Top Taiwan Global Brands 2009

Ranked by brand value

Creating and managing brand value™

Interbrand

Contents

Top Taiwan Global Brands 2009

Interbrand is delighted to partner with TAITRA and BusinessNext magazine for the seventh consecutive year to rank Taiwan's twenty most valuable global brands.

Over the past year we have watched global markets repeatedly decline, mainstay businesses fail, and unemployment rates approach record highs. To say it has been a difficult year is a huge understatement. We are only now seeing the first signs of improvement. Although many questions remain unanswered as to whether this is the start of something long-term, or simply a temporary respite, one thing is for certain: There is still a long and unknown road to prosperity ahead.

The world is changing and we are collectively resetting our priorities. These changes are presenting for many, the most potent opportunities in living memory. Indeed, it is an exciting time. It seems that on a daily basis we are redefining our expectations, setting new standards of transparency, and increasing our ability to interact with one another globally. Our tolerance for both companies and individuals to say one thing and do another is rapidly diminishing.

While this year has been a difficult one for brands and entire categories, the fundamental purpose of brands; to create loyalty and preference over the long-term, has never been more important. Well positioned brands create value by driving demand, thus providing a degree of security in times of economic instability.

In the face of economic turmoil around the world, Taiwanese companies have proven themselves to be very resilient.

From Interbrand's Best Global Brands study, it can be seen that brands have shown themselves to be important vessels that retain value. The overall decline of aggregate brand value from 2008 to 2009 is 4.6%, whereas the NYSE Composite Index fell over the same period at an annualised rate of 34%. Similarly, the aggregate value of the top 20 Taiwanese brands mirrors this trend with a fall of just 2.5%.

Smart brand owners manage value by building strong brands that secure future revenue over time. For those with robust balance sheets and an eye on the future, economic downturns present unique opportunities for innovation and leadership. Innovator brands such as Acer and Asus are moving ahead simply because they challenge the market, and find ways to deliver more, often for less.

Trust, transparency and reputation are increasingly important components of a brand. Taiwanese brands are thus well-positioned to compete on delivering value in the global arena and will no doubt continue to think long-term and seek opportunities in high-potential overseas markets.

I would like to congratulate each and every brand in our study. I wish you all every success in your future brand-building efforts.

Sincerely,

Stuart Green
President- Asia Pacific
Interbrand

Why the Ranking is Important

The branding practices employed by Taiwanese companies are becoming more and more sophisticated. Interbrand's seventh annual ranking of the Top Taiwan Global Brands continues to put an emphasis on brand performance and its contribution to business performance. The ranking provides brand values that are measures of economic performance, stating what the brand is worth overall and among competitors.

The most important information comes when one looks behind the number – as a single number only tells so much. It is more important to understand what drives brand value:

- Intangible earnings: the cash flow of a business not associated with such tangible assets as equipment or materials
- The role of brand: a measure of how much brand influences purchasing decisions
- Brand strength: a benchmark of a brand's relative risk compared to competitors

Understanding the drivers of brand value can inform management action, from overall business strategy to specific marketing tactics. It is an easy-to-use metric to help brand owners determine where they are, where they are going, and how to get there.

Brand valuation can assist in positioning brand building as a critical aspect of enterprise by answering the following questions:

Are we investing adequately in our brand?

Putting an economic value on a brand (overall and by segment) can help make a strong business case for marketing investments, overall and across a brand portfolio. While delivering a very important ROI measure, brand valuation, more importantly, can help organizations to understand what levers drive brand value. It is these insights that can assist in the appropriate allocation of investment and the development of the strategic catalysts that can influence future value creation.

Is our marketing performance effective and efficient?

Your customers make decisions every day between you and your competitors. Analysing the role of brand in those decisions helps you to focus your strategy on the attributes that differentiate your brand from others and to strengthen your relationship with your best customers, thereby ensuring future earnings.

Are short-term tactics driving long-term value creation?

By analysing the strength of your brand, you can target marketing campaigns to your most valuable customers in the most competitive manner. This can enable you to drive short-term sales without sacrificing long-term brand strength and relevance. Most importantly, this ranking is presented to foster debate and put greater emphasis on the practice of branding. Our goal is to demonstrate that brands are important assets yielding significant economic value. To maximise the value inherent in your brand requires proactive and consistent investment, management and measurement.

The Interbrand Method for Valuing Brands

Criteria for consideration

Interbrand has valued around 5,000 brands covering every business sector, around the world, over the last 20 years and retains a clear position as discipline leader and innovator. This wealth of practical knowledge provides the basis for all of our league tables, at a global and market specific level.

In order to arrive at a particular ranking, we first establish clear criteria for inclusion. This ensures we have the required information to complete the valuation and that the brands conform to the geographic or industry specific nature of the study.

For the Top Taiwan Global Brands study, Interbrand formed a specific set of criteria:

- The brand owner must be a publicly traded company
- The brand has to be originated by Taiwanese companies, and owned by Taiwanese companies or by a company headquartered in Taiwan. The reference to "Taiwanese companies" also includes overseas associate companies within its group
- The brand has to have at least one-third of brand revenues generated out of Taiwan
- The brand must have at least 20% of revenues from its own brand versus OEM

Methodology

The Interbrand method for valuing brands is a proven and straightforward 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, as follows.

Financial analysis

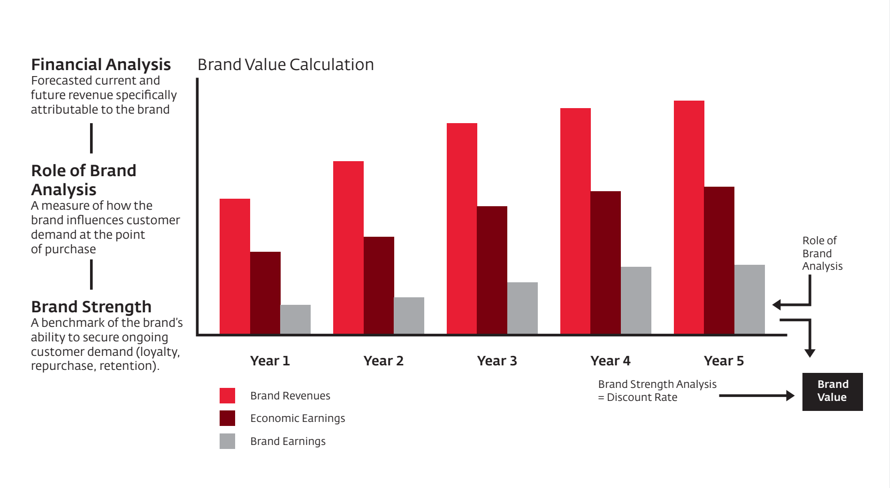
Our approach to valuation starts by forecasting the current and future revenue specifically attributable to the branded products. We subtract operating costs from revenue to calculate branded operating profit. We then apply a charge to the branded profit for capital employed. This gives us economic earnings.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



Branding in Taiwan

Acer is ranked No. 1

Stan Shih, founder of Acer Inc, has always been a strong believer in the power of branding and the importance of being a brand owner. Even after his retirement from Acer, Stan's passion to build a strong brand in pursuance to his vision lingers on and it has been carried on by his sucessor Mr. J.T. Wang. With market share that has been growing year-on-year, better compared to its competitors, Acer is well-positioned to become the number one brand for notebooks globally. Acer's brand positioning, Empowering People, is enforced by the ability to provide entry-level and mainstream products to everyone, allowing everyone access to a computer. Acer has announced that it has signed up with the Olympic movement to be a Worldwide TOP Partner and organizes brand events such as Acer Arena to increase awareness.

Geographical diversification

The Best Global Brands league table's criteria includes having a substantial presence in at least one country in each of the following four regions: North America, Latin America, Europe and Asia Pacific. A key observation is that a majority of Taiwanese brands, while global in nature, have most of their presence concentrated in a few countries, namely China and the USA. This results in the fortunes of the company being tied very closely to the economic results of those countries.

Geographical diversification helps companies hedge risk such as foreign exchange volatility, legislation or political instability. Companies heavily invested in China, like Master Kong and Maxxis, have done relatively well as they have ridden the China wave. However, on the other side, Johnson and Danze are pre-dominantly in the USA, and as a result, their revenues have suffered in line with the falling US economy.

Strengthening partnerships, alignment for success

Several brands actively engage in sponsorship activities and these have proven to be successful in raising visibility. Increasingly, companies are looking to not only drive brand awareness, but to also seek out strategic partnerships that further strengthen their brand positioning.

By taking into account the congruence between the sponsorship or partner image and the image/positioning goals for their brands, brands are able to more effectively elevate and differentiate their individual brands. Enforcing strategic brand alignment may require a more stringent and disciplined approach in the selection of partnership opportunities. However, it is also more likely translate into higher returns for the brand.

Merida, for example, is known for sponsoring the renowned Multivan Biking team, which emphasizes its competitive image. HTC has proved to be a strong contender in the smartphone category by aligning itself with partners like Google and T-Mobile. This is a reflection that companies are seeking opportunities for alignment versus attention.

Eye on the future

It is commendable that some companies that have achieved such growth or minor declines have demonstrated strong financial management and have maintained their brand-building efforts despite the difficult economy. For the stronger companies, recessions offer a great opportunity to get ahead of the competition.

While many companies take a short-term view and cut back on spending, the strongest companies take a strategic approach and continue investing during a downturn. When the markets turn for the better, these companies will be in a better position to either maintain market leadership or leapfrog ahead of their competition.

Asus was recently featured on the BBC News channel in a report focusing on its growth and innovation. MSI have invested heavily in both traditional marketing as well as strategic alliances to build its newly created 3C brand image.

Top Taiwan Global Brands 2009

2009 Rank	Brand		Sector	Brand Values (USD Millions)	Brand Values (NTD Millions)
1	acer	Acer	Consumer Electronics	1,241	40,153
2	TREND MICRO	TrendMicro	Software	1,235	39,987
3	ASUS Inspiring Innovation • Persistent Perfection	Asus	Consumer Electronics	1,226	39,689
4	htc	HTC	Consumer Electronics	1,203	38,932
5	康師傅	Master Kong	Food & Beverage	916	29,647
6	旺旺	Want Want	Food & Beverage	421	13,635
7	MAXXIS	Maxxis	Tire & Rubber	345	11,153
8	GIANT	Giant	Bicycle	262	8,468
9	SYNNEX 聯強國際	Synnex	IT Product Distributor	255	8,264
10	ZyXEL	ZyXEL	Network Hardware	222	7,198
11	Transcend	Transcend	Computer Hardware	212	6,868
12	ADVANTECH	Advantech	Computer Hardware	204	6,606
13	D-Link Building Networks for People	D-Link	Network Hardware	190	6,136
14	Uni-President	Uni-President	Food & Beverage	173	5,606
15	JOHNSON	Johnson	Gym Equipment	159	5,135
16	MERIDA BIKES	Merida	Bicycle	152	4,920
17	CyberLink 訊 連 科 技	CyberLink	Software	93	3,001
18	Genius	Genius	Computer Hardware	69	2,237
19	DEPO	Depo	Automotive	49	1,586
20	msi	MSI	Computer Hardware	47	1,512

	USD Millions	NTD Millions
Total value of the Top 10 brands:	**7,326**	**237,126**
Total value of brands #11-20:	**1,347**	**43,608**
Total value of brands Top 20 brands:	**8,674**	**280,734**

(1 NTD = 0.0309 USD)

Brand Commentary

The following commentary provides an overview of the Top 20 brands and is listed in alphabetical order.

Acer

Established in 1987, Acer makes attractively priced and designed PCs with a focus on entry-level and mainstream segments. Its long-term mission is to break down the barriers between people and technology and empower customers through hardware, software and services. Acer is well-positioned to become the number one brand for notebooks globally. Its market share has been growing year-on-year and at higher rates than its competitors. With the introduction of new models, such as Aspire One as well as thin-and-light ultra low-voltage consumer models, reinforced with the sponsorship of the Olympic Movement, Acer looks poised to become a global household IT brand.

Advantech

Advantech is the biggest industrial PC supplier (IPC) in the Asia Pacific and the second largest worldwide. Strong in the Asia Pacific market where the demand for IPCs has been steadily growing, it aims to provide computing solutions that empower businesses by adopting a strategy that caters to many clients with small or mid-size projects. This strategy has secured Advantech a sizeable and steady revenue despite the global recession.

Asus

Established in 1990, Asus recently introduced a new slogan, "Inspiring innovation, persistent perfection" that reflects the innovative and stylish products it creates. With compact designs and offering features such as longer battery life, Asus products are built around addressing consumer needs. Its innovative and award-winning products are the highlight of international IT fairs and shows, not to mention press favourites. The company is also known for introducing green initiatives for the environmentally conscious. A recent management reshuffle and organization restructure will enable Asus to shorten decision-making time and react quickly to market changes.

CyberLink

Established in 1996 with the mission to advance and innovate video and audio technology for the enjoyment of people, CyberLink is the leading provider of well-regarded software solutions across various media platforms. It launched its award-winning DVD player software CyberLink PowerDVD 9 last year, which garnered 50% market share in the same year. It has also been successful in creating software solutions for higher-end notebooks. Entry-level to lower-end notebook models with customized solutions provides it with more diversified growth drivers with similar margins.

D-Link

Started in 1986, D-Link is a global leader in network connectivity for small and medium businesses as well as home users with 130 office locations in 64 countries. It is expected to ride on China's recovery following its networking infrastructure and construction boom. It is transforming into an application- and service-driven company in the new Web 2.0 era. D-Link prides itself on being amongst the first to embrace environmentally responsible practices.

Depo

Established in 1977, Depo's focus is on the aftermarket to provide high-quality auto-lamps that meet security specifications and provide customer satisfaction. Its major markets are North America and Europe, which together account for over 60% of sales. DEPO is expected to maintain its lead, given its dedicated R&D capabilities and its increasing use of CAPA-certified parts in its products.

Genius

Genius is well-known for its computer mouse and has been receiving recognition for its other computer peripherals as well. In keeping with its corporate slogan, "Live with Ideas", it positions itself as a total solutions provider, providing innovative technology that is people-oriented and user-friendly. This has resulted in new products such as the Optical Touch controller. Its stronghold is in emerging markets such as Eastern Europe, the Middle East and Latin America that have immense potential for growth. Genius invests in its brand heavily, by active brand promotion and participation in key global exhibitions.

Giant

Established in 1972, Giant's economies of scale and marketing strategies have allowed the company to remain competitive during down cycles and sales have remained fairly resilient. Giant has recently launched a new brand targeting women called Liv/giant. The "Giant Store Inside" project has also done well to enhance brand awareness. The brand proposition is "Inspiring Adventure" and Giant works to deliver that promise through the highest quality bikes for the widest range of audiences in even the most inaccessible of locations.

HTC

With a strong focus on the smartphone market, HTC has continued to introduce more own-branded products. The company prides itself on being at the forefront of technology and innovation, a point that was borne when HTC became the first to launch a mobile phone based on the Android platform and yet again when it launched HTC Magic recently. The success of HTC Touch set a new HTC sales record - the Diamond product line launched in 2008 sold 2 million units worldwide in just 6 months. There is a clear shift, however, to appeal more to consumers rather than just niche business users through products and advertising that focus on personalization and simplicity.

Johnson

With over 30 years of experience manufacturing high-quality home and club-level equipment, Johnson's brands – Matrix, Johnson, Vision and Horizon – are sold in more than 60 countries worldwide, targeting commercial as well as higher- and middle-income home-use markets. Having maintained stable growth throughout the economic crisis, it is currently the fifth largest fitness equipment company in the world and has recently extended its offering with the launch of Kyoyama, a new massage chair range based on Japanese technology.

Master Kong

Master Kong is one of the leading instant noodles, beverage and baked goods brands in China and has steadily grown its market share in most segments. The focus is now on its beverage segment, especially the Ready To Drink tea beverages space. It has invested heavily in channel development and management with a shift in product mix and continues to implement its strategy of "Better Access, Broader Reach" to capture more market share. The company Tingyi Holdings was named one of the Asia's 50 best listed companies by Forbes in 2008. It also topped international famous brands as the most trusted non-alcoholic beverages brand in a survey of PRC consumers done by Alix Partners.

Maxxis

Riding on China's auto boom, Maxxis is seen as one of the companies best-positioned to capitalize on the strong auto production numbers and growing replacement demand in emerging markets. Maxxis moved up two places in rank as the 10th largest global tire manufacturer. With 17 years of experience in China, it has a competitive edge over the competition. Focused on creating lifelong customers and engaging them in two-way communication, it is also looking to target young riders and has independently developed a new technology called Virtual Intelligent Prototyping that ensures that its products continue to evolve and remain the best in quality and performance. In a move to increase awareness, Maxxis has since extended its offerings to factory gear as well as apparel.

Merida

Merida prides itself on combining the best of Western development know-how with Asian efficiency and quality production. It is the second largest bicycle producer in Taiwan and believes in developing concepts and designs that are closely allied to market demands and needs. Mainly known for mass-market bikes, Merida has moved into the high-end market with designs like Ninety-Six. It stresses that its products are made by bikers for bikers and the company sponsors the famous Multivan Merida Biking team to raise brand awareness.

MSI

Although MSI has been manufacturing mainboards and graphic cards for a while, it has only recently started to focus its brand on the 3C market, with the introduction of thin and light netbooks and car infotainment. Its brand ambition is to globalise and diversify its business strategy to become multicultural, stylish and innovative. Its tagline - "Insist on the Best" - translated into products such as the world's first 10-inch hybrid storage netbook.
In a world that is tired of traditional advertisements, MSI has heavily invested in strategic alliances and activities such as placement marketing and joint promotions to grow its brand.

Synnex

Synnex is a professional logistics brand, offering an integrated, value-added service, as well as working-capital flexibility, to customers who benefit from its strengths in global distribution. Synnex aims to offer a full spectrum of products to its customers in addition to utilizing its logistics network. Building strong partnerships with its clients is a priority at Synnex and they believe in growing together with their clients.

Transcend

Founded in 1988, Transcend is all about performance, high-quality products and superior services. A customer-driven company with a focus on total customer satisfaction, its brand spirit is "Exceeding expectations", a belief that permeates all aspects of the business and is practiced by the entire company. Transcend has made significant effort to cultivate its own brand, such as developing its own retail stores. Given that the industry is starting to consolidate, this move bodes well for Transcend in achieving higher awareness.

Trend Micro

Established in 1988, Trend Micro is a global leading brand in Internet content security, with a vision to create "a world where it is absolutely safe to exchange digital information". Although corporate sales have been affected from the economic slowdown compounded by a mature market for antivirus software, Trend Micro has been seeing growth in its consumer segment. With the launch of the Trend Micro Smart Protection Network, Trend Micro leads the industry in using cloud-client technology to protect customers from Web threats.

Uni-President

Uni-President is Taiwan's largest food conglomerate known for its Q instant noodles, AB yogurt, and Chai Li Won tea drinks. It aims to become "everyone's favorite symphony of food" that improves the quality of and adds value to consumers' lives. The company has also gained much awareness from its sponsorship of the 2008 Olympics. In addition, it also owns Uni-President Lions, a professional Taiwanese baseball team.

Want Want

With a highly recognizable "Hot-Kid" logo and its signature 'Wang Wang' television commercials' sign-off, Want Want is well on its way to achieving its dream of becoming the "Rice Dragon of the World". As the largest rice cracker manufacturer in the world, it has a strong focus on its main market, China. The unique packaging and design of its new pocket convenient beverage range is a reflection of its innovative approach. Its corporate culture is built around the "Want Want Spirit" of Fate, Confidence and Unison.

ZyXEL

Celebrating its 20th anniversary this year, ZyXEL has made efforts to be more customer-centric through various strategic initiatives. It is placing its focus on emerging markets like Asia and developing its capabilities in a move towards integrated solutions. ZyXEL reorganized itself to sharpen its focus on customer needs and ensure branding and marketing efforts are consistent around the world. With a brand promise that offers "Innovative Internet Access to Unleash Networking Power," ZyXeL is now focused on being a provider of solutions that will ride on the digital lifestyle wave.

Consumer Spending in a Recession

How brands can capitalize on an economic downturn

By Interbrand

These days, it is virtually impossible to go through a day without hearing or reading about the global economic crisis. While governments debate bailout plans and stimulus packages, consumers worry about problems that are much more tangible and closer to home. How will they pay their mortgage bills? What will happen to their retirement accounts? Will their children still be able to attend college when savings accounts are deteriorating in value? How will they adjust their lifestyles and manage their day-to-day lives?

When budgets are tight, consumers are forced to make decisions about how to spend their money. Because of this, economic downturns have an interesting way of weeding out weak brands, while further strengthening the category leaders. Successful brands have capitalized on market downturns by staying committed to their corporate strategy, remaining steadfast in pursuit of their long-term corporate vision, and ultimately enhancing their brands' equity and position in the market. So, what makes some brands succeed and others fail in times like these, and what can companies do to avoid eroding brand value during a recession?

Tough economic conditions

On December 1, 2008, the National Bureau of Economic Research confirmed what most Americans already knew—the United States is in a recession and has been since December 2007.[1] The economic downturn has been fueled by numerous factors:

- Depreciating home and property values
- Rising mortgage payments and credit crunch
- Anxiety about job security amidst skyrocketing unemployment rates
- Declining value of retirement funds and overall savings
- Insecurity in investing due to highly volatile stock market
- Rising food prices

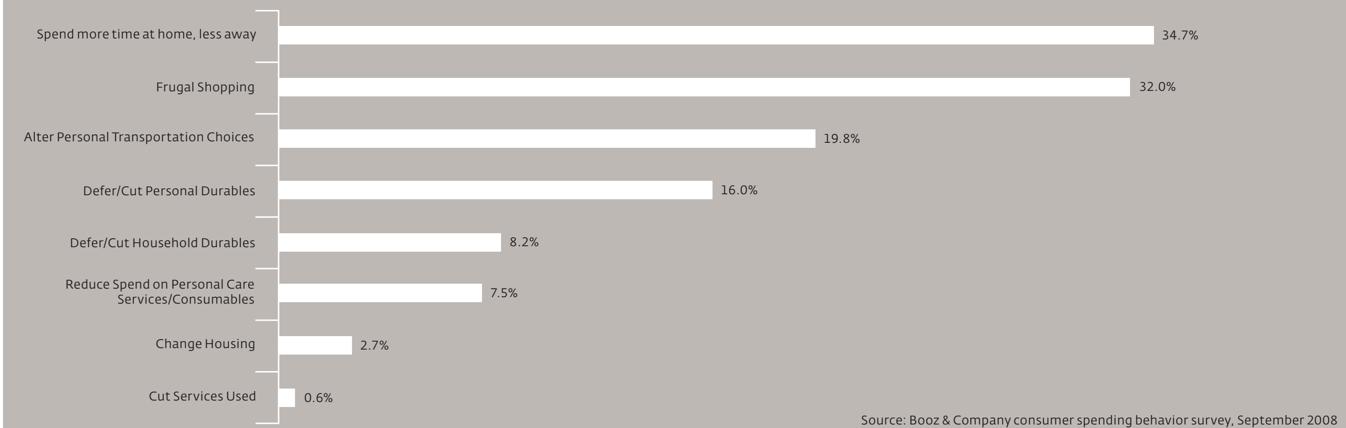
Faced with these factors and a gloomy economic forecast for the foreseeable future, many consumers are looking for ways to regain a sense of security by cutting back on spending. But how will their behaviors change, and which products and services will be hit the hardest?

A new outlook on spending

Management consulting firm Booz & Company conducted a consumer spending study in September 2008, which indicates that the vast majority of consumers across socioeconomic classes have already made substantial cuts in spending and plan to make even deeper cuts in the future. The survey of nearly 1,000 households suggests that to date, consumers have focused cost-cutting on high-expenditure, less critical areas, such as dining out less, cutting back on vacations, and shopping frugally (see Figure 1).[2]

Looking ahead, consumers plan to cut even further into these three areas, while also beginning to reduce expenditures on personal durables (e.g., clothing), household durables (e.g., electronics), indulgences (e.g., premium coffee), and services (e.g., salon treatments), shown in Figure 2.

Figure 1 Changes made in the past six months (percent of respondents who made significant changes in spending)

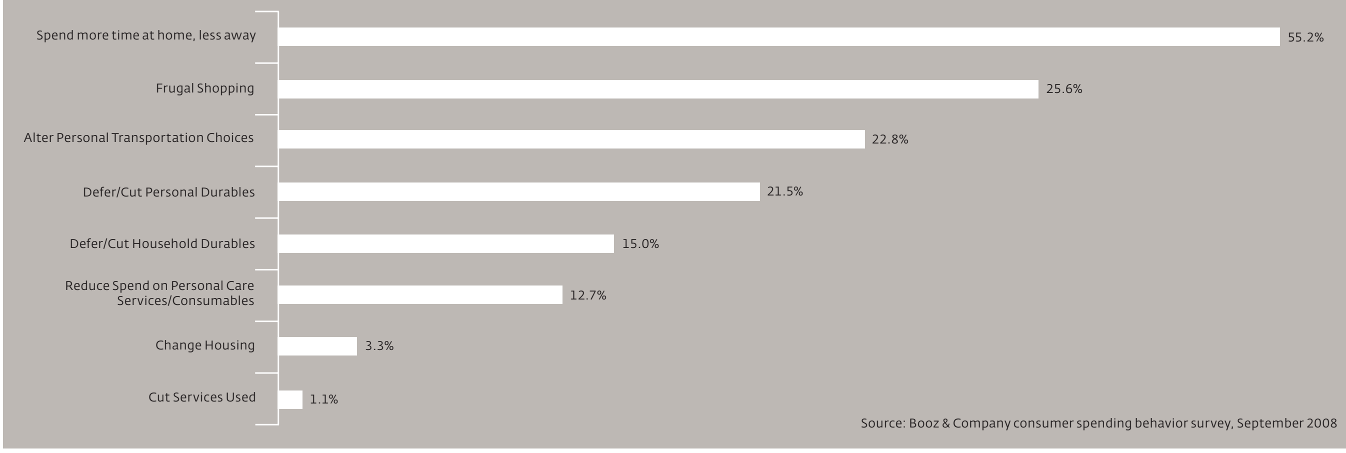


Source: Booz & Company consumer spending behavior survey, September 2008

[1] Andrews, Edmund L., "Officials Vow to Act Amid Signs of Long Recession," The New York Times, December 1, 2008.

[2] Leinwand, Paul, Leslie H. Moeller, K.B. Shriram, "Consumer Spending in the Economic Downturn: The Wide Ranging Impact on Consumer Behavior," Booz & Company, September 2008.

Figure 2 Changes to be made going forward (percent of respondents who plan to make significant changes in spending)



Source: Booz & Company consumer spending behavior survey, September 2008

Another behavioral change apparent in the Booz & Company study is that consumers are choosing to defer purchases of large-ticket, household durables (e.g., electronics, appliances, and furniture) rather than trading down to less expensive alternatives. As expected, the study also finds that consumers are less likely to make behavioral changes in areas that require substantial time, effort, and investment to change spending patterns (e.g., mode of transportation used for commuting).[3]

Impact on spending by category

Intrigued by the Booz & Company study and how behavioral shifts in spending will impact brands, Interbrand conducted a more focused consumer spending survey in December 2008 to identify how consumers will cut costs, and on which categories. Of the 140 respondents in the Interbrand survey, 95 percent stated that they would change their overall spending based on current economic conditions. The majority of these respondents indicated that they would change their spending somewhat by trying to spend less or by seeking out sales, while only 2.6 percent said they would make drastic cuts in spending. (See Figure 3 for the breakout of responses.)

Consumers can achieve these cuts in spending in a variety of ways: seeking out sales, discount-shopping online, buying in bulk, finding less expensive substitutes for preferred brands, deferring the purchase of large-ticket items, and/or avoiding luxury goods and services.

Respondents pointed to non-essential, luxury items as the products and services on which they would cut their spending the most:

- Luxury apparel and shoes
- Home furnishings
- Personal care services
- Electronics
- Vacations

On the other hand, consumers were most reluctant to cut spending on those categories that were either health-related or would require a major life change.

- Prescription medications
- Over-the-counter medications and vitamins
- Cell phone or telephone services
- Housing
- Gym memberships

Figure 4 illustrates the rating of each category tested, where one (1) denotes no change in spending, three (3) indicates a moderate cut in spending, and five (5) points to a significant cut in spending.

Factors that loosen the purse strings

The recession will force many consumers to cut back on spending, but how they cut back, and by how much, will vary immensely by brand and by category. Every consumer has a different set of priorities and loyalties which will ultimately determine if and how their spending behavior will change.

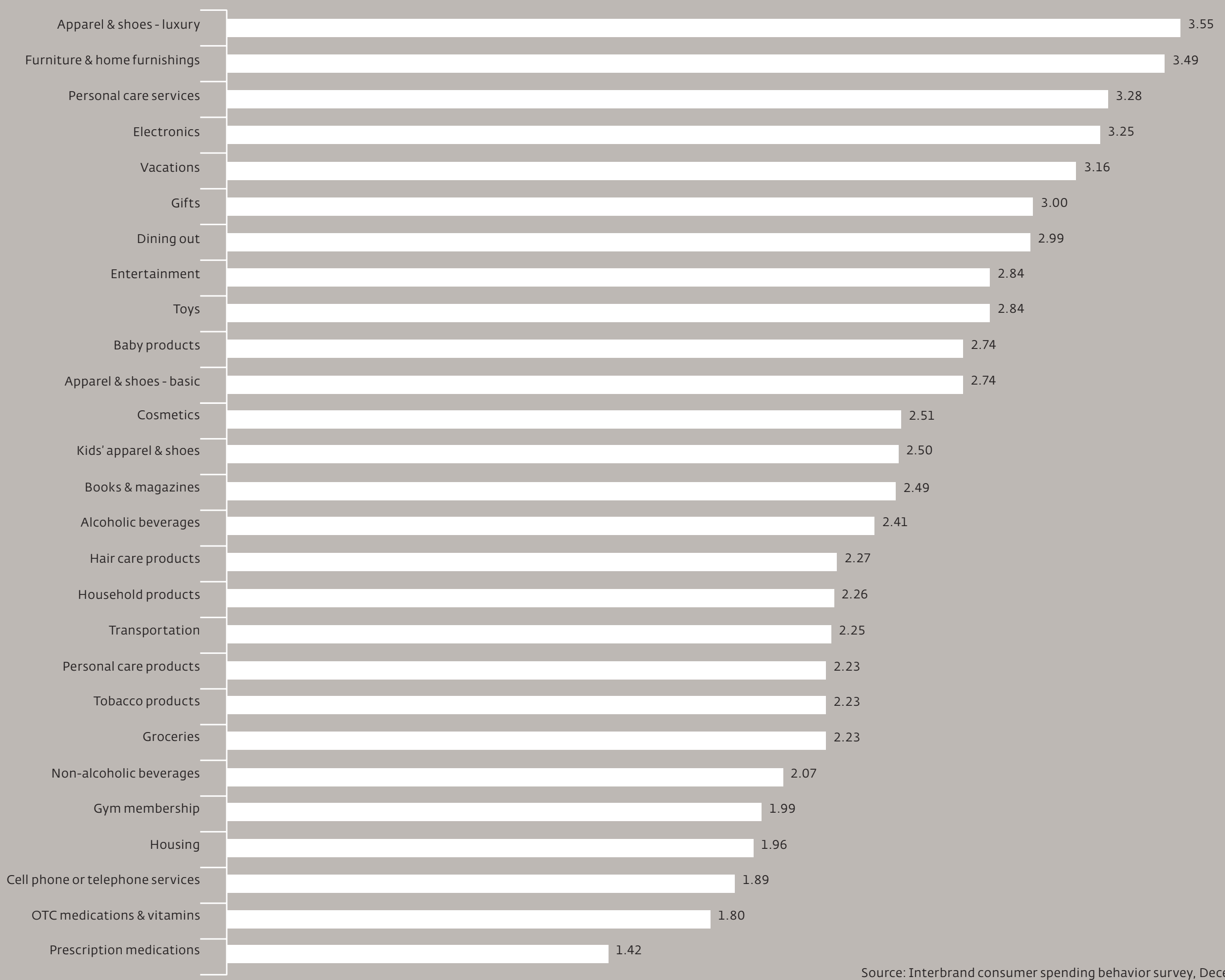
Though a handful of consumers claim to look only at prices and features when making purchase decisions, the large majority of consumers have some level of brand loyalty.

Figure 3 How respondents will adjust overall spending

Source: Interbrand consumer spending behavior survey, December 2008

[3] Leinwand, Paul, Leslie H. Moeller, K.B. Shriram, "Consumer Spending in the Economic Downturn: The Wide Ranging Impact on Consumer Behavior," Booz & Company, September 2008.

Figure 4 Expected changes in spending by category (1 = no change; 3 = moderate reduction; 5 = significant reduction)



Source: Interbrand consumer spending behavior survey, December 2008

Brands that have fostered this sense of allegiance with their consumers are more likely to withstand an economic downturn than those that lack these customer ties. Respondents to the Interbrand survey specifically pointed to brands in the electronics, cosmetics, food, and personal care categories as those to which they are most loyal. At the top of the list are:

- Apple (6.6 percent of responses)
- Sony (3.9 percent of responses)
- M·A·C Cosmetics (2.7 percent of responses)

Other brands mentioned repeatedly include Dove, Tide, Tropicana, American Express, Bare Escentuals, Coca-Cola, and Whole Foods. Presumably, these brands should fare better than competitors during the economic downturn.

Similarly, consumers demonstrated brand loyalty in certain "indulgence categories." These are categories on which consumers like to spend their money, but will reduce spending drastically during a recession in order to cut back on the non-essentials. However, these categories are also likely to recover most quickly from an economic downturn when consumers feel that they have better financial footing. Not surprisingly, respondents to the Interbrand survey pointed to restaurants, vacations, luxury clothing, and spa services as their top indulgences. This is consistent with the Booz & Company findings which suggest that spending on these categories are the first to be cut.

While the brands and categories on which consumers choose to spend their money vary from person to person, the one thing that is consistent is that each of them evokes a certain set of positive feelings from the consumer. Respondents indicated that these purchases make them feel happy, confident, special, powerful, young, sexy, or stylish, to name a few. Therefore, for a brand or product to be successful in an economic downturn, it is critical to do more than just fulfill a need or service; it must also create an emotional connection with the consumer that evokes a positive feeling and keeps him coming back for more.

What to do with your brand

Research suggests that the impact a recession has on a particular brand will invariably be dependent on the category in which it operates; however, there are still some key learnings which can help drive the success of brands in this depressed economy:

1. Stay the course; do not abandon the long-term strategy.

Though some predict this recession could be a long and protracted one, experts continue to stress that the economy will eventually return to growth and prosperity. It is important for brands to stay true to their vision through the ups and downs. History shows that those brands which have changed their strategy to appease short-term needs (by reducing their investment in marketing, for example) end up failing in the long-term because they lose the customers that helped them build the brand and who were loyal to them when times were good. Specifically, brands in indulgence categories (such as spa services) that change their strategy run the risk of losing their cachet, eroding brand loyalty, and deterring consumer purchases even after the recession ends.

The 1990 recession brought this point to life in the athletic shoe industry. Reebok experienced unprecedented growth between 1981 and 1987, achieving an annual growth rate of 155 percent and growing sales from US$ 1.5 million to US$ 1.4 billion in a matter of a few years.[4] As a result, Reebok quickly overtook its competitors and became the market leader in the athletic shoe industry. However, when the recession hit in 1990, Reebok took a cautious approach to spending and made numerous cuts in costs to mitigate the negative impact of the recession. The result was a decrease in profits and a loss of market share. On the other hand, Nike entered the 1990 recession as a secondary player in the market and took an aggressive approach to spending. Instead of cutting costs, Nike tripled its marketing investment and strengthened its brand, growing sales from US$ 270 million in 1985 to over US$ 3 billion in 1991.[5] This investment proved to be very worthwhile, as Nike realized profits that were nine times higher after the recession than before it.[6]

2. Create and communicate differentiation.

A recession is likely to put a great deal of strain on the competitive environment and to intensify competition among those left standing. Competition can come from all types of brands in the category (name brands, store brands, private labels, and generics), as well as from other categories looking to expand into a new area. In a recession, it becomes even more critical for companies to aggressively and tirelessly create a compelling case for their brands. The brand must be perceived as truly special, clearly differentiated, and have attributes that are unique enough to create a strong and lasting value proposition for its customers. Otherwise, consumers will just choose to not buy it.

The recession will force many consumers to cut back on spending, but how they cut back, and by how much, will vary immensely by brand and by category.

3. Evaluate brand portfolios.

Since companies with offerings deemed to be "non-essential" are likely to be most impacted by the downturn in the economy, they may look to expand or diversify their brand portfolios to include products that capture more of the buying market and help keep the company solvent. Effective product diversification requires a keen focus on protecting the equity of the existing brand. To do this, new brands should leverage the existing brand to help lower barriers to entry in new markets, and then create a separate identity that makes it obvious that the two brands are distinct from one another.

When soft drinks began to receive negative publicity for associated health risks such as diabetes and high blood pressure in the early 1990s, PepsiCo and Coca-Cola were faced with an interesting decision: either remain focused solely on soft drinks and potentially experience declining sales as consumers switch to new products, or diversify the portfolio and create offerings that fit with new consumer preferences. They both chose the latter option. In the mid-1990s, PepsiCo launched the Aquafina brand to capture the large portion of consumers who were substituting soft drinks with bottled water. Coca-Cola followed suit several years later when it launched Dasani. By evaluating their portfolios and introducing new products that appeal to changing consumer trends, both PepsiCo and Coca-Cola positioned themselves to withstand the downturn in the soft drink industry. In addition, they protected the immense value of their flagship brands by creating different brand identities (logos, signage, advertising, messaging, and customer experience) to create a clear distinction between the two offerings.

4. Make it personal.

Research indicates that the less personal the product, the lower the need to remain loyal to a particular brand. For instance, consumers are generally unwilling to compromise on products that are applied to the skin and hair (cosmetics and beauty products), but are often very willing to replace name-brand household products with less expensive alternatives. Similarly, research shows that all else being equal, those products which evoke a positive emotion from consumers will be impacted less severely and will recover more quickly than those that do not evoke this emotion. Some categories are naturally less personal than others (household products vs. cosmetics), so brands in these categories must fight even harder to create a personal connection with their customers. Consumers can only afford to remain loyal to a handful of products in the face of an economic downturn, and each brand should strive to be in this set. The more customers can identify with a brand, the more a brand will help users to further define themselves, and thereby become an indispensable part of users' lives.

[4] Lechner, Frank and John Boli, The Globalization Reader, Blackwell Publishing, 2004, p. 169.

[5] Lechner, Frank and John Boli, The Globalization Reader, Blackwell Publishing, 2004, p. 169.

[6] "Capturing Opportunities in Challenging Times: Marketing and Advertising in a Recession," The Yellow Paper Series, DDB.

Opportunities for store brands and private-label brands

As mentioned earlier, one way that consumers may be able to cut back on spending is by replacing more expensive, name-brand products with less expensive, store-brand or private-label alternatives. A Nielsen report from late November 2008 states that sales of private-label brands in the U.S. grew to US$ 81 billion in 2008, a 10.2 percent year-on-year growth versus 2007.[7] Meanwhile, overall consumer spending during the first three quarters of 2008 grew at the slowest rate since 1991, achieving only +0.8 percent growth versus the same period last year.[8] In fact, spending has been on a steady decline each month since July 2008[9]. The Nielsen study also found that 72 percent of respondents surveyed viewed private-label brands as good alternatives to name brands, while 62 percent of respondents stated that store brands were just as good as name brands.[10]

Statistics like these point to a large potential upside for less expensive alternatives during the recession. Interbrand's study suggests that some categories present greater opportunities than others. When respondents were asked to prioritize products in terms of how willing they would be to change to store-brand alternatives, they pointed to household products as the "most willing to switch to store brand" and electronics and cosmetics as the categories for which they were "least willing to switch."

Key themes emerged from the responses:

- While consumers' perceptions of the quality of store-brand products vary by person and by category, store brands are generally perceived to provide less peace of mind and trust than name brands.
- If consumers are willing to accept a lower quality product, they are much more willing to switch to a less expensive alternative.
- Products that are viewed as essentials (household products) are generally more easily substitutable than those that are deemed to be non-essential goods (electronics).
- Parents are much more willing to substitute name brands with store brands for themselves than for their children; in fact, respondents with children ranked baby products as the category for which they would be "least willing to switch."
- When it comes to food and medicine, there is a big split in respondents' willingness to switch to store-brand alternatives; some stated that there is little (if any) difference in the ingredients of name-brand and store-brand foods and medicine, while others cited that because these products are ingested, there is an unwillingness to substitute and potentially compromise on quality.
- Items that are considered to be long-term investments, infrequent purchases, or high-ticket items are categories in which consumers are least likely to switch to store brands due to perceived lower quality.
- Visibility and perception are very important to consumers; they are much less willing to substitute on items that are highly visible to others (e.g., a TV in the entertainment center or soft drinks served to guests).

Types of Brands

There are four main types of brands. Name brands are trademarked or distinctive names that are used to identify specific products or companies. An example of this is "Advil"— Wyeth Consumer Healthcare's brand for ibuprofen. Then there are private labels, which are typically manufactured or provided by one company and offered under another company's brand. An example of this is "Equate" – Wal-Mart's brand for over-the-counter pharmaceuticals like ibuprofen. Next, there are store brands (also called house brands), which are specific to a retail store or store chain. The retailer can manufacture goods under its own label, re-brand private-label goods, or outsource the manufacturing of store-brand items to multiple third parties. In some cases, the manufacturer of store-brand products also manufactures name-brand and/or private-label goods. An example of a store brand is "Walgreens" for ibuprofen. Finally, there are generic brands, which are devoid of any brand attachment. An example of this is a product simply labeled "Ibubrofen" – whose packaging only lists the UPC, ingredients, and required product information for that item.

Conclusion

To succeed in a recession, brands need to reinforce and solidify their long-term strategy. By continuing to make smart investments in their brands, companies can provide customers with a clear value proposition, use messaging to articulate differentiation versus competitors, and ultimately strengthen the equity and market position of their brands. If necessary, companies can also look into adding new brands to their portfolio, which address the short-term needs of their customers and help sustain the business model during economic downturns. Brands should also seek to create strong personal connections with their customers that generate positive emotions, drive loyalty, and ultimately make the brand feel irreplaceable to its users.

The recession also creates fantastic opportunities for store brands and private-label brands to advance their market position. With consumers focused on reduced spending, these less expensive brands have an opportunity to steal significant market share from more expensive, name-brand competitors. The focus for these types of brands should be on developing alternatives in less personal categories where consumers are not as sensitive to the prestige of a name brand, are less concerned about potentially compromising on quality, and do not seek out the trust and peace of mind that name brands tend to offer.

When consumers are focused on saving money, companies need to do even more to convince them that their brands are truly indispensable. Doing this requires that companies invest in and nurture their brands extensively in order to effectively communicate a clear value proposition and message to the market. If not, these brands may not be around when the economy recovers.

[7] Wong, Elaine, "Nielsen: Private Label Deemed Equal to Name Brands," BrandWeek, November 17, 2008.

[8] Bureau of Economic Analysis, "National Income and Product Accounts Table 1.1.6: Real Gross Domestic Product, Chained Dollars", http://www.bea.gov/nationalH, November 25, 2008.

[9] Bater, Jeff and Brian Blackstone, "Retail Sales, Wholesale Prices Fall," The Wall Street Journal, December 12, 2008.

[10] Wong, Elaine, "Nielsen: Private Label Deemed Equal to Name Brands," BrandWeek, November 17, 2008..

Frequently 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 NPV, brand value is measured at a point in time, 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. Brand value is, therefore, comparable to business and all NPV-based asset valuations.
The valuations of brands appearing in the Top Taiwan Global Brands survey are calculated in their current use to their current owner. They, therefore, 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 impact on a company's growth and prosperity.

How does Interbrand derive the value of brands?
Brand value is the net present value or, today's value of the earnings the brand is expected to generate in the future. This 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 as follows:

Financial Forecasting
We identify the revenues from products or services that are generated with the brand. From these branded revenues, we deduct applicable taxes, and a charge for the capital employed, to derive intangible earnings. Intangible earnings are the earnings that are generated by all of the business' intangibles, including brands, patents, R&D, management expertise, etc. This is a prudent and conservative approach, as it only rewards the intangible assets after the tangible assets have received their required return. The concept of intangible earnings is, therefore, similar to value-based management concepts, such as economic profit or EVA (Economic Value Added is Stern Stuart's branded concept). Based on financial reports, we prepare a long-term forecast of intangible earnings.

Role of Branding
Since intangible earnings include the returns for all intangibles 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 intangible earnings that are entirely generated by the brand. In some businesses, e.g., fragrances or packaged goods, the role of branding is very high, since the brand is the predominant driver of the customer's 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 each of the brands (and categories), we have assessed the role of branding. In situations where the brand is used across a variety of businesses, the role of branding figure was assessed for each core business segment.

The role of branding is a percentage and, thus, if it is 50%, we take 50% of the intangible earnings as brand earnings. If it is 10%, we take only 10% of the earnings.

Brand Strength
For deriving 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: firstly, the time value of money (i.e., $100 today is more valuable than $100 in 5 years because one can earn interest on the money in the meantime); and secondly, the risk of the forecast earnings actually materializing. The discount rate represents these factors because it provides an asset-specific risk rate. The higher the risk of the future earnings stream, the higher will be the discount rate. 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.
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, such as awareness, market position, customer satisfaction, loyalty, and advertising and marketing support. The ideal brand is virtually "risk-free" and would be discounted at a rate almost as low as government bonds or 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?
Interbrand formed an initial consideration set of brands owned and operating in Taiwan. Annual reports sourced from various stock exchanges were used to examine the revenues, earnings, and balance sheets of the brand-owning companies.

What was the basis for the marketing assessments?
Our experience in creating and managing brands for over 30 years has resulted in the development of brand metrics that consider:

- Level of differentiation the brand has achieved;
- Success of the current position;
- Ability to control that position; and
- Differentiation sustainability.

Our expertise was supplemented with press articles, analyst comment, and market research.

Why are certain brands not on the list?
Interbrand employed specific criteria in order to conduct the valuations:

The brand has to be originated by Taiwanese companies, and owned by Taiwanese companies or by a company headquartered in Taiwan. The reference to "Taiwanese companies" also includes overseas associate companies within its group.

The brand owner must be a publicly traded company
The company to which the brand belongs must be a listed company on a stock exchange. This enables Interbrand to access the financial information to perform the valuation.

The brand must have at least 20% of revenues from its own brand versus OEM
This means companies which have a strong OEM business which is significantly larger than their own brand business will be excluded.

The brand has to have at least one-third of brand revenues generated outside Taiwan
This means companies must have an international component to their portfolio with at least 1/3 of their brand revenue generated outside of Taiwan.

Please refer to the 'The Interbrand Method for Valuing Brands' section of this report.

Why is Interbrand the expert in assessing brand value?
In 1987, 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 used 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 academics including Harvard, Thunderbird, Columbia, St. Gallen, and Emory, to name a few.

Our valuation approach has the widest breadth of application, 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 surveys?
Since 2000, Interbrand has partnered with BusinessWeek to produce an annual study of the Best Global Brands, creating the world's most significant and influential brand and marketing survey. PRWeek magazine conducted a survey of the important rankings to senior executives. Their survey concluded that the Best Global Brands study is regarded by senior management as the third-most influential ranking. In addition to the global study, Interbrand has established national or regional brand value league tables in countries like France, Spain, Australia, Singapore, China, Mexico and Brazil, Moscow, South Africa, Switzerland and Canada.

What are the limitations of these valuations?
Compared to doing a proper formal valuation project for the brand owner, the limitations are: they are based on public data only; there is no input from management (in order to maintain consistency); certain key brands are not listed; and only a limited amount of time can be spent on any one brand.

The main limitation is that the valuations tell you how much value the brand creates, but not what is driving brand value or what would increase brand value going forward. A formal valuation would do just this and Interbrand works with our clients to understand the factors that drive value to their brand and what measures could be taken to leverage that value.

Taiwan External Trade Development Council

Branding Taiwan

Taiwan seeks to foster an environment conducive to branding, and to develop an island-wide awareness-and-support network to help promising SMEs develop their brands. Beginning in 2003, the Bureau of Foreign Trade commissioned TAITRA to work with internationally-renowned brand appraisal consultancy Interbrand to develop the Top Taiwan Global Brands ranking. TAITRA's mission is to assist branded companies in expanding their markets overseas and help promote their products abroad. In its long history, TAITRA has witnessed made-in-Taiwan products distinguish themselves in the global marketplace, playing an important role in world markets.

About TAITRA

The Taiwan External Trade Development Council, or TAITRA, is the foremost non-profit trade and investment promotion organization in Taiwan, founded in 1970. Jointly sponsored by the government and by various commercial and industrial associations, TAITRA helps Taiwan's business enterprises reinforce their international competitiveness and cope with the challenges they face in global markets. In addition, TAITRA undertakes initiatives to assist foreign businesses in establishing a wider presence in Taiwan.

Over the past decades, TAITRA has developed a well-coordinated trade promotion and information network, composed of over 600 trained specialists stationed at its headquarters in Taipei, in four local branch offices—in Hsinchu, Taichung, Tainan, and Kaohsiung, and in nearly 50 representative offices around the world.

In association with its sister organizations, the Taiwan Trade Center, Inc. (TTC) and the Taipei World Trade Center (TWTC), TAITRA continues to do everything possible to adapt its trade promotion strategies to changing international trends and conditions. TAITRA's major functions include Market Development, Strategic Marketing, Trade Information Services, Exhibitions, Convention Services, Trade Education, and Taiwan Trade (an e-Trading Hub service).

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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 valued.

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 recognised 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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