



# Toys 25 2015

The annual report on the world's most valuable Toys brands  
February 2015

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# Foreword.



David Haigh, CEO, Brand Finance

“The boardroom can sometimes feel like the tower of Babel, with CMOs and CFOs speaking mutually unintelligible languages, damaging the prospects for what should be their shared goals. Brand Finance bridges the gap between marketing and 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 the marketing and financial worlds. Our teams have experience across a wide range of disciplines from market research and visual identity to tax



and accounting. We understand the importance of design, advertising and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money.

That is why we connect brands to the bottom line. By valuing brands we provide a mutually intelligible language for marketers and finance teams. Marketers then have the ability to communicate the significance of what they do and boards can use the information to chart a course that maximizes profits.

Of course not all non-marketers need to be convinced that brands are valuable. Warren Buffet, renowned for his financial nous and stock picking ability, is famously keen on investing in some of the world’s biggest and best-loved brands such as Heinz and Coca-Cola. The sage

of Omaha certainly does extremely well from most of his investments, but could he be doing better?

It is all well and good to want a strong brand that customers connect with, but as with any asset, without knowing the precise, financial value, 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?

Brand Finance has conducted hundreds of brand and branded-business valuations to help answer these questions. The following report is a first step to understanding more about brands, how to value them and how to use that information to benefit the business. The team and I look forward to continuing the conversation with you.

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# 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 almost 20 years we have helped companies to connect their brands to the bottom line, building robust business cases for brand decisions, strategies and investments. In doing so, we have helped finance people to evaluate marketing programmes and marketing people to present their case in the Board Room.

**Independence**  
Brand Finance is impartial and independent. We assess and help to manage brands, but we do not create or own them. We are therefore able to give objective, unbiased advice because we have no vested interest in particular outcomes of a project and our recommendations are entirely independent. We are agency agnostic and work collaboratively with many other agencies and consultancies.

**Technical credibility**  
Brand Finance has high technical standards. Our work is frequently peer-reviewed by the big four audit practices and our work has been accepted by tax authorities and

regulatory bodies around the world. We are one of the few companies certified to provide brand valuations that are fully compliant with ISO 10668, the global standard on monetary brand valuations.

**Transparency**  
There are no black boxes. Our approach is to work openly, collaboratively and flexibly with clients and we will always reveal the details of our modelling and analysis. This means our clients always understand what lies behind ‘the number’.

**Expertise**  
We possess a unique combination of skills and experience. We employ functional experts with marketing, research and financial backgrounds, as well as ex-client-side senior management who are used to ‘making things happen’. This gives us the mindset to think beyond the analysis and to consider the likely impact on day-to-day operations. We like to think this differentiates us because our team has real operational experience.

For more information, please visit our website: [brandfinance.com](http://brandfinance.com)

Brand Finance puts thousands of the world’s biggest brands to the test every year, evaluating which are the most powerful and most valuable. The Global 500 covers the top 500 from all sectors and is just one of many annual reports produced by Brand Finance. Visit [www.brandfinance.com](http://www.brandfinance.com) to discover more.

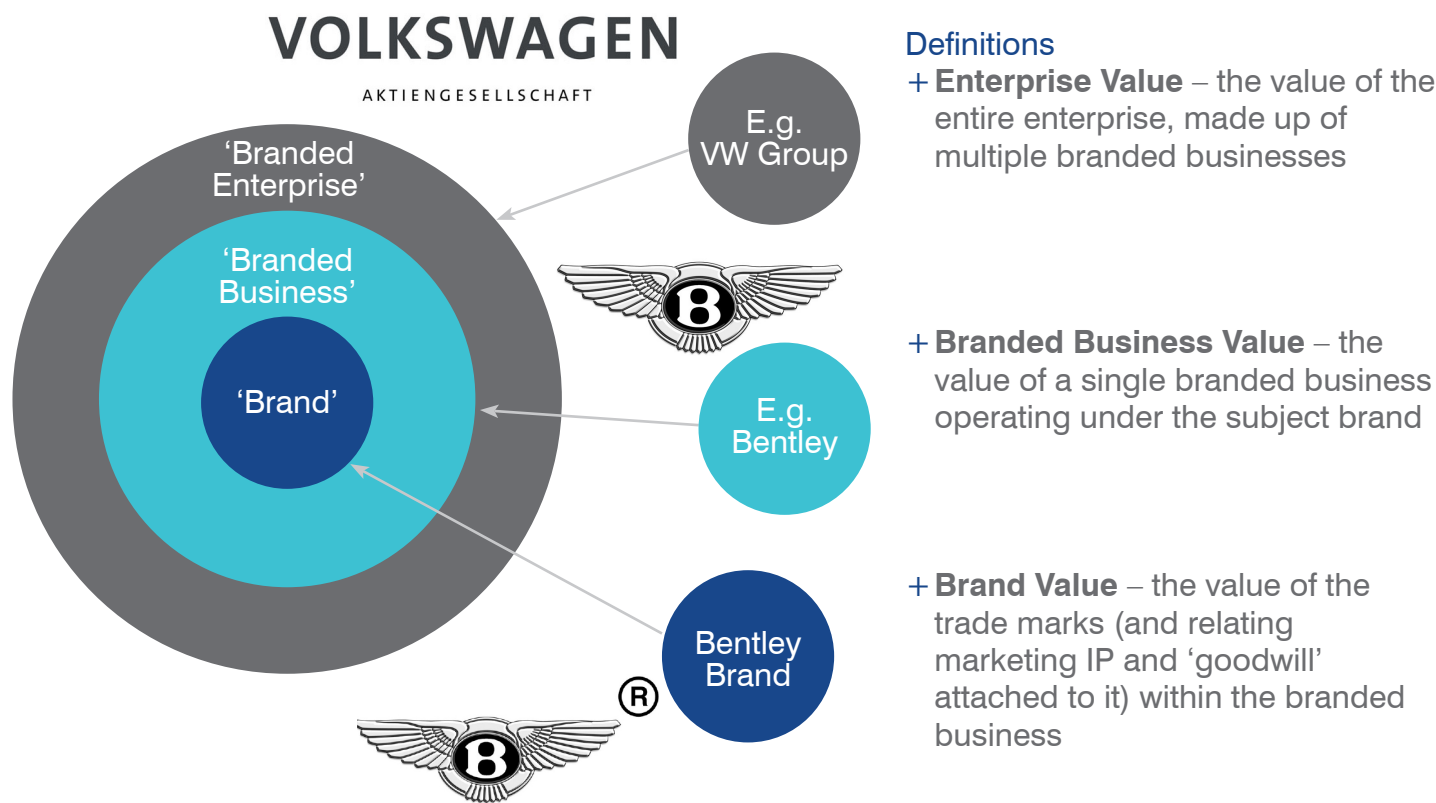


Bridging the gap between marketing and finance



# Methodology

## What do we mean by ‘brand’?



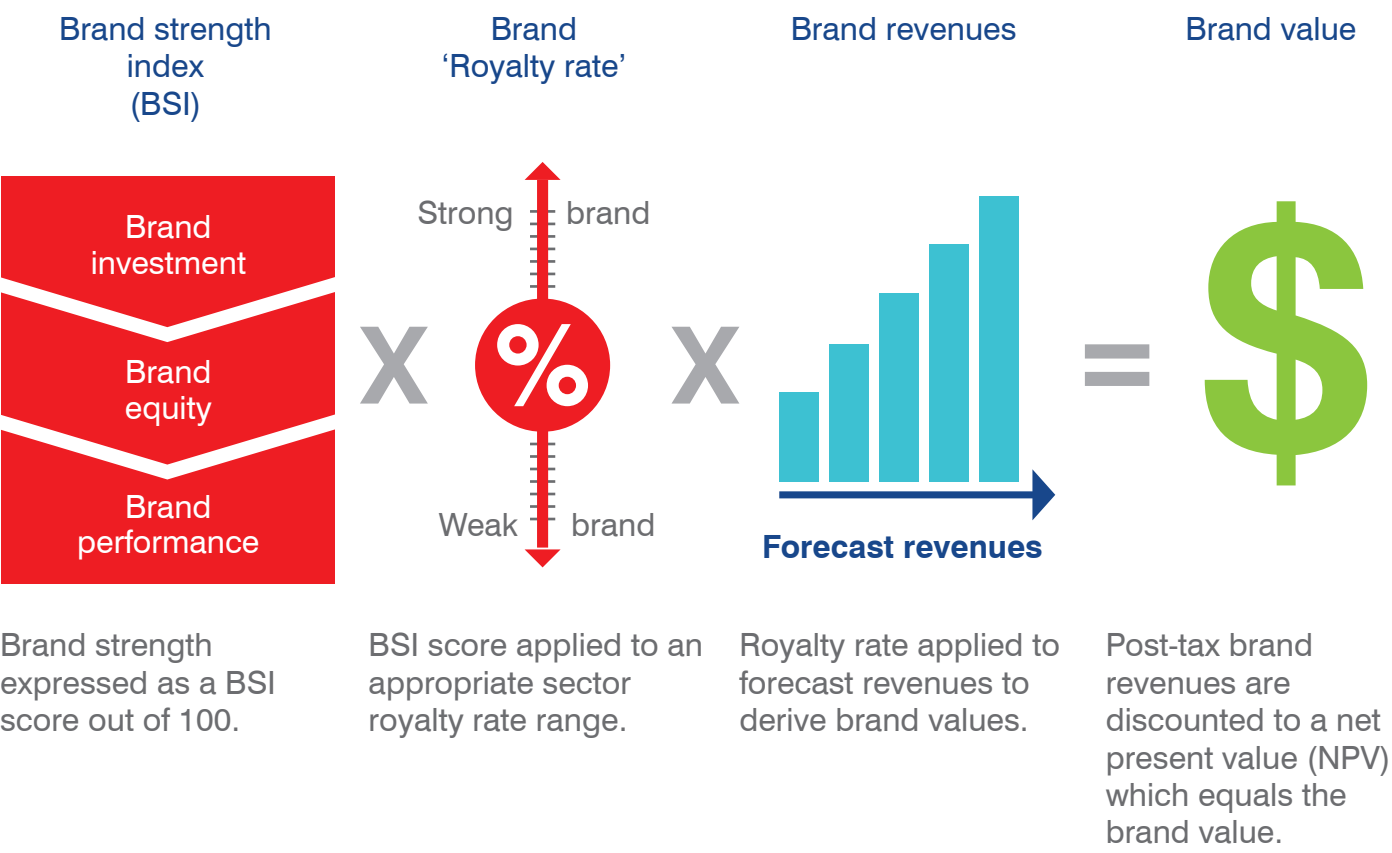
### Definition of ‘Brand’

In the very broadest sense, a brand is the focus for all the expectations and opinions held by customers, staff and other stakeholders about an organisation and its products and services. However when looking at brands as business assets that can be bought, sold and licensed, a more technical definition is required. Brand Finance helped to craft the internationally recognised standard on Brand Valuation, ISO 10668. That defines a brand as “a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities, or a combination of these, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits/value”

### Brand Strength

Brand Strength is the part of our analysis most directly and easily influenced by those responsible for marketing and brand management. In order to determine the strength of a brand we have developed the Brand Strength Index (BSI). We analyse marketing investment, brand equity (the goodwill accumulated with customers, staff and other stakeholders) and finally the impact of those on business performance. Following this analysis, each brand is assigned a BSI score out of 100, which is fed into the brand value calculation. Based on the score, each brand in the league table is assigned a rating between AAA+ and D in a format similar to a credit rating. AAA+ brands are exceptionally strong and well managed while a failing brand would be assigned a D grade.

# Methodology



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

### The steps in this process are as follows:

- 1 Calculate brand strength on a scale of 0 to 100 based on a number of attributes such as emotional connection, financial performance and sustainability, among others. This score is known as the Brand Strength Index.
- 2 Determine the royalty rate range for the respective brand sectors. This is done by reviewing comparable licensing agreements

sourced from Brand Finance’s extensive database of license agreements and other online databases.

- 3 Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand’s sector is 1-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4.2%.
- 4 Determine brand specific revenues estimating a proportion of parent company revenues attributable to a specific brand.
- 5 Determine forecast brand specific revenues using a function of historic revenues, equity analyst forecasts and economic growth rates.
- 6 Apply the royalty rate to the forecast revenues to derive brand revenues.
- 7 Brand revenues are discounted post tax to a net present value which equals the brand value.

Sector Analysis – Toys

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Lego is not only the most valuable toy brand, but it is the most powerful brand from any sector. It scores highly on a wide variety of measures on Brand Finance’s Brand Strength Index (BSI). The BSI is the part of our analysis most directly and easily influenced by those responsible for marketing and brand management taking in factors such familiarity, loyalty, promotion, marketing investment, staff satisfaction and corporate reputation.

Lego’s appeal spans generations; as well as the creative freedom it gives children, the brand appeals to the nostalgia of adults. It generally avoids gendered marketing, by appealing to boys and girls equally Lego maximises the size of its target demographic. That approach also pleases parents, as concerns mount over the effect toys may have on the outlook and ambitions of children, and girls in particular.

However this year’s particularly strong performance is thanks to the Lego Movie. The film was both a critical and commercial success (it was the top grossing film of 2014 in the UK and Ireland), providing not just immediate revenue but also an unrivalled marketing tool. Amateur versions of the film’s stop-motion technique have proliferated online to the extent that Lego could be described as an artistic medium in its own right. Anyone attending Nathan Sawaya’s ‘Art of Brick’ exhibition at London’s Old Truman Brewery would be inclined to agree.

2014 saw a brush with controversy when Greenpeace protesters challenged Lego over its partnership with Shell. Greenpeace created its own Lego video, with a mournful version of the Lego Movie theme song played over scenes of Shell’s alleged destruction of the arctic. The

	1	Rank 2015: 1 BV 2015: \$3,890m BV 2014: \$2,308m Brand Rating: AAA+	↑ +69%
	2	Rank 2015: 2 BV 2015: \$815m BV 2014: \$1,163m Brand Rating: AAA-	↓ -30%
	3	Rank 2015: 3 BV 2015: \$476m BV 2014: Brand Rating: AA	
	4	Rank 2015: 4 BV 2015: \$294m BV 2014: Brand Rating: AA-	
	5	Rank 2015: 5 BV 2015: \$287m BV 2014: Brand Rating: AA	
	6	Rank 2015: 6 BV 2015: \$213m BV 2014: \$301m Brand Rating: AAA-	↑ -29%
	7	Rank 2015: 7 BV 2015: \$208m BV 2014: Brand Rating: AA+	
	8	Rank 2015: 8 5 BV 2015: \$187m BV 2014: \$207m Brand Rating: AAA-	↓ -10%
	9	Rank 2015: 9 BV 2015: \$179m BV 2014: Brand Rating: A	
	10	Rank 2015: 10 BV 2015: 175m BV 2014: Brand Rating: A	

Rank 2015	Brand name	Domicile	Brand value (\$m) 2015	% change	Brand value (\$m) 2014	Brand rating 2015	Brand rating 2014
1	Lego	Denmark	3,890	69%	2,308	AAA+	AAA-
2	Fisher-Price	United States	815	-30%	1,163	AAA-	AA
3	Barbie	United States	476			AA	
4	Playskool	United States	294			AA-	
5	Power Rangers	Japan	287			AA	
6	Mattel	United States	213	-29%	301	AAA-	AA
7	Nerf	United States	208			AA+	
8	Hasbro	United States	187	-10%	207	AAA-	AA+
9	Ben 10	Japan	179			A	
10	Bandai	Japan	175			A	
11	Monopoly	United States					
12	Monster High	United States					
13	Bandai Namco	Japan					
14	Hot Wheels	United States					
15	MEGA Bloks	Canada					
16	Masked Rider	Japan					
17	Play-Doh	United States					
18	Mobile Suit Gundam	Japan					
19	My Little Pony	United States					
20	Star Wars	United States					
21	Transformers	United States					
22	Magic: The Gathering	United States					
23	Littlest Pet Shop	United States					
24	LeapFrog	United States					
25	Matchbox	United States					



# Sector Analysis – Toys



virality of similar videos that has been such a boon for the brand was used against it. Lego wisely chose not to renew its Shell partnership, diffusing the negative publicity and reputational impact.

Licensed partnerships have been another route to success. The combination of Lego and Star Wars in particular has been irresistible to the public. ‘Lego Star Wars’ has become a hugely successful video game franchise demonstrating that Lego is more than just a vehicle for other loved brands, its image alone is hugely marketable.

In the early 2000s, Lego was facing near bankruptcy. An overextended product range and problems with stock control had led the company to a nadir. The downward spiral was arrested by discontinuing unpopular ranges and

making all products compatible with the core range, both visually and mechanically, helping to reverse the dilution of the brand and enhance brand equity. Since then a decade of repeated marketing and financial successes have transformed Lego’s fortunes and transformed it into a brand with enduring appeal and unmatched brand strength.

The rest of the toy industry is struggling as slow economic recovery affects sales and electronic toys and iPads increasingly dominate children’s attention. The Mattel corporate brand in particular has suffered as its value fell 29% to US\$213 million. Mattel’s flagship toy, Barbie, which once held 25% of the US market for dolls and accessories, now enjoys just a 19.6% share. Barbie’s fall in popularity is reflected in its brand value, which has dropped 24% to US\$476 million, just over a tenth of Lego’s brand value. It



has also seen its brand rating fall from AA+ to AA as the sense feelings that it lacks creativity and reinforces negative gender stereotypes builds. It also faces strong competition from Frozen dolls which seem to represent a more relevant image. However, Mattel is fighting hard to reinvigorate the brand image of Barbie. The introduction of the “Princess Power”, a superhero Barbie, is planned to inspire girls around the world.

The Mattel suffered another blow with the loss of the licence to produce Disney Princess dolls, including the characters from the smash hit ‘Frozen’, to Hasbro. Mattel’s most valuable brand Fisher Price has also experienced struggling sales and a fall in brand value.

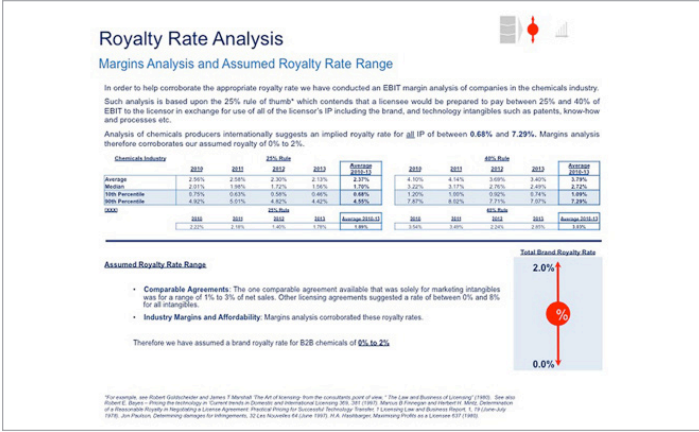
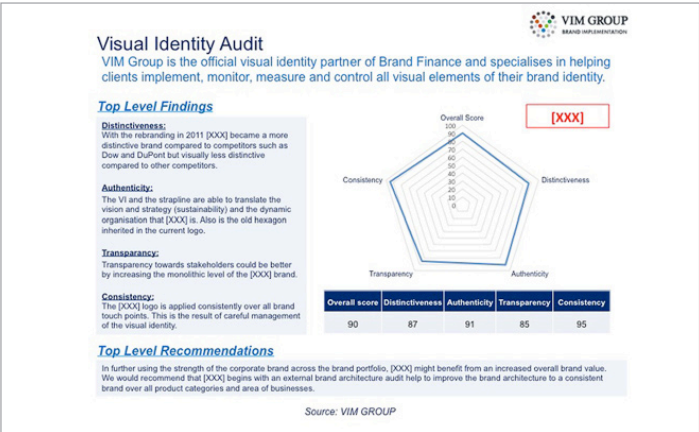
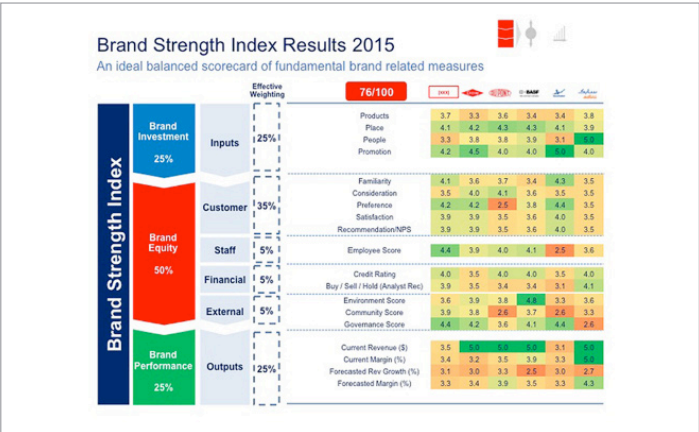
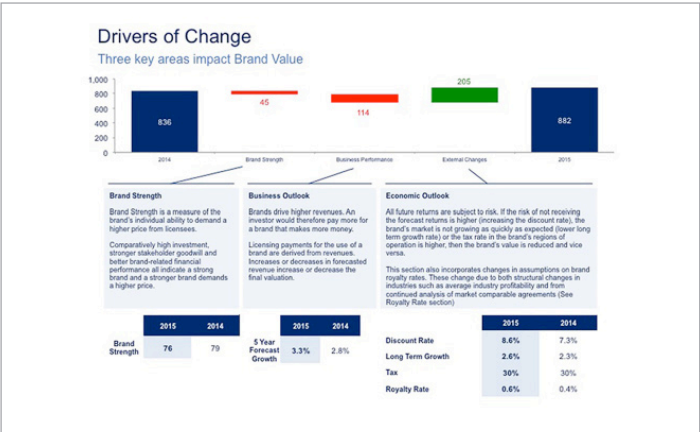
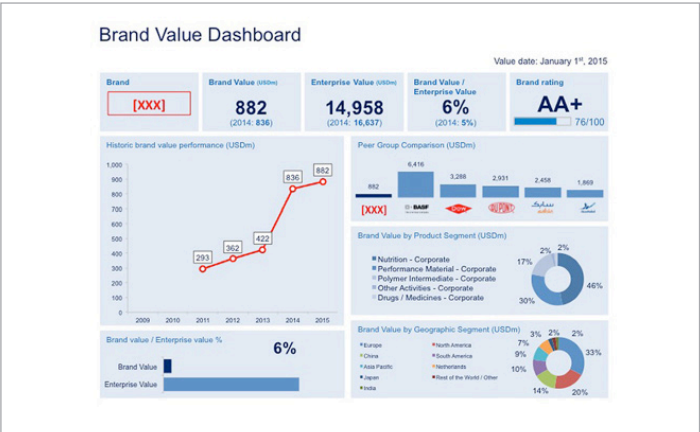
Hasbro has had a mixed year, losing 10% of its brand value whilst seeing its brand rating

upgraded from AA+ to AAA-. These results reflect its market performance; it has seen total revenue up 7% to US\$1.47 billion, but a fall in sales of its most value brand Playskool. Its Nerf brand has been more successful however. Traditionally seen as a very male orientated brand, 2014 saw the successful launch of the Nerf Rebelle, a range targeted at girls.

Bandai Namco has suffered a 31% drop in the value of its corporate brand amid falling profits. Its video games business was the only sector to see an increase in earnings. The Power Rangers brand should enjoy a major boost in the run up to the Power Rangers movie, set for 2016, should add further value to the brand itself, but also be beneficial to Bandai as a whole.



# Understand Your Brand's Value



A League Table 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.

A full report includes the following sections which can also be purchased individually.

## Brand Valuation Summary

Overview of the brand valuation including executive summary, explanation of changes in brand value and historic and peer group comparisons.

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

## Brand Strength Index

A breakdown of how the brand performed on various metrics of brand strength, benchmarked against competitor brands in a balanced scorecard framework.

- + Brand strength tracking
- + Brand strength analysis
- + Management KPI's
- + Competitor benchmarking

## Royalty Rates

Analysis of competitor royalty rates, industry royalty rate ranges and margin analysis used to determine brand specific royalty rate.

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

## Cost of Capital

A breakdown of the cost of capital calculation, including risk free rates, brand debt risk premiums and the cost of equity through CAPM.

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

## Trademark Audit

Analysis of the current level of protection for the brands word marks and trademark iconography highlighting areas where the marks are in need of protection.

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

For more information regarding our League Table Reports, please contact:

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# How we can help.



We help marketers to connect their brands to business performance by evaluating the financial impact of brand based decisions and strategies.

- + Brand Valuation
- + Brand Due Diligence
- + Profit Levers Analysis
- + Scenario Modelling
- + Market Research
- + Brand Identity & Customer Experience Audit
- + Brand Strength Analysis
- + Brand Equity Analysis
- + Perception Mapping
- + Conjoint & Brand/Price Trade-off Analysis
- + Return on Investment
- + Sponsorship Evaluation
- + Budget Setting
- + Brand Architecture & Portfolio Evaluation
- + Brand Positioning & Extension Evaluation
- + Brand Migration
- + Franchising & Licensing
- + BrandCo Strategy
- + Brand Governance Process
- + Brand Tracking
- + Management KPIs
- + Competitor Benchmarking



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

- + Brand & Branded Business Valuation
- + Intangible Asset Valuation
- + Fair Value Exercise (IFRS 3 / FAS 141)
- + Intangible Asset Impairment Reviews (IAS 36 / FAS 142)
- + Brand Due Diligence
- + Information Memoranda
- + Finance Raising
- + Insolvency & Administration
- + Market Research Design and Management
- + Return on Investment
- + Franchising & Licensing
- + BrandCo & IPCo Strategy
- + Scenario Modelling & Planning
- + Transfer Pricing Analysis
- + Management KPIs and Target-setting
- + Competitor Benchmarking



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

- + Brand & Branded Business Valuation
- + Intangible Asset Valuation
- + Patent Valuation
- + Asset Transfer Valuations
- + Business & Share Valuations
- + Transfer Pricing Analysis
- + Royalty Rate Setting
- + Brand Franchising & Licensing
- + BrandCo & IPCo Strategy
- + Market Research Design and Management
- + Brand Tracking
- + Expert Witness Opinion



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

- + Brand & Branded Business Valuation
- + Intangible Asset Valuation
- + Patent Valuation
- + Business & Share Valuations
- + Loss of Profits Calculations
- + Account of Profits Calculations
- + Damages Assessment
- + Forensic Accounting
- + Royalty Rate Setting
- + Brand Franchising & Licensing
- + BrandCo & IPCo Strategy
- + Market Research Design and Management
- + Trademark Registration
- + Trademark watching service

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

**Brand Monitoring**  
Improve reporting and brand performance management by integrating market research, investment, market and financial metrics into a single insightful scorecard model to track performance and inform strategic decisions.



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

**Brand Strategy**  
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.

# Contact details.

## Contact us.

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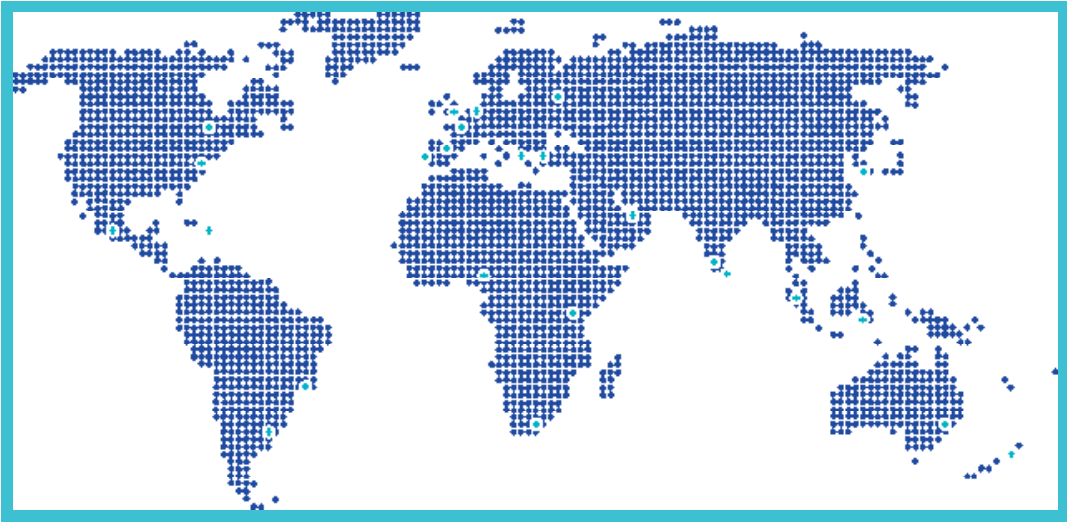
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The opinions and financial analysis expressed in the report are not to be construed as providing investment or business advice. Brand Finance does not intend the report to be relied upon for any reason and excludes all liability to any body, government or organisation.

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

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