



Cosmetics

50

2020

The annual report on the most valuable and strongest cosmetics brands
May 2020

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About Brand Finance.

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

We bridge the gap between marketing and finance
Brand Finance was set up in 1996 with the aim of 'bridging the gap between marketing and finance'. For more than 20 years, we have helped companies and organisations of all types to connect their brands to the bottom line.

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

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

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

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



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Brand Finance® 

Request your own Brand Value Report

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

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


Brand Valuation Summary


Brand Strength Tracking


Royalty Rates


Cost of Capital Analysis


Customer Research Findings


Competitor Benchmarking


Benchmarking


Education


Communication


Understanding

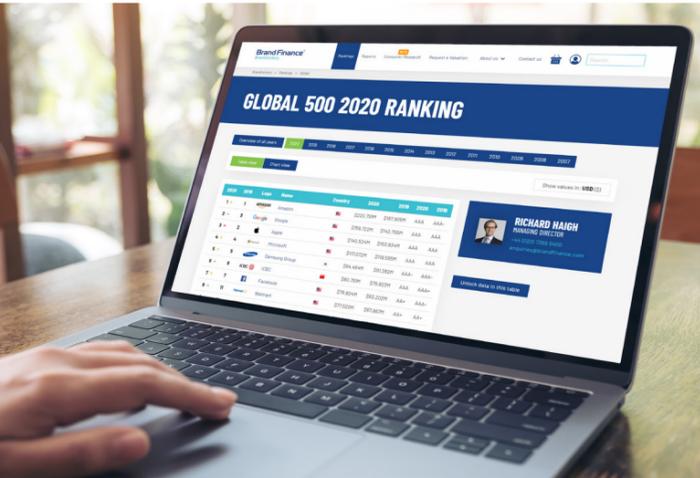

Insight


Strategy

What's in a Brand Value Report?

Benefits of a Brand Value Report

Brandirectory.com



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

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

Visit brandirectory.com to find out more.

Brand Finance Group.

Brand Dialogue[®]



Brand Dialogue

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

BRAND EXCHANGE[®]
WHERE BRANDS MEET FINANCE



Brand Exchange

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

vi360

VI360

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

Brand Finance[®] 

Customer insight drives our valuations

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

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

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

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



Foreword.



David Haigh
CEO, Brand Finance

What is the purpose of a strong brand: to attract customers, to build loyalty, to motivate staff? All true, but for a commercial brand at least, the first answer must always be 'to make money'.

Huge investments are made in the design, launch, and ongoing promotion of brands. Given their potential financial value, this makes sense. Unfortunately, most organisations fail to go beyond that, missing huge opportunities to effectively make use of what are often their most important assets. Monitoring of brand performance should be the next step, but is often sporadic. Where it does take place, it frequently lacks financial rigour and is heavily reliant on qualitative measures, poorly understood by non-marketers.

As a result, marketing teams struggle to communicate the value of their work and boards then underestimate the significance of their brands to the business. Sceptical finance teams, unconvinced by what they perceive as marketing mumbo jumbo, may fail to agree necessary investments. What marketing spend there is, can end up poorly directed as marketers are left to operate with insufficient financial guidance or accountability. The end result can be a slow but steady downward spiral of poor communication, wasted resources, and a negative impact on the bottom line.

Brand Finance bridges the gap between marketing and finance. Our teams have experience across a wide range of disciplines from market research and visual identity, to tax and accounting. We understand the importance of design, advertising, and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money. That is why we connect brands to the bottom line.

By valuing brands, we provide a mutually intelligible language for marketing and finance teams. Marketers then have the ability to communicate the significance of what they do, and boards can use the information to chart a course that maximises profits. Without knowing the precise, financial value of an asset, how can you know if you are maximising your returns? If you are intending to license a brand, how can you know you are getting a fair price? If you are intending to sell, how do you know what the right time is? How do you decide which brands to discontinue, whether to rebrand and how to arrange your brand architecture? Brand Finance has conducted thousands of brand and branded business valuations to help answer these questions.

Brand Finance's research revealed the compelling link between strong brands and stock market performance. It was found that investing in highly-branded companies would lead to a return almost double that of the average for the S&P 500 as a whole.

Acknowledging and managing a company's intangible assets taps into the hidden value that lies within it. The following report is a first step to understanding more about brands, how to value them and how to use that information to benefit the business.

The team and I look forward to continuing the conversation with you.

Cosmetics Brands Likely to Weather COVID-19 Storm.

- + Opportunities for growth within cosmetics industry, which is predicted to suffer only limited loss in brand value from COVID-19
- + As most valuable, **L'Oréal** is boosted by digital transformation, up by 13% to US\$11.7 billion
- + **Neutrogena** is strongest with corresponding BSI score of 89/100, but increasingly tarnished by association with Johnson & Johnson
- + **SK-II** is fastest-growing, up by 33% to US\$2.4 billion
- + **MAC** paves the way in cosmetics industry through strategic partnerships, up by 32% to US\$4.4 billion
- + Boosted by **LVMH** backing, **Make Up For Ever** among eight new entrants to ranking

Executive Summary.



Cosmetics brands likely to Weather COVID-19 Storm

As the COVID-19 pandemic wreaks havoc on the global economy, cosmetics brands do not stand to lose as much in brand value as other sectors, largely due to a strong financial performance in the sector between 2018 – 2019 and sustained demand in lockdown conditions for most segments. The sector is also reaping benefits of high investment into Research and Development in the past. As an industry dominated by large groups, cosmetics brands are primed to diversify their risks by spanning different sectors, markets, and geographic reach.

The cosmetics sector is largely boosted by online sales, which performed particularly well in China during the COVID-19 outbreak, with brands strengthening their position in the market by leveraging digital tools to virtually engage with consumers. As Asia has been a key growth market for cosmetics in recent years, COVID-19's impact on sales is likely to be temporary, allowing the industry to recover with a relatively low amount of damage. Indeed, potential opportunities to cosmetics brands may arise from new consumer behaviours, allowing agile businesses to benefit further from social media influencers, explore channels in both B2C and B2B, and accelerate their digital transformations.

Although the cosmetics industry as a whole is well-primed to face the threat posed by Coronavirus, direct-to-consumer brands with a weak online presence, unstable delivery processes, or focus on specific geographical markets are undoubtedly more likely to lose out in brand

While Brand Finance predicts the cosmetics industry to face limited impact to brand value overall due to COVID-19, some categories within the sector – such as colour cosmetics and fragrances – have taken a worse hit. However, the industry will be supported by its essential items, such as skincare, personal care, and home treatment products, which have seen either consistent or significantly increased demand during the lockdown.

Annie Brown
Senior Consultant, Brand Finance

value if they cannot catch up with their digital counterparts and adapt flexibly to new consumer shopping habits.

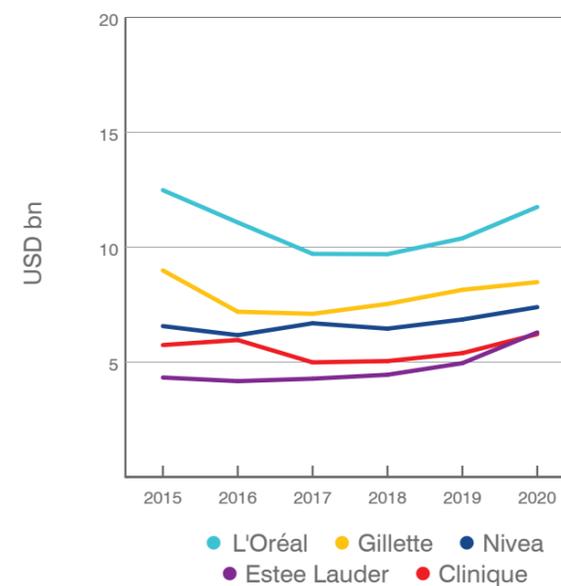
Looking beyond cosmetics, the value of the 500 most valuable brands in the world, ranked in the Brand Finance Global 500 2020 league table, could fall by an estimated US\$1 trillion as a result of the Coronavirus outbreak, with sectors such as airlines and retail losing up to 20% of cumulative brand value.

Brand Finance has assessed the impact of COVID-19 on brands based on the effect of the outbreak on enterprise value, compared to what it was on 1st January 2020. The likely impact on brand value was estimated separately for each sector. The industries have been classified into three categories – limited impact (minimal brand value loss or potential brand value growth), moderate impact (up to 10% brand value loss), and heavy impact (up to 20% brand value loss) – based on the level of brand value loss observed for each sector in the first quarter of 2020.

Because you're worth it: L'Oréal most valuable

L'Oréal is the world's most valuable cosmetics brand, increasing in brand value by 13% to US\$11.7 billion, largely boosted by a steady uplift in sales across key markets over the last 10 years, particularly in Asia where over 20% of

Brand Value over Time



Top 10 Most Valuable Brands

L'ORÉAL PARIS	1 ↑ 2	🇫🇷	2020: \$11,747m 2019: \$10,384m	+13.1%
Gillette™	2 ↑ 3	🇺🇸	2020: \$8,479m 2019: \$8,143m	+4.1%
NIVEA	3 ↑ 4	🇩🇪	2020: \$7,391m 2019: \$6,853m	+7.9%
ESTÉE LAUDER	4 ↑ 10	🇺🇸	2020: \$6,290m 2019: \$4,952m	+27.0%
CLINIQUE	5 ↑ 6	🇺🇸	2020: \$6,216m 2019: \$5,388m	+15.4%
GUERLAIN	6 ↑ 8	🇫🇷	2020: \$5,688m 2019: \$5,069m	+12.2%
SHISEIDO GINZA TOKYO	7 ← 7	🇯🇵	2020: \$5,680m 2019: \$5,244m	+8.3%
PANTENE	8 ↑ 9	🇺🇸	2020: \$5,575m 2019: \$5,058m	+10.2%
Dove	9 ↑ 11	🇬🇧	2020: \$4,977m 2019: \$4,486m	+11.0%
GARNIER	10 ↑ 12	🇫🇷	2020: \$4,664m 2019: \$4,391m	+6.2%

L'Oréal has spearheaded digital transformation in the cosmetics industry by developing technologies to better analyse and adapt to their customers' needs. The brand has subsequently been able to personalize their products, most recently developing AI technology for custom-made foundations which consumers can order online. While quality and pricing remain central to ensure brand loyalty, L'Oréal has shown that cosmetics brands which capitalise on digital presence are most likely to outperform competitors, particularly during the COVID-19 crisis.

Annie Brown
Senior Consultant, Brand Finance

net sales are concentrated. In North America, the L'Oréal Active Cosmetics Division observed a similar sales uplift of nearly 20%, particularly driven by CeraVe, SkinCeuticals, La Roche-Posay, and Vichy, which are all delivering double-digit growth. In addition to its impressive portfolio of brands, the L'Oréal group has also benefited from its digital transformation strategy, exemplified by its success in Eastern Europe, where e-commerce has grown by a whopping 50%.

Similarly to L'Oréal, brands concentrated at the top of the Brand Finance Cosmetics 50 2020 ranking had increased in brand value due to an uplift in sales, particularly **Estée Lauder** (up 27% to US\$6.3 billion) and **Clinique** (up 15% to US\$6.2 billion). While Estée Lauder have reported a net loss of \$6m due to the virus outbreak, online sales have skyrocketed, as well as the sales conversion rate for travel retail locations, where consumers are eager to purchase products while they can.

Starr power: SK-II and M.A.C

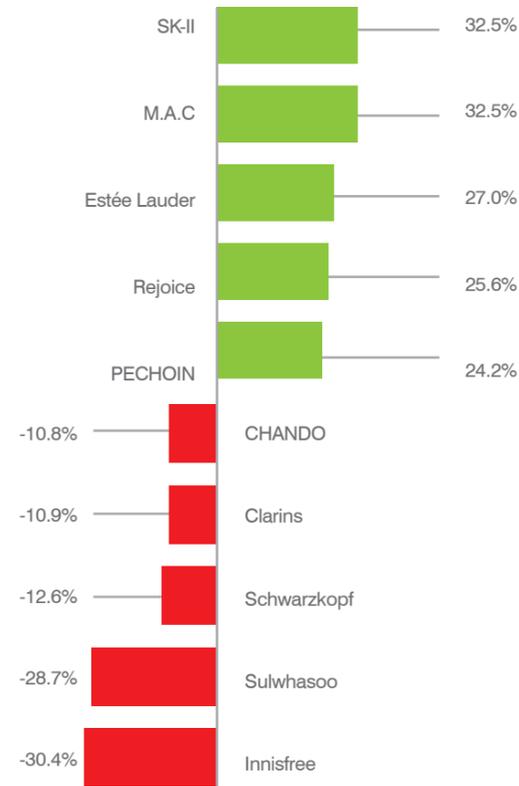
Japanese skincare brand, **SK-II** has delivered consistent growth over the last year as the fastest-growing brand on the Brand Finance Cosmetics 50 2020 ranking for the second year running, rising six spots to 21st position with a 33% growth in brand value to US\$2.4 billion. Innovation – such as limited-edition facial treatment products – has propelled the brand forward, boosting organic sales in the beauty segment for parent company, Procter & Gamble. With its highly sought-after skincare ranges picking up

Brand Value by Economy



Sector	Brand Value (USD bn)	% of total	Number of Brands
United States	59.5	42.0%	18
France	40.1	28.3%	12
Japan	12.6	8.9%	6
Germany	9.5	6.7%	2
United Kingdom	8.5	6.0%	4
China	4.8	3.4%	3
Other	6.8	4.8%	5
Total	141.8	100.0%	50

Brand Value Change 2019-2020 (%)

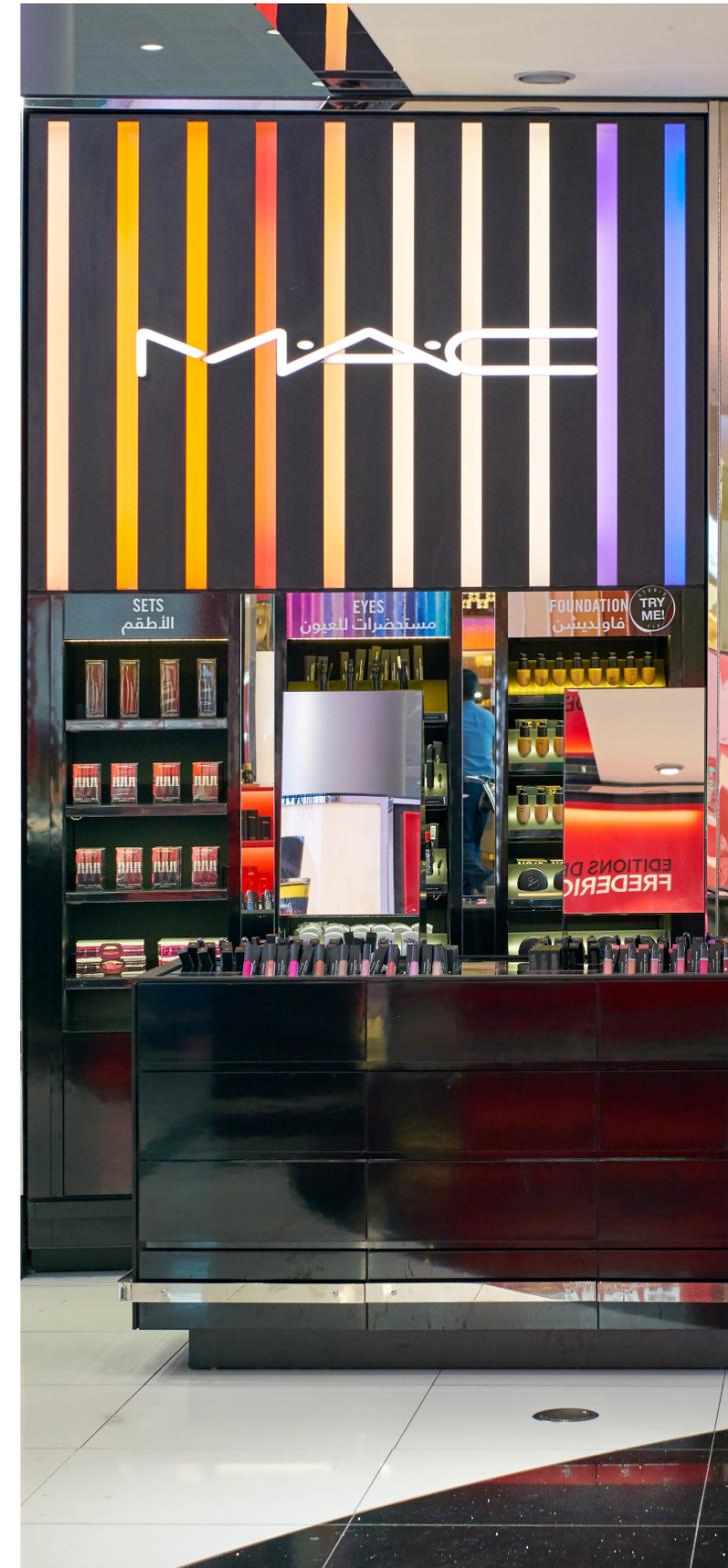


momentum year on year, SK-II's brand value is expected to continue growing in the coming year.

In 11th position on the Brand Finance Cosmetics 50 2020 ranking, M.A.C (up 32% to US\$4.4 billion) has also expanded global sales through a modern, digital marketing strategy. Since 2018, the brand has formed several global influencer partnerships with high profile ambassadors such as Maine Mendoza and Patrick Starr collaborating with the brand to develop their own collections, all of which have been met with global success. However, M.A.C product focus on colour cosmetics may make the brand more vulnerable to the COVID-19 outbreak and the effect of lockdown on demand in the segment.

Sofina & Make Up For Ever among new entrants

As one of Japan's top selling beauty brands, **Sofina** (45th position) enters the Brand Finance Cosmetics 50 2020 ranking for the first time, largely thanks to their new range, Sofina IP which has sold over 3 million units since



Top 10 Strongest Brands

	1 ← 1	
	2020: 89.0 AAA 2019: 90.0 AAA+	-0.9
	2 ↑ 19	
	2020: 88.3 AAA 2019: 84.8 AAA	+3.6
	3 ← 3	
	2020: 88.3 AAA 2019: 88.8 AAA	-0.5
	4 ← 4	
	2020: 88.0 AAA 2019: 88.6 AAA	-0.5
	5 ← 5	
	2020: 87.6 AAA 2019: 88.3 AAA	-0.7
	6 ← 6	
	2020: 87.3 AAA 2019: 87.2 AAA	+0.1
	7 ← 7	
	2020: 86.6 AAA 2019: 87.1 AAA	-0.5
	8 ↑ 31	
	2020: 86.5 AAA 2019: 81.3 AAA-	+5.2
	9 ↑ 12	
	2020: 86.3 AAA 2019: 86.2 AAA	+0.1
	10 ↑ 11	
	2020: 86.3 AAA 2019: 86.7 AAA	-0.4

its launch in 2016, particularly boosted by Sofina IP Face Essence, which is the bestselling beauty serum in Japan. The brand's success has seen them expand into new Asian markets, such as China and Singapore, which is set to boost the brand's value further over the coming year.

Another worthwhile mention is **Make Up For Ever** (50th), which enters at the bottom of the ranking. Backed by LVMH and boasting an impressive collection of high-quality products – including the popular HD long-lasting concealer and Reboot foundation – the brand is positioned for further year-on-year success.

Neutrogena strongest but tarnished by Johnson & Johnson

Aside from calculating overall brand value, Brand Finance also determines the relative strength of brands through a balanced scorecard of metrics evaluating marketing investment, stakeholder equity, and business performance. Along with the level of revenues, brand strength is a crucial driver of brand value.

According to these criteria, **Neutrogena** is the strongest brand in the Brand Finance Cosmetics 50 2020 ranking, for the second year running, with a Brand Strength Index (BSI) score of 89.0 out of 100. Neutrogena's consistently strong performance is largely attributed to the brand's loyal customer base, spurred by their ability to position themselves at the forefront of popular culture and adapt to online trends – using beauty influencers, celebrities, and targeted social media advertising in their global marketing campaigns.

Despite this, Neutrogena has marginally decreased in brand strength since last year, losing its elite AAA+ rating due to extensive legal issues that have been plaguing parent company, Johnson & Johnson over the last few years. Ongoing lawsuits surrounding asbestos are continuing to take a reputational toll on the brand, which is subsequently reducing demand for testing - a crucial way for cosmetics brands to generate trust.

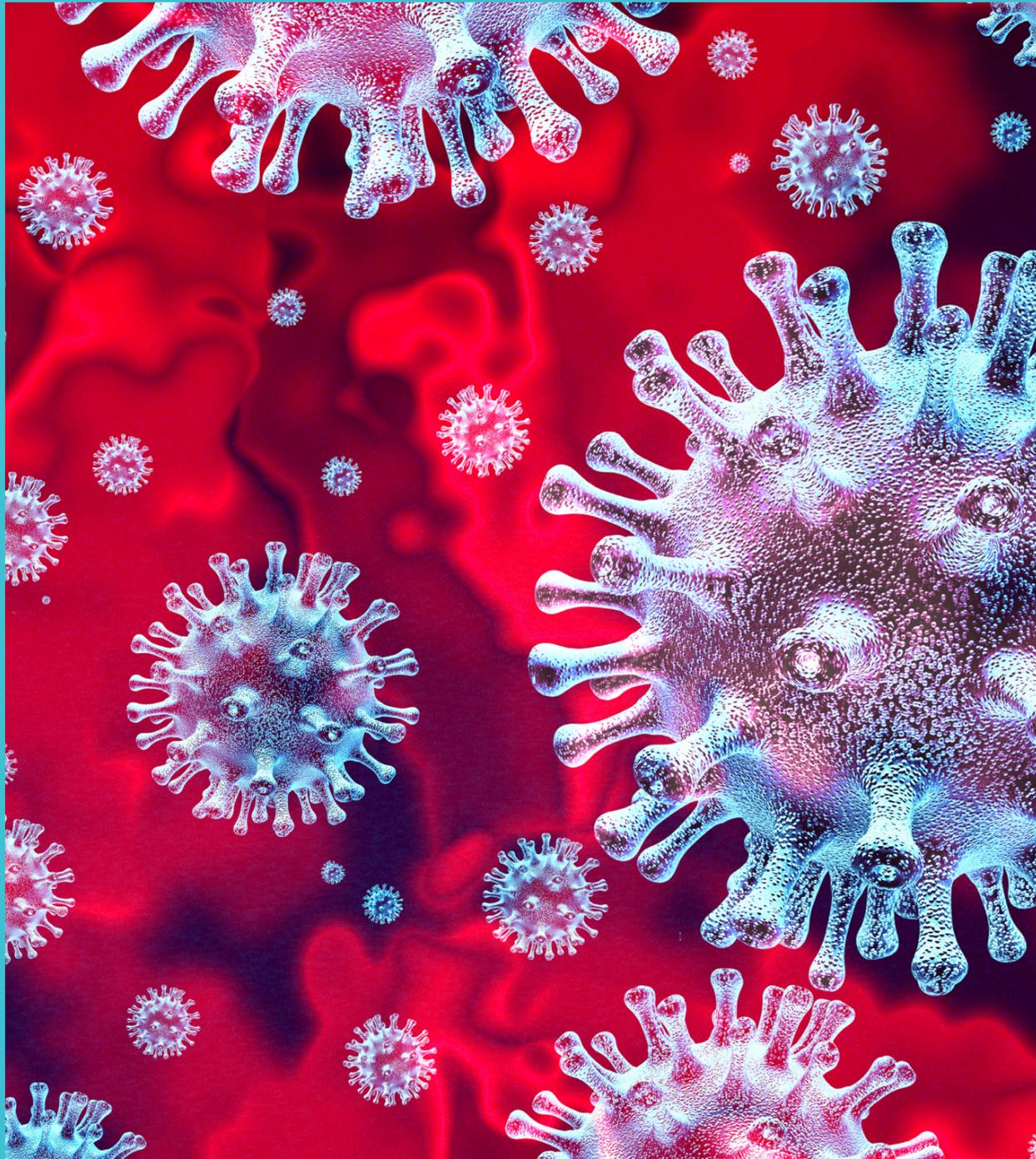
Two brands stand out this year for an extraordinary year-on-year improvement in brand strength. In a true brand revival story, L'Oréal's **Elseve/Elvive** has gone from 19th to 2nd rank – right behind Neutrogena, driven by higher promotion scores on the back of a successive chain of marketing campaigns in the past two years. Similarly, Chinese brand **Rejoice** has jumped from 31st to 8th in the brand strength ranking, having improved its BSI score by over 5 points.

Brand Finance Cosmetics 50 (USD m).

Top 50 most valuable cosmetics brands 1-50

2020 Rank	2019 Rank	Brand	Country	2020 Brand Value	Brand Value Change	2019 Brand Value	2020 Brand Rating	2019 Brand Rating	
1	2	↑	L'Oréal	France	\$11,747	+13.1%	\$10,384	AAA	AAA
2	3	↑	Gillette	United States	\$8,479	+4.1%	\$8,143	AAA	AAA
3	4	↑	NIVEA	Germany	\$7,391	+7.9%	\$6,853	AAA-	AAA-
4	10	↑	Estée Lauder	United States	\$6,290	+27.0%	\$4,952	AAA	AAA
5	6	↑	Clinique	United States	\$6,216	+15.4%	\$5,388	AAA	AAA
6	8	↑	Guerlain	France	\$5,688	+12.2%	\$5,069	AAA-	AAA
7	7	←	Shiseido	Japan	\$5,680	+8.3%	\$5,244	AAA-	AAA-
8	9	↑	Pantene	United States	\$5,575	+10.2%	\$5,058	AAA	AAA
9	11	↑	Dove	United Kingdom	\$4,977	+11.0%	\$4,486	AAA	AAA
10	12	↑	Garnier	France	\$4,664	+6.2%	\$4,391	AAA	AAA
11	18	↑	M.A.C	United States	🔒	🔒	🔒	🔒	🔒
12	15	↑	Head & Shoulders	United States	🔒	🔒	🔒	🔒	🔒
13	14	↑	Maybelline	United States	🔒	🔒	🔒	🔒	🔒
14	17	↑	Lancôme	France	🔒	🔒	🔒	🔒	🔒
15	13	↓	Clarins	France	🔒	🔒	🔒	🔒	🔒
16	16	←	Johnson's	United States	🔒	🔒	🔒	🔒	🔒
17	19	↑	BeneFit	United States	🔒	🔒	🔒	🔒	🔒
18	20	↑	Procter & Gamble	United States	🔒	🔒	🔒	🔒	🔒
19	24	↑	PECHOIN	China	🔒	🔒	🔒	🔒	🔒
20	22	↑	Olay	United States	🔒	🔒	🔒	🔒	🔒
21	27	↑	SK-II	Japan	🔒	🔒	🔒	🔒	🔒
22	26	↑	Rexona	Australia	🔒	🔒	🔒	🔒	🔒
23	25	↑	Axe/Lynx/Ego	France	🔒	🔒	🔒	🔒	🔒
24	21	↓	Schwarzkopf	Germany	🔒	🔒	🔒	🔒	🔒
25	29	↑	Elseve/Elvive	France	🔒	🔒	🔒	🔒	🔒
26	28	↑	Neutrogena	United States	🔒	🔒	🔒	🔒	🔒
27	31	↑	L'Occitane	France	🔒	🔒	🔒	🔒	🔒
28	34	↑	Old Spice	United States	🔒	🔒	🔒	🔒	🔒
29	-	New	Yves Rocher	France	🔒	🔒	🔒	🔒	🔒
30	32	↑	Natura	Brazil	🔒	🔒	🔒	🔒	🔒
31	41	↑	Lux	United Kingdom	🔒	🔒	🔒	🔒	🔒
32	35	↑	Sunsilk	United Kingdom	🔒	🔒	🔒	🔒	🔒
33	37	↑	Biore	Japan	🔒	🔒	🔒	🔒	🔒
34	39	↑	Kosé	Japan	🔒	🔒	🔒	🔒	🔒
35	38	↑	Palmolive	United States	🔒	🔒	🔒	🔒	🔒
36	30	↓	Sulwhasoo	South Korea	🔒	🔒	🔒	🔒	🔒
37	47	↑	Rejoice	China	🔒	🔒	🔒	🔒	🔒
38	44	↑	Avon	United States	🔒	🔒	🔒	🔒	🔒
39	-	New	CLEAR	France	🔒	🔒	🔒	🔒	🔒
40	33	↓	Innisfree	South Korea	🔒	🔒	🔒	🔒	🔒
41	42	↑	Pola	Japan	🔒	🔒	🔒	🔒	🔒
42	-	New	Bobbi Brown	United States	🔒	🔒	🔒	🔒	🔒
43	43	←	CHANDO	China	🔒	🔒	🔒	🔒	🔒
44	48	↑	Coty	United States	🔒	🔒	🔒	🔒	🔒
45	-	New	SOFINA	Japan	🔒	🔒	🔒	🔒	🔒
46	-	New	TRESemmé	United Kingdom	🔒	🔒	🔒	🔒	🔒
47	-	New	Revlon	United States	🔒	🔒	🔒	🔒	🔒
48	50	↑	Oriflame	Sweden	🔒	🔒	🔒	🔒	🔒
49	-	New	La Roche-Posay	France	🔒	🔒	🔒	🔒	🔒
50	-	New	Make Up For Ever	France	🔒	🔒	🔒	🔒	🔒

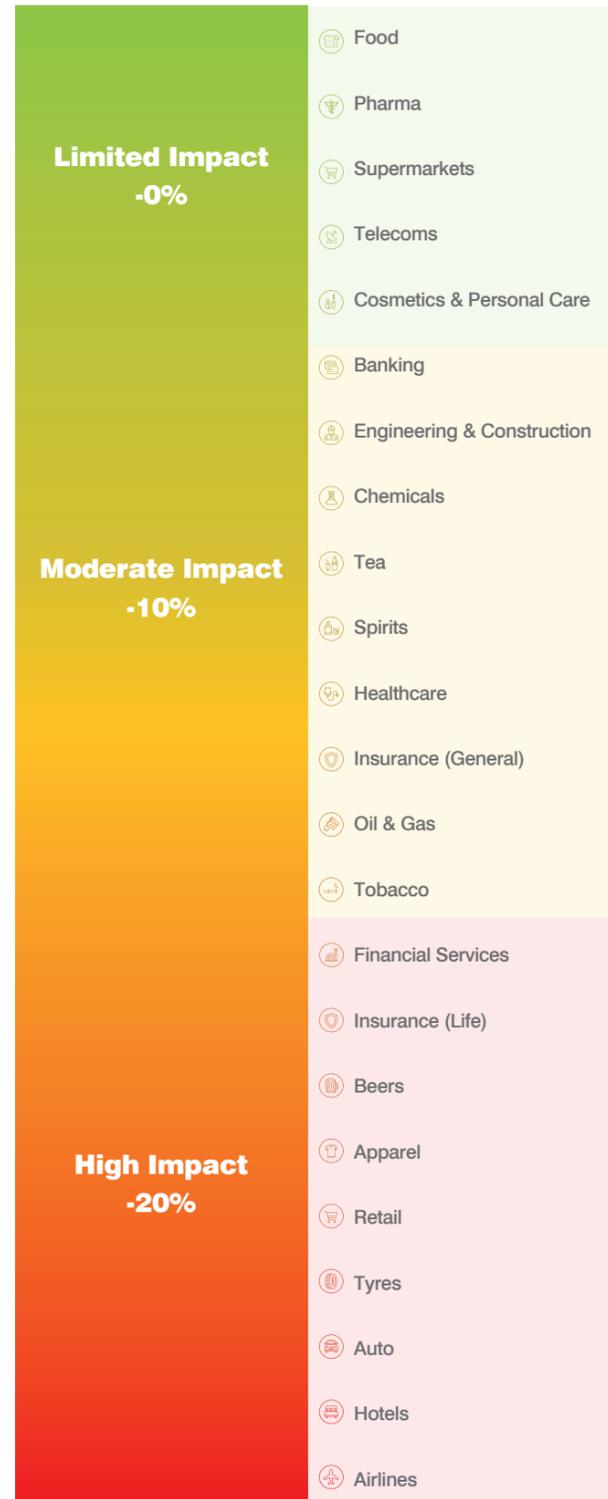
COVID-19 Global Impact Analysis.



Companies likely to lose up to US\$1tn in Brand Value as Direct Impact of COVID-19 Outbreak, Effects to be Felt Well into Next Year.

- + Worst hit industries: aviation, oil & gas, tourism & leisure, restaurants, retail
- + Brand Finance has measured levels of business impact categorised by: limited impact, moderate and worst hit
- + International aviation, airlines and airports to be worst affected by Coronavirus outbreak, with measures of social distancing, closure of borders, advice against travel
- + Home delivery apps, online video conferencing platforms, digital media see surge in demand from remote working revolution

Brand Value at Risk



Up to US\$1 trillion estimated brand value loss from COVID-19 globally

The brand value of the world's biggest companies is set to lose an estimated US\$1tn as a result of the Coronavirus outbreak, with the aviation sector being the most affected. The 2003 SARS outbreak, which infected about 8,000 people and killed 774, cost the global economy an estimated US\$50 billion. As of 14th May 2020, there have been 4,466,625 cases and 299,483 deaths of COVID-19 confirmed worldwide. Global spread has been rapid, with 146 countries now having reported at least one case.

Brand Finance has assessed the impact of COVID-19 on brands based on the effect of the outbreak on enterprise value, compared to what it was on 1st January 2020. The likely impact on brand value was estimated separately for each sector. The industries have been classified into three categories – limited impact (minimal brand value loss or potential brand value growth), moderate impact (up to 10% brand value loss), and heavy impact (up to 20% brand value loss) – based on the level of brand value loss observed for each sector in the first quarter of 2020.

The COVID-19 pandemic is now a major global health threat and its impact on global markets is very real. Worldwide, brands across every sector need to brace themselves for the Coronavirus to massively affect their business activities, supply chain and revenues in a way that eclipses the 2003 SARS outbreak. The effects will be felt well into 2021.

David Haigh,
CEO, Brand Finance

Work from home revolution

Brands offering in-home or remote working solutions have observed an immediate uptick in demand, as multiple **Zoom** online video conferencing platform prompted huge demand for workable solutions

Food delivery apps **Deliveroo** and **UberEats**, now offering contact-free delivery options whereby a food delivery is conveniently left on your doorstep so as not to encourage contact between customer and delivery driver, have also seen a huge surge in demand for their services.

Media and film industry feel effects

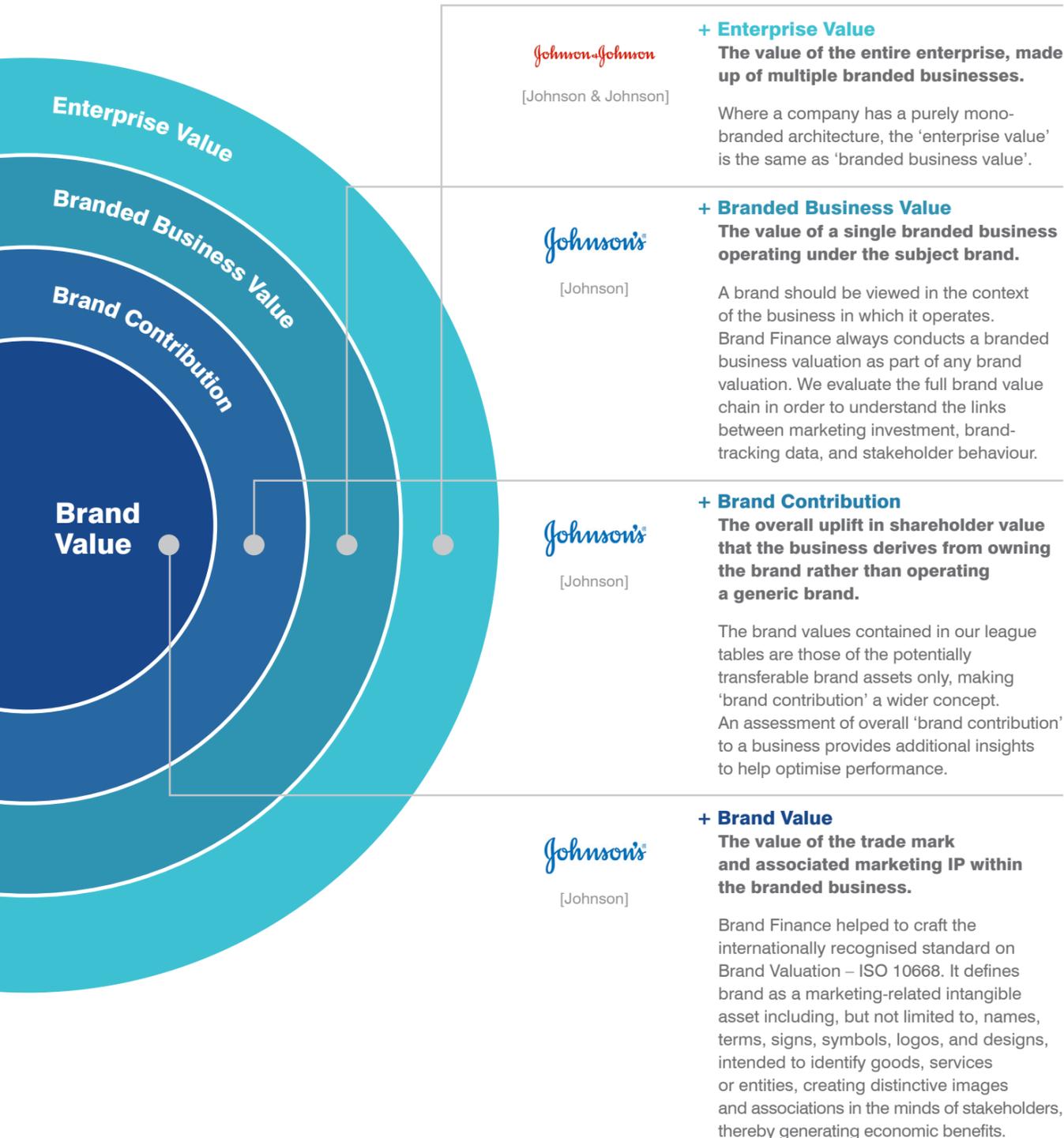
Film production and promotion schedules have been affected by the outbreak, with **Disney** pushing back the release of its remake of *Mulan* as well as *The New Mutants*, part of the X-Men franchise. The effects of social distancing have meant more viewers watching TV, however **Netflix** has had to suspend production on all scripted series and films in the US and Canada. As massive televised sports events and festivals such as Glastonbury being cancelled, TV executives will be feeling the strain of providing fresh and watchable content.

However it is not all doom and gloom. Some brands will fare better under COVID-19: Amazon, Netflix, WhatsApp, Skype, BBC and BUPA are all booming.

David Haigh,
CEO, Brand Finance



Definitions.



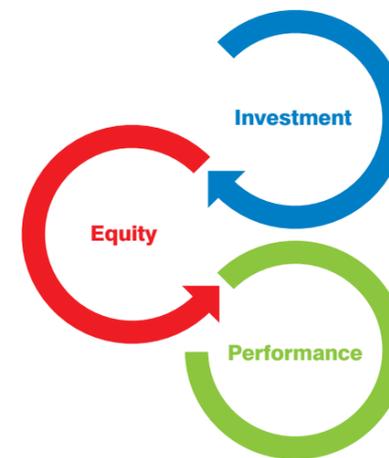
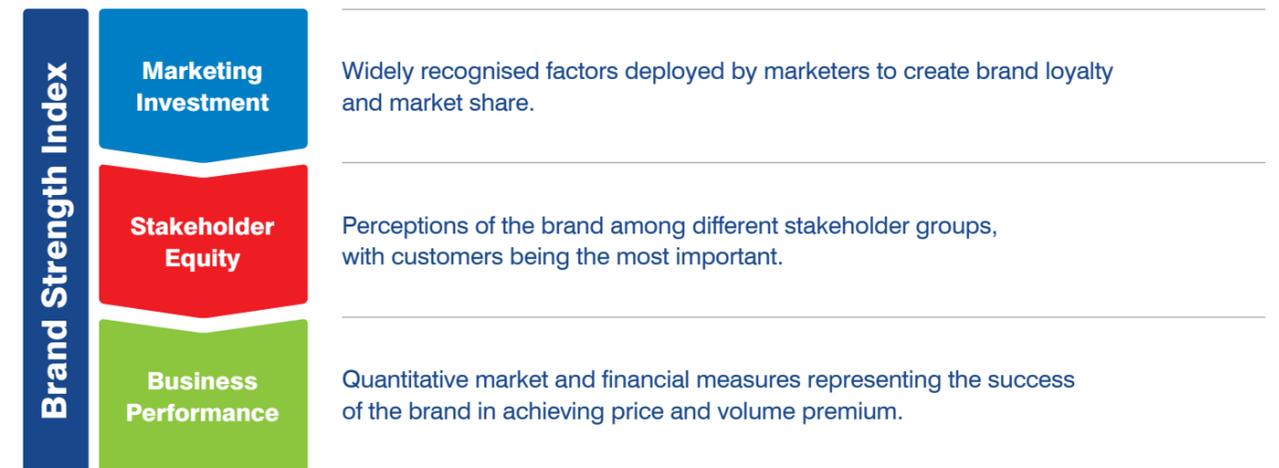
Brand Strength

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

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

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

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



Marketing Investment

- A brand that has high Marketing Investment but low Stakeholder Equity may be on a path to growth. This high investment is likely to lead to future performance in Stakeholder Equity which would in turn lead to better Business Performance in the future.
- However, high Marketing Investment over an extended period with little improvement in Stakeholder Equity would imply that the brand is unable to shape customers' preference.

Stakeholder Equity

- The same is true for Stakeholder Equity. If a company has high Stakeholder Equity, it is likely that Business Performance will improve in the future.
- However, if the brand's poor Business Performance persists, it would suggest that the brand is inefficient compared to its competitors in transferring stakeholder sentiment to a volume or price premium.

Business Performance

- Finally, if a brand has a strong Business Performance but scores poorly on Stakeholder Equity, it would imply that, in the future, the brand's ability to drive value will diminish.
- However, if it is able to sustain these higher outputs, it shows that the brand is particularly efficient at creating value from sentiment compared to its competitors.

Brand Valuation Methodology.

Brand Finance calculates the values of the brands in its league tables using the **Royalty Relief approach** – a brand valuation method compliant with the industry standards set in **ISO 10668**.

This involves estimating the likely future revenues that are attributable to a brand by calculating a royalty rate that would be charged for its use, to arrive at a 'brand value' understood as a net economic benefit that a licensor would achieve by licensing the brand in the open market.

The steps in this process are as follows:

- 1 Calculate brand strength using a balanced scorecard of metrics assessing Marketing Investment, Stakeholder Equity, and Business Performance. Brand strength is expressed as a Brand Strength Index (BSI) score on a scale of 0 to 100.
- 2 Determine royalty range for each industry, reflecting the importance of brand to purchasing decisions. In luxury, the maximum percentage is high, in extractive industry, where goods are often commoditised, it is lower. This is done by reviewing comparable licensing agreements sourced from Brand Finance's extensive database.
- 3 Calculate royalty rate. The BSI score is applied to the royalty range to arrive at a royalty rate. For example, if the royalty range in a sector is 0-5% and a brand has a BSI score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.
- 4 Determine brand-specific revenues by estimating a proportion of parent company revenues attributable to a brand.
- 5 Determine forecast revenues using a function of historic revenues, equity analyst forecasts, and economic growth rates.
- 6 Apply the royalty rate to the forecast revenues to derive brand revenues.
- 7 Brand revenues are discounted post-tax to a net present value which equals the brand value.



Brand Strength Index (BSI)

Brand strength expressed as a BSI score out of 100.



Brand Royalty Rate

BSI score applied to an appropriate sector royalty range.



Brand Revenues

Royalty rate applied to forecast revenues to derive brand value.



Brand Value

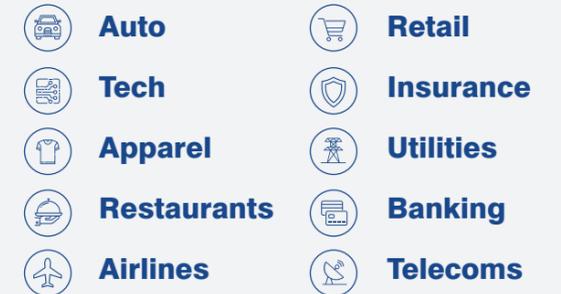
Post-tax brand revenues discounted to a net present value (NPV) which equals the brand value.

Disclaimer

Brand Finance has produced this study with an independent and unbiased analysis. The values derived and opinions produced in this study are based only on publicly available information and certain assumptions that Brand Finance used where such data was deficient or unclear. Brand Finance accepts no responsibility and will not be liable in the event that the publicly available information relied upon is subsequently found to be inaccurate. The opinions and financial analysis expressed in the report are not to be construed as providing investment or business advice. Brand Finance does not intend the report to be relied upon for any reason and excludes all liability to any body, government or organisation.

Market Research Methodology.

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



Stakeholder Equity Measures.

Key Metrics

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

Brand conversion funnel

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



Awareness

Knowledge that your brand exists

Familiarity

Depth of knowledge of the brand

Consideration

Narrowing down market to candidate brand set

Preference

Category users' brand preference

Loyalty

Intention to repeat purchase

Consulting Services.





MARKETING



FINANCE



TAX



LEGAL

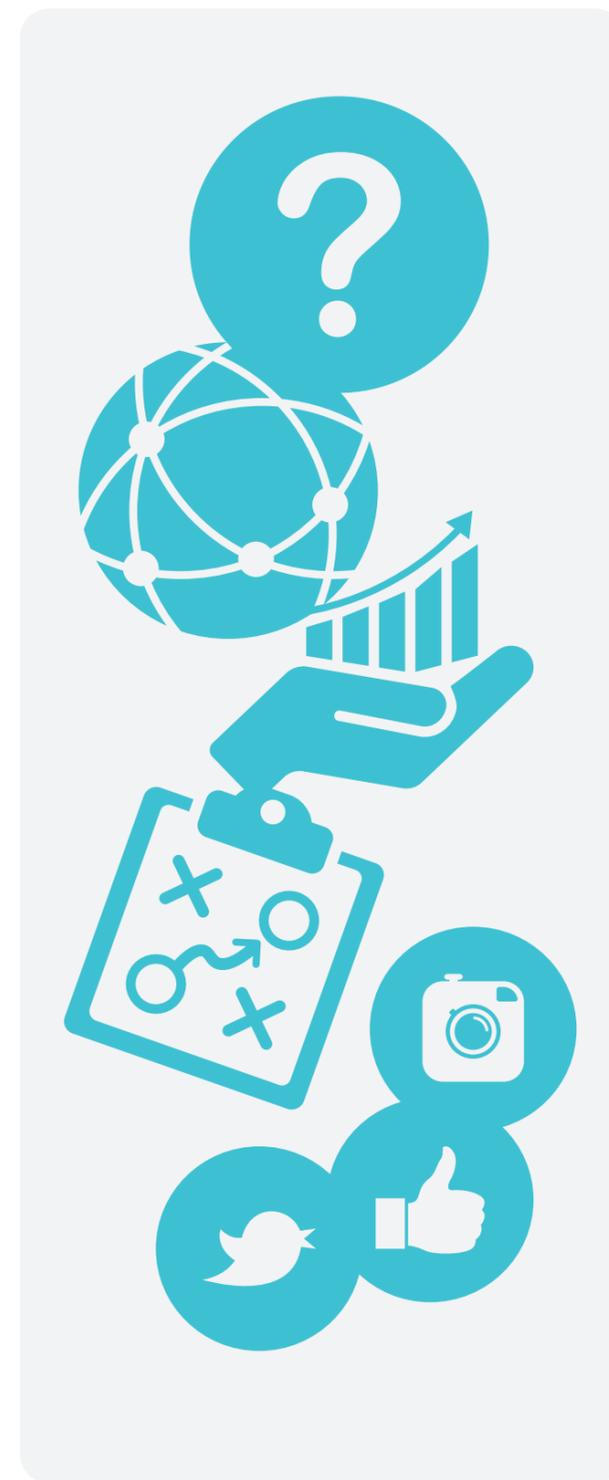
We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand-based decisions and strategies.

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

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

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

Brand Evaluation Services.



How are brands perceived in my category?

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

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

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

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

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

How can I improve return on marketing investment?

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

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

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

Communications Services.

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



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



TOP 50 COSMETICS BRAND



MOST VALUABLE COSMETICS BRAND



STRONGEST COSMETICS BRAND



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



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



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



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



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



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

Brand Dialogue®



Value-Based Communications

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

SERVICES

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

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

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