

Analysis of Development of the Most Valuable Brands in the World and the Most Valuable Brands in China

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Abstract

Brands are one of the most important assets of any entity, regardless of its area. In theory and in the practice there are lots of methods of evaluation of brands that are trying to determine the most valuable brands in the world. In this article, the authors focus on the methodology BRANDZ developed by Millward Brown, a WPP. This methodology is based on the empirical research of more than three million consumers who evaluated more than 100 thousand different brands on fifty markets. The article analyzes not only global brands, but also the development of the most valuable brands in the rapidly developing Chinese market.

Keywords: brand, brand value, Brandz

Introduction

Brands are considered as one of the most valuable intangible asset of any domestic and international company. There are only very few assets that are available to company that could provide for a company such as long-lasting competitive advantage as brands (Kapferer, 2012). Brand is a tool for identification of goods and services of a company. A strong brand simplifies the customers' decision making, strong brands are associated with customers' expectations and reducing the customers' risks (Keller, 2012). Brand brings to customers a wide range of information that leads to the identification of the source or producer of the product and differentiation of individual brands, producers or distributors. Brands and their value is made by functional, material and rational aspects, as well as emotional, symbolic and intangible aspects and perform different valuable roles for customers. Brands signal a level of quality, create customer loyalty, reduce perceived risks, facilitate purchase etc. (Kotler, Keller, 2007).

American Marketing Association defines brand as „ A name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers to differentiate them from those of competition“ (Keller et al., 2008, str. 2).

Brand value is a key element for creating of brands. In practice there are lots of different brand models that were created by famous marketing, advertising and research agencies or marketing gurus like David Aaker former professor of marketing at UC_Berkely. The best known brand models follow (Kotler, Keller, 2007):

- Brand Asset valuator – created by advertising agency Young and Rubicam,
- Aaker's model,
- BrandZ – model of brand value created by WPP and Millward Brown,
- Keller's Brand Equity Model.

In practice, models and ranking Interbrands Best Global Brands created by American company Interbrand Corporation and BrandZ created by company Millward Brown and WPP are probably used most (Duguleana, Duguleana, 2014).

This article focuses on the analysis of the brand value of the world's best brands and the brand value of the Chinese most valuable brands based on the BrandZ by Millward Brown and WPP.

Materials and methods

This article is based on the analysis of secondary data gathered by companies Millward Brown and WPP. Millward Brown and WPP have developed their own methodology of brand valuation that is based on three basic steps (Millward Brown, 2015a; Duguleana, Duguleana, 2014):

- Step 1: Calculating Financial Value,
- Step 2: Determining Brand Contribution,
- Step 3: Calculating Brand Value.

The BrandZ evaluation and methodology is based on consumer-level research, that is founded by Millward Brown and WPP every year. The aim of this research is to identify how brands influence purchase decision. The other part of the evaluation is based on the professional opinion and views of expert panel (Millward Brown, 2012a). The evaluation of brands based on BrandZ Methodology is based on research that covers more than three million consumers and more than 100,000 brands in over 50 markets all around the world (Millward Brown, 2015a). The evaluation of Chinese as well as global brands is based on three basic BrandZ components of brand equity. These components are Salient, Different and Meaningful (Millward Brown, 2015c). Brand evaluation represents a metric, which quantifies the importance and worth of powerful intangible corporate assets and enables not only owners, but as well as investment community to compare and evaluate brands and improve their management decisions and provide better- informed decisions (Millward Brown, 2015a).

Financial value of brand is derived from the correct portion of the earning of corporation to each brand. These information are based on the analysis of

annual reports, financial information (and sources as Kantar Retail). From this analysis the Attribution Rate is calculated (Millward Brown, 2015b).

The Brand Contribution is measured on a scale from 1 to 5 (where 5 is the highest) and represents the influence of the brand on earnings. There are lots of factors influencing Brand Contribution – for example loyalty, power of demand, style, brand's uniqueness, etc. (Duguleana, Duguleana, 2014).

Brand value is calculated as the Financial Value multiply by Brand contribution, which is expressed as the percentage of the calculated Financial Value (Millward Brown, 2015b).

The author's methodology will be based on the analysis of the development of the five most valuable global and Chinese brands for year 2015 and the analysis of development of brand value of these brands in last five years.

The regression analysis will be used for a more detailed analysis of brands of Chinese markets and their development. On the bases of the regression analysis author will try to reveal the statistical dependence of the growth of the brand value of Chinese markets to GDP growth in billions USD in the period 2011–2015. The analysis of the statistical dependence of the total brand value in the Chinese markets on the Chinese GDP growth will be carried out through regression analysis and calculation of the correlation coefficient. The author has set the null hypothesis H0: The value of brands in the Chinese market is dependent on the development of GDP, against the alternative hypothesis H1: The value of brands in the Chinese market is not dependent on GDP growth. These hypotheses will be tested at a significance level $\alpha = 0.05$.

Result and discussion

Millward Brown and WPP monitor the development of brands in a variety of categories, both in terms of global brands and brands specifically for the Chinese market.

In the area of global brands, brands are divided into the following categories and subcategories:

- Consumer and Retail:
 - apparel, cars, luxury, personal care, retail,
- Food and Drink:
 - beer, fast food, soft drinks,
- Financial:
 - banks/global, banks/regional, insurance,
- Commodities:
 - Oil and gas,
- Technology:
 - Technology, telecom providers.

The highest growth in comparison with previous year was calculated for Technology and Retail – 24%, followed by insurance (21%) and Telecom Providers (17%). There are two categories that declined during last year – global banks (-2%) and luxury (-6%). Following a 29% rise last year, when apparel was a leader of all categories, apparel category brand value flattened at the level of 0.1% this year.

Brands of the Chinese markets can be divided into 21 basic categories that follow:

- Airlines, Alcohol, Apparel, Banks, Cars, Catering, Education, Food & Dairy, Furniture, Health Care, Home Appliances, Hotels, Insurance, Jewelry Retail, Oil & Gas, Personal Care, Real Estate, Retail, Technology, Telecom Providers, Travel Agencies.

The brand value of the Chinese markets rises for more than 20% in comparison with last year. In the ranking of the most valuable Chinese brands the huge giant operating in the field of electronic commerce, whose brand value has reached a record 59 bil. USD has discovered (Millward Brown, 2015d).

Analysis of the 5 most valuable global brands

The five most valuable global brands are dominated by category – Technology. Only one brand among the five most valuable brands is included in another category – subcategory of payments (brand VISA). General overview of the 5 most valuable brands can be seen in the following table.

Tab. 1: Most valuable global brands

Ranking	Brand	Category	Brand Value \$M	Brand Value % change 2015 vs 2014
1	Apple	Technology	246 992	67%
2	Google	Technology	173 652	9%
3	Microsoft	Technology	115 500	28%
4	IBM	Technology	93 987	-13%
5	VISA	Payments	91 962	16%

Source: Millward Brown 2015b

As seen from the table 1, based on the Millward Brown's methodology BrandZ all mentioned brands (except IBM) achieved an increase in their brand value. The largest increases were registered achieved by brand Apple, which after last year's decline of nearly 40 mil USD and relegation to the second position behind Google, has achieved the largest increase during the reporting period (for detail see Table 2 and Graph 1).

From the Table 2 and Graph 1 we can see that the most valuable brand in observing period is Apple brand. Apple brand in the long term emphasis on innovation and many customers perceive this brand as a preferred brand in technology. Apple brand dominates not only the BrandZ ranking, but the ranking Interbrand and Brand Finance, too. The value of Apple brand started

growing after the company launched the first generation of iPhone in 2007 rapidly (Verstraete, 2014). Since 2007 the Apple brand has been improving its position in the ranking till the first position in 2011, in 2010 Apple was at the third position. These two brands have become a part of strong traditional technology brands that dominate raking for many years – Microsoft and IBM. As can be seen from the evaluation of brands, brand value of Apple exceeds the value of the second most valuable brand in the world Google of more than 70 billion USD. During the last five years VISA brand has registered the fastest growth. The value of this brand has only slightly exceeded 90 billion USD.

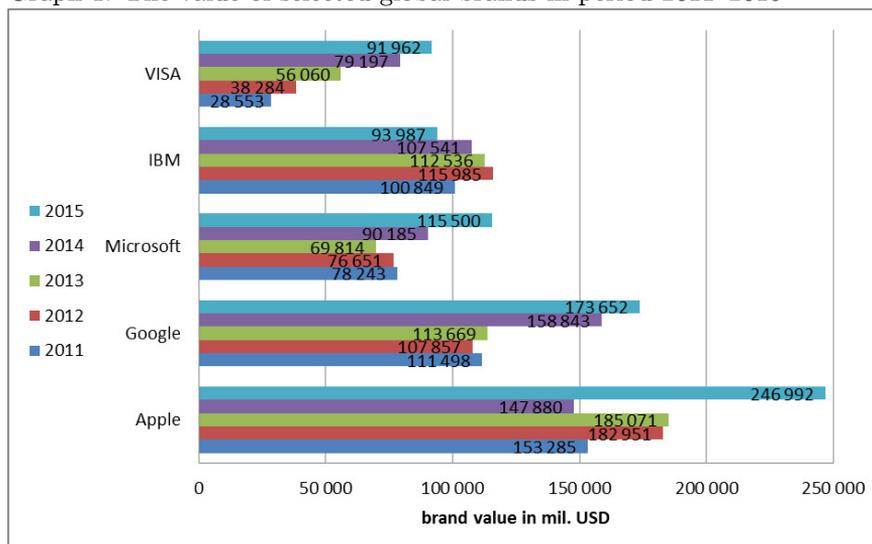
Tab. 2: Development of the ranking of selected brands in the period 2011–2015

Brand	2011	2012	2013	2014	2015
Apple	1	1	1	2	1
Google	2	3	2	1	2
Microsoft	5	5	7	4	3
IBM	3	2	3	3	4
VISA	20	15	9	7	5

Source: Millward Brown 2011a, 2012a, 2013a, 2014a, 2015b

The brand value is associated with the experience of the brand, services provided and the actual product very often (Brakus, Schmitt, Zarantonello, 2009). It is the experience with a new product and Apple customer satisfaction, strong personality of brand, innovation and nonconformity idea supported by the strong advertising and marketing strategy and communication campaign "Think Different" that makes the Apple brand one of the most valuable brand in the world (Fitzsimons, Chartrand, Fitzsimons, 2008).

Graph 1: The value of selected global brands in period 2011–2015



Source: Millward Brown 2011a, 2012a, 2013a, 2014a, 2015b

Analysis of the 5 most valuable Chinese brands

There is a new entry of a brand – Alibaba among the most valuable Chinese brands in 2015. During last 5 years this brand wasn't among the whole top 100 most valuable brands in the ranking BrandZ. The brands Tencent, Ctrip and BYD are the brands with the highest increase of the brand value – (95%), Ctrip (71%), BYD (69%).

Brands Xueersi, Ming Jewelry, Mengniu, New Oriental and Baidu have increased of more than 55%. Among individual categories, the highest increase can be seen in technology (overall more than 78%) and the largest decline in the banking industry, which decreased by 16% compared to 2014. The total value of the 100 most valuable Chinese brands grew by 22% that represents 464.2 billion USD in cash terms.

Tab. 3: The most valuable Chinese brands

Rank.	Brand	Category	Brand Value \$M	Brand Value % change 2015 vs 2014
1	Tencent	Technology	66 077	95%
2	Alibaba	Retail	59 684	New entry
3	China Mobile	Telecommunication providers	55 927	-9%
4	ICBC	Bank sector	34 521	-13%
5	Baidu	Technology	30 897	55%

Source: Millward Brown 2015c

Compared with the five most valuable global brands the most valuable Chinese brands involve only two technology brand. The most valuable Chinese brand is Tencent, which represents technology and during the period from 2011 to 2015 has increased of 442%.

Tab. 4: Development of the ranking of selected Chinese brands in the period 2011-2015

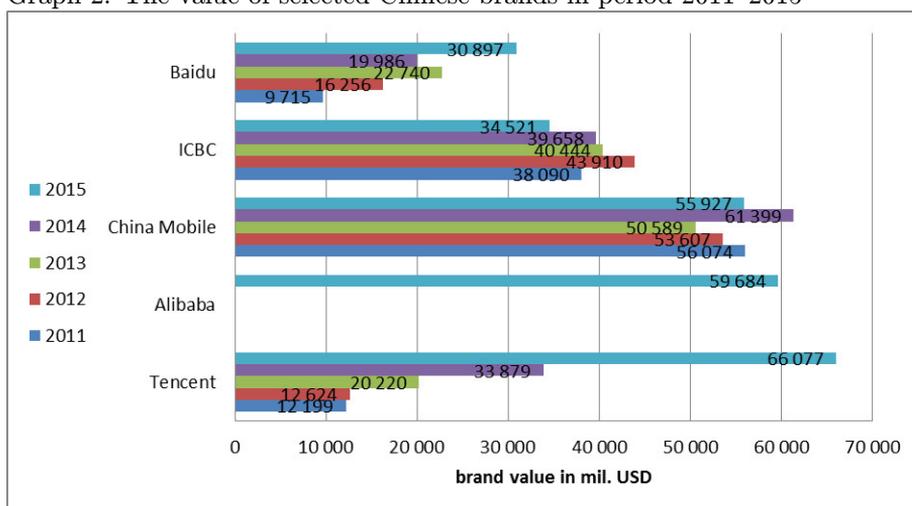
Brand	Ranking top 100 Chinese brands					Ranking top 100 global brands				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Tencent	8	10	5	3	1	52	37	21	14	11
Alibaba					2					13
China Mobile	1	1	1	1	3	9	10	10	15	15
ICBC	2	2	2	2	4	11	13	16	17	22
Baidu	9	6	4	5	5	29	25	33	25	21

Source: Millward Brown 2011a, 2012a, 2013a, 2014a, 2015b, 2011b, 2012b, 2013b, 2014b, 2015d

For comparison, the Table 4 shows the development of Chinese brands in 2011–2015 in the ranking of the top 100 most valuable Chinese brands, and in the rankings of the top 100 most valuable global brands. The highest growth scored brand Tencent, which during the five years move from the 52nd position to the 11th position in the ratings of the most valuable global brands. On the other hand, it should be noted that this brand is not involved in the ranking of Interbrands as well as any other Chinese brand.

Intebrands methodology is based on other aspects and therefore it is not possible to compare it with the methodology of WPP and Millward Brown. As the greatest success of Chinese brands can be considered the rise of brand Alibaba, which represent a new entry in this year's ranking. This brand was ranked as the 13th most valuable brand in the ranking of global brands, too. Even more Chinese can be found till the 22nd position in the renking. And only bank ICBC has registering a gradual decline from the 11th positions to the 22nd positions this year. The banking sector, however, is currently recording the biggest drop of the total value of bank brands, therefore the ICBC bank is not an exception.

Graph 2: The value of selected Chinese brands in period 2011–2015



Source: Millward Brown 2011b, 2012b, 2013b, 2014b, 2015d

The most valuable brand in Chinese markets is Tencent. Tencent has nearly doubled its value since 2014. In spite of this fact in comparison with the most valuable global brand (Apple) the Tencent brand value is nearly 4 times less.

The test of statistical dependence of the brand value in the Chinese markets on the development of GDP will be performed. The test of statistical dependence of the brands value in the Chinese markets on the development of GDP will be performed based on the regression analysis and correlation coefficient. The null hypothesis H0: The value of brands in the Chinese market depends on GDP growth will be tested against alternative hypothesis H1: The value of brands in the Chinese market doesn't depends on GDP growth on the confidence level $\alpha=0.05$.

Tab. 5: Development of GDP and the most valuable Chinese brands in the period 2011–2015

Year	GDP in bil. USD	Development of Chinese brands in bil. USD
2011	4990	0.278849
2012	5930	0.325369
2013	7320	0.320224
2014	8230	0.362462
2015	9240.27	0.443761

Source: Millward Brown 2015c, Trading Economics 2015

The following table summarizes basic statistical calculations.

Tab. 6: Statistics

Correlation coefficient – R	R ² (%)	p-Value
0.912463	83.2589	0.0307

Source: author's calculation

On the basis of table 6 we can state that since the p-value is less than 0.05, there is a statistically significant relationship between brand value and GDP at the 95% confidence level. The null hypothesis H₀ was confirmed on the confidence level $\alpha=0.05$.

The R-Squared statistic indicates that the model as fitted explains more than 83% of the variability in brand value.

Conclusion

As can be seen from the analysis of global and Chinese most valuable brands, brands represent one of the most valuable assets of all organization and we can track their constant increase in the brand value global as well as in Chinese markets. Traditionally, the most valuable brands are included in the category of technologies. Technology brands are at the first place in both cases of global brands (Apple) and the Chinese markets (Tencent). These two brands recorded the largest annual increase in its value compared to 2014, too. Based on the regression analysis, the author confirmed a significant statistical dependence between the most valuable brands in the Chinese market and GDP growth of the China.

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Analýza vývoje nejhodnotnějších značek světa a nejhodnotnějších značek Čínské lidové republiky

Značky představují jedno z nejdůležitějších aktiv, jakéhokoliv subjektu bez ohledu na oblast jeho působení. V teorii i praxi existuje celá řada metodik hodnocení značek, které se snaží stanovit nejhodnotnější značky světa. V tomto článku se autorky zaměří na metodiku hodnocení značek BRANDZ společností Millward Brown a WPP. Metodika je založena na hodnocení značek prováděného na základě empirického výzkumu více než tří milionů spotřebitelů, kteří hodnotí více než 100 tisíc značek na padesáti různých trzích. Článek se zabývá analýzou nejen globálních značek, ale také vývojem nejhodnotnějších značek rychle se rozvíjejícího čínského trhu.

Klíčová slova: značka, hodnota značky, BrandZ

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