



Healthcare 25 2018

The annual report on the most valuable healthcare brands
August 2018

Foreword.



David Haigh
CEO, Brand Finance

What is the purpose of a strong brand: to attract customers, to build loyalty, to motivate staff? All true, but for a commercial brand at least, the first answer must always be ‘to make money’.

Huge investments are made in the design, launch, and ongoing promotion of brands. Given their potential financial value, this makes sense. Unfortunately, most organisations fail to go beyond that, missing huge opportunities to effectively make use of what are often their most important assets. Monitoring of brand performance should be the next step, but is often sporadic. Where it does take place, it frequently lacks financial rigour and is heavily reliant on qualitative measures, poorly understood by non-marketers.

As a result, marketing teams struggle to communicate the value of their work and boards then underestimate the significance of their brands to the business. Sceptical finance teams, unconvinced by what they perceive as marketing mumbo jumbo, may fail to agree necessary investments. What marketing spend there is, can end up poorly directed as marketers are left to operate with insufficient financial guidance or accountability. The end result can be a slow but steady downward spiral of poor communication, wasted resources, and a negative impact on the bottom line.

Brand Finance bridges the gap between marketing and finance. Our teams have experience across a wide range of disciplines from market research and visual identity to tax and accounting. We understand the importance of design, advertising, and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money. That is why we connect brands to the bottom line.

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

Brand Finance’s research revealed the compelling link between strong brands and stock market performance. It was found that investing in highly-branded companies would lead to a return almost double that of the average for the S&P 500 as a whole.

Acknowledging and managing a company’s intangible assets taps into the hidden value that lies within it. The following report is a first step to understanding more about brands, how to value them and how to use that information to benefit the business.

The team and I look forward to continuing the conversation with you.

About Brand Finance.

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

Brand Finance was set up in 1996 with the aim of ‘bridging the gap between marketing and finance’. For more than 20 years, we have helped companies and organisations of all types to connect their brands to the bottom line.

We pride ourselves on four key strengths:

- Independence
- Technical Credibility
- Transparency
- Expertise.

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

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

Contact Details.

For business enquiries, please contact:
Richard Haigh
Managing Director
rd.haigh@brandfinance.com

For media enquiries, please contact:
Konrad Jagodzinski
Communications Director
k.jagodzinski@brandfinance.com

For all other enquiries, please contact:
enquiries@brandfinance.com
+44 (0)207 389 9400

in

linkedin.com/company/brand-finance

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

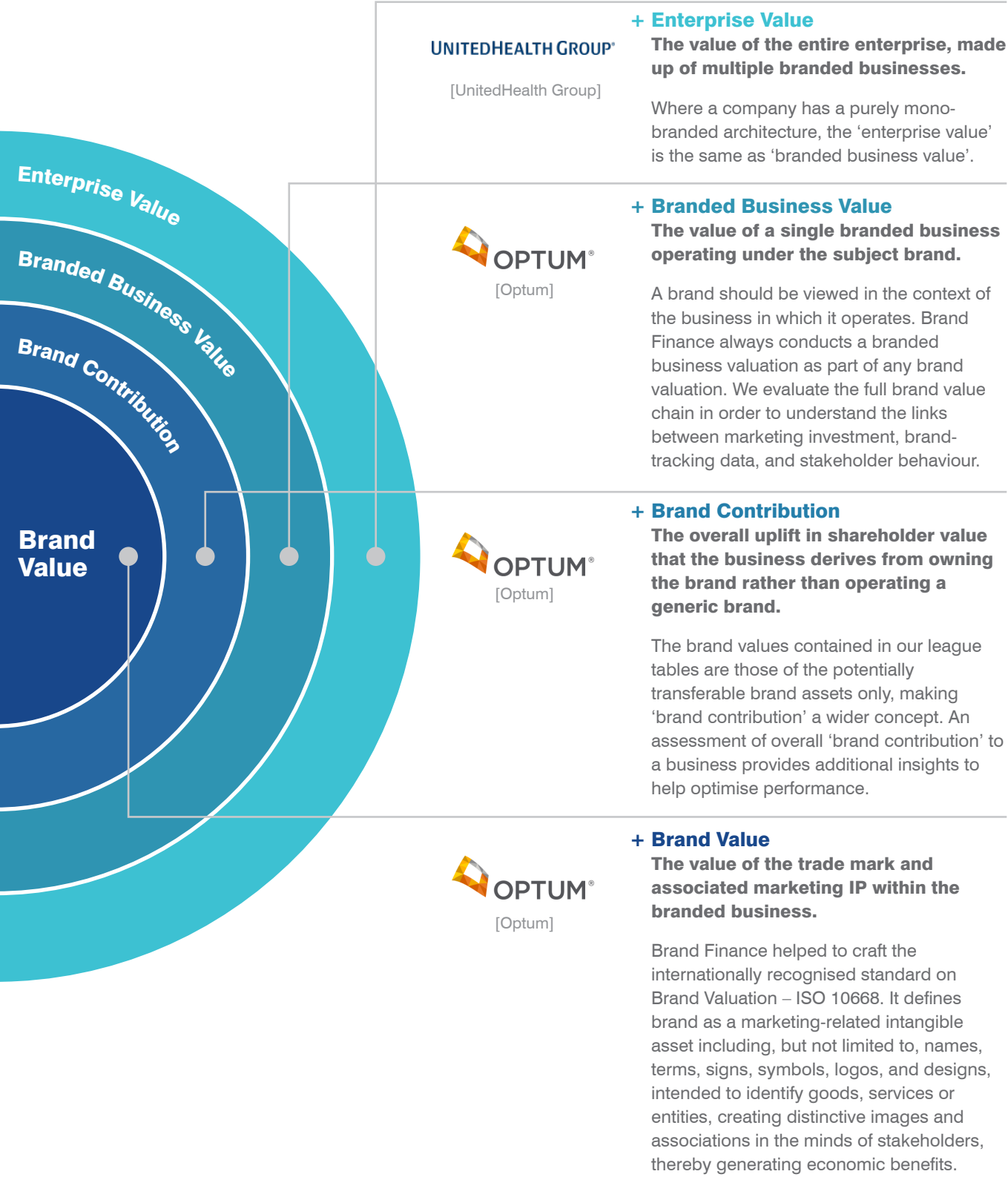
Country	Contact	Email Address	
Asia Pacific	Samir Dixit	s.dixit@brandfinance.com	+65 906 98 651
Australia	Mark Crowe	m.crowe@brandfinance.com	+61 282 498 320
Canada	Charles Scarlett-Smith	c.scarlett-smith@brandfinance.com	+1 647 3437 266
Caribbean	Nigel Cooper	n.cooper@brandfinance.com	+1 876 8256 598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

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Definitions.

Brand Value



Brand Strength

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

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

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

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

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



Executive Summary.



UnitedHealthcare’s clean bill of health

UnitedHealthcare, the American health insurer, strengthened its position as the world’s most valuable healthcare brand, following 39% brand value growth to US\$18.6 billion.

Anthem (brand value down 5% to US\$10.1 billion) and Aetna (up 9% to US\$9.4 billion) defended second and third place respectively, ahead of the rapidly-growing Humana (up 25% to US\$9.0 billion) and Optum (up 41% to US\$8.4 billion), which both overtook Medtronic (down 8% to US\$7.9 billion).

UnitedHealthcare and Optum are owned by the same corporation, UnitedHealth Group, which is driving significant revenue growth for both their insurance brand (UnitedHealthcare) and the service provider (Optum). UnitedHealthcare is moving to a value-based care reimbursement model which is tied more closely to health outcomes, rather than a traditional model of paying for services rendered.

21 out of the 25 brands in the Brand Finance Healthcare 25 ranking come from the United States,

UnitedHealth Group is building a very valuable pair of brands operating on the front line of healthcare. Whilst focused on the US markets, the group operates globally with UnitedHealthcare brand supplying solid healthcare coverage, and the Optum brand providing a number of technology-driven health services. These distinct but complementary brands are growing rapidly in a politically-contentious and emotionally-charged sector.

David Haigh
CEO, Brand Finance

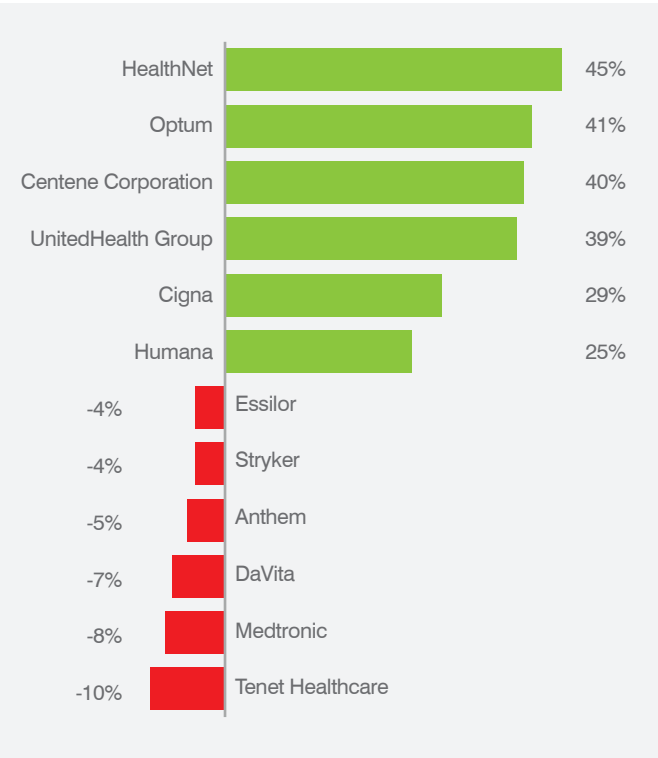
which does not come as a surprise given the level of deregulation of the American market compared to the European model built on universal healthcare.

Health Net is fastest-growing

Health Net is the fastest-growing healthcare brand this year, up 45% to US\$2.7 billion. Its acquisition by Centene Corporation in 2016 opened up a wider customer base which has likely benefited its brand value. Health Net’s parent company, Centene Corporation, also fared well this year, increasing its brand value 40% to US\$3.7 billion and breaking into the top 10.

Dallas-based Tenet Healthcare experienced the biggest drop in brand value, down 10% to US\$2.8 billion. The brand’s rising debt levels, coupled with a tarnished public image after unnecessary heart surgeries by two doctors at a Tenet run hospital in California and high legal fees for a billing scandal involving patient referrals, were some of the causes that contributed to its decline.

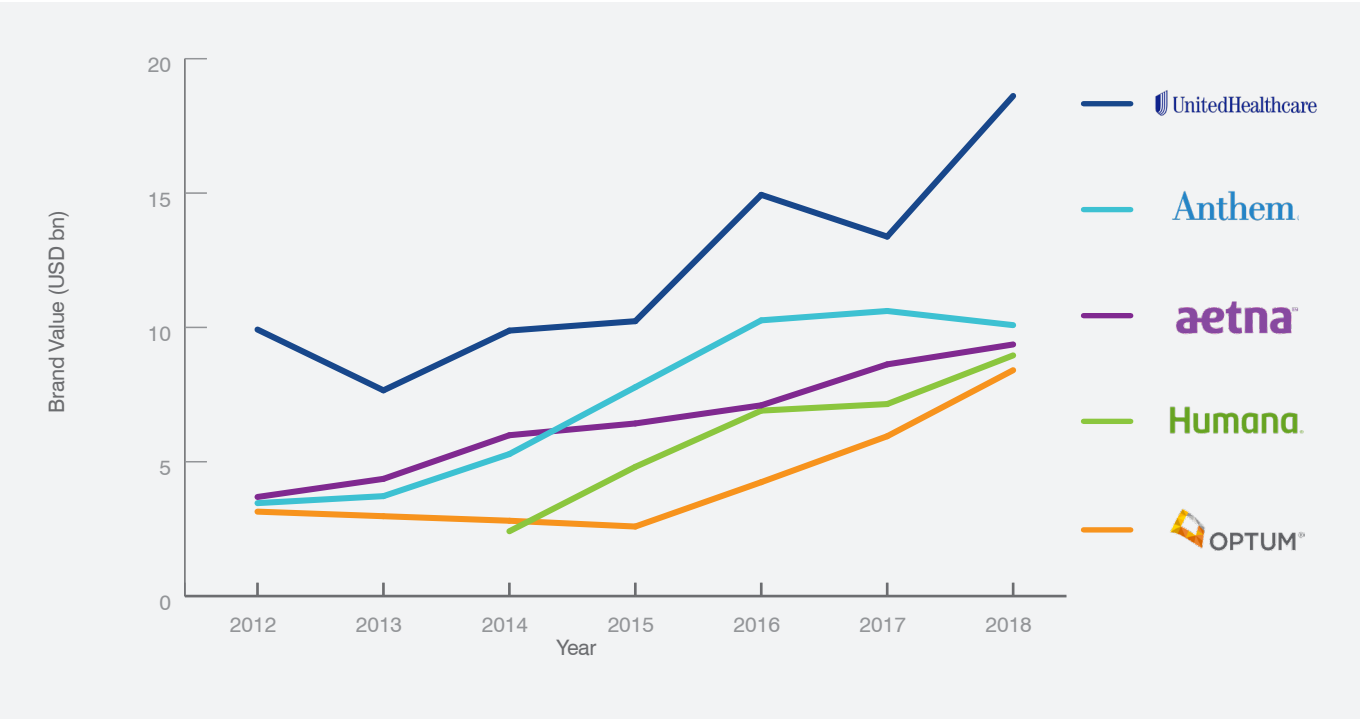
Brand Value Change 2017-2018 (%)



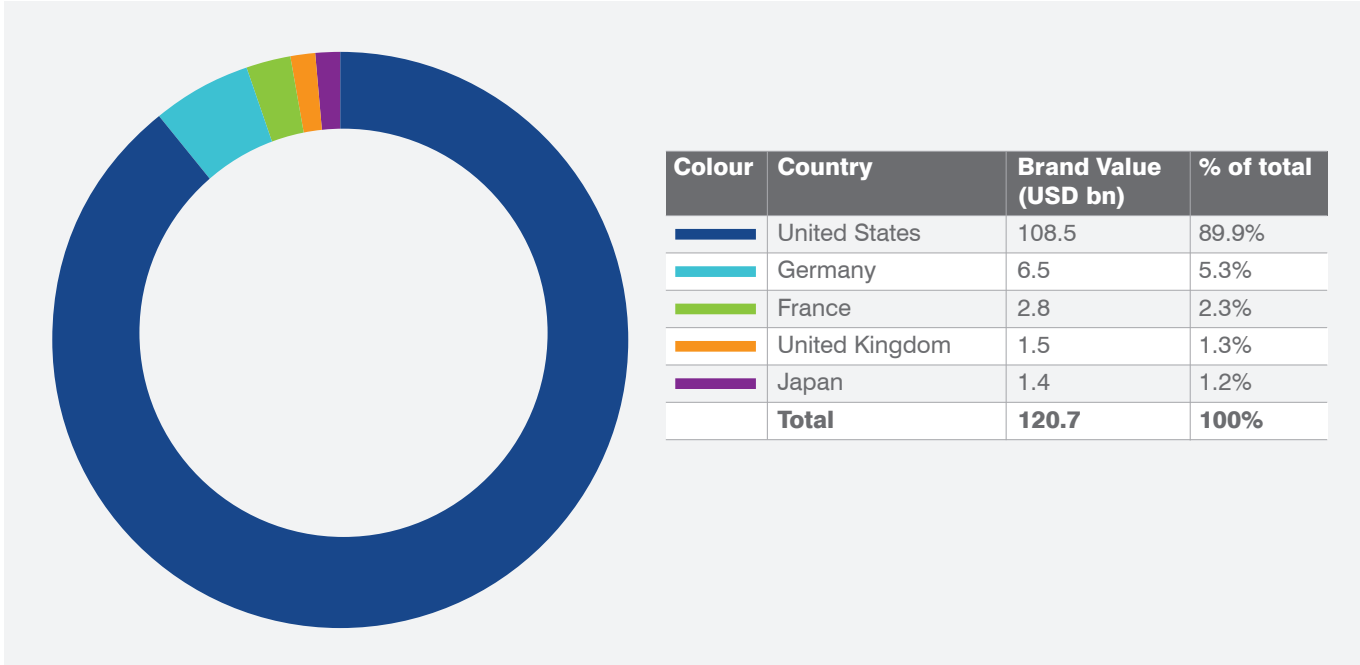
Top 10 Most Valuable Brands

	1	Rank 2018: 1 2017: 1 → BV 2018: \$18,614m BV 2017: \$13,379m +39% Brand Rating: AA
	2	Rank 2018: 2 2017: 2 → BV 2018: \$10,084m BV 2017: \$10,611m -5% Brand Rating: AA-
	3	Rank 2018: 3 2017: 3 → BV 2018: \$9,365m BV 2017: \$8,624m +9% Brand Rating: AA
	4	Rank 2018: 4 2017: 5 ↑ BV 2018: \$8,958m BV 2017: \$7,147m +25% Brand Rating: AA
	5	Rank 2018: 5 2017: 6 ↑ BV 2018: \$8,407m BV 2017: \$5,949m +41% Brand Rating: A+
	6	Rank 2018: 6 2017: 4 ↓ BV 2018: \$7,895m BV 2017: \$8,602m -8% Brand Rating: AA-
	7	Rank 2018: 7 2017: 7 → BV 2018: \$6,948m BV 2017: \$5,380m +29% Brand Rating: AA
	8	Rank 2018: 8 2017: 8 → BV 2018: \$6,455m BV 2017: \$5,157m +25% Brand Rating: A+
	9	Rank 2018: 9 2017: 9 → BV 2018: \$4,246m BV 2017: \$4,059m +5% Brand Rating: A
	10	Rank 2018: 10 2017: 16 ↑ BV 2018: \$3,788m BV 2017: \$2,711m +40% Brand Rating: A+

Brand Value Over Time



Brand Value by Country



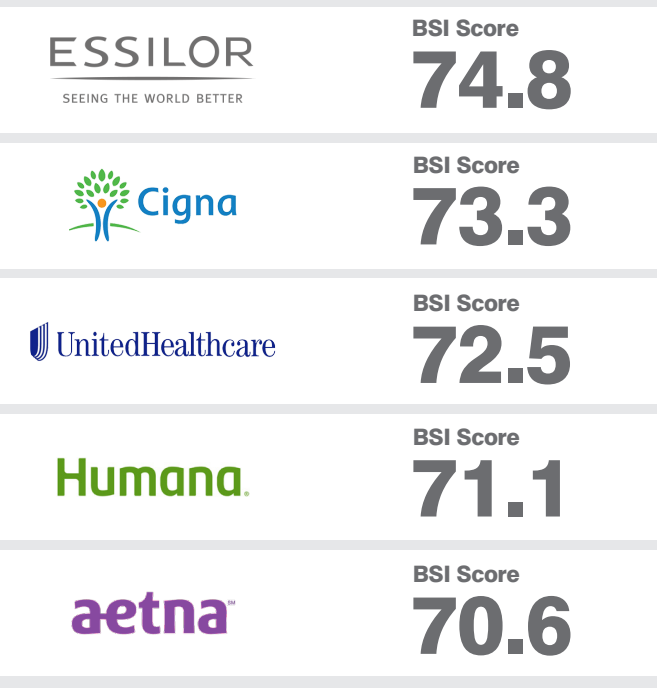
Essilor is strongest brand

French brand Essilor, the world’s number one manufacturer of lenses and contact lenses, remains the world’s strongest healthcare brand with a Brand Strength Index (BSI) score of 74.8 out of 100 and a corresponding brand rating of AA+.

Two significant purchases, MyOptique and Vision Direct, helped Essilor to grow its online retail presence. Furthermore, Essilor’s new partnership with Photosynthesis Group, a Hong Kong-based brand that markets sunglasses and corrective lenses, will help Essilor grow in the Chinese optical sector.

Essilor is also currently on track to merge with Italy’s Luxottica, the world’s biggest eyeglass frame maker and owner of the Ray-Ban and Oakley brands and retail chain Sunglass Hut. The merger will provide significant synergies and innovation opportunities for both brands.

Top 5 Strongest Brands



Top 25 most valuable healthcare brands

Rank 2018	Rank 2017	Brand name	Country	Brand value (USD m) 2018	% change	Brand value (USD m) 2017	Brand rating 2018	Brand rating 2017
1	1	UnitedHealthcare	United States	18,614	+39%	13,379	AA	AA
2	2	Anthem	United States	10,084	-5%	10,611	AA-	AA-
3	3	Aetna	United States	9,365	+9%	8,624	AA	AA
4	5	Humana	United States	8,958	+25%	7,147	AA	AA
5	6	Optum	United States	8,407	+41%	5,949	A+	AA-
6	4	Medtronic	United States	7,895	-8%	8,602	AA-	AA-
7	7	Cigna	United States	6,948	+29%	5,380	AA	AA
8	8	Fresenius	Germany	6,455	+25%	5,157	A+	A+
9	9	Express Scripts	United States	4,246	+5%	4,059	A	A-
10	16	Centene Corporation	United States	3,788	+40%	2,711	A+	A
11	10	McKesson	United States	🔒	🔒	🔒	🔒	🔒
12	12	AmerisourceBergen	United States	🔒	🔒	🔒	🔒	🔒
13	15	Cardinal Health	United States	🔒	🔒	🔒	🔒	🔒
14	11	Tenet Healthcare	United States	🔒	🔒	🔒	🔒	🔒
15	13	Stryker	United States	🔒	🔒	🔒	🔒	🔒
16	14	Essilor	France	🔒	🔒	🔒	🔒	🔒
17	20	HealthNet	United States	🔒	🔒	🔒	🔒	🔒
18	18	BD	United States	🔒	🔒	🔒	🔒	🔒
19	17	DaVita	United States	🔒	🔒	🔒	🔒	🔒
20	19	Henry Schein	United States	🔒	🔒	🔒	🔒	🔒
21	23	LabCorp	United States	🔒	🔒	🔒	🔒	🔒
22	21	Boston Scientific	United States	🔒	🔒	🔒	🔒	🔒
23	24	Quest Diagnostics	United States	🔒	🔒	🔒	🔒	🔒
24	New	Smith & Nephew	United Kingdom	🔒	🔒	🔒	🔒	🔒
25	New	Terumo	Japan	🔒	🔒	🔒	🔒	🔒

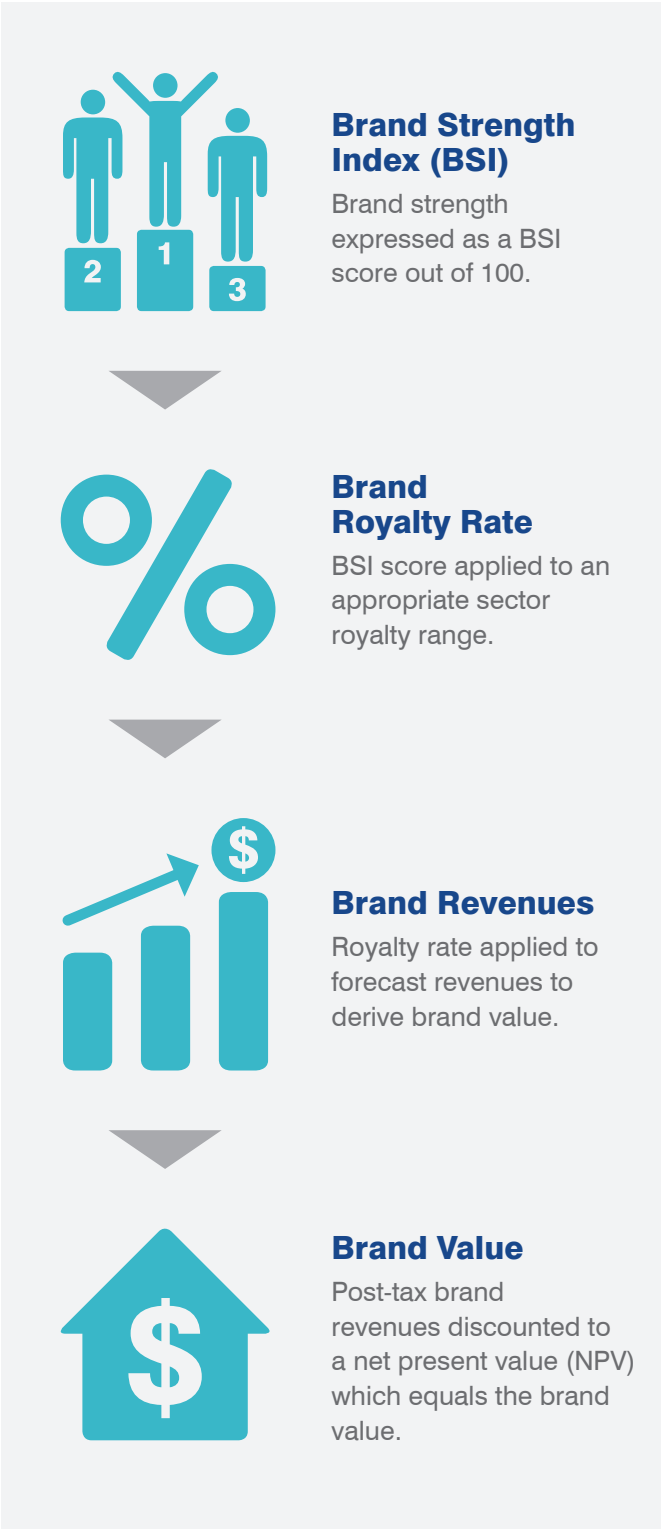
Methodology.

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

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

The steps in this process are as follows:

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



Disclaimer

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

Understand Your Brand’s Value.

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

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

What is a Brand Value Report?

Brand Valuation Summary

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

Brand Strength Index

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

Royalty Rates

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

Cost of Capital

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

Customer Research

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

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

Richard Haigh
Managing Director, Brand Finance
rd.haigh@brandfinance.com

What are the benefits of a Brand Value Report?



Insight

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



Strategy

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



Benchmarking

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



Education

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



Communication

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



Understanding

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

Consulting Services.






MARKETING

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



FINANCE

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



TAX

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



LEGAL

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

Communications Services.

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





Brand Finance®

Strongest Global Brand 2018

Your Brand

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

Contact us.

The World's Leading Independent Brand Valuation and Strategy Consultancy

T: +44 (0)20 7389 9400

E: enquiries@brandfinance.com

www.brandfinance.com