



Tobacco 10 2020

The annual report on the most valuable and strongest tobacco brands
February 2020

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About Brand Finance.

Brand Finance is the world's leading independent brand valuation consultancy.

We bridge the gap between marketing and finance
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 quantify the financial value of brands
We put 5,000 of the world's biggest brands to the test every year. Ranking brands across all sectors and countries, we publish nearly 100 reports annually.

We offer a unique combination of expertise
Our teams have experience across a wide range of disciplines from marketing and market research, to brand strategy and visual identity, to tax and accounting.

We pride ourselves on technical credibility
Brand Finance is a chartered accountancy firm regulated by the Institute of Chartered Accountants in England and Wales, and the first brand valuation consultancy to join the International Valuation Standards Council.

Our experts helped craft the internationally recognised standards on Brand Valuation – ISO 10668 and Brand Evaluation – ISO 20671. Our methodology has been certified by global independent auditors – Austrian Standards – as compliant with both, and received the official approval of the Marketing Accountability Standards Board.







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Brand Finance® 

Request your own Brand Value Report

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

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



Brandirectory.com



Brandirectory is the world's largest database of current and historical brand values, providing easy access to all Brand Finance rankings, reports, whitepapers, and consumer research published since 2007.

- + Browse thousands of published brand values
- + Track brand value, strength, and rating across publications and over time
- + Use interactive charts to compare brand values across countries, sectors, and global rankings
- + Purchase and instantly unlock premium data, complete brand rankings, and research

Visit brandirectory.com to find out more.

Brand Finance Group.

Brand Dialogue®

Brand Dialogue
Brand Dialogue is a public relations agency developing communications strategies to create dialogue that drives brand value. Brand Dialogue has over 25 years of experience in delivering campaigns driven by research, measurement, and strategic thinking for a variety of clients, with a strong background in geographic branding, including supporting nation brands and brands with a geographical indication (GI). Brand Dialogue manages communications activities across Brand Finance Group's companies and network.

BRAND EXCHANGE®
WHERE BRANDS MEET FINANCE

Brand Exchange
Brand Exchange is a contemporary and exclusive members' club and events space nestled in the heart of the City of London. It was launched in 2015 to provide members with a private space to network and socialise. The club has since held several prestigious events and welcomed many key figures in the marketing and finance sectors as speakers. The membership brings together senior professionals from the world's strongest and most valuable brands.

vi360

VI360
VI360 is a brand identity management consultancy working for clients of all sizes on brand compliance, brand transition, and brand identity management. VI360 provide straightforward and practical brand management that results in tangible benefits for your business.

Customer insight drives our valuations

Our brand valuations are underpinned by extensive market research across a wide range of sectors, countries and brands.

Our research integrates all key brand measures, linking them to commercial outcomes.

Available for purchase separately or as part of a Brand Value Report.

- Over **1,500 brands** researched each year
- 29 countries** and **10 sectors** covered
- More than **50,000 respondents** surveyed annually
- Key metrics** across all industries and brands
- B2B** and **B2C** results
- We are now **in our 4th consecutive year** conducting the study



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.

Marlboro Keeps its Spark as World's Most Valuable Tobacco Brand.

- + **Marlboro** has retained title of world's most valuable tobacco brand, brand value US\$32.7 billion
- + **Winston** records impressive 9% brand value growth to US\$4.1 billion
- + In contrast, **Camel** drops 14%, brand value damaged by increased regulation of menthols
- + Two new entrants – **Rothmans** & **Gold Flake**
- + **L&M** named sector's strongest, Brand Strength Index (BSI) score 76.9 out of 100

Executive Summary.



Marlboro keeps its spark

Marlboro has retained its title of the world’s most valuable tobacco brand, despite recording a 3% decrease in brand value to US\$32.7 billion. The tobacco giant remains in a league of its own in the sector with the second most valuable tobacco brand, **L&M**, significantly behind with a brand value of US\$6.3 billion.

Philip Morris International-produced and Altria-owned Marlboro is the world’s top selling cigarette brand and has maintained solid sales and shipment volumes over the years in the face of changing tastes and greater scrutiny of the industry as a whole. Marlboro’s high shipment volumes have largely been driven by growth in Indonesia, Saudi Arabia, Turkey and the Philippines, where the brand has benefited from narrowing price gaps with the below premium price segment.

Philip Morris International is championing a smoke-free future through its new campaign ‘unsmoke the world’, contradicting its 173-year history. Its decision to spearhead the revolution in the tobacco sector towards cigarette alternatives has had mixed fortunes for the group. Its significant investment in e-cigarette brand Juul and development of its own brand IQOS have been damaged by tightened regulation of the e-cigarette market, with the US and China banning fruit flavoured e-cigarette products and with leading retailer Walmart banning the products all together.

Tobacco brands are certainly familiar with being criticised and scrutinised closely, having had to continually react to ever-changing consumer tastes and heightened regulation. We have witnessed the damage that plain packaging has caused the industry and the subsequent shift towards smoke free, supposedly healthier, alternatives. However, with the e-cigarette market now very much under the limelight, these tobacco giants will have to plan their next steps wisely if they want to maintain their dominance and relevance globally.

David Haigh
CEO, Brand Finance





















Winston accelerates

Three brands in the ranking have recorded solid brand value growth – **Pall Mall**, **Winston** and **Copenhagen** – with Winston leading the way, seeing an impressive 9% increase in brand value to US\$4.1 billion. Winston is currently sold in a staggering 120 countries worldwide and is the second best-selling cigarette brand globally, falling only slightly behind long-standing leader Marlboro. JTI began manufacturing Winston cigarettes in Greece last year, simultaneously boosting its production and export capabilities and widening its global footprint to a further nine EU countries.

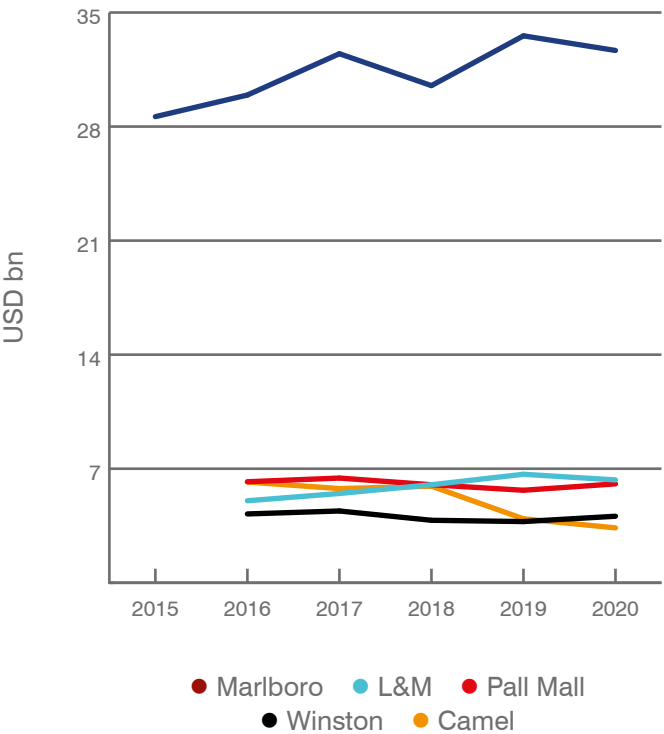
Camel gets the hump

In contrast, fellow JTI-owned brand **Camel** has suffered the largest drop in brand value in the ranking, down 14% to US\$3.4 billion. While Camel has historically been a leading brand in the menthol market, its sales and subsequent brand value is likely to take a dent in the year ahead, when the EU Revised Tobacco Products Directive comes into force from 20th May 2020, making it an offence

Top 10 Most Valuable Brands

	1	← 1		2020: \$32,671 2019: \$33,569	-2.7%
	2	← 2		2020: \$6,312 2019: \$6,659	-5.2%
	3	← 3		2020: \$6,070 2019: \$5,677	+6.9%
	4	↑ 5		2020: \$4,083 2019: \$3,756	+8.7%
	5	↓ 4		2020: \$3,368 2019: \$3,927	-14.2%
	6	← 6		2020: \$3,252 2019: \$3,220	+1.0%
	7	← 7		2020: \$3,123 2019: \$2,916	+7.1%
	8	- -		2020: \$3,095 2019: -	
	9	- -		2020: \$2,993 2019: -	
	10	↓ 9		2020: \$2,719 2019: \$2,692	+1.0%

Brand Value over Time





manufacturers and retailers to produce and sell menthol cigarettes. Newport has been dealt a similar fate in the face of increasing regulation around menthol cigarettes and has dropped out of the Brand Finance Tobacco 10 ranking this year, following a 6% drop in brand value.

Sampoerna’s uncertain future

Sampoerna (brand value up 1% to US\$3.3 billion) has been the top selling brand in Indonesia for over 10 years, where consumption of flavoured tobacco continues to be popular and unregulated. Recent announcements from the Indonesian Government, however, declaring plans to raise minimum prices of cigarettes by a third in 2020 in attempt to cut its smoking rates that currently stand at some of the highest in the world, poses an uncertain future for the brand.

Two new entrants

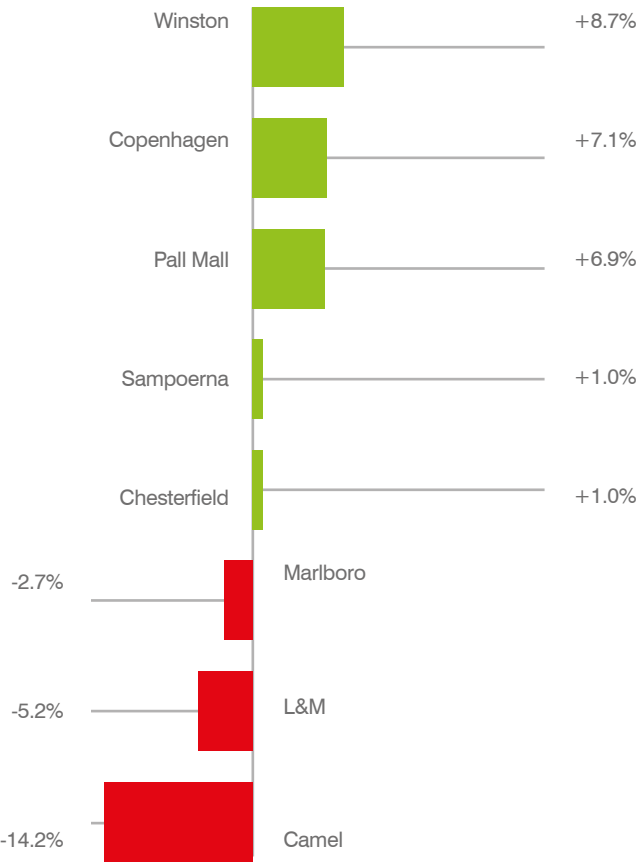
There are two new entrants into this year’s ranking, **Rothmans** (brand value US\$3.1 billion) and **Gold Flake** (brand value US\$3.0 billion). British brand Rothmans’ brand value has been boosted by its strengthened position in the Russian market. The brand originally entered the market in the early 1990s and has been recording double digit growth ever since, rising to the second most popular brand in the country.

Brand Value by Economy



Country	Brand Value (USD bn)	% of total	Number of Brands
United States	54.3	80%	7
Indonesia	3.3	5%	1
United Kingdom	3.1	5%	1
India	3.0	4%	1
Total	67.7	100%	10

Brand Value Change 2019-2020 (%)



Entering the ranking in 9th position, after dropping out last year, is ITC-owned Gold Flake. Its brand value was damaged by the highly active illicit trade market in India, as well as by the prolonged period of higher taxes across the nation. The brand has reaped the rewards, however, from Modi’s cut in corporate taxes last year and has thus seen a spike in its brand value and a re-entry into the ranking.

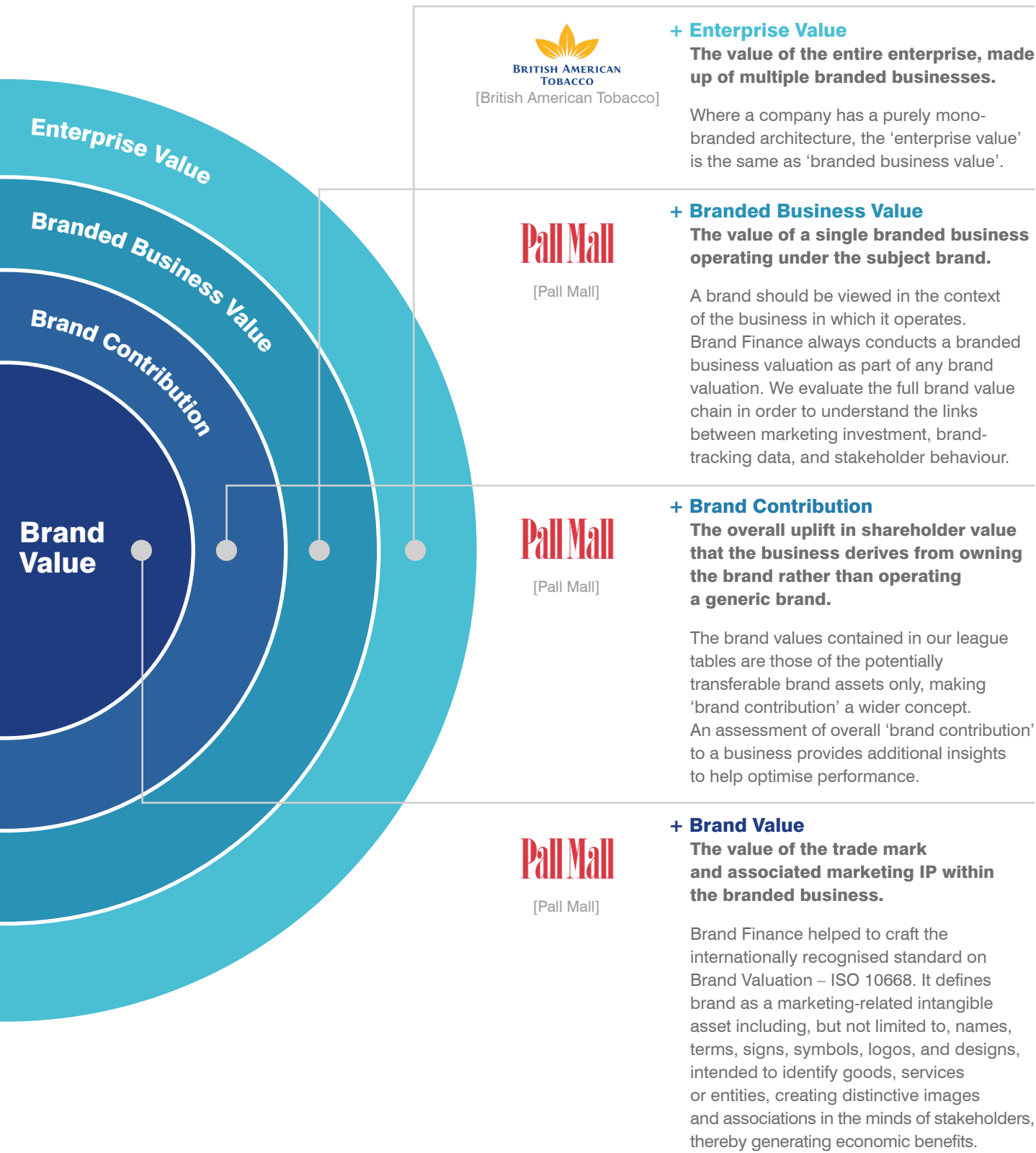
L&M is sector’s strongest

In addition to measuring overall brand value, Brand Finance also evaluates the relative strength of brands, based on factors such as marketing investment, familiarity, loyalty, staff satisfaction, and corporate reputation. Alongside revenue forecasts, brand strength is a crucial driver of brand value. According to these criteria L&M is the world’s strongest tobacco brand with a Brand Strength Index (BSI) score of 76.9 out of 100 and a corresponding AA+ brand strength rating. L&M is the 4th best-selling international cigarette brand outside of the US and China and thus one of the best performing brands in the Philip Morris International portfolio.

Top 10 Strongest Brands

	1 ← 1		2020: 76.9 AA+ 2019: 77.6 AA+	-0.9%
	2 - -		2020: 75.5 AA+ 2019: - -	-
	3 ↓ 2		2020: 75.0 AA+ 2019: 77.4 AA+	-3.0%
	4 ↓ 3		2020: 73.8 AA 2019: 74.7 AA+	-1.2%
	5 ↓ 4		2020: 70.7 AA 2019: 72.1 AA	-1.9%
	6 ← 6		2020: 68.3 AA- 2019: 68.9 AA-	-1.0%
	7 ↓ 5		2020: 67.6 AA- 2019: 69.0 AA-	-2.0%
	8 ↓ 7		2020: 67.3 AA- 2019: 67.5 AA-	-0.3%
	9 - -		2020: 66.5 AA- 2019: - -	-
	10 ← 10		2020: 63.4 A+ 2019: 63.5 A+	-0.2%

Definitions.



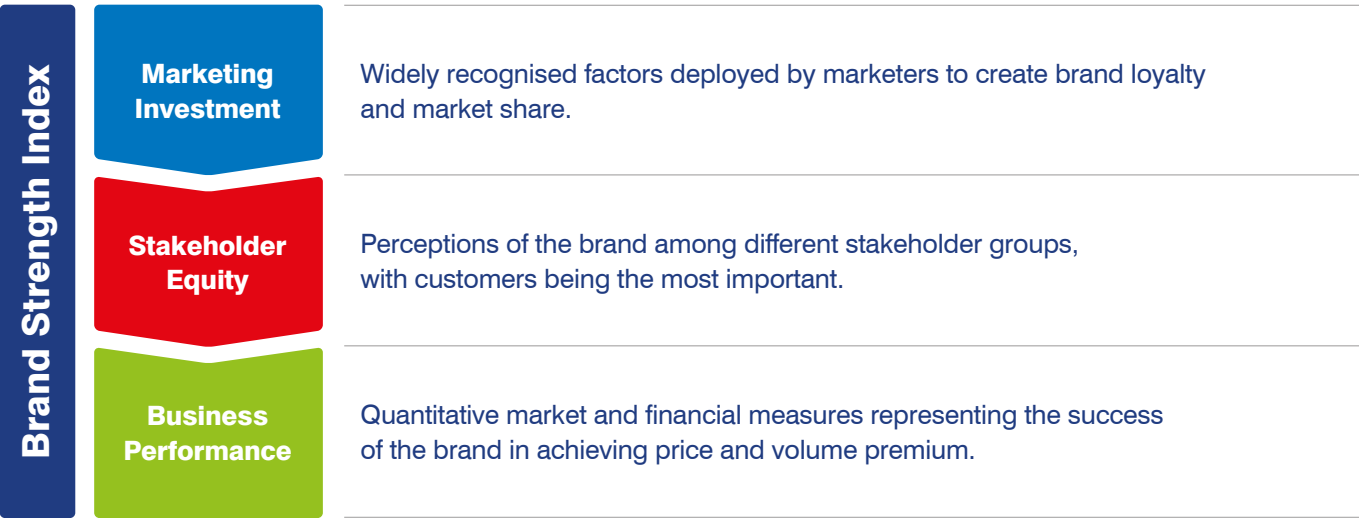
Brand Strength

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

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

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

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



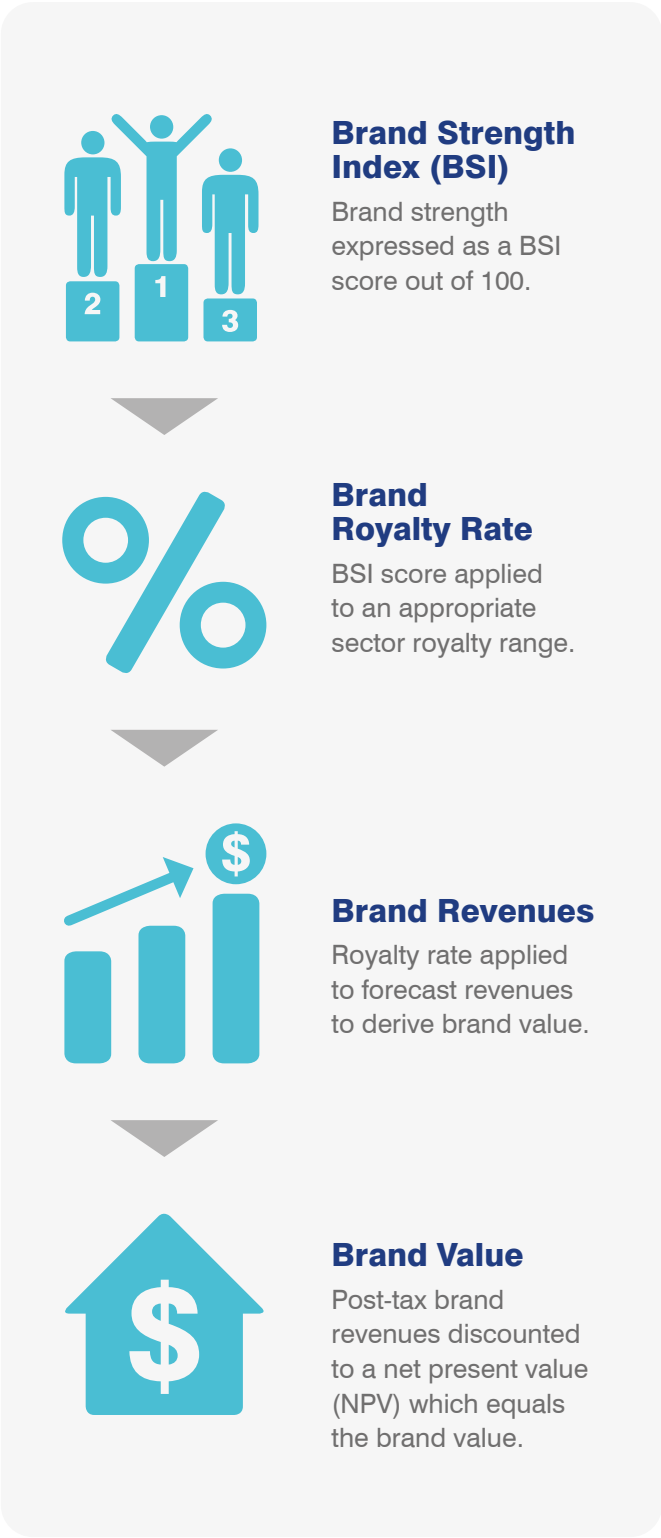
Brand Valuation Methodology.

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:

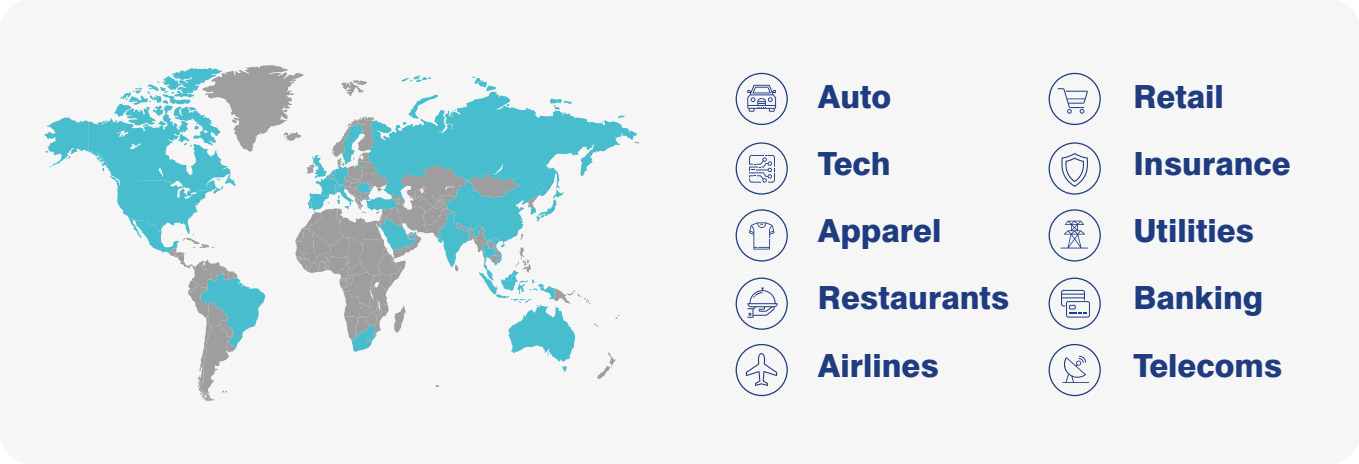
- 1 Calculate brand strength using a balanced scorecard of metrics assessing Marketing Investment, Stakeholder Equity, and Business Performance. Brand strength is expressed as a Brand Strength Index (BSI) score on a scale of 0 to 100.
- 2 Determine royalty range for each industry, reflecting the importance 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.

Market Research Methodology.

Brand Finance conducted original market research in 10 sectors across 29 markets with a sample size of over 50,000 adults, representative of each country’s internet population aged 18+. Surveys were conducted online during autumn 2019.



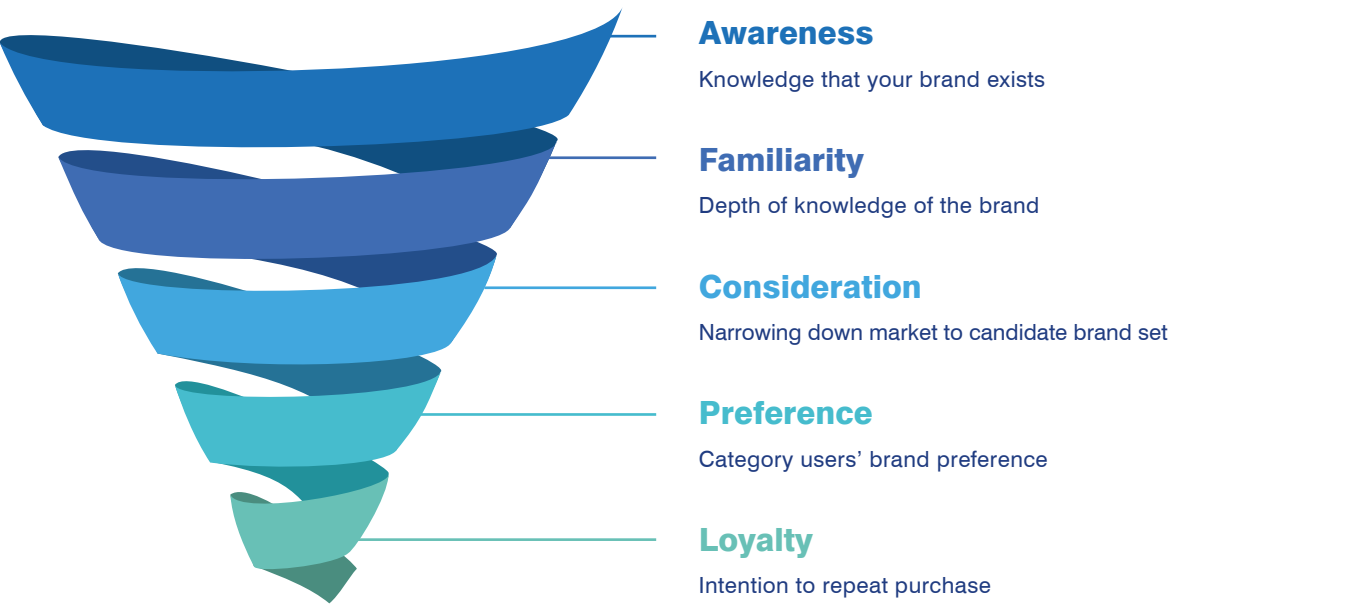
Stakeholder Equity Measures.

Key Metrics

- + Reputation
- + Innovation
- + Value for Money
- + Emotional Fit
- + Recommendation
- + Quality etc.

Brand converison funnel

The brand conversion funnel is a way of summarising the likely strength of a brand to convert to purchase.



Consulting Services.

1. Valuation: What are my intangible assets worth?

Valuations may be conducted for technical purposes and to set a baseline against which potential strategic brand scenarios can be evaluated.

- + Branded Business Valuation
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Contribution

2. Analytics: How can I improve marketing effectiveness?

Analytical services help to uncover drivers of demand and insights. Identifying the factors which drive consumer behaviour allows an understanding of how brands create bottom-line impact.

- Market Research Analytics +
- Return on Marketing Investment +
- Brand Audits +
- Brand Scorecard Tracking +

4. Transactions: Is it a good deal? Can I leverage my intangible assets?

Transaction services help buyers, sellers, and owners of branded businesses get a better deal by leveraging the value of their intangibles.

- + M&A Due Diligence
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness

3. Strategy: How can I increase the value of my branded business?

Strategic marketing services enable brands to be leveraged to grow businesses. Scenario modelling will identify the best opportunities, ensuring resources are allocated to those activities which have the most impact on brand and business value.

- Brand Governance +
- Brand Architecture & Portfolio Management +
- Brand Transition +
- Brand Positioning & Extension +



MARKETING



FINANCE



TAX



LEGAL

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

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

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

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

Brand Evaluation Services.

How are brands perceived in my category?

Brand Finance tracks brand fame and perceptions across 30 markets in 10 consumer categories. Clear, insightful signals of brand performance, with data mining options for those who want to dig deeper – all at an accessible price.

What if I need more depth or coverage of a more specialised sector?

Our bespoke brand scorecards help with market planning and can be designed to track multiple brands over time, against competitors, between market segments and against budgets. Our 30-country database of brand KPIs enables us to benchmark performance appropriately.

Do I have the right brand architecture or strategy in place?

Research is conducted in addition to strategic analysis to provide a robust understanding of the current positioning. The effectiveness of alternative architectures is tested through drivers analysis, to determine which option(s) will stimulate the most favourable customer behaviour and financial results.

How can I improve return on marketing investment?

Using sophisticated analytics, we have a proven track record of developing comprehensive brand scorecard and brand investment frameworks to improve return on marketing investment.

What about the social dimension? Does my brand get talked about?

Social interactions have a proven commercial impact on brands. We measure actual brand conversation and advocacy, both real-world word of mouth and online buzz and sentiment, by combining traditional survey measures with best-in-class social listening.



Communications Services.

How we can help communicate your brand's performance in brand value rankings



Brand Accolade – create a digital endorsement stamp for use in marketing materials, communications, annual reports, social media and website. Advertising use subject to terms and conditions.



TOP 10
TOBACCO
BRAND



MOST VALUABLE
TOBACCO
BRAND



STRONGEST
TOBACCO
BRAND



Video Endorsement – record video with Brand Finance CEO or Director speaking about the performance of your brand, for use in both internal and external communications.



Bespoke Events – organise an award ceremony or celebratory event, coordinate event opportunities and spearhead communications to make the most of them.



Digital Infographics – design infographics visualising your brand's performance for use across social media platforms.



Trophies & Certificates – provide a trophy and/or hand-written certificate personally signed by Brand Finance CEO to recognise your brand's performance.



Sponsored Content – publish contributed articles, advertorials, and interviews with your brand leader in the relevant Brand Finance report offered to the press.



Media Support – provide editorial support in reviewing or copywriting your press release, pitching your content to top journalists, and monitoring media coverage.

Brand Dialogue[®]



Value-Based Communications

With strategic planning and creative thinking, we develop communications plans to create dialogue with stakeholders that drives brand value. Our approach is integrated, employing tailored solutions for our clients across PR, marketing and social media.

SERVICES

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

For more information, contact enquiries@brand-dialogue.co.uk or visit www.brand-dialogue.co.uk

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