

Application 7.1 (Updated): BEST SPANISH AND GLOBAL BRANDS IN 2011

Jorge Cruz González
Universidad Complutense de Madrid

During the last two decades, the US consulting firm Interbrand has performed annual valuations of main global brands in order to provide public information on their intrinsic value. As shown in the table, in 2011 this ranking was still led by Coca-Cola, whose value exceeded 70,000 million dollars. After refreshments mark stood three technology brands: IBM and Microsoft, which maintained their position, and Google, which, after an increase of almost 50% in brand value in just two years, consolidated its fourth position ahead of franchises like General Electric or McDonald's.

In addition to this global ranking, every two years, the European delegation to this consulting firm conducts a valuation of the main Spanish brands. As in previous years, in 2011 this ranking continued to be led by the brand Movistar, followed by BBVA and El Corte Inglés. However, it should be noted that the brands Zara and Santander are not included in the national ranking because they are included in the list of the top 100 global brands. Meanwhile, it is notable the strength with which the brand of the two most important Spanish football teams entered in the ranking, with values higher than those of companies such as Endesa, Banesto or Cepsa.

Best Spanish brands (2011)			Best global brands (2011)		
Pos.	Brand	Value (million €)	Pos.	Brand	Value (million \$)
1	Movistar	16,687	1	Coca-Cola	71,861
2	BBVA	5,558	2	IBM	69,905
3	El Corte Inglés	1,366	3	Microsoft	59,087
4	La Caixa	1,280	4	Google	55,317
5	Telefónica	1,250	5	G. Electric	42,808
6	Mango	897	6	McDonald's	35,593
7	Iberdrola	872	7	Intel	35,217
8	Repsol	854	8	Apple	33,492
9	Mahou	777	9	Disney	29,018
10	Bershka	653	10	HP	28,479
11	Mercadona	631	11	Toyota	27,764
12	Massimo Dutti	572	12	Mercedes	27,445
13	Banco Popular	536	13	Cisco	25,309
14	Mapfre	448	14	Nokia	25,071
15	Prosegur	434	15	BMW	24,554
16	Día	374	16	Gillette	23,997
17	Real Madrid	331	17	Samsung	23,430
18	Gas Natural	321	18	Louis Vuitton	23,172
19	FC Barcelona	319	44	Zara	8,065
20	Endesa	318	68	Santander	5,088

Interbrand's method values brands as an analyst values any other asset, that is, taking into account the earnings attributable to the brand in the future and applying a discount rate. Specifically, three analyses make up the assessment:

- **Financial performance:** the first step is to measure an organization's raw financial return to its investors. In doing so, it is analyzed as economic profit, a concept akin to Economic Value Added (EVA), instead of other measures that do not capture risk and profitability. To obtain economic profit, the industry weighted average cost of capital is subtracted from net operating profit after taxes. The financial performance is analyzed for a five-year forecast and for a terminal value. The terminal value represents the brand's expected performance beyond the forecast period. The economic profit that is calculated is then multiplied against the role of brand to determine the branded earnings that contribute to the valuation.
- **Role of brand:** this second analysis measures the portion of the decision to purchase that is attributable to brand, this is exclusive of other aspects of the offer like price or feature. Conceptually, role of brand reflects the portion of demand for a branded product or service that exceeds what the demand would be for the same product or service if it were unbranded. To determine it, Interbrand relies on one of the three following methods: primary research, a review of historical roles of brand for companies in that industry, or expert-panel assessment. The percentage for the role of brand is multiplied by the economic profit of the branded products or services to determine the amount of branded earnings that contribute to the total valuation.
- **Brand strength:** finally, the ability of the brand to secure the delivery of expected future earnings is measured. Brand strength is reported on a 0 to 100 scale based on an evaluation across 10 dimensions, both internal (e.g. clarity or protection) and external (relevance or differentiation). Performance in these dimensions is judged relative to other brands in the industry, and in the case of exceptional brands, relative to other world-class brands. Through a proprietary algorithm, the brand strength determines a discount rate for each brand that is used to discount branded earnings back to a present value.

Sources:

- Best Global Brands 2011 (www.interbrand.com)
- Mejores Marcas Españolas 2011 (www.interbrand.com)