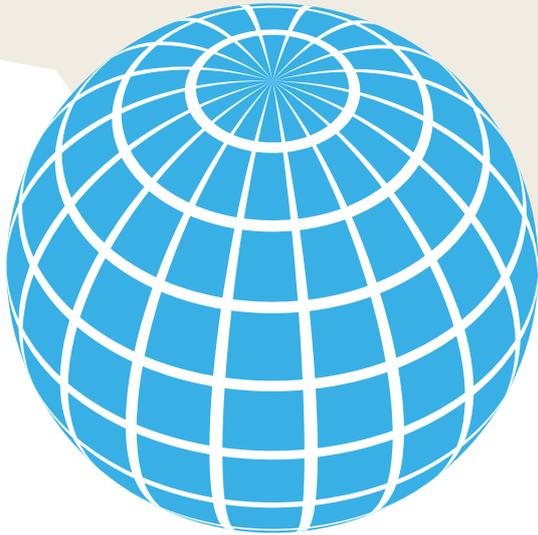


Brand Report 1 | 2013



The Most
Valuable
Social Media
Brands 2013

The Most Valuable Social Media Brands 2013

BV4 Certified Brand Valuation Experts and the department of Social Media Management of HWZ University of Applied Sciences in Business Administration Zurich present the 2013 edition of the most valuable social media brands.

Based on a scientific valuation method, brand experts at BV4 and their academic partners at HWZ examined the most popular and successful brands of social media networks. The strength and monetary value of the 50 most valuable brands were determined – the 30 most valuable ones were then listed in the ranking of “The Most Valuable Social Media Brands in 2013”. Compared to the 2012 edition of the ranking, the top 30 social media brands in 2013 are jointly worth nearly \$ 200 billion, a growth of 59% from 2012 figures.

The first four positions in the ranking are still held by the four strongest social media brands of 2012, thus confirming the oligopoly of their brand values: with an estimated monetary value of \$ 34.320 bn, the Facebook

brand (www.facebook.com) clearly leads the ranking, followed by YouTube (www.youtube.com) at \$ 26.824 bn, Twitter (www.twitter.com) at \$ 23.656 bn and Qzone (www.qzone.qq.com) with a brand value of \$ 16.336 bn. However, despite its supremacy, the Facebook brand experienced the lowest growth rate amongst the top four social media brands. On one hand, Facebook recorded a lower growth rate of newly registered users. On the other hand, Facebook’s contender Twitter caught up on the dimension of brand awareness and has increasingly captured the attention of younger social media users. Twitter’s brand strength additionally benefitted from a higher level of user engagement compared to its greatest competitors. More active users create a higher interaction between the brand and the users, which results in a stronger and more loyal brand relationship. Top winner



Ranking

Social Media Brands 2013

Rank	Brand	m \$	Country*
1 (1)	Facebook	34,320 (18%)	US
2 (2)	YouTube	26,824 (48%)	US
3 (3)	Twitter	23,656 (78%)	US
4 (4)	Qzone	16,336 (45%)	CN
5 (8)	Tencent Weibo	10,022 (184%)	CN
6 (5)	Sina Weibo	9,718 (143%)	CN
7 (7)	LinkedIn	6,522 (79%)	US
8 (6)	Badoo	5,998 (60%)	UK
9 (23)	Google+	5,878 (309%)	US
10 (13)	Tagged	5,809 (144%)	US
11 (24)	Youku	5,601 (302%)	CN
12 (21)	Tudou	4,839 (214%)	CN
13 (12)	Renren	4,555 (74%)	CN
14 (9)	Zynga	4,332 (38%)	US
15 (14)	Pengyou	3,002 (37%)	CN
16 (17)	Craigslist	2,921 (54%)	US
17 (15)	Odnoklassniki	2,622 (21%)	RU
18 (10)	Habbo	2,600 (-16%)	FI
19 (22)	hi5	2,560 (68%)	US
20 (28)	Tumblr	2,552 (202%)	US
21 (16)	Pandora	2,292 (8%)	US
22 (new)	Instagram	2,101	US
23 (18)	Kaixin	2,058 (9%)	CN
24 (new)	Pinterest	1,987	US
25 (30)	Yelp	1,971 (269%)	US
26 (26)	Flickr	1,726 (58%)	US
27 (new)	Ning	1,721	US
28 (29)	Wikipedia	1,718 (199%)	US
29 (19)	Netlog	1,713 (1%)	BE
30 (new)	WeeWorld	1,419	UK

* Head office

of this year's ranking in terms of increase is Google+, which gained 14 ranks and is now on position 9 with an actual brand value of \$ 5.878 bn. Google+ was able to significantly increase its global reach and registered users, resulting in a stronger and more valuable brand.

How social media brands generate strength and value

Recently paid prices for social networks are often many times higher than their turnovers. As an example, in 2012 Facebook bought Instagram for approximately \$ 1 billion in cash and stock. At that point, Instagram had 13 employees and no revenue. The example shows that investors' purchase decisions are not only based on actual turnover and balance sheet totals but also on intangible assets such as users, technology and brands. Consumer good or service brands create value as soon as consumers are willing to pay a price premium solely because of the brand of a specific product or service. However, it is not necessarily the users of social networks that are the customers in this case, but also the companies that place paid ads on the platforms and benefit from user information. Consequently, company and brand value is created only when the social networks and their information can be used commercially now and offer commercial options in the future. The stronger a brand is, i.e. the more the platform is diffused and the more frequently it is used, the more attractive it gets within a commercial framework.

“Social media brands can additionally benefit from the multiplicative brand effect”, states Max Meister, delegate of the board of BV4: through the omnipresence of these brands in users' daily lives, social media brands achieve a high level of awareness. Furthermore, given that social media networks facilitate and promote social and emotional interaction between users and their peer groups, this positive experience influences the general public's perception of these brands and connotes it with positive values and associations. As a consequence, a social media company can build strength and value by fostering a trustful and loyal relationship with its users. However, data privacy issues and other incidents have a strong influence on users' trust and can consequently lower a platform's brand strength and value. An example: in 2012 it was revealed that the youth-oriented

platform Habbo was hosting illicit content not appropriate for its intended (underage) users. Habbo not only had to mute about 4.5 million accounts; indeed, the drop in their user numbers and especially the loss of trust drastically harmed their brand, resulting in a value loss of -16%. Facebook also suffered from a loss in users' trust and loyalty in the last 12 months, a trend reflected in a relatively lower brand value growth with regard to its main competitors. A recently published study states that there is a growing number of registered Facebook users who are dissatisfied with the platform and eventually decide to quit their accounts. Facebook quitters had significant concerns about privacy and also stated these concerns as their main reason to quit their account on Facebook.¹

Actual social media trends reflected in the ranking

Nevertheless, several trends had a positive influence on the strength and value of social network brands since the last ranking in 2012: the augmenting dominance of the most successful social media platforms, the growing importance of social networks in China, users' augmenting need to share pictures among their digital peers as well as the trend of increasingly using mobile devices rather than PCs to access social media websites. "These trends are important factors for an overall growth of brand value compared to 2012", says Manuel P. Nappo, head of the department of Social Media Management at HWZ. The most valuable social media brands in 2013 are jointly worth nearly \$ 200 billion, representing a growth of 59% compared to the top 30 brands in 2012.



USA: \$ 129 bn

TAGGED™

5.8 ●



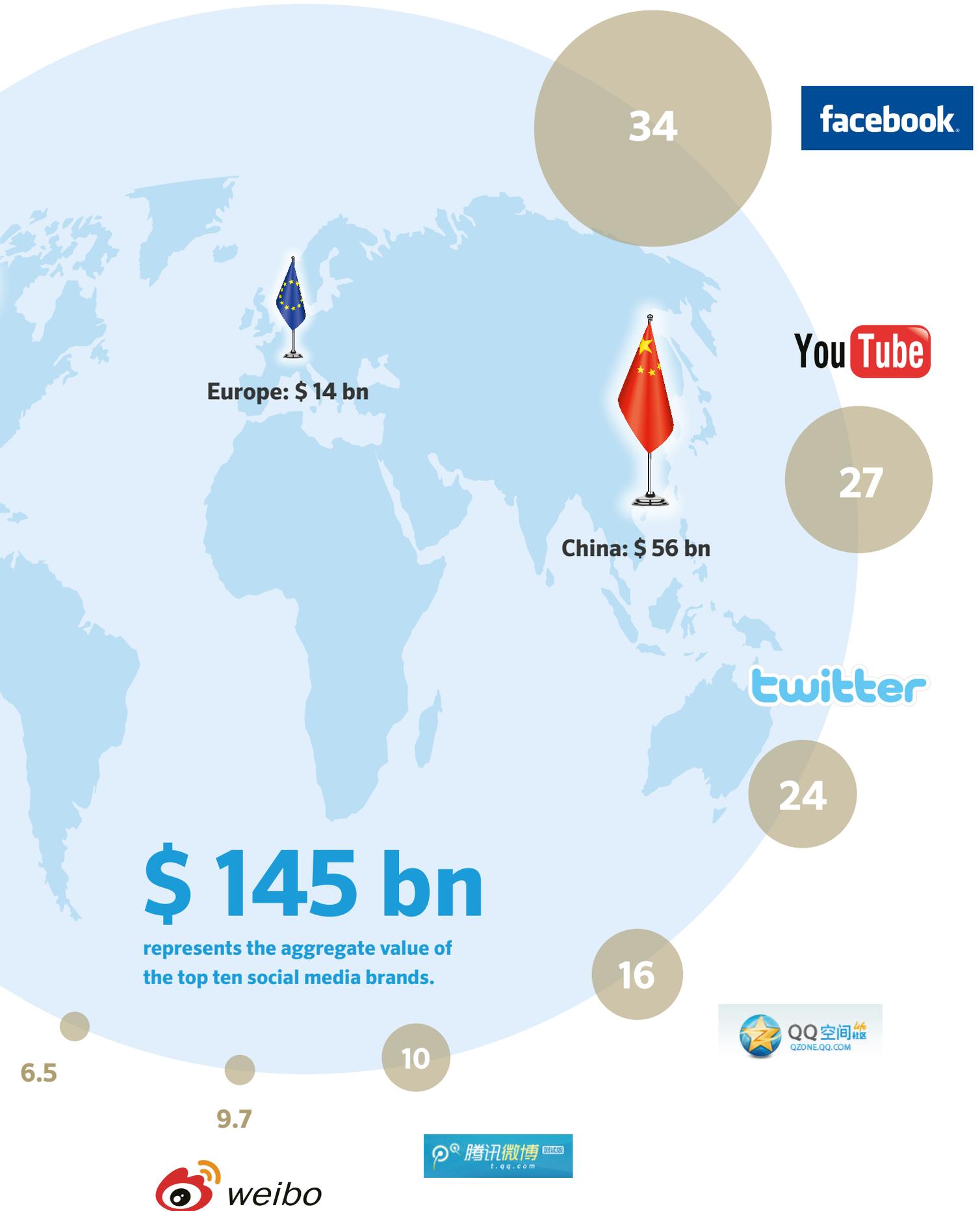
5.9 ●



6.0 ●

The most valuable social media brands are concentrated in the USA (\$ 129 bn), China (\$ 56 bn) and Europe (\$ 14 bn). Together, the top ten social media brands have a total brand value of \$ 145 bn, the four most valuable brands alone accounting for \$ 101 bn of this amount.





As the ranking shows, Chinese social media networks were able to maintain and expand the strength and value of their brands. Platforms such as the microblogging website Tencent Weibo (\$ 10.022 bn) and the two video hosting platforms Youku (\$ 5.601 bn) and Tudou (\$ 4.839 bn) were able to significantly increase their brand values, also thanks to the past and forecasted Internet use behavior of the Chinese: the number of Chinese Internet users has increased by 2100% since 2000 to 513 million users. It is forecasted that by 2015, a total of 700 million Chinese users will have access to the Internet – that is as many as in India, Japan, Russia, the US, and Indonesia together. The study goes on to state that during the last year, Chinese consumers spent 1.9 billion hours a day online, averaging 3.6 hours a day per user (circa one hour more than US Internet users).² The high number of users and intensive daily use of the platforms positively influence their brands' strength and value.

Since the last edition of the ranking in 2012, social media users' photo-sharing activities have considerably increased, giving both well-known platforms Instagram and Pinterest a strong boost not only with regard to the number of registered users but also in the dimensions of brand diffusion and brand engagement. With a brand value of \$ 2.101 bn, the Facebook-owned brand Instagram as well as the pinboard-style photo-sharing website Pinterest (\$ 1.987 bn) were listed for the first time in the ranking of 30 most valuable social media brands. Instagram appears on position 22 whereas Pinterest achieves the 24th rank. Photo-sharing social media brands can benefit from a fact that is far older than any social media network: "a picture says more than a thousand words", or rather more than a 140-character message. Pictures have

the power to efficiently transmit complex messages and send strong emotional stimuli appealing to consumers' feelings and motives. As a consequence, users are emotionally more involved in such platforms, resulting in a stronger engagement not only with their peers but also with the brand of the platform itself.

Social media platforms are increasingly being accessed via mobile devices, i.e. smartphones and tablet computers. A recent study revealed that the personal computer is still at the center of the social networking experience, but users' time spent on mobile apps and mobile websites increased 63% compared to the year before.³ 46% of the users surveyed stated that they use smartphones to access social media networks, whereas 16% use tablet computers to interact on social platforms. In the context of brand strength, more connectivity combined with a more frequent mobile use of social networks increases a social media brand's omnipresence in users' daily lives. Social media brands are becoming constant companions of digital consumers, facilitating their social interactions and providing them up-to-date information about their friends' activities, upcoming events and their favorite brands and products.

¹ Source: "Who Commits Virtual Identity Suicide? Differences in Privacy Concerns, Internet Addiction, and Personality Between Facebook Users and Quitters", *CyberPsychology, Behavior, and Social Networking* (2013)

² Source: "Listening to China's Digital Generations", *The Boston Consulting Group* (2012)

³ Source: „State of the Media – The Social Media Report 2012“, *Nielsen* (2012)

+59 %

Actual social media trends had a positive influence on the value development of the analyzed brands, fueling a growth of 59% compared to the top 30 brands in 2012.



\$ 200 bn

Together, the 30 most valuable social media brands are worth nearly \$ 200 bn. A high level of awareness, global reach and user engagement make these brands so valuable.

The valuation process of social media brands

In collaboration with HWZ University of Applied Sciences in Business Administration Zurich, BV4 developed and applied a method founded on scientific criteria and accepted in business practice by analysts and investors in order to evaluate social media brands. This method determines brand value as the earnings of a social network that are attributable to the brand. In practice, brand value corresponds to the sum of future brand-specific earnings discounted to present value. The valuation of the social media brands was executed in three steps:

1. Derivation of financial figures

In a first step, we determined the financial and income figures of the respective platforms. To do so, we consulted analysts, industry experts, market studies, financial databases and company-specific information. Based on the past developments of these figures and on the prospective growth opportunities of the social networks, we then forecasted future earnings for each platform.

2. Determination of brand strength

In a second step, the brand strength and therefore the so-called “Brand Value Ratio” (BVR) in percent was calculated, i.e. the part of a social platform’s income achieved solely thanks to the brand. A strong brand implies a high BVR, i.e., the higher the BVR, the stronger the influence of the brand compared to the competition. In order to determine brand strength, the analyzed brands were assessed with industry-specific criteria, for instance, brand awareness, diffusion rate and loyalty (e.g., average time on site per user) of the various brands.

3. Calculation of brand value

In a last step, the brand-specific earnings of future periods were discounted to present value using a risk-adjusted interest rate. The sum of these values represents the monetary value of the brand. Due to the potentially short life cycle of social networks, a forecast horizon of three years was chosen. The risks affecting the stability of future brand-specific earnings were taken into individual consideration in the risk-adjusted interest rate (brand risk rating); these risks are based on past incidents that had an influence on the reputation of the networks being analyzed.



BV4

As an independent certified brand valuation company, BV4 calculates the financial value of brands and other intangible assets using both scientifically founded and standardized methods. BV4 also develops sector and client-specific brand management models. Thereby, BV4 combines the expertise and knowledge of finance specialists as well as brand experts and marketing professionals.

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HWZ Department of Social Media Management

As a future-oriented educational institution, HWZ University of Applied Sciences in Business Administration Zurich operates the first department for Social Media Management in Switzerland. The department gives consideration to structural changes in the communication industry and allows an optimal knowledge transfer in companies, organizations and administrations. The department offers training courses and workshops with companies, organizations and administrative authorities and also participates in research projects and post-graduate courses.

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