



Toys 25 2018

The annual report on the world's most valuable toys brands
February 2018

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. Sceptical 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 marketing and finance. 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 marketing 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 research revealed the compelling link between strong brands and stock market performance. It was found that investing in 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.

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 more than 20 years, we have helped companies and organisations of all types to connect their brands to the bottom line.

We pride ourselves on four key strengths:

- Independence
- Technical Credibility
- Transparency
- Expertise.

Brand Finance puts thousands of the world’s biggest brands to the test every year, evaluating which are the strongest and most valuable.

For more information, please visit our website:
www.brandfinance.com

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

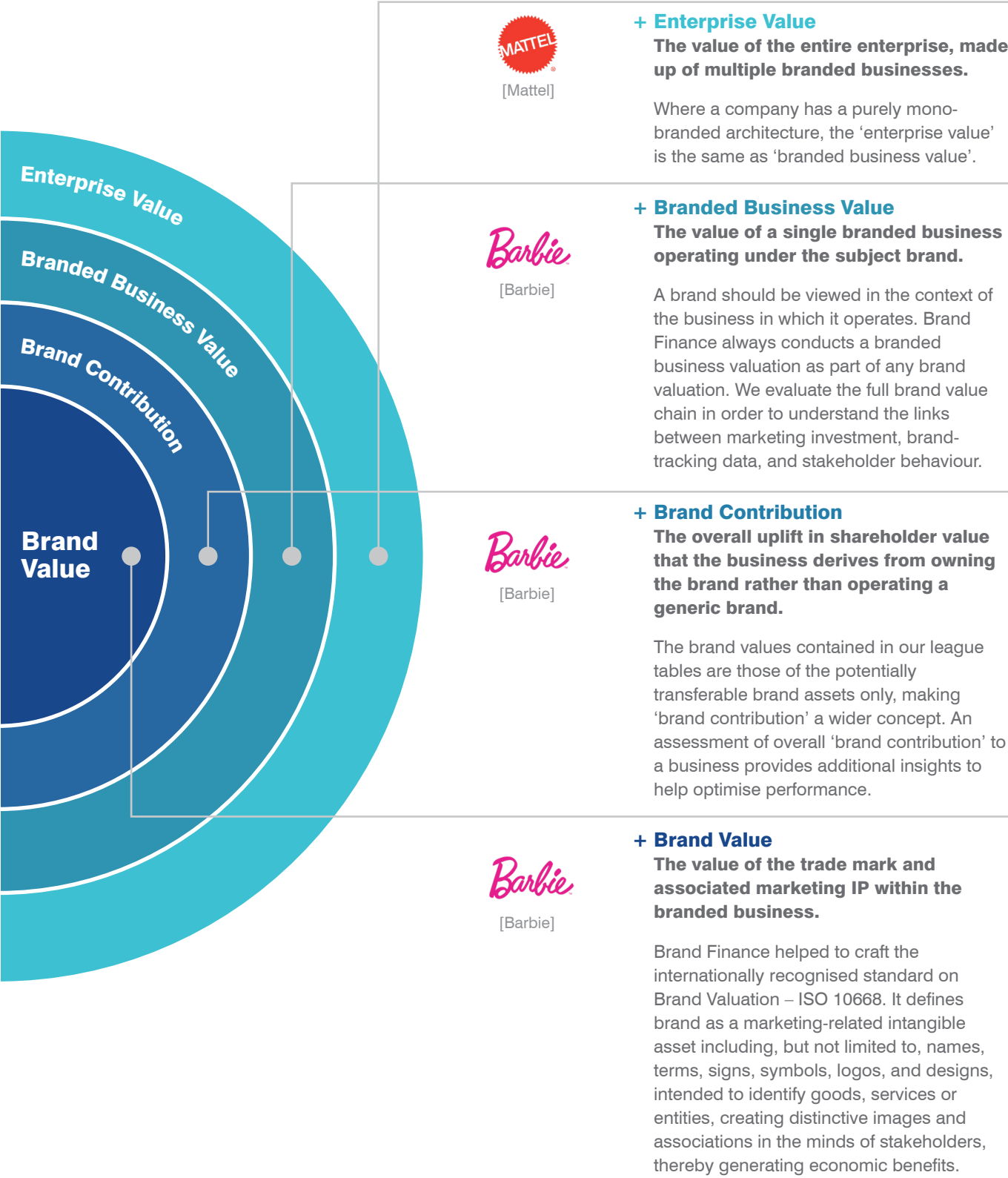
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Definitions.

Brand Value



Brand Strength

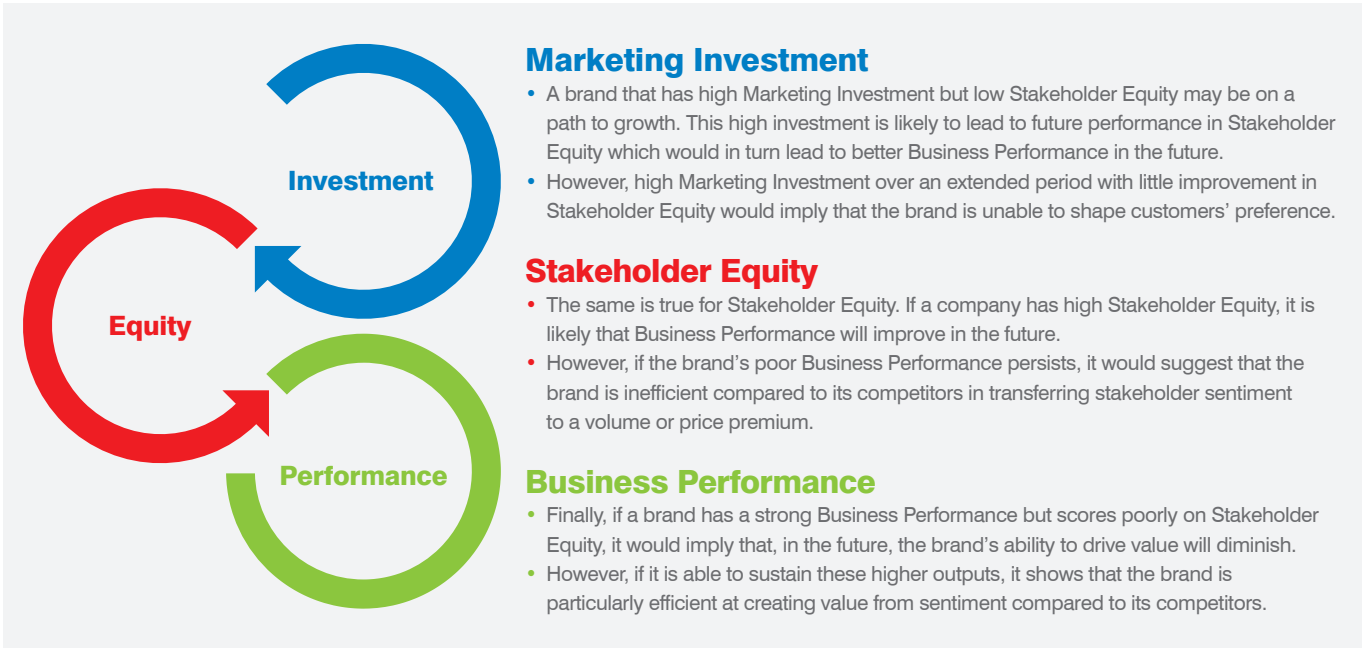
Brand Strength is the efficacy of a brand's performance on intangible measures, relative to its competitors.

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	Widely recognised factors deployed by marketers to create brand loyalty and market share.
	Stakeholder Equity	Perceptions of the brand among different stakeholder groups, with customers being the most important.
	Business Performance	Quantitative market and financial measures representing the success of the brand in achieving price and volume premium.



Executive Summary.



Lego Stacks up to Competition

Lego remains the world’s most valuable and strongest toy brand, with a brand value of nearly US\$7.6 billion, an exceptional Brand Strength Index (BSI) score of 90.6 and a corresponding brand rating of AAA+.

Despite this position, Lego’s brand value slipped this year, down 0.3%. Whilst not substantial, it represents a wider challenge for the brand as revenue fell 6% in the first half of 2017 and net profit was down 3%.

China is the brand’s biggest developing market, enjoying double-digit growth in the first half of 2017, but the more established markets have not been as fortunate. Since sales in Europe and the US account for approximately 75% of all revenue, to increase its brand value Lego must turn to untapped markets, especially in Asia, and make adjustments to remain relevant in the established ones. Lego recently formed a partnership with tech giant Tencent to develop licensed games, videos, and other content for Chinese children. This provides an opportunity for Lego to maximise growth in China by entering the digital space, which should positively impact its brand value in the future.

Exceptional growth levels, like those enjoyed by Lego in recent years, are very difficult to sustain. However, building on the success of partnerships with franchises such as Star Wars and Batman, and on continued expansion in emerging markets, especially China where it enjoys double-digit growth, Lego still has substantial potential as a brand.

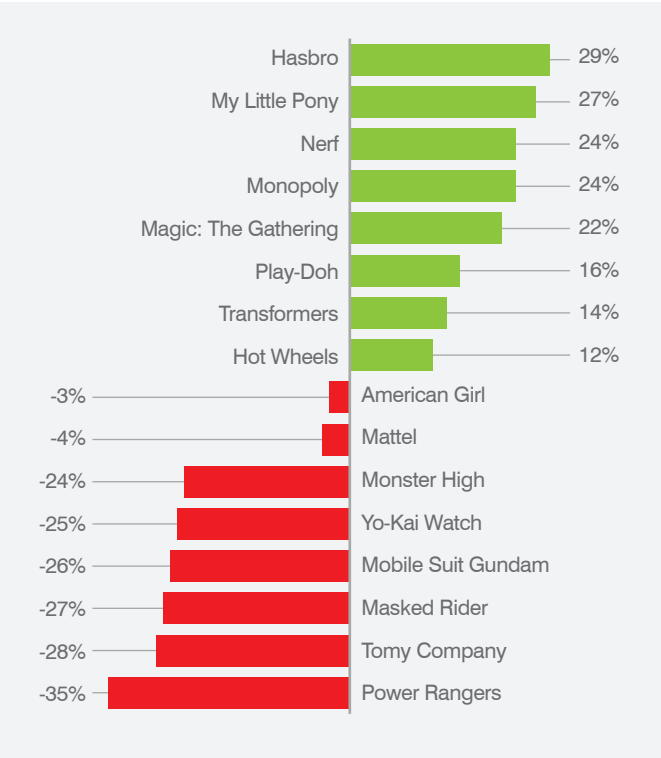
David Haigh
CEO, Brand Finance

Bandai Namco Defends 2nd Place

Bandai Namco remains the second most valuable toy brand this year, with a brand value of US\$1.0 billion, up just 1%. Its slow growth coincides with a drastic decrease in brand value for the company’s other brands in the table, as Yo-Kai Watch, Mobile Suit Gundam, and Power Rangers have fallen 25%, 26%, and 35%, respectively. The Japanese toy market has experienced falling sales in recent years due, in part, to a population decrease in the 0 to 14 age group.

Despite these challenges, Bandai Namco has managed to keep its second position through a global diversification plan and new agreements. The company recently announced a strategic partnership with Dontnod Entertainment to facilitate the creation of a new IP game, based on a narrative adventure experience to take place in a fictional US city. This represents the next stage of Bandai Namco’s diversification strategy, keeping a worldwide audience in mind, and likely benefitting its brand value and brand strength in the future.

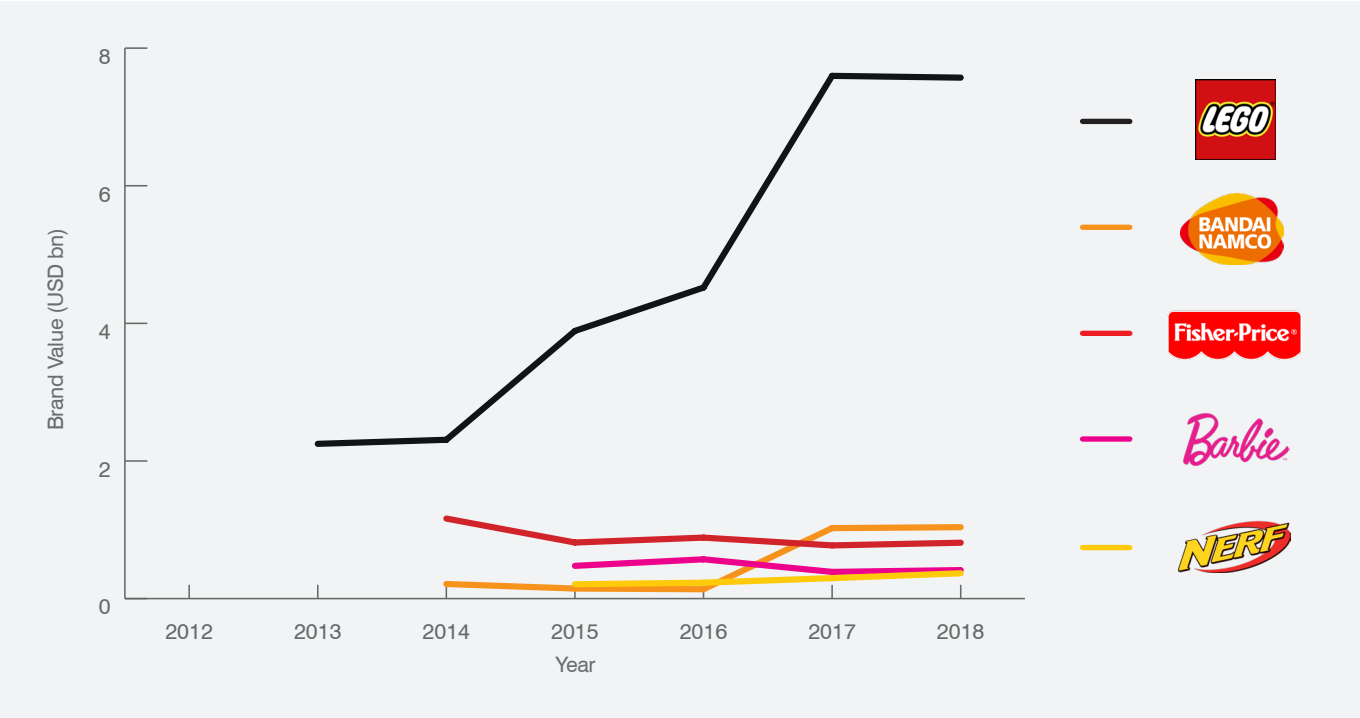
Brand Value Change 2017-2018 (%)



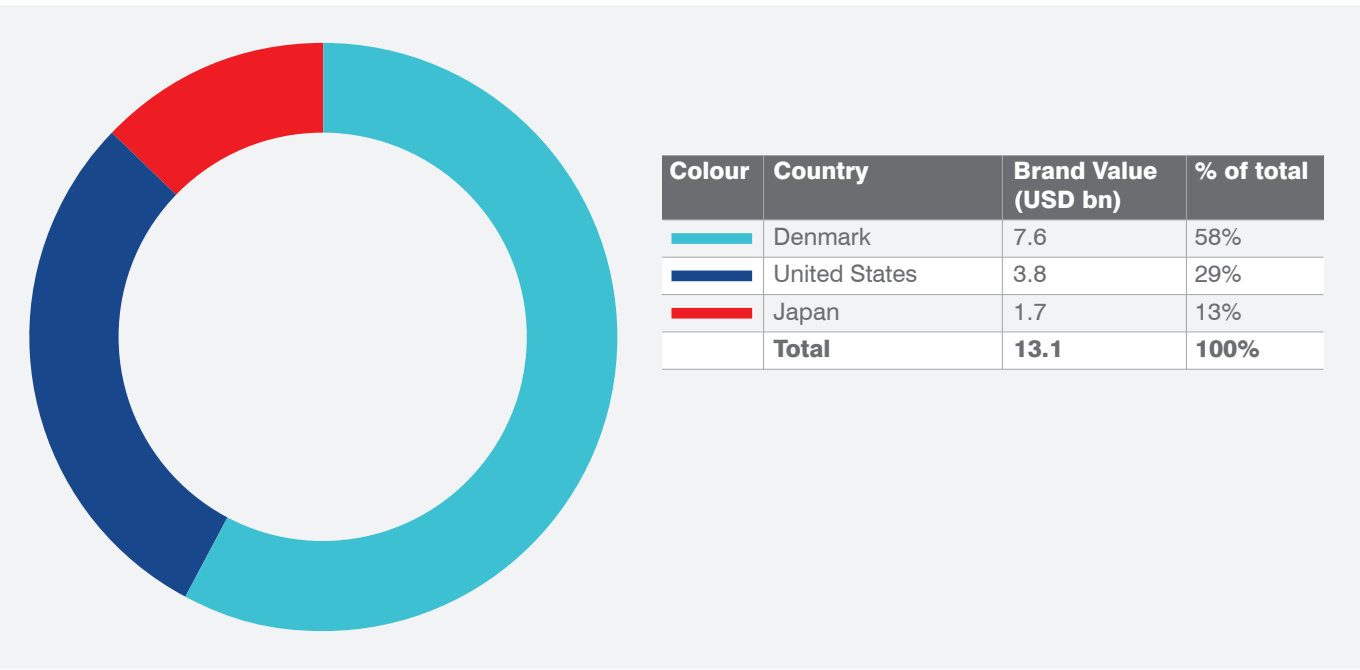
Top 10 Most Valuable Brands

	1	Rank 2018: 1 2017: 1 → BV 2018: \$7,571m BV 2017: \$7,597m 0% Brand Rating: AAA+
	2	Rank 2018: 2 2017: 2 → BV 2018: \$1,038m +1% BV 2017: \$1,024m Brand Rating: AA
	3	Rank 2018: 3 2017: 3 → BV 2018: \$812m +5% BV 2017: \$773m Brand Rating: AAA
	4	Rank 2018: 4 2017: 4 → BV 2018: \$414m +7% BV 2017: \$388m Brand Rating: AAA-
	5	Rank 2018: 5 2017: 5 → BV 2018: \$368m +24% BV 2017: \$297m Brand Rating: AAA
	6	Rank 2018: 6 2017: 9 ↑ BV 2018: \$272m +29% BV 2017: \$211m Brand Rating: AAA-
	7	Rank 2018: 7 2017: 8 ↑ BV 2018: \$259m +12% BV 2017: \$232m Brand Rating: AAA-
	8	Rank 2018: 8 2017: 10 ↑ BV 2018: \$252m +27% BV 2017: \$198m Brand Rating: AAA
	9	Rank 2018: 9 2017: 6 ↓ BV 2018: \$243m -4% BV 2017: \$252m Brand Rating: AAA-
	10	Rank 2018: 10 2017: 7 ↓ BV 2018: \$182m -26% BV 2017: \$247m Brand Rating: AA-

Brand Value Over Time



Brand Value by Country

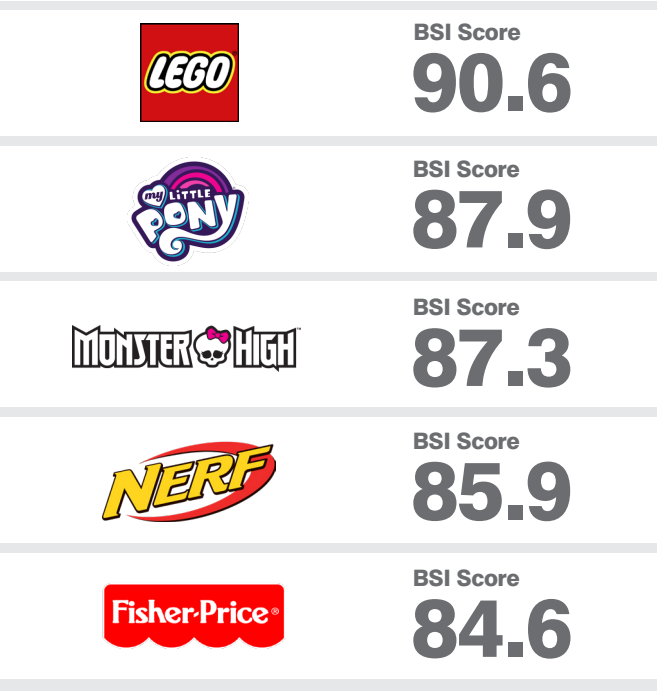


My Little Pony Gallops to Success

Owing to the success of its portfolio of brands in the table, including My Little Pony, Nerf, and Monopoly, Hasbro is the fastest-growing toy brand, with brand value increasing 29% to US\$272 million. Although Mattel’s portfolio of brands in the table have a higher value than Hasbro’s, Mattel dropped from sixth to ninth, swapping places with Hasbro, with a 4% decline in brand value to US\$243 million.

My Little Pony, Hasbro’s best-performing brand, galloped up the ranks growing 27% in brand value to US\$252 million. It is the second strongest toy brand in the table, with a BSI score of 87.9 and a brand rating of AAA. The brand has transformed itself, bringing its traditional dolls into the entertainment world and reaching its audience through different channels. Placing the brand on the big-screen is a step in the right direction and capitalising on this will help boost revenue and improve its brand value in the future.

Top 5 Strongest Brands



Top 25 most valuable toys brands

Rank 2018	Rank 2017	Brand name	Country	Brand value (USD m) 2018	% change	Brand value (USD m) 2017	Brand rating 2018	Brand rating 2017
1	1	Lego	Denmark	7,571	0%	7,597	AAA+	AAA+
2	2	Bandai Namco	Japan	1,038	+1%	1,024	AA	AA+
3	3	Fisher-Price	United States	812	+5%	773	AAA	AAA-
4	4	Barbie	United States	414	+7%	388	AAA-	AAA-
5	5	Nerf	United States	368	+24%	297	AAA	AAA-
6	9	Hasbro	United States	272	+29%	211	AAA-	AAA-
7	8	Hot Wheels	United States	259	+12%	232	AAA-	AAA-
8	10	My Little Pony	United States	252	+27%	198	AAA	AAA
9	6	Mattel	United States	243	-4%	252	AAA-	AA+
10	7	Mobile Suit Gundam	Japan	182	-26%	247	AA-	AA
11	13	Play-Doh	United States					
12	16	Monopoly	United States					
13	15	Playskool	United States					
14	18	Magic: The Gathering	United States					
15	11	Monster High	United States					
16	17	MEGA Bloks	United States					
17	12	Yo-Kai Watch	Japan					
18	20	Transformers	United States					
19	14	Power Rangers	Japan					
20	21	American Girl	United States					
21	23	Littlest Pet Shop	United States					
22	19	Masked Rider	Japan					
23	24	Tomica	Japan					
24	22	Tomy Company	Japan					
25	New	FurReal Friends	United States					

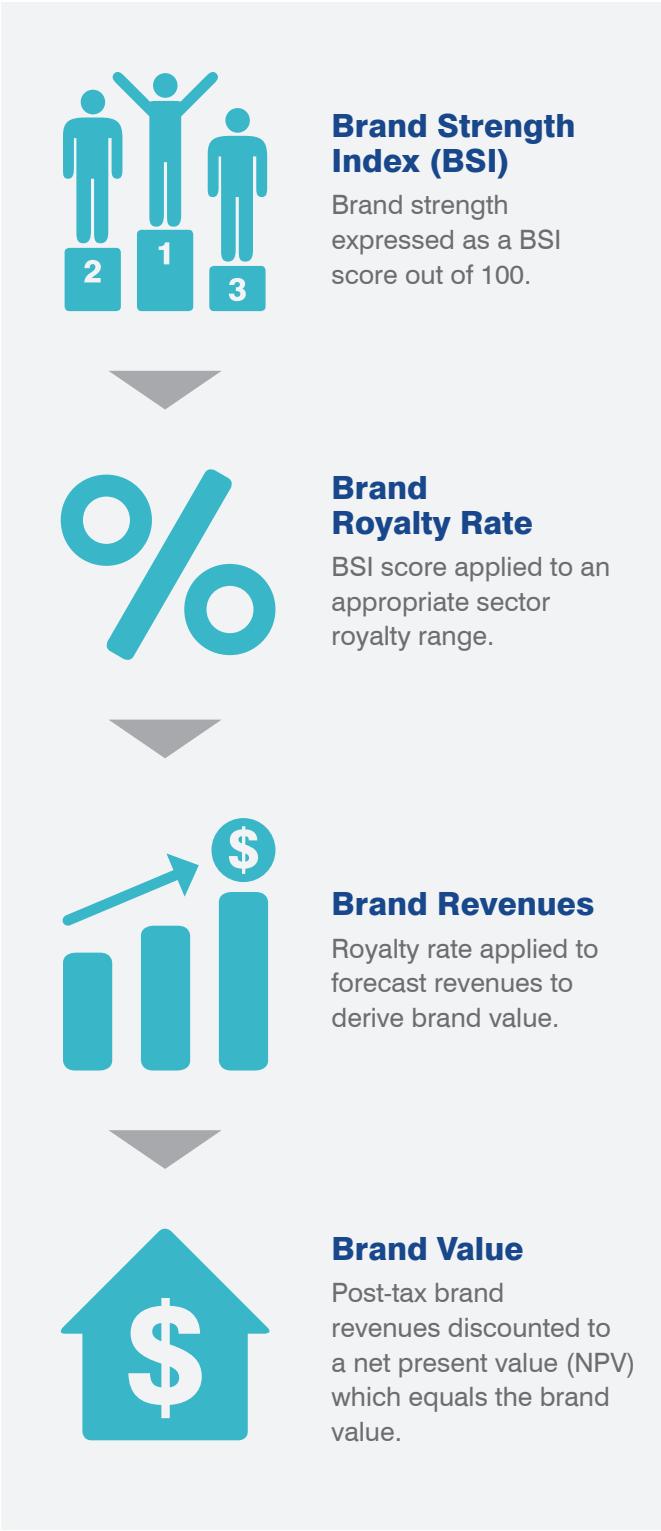
Methodology.

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.



Disclaimer

Brand Finance has produced this study with an independent and unbiased analysis. The values derived and opinions produced in this study are based only on publicly available information and certain assumptions that Brand Finance used where such data was deficient or unclear. Brand Finance accepts no responsibility and will not be liable in the event that the publicly available information relied upon is subsequently found to be inaccurate. The opinions and financial analysis expressed in the report are not to be construed as providing investment or business advice. Brand Finance does not intend the report to be relied upon for any reason and excludes all liability to any body, government or organisation.

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.

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:

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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.

Consulting Services.



Contact us.

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