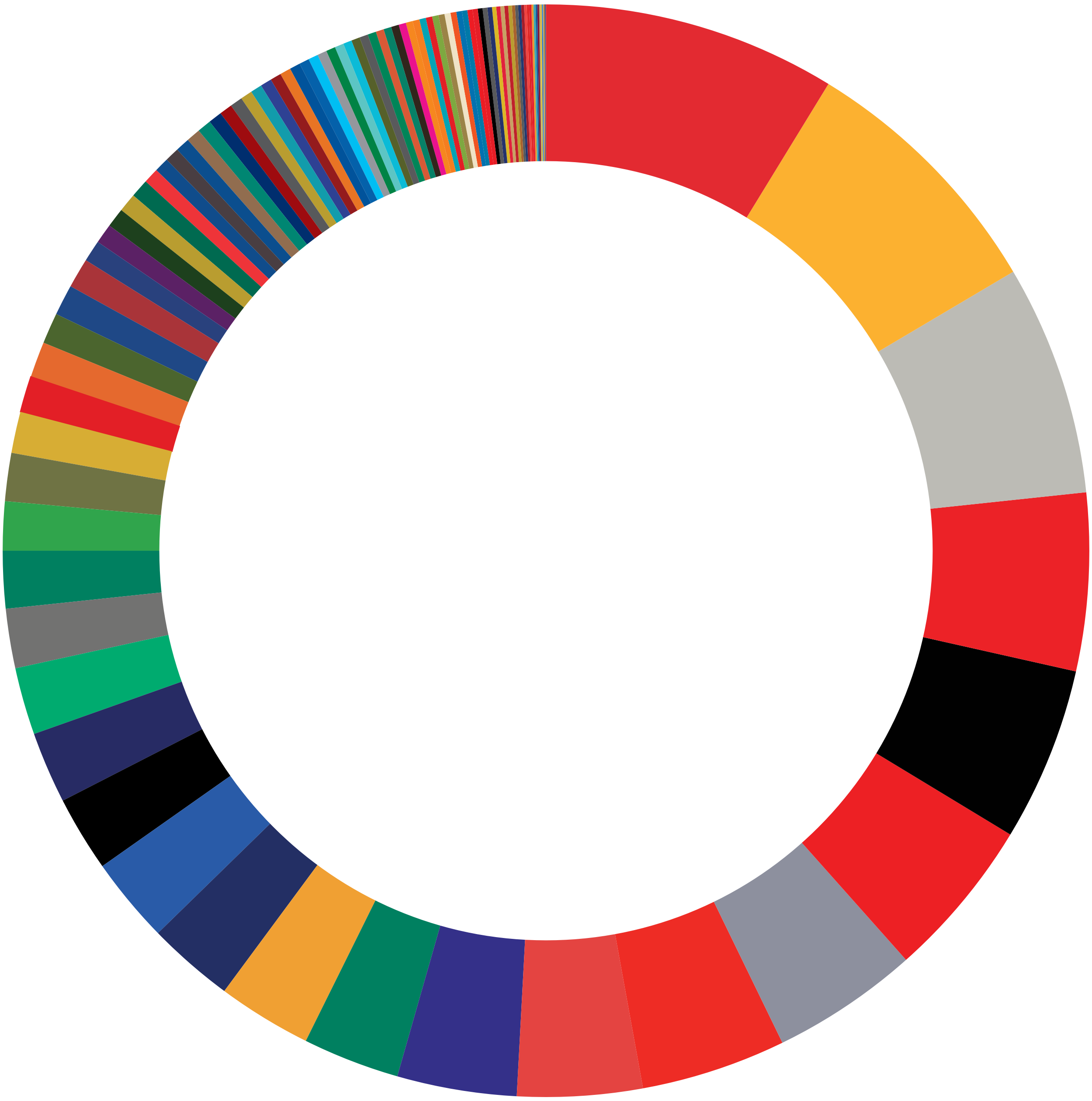
THE BRAND FINANCE TOP 100 SINGAPORE BRANDS REPORT 2013

ON SINGAPORE'S INTANGIBLE
ASSETS AND BRANDS



BRAND·FINANCE®

Designed by **Sedgwick Richardson**

For over a decade, Brand Finance has been dedicated to the measurement of brand strength and value.

CONTENTS

2013 HIGHLIGHTS

The total value of Singapore's 100 largest brands and brand portfolios in 2013 is US$40.24 billion, representing a 14% increase over last year's study.

CORPORATE SINGAPORE

Enterprise Value of Corporate Singapore

US$464 bn ↑ 13.4%

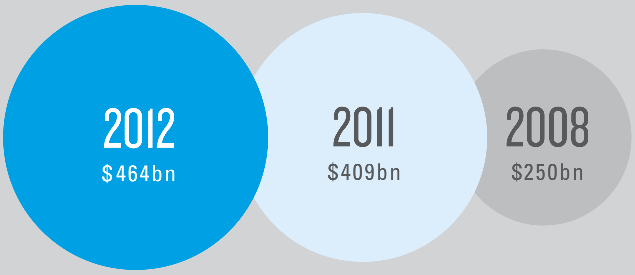
The enterprise value of corporate Singapore at the end of 2012 was increased to US$464 billion, up from US$409 billion in December 2011.

Total Brand Value of the 100 Largest Brands

US$40.24bn ↑ 14%

The total value of Singapore's 100 largest brands and brand portfolios in 2013 is US$40.24 billion, representing a 14% increase over last year's study as compared to 11% growth in the previous year.

Enterprise Value Remains Strong in 2013



Singapore's enterprise value in 2012 has recovered well and remains strong when compared with 2008 when it had reduced to a mere US$250 billion due to the recession.

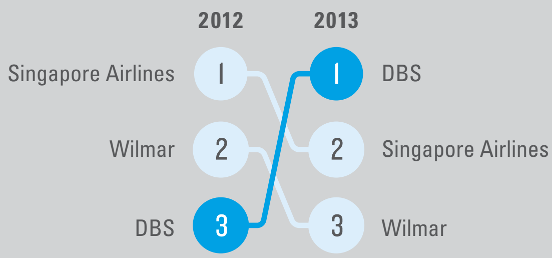
Enterprise Value to Brand Value Percentage

Remained at 11%

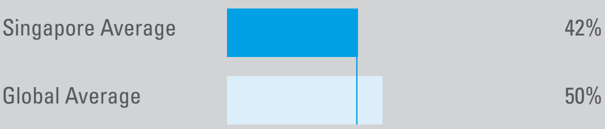
DBS Now No. 1 Singapore Brand

DBS

DBS became the No. 1 brand by displacing Singapore Airlines, which stayed on top for 5 consecutive years. Wilmar moved to No. 3 rankings as a result of DBS claiming the No. 1 position.



Intangibles Below Average



Overall, only 42% of Singapore listed value is contributed by Intangibles compared to a global average of 50%.

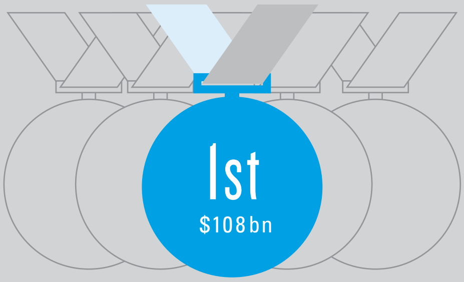
Singapore Airlines's Brand Rating

Rated AAA–

Singapore Airlines retained its brand rating of AAA– and it was the only brand to have the highest rating in Singapore. Although Singapore Airlines lost its No. 1 position and was ranked at No. 16 by Enterprise Value, it stayed as the second Most Valuable Singapore Brand further illustrating the strength of a strong brand and the intangible value contribution.

NOTABLE SECTOR: BANKING

Financial Sector Remains No. 1



After being the worst-hit sector in 2008, and having recovered a significant portion of its Enterprise Value (EV) in 2011, Financial sector is now in a strong No. 1 position with an EV of 108 billion.

Low Intangible Value against EV

Financial sector, though with the highest contributor of the overall Enterprise Value has a total intangibles value of only 34% against the Enterprise Value, way below the national average of 42%.

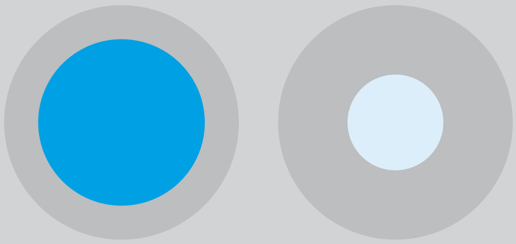
NOTABLE SECTOR: TELECOMMUNICATIONS

Highest Intangibles

US$41.83bn

The telecom sector maintained their No. 1 position for the highest Intangible Value of US$41.83 billion followed by financial sector at No. 2 with a total Intangible Value of US$36.36 billion and beverages sector at No. 3 with a total Intangible Value of US$16 billion.

Highest Enterprise to Brand Value Ratio



Telecom (71%) Average (42%)

Telecom sector also had the highest EV to BV ratio with a combined brand value of over 71% of the EV. This demonstrates the strong brand equity and intangible growth compared to the overall average of 42%.

PERFORMANCE HIGHLIGHT

Top 8

The top 8 companies (up from 7) by Enterprise Value are all amongst the top 10 companies by Brand Value.

Overall, 6 of the top 10 segments by EV had below average performance (an average of 30%) against the country average of 42% for the intangibles.

NEW ENTRANTS TO TOP 100

F&N Climbs Straight to

No. 5

F&N was the new entrant to this year's top 10 ranking climbing straight to No. 5.

Number of New Entrants to Top 100

2 New Entrants

This year, there were a total of only 2 new entrants in the top 100 brands as compared to 27 brands last year. This indicates strong consolidation amongst the top 100 brands.

FOREWORD

David Haigh
Chief Executive
Brand Finance plc

Brand Finance has been dedicated to the measurement of brand strength and value. Vast amounts of research have been undertaken on intangible assets with an emphasis on brands to help corporations understand brand strength and value.

This year the Brand Finance Annual Report on the "Top 500 Global Brands" reveals a slow, but promising recovery from the turbulent economic climate. In 2012, we saw a decline of 0.4% in total enterprise value but the foundation for prosperity has been laid by a growth in brand values of 3.3%. While Apple remains at the top being valued at US$87.3bn, Samsung climbs to second place with a value of US$58.8bn.

'The BrandFinance® Banking Forum 2013' suggests that the storm clouds over the global banking industry may be finally clearing. Total bank brand values globally are the highest they have ever been, at nearly double the level they were in 2009. Although countries like China and the US continue to drive this growth, South American brand values remain flat. Europe also has a way to go to regain the post-crisis height it achieved in 2011.The most valuable banking brand, Wells Fargo, is valued at US$26bn, whilst Chase takes second place with a value of US$23.4bn.

Brand Finance expects Asia to have experienced a trough in growth through Q3 and Q4 2013 and a slight uptick in activity as we enter 2014. Although a possible constriction could arise from reflationary tactics deployed by developed markets, we expect asset markets will continue to benefit from liquidity inflows.

The Singapore Exchange Ltd (SGX) reported its largest quarterly profit since the 2008 financial crisis as a surge in trading volumes pushed earnings up 26%. Net profit was S$97.7mn in the January to March quarter, well above the S$77.8mn earned a year earlier. That beat the S$95mn average forecast of analysts surveyed by Reuters and was its highest since the quarter ending March 2008. Despite the strong results, maintaining this performance for the rest of the year will depend on whether the improved sentiment in global markets continues. Global economic conditions remain volatile and it is uncertain if current market conditions will persist.

For over a decade, Brand Finance has been dedicated to the measurement of brand strength and value. Vast amounts of research have been undertaken on intangible assets with an emphasis on brands to help corporations understand brand strength and value. Against the current economic backdrop, our 2013 study examines the performance of Singapore's intangible assets and brands.

This year, we have once again taken the opportunity to highlight the new ISO standard used in Brand Valuation which was formally announced in October 2010 as the world's first consistent and reliable standard in brand valuation.

David Haigh
Chief Executive, Brand Finance plc

FOREWORD

Samir Dixit
Managing Director
Brand Finance Asia Pacific

We firmly believe that brand valuation analysis can offer marketers and financiers critical insight into their marketing activities and should be considered as a key part of the decision making process.

Brand Finance has been researching intangible assets with an emphasis on brands to help corporations understand brand strength and value. Against the current economic backdrop, our 2013 study aims to examine the performance of Singapore's intangible assets and brands.

Brands have long been recognised inside the marketing profession as important intangible assets. Brands can confer considerable advantages, such as building customer loyalty and enabling a price premium for the branded product.

Brands and brand equity affect all stakeholder groups, influencing the perceptions they have of the branded business, their preference or loyalty to that organisation and their behaviour. Consumers and customers buy more, for longer, at higher prices, while suppliers offer better terms of business and finance providers invest at lower cost. These and other stakeholder behaviour affect business value drivers to give higher revenues, lower costs and greater capital value.

Brand managers need to understand how these brand equity attributes impact on the branded business and need to develop marketing strategies to optimise brand-switching behaviour.

As such, the valuation of brands is an important function, to provide tangible, financial evidence of their status as assets and an indication of the value generated through the investment in brand equity.

We use quantitative market data, detailed financial information and expert judgement to provide reliable Brand Ratings and Brand Values. Such an analysis needs to be conducted by product, geographic and demographic segment to maximise brand value. While such detailed metrics and financial analysis are beyond the scope of the current point in time brand valuations included in this year's league table, however, they are the next natural step in understanding and developing brand value.

We have also observed that a number of brand valuation consultancies produce brand value league tables using methods that do not stand up to technical scrutiny or the newly introduced 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.

This annual report pits the best Singapore 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 Singapore brands as at 31st December 2012. 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 critical insight into their marketing activities and should be considered as a key part of the decision making process.

Samir Dixit
Managing Director, Brand Finance Asia Pacific

INTRODUCTION

Intangible assets have traditionally tipped the scales over tangible assets to create value for companies and the global economy. Brand Finance has been tracking the role of intangible assets since 2001 as part of its annual Global Intangible Finance Tracker (GIFT™) study and 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 127 national stock markets, more than 56,000 companies, representing 99% of total global market capitalisation. The analysis goes back over a twelve-year period from the end of December 2012.

Currently, 50% of global market value is vested in intangible assets. However, the management paradigm is yet to shift in tandem with large proportion and the importance of intangible assets.

PURPOSE OF STUDY

To this end, Brand Finance has been researching intangible assets with an emphasis on helping corporations understand brand strength and value. Our study aims to examine the performance of Singapore's intangible assets and brands.

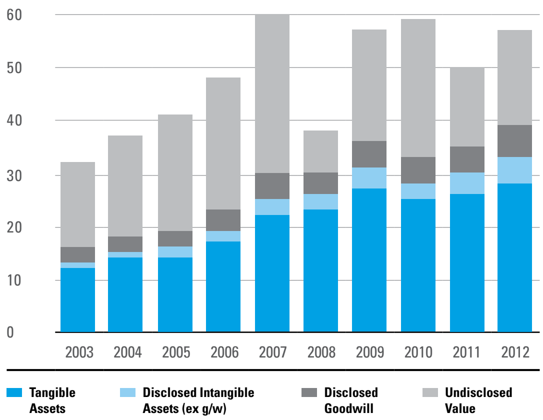
For the intangible asset study, the total enterprise value of corporate Singapore is divided into four components shown below.

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

In last year's GIFT™ 2012 report, which represented 99% of total global market capitalisation, intangible assets looked upbeat when the stock markets worldwide showed signs of recovery. They represented over 49% of enterprise value at the end of 2011.

The latest 2013 GIFT™ analysis illustrates that by the end of 2012, the intangibles increased by US$ 5.3 trillion during 2012. At a very healthy 50% of the total enterprise value, and significantly above the 2008 financial crisis level, the main increase of US$ 3 trillion was in the value of undisclosed intangible assets including brands.

GLOBAL BREAKDOWN OF ENTERPRISE VALUES FROM 2003-2012



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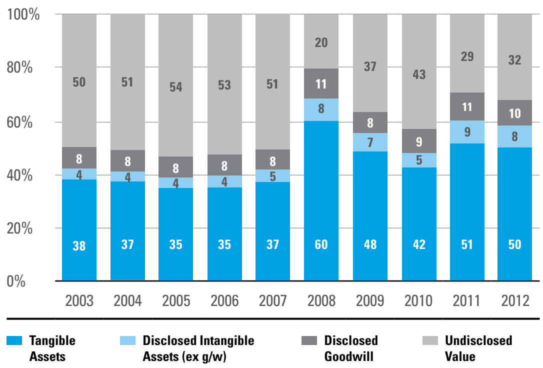

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The moderate increase in the 'undisclosed' value illustrates that the brands are still on a recovery path and yet to reach the high intangible vs. tangible ratio of over 65% seen during the pre-global crisis years of 2004 to 2007. This further points out towards the lack of understanding of intangible assets amongst companies, big and small, reflective through their behaviour of overvaluing the intangibles in boom times and under-value in economic downturns.

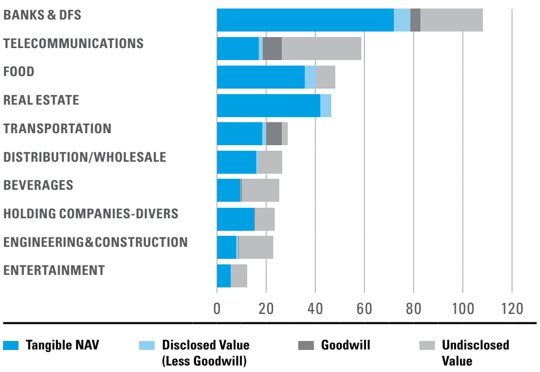
The fact that most of the intangible value is not disclosed on company balance sheet further illustrates how poorly understood intangibles still are by investors and management alike – and how out of date accounting practice is.

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

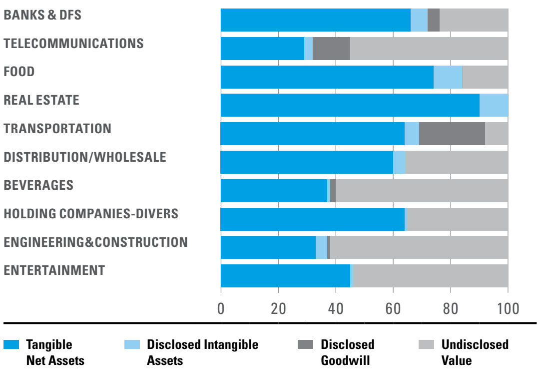
SINGAPORE'S REPORT CARD ON INTANGIBLE ASSETS

SINGAPORE	US$	
ENTERPRISE VALUE	$464 BILLION	100%
TANGIBLE NET ASSETS	$269 BILLION	58%
DISCLOSED INTANGIBLE ASSETS (EXC GOODWILL)	$23 BILLION	5%
DISCLOSED GOODWILL	$23 BILLION	5%
"UNDISCLOSED VALUE"	$149 BILLION	32%

TOP 10 SECTORS BY ENTERPRISE VALUE SPLIT(VALUE) 2012 (US$ BILLION)



TOP 10 SECTORS BY ENTERPRISE VALUE SPLIT (% AGE) 2012



SINGAPORE'S INTANGIBLE ASSETS INCREASED BY US$50 BILLION IN 2012 AS COMPARED TO A US$126 BILLION DECREASE IN 2011

By the end of 2012, while the total enterprise value increased by US$55 billion, a majority of the increase in value was due to the increase in intangibles value (US$50 billion). While in end 2011, the total intangible value of Singapore companies stood at a high US$144 billion, making up 35% of the enterprise value. By end 2012, the intangible value had increased to US$195 billion taking it to 42% of the enterprise value. This is closer to the global Tangible-Intangible average of 50% clearly indicating that Singapore companies have started to realise and focus on the importance of intellectual property for growth and expansion.

SPOTLIGHT ON SECTORS

Total Enterprise Value of the Top 10 Sectors in Singapore is worth US$400.27 billion

The ten largest sectors for Singapore are Banking & DFS, Telecommunications, Food, Real Estate, Transportation, Distribution/Wholesale, Beverages, Holdings/Group Companies, Engineering & Construction, and Entertainment.

These account for 84% of Singapore's total enterprise value and are worth about US$400.27 billion. This is US$75 billion or 12% more than the 2012 enterprise value of the top 10 largest sectors (US$325.20 billion). This indicates a somewhat healthy growth and a relatively better management of brands across the top 10 segments.

BANKING & DFS SECTOR HAS THE HIGHEST ENTERPRISE VALUE

The baking & DFS sector retained their number 1 position for the highest Enterprise Value of US$108 billion. Telecom sector became number 2 with an Enterprise Value of US$58.61 billion. The food sector climbed to number 3 with an Enterprise Value of US$47.98 billion. Real Estate sector has the fourth highest Enterprise Value of US$46.54 billion amongst the top 10.

TELECOM SECTOR CONTINUES WITH THE HIGHEST INTANGIBLE VALUE

The telecom sector maintained their number 1 position for the highest Intangible Value of US$41.83 billion followed by banking sector at number 2 with a total Intangible Value of US$36.36 billion and Beverages sector at number 3 with a total Intangible Value of US$16 billion.

SHOULD SINGAPORE BE CONCERNED WITH INTANGIBLE ASSET VALUE?

If Singapore has to embark on the successful journey of her publicly announced intent to be the IP hub of Asia, then Singapore should definitely be concerned with the overall performance of the intangible assets vs. the tangible assets.

SINGAPORE AS AN IP HUB OF ASIA

While this is not an impossible task and objective, it would not be an easy journey given the relative footprint of the industries here compared to other Asian economies.

Currently Singapore is ranked 26th in the global rankings of the "2012 Top Country Brands" rankings published by Brand Finance. The starting point for the journey to be the IP hub of Asia should ideally begin with the Brand Singapore itself and the analysis of the contribution from the various brand value drivers.

Singapore is further ranked 30th in the Brand Finance 2013 GIFT (Global Intangible Financial Tracker) Study, well behind Malaysia that stands at an impressive rank 18th and Thailand and Philippines which are ranked at 11th and 13th respectively. Clearly the Singapore companies are more driven by the tangibles over intangibles. This is not an ideal mix towards the journey of being the IP hub of Asia.

Singapore therefore needs to both actively participate and fundamentally change the ways in which both Singapore and the companies in Singapore manage their IP.

SINGAPORE'S FULL CONVERGENCE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS BY END 2012

The full convergence to IFRS by 2012 was a critical step in a bid to put Singapore on the same footing as other nations and strengthen its role as an international centre of commerce.

Having a standardised accounting standard means that the value of disclosed intangible assets is likely to increase in the future. Strong advocates of 'fair value reporting' believe that the changes should go further. Specifically, all of a company's tangible and intangible assets and liabilities should regularly be measured at fair value and reported on the balance sheet, including internally generated intangibles such as brands and patents. This is provided the valuation methods and corporate governance adopted is sufficiently rigorous. This is likely to be less of a concern going forward due to the ISO standards announced for valuation in October 2010, which is fast becoming a gold standard in valuation.

Some go as far as to suggest that 'internally generated goodwill' should be reported on the balance sheet at fair value, meaning that management would effectively be required to report its own estimate of the value of the business at each year end together with supporting assumptions. However, the current international consensus is that internally generated intangible assets generally should not be recognised on the balance sheet. Under IFRS, certain intangible assets should be recognised, but only if they are in the "development" (as opposed to "research") phase. However, there are conditions on, for example, technical feasibility, the intention and ability to complete and use the asset. 'Internally generated goodwill' including internally generated "brands, mastheads, publishing titles, customer lists and items similar in substance", may not be recognised.

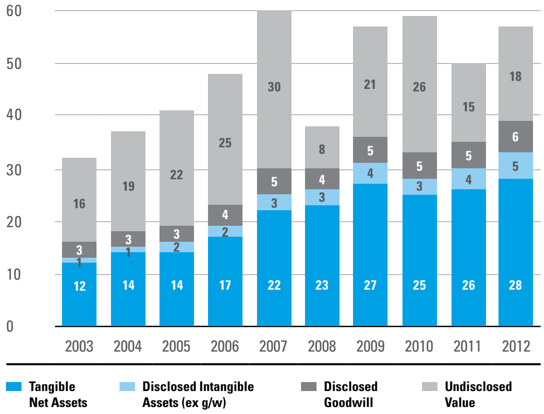
Getting a Grip on Intangibles

Overall, the 2013 GIFT study shows that the value of the top 56,000 companies in the world has recovered from the 'double drip' result in 2011. The global enterprise value is up by 10% to $5.3 trillion in 2013. The largest growing economy in 2013 was the United States with growth of $2 trillion (13%).

Bryn Anderson
Valuation Director
Brand Finance UK

Article published in the
BrandFinance Journal

GLOBAL INTANGIBLE AND TANGIBLE VALUE – FROM 2003 TO 2012 ($USD TRILLION)



GETTING A GRIP ON INTANGIBLES

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

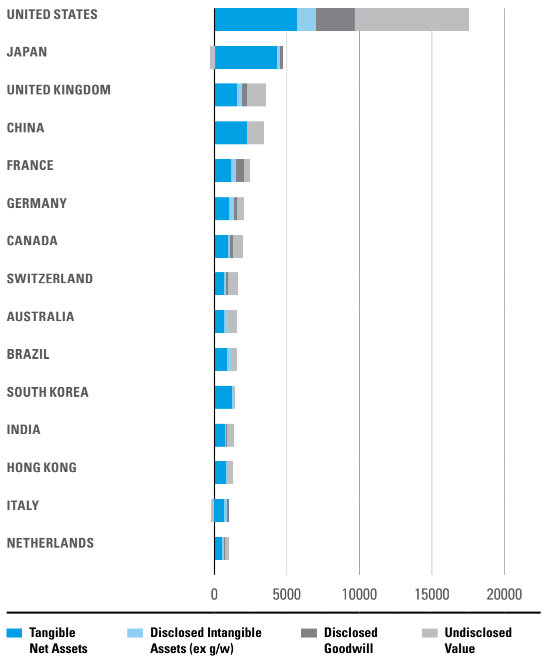
Intangible assets including brands, have never been more important. Survey after survey shows that brands and other intangibles typically account for between 30 per cent and 70 per cent of a company's market value, and in certain sectors, such as luxury goods, this figure can be even higher.

New research from Brand Finance, the 2013 BrandFinance Global Intangible Financial Tracker (GIFT) report is the most extensive research ever compiled on intangible assets. Over the past twelve years, GIFT has tracked the performance of more than 56,000 companies quoted in 127 countries and it shows that in 2012, intangibles across the world accounted for 50 per cent of the value of quoted companies, showing a recovery since the 2008 global downturn and financial crisis. What's more, the proportion of intangible assets not recognised on the global balance sheet is up from 29 per cent to 32 per cent.

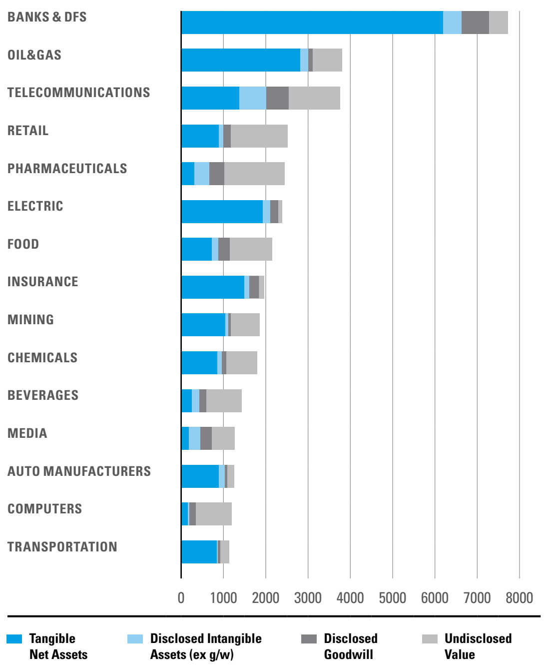
The balance between tangible to intangible assets has changed dramatically over the past 50 years, as corporate performance has become increasingly driven by the exploitation of ideas, information, expertise and services rather than physical things. Yet despite the rise in intangible value, the fact 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 2013 GIFT study shows that the value of the top 56,000 companies in the world has recovered from the 'double drip' result in 2011. The global enterprise value is up by 10% to $5.3 trillion in 2013. The largest growing economy in 2013 was the United States with growth of $2 trillion (13%).

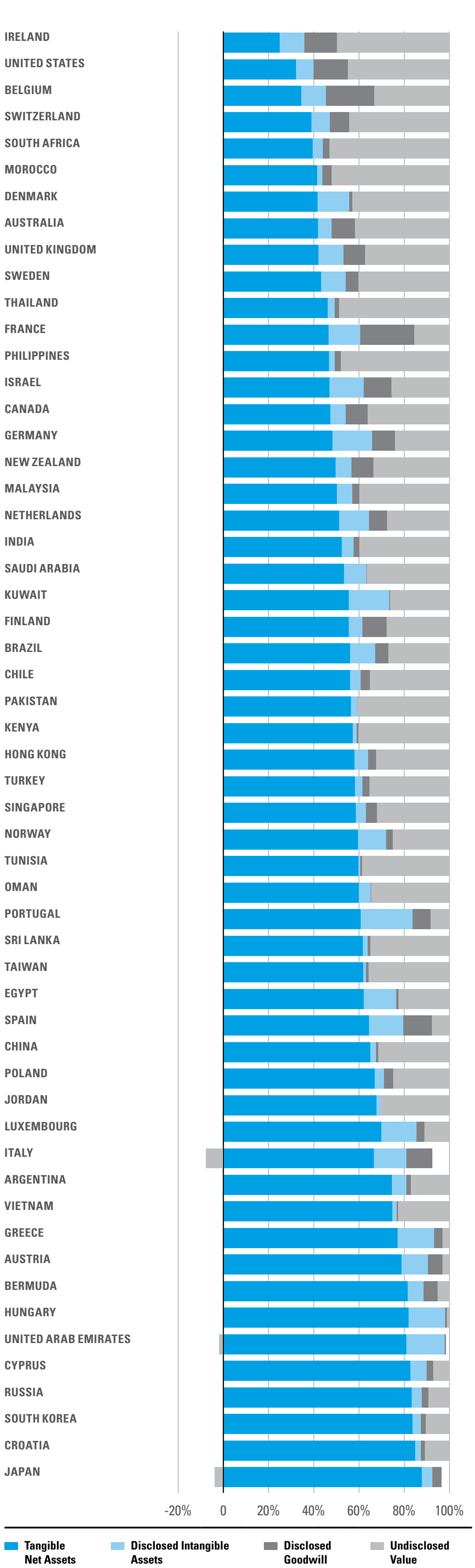
GLOBAL INTANGIBLE AND TANGIBLE VALUE – TOP 10 COUNTRIES ($USD TRILLION)



GLOBAL INTANGIBLE AND TANGIBLE VALUE – BY SECTOR ($USD TRILLION)



GLOBAL INTANGIBLE AND TANGIBLE VALUE BY COUNTRY (%)



GLOBAL INTANGIBLE AND TANGIBLE VALUE BY SECTOR (%)

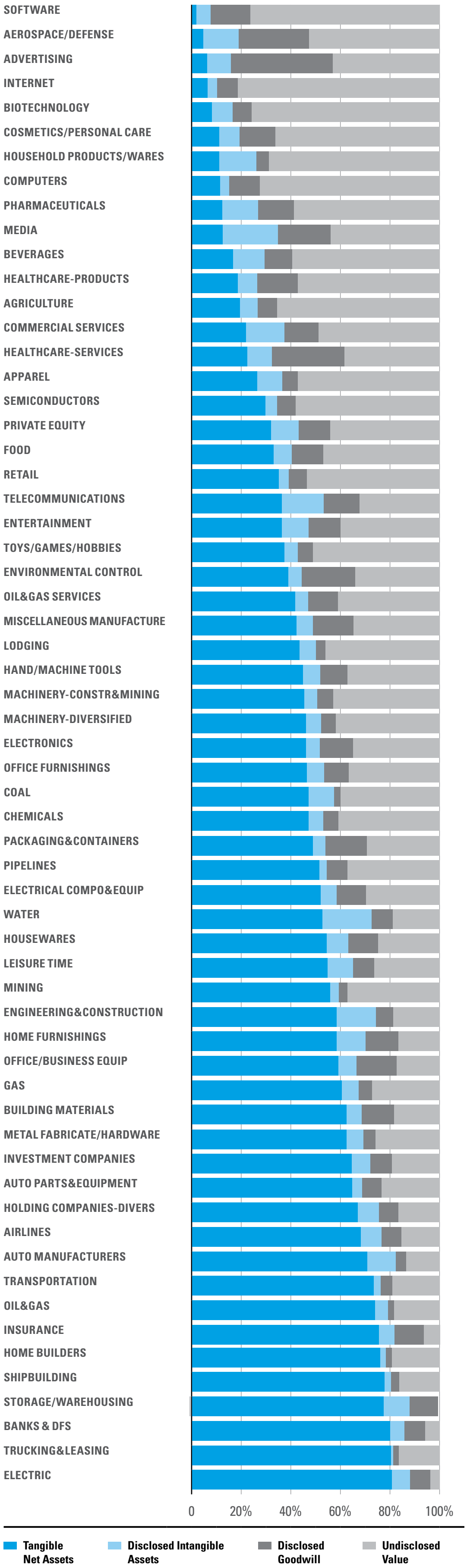


FIGURE 4: CATEGORIES OF INTANGIBLE ASSET UNDER IFRS 3

MARKETING-RELATED INTANGIBLE ASSETS	CUSTOMER-RELATED INTANGIBLE ASSETS	CONTRACT-BASED INTANGIBLE ASSETS	TECHOLOGY-BASED INTANGIBLE ASSETS	ARTISTIC-RELATED INTANGIBLE ASSETS
Trademarks, tradenames	Customers lists	Licensing, royalty, standstill agreements	Patented technology	Plays, operas and ballets
Service marks, collective marks, certification marks	Order or production backlog	Advertising, construction, management, service or supply contracts	Computer software and mask works	Books, magazines, newspapers and other literary works
Trade dress (unique colour, shape or package design)	Customer contracts and related customer relationships	Lease agreements	Unpatented technology	Musical works such as compositions, song lyrics and advertising jingles
Newspaper mastheads	Non-contractual customer relationships	Construction permits	Databases	Pictures and photographs
Internet domain names		Franchise agreements	Trade secrets, such as secret formulas, processes, recipes	Video and audiovisual material, including films, music, videos etc
Non-competition agreements		Operating and broadcast rights		
		Use rights such as drilling, water, air, mineral, timber, cutting and route authorities		
		Servicing contracts such as mortgage servicing contracts		
		Employment contracts		

CATEGORIES OF INTANGIBLE ASSETS

There are different definitions of 'intangible asset'. The term is sometimes used loosely, but in accounting rules it is precisely defined. In the most basic terms, it is, as its name suggests, an asset that is not physical in nature. The examples below, grouped into three categories — rights, relationships and intellectual property — would typically fall within the definition.

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.

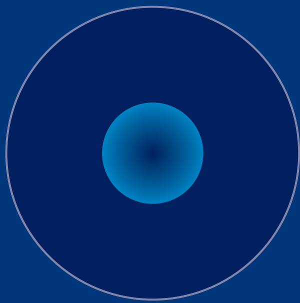
In accounting terms, an **asset** is defined as a **resource that is controlled by the entity in question and which is expected to provide future economic benefits to it.** The International Accounting Standards Board's definition of an intangible asset requires it to be **non-monetary, without physical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

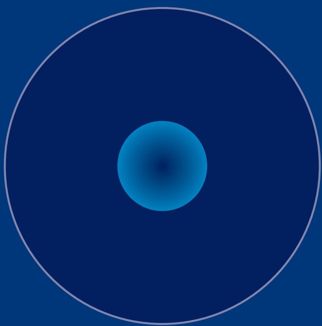
Clearly, therefore, whatever the requirements of accounting standards, companies should regularly measure all their tangible and intangible assets (including internally-generated intangibles such as brands and patents) and liabilities, not just those that have to be reported on the balance sheet. And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

Singapore's Top 10 Most Valuable Brands

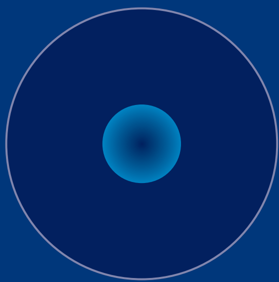


01 **DBS**
Brand Value: 3,476m
Enterprise Value: 29,542m
Brand Rating: AA

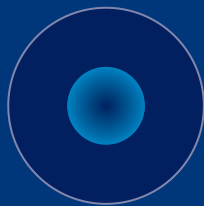
02 **SINGAPORE AIRLINES**
Brand Value: 3,117m
Enterprise Value: 6,689m
Brand Rating: AAA-



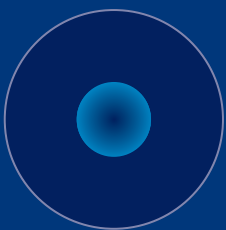
03 **WILMAR**
Brand Value: 2,741m
Enterprise Value: 34,265m
Brand Rating: AA-



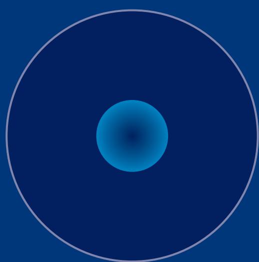
04 **UOB**
Brand Value: 2,116m
Enterprise Value: 25,336m
Brand Rating: AA



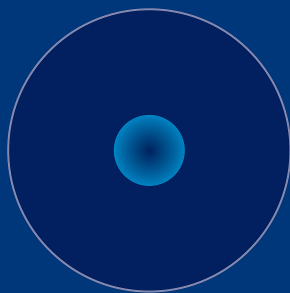
05 **FRASER AND NEAVE**
Brand Value: 2,067m
Enterprise Value: 13,353m
Brand Rating: AA-



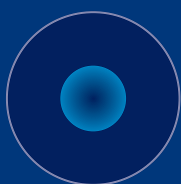
06 **SINGTEL**
Brand Value: 1,918m
Enterprise Value: 16,535m
Brand Rating: AA



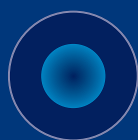
07 **KEPPEL**
Brand Value: 1,748m
Enterprise Value: 21,742m
Brand Rating: A+



08 **OCBC BANK**
Brand Value: 1,719m
Enterprise Value: 27,433m
Brand Rating: AA



09 **GENTING SINGAPORE**
Brand Value: 1,486m
Enterprise Value: 10,397m
Brand Rating: A



10 **GREAT EASTERN**
Brand Value: 1,419m
Enterprise Value: 5,832m
Brand Rating: A+

Enterprise Value

Brand Value

* All figures in US$ million

SINGAPORE'S REPORT CARD ON THE TOP 100 BRANDS

Brand Ratings are equally important because they are a leading indicator of future performance. Some very large and valuable brands may have deteriorating ratings. This ultimately leads to destruction in brand value, and vice versa.

OVERVIEW OF SINGAPORE'S MOST VALUABLE BRANDS & BRAND PORTFOLIOS

The total value of Singapore's 100 largest brands and brand portfolios is US$40.08 billion. 54% of the brand value is vested in the Top 10 brands with a combined worth is US$21.80 billion. The top 50 brands account for over 93% of the combined brand value in 2013. It is alarming to see that the brand value of the bottom 50 brands has hardly changed as compared with 2012 and has remained at 7%. Unless something is done to continuously improve the brand investment and value growth at the lower end of the market, we will likely see this percentage decline in the coming years.

The Top 100 Singapore brands and brand portfolios of US$40.08 billion represent an increase of 12% as compared to a 3.5% increase in 2012 study. In tandem with the moderate economic recovery, the brand value of most companies across the top 50 brands has increased across industries.

Brand Finance has ranked the brands and brand portfolios of SGX listed companies by their absolute dollar value.

SINGAPORE'S BEST RATED BRANDS

The Brand Rating score represents a summary opinion on a brand based on its strength as measured by Brand Finance's 'Brand Strength Index'. This competitive benchmarking tool provides an understanding of the strength of each brand and is used to determine appropriate royalty and discount rates in the brand valuation process using our proprietary ßrandßeta® methodology.

The Brand Rating delivers insight into the underlying equity and performance of each brand. It illustrates how valuations require robust analysis of each brand's performance in order to determine its value. This information is useful for both marketing and finance departments in brand strategy formulation and financial forecasting.

Brand Finance's Brand Ratings are conceptually similar to company credit ratings. Only one brand tops the Brand Rating list this year. This is Singapore Airlines with a brand rating of 'AAA-'.

There were only 3 brands (compared to 2 Brands in 2012 and 8 brands in 2011) with the next best 'AA+' rating. The three brands being SIA Engineering, Ascott and Haw Par. All the 3 brands were ranked 26th or below.

Brand Ratings are equally important because they are a leading indicator of future performance. Some very large and valuable brands may have deteriorating ratings. This ultimately leads to destruction in brand value, and vice versa.

SINGAPORE'S TOP 10

The ten most valuable brands and brand portfolios of Singapore are worth US$ 21.80 billion, 14 % higher than 2012. They represent 54% of the total brand value of the Top 100 Singapore brands. This is an increase from 52.91% in 2012. The overall brand value average is US$ 0.40 billion which is up from a 2012 average of US$ 0.36 billion.

01 DBS

SINGAPORE'S MOST VALUABLE BRAND 2013
Company: DBS Group Holdings Ltd
Notes: Includes POSB
Industry: Bank
Year Formed: 1968

3,476m ▲
BRAND VALUE (USD)

29,542m ▲
ENTERPRISE VALUE (USD)

HISTORY OF THE COMPANY & BRAND PERFORMANCE

Incorporated in 1968 as Development Bank of Singapore, DBS played crucial role in spurring economic growth during Singapore's early years of independence. Its rapid growth with operations in 15 markets, has made DBS the very personification of Singapore's economic success. Committed to be the brand of choice for Asia bank, DBS strives to create a competitive brand advantage through its "Banking the Asian Way" motto. Equipped with their market know-how in the world's most dynamic region, DBS is indisputably a well-established brand in Singapore and Hong Kong. Just recently, DBS entered into an agreement to acquire a stake in Bank Danamon in Indonesia. All in all, thoughtful implementation of customer-driven initiatives, strong focus on management process, people & culture as well as up-to-date technology & infrastructure platform are the factors contributing to DBS' rise to the 1st position on The Brand Finance Top 100 Singapore Brands 2013.

02 SINGAPORE AIRLINES

Company: Singapore Airlines Ltd
Notes: Includes airlines & subsidiary operations. Excludes ancillary services.
Industry: Airlines
Year Formed: 1947

3,117m ▼
BRAND VALUE (USD)

6,689m ▼
ENTERPRISE VALUE (USD)

HISTORY OF THE COMPANY & BRAND PERFORMANCE

Tracing back to its roots in 1947, Singapore Airlines (SIA) has evolved from a single plane to become one of the most respected airline brand worldwide with more than 60 destinations in over 30 countries. From the very beginning, SIA has decided on a fully branded product/service differentiation strategy. 4 major pillars of SIA brand success are innovation, best technology, excellent customer service and genuine quality. They are trend-setters in many in-flight experiential and entertainment innovations, and contended to be best-in-class. SIA was the first to introduce free headsets, hot towels with patented & unique scent, and audio & video-on-demand (AVOD) in all classes. With its successful brand icon "Singapore Girl" in encapsulating Asian values and excellent hospitality, it comes as no surprise that SIA remains one of the Top Singapore Brands. Its cash-rich balance sheet and strong brand equity are two of their most valuable assets. SIA's ability to control its brand through every experience has lived up to its slogan: A great way to fly.

03 WILMAR

Company: Wilmar International Ltd
Notes: Total portfolio
Industry: Agriculture
Year Formed: 1991

2,741m

BRAND VALUE (USD)

34,265m

ENTERPRISE VALUE (USD)

HISTORY OF THE COMPANY & BRAND PERFORMANCE

Founded in 1991, Wilmar International Limited is Asia's leading agribusiness group. Its business activities span from oil palm cultivation, oilseeds crushing, sugar milling & refining, edible oils refining, specialty fats, oleochemicals, biodiesel and fertilisers manufacturing to grains processing. Wilmar emphasises deeply on its fundamental strategy of a resilient integrated agribusiness model that centralises on the entire value chain of the agricultural commodity processing business, from origination and processing to branding, merchandising and distribution of a wide range of agricultural products. Throughout the years, Wilmar has remained true in its brand building efforts through joint ventures such as the recent establishment of 50:50 joint venture company, Yihai Kerry Kellogg Foods, environmental stewardship and various social welfare programmes. Wilmar proves itself on the track in growing its brand presence across the agribusiness sector.

04 UOB

Company: United Overseas Bank Ltd
Notes: Excludes UOB-Kay Hian
Industry: Bank
Year Formed: 1935

2,116m

BRAND VALUE (USD)

25,336m

ENTERPRISE VALUE (USD)

HISTORY OF THE COMPANY & BRAND PERFORMANCE

As a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, United Overseas Bank (UOB) has undergone substantial growth since its inception in 1935. In Singapore, UOB leads the pack in the credit and debit cards business and the private home loans business. UOB has always maintained its focus in delivering relevant financial solutions to its customers through constant progress in quality. Many unique initiatives have been pursued to distinguish UOB from the other brands, including the introduction of Southeast Asia's first 'metal' Visa card and the UOB PRVI Miles Platinum American Express Card. In 2012, the only 1 year-old segment, UOB Privilege Reserve won the Asian Banking and Finance's 2012 Credit Card Initiative of the Year (Singapore) award. Being the first and only bank in Singapore to offer financing of Thai properties, UOB is committed to provide unique brand experience to its customers. With breakthrough product suites, industry-leading customer segmentation and invaluable talents, UOB continues to make its mark to become the industry-leading brand of Asia.

05 F&N

Company: Fraser and Neave Ltd
Notes: Total portfolio
Industry: Holding Companies
Year Formed: 1883

2,067m ▲
BRAND VALUE (USD)

13,353m ▲
ENTERPRISE VALUE (USD)

HISTORY OF THE COMPANY & BRAND PERFORMANCE

Looking back on a history stretching over more than 100 years, F&N started out in 1883 with soft drinks business, ventured into the beer in 1931, dairies in 1959, property development and management in 1990 and publishing & printing in 2000. In 2012, a considerable part of its beer business has been divested. With Singapore's increasingly saturated market, F&N is fully aware that their brands growth can only be propelled further by optimising the efficiency of their operations, expanding into new markets and venturing into new businesses. The story of F&N's multi-brand portfolio success can never be separated from the "Pure Enjoyment. Pure Goodness" philosophy. Armed with the deep understanding of consumer psychology and unflinching innovations on branding, F&N has excellently fulfilled the various refreshment, hydration, rejuvenation, nutrition, health and wellness consumer needs.

06 SINGTEL

Company: Singapore Telecommunications Ltd
Notes: Excludes Optus
Industry: Telecommunications
Year Formed: 1879

1,918m ▲
BRAND VALUE (USD)

16,535m ▲
ENTERPRISE VALUE (USD)

HISTORY OF THE COMPANY & BRAND PERFORMANCE

Recognised as Asia's leading communications group, SingTel Group provides a broad array of multimedia & infocomms technology solutions, including voice, data and video services over fixed and wireless platforms. One clear strategy that has been actively pursued by SingTel is the brand regionalisation through strategic investments in 7 regional mobile operators. With constant brands revitalisation, SingTel is at the forefront of the industry staying connected to the dynamic trends of consumer needs. Realising the significance of mobile advertising and marketing industry, SingTel is also reinventing the way its brands communicate to customers by leveraging its assets and Amobee, their recently acquired mobile advertising company. SingTel ambitiously expands its Group Digital L!fe with more innovative and cutting-edge mix of digital services such as NextGen TV, e-books and cloud-based gaming. These digital services along with Group Consumer & Group ICT offerings have allowed SingTel to be crowned the 6th rank in this year's Brand Finance Top 100 Singapore Brands league table.

07

KEPPEL

Company: Keppel Corporation Ltd
Notes: Brand portfolio excludes Keppel Land and Keppel Telecommunications & Transport
Industry: Holding Companies
Year Formed: 1968

1,748m ▲
BRAND VALUE (USD)

21,742m ▲
ENTERPRISE VALUE (USD)

HISTORY OF THE COMPANY & BRAND PERFORMANCE

From its modest background of a local ship repair yard in 1968, the Keppel Group has progressed to be one of the largest conglomerates in Singapore. Embracing their resilient "Near Market, Near Customer" strategy, Keppel has been able to keep abreast of dynamic market conditions and been nimble to customers' changing needs. Backed by this strategy, Keppel managed to garner much customers' interest with 40 deepwater units ordered in 2012, proving Keppel to be the brand of choice. A breakthrough joint project between Keppel O&M and ConocoPhillips to design a jackup that can withstand the harsh arctic drilling environment will definitely boost customers' faith in Keppel's brand when it is accomplished. Aside from its R&D efforts, Keppel made the conscious effort for Group-wide adherence to corporate citizen code of conduct. Good practices on customer engagement, talent management, safety and community were emphasised in embodying the Keppel brand and thus associating it with world-class quality, execution excellence and innovation.

08

OCBC

Company: Oversea-Chinese Banking Corporation Ltd
Notes: Total portfolio
Industry: Bank
Year Formed: 1932

1,719m ▲
BRAND VALUE (USD)

27,433m ▲
ENTERPRISE VALUE (USD)

HISTORY OF THE COMPANY & BRAND PERFORMANCE

Formed in 1932, OCBC Bank serves as the longest established Singapore bank from the merger of 3 local banks. OCBC Bank has a global footprint of operations in 15 countries under 3 different brands of OCBC Bank, Bank OCBC NISP and Bank of Singapore. With its 5-year plan from 2011-2015 namely New Horizons III, OCBC is resting its strategies on 4 key pillars of balanced business scorecard, customer experience, deeper presence in Malaysia, Indonesia & Greater China and leveraging group synergies. OCBC's aim to differentiate itself from the pack of banking brands by focusing on unique banking experience through well-thought-through designs, has garnered much attention from the industry in Singapore. OCBC's customised branding outreach to its targeted group of customers enables it to deepen its market penetration. One of OCBC latest innovations, FRANK by OCBC has received several awards.

09 GENTING SINGAPORE

Company: Genting Singapore PLC
Notes: Excludes Genting Malaysia
Industry: Entertainment
Year Formed: 1984

1,486m ▼
BRAND VALUE (USD)

10,397m ▼
ENTERPRISE VALUE (USD)

HISTORY OF THE COMPANY & BRAND PERFORMANCE

Genting Singapore PLC is a Singapore based gaming, integrated resort development, regional leisure and hospitality firm listed on the SGX. Genting Singapore PLC became the first operator of an integrated resort in Singapore when its wholly-owned S$6.6 billion subsidiary, Resorts World™ Sentosa opened its doors in January 2010. The Genting Singapore brand is largely correlated to the success of Resorts World™ Sentosa. In their endeavour towards achieving more brand presence in the region, Genting Singapore together with RWS expanded their Corporate Social Responsibility efforts, catering to children & youths, volunteerism, responsible gambling, environment and society. Despite 2012 choppy economic environment, Genting Singapore's unrelenting commitment in brand building through expansion of CSR efforts and reinventing attractions to keep visitors coming back, has landed itself at 9th place in Brand Finance Singapore Top 100 Brands league table.

10 GREAT EASTERN

Company: Great Eastern Holdings Ltd
Notes: Total portfolio
Industry: Insurance
Year Formed: 1908

1,419m ▲
BRAND VALUE (USD)

5,832m ▲
ENTERPRISE VALUE (USD)

HISTORY OF THE COMPANY & BRAND PERFORMANCE

Great Eastern is the most established & oldest life insurance company in Singapore & Malaysia. It operates under 3 acknowledged distribution channels – a tied agency force, bancassurance and a financial advisory firm, Great Eastern Financial Advisers. Customers has always recognised Great Eastern brand for its customer-centric initiatives. This is realised through its unique product & service offerings which often win the heart of customers. The Great Eastern brand does no longer resonate only to Life-Insurance. In February 2012, its brand purpose was revitalised to be a LIFE company, something that has never been pursued before by an insurance company. Corporate Social Responsibility has been the DNA of Great Eastern branding efforts. In most industries, segments willing to pay for quality brands always exist. Therefore, the challenge is whether Great Eastern is able to sustain the competitive advantage of its brands.

TOP 100 BRANDS

RANK 2013	RANK 2012	BRAND	PARENT COMPANY	BRAND VALUE 2013 (USD MIL)	BRAND RATING 2013	ENTERPRISE VALUE (USD MIL)	BRAND VALUE / ENTERPRISE VALUE (%)	BRAND VALUE 2012 (USD MIL)	BRAND RATING 2012	ENTERPRISE VALUE 2012 (USD MIL)
1	3	DBS	DBS GROUP HOLDINGS LTD	3,476	AA	29,542	12%	2,316	AA	20,232
2	1	Singapore Airlines	SINGAPORE AIRLINES LTD	3,117	AAA-	6,689	47%	3,218	AAA-	7,014
3	2	Wilmar	WILMAR INTERNATIONAL LTD	2,741	AA-	34,265	8%	3,206	AA	45,571
4	6	UOB	UNITED OVERSEAS BANK LTD	2,116	AA	25,336	8%	1,637	AA-	18,235
5	11	Fraser And Neave	FRASER AND NEAVE LTD	2,067	AA-	13,353	15%	1,063	AA-	6,304
6	5	SingTel	SINGAPORE TELECOMMUNICATIONS LTD	1,918	AA	16,535	12%	1,734	AA	15,172
7	8	Keppel	KEPPEL CORPORATION LTD	1,748	A+	21,742	8%	1,384	AA-	14,839
8	9	OCBC Bank	OVERSEA-CHINESE BANKING CORPORATION LTD	1,719	AA	27,433	6%	1,366	AA	20,645
9	4	Genting Singapore	GENTING SINGAPORE PLC	1,486	A	10,397	14%	1,848	A+	15,151
10	7	Great Eastern	GREAT EASTERN HOLDINGS LTD	1,419	A+	5,832	24%	1,413	A	4,754
11	12	Sembcorp	SEMBCORP INDUSTRIES LTD	1,148	AA-	8,159	14%	944	A+	6,059
12	10	Tiger Beer	ASIA PACIFIC BREWERIES LTD	1,120	AA-	6,776	17%	1,080	AA-	4,226
13	15	Jardine Cycle & Carriage	JARDINE CYCLE & CARRIAGE LTD	1,033	A+	2,871	36%	844	AA+	2,381
14	13	SPH	SINGAPORE PRESS HOLDINGS LTD	1,021	AA	5,788	18%	895	AA	4,991
15	16	ComfortDelGro	COMFORTDELGRO CORP LTD	897	A	3,330	27%	785	A	2,821
16	14	HPH Trust	HUTCHISON PORT HOLDINGS TRUST	851	A	11,985	7%	848	A	11,789
17	18	StarHub	STARHUB LTD	799	AA-	5,340	15%	576	A+	4,229
18	19	ST Engineering	SINGAPORE TECHNOLOGIES ENGINEERING LTD	707	A+	8,264	9%	561	A	6,687
19	26	Sembcorp Marine	SEMBCORP MARINE LTD	684	A+	6,462	11%	333	A	5,112
20	17	Olam	OLAM INTERNATIONAL LTD	583	A+	9,291	6%	588	AA	9,667
21	20	Hong Leong Asia	HONG LEONG ASIA LTD	572	A	1,356	42%	466	A	1,186
22	21	CDL	CITY DEVELOPMENTS LTD	491	AA	4,373	11%	437	A+	3,771
23	23	SMRT	SMRT CORPORATION LTD	429	A+	2,111	20%	410	AA-	2,019
24	22	M1	M1 LTD	425	A	2,124	20%	410	A+	2,024
25	24	APL	NEPTUNE ORIENT LINES LTD	367	A+	5,124	7%	374	AA-	3,337
26	25	SIA Engineering	SIA ENGINEERING COMPANY LTD	366	AA+	3,507	10%	338	AAA-	2,732
27	27	SATS	SATS LTD	354	A	2,537	14%	277	A	1,893
28	30	CapitaLand	CAPITALAND LTD	256	AA	5,766	4%	212	AA-	4,178
29	31	SBS Transit	SBS TRANSIT LTD	235	A-	568	41%	211	A	479
30	33	BRAND'S	CEREBOS PACIFIC LTD	229	A+	979	23%	184	AA-	659
31	28	Millennium Hotels	CITY DEVELOPMENTS LTD	222	AA	2,214	10%	235	A+	2,482
32	29	Global Logistics Properties	GLOBAL LOGISTIC PROPERTIES LTD	219	A	9,865	2%	214	A	7,296
33	32	SingPost	SINGAPORE POST LTD	182	A+	1,567	12%	189	A+	1,625
34	38	Cerebos	CEREBOS PACIFIC LTD	172	A+	681	25%	141	A+	497
35	37	OSIM	OSIM INTERNATIONAL LTD	171	A+	932	18%	148	A+	685
36	35	CapitaMalls Asia	CAPITAMALLS ASIA LTD	168	A+	5,634	3%	163	A+	4,949
37	34	Ascott	CAPITALAND LTD	168	AA+	1,406	12%	166	AA+	1,019
38	40	Wing Tai	WING TAI HOLDINGS LTD	166	A-	1,061	16%	135	A	794
39	36	APB	ASIA PACIFIC BREWERIES LTD	161	A+	11,293	1%	159	A+	7,044
40	42	Super	SUPER GROUP LTD	152	A	1,163	13%	130	A	689
41	61	Hour Glass	THE HOUR GLASS LTD	148	A-	325	45%	80	AA	176
42	43	Copthorne Hotels	CITY DEVELOPMENTS LTD	139	AA-	1,636	8%	126	A	1,411
43	44	Pan Pacific Hotels	PAN PACIFIC HOTELS GROUP LTD	136	A	1,332	10%	125	A	1,063
44	41	UIC	UNITED INDUSTRIAL CORP LTD	134	A-	3,139	4%	133	A-	3,056
45	54	Petra Foods	PETRA FOODS LTD	130	A+	431	30%	98	AA-	297
46	45	Mapletree	MAPLETREE LOGISTICS TRUST MANAGEMENT LTD	129	A	2,169	6%	123	A+	1,894
47	53	Guocoland	GUOCOLAND LTD	126	A-	2,338	5%	98	A-	1,734
48	46	SGX	SINGAPORE EXCHANGE LTD	122	AA	6,617	2%	118	AA	5,482
49	50	The Straits Times	SINGAPORE PRESS HOLDINGS LTD	117	A+	868	13%	101	A	749
50	47	SingLand	SINGAPORE LAND LTD	117	A-	2,303	5%	112	A	1,932

RANK 2013	RANK 2012	BRAND	PARENT COMPANY	BRAND VALUE 2013 (USD MIL)	BRAND RATING 2013	ENTERPRISE VALUE (USD MIL)	BRAND VALUE / ENTERPRISE VALUE (%)	BRAND VALUE 2012 (USD MIL)	BRAND RATING 2012	ENTERPRISE VALUE 2012 (USD MIL)
51	64	Wearnes	WBL CORP LTD	112	A-	935	12%	69	A	833
52	49	UOL	UOL GROUP LTD	110	A	2,932	4%	108	A+	2,575
53	56	a-reit	ASCENDAS REAL ESTATE INVESTMENT TRUST	106	A	4,366	2%	92	A	3,515
54	51	SC Global	SC GLOBAL DEVELOPMENTS LTD	102	A-	368	28%	99	A-	355
55	52	Tiger Airways	TIGER AIRWAYS HOLDINGS LTD	102	A+	789	13%	99	A+	764
56	77	Aspial	ASPIAL CORP LTD	102	AA-	336	30%	48	AA-	123
57	60	CWT	CWT LTD	101	A+	745	14%	82	A+	558
58	55	Banyan Tree	BANYAN TREE HOLDINGS LTD	100	A	797	13%	94	A	742
59	48	UOB-Kay Hian	UOB-KAY HIAN HOLDINGS LTD	95	A-	960	10%	109	A-	851
60	59	Raffles Medical	RAFFLES MEDICAL GROUP LTD	92	A	1,030	9%	85	A	953
61	57	Sim Lian	SIM LIAN GROUP LTD	92	A-	537	17%	90	A	467
62	73	Cortina Holdings	CORTINA HOLDINGS	87	A+	170	51%	56	AA	101
63	70	BreadTalk	BREADTALK GROUP LTD	81	A-	130	62%	61	A	95
64	67	Food Empire	FOOD EMPIRE HOLDINGS LTD	77	AA	184	42%	66	AA	154
65	69	YEO'S	YEO HIAP SENG LTD	76	A	1,379	5%	63	A-	413
66	58	Cityspring Infra	CITYSPRING INFRASTRUCTURE TRUST	75	A-	1,518	5%	88	A	1,667
67	62	GP	GP BATTERIES INTERNATIONAL LTD	72	A	228	32%	73	A-	237
68	63	Eu Yan Sang	EU YAN SANG INTERNATIONAL LTD	72	A+	248	29%	73	A+	261
69	68	Suntec	SUNTEC REAL ESTATE INVESTMENT TRUST	69	A	2,863	2%	65	A	2,257
70	71	Hyflux	HYFLUX LTD	67	A	1,252	5%	59	AA-	1,050
71	66	Biosensors International	BIOSENSORS INTERNATIONAL LTD	63	A	1,203	5%	67	A	1,336
72	84	TT International	TT INTERNATIONAL LTD	62	A-	278	22%	35	A-	175
73	87	Stamford	STAMFORD LAND CORPORATION LTD	61	A	629	10%	31	A	602
74	75	Her World	SINGAPORE PRESS HOLDINGS LTD	57	A+	417	14%	48	A	359
75	72	Kingsmen	KINGSMEN CREATIVE LTD	57	A	83	68%	57	A	85
76	74	SWIBER	SWIBER HOLDINGS LTD	54	A+	1,175	5%	49	AA-	932
77	79	Hotel Grand Central	HOTEL GRAND CENTRAL LTD	50	A	377	13%	46	A	322
78	78	Lianhe Zaobao	SINGAPORE PRESS HOLDINGS LTD	48	A+	405	12%	47	A	349
79	76	Amara	AMARA HOLDINGS LTD	47	A+	358	13%	48	A	289
80	90	Popular Holdings	POPULAR HOLDINGS LTD	45	A	81	55%	24	AA-	41
81	81	Kingsgate Hotels	CITY DEVELOPMENTS LTD	44	AA-	674	7%	40	AA-	581
82	85	Haw Par	HAW PAR CORPORATION LTD	37	AA+	625	6%	32	AAA-	474
83	83	Ho Bee	HO BEE INVESTMENT LTD	36	A-	870	4%	37	A-	782
84	93	Challenger	CHALLENGER TECHNOLOGIES LTD	35	A-	88	40%	19	A+	47
85	80	Metro	METRO HOLDINGS LTD	35	A	166	21%	41	AA-	278
86	86	Nuyou	SINGAPORE PRESS HOLDINGS LTD	32	A+	278	11%	32	A	240
87	89	Stamford Tyres	STAMFORD TYRES CORPORATION LTD	27	A-	134	20%	24	A-	136
88	91	Wee Hur	WEE HUR HOLDINGS LTD	27	A	176	15%	21	A	118
89	88	Raffles Education	RAFFLES EDUCATION CORPORATION LTD	24	A	399	6%	26	A	464
90	65	Far East Orchard	FAR EAST ORCHARD LTD	24	A-	680	4%	67	A-	518
91	82	Creative	CREATIVE TECHNOLOGY LTD	24	A+	68	35%	38	AA-	114
92	94	Aztech	AZTECH GROUP LTD	22	A-	53	42%	16	A	52
93	96	Lorenzo International	LORENZO INTERNATIONAL LTD	20	A-	28	69%	14	AA-	20
94	95	OUE	OVERSEAS UNION ENTERPRISE LTD	16	AA-	3,445	0%	15	AA-	2,838
95	92	Soup Restaurant	SOUP RESTAURANT GROUP LTD	14	A-	19	70%	20	A-	19
96	97	YHI International	YHI INTERNATIONAL LTD	10	A	237	4%	9	A-	190
97	104	SIIC	SIIC ENVIRONMENT HOLDINGS LTD	9	A-	505	2%	4	A-	155
98	99	Auric Pacific	AURIC PACIFIC GROUP LTD	8	A-	91	9%	5	A	46
99	103	Sing Holdings	SING HOLDINGS LTD	7	A	124	6%	4	A-	111
100	98	HTL International	HTL INTERNATIONAL HLDGS LTD	6	A	177	4%	5	A-	154

Where do the figures come from?

Brands are the single most valuable intangible assets in business today. They drive demand, motivate staff, secure business partners and reassure financial markets. Leading-edge organisations recognise the need to understand brand equity and brand value when making strategic decisions. But brand valuation is being brought into disrepute by the wide discrepancies in value ascribed to the same brands by different valuation consultancies. What's needed to rebuild confidence, says Brand Finance plc CEO David Haigh, is more transparent brand valuation methods and assumptions — and greater independence and objectivity by the valuation firms.

Campaign
by **David Haigh**

As the world economy enters an increasingly troubled period, financial markets are feeling the impact of continuing economic crises in Europe, political deadlock in America, and fears of a slowdown in Asia.

To measure the impact that the double-dip recession has had on the value of global brands this year, Brand Finance published a report in September that measured the change in brand value of the top 100 brands in the world (as identified in our January 2011 BrandFinance® Global 500 report). Brand Finance used the Royalty Relief method to determine the value of these brands.

Unsurprisingly, brand values fell during 2011, but not as dramatically as might have been expected. Indeed, most of the revalued brands appear to be riding out the recession. The most obvious reason for this resilience is that the top 100 brands are, by definition, the strongest in the world. Brand equity and customer loyalty built up over years serve them well in difficult times as customers seek the reassurance of brands they know and trust.

Nevertheless, there were some interesting changes in both brand value and league table position between January and September. One of the most notable examples was Apple, which jumped from eighth to second place with a rise in brand value of 33 per cent ($10 billion) to $39.3 billion. There are a number of reasons for this, not least bumper revenues from the launch of the iPhone 4 and iPads 1 and 2.

Apple has always been an innovative brand noted for a combination of high quality design, functionality, utility and luxury that has won devoted fans the world over. Apple's brand value has consequently grown year by year. The death of Steve Jobs may reduce its brand value in the near future. So far customers have proved exceptionally loyal, but without its visionary and inspirational founder at the helm many worry about Apple's future prospects in a highly competitive industry.

But while Apple's $10 billion rise in value in the space of nine months is understandable, far more difficult to explain is the considerable difference in value ascribed to the brand by Interbrand and Millward Brown.

BRAND	BRANDFINANCE VALUE (US $ BN) SEPTEMBER 2011	INTERBRAND VALUE (US $ BN) OCTOBER 2011	MILLWARD BROWN (US $ BN) APRIL 2011
COCA-COLA	27	71.9	73.8
IBM	36	69.9	100.8
MICROSOFT	39	59.1	78.2
GOOGLE	48.3	55.3	11.5
GENERAL ELECTRIC	29.1	42.8	50.3
MCDONALD'S	24.2	35.6	81
INTEL	23.5	35.2	13.9
APPLE	39.3	33.5	153.3
WALT DISNEY	15.2	29	17.3
HP	25	28.5	35.4

Interbrand values the Apple brand at $33.5 billion in its October Best Global Brands 2011 league table, but Millward Brown's BrandZ Top 100 in July valued the brand at $153.3 billion. Such large differences in opinion are curious, yet Apple is not the only brand on which the experts disagree.

Why is it that Brand Finance values Coca-Cola at $27 billion while Interbrand values it at nearly $72 billion? Why does Interbrand value Google at $55 billion while Millward Brown values it at over $111 billion?

Such wide discrepancies make public scepticism about the published brand values entirely understandable. Mark Ritson, associate professor of marketing at Melbourne Business School, summed up the problem in a recent Marketing Week column. He wrote: "The problem is not whether we should value a brand...but rather where the figure comes from." The problem is compounded, as he pointed out, by the fact that "most journalists working for the popular press don't really understand brand valuation so they treat any and all approaches with equal attention."

The primary reasons for the wide differences in brand value are that different consultancies define 'brand' differently, and use different valuation methodologies and key assumptions.

1. Asset definition. In accordance with technical valuation practice Brand Finance defines 'brand' in its published league tables as 'Trademarks and associated Intellectual Property (IP)'. Neither Millward Brown nor Interbrand clearly state how they define 'brands' for the purpose of their reports. But in their valuations of Google and Apple, they appear to include a much wider bundle of IP in their definition of brand, something that would inevitably lead to higher brand valuations.

2. Income recognition. Brand Finance reviews the financial statements of the companies it values in forensic detail, and includes in the calculations only income specifically earned by the brand. In the case of Coca-Cola, for example, only 50 per cent of the company's total turnover is represented by the Coca-Cola brand itself. The rest comes from other brands such as Fanta, Sprite and Desani, whose turnover Brand Finance excludes from the calculation. This inevitably leads to a lower valuation than those of Interbrand and Millward Brown, if these two firms are, indeed, including the additional turnover.

3. Different valuation methods. Brand Finance uses a valuation technique known as Royalty Relief, which is by far the most widely recognised approach to brand valuation among auditors, accountants, lawyers, courts, banks and tax authorities. It considers the market rate companies would pay to license their brand if they did not own it. Such corporate royalty charges are applied to turnover to produce a stream of notional 'brand earnings', which are discounted back to a net present value.

By contrast, Interbrand and Millward Brown determine the proportion of earnings attributable to a brand using a less transparent research 'drivers analysis', which often seems to result in much higher brand values.

Where do the figures come from?

4. Different valuation dates. Brand Finance valuations usually have a value date of 1 January each year although the September update had a 1 July value date. Interbrand and Millward Brown valuations come out at different times of the year. If market conditions have changed significantly between the different valuation dates, this can sometimes account for discrepancies in brand valuations.

However, despite these different approaches, so long as brand valuation calculations are transparent then interested parties can understand how valuation opinions were arrived at, allowing them to challenge them or to draw conclusions about the action required to enhance value. Users of valuation reports need to understand the drivers of brand value so that they can manage their brands more effectively, or, in the case of investors or other interested parties, gain a more meaningful picture of how a particular brand is doing.

Against this background Brand Finance has analysed the total amount of intangible value of the top ten branded companies in the world to provide a sense check between total marketing-related intangible assets and the brand values published by Brand Finance, Interbrand and Millward Brown.

THE NEED FOR TRANSPARENCY

Brand valuations are no different from the valuation of buildings, equipment, pension assets and liabilities, shares, bonds, patents, art, wine and many other assets. If you ask two expert valuers for an asset valuation opinion in any asset class you will inevitably get different answers. Even if they use identical methods and similar assumptions they may come to different conclusions. However, if the calculations are entirely transparent it is possible to form a balanced view on the validity of the valuer's opinion. It also helps to know that the valuer reached theiropinion independently and objectively. Why might the valuer's independence be compromised?

There are five professionally recognised threats to independence.

1. Self-interest — having an interest in the outcome of the brand valuation.

2. Self-review — both creating the asset and forming a valuation opinion on it.

3. Advocacy — compromising an arm's length opinion to promote the client's interests.

4. Familiarity — becoming too familiar with the management of the company under review.

5. Intimidation — letting commercial or other threats affect the result of the brand valuation.

In the 1980s and 1990s such threats led accountancy bodies and regulators to discourage audit firms from providing consulting and valuation services to their audit clients. We believe the same restriction should apply to the valuation of brands by companies whose primary role is to build them.

Unfortunately, Interbrand and Millward Brown are both wholly-owned subsidiaries of marketing services giants (Omnicom and WPP respectively), which make millions of dollars building the very brands their subsidiaries then value. Indeed, Interbrand's strapline is 'Creating and managing brand value'.

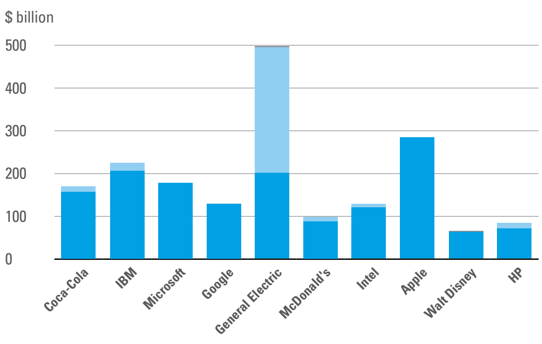
There is a strong and growing body of opinion that it is impossible for a consultancy to provide genuinely independent brand valuation opinions on brands that they, or their parent company, built in the first place. To this end Brand Finance plc has launched the Campaign for Independent Brand Valuation, which promotes strict guidelines on the conduct of brand valuers to avoid actual and perceived threats to their independent judgement.

Why are published brand valuation opinions so different?

The following series of charts explains how Brand Finance cross checks the sense of calculated brand values for a selection of top global companies, as produced by Brand Finance, Interbrand and Millward Brown.

STAGE 1: CALCULATING ENTERPRISE VALUE

First Brand Finance calculated each company's Enterprise Value by adding market capitalisation on 30 June 2011 to the debt recorded in the balance sheet on that date. The sum of shareholders' equity and debt is generally deemed by corporate financiers to be the 'financing' side of the balance sheet. The sum of these is the Enterprise Value, which is represented by tangible and intangible assets of all kinds.



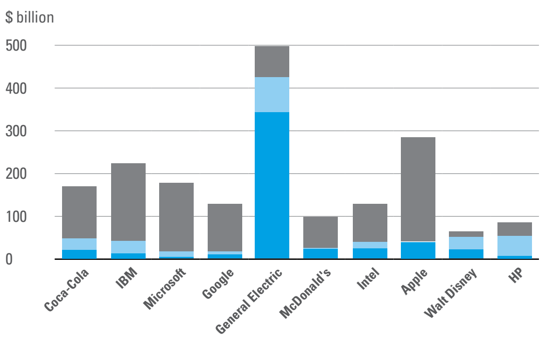
Preference and minority shareholder at latest balance sheet date

Net debt at latest balance sheet date

Market capitalisation at 30 June 2011 of ordinary share capital

STAGE 2: ALLOCATING ENTERPRISE VALUE BETWEEN TANGIBLE AND INTANGIBLE ASSETS

Next Brand Finance allocated the Enterprise Value (EV) of each company between asset classes as at 30 June 2011. There are three classes of assets: tangible assets, disclosed intangible assets (those intangible assets appearing in balance sheets following acquisition) and undisclosed intangible assets (the remaining intangible asset value attributed to the company by investors in the marketplace).



Undisclosed Intangible

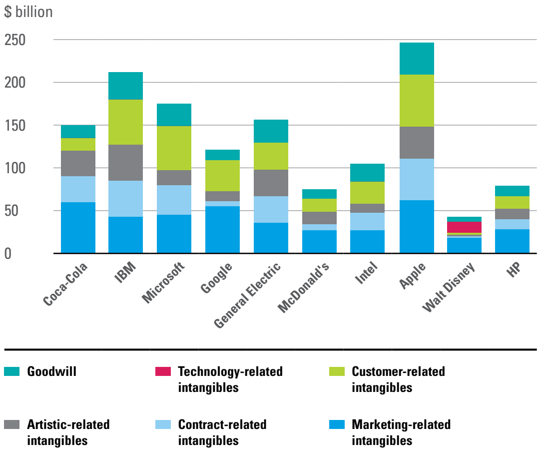
Disclosed intangible

Net tangible assets

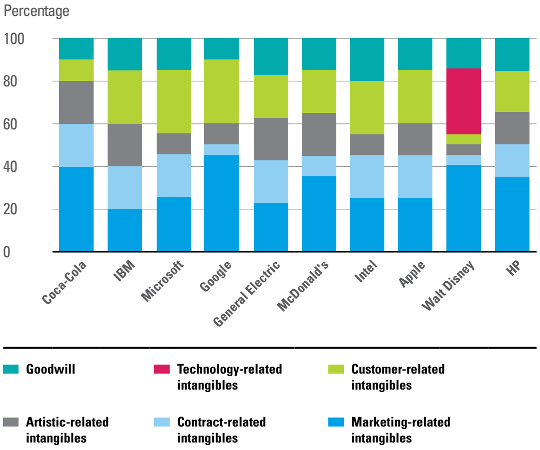
STAGE 3:
APPORTIONING INTANGIBLE ASSETS INTO KEY INTANGIBLE ASSET CLASSES (ABSOLUTE VALUES $BN AND %)

Brand Finance then apportioned the total intangible value between intangible asset classes defined by the International Financial Reporting Standards 3 (IFRS 3). Brand Finance does this in both absolute values terms and in percentage terms. This is a Brand Finance estimate based on its extensive experience of technical valuations in each sector. In its experience, and based on reported IFRS 3 decisions, it is uncommon for trademarks and associated IP to exceed 30 to 40 per cent of total intangible asset value.

BRAND FINANCE ESTIMATE



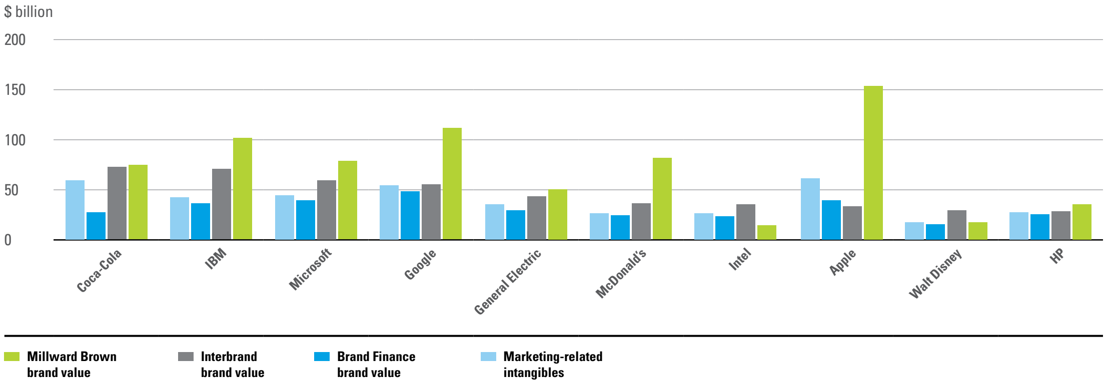
BRAND FINANCE ESTIMATE



STAGE 4:
COMPARISON OF BRAND VALUE WITH MARKETING-RELATED INTANGIBLES (GRAPH AND TABLE)

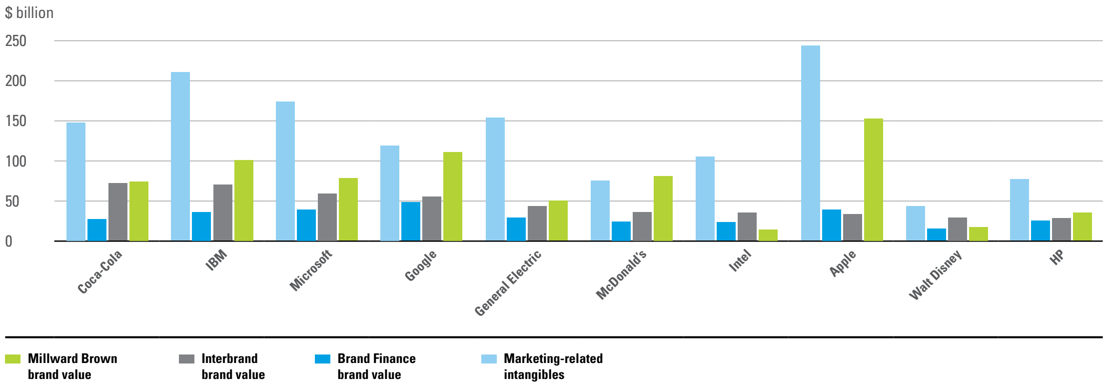
Finally, Brand Finance compared its estimates of brand value with the total marketing-related intangibles of the company. This graph compares the value of marketing-related intangibles with the brand values published by Brand Finance, Interbrand and Millward Brown in 2011.

In the case of Coca-Cola, total marketing-related intangibles should be significantly higher than the value of the Coca-Cola brand alone because the Coca-Cola Corporation owns many brands (Fanta, Sprite, Desani and so on) in addition to Coke. In every case, brand values should be lower than total marketing-related intangibles, as brand value is just one marketing-related intangible. But with just two exceptions, Apple (Interbrand) and Intel (Millward Brown), our competitors calculated brand values that exceed the value of the total marketing-related intangibles in those companies as calculated by Brand Finance.



STAGE 5:
COMPARISON OF BRAND VALUES WITH TOTAL INTANGIBLE ASSETS (GRAPH AND TABLE)

In all cases total intangible asset values exceed the calculated brand values of all three consultancies. This is to be expected given that the brand is only one of many hugely valuable intangibles. However, the discrepancies between the proportion of total intangibles accounted for by brands varies widely between different consultancies.



	MARKETING RELATED INTANGIBLES (MRI) IN ($ BN)	BRAND FINANCE BRAND VALUE ($ BN)	BRAND VALUE AS A % OF MRI	INTERBRAND BRAND VALUE ($ BN)	BRAND VALUE AS A % OF MRI	MILLWARD BROWN BRAND VALUE ($ BN)	BRAND VALUE AS A % OF MRI
COCA-COLA	59.4	26.99	45%	71.9	121%	73.8	124%
IBM	36	69.9	100.8	69.9	166%	100.8	239%
MICROSOFT	39	59.1	78.2	59.1	136%	78.2	180%
GOOGLE	48.3	55.3	11.5	55.3	103%	111.5	207%
GENERAL ELECTRIC	29.1	42.8	50.3	42.8	123%	50.3	145%
MCDONALDS	24.2	35.6	81	35.6	136%	81	310%
INTEL	23.5	35.2	13.9	35.2	134%	13.9	53%
APPLE	39.3	33.5	153.3	33.5	55%	153.3	252%
WALT DISNEY	15.2	29	17.3	29	168%	17.3	100%
HP	25	28.5	35.4	28.5	106%	35.4	131%

	TOTAL INTANGIBLES	BRAND FINANCE BRAND VALUE ($ BN)	BRAND VALUE AS A % OF TOTAL INTANGIBLES	INTERBRAND BRAND VALUE ($ BN)	BRAND VALUE AS A % OF TOTAL INTANGIBLES	MILLWARD BROWN BRAND VALUE ($ BN)	BRAND VALUE AS A % OF TOTAL INTANGIBLES
COCA-COLA	148.4	26.99	18%	71.9	48%	73.8	50%
IBM	210.6	35.98	17%	69.9	33%	100.8	48%
MICROSOFT	174.0	39.01	22%	59.1	34%	78.2	45%
GOOGLE	119.5	48.28	40%	55.3	46%	111.5	93%
GENERAL ELECTRIC	154.2	29.06	19%	42.8	28%	50.3	33%
MCDONALDS	74.8	24.21	32%	35.6	48%	81.0	108%
INTEL	105.0	23.49	22%	35.2	34%	13.9	13%
APPLE	243.7	39.30	16%	33.5	14%	153.3	63%
WALT DISNEY	43.1	15.24	35%	29.0	67%	17.3	40%
HP	77.1	24.99	32%	28.5	37%	35.4	46%

Background on Intangible Asset Value

DEFINITION OF INTANGIBLE ASSETS

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:

A) Non-monetary
B) Without physical substance
C) '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 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' also requires an annual impairment 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 recognized 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 MEASUREMENT

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 requires 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]

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.

IMPACT ON MANAGEMENT AND INVESTORS

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.

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.

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 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.

There are also government assistance programmes that help companies develop and manage their brands better. Some of these schemes include:

- Brandpact, a multi-agency programme that seeks to increase companies' awareness of brand development through training, brand assessment, and incentives.
- Design Engage, a programme that seeks to build up the design capabilities of Singapore companies.
- Scope IP, a diagnostic programme that aims to audit the pool of intangible assets available in a company and whether sufficient measures are adopted to protect, develop and exploit the intangible assets for the company's benefit

More information is available from www.sedb.gov.sg, www.ipos.gov.sg and www.iras.gov.sg.


Doorman
Make Yourself at Home
A warm welcome from a familiar face
ASCOTT
THE RESIDENCE
Citadines
APART'HOTEL
SOMERSET
SERVICED RESIDENCE

Singapore as an IP hub for Asia – To be or not to be

A country as a brand and the local governance plays a critical role in driving the value of its local brands. Is the latest announcement by Singapore to be the IP hub of Asia too ambitious? Does Singapore have the right mix of elements and the strategy to get there?

Samir Dixit
Managing Director
Brand Finance
Asia Pacific

While there is growing advocacy for the importance of intangibles in every country, organisation, and industry segment - big or small, the lack of focus on intellectual property by Singapore companies forces one to think that perhaps a lot more needs to be done to establish the importance of the country as an IP destination of choice where organisations and brands of repute can effectively park and manage their IP, most important of which is the brand.

If one were to consider an IP management destination, there are already several options that are available globally. Most of the choices are driven by the financial advantage that a company evaluates in the form of lower tax rates and other related benefits offered by the local governments and relevant authorities. So how will Singapore be able to compete and become a preferred IP destination?

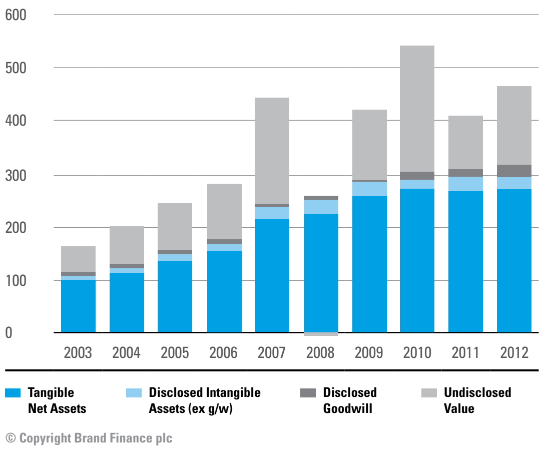
To begin with, if managing an IP or a brand and creating a valuable intangible was all about saving money, Apple would not have been the world's most valuable brand at US$80 over billion. So clearly there is more to IP governance and management than just the monetary aspects. This is where Singapore can make a huge dent to some of the tax havens and take the lead as an IP hub of Asia.

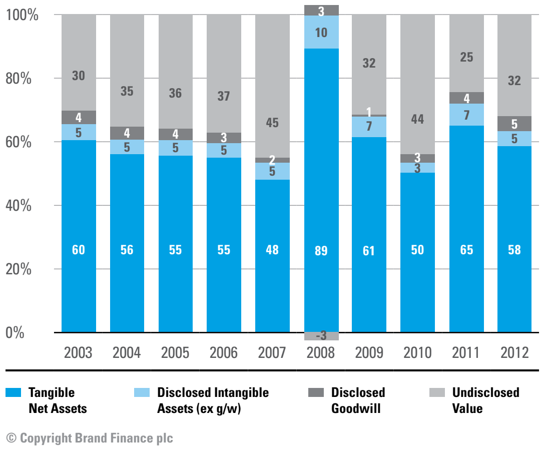
It is however easier said than done. Malaysia announced their intent of being the IP hub in 2007. A National Intellectual Property Policy (NIPP) was drafted and it is a very good and well thought through policy indeed. A tax free haven called 'Lebuan' was made available to compete with the likes of Switzerland and Geneva to make it even more attractive for individuals and organisations to create or transfer their IP to Malaysia and manage it more effectively and efficiently.

The effectiveness of Malaysia's 5 year old initiative however is yet to be proven. Malaysia is currently ranked at #18 globally for the intangible value contribution, far behind Thailand which is ranked as 11th, and behind countries like the Philippines (13th), Australia (8th) and Morocco (6th), All these countries are not necessarily known for driving the IP space and the value of the Intangibles as aggressively and in as structured a manner as Malaysia has been since 2007.

So what will be the secret recipe for Singapore's success in this space given that they have successfully crossed the first and biggest hurdle of announcing the "INTENT" and creating a framework and a master plan to help facilitate a successful outcome for the program?

SINGAPORE	US$	
ENTERPRISE VALUE	$464 BILLION	100%
TANGIBLE NET ASSETS	$269 BILLION	58%
DISCLOSED INTANGIBLE ASSETS (EXC GOODWILL)	$23 BILLION	5%
DISCLOSED GOODWILL	$23 BILLION	5%
"UNDISCLOSED VALUE"	$149 BILLION	32%





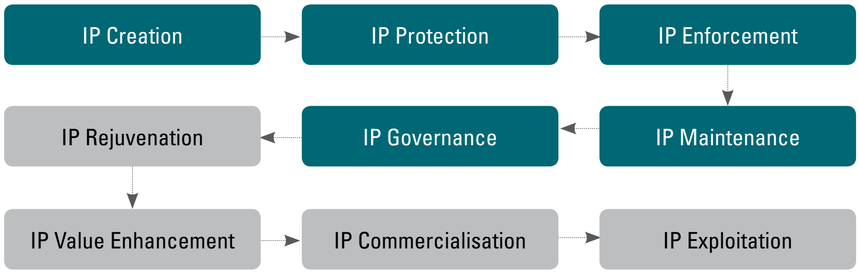
Singapore's intangible value has been growing since 2001. The global economic troubles in 2008 and again in 2011 resulted in a fall in the total Singaporean stock. As a result the 'intangible value' is affected the greatest.

- First would be learning from other countries. Where did they go wrong? Why did they not succeed? What are the things they ignored or did not do correctly? What is it that organisations did not find exciting and compelling enough to consider? Just to name a few.
- The second would be to understand the IP universe and the dynamics of various moving parts, their interconnectivity and interdependence, the vastly different outlook and view towards IP by each industry, etc.
- The third would be to do self-examination of the IP and intangible space and see where the gaps are. What are the loose rivets? What are the competitive advantages or disadvantages? What are the weaknesses and threats? What are the demand and supply drivers? What will be the existing IP vs. new IP creation ratio? Will every listed company in Singapore know the value of their brand? Etc.
- The fourth pillar is managing the demand-supply equation for the IP hub. Simply focussing on and strengthening the supply side will not help drive demand for IP creation. So what will be the demand creation drivers for Singapore?
- Fifth and the most critical aspect would be defining the KPI's and the key measures which will provide confidence that we are on the right path. Defining "what would success look like and how will it be measured"?

While all the pieces of the puzzle are available, the big picture is yet to emerge and perhaps what is not very clear is 'How will we define the success of an IP Hub in a competitive context'.

Being one of the smallest countries in the region, Singapore clearly cannot be an IP hub if one were to use the absolute number of trademarks and patent registrations as a measure. Neither can Singapore be an IP hub by the number of companies opting to reside their IP in Singapore. Even having the best judiciary and IP protection mechanism may not be a sufficient enough measure to define Singapore as an IP hub.

The IP Ecosystem is typically made up of the following:



Ask any decent company CEO about the value of their IP and what are they doing to grow it consistently and they will start to stare away from you. Try convincing them to put a plan and structure that will grow the value of their IP and they will direct you to their healthy balance sheets indicating that there is no need to focus on the IP and that all is fine.

So how will Singapore measure the success of being an IP hub? A good starting point would be to manage and increase the value of intangibles of the existing companies and brands in Singapore. The following illustrates the degree of effort required:

- Singapore is currently ranked globally at # 30 for the value of their intangibles vs. tangibles.
- At only 42% of the total enterprise value, the intangibles in Singapore are below the global average of 50%.
- A ten year straight line comparison indicates a decline of the intangible value in 2011 which is just about getting to normal.
- Overall, at 42%, the value of the intangibles has declined to 2003 level.

Clearly, it is not going to be an easy journey ahead. The key success will depend on understanding the **IP Ecosystem** and having a clearly drafted agenda to address each and every aspect of this ecosystem for a healthy and wholesome IP growth.

While most countries and organisations are able to do a stellar job across the first 5 aspects due to a robust legal/ judiciary and IP governance infrastructure in terms of patent and trademark lawyers, M&A advisory, dispute redressal, etc., it is the last 4 that are all left for the industry and sometimes an individual's understanding and self-initiative to manage it, especially the commercialisation and exploitation aspects.

There is another critical aspect that the countries are unable to exploit or tap upon to help drive a successful IP agenda. It is their own image, their own IP. The country as a brand is extremely vital and Singapore has an enormous advantage in the form of "Brand Singapore" equity that almost none of the ASEAN countries have.

The question remains that of exploitation and commercialisation. Can Singapore successfully exploit and commercialise the advantage of their own IP, the "Brand Singapore" which will help bring about all the other ingredients together to create a successful recipe that will get organisations and individuals equally excited to consider moving and managing their IP out of Singapore?

The only caution – such an agenda cannot be driven by the legal fraternity alone and must include global practitioners who have experience in how to manage, enhance and exploit the value of the IP from a commercial point of view. The legal fraternity alone will likely remain focussed on the protection, enforcement and maintenance aspects which are not even half the ingredients. It has also been done for ages and the results are what they are.

Can Singapore do it? I believe the answer is yes. In fact if there is anyone in the region that can do this successfully in the shortest possible timeframe and with thorough planning, it is Singapore.

Continued Support from The Singapore Budget 2013

As more Singapore companies go through the grind and hard truths of business sustainability and struggle for competitiveness and overall profitability, the focus of the Singapore government remains on those who have the desire and ambition for productive growth. The Singapore Government recognises the need to support the high growth companies in high-growth markets amidst the intensifying competition from foreign companies both in Asia and around the world.

The recent Budget 2013 continues to reflect this sentiment as the Government reveals several measures to assist the expansion of high-potential SMEs. We have highlighted some of these measures below.

Budget 2013 also saw the Government taking a more targeted and sectoral approach towards productivity. The Government plans to fund Collaborative Industry Projects in seven new priority industries to develop industry-wide productivity solutions. This clearly is looking to transform an entire industry on a level that will far outweigh the benefits of productivity gains in any one company.

GLOBAL EXPANSION ASSISTANCE FOR SMEs

Cost is a major deterrence against mergers and acquisitions activity for SME companies who traditionally practice frugality. Singapore's Ministry of Finance has acknowledged this and announces strategic initiatives from time to time to assist with M&A related costs.

WAGE CREDIT SCHEME

Companies can capitalise on the newly introduced Wage Credit Scheme (WCS) to share productivity gains with their workers through higher wages. For employees earning up to a gross monthly wage of S$4,000, the WCS will co-fund 40% of wage increases for Singaporean employees over the next three years.

SMEs that have found the rules and process around incentives a barrier will have much to be happy about as no application is required and money will automatically be paid to qualifying companies. The WCS scheme however does not provide immediate relief to wage costs; as it only co-funds wage increases.

CONTINUED PIC BENEFITS

Announced in the 2011 budget, the PIC continues to be available to all businesses up to FY2014. Enhanced tax deductions or allowances are for qualifying expenditure incurred in the following six activities:

- Registration of IP rights
- Acquisition of IP rights
- Training of employees
- Design activities in Singapore
- Automation through technology or software
- Research & Development done in Singapore or abroad

The qualifying amounts remain as 400% for first $400,000 per activity per FY and an additional 150% (for R&D) or 100% (for the rest) for the balance expenditure. The R&D expenditure need not be related to existing trade or business (for R&D done in Singapore).

ENHANCED PIC BENEFITS

The key schemes under the enhanced PIC are 1) Expansion to the scope of PIC to automation equipment, 2) Enhancement to the PIC scheme to include IP in-licensing and 3) Introduction of PIC Bonus.

- **PIC Bonus:**

This is a new scheme to encourage businesses to take advantage of the PIC scheme. Businesses that invest a minimum of S$5,000 per YA in PIC qualifying expenditure will receive a dollar-for-dollar matching cash bonus. The bonus will be up to S$15,000 over three YAs, YA2013 to YA2015.

This PIC Bonus is paid over and above existing PIC benefits. The S$5,000 minimum qualifying expenditure encourages small businesses to undertake meaningful productivity investments.

The PIC Bonus is given in addition to the existing 400% tax deductions/allowances and/or cash conversion option (PIC cash pay-out) under the PIC scheme. This is in line with the Government's intention to encourage and reward innovation & productivity.

Businesses do not need to apply for the PIC Bonus separately. They can claim the PIC Bonus with their PIC cash pay-out applications or income tax returns. The PIC Bonus will help to encourage small businesses to undertake productivity initiatives.

- **IP in-Licensing:**

The scheme is to encourage applicable businesses to take advantage towards the IP in-licensing costs incurred from YA2013 to YA2015. IP in-licensing is not intended to cover franchising arrangements. While it is not clear if there are restrictions on the categories of IP that can qualify for in-licensing enhanced deduction, the current IP categories that qualify for PIC under acquisition of IP rights classification are: Patent, copyright, trademark, registered design, geographical indication, lay-out design of integrated circuit, trade secret or information that has commercial value, or the grant of protection of a plant variety.

- **Automation Equipment:**

Currently IRAS issues a prescribed list of automation equipment qualifying for PIC to provide tax certainty to businesses for their PIC claims. Automation equipment on the prescribed list automatically qualifies for PIC. Where the automation equipment is not on the prescribed list, taxpayers can apply, on a case-by-case basis, to the IRAS to seek approval to claim enhanced allowances / deductions under the PIC scheme.

TAX INCENTIVE SCHEMES FOR IP ACQUISITION AND PATENT REGISTRATION

The Government will continue to provide tax incentives for businesses in all sectors to invest in upgrading their operations and creating new brand value. Currently, companies that incur qualifying costs to acquire IP and develop new patents can qualify for 100% deduction or allowance. Of worthy note, a 'Productivity and Innovation Credit' (PIC) will provide significant tax deductions for SME investments in a number of activities such as the registration of intellectual property (inclusive of patents, trademarks, and designs) and the acquisition of intellectual property, amongst others. This Credit scheme will be available until 2015 and allow SMES to deduct 400% of their expenditures on each of these activities from their taxable income, subject to a cap of enhanced tax deductions at $400,000 of expenditures for each activity.

- Currently, businesses can combine the annual expenditure cap for each category for YA2013 to YA2015. This means that businesses can claim 400% tax deduction on up to $1,200,000 expenditure **per category** for YA2013 to YA2015 combined.
- PIC benefits can now be claimed for expenditure on R&D done abroad, in addition to spending on R&D done in Singapore.

ENTERPRISE DEVELOPMENT FUND

The Government had commit $850 million in the 2011 budget as part of the Enterprise Development Fund (EDF) over the next five years, to be administered by SPRING Singapore and IE Singapore. This was a substantial increase of about 45% from the previous five-year tranche. One of the priorities of the EDF is to help high-growth enterprises in their overseas expansion.

MERGER AND ACQUISITION SCHEME

The Merger and Acquisition ("M&A") Scheme provides for M&A allowance and stamp duty relief on qualifying M&A completed from 1 April 2010 to 31 March 2015. The maximum amount of M&A allowance claimable is $5 million (5% of purchase consideration of up to S$100 million) for all qualifying M&A executed per YA. There is no tax relief for the M&A transaction costs incurred.

The M&A allowance is granted over five years on a straight line basis and cannot be deferred.

THE ROLE OF BRANDS IN DRIVING ENTERPRISE VALUE

Brands create value by shifting both the demand and supply curves. On the demand side they influence consumer behaviour leading to greater trial, improved frequency of use, increased loyalty and a willingness to pay a price premium. On the supply side, strong brands can attract better talent, influence terms of trade, and even reduce the cost of capital.

An understanding of brand value is essential to various decision-makers in various ways:

- Brand managers need to understand how brands influence consumer perceptions and behaviour in order to develop strategies that optimize market performance and brand value.
- Finance managers are faced with impairment risks as well as transfer pricing considerations that require an understanding of intangible asset values. They also play a role in protecting brand value by maintaining adequate levels of brand investment in bad and good times.
- Deal makers increasingly need to gauge the investment value and value potential of brands in assessing the merits of a transaction.

Nation Brands 2012

This report examines the Brand Finance® proprietary Nation Brand Impact™ framework and its 4 segments – Investment, Tourism, Product and Talent.

WHAT DIFFERENCE DOES A NATIONBRAND MAKE?

A strong nation brand helps in differentiating a nation's output and gives it an advantage in competing for financing, top talent and tourism. The nation brand can be leveraged by sub-brands within a nation, both public and private, to grow GDP and to help develop resilience in a nation's industries during a downturn. It allows for positive connotations from products and services to support one another, easing entry for a nation's companies into new markets, and aids in developing a breadth of offerings.

Increased GDP can be achieved as a result of improved nation brand management. This increase comes from various sectorsand industries across an economy, which makes gaining a segmented understanding of a nations brand health, risks and opportunities essential.

This report examines the Brand Finance® proprietary Nation Brand Impact™ framework and its 4 segments – Investment, Tourism, Product and Talent. These segments cover areas where a nation brand can enhance a country's GDP growth.

DEVELOPMENT & USES OF NATION BRAND VALUES

The construction of the Brand Strength Index (BSI) and through it the Brand Value league table is a multi-step process in which Brand Finance® captures a high level image of where the nation stands in its brand development and its place on the world stage relative to other nations.

The first step in the construction of the BSI is the collation of numerous international data sources to provide comparative data for all nations. Brand Finance® calculates the strength of 142 nation brands in using a 'balanced scorecard approach'. The scorecard benchmarks each nation across 147 nation brand attributes. The strength of each nation brand is expressed as an indexed score out of 100 and represents how well the nation brand is being implemented against its peers. This information is then analysed using brand valuation tools that were adapted from valuation models used for corporate sector brands and intellectual property.

This model incorporates not only the strength of individual brand components but also the general impact and size of a nation's output, trends in the nation's GDP growth, its overall development and development within specific segments.

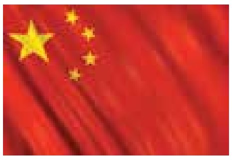
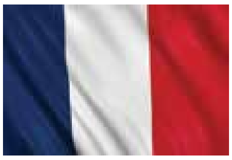
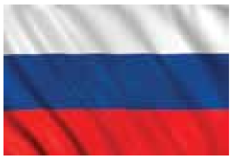
The BSI analysis provides the direction that Brand Finance® uses within our 3-Stage development strategy. This analysis explores in diagnostic and granular detail the impact of the 4 segments within a nation brand. The strategy which comes from this analysis is more than simply valuing the brand. Combining visioning and stakeholder engagement with rigorous analysis Brand Finance® can help to develop creative solutions to build a nation brand.

The Brand Finance® Nation Brand Impact™ Framework

The Nation Brand Impact™ framework identifies the 4 segments that enable countries to identify, build and unlock the potential economic value within their nation brand. These 4 segments each have a crucial role to play in leveraging and improving a Nation Brand's ability to enhance GDP growth.

SEGMENT	INTERNAL	EXTERNAL
	**Domestic Investment** Encourage local commerce to invest domestically as opposed to investing overseas	**Inward Investment** Attract Foreign Direct Investment (FDI), including business relocation
	**Domestic Tourism** Encourage citizens to explore domestic destinations rather than vacationing abroad	**Foreign Tourism** Promote the nation to foreign tourists and conference delegates
	**Domestic Brands** Encourage citizens to buy locally-made products and services i.e. reduce imports	**Export Brands** Promote nation's products and services to international markets i.e. increase exports
	**Domestic Talent** Encourage citizens to study and work locally, rather than going overseas i.e. avoid 'brain drain'	**International Talent** Encourage foreign students and skilled workers to come to study and work in the country

The Top 20 Most Valuable Nation Brands

01	**UNITED STATES** 2011 RANK: 1 **US$14,641B** Δ19% RATING: AA	
02	**CHINA** 2011 RANK: 3 **US$4,847B** Δ61% RATING: A+	
03	**GERMANY** 2011 RANK: 2 **US$3,903B** Δ27% RATING: AA	
04	**JAPAN** 2011 RANK: 4 **US$2,552B** Δ30% RATING: AA-	
05	**UNITED KINGDOM** 2011 RANK: 5 **US$2,189B** Δ16% RATING: AA	
06	**FRANCE** 2011 RANK: 6 **US$1,963B** Δ7% RATING: AA-	
07	**CANADA** 2011 RANK: 8 **US$1,611B** Δ28% RATING: AA	
08	**BRAZIL** 2011 RANK: 10 **US$1,376B** Δ46% RATING: A	
09	**INDIA** 2011 RANK: 9 **US$1,247B** Δ2% RATING: A	
10	**ITALY** 2011 RANK: 7 **US$1,104B** Δ30% RATING: A	
11	**RUSSIA** 2011 RANK: 11 **US$1,058B** Δ84% RATING: A-	
12	**AUSTRALIA** 2011 RANK: 14 **US$962B** Δ42% RATING: AA	
13	**SPAIN** 2011 RANK: 13 **US$908B** Δ25% RATING: A	
14	**SWITZERLAND** 2011 RANK: 17 **US$885B** Δ61% RATING: AA	

15

NETHERLANDS
2011 RANK: 12
US$872B Δ9%
RATING: AA

16

MEXICO
2011 RANK: 15
US$767B Δ14%
RATING: A

17

SOUTH KOREA
2011 RANK: 16
US$722B Δ26%
RATING: A+

18

SWEDEN
2011 RANK: 18
US$666B Δ48%
RATING: AA

19

TURKEY
2011 RANK: 19
US$487B Δ33%
RATING: A

20

POLAND
2011 RANK: 24
US$472B Δ75%
RATING: A

The biggest gainers in brand value (out of the top 50 nations) can be seen in Figure 1. Poland has seen the greatest percentage increase in brand value in 2012 due largely to the expected long term GDP growth expectations. Poland's economy just keeps on growing. Poland is a major exception in the European Union — it hasn't been affected by recession from the time of the first big crisis in 2008, quite the opposite. The risk profile in the Polish economy for 2012 is lower than in 2011 (discount rates of 10.9% and 12.1% respectively). The Brand Strength Index (BSI) for Poland has increased marginally in 2012 with an indexed score of 56 (55 in 2011).

At the date of valuation the Euro 2012 football competition was months away from kick off with plans in both countries in the advanced stage. The expected uplift to the national economies as a result of the tournament has had an effect on the expected growth rates. Likewise the improvement in 'national image' and 'reputation' as a result of the hosting has had a positive impact on the nation performance.

As can be seen in Figure 2 Europe retains its position as the continent with the highest nation brand value in 2012 with US$17.5 trillion. However growth has been a modest 18%. The growth in brand value would have been significantly lower if not for a number of faster growing Eastern European nations.

South America has seen the largest increase in brand value with 43% growth in 2012 due largely to the growth of brand Brazil.Of the three largest continents; North America, Europe and Asia, Asia has seen the largest increase in brand value (36%) by a considerable margin.

Brand Value Change 2012

FIGURE 1: TOP 10 NATION BRANDS BY % INCREASE IN BRAND VALUE FROM 2011-2012

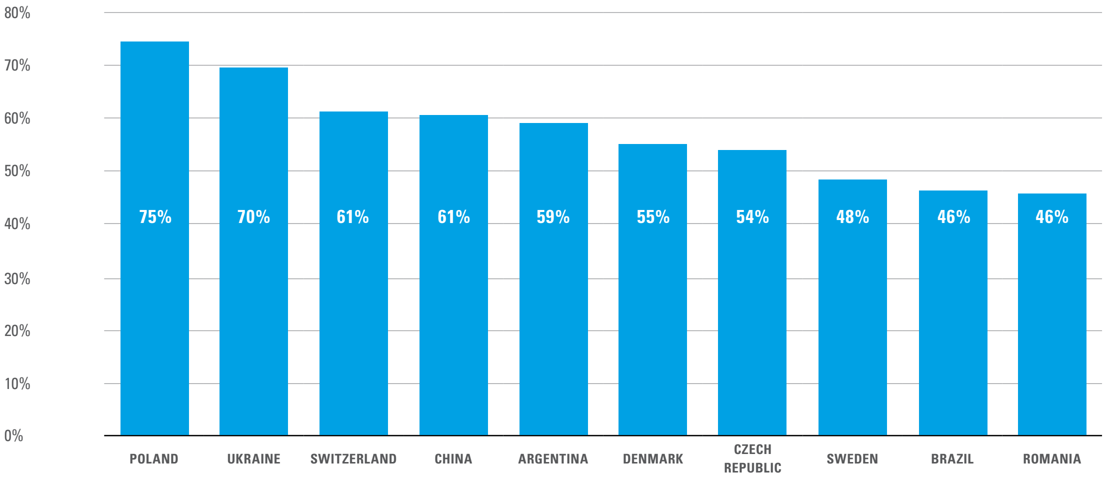


FIGURE 2: BRAND VALUE INCREASE BY REGION IN $ BILLION USD

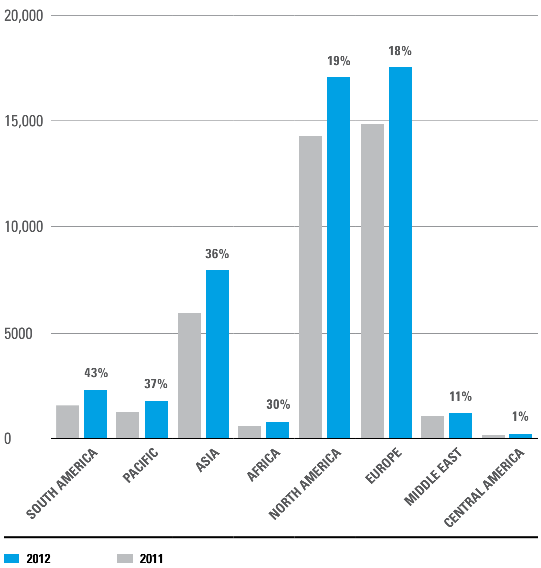
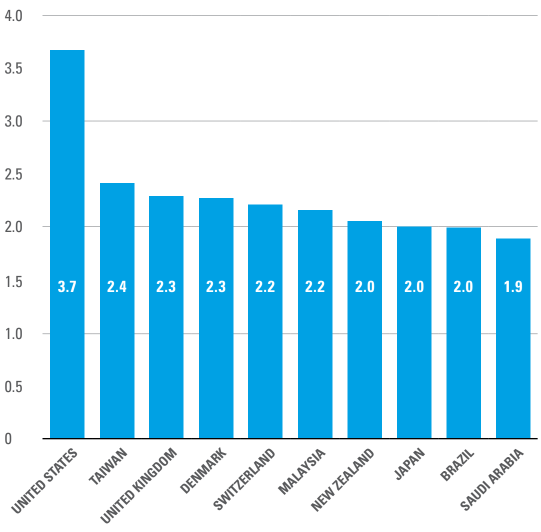


FIGURE 3: TOP 10 NATION BRANDS BY BSI GROWTH 2011 TO 2012



Top 20 Strongest Nation Brands

	NATION BRAND	BRAND RATING 2012	BSI 2012	INVESTMENT 2012	TOURISM 2012	PRODUCT 2012	TALENT 2012
1	Singapore	AA	74	75	68	73	78
2	Switzerland	AA	74	74	68	72	79
3	United States	AA	74	74	66	73	77
4	Germany	AA	73	72	70	73	72
5	Sweden	AA	72	74	63	71	78
6	Netherlands	AA	71	69	66	70	76
7	Canada	AA	70	70	67	68	77
8	Australia	AA	70	69	72	67	75
9	United Kingdom	AA	70	69	68	67	73
10	Hong Kong	AA-	69	72	64	67	73
11	Japan	AA-	69	69	59	68	71
12	Denmark	AA-	69	72	60	67	75
13	Finland	AA-	69	70	58	67	77
14	Luxembourg	AA-	68	71	58	68	73
15	Norway	AA-	68	70	62	64	74
16	New Zealand	AA-	68	68	68	64	72
17	Taiwan, China	AA-	67	68	59	66	71
18	Qatar	AA-	67	70	59	67	69
19	Austria	AA-	67	66	68	64	70
20	Belgium	AA-	66	66	59	64	71

The strength of a nation brand across the 4 segments of the Nation Brand Impact™ framework is measured by the Brand Strength Index (BSI). This rating makes up a major component of the brand value.

Singapore held onto its spot as the strongest nation brand in 2012, increasing in brand strength to 74 from 72. This was driven by growth across all of the components of the BSI, with the most growth being seen in the Talent segment.

The rest of the top 20 nation brands by strength saw a shakeup from 2011 to 2012 led by the rise in Switzerland's and the USA's brand strength. They both reached a brand strength of 74 from 71 and 70 respectively. The brand strength of both nation brands grew across all segments, with Brand Switzerland showing its highest growth in the talent segment pushing out Brand Sweden for the top spot. Brand USA's largest contributor was the Product segment and it reached the top spot, replacing Brand Singapore.

The remaining top 20 all saw growth, though this growth was uneven across the world. Brand Taiwan and Brand Qatar both moved up in 2012 which contributed to pushing Brand France out of the top 20. Brand France did see limited growth in brand strength to 66 from 65, but it was not enough to keep them from moving to 23rd from 18th in 2011.

Brand USA topped the growth in BSI overall as can be seen in figure 3, outstripping other nations. Brand USA was also the top in growth in the Investment, Product and Talent segments. This moved Brand USA to 3rd from 5th, coming close to beating out Brand Singapore and Brand Switzerland for the top spots in the BSI.

The top BSI growth across the other markets was split between successful developing markets such as Qatar and revivals in advanced economics such as Denmark.

New International Standard on Brand Valuation

David Haigh
CEO, Brand Finance plc

In 2007, the International Organization for Standardization ('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 3 years of discussion and deliberation ISO10668 – 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.

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.

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, customer 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.

Brand Valuation Approaches

- **Market Approach**
  Based on an estimate of the price expected to be realised if the brand were to be sold in an open market.
- **Cost Approach**
  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 similiar utility.
- **Income Approach**
  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.

- **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 generate higher profits for either their existing or potential new owners, this is the most 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.

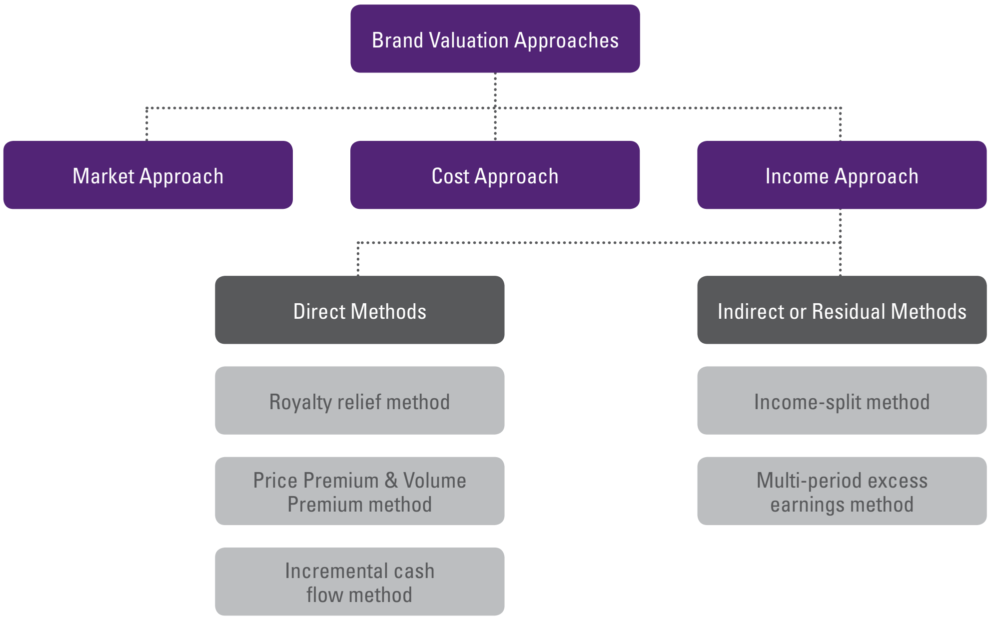
The royalty rate applied in the valuation is determined after an in-depth analysis of available data from licensing arrangements for comparable brands and an appropriate split of brand earnings between licensor and licensee, using behavioural and business analysis.

The Royalty Relief method is widely used because it is grounded in commercial reality and can be benchmarked against real world transactions.

- **Price Premium 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 additional cash flow generated by an above average brand is deemed to be the cash flow related



to its 'excess' market share. In determining relevant 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.

Taken together, 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 determine 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.

- **Multi-period excess earnings method**

The multi-period excess earnings method is similar to the income-split method. However, 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 deemed to be the present value of all such residual earnings over the remaining useful 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 both increased revenues and reduced costs.

This is a more 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 INTERNATIONAL BRANDS APPROACH THE VALUATION OF 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 why it is vital that the technique should be consistent, transparent and reproducible as required by ISO 10668.

HOW DO YOU VALUE AN EXISTING BRAND, AND 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.

ISO10668 will help integrate Trademark Counsel into a multi-disciplinary brand management team. Trademark Counsel will no longer be working in their own technical silo.

In my view, ISO10668 is a major breakthrough, which will help further professionalise the business of brand management.

How is brand performance sustained?

There is nothing fundamentally flawed with your brand. It looks good. It is recognized. It has a reputation. So, how do you get more out of it? The answer lies not in a costly overhaul. Instead, sustaining performance requires a continual process of alignment. This is about using your brand not only to keep the entire organisation on track, but about increasing traction between your brand the key areas of your organisation's performance. The opportunity is to align the organisation on a trajectory to increase and sustain brand value over time.

Dominic Mason
Managing Director
Sedgwick
Richardson SEA

SUSTAINING PERFORMANCE TO GROW BRAND VALUE

Savvy corporate brand managers sustain performance by connecting and calibrating their brand with the needs of diverse stakeholders through constant alignment. They understand it is about creating traction between the brand and the metrics that drive the organisation. For example, when the people in an organisation on all levels are pulling in the same direction, when the leadership of an organisation has the commitment of empowered employees, when the existing and emerging needs of loyal customers are being met and when investors and commentators are advocates, then performance can be optimised. This approach to branding is not just about logos and visual communication. Instead it requires a perspective of brand that is strategic (based on business objectives), holistic (beyond the corporate communications department) and solutions-driven (scalable)

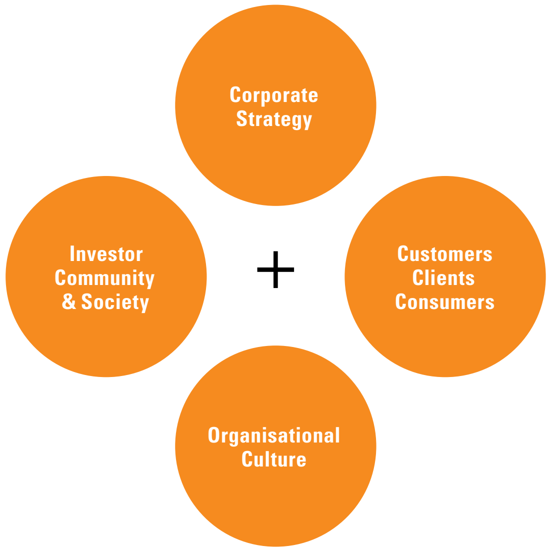
PERFORMANCE-DRIVEN SOLUTIONS

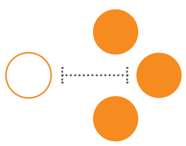
Brand performance-focused organisations have long realised that there's a gap between the traditional corporate identity paradigm of brand management and the complexity of branding challenges they now face. Some commentators attribute this gap to the 'command & control' model of brand leadership being questioned and eroded by empowered employees & consumers and by vocal stakeholder activists. At the same time, the explosion in the amount of data and information available to organisations and the challenges presented by digital and social media have created a need for brand content strategy that typically includes messaging systems and data visualisation tools. In this context, the corporate brand identity manual risks becoming redundant. Instead, a suite of sharp solutions can address complexity, reinforce existing brand assets and enhance traction with stakeholders to sustain brand performance.

ENHANCING BRAND TRACTION

The approach to increasing performance through alignment lies in connecting an organisation's internal and external stakeholders to the brand. In this context, a brand can then be seen as the point of traction between the organisation and (a). drivers of demand, (b). strategic leadership, (c). investor confidence and (d). employee motivation. As a metaphor, alignment is when the wheels of a vehicle are all securely pointing in the right direction, optimally balanced and with the correct amount of tyre tread and air pressure. What this means is that the organisation as a vehicle can drive further, faster and for longer. In business terms, the organisation can more easily mobilize the support of its stakeholders in performing better across an entire range of organisational metrics and KPI's. The net outcome of increased traction from alignment is sustainable growth in the value of the brand. In contrast, there are situations where misalignment reduces traction and impedes performance. The risk here is that, left unaddressed, there is a danger of a 'wheel coming off' and the organisation being destabilised as a result.

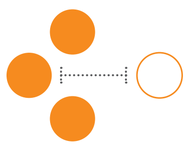
Here are some indicative scenarios that illustrate the nature of this risk along with potential solutions:





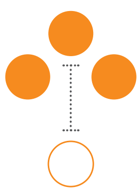
INVESTORS AND THE COMMUNITY DEMAND CLARITY & TRANSPARENCY.

Lack of understanding on the strategy and the capabilities of the organisation may lead to undervalued share price and unleveraged CSR reputation. Potential solutions include integrated performance reporting and CSR and sustainability initiatives that go beyond GRI compliance to a platform for engagement.



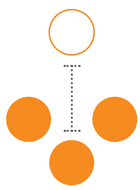
EMERGING CUSTOMER NEEDS ARE INSUFFICIENTLY ADDRESSED.

Low preference and loyalty reduce revenue, shrink margins and may increase sales and marketing costs. Potential solutions include brand articulation and positioning around demand drivers, portfolio rationalization and/or extension and benefit-driven messaging at the point of sale.



EMPLOYEES LACK OWNERSHIP AND A SENSE OF EMPOWERMENT.

Organisational culture is not clearly articulated, silo mentality prevails and values & behaviours are neither shared nor celebrated. Potential solutions reach beyond simply internal communication to help build and sustain belief and advocacy, to recognise and reward 'on-brand' behaviours and to build brand culture.



LEADERSHIP'S VISION AND STRATEGY FAILS TO GALVANISE AND INSPIRE.

The strategic vision and roadmap may not be clearly understood or contextualized within the organisation in terms of specific roles. Potential solutions include a consultative programme of engagement and possibly co-creation to increase comprehension, ownership and contextualization of the strategy throughout the organisation.

A STRATEGIC TOOL TO DRIVE ORGANISATIONAL-WIDE PERFORMANCE

The way forward in sustaining brand performance, is firstly to think of the brand beyond a visual identifier and of brand management requiring more than a corporate identity manual. Responsibility for the brand needs to be extended beyond the marketing and corporate communication teams and shared with, for example, strategic planning, human resources, operations, sales and investor relations as a source of performance-driven solutions. The ultimate outcome is a robust and integrated application of brand as a strategic tool to drive organisational-wide performance across a wide range of metrics (including, for example, customer acquisition, revenue generation, margin, talent attraction and retention, amongst others) and which ultimately sustains the growth in brand value.

Explanation of the Methodology

BrandFinance® uses a discounted cash flow (DCF) technique to discount estimated future royalties, at an appropriate discount rate, to arrive at a net present value (NPV) of the trademark and associated intellectual property: the brand value. The steps in this process are:

1. OBTAIN BRAND-SPECIFIC FINANCIAL AND REVENUE DATA.

This quantitative data is obtained from Bloomberg, company data sources such as websites and annual reports, investment analyst and industry expert reports, and other publicly available data sources.

2. DETERMINE MARKET RELATED REVENUE FORECAST.

Three forecast periods were used:

- Estimated financial results for 2010 using Institutional Brokers Estimate System (IBES) consensus forecast
- A five-year forecast period (2011-2015), based on three data sources (IBES, historic growth and GDP growth)
- Perpetuity growth, based on a combination of growth expectations (GDP and IBES)

3. ESTABLISH THE NOTIONAL ROYALTY RATE FOR EACH BRAND PORTFOLIO.

Steps in determining the notional Royalty Rate are:

- **Establish a royalty rate range for each sector.** Royalty rate ranges were set for each industry by reference to a review of comparable licensing agreements and industry norms. A review of publicly available licensing agreements indicates the royalty rates set between third parties in arm's length commercial transactions.
- **Compare royalty rates with operating margins in the sector.** Fundamental profitability in each sector influences the determination of royalty rate ranges. This must be taken into account when determining the royalty rate ranges. A 'Rule of Thumb' exists within the licensing industry ('Rule of 25'), which states that, on average, a licensee should expect to pay between 25% and 40% of its expected profits for access to the licensed intellectual property.

For example, if profit margin is 20%, an appropriate royalty rate should fall between 25% x 20% = 5% and 40% x 20% = 8%. The rule is based on heuristic evidence of a relationship between market royalty rates and margins earned in licensee businesses. Royalty rates may be higher or lower than 25% of profits, depending upon a variety of quantitative and qualitative factors that can and do affect commercial negotiations. When determining royalty rate ranges, the '25% rule' is a useful indicator of what an appropriate royalty rate range might be in each sector.

- **Establish the appropriate royalty rate within the range for each brand portfolio** by calculating brand strength – on a scale of 0 to 100 – according to a number of attributes such as emotional connection, functional performance, and profitability, among others. This is calculated by reference to 'ßrandßeta®' analysis (see Brand Ratings below).

4. CALCULATE THE DISCOUNT RATE SPECIFIC TO EACH BRAND,

taking account of its size, geographical presence, reputation, gearing and brand rating. The discount rate is calculated using the Weighted Average Cost of Capital (WACC). This takes into account debt costs, equity costs and the debt to equity ratio as well as the brand rating which gives a discount or premium based on the strength of the brand. The principle being that a strong brand should command a lower discount rate in the valuation calculation than a weak one.

5. DISCOUNT FUTURE ROYALTY STREAM

(explicit forecast and perpetuity periods) to a net present value. The result is the brand value for inclusion in our table. Where enterprise values can be calculated by reference to public market information, the brand value is expressed as a percentage of Enterprise Value (EV).

BRAND RATINGS

These are calculated using Brand Finance's ßrandßeta® analysis, which benchmarks the strength, risk and future potential of a brand relative to its competitors on a scale ranging from AAA to D. It is conceptually similar to a credit rating.

A Brand Rating:

- Quantifies the strength and performance of the brand being valued
- Provides an indication of the risk attached to future earnings of the brand

The data used to calculate the ratings comes from various sources including Bloomberg, annual reports and Brand Finance research.

BRAND RATING DEFINITIONS

RATING	DEFINITION
AAA	Extremely Strong
AA	Very Strong
A	Strong
BBB-B	Average
CCC-C	Weak
DDD-D	Failing

THE RATINGS FROM AA TO CCC CAN BE ALTERED BY INCLUDING A PLUS (+) OR MINUS (-) SIGN TO SHOW THEIR MORE DETAILED POSITIONING IN COMPARISON WITH THE GENERAL RATING GROUP.

VALUATION DATE

All brand values in the report are for the end of the year, 31st December 2012.

Glossary Of Terms

Brand
Trademarks and trademark licenses together with associated goodwill.

ßrandßeta®
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.

About Brand Finance

Brand Finance is the world's leading independent brand and intangible asset valuation firm. We advise organisations across a wide range of sectors on how to maximise shareholder value through effective management of their intangible assets.

Headquartered in London, Brand Finance was founded in 1996 and now has more than 20 offices worldwide. The Singapore subsidiary was established in 2001.

Our services complement and support each other, resulting in an in-depth understanding of intangible assets from financial, consumer and commercial perspectives:

VALUATION:

We are an international leader in the field of intangible asset valuation and transfer pricing.

- Purchase price allocations and impairment reviews
- Financial reporting
- Transfer pricing
- Litigation

ANALYTICS:

We help companies quantify the return on marketing investment and track brand performance.

- Brand investment dashboards
- Return on marketing investment
- Marketing mix modelling
- Benchmarking

STRATEGY:

We use value-based management and marketing tools to enable management to allocate resources to activities that create the most value.

- Scenario modelling and valuation
- Brand architecture
- Resource allocation and budget setting
- Portfolio evaluation and strategy

TRANSACTIONS:

We help clients extract value from their intellectual property through transactions.

- Intellectual property and brand due diligence
- Intellectual property structuring
- Licensing
- Joint venture, mergers, acquisitions, investment and divestment decisions

Brand Finance has worked with many of the world's leading brand owners and branded enterprises. We also advise private equity companies, investment banks, intellectual property lawyers, and tax authorities.

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

DISCLAIMER

Brand Finance Singapore 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. No independent verification or audit of such materials was undertaken. Brand Finance Singapore 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 brand valuations for Singapore's Top 100 brands follow IVSC guidance but will only comply with ISO 10668 Monetary Brand Valuation Standard when accompanied by detailed Legal and Behavioral Analysis.

The conclusions expressed are the opinions of Brand Finance Singapore and are not intended to be warranties or guarantees that a particular value or projection can be achieved in any transaction. The opinions expressed in the report are not to be construed as providing investment advice. Brand Finance Singapore does not intend the report to be relied upon for technical reasons and excludes all liability to any organisation.

NOTE:

Contact Details

Brand Finance is the leading independent intangible asset valuation and strategy firm, helping companies to manage their brands more intelligently for improved business results.

If you have further enquiries relating to this report or would like our assistance in articulating the study findings for your corporate communications, please contact:

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Brand Scorecard

An answer to the contemporary brand management challenge

Edgar Baum
Managing Director
Brand Finance
Canada

Managing brand perceptions across multiple stakeholders increasingly challenges branded organisations. This is a challenge that begins at the top of organisations, with the CEO and board. Most organisations are set up with vertical reporting through channels, divisions and/or regions. Consumers, distributors, employees, investors are just some examples of stakeholder groups that are frequently managed through silos. Often, the left hand doesn't know what the right hand is doing until too late, and the larger the organisation, the more hands to manage. This model is increasingly coming under strain as customers and consumers are becoming more sophisticated through an ever-increasing access to data.

This challenge is experienced by organisations that are structured under the 'brand house'or 'house of brands' models, as it is very easy for the marketplace to know the ownership structures of companies. Branded companies are increasingly discovering, to their embarrassment, that actions involving one stakeholder group can dramatically affect the fortunes of another stakeholder group and the overall organisation as a whole.

BP's gulf spill, JC Penney's failed re-brand, Kodak's fall from grace are all examples of organisations that are not managing their brand across all stakeholders.

The brand, be it an operating or corporate brand, is the only component of an organisation that crosses organisational lines. Understanding and managing the performance of the brand across multiple stakeholders solves many challenges for an organisation and prevents many issues from arising.

A comprehensive brand scorecard tracks brand perceptions, financial and non-financial performance metrics across all major stakeholders in a company. It also shows the performance of the immediate competition across all relevant data points where that data can be made available. A brand scorecard is a canary in the coalmine for the board, a performance management tool for senior management, and a marketing/brand investment ROI tool for middle management. It is not a consistent causal model, however, it does show correlation, and provide those important, first steps for an organisation to address its needs.

Let's take a look at how the executives of an organisation can read a brand scorecard. Below is one slice of a brand scorecard looking at the perceptions of reliability across multiple stakeholders and their associated behaviour with respect to the brand.

	CONSUMERS		DISTRIBUTORS			ANALYSTS			EMPLOYEES	
	X BRAND	COMP. AVG	BEST IN CLASS	X BRAND	COMP. AVG	BEST IN CLASS	X BRAND	COMP. AVG	BEST IN CLASS	X BRAND
...										
LOYALTY	65%	82%	95%	90%	75%	90%	N/A	N/A	N/A	34%
PURCHASE INTENT	23%	65%	74%	84%	67%	84%	N/A	N/A	N/A	60%
RECOMMEND	34%	45%	80%	56%	67%	99%	N/A	N/A	N/A	44%
...										
RELIABILITY	24%	67%	85%	45%	75%	90%	50%	75%	84%	88%
SATISFACTION	38%	72%	92%	65%	70%	85%	N/A	N/A	N/A	41%
...										

This segment of a brand scorecard shows the challenges for this organisation that explains the present challenges that they have.

There is an employee base that is under the impression that the product is reliable interacting with a buyer base that clearly believes the opposite. The distributors are exhibiting category leading loyalty behaviour that does not translate to the consumer – the source of revenues and profits. Clearly, the distributors are heavily favoured in the present stakeholder model, at the cost of slowly disappearing consumers and dissatisfied employees.

A key driver for the declining market share is perceptions of reliability that is substantially lagging the competitor average. Furthermore, the consumer experience is likely unfavourable if the substantial majority of the company's employees do not agree with the reliability issues: this likely includes most of the management as well!

This example may appear extreme at first glance but in Brand Finance's experience there have been numerous situations where management, and employees have been out of touch with the reality in the marketplace, not just the negatives, but the positives as well. Imagine you identify that a stakeholder group collectively thinks you are best in class while your employees are admiring and emulating the competition across the street. Isn't that a threat to the future success of the company?

A well-designed brand scorecard at its core covers the items in illustration II. The best of these present the data both at a point in time and across multiple periods to begin identifying trends.

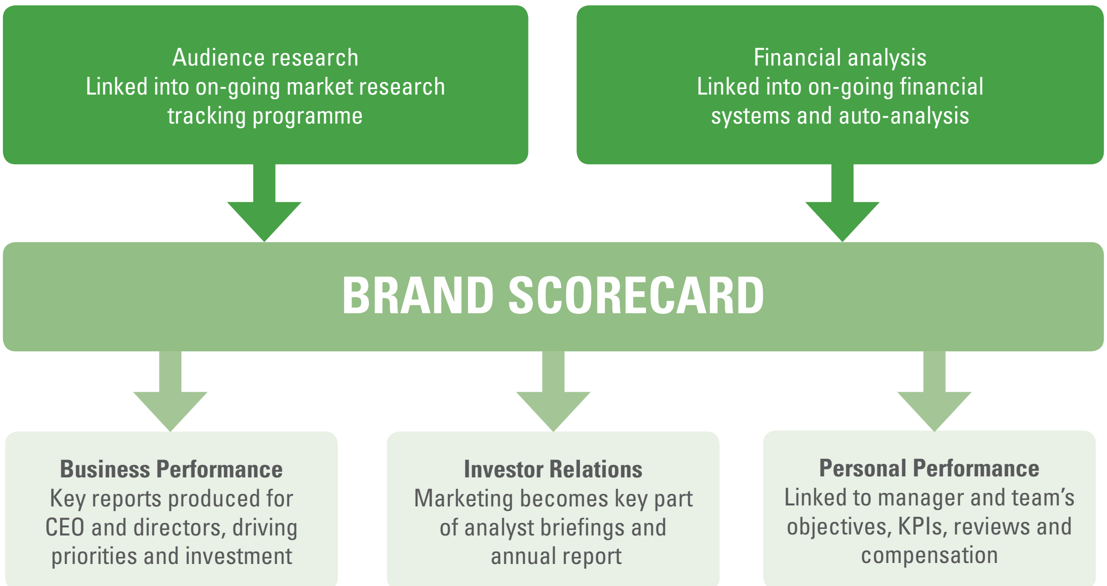
ILLUSTRATION II

	CONSUMERS			DISTRIBUTORS			ANALYSTS		
BRAND ATTRIBUTES									
MARKETING KPI'S									
INDUSTRY KPI'S									
FINANCIAL KPI'S									

Proper research from customers, internal databases, and competitor activities drives successful brand scorecards and make organisations more responsive. By seeing the similarities and discrepancies across brand perceptions and performance across the company, executive management can address growth roadblocks before they arise. In the contemporary days of 'big data' and ever increasing access stakeholder behaviour, a brand scorecard is a must for an organisation to responsible tracks both its tangible and intangible interactions and assets.

In summary organisations with Brand Scorecards gain the following benefits:

- Break down silos in your organisation
- Understand brand performance across stakeholder groups
- Track the market interaction with table stakes for you and the competition
- Identify how effective your employee strategy is and how it impacts your customer base
- Track the relatedness between your stakeholder groups
- Identify the short and long term impact of brand, product/service advertising, and CSR campaigns
- Track and understand the negatives associated with your brand, competitors, and category
- Understand how executing a strategy within one division of an organisation impacts another




It isn't the way that a shuttle launch looks that's most amazing it's how it – feels. I was in prime position 3 miles away to watch this great cathedral leave Earth. For the first 20 seconds, it was almost silent. And then it hit me – a thunderous rumble so strong it turned my insides to mush. It's a feeling you'd only ever know from living it.
David Shukman
Science Editor
WHAT YOU SEE ONLY TELLS HALF THE STORY
With journalists in more countries than any other international news broadcaster, we don't just report a story, we live it.
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