



Commercial Services 50 2017

The annual report on the world's most valuable commercial services brands
April 2017

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.

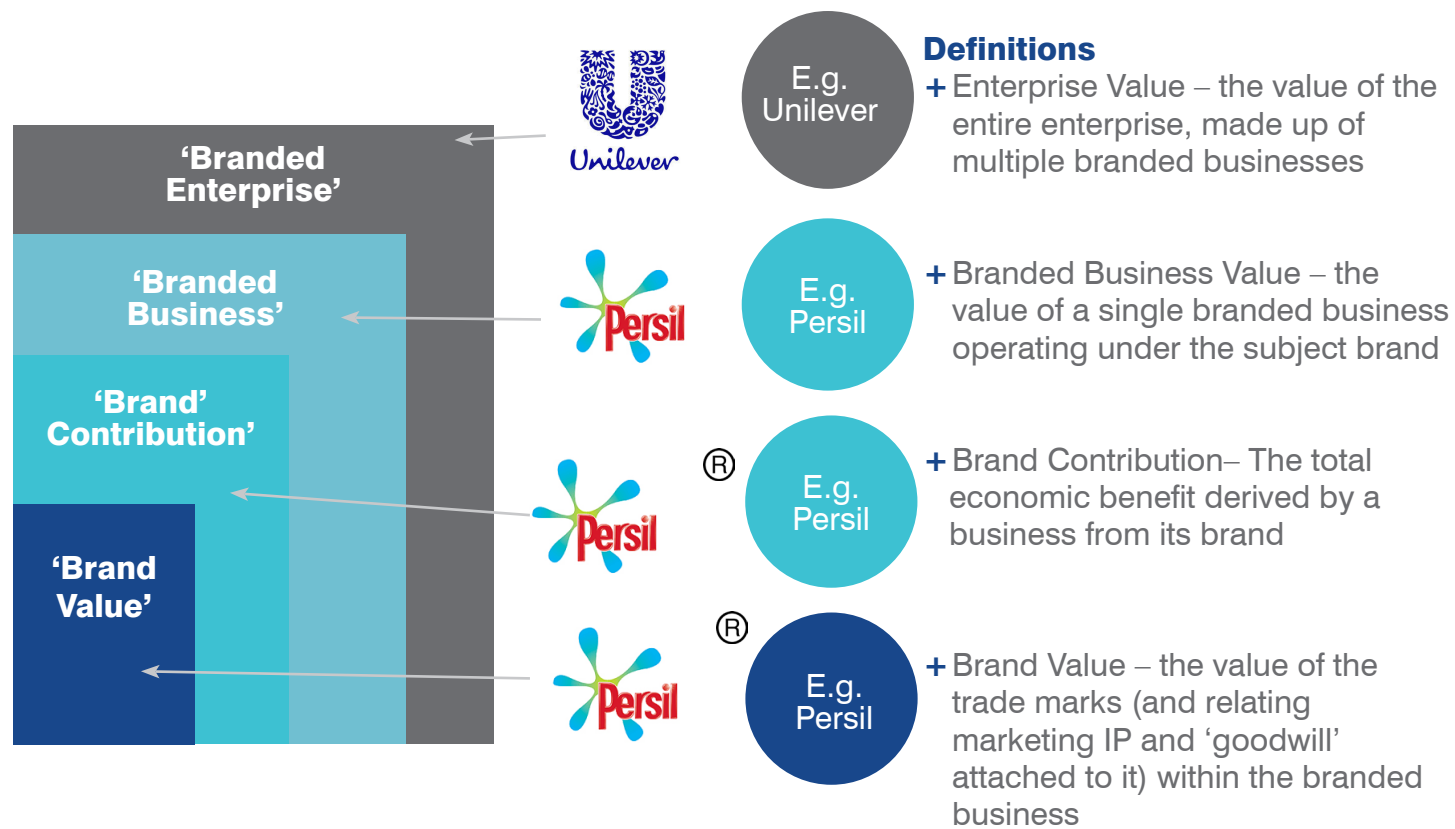
By valuing brands, we provide a mutually intelligible language for marketers and finance teams. Marketers then have the ability to communicate the significance of what they do and boards can use the information to chart a course that maximises profits. Without knowing the precise, financial value of 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.

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Definitions



Branded Business Value

A brand should be viewed in the context of the business in which it operates. For this reason Brand Finance always conducts a Branded Business Valuation as part of any brand valuation. Where a company has a purely mono-branded architecture, the business value is the same as the overall company value or ‘enterprise value’.

In the more usual situation where a company owns multiple brands, business value refers to the value of the assets and revenue stream of the business line attached to that brand specifically. We evaluate the full brand value chain in order to understand the links between marketing investment, brand tracking data, stakeholder behaviour and business value to maximise the returns business owners can obtain from their brands.

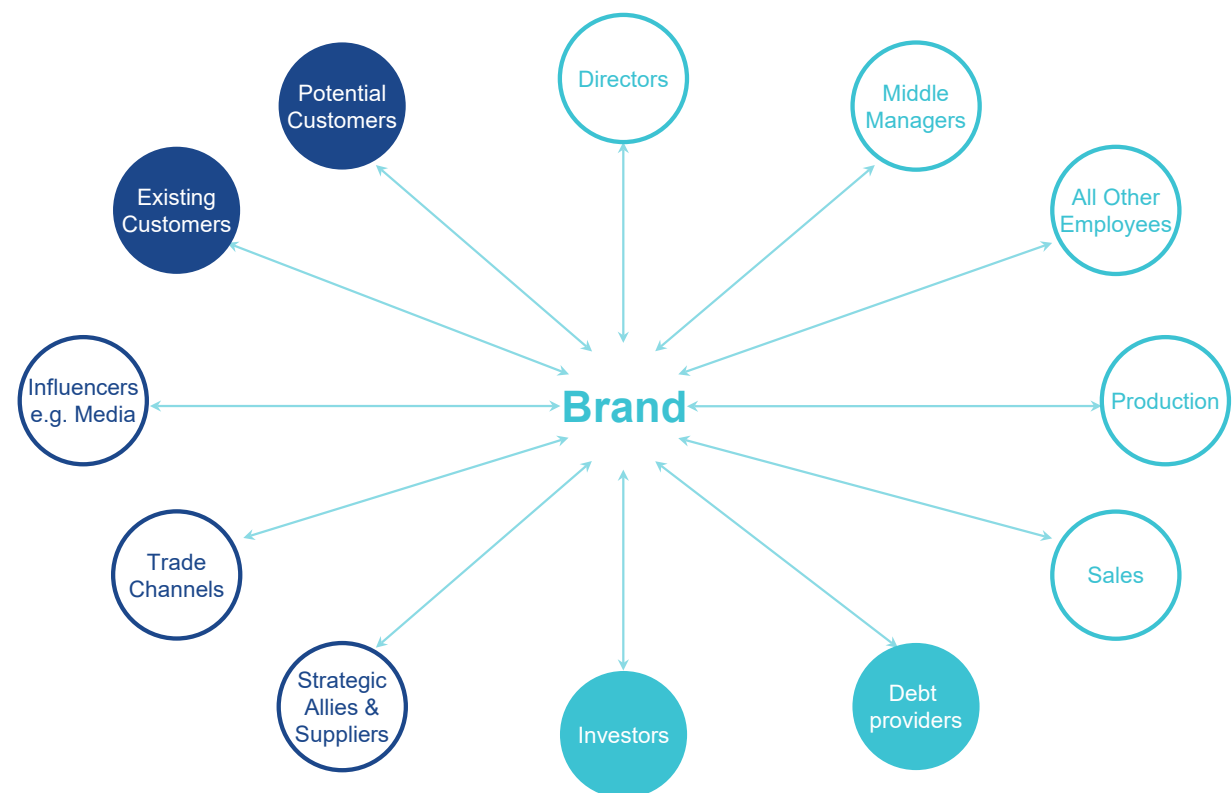
Brand Contribution

The brand values contained in our league tables are those of the potentially transferable brand asset only, but for marketers and managers alike. An assessment of overall brand contribution to a business provides powerful insights to help optimise performance.

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

Brands affect a variety of stakeholders, not just customers but also staff, strategic partners, regulators, investors and more, having a significant impact on financial value beyond what can be bought or sold in a transaction.

Effect of a Brand on Stakeholders



Brand Value

In the very broadest sense, a brand is the focus for all the expectations and opinions held by customers, staff and other stakeholders about an organisation and its products and services. However, when looking at brands as business assets that can be bought, sold and licensed, a more technical definition is required.

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

Brand Strength

Brand Strength is the part of our analysis most directly and easily influenced by those responsible for marketing and brand management. In order to determine the strength of a brand we have developed the Brand Strength Index (BSI). We analyse marketing investment, brand equity (the goodwill accumulated with customers, staff and other stakeholders) and finally the impact of those on business performance.

Following this analysis, each brand is assigned a BSI score out of 100, which is fed into the brand value calculation. Based on the score, each brand in the league table is assigned a rating between AAA+ and D in a format similar to a credit rating. AAA+ brands are exceptionally strong and well managed while a failing brand would be assigned a D grade.

Methodology

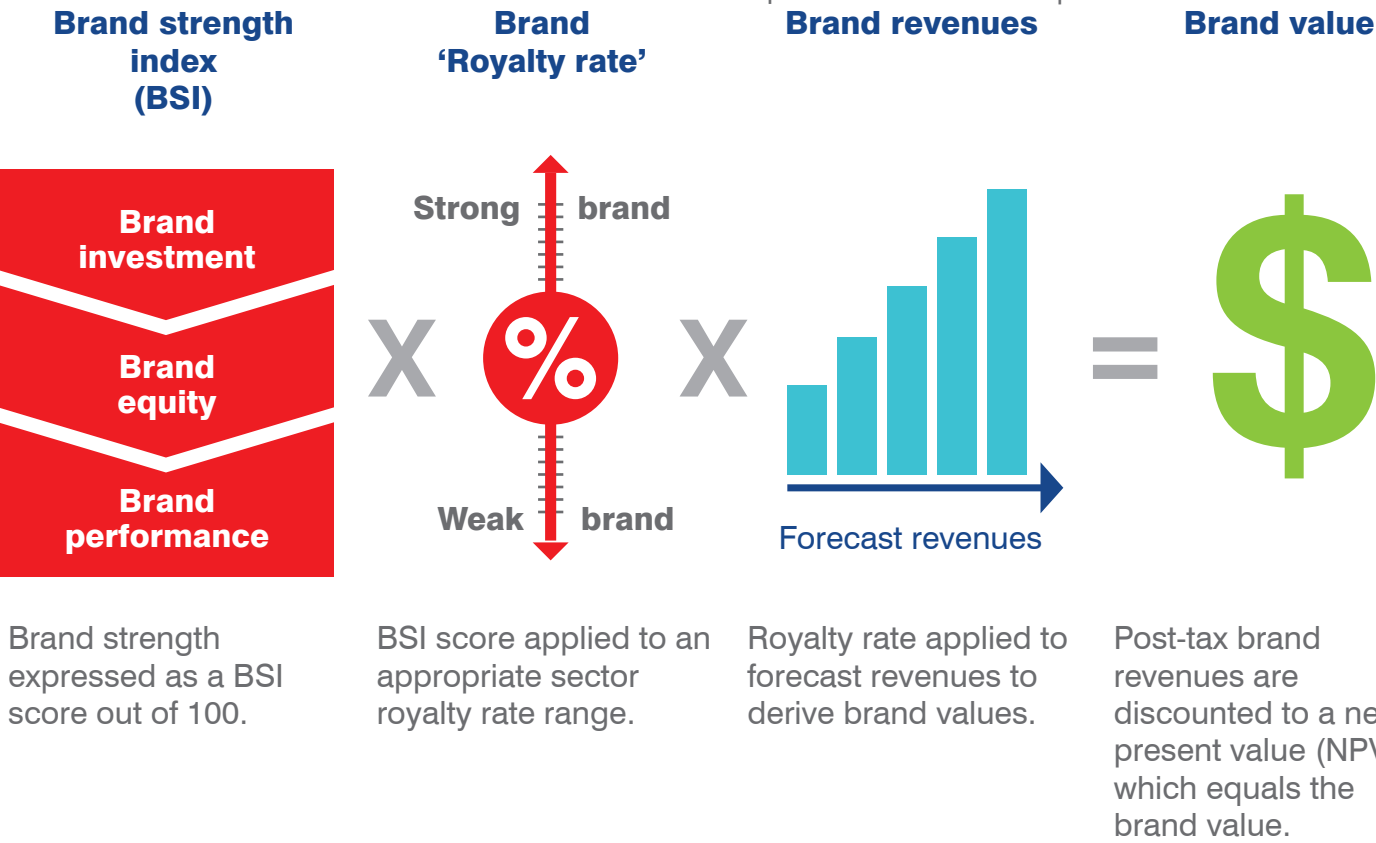
League Table Valuation Methodology

Brand Finance calculates the values of the brands in its league tables using the ‘Royalty Relief approach’. This approach involves estimating the likely future sales that are attributable to a brand and calculating a royalty rate that would be charged for the use of the brand, i.e. what the owner would have to pay for the use of the brand—assuming it were not already owned.

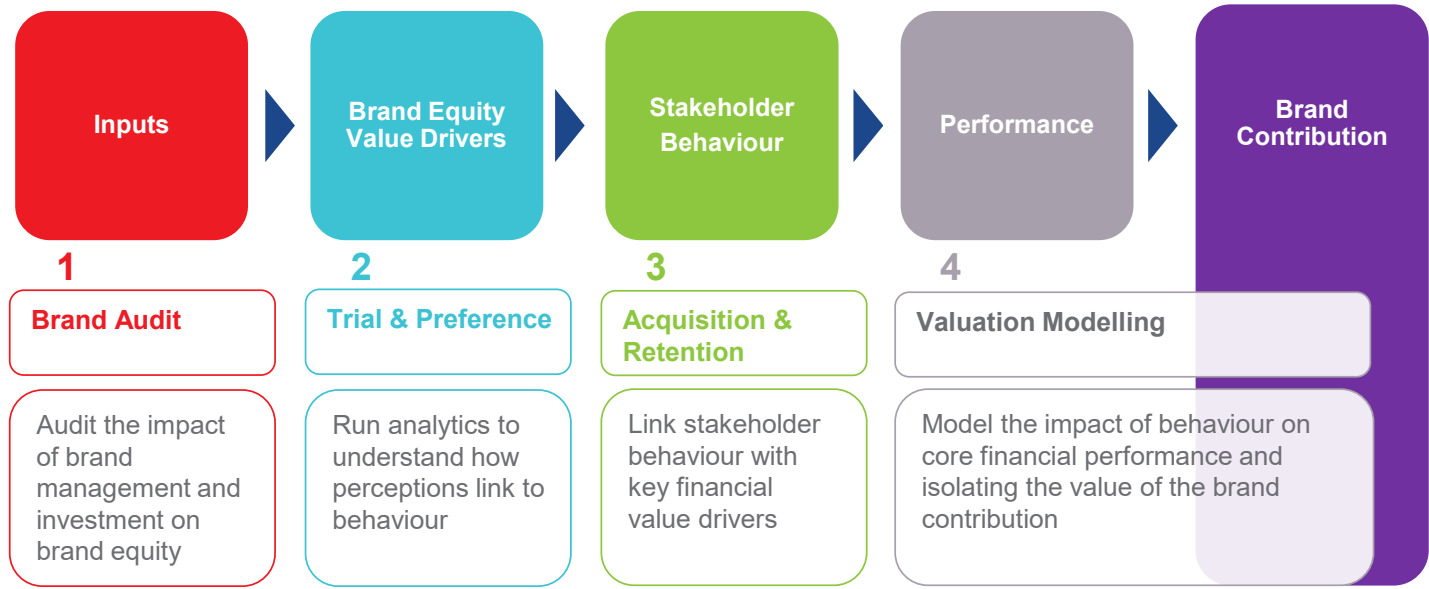
The steps in this process are as follows:

1 Calculate brand strength on a scale of 0 to 100 based on a number of attributes such as emotional connection, financial performance and sustainability, among others. This score is known as the Brand Strength Index, and is calculated using brand data from the BrandAsset® Valuator database, the world’s largest database of brands, which measures brand equity, consideration and emotional imagery attributes to assess brand personality in a category agnostic manner.

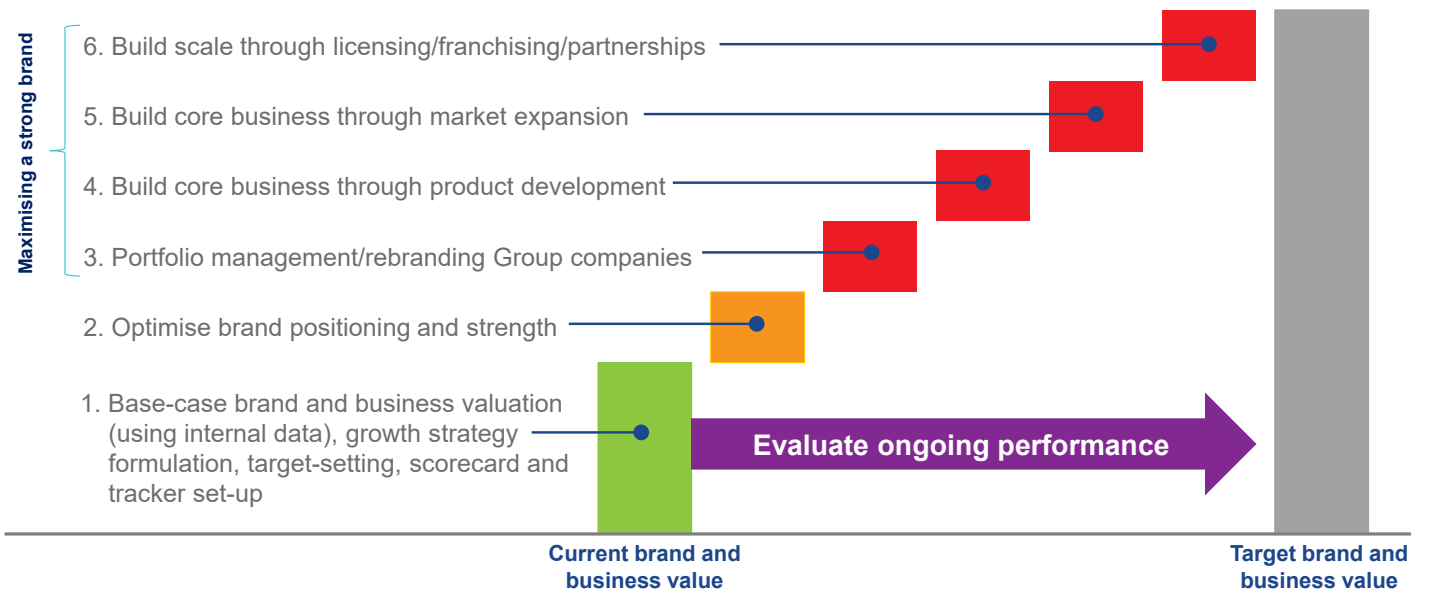
- 2 Determine the royalty rate range for the respective brand sectors. This is done by reviewing comparable licensing agreements sourced from Brand Finance’s extensive database of license agreements and other online databases.
- 3 Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand’s sector is 0-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.
- 4 Determine brand specific revenues estimating a proportion of parent company revenues attributable to a specific brand.
- 5 Determine forecast brand specific revenues using a function of historic revenues, equity analyst forecasts and economic growth rates.
- 6 Apply the royalty rate to the forecast revenues to derive brand revenues.
- 7 Brand revenues are discounted post tax to a net present value which equals the brand value.



Brand Finance Typical Project Approach



How We Help to Maximise Value



Executive Summary

Commercial Services 50

























As this year's Oscars demonstrated, PwC may not be the best at handing out awards, but when it comes to winning them, the accounting and consulting giant is second-to-none. With a brand value of US\$18.5 billion, PwC retains its position as the world's most valuable commercial services brand. Strong growth in the sale of PwC's capital markets accounting services, driven by a steady flow of deals and corporate restructurings along with high demand for core audit and assurance services helped the brand achieve gross revenue growth of 7% in 2016. PwC has also won lucrative contracts with Vodafone, Santander and HSBC, following regulatory pressure to encourage audit account switching (to avoid familiarity threats and encourage competition).

PwC was used by 422 of Fortune 500 companies in 2016, reflecting its status as not just the most valuable commercial services brand but also the most powerful. PwC's brand strength indicates the

relative contribution of the brand to the success of the business is unrivalled at 91/100. There are some threats to this status though. A US\$5.5 billion mortgage fraud case which lead to the demise of Taylor Bean & Whitaker and the US\$2 billion malpractice lawsuit with MF Global put PwC's reputation for exceptional reliability and professionalism at risk, though with such formidable brand equity accumulated over decades, we would expect PwC to weather these issues fairly well.

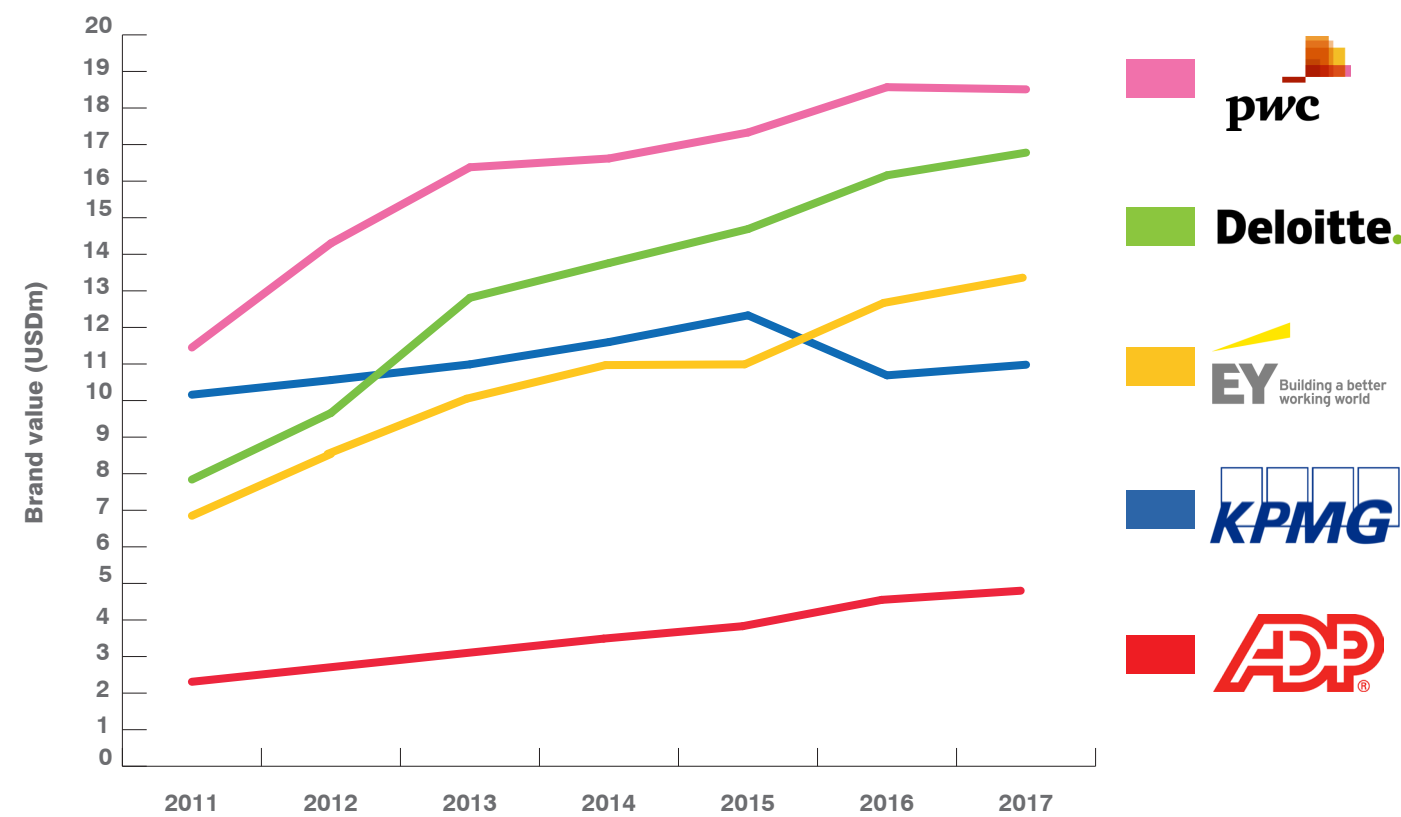
A much higher profile embarrassment occurred when the wrong envelope was handed to Faye Dunaway and Warren Beatty, leading to the wrong film being announced as the winner of best picture. Though the episode is excruciatingly embarrassing for the two executives directly responsible, it is not likely to be seen as reflective of PwC's broader culture or capabilities.

 pwc	1 Rank 2017: 1 2016: 1  BV 2017: \$ 18,510m  BV 2016: \$ 18,569m  Brand Rating: AAA+	
Deloitte	2 Rank 2017: 2 2016: 2  BV 2017: \$ 16,776m  BV 2016: \$ 16,160m  Brand Rating: AAA	
 EY Building a better working world	3 Rank 2017: 3 2016: 3  BV 2017: \$ 13,357m  BV 2016: \$ 12,672m  Brand Rating: AAA	
 KPMG	4 Rank 2017: 4 2016: 4  BV 2017: \$ 10,978m  BV 2016: \$ 10,689m  Brand Rating: AAA-	
 ADP	5 Rank 2017: 5 2016: 6  BV 2017: \$ 4,804m  BV 2016: \$ 4,548m  Brand Rating: AA+	
		McKinsey&Company 6 Rank 2017: 6 2016: 5  BV 2017: \$ 4,347m  BV 2016: \$ 4,881m  Brand Rating: AAA+
		 sodexo QUALITY OF LIFE SERVICES 7 Rank 2017: 7 2016: 12  BV 2017: \$ 3,570m  BV 2016: \$ 2,596m  Brand Rating: AAA-
		 randstad 8 Rank 2017: 8 2016: 7  BV 2017: \$ 3,525m  BV 2016: \$ 3,601m  Brand Rating: AA
		CAPITA 9 Rank 2017: 9 2016: 8  BV 2017: \$ 3,222m  BV 2016: \$ 3,309m  Brand Rating: AA
		S&P Global 10 Rank 2017: 10 New BV 2017: \$ 3,177m BV 2016: New Brand Rating: AA+



Executive Summary

Brand Value Over Time



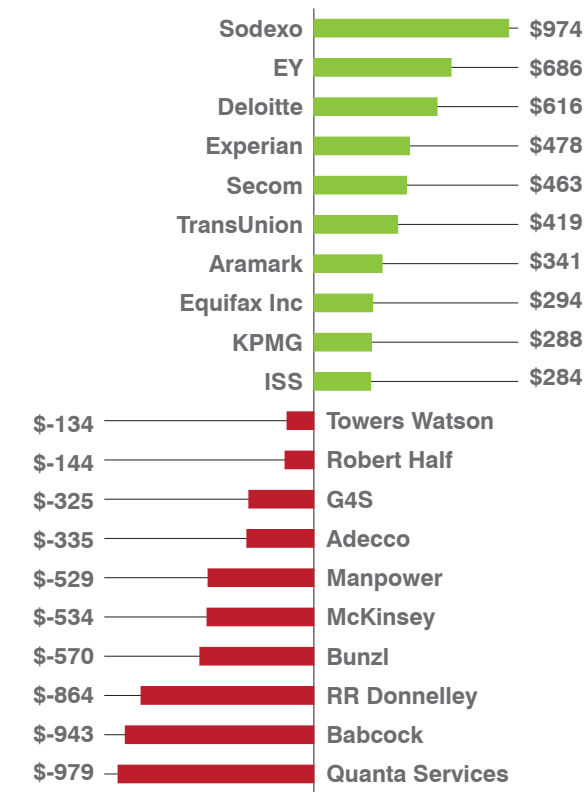
Second-placed Deloitte actually overtook PwC this year in terms of revenue. Full year revenues were US\$36.9 billion following the acquisition of clients such as Tesco, GlaxoSmithKline, SuperGroup and Cussons from PwC.

Sodexo is one of this year’s fastest growing brands; it has risen to rank 7 with brand value growth of 38%. The brand has grown its business in the UK and Ireland and has won several contracts with Covance, Shell, Scottish Public Pensions Agency etc. At the opposite end of the scale, Babcock and Quanta Services are two of this year’s worst performing brands, dropping 48% and 54% respectively. Both have suffered from project delays and cancellations. Babcock recently announced it will have to take an £800 million write-down on a major UK government contract to decommission nuclear sites. Quanta saw its profits drop dramatically in 2016, in part due to a series of problems surrounding an

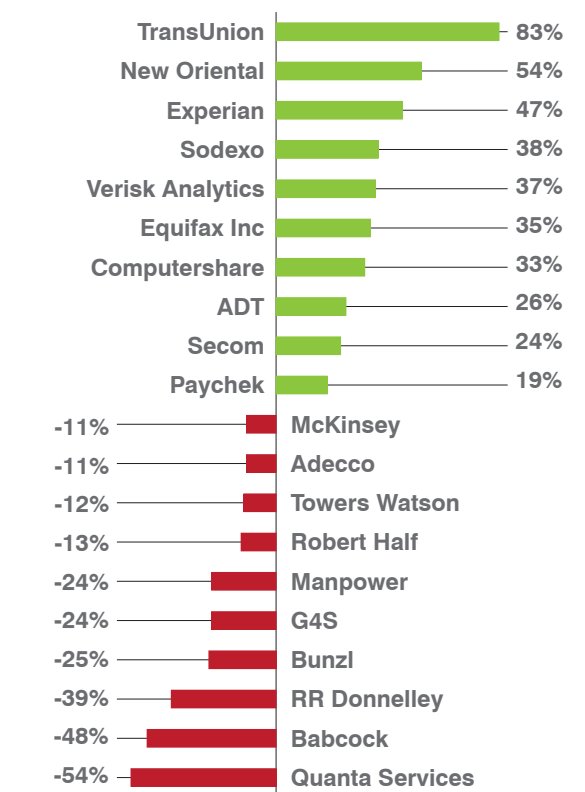
Alaskan power plant project. This reduction in margins led to a downwards adjustment to its implied royalty rate and hence brand value.

This year’s highest new entry is S&P Global. 10th on the list with a brand value of US\$3.177 billion, S&P Global is the new identity of McGraw Hill Financial. The rebrand helps to signify the firm’s move away from its roots in publishing to a diversified business intelligence and services provider. The new logo and visual identity, masterminded by Landor, is a simple black line over-scoring a bold, red text; a sober image befitting a commercial services brand and one that draws upon elements of the old McGraw Financial logo. The new visual identity also creates a framework for the integration of the organization’s various brands and divisions, with S&P Global acting as the master brand for Platts, as well as the Market Intelligence and Ratings units, while being used as an endorser for S&P Dow Jones Industries.

Brand Value Change 2016-2017 (USDm)



Brand Value Change 2016-2017 (%)



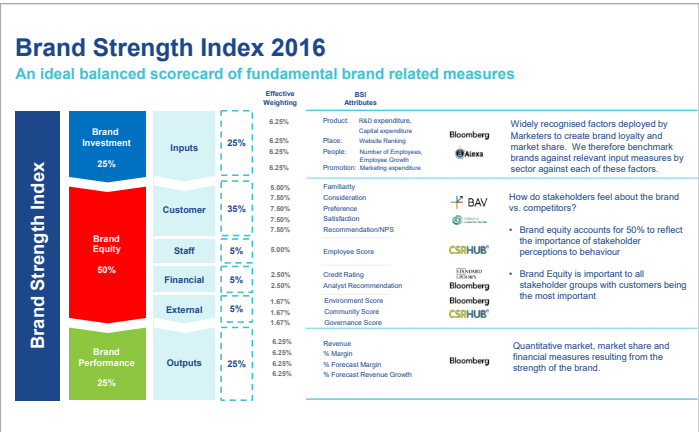
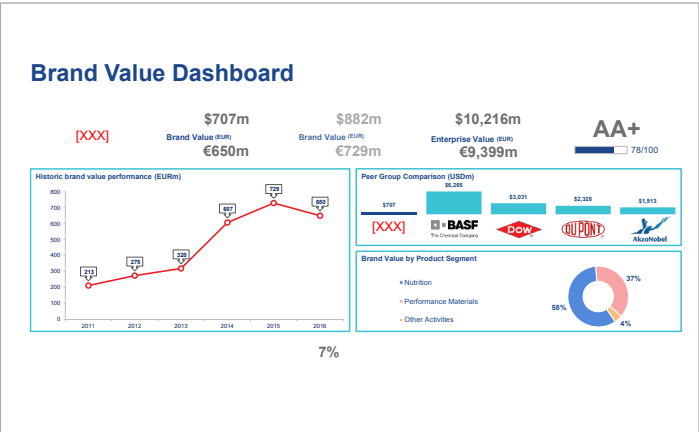
Brand Finance

Commercial Services 50 (USDm)

Top 50 most valuable Commercial Services brands 1 - 50.

Rank 2017	Rank 2016	Brand name	Domicile	Brand value (USDm) 2017	% change	Brand value(USDm) 2016	Brand rating 2017	Brand rating 2016
1	1	PWC	United States	18,510	0%	18,569	AAA+	AAA+
2	2	Deloitte	United States	16,776	4%	16,160	AAA	AAA
3	3	EY	United Kingdom	13,357	5%	12,672	AAA	AAA
4	4	KPMG	United States	10,978	3%	10,689	AAA-	AAA-
5	6	ADP	United States	4,804	6%	4,548	AA+	AA+
6	5	McKinsey	United States	4,347	-11%	4,881	AAA+	AAA+
7	12	Sodexo	France	3,570	38%	2,596	AAA-	A+
8	7	Randstad	Netherlands	3,525	-2%	3,601	AA	AA-
9	8	Capita	United Kingdom	3,222	-3%	3,309	AA	AA
10	New	S&P Global	United States	3,177			AA+	
11	11	BDO International						
12	10	Adecco						
13	16	Aramark						
14	19	Secom						
15	20	ISS						
16	17	BCG						
17	22	Ball						
18	23	Securitas						
19	14	Manpower						
20	13	Bunzl						
21	24	Cintas						
22	25	Moody's						
23	New	Nielsen						
24	34	Experian						
25	26	Abertis						
26	15	RR Donnelley						
27	New	SGS						
28	27	Bureau Veritas						
29	New	Swire						
30	28	Iron Mountain						
31	30	Alliance Data						
32	New	Equifax Inc						
33	29	G4S						
34	32	Towers Watson						
35	18	Babcock						
36	38	Paychek						
37	35	Bain						
38	New	Mercer						
39	33	Robert Half						
40	44	ADT						
41	New	TransUnion						
42	47	Verisk Analytics						
43	41	Saic						
44	42	Intertek						
45	21	Quanta Services						
46	New	Computershare						
47	39	New Oriental						
48	43	Epsilon						
49	New	Amcor						
50	48	Rentokil						

Understand Your Brand’s Value



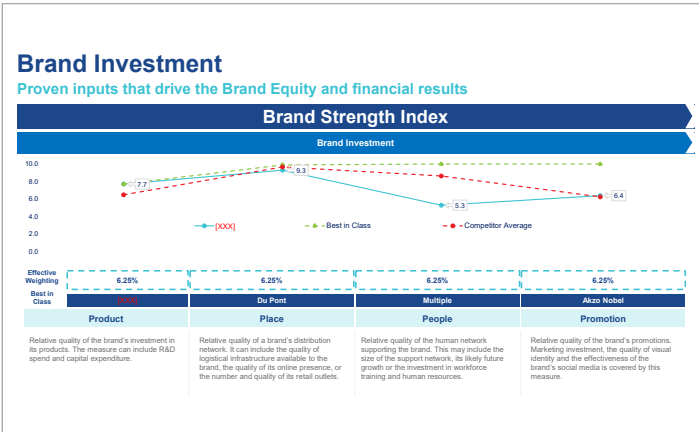
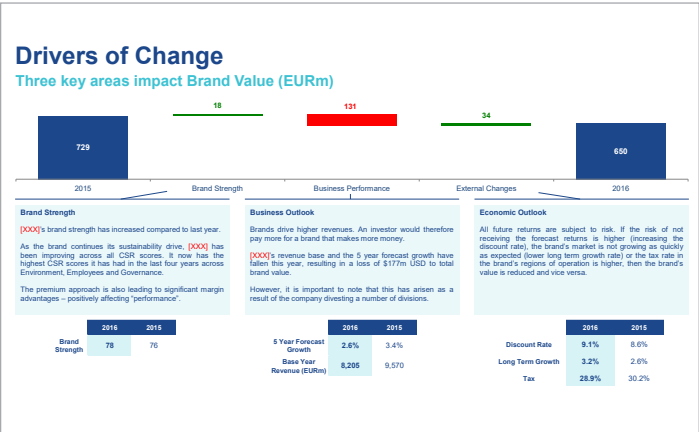
A Brand Value Report provides a complete breakdown of the assumptions, data sources and calculations used to arrive at your brand’s value. Each report includes expert recommendations for growing brand value to drive business performance and offers a cost-effective way to gaining a better understanding of your position against competitors. It includes:

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 KPI’s
- + 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

Trademark Audit

- + Highlight unprotected marks
- + Spot potential infringement
- + Trademark registration strategy

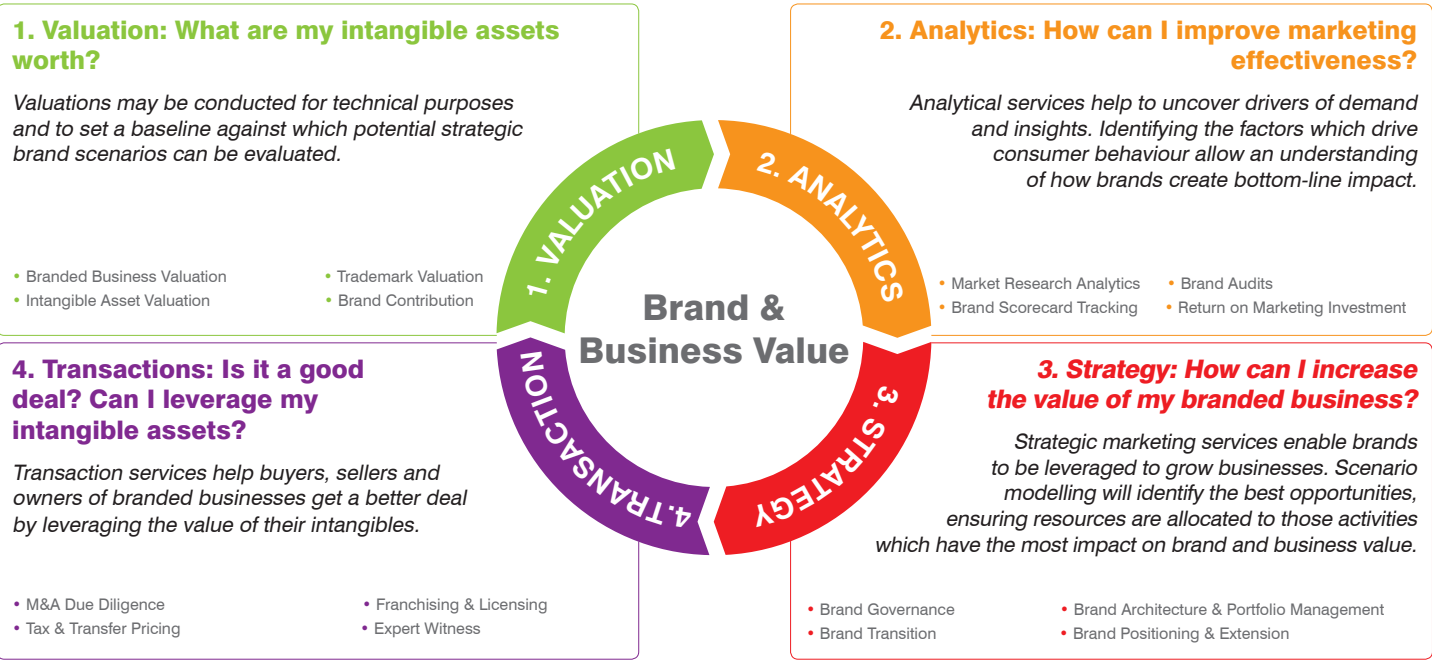
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How we can help



MARKETING

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

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Market Research Analytics
- + Brand Scorecard Tracking
- + Return on Marketing Investment
- + Brand Transition
- + Brand Governance
- + Brand Architecture & Portfolio Management
- + Brand Positioning & Extension
- + Franchising & Licensing

FINANCE

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

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Market Research Analytics
- + Brand Scorecard Tracking
- + Return on Marketing Investment
- + Brand Transition
- + Brand Governance
- + Brand Architecture & Portfolio Management
- + Brand Positioning & Extension
- + Mergers, Acquisitions and Finance Raising Due Diligence
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness

TAX

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

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Market Research Analytics
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness

LEGAL

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

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Tax & Transfer Pricing
- + Expert Witness

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