



# Singapore 100 2018

**The annual report of the most valuable Singaporean Brands 2018**  
August 2018

# Contents.

---

<b>Foreword</b>	<b>4</b>
<b>Introduction</b>	<b>6</b>
<b>About Brand Finance</b>	<b>7</b>
<b>Definitions</b>	<b>8</b>
<b>Methodology</b>	<b>10</b>
<b>Getting a Grip on Intangibles</b>	<b>12</b>
<b>Brand Governance</b>	<b>16</b>
<b>Singapore’s Top 10 Brands Most Valuable Brands</b>	<b>19</b>
<b>Brand Finance Singapore 100 (USD m)</b>	<b>20</b>
<b>Background on Intangible Asset Value</b>	<b>24</b>
<b>Brand Finance Global 500</b>	<b>28</b>
<b>New International Standard on Brand Valuation</b>	<b>30</b>
<b>How Should Brands Value Existing Marks?</b>	<b>34</b>
<b>Glossary of Terms</b>	<b>37</b>
<b>Consulting Services</b>	<b>38</b>
<b>Brand Valuation Report</b>	<b>39</b>
<b>Communication Services</b>	<b>40</b>
<b>Contact Details</b>	<b>42</b>

# Foreword.



**David Haigh**  
CEO, Brand Finance

What is the purpose of a strong brand; to attract customers, to build loyalty, to motivate staff? All true, but for a commercial brand at least, the first answer must always be ‘to make money’. Huge investments are made in the design, launch and ongoing promotion of brands. Given their potential financial value, this makes sense.

Unfortunately, most organisations fail to go beyond that, missing huge opportunities to effectively make use of what are often their most important assets. Monitoring of brand performance should be the next step, but is often sporadic. Where it does take place it frequently lacks financial rigour and is heavily reliant on qualitative measures poorly understood by non-marketers. As a result, marketing teams struggle to communicate the value of their work and boards then underestimate the significance of their brands to the business. Skeptical finance teams, unconvinced by what they perceive as marketing mumbo jumbo may fail to agree necessary investments. What marketing spend there is can end up poorly directed as marketers are left to operate with insufficient financial guidance or accountability. The end result can be a slow but steady downward spiral of poor communication, wasted resources and a negative impact on the bottom line.

Brand Finance bridges the gap between the marketing and financial worlds. Our teams have experience across a wide range of disciplines from market research and visual identity to tax and accounting.

We understand the importance of design, advertising and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money. That is why we connect brands to the bottom line. By valuing brands, we provide a mutually intelligible language for marketers and finance teams.

Marketers then have the ability to communicate the significance of what they do and boards can use the information to chart a course that maximises profits. Without knowing the precise, financial value of an asset, how can you know if you are maximising your returns? If you are intending to license a brand, how can you know you are getting a fair price? If you are intending to sell, how do you know what the right time is? How do you decide which brands to discontinue, whether to rebrand and how to arrange your brand architecture? Brand Finance has conducted thousands of brand and branded business valuations to help answer these questions.

Brand Finance’s recently conducted share price study revealed the compelling link between strong brands and stock market performance. It was found that investing in the most highly branded companies would lead to a return almost double that of the average for the S&P 500 as a whole. Acknowledging and managing a company’s intangible assets taps into the hidden value that lies within it. The following report is a first step to understanding more about brands, how to value them and how to use that information to benefit the business. The team and I look forward to continuing the conversation with you.

# Foreword.



**Samir Dixit**  
Managing Director,  
Brand Finance Asia Pacific

2018 continues to be an unpredictable year. There will be new challenges emerging each day, some that the global economies are used to and some that come and surprise everyone out of nowhere. Being in ASEAN markets with a growing consumer base isn’t enough. Business growth is getting more and more unpredictable. Forecasting is impossible. This will be the new norm for everyone. And the brands will not be immune to it either.

We are seeing more and more unpredictable behaviour from brands and customers alike. Loyalty has been put aside for discounts. Brand equity has been put aside for sales. “Short term”, “quick results” and “sell and move on” are some of the new mantras. So the only thing that remains a constant is the brand and that’s why it is the most critical business asset. Shareholders invest for the intangible value increase of the share price, mostly driven by brands. Business managers however seldom look at Wit that way giving their undivided focus to sales, balance sheet performance and cost cuts.

A strong external brand must be managed effectively internally first. Internal brand management therefore is more critical than external brand management.

Consistency is the single largest brand value driver and that comes from everyone inside the organisation being on the same page, having the same brand understanding, its messaging, its application and so on. In our assessment, 10-15% of the total brand value is influenced by how well the brand is managed and understood internally. This is the challenge that we address in our 2018 annual Brand Forum and our report.

Valuation is a great tool to evaluate, monitor and track the internal brand management contribution for your business success. This becomes critical since huge investments are already being made in the design, R&D, launch and re-launch and ongoing tactical promotion of numerous products around the world. Unfortunately, most corporates fail to effectively measure the ROI for their important and valuable asset – their brand. We have also observed that a number of brand valuation consultancies produce brand ranking tables using methods that do not stand up to technical scrutiny or to the ISO Standards for Brand Valuation. We use methods that are technically advanced, which conform to ISO Standards and are well recognised by our peers, by various technical authorities and by academic institutions.

Brand Finance published brand rankings are the world’s only published ranking of ISO compliant brand values. This annual report pits the best brands against one another in the most definitive list of brand values available. The Brand value accorded to each brand is a summary of its financial strength. Each brand has also been given a brand rating, which indicates its strength, risk and future potential relative to its competitors.

This report provides an opinion regarding the point in time valuations of the most valuable Singaporean brands as at 1st January 2018. The sheer scale of these brand values show how important an asset these brands are to their respective owners. As a result, we firmly believe that brand valuation analysis can offer marketers and financiers insight into their brand management efforts and the impact of a stronger brand on marketing activities and should be considered as a key part of the decision making process.

# Introduction.

The balance between tangibles and intangibles has changed dramatically over the past 50 years as corporate performance is increasingly driven by exploitation of ideas, information, expertise and services rather than physical products.

Intangible assets have traditionally tipped the scales over tangible assets to create value for companies and the global economy. They now make up for a significantly large value of an enterprise. Yet, it’s an area of least focus amongst the management.

Whilst accountants do not measure intangible assets, the discrepancy between market and book values shows that investors do.

Brand Finance has been researching and tracking the role of intangible assets since 2001 as part of its annual Global Intangible Finance Tracker (GIFT™) with an emphasis on helping corporations understand brand strength and value.

Brand Finance has found that intangible assets play a significant part in enterprise value generation. The GIFT™ is a study that tracks the performance of intangible assets on a global level.

The GIFT™ is the most extensive study on intangible assets, covering more than 160 jurisdictions, more than 57,000 companies. The analysis goes back over a fifteen-year period from the end of December 2016.

Currently, 52% of global market value is vested in intangible assets. There is just a marginal increase as compared to last year. However, the management paradigm is yet to shift in tandem with large proportion and the importance of intangible assets.

Globally, intangible value continues to soar, rising from \$19.8 trillion in 2001 to \$47.6 trillion in 2016, despite a drop of over 50% during the financial crisis of 2008.

Though the values of disclosed intangibles on company balance sheets have increased by 5% annually over the last five years, total enterprise value grew 13% over the same period. More strikingly, global undisclosed intangible value rose from \$15tn in 2011 to \$35tn in 2016, an 18% annual increase, suggesting that, with effective reporting, disclosed

intangible growth ought to have outstripped enterprise value rather than the reverse.

The fact that most of the intangible value is not disclosed on company balance sheet further illustrates how poorly understood intangibles still are by investors and management alike – and how out of date accounting practice is.

Such ignorance leads to poor decision-making companies and systematic mis-pricing of stock by investors.

### Purpose of study

To this end, our study aims to examine the performance of Singapore’s intangible assets and brands.

For the intangible asset study, the total enterprise value of corporate Singapore is divided into four components shown below.

Undisclosed Value	Disclosed Goodwill
The difference between the market and book value of shareholders’ equity, often referred to as the premium book value	Goodwill disclosed on balance sheet as a result of acquisitions
Disclosed Intangible Assets	Tangible Net Assets
Intangible assets disclosed on balance sheet including trademarks and licences	Tangible net assets is added to investments, working capital and other net assets

# About Brand Finance.

## Brand Finance is the world’s leading independent brand valuation and strategy consultancy.

Brand Finance was set up in 1996 with the aim of ‘bridging the gap between marketing and finance’. For over 20 years we have helped companies to connect their brands to the bottom line, building robust business cases for brand decisions, strategies and investments. In doing so, we have helped finance people to evaluate marketing programmes and marketing people to present their case in the Board Room.

### Independence

Brand Finance is impartial and independent. We access and help to manage brands, but we do not create or own them. We are therefore able to give objective, unbiased advice because we have no vested interest in particular outcomes of a project and our recommendations are entirely independent. We are agency agnostic that works collaboratively with many other agencies and consultancies.

### Technical credibility

Brand Finance has high technical standards. Our work is frequently peer-reviewed by the big four audit and our work has been accepted by tax authorities and regulatory bodies around the world.

We are one of the few companies certified to provide brand valuation that is fully compliant with ISO 10668, the global standard on monetary brand valuations

### Transparency

There are no black boxes. Our approach is to work openly, collaboratively and flexibly with clients and we will always reveal the details of our modelling and analysis. This means our clients always understand what lies behind ‘the number’.

### Expertise

We possess a unique combination of skills and experience. We employ functional experts with marketing, research and financial backgrounds, as well as ex-client-side senior management who are used to ‘making things happen’. This gives us the mindset to think beyond the analysis and to consider the likely impact on day-to-day operations. We like to think this differentiates us because our team has real operational experience.

For more information, please visit our website: [brandfinance.com](http://brandfinance.com)

**Brand Finance** puts thousands of the world’s biggest brands to the test every year, evaluating which are the strongest and most valuable. The Singapore 100 is just one of the many annual reports produced by Brand Finance.

Visit [www.brandirectory.com](http://www.brandirectory.com) to access all the sector and country reports.





# Definitions.

Enterprise Value

Branded Business Value

Brand Contribution


Brand Value

VOLKSWAGEN  
AKTIENGESELLSCHAFT  
[Volkswagen Group]

+ Enterprise Value

The value of the entire enterprise, made up of multiple branded businesses.

Where a company has a purely mono-branded architecture, the 'enterprise value' is the same as 'branded business value'.




[Bentley]

+ Branded Business Value

The value of a single branded business operating under the subject brand.

A brand should be viewed in the context of the business in which it operates. Brand Finance always conducts a branded business valuation as part of any brand valuation. We evaluate the full brand value chain in order to understand the links between marketing investment, brand-tracking data, and stakeholder behaviour.




[Bentley]

+ Brand Contribution

The overall uplift in shareholder value that the business derives from owning the brand rather than operating a generic brand.

The brand values contained in our league tables are those of the potentially transferable brand assets only, making 'brand contribution' a wider concept. An assessment of overall 'brand contribution' to a business provides additional insights to help optimise performance.



[Bentley]

+ Brand Value

The value of the trade mark and associated marketing IP within the branded business.

Brand Finance helped to craft the internationally recognised standard on Brand Valuation – ISO 10668. It defines brand as a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos, and designs, intended to identify goods, services or entities, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits.

8. Brand Finance Singapore 100 August 2018

Brand Strength

Brand Strength is the efficacy of a brand's performance on intangible measures, relative to its competitors.

In order to determine the strength of a brand, we look at Marketing Investment, Stakeholder Equity, and the impact of those on Business Performance.

Each brand is assigned a Brand Strength Index (BSI) score out of 100, which feeds into the brand value calculation. Based on the score, each brand is assigned a corresponding rating up to AAA+ in a format similar to a credit rating.

Analysing the three brand strength measures helps inform managers of a brand's potential for future success.

Brand Strength Index

Marketing Investment

Stakeholder Equity

Business Performance

Widely recognised factors deployed by marketers to create brand loyalty and market share.

Perceptions of the brand among different stakeholder groups, with customers being the most important.

Quantitative market and financial measures representing the success of the brand in achieving price and volume premium.

Investment

Equity

Performance

Marketing Investment

A brand that has high Marketing Investment but low Stakeholder Equity may be on a path to growth. This high investment is likely to lead to future performance in Stakeholder Equity which would in turn lead to better Business Performance in the future.

However, high Marketing Investment over an extended period with little improvement in Stakeholder Equity would imply that the brand is unable to shape customers' preference.

Stakeholder Equity

The same is true for Stakeholder Equity. If a company has high Stakeholder Equity, it is likely that Business Performance will improve in the future.

However, if the brand's poor Business Performance persists, it would suggest that the brand is inefficient compared to its competitors in transferring stakeholder sentiment to a volume or price premium.

Business Performance

Finally, if a brand has a strong Business Performance but scores poorly on Stakeholder Equity, it would imply that, in the future, the brand's ability to drive value will diminish.

However, if it is able to sustain these higher outputs, it shows that the brand is particularly efficient at creating value from sentiment compared to its competitors.

Brand Finance Singapore 100 August 2018 9.

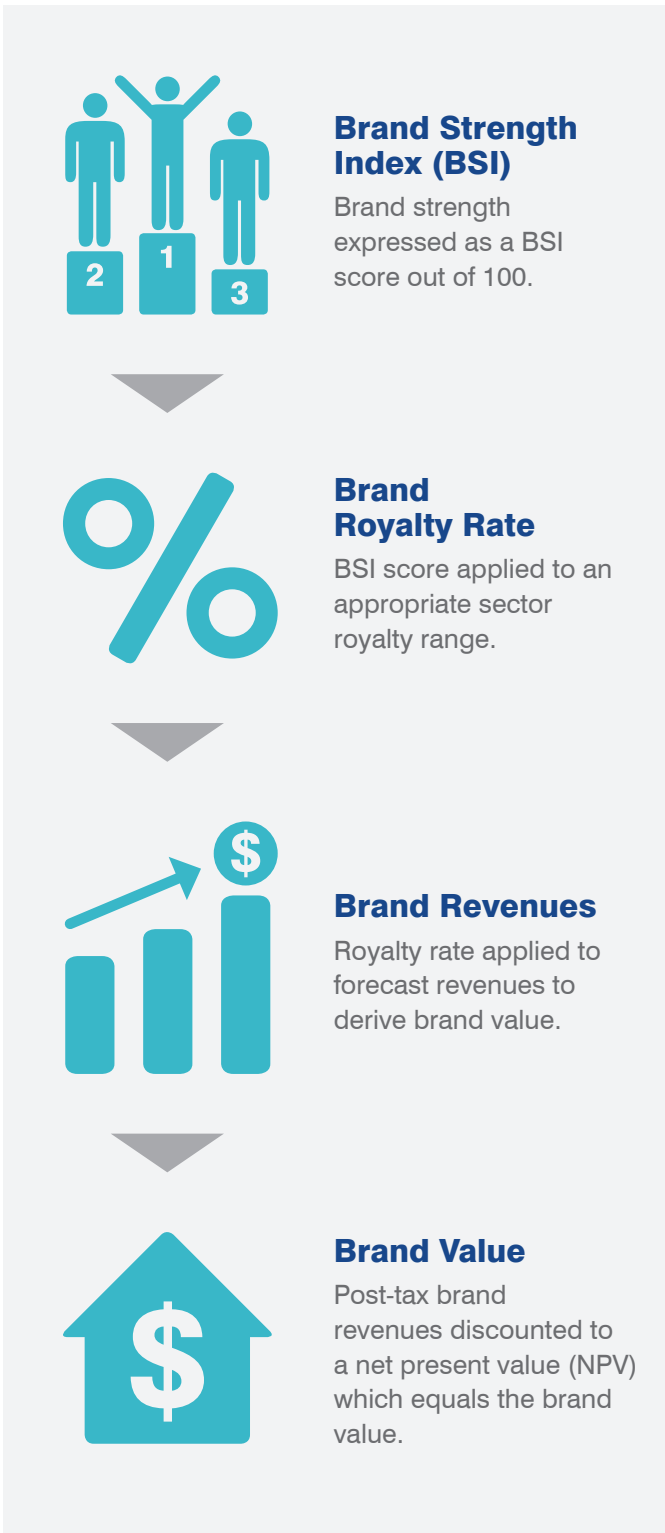
# Methodology.


**Brand Finance calculates the values of the brands in its league tables using the Royalty Relief approach – a brand valuation method compliant with the industry standards set in ISO 10668.**

This involves estimating the likely future revenues that are attributable to a brand by calculating a royalty rate that would be charged for its use, to arrive at a 'brand value' understood as a net economic benefit that a licensor would achieve by licensing the brand in the open market.

**The steps in this process are as follows:**

- 1 Calculate brand strength using a balanced scorecard of metrics assessing Marketing Investment, Stakeholder Equity, and Business Performance. Brand strength is expressed as a Brand Strength Index (BSI) score on a scale of 0 to 100.
- 2 Determine royalty range for each industry, reflecting the importance of brand to purchasing decisions. In luxury, the maximum percentage is high, in extractive industry, where goods are often commoditised, it is lower. This is done by reviewing comparable licensing agreements sourced from Brand Finance's extensive database.
- 3 Calculate royalty rate. The BSI score is applied to the royalty range to arrive at a royalty rate. For example, if the royalty range in a sector is 0-5% and a brand has a BSI score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.
- 4 Determine brand-specific revenues by estimating a proportion of parent company revenues attributable to a brand.
- 5 Determine forecast revenues using a function of historic revenues, equity analyst forecasts, and economic growth rates.
- 6 Apply the royalty rate to the forecast revenues to derive brand revenues.
- 7 Brand revenues are discounted post-tax to a net present value which equals the brand value.



  
CONTINUING  
EDUCATION

  
HUMAN CAPITAL  
DEVELOPMENT

  
CONNECTIVITY

**Connecting You to the Largest  
Community of Sales and Marketing  
Professionals in Singapore**



# Getting a Grip on Intangibles.



**Bryn Anderson**  
COO, Brand Finance

## Intangible assets make up nearly half the value of quoted companies around the world. Yet intangibles remain poorly understood and managed.

Intangible assets including brands have never been more important. Survey after survey shows that brands and other intangibles typically account for between 30 per cent and 70 per cent of a company’s market value, and in certain sectors, such as luxury goods, this figure can be even higher.

Research from Brand Finance, the 2017 BrandFinance Global Intangible Financial Tracker (GIFT) report is the most extensive research ever compiled on intangible assets. Over the past fourteen years, GIFT has tracked the performance of more than 57,000 companies domiciled in 160 over jurisdictions and it shows that in 2016, intangibles across the world accounted for 52 percent of the value of quoted companies, continuing the increase since the global economic downturn in 2008. The proportion of intangible assets not recognised on the global balance sheet is up from 34 per cent to 38 percent comparing from the year before. The increase can be attributed strong stock prices in the mining and oil and gas sector.

The balance between tangible to intangible assets has changed dramatically over the past 50 years, as corporate performance has become increasingly driven by the exploitation of ideas, information, expertise and services rather than physical things. Yet despite the rise in intangible value, the fact that most of it is not disclosed on company balance sheets highlights how poorly understood intangibles still are by investors and management alike — and how out of date accounting practice is. Such ignorance leads to poor decision making by companies and systematic miss-pricing of stock by investors.

Overall, the 2017 GIFT study shows that the value of the top 57,000 companies in the world has recovered from the ‘double drip’ result in 2011. Globally, intangible value continues to soar, rising from \$19.8 trillion in 2001 to \$47.6 trillion in 2016, despite a drop of over 50% during the financial crisis of 2008.

### Categories of intangible assets under IFRS 3

- 1. Rights.** Leases, distribution agreements, employment contracts, covenants, financing arrangements, supply contracts, licences, certifications, franchises.
- 2. Relationships.** Trained and assembled workforce, customer and distribution relationships.
- 3. Intellectual property.** Patents; copyrights; trademarks; proprietary technology (for example, formulas, recipes, specifications, formulations, training programmes, marketing strategies, artistic techniques, customer lists, demographic studies, product test results); business knowledge — such as suppliers’ lead times, cost and pricing data, trade secrets and knowhow.

But a fourth category, ‘undisclosed intangible assets’, is usually more valuable than the disclosed intangibles. The category includes ‘internally generated goodwill’, and it accounts for the difference between the fair market value of a business and the value of its identifiable tangible and intangible assets. Although not an intangible asset in a strict sense — that is, a controlled ‘resource’ expected to provide future economic benefits (see below) — this residual value is treated as an intangible asset in a business combination when it is converted into goodwill on the acquiring company’s balance sheet.

Current accounting practice does not allow for internally generated brands to be disclosed on a balance sheet. Under current IFRS only the value of acquired brands can be recognised, which means many companies can never use the controlled ‘resource’ of their internally generated brands to their full economic benefit. For example, they can’t take out a loan against the asset and potentially bolster their balance sheet.

In accounting terms, an asset is defined as a resource that is controlled by the entity in question and which is expected to provide future economic benefits to it. The International Accounting Standards Board’s definition of an intangible asset requires it to be non-monetary, without physical substance and ‘identifiable’.

In order to be ‘identifiable’ it must either be separable (capable of being separated from the entity and sold, transferred or licensed) or it must arise from contractual or legal rights (irrespective of whether those rights are themselves ‘separable’).

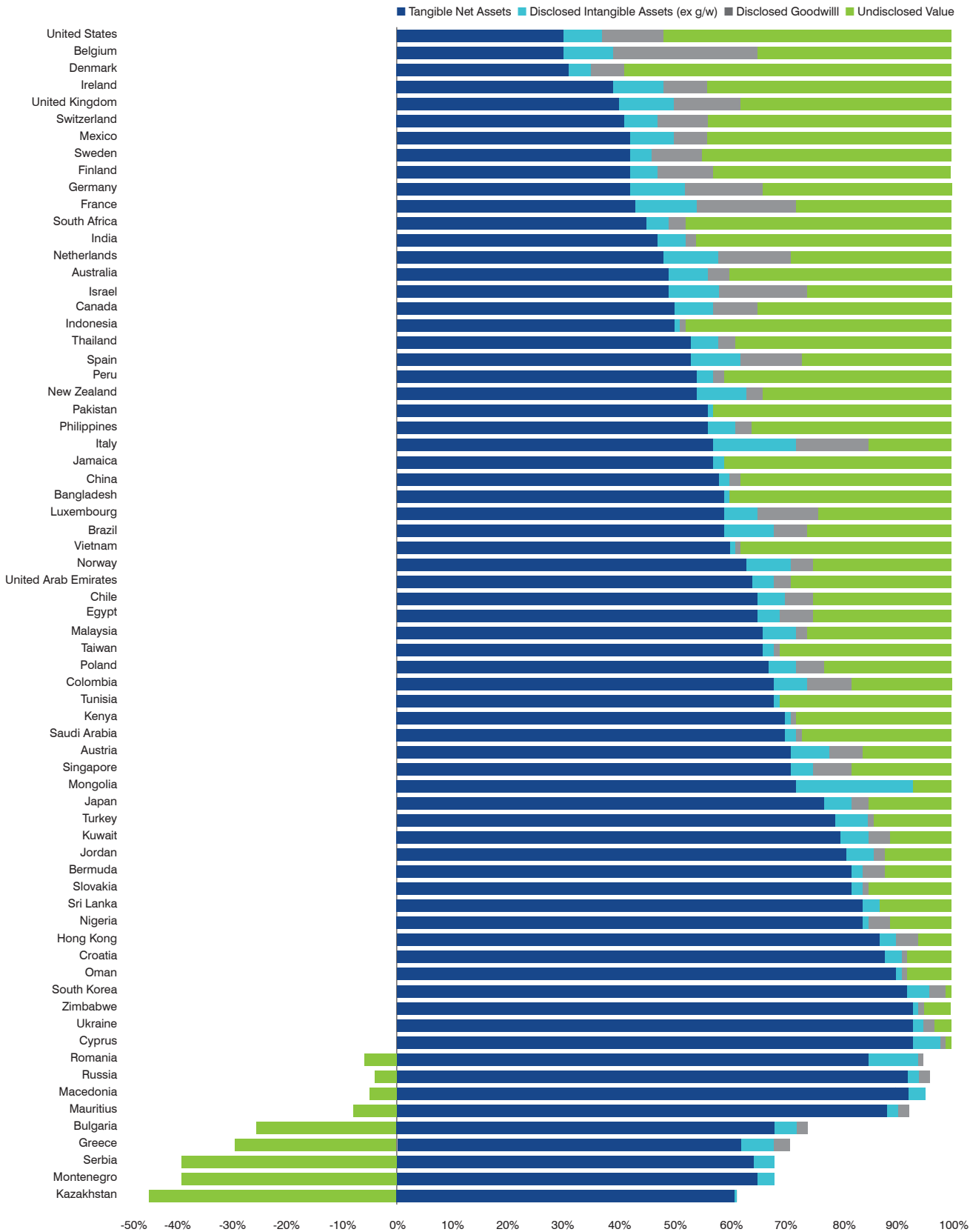
Therefore, intangible assets that may be recognised on a balance sheet under IFRS are only a fraction of what are often considered to be ‘intangible assets’ in a broader sense.

However, the picture has improved since 2001, when IFRS3 in Europe, and FAS141 in the US, started to require companies to break down the value of the intangibles they acquire as a result of a takeover into five different categories — including customer-and market related intangibles — rather than lumping them together under the catch-all term ‘goodwill’ as they had in the past.

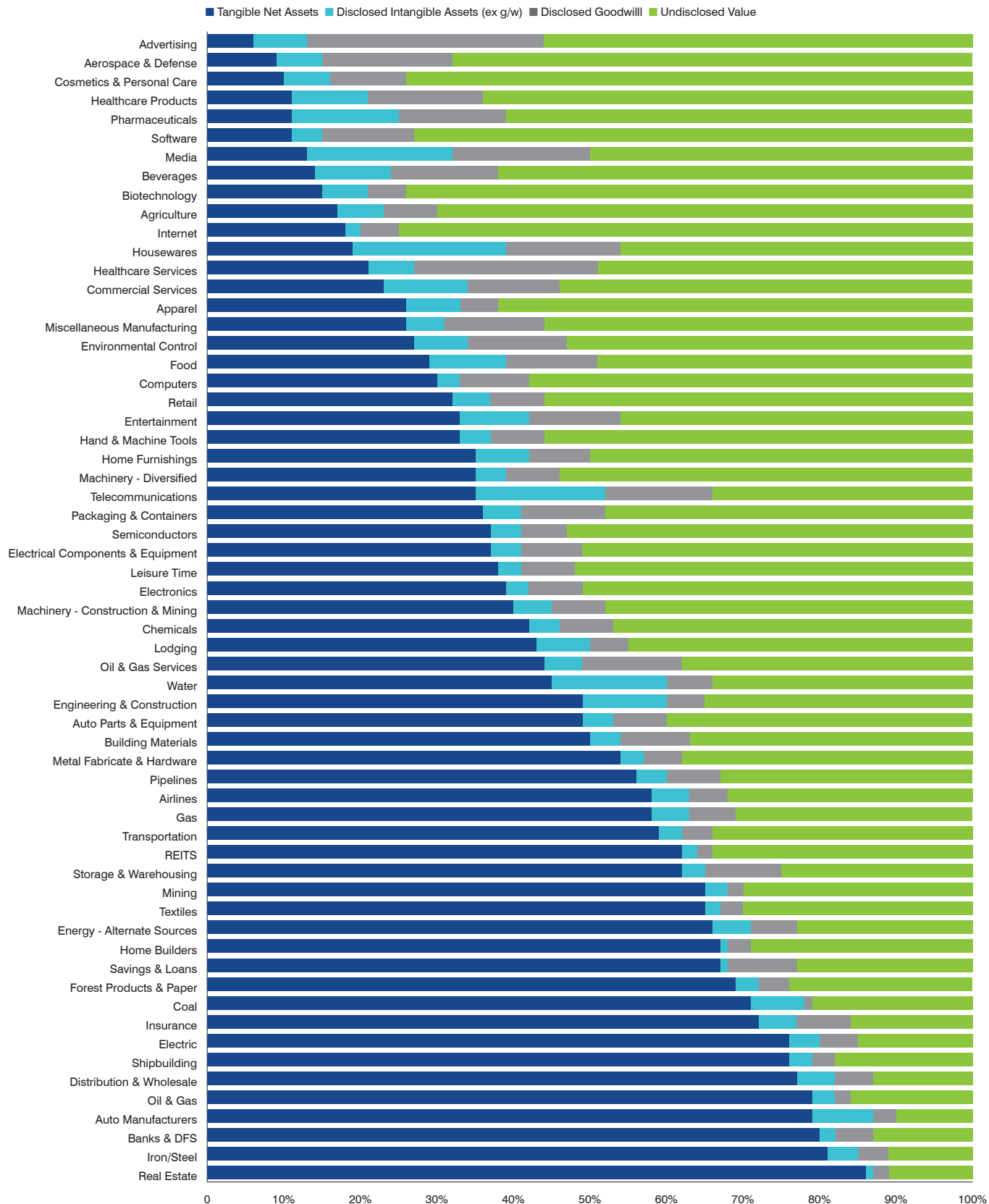
But because only acquired intangibles, and not those internally generated, can be recorded on the balance sheet, this results in a lopsided view of a company’s value. What’s more, the value of those assets can only stay the same or be revised downwards in each subsequent year, thus failing to reflect the additional value that the new stewardship ought to be creating.

Clearly, therefore, whatever the requirements of accounting standards, companies should regularly measure all their tangible and intangible assets (including internally-generated intangibles such as brands and patents) and liabilities, not just those that have to be reported on the balance sheet. And the higher the proportion of ‘undisclosed value’ on balance sheets, the more critical that robust valuation becomes.

Global intangible and tangible value by country (%)



Global intangible and tangible value by sector (%)





# Brand Governance: The Essential Inside Out Brand Management.

## The Context

The “brand” is the most powerful and valuable of all the intangibles yet it’s the least areas of focus from the management internally.

It’s every organisation’s biggest challenge to ensure consistent brand usage and communication is in place.

It’s almost taken for granted that the brand management (internal or external) is the sole responsibility of the few people/ team in a department titled “brand management team”. And even for them, the focus more often than not is to manage PR, corporate brand campaigns and the policing of the logo applications. And therein lays the fundamental problem. Policing vs. organisation wide understanding of the brand. The latter is far more important and impactful in consistency of brand application than the former. It is the driver of the brand strength and the incremental value externally.

So the sooner the companies realise that brand is the responsibility of every single individual in the organisation, not just the brand team or the people directly involved in the marketing functions( IT, HR, Shared Services, property management, frontline staff, back office staff etc.) the more impactful and consistent will be their brand messaging and brand application.

## The Importance

Given a corporates global span and diverse workforce of thousands of employees, all this is easier said than done unless the corporate has a structured brand governance (or internal brand management) framework that effectively covers all individuals/staff in the organisation and makes every one of them responsible for the brand vs. a handful of members of the brand team.

Brand governance is generally driven by the culture within the organisation. However, at the most basic level, savvy organisations know the value of the brand and what the drivers of the brand value are. The organisations Board of Directors also understand the importance of the brand.

It’s just not managed from an “inside out” perspective.

## Brand Finance “Brand Governance” Approach

Brand Finances’ Brand Governance Framework enables a corporate to understand and continues to grow the Brand Equity and Brand Value of the brand effectively managing it “Inside Out”.

The fundamental difference of approach taken by brand finance is not to be inputs driven but to be more output focussed. The output is measured via a GSI (Governance strength Index) which is very similar to our BSI index except it measures and scores the inputs, equity, outputs for internal brand management practices.

## Key Components of Brand Governance

There are nine key components of brand governance which help drive the internal brand management in a more robust and structured manner thereby improving the brand equity externally. And make the brand more competitive.

- 1. Information:** Information on brand development, direction the corporate is moving in, reasons of doing the changes, who to go to for brand and related information, etc.
- 2. Education:** Education and understanding of people on do’s and don’ts. This is the foundation and essence of Brand Management. The need and logic for consistency.
- 3. Benchmarking:** Creating the benchmarking measures through consistent brand tracking, both internally and externally, becomes essential. These help define the common platforms and common measurement tools that the brand will be measured on both internally and externally. These are also redefined against /in sync with current measures to identify the gaps, intensity of push and effort required in each of the countries to achieve success.
- 4. Leveling:** Get everyone (or as many people) around the world in the corporate on the same page as far as brand understanding and priorities are concerned.

What is the organisation doing? Why are they doing it? How are they doing it? How would the organisation benefit from this? There should be more answers than the questions.

**5. Operational processes:** How will the organisation operationalize the Brand Management? Who will be the key people involved? Responsibilities for individuals/groups/ teams.

**6. Auditing:** No audit means no success measure and no gaps identification. Keeping track of what is being cascaded is being implemented correctly is critical to the success of any brand management program.

**7. Risk perspectives:** Risk integration with a brand management process, though seem far-fetched, is extremely critical. Defining the downsides of not thinking and following the charted brand course and highlighting the associated business risks such as the operational/ reputational/financial/ strategic/legal risk shows the importance of the brand to the organisation.

**8. Measurability Aspects:** What gets measured gets done. How will the organisation measure the success/failure against the defined benchmarks and KPI’s?

**9. Improvement:** Putting feedback channels in place for learning, constant improvement and enhancement of brand experience across stakeholders is the last mile connectivity.

All the above components come together in the GSI framework and allow the overall brand governance process to be managed and maintained as a crucial management KPI with a clear focus on “what next”.

And do remember, information is critical. So without an internal tracking of brand understanding and equity amongst the staff, a brand policy, internal brand audits etc., the process would not work. It’s “garbage-in, garbage-out”.

To conclude, this might make the brand teams a bit uncomfortable about letting go of the control and empowerment that they have. They must understand that this is to get the whole organisation work for them and with them vs against them. It’s not about creating more guidelines and policing opportunities. It’s about making every employee responsible and empowering everyone across the organisation for the brand. And this is also about how the success of the brand team would be measured and demonstrated to the senior management. How much brand value is contributed by the brand team through their actions and efforts? If the brand team wasn’t there, what’s the brand value at risk?





At Brand Finance we focus on  
measuring companies' intangible  
value and helping them to grow it.

**Valuation**  
**Analytics**  
**Strategy**  
**Transactions**

Brand Finance plc, the world's leading independent brand valuation and business strategy consultancy, has a global footprint with over 20 offices worldwide.

Our services complement and support each other, resulting in robust valuations underpinned by an in-depth understanding of revenue drivers and licensing practice.

Brand Finance is one of the few companies that has the ISO 10668 certification for valuation services. Our work is frequently peer reviewed by the large audit firms and is well recognized by the tax authorities and government bodies worldwide.

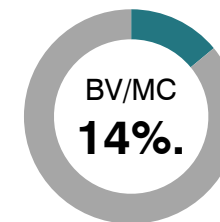
[www.brandfinance.com](http://www.brandfinance.com)

# Singapore's Top 10 Most Valuable Brands 2018.

Currency: USD millions

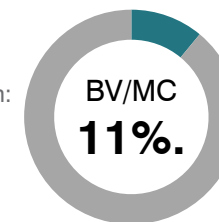
**1**  **DBS**

Brand Value:  
**US\$6,498m**  
Market Capitalisation:  
**US\$46,163m**  
Brand Rating:  
**AAA-**



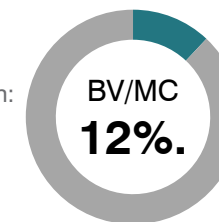
**2**  **OCBC Bank**

Brand Value:  
**US\$4,023m**  
Market Capitalisation:  
**US\$38,197m**  
Brand Rating:  
**AA+**



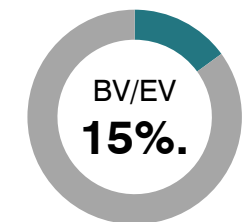
**3**  **UOB**

Brand Value:  
**US\$3,739m**  
Market Capitalisation:  
**US\$32,396m**  
Brand Rating:  
**AA+**



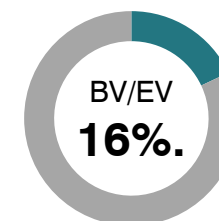
**4**  **Singtel**

Brand Value:  
**US\$3,426m**  
Enterprise Value:  
**US\$23,533m**  
Brand Rating:  
**AAA-**



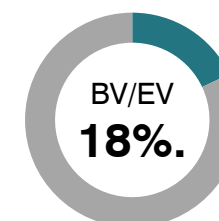
**5**  **wilmar**

Brand Value:  
**US\$2,829m**  
Enterprise Value:  
**US\$17,457m**  
Brand Rating:  
**A+**



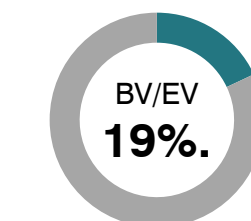
**6**  **Great Eastern**  
Life is Great  
A member of the OCBC Group

Brand Value:  
**US\$1,665m**  
Enterprise Value:  
**US\$9,030m**  
Brand Rating:  
**AA**



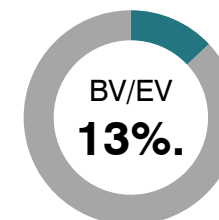
**7**  **SINGAPORE AIRLINES**

Brand Value:  
**US\$1,242m**  
Enterprise Value:  
**US\$6,492m**  
Brand Rating:  
**AAA-**



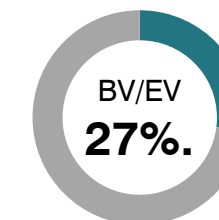
**8**  **GENTING SINGAPORE**

Brand Value:  
**US\$1,150m**  
Enterprise Value:  
**US\$8,956m**  
Brand Rating:  
**AA-**



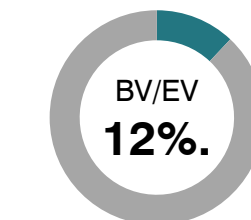
**9**  **StarHub**

Brand Value:  
**US\$1,053m**  
Enterprise Value:  
**US\$3,878m**  
Brand Rating:  
**AA+**




























**10**  **SPC**

Brand Value:  
**US\$1,050m**  
Enterprise Value:  
**US\$8,770m**  
Brand Rating:  
**AA**









# Brand Finance Singapore 100 (USD m).

Rank 2018	Rank 2017	Brand	Logo	2018 Brand Value (USD m)	2017 Brand Value (USD m)	2018 Brand Rating	2017 Brand Rating	Brand Value / Enterprise Value (%)
1	1	DBS		6,498	5,403	AAA-	AAA-	14%
2	2	OCBC Bank		4,023	3,643	AA+	AAA-	11%
3	3	UOB		3,739	3,619	AA+	AA+	12%
4	5	Singtel		3,426	2,625	AAA-	AA	15%
5	4	Wilmar		2,829	2,833	A+	A+	16%
6	7	Great Eastern		1,665	1,516	AA	A+	18%
7	6	Singapore Airlines		1,242	1,632	AAA-	AAA-	19%
8	10	Genting Singapore		1,150	1,003	AA-	A+	13%
9	13	Starhub		1,053	850	AA+	AA	27%
10	12	SPC		1,050	934	AA	AA+	12%
11	9	ComfortDelGro		947	1,080	AA-	AA-	29%
12	11	CapitaLand		897	939	AA+	AA	5%
13	16	Jardine Cycle & Carriage		871	589	AA-	A-	29%
14	14	Sembcorp		847	832	AA-	AA-	7%
15	8	Frasers Property		791	1,102	AA-	A+	5%
16	18	Keppel		759	550	AA-	A+	5%
17	24	Tiger Beer		757	374	AA-	A+	28%
18	22	ST Engineering		666	443	AA	A	8%
19	15	Fraser and Neave		613	814	AA	AA+	20%
20	19	Olam		598	511	A	A-	4%
21	21	Mapletree		511	458	A+	A+	2%
22	29	Venture		504	321	A	A+	14%
23	17	HPH Trust		454	552	A+	A+	5%
24	20	City Developments		403	467	AA	AA-	8%
25	26	Millennium Hotels		363	354	AA	AA	13%

Rank 2018	Rank 2017	Brand	Logo	2018 Brand Value (USD m)	2017 Brand Value (USD m)	2018 Brand Rating	2017 Brand Rating	Brand Value / Enterprise Value (%)
26	39	M1		361	232	AA+	A+	24%
27	23	SPH		355	422	A+	AA-	10%
28	36	CWT		348	264	A	A-	23%
29	28	SGX		330	307	AA	AA-	6%
30	25	Singapore Post		307	369	AA+	AA	13%
31	45	UIC		300	207	A+	A+	6%
32	47	UOL		292	178	AA	A	4%
33	32	Ascendas Reit		290	284	AA-	A	3%
34	41	Ascott		280	227	AA-	A+	6%
35	37	Copthorne Hotels		277	254	AA	AA	16%
36	33	Guocoland		277	279	A	A	6%
37	51	OUE		244	140	AA-	A+	6%
38	43	SBS		243	215	AA-	AA-	33%
39	38	SATS		235	244	AA-	A+	7%
40	44	SMRT		233	209	AA	AA-	21%
41	35	SIA Engineering		225	267	A+	A+	10%
42	40	Hong Leong Asia		225	230	A	A-	21%
43	31	United Engineers		213	294	AA-	BBB	11%
44	new	Scoot		212	-	A+	-	17%
45	30	Sembcorp Marine		180	309	A+	A	4%
46	60	Sheng Siong		160	88	AA	A-	15%
47	52	Courts		141	132	A+	A+	44%
48	57	SUNTEC REIT		137	114	AA	AA-	2%
49	54	OSIM		137	123	A+	A	47%
50	48	CapitaMalls Asia		136	165	AA	AA-	5%



Rank 2018	Rank 2017	Brand	Logo	2018 Brand Value (USD m)	2017 Brand Value (USD m)	2018 Brand Rating	2017 Brand Rating	Brand Value / Enterprise Value (%)
51	56	BreadTalk		134	117	AA	AA-	36%
52	50	Raffles Medical		132	155	A+	AA-	9%
53	55	The Hour Glass		127	118	A+	BBB	41%
54	53	Yeo's		107	124	AA	A+	38%
55	new	SilkAir		96	-	AA	-	21%
56	69	UOBKayHian		95	57	A+	BBB	10%
57	61	Banyan Tree		95	85	AA-	A+	11%
58	new	Hi-P		86	-	A-	-	12%
59	65	Food Empire		73	67	AA-	A	28%
60	62	The Straits Times		67	75	AA	AA-	10%
61	59	Ho Bee Land		61	93	A+	A	3%
62	new	KrisEnergy		58	-	A-	-	10%
63	71	Wing Tai		56	54	BBB	BBB	4%
64	78	Stamford		56	42	A	A-	11%
65	80	Amara		53	39	AA	A	12%
66	74	Cortina		49	47	A-	BB	49%
67	63	Challenger		48	74	A	A	66%
68	70	PanUnited		44	56	A+	A	9%
69	84	Jumbo		44	33	AA-	A	19%
70	81	CSE		40	37	AA-	A-	35%
71	68	Delfi		40	61	AA-	A	-
72	87	GP Batteries		38	29	A+	A	14%
73	76	ValueMax		38	42	A	BBB	14%
74	72	Eu Yan Sang		37	51	A-	BBB	-
75	91	Neo Group		37	25	AA-	A	29%

Rank 2018	Rank 2017	Brand	Logo	2018 Brand Value (USD m)	2017 Brand Value (USD m)	2018 Brand Rating	2017 Brand Rating	Brand Value / Enterprise Value (%)
76	86	Tiger Balm		36	30	AA-	A+	3%
77	79	Far East Orchard		35	40	A	A	7%
78	90	Hotel Grand Central		33	27	A+	A	6%
79	94	Wee Hur		30	23	A-	BBB	19%
80	95	Kingsmen		29	23	AA-	A-	57%
81	93	Maxi-Cash		29	23	A-	BBB	20%
82	64	Hyflux		29	71	A	A	2%
83	97	Nera		28	19	A	A	33%
84	85	Lianhe Zaobao		27	33	AA-	AA-	9%
85	96	World Class Land		25	21	A-	A-	4%
86	100	Q & M		23	18	A	A	6%
87	new	Aspial		22	-	A	-	25%
88	77	SoilBuild		20	42	A-	A	2%
89	83	Metro		17	22	A+	A	3%
90	89	Her World		17	27	A+	A+	7%
91	new	iFAST		17	-	A-	-	11%
92	new	Raffles Education		16	-	A+	-	3%
93	new	LHN		16	-	A-	-	30%
94	new	ASL Marine		14	-	A+	-	3%
95	new	Stamford Tyres		14	-	A-	-	13%
96	new	Haw Par		13	-	BBB	-	9%
97	new	Choo Chiang		9	-	A-	-	18%
98	new	Huatong Global		9	-	BBB	-	12%
99	new	Goldheart		9	-	A	-	8%
100	new	Pacific Radiance		8	-	A+	-	1%

# Background on Intangible Asset Value.

There are different definitions of ‘intangible assets’. According to Singapore Financial Reporting Standard (FRS) 38 ‘Intangible Asset’, an intangible asset is ‘an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes’. According to FRS 38 the definition of an intangible asset requires it to be:

- Non-monetary
- Without physical substance
- Identifiable

In order to be ‘identifiable’ it must either be separable (capable of being separated from the entity and sold, transferred or licensed) or it must arise from contractual or legal rights (irrespective of whether those rights are themselves ‘separable’).

Intangible assets can be broadly grouped into three categories:

- 1. Rights:** leases; distribution agreements; employment contracts’; covenants’; financing arrangements; supply contracts; licenses; certifications; franchises.
- 2. Relationships:** trained and assembled workforce; customer and distribution relationships.
- 3. Intellectual property:** trademarks; patents; copyrights’; proprietary technology (e.g. formulas; recipes; specifications; formulations; training programs; marketing strategies; artistic techniques; customer lists; demographic studies; product test results; business knowledge – processes; lead times; cost and pricing data; trade secrets and know-how).

In addition, there is what is sometimes termed ‘Unidentified Intangible Assets’, including ‘internally generated goodwill’ (or ‘going concern value’). It is important to recognise the distinction between internally-generated and acquired intangible assets. Current accounting standards only allow acquired intangible assets to be recognised on the balance sheet. However, this is provided that they meet the above-mentioned criteria i.e. internally generated intangibles of a company cannot be explicitly stated on its balance sheet.

This results in what is sometimes described as ‘internally generated goodwill’. This is the difference between the fair

market value of a business and the value of its identifiable net assets. Although this residual value is not strictly an intangible asset in a strict sense (i.e. a controlled “resource” expected to provide future benefits), it is treated as an intangible asset in a business combination when converted into goodwill on the acquiring company’s balance sheet.

Intangible assets that may be recognised on a balance sheet under FRS 38 are typically only a fraction of the total intangible asset value of a business, with the remaining value continuing to be classified as ‘goodwill’. Brands, if acquired, can be identified under these rules and added to the balance sheet. This results in an unusual situation where internally-generated brands of the acquiree may be recognised on the acquirer’s balance sheet but the acquirer’s own internally-generated brands may not. For this reason, Brand Finance thinks there is a strong case for the inclusion of internally generated brands on the balance sheet.

Brands fulfil the definition of intangible assets above, in that they are controlled by management, provide future economic benefits and are identifiable and therefore can be sold, transferred or licensed as appropriate. We are increasingly seeing companies taking advantage of this transferability by moving brands (including trademarks and other associated intellectual property, such as design rights and other marketing collateral) to special purpose vehicles, such as brand holding companies, for the purpose of raising finance and tax planning.

## Value characteristics of definition of intangible assets

Valuation of intangible assets requires an understanding of their characteristics and the role that they play in the entire value chain. The following attributes of intangible assets have important value implications:

- **Absence of efficient trading markets:** Unlike tangible assets, the absence of efficient trading markets for intangible assets makes the market approach to valuation by using transaction price not possible.
- **Lack of a linear relationship between investment and returns:** This limits the use of the cost approach to valuation, except for easily replicable assets.

• **Poor non-financial metrics to measure the quality of intangible asset:** Nevertheless, useful valuation insights can be gained from sources such as market research, intellectual property audits and business plans.

• **Value is derived from interactions with other assets (both tangible and intangible):** This results in a complex value chain, and thus calls for the need of value maps to explore the interactions between them.

• **Specific bundle of rights (legal and otherwise):** There are rights associated with the existence of any intangible asset.

• **The need for convenient identification:** For valuation purposes, the intangible assets must be readily identifiable and capable of being separated from the other assets employed in the business. It is sometimes necessary to group complementary intangibles for valuation purposes.

• **The need for a detailed and precise definition of the asset:** This is particularly important where this consists of a bundle of rights. The components should be broken down in terms of specific trademarks, copyright, design rights, formulations, patents, and trade secrets.

## FRS 103: Allocating the cost of a business combination

In Singapore, the Financial Reporting Standard (FRS) 103 ‘Business Combination’ is consistent with IFRS 3 in all material aspects. At the date of acquisition, an acquirer must measure the cost of the business combination by recognising the acquiree’s identifiable assets (tangible and intangible), liabilities and contingent liabilities at their fair value. Any difference between the total of the net assets acquired and the cost of acquisition is treated as goodwill (or negative goodwill).

The classifications of intangible assets under FRS 103 include:

- Artistic-related intangible assets
- Marketing-relating intangible assets
- Technology-based intangible assets

- Customer-related intangible assets
- Contract-based intangible assets

**Goodwill:** After initial recognition of goodwill, FRS 103 requires that goodwill be recorded at cost less accumulated impairment charges. Whereas previously goodwill was amortised over its useful economic life, it is now subject to impairment testing at least once a year. Amortisation is no longer permitted.

**Negative Goodwill:** Negative goodwill arises where the purchase price is less than the fair value of the net assets acquired. It must be recognised immediately as a profit in the profit and loss account. However, before concluding that “negative goodwill” has arisen, FRS 103 requires that an acquirer should “reassess” the identification and measurement of the acquired identifiable assets and liabilities.

## FRS 36: Impairment of intangible assets and goodwill

Previously an impairment test was only required if a ‘triggering event’ indicated that impairment might have occurred. Under the revised rules, FRS 36 ‘Impairment of Assets’, there is requirement for an annual impairment test. The test is required for certain assets, namely:

- Goodwill acquired in a business combination.
- Intangible assets with an indefinite useful economic life (e.g. strong brands) and intangible assets not yet available for use. The recoverable amount of these assets must be measured annually (regardless of the existence or otherwise of an indicator of impairment) and at any other time when an indicator of impairment exists.

Brands are one major class of intangible assets that are often considered to have indefinite useful economic lives.

Where acquired brands are recognised on the balance sheet post acquisition, it is important to establish a robust and supportable valuation model using best practice valuation techniques that can be consistently applied at each annual impairment review. There is also new disclosure requirements, the principal one being the disclosure of the key assumptions used in the calculation.

Increased disclosure is required where a reasonably possible change in a key assumption would result in actual impairment.

IFRS 13: Fair value measurment

IFRS 13 Fair Value Measurement applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and require disclosures about fair value measurement. The Standard defines fair value on the basis of an ‘exit price’ notion and uses a ‘fair value hierarchy’, which results in a market based, rather than entity-specific, measurement.

IFRS 13 was originally issued in May 2011 and applies to annual periods beginning on or after 1 January 2013. The objective of IFRS 13 is to set out a single IFRS framework for measuring fair value.

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a ‘fair value hierarchy’. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. [IFRS 13:72]

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgement). [IFRS 13:73]

- **Level 1 inputs:** Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. [IFRS 13:76]

- **Level 2 inputs:** Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. [IFRS 13:81]

- **Level 3 inputs:** Level 3 inputs are unobservable inputs for the asset or liability. [IFRS 13:86]

Impact on management

Perhaps the most important impact of new reporting standards has been on management accountability. Greater transparency, rigorous impairment testing and additional disclosure will mean more scrutiny both internally and externally. The requirement of the acquiring company having to explain at least a part of what was previously considered as “goodwill” should help analysts to analyse deals more closely and gauge whether management have paid a sensible price. The new standards will also have a significant impact on the way companies plan their acquisitions. When considering an acquisition, to assess the impact on the consolidated group balance sheet and profit and loss post-acquisition, a detailed analysis of all the target company’s potential assets and liabilities is recommended.

Companies need to pay close attention to the likely classification and useful economic lives of the identifiable intangible assets in the target company’s business. This will have a direct impact on the future earnings of the acquiring group. In addition to amortisation charges for intangible assets with finite useful economic lives, impairment tests on assets with indefinite useful economic lives may lead to one-off charges. This is particularly so if the acquired business falls short of expectations post-acquisition. The requirement for separate balance sheet recognition of intangible assets, together with impairment testing of those assets and also goodwill, is expected to result in an increase in the involvement of independent specialist valuers in valuations and appropriate disclosure.

Impact on investors

The requirement for companies to attempt to identify what intangible assets they are acquiring as part of a corporate transaction may provide evidence as to whether a group has overpaid in a deal. Subsequent impairment tests may also shed light on whether the price paid was a respectable one for the acquiring company’s shareholders. Regular impairment testing is likely to result in a greater volatility in financial results. Significant one-off impairment charges may indicate that a company has overpaid for an acquisition and have the potential to damage the credibility of management in the eyes of the investment community. Analysts and investors are often sceptical about disclosed intangible assets. In the case of brand (and other intangible

asset) valuation, where a high degree of subjectivity can exist, it is important to demonstrate that best practices have been applied and that the impairment review process is robust.

Tax and intangible assets: IPCO aspect

Other than M&A, strategic planning and ROI analysis, the rise in the importance of marketing intangibles can often mean that there is a strong business case for setting up a central intellectual property (IP) holding company (IPCo). Locating and managing an IPCo from one central location, potentially in a low tax jurisdiction, makes a compelling commercial case, particularly where a group is active in a number of different territories.

The size and authority of the IPCo are variable and dependent on the requirements of the group in question. The benefits include greater IP protection and consistency and improved resource allocation. It is important that genuine commercial drivers for the establishment of IPCo can be demonstrated.

deductions from 2011 onwards for investments in a broad range of activities along the innovation value chain. These activities include R&D, registrations of IP rights, acquisition of IP rights, and investment in Design.

Examples of established IPCO’s by global companies include:

- BATMark (in UK, US, Switzerland & Netherlands)
- Shell Brand International AG (Switzerland)
- Société des Produits Nestlé (Switzerland)
- Philip Morris Products SA (Switzerland)
- Marvel Characters, Inc (USA)

Commercial benefits of central IPCO’s include:

- Better resource allocation.
- Higher return on brand investment.
- Tax savings under certain circumstances.
- Clarity of the strength, value and ownership of the IP will ensure that full value is gained from third party agreements.

- Internal royalties result in greater visibility of the true economic performance of operating companies improved earnings streams from external licenses.

- More effective and efficient IP protection will reduce the risk of infringement or loss of a trademark in key categories and jurisdictions.

- Internal licenses should be used to clarify the rights and responsibilities of the IPCo and operating units. The adoption of consistent and coherent brand strategy, marketing investment and brand control improves brand performance.

This can have the following results:

- Accumulation of profits in a low tax jurisdiction.
- Tax deductions in high tax jurisdictions.
- Tax deductions for the amortisation of intangibles in IPCO.
- Depending on double tax treaties, the elimination or reduction of withholding taxes on income flows resulting from the exploitation of the IP

The Singapore government has several IP friendly tax policies for IP rights holders to establish Singapore as an attractive country to manage their IP.

There are a variety of IP tax incentives, deduction, benefits and grants to encourage the creation, ownership, protection and exploitation of IP in Singapore. For instance:

- Unilateral tax credit scheme is available for royalty income received in Singapore.
- Single tax deduction for patent costs.
- Patent application fund (PAF) Plus, Initiatives in New Technology (INTECH) and several IP grants.
- Automatic written down allowance for five years for the capital expenditure incurred by a Singapore company in acquiring any intellectual property rights for use in that trade or business.
- Reported in Singapore’s 2010 Budget, the Productivity and Innovation Credit will provide significant tax



# Brand Finance Global 500.



## Amazon Claims Prime Spot

Amazon is the world’s most valuable brand ahead of Apple and Google in the Brand Finance Global 500. The e-commerce giant’s brand value increased by 42% year on year to a whopping US\$150.8 billion.

Since the brand’s humble beginnings as an online bookstore, Amazon has become the world’s largest internet business by both market capitalisation and revenue. It is no longer just an online retailer, but also a provider of cloud infrastructure and a producer of electronics. Now, it is moving beyond the digital space, as last year’s takeover of Whole Foods for US\$13.7 billion gave the brand a foothold in the realm of bricks and mortar. Amazon is also present in shipping, music and video streaming, alongside industry speculation on an impending bank acquisition in 2018.

## Apple and Google Left Behind

Although Apple defended 2<sup>nd</sup> place in the ranking, with brand value rebounding to US\$146.3 billion after the 27% decline last year, its future looks bleak. Apple has failed to diversify and grown over-dependent on sales of its flagship iPhones, responsible for two thirds of

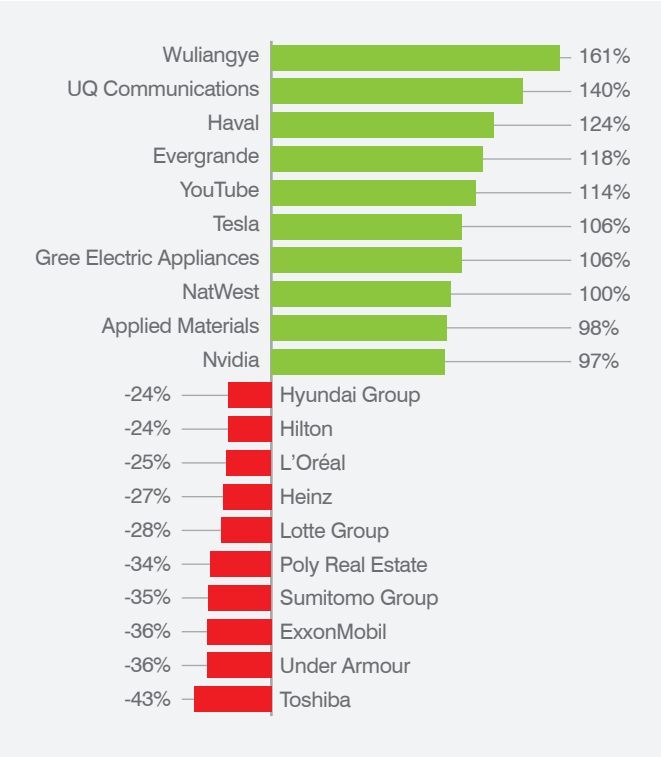
The strength and value of the Amazon brand gives it stakeholder permission to extend relentlessly into new sectors and geographies. All evidence suggests that the amazing Amazon brand is going to continue growing indefinitely and exponentially.

David Haigh  
CEO, Brand Finance

revenue. Poor Q4 2017 sales of iPhone X at only 29 million handsets fell short of expectations, and the model is predicted to be discontinued later this year. With the advent of emerging world brands like Huawei, Apple’s increasing focus on what are effectively luxury products may cost the brand a fair share of the global mass market, limiting the potential for brand value growth.

Google has dropped from 1<sup>st</sup> to 3<sup>rd</sup> position, recording a relatively slow brand value growth of 10% to US\$120.9 billion. Google’s online ads generated more traffic than expected as aggregated paid clicks rose by 47% in Q3 2017, boosting revenues. However, to compete with the world’s most valuable brands, presenting a solid performance is not always enough. Google is a champion in internet search, cloud and mobile OS technology but, similarly to Apple, its focus on particular sectors is holding it back from unleashing the full potential of its brand. Google’s investments in self-driving cars and handsets still lack the scale and audacity demonstrated by Amazon’s new ventures.

## Brand Value Change 2017-2018 (%)



## Top 10 Most Valuable Brands

	1	Rank 2018: 1 2017: 3 BV 2018: \$150,811m BV 2017: \$106,396m Brand Rating: AAA-
	2	Rank 2018: 2 2017: 2 BV 2018: \$146,311m BV 2017: \$107,141m Brand Rating: AAA+
	3	Rank 2018: 3 2017: 1 BV 2018: \$120,911m BV 2017: \$109,470m Brand Rating: AAA+
	4	Rank 2018: 4 2017: 6 BV 2018: \$92,289m BV 2017: \$66,218m Brand Rating: AAA+
	5	Rank 2018: 5 2017: 9 BV 2018: \$89,684m BV 2017: \$61,998m Brand Rating: AAA+
	6	Rank 2018: 6 2017: 4 BV 2018: \$82,422m BV 2017: \$87,016m Brand Rating: AAA-
	7	Rank 2018: 7 2017: 5 BV 2018: \$81,163m BV 2017: \$76,265m Brand Rating: AAA+
	8	Rank 2018: 8 2017: 7 BV 2018: \$62,826m BV 2017: \$65,875m Brand Rating: AAA-
	9	Rank 2018: 9 2017: 8 BV 2018: \$61,480m BV 2017: \$62,211m Brand Rating: AA+
	10	Rank 2018: 10 2017: 10 BV 2018: \$59,189m BV 2017: \$47,832m Brand Rating: AAA+

# New International Standard on Brand Valuation.

In 2007, the International Organisation for Standardisation (‘ISO’), a worldwide federation of national standard setting bodies, set up a task force to draft an International Standard (‘IS’) on monetary brand valuation.

After 4 years of discussion and deliberation ISO 10668 – Monetary Brand Valuation – was released in 2010. This sets out the principles, which should be adopted when valuing any brand.

The new ISO applies to brand valuations commissioned for all purposes, including:

- Accounting and financial reporting
- Insolvency and liquidation
- Tax planning and compliance
- Litigation support and dispute resolution
- Corporate finance and fundraising
- Licensing and joint venture negotiation
- Internal management information and reporting
- Strategic planning and brand management

**The last of these applications includes:**

- Brand and marketing budget determination
- Brand portfolio review
- Brand architecture analysis
- Brand extension planning

Under ISO 10668 the brand valuer must declare the purpose of the valuation as this affects the premise or basis of value, the valuation assumptions used and the ultimate valuation opinion, all of which need to be transparent to a user of the final brand valuation report.

## Required work streams in an ISO compliant brand valuation?

ISO 10668 is a ‘meta standard’ which succinctly specifies the principles to be followed and the types of work to be conducted in any brand valuation.

It is a summary of existing best practice and intentionally avoids detailed methodological work steps and requirements.

As such, ISO 10668 applies to all proprietary and non-proprietary brand valuation approaches and methodologies that have been developed over the years, so long as they follow the fundamental principles specified in the meta standard.

ISO 10668 specifies that when conducting a brand valuation the brand valuer must conduct 3 types of analysis before passing an opinion on the brand’s value.

These are Legal, Behavioural and Financial analysis. All three types of analysis are required to arrive at a thorough brand valuation opinion. This requirement applies to valuations of existing brands, new brands and extended brands.

### Module 1 - Legal analysis

The first requirement is to define what is meant by ‘brand’ and which intangible assets should be included in the brand valuation opinion.

ISO 10668 begins by defining Trademarks in conventional terms but it also refers to other Intangible Assets (‘IA’) including Intellectual Property Rights (‘IPR’) which are often included in broader definitions of ‘brand’.

International Financial Reporting Standard (‘IFRS’) specifies how all acquired assets should be defined, valued and accounted for post-acquisition. It refers to five specific IA types, which can be separated from residual Goodwill arising on acquisition.

These are: technological, customer, contractual, artistic and marketing related IA.

ISO 10668 mirrors this classification by defining brands as marketing related IA, including trademarks and other associated IPR.

This refers inter alia to design rights, domain names, copyrights and other marketing related IA and IPR which may be included in a broader definition of ‘brand’.

The brand valuer must precisely determine the bundle of IA and IPR included in the definition of ‘brand’ subject to valuation. He may include names, terms, signs, symbols, logos, designs, domains or other related IPR intended to identify goods and services and which create distinctive images and associations in the minds of stakeholders, generating economic benefits for the branded business.

The brand valuer is required to assess the legal protection afforded to the brand by identifying each of the legal rights that protect it, the legal owner of each relevant legal right and the legal parameters influencing negatively or positively the value of the brand.

It is vital that the brand valuation includes an assessment of the legal protection afforded to the brand in each geographical jurisdiction and product or service registration category. These legal rights vary between legal systems and need to be carefully considered when forming the brand valuation opinion. For example, the legal rights protecting brands exist at a national (UK), supra-national (EU) and global (WIPO) level and have different characteristics.

Extensive due diligence and risk analysis is required in the Legal analysis module of an ISO 10668 compliant brand valuation. It should be noted that the Legal analysis must be segmented by type of IPR, territory and business category.

The brand valuation opinion may be affected positively or negatively by the distinctiveness, scope of use or registration (territory and business category), extent of use, notoriety of the brand, risk of cancellation, priority, dilution and the ability of the brand owner to enforce such legal rights.

### Module 2 - Behavioural analysis

The second requirement when valuing brands under ISO 10668 is a thorough behavioural analysis. The brand valuer must understand and form an opinion on likely stakeholder behaviour in each of the geographical, product and customer segments in which the subject brand operates.

**To do this, it is necessary to understand:**

- Market size and trends - determined by conducting a critical review of predicted trends in distribution channels, demographics, market volumes, values and margins.

- Contribution of brand to the purchase decision - determining the monetary brand contribution in the geographical, product and customer segments under review.

- Attitude of all stakeholder groups to the brand - to assess the long-term demand for the brand, any risks to the branded business and the appropriate cost of capital.

- All economic benefits conferred on the branded business by the brand - to assess the sustainability of future revenues and profits.

The brand valuer needs to research brand value drivers, including an evaluation of relevant stakeholders’ perceptions of the brand in comparison with competitor brands. Measures commonly used to understand brand strength include awareness, perceptual attributes, knowledge, attitude and loyalty. The brand valuer needs to assess the brand’s strength in order to estimate future sales volumes, revenues and risks.

### Module 3 - Financial analysis

The third requirement when valuing brands under ISO 10668 is a thorough financial analysis.

ISO 10668 specifies three alternative brand valuation approaches - the Market, Cost and Income Approaches. The purpose of the brand valuation, the premise or basis of value and the characteristics of the subject brand dictate which primary approach should be used to calculate its value.

## Market approach

The market approach measures value by reference to what other purchasers in the market have paid for similar assets to those being valued. The application of a market approach results in an estimate of the price expected to be realised if the brand were to be sold in the open market.

Data on the price paid for comparable brands is collected and adjustments are made to compensate for differences between those brands and the brand under review.

As brands are unique and it is often hard to find relevant comparables, this is not a widely used approach.

Cost approach

The cost approach measures value by reference to the cost invested in creating, replacing or reproducing the brand. This approach is based on the premise that a prudent investor would not pay more for a brand than the cost to recreate, replace or reproduce an asset of similar utility.

As the value of brands seldom equates to the costs invested creating them (or hypothetically replacing or reproducing them), this is not a widely used approach.

Income approach

The income approach measures value by reference to the economic benefits expected to be received over the remaining useful economic life of the brand. This involves estimating the expected future, after-tax cash flows attributable to the brand then discounting them to a present value using an appropriate discount rate.

As the value of brands stems from their ability to create higher profits for either their existing or potential new owners, this is a widely accepted and utilised brand valuation approach. When conducting a brand valuation using the income approach, various methods are suggested by ISO 10668 to determine future cash flows.

Royalty relief method

This is the most widely used method used to determine brand cash flows. This method assumes that the brand is not owned by the branded business but is licensed in from a third party. The value is deemed to be the present value of the royalty payments saved by virtue of owning the brand.

The royalty rate applied in the valuation is determined after an in-depth analysis of available data from licensing arrangements for comparable brands and an appropriate split of brand earnings between licensor and licensee, using behavioural and business analysis. The Royalty Relief method is used because it is grounded in commercial reality and can be benchmarked against real world transactions.

Price and Volume premium methods

The Price Premium method estimates the value of a brand by reference to the price premium it commands over unbranded, weakly branded or generic products or services. In practice it is often difficult to identify unbranded comparators. To identify the full impact on demand created by a brand, the Price Premium method is typically used in conjunction with the Volume Premium method.

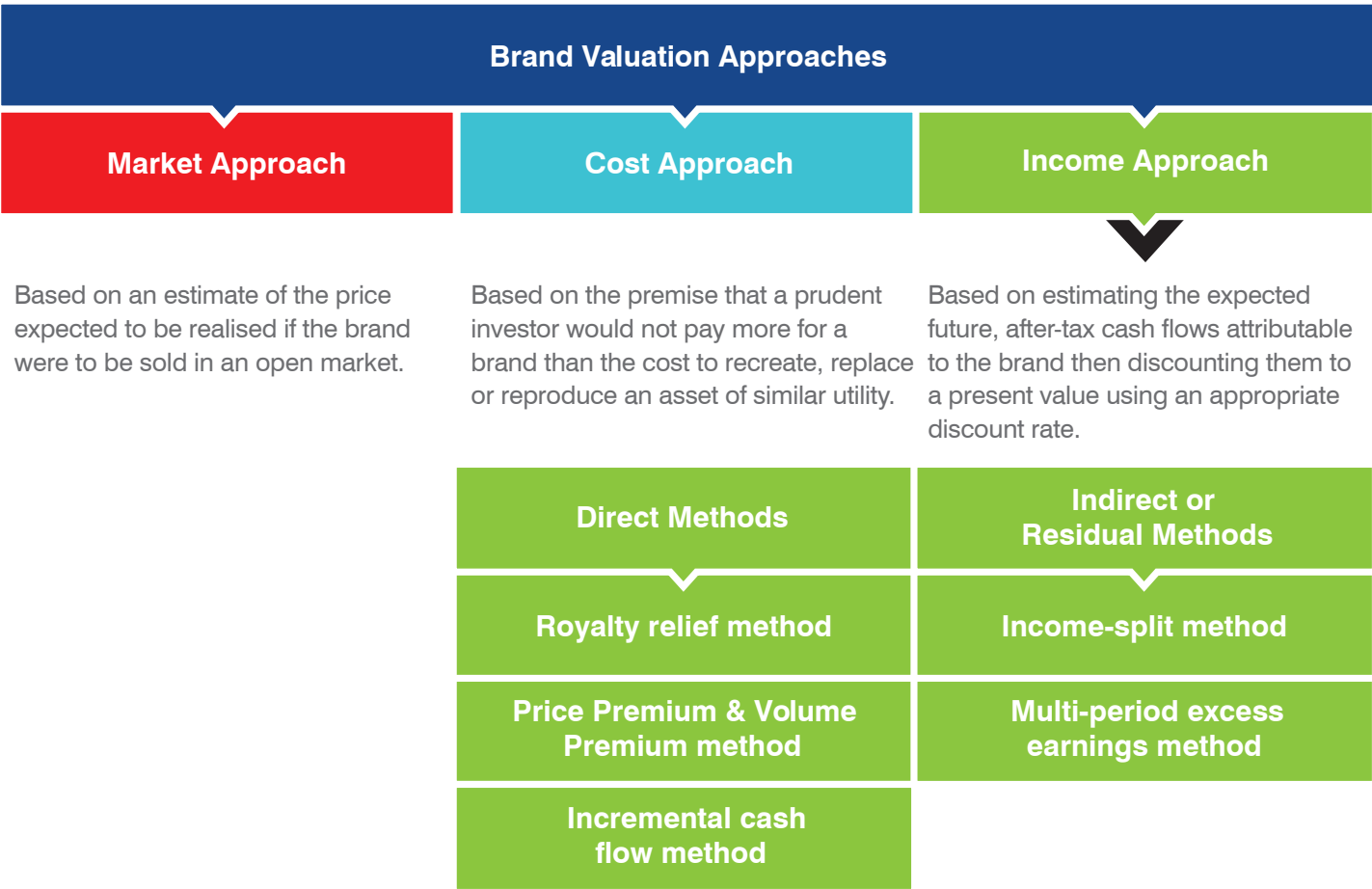
The Volume Premium method estimates the value of a brand by reference to the volume premium that it generates. Additional cash flows generated through a volume premium are determined by reference to an analysis of relative market shares. The cash flow generated by an above average brand is deemed to be the cash flow related to its ‘excess’ market share. In determining the volume premiums, the valuer has to consider other factors which may explain a dominant market share, such as legislation which establishes a monopoly position for one brand.

Combined, the Price Premium and Volume Premium methods provide a useful insight into the value a brand adds to revenue drivers in the business model. Other methods go further to explain the value impact of brands on revenue and cost drivers.

Income-split method

The income-split method starts with net operating profits and deducts a charge for total tangible capital employed in the branded business, to arrive at ‘economic profits’ attributable to total intangible capital employed. Behavioural analysis is then used to identify the percentage contribution of brand to these intangible economic profits. The same analysis can be used to predict the percentage contribution of other intangible assets such as patents or technology.

The value of the brand is deemed to be the present value of the percentage of future intangible economic profits attributable to the brand.



Based on an estimate of the price expected to be realised if the brand were to be sold in an open market.

Based on the premise that a prudent investor would not pay more for a brand than the cost to recreate, replace or reproduce an asset of similar utility.

Based on estimating the expected future, after-tax cash flows attributable to the brand then discounting them to a present value using an appropriate discount rate.

Multi-period excess earnings method

The multi-period excess earnings method is similar to the income-split method. In this case the brand valuer first values each tangible and intangible asset employed in the branded business (other than the brand). He uses a variety of valuation approaches and methods depending on what is considered most appropriate to each specific asset.

Having arrived at the value of all other tangible and intangible assets employed in the branded business, a charge is then made against earnings for each of these assets, leaving residual earnings attributable to the brand alone. The brand value is the present value of all residual earnings over the remaining economic life of the brand.

Incremental cash flow method

The incremental cash flow method identifies all cash flows generated by the brand in a business, by comparison with comparable businesses with no such brand.

Cash flows are generated through increased revenues and reduced costs. This is a detailed and complex approach, which tends not to be used in technical brand valuations but is extremely useful for strategic, commercial purposes such as when Virgin negotiates a new brand license with a new licensee. The incremental value added to the licensee’s business form’s the starting point for the negotiation.

Discount rate determination

Under the income approach, risks that are not already reflected in future cash flows must be considered in the discount rate. The discount rate used for discounting future expected cash flows attributable to a brand is usually derived from the Weighted Average Cost of Capital (‘WACC’) of the business.



# How should brands value existing marks?

ISO 10668 was developed to provide a consistent framework for the valuation of local, national and international brands both large and small. The primary concern was to create an approach to brand valuation which was transparent, reconcilable and repeatable. In the wake of the standard's launch, it is expected that many businesses will either value their brands for the first time or revalue them compliant with the standard.

## How should companies approach the question of brand diversification versus entrenchment?

Common commercial applications of brand valuation are brand portfolio and brand architecture reviews. The first considers whether the right number of brands and sub-brands are in the portfolio. The second considers whether individual brands are too fragmented and extended.

A good example of both applications at work can be found in Unilever's 'Path to Growth' strategy. In 2000, Niall Fitzgerald announced a plan to increase Unilever's annual revenue growth rate to 5-6% with margins of 16%.

To achieve this, Unilever's 1600 brands were to be valued, reviewed and rationalised down to 400 power brands. The a priori assumption was that many smaller, local brands were sub-optimal and offered slower growth prospects than the global brands. Within 2 years, 1200 under-performing local and regional brands were sold or starved of investment to feed the growth of the 400 global power brands.

In many respects the Unilever policy made sense. For example, Dove has been turned into a global power brand with diversification into many product lines and market segments, rapid volume growth, and revenues and profits measured in billions of dollars.

However, the strategy sacrificed many new or developing brands in countries like India because they could not be turned into global brands quickly. Local brand owners enthusiastically bought the divested brands or exploited the gap created by starving local Unilever brands of investment.

In this case, internal brand valuation teams were used to evaluate and prioritise the brand portfolio. Unilever is a leading edge company which follows best practices represented by ISO 10668.

Rationalisation and extension was supported by Legal Analysis to establish the strength and extendibility of its brands. Extensive Behavioural Analysis was applied throughout its portfolio and Financial Analysis was conducted by a cadre of internal marketing finance analysts.

If any mistakes were made, it merely demonstrates that brand valuations are a mechanism for decision making which are driven by data, analysis and assumptions that may prove to be incorrect. The ISO standard insists that sensitivity analysis showing a range of values, based on different assumptions, should be included in an opinion, not just a single value.

A brand valuation is an opinion at a point in time. Brand valuation models need to be updated and reviewed on a regular basis, and management decisions need to change in the light of changing conclusions flowing from them.

Brand valuation is a technique to support management, which is vital that the technique should be consistent, transparent and reproducible as required by ISO 10668.

## How do you value an existing brand, then extend the analysis to measure The positive and negative impact of additional trademarks/brand extensions to the existing business/marks?

Dove is a good example of a Unilever brand, which was prioritised in the 'Path to Growth' strategy. It has been extended into many product categories and each extension was rigorously valued.

The Dove brand was launched in the US in 1955, as a cleansing soap bar with moisturising properties, which had been developed to treat burn victims during the Korean war. In 1957, the basic Dove soap bar formula was refined and developed into the "Original Dove Beauty bar". It was launched as a beauty soap, clinically proven to be milder on dry and sensitive skins. In 1979, an independent clinical dermatological study proved Dove "Beauty bar" was milder than 17 leading bar soaps. The phrase "cleansing cream" was replaced with "moisturiser cream" in its marketing materials.

Dove was launched in the UK in the 1990s. In 2001, Dove made its first foray into antiperspirant deodorant lines. Hair care products followed in 2003. Dove was launched in the soap category but has always been positioned without referring to it as "soap". It is always referred to as a "beauty bar" with 25% cleansing cream. Positioning the brand this way has allowed it to extend into antiperspirants, deodorants, body washes, beauty bars, lotions, moisturisers, hair care and facial care products globally. It is now a global brand with a variety of sub-brand ranges (Original, Go Fresh, Intensive Care, Supreme, Summer Care).

To become a global brand, Dove needed wide appeal, across cultural, racial and age boundaries. In 2004, it therefore launched the Campaign for Real Beauty, which highlighted the brand's commitment to broadening definitions of beauty. Dove launched the Self Esteem Fund in 2005, which acts as an agent of change to educate and inspire young girls on a wider definition of beauty. It aims to boost the self-confidence of young girls and women, enabling them to reach their full potential in life. In 2007, Dove also launched Pro\*Age, a range of skin care, deodorant and hair care specifically designed for mature skin.

Dove's apparently effortless success makes brand extension look easy. But the Unilever marketing team could have stumbled at many points. They needed a clear and universally appealing brand proposition...simple, natural, caring, feminine, healthy, inclusive, multi-cultural, unpretentious, good value. They then needed a strong and memorable brand name that could be registered and defended in all likely product categories and geographical jurisdictions. They needed defensible sub-brand names. They needed a logo (a simply drawn dove), trade dress (predominantly white packaging), compelling copyright (advertising and collateral) and they needed a compelling trade sales force and campaign.

Having gone global in many SKUs, a valid question now hangs over the Dove brand. Has it reached the limits of its capacity to extend? There is a danger that if Dove is extended any further into fragrance, personal care or household products, its brand equity with consumers will become diluted and confused. Its brand value may decline.

## If brands diversify, what challenges does this create for trademark counsel?

Brand valuations following the ISO 10668 standard help to alert management to all manners of opportunities and threats. They consider the Legal ability of the brand to win protection in new categories, the financial attractiveness of extending into any new categories, the risks posed by new extensions and above all the Behavioural response of consumers to further brand extension.

## Conclusion

A robust brand valuation can help avoid the fate which befell the Pierre Cardin brand, which was extended and diluted to such an extent that over extension is now referred to as 'Cardinisation'.

The role of trademark counsel in this process is vital.

- Firstly, to keep up with marketing management keen to extend and extend.
- Secondly, to advise whether and how brands and sub-brands can be registered.
- Thirdly, providing advice on the cost efficiency of ever extending trademark protection; some global brands find that they have tens of thousands of trademarks which require huge financial and management support. Trademark counsel working within the brand valuation team help to answer the question of whether this is a value enhancing strategy.

ISO 10668 will help integrate Trademark Counsel into a multi-disciplinary brand management team. Trademark Counsel will no longer be working in their own technical silo.

ISO 10668 is a major breakthrough, which will help further professionalise the business of brand management.



# Glossary of Terms.

## Brand

Trademarks and trademark licenses together with associated goodwill

## BrandBeta®

Brand Finance's proprietary method for determining the strength, risk and future potential of a brand relative to its competitor set

## Branded Business

The whole business trading under a particular brand or portfolio of brands, the associated goodwill and all the intangible elements at work within the business

## Brand Rating

A summary opinion, similar to a credit rating, on a brand based on its strength as measured by Brand Finance's 'Brand Strength Index'

## Brand Value

The net present value of the estimated future cash flows attributable to the brand (see Methodology section for more detail)

## Discounted Cash Flow (DCF)

A method of evaluating an asset value by estimating future cash flows and taking into consideration the time value of money and risk attributed to the future cash flows

## Discount Rate

The interest rate used in discounting future cash flows

## Enterprise Value

The combined market value of the equity and debt of a business less cash and cash equivalents

## Fair Market Value (FMV)

The price at which a business or assets would change hands between a willing buyer and a willing seller, neither of whom are under compulsion to buy or sell and both having reasonable knowledge of all relevant facts at the time

## Holding Company

A company controlling management and operations in another company or group of other companies

## Intangible Asset

An identifiable non-monetary asset without physical substance

## Net Present Value (NPV)

The present value of an asset's net cash flows (minus any initial investment)

## Tangible Value

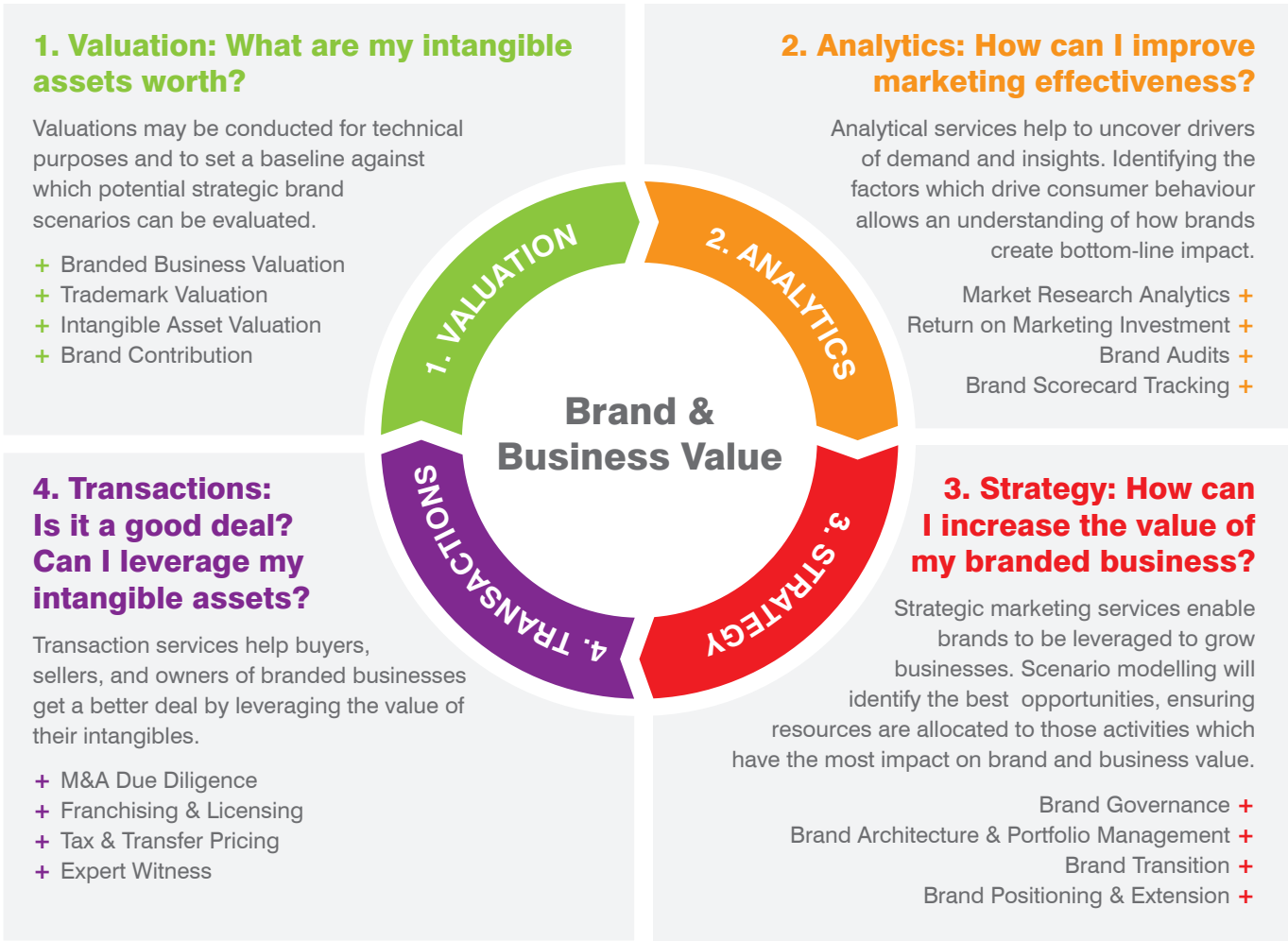
The fair market value of the monetary and physical assets of a business

## Weighted Average Cost of Capital (WACC)

An average representing the expected return on all of a company's securities. Each source of capital, such as stocks, bonds, and other debts, is assigned a required rate of return, and then these required rates of return are weighted in proportion to the share each source of capital contributes to the company's capital structure



# Consulting Services.






MARKETING

We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand-based decisions and strategies.



FINANCE

We provide financiers and auditors with an independent assessment on all forms of brand and intangible asset valuations.



TAX

We help brand owners and fiscal authorities to understand the implications of different tax, transfer pricing, and brand ownership arrangements.



LEGAL

We help clients to enforce and exploit their intellectual property rights by providing independent expert advice in- and outside of the courtroom.

# Brand Value Report.

A Brand Value Report provides a complete breakdown of the assumptions, data sources, and calculations used to arrive at your brand's value.

Each report includes expert recommendations for growing brand value to drive business performance and offers a cost-effective way to gaining a better understanding of your position against competitors.

## What is a Brand Value Report?

### Brand Valuation Summary

- + Internal understanding of brand
- + Brand value tracking
- + Competitor benchmarking
- + Historical brand value

### Brand Strength Index

- + Brand strength tracking
- + Brand strength analysis
- + Management KPIs
- + Competitor benchmarking

### Royalty Rates

- + Transfer pricing
- + Licensing/franchising negotiation
- + International licensing
- + Competitor benchmarking

### Cost of Capital

- + Independent view of cost of capital for internal valuations and project appraisal exercises

### Customer Research

- + Utilities
- + Insurance
- + Banks
- + Telecoms

For more information regarding our Brand Value Reports, please contact:

**Samir Dixit**  
Managing Director, Brand Finance Asia Pacific  
[s.dixit@brandfinance.com](mailto:s.dixit@brandfinance.com)

## What are the benefits of a Brand Value Report?



### Insight

Provide insight as to how the brand is performing vs. key competitors on underlying measures and drivers of brand value and brand strength.



### Strategy

Understand where brand value is being generated by region and channel in order to identify areas of opportunity that warrant further investigation.



### Benchmarking

Track year-on-year changes to brand value and set long-term objectives against which high-level brand performance can be benchmarked.



### Education

Provide a platform of understanding which the company can use to educate employees on the importance of the brand.



### Communication

Communicate your brand's success to shareholders, customers, and other strategically selected audiences.



### Understanding

Understand and appreciate the value of your brand as an asset of the business.



# Communications Services.

We offer a variety of services to help communicate your brand's success.





**Brand Finance<sup>®</sup>**

Strongest  
Global Brand 2018

**Your Brand**

Example digital endorsement stamp for use on your website as well as in investor relations and advertising, to recognise your brand's performance.



**BRAND EXCHANGE<sup>®</sup>**

WHERE BRANDS MEET FINANCE

**BECOME A MEMBER**

A contemporary and exclusive members' club & events venue in the heart of the City of London

Characterful space for meetings and private events  
Members' events with focus on marketing and branding  
Discounted room hire for members



3 Birchin Lane, London, EC3V 9BW +44 (0) 207 3899 410 [www.brandexchange.com](http://www.brandexchange.com) [enquiries@brandexchange.com](mailto:enquiries@brandexchange.com)

Brand Exchange is a member of the Brand Finance plc group of companies

**Brand Dialogue<sup>®</sup>**



**Value-Based Communications**

We execute strategic communications programmes to optimise the value of your business and to enhance brand perception among stakeholders.

**SERVICES**

- Research and Insights
- Project Management and Agency Steering
- Content and Channel Strategy
- Integrated Communications Planning and Execution
- Communications Workshops

For more information, contact [enquiries@brand-dialogue.co.uk](mailto:enquiries@brand-dialogue.co.uk) or visit [www.brand-dialogue.co.uk](http://www.brand-dialogue.co.uk)


Brand Dialogue is a member of the Brand Finance plc group of companies


# Contact details.

For enquiries,  
please contact:

**Samir Dixit**  
Managing Director  
Brand Finance Asia Pacific  
[s.dixit@brandfinance.com](mailto:s.dixit@brandfinance.com)  
+65 6408 3377

**Bernard Lee**  
Senior Manager  
Brand Finance Asia Pacific  
[b.lee@brandfinance.com](mailto:b.lee@brandfinance.com)  
+65 6408 3378

 [linkedin.com/  
company/brand-  
finance](https://www.linkedin.com/company/brand-finance)

 [facebook.com/  
brandfinance](https://www.facebook.com/brandfinance)

 [twitter.com/  
brandfinance](https://twitter.com/brandfinance)

For further information on Brand Finance®'s services and valuation experience,  
please contact your local representative:

Country	Contact	Email Address	
Asia Pacific	Samir Dixit	<a href="mailto:s.dixit@brandfinance.com">s.dixit@brandfinance.com</a>	+65 906 98 651
Australia	Mark Crowe	<a href="mailto:m.crowe@brandfinance.com">m.crowe@brandfinance.com</a>	+61 282 498 320
Canada	Charles Scarlett-Smith	<a href="mailto:c.scarlett-smith@brandfinance.com">c.scarlett-smith@brandfinance.com</a>	+1 647 3437 266
Caribbean	Nigel Cooper	<a href="mailto:n.cooper@brandfinance.com">n.cooper@brandfinance.com</a>	+1 876 8256 598
China	Scott Chen	<a href="mailto:s.chen@brandfinance.com">s.chen@brandfinance.com</a>	+86 1860 118 8821
East Africa	Jawad Jaffer	<a href="mailto:j.jaffer@brandfinance.com">j.jaffer@brandfinance.com</a>	+254 204 440 053
Germany	Holger Mühlbauer	<a href="mailto:h.muehlbauer@brandfinance.com">h.muehlbauer@brandfinance.com</a>	+49 1515 474 9834
India	Savio D'Souza	<a href="mailto:s.dsouza@brandfinance.com">s.dsouza@brandfinance.com</a>	+44 207 389 9400
Indonesia	Jimmy Halim	<a href="mailto:j.halim@brandfinance.com">j.halim@brandfinance.com</a>	+62 215 3678 064
Ireland	Simon Haigh	<a href="mailto:s.haigh@brandfinance.com">s.haigh@brandfinance.com</a>	+353 087 6695 881
Italy	Massimo Pizzo	<a href="mailto:m.pizzo@brandfinance.com">m.pizzo@brandfinance.com</a>	+39 230 312 5105
Japan	Jun Tanaka	<a href="mailto:j.tanaka@brandfinance.com">j.tanaka@brandfinance.com</a>	+8190 7116 1881
Mexico & LatAm	Laurence Newell	<a href="mailto:l.newell@brandfinance.com">l.newell@brandfinance.com</a>	+52 1559 197 1925
Middle East	Andrew Campbell	<a href="mailto:a.campbell@brandfinance.com">a.campbell@brandfinance.com</a>	+971 508 113 341
Nigeria	Babatunde Odumeru	<a href="mailto:t.odumeru@brandfinance.com">t.odumeru@brandfinance.com</a>	+234 012 911 988
Romania	Mihai Bogdan	<a href="mailto:m.bogdan@brandfinance.com">m.bogdan@brandfinance.com</a>	+40 728 702 705
Spain	Teresa de Lemus	<a href="mailto:t.delemus@brandfinance.com">t.delemus@brandfinance.com</a>	+34 654 481 043
South Africa	Jeremy Sampson	<a href="mailto:j.sampson@brandfinance.com">j.sampson@brandfinance.com</a>	+27 828 857 300
Sri Lanka	Ruchi Gunewardene	<a href="mailto:r.gunewardene@brandfinance.com">r.gunewardene@brandfinance.com</a>	+94 114 941 670
Turkey	Muhterem Ilgüner	<a href="mailto:m.ilguner@brandfinance.com">m.ilguner@brandfinance.com</a>	+90 216 3526 729
UK	Richard Haigh	<a href="mailto:rd.haigh@brandfinance.com">rd.haigh@brandfinance.com</a>	+44 207 389 9400
USA	Laurence Newell	<a href="mailto:l.newell@brandfinance.com">l.newell@brandfinance.com</a>	+1 917 794 3249
Vietnam	Lai Tien Manh	<a href="mailto:m.lai@brandfinance.com">m.lai@brandfinance.com</a>	+84 473 004 468

## Contact us.

---

**The World's Leading Independent Valuation and Strategy Consultancy**

**T:** +65 6727 8388

**E:** [bfs@brandfinance.com](mailto:bfs@brandfinance.com)

[www.brandfinance.com](http://www.brandfinance.com)