, but could include customer acquisition, churn, price premiums, share of wallet, frequency of purchase/visit, average basket size, and so on), and on profit margins from any operational changes required to deliver the new strategy. Finally, sophisticated techniques such as Monte Carlo simulation may be employed, running thousands of possible permutations in order to estimate the most likely outcome.

By bringing together market, brand, competitor, and financial data, the brand valuation model is the ideal framework within which such business case modeling can be conducted.

As global competition becomes tougher and many competitive advantages, such as technology, become more short-lived, the brand's contribution to shareholder value will only increase. Brands are one of the few business assets that can provide long-term competitive advantage.

Companies as diverse as Samsung, Philips, Hyundai, and AXA, among many others, have used brand valuation to help them refocus their businesses on their brands, motivate management, create an economic rationale for branding decisions and investments, and make the business case for change.

Although many brand metrics are available, few can link the brand to long-term financial value creation and this, along with its many other applications, makes brand valuation a versatile strategic tool for your business.

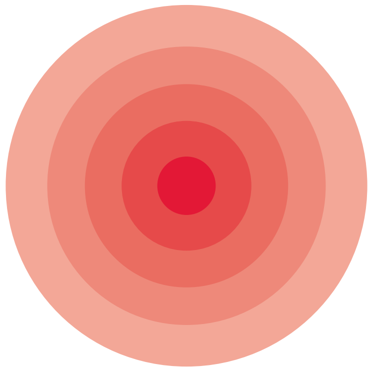
— **Mike Rocha is Interbrand's Global Director of Brand Valuation**

Criteria for Inclusion

There are several criteria for inclusion in Interbrand's annual Best Global Brands ranking.

The brand must be truly global and needs to have successfully transcended geographic and cultural boundaries. It must have expanded across the established economic centers of the world and be establishing a presence in the major markets of the future. In measurable terms, this requires that:

- **At least 30% of revenues must come from outside the brand's home country**
- **It must have a presence in at least three major continents, as well as broad geographic coverage in emerging markets**
- **There must be sufficient publicly available data on the brand's financial performance**
- **Economic profit must be expected to be positive over the longer term, delivering a return above the brand's operating and financing costs**
- **The brand must have a public profile and awareness above and beyond its own marketplace**



These requirements — that a brand be global, visible, and relatively transparent in financial results — lead to the exclusion of some well-known brands that might otherwise be expected to appear in the ranking. The Mars and BBC brands, for example, are privately held and do not have publicly available financial data. Walmart, although it does business in international markets, often does so under a variety of brands and, therefore, does not meet Interbrand's global requirements. Likewise, several industries have been excluded for similar reasons. Telecommunications, for example, tends to be strongly oriented to national markets and faces awareness challenges outside of home markets. The airline industry is highly capital intensive and, in general, operates on narrow margins. This means that airline brands struggle to achieve positive economic profits over the long term. Major pharmaceutical companies, while valuable businesses, are also omitted. This is because consumers tend to build a relationship with the product brands rather than with the corporate brand, and there is not enough publicly disclosed financial data on pharmaceutical product brands to meet Interbrand's criteria.

Methodology

Interbrand's brand valuation methodology seeks to determine, in both customer and financial terms, the contribution of the brand to business results.

A strategic tool for ongoing brand management, it brings together market, brand, competitor, and financial data into a single framework within which the performance of the brand can be assessed, areas for improvement identified, and the financial impact of investing in the brand quantified. It also provides a common language around which a company can be galvanized and organized.

We believe that a strong brand, regardless of the market in which it operates, drives improved business performance. It does this through its ability to influence customer choice and engender loyalty; to attract, retain, and motivate talent; and to lower the cost of financing. Our approach explicitly takes these factors into consideration.

There are three key components in all of our valuations: analyses of the financial performance of the branded products or services, of the role the brand plays in the purchase decision, and of the competitive strength of the brand.

Financial analysis

This measures the overall financial return to an organization's investors, or its "economic profit." Economic profit is the after-tax operating profit of the brand, minus a charge for the capital used to generate the brand's revenues and margins. A brand can only exist and, therefore, create value, if it has a platform on which to do so. Depending on the brand, this platform may include, for example, manufacturing facilities, distribution channels, and working capital. Interbrand, therefore, allows for a fair return on this capital before determining that the brand itself is creating value for its owner. We build a set of financial forecasts over five years for the business, starting with revenues and ending with economic profit, which then forms the foundation of the brand valuation model. A terminal value is also created, based on the brand's expected financial performance beyond the explicit forecast period. The capital charge rate is determined by reference to the industry weighted average cost of capital.

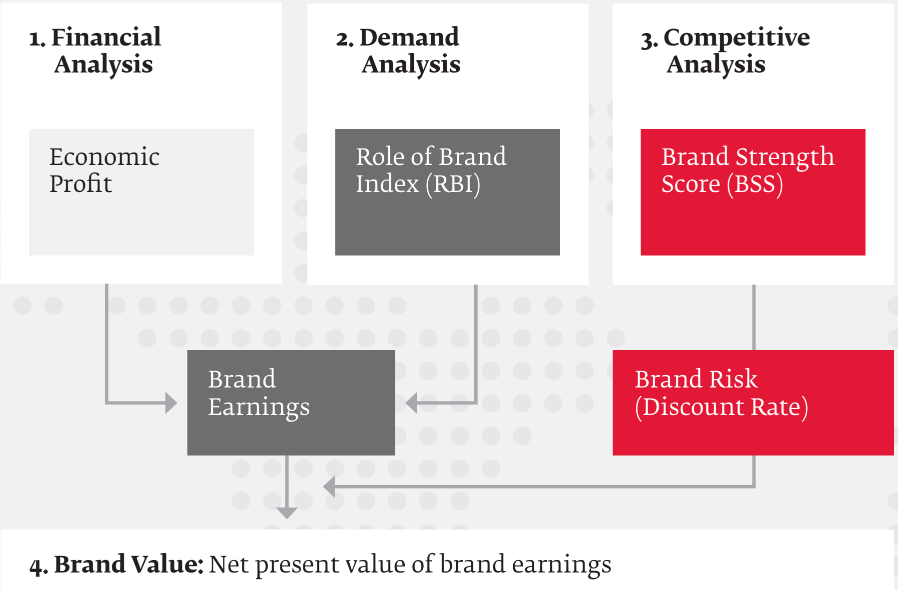
Role of Brand

Role of Brand measures the portion of the decision to purchase that is attributable to the brand, relative to other factors (for example, purchase drivers like price, convenience, or product features). The Role of Brand Index (RBI) quantifies this as a percentage. Customers rely more on brands to guide their choice when competing products or services cannot be easily compared or contrasted, and trust is deferred to the brand (e.g., computer chips), or where their needs are emotional, such as making a statement about their personality (e.g., luxury brands). RBI tends to fall within a category-driven range, but there remain significant opportunities for brands to increase their influence on choice within those boundaries, or even extend the category range where the brand can change consumer behavior. RBI determinations for this study derive, depending on the brand, from one of three methods: primary research, a review of historical roles of brand for companies in that industry, or expert panel assessment. RBI is multiplied by the economic profit of the branded products or services to determine the earnings attributable to the brand (brand earnings) that contribute to the valuation total.

Brand Strength

Brand Strength measures the ability of the brand to create loyalty and, therefore, to keep generating demand and profit into the future. Brand Strength is scored on a 0–100 scale, based on an evaluation across 10 key factors that Interbrand believes make a strong brand. Performance on these factors is judged relative to other brands in the industry and relative to other world-class brands. The strength of the brand is inversely related to the level of risk associated with the brand's financial forecasts. A proprietary formula is used to connect the Brand Strength Score to a brand-specific discount rate. In turn, that rate is used to discount brand earnings back to a present value, reflecting the likelihood that the brand will be able to withstand challenges and generate sustainable returns into the future.

Methodology



Note: Interbrand was the first company to have its methodology certified as compliant with the requirements of ISO 10668—requirements for monetary brand valuation, as well as playing a key role in the development of the standard itself.

Brand Strength

Our experience and knowledge show that brands in the ideal position to keep generating demand for the future are those performing strongly (i.e., "showing strength" versus the competition) across a set of 10 factors that are outlined below.

Four of these factors are more internally driven, and reflect the fact that great brands start from within. The remaining six factors are more visible externally, acknowledging the fact that great brands change their world. The higher the Brand Strength Score, the stronger the brand's advantage.

Internal factors

Clarity

Clarity internally about what the brand stands for and its values, positioning, and proposition. Clarity too about target audiences, customer insights, and drivers. Because so much hinges on this, it is vital that these are articulated and shared across the organization.

Commitment

Internal commitment to brand, and a belief internally in the importance of brand. The extent to which the brand receives support in terms of time, influence, and investment.

Protection

How secure the brand is across a number of dimensions: legal protection, proprietary ingredients or design, scale or geographical spread.

Responsiveness

The ability to respond to market changes, challenges, and opportunities. The brand should have a sense of leadership internally, and a desire and ability to constantly evolve and renew itself.

External factors

Authenticity

The brand is soundly based on an internal truth and capability. It has a defined heritage and a well-grounded value set. It can deliver against the (high) expectations that customers have of it.

Relevance

The fit with customer/consumer needs, desires, and decision criteria across all relevant demographics and geographies.

Differentiation

The degree to which customers/consumers perceive the brand to have a differentiated positioning distinctive from the competition.

Consistency

The degree to which a brand is experienced without fail across all touchpoints or formats.

Presence

The degree to which a brand feels omnipresent and is talked about positively by consumers, customers, and opinion formers in both traditional and social media.

Understanding

The brand is not only recognized by customers, but there is also an in-depth knowledge and understanding of its distinctive qualities and characteristics. (Where relevant, this will extend to consumer understanding of the company that owns the brand.)