Best Global Brands 2008

Creating and managing brand value™

Interbrand

7. Intel
$31,261 Million
+1% from 2007

6. Toyota
$34,050 Million
+6% from 2007

5. Nokia
$35,942 Million
+7% from 2007

4. GE
$53,086 Million
+3% from 2007

3. Microsoft
$59,007 Million
+1% from 2007

2. IBM
$59,031 Million
+3% from 2007

1. Coca-Cola
$66,667 Million
+2% from 2007

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Creating and managing brand value

Each year our study of the world's most valuable brands has generated increasing amounts of interest from the broad collection of companies and practitioners associated with brands. We have enjoyed leading the discussion and joining debates to help organizations recognize, appreciate and grow the value of their brands.

This issue is a further progression of our annual report. It continues to focus on our pre-eminent Best Global Brands study but is now expanded to share the lessons from these leading brands to enable us to give you more practical advice within the opportunities and challenges of today's market.

We've also updated our website, www.interbrand.com, to offer broader and deeper perspectives on creating and managing the value of brands.

We hope you continue to find our perspective on brands to be helpful, stimulating and provocative.

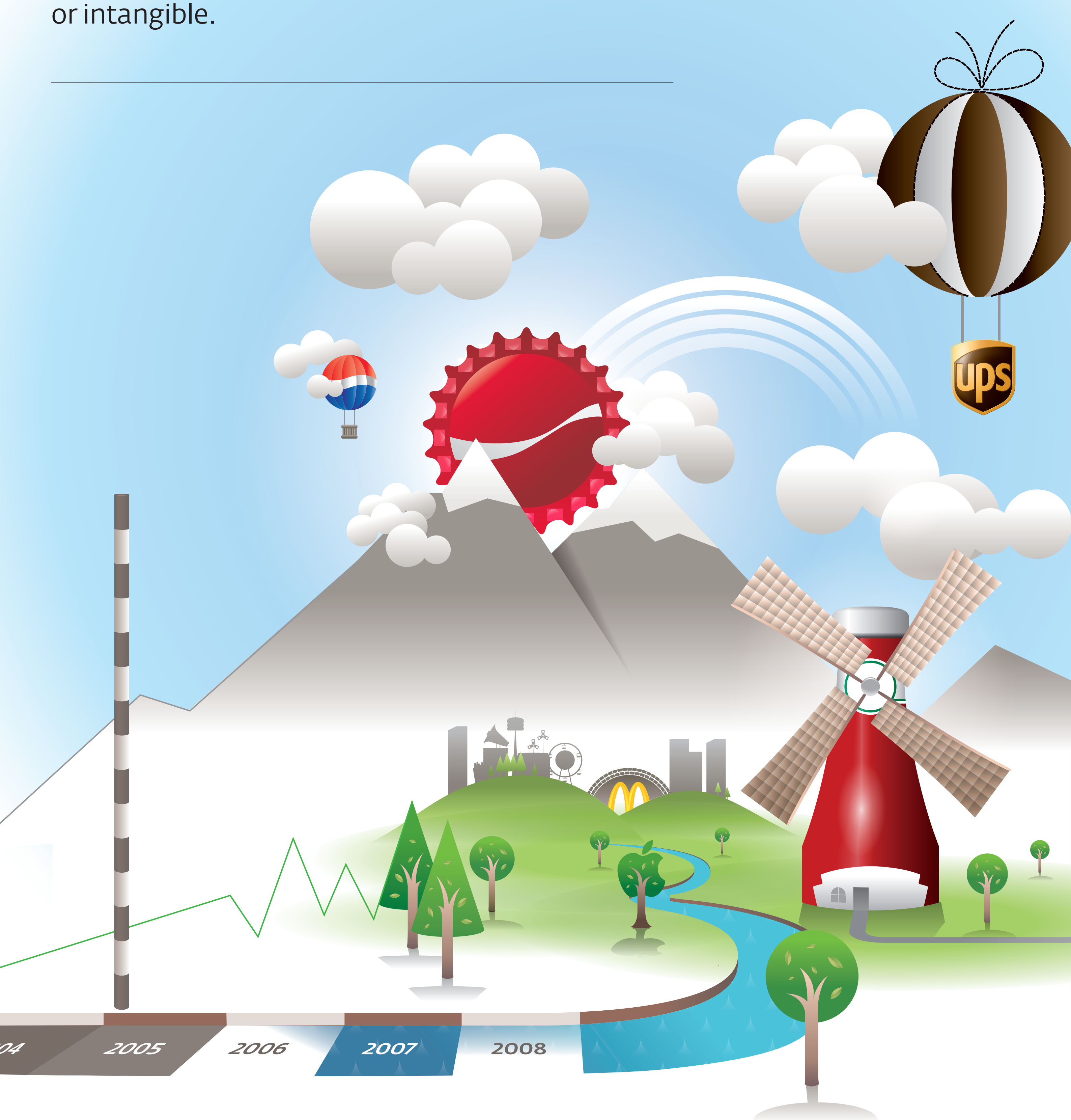
My thanks go out to my friends and colleagues who have contributed to this magazine, particularly Nancy Koehn, Professor of Business Administration at Harvard Business School, whose work we are delighted to have as a contribution in this edition.

Regards,

Jez Frampton
Group Chief Executive
Interbrand

Executive summary

Best Global Brands has taught us time and time again that brand remains a far less volatile asset than other business assets – tangible or intangible.



The past year has been one of the more dramatic and turbulent that global economies have endured. In some regions of the world, the anticipation of a troubled economy ahead will undoubtedly make it more challenging for marketers to make effective plans. Patience wanes in a results-oriented, nervous economy. Brand management needs to constantly demonstrate value. And in regions with markets opening to the global stage for the very first time, a new and unknown set of challenges awaits.

As the world becomes one global economy, it becomes an increasingly complex place. Will the economic woes of developed markets pollute emerging markets, or will developing markets provide the medicine that the established world needs? Charting the course for successful brand management requires a multifaceted perspective, even if it's delivered through one brand. A connected and holistic approach to brand management is a prerequisite.

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In troubled economies, we know that business doesn't cease. Companies may struggle, but the practice of buying and selling continues no matter what. Leading Brands know this and come through difficult times stronger and readied to compete, rather than hibernating in the comforts of business-as-usual.

In developing markets, we know there is a world of possibilities opening to consumers. The idea of buying and selling is not new to them - greater choice is the novel concept. Wealth is no longer an exciting idea, but a reality. The marketer's challenge is showing people where and how to spend. Many of the Best Global Brands have seen the opportunities emerging and are bullish in establishing themselves.

Regardless of your view of the world, in good times and bad, your brand is your company's most valuable asset. Understanding how your brand creates value for you is key to maintaining market leadership or establishing it in the first place. We continue to see an increasingly sophisticated outlook on managing brands, and a growing importance on understanding the drivers of brand value.

Is my brand a leader?

To understand your brand's ability to lead in these times, consider these questions.

Is my brand truly in sync with my market?
Consumers' attitudes are constantly evolving. But when the economic climate shifts, these changes quickly become more evident. As consumers' perceptions of value change, your business model should adapt to meet this new criterion. The value of every purchase will count for more in consumers' pockets. Instinctively, they will take fewer risks and turn to brands they know and trust. A valued brand will need to discount less and can even find their consumers willing to spend more if they believe they're getting more value for their dollar, euro, pound, rupee or yen.

Are my employees prepared to meet greater service and quality demands from customers?
The uncertainty of a downturn drives consumers to want more for their money and demand a more emotionally rewarding experience for their hard-earned and limited cash. Consumer expectation grows and your employees must be ready to deliver against these demands. Your people, and their sense of engagement to your brand, have never been more important. Connecting your employees to the brand experience they provide is crucial.

Is innovation a necessity at this time?
If Henry Ford listened to customers he'd have made a faster horse! Don't retreat from evolving your brand or your offering to maximize your ability to create demand. Your competitors are experiencing the same climate; maintaining the status quo is rarely a winner's strategy.

How is my competitive set likely to change when I'm competing harder for a smaller share of wallet?
When there's less money to go around, discretionary spending habits change. Competitors start to cross market segments. Brands stop competing in category and start to compete beyond category. It's no longer the choice between Nike or Adidas shoes. The question becomes, "Do I buy shoes or an iPod?"

Do I fully understand how my brand makes money for my business?
Your brand plays a significant role in your supply chain. It is an assurance of quality on the supply side and a revenue source on the demand side. You need to understand its intricacies if you're to maximize its role and value to your business.

... And remember that downturns are followed by upturns. Moods and appetites of the business may change, but organizations that understand and respect their brands as assets will prosper. While it may be tempting to slash and burn, brands – like other business assets – don't thrive in a start, stop, pick-me-up, and put-me-down mentality. Growing the value of a brand is a constant and cyclical process.

Nancy F. Koehn
Harvard Business School

Nancy F. Koehn, an authority on business history, is the James E. Robison Professor of Business Administration at Harvard Business School. Koehn's research focuses on entrepreneurship, leadership, and connecting with customers in the Information Revolution. She is currently working on a book about the most important leadership lessons from Abraham Lincoln and another on social entrepreneurs. Her most recent book, *Brand New: How Entrepreneurs Earned Consumers' Trust from Wedgwood to Dell* (Harvard Business School Press, 2001) examines six entrepreneurial visionaries who have created powerful brands and best-of-class companies in moments of great change.

Koehn is also the author of *The Power of Commerce: Economy and Governance in the First British Empire* (1994), as well as a contributor to *Remember Who You Are: Life Stories That Inspire the Heart and Mind* (2004); *The Intellectual Venture Capitalist: John H. McArthur and the Work of the Harvard Business School, 1980-1995* (1999); *Creating Modern Capitalism: How Entrepreneurs, Companies, and Countries Triumphed in Three Industrial Revolutions* (1997); and *Management Past and Present: A Casebook on American Business History* (1995). She has written and supervised cases on Oprah Winfrey, Starbucks Coffee Company, Ernest Shackleton, Wedgwood, Williams-Sonoma, Estée Lauder, Henry Heinz, Milton Hershey, Celeste Walker, Marshall Field, Dell Computer, and other leaders and organizations.

At the Harvard Business School, she teaches the MBA elective, Entrepreneurial Leadership: Past, Present, and Future. For many years, she taught, The Coming of Managerial Capitalism, one of the School's most popular courses.

Koehn consults with many companies and speaks frequently before business leaders on a range of issues including leading in turbulent times, the power of strong brands, visionary entrepreneurs, and learning from history. In 2001, Business 2.0 named Koehn one of 19 leading business gurus in the United States. She has appeared on "Good Morning America," CNBC's "Moneywheel," "Nightly Business Report," and "Street Signs," "The NewsHour with Jim Lehrer," A&E's "Biography," CNN's "Money Line" and many other television programs.

She is a frequent commentator on National Public Radio.

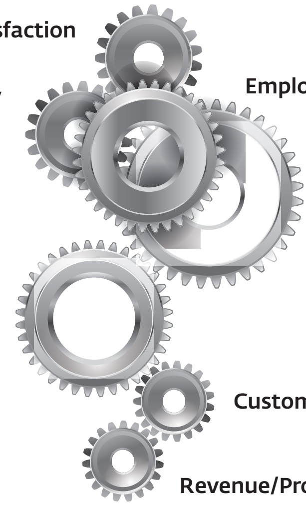
Before coming to HBS in 1991, Koehn was a member of Harvard University's Faculty of Arts and Sciences for seven years, first as a graduate student in history and then as a lecturer in the History and Literature concentration and the Department of Economics. During the years, she received the Allyn Young prize in 1989 and numerous Danforth commendations for excellence in teaching.

A Phi Beta Kappa graduate of Stanford University, Koehn earned a Master of Public Policy from Harvard's Kennedy School of Government in 1983. She worked as a congressional aide before receiving her M.A. and Ph.D. in European history from Harvard University.

Guest Contributor:

Respected Harvard Business School professor and author Nancy Koehn speaks out on managing brands

01 The difference between the brand and the business



Source -The Service Profit Chain, Heskett, Sasser, Schlesinger

In companies with powerful brands, the brand and the business are all bound up together, and finding hard, fast lines of demarcation between the two is difficult. In such organizations, like Google or Apple or Starbucks, there is a collective understanding that the business would simply not exist without the brand. It shapes the idea of what the company is, at its core; where it is going in the larger market; and the end toward which it is traveling. I have seen the force of this understanding at work – in some companies, it evokes the passion of a person serving a higher purpose. I have seen its reach and depth in virtually every aspect of the company, from financial reporting to supply-chain management to product innovation.

All these "ties that bind" carry important benefits, including engaged employees; profitable differentiation in the marketplace; collective (often unspoken) agreement on the criteria by which most decisions are made; significant competitive advantages (the more bound up the brand and the business are, the harder they are for rivals to emulate); high levels of customer interest and loyalty; and the perception – both inside and out – of organizational consistency and coherence. But this intertwining of brand and business is also fraught with key risks: if the brand or the business suffers a blow, particularly an unexpected one, many aspects of the company and its path may become vulnerable. For example, if the external market changes swiftly – as it did for Starbucks in the last 18 months – then the brand may be perceived as weaker or more problematic than it would in a company in which the brand was a discreet attribute and managed as such. In truth, the brand remains the central, animating aspect of the organization and its most important tool for weathering market turbulence. But in confusing times, it will not always be understood as such. It is the task of company leaders to carry the brand standard high, to frame the stakes of the moment and to keep the relevant stakeholders on the path of effective brand stewardship.

02 The brand and the service profit chain

Every firm has a brand and every firm has a service profit chain, whether management recognizes such attributes or not. These two aspects are part and parcel of each other, and becoming more so. Why? Because consumers are increasingly evaluating brands by their own experience with them. And this experience is broader and richer than buying a given product or service, as important as a given transaction is. Customer experience includes how a consumer feels during a call to a help desk, how he or she reacts to learning about a company's offshore labor practices, and what happens when he or she asks for advice from an employee but does not purchase the offering. In each of these examples, customer experience (and thus brand assessment) is dependent on the engagement, satisfaction, and competence of company employees. And these are, in turn, a function of the service profit chain, of how management perceives the relationship between employee satisfaction and its financial performance in the marketplace. For companies that honor the service profit chain (and benefit accordingly), the growing sophistication and confidence of consumers who rely so heavily on their experience is good news. For others, particularly those led by executives who view employees primarily as large cost centers and who talk a lot about great service while delivering poor experiences to people inside and out of the business, the day of reckoning is fast approaching.

03 The significance of brand value: Brand value is an important measure

Brand value is used most frequently in the accounting context, as a means of measuring the asset that a brand represents. We hear a lot about the financial value of a brand when a company is bought or sold. But this is not the only, or even the most important, application of brand value. Having an accurate measure of brand value is extremely constructive day to day as managers make decisions about allocating resources across time and projects. It's interesting that most executives know the value of their plant, inventory, investments in people, IT systems, and other assets. They use these numbers to help them steer their company's course. But far fewer know the value of their brand, treating it as a more intangible and thus often more fungible resource. As a result, the brand risks being (subtly) devalued relative to other more quantifiable resources and issues. For instance, a manager under short-term pressure to cut customer-service costs sees Wall Street's analysis of the firm's cost structure. She may not see a corresponding number for the financial effect on brand value if she slashes hotline employees.

04 Business school students and brands

In my 17 years at Harvard Business School, I have seen MBA students' interest in brand grow markedly. Some of this is a result of the increasing importance – strategic, organizational, cultural, and financial – of brands in a crowded, exciting, but also confusing global marketplace. Some of this is a function of the rising importance of the internet and the role brands play in helping people navigate this astounding (and bewildering) new channel. And some of students' engagement with brands is *sui generis*: brands themselves are becoming more interesting – from the business and the consumer side.

05 Harvard Business School and brands

The Harvard Business School lives, indeed thrives, at a curious junction between theory and practice. Between the rigors of scholarly research with its explanatory models and the everyday reality of starting, running, and sustaining a business. How and what we teach reflects the institution's position at this crossroads. We want our students to see how world-class scholars have thought about brands, how various companies create and manage brands, and how these two perspectives relate to one another. So it is not surprising that our students today learn a lot about brands in the first-year curriculum and that, in their second year, many elect to take courses that deal centrally with brands. For example, in my second-year MBA course on Entrepreneurial Leadership, one of the subjects with which students are most engaged is how specific individuals, such as Henry Heinz or Milton Hershey or Oprah Winfrey, built world-class brands and why brand mattered so much to their young companies' success.

06 The brand and CEO priorities in uncertain times

It may seem counterintuitive, but brands actually matter more – not less – in uncertain economic times. This is because in a downturn or in a moment, such as ours right now, when there is so much confusion in the economy, most people are running scared. Consumers are anxious about prices and jobs and cash flow and housing values. Company executives are anxious about revenues and profit margins and year-over-year comparables. And everyone is nervous about the capital markets, particularly the stock market. So, in different ways, most folks are looking for signposts or guidelines or points to steer by. Some of this searching is conscious, such as an academic calling a financial expert for advice on her retirement portfolio. Some is unconscious, such as company executives changing course several times on budget issues (leaving his reports confused and perhaps more anxious).

In all this turbulence and seeking, brands offer direction and clarity. For consumers, strong brands stake out a defined identity and value proposition, advantages that become even more important when households are re-evaluating their spending patterns. For companies, powerful brands act as a kind of touchstone or ballast in the storm, telling employees what the organization stands for, where it came from, and why what the organization does in the marketplace is distinctive.

Unfortunately, many executives overlook the importance of brands in times of uncertainty. In the rush to cut costs, top managers often slash investments in brand, seeing these as (suddenly) too expensive. Such reaction is understandable. But it can be shortsighted. Like important relationships, brands offer key benefits – especially in times of trouble. But they don't do this on command or on the spot. They do this as a result of ongoing investment and commitment.

Given this, it makes good strategic sense for CEOs to pay careful attention to brand in the midst of turmoil and doubt. After all, most of one's rivals are likely to be running away from brand. So there is competitive advantage to be had.

07 Brand and internal confidence

My research suggests that brands play a vital role in sustaining confidence within a company. This is most obvious in firms such as Southwest Airlines, Apple, the Ritz-Carlton, or The Container Store. These are all strong, market-leading brands. These are all brands that depend on front-line employees to communicate the core brand attributes and value propositions to the consumer. These are all brands that have proven tough to imitate. And these are all brands in which the first customers whom the companies sought to win over were the very employees who became passionate disciples for the brand and its offerings.

Take the Ritz-Carlton, for instance. Before any person takes up the reins of any position in a company property, they undergo an intensive seven-day orientation. This involves skills training in the specific aspects of various positions. But it also involves a kind of "baptism in the brand," as new employees are exposed to the company's service philosophy, its credo, motto, and other aspects of the Ritz-Carlton Gold Standards. The overall intention of the program is to prepare employees – mentally as well as practically – to live and breathe the organization's motto: "Ladies and gentlemen serving ladies and gentlemen."

At its essence, this orientation is an investment in the Ritz-Carlton brand. As such, it is also an investment in the confidence of the people – from bellmen to room service waiters to maintenance staff – who hold the brand in their hands every day. A clearly defined, powerful brand is like a light in the midst of a thick fog. It is a beacon for men and women to steer by and thus a source of self-assurance.

08 Brand as a business asset

Brands first became part of business parlance in the late 19th and early 20th centuries. In the United States and other countries, this was a time when integrated, national markets were developing and the economy was industrializing. A range of young companies, from Ford to Coca-Cola to Gillette, began manufacturing and distributing consumer products for millions of households. To communicate their products and distinguish them from competing ones, companies invested in packaging, advertising, national sales forces, and, in some instances, employee training. (It is not a coincidence that the advertising industry emerged as a force in its own right during this period.)

Most business leaders of this time did not use the words "brand" or "brand management" to describe what they were up to. But entrepreneurs like Marshall Field, who created the premier department store of the same name, or Alfred Sloan, who did so much to build General Motors, knew they had something important in the recognition that consumers gave their products, and they worked to increase and strengthen such notice.

Managerial thinking about brand developed rapidly in the middle decades of the century. In the 1930s and 1940s, brand management took a huge leap forward under the leadership of men like Neil McElroy at Procter & Gamble. McElroy, who would go on to become CEO, worked to create a team of people within the company who would be dedicated to each brand – to protecting and marketing their respective lines in it. Here we can see the emergence of the brand as a business asset, as a feature that benefited the organization and was thus worthy of attention and value. For much of the 20th century, brands remained such business assets. They were often more difficult to put a dollar value on than other assets on the balance sheet. But managers understood them to be important to the operation of the business and treated them as such.

In the last decade, the conception of the brand as a business asset has grown more dynamic and complex. As consumers (and employees) develop deeper and more engaged relationships with brands, executive thinking about brands is changing as well. In many companies today, leaders understand that the asset that brand represents transcends marketing, that it is related to other key aspects of the business. These aspects include attracting and retaining talent, analysts' perceptions of the business, supplier relationships and leverage, media coverage, and more.

09 Brand management in developing markets

One of the most interesting aspects of global capitalism today is how quickly markets are evolving in developing countries. In places like China, India, and Brazil, everything is happening much more quickly than it did in today's developed economies, places like the United States, Europe, and Japan. What took decades to happen in these industrialized countries in terms of consumer sophistication, brand management, and the application of technology, is taking just a few years – sometimes less – in developing nations today. In some instances, entrepreneurs and managers in places like China are actually able to leapfrog over their counterparts in the United States and Europe, moving farther and faster with a new idea or new possibility in brand management. For example, in China, brand communication via hand-held devices is way ahead of the same strategy in more developed countries. We will continue to see exciting innovations in brand management come from these young, important economies, as well as from other nations where global capitalism is just now taking hold.

10 Marketers' nightmares

Several of the marketers I know are lying awake at night thinking about these two issues: a voracious global media that is increasingly looking to business for the next "hot scoop" and knowledgeable consumers who are increasingly making decisions based not only on a company's offerings, but on how those offerings are produced and distributed. When we marry these issues to great leaps in connectivity, we have a brave new, completely transparent world. Marketers, CEOs, and other business leaders, it seems, now live in glass houses. In this environment, where whom a company hires in an East Asian factory can become the (scandalous) stuff of internet chat rooms and where one's sourcing policies can provide fodder for global activists, marketers and other executives are learning the power of an old adage: the best defense is a good, fast offense. The best way to thrive when everyone is looking at everything is: first, run a clean, smart shop; second, know how your shop is run – from the top of the supply chain to the bottom; and third, get the story of your shop out before others beat you to it, telling it on their terms and for their agenda and almost always with less than all the relevant information. Brush up your story-telling powers. This is fast becoming an important requirement for smart brand stewards.

It may seem counter-intuitive, but brands actually matter more – not less – in uncertain economic times.

The six laws of collaborative branding

by Jason Baer

Biography:
As Interbrand's Director of Verbal Identity in New York, Jason Baer combines an array of experience in communications, brand strategy and ideation to help harness the power of language in compelling new ways for his clients. Jason has worked with numerous large clients like AOL, Citi, and Comcast.

We regret to inform you that your services are no longer required. You've been a perceptive and judicious marketer, and you should be proud of your outstanding contribution to the industry. However, we've found someone younger and far more capable.

Someone whose pulse is tuned to the latest trends and is inexhaustibly passionate about authenticity. Someone with unlimited creative resources, and frankly, a greater number of ideas than you've ever had. Getting to the point, we're replacing you with... your customer. And by the way, she's willing to work for free.

Consumer generated media is no passing fad. Many of the world's most successful brands are progressing beyond the centuries-old model of driving awareness through mass marketing, choosing instead to engage customers. In a well-documented phenomenon known by many names – from Citizen Marketing to Crowdsourcing – marketers are inviting their customers to take part in the creative process. Commercials, print ads, taglines and more are being produced by the very audiences they are intended for and, at first glance, it looks as though many functions within the larger marketing community are becoming rapidly obsolete.

Not so long ago, the technical skills and distribution capabilities required to create and deliver a marketing campaign were significant and far beyond the means of any one individual. But, with the proliferation of personal technology and the rise of interactive networks, the barriers to entry are gone. Every consumer with an idea and an iMac is a potential visionary, willing and eager to step into the role of brand ambassador. And this means you're just as likely to find the next great creative director in an anonymous college dorm room as in the studio of a massive advertising agency.

The ability to act as both content producer and content consumer heralds the rise of the prosumer, but with this new paradigm comes a question: What is the role of brand in an environment that values disruptive ideas, constant reinvention, and personal expression, over consistency and long-term strategy?

Or more plainly: is branding dead?

When the wrong definition of "brand" is applied, the answer is unequivocally "yes." Those who define brands by their collective assets – taglines, color palettes, typography – have no choice but to hold on tight and pray that consumers will grow tired of expressing themselves and retreat quietly to their day jobs. After all, what value do brand guidelines have when true self-expression requires reinterpretation and personalization?

But the meaning of a brand isn't rooted in a name or logo any more than the meaning of your life can be found in the clothes on your back. A brand is a promise rather than the colors and images we use to express that promise. Of course, our assets are of tremendous value. Without them the concept behind our brand remains a desired perception, never to be realized. But if we base our understanding of brands in the fundamental idea rather than the execution, we may be able not only to survive this shift to collaborative marketing, but moreover, to strengthen our brands because of it.

We're in the infancy of this new era, contending with everything from mobile apps to mashups, and no one can say for sure where all of it will lead. But we're undoubtedly crossing over from marketing at people to marketing with them, and could use a few principles to help us through the transition. With these six basic laws of branding in the age of consumer generated media, we may find that our jobs aren't disappearing quite so fast.

01 The Law of Inevitability

Consumer generated media is here to stay.
Resistance is futile. Those who scorn the idea of non-professional creative work have done so largely from within the walls of the most conservative advertising agencies, often with a vested interest in more of the same. We've been running some variation on the 30-second spot since 1941, when the Bulova Watch Company paid NBC $9 to air the world's first television commercial. But bombarding consumers' senses no longer works. As Procter & Gamble's soon-to-be-former Global Marketing Officer, James R. Stengel, attests, "the traditional marketing model we all grew up with is obsolete."

Only the brands that actively engage their audiences in a conversation will survive. And this calls for more than friending our customers on Facebook or inviting them to a forum on our corporate website. It means surrendering some of the creative control and asking them to share their ideas. This isn't a bad thing. Customers who choose to engage with their brands become loyal brand ambassadors, and the work they create is far more credible than anything we could say about ourselves. If we don't ask them to participate, watch out, because they'll happily take matters into their own hands. Just look at the hundreds of homemade Apple commercials (or the more antagonistic Microsoft Zune spoofs) on YouTube and you'll see that this can't be stopped. So don't fight this phenomenon. Embrace it.

02 The Law Of Interactivity

Don't just be active, be interactive.
How digital are you? If your only interactive tool is your corporate website, the probable answer is "not very." Most corporate websites are akin to a megaphone, trumpeting information on a company's history, mission and products, with little more than a "contact us" page for complaints, new business, and the press. By expanding corporate websites to house creative activities and contests, or by developing microsites for a similar purpose, we can communicate directly with aspiring creatives, hobbyists, and brand aficionados. Coca-Cola entreats its customers to "Design the World a Coke" through a customization tool on its website, while Ben & Jerry's recently completed an open "Video Conetest" for ice cream lovers on its site. And more branded challenges and user generated activities are appearing on the web every day.

Aside from opening up communication channels with potential artists, writers, photographers, actors, and directors, the internet enables us to distribute content in a way not possible through print or broadcast media. For many years, advocates of viral marketing have written extensively about the opportunities of the online environment, but as social networks and the digital swarm usher in the age of the long tail, going digital is no longer a luxury you can afford to pass up (see Chris Anderson's *The Long Tail* and the upcoming *The Nature of Marketing: Marketing to the Swarm As Well As the Herd* by DDB's CEO, Chuck Brymer).

03 The Law of Numbers

A new paradigm requires a new way of looking at numbers.
You probably know what a set of eyeballs is worth, but how about a pair of hands? If we value efforts in collaborative marketing strictly by impressions, then we'll see them as failures. But surely anyone who spends hours contemplating a brand and then creating, say, a poster for that brand has had more than a brand impression. They've had a brand conversion. They've become ambassadors, and are eager enough to show their brilliant work to friends and family that they'll handle the distribution as well. How can we compare that to any number of glances at a banner ad?

Let's also recalibrate our expectations when it comes to participation rates. The vast majority of consumers, while eager to be engaged, are far too busy to write a webisode or design a new packaging structure in their spare time, and will continue to play a passive role with the brands they love. But as we've seen from YouTube and Flickr, a small number of content creators can entertain a large number of people. Like the endless flood of homespun, teenage videos and late-night, curmudgeonly rants on YouTube, much of the content will be of questionable value. Fortunately though, all it takes is one inspired idea to make an online sensation. So don't underestimate the importance of volume.

One last point on the numbers: try to have a few big opportunities for content creators rather than a myriad of trivial opportunities. Previous iterations of coca-cola.com had the same major flaw: too many opportunities in too little time for too small a reward. We are still in the very earliest stages of consumer generated content, and not everyone is prepared to write an ode to their favorite soft drink one week and design a new can the next. Coca-Cola burned out its potential advocates, posting far too many challenges in just a few months. Doritos had it right when it created one big challenge for one big reward: make your own commercial, and the winning submission will air during the Super Bowl. Now McDonald's is asking its customers to top its ad jingle. It's no wonder the thousands of thoughtful (and not so thoughtful) responses to these challenges dwarfed the handful of responses to Coca-Cola's previous contests.

04 The Law of Substance

Brands that value style over substance won't pass the test.
Which is easier: writing an 800-word poem in iambic pentameter on any topic of your choice, or writing anything you like about your single greatest achievement? If you're like most people, it's probably the latter, because ideas are inspirational, and rules are confining. If your brand lacks a meaningful and relevant idea, all of the brand guidelines in the world won't help your customers think creatively.

Over the last several months, creative icons like Shepard Fairey and will.i.am have created content for Barack Obama's run for U.S. President, and did so without being asked. Miraculously, these artistic expressions have been on-brand, because the artists were inspired by a clear, resonant idea (change) and not by rules and regulations. In fact, this creative outpouring has influenced MoveOn.org to launch a series of consumer generated challenges on behalf of Brand Obama. Brands with ideas as explicit as Obama's – Staples' promise of an easy experience or Starbucks' promise of a third space – will have no problem passing this test. Brands without a clear idea will never inspire customers to create, no matter how many brand assets you give them.

05 The Law of Improvement

Collaboration can be used to refine brands. Think of it as a form of research. While consumer generated marketing often strives to engage customers around an already well-defined idea, it can also be used to optimize a brand. If Harley-Davidson was to solicit homemade commercials and found that the responses focused on precision and performance rather than the company's decades old promise of freedom and personal expression, then that would tell the company something about the relevancy of its brand in the 21st century. Perhaps it would have to make a few refinements to its promise. If Geico were to find that submissions to a creative challenge yielded responses with a cautious, analytical tone rather than the zany, humorous voice it has been employing, this might force them to reassess their brand personality.

Looking at consumer generated media for qualitative clues into a brand also relieves these works of having to meet a company's usual high standards. If we're using these creative works to learn something rather than as a substitute for our professionally produced content, then it might not matter if the work doesn't earn a Clio.

06 The Law of Flexibility

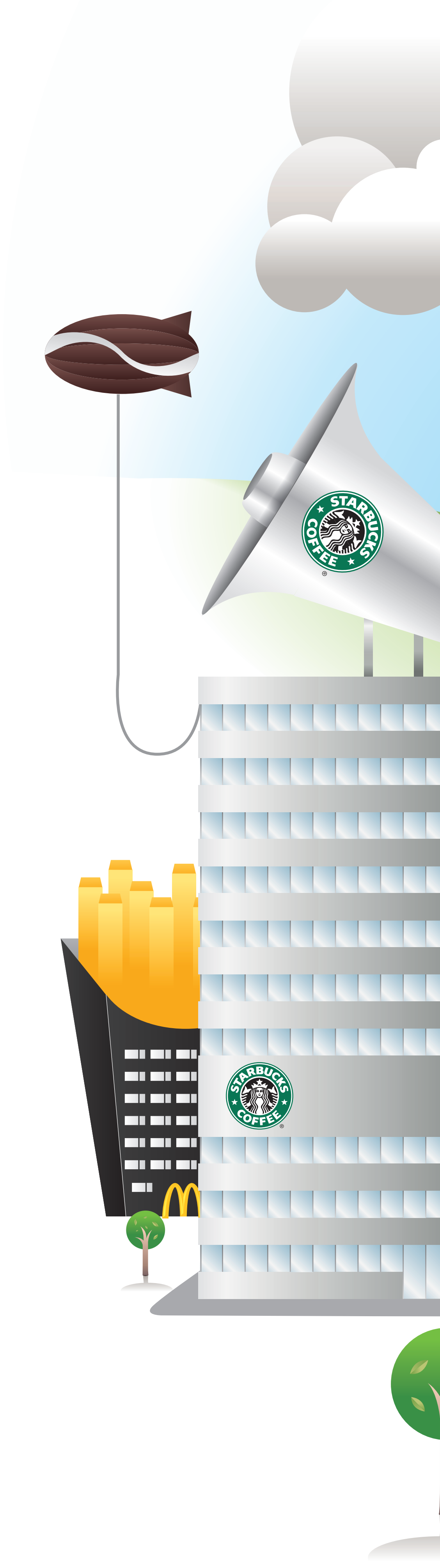
Those that can't bend will break. One thing is certain: the days of complete and total jurisdiction over your brand are gone. You're playing with others now, and the same rules you'd apply to any collaborative environment apply here. Accept that you don't have all the answers. Be open to the ideas of others, even if (and particularly because) those others aren't as immersed in this as you are. Use ideas rather than rules to unite and inspire people, and let them come to their own conclusions. Realize that multi-dimensional brands with one unifying idea but many individualized expressions can be far more powerful than a "museum brand" that you can see but can't touch.

In the end, you're still running the show. You conceive, create, and manage the brand, with a little help from your customers. You get to choose the form and specificity of content you're asking for, and to decide what to do with it once you've got it. You decide whether to circulate it or internalize it. If anything, you're in a better position to manage your brand than ever before, because your consumers are offering their help. You are ceding some control, but you have very little to give and a great deal to gain. So loosen up.

Many questions still remain

At the end of these six basic laws, many questions still remain. What are the rewards that motivate consumers to act? Will consumers flock to functional brands the way they've converged on lifestyle brands? To what degree will business-to-business brands participate in this social phenomenon?

Each of us will have to answer questions like these for ourselves, but with a sure-footed, resonant brand idea behind our businesses, we should find our customers eager to share their side of the story. These basic laws certainly don't provide all of the answers, but they do give us a framework for navigating this new terrain. And if we're open to change, we'll find that our jobs aren't being completely outsourced to our customers. Not yet, anyway.




MENU

Sustainability and its impact on brand value by Paula Oliveira & Andrea Sullivan

Biography:
The well-traveled Paula Oliveira has managed brands and worked with clients across a wide range of geographies. As Interbrand's Senior Consultant in London, Paula is a key component of the Brand Valuation team, and has helped many clients understand the value potential of their brands.

Biography:
Andrea Sullivan is Interbrand's Executive Director of Client Services in New York. Among her many contributions to the business, Andrea looks after client relationships and ensures that programs are managed efficiently and deliver long-term value.

One of the latest buzz words found in management journals, websites, and corporate documents is "sustainability." Some people even want to recognize it in a company's balance sheet as an asset. Okay, let's not go that far.

It is undeniable that sustainability is a new way of doing business, in the same way "re-engineering" or "just in time" were in the late 1980s. Sustainability is not an asset that can be bought or sold, rather it's becoming an integral part of many a company's philosophy. Just as company management practices influence business value, so do sustainability initiatives. Therefore, the question is: How does it create value?

Moral motivations to invest in sustainability are not in dispute: climate change, poverty, you name it. But what companies don't know yet is what level of investment they should make and what is the measurable benefit of investing. When the benefit is not clear enough to justify investments on economical grounds, managers easily turn to initiatives that guarantee short-term results and everyone's jobs, especially with recession knocking on the door.

There are some direct benefits, such as: compliance with an increasingly rigorous legislation; cost savings derived from optimization of production lines and supply chains to reduce energy consumption; reduction in CO_2 emissions; desire for more ethical products; and simply satisfying an emerging and cynical green consumer. But most importantly, incorporating sustainability as a business practice will not only increase companies' brand value, but guarantee a long life for the business.

Relationship between sustainability and brand value

Although it's hard to find consistency among definitions of sustainability, it is common sense that it incorporates companies' relationships with the natural environment, social causes, and corporate governance. In boardrooms, this translates to the "triple bottom line," i.e., a company's initiatives must consider environmental, social, and financial impacts. Yes, financial impacts. That means companies must make investment decisions that will benefit the environment and society, and guarantee the sustainability of the project itself. We are not talking about charitable causes – but ethical products and services that will change consumers' behavior and help them to live a more "sustainable" life.

Brands enter the debate right about here. A leading brand translates to customers what is relevant in today's world, influencing buying behavior. It also develops a strong relationship with customers because of its distinct offerings, leading to repeated purchasing. In other words, a brand creates value in two ways: generating demand, and reducing risk and securing future earnings for the business. A sustainability program that is consistent with a brand's positioning will create value for companies by creating more value for its brands.

Generating demand for products and services

A study from Carbon Trust, a UK-based consultancy that helps businesses to reduce their carbon emissions, shows that social and environmental concerns can result in changes in consumer behavior. Among several factors that provoke this shift are "issues of immediate personal impact" and "realistic available choices." That's where brands can make a difference.

Let's take a sector for which sustainability is a big issue: automotive. Companies such as Honda recognized that mineral fuels are limited and prices of petroleum are rising. This motivated it to adapt its product range to fuel-efficient cars. Honda was one of the first movers in this direction and this is paying dividends today. It was the only car manufacturer to report better US sales in June 2008 than in June 2007, credited to fuel-efficient Civics and Fits. While reducing dependence of gas-guzzling cars

Figure 1 — Sustainability matrix, examples

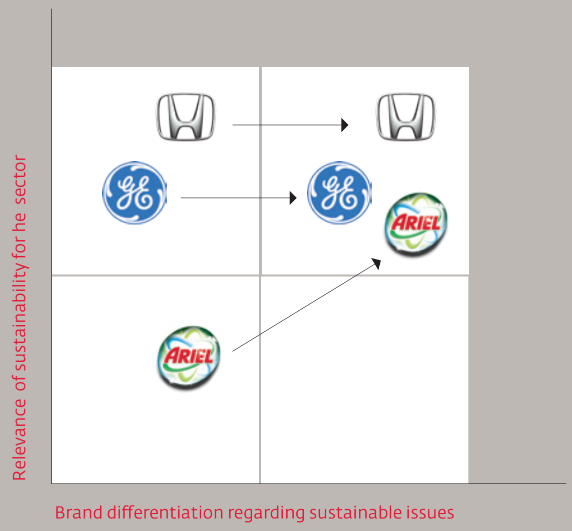


Figure 2 — Sustainability matrix, action points

A. Cost of doing business Factor: Must do	B. Leadership Influence
C. Laggard: Innovate and don't greenwash	D. Wasted Opportunity: Re-focus

Relevance of sustainability for he sector

Brand differentiation regarding sustainable issues

and increasing the number of fuel efficient models became a "must do" in the automotive sector, Honda was first to differentiate and is ahead of the debate. This leading behavior contributed to an increase of 28% in Honda's brand value since 2004.

The same can be said about GE, which saw an increase in its brand value by more than US$6.0 billion since 2005, when Ecomagination was launched by then-CEO, Jeffrey Immelt. Among other goals, the program intended to increase spending on clean technologies, reduce greenhouse gas emissions, and generate US$20 billion in revenue from green products, including jet engines, locomotives, and wind turbines. This created a halo effect around other offers, improving perceptions about the company and making it top of mind in sustainability surveys. It moved ahead of competitors, such as Siemens and Phillips, which also have strong commitments to such initiatives. But GE led the debate and it is collecting the laurels – in the form of dividends – today.

P&G is another example, but in a different way. A few years ago, sustainability was not a relevant issue in the washing powder or detergent category. Through investments in R&D, P&G developed Tide Coldwater, which does not require hot water for usage and, as it is more concentrated, allows reduced packaging materials. Another example, also from P&G, is Ariel's "Turn to 30º" campaign. The campaign suggests consumers turn water temperature in washing machines from 40º to 30º when using Ariel with the same results guaranteed. These developments are beneficial for the customer, who can save energy from water heating. They are also beneficial for P&G, through revenues and positive opinion about both brands. P&G made sustainability relevant in an unexploited category and is now influencing consumer behavior – not only toward its brands, but toward a new and more "sustainable" way of washing clothes. P&G has similar initiatives in other product lines to save energy and replace chemicals with more suitable alternatives.

Honda and GE play in sectors in which sustainability is already a concern. Through portfolio management and innovation, they are now ahead of the sustainability debate and are influencing demand for their products and services. P&G went even further, raising awareness of sustainability issues in a category apparently unrelated. *See Figure 1*.

These examples suggest that the first step in developing a "sustainable" strategy is to identify the relevance of the issue for the sector and how differentiated the brand is regarding sustainability issues. *See Figure 2*. Ann Hand, former SVP, Global Brand & Innovation at BP adds, "Brands need to have a point of view on the elements of sustainability that are relevant to their brand... they can't solve it all. For BP it's about a lower carbon world: alternative energy sources and lower emissions from traditional fuels. It also requires a clear, hard, baseline of where your firm is today; and commitment from the top in the CEO's agenda, backed with investment dollars that won't get cut off in six or twelve months if earnings slip."

For sectors such as energy and mining (*Figure 2A*), there is a massive impact on the environment and communities. As such, investments in sustainable initiatives are a "must do." But there is also an opportunity for differentiation. The same applies for automotive and diversified sectors. If the brand is perceived as differentiated, but sustainability is not relevant to the sector yet (*Figure 2C and 2D*), there is an opportunity to develop innovative products and services that will raise awareness and relevance of sustainability for the category (like P&G). The prize is not only leading the category, but positively influencing consumer behavior.

For brands that are not differentiated, and do not play in sectors in which sustainability is relevant (*Figure 2C*), there is an enormous risk of greenwashing, i.e., trying to differentiate through communication but not investing in sustainable development. A study published by TerraChoice, an environmental marketing firm, showed that 99% of 1,018 consumer products surveyed were guilty of greenwashing. These companies risk not only their reputation, but also future earnings for the business.

A leading brand translates to customers what is relevant in today's world, influencing buying behavior.

Reducing risk and securing future earnings for the business

Brands create value by generating demand and securing future earnings for the business. So how can investments in sustainability influence those future earnings and brand value?

A company's value is today's value of the earnings it will potentially generate in the future. It's a function of the magnitude of those earnings and the risk associated with them. Therefore, sustainability is strongly related to value: the more a company proves to the financial markets and other audiences that it is a sustainable business, the lower the risk associated with that company (and the lower the rate used to discount future earnings).

Similarly, brand value is today's value of the earnings a particular brand will generate in the future. Brand risk is a function of company's risk, adjusted by the strength of particular brands. This depends on many factors, including the investments it receives (quantity and quality), brand image (brand's perceived personality and reputation) and customer franchise (relationship with customers).

Coca-Cola is the most valuable brand in the world. It consistently invests in its main brand and develops an emotional connection with consumers. So why did its brand value decline US$5.1 billion between 2003 and 2007?

Coca-Cola's decline is due to the fact that it is seen as one of the bad guys by many organizations. Increasing health concerns have been affecting brand earnings in developed markets, despite its light, diet and zero versions. Also, its image and reputation have been inconsistent around the world. On the upside, Coca-Cola has been investing in many initiatives, such as campaigns to improve community access to safe drinking water and adequate sanitation in India. Is this only a form of CSR to boost the company's reputation after protests were held in the area? No. Investment in water supply in India is not only relevant to the population, but also to the sustainability of the business in the country. After all, how would Coca-Cola produce soft drinks without water? This and other initiatives positively influenced the company's share value at the end of 2007 and its brand value increased by 2% in 2008.

The same applies to oil and mining groups, both heavy users of natural resources. BP had been increasing its brand value since 1999 mainly due to its large investments in safety and renewable energy. However, its reputation suffered after an accident at a Texas City refinery in 2005, with shares dropping almost 10% in a month. The company's reputation has recovered, but the incident demonstrated the strong correlation between sustainable actions and value creation.

This correlation is also seen in the Best Global Brands 2008 ranking. Financial services institutions included in the 2007 and 2008 studies lost a total of US$10 billion in brand value. This reflects not only the financial impact from the US credit crunch but also the reputational damage caused by breach of trust between these companies and the investment community.

"The changing landscape of liability," a report published by the consultancy SustainAbility, suggests a rapid convergence between companies' risk management and sustainable development programs, as technical compliance "may no longer be an adequate defense against social and environment activists in the court of public opinion and even in the courts of law." This leads to a much more rigorous approach to risk assessment or, at best, an opportunity to develop winning strategies from multiple stakeholders' points of view – an opportunity that can help secure future earnings and the sustainability of the business in the long term.

Brands have the power to change the world

Sustainability is not a fad – it's a new way of doing business. We can determine the influence this business practice has on the overall business and brands, but there is no standard solution. Companies need to assess the relevance of sustainable issues to their business, as well as current perceptions about their brands on this matter, the potential upsides of investing in sustainability projects, and the reputational risk of not doing so. Brand value is a way to summarize all of this.

Most leading companies already understand how sustainability issues can affect their businesses. The challenge is to embed a real sustainable behavior in everything a company does; not only to attract new customers, but to help define future behavior and shape the market. In other words, to be a leader. "The transformational challenge is to make "green" a part of the DNA of the enterprise, just the way companies had to make globalization and digital technology a part of nearly every business consideration," says Andrew L. Shapiro, founder and CEO of GreenOrder, a business strategy and management consulting firm that specializes in the field.

Brands can be the engine towards a more sustainable world. They should be ahead of the market and create products and services that will be relevant to consumers while, at the same time, helping them to live in a more sustainable manner. This will create a positive influence on the environment and communities, as well as generate dividends to shareholders through growing demand. A sustainable brand will also enhance a company's reputation and secure future earnings through stakeholder loyalty and advocacy, thus increasing brand value.

As the saying goes, "today's best practice is the best practice of tomorrow." Hopefully, today's successful sustainability strategies will soon become standard, promoting long-term benefits for businesses and generations to come.

Brands create value by generating demand and securing future earnings for the business.

The Red Thread: creating and managing brand value
by Jez Frampton

Biography:
Jez Frampton, Interbrand's Group Chief Executive, is responsible for managing the firm's worldwide interests and enhancing the strategic and creative offering. Jez's experience has provided him the opportunity to work with different clients across multiple sectors, including premier brands like Budweiser, IBM and Toyota.

"All of the ropes of the royal fleet, from the strongest to the thinnest, are braided so that a red thread travels through all of them, and you cannot remove it without untying all of them. Even the smallest fragment will still allow you to recognize that the rope belongs to the crown."

From Goethe's Elective Affinities (1809)

The Red Thread is a concept woven through many cultures. According to Greek mythology, Theseus found his way through the Minotaur's labyrinth by following Ariadne's red thread, and a famous Chinese proverb describes an invisible red thread that connects us to all of the people we'll ever meet. The Russians call it *krasnaia nit*, and the French *le fil rouge*. In German, *roter faden* – literally "red thread" – is used to describe the central or recurrent theme of a larger work.

The idea of a bright, illuminating thread that runs through everything, from the smallest fragment to the whole, is powerful and captivating. In our world, this is a wonderfully rich and simple metaphor for brand value.

The brands at the very top of our Best Global Brands ranking understand the reality behind this metaphor. For them, the notion of value runs like a red thread through their brands, driving demand throughout every aspect of their business. They know that their brands must function as assets, not as expenses, and that even the greatest brand idea is only as powerful as its ability to generate value.

The subject of brand value has been well documented since Interbrand first developed the concept in the early 1980s. Today, our competitors, commentators in the press, the financial community, and the industry at large have much to say about the topic. At heart, it's a simple idea. If a brand plays a role in choice and a consumer must choose between different competitive products or services in a marketplace, then the brand must contribute to earnings and profit and hence, must be quantifiable and valuable to the owner. In order to really understand the creation of brand value, we need to understand what factors drive demand, what role the brand plays across each of those factors, and how strong the brand is versus its competitors.

But the Red Thread is about more than a value-generating brand. It's about understanding how that value is generated. It's about creating, managing, and measuring brand value across every aspect of the business.

To put this into context, let's consider an analogy. Capable of accelerating from zero to 100 miles per hour and back to zero in under four seconds, a Formula 1 racing car represents the very edge of technology in the motor industry. Every car is fine-tuned for each individual race, and every surface and element of the car can be altered to create the best aerodynamics, braking pressure, tire pressure, gear ratios, suspension and more. It is not the car but each individual component of that car that must contribute to the vehicle's ultimate success.

What's more, those components can be quantitatively measured, giving the racing team the information necessary to optimize the car's performance in real time. Data streams from car to trackside with detail about fuel consumption, lubricant temperatures, braking heat and even driver heart rate. When the competition is fierce and the difference between winning and losing can be measured in fractions of a second, every detail must be tuned to win.

Imagine how powerful it would be if you understood how your brand creates value to the same degree of detail. Are you as intimate with the performance of your brand as Formula 1 racing teams are with the performance of their cars? Are you as prepared to battle the competition? Do you quantitatively understand exactly how your brand generates value?

By using brand valuation as a diagnostic tool, we can now understand the precise economic benefits that brand has on every aspect of our businesses. It is now possible not only to quantify a brand's contribution in the decision-making process and to measure its competitive strength in acquiring and retaining customers, but to predict the value of an innovation and understand at which touchpoint our brand investment generates the most demand. The Red Thread helps us see where in the acquisition process we lose potential customers to our competitors, which brand attributes are relevant at each step in the customer journey, and far more. Most importantly, it helps us determine exactly what it is that must be changed, and how, in order to maximize value.

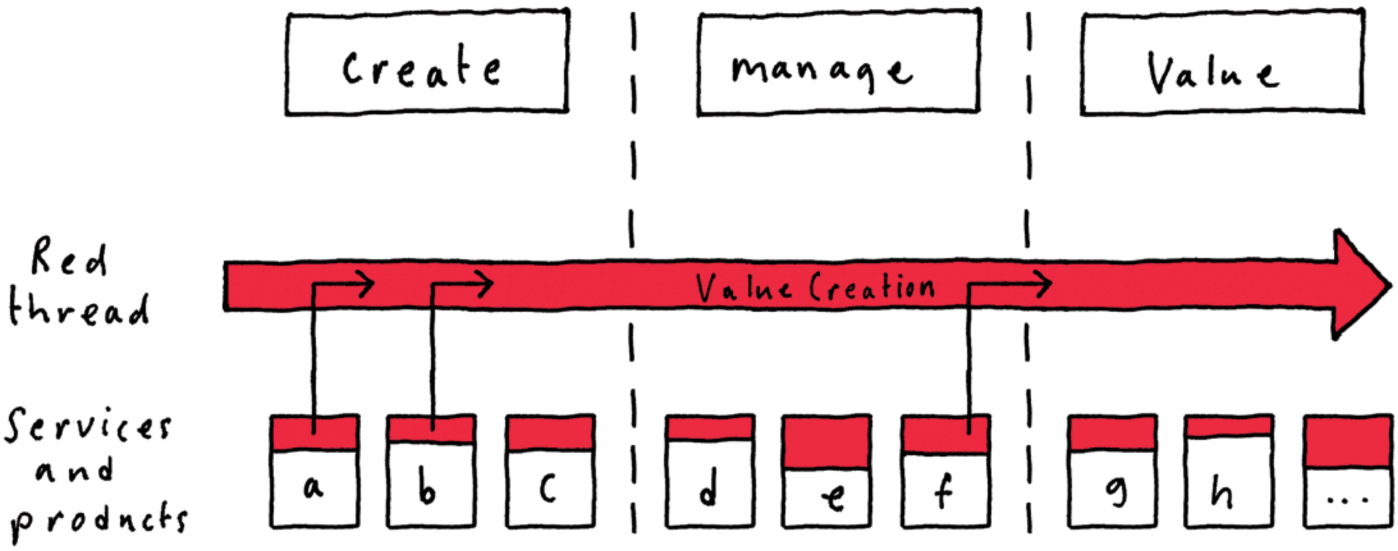
Brand building isn't a separate exercise from the day-to-day running of the business. It is integral to it.

Consider our work for BMW. Everything in that organization is coerced and corralled into a single unifying vision, all united by one value-generating idea. For BMW, this red thread is the commitment to please customers with the very best in automotive engineering. This manifests itself in a few obvious ways, such as its tagline and messaging, but also guides management decisions on everything from showroom plans to fabric choices, and ensures that the company's outer voice (what it says it's going to do) reflects its inner voice (what it actually does). And, as 93% of employees believe that BMW Group is a great place to work, it's no wonder this translates to a brand worth US$23 billion and the highest brand value per automobile sold.

This is true of many of the world's most valuable brands. Look at Apple, whose promise of a different experience through ease of use creates a red thread that touches all aspects of their business, including product innovation and interface design. At Disney, the commitment to create magical experiences produces undeniable value, forming a red thread that affects everything from the appearance and behavior of its "cast members" to its television programming. For Nike, the idea of performance runs through the business from "Just do it" to how the organization gets it done.

Or take Interbrand, an example that is near and dear to me. For us, the notion of brand value itself is our Red Thread. We are the consultancy that sees brands as economic assets, as drivers of demand, and creators of wealth. We believe that behind every great brand is a great idea that generates value. Our daily mission is to understand how that value is created across our clients' businesses, providing strategic advice and creative solutions that have a common purpose and foundation in generating demand. Whether we are producing the corporate identities that will fuel the iconic images of the 21st century or crafting brand architectures to optimize the way a major global enterprise manages its assets, "value" is quite simply the lifeblood at the very heart of our business, the common theme that unites us and makes us stand out from the crowd.

I believe that the concepts of brand and value are inseparable. To be truly effective, brands must be built around the thing that generates the most value for your business. A brand conceived in this fashion will create demand, in turn improving the monetary value of the business. Managed properly, this ever-growing cycle of value creation will define the very essence of the 21st century's eminent brands.



But to get there, we need to change the fundamental way that we think about our businesses. Most companies spend massive amounts of time and money optimizing their supply chains, but few are willing to make an adequate investment in the demand side of their businesses. This is most likely because the supply side is physical and real. It's easy to understand the return on tangible investments. The demand side of our businesses, though, is often less clear. It requires courage to invest in intangible assets. Thankfully, the ability to measure these intangible assets through precise analytics should help us refocus our attention on creating demand.

We must also change the way we think about brands themselves. Ten years ago, brands were seen as an extension of marketing: a kind of halo around a business that made it emotionally appealing. Marketing departments spent time creating "brand ads" with their agencies, an exercise seen as more strategic and separated from the day-to-day process of selling products, announcing promotions, or launching campaigns.

Today, the world has come to realize that brands are an extension of business strategy. Now understood to define the essence of differentiation and to serve as primary and integral drivers of demand, brands have as much to do with product, service, retail, packaging, culture, web, pricing, channels, and environments, as they have to do with marketing and communications.

That's a powerful shift in thinking in a relatively short period of time. Not everyone is there yet, but the leaders are. The global corporations at the top of the Fortune 500 or our own Best Global Brands ranking see the world this way, and it's only a matter of time before it becomes common practice.

Some audiences, despite accepting the notion of a red thread, might believe that the current economic climate makes this the wrong time to invest in measuring and managing brand value. But this could be a costly mistake. This is the ideal time to optimize budgets to ensure that every dollar spent is driving demand and creating value. Every boardroom is subject to greater degrees of scrutiny over the use of shareholder funds and now, more than ever, we need to know where we're likely to win, and where we're likely to lose.

All businesses that aspire to build greater value should consider their red thread. Without one, your brand may not be generating real value.

Taking action: acting like a global brand leader
by Graham Hales

Biography:
Graham Hales is Group Chief Communications Officer of Interbrand. His work consulting for some of the firm's most high-profile clients – and the Interbrand brand – has taken him across a diverse range of business agendas, geographies and cultures.

People often look at the Best Global Brands study and say, "Well that's fine if you're Coca-Cola, but my business just isn't like that." It's a fair response. But whether your brand is iconic or unheard of, consumer or business-to-business, big or small, in a developed market or a developing market, there is always something to learn from the Best Global Brands study.

A brand that is managed for growth feeds the actions and ambitions of the organization. Brands come in all shapes and sizes, but the principles at the heart of creating value for brands hold fundamentally true. Perhaps the most important principle is the need to limit the preconceptions and assumed knowledge of a brand. Consumers, and the societies they live in, never stop changing. As a consequence, organizations can never stop learning. Any program that aims to build long-term value for a brand should know this.

The nature of the steps necessary to build long-term value for a brand is cyclical. Each step feeds on the next and yet they can be regarded as distinct from one another to form a linear process while still being intrinsically linked.

So let's start from a logical beginning.

01 Know your customers

Any branding exercise should be driven by robust data. There's no set guideline for how much data you need but you need enough to know your markets.

Ordinarily this involves breaking your market down into segments that enable you to make observations and develop insights based on the needs and attitudes of your consumers. Your market segments need to have enough difference to make them manageable and distinct from one another. The segregation of markets must always be based on objective market data rather than popular opinion, hearsay, or perceived wisdom. The relentless search for new ways to consider your market is a great attribute in the quest for building a valuable brand.

It is not uncommon to find that one segment of your market may deliver more business volume and another more business value or profit. Consequently, some segments will be more attractive to your business than others as they hold more potential for profit. In the end, segmentation enables you to objectively view whom your brand targets.

Brands need to have a focal point. It's fine for a brand to ripple out beyond this key focus, but ubiquitous brands that aim to be for everyone often struggle to be for anyone.

02 Know why your customers purchase

This has to be a preliminary step in any program that aims to deliver a valuable brand to an organization. What is driving purchases within your overall market? What drives loyalty? What creates customer satisfaction? These answers are all linked.

Loyalty and commitment to brands are a key source of value. Pull back from the big picture and examine the details. What's really making the difference between consumers' selection of one brand versus another? The deeper your knowledge is of what truly drives purchases – what really happens when consumers leave focus groups and transform themselves into real shoppers – the stronger the foundations are for the brand.

03 Pinpoint the role your brand plays in driving a consumer to purchase

Now, let's understand the role your brand plays in affecting purchase drivers.

We can bring this to life by comparing three possible purchase drivers that influence your consumers: location, price, and empathy (i.e., the brand feels like it connects with me and speaks my language).

Location is a classic driver for many brands, as it governs our access to products. While we can perceive a brand as having broad coverage, if it isn't actually accessible or convenient to us, it is a struggle to purchase. Consequently, location can be a key purchase driver with a limited role of brand.

Next is price. Price has a clear rational and factual component, as we can compare and contrast prices. But less rational and factual is the idea that price is rooted solely in a belief. We might believe that some brands are cheaper than other brands – or, although a brand may be more expensive than another brand, it may offer an additional perceived value. This level of complexity gives the brand a broader role as it starts to communicate relative value to its customers.

Now empathy. One brand may feel like it is meant for us while another fails to engage us in an emotional connection. This is clearly an area where the role of the brand is significant. The emotional connections of a brand can often be a key source of differentiation when rational brand attributes are broadly similar.

All of the brand's purchase drivers will offer different opportunities to maximize your brand's effect. We need to consider purchase drivers within a context of the role that the brand can potentially play.

04 Understand the strengths and weaknesses of your brand in driving purchases

Understanding the purchase drivers then leads to a logical examination of how well a brand performs against them. This examination should stem from a market-driven and competitive basis, i.e., where and why do our customers think we succeed or fail and what are our strengths and weaknesses versus our competitors' strengths and weaknesses.

These insights need to be taken into account when considering a business's potential future delivery, as well as its existing delivery of the brand. A change to the existing delivery could provide the key to increased customer satisfaction or commitment.

Your brand's agenda is now beginning to unfold. We know what drives purchase. We understand what role a brand plays within this decision process. We are aware of our relative competitive strengths and weaknesses within the purchase drivers. We can now move on to the next step.

It is not uncommon to find that one segment of your market may deliver more business volume and another more business value or profit.

It is essential that the brand purpose is as meaningful, evident and tangible inside the organization as it is outside the organization.

05 Create the business case

The insights that the previous four steps have delivered (combined with an appropriate amount of financial analysis) form the key components of a brand valuation exercise. Having undertaken such an analysis, we can focus on the business end of things and find out what the brand is worth.

This defines the economic value (i.e. the brand's worth), that, in its own right, allows the brand to be recognized and developed like any other asset. You should also be able to see the brand's potential value, (i.e., what it could be worth) if some changes were made to sharpen its desirability in the market and drive demand still further.

06 Make sure your employees are included in the program to support the brand

If you are looking for your brand to be successful, it will have to be supported and well represented by the people who deliver the brand to your stakeholders. And I don't just mean front-line sales people. It's everyone that will touch and influence your brand in the marketplace. In essence, it's everyone that's engaged in your company – from the inside out.

Leadership teams can be nervous about including their people in the process. This sense of insecurity is understandable but invalid. It is important to understand that excluding your employees from the dialogue will often lead to disengagement in the process. If you want people committed, they'll need to feel respected. They'll need to see the business advantage that the brand can deliver, and they'll need to understand it, ideally, in economic terms. They'll need to feel they have an opinion that connects to the direction of the brand.

Get your employees involved in helping to articulate the brand's purpose. They'll tell you what's important to them. This will help you articulate a purpose for your brand that your employees are connected to and will consequently support.

All brands should represent what the people behind the brand want to achieve.

07 Build a clear purpose for the brand

We now have the insights upon which the brand strategy can be created. We know our market. We know why they purchase. We know the role the brand plays within the purchase drivers. We know how well our brand functions, or could potentially function, against the purchase drivers.

We know what our people think. This analysis should focus your debate with the brand's stakeholders, as it is grounded in market-driven, commercially focused, business insight.

We now start to embark on a more creative process: building a clear purpose for the brand. A brand's purpose can be articulated through many alternative models. In truth, it doesn't matter which model you use so long as the purpose is clear and your people get it. We have four filters that we put such ideas through.

Firstly, is it credible – is the idea based on an acknowledged truth that the organization can deliver against?

Secondly, is it relevant – is the idea based upon something that drives purchases, something where the role of brand is strong and the brand can deliver?

Thirdly, is the purpose distinct – is the brand going to be able to achieve territory that it can own and that allows it to stand out from the crowd?

Finally, does the idea stretch the brand – does it feel like it will work for the business into the future?

The brand's purpose is fundamentally its idea and we need to lift this idea beyond strategic words so it communicates more fully. The brand now requires an appropriate identity system to ensure that every touchpoint of the brand is used to reinforce and convey the purpose.

08 Be relentless in following your brand purpose

Like people, organizations may have an outer voice (what we say and do) and inner voice (what we really think). However, the broader the gap between these two voices, the more frustrating the organization is to work in or do business with. Any form of frustration – internal or external – is highly toxic for a brand. It pollutes. It creates apathy, disengagement, and cynicism. So it is essential that the brand purpose is as meaningful, evident, and tangible inside the organization as it is outside. The clarity of the brand purpose is sacrosanct.

Internally, you'll want to focus on how you communicate with each other, what HR systems you use to recruit, how you communicate the brand through your operations, and how you appraise and reward people. You'll also want to focus on external behaviors, CRM programs, and customer service models. You need to use the brand to create non-negotiable performance standards that, in time, will become the DNA of your brand culture. You'll need everyone across the organization to consider their job function as filtered through the brand and how they can tangibly deliver the brand through their work. This is just as important for finance people as for sales teams. The brand will deliver your reputation.

Now let's consider how we build the brand externally. External brand building begins with a brand strategy that becomes evident in all communications. This may sound restrictive but it shouldn't be. The right brand strategy should be a guide – it should act as a launch pad, not as a straightjacket.

09 Consistency, consistency, consistency

There's a perception that brands should be policed with a militaristic verve. It is tempting but ultimately flawed. Consistency is key but so are the systems you put in place to make consistency easy.

Today's sophisticated digital asset management systems are certainly capable of eradicating inconsistency. And while getting the right system adopted can feel like an arduous task, the easiest way is to create a system that feels comfortable and rewarding to use.

Brand assets should be held online. Interactivity can do the "dull" bit by undertaking due diligence and providing policing. Meanwhile, image libraries can hold a selection of approved, on-brand images that people can select from so they do the "fun" bit. Such systems allow people to use their creativity so that they are engaged – but within a prescriptive environment that promotes consistency.

Just as critical to brand consistency is maintaining the momentum behind the internal workings of the brand. By now you're in the thick of a change program that needs to evolve from being dismissed as an "initiative" to being reinforced as "the way things are done around here." The best way to handle this is to re-engineer your internal systems so that the ambitions and intentions of the brand are true to your operations and ways of doing business. In time, this makes the brand's strategic goals and desired reputation a reality.

The external world is ready for your message only after your brand undergoes internal reforms. If you broadcast your new brand before your employees can deliver it, you will be in trouble as your brand won't be able to meet the consumer's expectations.

10 Recognize it's a never-ending journey

Sorry, I know we live in a world where we like to tick boxes and cross our achievements off lists. But in this case, we conclude only by going back to the start.

Can BMW turn around and say it has ever been able to provide "the ultimate driving pleasure?" No, because what it is capable of doing from one year to the next will be dependent upon the technologies available to it and the evolution of what "the ultimate driving pleasure" means to its segments as its markets develop.

The best brands are constantly looking for new ways to more fully reflect their strategy. They do this by listening – listening to customers, listening to colleagues, listening to their competitors and listening to their markets. They listen and adjust and respond to changing needs. Every time you listen, you learn.

So we review the entire process and consider what changes have taken place and ask ourselves the simple question, "What more can we do?"

Interbrand's method for valuing the 2008 Best Global Brands

Criteria for consideration

Using our database of global brands, populated with critical information over the past 20 years of valuing brands and more than 30 years of consulting with organizations, Interbrand formed an initial consideration set. All brands were then subject to the following criteria that narrowed candidates significantly:

01 There must be substantial publicly available financial data

02 The brand must have at least one-third of revenues outside of its country-of-origin

03 The brand must be a market-facing brand

04 The Economic Value Added (EVA) must be positive

05 The brand must not have a purely B2B single audience with no wider public profile and awareness

These criteria exclude brands such as Mars, which is privately held, or Walmart, which is not sufficiently global (it does business in some international markets but not under the Walmart brand).

Methodology

The Interbrand method for valuing brands is a proven, straightforward, and profound formula that examines brands through the lens of financial strength, importance in driving consumer selection, and the likelihood of ongoing branded revenue. Our method evaluates brands much like analysts would value any other asset: on the basis of how much they're likely to earn in the future. There are three core components to our proprietary method:

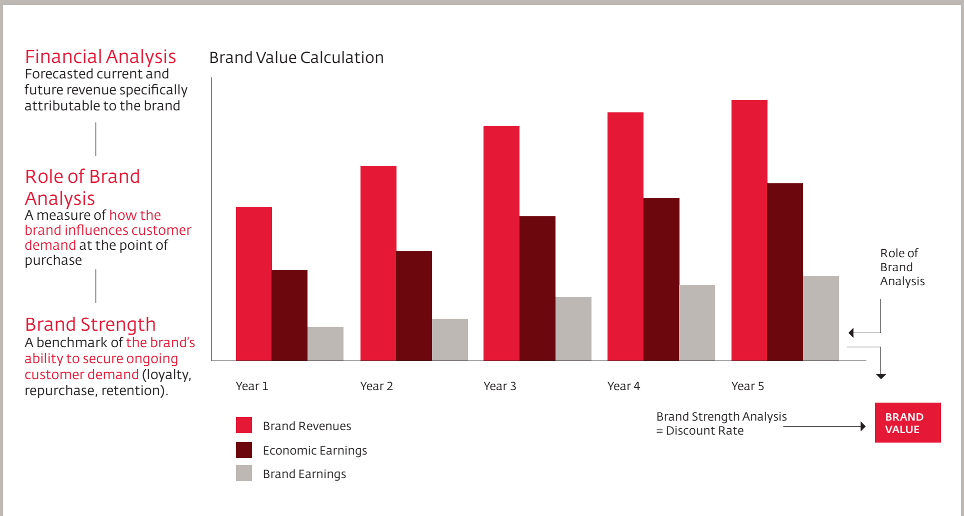
Financial Analysis
Our approach to valuation starts by forecasting the current and future revenue specifically attributable to the branded products. We subtract operating costs from revenue to calculate branded operating profit. We then apply a charge to the branded profit for capital employed. This gives us economic earnings.

All financial analysis is based on publicly available company information. Interbrand culls from a range of analysts' reports to build a consensus estimate for financial reporting.

Role of Brand Analysis
A measure of how the brand influences customer demand at the point of purchase is applied to the economic earnings to arrive at Branded Earnings.

For this study, industry benchmark analysis for the role the brand plays in driving customer demand is derived from Interbrand's database of more than 5,000 prior valuations conducted over the course of 20 years. In-house market research is used to establish individual brand scores against our industry benchmarks.

Brand Strength Score
This is a benchmark of the brand's ability to secure ongoing customer demand (loyalty, repurchase and retention) and thus sustain future earnings, translating branded earnings into net present value. This assessment is a structured way of determining the specific risk to the strength of the brand. We compare the brand against common factors of brand strength, such as: market position, customer franchise, image, and support.




43 %
Google
24 %
19 %
amazon.com
15 %
ZARA
13 %
Nintendo
Top risers and fallers
12 %
Ford
14 %
citi
16 %
Morgan Stanley
20 %
GAP
21 %
Merrill Lynch

Best Global Brands 2008

1 Coca-Cola 66,667 $m ▲

COCA-COLA. Coca-Cola has once again retained its status as the world's most valuable brand. Proving that it still has a few tricks up its sleeve, current trends toward healthier diets have seen Coke shift focus to better-for-you drinks in the last year, with the launch of products like the vitamin and mineral enriched Diet Coke Plus and the continued push behind Coke Zero, which is now available in more than 80 countries. Coke has also worked hard to engage consumers, with innovative online campaigns such as "Design Your Own" that invited people to design their own Coke containers and share them with the world.

2 IBM 59,031 $m ▲

IBM. Big Blue's transformation from PC vendor to solutions provider continues. Recognizing that we live in an increasingly connected world, IBM has positioned itself as the partner of choice for businesses that operate across borders. This position has been solidified through a number of smart strategic acquisitions in recent years. Lenovo's announcement to remove the IBM brand from the ThinkPad range earlier than planned will create more distance between the IBM name and PCs in customers' minds, which in turn will clarify what the new IBM is really all about.

3 Microsoft 59,007 $m ▲

MICROSOFT. Despite maintaining its position as one of the world's biggest brands, Microsoft has had a slightly rocky year. The new operating system, Vista, was poorly received, not least of all by Intel, which refused to install it on its machines due to compatibility issues. The failed takeover of Yahoo! and Bill Gates' decreasing role piled further pressure on a brand already struggling to articulate how its offering fits together. Looking ahead, the company is hoping a diversification from software into the broader online and entertainment arenas, coupled with a US$300 million advertising campaign starring Jerry Seinfeld, will breathe new life into the brand and pave the way for a brighter future.

4 GE 53,086 $m ▲

GE. Few companies are in as strong a position to push the green agenda as GE. Its Ecomagination program has been incredibly successful in raising sustainability awareness and has reflected positively on the brand. As GE continues to expand internationally it has a unique opportunity to shape the way that businesses all over the world approach sustainability and in doing so, can cement its green credentials.

5 Nokia 35,942 $m ▲

NOKIA. Despite increased competition from the likes of Apple, Nokia has solidified its position as the #1 mobile phone brand, increasing its global market share to 38%. The iPhone and the Blackberry have certainly raised consumer expectations of what devices can do, but Nokia has not stood still. It recently launched the E61 in direct response to the Blackberry and is currently developing the "Nokia Tube", an eagerly awaited touch screen device that will see it compete head-to-head with the iPhone. It's this spirit of constant innovation, coupled with an innate ability to segment its customers (be it on an attitudinal, geographical or demographic basis) that's added to Nokia's brand value this year.

Nokia's spirit of constant innovation, coupled with an innate ability to segment its customers, has added to its brand value this year

6 Toyota 34,050 $m ▲

TOYOTA. Toyota continues to benefit from the "green halo effect" of the Prius, which is still widely talked about in the media. Like its sister brand Lexus, Toyota has managed to control the perception of its national heritage where helpful, but also ply its trade as a truly global brand.

Toyota continues to benefit from the "green halo effect" of the Prius.

7 Intel — 31,261 $m ▲

INTEL. Having just announced its most profitable quarter ever, Intel is reaping the benefits of continued innovation and a partnership with Apple that has seen it get inside some of the most desirable computers of the moment. Going forward the brand will shift half of its advertising budget to the Internet channel to better target technology-savvy consumers who are spending more and more time online.

9 Disney — 29,251 $m ▲

DISNEY. The magic has stalled somewhat for Disney, with the brand taking a bit of a back seat to those it partners, and its core target becoming more distant from the Disney brand as a result. Still, the phenomenon of High School Musical and its spin-offs is keeping the tills singing around the world, and it's also bearing rich fruit from its partnership with Pixar. As consumers upgrade to high-definition TV, Disney should see strong sales of its back-catalogue, offsetting the decline in profitability of theatrical releases. To really advance the brand, it needs to make big inroads with emerging markets, adapting its product to win over a whole new generation of families from different cultures.

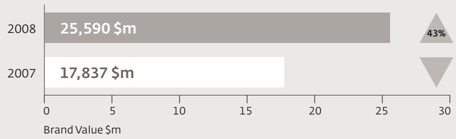
McDonald's has never been a brand to sit still.

8 McDonald's — 31,049 $m ▲

McDONALD'S. McDonald's has never been a brand to sit still and its ability to adapt to consumer needs is almost as fast as its food. McDonald's has been addressing the healthy eating issues that have dogged it in the past. Its french fries are now trans-fat free, and its offering of healthier meal options keeps increasing. Looking ahead, the chain aims to become the #1 destination for chicken and to significantly boost its coffee credentials by introducing 14,000 coffee bars at its US outlets. With specialist baristas serving cappuccinos and lattes at a time when consumers are less willing to fork out for a pricey Starbucks, it's a shrewd move. Further afield, aggressive expansion in emerging markets will see 120 restaurants open in China and an innovative series of smaller kiosks sprout up in India.

10 Google — 25,590 $m ▲

GOOGLE. Google is *the* undisputed king of the internet world and the last year has seen it gain even more ground against rivals. Innovations like Google Mobile, Google Docs & Spreadsheets and Google Book Search extend the brand's reach and ubiquity and make it an increasingly important part of our everyday lives. Yet these projects wouldn't be possible without its core business – 99% of its revenues come from advertising on its search result pages. Google's meteoric rise from small start-up to corporate behemoth is not without its critics. As it becomes more powerful, the brand is forced to constantly tiptoe around the ever changing landscape of privacy and copyright laws. Google is increasingly tested by its unofficial corporate motto: "Don't be evil."



Brand	Google
Country of origin	US
Sector	Internet Services
Brand Value ($m)	25,590
Rank 2007	20
Rank 2008	10

Google is increasingly tested by its unofficial corporate motto: "Don't be evil."

11 Mercedes-Benz 25,577 $m ▲

MERCEDES-BENZ. The Mercedes-Benz E320 BLUETEC diesel was voted 2007 World Green Car by automotive journalists from 22 countries, endorsing the company's environmental credentials. It has also benefited from increased demand for luxury cars in emerging markets. The brand recently launched a new visual identity and slogan ("The Star always shines from above"). Mercedes appear to be striking a powerful balance between tradition and forward thinking.

13 BMW 23,298 $m ▲

BMW. BMW reacted to the increased demand for cleaner cars that are cheaper to run by investing in fuel-efficient engines like its EfficientDynamics system. Currently, 40% of all cars sold have diesel engines. The brand is presenting efficiency as its future, with the proviso that driving pleasure won't be compromised. Increased demand for luxury in emerging markets and well-built cars that hold their value has played into BMW's hands. Look out for an emission-free small car in the near future.

15 American Express 21,940 $m ▲

AMERICAN EXPRESS. The changing market conditions in the industry have helped AmEx. While the competition are busy focusing on internal business issues, AmEx is free to expand market leadership and reorganize its corporate structure to better service customers. It increased its marketing and card-member spend by 20% from the year before, and launched new initiatives like the Plum card in the US. The brand furthered its aspirational status by investing in big celebrity advertising campaigns in the US and by forming some premium co-brand partnerships in Europe, such as with Harrods and BMW.

12 hp 23,509 $m ▲

HEWLETT-PACKARD. By putting the consumer at the heart of product design, HP has received favorable coverage in all the right places. Never one to go down without a fight, the brand has made a concerted effort to boost the design credentials of its products, with a single design philosophy across the board. By creating a unified look and feel, along with consistent and intuitive interactivity, HP is creating a distinctive presence in the marketplace that will help it compete with its rivals.

Louis Vuitton continues to grow in all regions and behave quite unlike most other luxury brands.

14 Gillette 22,069 $m ▲

GILLETTE. Gillette has maintained its high-profile with the US sponsorship of Major League Baseball and the Gillette Champions Program, a strong promotional initiative uniting three major sporting heroes. Continued expansion of the Fusion range into new markets during 2007 drove sales and helped solidify the leadership position of Gillette in the razors and blades market globally. New lines have helped it consolidate its positioning as "the best for men," while the Venus razor has helped it gain big in the female side of the business, too.

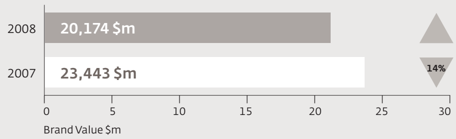
16 Louis Vuitton 21,602 $m ▲

LOUIS VUITTON. Louis Vuitton continues to grow in all regions and behave quite unlike most other luxury brands. For the first time, it advertised on television with a travel-themed 90-second spot that was shot in France, Spain, India, and Japan. An aggressive expansion plan has seen 22 new stores open, including three in new markets, and the brand has enjoyed significant growth in its ready-to-wear footwear, watches, and accessories collections.

Cisco has invested heavily in researching the needs of businesses and consumers and the investment is already paying dividends.

19 citi 20,174 $m ▼

CITI. It's no surprise that the US credit crunch has left a dent in the brand value of most financial services brands, but Citi is one of the worst affected. Negative news continues to plague the brand more than a year after the credit crisis began. It has been one of the more high-profile sufferers, being forced to announce eye-watering losses and cut thousands of jobs. New CEO, Vikram Pandit, has taken bold steps to refocus the business on its core areas, which has resulted in the closure of many unprofitable branches and the sell-off of some global operations.



Brand	Citi
Country of origin	US
Sector	Financial Services
Brand Value ($m)	20,174
Rank 2007	11
Rank 2008	19

17 CISCO 21,306 $m ▲

CISCO. Cisco has invested heavily in understanding what businesses and consumers need and the investment is starting to pay dividends, taking the brand from strength to strength. The business is positioning itself well for the Web 2.0 revolution and is developing tools to enable businesses to create stronger bonds with their customers. The acquisition of Pure Networks in July 2008 will also help to strengthen Cisco's networking credentials on the software side.

18 Marlboro 21,300 $m ▲

MARLBORO. With its hands becoming increasingly tied in western countries in the way it can market its products, Marlboro is focusing on emerging markets to increase its market share and position itself as leader to stem the growth of rivals. The brand will always be plagued by health concerns, but the successful introduction of Marlboro Suns, a smokeless tobacco product, and Marlboro Filter Plus, featuring extended filters, shows it's working to reduce the negative health impacts of its range. Ultimately, the brand may well face decline as a more connected world means that emerging markets may change their cultural views on the effects of smoking quicker than expected.

20 HONDA 19,079 $m ▲

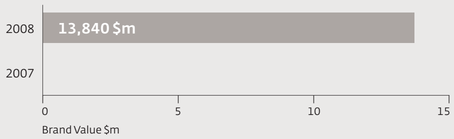
HONDA. Honda has a genuine stance on sustainability, having introduced environmentally friendly cars early on. Its F1 team is, somewhat paradoxically, a showcase for its corporate citizenship program, Earthdreams. But it has failed to leverage these credentials as successfully as Toyota has in the media. Inventive marketing, such as the triumphant live parachute jump advertising, has contributed to the goodwill people feel towards the brand.

21 SAMSUNG 17,689 $m ▲

SAMSUNG. Samsung has recently overtaken Sony as the world's biggest producer of televisions. Its philosophy of bringing people the latest technology at a fair price has quickly made it a firm consumer favorite, while its phones are now second only to Nokia. Looking ahead, the brand realizes the importance of having stronger representation at the point of sale, so it will open more Samsung retail outlets to deliver the full brand experience.

22 H&M 13,840 $m NEW

H&M. Posting strong sales in difficult conditions, the inexpensive, trend-conscious Swedish brand continues to grow into an industry leader. It is aggressively pursuing geographic expansion, specifically targeting China, Russia, the Middle East, and Egypt. It has tapped into celebrity culture with collections from Madonna, Kylie Minogue and Roberto Cavalli expanding the fan base of the brand and legitimizing its status on a world stage. Innovative channels for connecting with the consumer, such as MySpace and the Sims2 computer game, increase the frequency and depth of engagement.



Brand	H&M
Country of origin	Sweden
Sector	Apparel
Brand Value ($m)	13,840
Rank 2007	-
Rank 2008	22

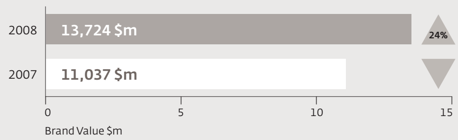
Madonna, Kylie Minogue and Roberto Cavalli are expanding the fan base of H&M.

23 ORACLE 13,831 $m ▲

ORACLE. Through strategic acquisitions, including that of Bridgestream Inc, Moniforce and, most significantly, BEA Systems, Oracle has established itself as a leader in middleware (software that connects components across networks). Its extended reach and offering bring customers an all-in-one service.

24 Apple 13,724 $m ▲

APPLE. Can anything slow the ascent of Apple? Its ability to identify new customer needs and deliver products of beautiful simplicity and desirability continue to put it in a league of its own. The latest iPods, iPhone and MacBook Air strike the perfect balance between coolness and mass appeal, while the in-store Apple Genius bars shift consumer expectations of what after sales service should be. Add to that the improved company stance on sustainability and Mr. Jobs and co. really do seem to be ticking all the boxes right now.



Brand	Apple
Country of origin	US
Sector	Consumer Electronics
Brand Value ($m)	13,724
Rank 2007	33
Rank 2008	24

25 SONY 13,583 $m ▲

SONY. Despite fierce global competition in the category, Sony has had a great year, thanks to the continued success of flagship brands, including Bravia, Vaio and Cyber-Shot, while the lower price of the PS3 has finally convinced consumers to bite. Sony also won the Blu-Ray versus HD DVD war, standing the brand in good stead for a future share of the high-definition market. Sony clearly understands the opportunities afforded by increased technology convergence. It unveiled a strategy to deliver movie, TV and gaming content through the PS3 and its Bravia TVs, while in the process, making the most of its vast entertainment assets in Sony BMG Music and Sony Pictures. By 2011, it plans to make 90% of its products network enabled.

26 PEPSI 13,249 $m ▲

PEPSI. Pepsi is fighting hard. Its online activity, content, and promotions are broad and interactive, but focused on a young market with an emphasis on sports promotions and pop music. Like Coke, it has given consumers a chance to personalize their own cans. It has even encroached on sacred territory by coloring its cans red in support of "Team China" in the year leading up to the 2008 Olympic Games. Pepsi's environmental stance is also increasingly visible. It launched the "Have We Met Before" campaign, in which it printed messages and facts on cans to educate customers on the benefits of recycling and, in March 2008, it opened the first 100% green sports arena in the US. The recent, restricted launch of Pepsi Raw in the UK is the first new product in more than ten years. It's made from all-natural ingredients and contains no artificial preservatives, colors, flavorings or sweeteners. It's a compelling but tentative step into the healthier-drinks market.

27 HSBC 13,143 $m ▼

HSBC. Despite losing billions in the US market and being one of the fist major banks to suffer the effects of the US sub-prime lending crisis, HSBC has seen strong international growth, with a number of acquisitions under its belt and an increasing presence in Asia helping to stabilize the brand.

28 NESCAFÉ 13,055 $m ▲

NESCAFÉ. Nescafe has benefitted from the increase in demand for premium coffees, with its "Connoisseur Coffee" range and café style coffees performing particularly well. It has taken on the role of educating the public on the health benefits of coffee and is beginning to engage and expand its customer base with online media.

29 NIKE 12,672 $m ▲

NIKE. Despite increased competition from Adidas, Nike remains the world's #1 sports brand. Smart partnerships are never far away from Nike. It teamed up with Apple to launch an innovative MP3 player/sneaker for runners and it's making further inroads with emerging markets – helped, no doubt, by its sponsorship of China in the Beijing Olympics. Along with the successful launch of women's innerware, Nike has been expanding its direct-to-consumer business, which it believes will continue to grow. Also online, the brand launched interactive consumer concepts like Nike ID and Nike + , creating an online buzz about the brand and new ways for fans to interact with it.

30 UPS 12,621 $m ▲

UPS. Responding to the downturn in the US economy, UPS expanded its online, supply chain, and freight services. International markets are playing an increased role, with UPS focusing on building strategic assets in China and India. The most profitable company in its sector, it is continuing to gain ground through aggressive marketing such as sponsorship of the Beijing Olympics and some major US ad campaigns.

31 SAP 12,228 $m ▲

SAP. SAP has continued to broaden its offering through key acquisitions, most notably that of Business Objects. The "Best Run Businesses" campaign has been successful in increasing the familiarity of the brand to different audiences, including small- and medium-sized businesses, which remain a strategic focus. This effort helps position SAP as more than just a software brand and paves the way for diversification further down the line.

32 DELL 11,695 $m ▲

DELL. Despite sustained growth, Dell's direct sales strategy has been suffering. The increasing importance of design and aesthetic appeal in personal computing means there's been a greater shift to in-store purchase, where customers can see, feel and try things out before buying. This has changed the way Dell sells computers. In January 2008, it closed 140 retail kiosks that were, in effect, posh PR vehicles that didn't sell products. To get PCs in front of people, Dell has partnered big retail brands like Walmart in the US, Bic Camera in Japan, and Carphone Warehouse in the UK, which has offered great exposure, but has limited the control Dell has over the way its products are presented and explained.

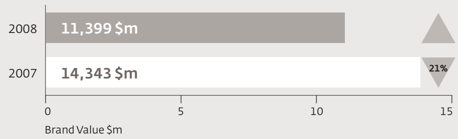
Interactive consumer concepts like Nike ID and Nike + are creating a buzz.

33 Budweiser 11,438 $m ▼

BUDWEISER. While still the beer of choice in the US, the King of Beers needs to ensure its personality to drinkers shines through in other countries if it's to keep its crown. Non-beer alternatives have gained popularity in recent years, broadening consumer tastes. Following its recent takeover by InBev, the Budweiser brand should prosper given its flagship role within such a large international portfolio and the access it will gain to new markets.

34 Merrill Lynch 11,399 $m ▼

MERRILL LYNCH. Merrill Lynch is in the unenviable position of being among the worst hit by the credit-crisis. Without a retail side to their business to help support and balance the business, they've been left struggling with the reality of colossal losses. A brand which has traditionally thrived on a reputation for not being a risk taker, has seen its involvement in packaging sub-prime US homeowner securities spectacularly backfire.



Brand	Merrill Lynch
Country of origin	US
Sector	Financial Services
Brand Value ($m)	11,399
Rank 2007	22
Rank 2008	34

35 IKEA 10,913 $m ▲

IKEA. Ikea continues to focus on global expansion with new stores opening in 11 countries. One of the most stable brands in the world, its products are consistently innovative, stylish, and a great value – an unbeatable mix in times like these. Hoping to appeal to a new demographic of young people and to expand its brand recognition in new markets, Ikea reached a deal with Electronic Arts to create a special ad-on pack for the popular Sims 2 computer game featuring a wide range of Ikea products to decorate people's virtual homes.

Innovative, stylish and great value – Ikea is an unbeatable mix in times like these.

36 Canon 10,876 $m ▲

CANON. Traditionally known as a consumer brand, Canon is not as well positioned as some of its rivals to make a real impact on the business-to-business market despite attempts to refocus its activity. Advances in mobile phone technology continue to threaten sales of digital cameras, as consumers are increasingly happy to capture and send pictures via their phones. Canon has done well within the environmental agenda, launching an innovative calculator partly made from recycled Canon photocopiers. It has also demonstrated good growth potential in emerging markets. In India, Canon is opening stores targeting both businesses and consumers and marketing aggressively to reposition Canon as a lifestyle brand.

37 JPMorgan 10,773 $m ▼

J.P. MORGAN. Despite having an innovative and more diversified business than many of its direct competitors, JP Morgan has still suffered at the hands of the US credit crunch. Along with a fall in overall performance, earnings per share fell 49%. Compared to the competitors, however, JPMorgan was not viewed as carrying as much risk and therefore did not suffer as much damage to its reputation.

38 Goldman Sachs 10,331 $m ▼

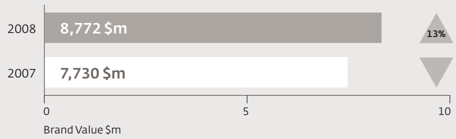
GOLDMAN SACHS. Even Goldman Sachs proved vulnerable to the economic turmoil in the US, especially in credit markets. Its shares were down a significant percentage from the previous year and it was forced to write off over $2 billion. Yet, the firm's ability to manage its risks and still have time for philanthropy has kept it in people's good books. Despite a fall, it has done better than many of its rivals and has actually strengthened its brand in relative terms.

39 Kellogg's 9,710 $m ▲

KELLOGG'S. The Kellogg's brand continues to thrive, both in the US and overseas. The greater public awareness of healthy eating has put pressure on some of its higher salt and sugar content products, and the way its children's products are marketed. This has been cleverly offset by a big push behind the benefits of its more healthy brands, such as Special K. Kellogg's has vowed to reformulate many of its flagship brands to healthier recipes and meet self-imposed health standards over the next year and a half. Its healthy agenda was also supported by its purchase of Bear Naked – the second-biggest maker of granola behind Quakers in the US – a brand bursting with health benefits.

40 Nintendo 8,772 $m ▲

NINTENDO. In just a few short months, Nintendo pulled off something the gaming industry had been struggling to do for years – widen the market. With the phenomenal success of the Wii and DS consoles, Nintendo has fuelled the acceptance of video games as a form of entertainment for all age groups and genders, giving the games console a legitimate place in the living room and people's hearts. Innovation continues to drive the brand as new concepts, such as Wii Fit and the Brain Training series, push the boundaries of what video games can be and the ways in which people can engage with them.



Brand	Nintendo
Country of origin	Japan
Sector	Consumer Electronics
Brand Value ($m)	8,772
Rank 2007	44
Rank 2008	40

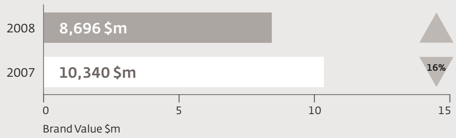
41 UBS 8,740 $m ▼

UBS. Overall, UBS was one of the brands hit the hardest by the credit crisis. It suffered massive losses on sizeable trading positions in the US and was hurt by the sudden collapse in the US mortgage securitization market. Disagreements on the inside fuelled a new lack of confidence that has damaged a brand that had always been known for its prudence. Litigation cases in the US have also contributed to reputational damage. Against this backdrop, expansion outside the US remained steady, but unspectacular, and UBS still has an over-reliance on partnerships.

In just a few short months Nintendo pulled off something the gaming industry had been struggling to do for years.

42 Morgan Stanley 8,696 $m ▼

MORGAN STANLEY. Morgan Stanley lost a lot of ground this year and will need to work hard to reclaim its position. Like many of its competitors, the bank has been involved in a class-action suit with shareholders outraged by its delay in disclosing the level of its exposure to mortgage-backed-securities in the US. Economic crisis aside, the brand is attempting to re-build trust by focusing on its illustrious heritage.



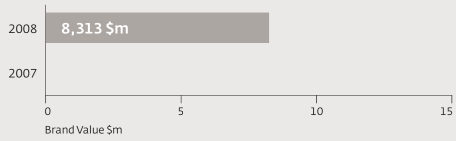
Brand	Morgan Stanley
Country of origin	US
Sector	Financial Services
Brand Value ($m)	8,696
Rank 2007	37
Rank 2008	42

43 PHILIPS 8,325 $m ▲

PHILIPS. Philips has always been well-regarded in the electronics field and is leading the way when it comes to sustainability. It was awarded the Stars of Energy prize in 2008 in recognition of its work in energy preservation. The brand's products are becoming increasingly diversified and, after recognizing healthcare as a key growth area, it has an innovative range of health diagnostic products at various stages of development.

44 THOMSON REUTERS 8,313 $m NEW

THOMSON REUTERS. The highly publicized merger and rebranding of Thomson Reuters has created one of the strongest players in the industry, with a big presence in high-growth regions such as India, China and the Middle East. It will take time for the brand to reach its true potential as the group restructures to become more efficient but, with exciting new services for mobile devices and increasingly intelligent data management, Thomson Reuters is shaping up to be one to watch.



Brand	Thomson Reuters
Country of origin	Canada
Sector	Media
Brand Value ($m)	8,313
Rank 2007	-
Rank 2008	44

Gucci has a firm grip on both its brand and the revenues it generates, something that will provide advantage as it enters into emerging markets.

45 GUCCI 8,254 $m ▲

GUCCI. One of the world's most coveted luxury brands, Gucci can't afford to rest on its laurels. With an increased brand communication budget of 41.5% over last year, the brand has capitalized on its lead positioning of creativity, quality, and the kudos of being "Made in Italy." With a retail network it directly owns and operates, Gucci has a firm grip on both its brand and the revenues it generates, something that will provide an advantage as it enters into emerging markets such as India.

46 ebY 7,991 $m ▲

EBAY. eBay has historically dominated the world of online auctions but there appear to be changes afoot. Recognizing that customers (both buyers and sellers) increasingly want to be able to trade without necessarily entering into an auction, eBay is encouraging fixed-price listings by making changes to its fee structure. This demonstrates responsiveness and a willingness to flex its business model to meet changing needs. However, the move also represents a shift away from its auction roots and makes its offering more closely resemble that of Amazon. International expansion has been good, though eBay is still struggling with the format in China and Japan, being forced to team up with partners with a better understanding of the local markets. Meanwhile, on home turf, its eBay Motors site is gaining momentum, thanks to a big promotional push.

47 accenture 7,948 $m ▲

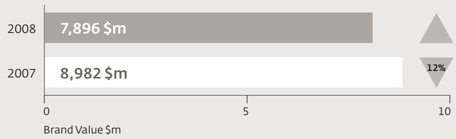
ACCENTURE. As the world's largest business processing outsourcer, Accenture has benefited from its solid track record of efficiency as businesses are now more cautious about how they spend. The brand is still benefiting from the halo effect of Tiger Woods, its celebrity sponsor, who reinforces the message that Accenture understands what it takes to be "high-performance."

48 SIEMENS 7,943 $m ▲

SIEMENS. Siemens has led the charge in reaching consumers in emerging markets. With increased investments in infrastructure and services aimed at an older demographic, it has increased demand for its services in some interesting places. An investment in sustainable technologies and energy solutions, along with a willingness to be a spokesman on the subject, is helping frame the brand in a progressive light. However, a lack of strong brand communications, coupled with reputational damage following a recent corruption scandal have limited brand value growth.

49 Ford 7,896 $m ▼

FORD. Despite recent changes to the product portfolio, Ford has struggled to convince consumers that it does more than just produce big cars with big engines. This is a problem of momentum – having invested heavily in owning the big-truck space in the past, it's taking time to shift its image. This isn't helped by negative media coverage on the company's performance, undermining confidence in the brand with internal and external audiences. Ford has started the change process and is producing smaller vehicles in the US, but needs to communicate with customers and employees to re-establish its reputation.



Brand	Ford
Country of origin	US
Sector	Automotive
Brand Value ($m)	7,896
Rank 2007	41
Rank 2008	49

50 Harley-Davidson 7,609 $m ▼

HARLEY-DAVIDSON. Despite its rich heritage and cult following, Harley-Davidson saw a 9% fall in revenues in the US, suggesting it is struggling to stay relevant with its home audience. Things look rosier overseas where it grew sales by 40% by focusing on non-core audiences, such as women and younger adults, particularly in Asia. The brand has enjoyed real equity in the past, but it needs to find new ways to engage consumers to make sure the same is true of its future.

Harley-Davidson has enjoyed real equity in the past but it needs to find new ways to engage consumers to make sure the same is true of its future.

51 L'ORÉAL 7,508 $m ▲

L'ORÉAL. L'Oréal has reinforced its position as one of the world's most prominent cosmetics companies by successfully expanding into emerging markets. It has also taken advantage of the growing demand for male grooming products by using celebrities to endorse the brand. The brand continues to use the slogan "Because You're Worth It" - a consistent message that helps to reinforce its identity.

52 MTV 7,193 $m ▲

MTV. As a youth brand, MTV is expected to keep up with the times. In this era of social networking and user generated content, it has made the most of online and mobile channels, adapting content to suit these audiences and choosing partners that can help it to reach them in new and exciting ways. But it's the brand's activities in emerging markets that could reap the biggest rewards. An expanded influence in China and India sits alongside real headway in Arabic markets, as North Africa and the Middle East adopt a more relaxed cultural attitude and music increases in popularity.

53 7,047 $m ▲

VOLKSWAGEN. This was another brand to benefit from the deserved German reputation for solidity and reliability. VW has moved to overtly own this territory with the simple, category-claiming tagline, "Das Auto." Walter de Silva, the group's new design chief, set threefold goals for the group in an attempt to create a distinctive look for the brand: (1) create an identifiable design for each VW brand; (2) create a unique face for the Golf and build a family of derivatives; and (3) simplify the design of future VW cars.

54 AIG 7,022 $m ▼

AIG. The negative press surrounding the US financial services industry, as well as AIG's infighting and slowness to acknowledge errors publicly, has damaged the brand relative to more agile competition. AIG is on the defensive, with less effort being spent on rebuilding its diminished image and a renewed focus on its balance sheet.

55 7,001 $m ▼

AXA. Although its making some strategic acquisitions in relatively stable emerging markets, AXA has not been immune to negative market conditions. Market sentiment has dented its share price and a series of blunders led to clients being reimbursed for poor management of their accounts, all at a time when consumer trust in the US financial sector is at an historic low.

56 6,646 $m ▲

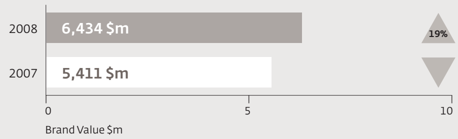
HEINZ. With sales struggling, Heinz has embarked on an awareness drive, supported by some innovative products (it is planning to launch 100 new lines around the world this year). The continued success of the brand is driven by growth in emerging markets, particularly in Russia, India, China, Indonesia, and Poland.

57 6,437 $m ▲

COLGATE. Colgate's brand growth this year can be attributed to an increase in advertising spend, resulting in exceptional sales growth. New products have been successfully launched, both in the US and internationally. The launches have been supported by fully integrated campaigns that make the most of online interactivity to engage with consumers.

58 amazon.com 6,434 $m ▲

AMAZON.COM. The world's biggest bookstore gets bigger, largely due to a shift in focus away from books. Amazon is fast becoming a super-mall, selling everything from toys, jewelry, clothes, and electronics alongside its core offering of books, CDs, DVDs and games. Recent innovations include the Kindle (a wireless e-book reading device), Amazon MP3, DRM free music downloads, Checkout (Amazon's own online payment system to rival PayPal) and the successful Amazon Prime unlimited free shipping service, which encourages repeat custom. Behind the scenes Amazon's web-services offering gives 330,000 developers access to some of Amazon's technology in exchange for a fee.



Brand	Amazon.com
Country of origin	US
Sector	Internet Services
Brand Value ($m)	6,434
Rank 2007	62
Rank 2008	58

59 xerox 6,393 $m ▲

XEROX. When it comes to printers and photocopiers, the hardware is becoming so cheap that it's the cartridges and maintenance that are most profitable, making the B2B market more appealing than the consumer market. Xerox has long been associated with the B2B market, so it's in a great position to be front of mind in business purchase decisions. And, by refocusing on services like document outsourcing and office solutions, it's opening up a whole new market. With its recently refreshed identity, Xerox is positioned as a modern, dynamic provider that can adapt to the ever changing office world.

60 CHANEL 6,355 $m ▲

CHANEL. Regarded as one of the world's most iconic fashion brands, Chanel maintains its desirability through classic appeal that is constantly being reinterpreted for modern times. More affordable ranges are offered in limited quantities and, during the fears of recession, Chanel has maintained price points and exclusive positioning. Familiarity with the brand is sure to rocket following the release of the biopic "Coco avant Chanel."

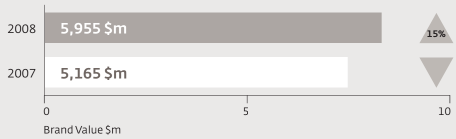
61 WRIGLEY 6,105 $m ▲

WRIGLEY'S. Chewing gum sales may be down in the US, but this has not stopped Wrigley's from continuing its expansion internationally, including a growing presence in the Chinese market, thanks to specially tailored flavors and packaging. Wrigley's are working hard to reduce any negative health associations through clever partnerships with organizations like the American Dental Association, which gave the Extra and Orbit brands its seal of approval – the first gums ever to receive the accolade. The recent acquisition by Mars should provide Wrigley's with greater resources to further build their brand.

Yahoo! suffers at the hands of a failed takeover by Microsoft.

62 ZARA 5,955 $m ▲

ZARA. Having expanded into eight new territories in the last two years, Zara is now a truly global force, with operations in 72 countries. It owes its status as the master of impulse shopping to its truly original business model. The retail stores are not just the end of a highly efficient supply chain, they are the beginning of the design process. Design input comes from market specialists and buyers as well as designers, so its fast fashion is directly customer-driven. The weekly rollout of new stock gives people a reason to visit more regularly than most outlets, and the price point makes spontaneous purchase highly likely. How do you buck a downward trend? Give the people what they want.



Brand	Zara
Country of origin	Spain
Sector	Apparel
Brand Value ($m)	5,955
Rank 2007	64
Rank 2008	62

63 Nestlé 5,592 $m ▲

NESTLÉ. While increased advertising spend has helped keep Nestlé relevant in established markets, it's geographic expansion and an expanding product range that keep the brand growing. With such an extensive offering it's inevitable that negative news stories and health scares will never be far away, and this year it's the presence of potentially harmful Bisphenol A in baby formula cans that made the headlines.

65 YAHOO! 5,496 $m ▼

YAHOO! Despite continued innovations, such as Yahoo Mobile, and its dominance in many markets, the brand has suffered at the hands of a failed takeover by Microsoft. Ironically, by declaring that the offer "undervalued" the brand, its rejection has resulted in lawsuits, management shake-ups, and strategic activities that have subsequently reduced its perceived value and angered shareholders.

64 KFC 5,582 $m ▼

KFC. Dogged by the poor health perceptions of fried foods, the brand is taking strides to become more health conscious by piloting grilled chicken in selected US markets. KFC is also trying to appeal to diners for breakfast and lunch, as well as dinner, with portable options catering to those mealtimes. Like many of the brands in this year's ranking, KFC is expanding by looking to emerging markets to back up flagging domestic sales, and is adjusting its menu to suit. In China, for example, diners can enjoy fried dough and preserved egg porridge along with their chicken.

66 DANONE 5,408 $m ▲

DANONE. Danone has joined the barrage of western brands making inroads in Asia and has successfully introduced a wide range of products in new markets. Following a prolonged restructuring of the business, a new focus on health products is bearing fruit as Danone reorganizes its offerings to cater to health-conscious consumers and shareholders.

The secret to Rolex's success has been a long-term view on its relationship with consumers, focusing on performance and continuity.

67 Audi 5,407 $m ▲

AUDI. Audi has shown the biggest gains in the sector by focusing on good, sustainable, recognizable design and smart positioning. It has focused heavily on engine efficiency and emphasized the diesel range. A reputation for reliability plays well to a market looking for vehicles that hold value, and it has made considerable advances in aligning the range under a consistent design philosophy. In emerging territories like India, where it began production this year, Audi has positioned itself well for the growing high-end luxury market.

68 Caterpillar 5,288 $m ▲

CATERPILLAR. Caterpillar has been one of the major beneficiaries of the rapid growth of emerging markets. As the world's largest maker of construction and mining equipment, diesel and natural gas engines and industrial gas turbines, it is in an enviable position as these new markets expand at an extraordinary rate. From a brand-building point of view, its sponsorship of NASCAR in the US and a strong citizenship approach has helped soften its image.

69 Avon 5,264 $m ▲

AVON. While valiantly trying to crack new markets, Avon's real success has been in its traditional heartland. Although progress has been slow in the Far East and Latin America, a global rebranding campaign featuring Reese Witherspoon has raised its profile.

70 adidas 5,072 $m ▲

ADIDAS. The constant evolution and re-investment in its brand has helped Adidas become one of the leaders in the industry, second only to Nike. The acquisition of Reebok and some well-chosen sponsorships have kept it in the headlines and, more importantly, on the shirts and sneakers of some of the world's biggest sporting heroes. The tagline "Impossible is Nothing," much like "Just Do It," enables it to talk to consumers both inside and outside the sporting world, broadening its appeal as a sporty fashion brand with attitude.

71 Rolex 4,956 $m ▲

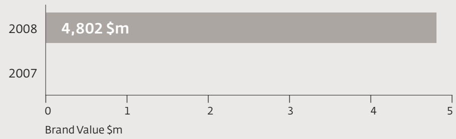
ROLEX. Rolex is the world's biggest luxury watch brand. The secret to its success has been a long-term view on its relationship with consumers, focusing on performance and continuity – something demonstrated by the great value collectors put on vintage Rolex watches. Recent investments follow this strategy, with enhanced after-sales services and distribution benefiting from increased spending.

72 Hyundai 4,846 $m ▲

HYUNDAI. Korea's national brand champion (and the world's 6th-biggest car manufacturer) now adds, as standard equipment, many of the advanced features of its higher-priced rivals – from both western and eastern sides of the globe. Paralleling Toyota's Lexus, Hyundai has launched an upmarket prestige car brand under the name Genesis, using the Super Bowl football broadcast – the world's most expensive commercial air time – to publicize the new range and, along with a refined digital strategy, to promote the Hyundai brand in the US. As fuel prices soar, environmental concerns increase, and the economy shows signs of weakness, it is the smaller, cheaper, more efficient, far eastern manufacturers like Hyundai that stand to benefit.

73 BlackBerry 4,802 $m NEW

BLACKBERRY. It was only a matter of time before the brand, ubiquitous with corporate users, reached out to a wider consumer base and hit the big time. By concentrating more on style and introducing pocket-friendly models like the Pearl and Curve, the brand now appeals to an audience eager to embrace smarter phones with internet and email on the move. The only cloud on the horizon for BlackBerry could be the threat of Apple's iPhone as the ultimate business phone. But with a raft of new 3G products of its own in the pipeline, such as the Bold, a flip-phone, and BlackBerry's first touch-screen model – the Thunder – the world's addiction to the nifty little devices looks set to continue.



Brand	Blackberry
Country of origin	Canada
Sector	Consumer Electronics
Brand Value ($m)	4,802
Rank 2007	-
Rank 2008	73

74 Kleenex 4,636 $m ▲

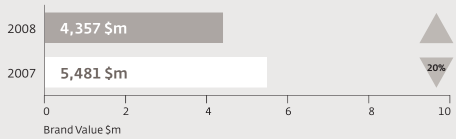
KLEENEX. Saddled with a brand name that's in danger of being seen as a generic descriptor like Rollerblades or Walkman, Kleenex is once again trying to build equity in its brand name. Sponsorship of the Beijing Olympics gives a relevant (yet expensive) tie-in for award-winning tear-jerkers that work nicely with its emotional "let it out" campaign.

75 Porsche 4,603 $m ▲

PORSCHE. Porsche has grown strongly in emerging markets like the Middle East, Russia, India, and China, where there is a growing demand for conspicuous status symbols with heritage. By broadening its product range with models like the Cayenne, Porsche has managed to appeal to a broader demographic, shedding the stigma of being an '80s Yuppie plaything, and has adopted a more grown-up, family-friendly persona. The build quality means they hold their value well, which is particularly positive in the current climate.

77 GAP 4,357 $m ▼

GAP. When it comes to fashion retailing, the middle ground has always been a battleground, and lately you'd be forgiven for thinking that GAP has been on the losing side. Despite a slow increase in profits, thanks largely to cost-cutting, worldwide sales are in decline as budget-conscious consumers trade down or are lured away by more appealing competitors. Gap's brand reputation has suffered through child labor issues in India and turning things around could take more than just boosting its online offering.



Brand	Gap
Country of origin	US
Sector	Apparel
Brand Value ($m)	4,357
Rank 2007	61
Rank 2008	77

When it comes to fashion retailing, the middle ground has always been a battleground.

76 Hermès 4,575 $m ▲

HERMÈS. One of the most exclusive and prestigious fashion houses in the world continues to pursue a strategy of creativity, quality, know-how, and artisan spirit. A strategic refocus on geographic expansion has seen inroads in India and China and the high-profile opening of a store on Wall Street – one of 40 planned in 2008.

78 Panasonic 4,281 $m ▲

PANASONIC. With a strong line-up of products, Panasonic has made strides internationally and the brand has been helped by unifying all markets under the Panasonic brand name, replacing the historic Matsushita Electric Industrial Co. and National brand names in its native Japan. Once again it was a top sponsor of the Olympics this year, putting its name in front of the world. Panasonic's Lumix camera and Viera television brand continue to do well and it's benefiting from some wise industrial partnerships, particularly in the LCD arena. Taking a slightly different track to its rival Sony, Panasonic is continuing investment in the white goods sector, a profitable category ignored by its rival.

79 Cartier 4,236 $m ▲

CARTIER. Performing exceptionally well in jewelry and watches, Cartier is now looking to China to boost revenues, growing the number of outlets to capitalize on the strong demand from the Asian market. Looking ahead, the resilient nature of high-end consumers leaves Cartier in a strong position, even against the backdrop of the current economic climate.

80 Tiffany & Co. 4,208 $m ▲

TIFFANY & CO. Tiffany & Co.'s consistent brand strategy and focus on the customer experience ensure that, regardless of economic conditions, people will always find a little sparkle when they walk through the doors. That said, a positioning of "affordable luxury" may leave the brand exposed if mainstream consumers continue to cut back on luxury spending while highly affluent consumers stay loyal to the ultra-premium end of the market. It will be interesting to see how consumers react to the new "Collections" store format.

81 Pizza Hut 4,097 $m ▼

PIZZA HUT. Squeezed by the desire for healthier eating, but from a cost-conscious consumer, Pizza Hut has worked hard to deliver affordable healthier options, such as "The Natural" pizza, to try and stay relevant. In the US, its new Bistro concept tries to attract a broader customer base, by marrying the restaurant's traditional pizza and chicken wing menu with more upscale items, such as Chicken Florentine and Sausage and Pepper Rustica. Convenience has always been key in the pizza business and Pizza Hut has rolled out a mobile ordering system that uses the latest technology to bring pizzas to people's doors. However, despite all of these innovations, Pizza Hut faces flat sales in core markets and, like other chains, is looking to China and India for sustained growth.

82 Allianz 4,033 $m ▲

ALLIANZ. Thanks to a more conservative approach, Allianz has significantly improved its position over the competition since the US credit crunch. The brand is strong on ethics and honesty, and along with the prudent approach, this has been reinforced by the fact that they contact all customers over the age of 74 to make sure they understand the products they hold. In terms of growth, inroads in Scandinavia, Slovenia and Japan began to pay off.

83 Moët & Chandon 3,951 $m ▲

MOET & CHANDON. Still mopping up after years of worldwide prosperity, Moet & Chandon have continued to display strength and confidence in its brand by increasing its price, in spite of changing economic conditions. Where it has been most successful is in continuing to transform the category from being seen as something for a seasonal treat to an all year round drinking choice that is short-hand for "being fabulous." As emerging markets continue to get a taste for the good life, this strategy will stand them in good stead for years to come.

84 bp 3,911 $m ▲

BP. Following a couple of nightmarish years, BP is still trying to restore the value of its brand to 2006 levels. Revenue has been boosted by record oil prices, but its reputation has been tarnished further by problems and incidents in Alaska and Texas City, while instability in its Russian TNK-BP venture threatens to cause more harm. On a more positive note, BP is now seen as a leader in working towards greener energy. Its investments in sustainable energy sources work to reduce exposure to the price of oil and the ultimate threat of its exhaustion.

85 Starbucks Coffee 3,879 $m ▲

STARBUCKS. Despite a challenging year for the business, Starbucks has focused its energies on rebuilding the brand. As the credit crunch bites, consumers are less willing to pay a premium for what has effectively become a daily staple. The success of Starbucks has made other outlets up their game, with brands like McDonald's offering coffee arguably as good for a fraction of the price. In the US, Starbucks is cutting costs through layoffs and shutting down 600 under-performing shops. It's a story repeated in Australia, where 61 of its 85 stores were closed as the brand offered no real benefit over local coffee houses. Despite its problems, Starbucks is fighting back by focusing on the experience of its outlets, exploring music and entertainment initiatives, and improving service by retraining baristas and engaging them with the brand.

86 ING 3,768 $m ▼

ING. ING has continued to differentiate itself in the marketplace, emphasizing its reputation of being "easy to work with." While the bank has been hit by the US financial crisis, it has not been effected as dramatically as some others within the industry. ING has continued to build awareness through advertising and its sponsorship of the Renault Formula One racing team.

87 Motorola 3,721 $m ▼

MOTOROLA. Motorola has lost its category leadership position. Through a lack of innovation and growth into new segments, the brand is in serious decline. While innovative new products from Apple, Samsung, Nokia, and BlackBerry tap into fast-changing consumer needs, Motorola has been left behind and has seen its 2007 self-claimed 14% market share erode further. With the business due to be split into two divisions, time will tell if the changes can lead to a sharper focus.

88 Duracell 3,682 $m ▲

DURACELL. The Duracell bunny just keeps on going, albeit without spectacular ascent. With many gadgets now favoring rechargeable lithium batteries, you'd be forgiven for thinking the market is shrinking. But driven by demand in developing markets, particularly in Latin America, where distribution has been vastly increased, the brand has built on the gains made last year.

89 SMIRNOFF 3,590 $m ▲

SMIRNOFF. Smirnoff has continued to be the worldwide vodka of choice, with sales steadily growing in all markets, particularly the US. The launch of Smirnoff Ice Light is appealing to a more health-conscious female market and builds on the success of its vodka-based alcopops range. The brand has been engaging with consumers in new ways of late, making the most of interactive media such as blogs and video to appeal to younger drinkers, and building up a long list of action-movies where its products have been placed.

90 LEXUS 3,588 $m ▲

LEXUS. Clever marketing in the US has maintained the perception that Lexus is an American brand, rather than Japanese. This is vital in a country where people prefer to buy home grown products. Elsewhere, the brand is seen as less exciting and sporty than its nearest rivals, BMW and Mercedes, but this hasn't stopped its growth. It has invested heavily in hybrid cars with its sister brand Toyota. This makes it an increasingly popular choice in places like London where this technology is exempt from the Congestion Charge tax.

91 PRADA 3,585 $m ▲

PRADA. Prada has been the top spender on marketing and advertising among the luxury global brands. With the Chinese market expected to account for 10% of global sales by 2010, the region has been a key focus for development. The Prada phone, developed in conjunction with LG, was well received and helped the brand to reach new audiences.

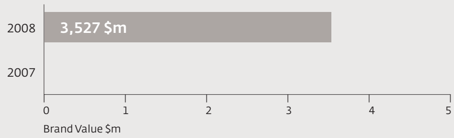
92 Johnson & Johnson 3,582 $m ▲

JOHNSON & JOHNSON. The continued emphasis of family and ethical values has helped the Johnson & Johnson brand maintain a place in people's hearts, with a wide range of products and partnerships doing the balance sheet no harm either. With the acquisition of Pfizer, the brand has become a worldwide force, which may, in time, stretch the perception of it being a family company.

The continued emphasis of family and ethical values has helped the Johnson & Johnson brand maintain a place in people's hearts.

93 Ferrari 3,527 $m NEW

FERRARI. Ferrari has always been a highly desirable brand, but this year sees it break into the list for the first time. Increasing global prosperity over the last decade has made the brand increasingly attainable. Ferrari has managed the growth well by limiting production and maintaining a sense of exclusivity to the brand. Despite a fall in the value of the US dollar, (which made the car relatively more expensive in one of Ferrari's key markets), the brand achieved record-breaking sales last year. This was supported by huge growth in emerging markets where the brand is increasingly bought as a status symbol.



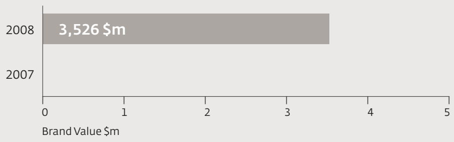
Brand	Ferrari
Country of origin	Italy
Sector	Automotive
Brand Value ($m)	3,527
Rank 2007	-
Rank 2008	93

Fuelled by strong sales in emerging markets where the brand is increasingly bought as a status symbol.

94 ARMANI

3,526 $m NEW

ARMANI. As one of the world's most dynamic fashion brands, Armani has a long track record of promoting the luxury Italian lifestyle. But recent investments in new categories have helped the brand reach out to new audiences. The Armani brand now stretches into areas as diverse as fragrance (Armani Code), home furnishings (Armani Casa), technology (co-branding with Samsung) and hotels (the first Armani hotel opened in 2008 in Dubai).



Brand	Armani
Country of origin	Italy
Sector	Luxury
Brand Value ($m)	3,526
Rank 2007	-
Rank 2008	94

Armani reaches out to new audiences through the brand.

95 Hennessy

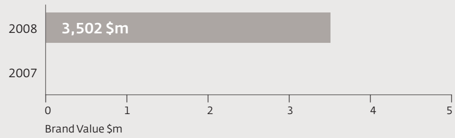
3,513 $m ▼

HENNESSY. While emerging markets like China and Russia fuel growth, the Hennessy brand is in decline in the US as consumers switch to alternatives like whisky and other spirits. Recently the brand has tried to reinforce its brand message with an advertising campaign built on its values of "heritage" and "authenticity."

96 Marriott

3,502 $m NEW

MARRIOTT. With a classic approach to hospitality, Marriott has seen its focus on availability and assurance of service and quality pay dividends. By asserting itself as a class above competitors and continuing efforts to enhance its image among frequent business travellers, it has demonstrated a strong grasp of the industry. It has also generated positive press for its long-standing sustainability initiatives, including efforts to significantly reduce energy and carbon emissions across its network. As the brand embarks on an ambitious project to roll out a series of boutique hotels under the brand "Edition," its place as a leading hospitality brand looks assured.



Brand	Marriott
Country of origin	US
Sector	Hospitality
Brand Value ($m)	3,502
Rank 2007	-
Rank 2008	96

97 Shell

3,471 $m ▲

SHELL. Despite the problems affecting the industry, Shell has continued to bolster its strength internationally. It is one of the most recognizable petroleum brands in the world, with a presence in 110 countries and a reputation for being a good employer. Shell believes so strongly in its business principles that its set up a whistle-blowing website for employees worldwide to report any violations they come across and, like its peers, it is investing heavily in alternative energy sources.

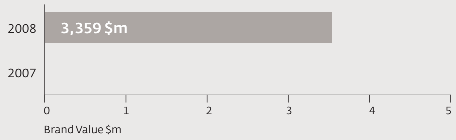
98 NIVEA 3,401 $m

NIVEA. Already a leader in skin care, it's the expansion into areas such as hair care that's helping the brand build on its success in the last few years. Nivea has demonstrated an ability to adapt to customer needs and tailor products for the Asian and Latin American markets. The "Beauty is" advertising campaign has resonated well around the world, presenting beauty as something that is within everybody and challenging traditional stereotypes of what is considered beautiful.

The FedEx brand spread its wings and has compensated for the downturn in its home market.

99 FedEx 3,359 $m NEW

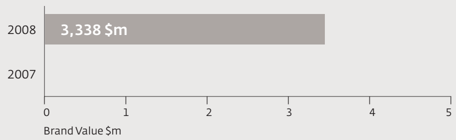
FEDEX. Despite a downturn in the US market, FedEx is benefitting from the growth in global trade and has continued to strengthen its brand in emerging markets. Awareness has been raised after heavy investment in sponsorship and advertising, including a campaign for the rebranded Kinko's, which is now called FedEx Office.



Brand	FedEx
Country of origin	US
Sector	Transportation
Brand Value ($m)	3,359
Rank 2007	-
Rank 2008	99

100 VISA 3,338 $m NEW

VISA. Ironically, considering its position as the world's #1 credit card brand, Visa has barely been affected by the US credit crunch. Unlike the lenders whose cards carry its brand name, Visa carries no consumer debt. Instead it makes money from transaction fees, which have been increasing steadily over the years. The brand's global nature makes it the perfect sponsor for international sporting events such as the Beijing Olympics, beaming its brand name into the homes of millions of people the world over, many of whom may be taking their first steps with credit.



Brand	Visa
Country of origin	US
Sector	Financial Services
Brand Value ($m)	3,338
Rank 2007	-
Rank 2008	100

Industry insights

Computer software
Bill bows out

It has been a case of the rich get richer again this year. The industry is totally dominated by the three major enterprise software giants, Microsoft, Oracle, and SAP, which continued to grow in brand value. The competition is not even remotely close to their level. This gap is maintained by the big three continuing to use acquisition as a consistent growth strategy, staying current with technologies, and keeping strong, diversified brands. The prominence of acquisition over organic growth is cause for concern among industry watchdogs who wonder whether diversity and expertise are sustainable in such a climate.

Despite remaining the biggest brand by value in the sector, Microsoft has had a tough year. The retirement of Bill Gates leaves the company without its talisman. It was particularly scarred by the failure to acquire Yahoo!, and signs point to installed software losing relevance as SAAS gains traction, which presents a threat to its traditional core revenue model.

The face of software companies is increasingly benefit-focused as communications emphasize the human element of the brand. This is largely thanks to mass media advertising, especially in airports and transportation locations, focusing on the tangible and intangible results companies can achieve through these products and services. Traditional ad campaigns aimed at small business owners represent an emerging touch-point in the sector.

In promoting ease of use, productivity, and friendly interfaces, software brands are creating new drivers of demand. Companies seek to provide function and service, and court their audiences with promises of profitability and additional services waiting in the wings.

Despite all this, consumers remain intimidated by the software industry, viewing its products as necessities rather than desirable package components. Still, a familiar name or offering makes a dramatic difference to the consumer feeling safe and comfortable. If you don't understand, go with a brand.

Computer hardware
Box clever

This year sees the continued march of computer hardware into the mainstream. Whoever said "the geek shall inherit the Earth" was spot on. Technology is not only cool these days, it's part of the furniture. This ongoing shift from unsightly, confusing, generic boxes to ubiquitous, enabling, lifestyle accessories brings certain expectations in terms of design, price, distribution, and support. The brands that have a vision of the near-future drivers of demand and capture it are the ones moving ahead of the pack.

Product design is an obvious battleground. Apple, which has grown beyond this sector and now sits comfortably in consumer electronics, is the incumbent beauty queen here. But Dell's recent launch of a bamboo-cased computer suggests the sector is reacting to demand for more visually pleasing products. Consumers expect both form and function now. We've seen co-branded laptops from Acer and Ferrari, and HP partnering with Microsoft in a move to bolster search credentials that may prove beneficial for both parties. Maintaining a pipeline of products with a distinctive aesthetic will separate the contenders from the pretenders.

Sustainability is high on the agenda too. Consumers are looking for energy efficiency, and are increasingly savvy about the manufacture and afterlife of hardware. As technology evolves ever quicker, there is a growing requirement to recycle components and build green credentials into the processes as well as the end products. This is a long-term game, and an opportunity for brands to attract new customers. Maintaining broad product portfolios, investing in research, and diversifying geographically are emerging as tactics to clean up on green. Virtualization is also a huge opportunity for IT to help people to live more sustainably, bringing people together without the need for physical transport.

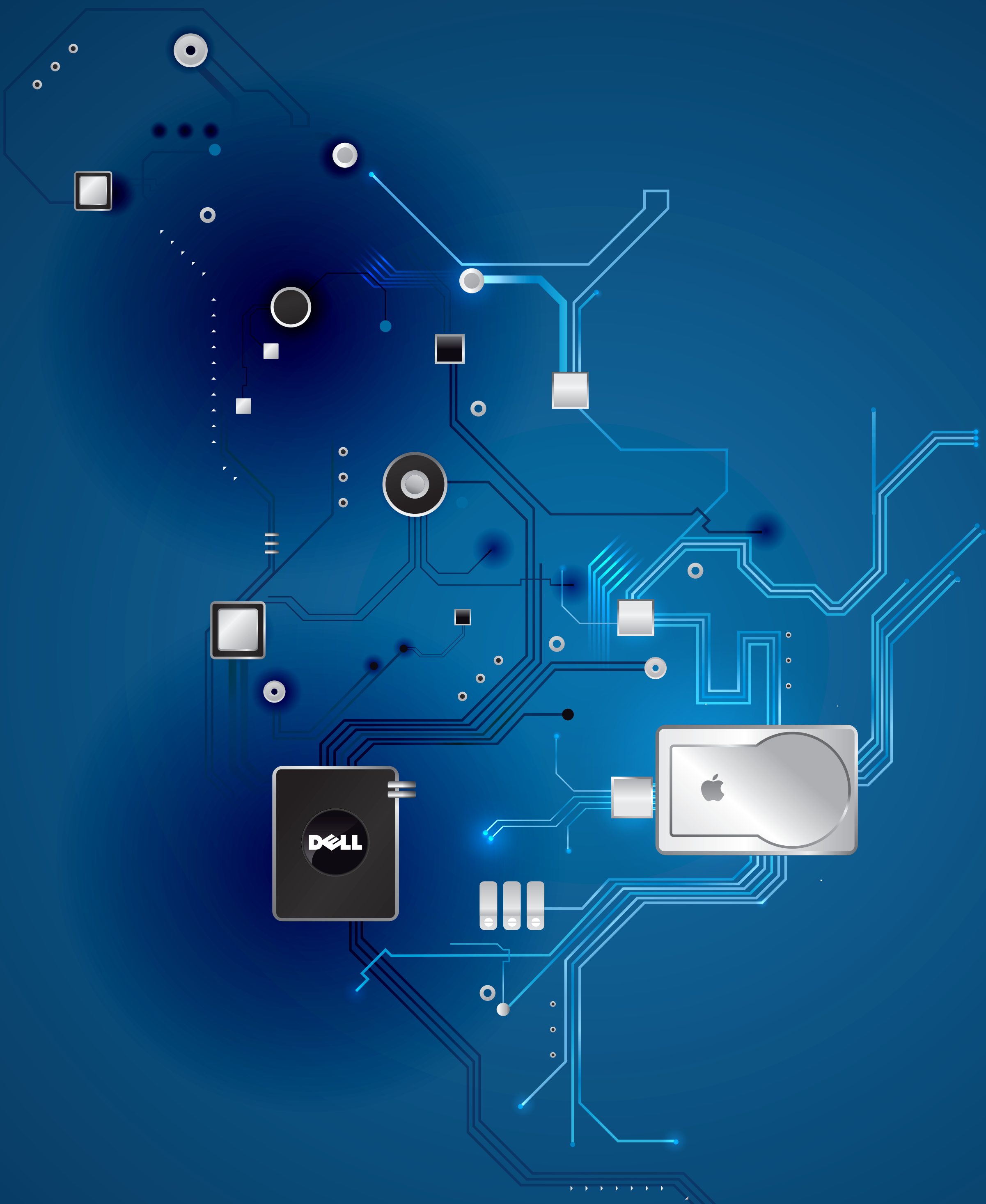
Where you sell your products has become more important this year. Apple's highly controlled branded retail environments are in stark contrast to Dell's arrangement with Walmart, intended to increase the exposure of the brand. We're seeing more emphasis on product support. Customers perceive value in having a person on hand to help them with any difficulties, even if they don't end up soliciting their help. The emphasis is on dialogue and relationships, and the personal touch, are great drivers of loyalty. While Dell's move will give them tangible retail presence, it remains to be seen whether people feel there is the expertise to match the scale.

Computer services
Man and machine

The US-dominated sector has grown steadily in brand value this year. It's no surprise, given the value of contracts and the long-term impact of IT investments, that B2B customers go for trusted brands, especially in uncertain times. Reliability, accountability and products that last are what count here. For companies who rely on technology to compete and connect with customers, it can be less a question of whether they can *afford* to, and more of a question whether they can afford *not* to.

We're talking service, so the human touch is a massive factor in this industry. This is most evident in customer relations and attracting talent. Companies want answers to business needs, and this requires both man and machine. IBM has engaged in advertising designed to make the brand meaningful to those outside the tech community. This has bridged the gap that remained after they divested their broadly appealing ThinkPad product line to Lenovo.

A brand that appeals to prospective customers and employees alike is a must. Accenture's continued Tiger Woods co-branding/endorsement indicates the importance of emotional attachment in a sphere that has traditionally lacked it. He's shown the ability to triumph over adversity and the frailty of one-man brands this year.



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Consumer electronics
Beautiful features

Prettier, better, and cheaper seems to be the order of the day. Design has become increasingly important as a driver of choice. In fact, people now view aesthetic appeal as a given when buying electronic goods. If it isn't sleek and stunning, it doesn't sell. Some brands have learned this the hard way.

The battle of beauty has spilled beyond product design onto the shelves, as brands ramp up point of sale to be the fairest of them all. We're seeing FMCG-style brand management driving choice in the form of sophisticated in-store collateral and retailer strategies.

Convergence continues and in the home, the television remains the icon we arrange our furniture around. It's fast becoming the hub for internet access as well as more traditional entertainment, retaining relevance through innovation.

BlackBerry enters the ranking for the first time this year. Having built a solid base of business users, it has moved to broaden its appeal by emphasizing the lifestyle features of its products. Apple's iPhone was a significant launch and, after first-generation reticence from consumers, the combination of looks and functionality is proving a hit with the faithful. Motorola has struggled to shine in the face of stiff competition.

Internet services
Combine and conquer?

This sector saw the biggest average growth in brand value, reflecting the pervasive influence of the internet on everyday life, and easier access from multiple platforms. One industry theme that won't go away is the difficulty companies are having in monetizing the huge user bases they attract. This has led to accusations of inflated valuations and fears of another dot-com bubble.

Too many companies are too heavily reliant on advertising, so the big brands are expanding their offerings to try and spread risk and increase reward. Google is engaging in retail with its increasingly popular online tools, like Google Docs, which encroach on Microsoft territory. Why pay for something when you can get it free?

Self-styled "Senior Maverick" at *Wired* magazine, Kevin Kelly, astutely points out that, "When copies are free, you need to sell things that cannot be copied." One key quality that can't be copied is trust. This is where brand and reputation are at their most influential, and the reason why the likes of Google have the license to expand their offerings.

This is an extremely fluid sector, with fast waxing and waning of popularity and relevance. The decline of AOL is already old news – a stark warning against complacency to any seemingly unassailable brand. With the stakes so high, it's no wonder there are rumors of enormous mergers like Yahoo! and Microsoft abounding.

For an industry based on innovations and exceptional technologies, brands have been slow to address sustainability issues. *Harper's Magazine* (March 2008) suggest that the energy usage of data centers is extremely large and problematic. Google appears to be leading the industry in sustainability, investing in clean energy with plans to be carbon neutral by the end of 2008. Amazon.com (despite being named after a rainforest) and Yahoo! appear to have no official green policy. Google has announced a new green building but, overall, the industry is unimpressive in this regard.

Transportation
An industry on the move

Change is this year's dominant theme in transportation. Although customer demand is growing – particularly for trans-national services – the economic slowdown has made business difficult. So brands are searching for new ways to connect with consumers and raise awareness.

Three major approaches to brand management have evolved. Cooperation between competitors has benefited some, such as DHL and UPS in air transportation. Sponsorship of key events has opened up a broader customer base for others. UPS is hoping its official status as logistic and express delivery sponsor of the 2008 Beijing Olympics will dovetail nicely with its strategic focus on building assets in China. And there's been more aggressive advertising both online and offline – especially by UPS – as a way of changing brand perceptions.

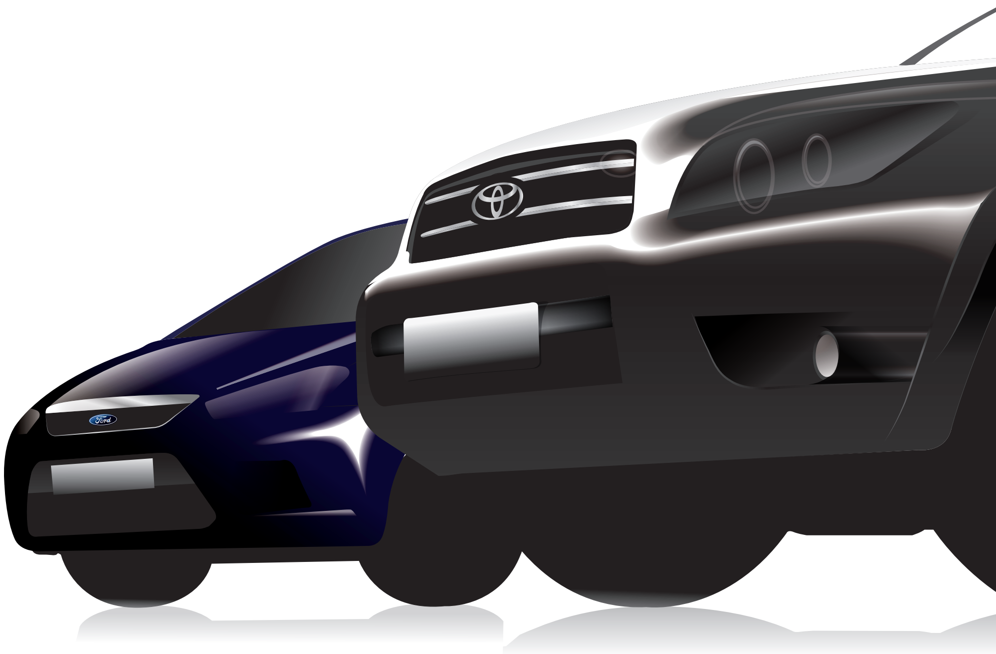
Businesses in this sector are looking to newer forms of relationship-building. Many companies have posted short films online to give consumers greater insight into their brands, while others, such as UPS, have created charitable foundations in a bid to enhance their reputation.

Automotive
Keen to be seen as green

Anyone looking for a case study on complex global socio-economic forces should look no further than the automotive industry.

Anyone looking for a case study on complex global socio-economic forces should look no further than the automotive industry. With fears of recession, environmental pressures, rising affluence in developing markets, and a multitude of variables to be fine-tuned in different regions, it's difficult to know where to begin.

Production of many passenger cars, light trucks and SUVs exceeded demand. This was especially pronounced in North America and Europe, the main revenue and profit centers. Excess capacity, coupled with a proliferation of new products being introduced in key segments, will continue to keep pressure on manufacturers' ability to increase prices on their products. This could be offset, at least in part, by the long-term trend of consumers purchasing higher-end vehicles with more features. In the US, for example, consumers in the highest income brackets are buying upscale and more frequently. However, for the mass market, choice is increasingly driven by more practical considerations such as fuel efficiency, reliability and residual value.



Emerging markets will be the major growth center for at least the next decade. Established global brands face a choice: they either have to position themselves for the rising middle class looking to trade up, or for the low-cost mass market where they'd have to contend with the likes of the "one lakh" Tata. In addition to transport for all, the trend for democratized luxury will see more comfort for less money. Look out for Hyundai's affordable luxury car launch.

Soaring oil prices combined with inefficient engines have hit consumers hard. The result is a renaissance of the small car. Global demand is expected to grow 30% to 27 million units by 2013. BMW and Nissan are set to enter the market with emission-free models.

Sustainability looms large; no surprise there. SUVs will take some of the hit for the perception of vehicles as arch-polluters. This is compounded by global oil prices, and demand is expected to fall by 4% in the next five years. Chrysler, GM, and Ford look set to suffer most. The industry is investing heavily in environmentally friendly technologies, improving efficiency (e.g., BMW EfficientDynamics and Mercedes BlueTec) and reducing or eliminating emissions (e.g., Nissan electric concept). Perception is everything though, and manufacturers are falling over one another to be seen as green.

The successful brands are managing perceptions actively through touchpoints and design. Almost every manufacturer has worked on product design, strengthening identity with common design attributes throughout ranges, and attention to detail. Volume brands have tailored models to market needs, while premium brands like Audi have opened flagship showrooms, using architecture and experiences to communicate brand values. We're seeing more integrated marketing campaigns, opening dialogs with customers, and making use of Web 2.0. Expect no mercy in this war on many fronts.

Sporting goods
Searching for a winning streak

"Faster, higher, stronger" aren't just ideals pursued by athletes. The sporting goods brands behind them would no doubt love to see similar market conditions. Key US sales and margins have come under intense pressure, and the industry is suffering. Overall demand in the market is down as consumers continue to spend with care.

Leading brands will hope that the stars made at the Beijing Olympics will present rewarding sponsorship opportunities even after the Games are finished. But while those might prove useful to pique interest in the short term, they're unlikely to turn around flagging sales in the long term. However, Adidas will expect its official status as an Olympic Games Partner to pay significant dividends. Coupled with its partnership with the NBA, the brand hopes to re-ignite its performance in the US, in particular.

Product and customer experience innovation look more promising. The leading brands have all invested in new retail concepts in an effort to reinvent the customer experience and keep loyalty strong. Building on the success of interactive product concepts, such as Nike ID and Nike+, Nike has shown again that it is in touch with its customers by introducing women's innerwear.

Apparel
Rags and riches

The struggling economy has hit clothing brands hard. In 2007, just 3.5% of personal consumption expenditure was on apparel and footwear, the lowest proportion in 30 years. With less money around, brands are having to fight hard to stay relevant and appealing to consumers.

Manufacturers have responded by divesting under-performing brands and focusing on better-performing brands. Partnerships with celebrities and famous designers have helped successful brands differentiate themselves from the competition and justify higher mark-ups with fewer markdowns.

Retailers are offering more "shop-in-shops" where floor space is dedicated to individual displays of specific brands with distinctive signage and fixtures. This creates the atmosphere of a specialty store with focused expertise.

As business becomes more and more global, we're seeing brands traveling more to mitigate the impact of difficult times. Luxury brands are looking to capitalize on the rising affluence in Asia, and foreign fast fashion retailers are scaling up their presence in the US. Despite the general mood of gloom – Gap's brand value has fallen 20% and Levi's has dropped out of the top 100 – some apparel brands like Zara and H&M are thriving by having streamlined operations and a truly differentiated proposition.

Luxury
Substance beneath the status

During times of economic anxiety, product quality and service are the two values that consumers just aren't willing to trade off, according to a Yankelovich study. These rank well ahead of novelty and indulgence, as people look for something solid amidst all the uncertainty. Luxury customers are no different; the brands that look to have the most opulent futures are ones that have retained a very precise focus on these two aspects of their brand promise.

In terms of product quality, consumers today appear to be making purchases that are defensible in some way – there has to be real substance beneath the status. This is true across the board, even with the super-rich. Brands like Hermès, Prada, and Rolex are doing well because the continuity of their designs makes their products appear to be purchases that will last. Brands like Gucci and Louis Vuitton stress innovation (noteworthy innovation, not just novelty) to a greater degree, which is another way of providing substance to their product offering. Although this is a riskier approach, these brands have been able to mitigate this risk through skilled management of their product portfolios.

Service is even harder for consumers to trade off than product quality. Luxury customers expect

immersive experiences. Tiffany & Co. is a good example of a brand that is faltering somewhat as a result of its loss of focus on service. By trying to serve different tiers of customer in the same location (something that no luxury brand has really succeeded in doing), it has tarnished the captivating experience from its consumers' perspective. On the other hand, Rolex has supported the continued appeal of its product with investment in after-sale services that extend the relationship with the customer and enhance interactions with the brand.

This extends to personalization too; people's willingness to pay top dollar comes with an expectation that special efforts will be made to accommodate them. This makes investing in employee management, examining the brand's promise in a service context in excruciating detail, and training employees to deliver accordingly, all vitally important. While positive service experiences are often attributed to the particular service person involved, negative experiences are most often attributed to the brand. Get all of this right, and you can charge what you like.

Hospitality
Combined = more individual?

There's nothing new about guests looking for hotels with a distinctly individual feel. But we're seeing new approaches from hotel operators and developers anxious to meet the needs of demanding, well-heeled consumers.

Partnership with big name fashion icons is the current favorite. We've known about Ritz-Carlton's association with Bulgari for some time, but this year we've seen Marriott hop into bed with Ian Schrager to create the new Edition boutique hotel. Armani also opened its first hotel at the start of 2008 in a venture supported by Emaar Hotels in Dubai. Other entrants into the sector, such as Ikea, and even the rapper, Jay-Z (under J Hotels), confirm that hospitality is a natural stretch for lifestyle brands.

The result, of course, is an increasingly aggressive market in which establishing new brands is becoming more difficult. That's on top of tougher economic conditions in general. Fewer people are travelling due to recession fears and rising oil prices – especially in the US and Western Europe. So it is more important than ever for hotels to ensure their brand has a clear proposition that matches consumer expectations. A surplus of rooms across the sector makes brand the critical factor in driving choice.

The green issue is another hot topic. But the winners in this year's ranking have moved beyond encouraging guests to re-use towels and to reduce their use of water and energy. Marriott's microturbine farm in New York catches the eye – it's the first hotel in Manhattan to use ultra clean technology to provide its own electricity, cooling, and heating on site.

Food
Health, wealth and packaging

The "perfect storm" of rising oil prices, economic decline, and pressure on land through increased population and affluence has put serious price pressure on food companies. The heightened cost of commodities has been passed on to consumers in an attempt to stay profitable. To justify the hike, larger brands are seeking innovative ways to keep their products relevant and available. New packaging choices and brand extensions, new distribution channels, acquisitions to increase product access, and partnerships to get the products onto the shelves have all enabled brands to get in front of all consumers.

In response, consumers are being more selective with their spending. Healthier foods have become a major priority. Marketing focus has shifted towards the healthier products in a portfolio in an attempt to bolster credentials. This is also backed up with real product development, as the big brands follow the success of niche players in this area. As well as leading to acquisitions, the quest for new, differentiated products, formulations, and formats has led many companies to increase their research and development budgets.

In addition to reactive measures at home, all the brands featured have pushed hard in overseas markets.

Restaurants
Better for everyone?

Healthy eating is the dominant theme in the restaurant sector. No surprise here, but we're not just talking about concerns over obesity in Europe and North America. Restaurants are diversifying menus to attract customers with improved nutrition and reduced fat content. And many governments are introducing new legislation relating to health issues, such as a ban on trans-fat.

Sourcing natural ingredients has been an obvious response to demands for healthier meals. It seems inevitable the sector will turn green sooner rather than later. Diners are increasingly concerned about the environmental impact of eating out, and the growing trend to support local farmers, manufacturers, and restaurants looks set to continue. Brand owners will have to manage their sustainability credentials increasingly carefully.

In the race to respond to changing consumer lifestyles, the big brands are exploring a variety of options. We've seen a rapid rise in the fast-casual segment. "To go" options from casual dining restaurants present one of the fastest growing segments in the US, eating into market share from fast food brands. Grocery chains and even convenience stores are offering meal replacement options with food cooked in store.

McDonald's is poised to stretch its brand and introduce premium coffee bars with lower price points across the US, an interesting move given predictions of a production deficit in global coffee markets and increasing prices this year. But it's still a clear challenge to the likes of Starbucks. Starbucks isn't sitting still however, and has introduced breakfast sandwiches in a bid to connect with the eating habits of its customers. The question remains: is Starbucks diluting their brand by going too far? Store closings and decreased sales seem to indicate so.

In an interesting aside to the health craze, brands like McDonald's and KFC are planning aggressive expansion into emerging markets. China and India are especially attractive given their growth potential.

Beverages
Top of the pops

Developments in the beverage industry have focused on product, packaging, and customer engagement, where brands have made considerable advances.

The well-documented concerns over obesity continue to persuade brands to develop healthier options. We've seen a rise in the number of wellbeing drinks with dietary supplements like water with vitamins on offer.

No industry escapes the need for green. If we are to drink from plastic containers, they must be recycled. Bottles with a "waistline" that supposedly use less plastic have emerged. The consumer jury is still out as to whether this is a credible environmental packaging solution or a marketing gimmick. Water brands SEI and Fred Water have differentiated themselves with a flask-shaped bottle.

Newsflash: people are spending more time on the internet, so it makes sense that beverage companies are using that channel to connect with them. Packaging and engagement have aligned absolutely at Coke, which invites consumers to design their own label. When Pepsi launched its new product, Tava, with a campaign aimed at 35–49 year-olds, it did so entirely online. Blogs, and widgets like the Coke Tag, and social networking sites like Sprite Yard are the preferred method of building communities of beverage buddies online. This is Drink 2.0 – make it social, make it viral, and give people a place to be heard.

Alcohol
Toasting good health

It was only a matter of time before people's obsession with improved health hit the alcohol sector. Like we've seen elsewhere, consumers are searching for healthier products and the big brands are responding with diet beers and low-calorie alcopops.

Smirnoff has been especially quick off the mark, equating healthier drinks with a drive to boost sales among women. The release of the lower-calorie Smirnoff Ice Light alcopop exemplifies its diversified product range and is marketed as an alternative to light beer for women. It's a strategy that certain other, more male-focused brands in this sector could do well to consider.

Promoting healthier products is just part of a continued focus on reputation-building. "Drink responsibly" has been the underlying mantra in this sector for some years now, but the last year has seen a renewed focus on control and prevention for brand owners wanting to build trust. And they've extended their responsibility to the environment, introducing recyclable bottles and packaging to keep greener-minded consumers keen.

Both Smirnoff and Moët & Chandon have found innovative approaches to communicating their brand. If you've got a good story, you've got to find a better way of telling it, which these days means using the internet. Smirnoff, in particular, has created a more experiential way of sharing its heritage using blogs, short films, and other media to show it can connect with the internet generation.

Diversified
For the greener good

Demand for environmental solutions is playing a crucial role in the sector. A general need for improved energy efficiency has taken hold, sparking a rise in green technologies. Some brands are already making the most of the opportunity to grow positive perceptions. GE's Ecomagination initiative is a case in point, having done wonders for the company's reputation as an innovator in sustainability.

Emerging markets and developing countries are driving up demand for agricultural products and infrastructure. The appetite appears insatiable, dominating this part of the sector. In an effort to enhance their sustainability credentials, both John Deere and Caterpillar are increasingly supporting cultural, educational, and environmental projects in local communities.

Even so, concerns over the credibility of the green theme still shadow the sector. The big boys are responding by shining their light elsewhere in an effort to maintain favorable brand opinion. Sport continues to offer the required halo: GE chose the Olympics, and Philips is sponsoring the Williams F1 team.

Financial services
Crisis, what crisis?

There are no prizes for guessing the dominant theme in financial services. It's virtually impossible to find any editorial which doesn't mention the US credit crisis and its global impact. But while no brand has come away completely unscathed on account of the interdependent nature of the industry, some have weathered the storm significantly better than others.

In this climate, prudence is valued. Goldman Sachs continues to live up to its reputation as a leader, remaining relatively unfazed as its fellow firms have announced write-down after write-down. In fact, it has strengthened its brand in relative terms because peers have struggled so much. Citi has taken a particularly bad beating, reeling from internal power struggles, debating over the sustainability of its model, and huge losses.

But the damage is self-inflicted. What started out as a business issue for banks has become a brand issue: if you can't manage your assets properly, how do you expect people to trust you? The reputational damage was not contained just to the investment banking operations. Customers lost trust in the brands and this carried over into other areas of the business, especially private banking, where trust and relationships are the keys to success. Moving forward, consumers will seek firms who can substantiate their reassuring overtures.

Trusted brands have been able to gain a greater share of new business in these turbulent times. Barclays, one of the UK's leading – and oldest – retail banks, is perceived as a relative safe-haven. It has made significant gains from the collapse of UK bank Northern Rock, collecting new customers in search of security. And insurance firms have managed to avoid drastic losses through judicious brand management. After all, it's not their business models that are flawed.

Despite reduced consumer confidence, some credit card brands have prospered. American Express has reinforced its leadership position with co-branding initiatives with luxury brands. It's still the credit card to be seen with. Visa enters the top 100 for the first time this year, benefiting from huge increases in consumer spending in developing countries. The tendency to use plastic over cash to make payments in the developed world has also helped.

Media
Greater than the sum of its parts?

As the sector grows ever more complex, global media brands are finding it increasingly difficult to achieve the simplicity they need to cut through to consumers and build meaningful relationships. There's no shortage of evidence: multiplatform technology, proliferation of media channels, the continued rise of the internet, devaluation of content through piracy, free access to sites such as YouTube, and the growing diversity of consumer tastes across the world. All this translates to fragmented market segments eroding brand value.

In an effort to make sense of the chaos – or at least stand out from it – brands are investing heavily. Through significant research and NPD, they're refocusing on the needs of their customers. It's impossible to ignore the growing importance of mobile devices for consumers hungry for up-to-the-minute information. It's been clear for some time that the internet is the future for the media sector. The merger between Thomson and Reuters has created opportunities to offer new services in mobile devices and data management. At the same time, MTV is developing mobile TV in partnership with SFR in France, as well as a raft of new initiatives with other brands.

We've also seen media brands turn to other, more established methods of increasing presence. Both Thomson Reuters and MTV have expanded into China, India, and the Middle East. And there's been an increase in spending on advertising, although a question mark hangs over the effectiveness of traditional "one direction" communications in the context of the internet and its user generated content.

Overall, the sector is facing a knotty conundrum. Companies must manage their brands more carefully than ever to build value. But in order to embrace the full potential of the internet, they must accept that control of their most valuable asset will diminish.

Energy
Old versus new

When it comes to oil prices, it seems the only way is up. So the usual concerns about the use of carbon and oil energies versus renewable sources have been brought into even sharper focus.

The big players have realized that brand is the best way to communicate their global strategies. Greener and safer are the favored themes, with BP making the most of its investments in renewable energies in the hope it offsets safety concerns in the US after problems in Alaska and Texas.

But as economies around the world continue to weaken, energy companies will need to manage other parts of their PR more effectively to maintain their reputations. Enormous profits at the expense of consumers is one message that is unlikely to wear well into next year.

Personal care
Substance + style = value

Which is more important: style or substance? In the last year we've seen increased activity from brands keen to reveal their true depth to consumers. When it comes to personal care, it's clear style is now nothing without substance.

Sustainability is a central theme. With consumer expectations – as well as demand – for environmentally sensitive products on the increase, brands are responding with more eco-friendly ingredients and packaging. L'Oréal is leading the way, continually reducing the weight of its packaging and increasing the use of recyclable materials. But others are beginning to follow. Kleenex recently launched a premium facial tissue made with recycled fibers.

The high cost of energy and raw materials has dogged the industry, so companies have been looking for new areas of growth. Many are in the process of launching new products in emerging markets, with a particular focus on male grooming and products aimed at older consumers. Avon has made slow but steady progress in markets such as China, while L'Oréal and Gillette have seen more rapid sales increases.

Of course, style still plays a critical role in this sector. Using celebrities to endorse products is more popular than ever. The message behind Gillette's Champions Program with Henry, Federer, and Woods is blunt, but the fit of the brand with these celebrities is razor sharp.

The business purpose for brand valuation by Nik Stucky

Brands are part of the capital of a business and, as such, they can be created, bought, sold, managed, and exploited in the same way as other business assets. With the emergence of the global economy and increasing competition, brands and brand management have become a core element of corporate policy. Against this backdrop, assessment of brand value is gaining in relevance. Company acquisitions occur with increasing frequency. This, together with keener competition, means that ongoing reporting, controlling and monitoring of brand value development now have a central function in determining business success.

Great unbranded beer

Same great taste, higher price, more preferred

Brand valuation is a complex process and calls for an understanding of the individual character of a brand. Experience and expertise in branding are key prerequisites, especially for the correct interpretation of input and output data. Nevertheless, the value of a brand is based on identifiable economic principles and can therefore be reliably assessed. The Interbrand method combines formulas and procedures that are accepted as standards in general business management, financial theory and marketing doctrine. Because input data is usually obtained from primary sources, the brand values derived from it are objective and highly reliable. The assessment process is based on a clear concept of the brand's economic functions. Brand valuation thus dovetails smoothly with established corporate strategic considerations and procedures. In this way, value-oriented brand management becomes an integral part of value-oriented corporate management.

The essential benefit from brand valuation is that it links branding decisions with the resulting economic benefit. As such, brand valuation is the key insight to bridge between creating and managing a brand and the value these activities contribute to the company. The assessment reveals the brand's value drivers and quantifies its contribution. Brand valuation provides a way of focusing management's attention on these value drivers and aiming the marketing activities at brand value creation. The assessment also provides a detailed insight into the brand's contribution to the company's risk profile.

Brand valuation creates added value for many stakeholders: public and social affairs, risk management, investor relations, credit rating agencies, controlling, taxes, marketing, strategic corporate development, mergers and acquisitions, and business development. The context in which brand valuation is used is multifaceted and hard to generalize, but can be looked at through the lens of the business goals.

Extending the business based on the brand's equity Brand valuation identifies the value contribution of the brand asset to shareholder value and makes it comparable to other intangible and tangible company assets. Often the brand is the most valuable asset of the business and offers the biggest opportunity to grow by extending the business activities under the brand. In this case, it is key to understand the brand's equity and how this can be developed and extended into new business fields.

Assessing the economic impact on branding decisions Brand valuation is an indispensable basis for successful brand management. Its ultimate aim is to increase the value of a company. Any decision to change a brand's fundamentals – may it be its architecture, its color, or its strategic focus – will have long-term implications on the brand's economic contribution to the business. The upside potential and the downside risks of these decisions can be analyzed and quantified with the help of sophisticated prognostic models, which can express their impact in terms of their financial implications.

Setting performance metrics for controlling purposes The attention of marketing management has to be focused on value creation. The value of a brand is a meaningful parameter to establish financial performance measurements and serves as a performance indicator for various controlling purposes. These key performance indicators have to be based directly on the economic function of the brand and need to be integrated into an all-around performance measurement system of the company. The purpose of performance measurement is to link brand management performance with the strategic goals and the financial success of the company.

Defining transfer prices in tax related issues Brand valuation is key to defining defendable arm's length royalty rates when establishing an internal licensing program between parent and subsidiary companies. Licensing can bring a range of financial, legal, and operative benefits. Because the incoming royalty stream is taxed at lower rates if the brand is domiciled in a low-tax country. And yet, the benefits of an internal licensing scheme are not only financial in nature. An internal licensing scheme can increase the legal protection of the asset, increase the ability and leverage to manage the asset across countries and divisions, establish brand management as a profit center and create a brand-minded organization.

Reporting on the value of the brand Communication with investors and financial analysts is facilitated through the analysis and quantifying of the brand value. The intellectual capital statement is a management tool and an information source where employees, customers, co-operative partners, and investors can see how a company generates value for them. Brand-related value reporting makes sense in the context of a full disclosure of the intangible asset of the company and a corporate culture that is used to manage in line with brand performance measurements. The statements usually include: the relevance (quantified) of the brand to the business, the link between branding and corporate strategy, the measures to track the performance of the asset, and the actions to sustain and grow the brand's value. The goals of the communication are: to create awareness for the importance of the brand to all stakeholders; to establish commitment regarding measuring and managing the asset; and to voluntarily fulfill additional information expectation.

Financing projects and businesses Increasingly companies use intellectual property rights such as brands as collateral to obtain debt financing. One option is securitization of the brand asset. Securitization is a process that allows companies to raise loans in anticipation of future cash. Mostly the debt capital is secured by brand-related royalties or, in some cases, by the sheer value of the brand. The key benefits to this are the reduction of capital cost and that this transaction is the balance sheet. The company's finance can be secured in a similar fashion through sales and lease-back of brands. Both schemes can be pursued by companies, which use self-created or acquired brands to expand success through acquiring other brands. These transactions are off the balance sheet. Brand valuation provides the insight into the value, as well as the risk of the transaction, while also checking on the liquidity of the asset.

Defining the royalty rates in third party licensing agreements Brand valuation provides fair and robust brand royalty rates for optimal exploitation of the brand asset through its license of the brand to third parties. Our approach determines the fair split of the economic benefit from the brand as well as the share of risk and cost between licensee and licensor. This analysis reveal the most appropriate royalty rates for the use of the brand. Our brand royalty rates apply to all relevant commercial situations, including co-branding and licensing into new categories as well as geographical markets.

Providing a fair opinion Brand valuation can serve as a basis for negotiation if the ownership of a brand changes through, merger, acquisition, or joint ventures. The current value, as well as the potential value of the brand can be evaluated in the context of the new owner. Furthermore, brand valuation ascertains the contribution that a brand offers to a joint ventures. It allows for the joint venture's share of profits, investment requests, and shareholding.

Building the fundament in brand-related litigations Brand valuation by Interbrand can assist in measuring the damage caused by brand law infringement and is recognized as a support in claims for damages. As the damage is often incurred in a partial aspect of a brand's total value, in a specific geographic region, or during a certain time period, it becomes crucial to assess the damage of the brand's equity and translate it into a monetary value. In a legal case, the fact-based arguments and logical interlinking of facts become particularly important for success.

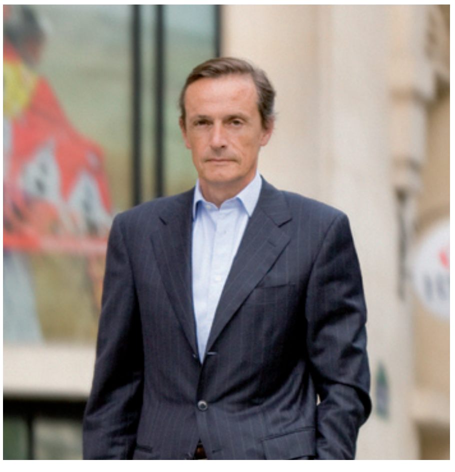
Providing investment advisory Stocks of companies with strong brands tend to be the better performers on the stock market. These days, it is important for analysts and investors to understand the brand as it is often the key value driver of the business. Brand valuation helps to identify the potential market out-performers by ranking the stocks of a defined universe by brand value, brand strength, and several other brand-related criteria. A tested quantitative financial modeling helps to weight these parameters. The interaction of these criteria are needed to select the stocks that lead to a portfolio with the strongest financial performance. Brand valuation provides a tool which can be implemented by investors fund managers and assets mangers.

Legitimizing brand investments and internal business case In many industry sectors, branding is still a much undervalued issue and often perceived as a marketing gimmick belonging to the world of fast moving consumer goods. Convincing the company's management and other stakeholders that a brand contributes to the value and the business is often the first step to professional and systematic brand management.

Supporting risk management As these risks are mostly non-transferable, companies have to establish sophisticated risk monitoring systems and action plans to mitigate such risks. Brand-related risk is still not sufficiently understood and hard for most companies to grasp. With the emergence of new and "soft" forms of liabilities such as reputation or brand, brand valuation and particularly brand risk evaluation become critical to company risk managers. Risk management is always tightly connected with the value, that is at risk – therefore, brand valuation is the right tool with which to address the concerns of the Chief Risk Officer.

Biography: Nik Stucky is the Global Practice Leader of Interbrand's Brand Valuation services. Since joining the company in May of 1991, Nik has been instrumental in integrating brand valuation into the overall services of Interbrand, as well as taking part in valuation projects, publications, lectures, and broadcasting on the topic of brand valuation.

The impact of risk on brand value
by Jean-Baptiste Danet & Valérie Herdlicka



Biography: Jean-Baptiste Danet is the Chief Executive Officer of Interbrand in Europe. With extensive experience in marketing, Jean-Baptiste has been successfully managing clients, dating back to his days as the Marketing Director for Philips Consumer Electronics.

Biography: Valérie Herdlicka is the Brand Valuation Manager in France and has dedicated her career to the study of a brand's impact on the creation of shareholder value. Having studied at the French Business School of La Rochelle, she participated in a one-year research project on the development of a brand valuation methodology. Today, Valérie continues to find new, creative, and financially rewarding answers to strategic issues by combining the analysis of brand value creation with Interbrand's creative and strategic thinking.

How management of brand value creates shareholder value

For decades, industrialists considered first and foremost the tangible assets of a company to be its principal source of value.

However, notorious acquisitions over the last decades have proven the opposite: Nestlé bought Buitoni for 35 times the profit, Adidas bought "Salomon Worldwide" for 37.6 times the net consolidated profit. The increasing discrepancies between the market capitalizations and the prices that are paid at the time of acquisitions show that intangibles have been recognized since the late 1980s, as key values for a company. Looking for transparency behind these outstanding values, international financial reporting standards have obligated companies to recognize all acquired intangibles on the balance sheet since 2005.

Thus, brands – always at the heart of business success – not only need to be clearly and truly valued but also need to be understood as the key variables that create shareholder value.

Perceived high brand risk potentially destroys shareholder value

A brand that is legitimately noted on the balance sheet may even show that an intangible asset is the single most important element that the CEO has to manage. Therefore, new dimensions start to be integrated into the science of branding: brand risk management is essential for a company to survive and prosper.

A strong brand creates current and future demand and ensures operational freedom. From a customer perspective, a brand is the company's differentiator and creates preference on the market. It limits the product's or service's substitutability on the market and leads to a higher market share and a price premium. From a cost structure point of view, a strong brand equals negotiation power with suppliers and other stakeholders. A strong brand also lowers the perceived risk for the investment community and it improves a company's access to capital and the cost of capital employed. The higher the perceived risk, the higher the required rate of return. What matters here is the risk perception of investors. And the brand undoubtedly has an impact on this risk perception.

Translated in financial terms, this means that each brand has the capacity to add value to the current business and to secure future earnings. This is true for brands in direct relation with the end user, as well as for brands in a purely B2B environment. Brands for every type of company are essential drivers of shareholder value and this trend is constantly increasing. Brand-related risk is thus growing proportionally.

Managing and valuing brand risk

The interest of brand management through the risk management framework is to make a brand indispensable, to be built and supported in a most financially rewarding manner and to keep its competitive position over time.

The analysis of brand value helps management understand the degree to which the brand is an intangible driver of demand. Identifying the key drivers that stimulate the preferred choice of one brand helps to define the part of revenues that are directly attributable to the brand. This means you would understand the extent of the loss if the brand was no longer an asset of the business. The loss of the Nike brand, for example, would be disastrous for the group, as a predominant proportion of the Economic Earnings are attributable to the brand. However, the ability to earn a profit in excess of a base return is only partly a function of branding for an industrial leader like Exxon, which depends much more on other intangibles, such as patents, technologies, and databases.

In the case of a brand like Exxon, ensuring a differentiated brand over time requires a tracking system and proactive management of other operational risk factors, such as failed internal processes, people, or systems. In short, the lower the role brand has in generating revenues, the higher the potential operational risk for those branded revenues. The Exxon brand has a low role in influencing demand and generating revenue. However, it is definitely in a very comfortable position to face sudden exposures that affect the entire market. The reason is that the brand is managed with a pure business perspective, focusing management to consider operational and market risk rather than direct brand-related risk factors. This is especially true for companies where the brand plays a minor role and brand culture is low. A correct understanding of brand exposure to those types of risk allows management to anticipate potential risk factors that could weaken the brand's relative position or its future development in the market.

The determination of brand value at risk is the analysis of the risk-adjusted sum of earnings that will be generated solely from the brand itself in the future. Optimizing the role of the brand in the customer's perception and anticipating future potential operational risk factors allows management to establish a strategy which surpasses the purely financial aspect of the brand to make it a tool for managing wealth.

All brands have the capacity to add value to their current businesses and secure future earnings.

The future of future-proofing brand investments

by Greg Silverman

Biography: Greg Silverman is the Global Practice Leader of Analytics. With over 20 years of experience in the business, Greg and his team measure brand investment to show in advance whether an idea has the potential to earn brand equity. He has done work on an extensive list of clients that boast some of the biggest brand names in the world, including AT&T, Bank of America, Lexus, and Gillette.

Understanding brand today

Before defining the way a brand works, it is necessary to understand the role of the brand and brand strength. The role of brand explains what percentage of any purchase decision is attributable to the brand. It is a measure of the influence brand has on customer demand. This understanding informs decision-makers on how the brand is doing today. Brand strength, on the other hand, is a series of benchmarks that measure a brand's ability to secure ongoing customer demand (choice, repurchase, retention).

Together, the role of brand and brand strength provide managers with the knowledge to understand the future outcomes of marketing decisions made today. When incorporated with current computing and analytics capabilities, the combination is no longer just informed speculation. Rather, it offers measurable scenarios that can provide insights that lead to courageous decisions.

If you type "brand management" in the Google search box and follow the link to the first definition available, this is what appears: "Branding seeks to distinguish your company, product or service from the competition and create a lasting impression in your prospect's mind." (1000ventures.com) Given the relevancy scores that Google is presumed to obtain – 90% – it is safe to assume that this definition is the common understanding of brand management.

The web search definition is important because it suggests that brands are competing with each other for consumers. When focusing on competition, the branding industry traditionally looks to the role of the brand, as it is a measure of influence and compares the brand against other decision criteria. This measure of influence is capitalized on when a brand's equity unlocks value by connecting with end-users. Unlocked value is brand strength – the ability to protect future revenue.

The new order

This relatively static picture of competition and branding has dominated the landscape for decades. However, over the last decade, this framework has broken down with the increasing dominance of social networks. Social networks are moving the branding debate from the traditional and hierarchical to the latent and networked. As such, the long-held view of competition and branding no longer works because the forces behind the collective value of all social networks have changed. In short, our customers' culture is trumping our strategy.

Along with the declining relevance of old strategy models, we are witnessing a decline in the impact of the measures attached to them. The greatest advance in the past decade has been in the realm of choice-based research and marketing mix models that measure change in a limited number of issues in a marketplace. Marketing mix models are rooted in the conventional wisdom that, if you track spending and sales - simultaneously controlling for all other variables - then you can clearly identify what is optimal. A question still remains: What company can actually control for all the variability of the market? Media mix optimization has clearly improved efficiency, but the process is backward-looking. Additionally, the rigid data requirements do not accommodate the most important factor: emergent social network influences are not simple to track.

Here's a common example: Apple's new iPhone specs were posted among friends on Facebook and the specs received poor feedback, which magnified critics' reviews. How can Apple account for word of mouth that could change the product launch environment? The challenge now is to predict the unpredictable in a new market environment.

A new paradigm

Many marketers today unnecessarily constrain themselves by saying, "You can only optimize what you know." With today's consumers riding on waves of unobserved and hard to track patterns, new tools are needed to provide a future-looking perspective on brand-related value creation. The breakthrough in measurement will come in agent-based modeling (ABM). An agent-based model is a computational model for simulating the actions and interactions of autonomous individuals in a network. It is capable of assessing an individual's effects on the system as a whole by combining elements of game theory, complex systems, emergence, computational sociology, multi-agent systems, and evolutionary programming. Monte Carlo methods are used to introduce randomness.

The models simulate the simultaneous operations of multiple agents, in an attempt to recreate and predict the actions of complex phenomena. The process arises out of a multiplicity of relatively simple interactions. The tool not only captures the efficiency requirements of media models, but also accounts for emerging forms of behavior that fuel innovation. Currently, it is being applied to forward-looking business decisions.

Agent-based modeling has already enabled:

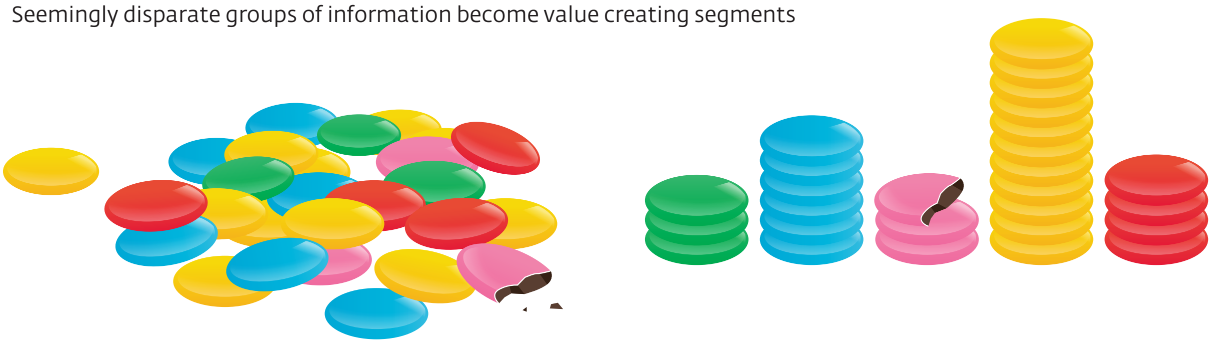
- **A US healthcare provider to accurately predict the adoption of a new plan among seniors**
- **A global sports organization to launch a rebranding campaign that creates free buzz**
- **An automotive company to effectively reduce incentives while growing market share**
- **A major consumer goods retailer to lower store size 30% and increase sales**

The future

Media mix optimization drives cost management, which can help "meet the street," but often sacrifices investment in new revenue streams. Discrete choice modelling can evaluate changes in the know. Although both offer insights into brand, neither delivers on the imagination required to generate growth for brands. In the end, revenue sustainability is the hallmark of a good brand. Its strength lies in its ability to protect future earnings during down markets and unlock value where brand can play a role.

There is no better time than now for strong brands to understand models that uncover the hidden behavior behind these new revenue streams.

Seemingly disparate groups of information become value creating segments



Planning your touchpoints to accelerate profit by Rune Gustafson

Biography: Rune Gustafson is Chief Executive Officer of Interbrand in London. Rune leverages his extensive experience in brand and retail propositions to regularly contribute to publications and conferences throughout the UK and Europe.

We continually observe that the most successful brands, especially the ones seen in our Best Global Brands ranking, strive to put the brand at the heart of their business.

They understand that, by using the brand as a central organizing principle, they can direct every single business function, from HR and Distribution to Finance. In doing so, they are able to deliver a truly holistic brand experience that runs through the organization and then outwards, thus engaging the customer. The brand ultimately engages customers (or any other stakeholder) in many different ways, be it through advertising, product, packaging, and its people. Each contact or touchpoint builds up an experience that endures well beyond the product or service. It defines and reinforces the perceptions that customers have about the brand. Conversely, it is equally powerful at defining negative perceptions of a brand.

For service businesses, touchpoints are often time-based and are perishable experiences that increase reputation risks. But touchpoints also provide a golden opportunity to create a powerful moment of intimacy through staff-customer interactions. Shifting these perceptions is the crucial foundation to staying closer to current customers and engaging new customers to try your brand for the first time. These deliver increased revenues and margins that accelerate brand value and profitable growth for investors.

Nordstrom targets a single touchpoint
Nordstrom, the US retailer, has dominated its market though the service it delivers to its core customers. It has proven that customers will pay a higher price for a superior service. In so doing, this helps to differentiate it from low-price discount brands (Nordstrom's sales per square foot are twice the industry average). The service differentiation is delivered though the belief that, at all times, the most important person in the entire business is the customer. It counter-intuitively achieves this – not with a biblical service manual – but with a single rule:

"Use your good judgment in all situations."

This is followed by, "There are no additional rules." Nordstrom recognizes that building customer relationships is done one customer at a time. Nordstrom shares fantastic relationship-building stories throughout the organization to illustrate and train everyone about what its service ethos of "going the extra mile" means in practice. For example, a customer at its Chicago store was searching for a black bow tie:

"I was going to a black-tie party, and needed a ready-made bow tie. Nordstrom's didn't stock one, but the guy there said, "If you have ten minutes, how about I teach you how to tie one?" And, in the middle of a busy Saturday afternoon, he did just that and got the sale. "I was happy, I recommend them to everyone, and I still tell the story ten years later."

Clearly, the power of a great service ethos can generate sales, great relationships and great word of mouth marketing. But the most important lesson marketers can learn from Nordstrom is that it invests primarily in a single touchpoint. Of course, its stores are clean and well designed, but its focus is on the staff-customer touchpoint.

Every CEO and CMO knows that they must invest in their brand's experience. But the question that haunts them is: Which touchpoint is the driver of purchases and which ones are simply nice to have? Early thinking on touchpoints was based on satisfying each contact to a better level than your competitor. This approach is highly ineffective and reduces business performance because it follows four classic touchpoint management mistakes.

Classic touchpoint management mistakes

01 Targeting too many customer segments
Businesses often try to appeal to the widest possible audience. But without defining a narrow, attitudinally based audience, the touchpoint experience will be fragmented and often results in conflicting perceptions.

02 Dilution of the brand investment across too many touchpoints
There are literally hundreds of possible touchpoints and no brand in the world has the time or resources to deliver each contact to the highest level.

03 Competing on basic factors only
In an increasingly competitive environment, classic benchmarking activities ensure that brands copy each others' differentiators resulting in a zero sum game. They are mistakenly all trying to compete on best practices rather than boldly challenging convention. Those that do, like Virgin or Disney, have been able to create an unassailable differentiation with their chosen target customers.

04 Relying on customer myths to prioritize choices
The Best Global Brands demonstrate that they have the leadership mindset to make hard choices and prioritize customer segments, touchpoints and investments based on facts rather than perceived wisdom.

Each contact or touchpoint builds up an experience which endures well beyond the product or service.

Fact-based touchpoint strategy

The only way to develop a touchpoint strategy that will increase business performance (and avoid these four mistakes) is with a fact-based, analytical approach.

InterContinental Hotels is an excellent example of a traditional brand that has re-invigorated itself by developing a new brand positioning and executing it perfectly by embedding it in the customer experience and offer. It used a sophisticated statistical Return on Investment (ROI) model designed to identify where and how to invest in the customer experience. First, it identified a narrow target audience that had a clear attitudinal preference for luxury travel experiences that enriched their life and provided them with the additional social currency of local knowledge and stories. Then, InterContinental cleverly used the statistical model to identify which specific parts of the customer experience truly drove them to choose InterContinental and, as a result, strongly increased their satisfaction. This provided the Executive Board with the clear evidence of what drives revenues and margin. It also identified areas of cost saving; parts of the experience (and costs) that could be removed without affecting their customers satisfaction.

Its new positioning is the hotel brand that is "In the Know" and delivers exactly what their guests' value without the things they don't value. Guests benefit from the authentic, insider knowledge about the places they visit. They are prepared to pay a premium (and stay more frequently) for gaining this social currency and the priceless stories they could share with their family and friends. The challenge was to educate and motivate large numbers of migrant or part-time staff employees to deliver on this promise consistently around the world. It was a fundamental shift to move from hiding the staff to making them the heroes and encouraging them to interact with guests. For employees, this new positioning was translated into an insider knowledge program for staff. It used the phrase, "To you it's just a walk to work; to our guest it's a great view of local culture" to educate and empower all their staff to share their local knowledge with guests.

Making bolder, fact based investment decisions

The InterContinental Executive Board boldly decided to invest heavily in its staff as its primary touchpoint, with the statistical knowledge that this would deliver the highest ROI. In fact, it would provide almost double the ROI compared to any other touchpoint. Had it made many of the classic touchpoint mistakes outlined above and invested too little in too many touchpoints with too many customer segments, it would certainly not have achieved such strong business results. InterContinental's brand has revived in the year following the 2006 rebrand. There was an increase in positive brand perception of 10% and an increase in revenue per room of 12% (source: IHG.com). The success of this rebranding was the ability of the business to put their brand positioning, "In the Know," at the heart of their operations and translate this into a valuable touchpoint.

In a world where consumers are bombarded by multiple messages every minute and internal investment is increasingly scarce, there is an unequivocal case to be made for drastically reducing the number of touchpoints and investing strongly in a single touchpoint that accelerates brand value and profitable growth. This naturally raises the following critical questions for every CEO and CMO:

- **How do you currently measure the ROI of your touchpoints?**
- **Which touchpoints can you live without?**
- **Which touchpoint can you truly own that differentiates your brand?**
- **Which touchpoint actually drives your profits?**

Building brands in emerging markets by Interbrand's leaders in Brazil, China, India and Russia

Aléjandro Pinedo, Nicola Stanisch, Iain Ellwood, and Jonathan Chajet share their perspective on the opportunities and challenges facing brands in developing economies.

Biography: Aléjandro Pinedo has been the Managing Director for Interbrand in Brazil since April 2006. With over 20 years of professional experience, Aléjandro has had the opportunity to work with valued brands such as Nike, Red Bull, and Mizun. His responsibilities at Interbrand have been diverse, including brand valuation, strategy, and brand identity for clients in projects ranging from financial services to consumer goods and petrochemicals.

Biography: In addition to her 18 years in branding, Interbrand's Managing Director in Russia, Nicola Stanisch, has experience in the financial industry. The multi-lingual Nicola has built valued relations in Croatia, Ukraine, and Russia, and was one of the driving forces behind the decision to open the new Moscow office in March 2005.

Biography: Iain Ellwood is the Head of Strategy covering Interbrand's business in India and the Middle East. With over 15 years of international experience, including living and working in Japan, Hong Kong, the Netherlands, and the US, Iain has led highly effective engagements for clients including Mitsubishi, British Airways, and UBS.

Biography: Jonathan Chajet is Interbrand's Managing Director in China. His work delivers strategic solutions to clients' global and local branding issues. His expertise lies in brand strategy, business planning, market research, naming, and visual identity. He has helped enhance some of the world's most recognizable brands, including Adobe, Bayer, Nestlé, and Lexus.

01 How are consumers in emerging markets different from developed markets?

Nicola Stanisch, Russia: A client told me once: "We are like children that have been looking through the windows of a sweet shop for years. Now we are allowed to go inside and, although we know it is not good for us in the end, we can't stop eating and trying all the sweets in there." The market is hungry for new things. Russian consumers are willing to experiment and try out what's new and exciting rather than seeking stability or reliability in brands. Brands are a means of showing off, to demonstrate the financial success of the newly wealthy. Particularly in service areas like banking and insurance, brands are seen as inexperienced or lacking trust, and are driving consumers to prefer non-Russian brands.

Aléjandro Pinedo, Brazil: Brazil used to be the typical poor, underdeveloped "banana republic" country. We focused on our own internal market and, until the mid-1990s, were distant or closed to external products and brands. In the last 12 years, with a more stabilized democratic government (post-military control) Brazil has opened up to the international market. This process has even accelerated in the last five years. Brazil's economy is now stabilized and growing at a rate of 5%+ per year and inflation is under strict control and has been low for the past 10 years, which is also a rather new development for consumers and companies.

With economic stability and development, consumers in Brazil have improved their economic consumption levels, gaining access to new products and brands. About 20% of the "D-class" consumers were upgraded to "C-class," and this represents about 40 million people in Brazil. Brazilian companies have also discovered the international market and are now in need of brands to develop internationally, rather than just commodity products to be exported, which was the case in the past.

Brazilian consumers are more eager, excited and anxious (similar to Russia perhaps, like kids in a candy store) than developed market consumers. There seems to be a sense of urgency to participate in international markets. Brazilians are studying and preparing themselves to compete abroad. Consumers and companies look to China and India as the places with which they will have to compete to access more developed markets, such as North America and Europe (either as a workplace or a place to do business), with Brazilian products, services and brands.

Iain Ellwood, India: The Indian market has seen a number of categories and consumer groups leapfrog the expected development path. For example, fixed line telephony has largely stagnated, as it's simpler and quicker to get a prepaid mobile phone from a store than go through the lengthy and complex process of setting up a line into your home with a full service contract. Mobile phone usage is increasing by over 5 million new customers every single month. There are now more than 25 million mobile phone users in India.

India has a very wide range of socio-economic groups from billionaires (78 at the moment) to those that live on less than one dollar a day (approximately 350 million people). But despite this diversity, our research confirms that these people largely share aspirations. It is not that they have different aspirations, but just that they are further away from achieving those: they are all looking up at the stars, just some from the penthouse and some from the roadside.

Jonathan Chajet, China: One of the most striking differences between consumers in China and their counterparts in the West is what motivates them to purchase. In developed markets, self-actualization is at the top of Maslow's hierarchy of needs. In marketing terms, consumers seek brands that help them feel better about themselves. Hence, today's popularity of sports-utility vehicles and Timberland boots: "I may never get into the outdoors, but at least I feel like I could."

But in China, status seeking is at the top of the pyramid. Group before individual, we before me, needs of superiors before needs of self – these values are the result of thousands of years of social and family norms. In marketing terms, Chinese consumers seek brands that give them "face," asking, "What does this brand make others think about me?" Hermès, Häagen Dazs and Johnnie Walker are extraordinarily popular in Asia – even if consumers rarely make the purchase for themselves.

Theoretically, as luxury goods become more democratized and consumers become more accustomed to a higher standard of living, status seeking will diminish in importance in China. But in wealthier countries, such as Japan and Korea, that have been modernized for decades, there is little evidence that this hierarchy is changing. So, for the time being, status seeking is the playground of modern branding in China.

02 Are customer touchpoints different in emerging markets? If so, how?

Nicola: In Russia, I see only one difference: there are no established structures as there are in mature markets. The mobile phone shop easily starts selling loans or integrating a travel agency. There is no experience of "what a bank is" and, therefore, a lack of clarity about the touchpoints. The presence of security personnel is pervasive in Russia and some shopping experiences start with a security check – again, not your best brand touchpoint experience.

Aléjandro: In Brazil, the traditional touchpoints are still the main way to connect with consumers: retail, open network TV, and radio. The penetration of open TV is amazing and will be the main mass media vehicle for awhile. The same happens with radio broadcasting, especially outside of larger urban centers. Although everyone is excited about new technologies, especially telecom and internet, only a small portion of more sophisticated, upper class and younger consumers actually use these resources as branding touchpoints. Having said that, we must consider also that Brazil has approximately 120+ million operational cell phones (should reach about 140 million by the end of this year), but most of these are prepaid, used mainly for calls and messaging, not for internet access or other communication purposes.

Iain: The most surprising touchpoint weakness in India is the lack of organized retail. This is predicated on the lack of organized logistics and distribution. Or rather, because manpower is so cheap, it is still economical to have an incredibly long and winding supply chain. There are 7 million unorganized retail outlets in India, mostly small kiosk-sized places that sell a few bars of soap or shampoo each day. They are local to such an extent that most middle class Indians will still ask their store keeper to select their goods or brands and often have them delivered to their door.

By contrast, and entirely predictable in the land of Bollywood, above-the-line communications, like advertising, PR and sponsorship activity, are highly sophisticated and impactful. Their advertisements pump out huge raw emotional energy, celebrity glamour, and eye-popping vibrancy. They make western advertising look apologetic and diffident about their product. This over-heated competitive communications landscape makes for a constant decibel and celebrity war.

Jonathan: I am fascinated by the "leveling" effect that the internet has had on emerging markets. The rise of the internet and global entertainment is giving Chinese consumers a taste of Western lifestyles. Illegal copies of the latest James Bond thriller hit the streets of Shanghai less than 12 hours after the simultaneous premiere in London, New York and Tokyo. And so does Bond's preferred brand of vodka. Online social networks, camera-enabled mobile phones, and high-definition streaming media: each innovation is a window into what's possible for even a dollar-a-day garment worker.

But like India, the majority of sales in China happen, not in gleaming shopping malls, but in local "mom and pop" shops that often serve as the front half of the shop owner's home. There is little room for product variety, and a branded experience involves the scent from tonight's dinner and a micro-thin plastic bag to carry your purchase home. As a result, brands must rely exclusively on the promises they make before the point of purchase.

03 What is the state of maturity of branding in your markets?

Jonathan: Branding in China is still in its infancy stage. But brands are playing an important social role for the Chinese consumer. In China, standing out can be difficult. Start with 1.3 billion people. The majority of the population lives in some of the world's largest and most densely populated cities in the world – so personal space is at a premium. If you are fresh out of university, you are competing with millions of other graduates for the same jobs. And the intense pressure to put group before self discourages setting yourself apart from the crowd.

Brands give Chinese consumers the chance to talk about themselves without ever speaking a word. Young Chinese consumers are eager to find ways to express themselves. They accessorize their mobile phones, create elaborate online alter-egos, and incorporate fashion from around the world into a personal style that is uniquely their own. Brands, whether global or local, are part of the color palette that Chinese consumers are using to decorate their lives.

Nicola: Russia has been an open market for 18 years now, so it's as though the maturity of the market is in a stage of adolescence. The first communication service that entered was advertising. PR followed. Both claimed, to a certain degree, that they also were doing branding. So the term is well known, but the content and understanding is blurred.

When it comes to creating and managing brands as valuable business assets, the interest is mainly on the "creation" part: new names, new logos, and new communication styles. Very few Russian brands demonstrate strong brand management capabilities. Western brands are perceived as being stronger but there is little understanding of what it takes to become that strong. In building a chain of experiences for Russian consumers, advertising is still dominating. Point of sale, for example, is largely neglected.

Aléjandro: The maturity of the market in Brazil is quite young, with basic communication activities still developing. Advertising agencies have been the "brand builders" for a long time and only recently have more sophisticated branding strategies become relevant. There are many new "non-media" activities gaining importance, especially in large urban areas, such as São Paulo and Rio de Janeiro, but they are concentrated among only a small percentage of brands targeted at more sophisticated consumers.

With economic stability, lower inflation levels, more imported products, and local brands entering the market, companies are beginning to think more strategically about managing their brands. Slowly but surely, they are starting to understand that you cannot position and build a brand simply on television advertising alone.

Iain: Branding is still largely about two things: building consistency of image and driving tactical sales. Indian brands are largely consistent in their use of color, language and simple visual identity systems. Indians have always had a rich art and visual heritage that is evident in their use of graphical and display visuals.

However, branding is still a very tactical activity focused on delivering short-term sales. This means that there is very little strategic brand building activity across the customer experience. There is also no common understanding of the case for brand investment and the measurement of the return on that investment (ROI).

04 Should marketers approach brand-building differently in emerging markets?

Nicola: Speed is crucial. It can be better to come out with an 80% solution quickly rather than work towards 100% but lose momentum. But, due to the characteristically eager Russian consumer described above, businesses should also focus on consistency, aligning all branding activities. A brand can be introduced, or will stand out momentarily, with one crazy activity but it can only be grown and maintained with the ongoing and consistent recognizability of the brand, which is then outstanding in itself.

Aléjandro: Brand strategy makes more sense now in Brazil, as do internal brand engagement and brand experience initiatives. Slowly (very slowly) brand owners realize that advertising is an important complement to brand-building, not the only necessary initiative. Design has also gained more importance, since the imported brands bring an advanced and more sophisticated level of the design element in their combo (packaging, communication, etc).

Iain: Indian businesses have always been very good at incorporating new things into their business and the same is true for Indian brands. They have an open and inquisitive mindset that is pragmatic about the need to constantly adapt to rapidly changing markets conditions. They learn eagerly and quickly from successful foreign brands, both internationally and from those that have entered the Indian market.

India is polarized in its understanding and appreciation of branding. Given that 50% of the population will be under the age of 25 by 2010, there is a dramatic difference between young and old. This is also true of brand-building for these two audiences. The youthful men and women expect First World brand experiences and are comfortable demanding them, appreciating them and paying a little extra for them. The older generation is more functionally biased in its needs and uses word of mouth predominantly. This intergenerational schism results in the parents being surprised and confused by the behavior of their children.

Jonathan: Branding in China is beginning a new chapter. No doubt, as local consumers enjoy a higher standard of living, their appetite for brands will grow. Boardrooms on Wall Street and in the City are no longer asking when they will enter China, but rather how they will increase market share (and earn better margins). For many, Asia already represents a substantial portion of their revenue and profits. And local brands are getting much more savvy about how to compete against global competitors.

Given the diversity across China, it's hard to identify a common set of values and preferences that marketers can use to target a pan-Chinese consumer. Western brands still largely dominate the luxury landscape, owning equities like "premium," "high quality," and "innovative." But for basic consumables, are wealthy consumers in Shanghai so different from their counterparts in Tokyo, New York, or Paris? In an age of intense national pride, our differences may be less dramatic than most would readily admit.

05 In what ways can homegrown brands defend themselves against imported brands entering their market?

Iain: A surprising number of international brands have not been able to crack the Indian market. The insight is that, while Indians are intellectually adaptable, they have a number of physical and behavioral needs unique to their market. Brands like Nokia have achieved the optimal balance of international and local needs because their mobile phone is both dustproof and has a built-in torch light (power outages are frequent in India). Local brands can beat the foreign competition by owning the customer. They will know more about their customers, their lives, families and aspirations than any foreigner can ever know. But they must use this textural knowledge to drive their R&D with confidence. Otherwise they will succumb to the gloss of foreign competitors and feel that they must simply follow them. India is a proud nation and is rightfully recognizing that its time as a BRIC country is finally coming. They must harness that confidence to deliver what they believe is right for Indians.

The quality level of brand communications must also increase dramatically. While, in the past, most Indian companies used similar quality materials, foreign brands have brought a much higher standard of production to their advertising, retail design, and below-the-line communications. This will require Indian brands to gain, not just superior marketing capabilities, but also superior production facilities and distribution partners. The consequence of this is that Indian brands will have to invest, far more than previously, in their brands, both strategically and tactically in the marketplace.

Nicola: During the 1990s, Russian brands were extremely unpopular and almost only purchased due to economic necessity (for example, auto manufacturer, Lada). Parallel to the growing self-confidence of the Russian people during the past eight years, some brands in core industries (chocolate, liquor, transportation, heavy manufacturing) are gaining attraction by playing the nationalistic card. These established and sometimes pre-revolutionary brands, along with some new Russian brands, understand the Russian soul and mentality. They show this by using old Soviet or Tsarists' symbols, playing with Russian literature or using Russian national heroes in testimonials. It is problematic that "New Russia" has no symbols yet, the brands should develop a clear profile, despite being Russian.

Aléjandro: Offering unique "provenance-based" elements to our brands will help the Brazilian market to compete with imported brands, while still showing foreign markets and international consumers that Brazil produces high quality products and can brand them in a sophisticated way. The traditional cheap and stereotyped associations of Brazil – beach, soccer, samba-dancing girls – do not actually represent the best things the country can offer.

Brazil has rich culture, design, architecture, music, web design, classic and contemporary arts and crafting, and should incorporate these elements to its brands. The most important factor, however, is an internal one. Brazil should get rid of its "inferiority complex," originating in the past, and compete internationally at the same or a higher level as other high quality players in the market.

Jonathan: Historically, China's economy has been dominated by large-scale state-owned enterprises with special advantages: protection from competition, dominant market share, priority financing, and consumer recognition accumulated through a long history. But several highly market-oriented, competitive brands are growing in popularity. These brands have taken the lead in management innovation and brand-building in their industry, including reorganizing their marketing departments, such as appointing chief marketing officers, increasing brand-building budgets, and tracking results.

Sports brand Li-Ning is competing head-to-head with world-renowned brands Nike and Adidas in the Chinese market. Chinese search expert Baidu has out-maneuvered strong pressure from Google with better localization, brand communication and understanding of the Chinese language. In 2006, Baidu's market share rose to 60%, winning the lead position in China's market. Young and highly market-oriented companies, like Li-Ning and Baidu, are listening carefully to the market, gradually accumulating brand value, and taking their places alongside China's advantage-rich enterprises.

During the early stages of development, many Chinese brands spend their time studying the successful experience of foreign brands. After years of practice, some Chinese brands have migrated from learning and following to creating and exploring their own unique path. They are rooted in the soil of a vast market, searching for their own brand principles in China, and creating localized best practices.

One of the most striking differences between consumers in China and their counterparts in the West is what motivates them to purchase.

Brands create nations
by Dr. Jürgen Häusler, PhD

Biography: Dr. Jürgen Häusler, PhD is CEO Interbrand Central & Eastern Europe. He has experience as a social scientist at the Max-Planck-Institute, a doctorate in social sciences, a degree in Business Administration, and has received research grants for work at M.I.T. Jürgen has applied his experience to successful endeavors at Interbrand. He is a Honorary Professor for Strategic Business Communication at the University of Leipzig.

Brands create nations? Why do we furrow our brows when we read this sentence? Because we usually consider it a law of nature that the cause-and-effect relationship is the other way around: Nations create brands.

What do we mean by "Nations create brands?" Brands leverage their origin to position themselves for more success on the global market. They try to exploit people's impressions or convictions about the special strengths of entire nations. People the world over believe a car "Made in Germany" must be imbued with German engineering expertise. Putting on a suit "Made in Italy" turns normal mortals into passionate lovers. And the luxurious "Swiss made" watch exudes the added aura of exclusivity that its status-hungry wearer longs for.

Indeed, "Made in Switzerland" is a good example, having demonstrated considerable success in the past few years. Now it's not only marketing experts who know that "Swiss-ness" is on the upswing and has become the central thrust behind any number of brands in diverse sectors. The confidence that offerings, ranging from financial products and airline flights to coffee makers and skin care products, will be perceived by the world as attractive and desirable if they sport a white cross on a red background, preferably with the word "Swiss" in their name and a visual identity dominated by red and white, has long since spread across the borders of the Alpine nation.

What's actually going on in our heads when we buy into such national, collective claims of quality in products and services provided by individual companies? Evaluated in light of contemporary ideas about rational thought, not much. After all, who among us still hasn't realized that in the globalized economy – among other things – the epithet "Made in" no longer says much about where essential components of the product were actually manufactured. Who hasn't observed that personnel are not always natives of the country the brand is tapping for its perceived benefits, even among the so-called premium brands in the airline industry? And by trusting in the alleged cultural traits of the entire population of a given country in the first place, aren't we ultimately expressing regrettable and obsolete prejudices?

This is the point where we can begin thinking of the cause-and-effect relationship working in the other direction. So it's not "the Germans" who stand for "Freude am Fahren" (indeed, quite the contrary, sometimes) but BMW, Mercedes and Porsche, who are spreading the news around the world that Germany is the place to go for masculine Fahrfreude, exclusive appearance and technical perfection on four wheels. France doesn't make the best sparkling wine – it's Veuve Clicquot that ensures that Champagne enjoys a worldwide reputation for the most exclusive product in its category. "Made in Italy" is not the basis for the success of Italian menswear designers – on the contrary, "Made by Armani, Ermenegildo Zegna or Brioni" gives "Made in Italy" its universal prestige. In other words, these brands influence the perception of "their" nations.

To be historically precise, one should note that this relatively new development may continue to grow in importance. The phenomenon reflects the rise in importance of brands themselves over the past few decades. Our perception of the world is increasingly influenced by the constructs of brand-builders. For example, the Lange brand recently put the long-forgotten town of Glashütte back on the world map. And for most of the world, the Samsung brand defines people's image of South Korea. Nations still fighting for one of the top positions among the countries of the world would do well to keep an eye out for homegrown brands that have the potential to capture the world's attention. After all: Brands create nations.

People all over the world believe a car "Made in Germany" must be imbued with German engineering expertise.

The luxury kingdom
by Manfredi Ricca

Imagine floating in a gravity-free chamber. The laws of physics are the same as those we deal with in everyday life. Yet, they act with different intensities, ultimately creating a completely different environment.

Biography: Manfredi Ricca manages Interbrand's office in Milan. In his decade with Interbrand, he has gained significant experience in the luxury sector, providing advice and valuations to a number of outstanding global brands. His articles, interviews and comments regularly appear on the main Italian business and mainstream media. Manfredi is also a frequent conference speaker, as well as an MBA and university lecturer.

In many respects, this is what happens with luxury brands. While they obey most of the principles of value creation that are common to all brands, the extent to which these principles apply is completely different – giving life to a kingdom apart.

Unlike any other

A kingdom, in fact, where the notions of demand and preference leave place to those of desire and unsubstitutability. Our Best Global Brands study shows how it can play a prominent role in virtually any competitive sector, in combination with other drivers of demand. In luxury, because brands are *the* reason why consumers choose those goods and services, they are the engine of the entire business model. They are responsible for most of the value created by their companies.

Luxury brands are the result of the pursuit of excellence along one or more relevant dimensions of a relevant product or service. In time, these brands influence behavior more than factors like distribution, functionality, and even price. In fact, such is their power of attraction that these brands defy even the basic microeconomic relationship – up goes price, down goes demand. Luxury is where demand is virtually immune to price increases.

Brands for all seasons

All brands perform the economic function of mitigating risk. But the degree to which luxury brands achieve this is unmatched. This is reflected by these businesses' well known stability through swinging economic cycles.

Two key factors explain this. In the first place, luxury brands have a pulsating target. In times of economic expansion, luxury brands will see new segments of consumers who can afford access to luxury brands, but they can always count on a stable core of loyalists. Because this stable core typically belongs to the wealthiest part of society, spending power remains virtually untouched by economic downturns. This means that while luxury brands react quickly to a positive economic outlook, in times of recession they can only fall so low. In a summer dominated by signs and expectations of a slowdown, major analysts have raised credit ratings across the luxury industry. Luxury brands ensure a continuity of demand that, from a financial perspective, translates into lower risk and, ultimately, higher value.

The second mechanism through which luxury brands reduce business risk is diversification. While brand extension is a widespread phenomenon across virtually every category, luxury brands enjoy an uncommon potential. Since they fulfill the most inspirational and self-reflective needs, they are less tied to the sector they originate from: they tend to embody a lifestyle rather than a category. So while brands like Prada and Bulgari historically built their reputation in very specific sectors, today they seem to know no boundary, their names having added value to diverse items like mobile phones, fragrances or resorts.

The age of access

This extension potential should be handled with great care, since at stake is the integrity of the business's key asset. However, it also offers the chance for these brands to connect with a wider public without losing their status. Fragrances and accessories are the best and most frequent examples: two ways in which luxury brands reach out to a far broader customer base, providing accessibility without losing the mystique given by the yet-unaccessible main offering.

While a fragment of the likes of Hermès and Chanel is now available to become part of the everyday life of a wide segment of consumers, these brands still preserve their iconic status through their exclusive core categories. They have succeeded in offering, at the same time, the one-of-a-kind and the most widely sold worldwide – the former generating the cult, the latter dispensing it to the masses.

The other axis of diversification – geography – poses different questions. In today's quickly changing world map, luxury brands are facing the challenge of playing two very different roles in two completely different contexts, both of which are essential to their success and growth.

From showing...

In emerging economies, luxury brands are quintessential to the fast-paced development of new, layered social structures. In countries like Russia and China, they are the perfect answer to the quest for symbols that can clearly legitimate and communicate one's belonging to the new élites. In the past, such status had to be declared within a single society. Today, as emerging markets open their doors to the global economy, luxury brands have the ultimate advantage of becoming universal symbols and statements of cosmopolitanism. The accelerated change and growth in these markets are intensifying the performance of brands like Prada, Ferrari and Gucci, which are milking their iconic status in comparatively new markets.

...to knowing

The challenges that lay ahead for luxury brands in mature economies are more subtle and complex. On the one hand, the concept of luxury and self-satisfaction itself has gradually shifted and dematerialized. Luxury has now changed from mere possession to something nearing more the concept of experience, expanding its focus from products to the wider pleasures of life. The age we live in is a lot more about collecting experiences – think about the success of electronic storage supports of all kinds – rather than simply possessing objects.

On the other hand, the rise of individualism has also led luxury to be about much more than simply communicating one's status to others. In information and knowledge obsessed societies, rather than simply delivering the economic capital, luxury brands have to address one's intellectual capital, too. There has to be a rationale behind a product that claims to be deluxe. In a mature economy, a consumer's self-confidence derives from being discerning rather than merely rich. Subtle details, which add depth to the product experience, are not within the reach of the wealthy, but of the wealthy cognoscenti.

This leads luxury brands to revert to craftsmanship, detail, creativity, and innovative, show-like advertising. Most flagship stores today are about giving an insider's story – a way of providing intellectual, not just economic, exclusivity in the face of a numerically higher access to luxury. They are temples protecting the idol worshipped by the masses.

Who's in, who's next

We have identified the laws ruling brand value creation in the luxury kingdom. Yet, an increasingly difficult task is to define its boundaries.

When luxury adopts a "vertical" perspective, it can no longer be employed as a synonym of exclusivity. This concept is shattered by the shift from luxury as "the average consumption of above-average people" to the "above-average consumption of average people." Nor, in a "horizontal" view, can luxury be reduced to a number of selected industries.

Over and beyond that, today's reality resists the possibility of defining luxury as a category or a sector, then identifying brands that can fit the definition. On the contrary, brands competing in diverse industries are constantly reshaping the category of luxury and testing its boundaries.

The iPhone may be the most recent example of a (product) brand marketed by a non-luxury brand, escaping the traditional definition of a luxury brand. And yet, the iPhone creates desire, demand, and value, just like a luxury brand.

No doubt, we must expect the boundaries of the realm of luxury to continue to blur, dissolve, and reshape around those brands that change the way people think about a category. Yet, no matter what, one thing holds true – the economic rewards for those brands that get to fall under the luxury kingdom's laws are clearly impressive.

The rise of individualism has also led luxury to be about much more than simply communicating one's status to others.

It's what's on the inside that counts
by Stephanie Colton & Carolyn Ray

Engaging your people to deliver an exceptional brand experience.

Brand in the blood

If you like brand value ranking lists, can we suggest taking a moment to read the "Best Companies to Work For" results published by *Fortune* magazine this year? The highest risers in our Best Global Brands study were also praised for their ability to build a strong internal culture. These are the mighty "employer brands" – companies like Google and Goldman Sachs. They are masters at work, adept at applying their brand idea to the whole business, both inside and out. Unlike their competitors, who see brand as a marketing exercise, these leaders have brand in the blood. It is part of their DNA and runs through everything they do, from hiring the right people to recognizing and rewarding success.

Winning the war on talent

With the looming talent war, companies who use their unique brand to attract, retain, and grow good people are likely to come out on top. Whereas, in the past, brand may have been the domain of the marketing team, the most sophisticated organizations understand that success rests on their ability to work together, with the onus on leadership and middle managers, as well as the HR, marketing, and communications teams.

However, the ultimate measure of success is not just employee satisfaction. Brand-builders are not just happy, they are deeply committed. These are the people who go above and beyond, who ride out the tough times and who actively recommend you to friends and family. Engagement – defined here as the creation of happy, committed, productive and loyal advocates – is not a "nice to have" but an essential pillar of any business strategy because of the impact employees have on financial performance.

The costs of disengagement

For highly evolved brands, this is a logical progression. Employees are internal customers – their needs must be mapped and served, their loyalty, earned. Brand is the red thread, binding the workforce together with customers in a common experience. Connecting up like this leads to a positive, focused and productive workforce.

This is second nature to only a small minority. For the rest of us, staff engagement remains a major issue. According to Interbrand's Pride survey in 2007, on average, only 47% of UK workers feel proud to work for their

Biography: Stephanie Colton is a Senior Consultant on the Brand Engagement team at Interbrand in London. With her background in anthropology, knowledge management, and organizational change, she brings a diverse range of experiences to her assignments, having worked in the public and private sectors, in the UK and overseas.

Biography: Carolyn Ray is a Senior Director of Brand Engagement at Interbrand in Toronto. Drawing on her 18-years-plus of strategic experience, Carolyn works with organizations to create strategic brand engagement programs that help their employees deliver on the promised brand experience, which requires her to be adept at a broad range of services.

employers. Gallup recently published research stating that 54% of US employees are not engaged in their jobs, while 17% are actively disengaged. Similarly, a Towers Perrin study states that 38% of the global workforce is disengaged from their work, and 41% are unsure if they like their jobs.

The effects of this can be catastrophic. Disengagement is seriously bad for business.

Gallup research indicates that disengaged employees in the US cost employers over US$300 million per year in lost productivity. According to a landmark study by the White House Office of Consumer Affairs in 1996, staff indifference is the number one cause of customer defections, triggering up to 68% compared to just 14% for poor products and service. Customers will put up with a lot, but disengaged staff can very often be the final straw.

Learning from the leaders

The leaders in this field don't just manage their brands, they live and breathe them.

Google

Best Global Brands (#10)
Fortune Best Companies to Work For 2008 (#1)

Search engines. Not exactly exciting, are they? But talk to anyone who works for Google and they're positively evangelical about their employer. This year Google ranked #1 for the second year running in *Fortune* magazine's "Best Companies to Work For" and was the highest riser in its category for the third year running in the Best Global Brands study. It is clearly doing something right. The secret of its success is a single-minded focus on rewarding the talented people that come to work for them – the 12,000-plus self-styled "Googlers."

In the "owner's manual" for Google shareholders (the company gives stock options to 99% of employees), the founders explain: "Our employees are everything. Google is organized around the ability to attract and leverage the talent of exceptional technologists and business people. We have been lucky to recruit many creative, principled, and hard-working stars. We hope to recruit many more in the future. We will reward and treat them well." And it does. Each year Google mints a fresh round of millionaires so, in one way, you can say Google is practicing what it preaches.

The website is full of positive statements about Google's people: "We love our employees and we want them to know it." Believing that "appreciation is the best motivation" they have created a uniquely inspiring workplace which people feel proud to be part of. Annual ski trips, on-site massage, yoga and daycare, seminars, culture clubs, and community work all create an atmosphere of serious fun, proving that work and play are not mutually exclusive. On its own jobs pages, it lists the top ten reasons to work at Google. The first reason to join is "to lend a helping hand" to users, for whom Google has become "like a good friend." Google people are passionate about connecting people in a way that makes their lives better. This philosophy applies to everything it does.

Goldman Sachs

Best Global Brands (#38)
Fortune Best Companies to Work For (#9)

Despite turbulence in the global markets, the investment bank, Goldman Sachs, reported record sales and profits. Compensation and benefits rose 23% from the previous year, to $20.19 billion. With around 25,000 employees worldwide, this is a company well known for investing serious effort into attracting and retaining the right people. As a brand, it has a deep commitment to delivering their idea – the confidence and trust of leadership. As an employer, it has a reputation for only hiring the best, which in turn means that candidates are already striving hard before they are hired. The competition pales in comparison.

Its recruitment process embodies the brand. Take its graduate recruitment site. Head and shoulders above the competition – powerful, direct – it is a perfect rendering of their brand positioning. The interview process tells you that they are not just interested in your academic or professional track record, they want to know what drives you and how well networked you are. Once inside, they make an explicit mutual contract highlighting what they will require from you and what you can expect in return. As a result, employees know they will not get job security, but are sure to receive a good salary, the best resources, good treatment. On their CV, Goldman is a name to conjure with, a name that opens doors.

So the key here is that expectations before, during and after employment are aligned. The brand promise is delivered and meets expectations. As a result, its people are proud advocates, reinforcing the external perception that Goldman is an untouchable brand, halo and all.

The brand idea is supported by 14 business principles underpinning every aspect of its operations. They underline the unusual effort Goldman puts into managing its talent, its pioneering spirit and a belief that the world of finance will not stand still, and that complacency can lead to extinction. This rejection of complacency, and the foresight of two exceptional bankers, helped them escape the carnage on Wall Street this year and to gain a serious lead on the competition.

Summary: the four golden rules of world-class brand engagement

These cases – and others like them – highlight four golden rules that, if followed, will increase our chances of success.

Rule 1
The launch is just the beginning.

When these brands were launched or in their infancy, the creators knew that a glossy book or a video would not be enough to direct culture and behavior internally. Both Google and Goldman Sachs had visionary founders who knew the importance of writing both customer and people-focused principles into their DNA from the outset. Of course, it is all too easy to fall at the first hurdle. There are countless tales of companies who made big investments in creating a new brand positioning or identity system, only to find that they struggle to activate it. Communication alone will not change behavior. Success comes when you take people on a journey – from understanding to believing, and from believing to really living the brand. Your people are more likely to get on board when they are given the chance to discover the benefits for themselves, which means shaping an engagement strategy that is interactive, multi-disciplinary and targeted.

Rule 2
Recruit the "massive middle" to the cause.

Many organizations focus their brand-building efforts exclusively on the top 10–15% – the "high potentials." However, this overlooks a critical segment of the workforce, coined by some as the "massive middle." True brand engagement speaks directly to the solid citizens, the people that you count on every day to show up and do their jobs. Within this group, influential types – brand champions, brand ambassadors, or change agents – can become a powerful force for change. Mobilizing them at various points in the branding process will significantly improve your chances of success. This group can:

- **provide a reality check, identifying what will work and what won't**
- **act as change agents delivering key messages and communications to colleagues**
- **model on-brand behavior and inspire others to follow suit**
- **identify gaps and opportunities to align the business with the promised brand experience**

Having a strategic part of your workforce that understands the brand and its benefits generates a groundswell of action and support. Using them to spread the message up, down and laterally, can lend credibility to the brand engagement process, particularly in places where management communications are typically met with a mixture of cynicism and suspicion.

Rule 3
Brand is not an initiative.

Because of the connections between brand and business strategy, our leaders look at the branding process as a long-term operational commitment or way of working, not a short-term initiative. While other initiatives are developed in response to specific business objectives, the brand strategy is developed to support the business strategy as a whole. This means it must be implemented throughout the whole organization and be supported by rigorous management processes.

Unlike Lean, Six Sigma, or a CRM project, brand-building can be done subtly, wrapped around existing initiatives to add focus and meaning, e.g., as the principle informing the design of a new intranet site, induction materials, performance appraisal system, internal communication campaign, internal product launch and so on. When brand is presented as another initiative, overburdened employees can be forgiven for believing that the brand will add more work when, in fact, it should make their lives easier and more inspiring.

Rule 4
Return of a promise = promise of a return.

Both Google and Goldman Sachs believe in mutuality between employee and employer. Balancing the requirements of the company with the needs of the individual employee is an essential part of their strategy. The brand idea is layered on top of that to provide meaning through a positive set of shared emotional connections.

When Harvard Business School published the Service Profit Chain model in the late 1990s (Heskett, Sasser, Schlesinger, 1996) they proved what these brands already knew – happy employees means happy customers who, if properly cared for, contribute to an equally healthy balance sheet. According to Gallup research, the stock prices of companies who topped *Fortune* magazine's Most Admired Companies in 2007 appreciated 50% over their peers after investing in employee motivation and alignment. Research published by Gallup showed not only are engaged employees, on average, 38% more productive, they are 30% less likely to leave.

Building a branded, customer-focused culture takes stamina, discipline and investment, active leadership at all levels, cross-functional thinking, and detailed alignment of core processes. Only with all these pieces in place can the brand truly become something owned and lived by everyone, from leadership to the front-line employee.


NOKIA
NESCAFÉ

The value of creativity
by Andy Payne

Biography: Andy Payne is Interbrand's Global Creative Director. With a track record of great success, Andy has worked on some of Interbrand's most prestigious projects, including Thomson Reuters, Toyota, and McDonald's.

Creativity runs the whole way through our solutions and should work harmoniously with strategy.

01 What is the role for creativity in creating brand value?

Let's answer that by looking at it in a linear fashion. Put simply, the role of creativity is to bring the brand's strategy to life. We make the brand strategy evident to the world inside and outside the organization. But, in truth, it doesn't really work in a linear fashion.

It's always tempting to see design briefs and marketing strategy in separate silos of an overall brand management process. But, if there's only one brand, really there should be just one brief that delivers against one strategy.

To manage a brand's value, you have to be looking at the strategic and creative intent of the brand as one. They are both equal and parts of the value chain. Strategy and design should become indistinguishable. A brand isn't just a strategy. The strategy needs to be executed. Likewise, a brand isn't just about its design. Strategy and creativity therefore need to work in harmony to really deliver the brand promise in a tangible way. The role of design is to capture the emotional space in consumers' minds, while the physical performance of the brand's products or services captures the rational mind space.

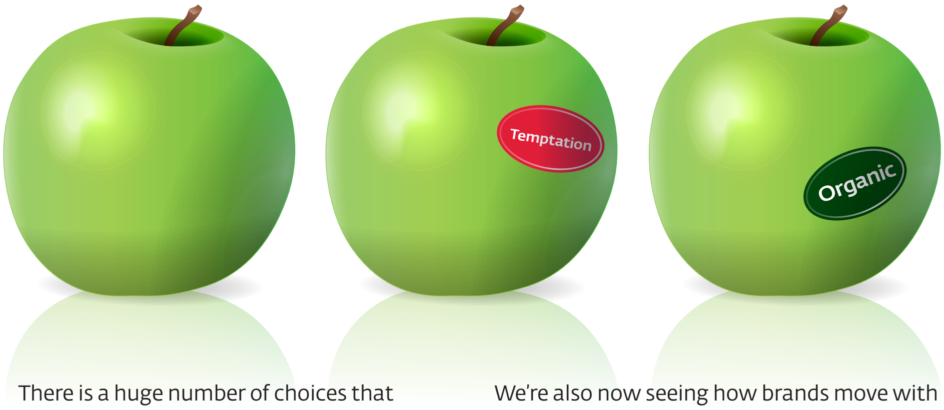
02 What the biggest error that people make when they're considering a branding project?

The worst thing anyone can do is to simply focus on the logo. I sit here as a Creative Director, and can say to you honestly it really is just a logo. Sure, a logo needs to be appropriate for a brand but it really is just a signature, if you like. Also, people have an expectation that they should like a logo, but it's more important that they identify it with the brand and that it provokes the right messages.

The brand strategy should provide the seed from which the visual vocabulary germinates. We all interpret visual codes, sometimes consciously, sometimes subconsciously. Look at the way people may interpret a piece of art and "get it" when others clearly don't. It's about visual stereotyping and knowing how to evoke the right emotional context for the brand. The brand's visual vocabulary should play with these stereotypes, knowing which cues to extenuate and which to downplay, which to reinforce and which to redefine in order to accentuate the idea of the brand.

There is so much more to building the visual vocabulary and system of the brand than a logo. Brands have multiple touchpoints and, to succeed, they need to build their messages cumulatively and holistically across these touchpoints. They all represent opportunities for the brand and the trick is to work out what is the most meaningful touchpoint to you, then over-deliver against it so you create value. Many brands make the mistake of simply replicating their visual formula across their touchpoints. This visual splattering may show ownership, but may not use the medium to its best effect in terms of communicating the brand. We always have to see the touchpoint as a means through which we communicate the brand idea, rather than simply owning the touchpoint.

When a brand is reviewing its identity system, it should review the touchpoints it communicates through, multiplying the use of those that over-deliver brand value and minimizing the usage of those that under-deliver. It will focus the brand's spend more effectively and more efficiently. We've seen programs where brands have actually saved $60 million by discontinuing ineffective touchpoints.



03 What do you believe makes a great brand?

Well, as you can see from the Best Global Brands study, brand value is potentially the ultimate measure of success for a brand. But, while it shows you the result of the success, what drives success is hugely significant.

A great idea sits at the heart of the brand. It's the strategy that will re-energize the brand and stretch the brand into new business opportunities. It has to be true and something the organization can deliver against, and it has to be something that is relevant in that market. It has to be different and distinctive from its competitors.

This thinking should convey a brand's personality. A great brand idea is much easier to work with if it creates a really clear picture in our minds.

A great tool in defining this personality is language; understanding what the brand says. It's often overlooked, but the words are key.

Take something as simple as an apple. Look at it and it's just an apple.

Put the word 'temptation' next to it and our whole point of reference changes.

Put the word 'organic' next to it and our references change again.

But each time it's just an apple.

This shows us how powerful language is. Each time we've redefined the apple through the use of language.

There is a huge number of choices that consumers make on a daily basis and brands are able to break out of this clutter to speak to consumers, to stand for something in their eyes.

I'm really interested in the ideas that say, "I'm for you," and how we best execute against these ideas so they're memorable and really deliver for the business.

Again, this is where strategy and creativity need to work together. We need to create ideas for a business that go beyond straight strategy and become robust, rich ideas that can define a brand's communications and behaviors across a whole host of opportunities. The idea can't be confining or limiting; it has to be more of a launch pad; a launch pad that is always clear enough to show you that you're on brief and on strategy, but also a launch pad that is an idea, breathing life into executions and creating value in your market.

04 How has the branding business changed over the years?

Well firstly, branding is still a really young business. We're one of the oldest brand consultancies and we've been going since 1974, so it's still a young industry.

For me one of the biggest changes is the fact that, as a designer by background, I'm invited to debates to make the most of business opportunities and challenges from a creative perspective. It's great working closely with business people and seeing the changes we can make to their ways of thinking. What once felt like a problem becomes an opportunity. What may once have been taken for granted, suddenly becomes their competitive advantage. What may have simply been "their way of doing things" becomes their guarded culture.

We're also now seeing how brands move with us and how they need to flex themselves according to the immediate times we're in. IBM is a great example of this. When people were uncertain of doing business online, they helped us with e-business. When we became concerned about the pace of business, they gave us on demand. It has all been one IBM throughout but they're flexing the brand to dial into our emotions at any given time. The world seems only to increase its pace and this places a huge pressure on brands to keep up with the way attitudes are continually evolving. It sounds daunting, but the rewards for getting it right are evident, so we shouldn't expect it to be easy.

05 What inspires you?

People often ask me for a definition of great creativity. For me, it's being able to work with a business of thousands of people, across multiple geographies and multiple service lines, and inspire and influence the way they work by giving them better business potential against their competitors.

Look at any of the Best Global Brands. We all know something about them. We can come from different cultures and different backgrounds and there would probably be a tremendous commonality in the way we'd describe Nike, Apple, Google, etc. These brands transcend languages and cultures. They have the whole world talking about them in the same way and sharing their brand ideas. That is a huge challenge, but a fantastic challenge. Like most people in branding, I am endlessly fascinated by trying to help create such opportunities for businesses and allowing their ideas to be shared.

Answers to the most commonly asked questions

What is brand value?

Brand value is the dollar value of a brand, calculated as Net Present Value (NPV) or today's value of the earnings the brand is expected to generate in the future. Like any other financial value, brand value is based on the assumptions and information available at that point in time. Brand value is calculated according to the most widely accepted and used valuation principles. This makes brand value comparable to business-, and all NPV-based asset values.

The valuations of brands appearing in the Best Global Brands (BGB) are calculated in their current use to their current owner. Therefore, these valuations do not necessarily represent the potential purchase, extension or licensing value of the brands.

Why value brands?

The purpose of these valuations is to demonstrate to the business community that brands are very important business assets and, in many cases, the single most valuable company asset. We also aim to make branding and marketing key business issues that have direct shareholder value impact. Through eight years of publishing Best Global Brands in *BusinessWeek* magazine, we have created the world's most significant and influential brand and marketing study. In fact, *PRWeek* magazine produced a study demonstrating that the *BusinessWeek*/Interbrand Best Global Brands ranking was the third-most sought-after benchmark report by CEOs, CFOs and CMOs.

How does Interbrand derive the value of brands?

Our valuation approach is a derivative of the way businesses and financial assets are valued. It fits with current corporate finance theory and practice. There are three key elements and they are detailed below:

Financial Forecasting

We identify the revenues from products or services that are generated with the brand. From these branded revenues we deduct operating costs, applicable taxes, and a charge for the capital employed to derive the economic value that is generated by all tangible and intangible business assets of the branded business. Economic Value Added (EVA) is a value-based management concept and is a generally accepted principle to measure the ability of a business to generate returns over and above its invested capital. Based on reports from financial analysts, we prepare a financial forecast and calculate the EVA of the branded business.

Role of Branding

Since EVA includes the returns for all assets employed in the business, we need to identify the earnings that are specifically attributable to the brand. Through our proprietary analytical framework, called Role of Branding, we can calculate the percentage of EVA that is entirely generated by the brand. In some businesses, e.g., in fragrances or packaged goods, the Role of Branding is very high – as the brand is the predominant driver of the customer purchase decision. However, in other businesses (in particular, B2B) the brand is only one purchase driver among many, and the Role of Branding is therefore lower. For example, people are buying Microsoft not only because of the brand, but because the company has an installed base of 80% of the market and it would be extremely difficult for most users to switch their existing files to a new software platform. In the case of Shell, people buy not only because of the brand, but also because of the location of the gas stations. For each of the brands (and categories) we have assessed the Role of Branding.

The Role of Branding is derived as a percentage (%). Thus, if it is 50%, we take 50% of the EVA as brand earnings. If it is 10%, we only take 10% of the EVA.

Brand Strength

To derive the net present value of the forecast brand earnings, we need a discount rate that represents the risk profile of these earnings. There are two factors at play: first, the time value of money (i.e., US$100 today is more valuable than US$100 in five years because one can earn interest on the money in the meantime); and second, the risk that the forecast earnings will actually materialize. The discount rate represents these factors as it provides an asset-specific risk rate. The higher the risk of the future earnings stream, the higher the discount rate will be. To derive today's value of a future expected earnings stream, it needs to be "discounted" by a rate that reflects the risk of the earnings actually materializing and the time for which it is expected. For example, US$100 from the Coca-Cola brand in five years requires a lower discount rate than US$100 from the Fanta brand in five years, as the Coca-Cola brand is stronger and therefore more likely to deliver the expected earnings.

The assessment of Brand Strength is a structured way of assessing the specific risk of the brand. We compare the brand against a notional ideal and score it against common factors of Brand Strength. The ideal brand is virtually "risk free" and would be discounted at a rate almost as low as government bonds or a similar risk-free investment. The lower the Brand Strength, the further it is from the risk free investment and so the higher the discount rate (and therefore the lower the Net Present Value).

What was the basis of the financial assessments?

Published annual reports were used to examine the revenues, earnings and balance sheets of the brand-owning companies. Analyst reports from JP Morgan Chase, Citigroup, and Morgan Stanley are used as the basis for identifying the specific brand revenues and earnings and for forecasting future earnings.

What was the basis of the marketing assessments?

Unlike other brand value rankings, Interbrand does not rely on a single source of marketing information. Using a single brand study would limit the type of information (usually perceptual data) and the type of customer (usually general public) that can be considered. Because many leading brands operate in specific customer segments (particularly B2B brands), sourcing data exclusively from the general public would prove very restrictive. Instead, Interbrand refers to a wide array of primary and secondary sources, which are applicable to each brand. These include, among others, ACNielsen, Gartner, Hall & Partners, and Datamonitor. Moreover, Interbrand utilizes its network of brand valuation experts from offices around the world to ensure that the ranking assesses the brands from a global perspective.

What was *BusinessWeek*'s role in the Best Global Brands ranking?

BusinessWeek did not influence the selection of brands or the determination of any of the values. Their role was to publish the study and to tie the reported performance of brand value to some of the wider issues affecting these brands.

Why are certain brands not on the list?

This is a frequent question, especially from companies who would expect their brands to be on the list. There are five possible reasons:

- The brand is not sufficiently global
- The brand has a pure B2B single audience and has no wider public profile and awareness
- The company does not produce public data that enables us to identify the branded business (the company has multiple brands or has unbranded production)
- The brand is not big enough (brand value below $3.3 billion falls below the 100-brand ranking
- The business is driven by a number of intangible factors and it is difficult to separate the brand from the rest

Certain obvious global brands are missing. Were they considered?

In each case there was a reason why they could not be evaluated based on purely public data. For example:

BBC – A unique organization since it's a government-owned corporation that is not supposed to generate a profit. There are, however, parts of it which are commercial and which do generate profits, but these are still the minority of the business.

Red Cross – As a not-for-profit organization, it's not possible to value the brand based on an earnings model. This would be true of other global not-for-profit brands such as Greenpeace, National Geographic or Unicef. It is possible to assess the financial value of such brands, but only using a different kind of model.

Mars – This is a privately held and highly secretive organization. Other privately held brands such as IKEA are included since appropriate financial data is publicly available.

Within certain large industry sectors there are no brands that appear on the list. Why?

Airlines – There has clearly been significant investment in airline brands (and many of them are, by definition, global) but they are still operating in situations where the brand plays only a marginal role. In most cases, the customer decision is based on price, route, schedule, corporate policy or frequent flyer points. The brand may often only have a real impact when all these other items are at parity. We have assessed the brand value for airlines by using internal data to strip out the impact of these other factors. But from purely public information this is difficult to do reliably.

Telecommunications – Although there are many large telecom brands that are highly valuable, at present none of these brands fulfill all of our criteria.

Pharmaceuticals – No pharmaceutical brands have been included since the 2007 ranking. Pfizer and Novartis – which were both included in the 2006 table – have been excluded following a review of our approach. Our review concluded that brands should only be included where they resonate with consumers on a global level. In the pharmaceutical industry, it is the product brand rather than the corporate brand with which the consumer builds a relationship. The lack of global recognition of pharmaceutical companies is fundamentally driven by regulatory differences around the world. In the US, for example, pharmaceutical companies are able to communicate and advertise directly to consumers, whereas in the EU this is forbidden.

What % of the branded business needs to be outside the home country to be considered global?
In most cases, one-third, however if the home country of the brand is small (e.g., the Netherlands), we require a higher percentage.

Was this the only test for being global?
No, we also wanted evidence that the brand was established in a wide number of markets around the world. At the very least it needed to have a substantial presence in at least one country in each of the following 4 regions: North America, Latin America, Europe, and Asia-Pacific. It also needed to be managed consistently as a global brand. As an example, Walmart is a valuable brand but it is not consistently branded as Walmart around the globe.

Was there a limit to the number of brands included from any one industry?
No, however, one of the requirements of a leading global brand is that it is, in fact, leading. The mark of leadership is not just about market share, but also about behaving as a leader – setting trends, quality standards, authority, etc. Thus, there are brands that are in the top three of their category's market share but did not make the cut and there are brands that are not top-three that did make the global ranking. The rules described are guidelines and, ultimately, each brand was assessed for inclusion on its own merits.

Are there any brands that have a sufficient brand value but did not make the list?
There are certainly strong national brands that have a value exceeding $3.3 billion but did not make the list because they do not meet our global criteria. This would be true of many of the financial services and telecommunications brands, but also surprisingly true of a lot of food, beer and retail brands.

How did you take account for the fact that some brands are run through franchisees?
This was an issue with all the food retail brands – McDonald's, Pizza Hut, KFC, and Starbucks. We based our valuation on the earnings that the brand owner makes from the brand and an estimate of the earnings that the franchisees make from the brand (what is called a total-system view). As in all other valuations, these earnings were then reduced to take account of a return for the use of the tangible and other intangible assets.

What is the relationship between the following terms: brand awareness, brand equity, brand share, and brand value?
Brand value is the only measure that looks at the economic benefit of the brand to its owner. In other words, it is an end in itself. *Brand awareness* and *brand equity* are a means to an end. Brand awareness is simply knowledge that a brand exists, thus brand awareness may prompt customers to consider buying a product. Brand equity is a measure of customer perceptions of a brand, thus it may give a customer reason to prefer a product over the alternatives. *Brand share* is simply the market share achieved by the brand. Thus brand awareness, equity, and share are all measures of what a customer thinks or does. It is not an assessment of the economic value created by those thoughts or actions.

Do the valuations reflect the underlying state of the economy?
Yes – in two ways. The forecasts are prepared with an overall view on economic growth at a point in time. The formula for converting the Brand Strength Score into a discount rate is tied to the underlying government bond yield.

How does brand value rank against ad spending?

It is not really appropriate to try to correlate these two. Brand value is a measure of the output from a series of brand investments and initiatives over a long period of time. Advertising is one element in a wide spectrum of communications that companies employ. Other communications include sponsorships, online, point of sale, customer service, etc. In some cases brands are built with very little or no advertising, as in the case of Starbucks, where retail space and employees are the key communications channels.

Is it possible to recognize brand value on a balance sheet?

Several accounting standards – such as International Accounting Standards IFRS and US-GAAP – require the recognition of acquired goodwill, including brands, on the balance sheet. The standards clearly identify brands as intangible assets with an infinite economic life. This means that, unlike other intangible assets (e.g., patents, databases) or goodwill (e.g., training, workforce), brand value does not have to be amortized through the income statement. However, they are subject to an annual impairment test and their carrying value needs to be reduced if the value declined. The technique is consistent with the way in which Interbrand has assessed brands for balance sheet inclusion – though, of course, using more extensive and proprietary data.

What is Interbrand's view on brands appearing on balance sheets?

We support the notion of the different accounting standards to recognize the value of brands on the balance sheet. Interbrand has led the debate on this issue for many years. However, current accounting standards allow only for the recognition of acquired brands, not internally developed brands. Also, the impairment test for brands on the balance sheet allows only for a potential value reduction but not increase. The acquisition criterion means that the Gucci brand is recognized on the balance sheet of PPR as an intangible asset, while the Louis Vuitton brand does not show up on the balance sheet of LVMH.

We conclude that the recognition of acquired brands on the balance sheet is a step in the right direction for providing shareholders with better information about the assets they have invested in. However, it's still not sufficient, as the value of internally generated brands cannot be disclosed despite making up the vast majority of the most valuable brands around the world.

Why is Interbrand an expert in assessing brand value?

In 1988, Interbrand developed and introduced the first valuation of a portfolio of brands that used a brand specific valuation approach. Since then we have continuously updated and improved our valuation approach to make it the global industry standard of brand valuation. The Interbrand brand valuation methodology is the most widely endorsed and employed valuation approach around the world. Interbrand alone has valued more than 5,000 brands in all industries worldwide.

Our valuations have been endorsed by leading academic institutions including Harvard, Thunderbird, Columbia, Emory, and St. Gallen. Our valuation approach has a wide range of applications, including strategic brand management, marketing budget allocation, marketing ROI, portfolio management, brand extensions, M&A, balance sheet recognition, licensing, transfer pricing, and investor relations. Our valuations have been audited for inclusion on the balance sheet by all leading accounting firms. Also, many tax authorities and law courts around the world have accepted our valuation approach.

Does Interbrand conduct other brand studies?

We have established national brand value rankings in Switzerland, France, Spain, Australia, Singapore, China, Taiwan, Mexico, Canada, and Brazil. These follow an identical valuation process but only look at locally owned brands.

A US-specific study would be redundant due to the great overlap with the global table – 53 out of 100 are US-based.

In April 2008, Interbrand also published a table of the 25 most valuable European retail brands.

What is the difference between the valuations in Best Global Brands and consulting valuations for clients?

The valuation methodology is the same, however, the level of detail and the data input significantly differ. The BGB valuations are based on publicly available marketing and financial data. Also, the BGB valuations are mostly consolidated top-line assessments, although we recognize segment differences for diversified brands by product or service but not geography or any other classification (e.g., financial services or technology). As the valuations are based on publicly available data, they are only as reliable as the data that the brand-owning companies publish about themselves (in annual reports, analysts briefings, press articles, syndicated market research, etc.).

Consulting valuations are based on detailed customer segmentations, as well as in-depth marketing and financial analyses. They have a much higher level of accuracy and granularity. The purpose of a consulting valuation extends well beyond assessing financial numbers and goes on to identify and quantify value drivers so as to manage brands for increasing the shareholder value of the underlying businesses. However, if clients undertake consulting valuations, we are in a much better position to identify publicly available data that is likely to align the BGB valuation with the consulting valuation. In cases where companies make our consulting valuations publicly available, for example through a note in the balance sheet, these values will also be published as the BGB ranking value.

Interbrand

About Interbrand
Interbrand began in 1974 when the world still thought of brands as just another word for logo. We have changed the dialogue, defined the meaning of brand management and continue to lead the debate on understanding brands as valuable business assets.

We now have nearly 40 offices and are the world's largest brand consultancy. Our practice brings together a diverse range of insightful right- and left-brain thinkers making our business both rigorously analytical and highly creative. Our work creates and manages brand value for clients by making the brand central to the business's strategic goals.

We're not interested in simply being the world's biggest brand consultancy. We want to be the most the most valued.

About Best Global Brands
Voted the third-most influential industry benchmark study by business leaders, Best Global Brands is our annual report on the world's most valuable brands and the insights that can be drawn from how these global organizations create and manage brand value.

We pioneered the technique for valuing brands in 1984 and have continued to improve upon the methodology and set the pace for other approaches. Our valuation techniques have long been recognized by business, academics and regulatory bodies as a uniquely valuable strategic tool. Today, we have conducted over 5,000 valuations for clients to provide guidance in managing their most valuable asset – their brand.

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Best Global Brands 2008

2008 Rank	2007 Rank	Brand	Country of Origin	Sector	2008 Brand Value ($m)	Change in Brand Value
1	1	Coca-Cola	US	Beverages	66,667	2%
2	3	IBM	US	Computer Services	59,031	3%
3	2	Microsoft	US	Computer Software	59,007	1%
4	4	GE	US	Diversified	53,086	3%
5	5	NOKIA	Finland	Consumer Electronics	35,942	7%
6	6	TOYOTA	Japan	Automotive	34,050	6%
7	7	intel	US	Computer Hardware	31,261	1%
8	8		US	Restaurants	31,049	6%
9	9	Disney	US	Media	29,251	0%
10	20	Google	US	Internet Services	25,590	43%
11	10	Mercedes-Benz	Germany	Automotive	25,577	9%
12	12	hp	US	Computer Hardware	23,509	6%
13	13	BMW	Germany	Automotive	23,298	8%
14	16	Gillette	US	Personal Care	22,069	8%
15	15	American Express	US	Financial Services	21,940	5%
16	17	Louis Vuitton	France	Luxury	21,602	6%
17	18	CISCO	US	Computer Services	21,306	12%
18	14	Marlboro	US	Tobacco	21,300	0%
19	11	citi	US	Financial Services	20,174	-14%
20	19	HONDA	Japan	Automotive	19,079	6%
21	21	SAMSUNG	South Korea	Consumer Electronics	17,689	5%
22	_	H&M	Sweden	Apparel	13,840	NEW
23	27	ORACLE	US	Computer Software	13,831	11%
24	33		US	Consumer Electronics	13,724	24%
25	25	SONY	Japan	Consumer Electronics	13,583	5%
26	26	PEPSI	US	Beverages	13,249	3%
27	23	HSBC	UK	Financial Services	13,143	-3%
28	24	NESCAFÉ	Switzerland	Beverages	13,055	1%
29	29		US	Sporting Goods	12,672	6%
30	28	ups	US	Transportation	12,621	5%
31	34	SAP	Germany	Computer Software	12,228	13%
32	31	DELL	US	Computer Hardware	11,695	1%
33	30	Budweiser	US	Alcohol	11,438	-2%
34	22	Merrill Lynch	US	Financial Services	11,399	-21%
35	38	IKEA	Sweden	Home Furnishings	10,913	8%
36	36	Canon	Japan	Computer Hardware	10,876	3%
37	32	JPMorgan	US	Financial Services	10,773	-6%
38	35	Goldman Sachs	US	Financial Services	10,331	-3%
39	40	Kellogg's	US	Food	9,710	4%
40	44	Nintendo	Japan	Consumer Electronics	8,772	13%
41	39	UBS	Switzerland	Financial Services	8,740	-11%
42	37	Morgan Stanley	US	Financial Services	8,696	-16%
43	42	PHILIPS	Netherlands	Diversified	8,325	8%
44	_	THOMSON REUTERS	Canada	Media	8,313	NEW
45	46	GUCCI	Italy	Luxury	8,254	7%
46	48	ebay	US	Internet Services	7,991	7%
47	50	accenture	US	Computer Services	7,948	9%
48	43	SIEMENS	Germany	Diversified	7,943	3%
49	41	Ford	US	Automotive	7,896	-12%
50	45	Harley-Davidson	US	Automotive	7,609	-1%
51	51	L'ORÉAL	France	Personal Care	7,508	7%
52	52	MTV	US	Media	7,193	4%
53	54	VW	Germany	Automotive	7,047	8%
54	47	AIG	US	Financial Services	7,022	-6%
55	49	AXA	France	Financial Services	7,001	-4%
56	53	Heinz	US	Food	6,646	2%
57	57	Colgate	US	Personal Care	6,437	7%
58	62	amazon.com	US	Internet Services	6,434	19%
59	56	xerox	US	Computer Hardware	6,393	6%
60	58	CHANEL	France	Luxury	6,355	9%
61	59	WRIGLEY	US	Food	6,105	6%
62	64	ZARA	Spain	Apparel	5,955	15%
63	63	Nestlé	Switzerland	Food	5,592	5%
64	60	KFC	US	Restaurants	5,582	-2%
65	55	YAHOO!	US	Internet Services	5,496	-9%
66	67	DANONE	France	Food	5,408	8%
67	68	Audi	Germany	Automotive	5,407	11%
68	66	CATERPILLAR	US	Diversified	5,288	5%
69	65	AVON	US	Personal Care	5,264	3%
70	69	adidas	Germany	Sporting Goods	5,072	6%
71	71	ROLEX	Switzerland	Luxury	4,956	8%
72	72	HYUNDAI	South Korea	Automotive	4,846	9%
73	_	BlackBerry	Canada	Consumer Electronics	4,802	NEW
74	70	Kleenex	US	Personal Care	4,636	1%
75	75	Porsche	Germany	Automotive	4,603	9%
76	73	HERMÈS PARIS	France	Luxury	4,575	8%
77	61	GAP	US	Apparel	4,357	-20%
78	78	Panasonic	Japan	Consumer Electronics	4,281	4%
79	83	Cartier	Switzerland	Luxury	4,236	10%
80	79	TIFFANY & CO.	US	Luxury	4,208	5%
81	74	Pizza Hut	US	Restaurants	4,097	-4%
82	80	Allianz	Germany	Financial Services	4,033	2%
83	85	MOËT & CHANDON	France	Alcohol	3,951	6%
84	84	bp	UK	Energy	3,911	3%
85	88	STARBUCKS COFFEE	US	Restaurants	3,879	7%
86	81	ING	Netherlands	Financial Services	3,768	-3%
87	77	MOTOROLA	US	Consumer Electronics	3,721	-10%
88	89	DURACELL	US	Consumer Electronics	3,682	2%
89	91	Smirnoff	UK	Alcohol	3,590	6%
90	92	LEXUS	Japan	Automotive	3,588	7%
91	94	PRADA	Italy	Luxury	3,585	9%
92	90	Johnson & Johnson	US	Personal Care	3,582	4%
93	_	Ferrari	Italy	Automotive	3,527	NEW
94	_	ARMANI	Italy	Luxury	3,526	NEW
95	87	Hennessy	France	Alcohol	3,513	-3%
96	_	Marriott	US	Hospitality	3,502	NEW
97	93		Netherlands	Energy	3,471	4%
98	96	NIVEA	Germany	Personal Care	3,401	9%
99	_	FedEx	US	Transportation	3,359	NEW
100	_	VISA	US	Financial Services	3,338	NEW

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