

BRANDZ™
TOP

100



**MOST
VALUABLE
GLOBAL
BRANDS
2017**

**Brand value increases 8%
to \$3.6 trillion, led by tech
in year of disruptive change**



METHODOLOGY AND VALUATION BY
KANTAR MILLWARD BROWN

WPP

NEW YORK - US

Value of all US brands
in Global Top 100

\$2.6 Trillion

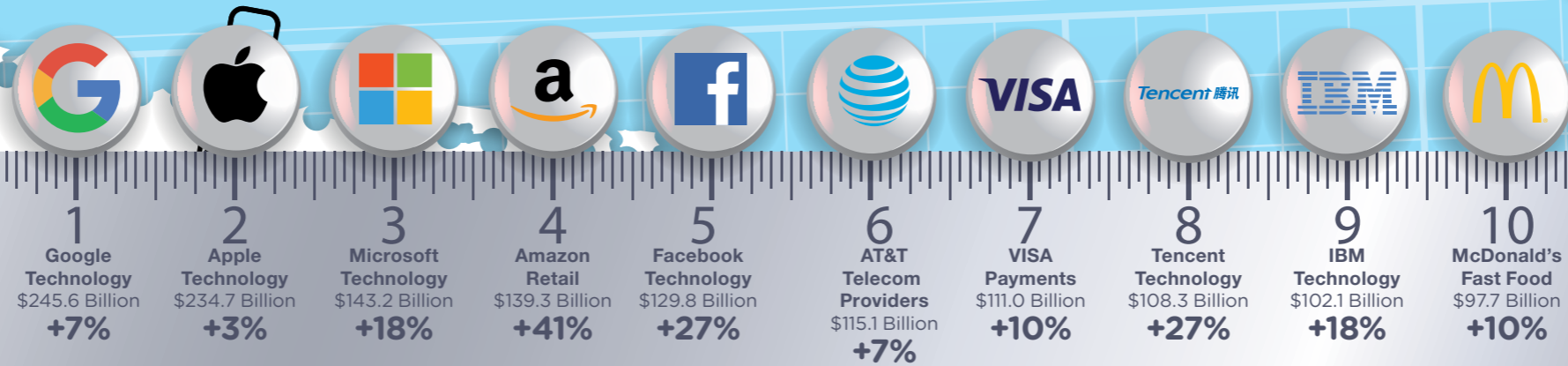
BRANDZ TOP 100

MOST VALUABLE GLOBAL BRANDS 2017

¥ \$ £

TOP 10 MOST VALUABLE GLOBAL BRANDS

\$ = Brand Value
% = Brand Value Change 2017 vs. 2016

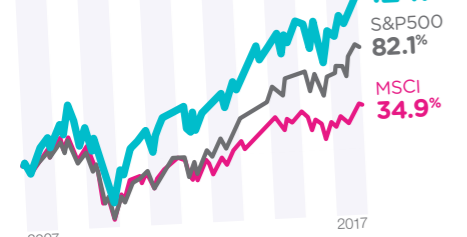


CATEGORY VALUE CHANGES

14 Categories: 9▲, 2▬, 3▼
\$ = Total Category Value



BrandZ™ Portfolio outperforms the S&P 500 Index and the MSCI World Index



Value of the BrandZ™ Top 100 Most Valuable Global Brands 2017

+8%
\$3.6 trillion

12-Year Value Growth of the BrandZ™ Top 100 Most Valuable Global Brands 2017

+152%

NORTH AMERICA TOP 10

+12%
\$1.4 trillion

CONTINENTAL EUROPE TOP 10

+4%
\$274.4 billion

ASIA TOP 10

+9%
\$391.1 billion

TOP 3 BRAND CONTRIBUTION

Aguila, a Colombian beer brand, Coca-Cola, and Pampers led in Brand Contribution. BrandZ™ metric for the strength of brand alone without any other factors.



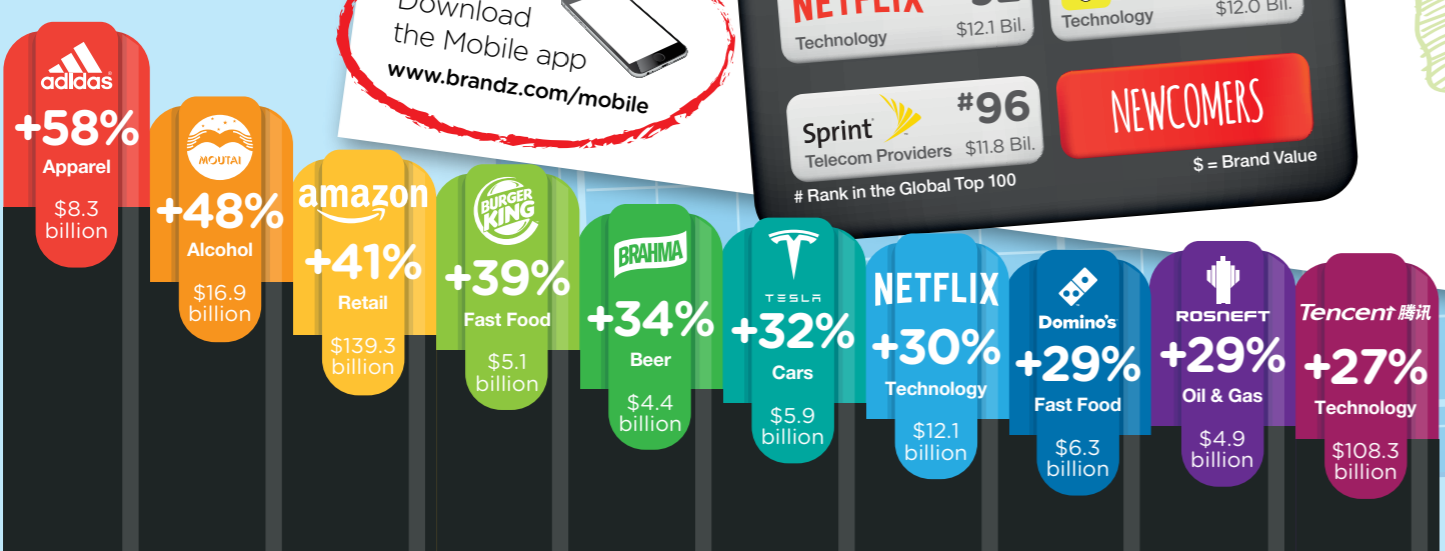
TOP 10 BUSINESS-TO-BUSINESS

% = Brand Value Change 2017 vs. 2016
\$ = Brand Value



TOP 10 RISERS

% = Brand Value Change 2017 vs. 2016
\$ = Brand Value



Download the Mobile app
www.brandz.com/mobile

Total Value of all Newcomer Brands **\$120.7 Billion**

Brand	Rank	Category	Value (\$ Bil.)
Xfinity	#23	Technology	\$41.8
YouTube	#65	Technology	\$16.8
Hewlett Packard Enterprise	#76	Technology	\$14.0
Salesforce	#90	Technology	\$12.2
Netflix	#92	Technology	\$12.1
Snapchat	#93	Technology	\$12.0
Sprint	#96	Telecom Providers	\$11.8

NEWCOMERS
\$ = Brand Value
Rank in the Global Top 100

METHODOLOGY AND VALUATION BY
KANTAR MILLWARD BROWN

www.brandz.com

WPP

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Welcome

Global Top 100 value rises 8%, despite the year's turbulence

Ranking increases
152% over 12 years

DAVID ROTH



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Each time I write a welcome column for our annual BrandZ™ Global Top 100 Most Valuable Brands report, the year's highlights typically fall into logical order. Not this time. In such an unusual year, where do you begin?

First, we Brits surprised the world with Brexit. (Don't blame me—I did not vote for it.) Then the Americans surprised themselves with Trump. Meanwhile, Prime Minister Narendra Modi surprised Indians with demonetization, and soon after won a landslide election in Uttar Pradesh, home to about 200 million people, triple the population of the UK.

The political drama that roiled major Latin American economies was less shocking, as was China's ongoing implementation of its "One Belt, One Road" vision for expanding economic presence abroad to balance slower growth at home. But all these developments raised the temperature for brand builders.

Since these are topsy-turvy times, I'll begin with the bottom line:

The value of the Global Top 100 increased 8 percent year-on-year. That's a big deal any year. But especially in the year we had; and

Over the past 12 years—since just before the global recession, and during the economic climb since then—the value of the BrandZ™ Global Top 100 increased 152 percent in value; also

The value of the BrandZ™ Strong Brands Portfolio increased 124.9 percent over those 12 years, outperforming both the S&P 500 and the MSCI World Index, demonstrating that valuable brands deliver superior shareholders returns.

All these results illustrate that although market volatility is inevitable, the impact on brands is not.

That's why this report is so important. We tell you what happened, why it happened, and how the lessons of this disruptive year can help build and sustain brand value.

Think of this report as the definitive brand yearbook. It examines both consumer-facing and business-facing brands across 14 product categories, with the analysis of five geographic regions, and additional details about brands and consumer attitudes in China, India, Russia, Latin America, and Southeast Asia.



WELCOME

The report focuses primarily on the world's most valuable brands, but not exclusively on those brands. Emerging brands are disrupting categories, challenging established brands, and enticing consumers in both the world's mature and fast-growing markets. The report studies this phenomenon.

Building strong brands

You will not find this combination of market information, financial analysis, and insight anywhere else. Not to bore you with process, but I want to share the lengths we go to create and assemble this information, and make it useful.

We begin with data, our secret sauce, WPP's proprietary BrandZ™ database, which includes information from over 3 million consumers about their attitudes about (and relationships with) 120,000 brands in 414 categories across 51 country markets. Using the BrandZ™ brand valuation methodology of Kantar Millward Brown, this all produces 4.6 billion data points.

This data reveals the power of brand in the mind of the consumer to create a disposition to buy and, most importantly, validates a positive correlation with sales performance. We combine this data with financial research to make BrandZ™ unique among brand

valuation methodologies. (Please see Methodology at the end of this report.)

And we're just getting started. Since we're producing a global report, this is where it is advantageous to be WPP, with offices in 112 countries, and over 205,000 colleagues. We convene WPP operating company brand experts for two weeks of focus groups in London and New York, with extensive video conferencing to connect with our brand experts worldwide.

They come from all communications disciplines: market research, media management, futures, advertising, digital, promotion, public relations, public affairs, shopper marketing, content creation, and activation. Their analysis of the WPP proprietary data, in the context of diverse categories and country markets, leads to original insights that are only possible with this level of cross-cultural and cross-discipline exchange.

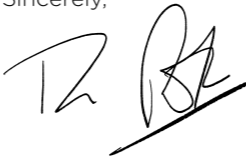
We call this leveraging of WPP brain power "horizontality." I share these details about our intense research and analysis to pull back the curtain a bit on our passion for brands at WPP.

Our passion knows no bounds. We have assembled an extensive library of brand reports and I invite you to access them with our compliments at BrandZ.com. Here are just some of the reports you will find there:

the BrandZ™ Top 100 Most Valuable Chinese Brands; the BrandZ™ Top 50 Most Valuable Indian Brands; the BrandZ™ Top 50 Most Valuable Latin American Brands; the BrandZ™ Top 50 Most Valuable Indonesian Brands; and the BrandZ™ Top 20 Most Valuable Saudi Arabian Brands. In addition, I recommend these recently published titles: *Spotlight on Cuba*, *Spotlight on Myanmar*, *Spotlight on Mongolia*, and *Leaders in the Hot Seat: Behind the brands that shape lives and build value*.

I fervently believe we have the data, knowledge, experience, insight, determination, and single-minded purpose to help you build valuable brands. To learn more about how to harness our passion to work for your brand, please contact any of the WPP companies that contributed expertise to this report. Turn to the resource section at the end of this report for summaries of each company and the contact details of key executives. Or feel free to contact me directly.

Sincerely,



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HAVANA - CUBA



Photograph by Paul Reiffer

A large, dark blue, stylized number '1' is positioned on the left side of the slide, extending from the bottom to the top.

Introduction

Overview

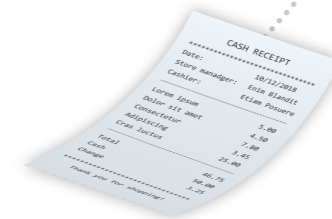
Brands act decisively, despite year of geopolitical disruption

Value of BrandZ™ Global Top 100 increases 8%

What an unusual year. Geopolitics, which typically hums in the background of daily life, became its loud soundtrack. The surprises of Brexit and the US election demonstrated the power of people to shape the destinies of nations—and potentially brands, which could not avoid the reverberations. Still, decisive brand-building activities took place across categories.

Some consumers, especially young people, expected brands to take a stand. Although most brands avoided becoming directly embroiled in controversy, the scrutiny prompted discussion of Brand Purpose. Leading technology brands—including Apple, Google, Facebook, and Microsoft—publicly opposed the Trump administration's immigration policy, saying it contradicted their values and their need for a diverse workforce. Other brands, such as Coca-Cola, Starbucks, Nike, and Ford also spoke up for inclusion.

Despite the disruption, the BrandZ™ Top 100 brands performed well, increasing 8 percent in brand value to \$3.6 trillion, following a 3 percent rise a year ago. Seven categories rose moderately in value, and five categories declined or registered no change in value. Two categories—retail (driven by Amazon and Alibaba) and technology—increased by double-digits.



The fastest-rising brand, Adidas, increased 58 percent in value, because its retro sneakers connected perfectly with the fashion moment and the brand made operational and marketing changes to strengthen its US business.



The fastest-rising category, retail, rose 14 percent. But beyond the numbers, the category faced new turbulence, as both Amazon and Alibaba prepared to open extensive networks of physical stores, and Walmart acquired an e-commerce startup.



Twenty years after its IPO, Amazon grew 41 percent in value, and rose three ranks to enter the Global Top 5 at No. 4, after Google, Apple, and Microsoft, and ahead of Facebook. Tencent, the Chinese internet portal, also rose three ranks to enter the Top 10 at No. 8.



The North American Top 10 brands led the Top 10 of all regions in value growth, with a 12 percent increase, driven by technology.

The Top 10 brands in most regions improved, except for the UK, where global bank performance slowed value growth. Partly because of technology, the US continued to dominate the Global Top 100, with 54 brands contributing 71 percent of the value.



Year of action

Besides being an unusual year, it was also a year of decisive action. Across several categories—including retail, telecom providers and beer, brands launched transformative initiatives to cause or ameliorate disruption and to accelerate growth.

In retail, massively disrupted because of e-commerce, brands for years have attempted to coordinate online and offline (O2O) experiences. Progress has been mostly incremental—until now. Amazon planned to open a chain of physical grocery stores. And Amazon, being Amazon, expected to differentiate its stores with sophisticated technology. Its app automatically keeps track of purchases and handles payment, eliminating retail’s most dreaded friction point—the checkout.

With over 11,000 physical locations in 28 countries, Walmart doubled down on its online efforts to compete with Amazon by acquiring Jet.com, a strong e-commerce challenger. Walmart already collaborates with JD.com, the No. 2 Chinese e-commerce brand after Alibaba. To become more physical, Alibaba entered a partnership with the Bailyan Group, which operates almost 5,000 grocery and specialty stores in China.

Like retail, the telecom providers category also has been moving through a steady transformation, as brands attempt to escape their commodity roles as voice and data providers and become consumer-facing content and entertainment brands. Major brands took significant initiatives to advance this goal and to position themselves for leadership in the Internet of Things. Verizon

negotiated to acquire Yahoo!, having purchased AOL two years ago, and AT&T agreed to buy media giant Time Warner, following its earlier acquisition of DirecTV.

In the beer category, the much anticipated corporate marriage between AB InBev and SAB Miller created the world’s fifth-largest consumer products company (after Nestlé, P&G, PepsiCo and Unilever, and ahead of Coca-Cola). It took place as major brands contended with changing drinking habits and preferences in key markets, with young people drinking less and preferring craft beers with distinctive tastes.

Reaction to turmoil

All this activity took place in the context of the year’s geopolitics. The technology category especially was drawn into the turmoil because of its vital role as data custodian and its centrality in connectivity and digital communications. Social media brands were at the center of the public debate when postings inflamed opinions about decency and free speech.

Google advertisers complained that programmatic technology, intended to align ads with relevant content, sometimes placed ads near controversial, even objectionable, material. YouTube and Facebook also were affected. The brands adjusted their practices. With over 1.2 billion daily active users, Facebook reaches more viewers than any traditional media outlet, and the torrent of news surrounding the year’s geopolitical events caused the brand to examine its publishing role and responsibilities.

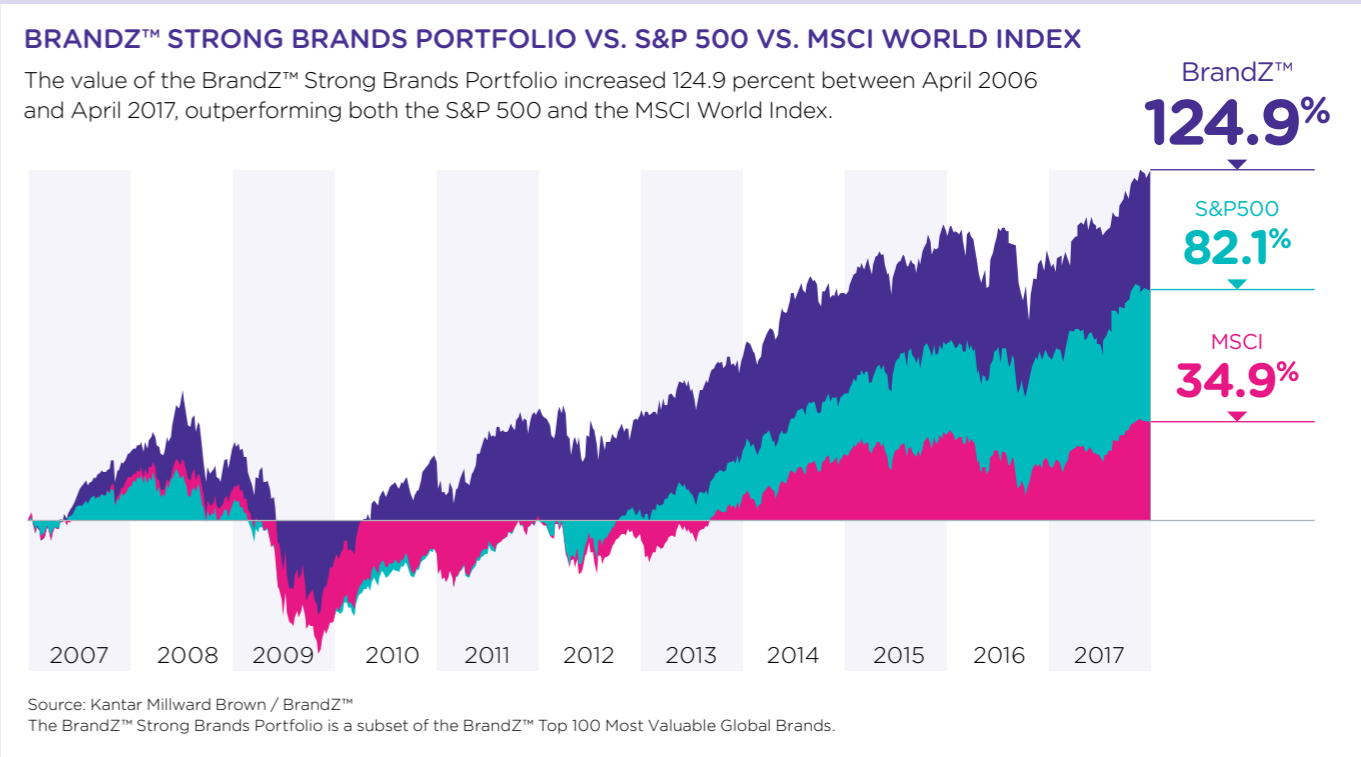
In perhaps a counterpoint to the year’s unrest, the apparel brands stressed comfortable fit and retro style. Fast food went back to basics. McDonald’s and Burger King made better burgers. KFC upgraded its kitchens and returned to its original recipe for fried chicken. Luxury brands captured the spirit of the times differently, as logos returned and designs became bolder. The major fashion shows embraced themes of diversity and inclusiveness.

In the cars, and oil and gas categories, brands embraced reality. Having focused much attention on preparing for a future with car sharing and other mobility solutions, the car brands balanced their future focus with the need to sustain their businesses today, and the category sold a record number of cars worldwide. Similarly, oil and gas brands understood the need to move away from fossil fuel over the next few decades, but also the imperative to drive business in the meantime. The category rose slightly in value as the price for crude oil stabilized.

The oil and gas brands, which typically focus more on their upstream exploration businesses, also communicated with consumers about their Brand Purpose, which ExxonMobil summarized as, “Powering the World.” The critical actions taken by brands across categories reflected the power of strong brands to sustain businesses during geopolitical drama or other disruptions. The BrandZ™ Global Top 100 not only grew 8 percent in value this year, but since 2006, through the global recession, the value of the Top 100 ranking steadily increased, rising 152 percent.

Valuable brands deliver superior shareholder returns

BrandZ™ Portfolio outperforms the S&P 500 Index and the MSCI World Index



The value of the BrandZ™ Strong Brands Portfolio increased 124.9 percent between April 2006 and April 2017, outperforming both the S&P 500, which grew 82.1 percent, and the MSCI World Index, which grew 34.9 percent. (The MSCI World Index is a weighted index of global stocks.)

The exceptional performance of the BrandZ™ Strong Brands Portfolio relative to two well-regarded indexes

affirms that valuable brands deliver superior returns over time, and regardless of market disruptions. It also demonstrates the positive return on money invested to build meaningfully different and salient brands.

In concrete terms, \$100 invested in 2006 would be worth \$135 today based on the MSCI World Index growth rate, and \$182 based on the

S&P 500 growth rate. But that \$100 invested in the BrandZ™ Strong Brand Portfolio would have more than doubled in value, to \$225.

The key takeaways for brand owners and brand marketers are: companies that invest in building valuable brands grow their top line faster, and organic top-line growth is the greatest determinant of total shareholder return.

Key Results

Global Top 100 rises 8%, 152% over 12 years

Technology brands drive value growth

TOP-LINE, YEAR-ON-YEAR CHANGES

The 2017 BrandZ™ Top 100 Most Valuable Global Brands increased 8 percent in brand value year-on-year, to \$3.6 trillion, following a 3 percent increase a year ago.

Retail led the ranking in category value growth, increasing 14 percent, driven by e-commerce, with Amazon and Alibaba up 41 percent and 20 percent in value.

Aguila, a Colombian beer brand, Coca-Cola, and Pampers led in Brand Contribution, a BrandZ™ metric for the strength of brand alone without any other factors.

The BrandZ™ Business-to-Business Top 20 increased 11 percent in value, led by Shell, which rose 23 percent, and DHL and FedEx, each up 20 percent.

The value of the BrandZ™ Strong Brands Portfolio increased 124.9 percent between April 2006 and April 2017, outperforming both the S&P 500 and the MSCI World Index.

Adidas led the ranking in brand value growth, increasing 58 percent on the strength of its on-trend fashion and its initiatives to raise brand popularity in the US.

US LEADS AND CHINA RISES

54 of the Global Top 100 brands are based in the US, and US brands now comprise 71 percent of the Global Top 100 value.

US brands rose 181 percent in brand value over 12 years, compared with 102 percent for brands from other countries.

US brands rose 12 percent in value year-on-year, and other brands declined 1 percent, except Chinese brands, which grew 1 percent.

13 of the Global Top 100 brands are based in China, up from only 1 brand 12 years ago.

Chinese brands rose 937 percent in brand value over 12 years, and now comprise 11 percent of Global Top 100 value.

TECHNOLOGY DOMINATES

Apple and Google remained the No. 1 and 2 brands in the Global Top 100, each valued at almost \$250 billion (combined, about the GDP of Sweden).

Amazon entered the Global Top 10 at No. 4, with a 41 percent increase in brand value, to \$139 billion.

37 technology brands comprised 54 percent of the 2017 BrandZ™ Global Top 100 value. In 2006, 30 technology brands comprised 37 percent of value. ("Technology" includes technology, telecom providers, and e-commerce brands.)

Technology brands in the Global Top 100 increased 16 percent year-on-year, compared with a 4 percent increase for other brands.

The seven Newcomer brands in this year's Global Top 100 are technology-related: YouTube, HPE, Salesforce, Netflix, Snapchat, and telecom providers Xfinity and Sprint.

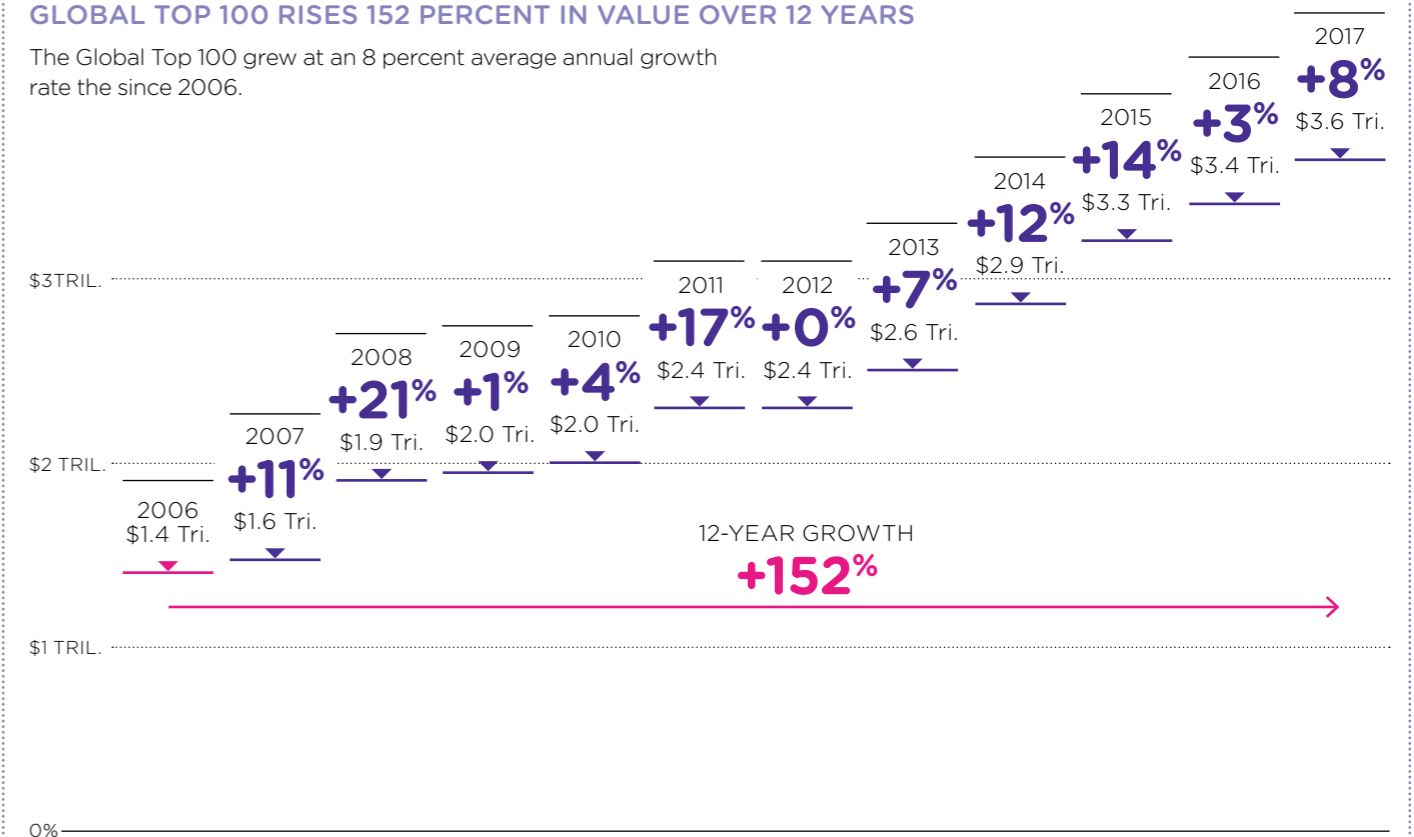
BRANDS GET YOUNGER

The average age of a Newcomer is 20 (started in 1997).

The average age of a Global Top 100 brand is 67 (started in 1950). In 2006, the average age was 83 (started in 1934).

GLOBAL TOP 100 RISES 152 PERCENT IN VALUE OVER 12 YEARS

The Global Top 100 grew at an 8 percent average annual growth rate the since 2006.



Source: Kantar Millward Brown/ BrandZ™

Top 10 Analysis

Changes in Top 10 ranking reflect disruptive 12 years

The strong get even stronger

The evolution of the BrandZ™ Global Top 10 over the past 12 years reflects the dominance of technology and the disruptive impact of the global financial crisis, technological innovation, and changing consumer attitudes about health.

Only three brands that appeared in the Global Top 10 in 2006—Google, Microsoft, and IBM—remain in the Top 10 in 2017. These technology leaders demonstrate the ability of relatively young brands, like Google and Microsoft, and heritage brands, like IBM, to be relevant, each in its own way: Google primarily with search and constant innovation; Microsoft with the versatility of its Surface devices and its expanding cloud business; and IBM with its reinvention, cloud focus, and cognitive computing.

Equally revealing is the presence of three brands in the Top 5 that were not even in the Top 10 just 12 years ago. The innovative technology of these brands—Apple, Amazon, and Facebook—has disrupted

categories and improved people's lives worldwide. The presence of the Chinese internet portal Tencent, and the disappearance of state-owned China Mobile, also indicates the power of technology, along with China's evolution to a more competition-driven economy.

AT&T's rise reflects its scale and the transformation of telecom providers from voice and data transmitters to content and entertainment brands. The strength of payments brands relative to other financial services sectors, along with the ability of Visa to communicate its benefit to consumers, explain that brand's value rise.

The presence of Amazon, and the disappearance of Walmart (now No. 31), reflect the massive disruption of the retail category by e-commerce. The financial crisis and the slower value growth of the financial services categories explain the value decline of Citi (now No. 59). Coca-Cola (No. 13) and Marlboro (No. 12) felt the impact of consumer health concerns. In addition:

Over the past 12 years, the value of the Top 10 increased 249 percent, while the Top 100 increased a healthy 152 percent.

Over the past 12 years, the value of the Top 10 as a proportion of the total Global Top 100 value increased from 28 percent to 39 percent.

The Top 10 in 2017 are worth around the same as the entire Top 100 12 years ago—\$1.4 trillion.

The No. 1 and No. 2 brands—Google and Apple—are worth more than the Top 10 combined 12 years ago—\$480 billion vs. \$409 billion.

Nine of the Global Top 10 are worth over \$100 billion, compared with six brands last year.





















In 2017, the average age of a Top 10 brand was 42 (started in 1975). That is less than half the average age of a Top 10 brand 12 years ago, which was 88 (started in 1929).

Finally, 12 years ago, a Global Top 10 brand scored an average of 216 in Brand Power, compared with an average of 142 for a brand ranked below the Top 10. Today a Top 10 brand scores 266, on average, in Brand Power, compared with 175 for other Top 100 brands. (An average score in Brand Power, the BrandZ™ measurement of brand equity, is 100.)

The North American Top 10 brands led the Top 10's of all regions in value growth, with a 12 percent increase, driven by technology. The Top 10 brands in most regions improved, except for the UK, where global bank performance slowed value growth. Partly because of technology, the US continued to dominate the Global Top 100, with 54 brands contributing 71 percent of the value.

TOP 10 RANKING CHANGES SIGNIFICANTLY...

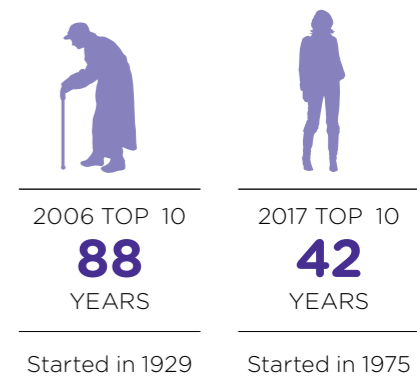
Only three brands that appeared in the BrandZ™ Global Top 10 in 2006—Google, Microsoft, and IBM—remain in the Top 10 in 2017.

	2006	Brand Value 2006 \$Mil.	2017	Brand Value 2017 \$Mil.
1	 Microsoft	62,039	 Google	245,581
2	 GE	55,834	 Apple	234,671
3	 Coca-Cola	41,406	 Microsoft	143,222
4	 中国移动 China Mobile	39,168	 amazon	139,286
5	 Marlboro	38,510	 facebook	129,800
6	 Walmart	37,567	 AT&T	115,112
7	 Google	37,445	 VISA	110,999
8	 IBM	36,084	 Tencent 腾讯	108,292
9	 citi	31,028	 IBM	102,088
10	 TOYOTA	30,201	 McDonald's	97,723

Source: Kantar Millward Brown / BrandZ™ (including data from Bloomberg)

...TOP 10 BRANDS GET YOUNGER...

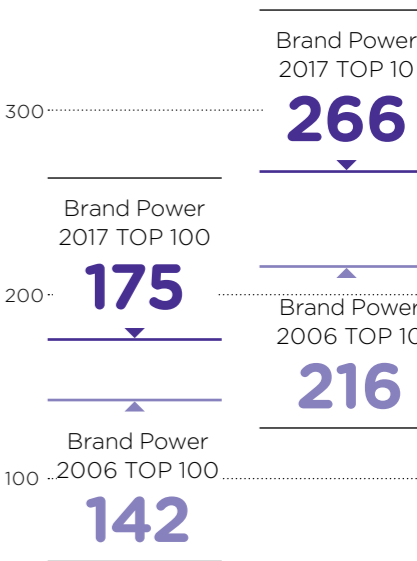
The average age of a Top 10 brand in 2017 is 42 (started in 1975). That is less than half the average age of a Top 10 brand in 2006, which was 88 (started in 1929).



Source: Kantar Millward Brown / BrandZ™

...AND THE STRONG GET EVEN STRONGER

In 2006, a BrandZ™ Global Top 10 brand scored an average of 216 in Brand Power, compared with an average of 142 for a brand ranked below the Top 10 in the Global 100. Today, a Top 10 brand scores 266, on average, in Brand Power, compared with 175 for other Top 100 brands.



Source: Kantar Millward Brown / BrandZ™

Cross-Category Trends

10 trends that impacted category value change

1

RETURN TO REALITY

Planning for tomorrow but making sales today



Car brands, which a year ago peered into a crystal ball in search of a future about mobility, looked closer to home and responded to the immediate needs of consumers, many of whom bought large, gas-consuming SUVs, even as they proclaimed their concern about climate change. Similarly, the oil and gas brands continued drilling, while shifting to gas and renewables. Both cars, and oil and gas brands operate in the same tension: sustaining a business based on supplying customer needs today, while anticipating, and

helping to create, the world that customers say they want to live in tomorrow. And both industries require long-term strategic planning, heavy forward investment, and complicated bets that rely on consumer research, climate science, and unknowable geopolitical factors.



Until last year, most brands could avoid cultural discord. The surprise outcomes of the UK Brexit vote and the US election made avoidance more difficult. Because people in the UK, US, and elsewhere were evenly split, brands potentially risked pleasing half of their customers and alienating the other half. Niche brands that shared the values of their customers had less of a dilemma. Mass brands with clearly articulated purpose and values had more permission to speak out. Even then, however, it was safer to frame a point of view in a larger societal context, rather than in divisive politics. Brands across categories could not ignore the power of people to express themselves in the voting booth—or at the cash register. Even oil and gas brands, which typically communicate primarily to a narrow group of influencers, thought more about their consumer-facing brands and the power of consumers to influence public policy.

2

TAKING A STAND

Geopolitical upheaval leaves no place to hide



PURPOSE

Faster value growth depends on Purpose

3

Geopolitical discord, and the question of whether brands needed to take a stand, made Purpose more important. Consumers, especially young people, expected brands to have a clear Purpose,

often a higher Purpose about not only improving consumers' lives, but even improving the world—or at least not harming it. Purpose needed to be the foundation for future growth, not a retrofitted explanation for past growth. BrandZ™ Vital Signs, a new brand health assessment tool, found that Brand Purpose serves as the foundation for four other Vital Signs: Innovation, Communication, Brand Experience, and Love. Brand with a clear Brand Purpose (seen as making lives better) grew three times faster in value, on average, over the past 12 years.



4

COLLABORATION

Brands combine competencies

The emergence of technologies such as the Internet of Things and autonomous cars accelerated collaboration between business-to-business and business-to-consumer technology brands. Car and technology brands linked to improve connectivity, using smartphone data to personalize cars with adjustments to seats, steering wheels, and entertainment systems. Sometimes category disruption or brand ambition required more than collaboration, as when e-commerce giant Alibaba partnered with Bailian Group, a Chinese retailer that operates over 5,000 stores. After many collaborations to build up its e-commerce strength, Walmart, with over 11,000 physical stores, took the next step and acquired the e-commerce startup Jet.com.

Cross-Category Trends

CITY CENTRIC

Mutual interests define markets

5

Global and local combined in a new way. As evidenced by the Brexit vote and the US national elections, political opinions that divide nations

also reveal cross-national affinities. Similarly, when shopping for products or services in categories as diverse as apparel, banks, beer, cars, and insurance, young people living in Brooklyn, Shanghai, or the Shoreditch section of London share more in common with each other than they do with people living in rural areas of their own countries. These cross-national affinities represent large potential brand opportunities. Brands looked at their markets through this new demographic lens.



6

CONSOLIDATION/ FRAGMENTATION

Categories defy laws of physics

Opposite market forces pulled on categories that consolidated at the same time they fragmented.

In beer, AB InBev and SABMiller combined, while more craft beers appeared. In insurance, Ace purchased Chubb at the same time that new InsurTech brands proliferated. In oil and gas, Shell digested recently acquired BG, but smaller operations developed fracking technology to drive down the threshold for profitability, which was critical with historically low oil prices.



7

PREMIUM/ LUXURY

Commoditization drives brands to premiumization

Brands shifted to the premium—even luxury—end of the market to avoid category commoditization and build margin. Beer and personal care brands introduced premium products globally. Mass brands in the car category featured safety and entertainment technology that a few years ago would have been available only in luxury models. In 2017, luxury brands comprise over half the BrandZ™ Car Top 10 ranking, compared with just over a third in 2006. During those 12 years, the proportion of luxury brands in the Personal Care Top 15 shifted from around a third to almost half. Even luxury became more luxurious. Hermès, one of the most exclusive luxury brands, increased 18 percent in value year-on-year, significantly surpassing overall 4 percent category growth.

LOYALTY

Brands seek sellable moments

9

Proliferation of choice, price promotion, and the entrance of niche disruptor brands are among the reasons that loyalty was difficult to cultivate. In addition, loyalty was not always fashionable. For self-expression, apparel customers preferred to mix and match, curating a personal style rather than wearing the same brand or designer head to toe. Similarly, personal care shoppers looking for the newest products chose from a wide selection of brands. Responding to this purchasing promiscuity, brands tried to reach consumers at the exact right moment to trigger a sale, increasingly on mobile.



At the same time young people sought the newest, fastest app, they also expressed a need to slow things down. As young people listened to digital music with earbuds, they bought more vinyl records. While taking photos with smartphones, millennials desired a cool vintage SLR camera. Craft beer and craft cola represented this retro style. Clothing from the 90s was “in.” And high-top sneakers were popular. Adidas increased in value 58 percent, more than any other brand, in part because its classic sneakers were perfectly on-trend.

8

NEW/OLD

Young pursue retro as antidote to modern



10

RETURN OF THE STORE

Interactive and smaller, stores are back in style

E-commerce still rules. Retailers in mature markets continue to close excess real estate. But stores are back. Physical stores—smaller, convenient, interactive, and loaded with technology—became an important expression of brand experience, especially in categories like apparel and luxury. Adidas launched a women’s studio with fitness classes in London. A Lululemon Lab store opened in New York. The online eyeglass brand Warby Parker opened more physical locations. Despite the rise in FinTech, bank branches remained an important way to personalize the consumer relationship and build trust. Shell gas stations continued to become a place for shopping on the way home or for dropping off or picking up parcels. Even Hermès experimented with pop-up stores. And the ultimate confirmation that physical stores are important came from their nemesis, Amazon, which opened a book store and prepared to open Amazon Go, its chain of automatic-checkout grocery stores.

Takeaways

5 actions for building valuable brands today

1 Be purposeful

Purpose is not new for brands. But it is now more important. In an uncertain and unsettling world, people are looking for answers and security. Purpose makes a difference to people—and to brands. Brands with a clear Purpose grew in value at three times the rate of other brands, on average, over the past 12 years according to BrandZ™ research. Purpose can be completely utilitarian. Or it can be about helping improve the world in some way. Increasingly, consumers, especially young people, are attracted to brands that, in an authentic way, are about making money, but are also about more than making money.

2 Be different

Difference gives the brands their competitive advantage. It is one of three components (along with Meaning and Salience) that comprise Brand Power, the BrandZ™ measurement of Brand Equity. Over the past 12 years, the BrandZ™ Global Top 100 brands viewed as most Different grew 258 percent in brand value. Those viewed as least Different grew only 21 percent. Consumers usually view technology brands as Different. Achieving Difference is more challenging for brands with long heritage. But buried in every successful brand that has survived for decades is the Difference that drove its success initially. It is important to rediscover that Difference and make it relevant today.

3 Be elastic

Category is not destiny. Certain brands, particularly technology ecosystems, benefit from elasticity. It is easier for those brands to extend across categories. Think like a disruptor brand, and focus on the needs of the consumer rather than the boundaries of the category. Categories help organize and define markets, but they are less useful when they become arbitrary definitions and constraints on innovation.

4 Be responsible

Words like “authenticity” and “transparency” have been part of the brand lexicon for a while, almost long enough to lose their meaning. However, they have become even more important. As major institutions continue to disappoint the public, brands have an opportunity to face growing skepticism, even cynicism, with honesty, by doing what brands are supposed to do—provide people with good products and services—and by reminding people that the brand is there to help.

5 Be prepared

Brands have invested a lot of effort to cultivate personalized customer relationships, sometimes based on shared values. To consumers, that closer connection makes some brands seem more like friends than strangers. And people have different expectations for their friends. They expect friends to speak up when important shared values are violated. Amid the current geopolitical turmoil around immigration, inclusion, climate change, and other issues, consumers often expect brands to take a stand. Taking a stand can be risky, especially for mass market brands that reach a broad constituency. Niche brands and brands with clearly articulated values may have more permission to take a stand. Usually, it is better to take a stand on principle, not politics. But the decision to take a stand—or not—is not always left to the brand. In these agitated times brands are called out all the time. Brands need to be prepared. Have the earthquake kit ready.



The Global Top 100

BrandZ™ Top 100 Most Valuable Global Brands 2017

	Brand	Category	Brand Value 2017 \$Mil.	Brand Contribution	Brand Value % Change 2017 vs. 2016	Rank Change
1		Technology	245,581	4	7%	0
2		Technology	234,671	4	3%	0
3		Technology	143,222	4	18%	0
4		Retail	139,286	4	41%	3
5		Technology	129,800	4	27%	0
6		Telecom Providers	115,112	3	7%	-2
7		Payments	110,999	4	10%	-1
8		Technology	108,292	5	27%	3
9		Technology	102,088	4	18%	1
10		Fast Food	97,723	4	10%	-1
11		Telecom Providers	89,279	3	-4%	-3
12		Tobacco	87,519	3	4%	0
13		Soft Drinks	78,142	5	-3%	0
14		Retail	59,127	2	20%	4
15		Regional Banks	58,424	3	0%	-1
16		Logistics	58,275	4	17%	1
17		Telecom Providers	56,535	4	1%	-2
18		Entertainment	52,040	4	6%	1
19		Conglomerate	50,208	2	-7%	-3
20		Payments	49,928	4	8%	0
21		Technology	45,194	3	16%	1
22		Fast Food	44,230	4	2%	-1
23		Telecom Providers	41,808	3	NEW ENTRY	
24		Retail	40,327	3	11%	2
25		Telecom Providers	38,493	3	2%	-2

Source: Kantar Millward Brown / BrandZ™ (including data from Bloomberg)
Brand contribution measures the influence of brand alone on financial value, on a scale of 1 to 5, 5 highest

BrandZ™ Top 100 Most Valuable Global Brands 2017

	Brand	Category	Brand Value 2017 \$Mil.	Brand Contribution	Brand Value % Change 2017 vs. 2016	Rank Change
26		Apparel	34,185	4	-9%	-2
27		Telecom Providers	31,602	3	-14%	-2
28		Regional Banks	31,570	2	-6%	-1
29		Luxury	29,242	4	3%	1
30		Cars	28,660	4	-3%	-2
31		Retail	27,934	2	2%	1
32		Technology	27,243	3	19%	6
33		Beer	27,037	4	-3%	-2
34		Apparel	25,135	3	0%	1
35		Cars	24,559	4	-8%	-2
36		Payments	24,150	4	-9%	-2
37		Technology	24,007	4	23%	11
38		Personal Care	23,899	4	2%	-2
39		Technology	23,559	5	-19%	-10
40		Cars	23,513	4	4%	-1
41		Luxury	23,416	5	18%	3
42		Baby Care	22,312	5	-3%	-5
43		Telecom Providers	22,002	3	0%	-3
44		Technology	21,919	2	18%	7
45		Fast Food	21,713	4	1%	-4
46		Technology	21,359	2	10%	3
47		Regional Banks	21,145	4	8%	-2
48		Global Banks	20,536	3	1%	-5
49		Technology	20,388	3	9%	1
50		Telecom Providers	20,197	2	3%	-3

The Brand Value of Coca-Cola includes Lights, Diets and Zero
The Brand Value of Budweiser includes Bud Light

BrandZ™ Top 100 Most Valuable Global Brands 2017

	Brand	Category	Brand Value 2017 \$Mil.	Brand Contribution	Brand Value % Change 2017 vs. 2016	Rank Change
51		Logistics	19,441	4	20%	12
52		Payments	19,156	4	20%	13
53		Retail	18,944	3	5%	2
54		Regional Banks	18,770	2	-4%	-8
55		Oil & Gas	18,727	1	11%	3
56		Regional Banks	18,551	3	12%	4
57		Oil & Gas	18,346	1	23%	9
58		Personal Care	17,740	4	-3%	-4
59		Global Banks	17,580	2	3%	-3
60		Regional Banks	17,437	3	7%	4
61		Insurance	17,260	3	2%	-4
62		Telecom Providers	17,180	3	-7%	-9
63		Regional Banks	17,137	4	19%	6
64		Alcohol	16,983	4	48%	29
65		Technology	16,785	4	NEW ENTRY	
66		Technology	16,725	2	15%	1
67		Personal Care	16,278	5	-1%	-6
68		Retail	16,257	2	12%	0
69		Telecom Providers	16,026	3	-14%	-17
70		Logistics	15,844	4	20%	3
71		Regional Banks	15,202	3	8%	-1
72		Regional Banks	14,981	2	-8%	-10
73		Regional Banks	14,289	3	16%	11
74		Global Banks	14,129	3	18%	15
75		Regional Banks	14,044	3	9%	2

Source: Kantar Millward Brown / BrandZ™ (including data from Bloomberg)
Brand contribution measures the influence of brand alone on financial value, on a scale of 1 to 5, 5 highest

BrandZ™ Top 100 Most Valuable Global Brands 2017

	Brand	Category	Brand Value 2017 \$Mil.	Brand Contribution	Brand Value % Change 2017 vs. 2016	Rank Change
76		Technology	14,018	3	NEW ENTRY	
77		Conglomerate	13,947	2	12%	4
78		Insurance	13,910	3	-17%	-19
79		Technology	13,594	4	10%	6
80		Luxury	13,548	5	8%	0
81		Fast Food	13,521	3	9%	1
82		Retail	13,375	2	3%	-6
83		Cars	13,065	3	0%	-8
84		Soft Drinks	12,730	4	4%	2
85		Oil & Gas	12,639	1	-4%	-13
86		Retail	12,365	3	7%	5
87		Regional Banks	12,286	2	9%	8
88		Telecom Providers	12,273	4	-4%	-10
89		Retail	12,273	2	2%	-2
90		Technology	12,234	2	NEW ENTRY	
91		Cars	12,163	4	-8%	-17
92		Technology	12,057	2	NEW ENTRY	
93		Technology	12,026	4	NEW ENTRY	
94		Regional Banks	12,013	2	-13%	-23
95		Telecom Providers	11,964	2	5%	-1
96		Telecom Providers	11,795	3	NEW ENTRY	
97		Insurance	11,691	3	11%	1
98		Technology	11,649	2	12%	2
99		Soft Drinks	11,567	4	-1%	-9
100		Cars	11,341	3	-1%	-8

The Brand Value of Pepsi includes Diets
The Brand Value of Red Bull includes sugar-free and Cola

Top 20 Risers

Value performance reflects dynamics of challenging year

Brands disrupt, rebound, or sustain value

Adidas rose 58 percent in value year-on-year, more than any other brand in the 2017 BrandZ™ Top 100 Most Valuable Brands. The German-owned apparel brand was followed by Moutai, the Chinese white alcohol, which increased 48 percent, and e-commerce giant Amazon, with a 41 percent rise.

Included among the Top 20 Risers—the brands with the greatest year-on-year value increase—are five brands that also appeared in the 2016 Top Risers list: Amazon, Burger King, Domino’s Pizza, Facebook, and PayPal. This is the fourth consecutive year Facebook has made the Top Risers list, a considerable achievement.

The 2017 Top 20 Risers, from 11 categories, reflect a key theme of the 2017 BrandZ™ Global Top 100 report: This was a period of geopolitical, economic, and social disruption that crossed all categories and spared few brands.

To comprehend the success of the Top Risers, it is useful to divide them roughly into three groups of brands: disruptors that fomented change; rebounders that successfully responded to change; and sustainers that endured despite change.

Disruptors

Amazon, the brand that virtually invented e-commerce and disrupted retail, is aiming to disrupt other categories, including cars and technologies associated with the cloud or the Internet of Things. The 41 percent brand value increase is especially impressive because of Amazon’s \$139.3 billion brand value.

Although Tesla did not report profits, it rose 32 percent in value, twice the rate of any other car brand, as its combination of electric car technology leadership and luxury marketing continued to set the pace for carmakers, who worried about the anticipated introduction of Tesla’s more mass market Model 3. Tesla surpassed Ford and GM in market value.

The 30 percent value rise for Netflix reflects the market strength of a brand that redefined how consumers access film and other entertainment content. Facebook appeared again because it continued to grow steadily, ending 2016 with over 1.8 billion monthly active users (MAUs), and advancing its three priorities: monetizing video, adding advertisers, and making ads more relevant.

Salesforce continued to drive its leadership in cloud customer-management tools, even collaborating

with established brands like IBM that worked hard to transition their legacy businesses into the cloud. With the rising concern about online security, PayPal benefited from its dominance as an online payment pioneer. Tencent, the internet portal and China’s most valuable brand, benefited from advertising growth on its vast ecosystem, which includes almost 890 million MAUs on its social media apps, including WeChat. Tencent also benefited from its online gaming business and payment-related and cloud services.

Rebounders

The 58 percent brand value rise by Adidas followed a 14 percent increase a year ago and a 36 percent decline in 2015. The brand caught the fashion wave exactly right, with its classic high-top sneakers becoming a favorite of millennials looking for a retro look. Adidas improved its weakness in the US with operational and marketing initiatives. Adidas opened a US factory, raised its profile in basketball, and signed US celebrity brand ambassadors.

Moutai continued to rebound from the sales slowdown that followed the Chinese government’s limits on extravagant official entertainment and gifting. Moutai adjusted pricing, expanded distribution, and cultivated export markets. Continuing some

of the strategies in place since their acquisition by the Brazilian investment firm 3G, the fast food brands Burger King and Tim Hortons focused on their core customers and added franchise locations.

Shell and Rosneft increased sharply in value despite continuing pressures on the oil and gas category. Shell’s assimilation of BG Group, acquired early in 2016, strengthened its position in liquid natural gas, a fast-growing industry segment. Russia’s Rosneft grew in brand value despite sanctions that restricted activity with Western companies. Rosneft sold just under 20 percent of the company to Glencore, a Swiss commodities trader, and Qatar in a 50/50 joint venture, thereby expanding its presence in the Middle East, signing agreements with Iraq, Libya, and other countries.

Morgan Stanley reported strong profit gains based on its wealth management services and other businesses. The bank invested in 10 FinTech companies during 2016 to better serve its high-wealth customers, expand its digital investing options, and raise margins.

Sustainers

The 29 percent rise in value for Domino’s Pizza followed a 30 percent increase a year ago. The brand continued to do a lot of things right, starting with the product, having improved the taste of its pizza several years ago. A fast food leader in digital innovation, Domino’s Pizza introduced an app to simplify pizza ordering and improve customer experience, from ordering to delivery. Many Domino’s Pizza delivery trucks now include warming ovens.

The Samsung brand proved resilient after the recall of its Note 7 smartphone. Its next smartphone iteration, Galaxy S8, received positive initial reviews for its design, especially the large curved screen. And Samsung’s finances remained strong because of its diverse product portfolio. DHL continued its

leadership in business-to-business logistics and added capacity in the US and Asia to handle the growing e-commerce volume. The three Latin American beer brands—Brahma and Skol from Brazil, and Mexico’s

Corona—are owned by AB InBev. Constellation Brands distributes Corona in the US. Each brand excelled at marketing communication that, with variations, associated the brands with joyful living.

TOP 20 RISERS

Rank	Brand	Category	Brand Value 2017 \$ Mil.	Brand Value 2016 \$ Mil.	Brand Value % Change 2017 vs. 2016
1	Adidas	Apparel	8,296	5,257	58%
2	Moutai	Alcohol	16,983	11,465	48%
3	Amazon	Retail	139,286	98,988	41%
4	Burger King	Fast Food	5,116	3,685	39%
5	Brahma	Beer	4,385	3,269	34%
6	Tesla	Cars	5,876	4,436	32%
7	Netflix	Technology	12,057	9,289	30%
8	Domino's Pizza	Fast Food	6,289	4,869	29%
9	Rosneft	Oil & Gas	4,937	3,833	29%
10	Tencent	Technology	108,292	84,945	27%
11	Facebook	Technology	129,800	102,551	27%
12	Tim Hortons	Fast Food	5,893	4,673	26%
13	Salesforce	Technology	12,234	9,914	23%
14	Samsung	Technology	24,007	19,490	23%
15	Shell	Oil & Gas	18,346	14,940	23%
16	Corona	Beer	8,119	6,626	23%
17	Morgan Stanley	Global Banks	8,920	7,304	22%
18	Skol	Beer	8,146	6,743	21%
19	PayPal	Payments	19,156	15,910	20%
20	DHL	Logistics	15,844	13,199	20%

Source: Kantar Millward Brown/ BrandZ™ (including data from Bloomberg)

Newcomers



More technology and telecom brands enter the ranking

Categories reflect Global 100 growth trend

Five of the newcomers to the BrandZ™ Global Top 100 are technology brands, spanning both business-to-consumer (B2C) and business-to-business (B2B) sectors, and two brands are telecom providers. These categories drive the growth of Global Top 100.



Xfinity, the highest-value Newcomer, entered the BrandZ™ Global Top 100 at No. 23. A brand of Comcast, the US telecommunications giant, Xfinity provides TV, internet, and telephone service, and is about to introduce mobile. It expanded its X1 cloud-based video platform and drove viewership during the Rio Olympics.

YouTube expanded its offering of original content for viewers as well as its advertising options for customers. It updated its TrueView ads, which include videos of varying length with content designed specifically to appeal to the targeted audiences. And while watching a video on mobile, the viewer can also scroll through related product offerings.

HPE (Hewlett Packard Enterprise) appeared in the Global Top 100 for the first time, having completed its first year as a corporate entity created when HP split the company into two parts, spinning off HPE to focus on servers, storage, networking, and

consultation, enabling it to better confront the disruptive changes in information technology. Soon after Snap Inc. completed its IPO, it signed an agreement with NBC Universal to have the Snapchat photo-messaging app carry content from the 2018 Winter Olympics. It also began to redefine itself as a camera company, introducing a product called Spectacles, sunglasses with a camera. Netflix grew revenue as it expanded its audience of global viewers interested in on-demand movies or TV, and introduced more original content.

Salesforce appears on the list because the brand that challenged some of the legacy business technology companies is rising in brand value. Salesforce continued to expand its cloud-based customer relations platform, designed for collaborative working with up-to-the-minute information. Sprint, a challenger telecom providers brand, appealed to millennials with a price-driven, contract-free proposition, and irreverent messaging that pokes fun at the category leaders.

THE NEWCOMERS



Source: Kantar Millward Brown / BrandZ™ (including data from Bloomberg)

Brand Contribution

High Brand Contribution drives volume, premium

And adds stability in disruptive markets

Brand Contribution is the BrandZ™ metric that assesses the extent to which brand alone, independent of financial or market factors, drives purchasing volume and enables a brand to command a price premium. Brands that score well in Brand Contribution are viewed positively by consumers.

(Please see the Methodology section at the end of this report for more details.)



High Brand Contribution can take time to build, but it is a sustaining force. Of this year's Brand Contribution Top 15, all but two appeared in the Brand Contribution ranking a year ago. The newcomers are Stella Artois, a global premium beer owned by AB InBev, and Tencent, the Chinese internet portal that is No.1 in the BrandZ™ Top 100 Most Valuable Chinese Brands.

Six of the Brand Contribution Top 15 are beer brands and four are luxury brands. These two categories would seem quite different—beer focused more on a mass market and luxury dependent on exclusivity. However, brands in both categories rely heavily on the consumer's perception of value. And brands in both categories invest heavily in brand building and brand communication.

The return on investment can be significant. The soft drinks category has been under pressure for years because of consumer health concerns. Consumption of carbonated soft drinks in the US declined for the 12th consecutive year. The soft drinks category remained unchanged in value. Yet Coca-Cola remains the

world's second-highest scorer in Brand Contribution, after Aguilá, a local Colombian beer.

Similar circumstances surround the third-highest Brand Contribution scorer, Pampers. In some of the brand's global markets, China, for example, e-commerce is turning diapers into a commoditized, price-driven category. The investment Pampers makes in differentiating the brand as a source of knowledge and consultation for young parents broadens its appeal, creates an emotional connection with consumers, and helps produce its high Brand Contribution score.

Personal care brand Estée Lauder also establishes a consultative relationship with its customers, which helps sustain it against smaller disruptor brands. Baidu and Tencent, the two Chinese technology brands in the Brand Contribution Top 15, illustrate a correlation between high Brand Contribution and the ability to become important in the life of the customer, in these cases being constantly available to fulfill needs for information, shopping, and payment.



BRAND CONTRIBUTION TOP 15

Rank	Brand	Brand Contribution	Category	Brand Value 2017 \$ Mil.	Brand Value 2016 \$ Mil.	Brand Value % Change 2017 vs. 2016
1	Aguila	5	Beer	3,843	3,270	18%
2	Coca-Cola	5	Soft Drinks	66,489	67,749	-2%
3	Pampers	5	Baby Care	22,312	22,911	-3%
4	Gucci	5	Luxury	13,548	12,592	8%
5	Skol	5	Beer	8,146	6,743	21%
6	Heineken	5	Beer	10,878	10,549	3%
7	Estée Lauder	5	Personal Care	4,215	4,190	1%
8	Brahma	5	Beer	4,385	3,269	34%
9	Hermès	5	Luxury	23,416	19,821	18%
10	Stella Artois	5	Beer	9,949	9,546	4%
11	Chanel	5	Luxury	11,019	10,316	7%
12	Corona	5	Beer	8,119	6,626	23%
13	Tencent	5	Technology	108,292	84,945	27%
14	Baidu	5	Technology	23,559	29,030	-19%
15	Burberry	5	Luxury	4,285	4,594	-7%

Source: Kantar Millward Brown/ BrandZ™ (including data from Bloomberg) and Kantar Vermeer
Brand contribution measures the influence of brand alone on financial value, on a scale of 1 to 5, 5 highest



Brand Importance

Consumers say brand, not price, is most important buying factor



Brands are important to consumers. To find out how important, we analyzed almost 5,350 brands across 85 product categories in 32 countries. When making a purchase, brand was important to 86 percent of consumers, according to our BrandZ™ research.

Over half of all consumers—56 percent—said that brand, not price, is the most important determinative factor when they make a purchase, and 30 percent said that they consider both brand and price.

To understand how brand and price influence brand value growth, we compared the 85 brands that appear both in the 2006 and 2017 BrandZ™ Global Top 100 rankings. We divided the brands into four quadrants based on whether consumers perceived the brands to be high or low priced, and whether consumers believed that the brand was worth more or less than they were paying for it.

The connection between the price of a brand and the consumer's perception of what it is worth is crucial. Brands that got it right increased 182 percent in brand value over the past 12 years. In comparison, brands priced lower than the consumer perception of the brand's worth increased only 128 percent in brand value.

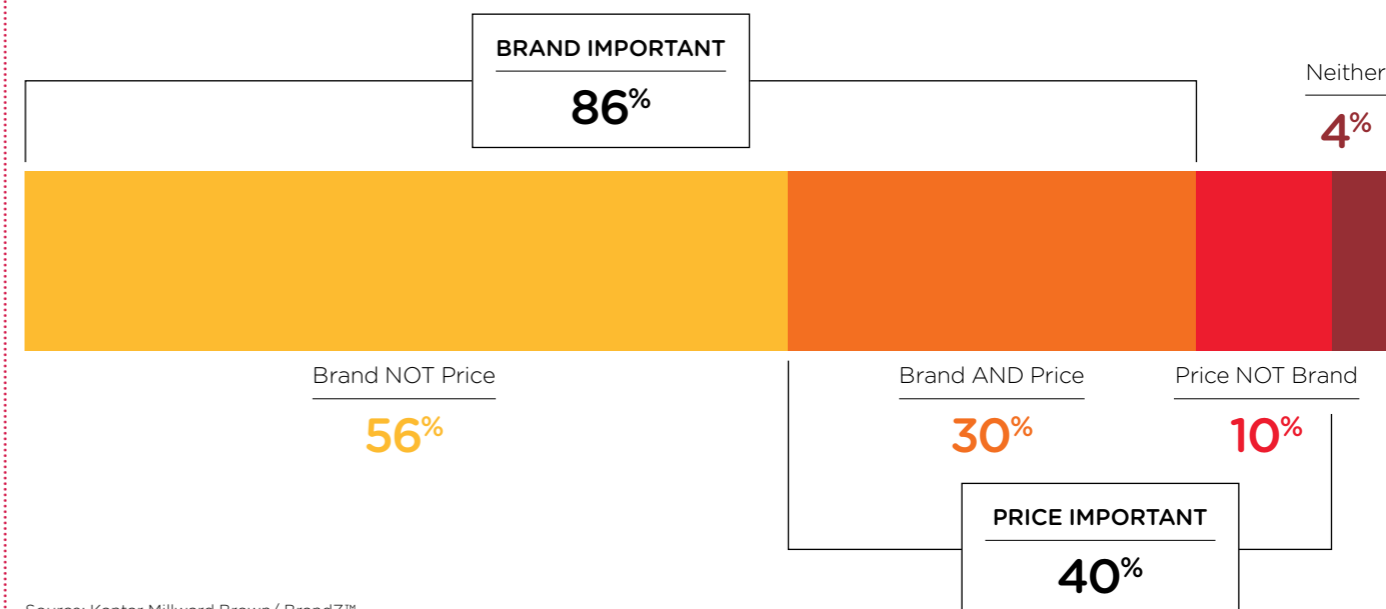
BRAND IMPLICATIONS

Price is important, but it is subsidiary to brand. Brands should not underprice themselves. Brands that price below their perceived worth sacrifice potential profit and value growth. Brands that price below their perceived worth also signal that they may be low in quality.



BRANDS ARE IMPORTANT TO CONSUMERS...

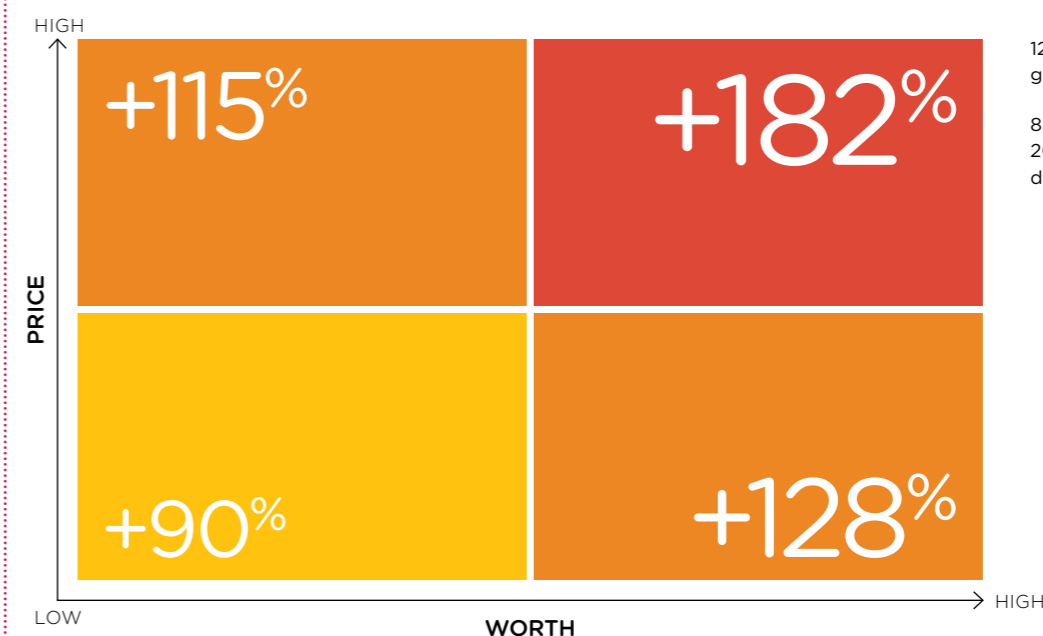
When making a purchase, brand was important to 86 percent of consumers.



Source: Kantar Millward Brown/ BrandZ™

...AND PRICE IS IMPORTANT, BUT SUBSIDIARY

Brands that priced high, in line with consumer perceptions of their worth, led in brand value appreciation.



12-year brand value growth (2006 to 2017)
85 brands that appear in 2006 and 2017 rankings, divided into quadrants.



Source: Kantar Millward Brown/ BrandZ™

Difference



Perceived Difference drives higher pricing, value growth

The connection between maximizing price potential and accelerating value growth raised an obvious question: What causes consumers to view a brand as being worth a higher price? We again analyzed the 85 brands that appeared in both the 2006 and 2017 rankings.

We found that the brands that consumers saw as both higher priced and worth their higher price scored 145 in Difference. In contrast, brands that consumers saw as lower priced and not worth a higher price scored only 97 in Difference. Difference is a component of Brand Power, the BrandZ™ metric of brand equity. An average score is 100.

We then took the same 85 brands and divided them into three groups, according to their Difference scores, to measure the effect of Difference on brand value growth. We found that over 12 years, the top third in Difference grew 258 percent in brand value, while the bottom third grew only 21 percent.



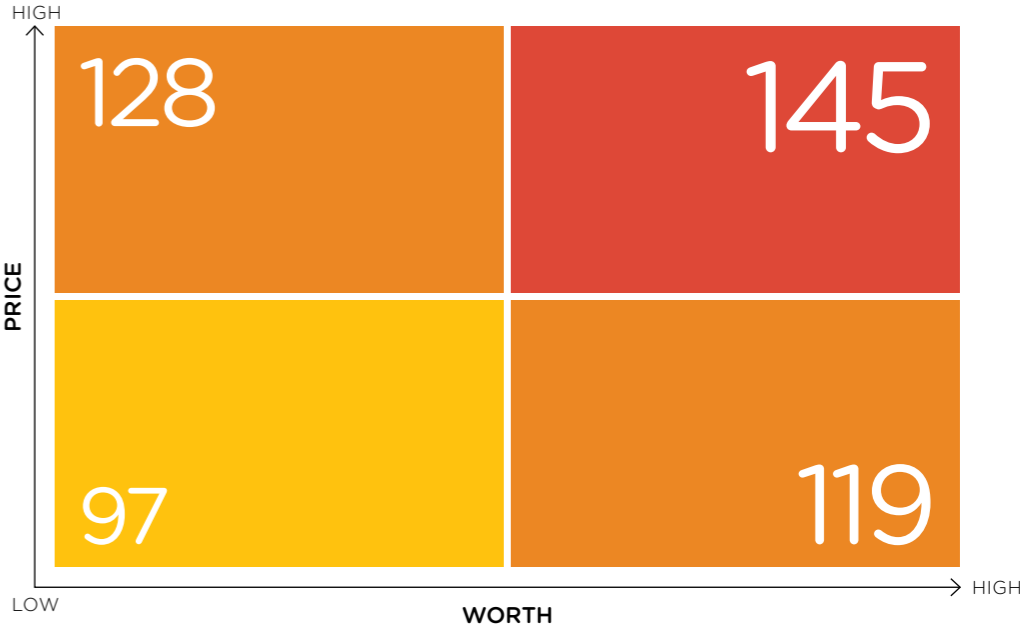
BRAND IMPLICATIONS

Difference makes the difference. The more Different a brand appears to the consumer, the more the brand can justify a price premium, and the faster a brand will grow in value. Unlike the many uncertainties of the marketplace that a company cannot control, marketers can build brands to create a sense of difference that predisposes consumers to choose them over the competition.



DIFFERENCE JUSTIFIES HIGHER PRICES...

The brands that consumers see as both higher priced and worth their higher price scored 145 in Difference.

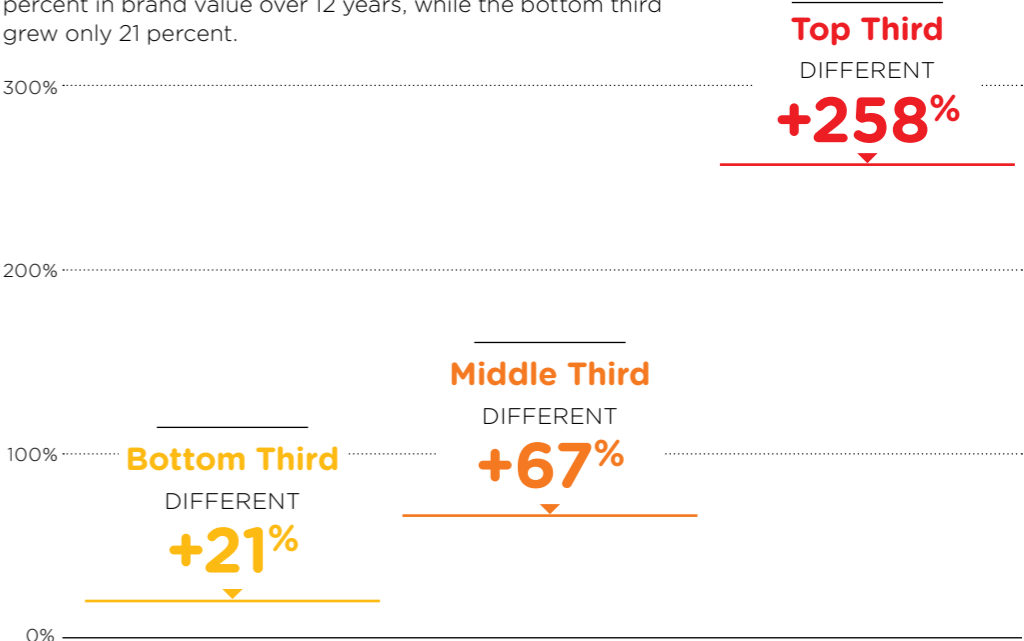


Difference scores for the 85 brands that appear in 2006 and 2017 rankings.

Source: Kantar Millward Brown/ BrandZ™

...AND DIFFERENT BRANDS GROW VALUE FASTER

Of the 85 brands analyzed, the top third in Difference grew 258 percent in brand value over 12 years, while the bottom third grew only 21 percent.



Brand value growth for the 85 brands that appear in 2006 and 2017 rankings, based on their Difference scores.

Source: Kantar Millward Brown/ BrandZ™

Brand Power

Brand Power drives sales and brand value growth

Brand Power is the BrandZ™ equity metric that describes the predisposition of consumers to choose a brand. It correlates with both sales and brand value growth. To measure the impact of Brand Power on brand value, we divided the 85 brands that appear in the 2006 and 2017 BrandZ™ Global Top 100 ranking into three equal-sized groups, according to their Brand Power scores.

The group with the highest Brand Power scores grew 171 percent in brand value over the past 12 years. The middle group increased 125 percent, which was twice the rate of the lowest group, which increased in value only 59 percent.

Brands that appeared in the 2006 Global Top 100 but dropped out of subsequent rankings scored reasonably well in Brand Power, 133. (An average score is 100.) However, brands that appeared in both the 2006 and 2017 ranking scored much higher (172), as did brands that joined the ranking in 2017 (178).

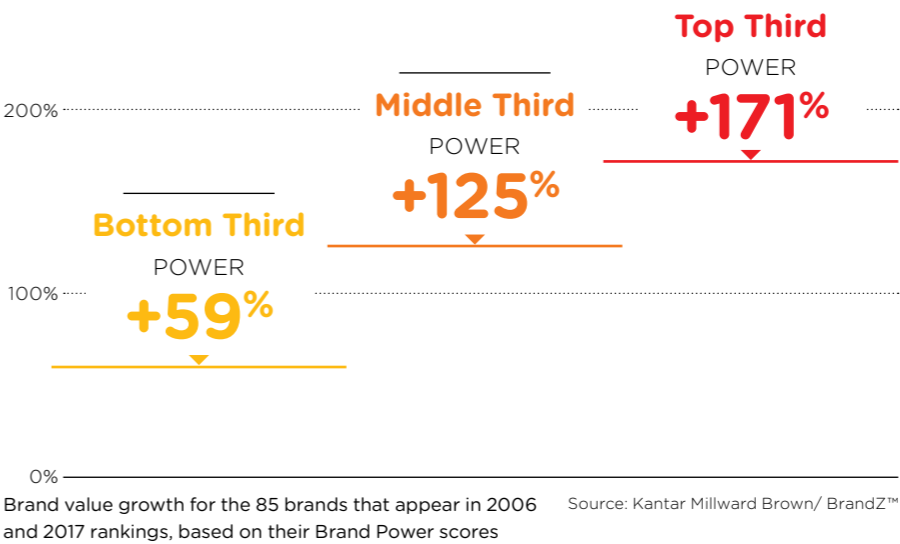
When we tried to understand why some brands dropped from the ranking and other brands joined it, we found one striking distinction: age. Brands new to the ranking, on average, started 20 years ago, in 1997, while brands that dropped from the ranking started 64 years ago, in 1953. Because of their relative youth, the newcomer brands made an impression on consumers who viewed them as much more Creative, Fun, Adventurous, and Brave.

BRAND IMPLICATIONS

The Brand Power score changes over 12 years confirm the importance of brand. Brands that increased in Brand Power—that created and amplified Meaningful Difference—should enjoy a large and ongoing advantage in growing sales and value. Sustained high Brand Power is necessary to remain in the BrandZ™ Global Top 100.

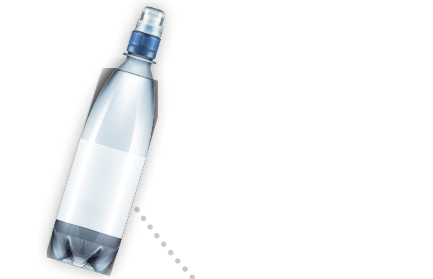
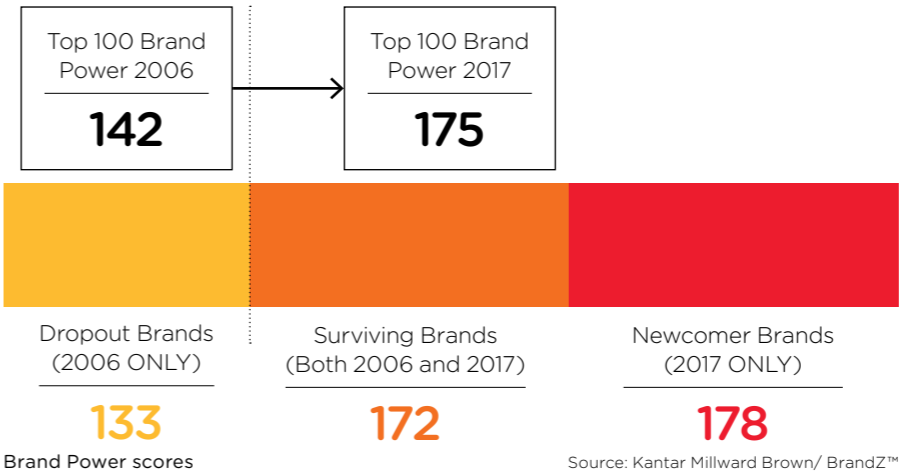
HIGH BRAND POWER DRIVES VALUE RISE...

Brands with the highest Brand Power scores grew the most in brand value—171 percent—over the past 12 years.



...SURVIVING AND NEW BRANDS SCORE HIGHER IN BRAND POWER...

Compared with brands that dropped out of the Global Top 100, those that appeared in both the 2006 and 2017 ranking, as well as those that joined the ranking in 2017, scored much higher in Brand Power.



...AND THE NEW BRANDS ARE YOUNGER AND MORE “EXCITING”

Brands new to the Global Top 100 were generally much younger and more exciting than the brands that dropped out.

Newcomer Brands	
Creative 113	Fun 106
Adventurous 106	Brave 102
Dropout Brands	
Creative 102	Fun 96
Adventurous 97	Brave 94

Meaningful Difference

Meaningful Difference is root of Brand Power

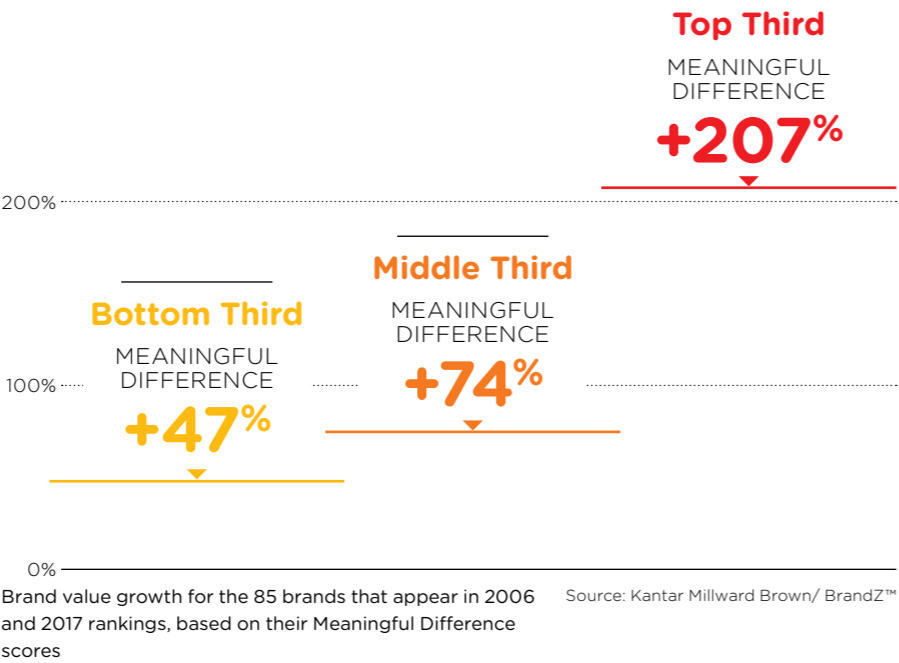
Since Brand Power is important as a driver of sales and brand value, the logical question is, what drives Brand Power? The answer is Meaningful Difference. Brand Power is a composite of three factors: Meaning, Difference, and Salience.

Brands need to be seen by their relevant consumers as Meaningful—meeting the consumer’s functional and emotional needs in ways that are relevant and create affinity. Consumers are unlikely to consider a brand unless it is perceived as Meaningful. Once they have positively connected with consumers, brands need to stand out from other brands that also have built affinity.

Brands need to create a sense of Difference. They need to be seen by consumers as distinctive, even trend-setting. Difference gives brands their competitive edge. Finally, once brands achieve Meaningful Difference, they need to “amplify” it—by advertising, social media, retail shelf position, and other tactics—to become top of mind, or Salient.

MEANINGFULLY DIFFERENT BRANDS GROW VALUE

Meaningful Difference drives Brand Power. It is a key to brand success.



SYDNEY - AUSTRALIA

Value of all Australian brands in Global Top 100

\$43.8 Billion

Differentiation

Can Apple repeat “Think Different” on 10th iPhone anniversary?

Clearly stated purpose sets high bar
for innovation and market disruption

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“Think different” remains one of Apple’s most memorable slogans and neatly distills the purpose of the brand simply and brilliantly for consumers all over the world. Never has this vision been delivered more emphatically than with the launch of the iPhone in 2007. With the 10-year anniversary in June this year, now is an opportune moment to assess its impact and to examine the brand’s current and future challenges as it moves into its second decade.

Apple has enjoyed unprecedented financial success over this period, and the contribution of the iPhone has been a major factor. According to BrandZ™, Apple’s global brand leapt in value by \$210 billion during this time, to reach an eye-watering \$234.7 billion in 2017—an increase of 850 percent.

The iPhone delivered “disruption” in the truest sense, establishing an entirely new category within a category—the smartphone—and beginning a seismic shift in consumer expectations. For the

first time, people had the internet in the palms of their hands.

The iPhone had an important weapon in its arsenal from the start—the Apple brand. Looking at global analysis combining several key markets (USA, UK, Brazil, Mexico, Germany, France, Italy, Spain, China, India, Japan, Korea) back in 2007, iPhone was already perceived as extremely different, with an average Difference Index of 175 versus an average of 100. But the brand was not well known versus the competition; its average Salience Index was only 60.



Over the next 10 years, the brand extended its lead on differentiation even further by delivering on the promise of a game-changing—even life-changing—experience for users. Perceived difference grew by 40 percent to reach an index of 245. The effect of this was twofold:

1

Huge demand

iPhone's global Power score (consumer demand based on strength of brand equity) improved from a global index of just 69 in 2007 to 236 in 2016.

2

A justified premium

iPhone's global Premium Index peaked at 130 globally in 2016—the brand's equity was able to support a price point 30 percent above the average in a typical market.

In contrast, the impact on many competitors and Nokia in particular was devastating. Nokia's long-established global point of difference was decimated; dropping from a Difference Index of 145 in 2007 and spiraling to just 84 in 2016. Nokia suffered not only diminished demand—Power fell 60 percent, from a whopping 374 in 2007 to 151 in 2016 (and in the US from 248 to just 66), but the brand's ability to charge a price premium collapsed entirely. Nokia's Premium index dropped from a global average of 133 to only 102—a decline of 23 percent.

A Galaxy of challenge

However, as happens in any category, challengers have emerged to threaten iPhone's dominance, the largest of these being the Samsung Galaxy series.

First launched in 2010, the Samsung Galaxy sparked huge growth in the global marketplace for Samsung, as evidenced by a global Power score increasing from 155 to 300 over the decade.

The initial challenge was around the perceived price difference between the two brands, with Samsung perceived to offer a similar product at a more acceptable price for many. A strong offer has enabled Samsung to slowly premiumize, while iPhone's perceived premium is falling.

Taking the US as an example, there have been some clear changes in the perceived pricing of the two brands over the decade. Between 2008 and 2016:

- **Samsung's Perceived Price Index rose from 90 to 116**
- **iPhone's Perceived Price Index fell from 185 to 145**

The challenge for iPhone is to continue to deliver a clear point of difference in order to justify a circa 30 percent premium over Samsung.

Samsung's recent travails with the recall of the Note 7 do not seem to have caused long-term damage to the brand's financial performance, suggesting a strong brand with a loyal following.

Make way for China

The challenge to the iPhone has not been limited to Samsung, however. A new group of Chinese brands now offer similar functionality at a much lower price. Brands like Huawei, Xiaomi, Vivo, and Oppo have entered the market and quickly gained share. According to BrandZ™ data in 2016, the average perceived price across markets for these brands ranged from 80 to 103, though demand remains relatively low outside of China. Within China, however, both Xiaomi and Huawei are now very well established offerings at comparatively low price points. Huawei is also investing heavily in global marketing, boosting the brand's presence and influence.

These relatively new players have also impacted the price premium that both iPhone and Samsung can justify based on their existing equity in China. This has fallen between 10 percent and 15 percent for both brands since 2013.

Apple's response was to launch the iPhone SE in early 2016; this

was the brand's first attempt to deliver a “budget” offer in a smaller size (still at a comparative premium, but available for 40 percent lower than the 6s for the same tariff). This allowed iPhone to reach further down the budget spectrum to prevent users from being tempted to move elsewhere for their next handset.

The battle for the future

The next six months are likely to be the most important and interesting in the smartphone market for years. The recent launch of the Samsung Galaxy S8 in March is likely to be followed by the iPhone 8 in September (though there are whispers of a delay) and both releases come at a time when the market has a general feeling of stagnation for many. Incremental improvements to screen sizes and cameras just don't generate a high level of curiosity and certainly don't offer the same opportunity for differentiation that they once did.

In an era where consumers are becoming more embedded in a brand's “ecosystem,” many are likely to take the path of least

resistance when upgrading their devices. If I have an iPad, iMac and iPhone, access my music through iTunes, and store and access my photos via iCloud, am I really likely to choose a Galaxy S8 over the iPhone 8 when I upgrade my handset? Hardly, unless there is a very good reason to do so—the next game-changing innovation, the next “iPhone-level event” (iLE).

An intensified focus on software will likely be the lead battleground, with artificial intelligence the likely route to ever greater and increasingly effortless user interaction. Augmented reality offers another tantalizing opportunity, as evidenced by the global hysteria surrounding the success of Pokémon Go! last year.

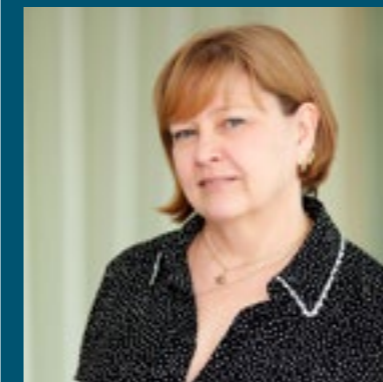
“Think Different?” As we approach iPhone's 10-year anniversary, there's never been a better time for the brand to re-apply that particular mantra and truly disrupt once more. The race for the next iLE is on; the question is, who will deliver it?

The Purposeful Age

As activism goes mainstream, brands must take their place in culture and society

Purpose-led brands resonate with their audiences, including employees

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We live in troubled times. Despite the tremendous advancements in technology, the world faces climate crisis, violence, poverty, discrimination, and hatred.

Should brands take a stand?

Multiple studies state that people expect corporations to contribute to society. A report by Unilever shows a third of consumers buying from brands based on their social and environmental impact.

Brave stands by brands with a clear purpose can produce favorable financial performance. Unilever observed brands that “have integrated sustainability into both their purpose and products growing 30 percent faster than the rest of the business.”

Harvard Business Review published “The Business Case For Purpose,” which showed that companies with “a strong sense of purpose are able to transform and innovate better, while it also helps to improve employee satisfaction.”

Key stakeholders: Employees

Smart companies know that their own employees are especially attuned to what that brand stands for in the public eye. Some of the top ads that ran during the 2017 Super Bowl—like the brilliant Budweiser immigrant story of founder Adolphus Busch—were a way to signal to employees that the corporation they work for values the multicultural nature of their workforce. (In spite of the current US administration's regressive attitude, almost all families in the US cherish their own immigrant stories. My grandmother went through Ellis Island on her own as a teenager from Poland and married a first-generation Irish American; I'm a direct result of this melting pot.)

Corporate social lobbying

Even before the recent election, immigration issues were a major concern for tech giants like Google and Facebook that employ high-skilled foreign workers. Indeed, some such as Google and Yahoo! were co-founded by immigrants.



People who think brands have no place in anything political forget that for decades major corporations have hired public affairs professionals to represent their interests. As part of our specialist services, H+K has a bipartisan team of legislative and regulatory strategists that help clients navigate this space.

What's different now is that brands driven by purpose are following the same north star in their marketing communications as they do in public affairs. Activism has entered mainstream culture. Going beyond the corporate social responsibility (CSR) programs of the past, purpose-led companies are merging these efforts into the spotlight of their advertising and PR programs.

Purpose as a creative platform

Airbnb didn't have to agonize about taking a stand in their own Super Bowl ad, "We Accept." Their stated mission of helping people "belong anywhere" naturally leads to creative expressions of this commitment. And they prove this promise via actions like fighting any discrimination by hosts and providing donations and housing for refugees.

What's interesting is that more established travel brands are getting on board. Expedia launched an ad about connecting across cultures during CNN's coverage of the US presidential inauguration, and Hyatt ran a message of acceptance during the Oscars.

Being a part of a bigger community is a hallmark of socially conscious brands, but it can be expressed in small everyday actions as well as costly TV adverts. A team from my agency worked with local mall client Westfield on an Easter weekend activation called "Revamp Camp: Customise your Closet." In collaboration with the charity Save the Children, the workshops showed kids creative ways to dress up old clothes and keep them out of the landfill.

A higher purpose vs. the bottom line

"It's not a principle until it costs you money," said Bill Bernbach back in the day.

Now in its second year, outdoor recreation retailer REI's much-awarded #OptOutside program is more of a movement than a marketing campaign. By closing all its stores on Black Friday, America's biggest shopping day of the year, REI proved its commitment to outdoor adventure was more than an ad slogan.

What I especially like was the benefit to REI staff, who are outdoor enthusiasts themselves. For the first time, they got the day off.

REI's CEO reports that "after #OptOutside we saw a 100% increase in applications for jobs in Q4 and our retention is double our retail competitors." More proof that people want to work for a company who respects them and acts on their values.

Empathy and respect

For 2017, REI launched a new public effort called "Force of Nature," a program designed to bring gender equality to the outdoors.

Sixty percent of women say that men's interests in outdoor activities are taken more seriously than women's, according to REI's *2017 National Study on Women and the Outdoors*. So REI will focus their marketing efforts on women in 2017 to combat current male-dominated imagery of people in the outdoors.

This empathy and respect for their female customers reminds me of the equally empowering "This Girl Can" movement from Sport England, which encourages all women to be active.

Fighting back

There is no doubt we are in a cultural shift or course correction that seeks to end decades of tired clichés and stereotypes about women.

A personal favorite comes from ANZ Bank in Australia. "Pocket Money," which shows girls getting paid less for chores than their brothers, is the most charming argument against the wage pay gap I've ever seen. And it's part of a bigger program called #EqualFuture, designed to help achieve financial gender equity.

ANZ is a shining example of a brand being active in an area where they have a clear right to play. This is a key factor in successful brand activism.

To combat neo-Nazi graffiti polluting Berlin neighborhoods, a paint store enlisted street artists to "#PaintBack" by transforming the swastikas into flowers, bunnies, and other happy images. They took a visible stand against hate in a creative way—and won the 2016 Eurobest Design Grand Prix as a bonus.

Be bold for change

That was the theme for the most recent International Women's Day. And it is great advice for any brand built around a purpose. We live in troubled times. Brands can and should be part of the solution.

WPP TAKES A STAND

I was never more proud to work for WPP than when Sir Martin Sorrell went on stage at Cannes Lions with the other major holding companies and then-UN Secretary General Ban Ki-moon to launch Common Ground in support of the UN Sustainable Development Goals (SDGs). As Goal 17 states: "A successful sustainable development agenda requires partnerships between governments, the private sector and civil society."

WPP chose Goal 5: Gender Equality. As the H+K liaison for Common Ground, this gave me the privilege of meeting with UN Women, the United Nations Entity for Gender Equality and the Empowerment of Women.

A first step to support UN Women is to sign on to their Women's Empowerment Principles, which "offer practical guidance to business and the private sector on how to empower women in the workplace, marketplace and community." Close to 1500 CEOs have taken this stand for gender equality to date.



Disruption & Change

Business-to-Business

Brands continue to blur border dividing B2B, B2C

Business brands adopt consumer brand-building skills

The distinction between business-to-business (B2B) and business-to-consumer (B2C) brands continues to blur because of increased collaboration and disruption. The emergence of technologies such as the Internet of Things and autonomous cars has accelerated collaboration. Cloud computing has disrupted the IT structure of the workplace, decentralizing purchasing and introducing more consumer devices.

The BrandZ™ B2B Top 20 ranking reflects this blurring. The ranking includes the highest-value brands in the BrandZ™ Global Top 100 that generate over half their revenues from business clients. Nine of the B2B Top 20 are technology brands, four are banks, and seven are divided among these categories: logistics, oil and gas, and conglomerates.

Few brands are purely B2B. Microsoft and IBM, ranked first and second in the B2B Top 20, are primarily business brands, but they also have consumer-facing operations, particularly Microsoft, and they collaborate with B2C brands. Conversely, the first- and second-ranked brands in the Global Top 100, Google and Apple, are primarily B2C brands, but they also gain revenue from business clients.

Amazon, No. 4 after Microsoft in the BrandZ™ Global Top 100, is the paradigmatic disruptor. Its consumer-facing e-commerce business has transformed retail, while its delivery service challenges logistics brands

and its replenishment technology threatens fast-moving consumer-product brands.

Catching up

The B2B brands have some catching up to do. Over the past 12 years, the BrandZ™ B2C Top 20 increased in brand value 233 percent, more than twice the rate of the BrandZ™ B2B Top 20 brands, which increased 90 percent. And the B2B brands lagged the B2C brands in each of the five BrandZ™ Vital Signs: Innovation, Communications, Brand Experience, Brand Purpose, and Love. High scores in these indicators mean that a brand is perceived as Meaningfully Different and has a better chance of growing market share and commanding a price premium.

Recent results suggest that B2B brands may be narrowing the gap in the rate of value growth. Over the past year, both the Top 20 B2B and B2C brands increased in value at virtually the same rate, 11 percent



INSIGHT



Brands attempt to develop B2B side of business

We're seeing that a lot of brands that already straddle consumer and business are putting more emphasis on the business sector. They see opportunity there and, because they've focused on the consumer market so far, they're finding it more difficult to grow share just slugging it out with the competition. B2B is potentially an underdeveloped part of their business.

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and 10 percent. Several factors may account for this phenomenon, including the disruptive nature of the year, which touched all categories, and the fact that the annual value growth of some of the large B2C technology brands slowed. However, the comparable value growth rates may also reflect the increase in crossover collaboration and aggressive efforts by B2B brands to adopt B2C skills in communications and customer cultivation and management.

Adopting a B2C mentality

To narrow the gap, more B2B brands may need to emulate the way in which B2C brands segment their markets and interact with customers. The default B2B market segmentations that group together small, medium, and large companies are not always most effective, especially when B2B brands serve their small customers with technology, their large customers with human interaction, and the medium-sized customers with a combined approach.

Similarly, some large organizations with both consumer and commercial businesses market the same products one way to corporate clients and a different way to consumers. They emphasize the corporate name with commercial clients, as a service reassurance, while they promote their individual brands to consumers. Ultimately, brands need to cultivate communication and brand-building skills to serve both business and consumer customers.

The logistics brands in the BrandZ™ B2B Top 20—UPS, FedEx, and DHL—have adopted some B2C lessons, perhaps because the rise of e-commerce has placed them face to face with consumers. UPS added new dimensions to the brand with a richer story about being a problem solver, especially for small businesses that lack expertise and resources.

INSIGHT



Disruptors force traditional B2Bs to be more agile

B2B brands need to prove their credentials in ways that consumer brands don't have to. In B2B, the advertiser cannot portray a false illusion, because the experience of the product makes the brand.

B2B advertisers need to be more multidimensional. That poses a challenge to many of the established brands that have built their reputation around reliability or seriousness. They now need to be more agile and adapt to changes in the industry. It's becoming more and more difficult to be credible. In contrast, a disruptor brand comes in and is immediately, and believably, much more agile, which builds credibility.

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For some B2B brands, access to consumers provides unrealized growth potential. For example, with the right marketing approach, a financial services company could become the bank of choice for the employees of its corporate clients. Unlocking this potential requires a culture shift, and that depends largely on hiring and retaining the right people.

Attracting talent

B2B technology brands illustrate the recruitment challenge. Since the advent of cloud computing, businesses now purchase technology differently. As a result, B2B technology brands need to adapt their recruiting strategies. It used to be that decision-making authority was concentrated in the IT director, who reviewed complicated specs and made a rational choice from a small consideration set of B2B brands. That decision often resulted in a long-term marriage between a client and a major B2B technology brand; with products and services integrated throughout the client company, the deep interdependence that was created made divorce unlikely.

Because that decision was so consequential, and potentially impacted the career advancement of the decision maker, the IT director often made the safe choice, a large legacy brand with an impeccable reputation. Today, with nimble cloud-computing brands promising lower costs and less risk, the safe choice for an IT director wanting to demonstrate competence is to review a wide consideration set that includes startups.

In addition, the decision-making process in technology purchasing today is more decentralized. And rather than meet only with the IT director, the B2B brand more likely will interact with potential decision makers in diverse departments throughout an organization. These decision makers often are millennials who have recently risen to positions of authority, and whose experience with technology brands is more with B2C brands than with the B2B heritage brands.

Consequently, B2B brands are looking for people who know how to navigate a corporate organizational chart and find the decision makers. And the B2B brands are not just seeking sales people with these qualities—they want knowledgeable and relatable people at all levels, because the interface with customers happens throughout the organization.

As B2B brands do a better job communicating their purpose, they are attracting more young people who want to make money, but who also want to spend their time doing something that feels more worthwhile than simply making money. To recruit and retain more of these millennials, B2B brands need to become their destination of choice, rather than the default “safe school” alternate to Apple, Google, or Facebook.

INSIGHT



B2B brands recruit talent from across the sector divide

B2B brands are bringing more B2C talent across. The B2B brands realize that they need that level of human understanding. As their businesses change, they need people who understand the individuals and relationships within organizations, and who know how to navigate within a customer organization and among the decision makers.

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BrandZ™ B2B Top 20

	Brand	Category	Brand Value 2017 \$Mil.	Brand Value 2016 \$Mil.	Brand Value % Change 2017 vs. 2016
1	Microsoft	Technology	143,222	121,824	18%
2	IBM	Technology	102,088	86,206	18%
3	Wells Fargo	Regional Banks	58,424	58,540	0%
4	UPS	Logistics	58,275	49,816	17%
5	GE	Conglomerate	50,208	54,093	-7%
6	SAP	Technology	45,194	39,023	16%
7	accenture	Technology	27,243	22,813	19%
8	intel	Technology	21,919	18,632	18%
9	ORACLE®	Technology	21,359	19,489	10%
10	HSBC	Global Banks	20,536	20,276	1%
11	HUAWEI	Technology	20,388	18,652	9%
12	FedEx®	Logistics	19,441	16,236	20%
13	ExxonMobil	Oil & Gas	18,727	16,838	11%
14	Shell	Oil & Gas	18,346	14,940	23%
15	citi	Global Banks	17,580	17,055	3%
16	CISCO	Technology	16,725	14,508	15%
17	DHL	Logistics	15,844	13,199	20%
18	J.P.Morgan	Global Banks	14,129	11,943	18%
19	Hewlett Packard Enterprise	Technology	14,018	NEW ENTRY	
20	SIEMENS	Conglomerate	13,947	12,485	12%

Source: Kantar Millward Brown / BrandZ™ (including data from Bloomberg)

B2C outpaces B2B in value growth, but gap narrowing

One of the most striking differences between business-to-business (B2B) and business-to-consumer (B2C) brands is their average age. Business brands are 83 years old, on average, compared with 44 for consumer brands.

Legacy B2B brands like IBM, established in 1911 in New York, have grown substantially in value over the past 12 years, according to BrandZ™ research. But they have lagged the pace set by younger B2C brands like Apple, which was started in 1976 in California. However, as industries evolve and collaboration increases, the pace of brand value change may become more even.

During the past 12 years, the BrandZ™ B2B Top 20 increased a healthy 90 percent in value, but the BrandZ™ B2C Top 20 increased 233 percent. In contrast, both the B2B and B2C appreciated in value at virtually the same pace last year, 11 percent and 10 percent.

On the BrandZ™ Vital Signs Index, the gap between B2B and B2C remains wide, however. The Vital Signs Index assesses brand health across five diagnostic indicators—Brand Purpose, Innovation, Communications, Brand Experience, and Love. The average Vital Signs score, a composite of the individual scores, is 100. B2B brands score 107. B2C brands score 118.

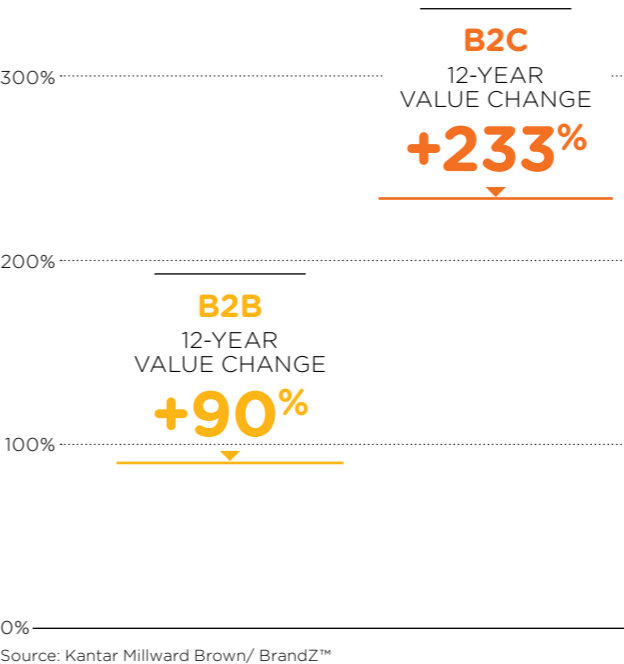
The widest gaps are in Communications and Love. B2B brands score 105 in both indicators. B2C brands score 120 in Communications and 119 in Love. The disparity reflects the return on the investment that B2C brands receive from brand building. It also suggests the kinds of improvements that a B2B brand could expect to achieve by adopting B2C brand-building practices.

Significantly, the Vital Signs gap is narrowest in Brand Purpose, where B2B brands achieve their highest score: 110, compared with 116 for B2C brands. This score is significant because Brand Purpose usually is the foundation on which Communications and the other indicators are built.

High Vital Signs scores have important practical consequences, because strength in these five aspects of brand health produces Meaningful Difference. And a brand that is perceived as meaningful (meeting needs in relevant ways) and different (distinctive and trend-setting) is better able to gain market share and command a premium price.

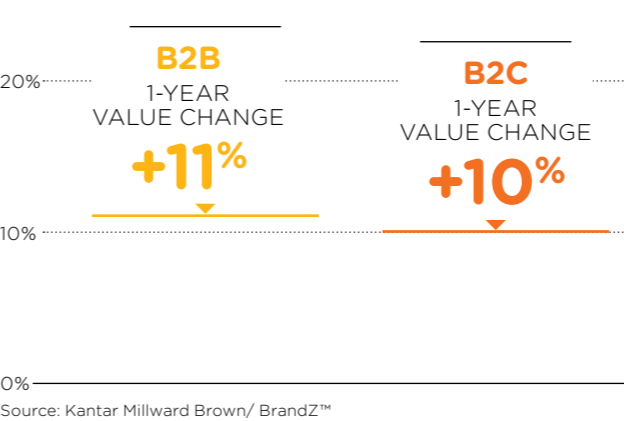
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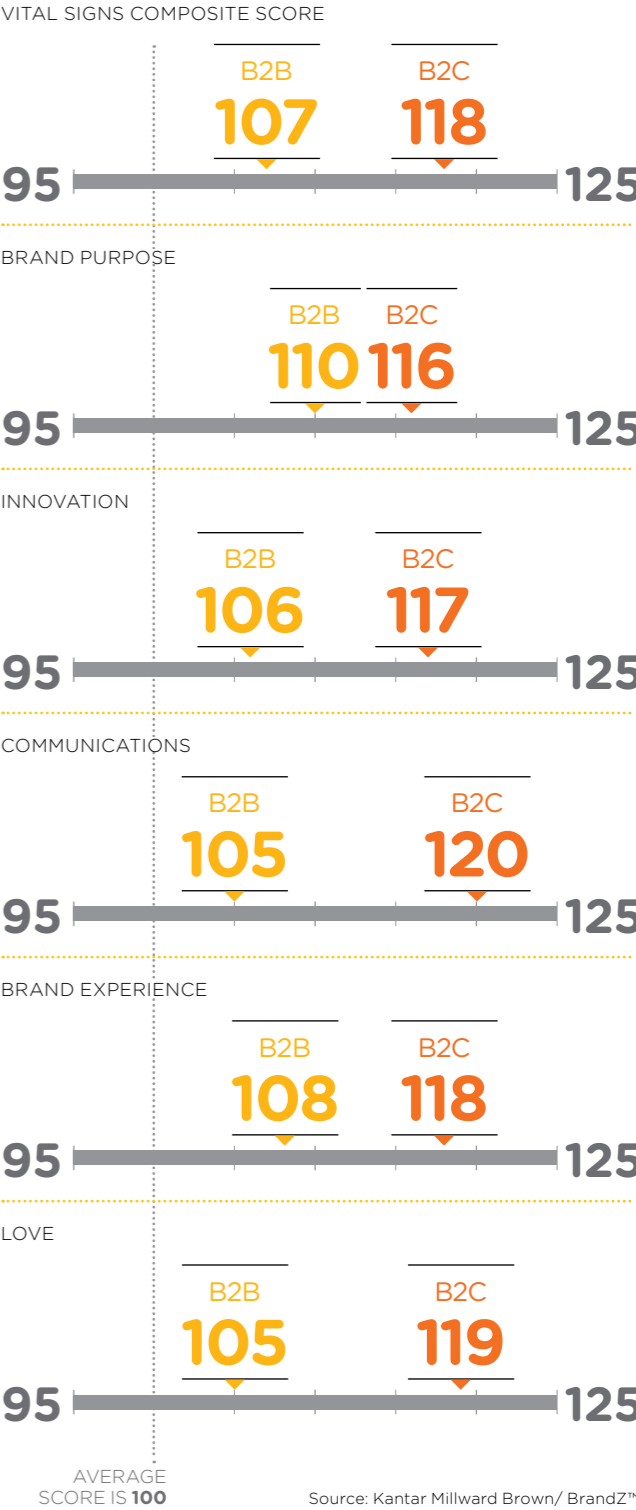
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Collaboration

More collaboration needed to realize Internet of Things complete potential

Marketers must be prepared for expected brand disruption

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If we had a dollar for every time a new technology was hailed as a game-changing, life-enhancing, swing-from-the-moon breakthrough, then it's safe to say we'd be writing this from a luxurious tax haven. The IT industry is incredibly good at hyping itself to the point where terms become commonplace well before any real impact is felt by the masses.

For the past five years the trend getting the most attention has been the Internet of Things. The Internet of Things is a much friendlier way of talking about machine-to-machine (M2M) communications, a paradigm where the car speaks to the garage door and the washing machine has a daily chat with the weather service. At its most simplistic level, the Internet of Things allows sensors within devices to communicate seamlessly with one another without human interaction.

This isn't a new concept. RFID was hailed as a transformative solution for the logistics and CPG businesses, allowing fast and reliable tracking of goods as they moved from warehouse to store. In many ways that was the starting point for the Internet of Things as described today.

So what is the promise of the Internet of Things? At the Consumer Electronics Show this year, LG Electronics showcased a smarthome concept that brings it to life. Based around an automated device or home hub (in this case a robotic one), the kitchen of the near future links all

the devices we have in our home together. And we are using the term "devices" in the widest sense possible—your refrigerator, your coffeepot, your stove, and your washing machine—any electronic device you own can and will be linked to the Internet of Things in time.

The scenario depicted by LG is one of ease, where devices' ability to automate life's small decisions makes for a relaxed and healthier individual. You return from your morning run wearing your fitness tracker, which communicates with your hot water system and ensures the shower is ready for you. Now hungry, you move to the kitchen, which tells you what you have available for breakfast and suggests a recipe, steering you towards the healthier choices indicated by your health data.



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You put that sweaty running gear into the washing machine, and it calculates the best time to run the load based on weather, the right amount of detergent based on water quality, and starts the program while you go about your day. When you come home, it shows you recipes for dinner, and once one is selected, turns on the oven for you and adds the items used to your next shopping list, all while playing your favorite tracks.

Internet of Things

The Internet of Things is at a tipping point. We have the infrastructure now, and with 5G on its way,

we will have unparalleled amounts of connectivity to make this work. The second piece of the puzzle is the success of vocal computing. Today vocal recognition

software is as close to parity with human vocal recognition as it could ever be. That means that we no longer need screens or keyboards to tell our devices what to do. It means that Amazon's Alexa and Google's Home, along with the 5 million other home-hub robots that will be deployed in the US by 2020, will play a fundamental role in shaping how we live our lives in the future.

However, it won't happen without a change in attitude. Companies marketing to consumers,

whether in the packaged foods or the dishwasher business, are going to have to collaborate. If we look outside the home, the potential for really smart cars, even autonomous cars, shows this reality perfectly. In April, Honda launched its Innovation Group, a new company that aims to seek transformative collaborations. Nick Sugimoto, CEO, Honda Innovations believes that we are in the middle of a technology convergence, saying that "by looking broadly across technology areas and partnering with innovators across the globe, we can create products and services that enhance the lives

Companies marketing to consumers, whether in the packaged foods or the dishwasher business, are going to have to collaborate.

of our customers." It is estimated that 82 percent of cars will be connected to, and a part of the Internet of Things by 2021.

Each device—again taking "device" to its broadest meaning—will have to communicate with other devices, regardless of manufacturer or technology. This is where the home hub is so essential, and potentially where Amazon Alexa, with its 10,000+ established skills, and Google Home, with its growing range of capabilities,

can steal competitive advantage. Given the need for collaboration at every level, it is perhaps inevitable that the real drivers of the Internet of Things won't be the hardware manufacturers but the software and services people.

Different thinking

It also means that marketers will have to think differently and collaboratively about how we access their products. If we reach a point where our refrigerator is selecting what brand of beer to buy, how do purveyors of such products ensure that we consumers continue to be

engaged enough to defy our devices? When we willingly automate life's smaller actions and decisions, what will emerging brands have to do to break our default setting? Will

marketing messages reach us through new channels—extending the reach of social media right to the dashboards of our cars, for example? Will the content of those messages have to change to ensure we re-engage with decisions that we have now outsourced?

Collaborating with new and different partners is going to be essential. Content—more than ever—will be king. And Google and Amazon just got a whole lot more important for marketing departments across the world.

LONDON - UK

Value of all UK brands in Global Top 100

\$86.5 Billion

Emerging Brands

New competitors cause disruption worldwide

Young and purpose driven, they reshape categories

The BrandZ™ Top 100 Most Valuable Global Brands examined in this report often face fierce competition from brands that do not appear in the ranking because they are too small or not publically traded. Characterized as disruptor or emerging brands, these competitors exert increasing influence worldwide and across categories.

True disruptor brands do not fit neatly in established categories. More typically, a category forms around a disruptor brand as it attracts followers and, inevitably, imitators. Amazon and the evolution of e-commerce is a clear example. Disruptor brands are not necessarily the first movers, but they are the best movers. Fortunately for established brands, disruptors do not appear often.

Emerging brands are a more common phenomenon today. They share many characteristics with disruptor brands, but they do fit into established categories. Emerging brands are relatively young, started during the explosive growth of the internet, and even since the introduction of the iPhone 10 years ago.

Less driven by usual business needs to report quarterly on rising sales and profits, emerging brands typically begin with a different set of priorities, asking: What does the consumer need? How can the brand fill that need without causing harm to individuals or the environment? They attempt to improve the consumer's life by removing friction.

They are about making money, but they are also about more than making money. Some measure success not by achievement of scale, but by fulfillment of brand purpose. Even with limited distribution, some gain fame and manage to punch above their weight. Like luxury brands, they set market trends and inspire imitation. For example, without selling a lot of cars or making a profit, Tesla demonstrated a future for electric vehicles and recently surpassed Ford and GM in market value.

Variations on emerging brands are appearing worldwide in categories as diverse as technology and consumer products. In fast-growing markets like China, India, and Indonesia, entrepreneurs have paired marketing expertise and higher quality standards with deep local market knowledge and insight. This combination has enabled them to create products and communication that resonate with authenticity and purpose.

INSIGHT



Brands emerged since the dawn of the internet

There is an age aspect to defining emerging brands that broadly corresponds with two inflection points: the internet achieving scale in the late 90's, and the launch of smartphones in 2007. These two milestones help define emerging brands, especially those in technology. A 20-year-old brand, like Google, achieved scale as a large global business about 10 years ago. This is the stage smartphone-era brands are getting to and they are now the ones to watch. They are bubbling under and will start to break into the BrandZ™ Global Top 100 in the next few years, as their scale matches their ambition.

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Purpose-driven characteristics

Purpose is fundamental for emerging brands, which often are founder led. And purpose can provide an advantage relative to large established brands. Some established brands may enshrine purpose in a founder's vision from decades ago, but unless that purpose is refreshed and made relevant, it can sound inauthentic and seem retrofitted onto the business.

In contrast, emerging and disruptor brands generally start with purpose and connect it with a related social issue or trend. They develop relevant products and services that fit into an existing category (or into no category). Uber introduced a different approach for transporting people—or things—from one place to another. The existence of Uber—and brands such as Ola in India, and BlaBlaCar, a Paris-based global carpooling service—persuaded car pioneer brands, like Ford, to experiment with other mobility businesses.

Purpose and passion can sometimes attract a community around the brand. For some brands, community is so basic that it empowers the business model. Waze, the mapping app, relies on its users for crowd sourcing real-time traffic information. Tesla knows who owns its cars, and Tesla owners can connect with each other. Airbnb works because a community of owner and renters interact.

These brands operate nimbly. Snapchat originated as an app for images that disappeared quickly, enabling people to share information and protect privacy. Following its IPO, Snap declared itself a camera company and released its first product, Spectacles (sunglasses that take photos). To become more agile, some established brands are creating internal investment groups expected to act with greater speed. Some are acquiring their disruptive competitors to preempt disruption.

INSIGHT



Purpose-led brands build legacy + profits

I firmly believe that brands need to define their purpose, and they need to build their marketing and communications out from that heart. We've seen how new generation founder-led brands, like Airbnb, do this naturally. Many of these brands are profitable. They want to make money, but they want to do more than make money. They want to solve an issue and contribute to society.

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INSIGHT



Disruptive brands eliminate friction in a consumer's life

Disruption begins with a “just imagine” mindset, as in “just imagine a world in which....” That’s because for us, disruption is about eliminating friction. Streaming by Netflix removed the friction of waiting three days for a movie you wanted to watch immediately. Rent the Runway ensured that a limited wallet didn’t limit the expansion or choice in your wardrobe. Communities form naturally around these brands—and that’s a necessity. Because if you don’t have enough riders and drivers, Uber doesn’t work. It’s the same for businesses like Airbnb or Waze.

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Emerging and disruptor brands usually have a positive attitude and a high tolerance for risk. They accept failure as a learning experience rather than something to minimize in a quarterly earnings report. The brands also are talent magnets. Funds sometimes are available through crowdsourcing. And many funders want to be part of the startup scene.

The brands rely on data and, if they are not actually in the technology category, they often are technology-enabled, as exemplified by Blue Apron, the online service that changed the way people think about shopping and meal preparation. The brand curates menus and delivers pre-portioned ingredients, a subscription-model Birchbox for the palate.

These characteristics describe a wide assortment of brands that are in various stages in their life cycles. Some have already achieved great scale and are brands that could soon appear in the BrandZ™ Global Top 100. Other less well-known brands still lack significant scale but have abundant ambition. As these brands achieve notoriety, building a brand becomes important for communicating the company’s differentiating advantages and building loyalty.

A global phenomenon

In a global economy, disruption can come from anywhere. Increasingly, established brands in Asia are becoming emerging brands in the West. Huawei, ranked No. 6 in the 2017 BrandZ™ Top 100 Most Valuable Chinese Brands, is well known outside of China as a business-to-business telecommunications technology provider. However, it is just becoming well known as a maker of smartphones to rival those of Apple and Samsung. Chinese smartphone brands Xiaomi and Oppo are also gaining attention outside of China.

Similarly, Indian smartphone brands like Micromax and Lava, or the digital payment system Paytm, potentially can increase their presence internationally with a competitive value proposition. India’s Patanjali, established just over a decade ago, markets a wide range of fast-moving consumer goods that emphasize their ayurvedic heritage and have effectively challenged major multinational consumer products brands in India. Brands like these can emerge in the West.

The Indonesian cosmetic brand Wardāh specializes in products with a holistic view of inner and outer beauty. Asian brands with this notion of beauty are increasingly appearing on Western cosmetics shelves. The Chinese traditional medicine brand Tong Ren Tang was established in 1669, during the early years of the Qing Dynasty, which hardly defines it as emerging. However, the brand is aggressively opening stores outside of China.

Emerging and disruptor brands will continue to appear across categories. Some will be unfamiliar, others not. Twenty years after its IPO, Amazon is an enormous company with a market capitalization of over \$460 billion. Having disrupted traditional retail with e-commerce, business-to-business technology with cloud storage, and logistics with its own delivery business, Amazon now is aiming to disrupt fast-moving consumer goods with automatic replenishment, and grocery retail by eliminating its key pain point, checkout.

INSIGHTS



Early-adopter millennials drive brand growth

Millennials are not the only market for emerging brands, but they may be the early adopters. And the scaling of a brand may come after millennials talk about it. That may be the way these brands have managed to succeed in creating a unique experience and adapting well to local markets.

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Disruptive brands build success beyond scale

Many of the most disruptive brands today are being built around expanded definitions of success. Instead of building brands that can last 100 years, with a myopic focus on return on investment and scale for scale’s sake, they are including things like their social or environmental impact or community investment as measures of success. In the process they are inventing new disruptive business models.

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FUTURES**



Purpose attracts communities, which yield data

Emerging brands attract communities because of their purpose, but data enables the brands to monetize the community. For example, Warby Parker attracts a community. It can identify the members of that community who purchase the most pairs of glasses, and it can invite them to special events. If Warby Parker attracted a community but sold its eyeglasses through another retailer, it would not be able to identify and reward its best customers.

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10 Characteristics of Emerging Brands

Brands that are truly original and disruptive—that cause a business model paradigm shift—are understandably rare. Such brands do not fit into traditional product categories. Instead, when their success inspires imitators, categories form around them. Examples of disruptor brands include: Amazon, Google, and Facebook. Increasingly brands are emerging that meet most of the defining characteristics of disruptor brands and have tremendous impact on the categories in which they compete. Among the characteristics defining emerging brands are:



- 1** They often are founder-led and purpose-driven.
- 2** They attempt to improve the consumer's life by removing friction.
- 3** They may not be the first movers, but they are usually the best movers.
- 4** They are about making a profit, but not *only* about making a profit.
- 5** They are usually about technology, but not always. Many are technology-enabled.
- 6** They measure success by the scale they build, but also by the difference they make.
- 7** They attract communities; community is almost part of the business model.
- 8** They put customer experience first.
- 9** They punch above their weight.
- 10** They are magnets for talent.

Unicorns

Disruptive product ideas transform into high-value global brands

Sustaining scale over time depends on brand building

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Unicorns are privately owned business valued at \$1 billion or more. The billion-dollar tech startup, the stuff of which myths were made, may now be more of a reality. A quick look at the BrandZ™ Top 100 Most Valuable Global Brands ranking tells the story of how Google, Facebook, Amazon, Tencent, and Alibaba built successful brands and floated them for billions of dollars in a period of two years or less.

The billion-dollar tech startups are here to stay. Snap went public this year valued at \$3 billion, and any one of Uber, Xiaomi, Airbnb or Pinterest could be next. So how are these unicorn brands born—how does one go from an embryonic idea to floating for billions of dollars to creating a valuable brand?

The most successful unicorns rarely begin life as money-making machines. They often start as a brilliant technology solution to an unmet consumer need, or they purposefully or inadvertently tap into a changing consumer trend. Take BlaBlaCar as an example. Valued at \$1.6 billion, BlaBlaCar is the world's largest long-distance carpooling community. It was founded on the understanding that millennials value access more than ownership, and it uses technology to connect drivers willing to take on passengers to share the cost of the journey.

Contrast BlaBlaCar to ChaCha, which was a free mobile answer service for people on the go. It was a human-based search engine formed just before the smartphone era, when internet search engines could match keywords but were not so good at answering questions. Advancements in technology destroyed the consumer need the service was meeting, and as a result, ChaCha failed. So, the first step on the road to being a global and financially viable brand is to ensure consumers think your brilliant solution for meeting an unmet need is different. This creates potential for value share growth.



Rapid scaling

Once a unique idea is proven to work, an emerging brand with the right funding and commercial strategy may begin to go through a period of rapid growth and scaling. This is the point where building Salience is key, a tough task when you need to do so against competitors with bigger budgets. An interesting example here is Instagram. In a two-year period from 2013 to 2015, Instagram significantly increased its level of spontaneous awareness in both the UK and US. However, in both markets, its Salience Index, which describes the intensity of awareness relative to competitors, was largely unchanged. This demonstrates that competitors were also increasing their awareness levels. An emerging brand can and should maximize marketing budgets by running effective advertising so that it builds Salience efficiently. A good example is Bukalapak, an e-commerce brand in Indonesia that managed to close the Google search gap on its more established competitor Lazada in this way.

The Ehrenberg Bass “laws of growth” suggest that success from this point forward is now purely dependent on continuing to drive physical availability (distribution) and mental availability (Salience).

This may be true to a point, but it is not the entire truth. First, overemphasizing salience ignores the contribution that high margins make to brand growth. BrandZ™ data shows that the ability to command a premium price is driven not by Salience but by Meaningful Difference. This can be an important route to growth for an emerging brand. In the music-streaming business, margins are very thin, requiring a business to have high volume to be viable. This is a race that few can win, and the success of brands like Spotify is at the expense of competitors such as Rdio.

Second, although Salience is the biggest driver of growth in categories with short-term purchase cycles, BrandZ™ data shows that being Meaningful is a bigger driver of volume growth in categories with longer-term purchase cycles. Being Meaningful is about meeting consumer needs, either functionally or emotionally. In this respect, product or service experience plays a crucial role. If done well, experience drives conversion, turning Salience into sales. Amazon Prime is a fantastic example of the importance of experience. Sixty-three percent of Amazon Prime members convert on the site in the same session—five times the rate of non-Prime members.

Importance of brand

Inevitably, an emerging brand reaches a stage where growth stalls, when technology moves on or is copied as larger competitors with more resources figure out how they can respond to meeting the same consumer need. It could also be that increasing scale brings new challenges that a business struggles to manage. It’s at this stage that building a brand becomes even more important. An emerging business must make a transition from being product and Salience focused to building a Meaningful, consumer-driven brand that appeals to more consumers. In addition, building a brand improves staff engagement, keeps a business focused and drives consistency. Aligning a business around serving a single-minded purpose, beyond making money, can be a nice way of shifting to a more consumer- and brand-centric business model. Of course, this has to be done credibly and would ideally link to the consumer need that drove the business to begin with. Airbnb’s online marketplace and hospitality service has built rapidly around the purpose of helping people belong and feel at home anywhere. The challenge as Airbnb expands into “experiences” and “places” is to not lose sight of this purpose.

The final challenge as a brand grows is to build understanding of different consumer and market contexts so that a brand can subtly flex itself to local needs that are critical growth barriers or facilitators. It may require a fundamentally different business model, a tailored product offering, or more nuanced advertising. For example, e-commerce retailers in India have to adapt to cash-on-delivery payment models driven by the financial infrastructure in the country. A non-tech example is the failure of Subway in Indonesia, where the brand didn’t recognize that any meal without rice is considered a snack. Subway was unable to translate its bread-based product proposition, eventually closing. KFC did recognize the expectations of Indonesian consumers and offers rice on its menu to this day.

Which unicorn businesses can navigate these challenges and enter the BrandZ™ Global Top 100 Most Valuable Global Brands list in the next five to ten years by building a brand worth billions?

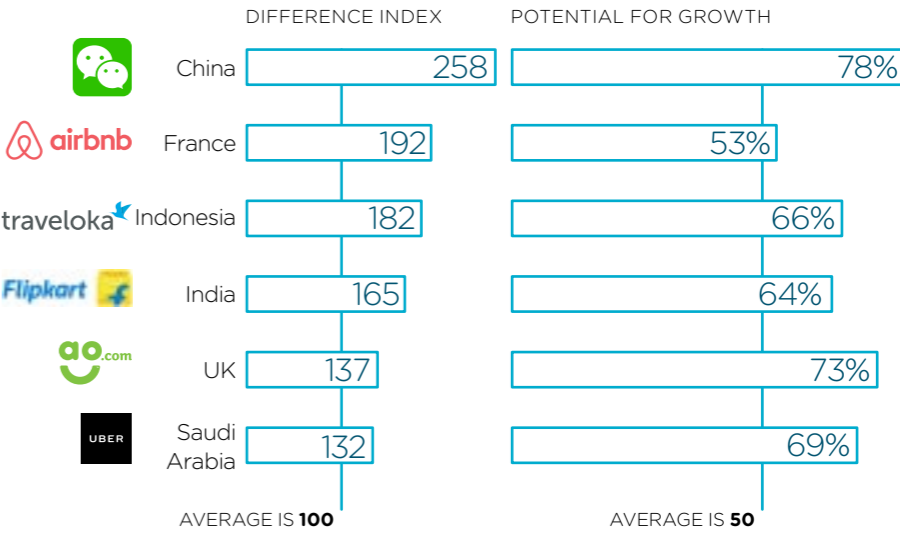
Check the list out here and decide: <https://techcrunch.com/unicorn-leaderboard>



- 1 Build awareness smartly by maximizing advertising ROI.
- 2 Balance Salience along with Meaningful Difference, especially to sustain long-term margin.
- 3 Build meaning and drive conversion with great product and service experiences.
- 4 Do not wait too long to adopt a consumer-centric, brand-building model.

DISRUPTIVE BRANDS DIFFERENTIATE

Disruptive brands are differentiating themselves and redefining traditional category models, creating potential for value share growth through smart utilization of technology.



Source: Kantar Millward Brown/ BrandZ™

Commoditization

Across categories, emerging brands are challenging established brands

Young consumers seek brands
that make them feel special

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Mindshare is a global media agency network dedicated to forging competitive marketing advantage for businesses and their brands based on the values of speed, teamwork and provocation.

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One of the largest challenges impacting marketers today is the fundamental commoditization of established brands. Heritage brands are being surpassed by emerging brands, affecting almost every category, from luxury to spirits to auto and more. What consumers want, what they value, and where they choose to spend their dollars have all meaningfully evolved.

So how do brands and marketers respond? First, you have to understand how and why this is happening.

While many major categories are witnessing softening or declines in sales, what's especially telling is the lower adoption rates of major heritage brands by a younger generation of consumers who are seeking something quite different in terms of the brands they purchase and associate themselves with. For example, you've got craft beer stealing dollars away from the main stalwarts, as well as gourmet burger restaurants driving business away from fast food giants.

What once were the most positive associations with big brands—heritage, efficacy, and long-standing trust with customers—have evolved into more negative associations. Now “big” means commoditized, mass-produced, faceless, and to some degree, less trusted. For many consumers, the big brands are now highly interchangeable, all providing the same or at least

similar functional benefits and offers. Thus consumers have become a bit promiscuous across their big brand choices.

Niche brands capitalize

Today's social media and commerce climate enables niche brands to capitalize on this consumer sentiment. These niche brands are not handcuffed with the same rigor and protocols for production, distribution, or marketing. They typically enjoy lower production costs, an efficient direct-to-consumer distribution model, and ease of marketing awareness through social media channels—which are effective as a major discovery engine for millennials.

Some larger brands have attempted to buy into the niche segment through dedicated acquisition strategies. But the volume contributions of these smaller offerings won't replace the eroding share of the core or foundational brands.



The special in the small

The trend toward niche and artisanal brands is not just about the power of “newness.” New has been around forever—think line extensions, formulations, models, etc. Instead, the migration that marketers are seeing is less about chasing the shiny object and more about walking away from “big” brands that are viewed as “not for me.” And this phenomenon is driven by two main consumer factors:

- The heightened expectations consumers have of brands,
- The values that consumers want to be associated with.

Today’s consumers are a time-starved, multi-tasking generation with high expectations for instant gratification. They expect a problem with an airline to be solved immediately through a dialogue on social media. They expect to be able to purchase a brand when and where they want to. They expect brands, in exchange for the broad data exhaust they emit, to understand them at a personal level and cater to their personal needs.

Consumers today don’t just want bigger, smaller, better, faster—they want the intangibles, the things brands never had to give them before. They want to feel heard, they want their lives to be easier, and they want something made just for them.

Most importantly, they want to feel special.

Niche brands feel small-batch, curated, unique, careful, and, importantly, special. These are all qualities consumers feel entitled to—they don’t feel that they need to go for “mass” when they can have “special.”

What brands can do

You don’t have to be small to win. Instead, consider what the disruptor brands do that drives success. Their ultimate goal is to create a category of one: special and unique. Brands like Netflix, Uber, Spotify—these are brands that have broken the mould, and have essentially created their own categories based on contemporary principles that map to what consumers want and what they expect.

What consumers want and what they expect

1

Humanization

Open-source your brand. Open a dialogue with your consumers, in social media and in person. Invite them to give their thoughts, wants, and wishes to you, and have your brand respond with humanity and personality. Consumers want to be heard, and brands need to allow consumers to help shape who they are and who they become.

2

Frictionless experience

Find the friction points consumers experience in the category and solve them. If consumers hate the wait—eliminate the line. If consumers want content on demand—syndicate your offering. Consider any potential frustration points and build solutions for friction instead of better, faster, smaller. Lastly, ensure you can be found, experienced, and purchased anywhere and everywhere possible—don’t create friction.

3

Personalization

Leverage data to understand your consumer at an individual level, and use that understanding to personalize your message and your offering. Consumers have given us all the data breadcrumbs to know their preferences, habits, and purchasing patterns. Follow the breadcrumbs and ensure you serve them the right message, at the right time, in the right moment.

4

Agility

Adapt and react to the changing landscape, culture, and consumer sentiment. Don’t fight the tide—instead, find your place in the swell. And like many things, the mechanics of agility can actually be planned. Put a process in place for how your brand can react to and leverage moments in culture.

5

Value

Find your service and purpose for consumers—what can you do for them, not what you sell to them. Embrace a service mentality; help consumers curate, discover, navigate, and balance their lives in a meaningful and impactful way, instead of just serving up your product or offer. In a world of ad blocking and limited attention spans, the brands that earn consumers’ attention are the ones that provide value to their lives.

Personalized Retail

Grocery retail business shifting from self-service to personalized model, spawning new channels

Changes will affect how consumers shop and interact with brands

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The grocery retail industry is facing a monumental shift. This shift can best be described as a shift from a “self-service” grocery industry to a “personalized” grocery industry. The age of driving a car to a big supermarket, taking a shopping cart around acres of retail shelves, filling the cart, and then filling the car is fading. The early stages of “personalized” retail are emerging to replace it.

Whenever an industry emerges quickly, satellite business channels grow alongside that industry. The companies that are satellites often work in tandem or partnership with the original industry. For example, in the 20th century, when the consumer automobile industry emerged, a variety of companies changed their original direction to meet new opportunities. The range of industries that arrived to support the car industry ranged from manufacturing (tire companies), to retail (gas stations and autoparts superstores). Very few people know that Michelin's original tire business was designed to service the bicycle industry. A few more know that Shell began as an import-export trading business, specializing in obtaining rare seashells for interior home designs that were popular at the time, and later switched to petroleum. Without the emergence of satellite industries, the core industry never can or will develop. Can you

imagine Ford Motor Company surviving without partnerships with tire manufacturers or motor fuel stations?

From where we sit today, we know that the shift of the grocery retail industry includes the use of technology to help retailers and shoppers communicate in real time. What does this look like? Instead of waving at a shelf-stocker to come help you, you can instant-message for help, like pressing the assistance button on an airplane. We also know that some items will be available in stores for browsing, while others will only be made available if you ask for a chance to see them before buying. In addition, we know that consumers will be less predictable—one week they will visit the market, the next they will shop from home, and the next they'll simply order meal solutions in a delivery box. But this is boring stuff—everyone is talking about these things. So let's talk about what very few people are talking about: the satellite business channels growing rapidly to support this future.

In the age of unicorn companies, the number of startup companies emerging to support a personalized grocery industry should not be underestimated. Dozens of companies get launched each month, specialized in working with personalized grocery giants to make the consumer shopping experience “frictionless.” These companies are emerging at four stages on the path to grocery purchase.



STAGE 1

Product discovery

In the age of self-service grocery there were two ways consumers would try new products. First, they would see it or try it via a friend, family member, or colleague. Second, they would see it or try it at the supermarket, decide to buy a sample, and then try it at home. In the age of personalized-service grocery, we can imagine new ways emerging. The “send samples in a box” industry has already seen some widespread success. Companies like Birchbox and Graze would not have existed prior to the age of personalized grocery. Pop-up grocery stores, sample vans, and other solutions are emerging.

STAGE 2

Replenishment

The old way of buying groceries has been to check the supplies at home, make a list, go to the store, fill the basket, get home, and realize you forgot two items. In a personalized grocery future, companies will lock you into a subscription and the Internet of Things will begin to help you manage what is expiring soon and what is in short-supply, and even how to save money on your next order. Solutions such as Amazon Dash, which allows brands to supply reorder buttons to households, or Samsung’s Family Hub Refrigerator, which allows families to receive a spoilage update, are just some of the many solutions arriving.

STAGE 3

Payment

Most people under the age of 40 can imagine a cashless future. Canada may soon be the first country to officially stop printing cash. Kenya and Thailand are not there yet but not due to lack of trying. Only one in eight financial transactions in Sweden involves cash. As we enter the age of personalized grocery, we can imagine a day where technology, product scanning, and payment merge. Amazon Go is the example that has gone viral, where, using a phone, you can scan and pay for your goods. However, a number of companies are launching digital wallets and blockchain financial solutions. The banks and credit card companies are likely to lead the way in this area. Alibaba’s investments in Alipay have in a short time made it the No. 1 form of payment in China. Surely more innovation is on the way.

STAGE 4

Delivery

In the past, grocery shopping was linear. You would start at home or work, go to the store, and then bring your items home. If you had frozen food, you would have to go home quickly or borrow a neighbor’s freezer. The future will be the opposite of linear. You fancy ice cream for the weekend barbecue? Why not order it now, ask for it to be put in a locker, and then pick it up at your kid’s sports game on Saturday morning? Would that ruin the surprise? Why not have the balloon artist you hired pick it up for you, using the unique code you provided with his pre-booked Uber ride? Companies like DHL are already innovating in ways that may surprise you, and they are working in concert with leading retailers to bring the ideas to market.

As we think about the future of brands and branding, one thing is sure: As the grocery industry transforms, we are bound to see a wide range of satellite industries emerge, and the brands that carry these industries are bound to change from what they are today into something potentially quite different. This will only work in partnership.

Future of Brands

Importance of purpose rises in a difficult year

But disintermediation sits on the horizon

Divining the future of brands, always an imprecise exercise, became especially challenging this year, because breathless political debate clouded the crystal ball. Incessant tweeting and posting around Brexit and Trump forced brands to examine their purpose. Meanwhile, technology-enabled disintermediation portended an uncertain future, potentially altering brand relevance and purpose.

As the culture convulsed, many brands faced a choice: proactively voice an opinion on issues like refugees and immigration, or unwillingly be dragged into the conversation. Avoidance no longer seemed an option. People had demonstrated power with their votes and could do the same with their spending.

Intense public scrutiny required brands to change some of their practices. In the UK, people pressured brands to stop advertising in the *Daily Mail*, objecting to some of the tabloid's headlines about immigrants. Google and YouTube modified ad placement policies after advertisers complained about their messages appearing adjacent to extremist content.

Most brands avoided political comment, unless events directly impacted their businesses or conflicted with their values. US-based Google opposed the Trump administration's immigration restrictions because the company relies on a diverse workforce. In one of its stores in Norway, the Swedish brand IKEA constructed a small, grim room with cement walls, replicating the living space of a mother and four children in the Syrian war zone.

Inevitably, some attempts to link with current events stirred controversy. Coca-Cola received criticism for a Super Bowl ad created to celebrate inclusion and diversity.

After complaints of insensitivity, Pepsi immediately withdrew a TV commercial intended to illustrate the possibility of mutual understanding, even at a protest demonstration.

These circumstances revived discussions about the meaning and importance of brand purpose. Purpose was not intended to be an attractive shell added to unify and protect the brand. Rather, purpose was organic, the spine that gave the brand sturdiness and upright appeal. The question was, what else will consumers expect, and how will those expectations change the role of purpose, and of brands themselves?

Technology and disintermediation

What will consumers expect in a future where technology disintermediates them from brands—where consumers choose a detergent brand once, and then depend on technology to keep the laundry room stocked? In that future, the consumer's primary relationship will be not with the detergent brand, but rather with the e-commerce and logistics provider.



INSIGHT



One name defines the future facing brands: Amazon

The future of all brands looks like Amazon. Amazon is an aggressive, well-capitalized company, very profitable in its own way. And it intends to disintermediate every brand from every consumer. Increasingly, the sort of technology dominance that Amazon has—one that is fast-becoming the norm of success in a digital era—will play out in ways that make Amazon the only brand that matters to people. With all that Amazon has going for it, including all the forms of Alexa, we should not underestimate its impact on brands.

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**KANTAR
FUTURES**

Regardless of the engagement point, differentiating may come down to service. The cost of entry for a brand in a production-driven economy was that the product needed to work. In a knowledge economy, where technology makes it easy to replicate the product, the cost of entry is to do good.

INSIGHT



Taking a stand reflects a brand's purpose and values

Taking a stand is critical. How brands take a stand is another question. I would advise companies to consider issues that are connected to their core purpose. Taking a stand doesn't mean you must jump on everything that might be happening politically, but rather let that north-star purpose define the causes that connect with your values. Outdoor companies could take a stand about climate change or hospitality brands could assist with the refugee crisis. Brands have the right and the obligation to be active about issues that affect their audiences, and they have the power to do this when they share their values. For example, WPP agencies support the UN Sustainable Development Goals through their work with NGOs active in areas such as health, education, equality and the environment. In addition, WPP has launched its Common Ground project which aims to encourage and promote gender equality.

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Purpose must be authentic and consistent

Twenty years ago, brand purpose was about publicly stating or correcting your stance—on child labor in Southeast Asia, for example—and then publicizing it. Now purpose needs to be more authentic and meaningful, and apply even further throughout the supply chain, including having an opinion about appropriate places for ads to appear online, for example. The brand needs a direct line of sight to every aspect of its business. The better the brand knows itself, the easier it is for a brand to determine its point of view.

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Consumers want both authenticity and immediacy

The theme of authenticity keeps coming up. There is an interesting tension between the desire for authenticity and people's desire for things immediately. There is a sense of: I want it to be real, but I want it now. For brands, reconciling the fundamental tension between authenticity and immediacy is an ongoing quest. With technology, the tension keeps shifting.

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Global brands need nuanced view of purpose

Some Western brands are either putting their heads in the sand or being too analogue in their view of purpose. Brands need a much more nuanced view, as we see being demonstrated by some Chinese brands. Eighteen months ago we might have seen, or even advised, a client to focus around a single issue globally, for example a UN goal; I now think that can be culturally polarizing. If you advocate for women's rights, it will mean completely different things in London than it does in Shanghai. If you're a global brand, you should take a nuanced view of purpose or you may alienate half of your community.

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Change and choice

In a future of automatic replenishment, the multinational consumer products companies may become more engaged in marketing than the individual brands they own. This possibility goes back to the future, to a time before the proliferation of choice, when brand selection was simpler and more limited. It is as if the ever-expanding brand universe will begin to contract into just a few brand-dense galaxies.

But even a future of automatic replenishment should not reverse the "big bang" that generated brand proliferation—human beings and our desire for choice. We like to shop. We usually want to make the purchasing decision. We also rely on brands to simplify choice and to help us make rational decisions, or to get an emotional lift from irrational decisions.

Even with brand disintermediation, there is likely to be a balance between how much choice people will want to surrender and how much they will want to retain. In the instances where the consumer makes a choice, brand purpose may be a more important determinant.

The nature of purpose will depend on the individual consumer, the product category, and the brand. Brands will need to ask what the brand means to the customer, to the employees, to shareholders. Heritage brands may need to return to the past, to the idea or purpose that originally animated the brand.

Brand purpose

Responding to the expectations of millennials, more brands communicate their offering in the context of how it makes life better or benefits the world in some way. Emerging brands typically start with the premise that, while they are about making money, they are not *only* about making money. This association with purpose put many brands in a difficult spot during this period of overheated geopolitics.

People expected brands to take a stand. The question for brands was what stand to take. The answer for niche brands, with a narrow, somewhat homogenous customer base, was easier. For mass brands, however, the divisive nature of public debate meant that by taking any stand, a brand risked alienating half its customers. The prudent approach was to remain true to purpose, but to express the purpose in ways that stayed clear of the partisan divide.

In the future, questions around brand purpose are likely to continue and become more fundamental, probing the responsibilities of a company and its brands to society. For example, the robotics and artificial intelligence that enable automatic replenishment will likely increase joblessness. Who is responsible for remediating that dislocation? The government? The brands whose innovations transformed society? The answer is not clear. But an answer is necessary for the future of healthy societies with growing economies and valuable brands.

INSIGHT



Not every brand needs a purpose to draw customers

Recently, brands have become confused about purpose. They just think, "I must have one of those." I don't buy that every brand needs to have purpose. Some brands give people a feeling of being part of something. Brands are like gangs. In a production economy, you could create a brand and it would appeal to a big group of people. In a knowledge economy, you need a far more refined thing to stand for. And sometimes legacy matters. In fashion, now that people are not so overt about wearing badges, history signifies quality.

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Purpose aligns with a brand's functional utility

Purpose is sometimes misused. It's about aligning everything with something beyond the functional utility of the brand. However, the utility of a brand is incredibly important, because the less the thing is in use, the less it's making my life easier in some way. Brand purpose is built on that utility. It's possible that a more niche brand might have an opportunity to take a more controversial stand because the audience is narrower and maybe more aligned with the values of the brand.

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Purpose flows from how brands help, not sell

Two issues face brands today, across almost every category. The first is the commoditization of the big brands. The second is the role of the brand. The key question is: What does a brand do for a consumer? rather than what does it sell to a consumer? Brand purpose was originally a retro justification for why advertisers were selling goods and services to consumers. Millennials see through that charade and demand that brands put their money where their mouth is and actually do things for people.

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Purpose helps brands that lack rich stories to tell

When the idea of purpose originally gained currency, brands would simply say they had a purpose. Today, brands must *prove* they have purpose through their actions. We believe that an authentic purpose needs to be aligned with future energies, not just an extension of the past. Of course, not every brand needs a purpose. Brands that lack a rich story to tell should explore finding a purpose to create higher human engagement.

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BRAND BUILDING ACTION POINTS

1

Be responsible

Authenticity. Transparency. These words have been part of the marketing lexicon for a while. The difference today is urgency. Public statements need to match actions. Inconsistency or hypocrisy will be outed.

2

Think forward

Think five or ten years out about what the brand will stand for, and begin to build a road map for getting there. When the brand is anchored in heritage, express it in ways that resonate today.

3

Anticipate disintermediation

Before technology disintermediates the brand from the consumer, figure out the point where the consumer will need to choose a brand, and engage there.

4

Follow the brand's North Star

The brand may be about curating options and making choice simpler. Or the brand may help the customer with a laser-focus on one product or service. Pick an approach and stick with it. It is better to be consistent than wishy-washy.

5

Expect rising expectations

Not long ago, consumers expected a brand to produce a product or service that worked. Consumer expectations have increased, and functionality is only a starting point. There is no reason to believe the consumers will reduce expectations. Rather, they will expect more.

6

Measure

Ask the right questions. Ask how the brand can improve. Brand building entails risk. A good way to manage risk while growing a brand is to measure how people feel about it.

Data—Above All Else

In a world
where Amazon
dominates, brands
must master data
or be irrelevant

Even more than the digital experience, control the data to keep and control the customer relationship

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Touchpoints are where and how brands make an impression on consumers. Touchpoints define what brands mean to consumers because these are the ways in which consumers come into contact with brands. So the best way to anticipate what brands will mean in the future is to understand the future of touchpoints. Looking ahead in this way, the future of branding can be characterized in one word—Amazon. Certainly the company itself, but more importantly, all of the new things for which Amazon is leading the way.

In other words, the future of branding is about technology. Of course, technologies have always shaped brands and the relationships they forge with consumers. But the nature of what's happening nowadays is different.

In the past, technologies have brought consumers and brands closer together. Going forward, technologies will push consumers and brands further apart. This is not to say that consumers will have no relationships in the marketplace of the future. Rather, it is to emphasize that these relationships won't be with brands. Instead, technology-based intermediaries—Amazon chief among them—will be the counter-party to consumers in marketplace relationships.

Digital shopping platforms like Amazon not only want to dominate transactional touchpoints, they want to dominate all touchpoints at every step along the way. Amazon wants to be more than a retailer. It wants to become a seamlessly integrated consumption experience, and in doing so, it wants to occupy a position in the chain of consumer engagement that would disintermediate brands.



Amazon isn't just about selling to consumers. It's about completely "owning the relationship," to use that bit of jargon. Every aspect of the Amazon ecosystem is fit to this purpose. Amazon's operation is much more enveloping than that of traditional retailers. Amazon has built an infrastructure that mimics traditional retail but which also wraps in search, video, delivery, unrestricted returns, AI, third-party sellers, smart devices, email alerts and more. And Amazon is just getting started.

Owning the relationship

Competition for owning the relationship is nothing new. Retailers and manufacturers have long competed to be uppermost in the minds of consumers, with retailers pushing their brands and manufacturers pushing theirs. Retailers have always exercised a lot of control over the ways in which consumers encounter brands, from shelf placement to store brands to promotions to

pricing. But manufacturers have had a lot of influence in all of these things. More importantly, manufacturers have had other channels, independent of retailers, to connect with consumers and to build the primacy of their brands. What's different with Amazon is a shift in the role of channels.

Traditionally, brands have built relationships through channels. Brands wanted to dominate channels in order to funnel consumers to transactions at retail. Amazon represents a change in thinking about where value lies in consumer relationships. Amazon wants to build relationships through the data unlocked by new technologies. By using technologies to create a position of dominance in data, Amazon can create an integrated, frictionless customer experience that draws consumers towards it. Amazon doesn't need to dominate in channels as long as it dominates in data.

Controlling with data

Once consumers come into the Amazon ecosphere, brands take a back seat. Data is used on behalf of consumers, not brands. Amazon systematically assesses every aspect of the customer experience, trimming things that diminish it and including only those things that improve it. Brands matter only to the extent that the data show brands adding value for consumers. Only Amazon has the data needed to make everything work together for consumers, and even if brands had these data, brands don't control the panoply of things necessary to act on what the data reveal. Only Amazon has command of all of these things, and along with it, the data that make it possible for Amazon to exercise that control in the best way possible.

What's worked in the past won't preserve value for brands in the future, which underlines the kind of innovation that brands must master to avoid irrelevance—data, above all else.

This Amazon approach to managing customer relationships is growing. As a result, brands are at significant risk of being completely cut off from consumers. Consider Amazon's new Dash Replenishment Service (DSR). Consumers link their smart appliances to Amazon so that supplies can be reordered automatically whenever they run low. Whether laundry detergent or printer ink or water filters, consumers

never have to think about brands again. There's no shopping at the store required. There's no selection from the shelf required. There's no in-store or point-of-purchase engagement. There's no consideration set or share of requirements. Consumers don't have to bother with ads or coupons. Consumers can simply put it out of mind without worrying about getting what they need.

Avoiding irrelevance

With something like DSR, the relationship is wholly with Amazon. Because Amazon has control over the data, only Amazon will see if consumers are satisfied. Amazon will share that data with brands only when brands need to make a change. Otherwise, Amazon will keep consumers happy without ever consulting or using brands.

For brands, disintermediation by Amazon means getting a smaller piece of the value pie. Whoever owns the relationship controls the experience. Consumers pay for the experience, so that's where value is created and realized.

The touchpoints on digital platforms work against brands, so the imperative going forward is for brands to forge more powerful ways of mattering in the digital shopping experience. What's worked in the past won't preserve value for brands in the future, which underlines the kind of innovation that brands must master to avoid irrelevance—data, above all else.



Evolution of Brands

Brand role and purpose reach a turning point, as stakeholders look for values consistency

Purpose will guide organizations, with diversity fully expressed

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Companies must rethink the role and value of brands. The age of being outwardly focused—that is, centered around marketing—is over. To succeed in the future, companies must recognize that how they operate will be as important as what they communicate. We are already seeing people being less responsive to brands that are all marketing and no substance.

The emphasis on things like narrative, novelty, local connections, and experience highlights how people are demanding more from their brands than just a product or a value proposition. In the future this shift in emphasis will accelerate, as people turn to companies to help facilitate meaning in their lives, and search for companies that have values they can proudly be connected to, whether as consumers,

employees, investors, or partners. Three converging trends have brought us to this turning point today: consumption-based activism, the rise of social networks and micro-influencers, and the demand for authenticity.

ACTIVISM

Companies are being dragged into the political fray through boycotts and counter-boycotts that train public attention and opinion on the actions and beliefs of companies. When crises arise, many get caught flat-footed and unprepared, a result of trying to stay quiet and out of the limelight. However, people are making it clear that the era of corporate neutrality is ending; they want to know what companies stand for and support. Data show that people today—especially millennials—believe that their consumption choices are one of the key ways that they can make an impact on the world. When every buying choice is a statement, it is not surprising that people want to make sure they are making statements they can agree with.



SOCIAL NETWORKS

The rise of social networking and micro-influencers has also shifted interactions. Able to speak directly with virtually anyone, companies now have greater opportunities to engender deeper customer loyalty than ever before. This also brings potential pitfalls though. The speed at which information, visual and visceral—think United Airlines—can be disseminated means that at any given moment, some big revelation or embarrassing mistake can go viral, damaging the brand as well as company morale.

AUTHENTICITY

Finally, in recent years people have increasingly demanded authenticity. Our Global MONITOR data shows that over 70 percent of people surveyed appreciate it when companies make clear what they stand for and stay true to their values. They want to trade marketing-speak and public relations for candor, transparency, and consistency. While there is opportunity here, the danger is that both consumers and employees are now much more willing (and able) to punish those who are less than sincere—think of the trouble Uber and Thinx have gotten into recently because of the disconnect between their images and their practices.

Live the brand values

It is important to look beyond these three trends though, and to look toward the bigger coming changes that have the potential to radically alter the business environment. Among the ones we are exploring: the changing nature of work and employment, algorithms and deep learning, and the coming of fluid and complex identities. How these deep shifts play out will influence exactly what roles brands might play in the future. However, it seems clear that no matter what, brands and companies will increasingly be judged on not just how they communicate their values, but how well they live them throughout every aspect of their business.

If companies want to build brands that resonate with people in the long term, they need to have a future-forward vision—one that leans into the changes on the horizon. Two major opportunities exist where old concepts can be redefined in order to have success with new audiences: purpose and diversity.

Purpose and diversity

Purpose must permeate as a guiding principle throughout an organization. Purpose-driven marketing will give way to values-driven culture. Having a set of core values that all stakeholders—from consumers to employees to shareholders—can recognize and see in action will be a prerequisite for success. Just as today, these values need not be political in nature; in fact, preaching or parading values around will likely be poorly received.

While the purpose bandwagon has been crowded in recent years, much of the focus has been on grand purposes that can be promoted. This is a ploy that people are increasingly rejecting. Instead, companies must be thoughtful about what values they truly wish to stand behind—these need not be socially focused—and then stand behind them throughout all they do. The emphasis will shift to how companies operate, rather than what they say. Those that do this most successfully will build real brand-equity advantages

that will allow them to be more competitive in all aspects of their business.

Diversity needs to evolve beyond demographics to reflect the real diversity within groups. The importance of having diverse workforces will increase, especially as changing demographics in many countries, and more globalized customer bases, demand that companies be more conscious and representative. The way that diversity is defined though, should change—from being about having representation from different populations to having representation within different populations. Recognizing that there is a wide array of perspectives, beliefs, and backgrounds in every group will be key; checking off boxes, for so many an end point today, will be just the beginning tomorrow.

As we have often seen—Pepsi's very public misstep being just one of the most recent examples—attempts to speak in culturally relevant ways, if poorly executed, can do more

harm than good. The price paid for being insensitive or offensive will increase, and the punishment that stakeholders mete out will be more severe. Truly diversifying the stakeholder base, from employees to partners to shareholders, is necessary in order to embed diverse opinions and viewpoints into every decision, strategy, and tactic. The companies that do this will be best positioned to not only avoid stumbles, but to build broad-based, long-term brand equity.

At a turning point

Brands are at a turning point, facing a future in which an expanded audience of diverse stakeholders expects companies to live their values consistently. Those that lead in reimagining how to embody purpose and embed diversity throughout an organization—looking in just as much as broadcasting out—will build the brands that are best positioned for success, and they will shape the very role that brands will play in the future.

Purpose

Brand purpose moves from cause and CSR to stating a POV about many issues

Initiatives can be risky and controversial, but social media leaves no place to hide

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Purpose used to be about having a cause, and brands delivered that through corporate social responsibility (CSR) initiatives. But the world has moved on. Social media has made all brand activity more risky, so purpose isn't enough anymore; brands need to have a clear and publicly stated point of view on many things, including media and marketing.

As a result of worker welfare scandals around 20 years ago, brands like Nike had to take defensive action to ensure that subcontractors in their supply chains were behaving honorably. Corporate social responsibility (CSR) departments were set

up to manage and oversee the new contracts and write reports. Brands began to define themselves not just on their intrinsic merits but also on their approach to broader global matters such as carbon neutrality, local communities, child labor, diversity, and sustainability. CSR is now actively woven into brand marketing programs; for example, Unilever's global sustainable living initiatives are firmly attached to individual brands like Knorr and Sunlight.

We know from BrandZ™ that brands with purpose—those that are “trying to make people's lives better”—outperform those without. We measured brand value for the same 87 brands in 2006 and 2017, and the top third (high-purpose brands) grew nearly three times more over that period than the bottom third (low-purpose brands).



But a vague sense of purpose isn't enough anymore. It needs to be specific, authentic, and intrinsic to every brand action and behavior. There are so many more places where brands can take a wrong step. Social media enables consumers to harness collective power, sign petitions, respond, publicly humiliate, and protest about almost any corporate activity. Public backlashes are becoming more frequent, and these grab social media attention and then spiral out of control. It's clear that brands are taking more risks than they should, particularly in media and marketing. This is a very delicate situation which can destroy brand growth overnight. Brands should take ownership of all their actions by minimizing risk, and, ideally, making it positive.

Brands like KIND, the healthy snack food company founded in 2004 by Daniel Lubetsky, have a purpose that is at the very heart of their business, their products, and their marketing.

But more than that, they define responsibility: not only do they use all natural ingredients, but they also encourage their consumers to be kind. Their aim is "make the world kinder, one snack and one act at a time," and with their global expansion, this purpose is spreading.

Recently it's become even more obvious that brands need to take responsibility for their actions in marketing and media. The withdrawal of advertising from YouTube by brands whose ads have appeared alongside unacceptable content has resulted in a big debate about who is responsible.

And campaigns like #stopfundinghate mean that brands are now obliged, more than ever before, to have a view on the contexts in which they appear. Brands need to have a point of view, a policy; they can't just leave it to media agencies and publishers to decide what happens to their ads, or they could damage or even contradict their stated purpose.

POINT OF VIEW ON CONTEXT

With the rise of ad tech and programmatic media, the digital media supply chain is complex and unwieldy, with myriad creative options. The recent furor about brand advertising appearing alongside inappropriate content on YouTube means that brands have to develop checks and balances for their programmatic activity, where context is completely stripped away in favor of following the target audience. And media owners need to develop algorithms and human intervention to prevent the content from appearing on the wrong platforms in the first place. This brand purpose is about protecting a brand from harm.

POINT OF VIEW ON AD FORMATS

Kantar Millward Brown's AdReaction research shows that receptivity in all generations is highly negative for ad formats which irritate consumers. The members of Gen Z are particularly sensitive to this; they like control and interaction. Using formats that people dislike only serves to undermine the industry long term. A great example of what brands can do is to become part of the Coalition for Better Ads, which was set up to discourage advertisers and publishers from using highly irritating ad formats like pop-ups. This part of a brand's purpose is about not annoying consumers.

POINT OF VIEW ON POLITICAL ASSOCIATIONS

We've all seen those charts that define Brexiters/Remainers by the supermarket where they shop and the brands they buy. The Uber CEO stepped down from Trump's Economic Advisory Council after employees protested that it was inappropriate in the light of the travel bans. Frankly, it would be a bold brand that came out publicly on either side of a political debate. However, it may benefit some brands. This part of a brand's purpose is about taking care not to alienate its audience.

POINT OF VIEW ON HOW TO TAKE CONTROL

You could argue that brands have outsourced too much responsibility to agencies and suppliers. If something's not explicitly stated in an agency contract, it's not going to happen, so brand points of view on viewability, brand safety, and measuring the real effectiveness of advertising will need to become more prevalent. This brand purpose is about making sure brands don't abdicate responsibilities which should be theirs to manage.

We are beginning to see brands take leadership positions on complex media and marketing matters. Tesco and Airbnb are now hiring their own media experts in-house, for example. We need to re-purpose purpose from its current nebulous definition to be all-encompassing and credible: at heart, brands should take responsibility. In a marketing and media environment that's fundamentally entropic, with consumers not behaving as they used to, marketers need to seize the opportunity to have a point of view and take control if they want to minimize risk and maximize their growth opportunities.



Regions & Countries

US drives value increase of Global Top 100 ranking

New BrandZ™ Vital Signs Index diagnoses brand health

North American brands—primarily from the US—drove the value growth of the BrandZ™ Global Top 100 Most Valuable Global Brands 2017, continuing a long-term trend. The North American Top 10 increased 12 percent, compared with a 9 percent rise for the Asia Top 10, followed by the Continental Europe Top 10, with an increase of 4 percent, and a decline of 4 percent for the UK Top 10.

Variations in regional value change resulted from several factors, including geopolitical and economic issues and the mix of categories in each region. In addition, regional value change correlated with overall brand health, according to BrandZ™ analysis using a new brand diagnostic tool called the Vital Signs Index.

Five of the North American Top 10 are technology category brands. Facebook, a business-to-consumer brand, rose 27 percent in value. Two business-to-business technology brands, Microsoft and IBM, rose 18 percent. In addition, Amazon, which BrandZ™ ranks in the retail category, increased 41 percent in value.

Similarly, technology brand performance influenced the value rise of the Asia Top 10, led by the 27 percent value increase of Tencent, China's most valuable brand, and a 23 percent increase by Samsung, a South Korean brand. Alibaba, which BrandZ™

ranks in the retail category with Amazon, rose 20 percent. Technology also affected the value increase in the Continental Europe Top 10, with a 16 percent rise in SAP, the German business-to-business brand. Europe's results were aided by the 18 percent rise of Hermès, the French luxury brand. In contrast, the UK Top 10 includes no technology brands, but several global banks and telecom providers, categories that have experienced limited value growth.

Only four Latin American brands are included in the BrandZ™ Top 100 Most Valuable Global Brands 2017. They are all beer brands. And although each increased significantly in value, led by a 34 percent rise by Brahma, the Brazilian brand, Latam makes less of an impact on the BrandZ™ Global Top 100 because of the relatively low value of the individual Latam brands.

US contribution rises

In 2006, 54 US brands produced 63 percent of the BrandZ™ Global Top 100 value. In 2017, 54 US brands produced 71 percent of the BrandZ™ Global Top 100 value. Over those 12 years, the value of US brands in the Global Top 100 grew 181 percent.

Twelve years ago, only one Chinese brand—China Mobile, the state-owned telecommunications brand—ranked in the BrandZ™ Global Top 100. Since then, the number of Chinese brands ranked in the Global Top 100 has increased from 1 to 13, and the value of Chinese brands has rocketed up 937 percent.

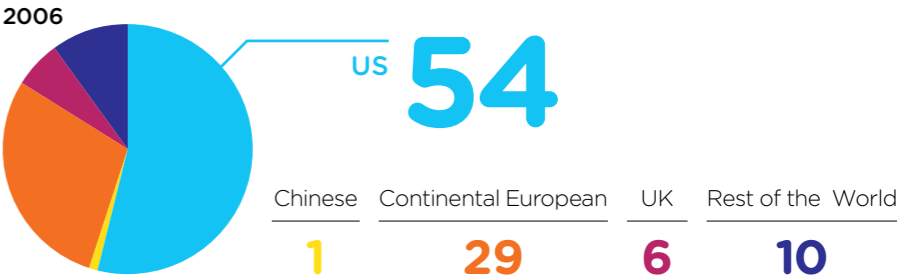
Other Chinese state-owned enterprises (SOEs) subsequently joined the ranking, including bank, insurance, and oil and gas brands. With the shift to more open competition in China, additional consumer-facing Chinese brands joined the ranking, including Tencent, the internet giant that this year ranks No. 8 in the BrandZ™ Global Top 100.

Along with technology category performance, brand building plays an important part in the value growth of the US and Chinese brands. The brands in the US and China Top 10 are relatively young, founded, on average, in 1976, compared with 1928 for those in Continental Europe and 1935 for the UK. Most important, these brands exhibit robust health.

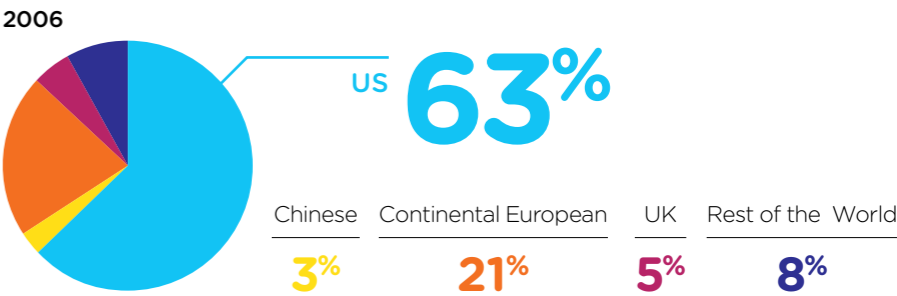
US PROPORTION OF GLOBAL TOP 100 VALUE IS HIGH...

In 2006, 54 US brands in the BrandZ™ Global Top 100 produced 63 percent of the ranking's value.

NUMBER OF BRANDS IN THE BRANDZ™ GLOBAL TOP 100



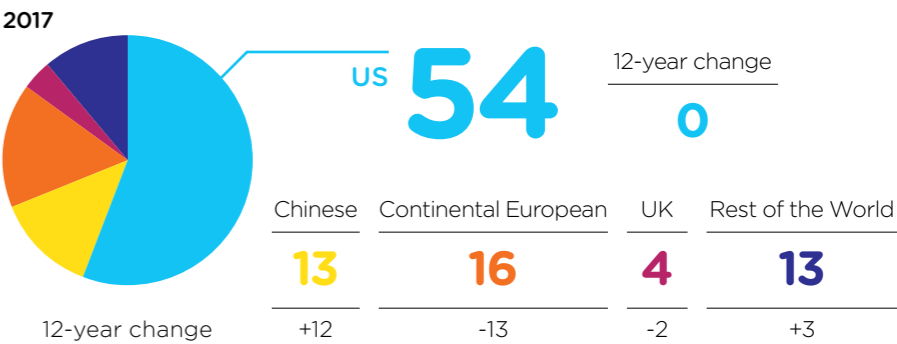
PERCENTAGE OF THE TOTAL VALUE OF THE BRANDZ™ GLOBAL TOP 100



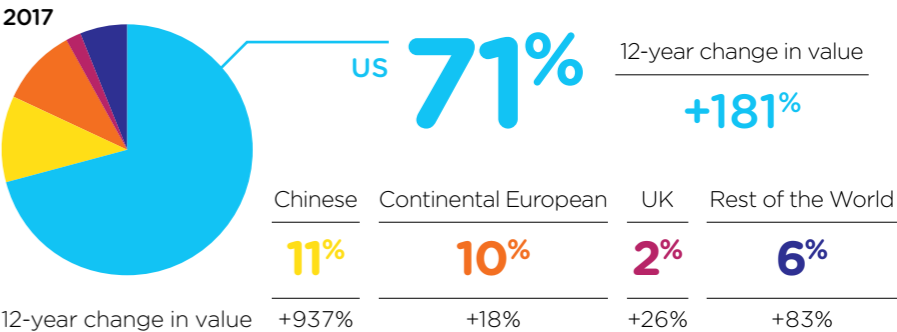
...AND US PROPORTION OF VALUE GROWS EVEN HIGHER

In 2017, the 54 US brands in the BrandZ™ Global Top 100 produced 71 percent of the ranking's value.

NUMBER OF BRANDS IN THE BRANDZ™ GLOBAL TOP 100



PERCENTAGE OF THE TOTAL VALUE OF THE BRANDZ™ GLOBAL TOP 100



Source: Kantar Millward Brown / BrandZ™



Meaningful Difference

The US far outscores all regions in brand health, according to the new BrandZ™ Vital Signs Index. A measurement of brand health, BrandZ™ Vital Signs assigns a composite score to brands based on their scores in these aspects: Brand Purpose, Innovation, Communications, Brand Experience, and Love. An average score is 100.

The BrandZ™ US Top 10 score 122 in BrandZ™ Vital Signs, compared with the Vital Signs scores for the BrandZ™ Top 10 in these countries and regions: China, 112; Asia (excluding China), 105; Continental Europe, 109; and the UK, 103. The US outscores each of these countries and regions in each of the five aspects of the BrandZ™ Vital Signs.

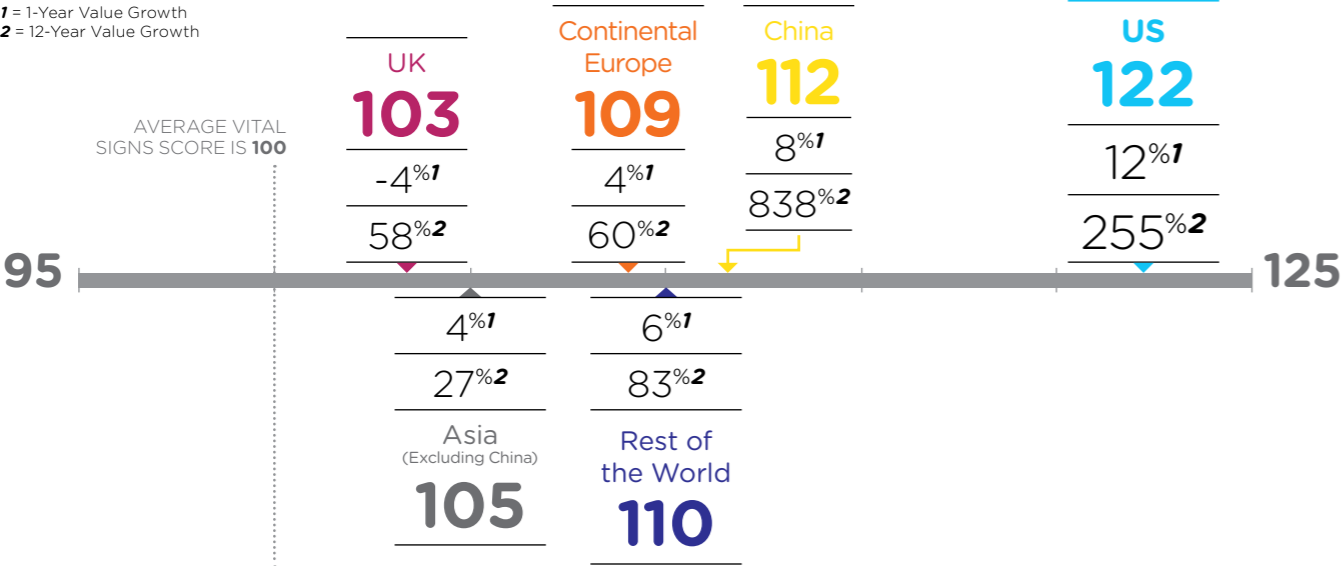
These aspects work together most effectively on a foundation of Brand Purpose. Innovation, built on a foundation of Brand Purpose and effectively communicated, can produce great Brand Experience and result in consumer Love of the brand. Most important, a high Vital Signs score also produces Meaningful Difference, an important competitive advantage.

Brands viewed by consumers as Meaningful (filling rational and emotional needs in relevant ways) achieve greater market share, and brands perceived as Different (trend-setting and distinctive) can command a higher price premium. The BrandZ™ US Top 10 score 146 in Meaningful Difference.

US LEADS IN VITAL SIGNS AND VALUE GROWTH...

Across all regions, brands in the BrandZ™ Global Top 10 score above average in BrandZ™ Vital Signs, an indicator of brand health. But the US brands score exceptionally high. And a high Vital Signs score correlates with brand value growth.

VITAL SIGNS
The large numbers show the Vital Signs scores for the BrandZ™ Global Top 10 in each region.



Source: Kantar Millward Brown / BrandZ™

... AND THE US LEADS IN ALL VITAL SIGNS COMPONENTS...

The US far outscores other regions in the five components of Vital Signs. It achieves an especially high score of 123 in Brand Purpose, Brand Experience, and Love.

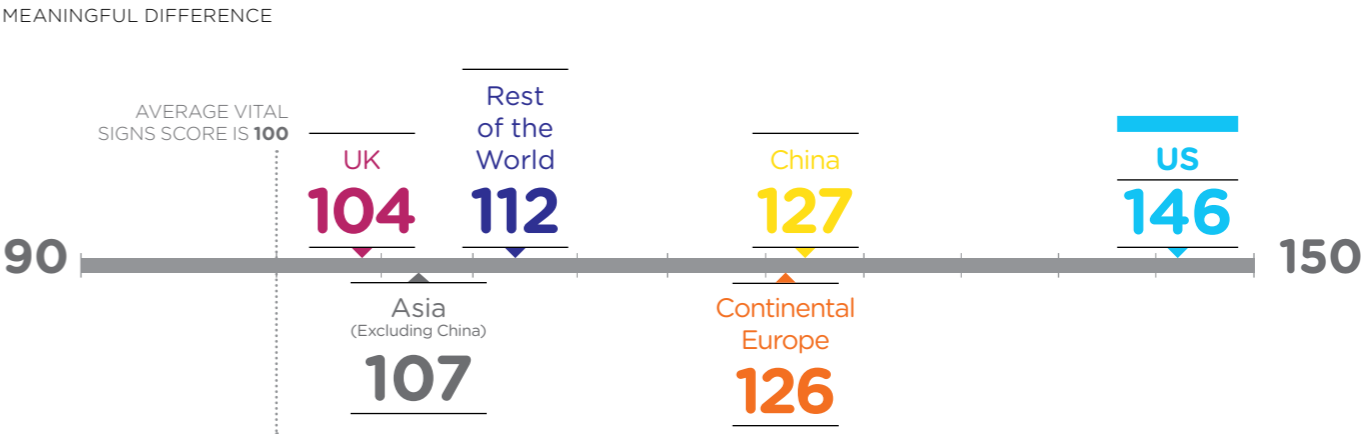
ASPECTS OF VITAL SIGNS

GLOBAL TOP 10	US	China	Asia (Excluding China)	Continental Europe	UK	Rest of the World
Brand Purpose	123	110	107	110	103	108
Innovation	121	110	104	110	101	105
Communications	120	111	107	109	104	110
Brand Experience	123	113	103	110	102	106
Love	123	114	102	106	102	104

Source: Kantar Millward Brown / BrandZ™

... THE HIGH US VITAL SIGNS SCORE LEADS TO COMPETITIVE ADVANTAGE

Brands that score high in Vital Signs achieve Meaningful Difference, a competitive advantage. Brands viewed by consumers as Meaningful (filling rational and emotional needs in relevant ways) achieve greater market share, and brands perceived as Different (trend-setting and distinctive) can command a higher price premium.



Source: Kantar Millward Brown / BrandZ™



Most Valuable Brands by Region

NORTH AMERICA TOP 10

Brand Value
Year-on-Year Change

+12%

Total Brand Value

\$1.4 trillion

Technology brands drove the North America Top 10 with a 12 percent increase in value, which followed last year's 10 percent rise.

		Category	Brand Value 2017 \$ Million	Brand Value 2016 \$ Million	Brand Value % Change 2017 vs. 2016
1	Google	Technology	245,581	229,198	7%
2	Apple	Technology	234,671	228,460	3%
3	Microsoft	Technology	143,222	121,824	18%
4	Amazon	Retail	139,286	98,988	41%
5	Facebook	Technology	129,800	102,551	27%
6	AT&T	Telecom Providers	115,112	107,387	7%
7	Visa	Payments	110,999	100,800	10%
8	IBM	Technology	102,088	86,206	18%
9	McDonald's	Fast Food	97,723	88,654	10%
10	Verizon	Telecom Providers	89,279	93,220	-4%

Source: Kantar Millward Brown / BrandZ™ (including data from Bloomberg)

LATIN AMERICA TOP 4

Brand Value
Year-on-Year Change

+23%

Total Brand Value

\$24.5 billion

Following a decline a year ago, the Latin America Top 4, all beer brands, rose 23 percent because of the strength of the brands.

		Category	Brand Value 2017 \$ Million	Brand Value 2016 \$ Million	Brand Value % Change 2017 vs. 2016
1	Skol	Beer	8,146	6,743	21%
2	Corona	Beer	8,119	6,626	23%
3	Brahma	Beer	4,385	3,269	34%
4	Aguila	Beer	3,843	3,270	18%

Note: The Latam Top 4 consist of brands that appear in the Top 100 and the category rankings.
Source: Kantar Millward Brown/ BrandZ™ (including data from Bloomberg) and Kantar Vermeer

UK TOP 10

		Category	Brand Value 2017 \$ Million	Brand Value 2016 \$ Million	Brand Value % Change 2017 vs. 2016
1	Vodafone	Telecom Providers	31,602	36,750	-14%
2	HSBC	Global Banks	20,536	20,276	1%
3	Shell	Oil & Gas	18,346	14,940	23%
4	BT	Telecom Providers	16,026	18,575	-14%
5	BP	Oil & Gas	11,131	10,552	5%
6	Tesco	Retail	8,041	8,923	-10%
7	Lipton	Soft Drinks	7,905	8,554	-8%
8	Barclays	Global Banks	5,999	7,509	-20%
9	Dove	Personal Care	5,792	5,448	6%
10	O2	Telecom Providers	5,701	N/A	N/A

Source: Kantar Millward Brown/ BrandZ™ (including data from Bloomberg and Kantar Retail)

Brand Value
Year-on-Year Change

-4%

Total Brand Value

\$131.1 billion

Because of continuing weakness in key UK categories—telecom providers, global banks, and retail—The UK Top 10 declined 4 percent, up from an 8 percent drop a year ago.

CONTINENTAL EUROPE TOP 10

		Category	Brand Value 2017 \$ Million	Brand Value 2016 \$ Million	Brand Value % Change 2017 vs. 2016
1	SAP	Technology	45,194	39,023	16%
2	Deutsche Telekom	Telecom Providers	38,493	37,733	2%
3	Louis Vuitton	Luxury	29,242	28,508	3%
4	Zara	Apparel	25,135	25,221	0%
5	BMW	Cars	24,559	26,837	-8%
6	L'Oréal Paris	Personal Care	23,899	23,524	2%
7	Mercedes-Benz	Cars	23,513	22,708	4%
8	Hermès	Luxury	23,416	19,821	18%
9	Movistar	Telecom Providers	22,002	21,945	0%
10	IKEA	Retail	18,944	18,082	5%

Source: Kantar Millward Brown/ BrandZ™ (including data from Bloomberg and Kantar Retail)

Brand Value
Year-on-Year Change

+4%

Total Brand Value

\$274.4 billion

Some strength in the technology and luxury categories produced a moderate 4 percent gain in value, over a 5 percent increase a year ago, for the Continental Europe Top 10.



Most Valuable Brands by Region

	Category	Brand Value 2017 \$ Million	Brand Value 2016 \$ Million	Brand Value % Change 2017 vs. 2016
1	Tencent	108,292	84,945	27%
2	Alibaba	59,127	49,298	20%
3	China Mobile	56,535	55,923	1%
4	ICBC	31,570	33,637	-6%
5	Toyota	28,660	29,501	-3%
6	Samsung	24,007	19,490	23%
7	Baidu	23,559	29,030	-19%
8	Huawei	20,388	18,652	9%
9	NTT	20,197	19,552	3%
10	China Construction Bank	18,770	19,617	-4%

Source: Kantar Millward Brown/ BrandZ™ (including data from Bloomberg and Kantar Retail)

ASIA TOP 10

Brand Value
Year-on-Year Change

+9%

Total Brand Value

\$391.1 billion

After declining 8 percent in value a year ago, the Asia Top 10 increased 9 percent because of the strengthening performance of Chinese brands, and South Korea's Samsung.

TOKYO - JAPAN

Value of all Japanese brands in Global Top 100

\$84.3 BILLION

Latin America

Economic and political forces hurt brand value

Mexico increases contribution to Latam Top 50

The economic and political turbulence that has wracked Latin America and produced an average 29 percent currency devaluation impacted the performance of the BrandZ™ Top 50 Most Valuable Latin American Brands 2017, which declined in value 22 percent to \$103.4 billion.

Only six brands increased in value. Eight brands appeared for the first time. And 36 brands lost value. The Latam Top 10 also declined, but by a more modest 14 percent, demonstrating the relative stability of strong brands even during periods of economic crisis.

Six of the Latam Top 10 brands were Mexican, two were Brazilian, with one Colombian and one Chilean brand. Of the categories represented, beer brands comprised half of the Top 10, and three retailers and two communications providers comprised the other half.

The beers in the Latam Top 10 included: the Brazilian beer Skol, No. 1 in the Latam Top 100 ranking;

Mexico's Corona; the Brazilian beer Brahma; Aguila, from Colombia; and Mexico's Modelo. The two communications providers in the Top 10 were Telcel and Televisa, both Mexican brands.

The retail brands in the Latam Top 10 included the Chilean-based department store Falabella and two Mexican chains, Bodega Aurrora and Liverpool. Both Bodega Aurrora, a discount store chain owned by Walmart, and Liverpool, a department store operation, increased in value, 16 percent and 28 percent, respectively.

Mexico contributes value

Mexico again led the BrandZ™ Latam Top 50 in contribution of brand value, rising from 37 to 43 percent, followed by Brazil, Chile, Colombia, Peru, and Argentina. Overall brand value declined in each country, with Chile down the least, 9 percent, and Colombia down the most, 59 percent.

Three sectors primarily drove the growth of Mexico's brand value: beer, food and dairy, and personal care. Although Brazil is Latin America's

largest economy, producing around one-third of regional GDP, Brazilian brands contributed less than a quarter of the value to the BrandZ™ Latam Top 50 because of economic and political instability, which produced unfavorable exchange rates and falling stock prices.

Chile, the third-largest value contributor to Latam Top 50 value, after Brazil, increased its contribution slightly, to 17 percent, on the strength of the beer, food and dairy, personal care, and services categories. Colombia, the fourth-largest brand value contributor, reduced its value share dramatically to only 8 percent because of weakness in the banks category.

The weakness of Colombia's banks, down 76 percent in value, drove an overall 56 percent decline in the value of the banks category in the BrandZ™ Latam Top 50, making it the ranking's poorest performing category. Retail, the only category that did not decline, recorded no change. Beer, food and dairy, and personal care declined only 5 percent. These sectors together comprise the largest proportion of value in the Latam Top 50, over a third.

Brand Building

Several themes emerged for building valuable brands despite this difficult economic context:

- 1

Emotional connection

Consumers are shopping more often, but spending less on each trip. Convincing a cautious consumer to spend requires a fair price and good value, for sure, but also an emotional connection beyond the functional benefit.
- 2

Transparency

Even in strong economies, consumers today expect honesty and transparency from their brands. These expectations are even greater among consumers experiencing economic instability and uncertainty.

- 3

Optimism

Even in some of the most difficult economic circumstances, life goes on. Consumers desire some normality and consistency. They will buy their favorite brands, even if they buy them less frequently.
- 4

Mobile

High mobile penetration in this region provides brands with an important opportunity to reach consumers with creative, personalized, data-driven communications.

The Latam Top 50 brands do not control external events that affect their valuations, including the local political turmoil. Regional GDP growth spiked briefly after the global financial crisis, but has declined since 2010. In an instance where the BrandZ™ Latam Top 50 brands can control results, they have performed well; Brand Contribution of the Latam Top 50 has steadily risen over the past five years. Brand Contribution is the BrandZ™ metric that assesses the extent to which brand alone drives purchasing volume and enables a brand to command a price premium.

BRANDZ™ LATAM TOP 10

Six of the Latam Top 10 brands were Mexican, two were Brazilian, one Colombian, and one Chilean.

	Brand	Category	Brand Value 2017 \$Mil.	Brand Contribution	Brand Value % Change 2017 vs. 2015		Country
1		Beer	7,782	5	-8%		Brazil
2		Beer	7,647	4	-10%		Mexico
3		Communication Providers	4,598	3	-26%		Mexico
4		Retail	4,257	5	-10%		Chile
5		Communication Providers	4,035	2	-9%		Mexico
6		Beer	3,772	5	-10%		Brazil
7		Retail	3,593	2	16%		Mexico
8		Beer	3,486	5	-5%		Colombia
9		Beer	3,316	4	-8%		Mexico
10		Retail	3,269	3	28%		Mexico

Source: Kantar Millward Brown / BrandZ™ (including data from Bloomberg)

Brand contribution measures the influence of brand alone on earnings, on a 1-to-5 scale, 5 being highest.



China

China increasingly looks abroad, brands find greater acceptance

Government balances change with need for stability

Brands and consumers felt the consequences of China's shifting priorities. Having driven record economic growth and lifted hundreds of millions of people from poverty, the Chinese government is now focused on managing its success: guiding the transformation to a more competitive economy, while carefully balancing the rate of change with the need for stability.

Efforts to remove surplus and match production with demand in the new consumption-driven era impacted various categories, generally favoring market-driven brands over state-owned enterprises (SOEs). The banks, insurance, and oil and gas categories, still dependent on the old economy, faced challenges.

There were exceptions. Alcohol and food and dairy, categories with substantial SOE presence, increased in value, usually because of the marketing activities of individual brands. Several brands of Baijiu, China's traditional white alcohol, continued to rebound in value, for example, after repositioning to grow despite the government's discouragement of extravagant official entertainment. Moutai is the second-fastest riser in the BrandZ™ Top 100 Most Valuable Global Brands 2017, with brand value increasing 48 percent.

Economic rebalancing affected consumers disproportionately, hurting those dislocated from industries in the production-driven economy while helping others in the urban middle class associated with the service sector. This division affected diverse product categories and brands, and was especially evident in fast-moving consumer goods (FMCG). While sales slowed for mass products aimed at less affluent consumers,

products desired by the middle class experienced premiumization. Kantar Worldpanel called this phenomenon "Two Speed China."

In addition to these factors, brands contended with media fragmentation, which required insight about how to effectively shift investment to emerging digital options. No media channel dominated. Individual consumers relied on multiple media channels, especially in the cities. Plus, the kind of information consumed is changing, with a rise in content marketing that is more informational than promotional.

E-commerce and social media are rapidly evolving and converging in China, where digital ecosystems are more comprehensive than in the West, and more central to people's lives. Video is rising in importance, with new niche platforms complementing the more traditional sites, and live streaming and self-broadcasting rising rapidly in popularity.



Going global

Meanwhile, in a May 2017 international conference held in Beijing, the Chinese government committed an additional \$14.5 billion to fund “One Belt, One Road,” its strategic vision, articulated in 2014, to encourage global expansion and cultivate overseas markets for its excess industrial capacity.

The presence of Chinese brands in the BrandZ™ Global Top 100 has grown steadily since the first brand, the SOE China Mobile, appeared in 2006.

Today, the 13 Chinese brands in the Global Top 100 comprise 11 percent of the ranking's value. And over the 12 years since 2006, the brand value of Chinese brands in the Global Top 100 has increased 937 percent. The Chinese brands come mostly from

categories dominated by SOEs: alcohol (including brands like Moutai), banks, insurance, oil and gas, and telecom providers like China Mobile.

But as the Chinese economy liberalizes, more entrepreneurial brands are represented in the BrandZ™ Global Top 100, including e-commerce giants Alibaba, which ranks No. 2, after Amazon, in the retail category, and JD.Com. More technology brands have appeared in the ranking, including China's most valuable brand, Tencent, the internet portal, and these other technology brands: Baidu, the search giant, and Huawei, the telecommunications giant with a thriving consumer mobile device business.

The concentration of technology brands illustrates a shift in the overseas

consumer view of Brand China. Recent BrandZ™ global research, conducted in collaboration with Google, found that emerging entrepreneurial, internet-driven Chinese brands are finding acceptance overseas. These smaller, nimbler brands, with increasing access to capital, are rapidly establishing overseas, in some cases before they develop in China.

The change in perception is most pronounced among young people. BrandZ™ research across 18 countries in 2015 found that 40 percent of people aged 18 to 35, thought of Chinese brands as creative, compared with only 31 percent of people aged 51 to 65. The change in perception is likely to continue as Chinese brands increase the pace of overseas growth.

Emerging Chinese brands impress overseas consumers

Chinese entrepreneurial brands are rapidly emerging. Although small, they are large enough to make an impression on consumers, even overseas. BrandZ™ examined overseas consumer attitudes toward both emerging and established Chinese brands.

The research considered nine product categories in seven developed markets, including three continental European countries, the UK, the US, Australia, and Japan. It compared how consumers view Chinese brands with how they view non-Chinese brands—both global brands and local country brands. The research concluded:

- Entrepreneurial, internet-driven Chinese brands are finding acceptance overseas, and consumer electronics brands dominate the ranks of Chinese exporters; however,
- Consumers worldwide are still less likely to choose a Chinese brand in most categories; and
- As Chinese companies continue to expand beyond nearby Asian countries, export success will require extensive market insight and brand building.

These findings are contained the *BrandZ™ Top 30 Chinese Global Brand Builders*, a report produced by BrandZ™ and Kantar Millward Brown in collaboration with Google. The report identifies and ranks Chinese brands based on the strength of their BrandZ™ Brand Power outside of China. Brand Power is a BrandZ™ metric of brand equity that describes consumers' inclination to select a brand.



(For full details, methodology, and to download the report please visit www.brandz.com)

SHANGHAI - CHINA

Value of all Chinese brands in Global Top 100

\$406.0 BILLION



China Survival Lesson

Chinese brands provide a model for competing in uncertain times

Adaptation and innovation frees
brands from old business models

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**“It is not the strongest of the species
that survives, nor the most intelligent,
but the one most responsive to change.”**

Charles Darwin

We live in increasingly
challenging times.
Military strategists refer
to this climate as VUCA.
Volatile, Uncertain,
Complex and Ambiguous.

They use these axes to plot a
practical code for awareness
and readiness.
It seems the perfect acronym
for the challenges we face as
marketers.

Markets are definitely volatile
and uncertain, while consumers
have never been more complex
or ambiguous.

How do we navigate our
brands through such hostile
and uncharted territory?
Are we ready to manage
risks, foster change, and
solve problems?
How will we win in this
hypercompetitive world?

China is surging ahead of the
West. It is a preview of the future
that our brands will face.
We would be wise to absorb
China's lessons to give our
own brands the best chance of
survival.

China's phenomenal
transformation from imitators
to innovators has been much
lauded. We are in awe of
the scale, popularity and
commerciality of BAT (Baidu,
Alibaba, and Tencent). We
marvel at the transformation of
Lenovo into the world's biggest
PC maker by volume. What can
we learn from China and how can
we absorb its innovation lessons?

Let us focus on three key themes:
the cult of the new, cultural
leadership, and consumer
complexity.



The cult of the new

China is one of the fastest adopting countries in the world for new products and applications. It embraces newness and novelty like no other nation on earth. It takes the embryo of an idea, sometimes a pre-existing one, and iteratively evolves it until it is transformed. China's innovation philosophy is a brilliant blend of reiteration and reinvention. It liberates itself from outdated business models.

THE GROWTH OF SUPER APPS

This is Chinese innovation on steroids. WeChat is WhatsApp, Facebook, Twitter, PayPal, Amazon, Skype, Uber and Facetime all rolled into one. It had 768 million daily users in 2016. Thanks to WeChat, QR Codes (which barely made a dent in the West) have become essential to mobile commerce in China. It is now a CRM platform that controls the intermediation between business and consumers through owning and managing user profiles. Its big-brother data capabilities are disquieting. It is light years ahead of any competitor in functionality and reach.

NOVELTY NEVER GROWS OLD

Novelty can come from anywhere. In personal care, we have seen the rapid adoption of personalization, such as Skin Inc's bespoke blend of 10 different serums. YSL's beauty engraving service is so popular, it now accounts for 80 percent of their

orders. The craze for Korean and Japanese beauty and hair products seems insatiable. The "Korean face mask selfie" craze has now spread to Hollywood.

The Chinese mindset always seeks newness, whether by inventing new products, services or categories or disrupting existing ones. Brands and marketers need to manifest and behave in more unexpected and agile ways. We need bolder experimentation and rapid iteration.

China has taught us that it is better to experiment, fail fast, and learn than to procrastinate and risk extinction.

Cultural Leadership

STICKINESS IS KEY

Brands that succeed in China are culturally sticky. They understand how to both leverage and lead culture. They champion "slow culture," celebrating traditional festivals such as Chinese New Year, and they feed "fast culture." Singles' Day is an Alibaba-created festival to celebrate singles on 11/11 every year. With sales on Tmall and Taobao of US \$17.8 billion in 2016, it is now the largest online shopping day in the world. Great brands harness the hottest key opinion leaders (KOLs) with powerfully placed endorsements and product demos in top shows and online dramas. Cultural currency is so valued that brands have reportedly paid up to \$50 million for sponsorship rights for

shows like *The Voice*. Famous KOL's have the reach of the gods. This makes word of mouth, in the right context from the right KOL, priceless.

TAKE A CULTURAL STANCE

Chinese consumers, like most people, are full of beautiful contradictions. They are both materialistic and idealistic. Great brands capture this idealism by harnessing an issue or challenging a point of view that resonates with their audience. P&G's SK-II brand did this brilliantly when it took on the stigma of "leftover women" and the Chinese "marriage market" with its #changedestiny campaign. SK-II's sensitive and moving exploration of the issue hit a nerve with the over-25s.

Further afield, cultural leadership triumphed when 50 brands took on Fox News and refused to sponsor Bill O'Reilly's *The O'Reilly Factor*, resulting in his dismissal for sexual misconduct. Companies understand that consumers expect brands to have shared values and to use their power for good.

It is not enough for brands to have their finger on the pulse of culture; they need to know how to influence and lead it.

Consumer Complexity

China is the world's biggest economy, with an incredible spectrum of consumer needs. Navigating this complexity is crucial.

INNOVATING FOR EXTREME ENDS OF THE SOCIAL PYRAMID

In 2015, Chinese consumers accounted for over one-third of all global luxury spending. Furdai (second-generation rich) millennials are driven by ostentatious displays of wealth and status. Infamously, one of the richest men in China bought two gold Apple watches for his dog and took a picture of him wearing them for Instagram.

The growing middle class, with their love of luxury, has led to the trend for "extreme premiumization." The increasing rejection of mass or supermarket brands in favor of more niche or aspirational ones could prove problematic for big global brands. Competition is becoming fiercer as more Chinese consumers upgrade their choices. Brands must prove that they are worth upgrading to.

At the other end of the social pyramid, "lean value" is required for lower tiers. Chinese brands have creatively adapted to meet this need with a nuanced understanding of local culture. People want convenience, functionality, and an easy user experience. Utility is key. "Feature inflation" is rejected—they eschew bells and whistles for streamlined, simple, value-led products that target a specific need. George Yip and Bruce McKern term this phenomenon "fit for purpose" in their book, *China's Next Strategic Advantage*. It is a valuable lesson

for brands targeting the emerging consumer class globally. People do not want to pay for over-featured products and services. China is the leader in how to make innovation commercially viable. We would be wise to learn from Haier or Lenovo.

BRAND EXPERIENCE IS THE NEW BATTLEGROUND

Although brands need an e-commerce mindset to win in China, they also need to creatively bridge the gap between physical and virtual shopping across all channels. Online retailers are now making big investments in physical space. Retail experience has evolved way beyond sampling and discounting. Novelty plays, such as augmented reality displays, are now relatively commonplace.

Brands will need to cultivate direct relationships with their consumers. Their brand experiences will need to build their story, deliver more targeted messaging and provide personalized shopping experiences. Nike and Under Armour are leading the charge on Direct-to-Consumer.

HOMEGROWN BRANDS ARE TAKING ON THE WORLD

Chinese consumers are both nationalistic and international. The aggressive growth of domestic brands is testament to this. It is increasingly China's turn to become the breeding ground of world-beating

competitors. The best of these brands cleverly achieve cultural stickiness while delivering quality credentials. Huawei harnesses A-list celebrities such as Scarlett Johansson to promote its top smartphone, the P9. It successfully projects both aspiration and quality on a local and global stage. Domestic brands have mastered brand talkability and media manipulation with concentrated spend on branded content and big show sponsorships. China has fully embraced a non-traditional media model with big blockbuster plays in culture that build brand fame in an ocean of competitive noise.

SURVIVAL TACTICS

China has thrown down the gauntlet. While the world has watched, it has evolved at a feverish pace, from iterative imitator to ingenious innovator.

As Steve Jobs said, "Innovation distinguishes between a leader and a follower." In this volatile, uncertain, complex, and ambiguous environment, brands must lead by embracing faster experimentation and more disruptive business models. Brands need to find ways to creatively navigate consumer complexity and rise above the fray to lead culture. Only then will they survive and thrive.

India

Globalization, localization impact how Indians shop

Government vision jolts the economy

Two opposite forces—globalization and localization—influenced how Indians shopped. To accelerate transition to a digital global economy, the Indian government implemented demonetization, cutting off the dependence on cash transactions. At the same time, Indian consumers continued gravitating toward local brands.

Demonetization came abruptly. During the evening of November 8, 2016, the same day Americans elected Donald Trump, Prime Minister Narendra Modi informed Indians that the government would immediately remove from circulation key denominations of bank notes, making them worthless unless exchanged for new currency.

The goals of demonetization were to reduce corruption, increase taxable revenue, and shift India from reliance on cash to a digital-payment society. In the early days of demonetization, people waited in long queues at

banks that had limited supplies of the new money. Some who chose not to declare a stash of black-market cash lost considerable wealth. Others found ways to redeem ill-gotten gains.

Many complained about demonetization and criticized it for being poorly planned and widening the digital divide between the poor and the middle class. But there was limited public unrest. And just a few months later, when Modi's ruling BJP party won an overwhelming election victory in Uttar Pradesh, India's largest state, it seemed as if Indians had accepted demonetization as foul-tasting medicine that could improve their lives.

Young people adapted quickly. Women initially changed their shopping patterns and moved from traditional stores to modern outlets that accepted credit cards. The rapid rise in mobile payments, with apps like Paytm, suggested that India was rapidly transitioning to a digital economy and fulfilling the government's vision of a financial revolution.

INSIGHT



Indians view the future with hope

The long-term confidence of Indian consumers does not seem to be affected by demonetization. People worry about spend outpacing income, and feel that their current situation is not as good as it has been over the past two years. However, they look towards the future with hope.

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Uncertainty is a pain point for consumers

The learning for brands—whether Indian or multinational, value or premium—is that there is a lot of uncertainty worldwide, and especially in India. Who would have talked about demonetization just a year ago? Uncertainty is a pain point. Identifying and tapping into this uncertainty will help brands win the market. Giving the consumer a better wash for clothing, or better mileage, is no longer enough. To win in any category, brands need to answer the consumer's main questions: How do you fit in my life? How do you help me solve this uncertainty in my life?

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C O N T R A C T

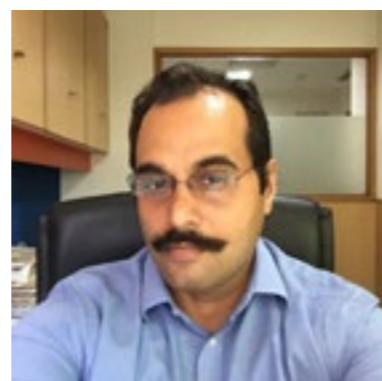


Digital dawn brings new opportunities for Indian brands

The predominant consumer sentiments have undergone a metamorphosis because of changes in consumer life induced by government initiatives, such as those regulating driving and waste recycling. However, only a few brands have expressed their empathy towards the consumer challenges or even tried to connect to consumers on these challenges. The demonetization is perhaps an exception with a few companies, particularly the e-commerce players, using it to help consumers springboard from the cash economy to a digital economy. Traditional brands must reexamine their proposition to meaningfully connect to consumers, as their predominant sentiments have undergone a clear metamorphosis, and brand propositions have not.

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Brand stories must connect with aspirations

The brands that have had a significant impact in the past few years are those like Patanjali. They began in ayurvedics, developed a large consumer following, and have a narrative that extends beyond the functional. The brand narrative needs to look at the market through the lens of changing India and connect with the aspirations of people. Consumers will experiment with brands that have both a good story and related functional benefits.

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KANTAR IMRB

Brands and categories

Financial services brands may be the biggest winners. Now that consumers have deposited their cash savings in bank accounts, the financial services brands have an opportunity to educate them about investments and other financial products. Telecom providers face a great opportunity, because better infrastructure is needed to make the vision of digital India a reality.

FMCG in India is strongly impacted by rural demand, which is driven by the agricultural economy, whether farmers raise a healthy crop and sell it to wholesalers. Demonetization happened between crop cycles, which minimized the impact. Some disruption occurred among wholesalers whose ability to purchase crops was limited by the reduction of cash in the supply chain.

Prior to demonetization, an official channel existed side-by-side with an underground cash-only channel, where prices were lower because transactions did not include tax payments. Categories that depended more on the underground channel may feel the impact of rising prices. The real estate market slowed after demonetization because of its dependence on cash. Auto sales decreased initially, but soon began to recover.

A few months prior to demonetization, on August 15, India celebrated its 70th anniversary as an independent state. Centuries of existing within the strictures of the Mughal or British rule have produced a nation of smart and practical consumers, open to global brands but increasingly receptive to an expanding offering of local products and services.

Consumers and shopping

Among the local choices were more ayurvedic-influenced brands, like Pantanjali. The rise of ayurvedic-based brands reflects a desire for the familiar. The Maggie noodle brand regained popularity after experiencing a food safety episode a few years ago, for example. The brand appeals to Indians because it is familiar and seems Indian. In fact, it is a Hindustan Unilever brand.

The interest in Indian brands also may be related to the rise of Hindu nationalism, a form of populism that resembles Brexit and President Trump's "America First" pronouncements, but is expressed with Indian particularity. For Indian consumers, whether a brand is global or local usually is less important than whether it delivers a true value.

Typically, members of India's urban middle class buy premium products if justified by functionality and value, but not simply for the badge. In the smartphone category, for example, Apple and Samsung face formidable competition from Chinese brands, like Huawei, and the local Indian brands, including Lava and Micromax.

Some suggest that demonetization will slow India's robust annual GDP growth to below 7 percent. With slower growth, brands would feel more pressured to develop disruptive strategies and stimulate consumer spending with innovative offerings. The strong interest in local Indian brands will likely continue, but for Indian consumers the key determinant for choosing a brand will be that it meets their needs at the right price.

INSIGHT



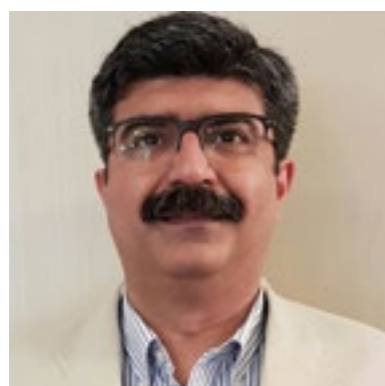
Millennials look for value in brand choice

The Gen X consumers are influencing the market. There used to be a sense of premium associated with foreign brands. Young people have a different perspective. Having grown up since liberalization, they are not influenced by whether the brand is Indian or non-Indian. For them it's all about value.

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Slower growth produces more brand disruption

Although the Indian economy is still expanding at a faster rate than most industrialized nations, it's facing head winds. Brands are coming up with disruptive strategies to introduce something new and different, creating a value for the consumer and for themselves. Consumers are open to both Indian and non-Indian brands, and will select the brand that helps improve their life and offers the best value.

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Demonetization made most feel less wealthy

People felt less rich. Many sectors went through significant downturn in cash flow and in the number of people they employed. Therefore, there was a segment of people who were unemployed or who moved to lower-paying jobs. They were not contributing as much to consumption as they would have otherwise. People who had large stashes of money found ways to legitimize it. They were unlikely to feel less rich. Salaried people were not impacted because their earnings are transparent and taxed. Effectively, it was lower-wage people or those in unorganized sectors who were hit hardest. Brands catering to these people were hurt. In addition, some of the sectors that rely on discretionary spending were hit by demonetization, especially sectors like jewelry or real estate that relied on cash transactions.

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Value tops premium perception

The perception of being premium is no longer a criterion for a brand to be picked up from the shelf. If the premium brands were the ones gaining market share, then we would not have seen the rise of the Chinese smartphone brands and Indian brands like Micromax or Lava. The consumer is giving a lot of attention to the features and value that these phone brands offer. They are not simply choosing the premium associated with Apple or Samsung. Because of the amount of choice in India, the selection of a brand is no longer driven by a need alone. Consumers can evaluate their need and then make a choice.

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BRAND BUILDING ACTION POINTS

1

Be authentic

With the proliferation of "fake news" and "alt facts," authenticity will distinguish brands and help ensure long-term success. Millennials are especially sensitive to the need for honest information.

2

Be relevant

Make the brand relevant by connecting with consumer sentiment, which post-demonetization includes a high level of uncertainty. Offer products and services that create the perception of a great value.

3

Be personal

People increasingly rely on social media as their primary source of news and other information. Brands must learn to communicate with individuals in a personalized way that enables them to enter the daily conversation.

4

Be prepared

Be prepared for disruption. The possibility of disruption is certain. Less certain is how disruption will happen, in what categories, and to what brands. Now that consumers are more sophisticated and exposed to greater choice, they seek value and are most likely to respond to brands they perceive as best in class.

BrandZ™ Focus on india...

BrandZ™ Top 50 Most Valuable Indian Brands 2016

Indian entrepreneurship and innovation, factors which produced the strongest Gross Domestic Product (GDP) growth of any major industrialized economy, also drove a value rise among local Indian brands.

This in-depth study analyzes the success of powerful and emerging Indian brands, explores the Indian consumer's shopping habits, and offers insights for building valuable brands.

(For full details and to download the report, please visit www.brandz.com)



Emerging Brands

Chinese, Indian brands expand with differing global strategies

Their success is critical to drive brand value and world vitality

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Didi, Ola, Baidu, Birla, Flipkart, Dalian Wanda... the list is long and varied of large and valuable brands in China, India, and other emerging markets and yet they firmly remain homebound despite some efforts to become global brands.

The leap from East to West seems to be as implausible as it's been for the past few decades. Why is it that brands from the East are not able to make that transition? Are they not interested, or simply not doing it right? And will we see any of them soon ranked in the BrandZ™ Top 100 Most Valuable Global Brands? The answers to these questions are as varied as what these brands represent.

Taking the shortcut

Companies from China seem to have taken a different lesson from the journey of Japanese and more recently Korean brands. Instead of trying to fight and overcome the perception issue of quality and reliability with millions

of dollars, they have decided that it's much simpler to just use that investment to acquire brands that don't have these issues and get on with the job of selling product.

This has led to brands like TCL acquiring Thomson and Alcatel in Europe, and Haier acquiring the GE appliance division and Fisher & Paykel. And real estate brand Wanda has added a diversification element to this by taking over AMC cinemas, Legendary Pictures and Dick Clark Productions.

This behavior is not so much a business approach as one that's a cultural response. Whenever you meet someone in China, they will tell you their name is Tom, or Kelvin, or Joe—all made up names for the easy consumption of foreigners. They view it as misspent energy trying to teach a hundred people that X is pronounced as "Ksh" or that Q is pronounced with a "Sh" sound. It's simpler to present themselves in your own syntax and cultural context and get down to business. The approach hasn't paid rich dividends yet, but it's too early to tell.



“We are like this only”

A phrase made popular, ironically, by MTV in India, it refers to the eccentricities of Indians and their unchanging nature. While it was a satirical sketch, the underlying cultural truth is very strong and again emerges in business. Indian brands, with the exception of Tata's now famous acquisition of Jaguar Land Rover, do not favor being invisible and behind the scenes. Expansion to them is a conquest and it needs to be under their flag; this is more reminiscent of the Japanese and Korean way.

A lot of success has been achieved in the sphere of IT services by the likes of Infosys, Wipro, TCS and many other brands, but when it comes to consumer-centric brands it's a different story altogether. No Indian brand has been able to make much of an impact. Auto brands have been leading in attempting forays abroad, with Mahindra launching tractors in the US and even acquiring

a Chinese company. Tata has tried launching their pickups and trucks everywhere from Africa to Thailand. But none of the brands have made the same impact that is par for Western brands in India.

Given Indian companies would be hard-pressed to fund aggressive expansion on the scale of Sony or Samsung, it might be prudent for them to consider the China method of acquisition. But Mahindra is trying a new route. They have acquired the storied Italian design house Pininfarina, and they are hoping to design and originate products for the European market from scratch.

Value Perspective

There's a school of thought that says that these moves at expansion are nothing more than ego-driven. After all, why hanker to get into a market where you have to navigate the differences of 28 countries to reach a combined market of only 743 million when you have a market exceeding 1.2 billion at home.

But it's more nuanced. It's not a question of ego or indeed even the size of the market; it's important for brands to get to the West because for the next decade, and perhaps more, the consumer spending money is still going to be in that part of the world. And when brands expand into markets with higher affluence and higher price elasticity, they increase their brand value and ultimately their enterprise value.

There may be no one answer on how to do it, but the interposable nature of brands can't be only one way. While the attention today is toward emerging markets, because of the decline in growth in developed economies, that shouldn't distract brands from the fact that the opportunity to turn Asian brands into real global powerhouses is real and one that should be pursued. It is critical for brand value and also for a more balanced world where we don't end up being homogenized to the point of losing cultural differences.

GUILIN - CHINA

Value of all Chinese brands in Global Top 100

\$406.0 BILLION

Russia

Consumers adjust shopping strategies

Russian brands benefit from frugal behavior

Russian consumers adjusted to the impact of low oil prices and Western sanctions with survival strategies learned during prior economic downturns. Many managed their finances by limiting purchasing mostly to necessities and shopping on price. But the troubled economy did not affect consumers equally. While few were immune to the country’s economic difficulty, consumers’ behavior depended on their income, aspirations, and other socioeconomic factors.

In an extensive research survey, Mediacom divided Russian consumers into three classifications: Tier 1, wealthier people, driven by the need for self-realization, who can afford premium products and even overseas travel; Tier 2, solidly middle-class people, who spend money pragmatically and can afford some durable goods and an annual vacation within Russia; and Tier 3, people with limited budgets, who spend frugally and worry about unforeseen expenses.

Middle-class and less wealthy consumers shopped more often at discount stores and were disciplined in how they spent their money, often using coupons and making shopping lists to limit impulse purchasing. They

also shopped for bargains online, both on Russian sites and on AliExpress, the business-to-consumer site that makes Chinese products available abroad.

As consumers spent on fast-moving consumer goods (FMCG) and other basic merchandise, Russian brands continued to develop, serving customers at all income levels and even offering some premium brands. Because consumers deferred major purchases, real estate prices declined and car sales weakened.

To stimulate spending, retailers priced aggressively and devised various special offers, marking down certain merchandise for a limited time. The promiscuous price shopping stimulated by these deals motivated retailers to strengthen their loyalty programs.

Russian brands benefit

Some Russian brands benefited from the changes in consumer demand and other conditions that followed the imposition of sanctions. As consumers, particularly in Tiers 2 and 3, limited their shopping to basic products, they often found more Russian brands, because following the imposition of sanctions, grocery shelves were filled with Russian-branded food commodities like sugar, bread, milk, cooking oil, tea, and coffee.

INSIGHT



Shoppers turn to couponing for savings

Our research shows that consumers are using several strategies to make their money go further. Around 30 percent of consumers are using coupons or special offers based on a previous purchase. And almost half use shopping lists when they go to a food store to focus on their needs and not spend on impulse purchases.

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MEDIACOM

Russian brands found opportunities even at the premium level, where they served the needs of Tier 1 consumers. Two Russian meat brands, Miratorg and Primebeef, expanded over the last few years, replacing some of the imported beef supplied mostly by Germany and Poland prior to sanctions.

Imported beef from Brazil and Mexico also entered the Russian market after sanctions, but not enough to fully satisfy demand. Similarly, Russian brands now supply more fish, which prior to sanctions came mostly from Nordic and Mediterranean countries.

Food safety concerns about chemicals used in agriculture mitigated demand for less expensive food imported from China, including fruits and vegetables. The Tier 1 and 2 consumers spent more time reading product ingredients to choose the best product and the fairest prices.

The difficult economy also produced opportunities for Russian brands in non-food categories like apparel. Middle-class consumers who wanted to maintain their quality of life while spending less money found the products of Russian designers promoted on social media sites like Instagram.

Affordability and luxury

Affordable apparel was available online at WildBerries, a large Russian multi-brand apparel e-commerce market, or at Lamoda, an online fashion retailer. In addition, major shopping malls created temporary marketplaces where small vendors sold a variety of merchandise, including clothing, accessories, and custom jewelry. The marketplaces provided the malls with additional rent and offered consumers less expensive alternatives to multinational brands.

INSIGHT



Discount chains add more stores to meet demand

We saw a slight recovery with a small increase in consumer income. Still, consumers changed their behavior and are adjusting by shopping at price discounters. We see these Russian discounters, Magnit and Pyaterochka, growing quickly, opening many new stores each week. Price drives sales in most categories. Loyalty programs have become more important to prevent customers from switching because of price.

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In Russia’s price-driven telecom provider category, a challenger brand, Tele2, disrupted the Moscow telecom provider market, adding further pressure on the three majors—MTS, Beeline, and MegaFon—and instigating a price war. Compounding the pressure, a recent national security law changed the rules about customer data retention and government access to data, which increased expenses and squeezed profits.

The ultra-wealthy still had money to spend. Although car sales sagged for mass-market models, sales grew for Western (usually German) luxury brands. The weakened ruble made cars a less expensive purchase and a worthwhile investment. The ruble also drew international shoppers to Moscow in search of luxury “bargains.”

INSIGHT



Russian brands able to grow in slowdown

Consumers have gotten used to the pressure on the economy from Western sanctions, and many viewed the Trump election as positive news. They budget carefully, purchasing only what they need to. Russian brands continue to develop, particularly in FinTech. Among the brands to mention in this regard is Tinkoff Bank, online financial services business, which has been showing great results.

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INSIGHT

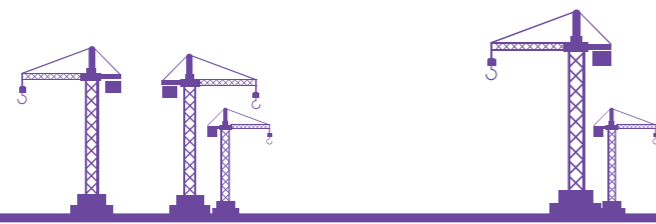


More relaxed, shoppers spend on key items

People are used to challenging economic conditions. The currency rates are stable now, more or less, and people know what to expect. They have relaxed a bit and feel comfortable with everyday shopping for FMCG products or apparel. At the same time, real estate prices and car sales weakened because people postponed expensive purchases.

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BRAND BUILDING ACTION POINTS

1

Cultivate love

Especially in today's difficult economy, it is important for brands to be in dialogue with their customers. The brand offering must go beyond the product to include services that can help improve the customer's life. When so many purchase decisions are price-driven, this kind of interaction can help build loyalty.

2

Be online

Being online is another way to build loyalty. But online presence requires more than selling products. All brands, regardless of size, need to be online, and the most successful will engage in conversation with consumers.

3

Share values

It is important to share the customer's values and to communicate about those shared values. A personal care brand, for example, can provide beauty services that improve quality of life and make the customer feel closer to the brand.

4

Show insight

Communicate messages that resonate locally. Create locally relevant events. Russian brands understand the market and can express themselves in ways that demonstrate deep customer insight.

MOSCOW - RUSSIA



Russian Millennials

Russian millennials behave differently than their peers in other countries

Brands must understand these tech-savvy, eager consumers

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PBN Hill+Knowlton Strategies is the preeminent strategic communications and public affairs consultancy specializing in Russia, Ukraine, Kazakhstan and the CIS.

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Russian millennials are essentially the country's first proper "consumers." Back in the USSR, there were no brands. But when the Soviet Union collapsed, Russia was suddenly exposed to full-blown capitalism. International brands flooded the Russian market in the late 80's and 90's, right around the time Russian millennials were born. While they never experienced the deprivations of the Soviet era themselves, Russian millennials are nevertheless influenced by an older generation that is very keen to consume after years of empty shelves. As a result, the Russian millennials are quite a unique species compared to their global peers, and brands need to keep their history in mind.

Attitudes

LOVE INTERNATIONAL BRANDS, BUT HAPPY TO SWITCH

Russian consumers on the whole adore international brands, as they are associated with a level of quality domestic brands historically have been unable to provide. For a long time following the collapse of the Soviet Union, foreign brands offered a way for people to stand out from the crowd and demonstrate their social status. Nevertheless, Russian millennials' love for foreign brands is not as strong as that of older generations, given that domestic brands offering similar levels of quality have begun to appear, particularly in sectors that appeal to younger people. On the whole, brand loyalty is not strong and millennials will happily switch between brands—as long as the quality is high and the price is right.

TECH-SAVVY

Hacker jokes aside, Russians love their tech and really know how to use it. Mobile is everything in Russia, and not just in the big cities. Apple/Samsung Pay, contactless technology, messengers, online services—millennials have embraced and mastered it all. Russia has produced some of the greatest tech leaders of today's online world, from Google's Sergey Brin through to Telegram's Pavel Durov, and Russians take pride in their tech prowess.

"I WANT IT ALL AND I WANT IT NOW. AND I STILL KIND OF WANT TO OWN IT."

Accustomed to economic uncertainty and volatility, many Russian millennials value short-term enjoyment, achievement, and products over potential gains down the line. Why work half your life for something when you don't know what will happen tomorrow?



However, not all Russian millennials are convinced; material possessions such as cars and apartments still matter, as they represent stability and social status.

PRAGMATIC, BUT PERSONALITY MATTERS

Russians love brands but are not convinced by brand “missions” and “promises” and are not keen to allow an emotional connection. More down-to-earth brands might find it easier to earn trust. A key factor in gaining that trust is the personal touch. Millennials like to see successful brands that have inspiring leaders with strong personalities and human faces. Just look at Oleg Tinkov, head of the highly successful Tinkoff Bank, which works exclusively online, or Eugene Kaspersky, who started cybersecurity business Kaspersky Lab.

Behavior

E-COMMERCE IS KING

Russia is the biggest country in the world (in land size), which makes it hard for brands and stores to maintain a physical presence everywhere. Therefore e-commerce is a godsend for many millennials, allowing access to products and services they

could previously only dream of. This is one reason behind the tremendous success of Chinese online marketplace AliExpress, which offers a huge variety of goods at cheap prices that can be easily ordered online and from mobile.

INTERNET IS LOCAL, TV IS STILL STRONG, AND YOUTUBE IS GROWING LIKE CRAZY

While Facebook is the largest social network in many European countries, its local rival VK.com is much bigger in Russia. Nevertheless, for want of a domestic alternative, Russians love Instagram, which actually has a bigger audience in Russia than its parent Facebook. As for the other global giants: Twitter is losing its audience, and LinkedIn has been banned for not complying with Russian legislation. While millennials consume more information online than their parents, TV still plays a strong role, thanks to 20 free-to-air channels and cheap pay TV. As for video, YouTube has highlighted the size of the Russian market (the biggest in Europe), and Russian millennials (backed up by the younger Generation Z) are watching more and more content there every year. This trend looks set to continue.

TRUST ISSUES HOLDING BACK THE SHARING ECONOMY

Trust is a key element in any sharing economy, but wary of past experience in Russia from the days of communism and the volatility of the 1990s, Russians are not fully willing to trust each other. This is holding back the development and spread of innovative sharing services. Individualism is still holding strong over the benefits of the sharing experience.

HEALTH AND COMMUNITY ARE RISING TRENDS

As in the rest of the world, millennials living in big cities are overwhelmed by their daily routines and stress at work, which disrupts work/life balance. Russian millennials have embraced the trends of healthy lifestyle and community building, and they have started looking for activities that will help them stay healthy and connect them with like-minded people but which don't require too much effort. One of the most apparent manifestations of this is the rise of running clubs in big cities, which have become an essential part of many millennial's sporting and social lives



1 Think local

Celebrate your brand's international heritage and stress the quality of products and services, but don't forget the local angle—how do you fit in?

When choosing the “face” of your brand, opt for local influencers over global ones.

To win even more points, go hyperlocal; every region or city likes to feel unique (and, especially, different from Moscow).

For digital campaigns, do not rely on just Twitter and Facebook. Embrace local networks like VK and OK. And yes—YouTube!

Don't limit yourself to digital; TV is still a big deal in Russia.

2 Reward Loyalty

Russian millennials tend to switch easily between brands, so reward any loyalty and work hard to retain clients.

3 Be bold and honest

Russian millennials appreciate honesty and are very tolerant of even very provocative marketing.

4 Sell the experience, not the product

Engage with your consumers and let them be part of something bigger.

5 Think mobile

Russians love mobile, and in many areas of the country it is the only way to get online.

Southeast Asia



Proliferation of mobile facilitates market entry

But local competition, media fragmentation add complexity

Marketers view Southeast Asia as an enormous opportunity to build brands in a fast-growing region where national GDP often exceeds 5 percent annually. Most countries in the region are members of the Association of Southeast Asian Nations (ASEAN), a trade organization established in 1967, prior to the European Union.

Member states include: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Philippines, Thailand, and Vietnam. While each country is distinctive, they share certain characteristics that are useful for marketers to anticipate:

Mobile first

Many countries bypassed stages of telecom development, and consumers rely on mobile devices, certainly in the cities and increasingly in more rural areas.

E-commerce

Online purchasing is well developed, but different in payment and delivery from Western models.

Competition

Local brands are strengthening and China is the region's largest trading partner and foreign investor.

Opportunity for local and multinational brands in Southeast Asia exists in many categories. Cosmetics and fast-moving consumer goods (FMCG) brands especially are finding a growing customer base. Telecom providers also are expanding rapidly with the growth of mobile communication and internet use, although carriers vary by country and Singtel is the only brand with regional presence.

In certain categories, the urban consumers of the major Southeast Asian cities, like Bangkok or Saigon, are comparable in their tastes and interests to their peers in the West, sharing an interest in health and wellness, for example. Cultural differences apply in other categories, such as cosmetics, where local practices, including greater attention to male grooming, influence Western trends.

E-commerce has facilitated market entry in Southeast Asia, but market penetration has become more competitive and complex, and media more fragmented. Geographic location can be an important market-entry consideration. The politics and economies of Myanmar, Laos, and Cambodia differ, but the countries share some cultural commonalities—most inhabitants practice Buddhism, for example. And shared national borders facilitate marketing and distribution.

INSIGHT



Messaging apps popularity critical for brand builders

Even in markets like Myanmar you find a lot of feature phones, where the growth of messaging apps is quite substantial. Singapore, Thailand, and Vietnam are all similar, with large increases in the use of WhatsApp, Facebook Messenger, LINE and the like. This development is important for brands.

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INSIGHT



Social status vital to youth in Singapore

We have never had a bigger mobile opportunity for brands in Singapore. Gen Y track and share every part of their lives online, benchmarking their peers based on likes and followers. They communicate daily for approval of purchases, not only for their new trainers, but even for their morning cup of coffee. We can capitalize on this behavior by tracking, and encouraging user-generated content, giving them the parameters for creativity with our products. Gone are the days of brands broadcasting to consumers. Brands need to work much closer together with their consumers across all categories to stay relevant and create meaningful experiences.

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Joule

Mobile first

Brands already in Southeast Asia continue to pursue urban consumers. They also penetrate deeper into some countries, like Indonesia, their expansion facilitated by the availability of advanced feature phones or cheaper smartphones and the development of e-commerce. Mobile phones—even smartphones—proliferate in places like Myanmar that lacked fixed-wire infrastructure. Consumers are leapfrogging the desktop computer phase and going directly to mobile. And brands are adept at creating messages specifically for the mobile medium.

Mobile has also shaped entertainment and e-commerce. Lazadam, the e-commerce brand that serves Southeast Asia, transacts a high percentage of its business on mobile. Mobile-first strategies have helped drive the expansion of new brands such as Grab, an Uber competitor based in Singapore that has had an impact in Singapore, Thailand, and Malaysia. An Indonesian brand, Go Jet, has developed both a pick-up and delivery service.

Delivery is different from most places in the West. It is faster and often same-day for e-commerce purchases. And the delivery service takes payment in cash. Cash on Delivery solves the online payment problem in societies that lack a credit infrastructure, where online shoppers cannot supply a form of credit for payment.

At the same time, mobile provides wide access to brands and information from parts of the world to which the people of Southeast Asia are culturally receptive and adaptive. These influences shape the urban middle class, which varies by market. In Thailand, for example, the middle class is shrinking as extremes of wealth and poverty are growing.

INSIGHT



As market entry gets easier, growth becomes complex

Digital in these economies is fundamentally being driven by the hyper-acceleration of mobile. E-commerce in Asia is ahead of what's going on in other parts of the world. These factors have a massive impact on how brands approach marketing. Entering the Southeast Asian markets is easier than it ever has been because of e-commerce. But the market is getting far more complex because of media fragmentation and the difficulty of establishing a brand. It's easier to get in and a lot harder to get recognized when you're here.

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Consumer mindset

Reflecting these extremes, Southeast Asia is home to some of the world's most advanced shopping centers and sophisticated e-commerce operations, as well as to meandering shopping districts with mom-and-pop shops lining narrow streets. The move to modern retail proceeds at varying speeds depending on the local economy. Indonesia is transitioning rapidly into modern retail, while Myanmar relies more on small shops.

Urban consumers, particularly the young, resemble those in Western capitals in many ways, but also retain local characteristics. They are more communal. A young person making a major purchase in Bangkok or Saigon might be more interested in the opinion of his or her parents than a millennial in New York or London would be. For a smaller purchase, an article of apparel, for example, more social shopping, with text and photo messaging, might take place.

The communal mindset affects purchasing motivation. A young Asian woman might desire the latest smartphone as an expression of "collective individualism," so that everyone in her group of friends has the same phone, and she is part of the group that stands out. In the Western expression of individuality, a young woman more likely would want to stand out from the group. Attitudes are changing, and members of Gen Y (the millennials), are more individualistic than their Gen X predecessors.

In some categories, like FMCG or personal care, brands are more likely to market across entire national populations than target the urban segment. To address the need for affordability, some products are offered in small pack sizes at lower prices. And in some markets the small size of shops influences the need for smaller pack sizes.

Media and messaging

Media use varies by market and category, depending in part on media ownership, as censorship and regulation sometimes dictate what can be done—or not. Understanding how best to use media requires first mapping whether the media is government-owned or privately owned, consolidated or a monopoly, highly regulated or free. The presence of government media control is one of the factors driving the popularity of bloggers and the trust consumers invest in them.

As in most markets, media in Southeast Asia is experiencing a shift to digital. However, TV is still relatively expensive in places like the Philippines and Indonesia, and the growth in digital is coming at the expense of other channels, including print and radio.

And media consumption habits vary by country. For example, media in Thailand is screen-based and includes both TV and digital. In contrast, Myanmar is print-based and outdoor because the electricity supply in Myanmar still is erratic. Similarly, radio has been declining in Thailand, where people use their mobile phones for entertainment, but radio is popular in Myanmar because people use battery-operated radios.

INSIGHT

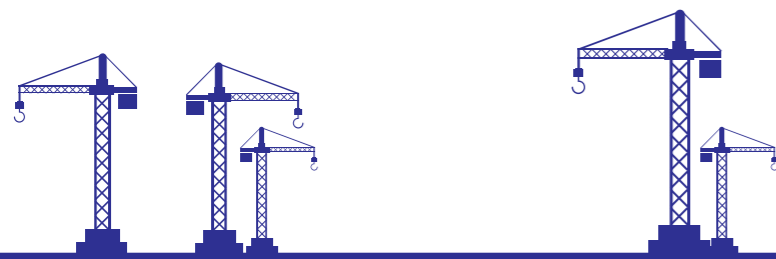


Chinese trade, tourism impact local economies

Compared with the West, where a lot of the geopolitical conversation concerns the impact of the Trump administration or Brexit, we tend to look more to China and how its economic growth and factors like tourism affect the rest of the region. We are aware that global developments have impact, but usually not a direct as what is happening in China or neighboring countries.

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BRAND BUILDING ACTION POINTS

1 Acknowledge differences

Southeast Asia is a convenient shorthand to describe a group of countries that are relatively close geographically and share some cultural similarities. But each country is distinct and requires individual marketing attention.

2 Expect competition

Forget one-size-fits-all. Not only is each market different, but most include strong local competitors. And being Western, by itself, is not a compelling brand story. Brands need market-specific strategies, particularly for social media.

3 Build relationships

Do not rely only on existing relationships with global social media or messaging services. Build relationships with the local social media players, the media channels, and the telecom providers.

4 Partner with e-commerce leaders

Local partners are set up to conduct e-commerce Southeast Asia-style, which is cash on delivery. Because most consumers lack credit, they order online but they cannot pay online. Prepare to deal with this hybrid approach—clicking to order but paying COD.

5 Modify mobile

Modify mobile to meet local expectations. Consumers are price conscious. They pay for mobile phone data as they use it, not on contract. Consequently, they are not going to watch long videos on their phones. Rethink video content. Short, front-loaded messages best match the consumer's frugality and limited attention span. Design videos to be viewed vertically, saving time by eliminating the need to turn the phone to landscape orientation.

BrandZ™ Focus on Southeast Asia...

As Indonesia steps forward, regional and global possibilities open for domestic brands

BrandZ™ Top 50 Most Valuable Indonesian Brands 2016

Now in its second year, this study analyzes the success of Indonesian brands, examining the dynamics shaping this fast-emerging market and offering insights for building valuable brands.

The country has been transforming its economy, liberalizing markets and stimulating growth in ways that have brought about extraordinary changes to the lives of Indonesian people and the role of brands.



BrandZ™ Spotlight on Myanmar

The 'Leapfrog' Nation

The story of Myanmar is one of huge potential, as a new era of openness signals strong growth opportunity. Now is the time for brands to make an impression in this emergent economy.



(For full details and to download these report, please visit www.brandz.com)



The Categories

Vital Signs

New Vital Signs Index measures brand health

BrandZ™ analyzes implications for categories

A new BrandZ™ Index called Vital Signs assesses brand health across five diagnostic indicators—Brand Purpose, Innovation, Communications, Brand Experience, and Love. The average Vital Signs score, a composite of the individual indicator scores, is 100.

The healthiest brands start with a clear Brand Purpose and related Innovation, according to BrandZ™ research. Effective use of Communications to explain Brand Purpose and Innovation leads to positive Brand Experience, which helps solidify the customer relationship. Love, an outcome

of this process, helps sustain the customer relationship.

People see brands with strong Vital Signs as Meaningful (meeting needs in relevant ways) and Different (distinctive and trend-setting). Meaningful brands successfully grow market share, and Different brands are more able to command a higher price premium.

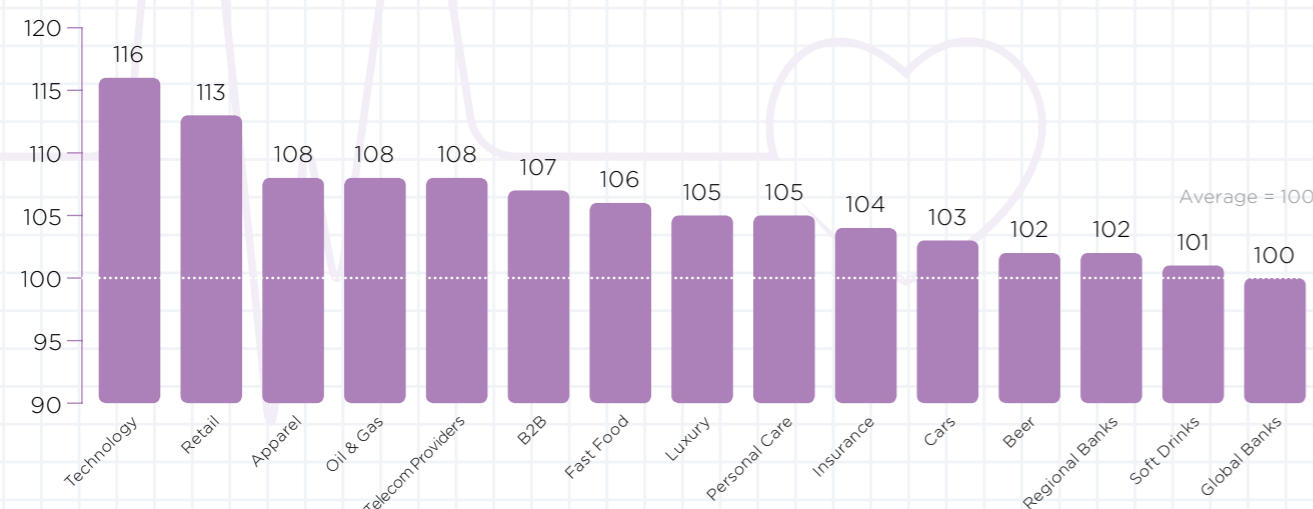
Most important, Meaningful Difference is a key driver of brand value. Of the 86 brands valued both in the 2006 BrandZ™ Global Top 100 and the current report, the top third in Meaningful Difference increased 207 percent in brand

value. In contrast, the bottom third in Meaningful Difference increased only 47 percent over those 12 years.

Vital Signs and Meaningful Difference scores reflect category health. Of the 14 categories studied in this report, the Technology Top 10 scored highest in Vital Signs, 116, and increased 292 percent in brand value over the past 12 years. The Global Banks Top 10 scored average in Vital Signs, 100, and declined 16 percent over the past 12 years. The analysis that follows will expand on the presence of Vital Signs and Meaningful Difference across categories and the implications for brands.

Technology leads in the Vital Signs Index score

Of the 14 categories studied in this report, the Technology Top 10 scored highest in Vital Signs, 116.



As disruption spans categories, some brands counter the trend

Retail and technology rise most in value

Each of the 14 categories analyzed in the BrandZ™ Global Top 100 report experienced disruption from geopolitical and economic forces, changes in consumer attitudes and values, and technology. Only two categories increased in double digits, retail and technology, which rose 14 and 13 percent.

Seven categories improved modestly in value, from 1 to 7 percent. Soft drinks and cars registered no change. And three categories declined: global banks, insurance, and apparel. Illustrating the turbulence, apparel declined 7 percent, the most of any category, after leading the categories in value growth last year, with a rise of 14 percent.

Ironically, apparel brand Adidas, from the category with the greatest decline, caught the nostalgia fashion wave with its classic sneakers and increased 58

percent in brand value to become the Global Top 100's fastest-rising brand. Similarly, Tesla was among the Global Top 100's fastest risers, increasing 32 percent in value, while the cars category stayed flat.

Even as technology disrupted most categories, retail led all categories in value growth because of technology. Amazon, the colossus of disruption, increased 41 percent in value, as it continued transforming life with innovations such as checkout-free physical stores. And Walmart acquired an online start-up to complement its physical stores with stronger e-commerce.

Car brands planned for a future of mobility alternatives, including electronic and autonomous cars, but focused immediate attention on driving sales of SUVs, and lifting margins with technology that improved safety and added connectivity, personalizing entertainment and other aspects of the driving experience.

Banks and insurance brands acquired technology startups both to become more customer-responsive and to compete with smaller organizations aimed at attracting customers, millennials in particular, to online sites for services like mortgage lending and car insurance. Both global banks and insurance brands declined 1 percent in value, while the regional banks increased 2 percent.

The telecom providers disrupted themselves with technology. Through a series of major acquisitions, category leaders AT&T and Verizon continued to transition from transmitters of voice and data to providers of rich content and branded entertainment. Fast food brands, especially Domino's Pizza and Starbucks, expanded use of digital technology to speed online ordering and improve customer experience.



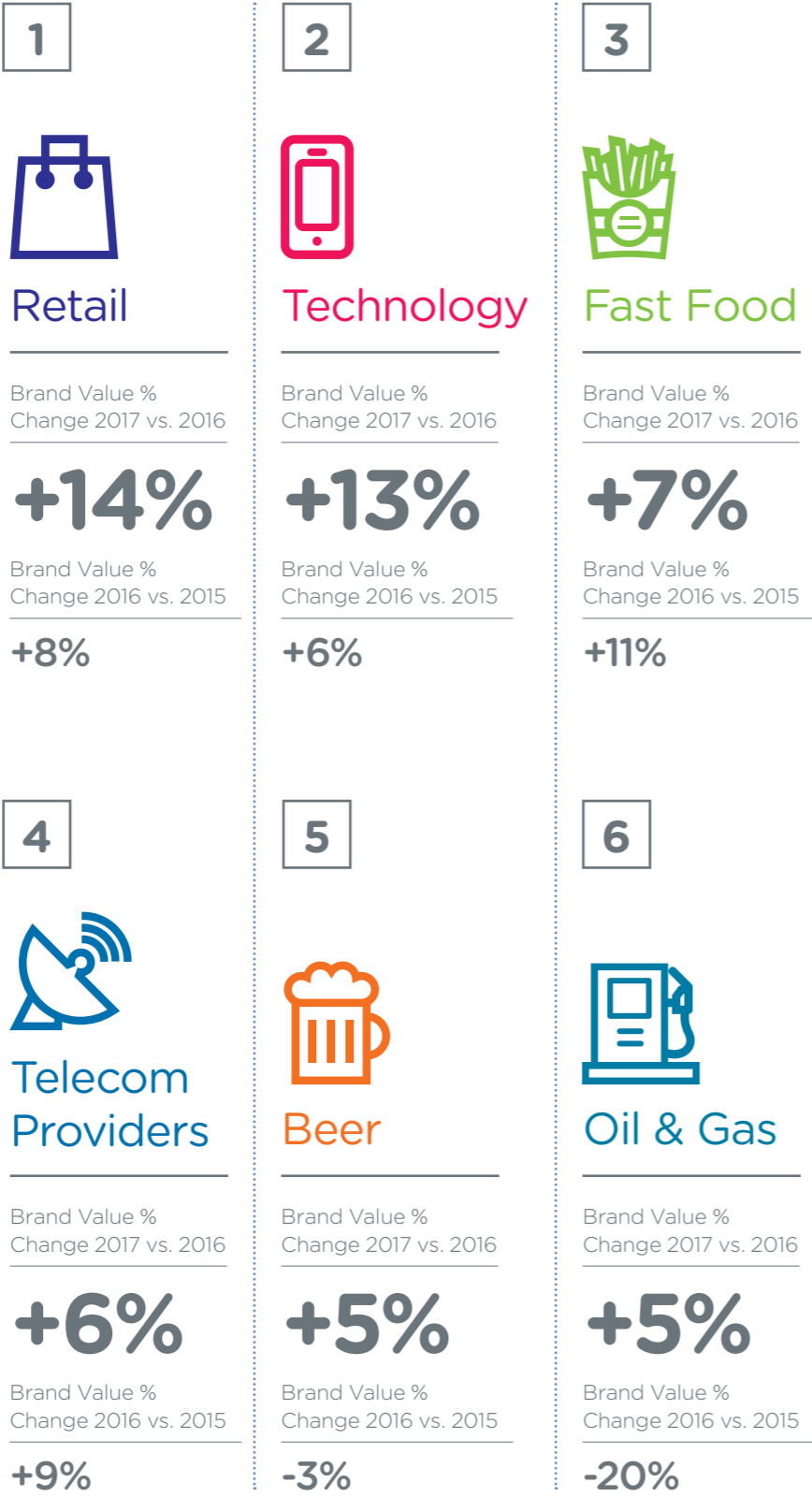
The fast food, soft drinks, and personal care categories responded to ongoing consumer concern about healthy ingredients. In a strategic shift to refocus on its core customers instead of appealing to a more upscale audience, McDonald's returned to basics—the burger, but a better burger made with fresh, not frozen, beef.

Bottled water outsold colas in the US for the first time, and sales of carbonated soft drinks (CSDs), which have historically defined the soft drink category, declined for the 12th consecutive year. Coca-Cola and PepsiCo marketed alternative dairy drinks, flavored seltzers, and other sparkling options, which increased in popularity.

Diet drinks performed poorly because of consumer distrust of artificial ingredients in food and drinks. Distrust of artificial ingredients applied onto the body affected the personal care category. More varied and inclusive perceptions of beauty resulted in wider selections of makeup skincare tones and other products.

The diversity of the US population and the taste preferences of millennials drove a proliferation of beer variants. In a year when the corporate marriage between AB InBev and SAB Miller created the world's fifth-largest consumer products company, the beer category also fragmented with more craft brands.

CATEGORY VALUE CHANGES



Source: Kantar Millward Brown / BrandZ™ (including data from Bloomberg and Kantar Retail)

Apparel

The apparel category is comprised of mass-market men's and women's fashion and sportswear brands.



Competition, shopping changes hinder growth



Brands revise retail strategies and distribution models

Two category growth drivers, sportswear and fast fashion, struggled last year. The BrandZ™ Apparel Top 10 declined 7 percent in value, following a 14 percent rise a year ago, as shoppers purchased with more discretion, looking for durability and value, and favoring brands that were on trend, such as Adidas, which rose 58 percent in value.

Having filled their closets with performance clothing and seasonal designs over the past few years, consumers slowed their purchasing and looked for items that were not only comfortable, but also appropriate across occasions—for work days that might begin at the gym and end with an evening out with friends.

Millennial shoppers fit their apparel purchases into limited budgets that included other priorities, such as travel and other experiences. They selected items carefully, mixing and matching them into personalized combinations. A retro trend emerged,

and vintage high-top sneakers became the fashion counterpoint to technological accessories like smartphones and earbuds.

Two other trends—globalization and urbanization—also influenced the category, as apparel marketers focused on a cross-national audience of young people from Shanghai, New York, London and other world capitals who share similar tastes, values, and brand preferences. And more options enabled women to dress modestly but with style, whether for religious reasons or their own comfort.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value Year-on-Year Change

-7%

Category Brand Value 12-Year Change

+154%

Apparel Top 10 Total Brand Value

\$105.9 billion

APPAREL TOP 10

		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	Nike	34,185	4	-9%
2	Zara	25,135	3	0%
3	H&M	10,482	2	-17%
4	Adidas	8,296	3	58%
5	Uniqlo	7,570	3	-12%
6	Under Armour	5,875	3	-12%
7	Victoria's Secret	5,028	3	-19%
8	Lululemon	3,570	4	17%
9	Ralph Lauren	2,992	4	-14%
10	Massimo Dutti	2,831	3	N/A

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).



INSIGHT



Consumers expect socially responsible brand points of view

Brands in all categories need to have a point of view on the world, and, importantly, they need to act on it. That message is more urgent than ever in apparel. People's emotions are heightened and their personal values stronger. Against today's political and social backdrop, companies are stepping forward to share in the causes of their consumers, demonstrating they care about the things their customers care about. Adidas celebrates cultural diversity with its Pharrell Williams sneaker line, Hu, and partners with Parley to repurpose ocean waste as innovative performance wear. H&M has expanded its H&M Conscious brand and is committed to in-store recycling. Much like we are seeing with politicians, brands that have a clear point of view are more likely to connect with their customers and gain their loyalty.

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Brands adjusted retail strategies because of competitive pressure and to better express the brand experience. Zara closed some small stores and opened larger flagships instead. The athletic performance brands—Nike, Adidas, and Under Armour—expanded fitness studios. Lululemon opened a new concept store called Lululemon Lab, in New York. And Amazon was expected to develop a private label activewear brand.

Performance underperforms

Adidas was especially effective in being on trend, with classic-styled sneakers that met the fashion moment. The brand's popularity had lagged in the US, in part because the German-based company focused more on soccer than American football. Recently it increased its association with basketball and entered partnerships with American style leaders, like rapper Kanye West.

Adidas celebrated diversity and humanity with its Pharrell Williams sneaker line alternatively called "Hu," or "Human Race." It created its "Parley" shoe made from plastics recycled from the ocean. Adidas also planned to open its first US factory, a location in Atlanta that it is calling Speedfactory, as part of its commitment to expand in the US, be close to customers, and respond quickly to fashion trends.

Nike remained the most valuable brand in the BrandZ™ Apparel Top 10. While retaining its authority in performance, Nike faced stronger competition in fashion, particularly from brands targeting women customers. Reflecting a more diverse and global view of apparel, Nike introduced a lightweight hijab designed to be comfortable during sports.

INSIGHT



Young generation tastes are eclectic and fast-changing

The younger generation is very eclectic and not afraid of mixing and matching. They are less interested in brands that create a full, somewhat monochromatic ensemble. They are more inclined to say, "I'd love to wear that navy blue blazer, but I'm going to pair it with high-top sneakers and ripped jeans." It's an urban influence, but people living in places outside of the fashion hubs are picking pieces from it. In the US, trends that begin on the coasts might be over by the time they reach the Midwest, except that today, with social media, trends travel much faster. Trends can change so quickly, even the brands themselves are challenged to keep up.

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TNS

Competition from Nike and others hurt Under Armour sales and its share price. To widen its reach and drive US sales, particularly to women, Under Armour distributed the brand at Kohl's, a discount department store. Looking for new opportunities, it also took its wearables to a new place—the bedroom. Having developed a technology story about compression wear, Under Armour extended the brand into what it termed "Athlete Recovery Sleepwear." The brand introduced these pajamas, made with a specially engineered fabric, at the Consumer Electronics Show.

Lululemon sales increased as it attempted to expand its appeal to men, and the brand commanded loyalty despite strong competition. However, the stock price dropped after shoppers reacted negatively to the dark colors of its early spring collection.

Fast fashion slows

The fast-fashion brands experienced a challenging year for several reasons, including heightened competition, slower sales in parts of Europe and the US, and exchange rate pressure. Zara, with strong sales results, continued to expand worldwide, but changed its distribution strategy.

Zara will close smaller stores and open flagship locations, while expanding its e-commerce presence. The arrangement coordinates online and offline, with large stores better able to express the brand and display more merchandise. The brand will facilitate e-commerce with website launches planned throughout Southeast Asia and in India.

Zara represents about two-thirds of the sales of its corporate parent Inditex, the Spanish fashion group. Inditex operates around 7,300 stores globally under eight brands, including Massimo Dutti, which joined the BrandZ™ Apparel Top 10 this year. Massimo Dutti also entered India.



INSIGHT



Life priorities of millennials challenge brands

Having grown up during the Great Recession and witnessed their parents struggling, many young people would prefer to buy a shirt or sweater that's not designer branded and premium priced. They are happier with comparable quality at a lower price. Millennials often prefer just the essentials. They purchase carefully because they have limited funds and make decisions based on comfort and utility rather than brand prestige. Rather than having a closet full of stuff, they prefer to spend what they have on other priorities like travel or life experiences.

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H&M, which ended the year with around 4,000 H&M stores (and 4,350 stores in 64 markets for the H&M Group), experienced slower growth and price markdowns in some of its larger markets, like the US and China. It decided to slow the rate of store growth and shift some attention to e-commerce. The brand felt price pressure from discounters like UK-based Primark.

H&M focused on supply chain improvements and developments of sub-brands, such as & Other Stories, which are more protected from price competition. It planned to open its eighth brand, Arket, in the fall. And H&M developed its Conscious line, which promises production that is ethical and sustainable. Meanwhile, H&M continued to expand globally, opening its first stores in Vietnam.

Wearable technology remained a trend. Uniqlo, with over 3,100 stores worldwide, stressed its Japanese provenance and its brand story as a leader in wearable technology. The brand continued to focus on apparel basics and emphasize color choice. A price promotion to drive sales hurt profits, however. Uniqlo also planned to revise its distribution model and expand the online portion of total sales from 5 percent to 30 percent.

Meanwhile, competition and changing tastes impacted Victoria's Secret, as foot traffic declined at shopping malls and Amazon challenged the brand online by introducing its own-label bras, branded as Iris & Lilly and priced at \$10. Still, Victoria's Secret featured Lady Gaga at its Paris catwalk show, which was a major social media event. Declining mall traffic also hurt Ralph Lauren, which planned to close its flagship Fifth Avenue store as part of its effort to revive the brand and increase its online presence.





BRANDZ ANALYSIS



Innovative sportswear brands drive value rise

Sportswear brands drove BrandZ™ Apparel Top 10 value growth over the past 12 years. The sportswear brands increased 162 percent in value, while other brands rose 135 percent, netting an overall increase of 154 percent. Sportswear brand Nike, the Apparel Top 10 ranking leader, increased 217 percent during that period. And Adidas, another sportswear brand, and the top riser in the 2017 BrandZ™ Global Top 100, increased 259 percent.

Consumer interest in personal health and comfort drove the growth of sportswear brands. Sportswear brands responded to this interest by creating Meaningful Difference with innovative products and communications, both online and in physical stores. The apparel category scores 108 on the five BrandZ™ Vital Signs. Nike and Adidas score 124 and 117, respectively. An average score is 100.

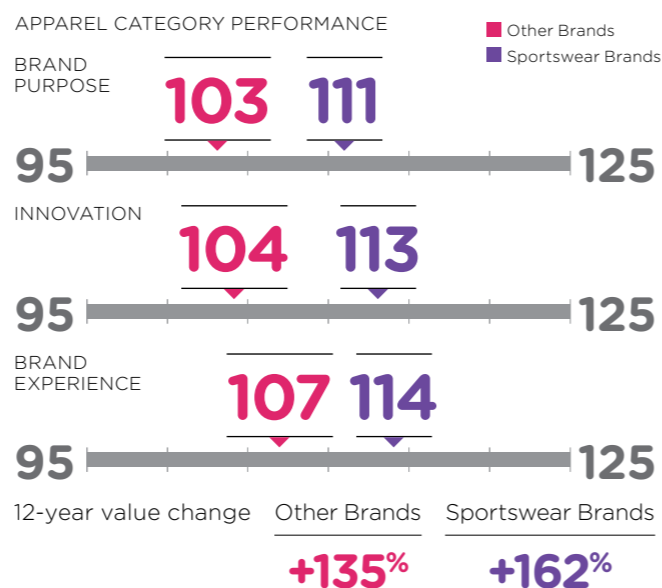
The sportswear brands significantly outscored other apparel brands on three key BrandZ™ Vital Signs: Brand Purpose, Innovation, and Brand Experience. Because of sportswear brand strength, apparel category brand value shifted significantly between 2006, when sportswear brands comprised just over one-third of BrandZ™ Apparel Top 10 value, to 2017, when they comprise almost half of Top 10 value.

BRAND IMPLICATIONS

The value rise of sportswear brands illustrates the impact of basing a brand around a relevant brand purpose and expressing it with product and communications to produce a memorable brand experience. Brands need to do more of the same. But it will become harder. Consumer purchasing priorities and shopping habits are changing. Going forward, brands need to concentrate on how to make people's lives better in different and necessary ways.

SPORTSWEAR BRANDS DRIVE CATEGORY GROWTH...

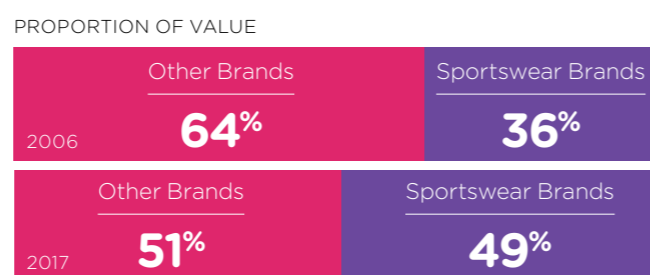
Sportswear brands appreciated faster in value than other brands: 162 percent compared with 135 percent. And they outscored other apparel brands on three BrandZ™ Vital Signs: Brand Purpose, Innovation, and Brand Experience.



Source: BrandZ™ / Kantar Millward Brown

...AND CATEGORY VALUE COMPOSITION SHIFTS

Category composition changed significantly between 2006, when sports brands comprised 36 percent of BrandZ™ Apparel Top 10 value, to 2017, when they comprise almost half of Top 10 value.



Source: BrandZ™ / Kantar Millward Brown



BRAND BUILDING ACTION POINTS



1

Have a clear purpose

It does not need to be a higher purpose, but the purpose should express the brand's contribution to the customer's life, and explain what drives the brand and distinguishes it.

2

Deliver experience

Do not neglect e-commerce and the convenience and range it offers. But coordinate and balance online and offline, finding innovative ways to present the brand in physical locations where the customer can experience it directly.

3

See beyond millennials

It is important to reach millennials worldwide—but not only millennials. The aging populations of many countries offer brands a major opportunity to market across age groups.

4

Respect changing values

One size does not fit all. Increasingly, women dress to please themselves, not men, usually because of self-confidence and independence, and sometimes for religious reasons—or both.

5

Be versatile

Offer products that can be used for multiple occasions. People have more events packed into the day and less time to change clothes between them. They want items that justify spending money and making room in the closet.



Cars

The car category includes mass-market and luxury cars but excludes trucks. Each car brand includes all models marketed under the brand name.



Selling cars remains priority, as brands invest in change



Experiments include all aspects of future mobility

Carmakers faced reality. Consumers preferred SUVs. The new US administration considered rolling back emission standards. In this context, car brands continued to plan for a vaguely defined future of mobility, but they also invested in sustaining their current combustion engine businesses.

Ford best illustrated this tension. In New York, the automotive pioneer

opened Ford Hub, a World's Fair-like exhibition of the future of mobility, while in Detroit, the company announced that it would resume producing its popular off-road Bronco. Electric carmaker Tesla, founded a century after Ford, recently surpassed Ford and GM in market value.

Tesla led the BrandZ™ Car Top 10 in value increase, rising 32 percent, followed by Land Rover, the iconic standard of off-road vehicles, with an increase of 17 percent. Only two other brands rose in value, Porsche by 16 percent, and Mercedes-Benz by 4

percent, having outsold BMW for the first time in a decade after BMW's US sales slowed. Toyota remained No. 1.

The value of the BrandZ™ Car Top 10 stayed flat overall, compared with a 3 percent decline a year ago, as sales increased globally while margins remained thin. China experienced another record year, with 22 million cars sold. The US also reached a record, selling 17.6 million light vehicles. Sales rose for the third consecutive year in Continental Europe, and UK sales hit a record of 2.7 million cars.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value Year-on-Year Change

0%

Category Brand Value 12-Year Change

-6%

Cars Top 10 Total Brand Value

\$139.2 billion

CARS TOP 10

		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	Toyota	28,660	4	-3%
2	BMW	24,559	4	-8%
3	Mercedes-Benz	23,513	4	4%
4	Ford	13,065	3	0%
5	Honda	12,163	4	-8%
6	Nissan	11,341	3	-1%
7	Audi	9,393	4	-1%
8	Tesla	5,876	4	32%
9	Land Rover	5,534	3	17%
10	Porsche	5,141	4	16%

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).



INSIGHT



Brands navigate steep mobility learning curve

The focus on the future of mobility hasn't turned into a race yet. I expect that the major car brands are thinking there isn't any clarity today about how to turn new mobility solutions into a workable economic model. The Ubers of this world are trying, but burning cash. It seems to me that a lot of brands are looking at mobility businesses, but at the moment there is massive uncertainty about how anyone is going to get there. What is admirable is that these are old industrial businesses - they invented the machines that burn oil. They don't necessarily have the answers today, but they are learning. They understand that they need to be in many of these new areas because one of them is going to be the way to the future.

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Financing arrangements improved affordability and drove the UK sales. Discounts squeezed margins in the US and in China, where buyers rushed to purchase energy-efficient cars before the end of the year, anticipating the expiration of a government incentive program.

Meanwhile, carmakers invested in the development of electric and autonomous cars, and in connectivity to integrate cars into the Internet of Things. Technology brands entered the category both as competitors and collaborators. Alphabet renamed its autonomous car enterprise Waymo, and defined its mission as making it safe and easy for people and things to move around. Apple received a permit enabling it to test autonomous cars in California.

Technology changes mobility

Technology challenged the very conception of mobility as a system of vehicles and infrastructure designed to move people from place to place. With the rise of e-commerce, people increasingly stay in place and receive the delivery of goods, from clothing to ready-made meals. When people need to move, rising global urbanization suggests that they will be more likely to use public transportation or a ride-sharing option.

Today, however, most consumers in the developed parts of the world reside in less dense areas, and are still dependent on networks of roads and highways. For them, the fastest way to get from place to place—with family, friends, shopping bundles, or vacation luggage—is to climb behind the wheel of a car, and probably one with some cargo space, like an SUV.

Brands in the capital-intensive car business face this difficult challenge of meeting the needs of today's consumers, while placing big bets on an uncertain future. The potential return on investment is long term and based on fluid assumptions around rapidly changing customer needs and societal trends.

INSIGHT



Brands must build greater difference, but it takes time

A lot of the mass market brands, and even some of the premium brands, have become quite interchangeable in the consumer's mind. The distinctiveness of the luxury brands is limited. There are exceptions. There's often a national hero brand. And there are degrees of loyalty. But most of the brands are doing just OK. Yet being distinctive is fundamental to effective branding. The customer care experience provides a way for brands to differentiate. The brands are waking up to this opportunity with apps. And the retail experience is another place to be different. But in the car industry change takes a long time. The brands need to become a lot more agile in the way they're structured, think, and behave.

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INSIGHT



Car ownership yields emotional satisfaction beyond transportation

In the 15 years that I've spent in the automotive industry, working for several brands, we've always debated whether a car is just transportation or something more. We asked, are people connected to their cars like they are to their refrigerators, or are they emotionally connected as they are to their favorite pet? This debate will continue. The mobility versus ownership conversation is about people as either passengers or drivers. Autonomy will include both comfort and safety features, which is what we see today. And people may select to turn the features on or off depending on the driving circumstances. The premium brands will continue to push for ownership and the fun aspects of driving. Most people would still prefer to own their house rather than spend every day of the week in an Airbnb rental apartment.

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Competition and collaboration

Many car brands already have made substantial investment in autonomous cars and have significant capability, especially at the levels of "hands-off" or "feet-off" driving, with related features already available, including lane-keeping technology. The "brain-off" driving level is more challenging.

In theory, the automatic pilot function could put the driver in the passenger seat reading a magazine or otherwise engaged, but ready to respond instantly if necessary. The first applications may happen with commercial vehicles. And legislation, rather than technological capability, may determine when full autonomy enters the market.

In the meantime, car brands are making strides in connectivity, with systems to communicate smartphone data and personalize cars with adjustments to seats, steering wheel, and the entertainment system. And brands are forming partnerships to combine industrial manufacturing expertise and capacity with technological wizardry.

Both BMW and Nissan have arrangements to integrate digital assistant technology from Microsoft's Connected Vehicle Platform. Toyota licensed patents from Microsoft for its Azure cloud computing. BMW and Ford are working with Amazon. Using Amazon's Alexa, drivers of some BMW models can conduct certain engine checks using voice controls, even from home. Ford plans to enable its Sync system to respond to voice commands from Amazon's Echo on its Sync hands-free system, developed with Microsoft over 10 years ago.



Other solutions

The major car brands are also experimenting with new mobility solutions for when consumers desire access rather than ownership, or a vehicle matched to an occasion. Mercedes-Benz launched an Airbnb-type network that enables members to rent their Mercedes-Benz. Audi is testing a rental program called "Audi on Demand." Members choose the Audi model that matches the occasion—shopping, schlepping, or going to dinner—and a concierge delivers and picks up the vehicle.

Ford purchased a rideshare shuttle service called Chariot. In Amsterdam, car-share service companies are picking up people in Tesla cars. Dubai has agreed to purchase Tesla cars to use as taxis. BYD, China's electric car brand, is exporting electric buses worldwide. The Chinese internet company Baidu plans to open-source its self-driving software.

Tesla's sharp increase in brand value in part reflects the success of the car's positioning as a stylish luxury brand offering the performance of a high-octane, carbon-burning engine without the guilt. Although Tesla introduced a car without a dealer network, placing its cars in high-end malls and other high-traffic locations, most brands still rely on dealerships.

Meanwhile, Amazon has talked about selling cars. And cars are available on Alibaba, usually in flash sales. The Ford Hub retail outlet purposely does not sell cars but rather attempts to reframe the Ford brand as different from the expected experience, and puts the manufacturer, rather than the dealer, in direct contact with the consumer.



INSIGHTS



Four certainties shape category transformation

The contrast between funding the present and preparing for the mobility future will be the primary tension of the automotive business for the next three decades. Carmakers invest now for products they will produce in five years. Historically, five years from now was predictable. It's not anymore. There are four certainties shaping the tension between core automotive and a future that has some mobility in it. One is electrification. It seems sure that power trains will shift, but when and where and the penetration is less clear. As electrification grows, gas will become cheaper. Second is what people are calling car sharing. Third is autonomous vehicles. Finally, it's the definition of mobility. We think of mobility as transportation of the human body. But what about Amazon? I don't need to go to the shop for my groceries when Amazon delivers them to me. I haven't moved. The object has moved. So, there is a fundamental reshaping of what we mean by mobility. And mobility is about efficiency and price so far—the cheapest way of getting across town. How do you make money? What's the premium added value that's going to cause me to choose one mobility service over another? These are the challenges in mapping the future.

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All brands experimenting with autonomy, electric, and sharing possibilities

All the car brands are experimenting with electric cars, autonomous cars, and car sharing, with the focus varying by brand. The most balanced brand may be BMW. It has been in electric cars for several years and has a car-sharing system in place. BMW is not communicating much about autonomous cars, but the brand is heavily into connected cars. BMW acquired a Microsoft platform company to integrate apps into the car hardware to get unique selling propositions. One example: By having the apps only work in a BMW, they are seeking a competitive advantage. By recognizing the driver's smartphone, the car could adjust the seat position and steering wheel automatically. By reading the driver's calendar, the car could recommend the best route to take to a meeting.

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BRANDZ ANALYSIS

Top 10 ranking shifts to luxury



Over the past 12 years, the brand value of the BrandZ™ Cars Top 10 declined 6 percent. The brands struggled with declining demand coming out of the recession. Margins weakened because of extensive price discounting to drive volume. During this period, the composition of the BrandZ™ Cars Top 10 shifted substantially.

Six brands remain consistent, but the four newcomers all are luxury brands: Audi, Tesla, Land Rover, and Porsche. In 2017, luxury brands comprise over half the brands in the ranking, compared with just over a third in 2006.

But differentiation flattened, as the luxury brands added more popularly priced models and the mass brands added more technology and other luxury features. Consumers view both luxury and mass brands as average in Creativity. Consumers continue to see luxury brands as much sexier than mass brands, however.

The most differentiated brand is Tesla, which increased 32 percent year-on-year in value, while the car category remained unchanged. A disruptive brand that entered the BrandZ™ Cars Top 10 for the first time a year ago, Tesla far outscores both luxury and mass brands on Brand Purpose, Innovation, and being Creative.

BRAND IMPLICATIONS

Tesla illustrates how the power of clear Brand Purpose drives brand value. Two other brands that recorded this kind of excitement prior to entering the mass market were Apple and Facebook, according to BrandZ™ research. Tesla mostly threatens the luxury brands, but it potentially impacts mass as it introduces more popularly priced models. The mass brands need to better differentiate and communicate their Brand Purpose, and the steps they are taking to keep up to date and improve people's lives.

BRAND VALUE PROPORTION SHIFTS TO LUXURY...

During the past 12 years, the composition of the BrandZ™ Cars Top 10 shifted substantially. In 2017, luxury brands comprise over half the brands in the ranking, compared with just over a third in 2006.

PROPORTION OF VALUE



Source: BrandZ™ / Kantar Millward Brown

... AND TESLA SCORES HIGHER THAN LUXURY IN KEY METRICS

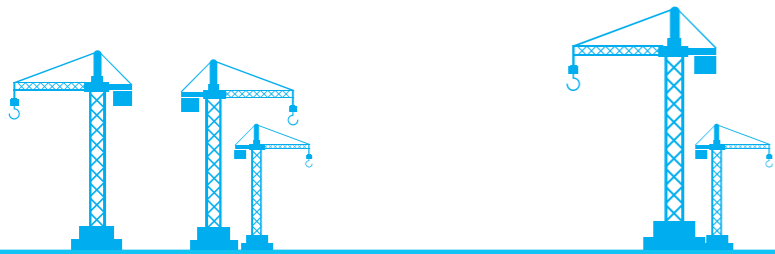
The most differentiated brand is Tesla, which increased 32 percent in value year-on-year, while the category stayed flat.

CARS CATEGORY PERFORMANCE

	Tesla	Luxury Brands	Mass Brands
Brand Purpose	117	104	104
Innovation	127	105	101
Creative	123	100	100
Sexy	110	116	98
Friendly	80	83	101
1-year value change	+32%	+1%	-3%

Source: BrandZ™ / Kantar Millward Brown





BRAND BUILDING ACTION POINTS

1

Balance priorities

Balance the investment of time and attention between the immediate requirements of succeeding in today’s market and the visionary possibilities of business in the future.

2

Express a point of view

Most brands say they are in mobility, connectivity, and autonomy. But “me too” does not work, even if it is futuristic. A brand needs to have a point of view, meaning it not only will be present in the future, it will also help shape it.

3

Be more agile

As technology companies enter the car business, partnering can be awkward. Tech brands dance fast, while car brands typically foxtrot. Carmakers need to work on their moves and become more agile in the way they are structured, think, and behave.

4

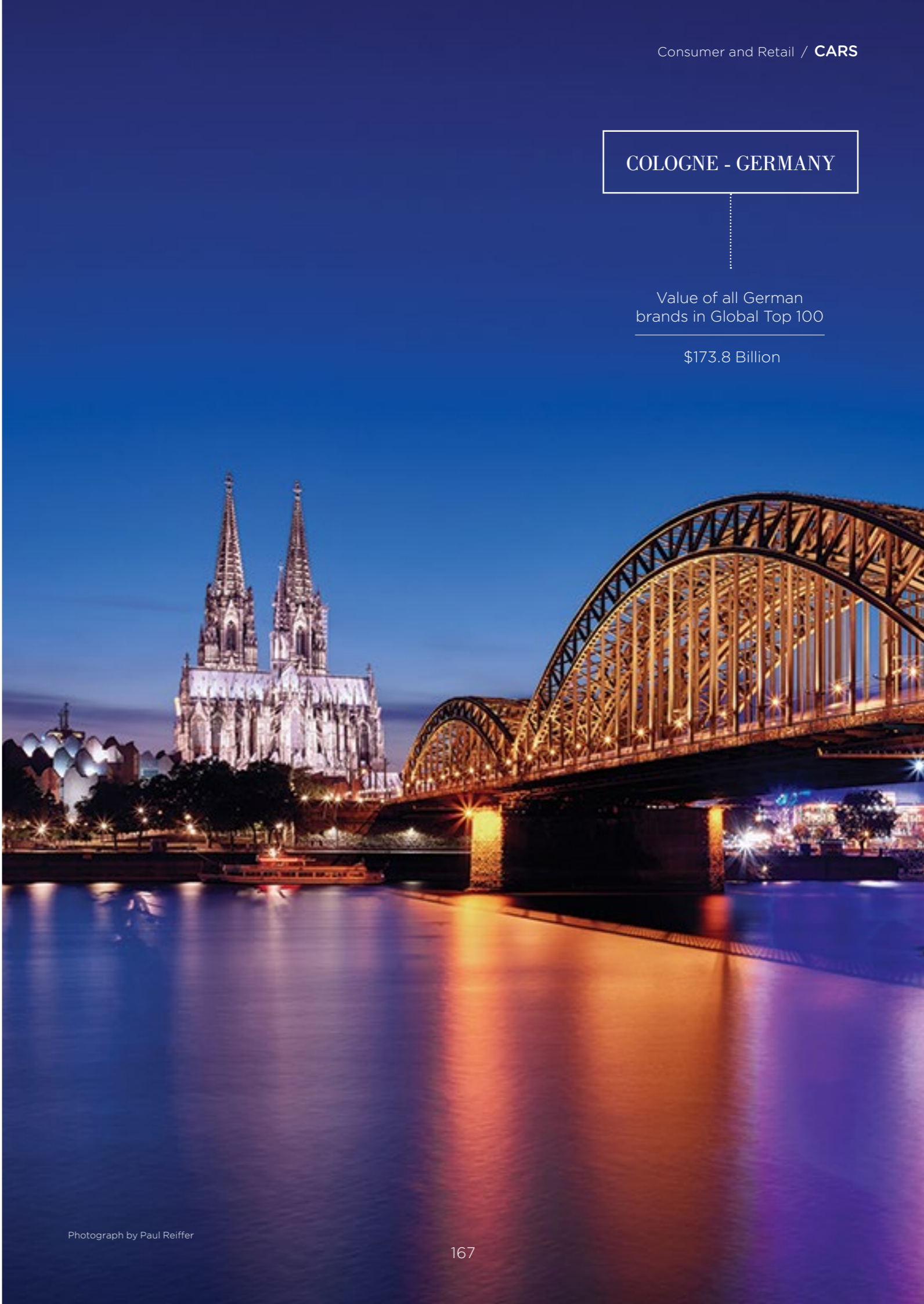
Reimagine the dealer role

The need to know the customer, and the role of physical locations, will change with the evolution of mobility, including car sharing. Reimagined dealer networks could become important assets.

COLOGNE - GERMANY

Value of all German brands in Global Top 100

\$173.8 Billion



Luxury

The luxury category includes brands that design, craft, and market high-end clothing, leather goods, fragrances, accessories and watches.



Now bolder and brasher, brands seek wider audience



Messages communicate availability and inclusiveness

With the steady improvement of the global economy following the financial crisis almost 10 years ago, luxury continued to become more assertive, and, in some cases, brasher in design. The BrandZ™ Luxury Top 10 rose 4 percent in value, with the same brands that appeared as in last year's ranking, when value declined 5 percent.

Brands navigated the tension between widening their audiences, including the possibility of renting luxury items for special occasions, with the need to protect exclusivity. Makeup and fragrance, often the on-ramps to luxury, presented the greatest risk.

But even Hermès, renowned for its exclusivity, expanded further into fragrance marketing. It led the ranking in value growth with an increase of 18 percent. In apparel, brands designed mix-and-match separates, and customers found cultural currency in discovering quality items and assembling them in ways that expressed personal taste and individuality.

Each brand that pursued millennials faced a similar challenge. The characteristics usually associated with traditional luxury badges—wealth and taste—do not always match values millennials want to project, which, according to MindShare research, are: being friendly, social, and good citizens.

Some brands adopted positions that have been called “progressive luxury,” in which the characteristics usually associated with luxury, like craft and exclusivity, are expanded to include contributing positively to the world.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value
Year-on-Year Change

+4%

Category Brand Value
12-Year Change

+72%

Luxury Top 10
Total Brand Value

\$104.0 billion

LUXURY TOP 10

		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	Louis Vuitton	29,242	4	3%
2	Hermès	23,416	5	18%
3	Gucci	13,548	5	8%
4	Chanel	11,019	5	7%
5	Rolux	8,053	5	-1%
6	Cartier	5,843	4	-13%
7	Burberry	4,285	5	-7%
8	Prada	3,950	4	-10%
9	Dior	2,352	3	14%
10	Tiffany & Co	2,318	3	-6%

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).



INSIGHT



Brands balance scarcity with need to reach millennials

The luxury market overall is chasing millennials. Some suggest that millennials are more likely to buy technology brands. But to me, tech is functional; luxury is a necessity. We are in danger of neglecting the Gen X shoppers, those who can educate their children about luxury, and get them on the road to appreciating real quality. Scarcity is a related topic. Even Hermès, which has always been very exclusive, sometimes unavailable and focused on high-level craftsmanship, recognizes the need to reach new audiences. Hermès seems to have gone more into fragrance. How does the scarcity model change if brands like Hermès become more accessible?

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Themes of diversity and inclusiveness characterized the major fashion shows. As luxury is always sensitive to geopolitical events, London benefited from the weakening pound following Brexit. The threat of terror in Europe impacted tourism and luxury spending.

Expanding the audience

The luxury brands continued to advertise conventionally, attempting to expand their audience while retaining core customers. Under the guidance of a new design director, Gucci successfully revived a brand established in 1921 with an extensive collection featuring bold color and confident, playful designs.

In an example of populist and attention-grabbing user-generated content, the brand produced the GucciGhost collection, incorporating into the brand the street designs of a Brooklyn artist. Gucci rose 8 percent in brand value.

Similarly, Louis Vuitton collaborated with Supreme, a New York streetwear brand, creating clothing, accessories, and travel items crafted in Supreme's bold red color and featuring both the red and white Supreme logo and the Louis Vuitton logo.

Louis Vuitton also introduced a new line of seven perfumes. Chanel introduced L'eau fragrance, a variation of the classic Chanel No. 5 that is clear and lighter, to attract millennials, who are less likely to wear fragrance.

Along with making its fragrances more available at mass outlets, Hermès opened pop-up shops in major cities, including Tokyo and New York. And, to celebrate the 80th anniversary of its iconic silk scarves, Hermès also opened locations called Hermèsmatic, where people can have their vintage scarves renewed free of charge, and buy new ones.

In fine jewelry, Chanel designed the Coco Fresh collection to be more accessible. Chanel also announced plans to launch a new perfume, called Gabrielle, in homage to Gabrielle "Coco" Chanel, the brand's founder.

For Chanel, reinterpreting the brand for new generations meant retaining the magic by not making the brand totally accessible.

Rolex resisted the trend to greater accessibility, even as the watch subcategory continued to be impacted with the pressure on extravagant gifting in China, as well as a decline in relevance with the ubiquity of smartphones. Rolex continued to capture the role of watches for signifying milestone life events, with the line, "It doesn't just tell time. It tells history."

Telling stories in new ways

Often on the cutting edge of messaging, Burberry took product placement in a different direction using a series of films that aired during the holiday period. In one example, Burberry produced a three-minute biopic about founder Thomas Burberry, who rooted the brand's origins in fabric functionality rather than fashion.

The film opens with a young Thomas Burberry inventing gabardine, and goes on to demonstrate the material's ruggedness in the trenches of World War I, early aviation, and the Antarctic exploration of Ernest Shackleton. The film featured acclaimed young British actors and directors.

Burberry typically experiments with digital communication. Burberry and Dior are among the brands with their own smartTV channels. In association with Apple TV, Burberry broadcast its runway show live, and followed it with "shoppable" moments.

Tiffany & Co. worked on redefining love and love moments, and expanding gifting. Geopolitics intruded directly, as the New York Fifth Avenue Flagship store, located next to Trump Tower, was cordoned behind security barriers during the holiday shopping season. When the Trumps arrived at the White House on Inauguration Day, however, Melania Trump greeted Michelle Obama with a distinctive blue Tiffany & Co. box. Gifting does not get much more high profile.

INSIGHTS



Changing views of ownership open access to luxury

The sharing economy is well established in the luxury sector, where highly affluent people understand the costs and benefits of owning an asset vs. simply using one when they like. To add to the rational financial arguments, there are other reasons behind changing attitudes to ownership, such as the desire for luxury experiences that are unique and shareable, over possessions. For the luxury automotive sector, leasing and financing offer better flexibility than owning the vehicle and allow high-net-worth individuals to invest capital elsewhere. Financing also expands access to luxury models, beyond premium, and certain automotive brands cover both segments within the same model range with substantially different price points.

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Luxury message may disconnect from youth values

Amidst the broader challenges that the luxury market faces, particularly with millennials, my sense is that there is a disconnect, or an undercurrent of tension, between the values important to millennials and those of luxury brands.

Luxury brands, as the original badge brand category, have always connoted wealth, prestige, and to some degree, materialism to their users. Our research shows that millennials want to be perceived as social, friendly, and altruistic. What strikes me is that if luxury brands are displaying the badges or traits that millennials are trying to distance themselves from, it stands to reason there would be a softening of adoption of those types of brands with millennial consumers. To combat this dissonance, luxury brands need to adapt to the changing value structure of the younger generation, and consider how to present the brand in line with those values.

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Brands use data to personalize luxury experience

Personalized experience is key for reaching consumers, especially millennials. The data available to luxury brands enables them to personalize. The message may not need to be personalized to the customer as an individual, but it needs to be personalized to the customer as a mindset. And without personalization, the experience won't resonate, especially with millennials. Many brands are entering travel, and personalizing the experience, in part to appeal to millennials.

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BRANDZ ANALYSIS



Super-luxury brands drive value increase

The BrandZ™ Luxury Top 10 increased 72 percent in value over the past 12 years, which is a good performance, but around half the growth rate of the BrandZ™ Global Top 100. The category contains many strong traditional brands, but they are not all perceived the same way.

The most exclusive super-luxury brands increased 161 percent in value between 2006 and 2017. Hermès rose 385 percent. In comparison, Louis Vuitton, the No. 1 brand in the Luxury Top 10, rose 50 percent, and the value of other luxury brands rose 29 percent. As a proportion of Top 10 value, super-luxury brands increased from 27 percent in 2006 to 41 percent in 2017.

Being perceived as Different (distinctive and trend-setting) was the key to commanding a premium. The super-luxury brands and Louis Vuitton score virtually the same in Difference, 123 and 122, while other luxury brands score 103. A score of 100 is average. The category scores well in the BrandZ™ Vital Signs, and is strongest in Brand Experience, scoring 107.

BRAND IMPLICATIONS

Luxury brands need to be clear about their identity within the category, whether they are super-luxury with well-guarded exclusivity, or luxury with a touch of mass. Deciding on this designation will help brands regulate the balance between exclusivity to protect premium and accessibility to drive volume. Brands then need to communicate their brand story in ways that resonate with consumers today, which usually involves a digital component.

SUPER-LUXURY SCORES HIGHER IN KEY METRICS...

The super-luxury brands and Louis Vuitton score virtually the same in Difference, 123 and 122, while other luxury brands score 103.

	Super-Luxury Brands	Louis Vuitton	Other Brands
Different	123	122	103
Communications	109	108	104
Brand Experience	109	110	105
12-year value change	+161%	+50%	+29%

Source: BrandZ™ / Kantar Millward Brown

... AND SUPER LUXURY INCREASES IMPACT ON TOP 10

As a proportion of Top 10 value, super-luxury brands increased from 27 percent in 2006, to 41 percent in 2017.

PROPORTION OF VALUE	Other Brands	Super-Luxury Brands
2006	73%	27%
2017	59%	41%

Source: BrandZ™ / Kantar Millward Brown



BRAND BUILDING ACTION POINTS

1

Update thinking

The value exchange is evolving. Brands need to think about what value they offer consumers rather than what else they can sell consumers.

2

Leverage the story

Tell the brand's story, and make it experiential. Embrace technology to express the brand mythology in new ways.

3

Be in the moment

Every moment the consumer is engaged with a brand's message is a sales opportunity. The moment is fleeting and the consumer may go somewhere else. Brands that do not provide the "Buy now" button are leaving money on the table.

4

Think speed dating

Luxury purchasing traditions imitate a courtship model of inspiring and seducing the customer. They require the right setting and perfect lighting. Life moves faster today, and some of those traditions will impede rather than generate sales.

5

Stay ageless

Luxury brands live in a constant tension of needing to represent the best of the past while simultaneously connecting with today's concerns and values. The challenge for luxury brands is to remain ageless while also being provocative.



Personal Care

The personal care category includes brands in health and wellness, beauty, and facial, skin, hair and oral care.



Brands personalize to serve more diverse ideas of beauty



Mobile ads push customers from shopping to buying

In a commoditized category filled with choices, brands attempted to differentiate and adjust to changing consumer expectations. They responded to need states and states of mind, and attempted to align with customer values. To help women feel and look their best, brands promised to help bolster health and inner beauty.

The number of facial foundation SKUs increased, for example, not only to aggrandize shelf space, but to match a wider variety of skin tones. Brands created more personalized products that communicated respect for diversity and attempted to be both aspirational and accessible.

Changing styles affected personal care regimes. Subcategories such as active beauty expanded to meet the needs of time-constrained women who might shampoo less and look for quick, practical solutions, such as dry shampoos, sweatproof makeup, and makeup and shampoos that feature pollution protection.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value Year-on-Year Change

+1%

Category Brand Value 12-Year Change (Top 10)

+84%

Personal Care Top 15 Total Brand Value

\$115.5 billion

PERSONAL CARE TOP 15				
		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	L'Oréal Paris	23,899	4	2%
2	Colgate	17,740	4	-3%
3	Gillette	16,278	5	-1%
4	Lancôme	9,401	4	10%
5	Nivea	6,799	3	1%
6	Garnier	6,461	3	1%
7	Clinique	5,969	5	-4%
8	Dove	5,792	3	6%
9	Estée Lauder	4,215	5	1%
10	Pantene Pro-V	4,090	3	5%
11	Olay	3,752	4	-4%
12	Crest	3,341	4	-8%
13	Shiseido	2,691	4	10%
14	Oral-B	2,670	4	-3%
15	Head & Shoulders	2,423	3	N/A

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).



INSIGHT



Brands connect to the consumer's states of mind

Brands are shifting from responding to the consumer's need states to also understanding her mind states. What you put on your skin or in your hair is a reflection of you. And you want the brand to come talk to you in a personal way. It's a matter of brands talking to individuals. People want brands to talk about relevant topics and be meaningful to them, and to be understood as not just a consumer, but a human being.

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Brands experienced disruption from new niche brands. Innovation in cosmetics typically originated in the US, and in fragrance, from Europe. Particularly in skin care, brands faced innovative startups from Asia, based on its cultural notion that beauty radiates from inside.

These pressures, along with currency fluctuations, resulted in an increase of only 1 percent in the value of the BrandZ™ Personal Care Top 15, a modest improvement from a year ago when the value remained unchanged, and down slightly from 2015, when the category increased 2 percent.

Ticking all the boxes

Brands attempted to tick all the right boxes: value, innovation, technology, performance, and social media. Faced with short consumer attention spans and consideration windows, brands tried to reach the consumer at the exact right moment to trigger a sale, increasingly on mobile.

Couponing and price promotion pressured margins. To generate loyalty, brands used technology and data to understand and respond to the customer. Mobile and changing shopping habits also influenced how personal care brands went to market.

L'Oréal Paris and Lancôme, for example, developed ways for consumers to short-circuit the shopping journey and purchase directly from the mobile ad. Brands personalized at scale by sending consumers messages based on their behaviors, attitudes, or demography, including ethnicity and life needs, which, for example, could be a working mom pressed for time or someone in middle age concerned about aging skin.

In a shift to become more consumer-centric, L'Oréal Paris teamed with five online beauty bloggers in the UK to form the L'Oréal Paris Beauty Squad, which was intended to connect with consumers in more ways than possible with an individual spokeswoman. The squad was expected to both influence

INSIGHT



Mobile enables personalization at significant scale

Personalization at scale is critical today. It requires being able to use consumer data to target communications at particular needs or purchase habits. It's an opportunity to drive growth and, more importantly, to increase loyalty. It's difficult to accomplish with traditional media, but the proliferation of mobile makes personalization more possible. Instead of communicating a few broad messages in a traditional campaign, personalization at scale would deliver 10 to 15 targeted messages to specific groups identified by behaviors, attitudes, or demographics. The message becomes more relevant.

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**KANTAR
MILLWARD
BROWN**

consumers and the brand. At the Golden Globe Awards, L'Oréal Paris celebrated the diversity of beauty with the launch of its True Match range of 33 skincare variations

Breaking through

After years reacting to Dollar Shave Club, the online subscription razor blade brand, Gillette reverted to its brand heritage in ads that stressed its leadership in men's grooming, an implicit value-added message. The brand reduced prices on some of its shaving products and developed products linked to a growing demographic group, the aging consumer. Meanwhile, Unilever purchased Dollar Shave Club, a five-year-old startup, in a transaction that followed by 11 years P&G's acquisition of Gillette.

Brands also explored different ways to present their products, especially because the proliferation of products made it difficult to break through. Rather than focus on an individual product, Olay clustered its eye-care products and combined its marketing resources to sell the brand, rather than individual products.

Similarly, Pantene Pro-V did an effective job of taking a stand and communicating the idea that "Strong is Beautiful" with a campaign that included martial artist Ronda Rousey. The spots, celebrating diversity, also featured Selena Gomez, Indian actress Priyanka Chopra, and several women of African descent treating their hair as an expression of personal identity.

Dove, which opened the category to a more inclusive view of beauty over a decade ago, promoted deodorant using irreverence to take a stand aligned with the values of its customer. A campaign called "Alt Facts" parodied US politics, listing several "alt facts" about Dove deodorant, such as its ability to increase the user's IQ or strengthen her WiFi signal.



Disrupting a crowded category

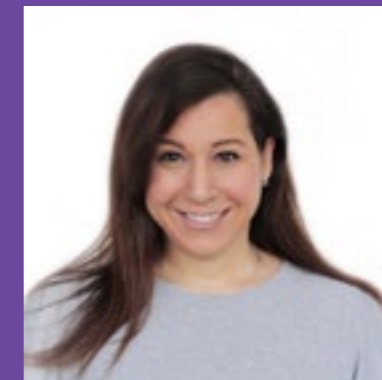
Garnier, the international haircare and skincare brand, introduced Garnier Micellar Cleansing Water for makeup removal. Lancôme, a classic brand generally preferred by an older audience, introduced its Juicy Shaker lip oil to appeal to younger women, not their mothers.

Despite crowding in the personal care category, there was room for disruptor brands because consumers were sometimes purposefully brand-promiscuous. Shiseido benefited from the inclination to look for something different, to be less brand-loyal, to try new things. The Japanese brand also reflects the influence from Asia on product ingredients and beauty regimes. Both Lancôme and Shiseido rose 10 percent, leading the BrandZ™ Personal Care Top 15.

Disruptor brands typically moved more nimbly than major brands because they sold through fewer channels—sometimes only online—while for the multinational brands, adding a new SKU could require removing an existing one. Some disruptor brands went beyond the functional message. The makeup brand "Too Faced" disrupted the mascara category by ignoring the usual benefits—longer lashes, more volume, and all-day wear.

Instead, the brand emphasized the emotional benefits of the lashes—how they can add fun to the wearer's life and open opportunities to be flirtatious. The product is called "Better than Sex." Estée Lauder purchased Too Faced at the end of 2016. Estée Lauder is investing in brands as part of its "Leading Beauty Forward" initiative.

INSIGHT



Category responds as people modify lives and values

In a world where every product we use is a reflection of "Brand Me," we expect more of our personal care products; functional benefits just don't cut it. The category understands this and we are seeing changes to reflect shifts in behaviors, such as creating products for an always-on, super-busy lifestyle—think the rise of dry shampoo. However, some of the more interesting changes reflect shifts in values; we see this in the rise of eco paper products (fem care, diapers, etc.) and organic ingredients in beauty products. The question remains if these shifts will be enough to protect brands against the subscription model that is severely disrupting the category.

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INSIGHTS



Like appearance, feeling good inside is part of beauty

The steady trend towards health and wellness is significantly impacting personal care and beauty and hair care in particular. The belief that beauty comes from the inside is gaining traction. This is manifesting in a growth in tonics, superfood ingredients, friendly bacteria and a focus on probiotic or hydration properties. Consumers are embracing healthier and more active lifestyles. The rise of active beauty and “athleisure” cosmetic brands such as Tarte Cosmetics are fueling innovation in the “no-makeup makeup” look. These brands solve rough edges for active women such as sweatproof make up (Sweat Cosmetics) or gym-proofing your hair. Products that save time or solve problems will always be valued.

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VALENSTEIN & FATT
GREY RE-ESTD 2017



Multinationals seek to buy small brands and fast-track them

The multinational companies are constantly looking out for emerging brands to acquire. There are two sides to this phenomenon. First is these big businesses buying up the smaller brands and then being able to absolutely fast-track them. Second, and on the flip side, the challenge is that the big businesses have stricter regulations about the products they market, so some of the smaller brands will fly because of this ownership opportunity, but others will fail.

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BRANDZ ANALYSIS



Strong Brand Purpose shapes personal care

Of the five BrandZ™ Vital Signs, the Personal Care Top 15 score highest on Brand Purpose and lowest on Innovation and Brand Experience. These results reflect both the strength of the category—that it provides consumers with real functional benefits to make their lives better—and its weakness, which has been a tendency to crowd shelves with iterative products.

But the category is not static. Dividing the Top 15 into luxury and mass brands reveals a strong shift to luxury. The luxury group comprises 46 percent of the Top 15 today, up from about a third in 2006. The luxury group increased 87 percent in brand value over the past 12 years, while the mass brands increased only 17 percent. The shift to luxury reflects an effort to innovate and avoid category commoditization.

Varying brand characteristics drive luxury and mass growth. Consumers view mass brands as more Meaningful (being brands they like and that meet their needs), and higher in Brand Purpose. In contrast, they view luxury brands as Different (distinctive and trend-setting). Consistent with their Brand Purpose, mass brands are viewed as Caring and Straightforward, and the luxury brands as Sexy and Desirable.

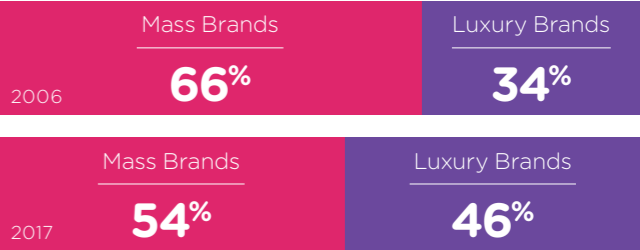
BRAND IMPLICATIONS

In a category where brands work hard to stand out from competing SKUs, it is not only important for brands to innovate, but also to connect their innovations with Brand Purpose. Brand Purpose may come more naturally to mass brands because they provide functional benefits to improve people’s lives. But luxury brands can achieve strong purpose in a different way, as a welcomed indulgence. Brand Purpose leads to innovations rather than iterations that crowd the retail shelf.

LUXURY GAINS GROWING VALUE SHARE...

Dividing the BrandZ™ Luxury Top 15 into luxury and mass brands reveals a strong shift to luxury. The luxury group comprises 46 percent of the Top 15 today, up from about a third in 2006.

PROPORTION OF VALUE



Source: BrandZ™ / Kantar Millward Brown

... AND LUXURY SCORES HIGH IN BEING DIFFERENT

Consumers view mass brands as more Meaningful and higher in Brand Purpose. In contrast, they view luxury brands as Different.

PERSONAL CARE CATEGORY PERFORMANCE

	Luxury Brands	Mass Brands
Meaningful	95	120
Different	121	111
Brand Purpose	103	111
Sexy	116	101
Desirable	112	102
Caring	100	112
Straightforward	94	106
12-year value change	+87%	+17%

Source: BrandZ™ / Kantar Millward Brown

INSIGHTS



Brands shorten journey from initial interest to purchase

In personal care, the amount of time people spend in active purchase consideration is quite short, sometimes less than a day. To that end, we often counsel clients to short-circuit the traditional purchase journey. Mobile makes it possible to trigger people with a piece of relevant communication, allowing them to easily transact and purchase directly from that communication. For the beauty category in particular, it's important to make everything shoppable, so if a customer is triggered by a mobile ad that sparks her interest, she can swipe and be diverted to the brand's website—or to Sephora or Ulta, where she may prefer to transact to gain loyalty points.

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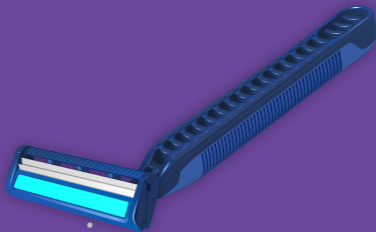


Increase in variants adds personalization and inclusiveness

There is a definite trend around the idea of brands serving individuals. Technology and innovation enables the brands to be much more personalized. The number of variants is increasing. For example, a brand may offer 50 different shades of foundation to make sure it's catering to every type of skin tone. From a targeting point of view, brands can reach women in a personalized way. We'll see more of this inclusiveness, with brands attempting to be close to me as an individual, rather than creating a brand image that I aspire to become.

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1

Think mobile first

Brands that think mobile first are more likely to succeed. Consumers, especially young people, are constantly connected by smartphone or tablet. Content needs to be specifically for mobile and enable the consumer to transact anytime.

2

Build the brand

Don't underestimate the power of branding. Create a proposition that resonates. In this time of brand proliferation and price shopping, it is critical to create a distinct proposition and deliver it in creative, relevant ways.

3

Make loyalty the default

Sharpen activation. Use data and technology to communicate the right message at the right time. Understand the replenishment cycle, and contact consumers with incentives to come back at the time of need. Have the consumer default to the brand and replenish when the toothpaste tube is squeezed to the end.



Retail

The retail category includes physical and digital distribution channels in grocery and department stores and specialists in drug, electrical, DIY and home furnishings. Amazon appears within retail because it achieves approximately 90 percent of its sales from online retailing.



New brand initiatives disrupt the O2O divide



Major brands position to play hard across channels

It was the year of trading places. As usual, Amazon devised more ways to disrupt retail. And, as usual, traditional retailers fretted about the importance of coordinating online to offline (O2O). The tension intensified, however, as Amazon and Alibaba prepared to move into brick-and-mortar stores and Walmart doubled down on e-commerce.

With a value increase of 14 percent, following an 8 percent rise a year ago, retail led all the categories in value appreciation in the BrandZ™ Top 100 Most Valuable Global Brands 2017.

Amazon and Alibaba increased most sharply, 41 percent and 20 percent, respectively. Amazon, the consummate disruptor, planned to open physical grocery stores that removed friction from retail's most abrasive experience—checking out. In the first stores, a convenience format called Amazon Go, all transactions will happen with an app. Shoppers will pick their items from shelves and walk out without waiting

on a checkout line, the sale transacted seamlessly on their smartphone. Alibaba, China's e-commerce leader, and No. 2 after Amazon in the BrandZ™ Retail Top 20, entered a partnership with the Bailian Group, which operates almost 5,000 grocery and specialty stores in China. The arrangement expands the Alibaba ecosystem, enabling Alibaba to link its Alipay payment function and its online e-commerce platforms, Tmall and Taobao, with Bailian.



RETAIL TOP 20

		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	Amazon	139,286	4	41%
2	Alibaba	59,127	2	20%
3	The Home Depot	40,327	3	11%
4	Walmart	27,934	2	2%
5	IKEA	18,944	3	5%
6	Costco	16,257	2	12%
7	Lowe's	13,375	2	3%
8	Ebay	12,365	3	7%
9	ALDI	12,273	2	2%
10	JD.com	10,768	3	3%
11	Walgreens	10,121	3	-2%
12	CVS	9,733	3	-19%
13	7-eleven	9,144	4	-2%
14	Target	8,660	2	-7%
15	Tesco	8,041	4	-10%
16	Lidl	7,193	2	5%
17	Carrefour	6,809	3	-12%
18	Woolworths	6,549	3	-12%
19	Kroger	6,493	3	-18%
20	Coles	5,449	4	N/A

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg and Kantar Retail)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).

BrandZ™ Top 100
Most Valuable Global
Brands 2017

Category Brand Value
Year-on-Year Change

+14%

Category Brand Value
12-Year Change (Top 10)

+162%

Retail Top 20
Total Brand Value

\$428.8 billion



INSIGHT



Amazon, Alibaba invest in new ways to engage shoppers

Retail has always been a capital-intensive business, dependent on real estate investment, and slow to change. What we’re seeing with Alibaba and Amazon is that those rules no longer apply. These brands have the momentum and are able to spend their capital on new ways to engage shoppers rather than on building stores. Agile partnerships are what’s important today. For Amazon, third-party marketplace transactions have grown rapidly and now represent more than Fulfilled-by-Amazon transactions (FBA). Amazon remains at its heart a technology company. Its people don’t receive training for physical retail skills such as shelf management or selling from the pallet. What they want to know is the algorithm that makes shopper personalization and product filtering result in a sale. You could debate this idea, but once Amazon develops the software for Amazon Go, the self-check-out physical locations it’s planning to open, Amazon can sell this software and hardware to physical-world retail partners. That approach is likely to be faster and more profitable than building its own stores all over the world. Amazon is focused on getting into your home. Alibaba is focused on helping small businesses access the world.

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KANTAR RETAIL

Meanwhile, having primarily focused on maximizing the productivity of over 11,000 physical locations in 28 countries, Walmart shifted attention to the virtual world, acquiring Jet.com, a strong e-commerce challenger to Amazon in certain categories. The purchase builds on Walmart’s existing e-commerce business, estimated at around \$12 billion in annual sales, according to Kantar Retail.

Because Jet.com shoppers are younger and more urban than the average Walmart shopper, the acquisition potentially broadens Walmart’s reach, according to Kantar Retail. Walmart also acquired several small e-commerce niche apparel retailers with urban appeal, and planned to integrate e-commerce more closely into its operation. Walmart rose slightly in brand value after a steep decline a year ago.

New initiatives build loyalty

Walmart also has a partnership with JD.com, China’s second-largest e-commerce brand and No. 10 on the BrandZ™ Retail Top 20. JD.com owns its own logistics network and invests significantly in related technology, including drones. These acquisitions combine the mentalities and capabilities of technology start-ups with those of a traditional big-box retailer. The acquisition of Jet.com also brings a level of “gamification” of retail that should help Walmart appeal to younger shoppers. Jet.com notifies shoppers of the savings they are accruing and the potential savings that could be earned with additional purchases.

In addition, Walmart is developing drive-through locations. This convenience phenomenon, well-developed in Europe, particularly in France, enables shoppers to purchase without entering a physical store. They buy online and pick up their orders at a drive-through location, often along their work commute.

Amazon initiatives like Amazon Prime Pantry and Amazon Prime Now also aimed to make shopping faster and more convenient with easy online ordering and rapid delivery. Amazon Dash replenished certain household commodities automatically. Amazon also added benefits for members of Amazon Prime, to strengthen loyalty and keep customers satisfied within an ecosystem filled with products and services delivered seamlessly.

One of the new benefits, Prime Reading, provided free access to a changing selection of 1,000 e-books and magazine articles. As the bundle of Prime benefits enlarges, it seems more valuable, and the value of each component becomes more difficult to compute. Almost one-third of American households were Prime members as of December 2015, according to Kantar Retail.

Alibaba sustains loyalty with a comprehensive ecosystem that moves customers through various shopping sites to transactions on Alipay. The Ali Express site provides access to products from China. It enables owners of certain businesses to source directly, lower costs, and increase profit. Alibaba is the leading automotive seller in Russia, according to Kantar Retail, and it is investigating the establishment of a logistics center in Sophia, Bulgaria, and a distribution center in Zagar, Croatia.



Mass merchants and grocery

E-commerce and changing shopping habits affected brands across retail. The German-based food deep discounters, ALDI and Lidl, felt pressure in their home market from rival Rewe, which offered a payback card that enabled members to spend loyalty points flexibly at other retailers or entertainment centers.

In an unprecedented step, the ALDI brand, which operates as two autonomous companies, ALDI North and ALDI South, conducted joint marketing. Lidl planned to enter the US, with 20 to 30 stores expected to open this summer in the east coast states of Virginia and the Carolinas.

Meanwhile, Costco, a membership warehouse with around 600 of its approximately 720 stores in North America, planned to open in its first store in France. The chain also expected to add more private label, expand its focus on organic food, and open more business centers. Regulations had slowed expansion in Europe, but the chain continued to do well in Asia, according to Kantar Retail. The chain raised its membership fee to boost profits.

To stimulate its lagging like-for-like store sales growth, Target implemented a store remodeling program. The new store format provides two main entrances that correspond to the purpose of the shopping trip. One entrance is for a more extensive experience that the chain calls inspirational browsing. The other entrance accommodates convenience trips, including grocery shopping and order pick-up. The chain also added more own-label items to differentiate and build margins.



INSIGHT



Redefining customer service is key for retail brand expression

A great tension is surfacing for retailers. Brands cannot be invisible, but the consumer wants a seamless and efficient interaction, which doesn’t leave a lot of space for the brand. Some of the best retail experiences are when the retail brand is as thin a part of the interaction as possible. Part of the reason we’ve seen great strides online is that it’s removed some of the distractions of the shopping process. I see a lot of retailers looking to improve the service component. The product could eventually be the catalyst that gets the customer to service. In consumer electronics, for example, movement toward the Internet of Things has resulted in smart products that don’t always talk to each other because they are made by different suppliers. The retailer could become the consultant that crosses these walled gardens and helps the consumer make all the smart gadgets talk to each other.

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INSIGHT



Reframe mobile shopping behaviors as in-store opportunities

The shifting media consumption habits of millennials are having a radical impact on the purchase journeys they undertake. No longer do retailers have complete control of the touchpoints influencing purchase once a shopper has entered their store. With the mobile phone established as an ever-present shopping assistant, consumers are increasingly likely to be researching products and comparison shopping online while in a physical store. For some categories it is now easy for retailers to lose sales to competitors through in-store mobile transactions. However, it is important to view these behaviors as opportunities rather than threats: from competitive conquering through geo-fenced mobile ads to maximizing conversion with push notifications. The retail brands that will succeed in the future will be those that integrate the mobile screen into the retail experience, utilizing technology like augmented reality to provide genuine utility and value, giving consumers reasons to stay in store, purchase and visit again.

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With over 6,300 stores worldwide, Tesco focused on its UK home market. The chain simplified its product range and attempted to make shopping easier, while deemphasizing its loyalty card. Tesco also prepared for the acquisition of Booker, a wholesaler that would add convenience locations and entry into a new business for Tesco—food service. In the US, the grocery chain Kroger also emphasized its own-label products, while adding new store elements, such as medical clinics, that drive traffic and extend in-store shopper time, according to Kantar Retail.

Carrefour continued to implement a strategic shift, reducing its presence in some international markets and deploying a portfolio of smaller convenience stores to complement its hypermarkets, which continued to feel pressure from e-commerce competitors and price discounting, especially in France, its home market. Competition and a slower economy impacted Carrefour sales in China.

Category specialists

The home improvement specialist The Home Depot increased 11 percent in value following a 32 percent increase a year ago. The company effectively invested in digital, leveraging the size and product range of its warehouse stores to offer customers several shopping convenience options, including click and collect.

For both The Home Depot and its rival Lowe's, brand proposition remained a key strength. The brands promised informative service to help customers complete home improvement projects, a proposition that produces big-ticket sales and is difficult for product-focused retailers to imitate. The Home Depot and Lowe's also gained significant business-to-business revenue from sales to contractors.

In several stores, Lowe's introduced a virtual reality capability called "Holeroom How To." It takes do-it-yourself training a step beyond books and videos, enabling customers to experience each step of a project while wearing an Oculus Rift visor. Lowe's began using robots for sales assistance in its stores several years ago.

IKEA continued to open large out-of-town stores that perform well as destination locations where shoppers often leave with their planned purchase plus impulse items. Translating the unique IKEA physical store to an online experience proved difficult, but the blue and yellow brand colors remained distinctive assets, important for sustaining the brand.

US-based drug chains CVS and Walgreens were well positioned to meet healthcare needs in the US. Walgreen's continued to work through regulatory issues in its plan to purchase Rite Aid, which would create a chain of about 13,000 drug stores in the US. Rival CVS operates around 7,800 stores in the US. With over 60,000 stores worldwide, 7-Eleven continued to fill the convenience store space, and planned to acquire an additional 1,110 locations from Sunoco, the oil and gas brand.



BRANDZ ANALYSIS

Despite technological disruption, retail scores high in key metrics

Retail is the canary in the coal mine for categories, an indicator of the disruptive power of technology. The numbers tell the story. Over the past 12 years, the BrandZ™ Retail Top 20 increased 162 percent in value, a strong performance, except when compared to the No. 1 brand in the category, Amazon, which increased 2,228 percent in value over the same period.

Of all the categories studied in this BrandZ™ report, retail restructured most dramatically over the past 12 years. E-commerce today represents 54 percent of the BrandZ™ Retail Top 20 brand value, compared with only 14 percent in 2006. Squeezed between e-commerce brands, which increased in value 388 percent, and retail specialists, which increased modestly, are the traditional food merchants and hypermarkets, which declined 23 percent in value.

Still, retail was the second-highest scoring category, after technology, in the BrandZ™ Vital Signs of brand health: Brand Purpose, Innovation, Communications, Brand Experience, and Love. The retail category scored 113. Amazon scored 126. An average score is 100. Retail is about connecting with consumers, and the Retail Top 20 set a high bar.

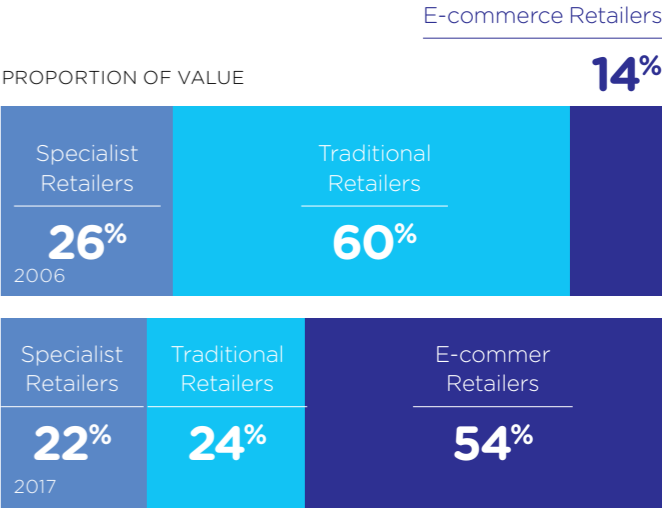
The traditional retailers score above average in being Different (distinctive and trend-setting, Meaningful (meeting needs in relevant ways), and providing a positive Brand Experience. Specialists score high in being Meaningful, because a home improvement or drug store brand meets well-defined needs. The e-commerce brands score exceptionally high in being Different, 147.

BRAND IMPLICATIONS

Technology-related structural issues, including changing consumer shopping habits and the need to adjust the size and locations of physical stores, continue to impact the retail category. As retailers confront these issues, reimagining the physical store, it is important to sustain the Brand Experience. And as retailers struggle with the financial implications of finding the right online and offline balance, they need to protect the brand, the intangible asset that will help sustain them through a difficult transition and give them more time to get it right.

RETAIL RESTRUCTURES DRAMATICALLY...

Retail restructured dramatically over the past 12 years. E-commerce today represents 54 percent of the BrandZ™ Retail Top 20 brand value, compared with only 14 percent in 2006.



Source: BrandZ™ / Kantar Millward Brown

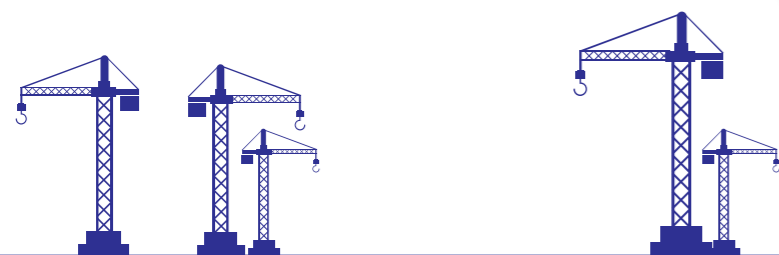
... AND BRANDS SCORE HIGH IN KEY METRICS

Traditional, specialist, and e-commerce brands all score well above average on being seen by consumers as Different and Meaningful and providing a positive Brand Experience.

RETAIL CATEGORY PERFORMANCE

	Traditional Retailers	Specialist Retailers	E-commerce Retailers
Different	111	118	147
Meaningful	122	129	117
Brand Experience	110	117	118
12-year value change	-23%	+7%	+388%
Year brand founded	1944	1948	1989

Source: BrandZ™ / Kantar Millward Brown



BRAND BUILDING ACTION POINTS

1 Leverage the store

The physical store can be a great competitive advantage. It is the brand's best billboard. And it keeps retail brands dynamic. With every visit to the store, customers refresh their impression of the brand.

2 Engage shoppers

Shoppers increasingly move through physical stores while holding a mobile device to check competitors or gain more product information. Turn this behavior into an advantage by providing product information and other relevant content in a compelling way that keeps the shopper in the store, both physically and mentally.

3 Be consistent

Sustain omni-channel consistency that supports and complements the brand experience across physical and virtual spaces without contradiction or disappointment.

4 Decrease friction

As the consumer journey becomes more convoluted, look for ways to simplify and accelerate it. Be responsive to customers whose journey will change with the occasion. It is not all about the commercial calendar.



KUALA LUMPUR
- MALAYSIA

Value of all
Asian brands
(excluding China)
in Global Top 100

\$137.2 BILLION

Retail

As retail changes, consumers seek more convenient and calm shopping

Brands need to consider better
store layout and packaging design

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Ogilvy & Mather

Despite the many changes happening in retail, you could ask: Have the fundamentals of shopping really changed? People still buy most of the things they did five years ago, they still go shopping frequently—averaging over 250 visits to supermarkets each year in the UK, for example—and the average FMCG basket size is much as it was five years ago. So why are brands not feeling comfortable? There are several changes in retail that are impacting the way brands reach consumers and engage them. I'd summarize them in three "C's": context, convenience, and calm.

Setting the context

The first thing to note is that the context of retail impacts the choices consumers make, and when the context changes, people's choices change. What may seem great value in a sale at an upscale department store might be seen as wildly expensive at a discount store.

As discounters have taken hold in the UK over the last four years, they have focused on consumer perceptions of pricing and what constitutes value. The significant advertising budgets of Aldi and Lidl have focused on price messaging; Lidl has run an advertising campaign in Ireland stating "full shop, half price" with a slogan "beat the brands with Lidl prices," in which it promotes its own-label version. This puts significant pressure on CPG brands to consider how they project value to consumers who are shopping in a very "savvy shop" context. Brands need to create the bragging rights of a smart buy for their consumers.



Ogilvy & Mather

Ogilvy is one of the largest marketing communications companies in the world. It was named the Cannes Lions Network of the Year 2012- 2016 and the EFFIEs World's Most Effective Agency Network in 2012, 2013 and 2016.

www.ogilvy.com

Ikea has leveraged contextual pricing in a different way to highlight its affordability in Saudi Arabia. They ran a campaign called “It’s that affordable,” which compared the cost of the furniture to everyday items such as pizzas or coffee. Ikea used framing, with contextual pricing, to help consumers see how affordable their items are.

Other behavioral heuristics can also help brands to stand out in the value equation. The *Journal of Consumer Research* highlights how important it is for brands to create the “endowment effect,” which causes you to place more value on things you own.

In the context of a physical shop, people expect to be able to touch and discover the products. Brands that enable this can smartly create the feeling of “ownership” pre-purchase. Just watch the excitement of consumers in Apple’s Genius Bars to see this engagement in action.

This trend is now moving offline too with the growth of virtual sampling. This allows you to virtually “try on” products before you buy, and Toni and Guy, the

beauty salon brand, is using it to allow people to test colors before they buy their nail varnish or hair dye. This “virtual trying on” removes one of the big concerns about buying online, as consumers can check that it suits them before they buy.

Online drives convenience

The growth of online is of course in part driven by convenience, as you can increasingly browse for anything from your sofa. Amazon has created a new type of shopping that has no checkout line, and where the power of the reviewer—purchaser or independent—is king. This is driving brands to focus on increasing their specialist category reviews. In the smartphone world, the tech reviewer is a now critical part of the communications mix, and brands invite all of the reviewers and bloggers to major preview events.

In physical retail there is also an increasing focus on convenience, with self-checkout growing. As there is less human interaction at the checkout, and so less chance

to offer last-minute promotions, brands have to reach people in other ways as they move through the store. This could be through using technology, with mobile couponing, active brand placement on the retailer app, and brand rewards programs for loyalty all coming more to the fore.

While Amazon has changed the way we shop, and when we shop, we see that most people still go for a frequent “quick shop” to physical stores, and often then the nearest shop is what constitutes convenience.

With growing urbanization, the number of “mini” supermarkets has increased, and with more single-person households, the ranges these stores stock is also changing. Brands are having to adjust, as they need to reach the urban single-dweller, who may range in age from 18 to 80. These shoppers often pop in most days, and so the need for brands to have a more varied range to stay relevant, while maintaining constant availability and the right portable pack size, all become part of the brands “convenience” offer.

Retailers are also innovating their convenience offer with the growth of “order and collect” at their stores. This service allows the consumer to shop the whole range of the online store, but have it delivered to their local store at a time that suits them to collect. Again, this forces brands to have to be front-of-mind for the consumer as they go online. Brands must be really smart in their use of programmatic buying, and must know their consumers’ previous shopping habits to predict their next purchases. Increasingly, brands are spending more of their marketing budgets on programmatic advertising to reach their customer base.

Keep calm and carry on

The final “C” could of course be curation, and it is true that personal curation enabled by brands and retailers is now becoming a consumer expectation. But instead, I have chosen a different “C.” With the hectic environment people live in, and the sometimes overwhelming amount of choice on display, one gift a brand can offer a consumer is a moment of calm.

Kantar Retail ShopperScape in 2015 noted that 43 percent of US consumers describe a stress-free shop as one in which they are “easily able to locate the items I need.” While much of this ease can be enabled by retail design, brands can also help by having packaging that is easy to identify and navigate. To an aging population, constant packaging changes can be disorienting.

My elderly father was a prime example of this, as he recently arrived home with loose tea instead of his favorite tea bags, and it was like a “spot the difference” competition to work

out which pack was which. A small gesture by a brand—having clear packaging and coding—can make all the difference to a harried shopper, and give that brand a little more emotional credit in the bank.

Ultimately consumers’ shopping habits are going to continue to evolve. The brands that best understand the context of where their consumers are as they shop, what convenience means to them in that moment, and uses that understanding to reward shoppers with a stress-free experience may continue to thrive.

Brands must be really smart in their use of programmatic buying, and must know their consumers’ previous shopping habits to predict their next purchases. Increasingly, brands are spending more of their marketing budgets on programmatic advertising to reach their customer base.

Tension of Change

Navigate disruption by focusing on brand and developing new products, businesses

Strong values can endure
severe market change

STEPHEN WALLACE



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As the old adage goes, change is the only constant, but change happens at different speeds, and technology is making that speed faster and faster. So we have another word for high-speed change: disruption. Perhaps the modern adage should be “disruption is the only constant.”

Disruption can strike fear into businesses—think Kodak and Olivetti—the fear that your business model is rapidly undermined by discontinuous innovation. This is especially painful when you consider that Olivetti is credited with launching the first commercial programmable desktop personal computer in 1964, and Kodak technologists created the foundations of digital imaging.

So perhaps the way for businesses to navigate disruption is to spend as much time focused on managing their brands as on developing new products and new business models.

A *Harvard Business Review* article titled “Surviving Disruption” declares that disruptors and legacy businesses should focus on defining new business models by asking: “What jobs do people need done and how could they be done more easily, conveniently, or affordably?” This seems to me a pretty good business model, equivalent to what brand managers should be asking themselves: “What purpose do consumers really value my brand for, and how can I express that in a contemporary context?”

My client, Ford Motor Company, is facing disruption in the form of autonomous vehicles, on-demand rides, and car-sharing from some of the most fearsome competitors on the planet: Google, Apple, Uber, Tesla and Zipcar.



We were born different, founded to create an entirely new model of collaboration... The result? An agency that truly works at the intersection of business and everything imaginable. Welcome to GTB.

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I would go so far as to say that companies should focus more effort on understanding and living true to their brand purpose in order to safeguard themselves from being disrupted out of business.

But Ford has asked itself this question and remembered that Henry Ford's success was not just built on the invention of cost-efficient manufacturing through the production line and the division of labor. What Ford did for masses of people was to give them personal mobility at a time when motor cars were expensive playthings for the wealthy. And mobility for the masses meant getting produce to markets, people making connections with distant people, and expanding their horizons. It made people more productive; it allowed people to have holidays.

The roots of the Ford brand are in mobility, and in helping people move freely. This is why, just over a year ago, Ford created Ford Smart Mobility LLC, a new subsidiary to the company, formed to design, build, grow, and invest in emerging mobility services.

The first consumer-facing launch from Ford Smart Mobility was the introduction of FordPass, an app-based service built around point-to-point journey planning

and marketplace services, such as parking and ride-sharing. Ford has also opened a Ford Hub in New York City to display their vision of a transportation future beyond cars. It doesn't sell cars. Instead, large screens highlight different ways to reach New York City landmarks by bike, subway etc. A giant "marble run" model illustrates the idea of traffic congestion, plus other future-of-transportation concepts, like self-repairing roads.

Focus on purpose

Ford understands that what consumers have always valued the brand for is being able to move freely, and Ford is building new technology and new business models to help consumers do that.

In fact, acknowledging my own bias as a brand manager, I would go so far as to say that companies should focus more effort on understanding and living true to their brand purpose in order to safeguard themselves from being disrupted out of business.

Great brands focus single-mindedly on purpose. Ask anyone in Nike what their purpose is and they'll tell you they're out to make athletes perform better. They happen to make profit from being in businesses like sports shoes. So my advice to businesses across product categories facing the tension of change is to focus on their brands and the purposes consumers value those brands for.

Some categories face health concerns and regulatory pressure on sugar. But taking time to understand the value and the symbolism of your brands will help compensate for offering a product with less sugar. Fossil fuel businesses are not just energy providers, but owners of brands which are about pioneering and exploration, surety, convenience—symbols of national pride and inventiveness.

STRONG VALUES CAN ENDURE CHANGE. YOU JUST NEED TO UNEARTH THEM.

HAVANA - CUBA

Beer

The beer category includes global and regional brands, which in an increasingly consolidated industry are mostly owned by a few major brewers.



Merger of global leaders forms 500-brand portfolio

As the category consolidates, it also fragments with craft brewers



It was the year of the much-anticipated corporate marriage between AB InBev and SABMiller, creating the world's fifth-largest consumer products company after Nestlé, P&G, PepsiCo and Unilever, and ahead of Coca-Cola. The blended family owns seven of the BrandZ™ Beer Top 10 brands, and all but one of them rose in value, as the Top 10 rose 5 percent in total value, following a 3 percent decline a year ago.

The combined company matched complementary geographic and business strengths. AB InBev brought market dominance in Brazil and financial and production expertise. SABMiller added dominance in Colombia and, based in South Africa, provided strength on a continent with a fast-growing beer market, as well as its marketing prowess for linking brands to drinking occasions.

AB InBev, as the new entity is called, faces the daunting task of rationalizing and maximally leveraging a portfolio of over 500 brands, with global, regional, or local reach. These include its global premium group—

Budweiser, Stella Artois, and Corona. Many country markets, including China, are moving to premium. The other AB InBev brands in the BrandZ™ Top 10 are Bud Light, Skol, Brahma, and Aguila.

Budweiser remained No. 1 in the ranking, based on its wide distribution in the US, its global presence, and promotion that generated volume gains in the UK, where an introduction of Bud Light is planned. As the official beer of the FIFA World Cup, Budweiser faces a major global sponsorship opportunity with the 2018 Moscow games.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value Year-on-Year Change

+5%

Category Brand Value 12-Year Change

+188%

Beer Top 10 Total Brand Value

\$80.0 billion

BEER TOP 10

		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	Budweiser	15,093	4	2%
2	Bud Light	11,945	3	-9%
3	Heineken	10,878	5	3%
4	Stella Artois	9,949	5	4%
5	Skol	8,146	5	21%
6	Corona	8,119	5	23%
7	Brahma	4,385	5	34%
8	Guinness	4,080	5	-11%
9	Aguila	3,843	5	18%
10	Coors Light	3,589	3	-1%

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).

Four of the BrandZ™ Beer Top 10 are AB InBev Latin American brands: Skol and Brahma are Brazilian, Corona is Mexican (Constellation Brands distributes Corona in the US.), and Aguila is from Colombia. Economic slowdown impacted financial results from some Latin American markets. But the concentration prompted other competitive acquisition

INSIGHT



Majors respond as craft disrupts premium sector

A few years ago, the big breweries weren't paying very much attention to craft beer. Now they understand both the threat and potential craft plays, so they are giving the sector a lot of attention. Craft has disrupted premium around taste, and it's quite dangerous from that point of view. The big brewers are looking at how craft fits into their portfolios and asking, what is the role of craft? How do we make the most of the craft opportunity? We'll see more companies acquiring craft brands rather than just innovating themselves.

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activity. Heineken announced plans to purchase the Brazilian holdings of Japan's Kirin beer. Heineken, along with Guinness and Coors Light, are BrandZ™ Beer Top 10 brands not owned by AB InBev. SABMiller sold its stake in MillerCoors in the merger.

Majors acquire craft brands

As the industry consolidated, it also fragmented with the growth of craft brands. While craft beer was still a relatively small part of the market, it continued to grow, especially in the US, but also beyond, shaping the taste expectations of consumers, especially young people. Influenced by the taste preferences of America's multicultural population and the nation's young people, US beers evolved in opposite directions, becoming both stronger, and more refreshing and sweeter.

This move to taste extremes, sometimes called the "vodkafication" of beer, challenged brands to keep up with the pace of change. The extensive range, referred to as the "wineification" of beer, increased selection, but weakened brand as a determinant of choice. Consumers developed repertoires of brands depending on the occasion.

To compete with craft beers, Heineken launched a brand called H41, which is made with a yeast from Patagonia. Heineken purchased a major stake in Lagunitas, a US craft beer producer, several years ago. Carlsberg also reinforced its position in craft by expanding its distribution of Brooklyn Brewery beers to the UK. It already distributes in some of continental Europe.

AB InBev planned to open a chain of pubs worldwide named Goose Island, after the renowned Chicago craft beer brewery and pub it acquired five years ago. Along with Las Vegas and Philadelphia, other cities named in the expansion include Seoul, Shanghai, Toronto, and London. And to satisfy young drinkers who desire the social experience of beer drinking, but not the effect of alcohol, Budweiser test marketed an alcohol-free beer called Prohibition in Canada.

INSIGHT



Consumers build brand repertoires to match occasions

We've been looking at the growth of brand repertoires. Within a repertoire, you might have 10 or 12 brands. And the repertoire will be divided into sub-repertoires for various occasions. A person might have two or three beer brands for drinking every day, several beers when premium is desired, and a few brands for drinking with mates. The challenge for brands is lack of distinctiveness, which is needed to get into the repertoire. We may see more media investment going from above the line to the point of sale, because without a strong preference, the purchasing decision is made at the moment of truth.

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KANTAR
TNS



INSIGHT



Distinctive brand positioning now vitally important

The craft movement, accelerating product innovation, and a trend towards premiumization, means it is harder than ever for brands to stand out and get consistently chosen over others. As a result, it is more important than ever for brands to differentiate via a distinctive brand essence—amplifying a clear positioning that is unique and relevant to consumers to get noticed and win.

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With increasing competition from craft, and an inclination of consumers to select from a repertoire of brands, brands invested to differentiate in both on-trade and off-trade, attempting to create some clear benefit around the brand, such as taste or thirst-quenching.

Communication builds brands

Major brands have worked on-trade to create a premium impression, with glassware, for example, but also at retail with packaging innovations. In certain markets, Corona, a beer associated with fun, was merchandised with a free ice bucket. The brand launched a new campaign called "This is Living," which associates the brand with experiencing life fully outdoors.

Stella Artois, which has ritualized the drinking experience with its chalice, also entered partnerships such as Wimbledon tennis to reinforce its premium positioning. It added an element of corporate social responsibility by advocating for access to clean water. In partnership with actor Matt Damon, Stella Artois donated money to the NGO Water.org for each chalice purchased. The campaign, called "Buy a lady a drink," references the fact that, in developing regions of the world, women and young girls typically have the chore of collecting water, which often is contaminated.

In initiatives that help with global marketing consistency and exposure, Heineken renewed its sponsorship of Championship League soccer and entered a partnership with Formula One. With H41, the brewer told a story around ingredients. In contrast, Budweiser focused on heritage, particularly in its Super Bowl ad, which celebrated the emigration of founder Adolphus Busch from Germany to America.

Skol, which ranks No. 1 in the BrandZ™ Top 50 Most Valuable Latin American Brands, sponsored concerts and emphasized enjoyment. Brahma connected the brand with Carnival, soccer, and sex appeal. Coors Light,

associated with the Rocky Mountains, launched a campaign called "Climb On." Aimed at both men and women, the ads encourage people to climb their personal mountains and celebrate reaching the peak with a Coors Light.

Brands also added purpose to their brands with campaigns devoted to responsible drinking. Actor Helen Mirren delivered a memorable rebuke to excess in a Budweiser Super Bowl ad. Heineken launched a campaign in which millennial women sing about the qualities they look for in the men they prefer. Sobriety was high on their list.

INSIGHT



As craft matures, majors will drive its consolidation

The major brewers have been quite smart about how they've entered the craft business. They've acquired craft brands, but they've left them to do what they do. In the US, where craft is maturing, we're getting to the point where we may see some consolidation. In five years, perhaps, the craft sector will still be sizable, but it could be largely controlled by the majors.

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INSIGHTS



Packaging changes will signal brand moves to premium

Large brewers have focused on delivering a great brand experience in the on-trade, with impactful, premium glasses as just one example. We will start to see more and more brands putting greater focus on their packaging to improve brand experience off-trade, which represents a major source of growth. These are among the initiatives brands need to take on the journey to becoming more premium in the eyes of consumers.

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Extensive choice makes Salience critical for brands

Go into a bar or bodega in most mature beer markets now and you'll be confronted with an ever-expanding choice of beers. Choice can be good for us, but it does pose some challenges. More choice demands additional time and effort from the human decision-making process, with many beer drinkers likely finding themselves in a state of "choice paralysis." In this context, Salience—being top of mind at the moment of purchase—could become even more critical for brands.

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Wineification of beer presents challenges for major brands

We have heard a lot about the "vodkaification" and the "wineification" of beer. With "vodkaification" we see all the different flavor trends, which can cycle in and out quickly. The flavor inspiration comes from many sources. Particularly in the US, it reflects the increasingly multicultural and polycultural nature of the society, which is changing the American palate and shifting preference for beer to something with a bit more spice and dimension. "Wineification" suggests that consumers look for a type of beer, not a brand. Both these phenomena challenge brands.

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BRANDZ ANALYSIS

Communications drive brand value increase



The BrandZ™ Beer Top 10 grew 188 percent in value over the past 12 years. The ability of the brewers to communicate about their brands helped drive that growth. The Beer Top 10 score well in Communications, but receive average scores in the four other BrandZ™ Vital Signs: Brand Purpose, Innovation, Brand Experience, and Love.

Over the past 12 years, The BrandZ™ No. 1 beer, Budweiser, grew 118 percent in value, a significant increase, but much less than the 669 percent increase by the Latin American brand Skol, which experienced the greatest value rise of the Beer Top 10 during that period.

The disparity illustrates the possibility of achieving sharper value growth, and competing more effectively against a key category disruptor, craft brands. The consolidation of the major global brewers, AB InBev and SABMiller, creates a portfolio of 500 brands, adds financial power and reach, but it does not remove the threat of craft.

Part of the solution may be found in Latin America, home to four of the BrandZ™ Beer Top 10: Skol, Corona, Brahma, and Aguila, which are also Latin America's most valuable brands. Consumers view Latin American beers as Fun, Sexy, and Trustworthy, while European and US beers score only average on those characteristics.

BRAND IMPLICATIONS

In the US and Europe, the beers viewed by consumers as Fun and Sexy tend to come from the craft brewers. The major brewers need to increase their Innovation scores, and continue to communicate effectively, but with refreshed stories. AB InBev, and other majors, have an opportunity to build exciting, differentiated brand portfolios as they continue to expand in both mature markets and the fast-growing markets of Africa and Asia.

COMMUNICATIONS DRIVE VALUE GROWTH...

The Beer Top 10 score 105 in Communications, but receive average scores in the four other BrandZ™ Vital Signs: Purpose, Innovation, Brand Experience, and Love.

BEER TOP 10 BRANDZ™ VITAL SIGNS



Source: Kantar Millward Brown/ BrandZ™

... BUT THE IMPACT OF COMMUNICATIONS VARIES BY REGION

Brand personality and characteristics vary by region. Latin American brands score well in being seen by consumers as fun, sexy, and trustworthy, while European and US brands score only average.

BEER CATEGORY PERFORMANCE

	LatAm	Europe	US
Fun	116	100	100
Sexy	109	106	102
Trustworthy	104	99	97
1-year value change	+23%	+1%	-3%

Source: BrandZ™ / Kantar Millward Brown



BRAND BUILDING ACTION POINTS

1 Command leadership

Rather than reacting to craft, set the pace, improving taste and the on-trade and off-trade experience.

2 Be consistent

It is fine to have several marketing initiatives at the same time, as is often the case, but not coordinating them leads to confusion.

3 Reach millennials, but not only millennials

Brands know best how to reach young to middle-aged male drinkers, but reaching those drinkers alone leaves a lot of opportunity on the table. Potential consumers also include older drinkers who have more time and money, and curiosity about new experiences.

4 Beware of potential disruptors

These include alcoholic sodas and, in the US, even legalized marijuana.

5 Grow the category

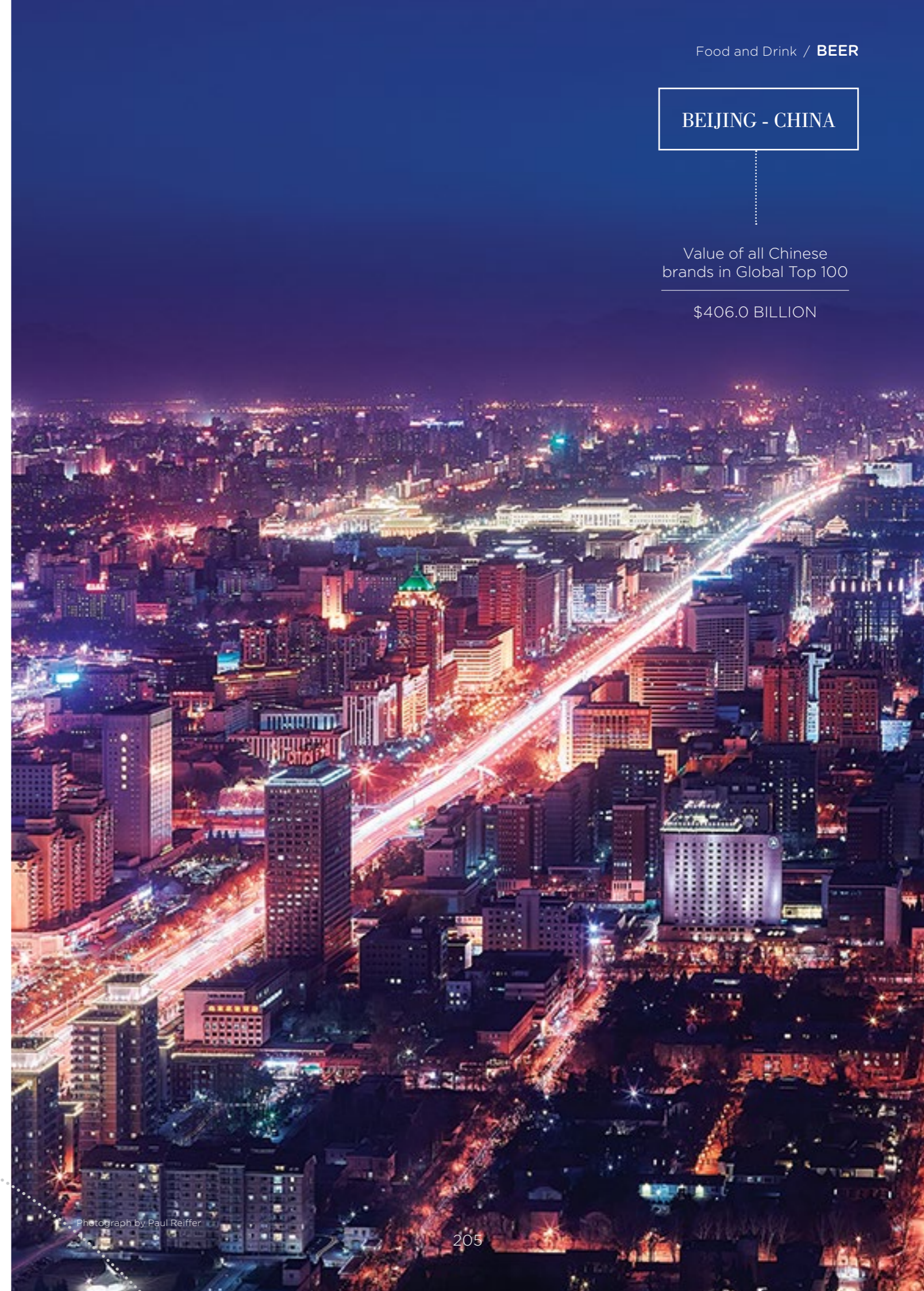
Success will depend not only on the appeal of individual brands but also on the health of the category. Develop innovations and strategies to grow the market.



BEIJING - CHINA

Value of all Chinese brands in Global Top 100

\$406.0 BILLION



Fast Food

The fast food category includes Quick Service Restaurants (QSR) and casual dining brands, which vary in customer and menu focus, but mostly compete for the same dayparts.



Return to basics focuses on pleasing core customers



But digital innovation powers new initiatives

Fast food brands returned to basics, improving taste and experience. In a shift in focus, brands aimed to please their core customers rather than try to attract consumers from the more upmarket casual dining segment. Fast food companies also initiated brand-building and digital innovations and expanded franchise networks.

For McDonald's and Burger King, the return to basics meant making a better burger to meet growing competition from smaller burger chains and changing consumer expectations. KFC upgraded its kitchens and returned to its original recipe for fried chicken. Starbucks went back to basics in a different way, taking its core product, coffee, to another level—premium.

McDonald's first back-to-basics step, switching from frozen to fresh meat for its Quarter Pounders, also reflected the larger trend of upgrading to fresher and healthier

ingredients. KFC joined other fast food brands, including McDonald's and Subway, in eliminating the use of chickens raised with certain antibiotics.

Burger King revised its franchise system, remodeled locations, expanded internationally, and devoted more attention to advertising and marketing. The changes reflect the influence of 3G Capital, the Brazilian investment company that acquired the chain in 2010 and later merged it with Tim Hortons to create Restaurant Brands International.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value Year-on-Year Change

+7%

Category Brand Value 12-Year Change

+319%

Fast Food Top 10 Total Brand Value

\$213.7 billion

FAST FOOD TOP 10

		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	McDonald's	97,723	4	10%
2	Starbucks	44,230	4	2%
3	Subway	21,713	4	1%
4	KFC	13,521	3	9%
5	Pizza Hut	8,133	3	-2%
6	Domino's Pizza	6,289	3	29%
7	Tim Hortons	5,893	4	26%
8	Chipotle	5,722	3	-29%
9	Taco Bell	5,388	3	N/A
10	Burger King	5,116	2	39%

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).

**INSIGHT**

Competition sends brands back to basics

There's been a return to basics. McDonald's is the bellwether. Its competition is coming from chains like In-N-Out, Smash Burger, Five Guys, or Shake Shack that offer a superior product without going to the level of family dining. At the same time, Starbucks is evolving and focusing on its premium Roasters cafes. Also, like Amazon, the fast food brands are trying to remove friction from the order and delivery process. Amazon has set the bar for delivery. Clearing the bar will be a greater challenge for chains with menus that offer combinations of ingredients.

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Burger King rose 39 percent in value, more than any other brand in the BrandZ™ Fast Food Top 10. Tim Horton's rose 26 percent. McDonald's improved 10 percent. Domino's Pizza increased 29 percent, as it implemented and communicated digital innovations. Taco Bell appeared in the ranking for the first time.

Along with KFC and Pizza Hut, Taco Bell is owned by Yum! Brands, which last year spun off its China business. With the China business separated, Yum! Brands intends to accelerate the international franchising of its three fast food brands.

Ironically, as many traditional fast food brands improved food freshness and increased in value, Chipotle, the chain that became the fast food symbol of fresh and healthy ingredients, declined in value. Consumer trust still lagged, despite many safeguards implemented since supply chain problems caused a food poisoning outbreak in 2015. The BrandZ™ Fast Food Top 10 rose 7 percent in value, compared with an 11 percent rise a year ago.

Healthy and fresh

Chipotle continued to make changes in its operations to protect food security. It reduced the number of ingredients, removed preservatives, and even altered its kitchen ventilation systems to keep food fresh. To communicate its menu and operations overhaul, Chipotle introduced an ad campaign called "As Real as it Gets," which features a variety of well-

known actors. Upon entering inside a giant foil-wrapped burrito, each character sits on a sofa in a piano lounge and engages with a sonorous disembodied voice that encourages them to "get real."

Subway, the category's largest chain in number of outlets (44,000 worldwide), attempted to reset and improve all aspects of the brand experience. It also established a digital team. And it introduced a new store format and logo, and an ad campaign that continued to promote price and items, but also noted food quality improvements, including the lack of artificial ingredients.

In a program called "Experience of the Future," McDonald's planned to include self-order kiosks and table service in about 2,500 locations by the end of 2017. It also planned to introduce mobile ordering and payment to 20,000 of its 36,000 locations. To address people's desire to order in rather than eat out, McDonald's partnered with Uber in the US to offer delivery, a service already available in some of its restaurants in Asia.

The McDonald's initiatives followed the CEO change made two years ago, and began with simplifying the menu to make fast food faster and bring the chain closer to its roots and core customers. Along with retaining existing customers and regaining lost customers, the chain hoped to attract new customers with its offerings of coffee and snacks.

Brand experience and digital

To expand its food business, Starbucks experimented with an expanded lunch offering of fresh salads and sandwiches. Called "Mercato," the experiment began in around 100 Chicago locations. Starbucks is also developing a more premium experience. After overseeing the 25-year growth of Starbucks, founder Howard Shultz assumed the post of executive chairman and planned to expand the Starbucks Reserve Roastery, initially opening in New York, Shanghai, and Tokyo.

The Starbucks Reserve Roastery prototype in Seattle is an experiential center, a kind of coffee museum and gift shop, where customers can become immersed in details of coffee harvesting and production and buy Starbucks branded merchandise. Starbucks also plans to open smaller premium locations called Starbucks Reserve.

A pioneer in retail digital applications, Starbucks expanded its mobile order and payment platform, integrating it with Amazon Alexa and Ford vehicles. It also began rolling out a voice-ordering function for its mobile app. In China, Starbucks partnered with Tencent, the giant internet platform, on a social gifting initiative that enables users of the WeChat/Weixin messaging service to easily gift a Starbucks beverage or gift card.

Domino's Pizza has transformed its business with digital. In fast food, as in most businesses, success starts with the product. After Domino's Pizza improved the taste of its pizza several years ago, the brand began implementing digital innovations to improve customer experience. Same-stores sales have improved steadily since 2009.

Today, most customers order from Domino's Pizza using an app, sometimes with a voice command, or even by sending a pizza emoji. And Domino's Pizza continues to innovate. Because pizza comes with so many topping variations, digital ordering can be complicated. Domino's Pizza introduced Easy Order to simplify and speed the ordering process. With one click, customers can reorder their favorite menu items.

Domino's Pizza communicates its digital leadership to differentiate the brand. A recent commercial parodies the movie Ferris Bueller's Day Off, with a young man racing through suburban backyards, tracking his pizza delivery on his smartwatch, and reaching his front door just as the Domino's Pizza delivery car pulls into the driveway. Although not obvious in the ad, the delivery car is also an innovation; it contains a warming oven.

INSIGHT

Brands flex to meet the expectations of millennial customers

Brands in the category have worked to flex their offerings around millennial customers. They are assessing all dimensions of the experience, including the look and feel of their sites, while also addressing millennials' different expectations about the quality of ingredients. They need to know not only that ingredients are safe and healthy, fresh and organic, but even their provenance—to understand where they come from!

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BRANDZ ANALYSIS



Despite health concerns, Purpose and Love drive growth

The fast food category has been under pressure from consumer concerns about healthy ingredients. However, the category scores above average on all five of the BrandZ™ Vital Signs, and is especially high on Love. These results are in sharp contrast to the soft drinks category, which also is pressured by consumer health concerns, but scores only average on Vital Signs, and below average on the fundamental Vital Sign, Brand Purpose.

The fast food category's clear purpose, serving food quickly and affordably, helps explain why the BrandZ™ Fast Food Top 10 rose 319 percent in brand value over the past 12 years. In addition, McDonald's, the No. 1 brand in the BrandZ™ Fast Food ranking, drove significant growth. McDonald's scores extremely high on Communications and Brand Love. Changes in category composition also helped drive growth.

In 2006, the burger segment comprised 62 percent of category value. Today, the burger segment comprises just under half of the value, while the coffee/sandwich segment has gone from less than a quarter of value in 2006 to more than a third. The coffee/sandwich segment, which includes Starbucks, Tim Hortons, and Subway, scores 116 in Brand Purpose, compared with 108 for the burger segment. Trust has also increased more for the coffee/sandwich brands. And the segment grew in value at the fastest rate over the past 12 years, 521 percent.

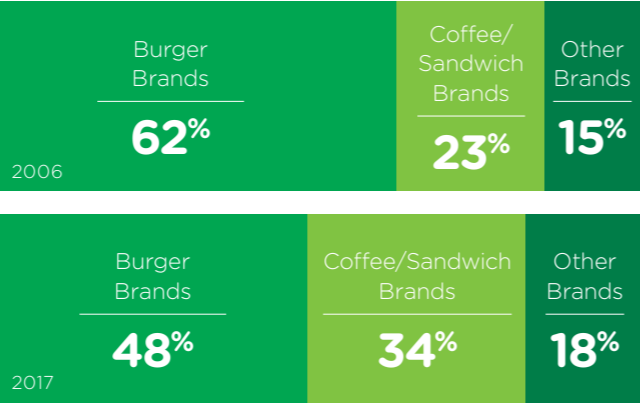
BRAND IMPLICATIONS

Fast food brands returned to basics this year. The burger chains are serving better burgers and the sandwich chains are improving and expanding their menus. As the fast food brands continue to meet changing consumer expectations for food quality, safety, and speed, they need to match their investments in operational improvements with investments in communications.

CATEGORY COMPOSITION CHANGES...

In 2006, the burger segment comprised 62 percent of category value. Today, the burger segment comprises just under half of the value, while the coffee/sandwich segment has gone from less than a quarter in 2006 to more than a third.

PROPORTION OF VALUE



Source: BrandZ™ / Kantar Millward Brown

...AND THE COFFEE/SANDWICH SEGMENT HELPS DRIVE GROWTH

The coffee/sandwich segment, which includes Starbucks, Tim Hortons, and Subway, scores 116 in Brand Purpose, compared with 108 for the burger segment.

FAST FOOD CATEGORY PERFORMANCE

	Coffee/Sandwich Brands	Burger Brands	Other Brands
Brand Purpose	116	108	97
Communications	110	113	100
Love	112	111	103
12-year trust change	+15%	+4%	-1%
12-year value change	+521%	+227%	+391%

Source: BrandZ™ / Kantar Millward Brown



BRAND BUILDING ACTION POINTS

1

Get the basics right

When brands expand rapidly to reach new customer groups, it is easy to forget the essential ingredients of the brand's initial success. Going back to basics can help revitalize the brand and propel it forward.

2

Update the basics

Reclaiming the basics will not be enough. The business has become more complicated. And brands need to address overlapping issues. Sustained brand success requires outstanding systems that consistently deliver tasty food that is healthy and fresh, whether the customer is in the restaurant, at home, at work, or somewhere else.

3

Examine expansion

In saturated markets, growth through penetration may shift to a contest for share, which could require building dayparts, focusing on positioning or, when possible, moving to premium.



Soft Drinks

The soft drink category includes these non-alcoholic ready-to-drink beverages: carbonated soft drinks, juice, bottled water, functional drinks (sport and energy), coffee and tea (hot and iced).



Brands create and acquire healthier soft drink options

Bottled water outsells colas for the first time

For the first time, bottled water outsold colas in the US, and sales of carbonated soft drinks (CSDs), which have historically defined the soft drink category, declined for the 12th consecutive year in the US. Alternative dairy drinks, flavored seltzers, and other sparking options increased in popularity. Colas still dominated the category in volume, despite their steady decline, which slowed a bit, according to industry publication *Beverage Digest*.

The diet segment was especially impacted. Consumer caution about product ingredients that they ingest or put on their bodies impacted the soft drink, fast food, and personal care categories. But the consumer reaction was complicated, particularly among millennials, who wanted drinks with fewer ingredients but more benefits.

Energy drinks performed well, with Monster rising 15 percent in value, leading the BrandZ™ Soft Drinks Top 15, which registered no change in value following a gain of 1 percent a

year ago. The coffee brands Nescafé and Nespresso rose modestly in value, and Folgers joined the ranking for the first time. Consumers also turned to tea brands, like Lipton.

In response to pressure on the category, the major soft drink brands acquired or developed healthier beverages and added changes to packaging and communications. To build, or rebuild, emotional connection with the brands, they associated cola drinking with special occasions and explored ways to increase at-home consumption.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value Year-on-Year Change

0%

Category Brand Value 12-Year Change (Top 10)

+105%

Soft Drinks Top 15 Total Brand Value

\$155.2 billion

SOFT DRINKS TOP 15

		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	Coca-Cola	66,489	5	-2%
2	Diet Coke	11,653	4	-7%
3	Red Bull	11,567	4	-1%
4	Pepsi	10,638	4	6%
5	Lipton	7,905	4	-8%
6	Nescafé	6,303	4	3%
7	Fanta	6,032	3	7%
8	Nespresso	5,861	4	5%
9	Tropicana	5,651	4	2%
10	Sprite	5,518	3	5%
11	Gatorade	4,669	4	1%
12	Monster	4,502	4	15%
13	Dr. Pepper	2,904	4	8%
14	Folgers	2,797	4	N/A
15	Mountain Dew	2,737	4	6%

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).
Diet Coke includes Diet Coke, Coca-Cola Light and Coca-Cola Zero
Lipton includes the businesses of both hot beverages and ready-to-drink iced tea

**INSIGHT**

Under pressure, category still sells enormous volume

In understanding the category, marketers are looking at colas, then CSDs, then the overall category, which includes other drinks such as juices. We're seeing consumers continue to fall out of love with colas and with other sparkling drinks, but having said that, we need to be clear—the brands are still selling a lot of soda. It's a big job to change people's perceptions of these categories and change the messaging to bring people back in love with the product. Soft drink manufacturers are additionally looking where else to innovate to make sure they are winning overall in the category.

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Brands also promoted smaller portion sizes to both reduce calories and lift margins. Although the leading brands were not assaulted by craft alternatives, as in the beer category, many startup craft brands attempted to fulfill the desire of millennials for soft drinks with taste and health credentials. The major brands countered with their own offerings.

Getting healthier

As part of what the company calls its commitment to "Performance with Purpose," PepsiCo purchased a line of sparkling probiotic drinks called KeVita. It also distributed IZZE Fusions, a variation of juice and sparkling water that it acquired several years ago. These more natural low-calorie drinks, aimed at younger consumers, were intended to meet their objections to diet beverages and artificial ingredients.

Tropicana, a PepsiCo brand, launched Tropicana Essentials Probiotics, a line of juices with probiotics. PepsiCo also launched LIFEWTR, a bottled water that will depend on artistic packaging to earn a premium price and compete with Smartwater, Coke's premium water entry.

Coke's Venturing and Emerging Brands (VEB) group continued to identify disruptive brands and help them achieve scale. The VEB group includes brands such as Honest Tea, Peace Tea, and Zico Coconut Water. Coke acquired some of the brands from Monster in 2015, when Coke transferred its energy brands to Monster and Monster shifted its non-energy drinks to Coke.

Dr. Pepper Snapple Group purchased Bai Brands, a natural drink startup. It marketed a sparkling flavored water call Bai Bai, made from the fruit that surrounds coffee beans. The drink is marketed as healthy because it contains antioxidants, and socially responsible because it supports the livelihoods of Indonesian coffee farmers. A Super Bowl commercial featured Justin Timberlake, an original Bai investor, and Christopher Walken.

INSIGHT

Consumers love the brands, not the health effects

The category remains under pressure, certainly in developed markets. Marketers continue to balance the impact of category health concerns and erosion of brand affinity in younger generations. The food category (e.g. Dolmio) has started to directly acknowledge health concerns with moderation messaging, and soft drinks manufacturers are paying close attention, as finding the right balance between addressing concerns and brand building is the key to managing future growth. As in many other categories, there is also a degree of fragmentation as the range of functional beverages and niche offerings proliferate—so a challenge for the category giants is to get the relationship between their masterbrands and their expanding portfolios right.

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Pepsi created Pepsi 1893, commemorating the brand's birth year. Called "a bold spin on an original cola," the craft cola is made with real sugar and is positioned to be consumed as a mixer or on other occasions that call for a cola. Pepsi also added new flavors, Citrus and Black Currant. Coke reintroduced two craft brands formerly owned by Monster: Blue Sky and Hansen's.

Rekindling love

To better understand the factors driving consumer love for the Coca-Cola brand, the company conducted extensive market-by-market analysis to explore how love was influenced by each of three dimensions: the consumer perception of the brand; the dynamics of the category; and the reputation of the corporation.

Early in the year, Coke launched its "One Brand" marketing strategy, unifying four variants—Classic, Diet, Life, and Zero—under the Coca-Cola brand and adopting a global campaign focused around the experience of drinking a Coke, called "Taste the feeling."

The Coca-Cola Super Bowl ad attempted to strengthen emotional connection by pairing the brand with eating occasions. Flashing the headlines "Coke and Food" and "A classic love story," the 30-second spot showed people preparing and sharing food and enjoying friendship. It featured Coke Classic, Life, and Zero available in small cans, glass bottles, and logo glasses.

Consistent with its association with pop music, Pepsi sponsored the Super Bowl halftime show featuring Lady Gaga. And reflecting its emphasis on digital rather than traditional advertising, it ran no Pepsi spots, and instead aired a commercial, with music by John Legend, to launch Life Water, its new premium water.

**INSIGHT**

Many factors shape consumer choices and brand responses

The soft drinks people choose are influenced by lots of different factors, some of which brand owners can control—like the brand. Other factors they have some control over, like the corporate reputation. And some they have little control over, like attitudes toward the category. All the brands face these challenges. Pepsi, and perhaps some of the other brands, are more suited for this competitive environment because of a history as a challenger brand. And PepsiCo has a more balanced portfolio and is in numerous categories at scale.

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The "Break out a Pepsi" campaign emphasized drinking occasions and featured vignettes of small life triumphs, like fixing an office copy machine, that call for modest celebration. Illustrating the risk brands face when they take a stand on sensitive social issues, Pepsi released, and then immediately retracted, an ad intended to celebrate diversity. In the ad, the mood of demonstrators turns from protest to celebration when Kendall Jenner hands a Pepsi to a police officer. Critics argued that the ad mirrored, and trivialized, the Black Lives Matter movement.

High energy

Several of the brands with fruit flavoring, like Sprite and Fanta, owned by Coca-Cola, increased in value, despite health concerns. Consumption of both brands increased in the US, according to *Beverage Digest*. Similarly, the energy drinks remained strong. Pepsi continued to position Gatorade as the brand for serious athletes, and it launched an organic version of the drink.

Celebrating its 30th anniversary, and available in 171 countries, Red Bull continued to build the leading energy drink brand with strategic sponsorships and relevant content. It broadcast, on its own TV channel, programs featuring extreme sports and feats of daring aimed at a community drawn to adventure.

The energy drink Monster entered China and planned to enter India, with aggressive international expansion plans hinged on its distribution arrangement with Coca-Cola. That relationship may help Monster also expand its shelf presence in the US, where it competes with brands like the PepsiCo-owned Mountain Dew, which does a good job of communicating with its core audience of high-energy male millennials.

INSIGHTS



New natural drinks become popular, as artificial declines

We talk about the end of artificial. We're seeing alternatives gradually becoming the norm. Alternative dairy is booming. It's small but growing. Sparkling, apart from soda, is doing well. People are moving away from soda, but they still want some kind of interesting beverage. Iced teas are doing well. They have a health halo, so we're seeing a lot more tea brands emerge. We're talking about healthier beverages, better options. Although plant-based beverages can be quite fatty, they're natural. It's similar to the way people see avocado as healthy, even though it is fatty. Millennials are a tough crowd. They want fewer ingredients, but they want more from their beverage. They want to know what the beverage is going to do for them.

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WORLD PANEL



Young reject diet options, but accept energy drinks

The diet drinks are the least acceptable, especially to young people, because of the artificial ingredients. Millennials are much more interested in craft alternatives, and even energy drinks are interesting. While some energy drinks have artificial ingredients the functional benefits they provide seem to offset concerns, and people see them as perfectly appropriate for certain occasions. The largest growth opportunities are in water and tea. To grow, brands need to understand how best to communicate effectively to younger consumers and get them excited about the products.

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BRANDZ ANALYSIS

Health concerns weaken category's Vital Signs

The BrandZ™ Vital Signs of the soft drinks category are weak. The category scores average in Innovation and Brand Experience, slightly above average in Communications and Love, and below average in Brand Purpose. Brand Purpose is the foundation for Innovation and other Vital Signs, and weak Brand Purpose makes brand building more difficult.

These results are not surprising, since carbonated soft drinks (CSDs) consumption declined for the 12th consecutive year in the US. Over that period, however, category leader Coca-Cola increased 103 percent in value and its Vital Signs average 123 compared with 101 for the BrandZ™ Soft Drinks Top 15. Coca-Cola also scored 121 on Love. An average score is 100.

Twelve years ago, CSDs (colas and other carbonated soft drinks) comprised 95 percent of category value. Today, CSDs comprise just over two-thirds of value, as the category addresses consumer health concerns and shifts to non-carbonated beverages like coffee and tea. However, reflecting a tension within the category, the healthier options increased more slowly as a proportion of Top 10 value than did energy drinks, which provide a functional benefit to an audience less concerned with ingredients.

On the strength of the Coca-Cola and Pepsi-Cola brands and their communications, the cola segment of the category grew 124 percent in brand value over 12 years, while other CSDs increased only 28 percent. Because of changing consumption habits, non-carbonates increased 117 percent in value.

Brands across the category segments have mostly sustained Meaningful Difference over time, but they have not improved it. Coca-Cola still scores 136, but that is down from 146 10 years ago. Nespresso scores 114, about the same as 10 years ago. Red Bull has declined to 101, about average, probably because it faces more competition.

BRAND IMPLICATIONS

Despite a structural shift in the soft drinks category, as health concerns reduce consumption of carbonated soft drinks, the brand strength of the leaders—Coke and Pepsi—drove significant value growth. The structural shift in the category will continue because the transition to healthier options is inexorable. But it takes time to build these new businesses and brands. Brand strength buys time, and is a sustaining force in the face of a considerable threat.

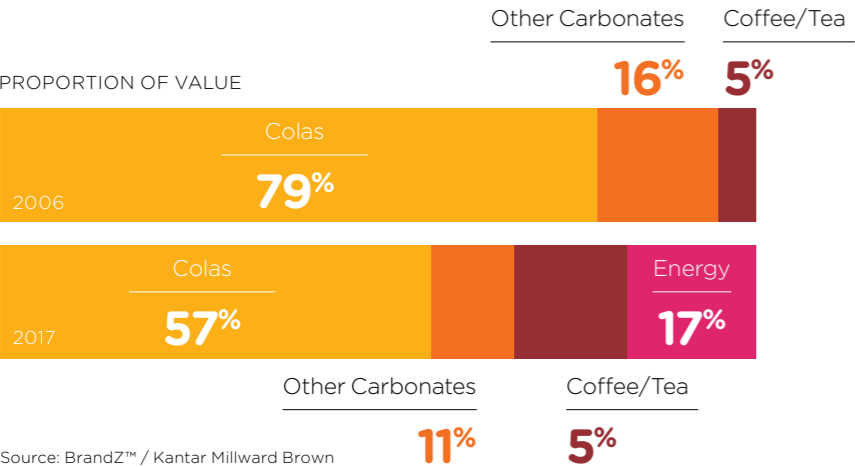




BRANDZ ANALYSIS

CSDs PRODUCE DECLINING PROPORTION OF TOP 10 VALUE...

Twelve years ago, CSDs (colas and other carbonated soft drinks) comprised 95 percent of category value. Today, CSDs comprise just over two thirds of value.



... BUT STRONG COMMUNICATIONS SUSTAIN COLAS

The cola segment of the category grew 124 percent in brand value, while other CSDs increased only 28 percent. Reflecting changing consumption habits, non-carbonates increased 117 percent in value.

SOFT DRINKS CATEGORY PERFORMANCE

	Colas	Other Carbonates	Energy	Coffee/Tea
Brand Purpose	104	94	96	101
Communications	114	98	100	97
Rebellious	105	110	139	95
12-year value change	+124%	+28%	N/A	117%

Source: BrandZ™ / Kantar Millward Brown



BRAND BUILDING ACTION POINTS

1

Be clear about purpose

Help consumers be clear about the role of the brand, its functional purpose. From that clarity, the brand can build a strategy. Then ask, where are the opportunities beyond the next three to six months? Look out at trends over the next three to five years.

3

Rekindle love

In a world of turmoil, there is strength in a heritage brand that can be progressive, unpretentious, and universal. This is an authentic place for the brand to be. The purpose is in the brand's roots, which is why people initially fell in love with it.

2

Target carefully

Target to insight. Have strategies to deliver against the top two or three target audiences. It is not just about young people.

4

Communicate well and often

Having a communication strategy is vitally important. The brands need to understand how to communicate effectively to younger consumers and get them excited about the products.



Shopper Behavior

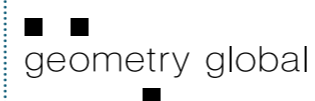
Shopper options multiply, with retailer and brand innovation enhancing experience

Changing landscape requires harnessing data, technology

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Geometry Global is an award-winning brand activation agency that changes people's behavior and drives conversion in 56 markets around the world.

www.geometry.com

How we shop has changed dramatically. Online shopping is now an established global practice and the likes of Alibaba and Amazon are reaping the rewards. (Amazon's market cap of almost \$440 billion is more than US retailers Walmart, Target, Costco, Kohls, and Macy's combined.) The omni-channel shopper is an everyday reality, with BOPIS (Buy Online, Pick up In Store), BORIS (Buy Online Return In Store) and ROPO (Research Offline Purchase Online) behaviors commonplace. Remarkable as this change has been, all the signs are that, far from abating, the rate of change is set to accelerate.

Greater acceptance among shoppers, combined with ongoing retailer and brand-owner innovation, is driving e-commerce sales across all categories, including those where growth has been slower to date, such as grocery. In fact, grocery sales are expected to be the biggest driver of growth in e-commerce over the next five years.

Options for shoppers are multiplying, making it easier for them to try and ultimately adopt online shopping. Shoppers no longer go online. They live online, and mobile is the online device

of choice, allowing the shopper to be "always on" and connected along their journey. Facilitating the drive to ever-greater convenience, mobile payments are set to multiply dramatically in the next five years across the seven major EU economies.

Personalization, through greater understanding of shoppers and application of technology, is enhancing the shopper experience, providing more relevant solutions, whether that is based upon convenience, tailored products and pricing, coaching on how to use the product, time of day, weather or location.



Amazon and Alibaba drive change

These developments are set to further reshape our shopping experience as a new retailer landscape emerges, driven by innovative and sometimes unlikely partnerships. Amazon is often cited as the primary indicator of e-commerce growth, but it's China where we can see growth on an unprecedented scale: Sales are expected to exceed \$900 billion this year, representing almost half of all such sales worldwide, and it is China's local operators that are the major disruptors, as evidenced by Alibaba's partnership with Bailian Group, one of China's leading retail groups.

Alibaba's ambition goes way beyond having a significant presence in on- and offline channels, to a complete reinvention of retail—utilizing its technical, data, and logistics knowledge to impact the entire shopper journey, redesigning

physical stores, incorporating digital engagement (including the Internet of Things, artificial intelligence, virtual reality, and payment via its Alipay system). But the partnership goes beyond the immediate shopper experience; by monitoring transactions in real time, data will influence the supply chain, fulfillment and more,

According to Alibaba CEO Daniel Zhang, "Our partnership with Bailian is an important milestone in the evolution of Chinese retail, where the distinction between physical and virtual commerce is becoming obsolete." This partnership sees Alibaba move from e-commerce player to true retail solutions provider, a move that is mirrored by Amazon with initiatives such as Amazon Go: physical stores that replace the checkout queue with the smartphone, introducing "just walk out" shopping.

Bricks and mortar react

In the battle for the omni-shopper, traditional brick-and-mortar retailers are no longer standing idly by. Walmart's \$3 billion acquisition of e-commerce operator Jet.com has similar ambitions as Alibaba's Bailian partnership, seeking to leverage technology to develop innovative new offerings to help shoppers save time and money.

To make things even more interesting, as the borders between on- and offline dissolve, brand manufacturers are breaking down the boundaries between making and selling, as is evidenced by Unilever's billion-dollar acquisition of the direct-to-consumer male grooming business, Dollar Shave Club, and Whirlpool's incorporation of Amazon's Dash technology into its washing machines to enable detergent auto-replenishment.

And as is the case in all times of change, smaller innovators are exploring and exploiting new opportunities; goPuff in North America offers the impulse shopper a convenience store proposition online, with an average delivery time of under 30 minutes, all for a flat fee of \$1.95 (free for orders over \$49).

The central role that social media and the smartphone play in our lives is evidenced by BongoBox's staff-free store in China, facilitated by the country's biggest messaging platform, WeChat, through which shoppers can gain access to the store and pay from their WeChat mobile wallet.

B8ta sells consumer electronics, but owns no inventory, showcasing products in an enhanced customer-service space. In a physical manifestation of the third-party online marketplace model, vendors

lease space and receive shopper data to improve future selling. New technology has the ability to make a dramatic, immediate, and widespread impact on how people shop. The way that shoppers move seamlessly across channels, and the blurring of the line between living and shopping, with triggers occurring anywhere, anytime, requires a more holistic view of those behaviors and a more frequent reassessment than ever before.

Large or small, the most successful retailers will be those who innovate most effectively to understand and meet shoppers' needs while harnessing data and technology.

E-commerce

Brands face threat from e-commerce sites controlling the important data

Brand managers must act like retailers and own the customer relationship

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Salmon
SHAPING FUTURE COMMERCE

Up until now, your average brand manager has had his or her hands full thinking about brand equity, reach, and awareness. But brand managers beware; there has never been a greater threat to brands than that currently posed by e-commerce and the retail revolutionaries like Amazon. Brands that react may just have enough time to save their relationships with their customers. Those that do not react face the dilution of decades' worth of brand equity, the loss of data, and even the demise of their brands altogether.

Brands are at risk because, while brands have been pontificating about their e-commerce futures, the retail innovators, tech giants, and startups have been getting on with building the new retail future—a future that is pushing the brands further and further away from customers and their data.

These businesses have innovated with customer experience, technology, data, and logistics, and they have done what many brands have not done: put the customer at the heart of the experience and their decision making. This has resulted in a world where just a small number of organizations are defining the direction of e-commerce.

And if you control e-commerce, you control future commerce. According to some estimates, 95 percent of purchases will be facilitated by e-commerce by 2040. Ignoring e-commerce is no longer an option if you want your brand to survive in the future.



.....
Salmon
SHAPING FUTURE COMMERCE

Salmon is a global digital commerce consultancy that defines and delivers market-changing ecommerce solutions and customer journeys for the world's leading brands.

www.salmon.com

Age of the “interface imperialists”

The landscape of commerce has changed. And with this new landscape comes a redefinition of competitors. Competition for brands is coming from every angle, as this new breed of hungry competitor looks to aggressively expand into new products and service categories. Being an online retailer or a social media site is not enough for them. These new competitors have instigated a land grab, one whose aim is to own the interfaces with the customer. The age of the “interface imperialist” is now.

This aggressive horizontal expansion strategy is what is pushing the acquisition and expansion growth strategies of the likes of Amazon and Facebook. This expansion has as its aim the ownership of the customer: “He who owns the interface owns the customer. He

who owns the customer owns the data. And he who owns the data owns the future.” This is the mantra of the interface imperialists like Amazon, Apple and Facebook.

At every touchpoint, these organizations are looking at the products and services that they could and should be providing, not just what they are providing now. This constant reassessment of their offering allows them to critically judge their current offer and identify new products and services that their customers want.

This constant reassessment is not something that happens enough in brands. This thinking is fresh—take Netflix founder Reed Hastings’ assessment of Netflix’s competition. He said that Netflix’s competition wasn’t other content providers, but sleep itself. Such out-of-the-box thinking enables an organization to redefine its offer and approach, and define its expansion.

Brands that can think like this will increase their chances of survival; those that cannot will lose out to the “interface imperialists” and their aggressive expansion.

“Owning” the customer

This new commerce landscape is also changing traditional views of loyalty, which are too emotional and too fragile. Loyalty is no longer the holy grail. Rather, what is required is customer ownership. Most customers aren’t loyal to Amazon. But most shop through Amazon. Why? It’s a no-brainer. The shoppable products in one place are almost endless. The traditional friction points have been addressed with advances like one-click purchasing. And the service, through Amazon Prime, is second to none.

So customers are “loyal” to Amazon out of love for the service. Amazon probably doesn’t put it like this, but they aren’t after customer loyalty, they’re after customer ownership.

Jeff Bezos himself famously said “When people ask me if our customers are loyal, I say ‘Absolutely, right up to the point that somebody else offers them a better service.’” With this type of mentality, brand loyalty is dead, and service loyalty is king.

This is an interesting challenge for brands. The equity in the brand and the product itself has been and will continue to be eroded by interface imperialists offering better service and an ecosystem providing more wide-ranging services and benefits. How can brands look to own the customer?

Brands must think like retailers

Brands need to think like retailers. They now need to invest in owning their customers, their data, and the customer-brand relationship, and not allow this interaction to be diluted by a third party like Amazon. This could be accomplished through direct-to-consumer sales, loyalty schemes, or more simply by making their existing data work harder for them through digital intelligence.

Brands need to increase the number of customer touchpoints to maximize the amount of time, energy, and share of wallet spent with them. They need to do this by creating an ecosystem of complementary products and services that will keep their customers close and grow a mutually beneficial relationship. In addition:

- Brands need to understand the core service of their offering in order to identify horizontal expansion opportunities.
- Brands need to take long-term strategic decisions to prepare themselves for the future, not just think about their equity and sales results of this year.
- Brands need to wrestle back control of the customer interface. After all, he who owns the interface owns the customer. He who owns the customer owns the data. He who owns the data owns the future.

The future of brands will be defined by those that take on the challenges of the new commerce landscape. For those that pretend it isn’t happening, the future is bleak

This new commerce landscape is also changing traditional views of loyalty, which are too emotional and too fragile. Loyalty is no longer the holy grail. Rather, what is required is customer ownership.

Banks

The banks category, which includes both retail and investment institutions, is split into two segments, with the brands classified as either global or regional. Global banks are defined as deriving at least 40 percent of revenue from business outside their home market.



Global Banks

Geopolitical change influences improved bank performance



FinTech competition, consumer expectations will shape the future

Strong stock market performance and rising investment returns lifted trust in global banks, at least among high-wealth individuals and those feeling confident about their financial futures. A lot of people felt left behind, however, as revealed by the US election, Brexit, and the populist sentiment in continental Europe.

The BrandZ™ Global Top 10 declined 1 percent in value, compared with an 11 percent decline a year ago. However, it was not certain if banks could sustain this positive direction, almost a decade past the global financial crisis that threatened bank survival, resulted in complex regulations, and decimated consumer trust.

The strengthened US economy, rising interest rates, and plans to roll back the Dodd-Frank post-crisis financial regulations could tempt banks to resume their riskier behavior. Or banks

could retain lessons learned and act with restraint, protect consumers, continue social responsibility programs, and cultivate trust. Several factors suggest that banks will continue to behave better.

First, banks have changed. Many have trimmed businesses, learned to make money in a low-interest-rate environment, focused internal structures on improving customer service, and digitized their operations to increase efficiency and competitiveness.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value
Year-on-Year Change

-1%

Category Brand Value
12-Year Change

-16%

Global Banks Top 10
Total Brand Value

\$106.6 billion

GLOBAL BANKS TOP 10

		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	HSBC	20,536	3	1%
2	Citi	17,580	2	3%
3	J.P. Morgan	14,129	3	18%
4	ING Bank	9,374	3	-9%
5	Morgan Stanley	8,920	2	22%
6	Santander	8,756	3	-11%
7	BBVA	7,897	4	-14%
8	Goldman Sachs	7,299	3	-2%
9	UBS	6,142	3	-12%
10	Barclays	5,999	2	-20%

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).

**INSIGHT**

Build loyalty through a new form of personalization

Younger, more digitally engaged customers are more likely than others to be advocates for their banks. In a world where banks are under increased pressure to reduce costs and strip out personal touchpoints, there is an untapped opportunity to substitute personal relationship moments (once the bedrock of the consumers' connection with their banks) with a more digital approach. Banks must learn from brands like Amazon that authentically deliver value based on the data they capture.

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KANTAR
TNS

Second, the industry has changed. Relaxed regulations may make it easier for banks to grant home mortgages and other consumer loans, but consumer choice has increased dramatically with the explosion of financial technology (FinTech) companies. People who have lost trust in traditional banking brands have a wide range of options, many of them easily accessed online.

Third, consumers have changed. They are more skeptical of large institutions, more willing to assert control of their lives and finances, and conditioned as shoppers to seek the best value. Empowered by technology, consumers are more likely to look beyond traditional brands for savings and investment products.

Increased accessibility

These characteristics apply especially to millennials. Now moving into their household formation years, millennials represent an expanding market for mortgages and other loans. But their relationships usually are not with traditional banks, but with technology companies that are moving into financial products.

Many of the global banks have taken steps to be more accessible to millennials and other consumer groups by expanding their online technology capabilities, either organically or through acquisition, and by transforming the availability, appearance, and service mission of their physical branch locations.

Bank brands traditionally expressed their core characteristics—security and reliability—with mausoleum-like flagship locations featuring soaring coffered ceilings and marble walls lined with teller cages. But for gaining the trust and patronage of today's consumer, imposing architecture does not substitute for good behavior.

INSIGHT

Communications need to be more engaging, inclusive

While many UK banks continue to try to use communications to build stronger emotional ties with consumers through trust and reassurance, others are trying to differentiate through positioning themselves as partners in exciting personal financial growth. The danger here is that many consumers often do not relate to this as a reality of their current circumstances. They struggle to see themselves reflected in an advertising montage that shows the excitement of buying a first car or new home—particularly in consumer segments that are struggling economically. Banks need to continue to differentiate in how they speak to consumers but be careful to do this in the most inclusive way possible.

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BROWN

Consumers expect banks to act with the speed, efficiency, and convenience they find in other categories. Banks responded with pop-up locations to service limited needs, “nano” branches with reduced staff, and the next generation of ATM locations, where a camera and screen enable face-to-face contact. Increasingly, the bank branch is the hand-held smart device.

Partnering with FinTechs

Partnerships between major financial brands and financial technology (FinTech) companies increased, matching “big bank” capabilities, such as risk management, with the speed and innovation supplied by the FinTechs. By expanding into FinTech, banks not only improved service to existing customers, they also differentiated and expanded their reach to new customers.

To increase loans to small business, the venerable JP Morgan Chase & Co. partnered with OnDeck Capital, less than a decade old. Smaller and nimbler than a major bank, OnDeck Capital can review loan applications more expeditiously than a large bank. Morgan Stanley invested in 10 FinTech companies during 2016, to better serve its high-wealth customers, expand its digital investing options, and raise margins.

As part of its Citi FinTech initiative, Citi introduced an integrated financial app for its Citigold customers, combining functions for banking, wealth management services, and transferring money. In a commercial application of FinTech, Citi partnered with major technology companies, such as IBM, Microsoft, and Facebook, in an initiative aimed at helping governments increase accountability and transparency worldwide.

HSBC formed a partnership with Tradeshift, a FinTech company that can help the bank burnish its brand as a leader in global commercial banking. Tradeshift is a cloud platform that helps companies manage complicated supply chain networks. The companies served are potential HSBC loan customers. Santander also invested in Tradeshift.

Communication programs

As the banks category changed, the global bank brands took a variety of approaches to expressing purpose, building trust, and communicating increased customer-centricity. In a campaign called “Make it Here,” Citi invoked a phrase made famous by Frank Sinatra to affirm its New York roots and position the bank as a partner helping people succeed. Its Citibike program also linked the bank to New York, a financial capital.

Santander expressed a similar purpose but took a different approach, using user-generated content that mixed humor and emotion to explain that the bank helps customers prosper, whether their definition of prosperity is about increasing wealth or finding time to enjoy life.

In a purpose-oriented campaign called “Let's go forward,” a series of Barclays ads illustrated how the bank helps people achieve their life goals. Some of the ads featured the Barclays LifeSkills program, a corporate social responsibility initiative that provides coaching to prepare young people with the skills they need to succeed in the workforce.

Communication effectiveness, along with competitive pressures and geopolitical factors, influenced year-on-year valuation changes. HSBC, with offices in 70 countries, retained its No. 1 rank in the BrandZ™ Global Banks Top 10. US-based Morgan Stanley and JP Morgan rose 22 percent and 18 percent, respectively, while Santander and BBVA, Spanish banks more dependent on slower growing markets in South America, declined in value. Brexit impacted the value of Barclays.

INSIGHT

As governments step back from social action, bank brands can step in

At a time when some governments are seen by many to be pulling back from supporting social causes, is now a time for brands to step up and play that role? Will consumers be expecting more of brands, especially banking brands, with their economic and political muscle? ANZ's ongoing support of the Sydney Mardi Gras stands out as a genuinely insightful and authentic example of this in action. It feels like the time is ripe for banking brands to stand up and be counted.

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WORLDWIDE



Regional Banks

Brand value rebounds as economies strengthen

Marketing and technology initiatives aim at millennials

In a strong comeback, the BrandZ™ Regional Banks Top 10 increased 2 percent, compared with a 12 percent decline a year ago. The variations of local market economies drove some of the change, with all the Chinese banks declining in value, but none of the North American, although Wells Fargo remained flat.

With a 19 percent increase, the private-sector Indian bank HDFC led the Regional Banks Top 10 in value growth. No. 1 in the BrandZ™ Top 50 Most Valuable Indian Brands ranking, HDFC was well positioned to serve India's rising middle class, primarily focusing on loans to individuals, especially home mortgages. The bank benefited from strong demand, favorable interest rates, and government home-buying incentives. HDFC also expanded its loans to

commercial accounts at a time when some state-owned banks struggled with underperforming loan portfolios. The brand extended to the Indian countryside with products like HDFC Reach and Rural Housing Finance. It also offered loans to facilitate opportunities for women.

Canadian banks produced strong earnings partly because of the strength of the country's economy. RBC gained 62 percent of its revenue

from Canada, 22 percent from the US, and 16 percent from the rest of the world. Its US operation focused on corporate, institutional, and high-wealth clients. City National, a recently acquired Los Angeles bank, contributed to the growth of RBC's wealth management business. The bank continued to develop its digital capabilities, performing 60 percent of financial transactions on digital and mobile.

Based in Toronto, TD Bank derived 60 percent of its net income from its Canadian retail business, although it continued to expand rapidly in the US where it operated 1,300 locations. The strengthening US economy helped drive results. Among initiatives to position TD Bank as "America's Most Convenient Bank," it made banking available on Facebook Messenger.

Chase, the retail brand of JP Morgan Chase, operated almost 5,260 branches, and continued to grow its market share to 60 million US households. By offering a 100,000-point bonus for accepting its Chase Sapphire Reserve card, the bank caught the wave of millennial interest in earning reward points to fund vacations and other adventures. The card accomplished the important strategic goal of introducing Chase to millennials, a large demographic with expanding banking needs.



INSIGHT



Cultivate emotional trust to attract more millennials

Our research suggests that banks rely on two types of trust. Functional trust is linked to everyday banking. When we're moving money around our accounts, making payments or being paid, all we care about is that it works, and works so brilliantly it almost isn't there. The emotional trust piece is very different. If you're making big financial decisions—mortgages, investments, retirement, anything long-term—that's where the emotional trust comes in. If you're a millennial moving into a new phase of life, and you're not sure about what you're doing, you're probably not confident to do the whole thing online. You want to talk with someone.

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US Bank, based in Minneapolis, continued its shift to a consumer-centric business, and partnered with organizations to build its FinTech capabilities. Customers conducted about 60 percent of their banking transactions digitally. Although the bank continued to operate over 3,200 branches, the locations were smaller than in the past.

Wells Fargo became the cautionary tale. Known for the stagecoach logo referencing its long history, the bank lost customer trust after revelations of aggressive sales practices that incentivized some of its workforce to open fraudulent accounts using the names of bank customers. The bank received heavy fines, and brand value remained unchanged in a year when the value of other North American bank brands appreciated.

Slower economic growth left Chinese banks with too many underperforming loans. And government attempts to stimulate growth lowered interest rates and reduced fees, impacting bank profitability. Chinese banks focused on new priorities, such as building retail businesses, offering wealth management services, and expanding online.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value Year-on-Year Change

+2%

Category Brand Value 11-Year Change

+67%

Regional Banks Top 10 Total Brand Value

\$227.5 billion

REGIONAL BANKS TOP 10				
		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	Wells Fargo	58,424	3	0%
2	ICBC	31,570	2	-6%
3	RBC	21,145	4	8%
4	China Construction Bank	18,770	2	-4%
5	TD	18,551	3	12%
6	Commonwealth Bank of Australia	17,437	3	7%
7	HDFC	17,137	4	19%
8	US Bank	15,202	3	8%
9	Agricultural Bank of China	14,981	2	-8%
10	Chase	14,289	3	16%

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).

INSIGHTS



Corporate reputation critical, as rules relax and competition grows

The proposed rollback of regulations by the Trump administration, along with increased competition for the wallets of American consumers, will place pressure on traditional financial institutions to cultivate their brand and tightly manage reputational risk to a degree that we have not seen before. We've all witnessed how easily minor issues can escalate to become the catalyst for long-term reputational damage. Consider that against the backdrop of choice—the vast array of options available to consumers today from FinTech alternatives—and it's clear that banks will have to hold themselves and their services to a much higher standard just to remain status quo.

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To build trust, resist tempting gains, act smart

Banks need to act smart as regulations ease and the possibility of charging more fees increases. That's where consumers will react immediately. The consumer attitude is: If you're keeping my money safe, I don't love you, but I don't hate you, and I'll stay with you. If you start hitting my pocketbook, like you did back in the day—five dollars here, ten dollars there—then I will start looking for alternatives. And with the rise of FinTech, there are many more alternatives. In addition, consumers are now more inclined to take control of their money and look beyond traditional savings and investment products.

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BRANDZ ANALYSIS

Financial services disruptions alter distribution of value

Changes to the financial services industry over the past 12 years dramatically altered the proportion of brand value contributed by the various financial sectors analyzed in the BrandZ™ Global Top 100 ranking.

In 2006, global banks dominated, comprising 61 percent of the financial services brand value in the BrandZ™ Global Top 100. Twelve years later, the proportion of value from global banks has declined to only 9 percent. During that period, the regional banks proportion of value rose from less than a quarter to almost a half. The proportion of value driven by payments brands increased from 8 percent to 36 percent. The insurance sector proportion remained even at 8 percent.

These changes resulted in part from external forces, including the global financial crisis and category disruption by FinTech companies. But brand factors also played an important role. The global banks score only average on the five BrandZ™ Vital Signs. They score below average in Innovation and Brand Love, reflecting slowness to adopt new technology and trust erosion after the economic crisis. Regional banks and insurance brands score somewhat better in these metrics, and the payments brands are distinctively higher.

The payments brands score 119 on Love and 115 on Meaningful Difference. (An average score is 100.) These high scores indicate that consumers see payments brands as helping to improve their lives in relevant and distinctive

ways. The credit cards communicate that message in their advertising. PayPal helps remove a pain point from online transactions.

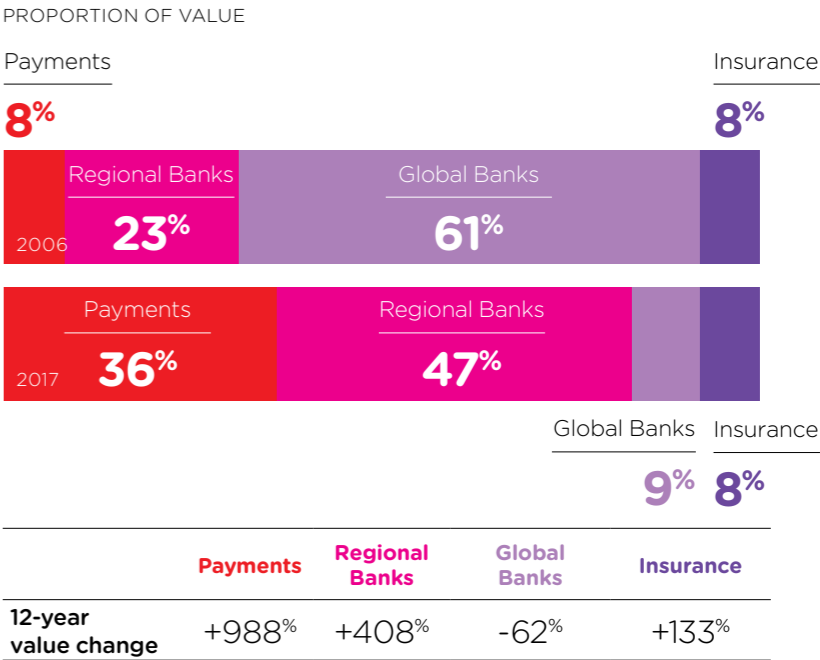
Regional banks score 112 in being Meaningfully Different, which is relatively high and indicative of their closer association with consumers compared with global banks, which score 103. Like the global banks, the regional banks also score average on the BrandZ™ Vital Signs, with the exception of Brand Purpose, on which

they score somewhat higher, which may indicate their relative closeness to the geographic markets they serve.

For regional banks, the scores on Brand Purpose, Brand Experience, and Love are highest outside of North America and China. They are driven by Commonwealth Bank of Australia and HDFC, the Indian bank with a stated purpose of extending home mortgages to members of India's middle class and providing financial products to help people in rural India.

FINANCIAL SERVICES SHUFFLES VALUE PROPORTIONS...

Changes to the financial services industry over the past 12 years dramatically altered the proportion of brand value contributed by the various financial sectors.



Source: BrandZ™ / Kantar Millward Brown





BRANDZ ANALYSIS

... GLOBAL BANKS SCORE LOW ON KEY METRICS...

Global banks score below average on Innovation and Love, reflecting slowness to adopt new technology and trust erosion after the economic crisis.

FINANCIAL SERVICES PERFORMANCE

	Payments	Regional Banks	Global Banks	Insurance
Meaningfully Different	115	112	103	110
Innovation	107	100	94	102
Love	119	102	98	100

Source: BrandZ™ / Kantar Millward Brown

... REGIONAL SCORES VARY BY REGION

The regional bank Brand Purpose, Brand Experience, and Love scores are highest outside of North America and China.

FINANCIAL SERVICES PERFORMANCE

	North America	China	Australia/India
Brand Purpose	101	103	111
Brand Experience	98	103	110
Love	96	106	109
11-year value change	+74%	+60%	+170%

Source: BrandZ™ / Kantar Millward Brown

BRAND IMPLICATIONS

The regional banks score better than global banks on BrandZ™ Vital Signs, but both sectors are rebuilding trust almost a decade after the global financial crisis. The high Meaningfully Different scores by the payments brands correlate with their brand value increase of almost 1,000 percent over the past 12 years, compared with a 62 percent decline by global banks. The clear implication for global banks, and regional banks, is that it is possible to be seen by consumers as Meaningfully Different in the financial sector. But banks have more work to do in rebuilding trust, strengthening Brand Purpose, harnessing technology, and communicating these changes to consumers. However, the payoff of strong Brand Purpose, Brand Experience, and Love can be substantial.

INSIGHT



Having improved behavior, banks face a crossroads

Banks have been trying to keep up with the many new competitors that are entering the market with better, quicker, easier, and cheaper solutions. And due in part to banks' recent efforts to reset reputations and enhance the overall experience, consumer sentiment toward these institutions is becoming more positive. But banks now have an opportunity to raise interest rates and retreat from some of their customer-focused improvements. Will banks revert to bad practices and remind consumers of the reasons to distrust them? Or will banks continue to improve? Those are the important questions.

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BRAND BUILDING ACTION POINTS

- 1

Do the basics well
Help people grow and protect their money, and provide useful guidance as they take risky financial steps. Getting the basics right is fundamental to rebuilding trust.
- 2

Deliver positive customer experience
In a world where consumers expect to be treated impersonally in person, diverted into a long queue when engaging on the phone, exceeding customer expectations should not be difficult, and it will be memorable.
- 3

Act with restraint
Unless banks act too aggressively with fees, the consumer attitude may remain: We don't love you we don't hate you; we'll stay with you. That tolerance could change with the addition of fees.
- 4

Sustain trust
Even as regulations relax, particularly in the US, internalize the lessons of past mistakes. Behave in ways that grow profits while meeting customer needs.
- 5

Serve the underbanked
Many banks have focused on wealth management businesses. But, as revealed by Brexit and the US election, many people feel left behind by the global economy. Banks have an opportunity to speak to these consumers and meet their needs.
- 6

Take a stand
Own an issue that is relevant to the bank, improves a community or the world, and resonates with customers without alienating them.

Insurance

The insurance category includes brands in both the business-to consumer (life, property, and casualty), and business-to-business sectors. Health insurance is excluded.



Societal changes create opportunity, disruption

Brands seek new ways to build consumer trust

Insurance brands attempted to become trusted advisors in a category known for providing products that consumers know they need but resist buying and dread using. Demographic changes, societal trends, and geopolitical uncertainty created opportunities for brands to expand in life insurance, property and casualty, and emerging insurance businesses.

Now entering their family formation years, millennials presented the greatest opportunity, as they began

to consider insurance and investment products. And many Gen-Xers, now in the sandwich generation and paying for kids' college while caring for elderly parents, looked for income-producing products like annuities.

The growth of the sharing economy created a need for car and home insurance products based on access rather than ownership. Cyberthreats, which dominated news around the US presidential election, generated opportunities, especially for large commercial brands, like Allianz or Zurich, to insure against data hacking and business disruption.

Geopolitical changes created uncertainties, including the fate of pending rule changes in the US that would prohibit commission-

based sales because they potentially incentivize agents to serve their own interests rather than consumers' needs. Many insurance companies favored a proposed fee-based approach, because it supported their attempts to become more customer-centric, while it eliminated agent sales commissions, thus lowering costs and improving profits.

It was also a year of consolidation and disruption, with Ace acquiring Chubb, as more insurance technology (InsurTech) brands entered the market. At the same time, a potential disruptor disappeared when Google decided to end its online auto insurance comparison site.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value
Year-on-Year Change

-1%

Category Brand Value
9-Year Change

+174%

Insurance Top 10
Total Brand Value

\$81.0 billion

INSURANCE TOP 10

		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	Ping An	17,260	3	2%
2	China Life	13,910	3	-17%
3	AIA	11,691	3	11%
4	State Farm	9,251	3	2%
5	Allianz	6,356	3	-1%
6	AXA	6,208	2	-3%
7	Geico	5,584	2	16%
8	CPIC	4,247	2	-9%
9	Zurich	3,256	2	N/A
10	MetLife	3,240	2	0%

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).

In this context of brand opportunities and challenges, the value of the BrandZ™ Insurance Top 10 declined 1 percent, following a 2 percent gain a year ago. The performance of Chinese insurance brands contributed most to the decrease. A couple of brands based in Europe fell slightly in value, while the US-based brands improved.

INSIGHT

Societal disruptions create opportunities for insurance brands

Businesses and individuals face many new threats, life events, and disruptions that are creating new opportunities for insurance brands to consider. These include the need for greater cybersecurity, for example. In addition, the emergence of new entrepreneurial ventures expands the need for small business insurance. Societal and technological trends like the sharing economy, smart homes, and the Internet of Things also produce new insurance possibilities. Insurance brands should also consider peer-to-peer insurance and on-demand options—rather than buying an annual policy, consumers are looking for ways to buy insurance on an as-needed basis or for a specific occasion.

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Big data refinements

Insurance brands continued to improve their use of big data to anticipate customer insurance needs and to respond with relevant and timely messages. The connection between customer and brand remained relatively weak, however, as data and digitization also commoditized the category. Online aggregators continued to disintermediate brands and focus on price, particularly in the UK.

Big data also enabled brands to personalize pricing, but not without actuarial complications. Using telematics (the “black box” that records driving habits), some insurers priced policies according to actual driving history, rather than age, gender, and other demographics. But offering safer drivers lower rates threatened to undermine the fundamentals of insurance pricing by limiting a company’s ability to spread risk across a wide pool of drivers.

A UK insurer used telematics data not only for pricing, but also as a brand-building tool, analyzing the data to position the brand as a safe-driving advocate and consultant. The need for safer driving became apparent as payouts for US insurers rose. Although sophisticated electronics make cars safer, they also increase repair costs. In addition, lower gas prices resulted in increased driving, and digital devices contributed to more driver distraction.

Reaching consumers

State Farm, which markets through a network of agents that work exclusively for State Farm, took its ongoing advocacy of safe driving in a new direction. As a partner in the University of Michigan’s Mobility Transformation Center, the insurer derived insights about the development of autonomous vehicles, which are expected to improve driving safety and reduce demand for auto insurance.

Sales through agents remained stronger in the US compared with some other markets, and that may be one reason that Google decided to end its online auto insurance

INSIGHT

Regulation puts customer first in life insurance

The playing field is getting more level for life insurers in the US because of regulations inhibiting companies from rewarding sales agents with high commissions. Because of regulatory pressures, pricing is increasingly transparent, allowing consumers to choose a brand based on a better understanding not only of the product features but also of the sales fees. The wild card, however, is the changing regulatory climate in Washington, but insurers are not uniformly opposed to regulation. Not having to pay high commissions to sales people allows for better profit margins without necessarily giving up volume—especially on a playing field that remains level with all players subject to the same regulations regarding fees and disclosures. Regardless of whether regulations are formally tightened, brands already are abandoning the agent commission model and taking the opportunity to communicate that they are doing so as part of a commitment to put the customer’s best interests first.

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INSIGHT

Brand building strategies vary among insurers

Unlike many categories, where brands tell similar stories, there are a variety of ways for insurance companies to create Brand Power, which is the BrandZ™ measurement of brand equity. It’s possible to have a transactional offer around price, a differentiated brand image created via credible and persuasive advertising, or to build trust in the brand over the long term. Meanwhile, insurance may be a category where local brands can build strong Brand Power in an individual market. In the UK, for example, NFU Mutual (National Farmers Union) has used TV advertising to support an offer built on the premise that consumers can trust a brand that has been insuring farmers for over 100 years. Who wouldn’t trust an organization that’s been offering insurance to the farming community for over a century?

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comparison site, thus removing one of the biggest potential industry disruptors. At the same time, the peer-to-peer sector continued developing with the launch of the Lemonade brand, operated by a team that includes former executives from AIG and ACE. Other startup disruptor brands include Friendsurance in Germany and Brolly in the UK.

The effort to connect with consumers and strengthen relationships took many forms. Geico, which sells direct, continued to advertise extensively with the Geico gecko, its well-recognized and cheeky brand representative. The brand focused on price with the tagline, “Geico could save you 15 percent or more.” The brand led the BrandZ™ Insurance Top 10 in value appreciation with an increase of 16 percent.

MetLife dropped the Peanuts cartoon characters that helped make the brand feel warmer and friendlier during an association lasting over 30 years. The decision came as MetLife prepared to spin off its consumer life insurance business to focus instead on its corporate business.

Asian influence

Activity in Asia largely shaped the value fluctuation of the BrandZ™ Insurance Top 10. AIA, which began in Shanghai in 1919, benefited from the economic growth of the Asia-Pacific region where it serves 18 markets. AIA also increased its stake in an Indian joint venture with Tata.

In China, the insurers generated interest among millennials, according to BrandZ™ research, but the insurance category declined in value in the BrandZ™ Top 100 Most Valuable Chinese Brands report, as government regulations cooled market growth that had been driven in part by products that, to the regulators, resembled gambling more than insurance. Ping An increased modestly in value because of its size, its enormous network of agents, and its extensive product offering of financial services.

Of the European-based brands, Germany-based Allianz and France-based AXA declined slightly in brand value, impacted by low interest rates and geopolitical uncertainty, including Brexit. And Zurich, based in Switzerland, returned to the BrandZ™ Insurance Top 10, as operating profits rose, in part because of an aggressive effort to streamline the business.

INSIGHT

Data can help form emotional bonds with customers

Many motor insurers now use telematics, the “black box” technology that records driving habits. Insurers generally use the data to calculate motor insurance premiums based on actual driving habits, rather than demographics and other information, especially for young drivers. Some insurers in the UK are now looking to use the telematics data to create a more emotional connection with the customer. By interpreting the telematics data for the driver, they can serve as a consultant and help them to drive more safely. Helping people become safer drivers, sends a powerful message about the insurer’s concern for its customers and its commitment to avoiding injury and saving lives.

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BRANDZ ANALYSIS

Purposeful brands grow category value in Asia

BrandZ™ Vital Signs clearly diagnose the health of the Insurance Top 10. These brands score only average in Love, which is unsurprising in a category that sells products that consumers prefer not to buy or use. However, the Insurance Top 10 scores above average in Brand Purpose and Communications. With variations by market, insurance brands have convinced consumers that having insurance makes their lives better.

The Asian brands have done an especially effective job communicating Brand Purpose in markets where insurance is relatively new to many consumers, and the growing middle class is acquiring assets that need protection and wealth that needs investment. In just 12 years, the Asian brand proportion of value in the BrandZ™ Insurance Top 10 has increased from only 11 percent to 58 percent. The proportion of value produced by both US and European brands declined by half, in part because a focus on price has eroded Meaningful Difference.

The value of the Asian brands increased 676 percent over 10 years, while the US and European brand value declined 27 percent and 38 percent, respectively. The Asian brands outscored the US and European brands in Brand Purpose and Innovation. They tied the US brands with a high

BRAND IMPLICATIONS

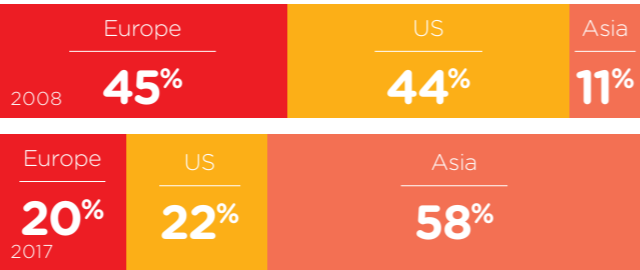
Insurance brands have done a good job in communicating Brand Purpose. In Asia, brands are successfully introducing insurance to new groups of consumers. Reaching new customers is key to future category success in most regions, as millennials reach their family formation years and enter the market for insurance products. Establishing relationships with millennials challenges brands to create relevant communications and offer products with the insurance technology they expect. Competing beyond price, for millennials and other customers, will require improving Innovation and Brand Experience, two BrandZ™ Vital Signs in which the insurance brands score just above average.

Communications score of 115. The Asia brands are much younger. They were established only around 20 years ago, on average, while the European brands started a century ago and the US brands, about 70 years ago.

VALUE SHIFTS TO ASIA...

The Asian brand proportion of value in the BrandZ™ Insurance Top 10 has increased from only 11 percent to 58 percent. At the same time, the proportion of value produced by both US and European brands declined by half.

PROPORTION OF VALUE



Source: BrandZ™ / Kantar Millward Brown

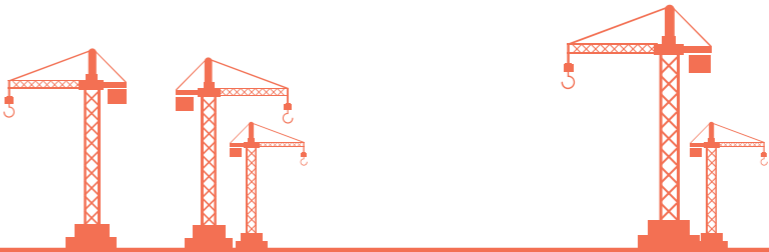
... ASIAN BRANDS OUTSCORE US AND EUROPEAN BRANDS

The Asian brands outscored the US and European brands in Brand Purpose, and Innovation. They tied the US brands with a high Communications score of 115.

INSURANCE CATEGORY PERFORMANCE

	Asia	US	Europe
Brand Purpose	112	100	100
Innovation	108	99	98
Communications	115	115	99
10-year value change	+676%	-27%	-38%
Year brand founded	1998	1946	1916

Source: BrandZ™ / Kantar Millward Brown



BRAND BUILDING ACTION POINTS

1

Meet the future

Build awareness with prospective customers now entering the insurance market or expected to enter the market within the next few years. Millennials are reaching their household formation years. Consider how your core offer relates to their needs and how it can be best communicated.

2

Brand-build your way

There are many brand-building options in the insurance category. Select the approach that best fits the brand and consumer expectations.

3

Be positive

Too often consumers think of insurers as the phone call they make when things go wrong. Turn that expectation around to help the customer live a healthier life or become a safer driver. In this renewed relationship, the brand will be in more regular contact with the customer, better able to anticipate and respond to the customer's needs, and more sharply differentiated from the competition.

4

Anticipate change

Autonomous cars and the Internet of Things will both disrupt the demand for insurance and insurance pricing, while also expanding the need for protecting personal data.

5

Preempt disruption

The InsurTech start-ups will nibble at the insurance business the way FinTech businesses have found profitable niches in banking. Develop or acquire the necessary technical expertise to preempt disruption.

Consumer Experience

With consumer expectations high, more challenger brands raise service bar

Brands must shift from customer-centricity to customer obsession

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It should be easy, right?

1. Win a customer
2. Start on the right foot
3. Keep your promises
4. Create lasting memories

The customers come back for more; they tell their colleagues, friends and families to do likewise. In turn, they all come your way to buy your products or services. And so to the perfect business ecosystem, with happy customers and a thriving company. Customer satisfaction 101, job done!

So why in practice is it never this straightforward? Why do many companies fail to deliver, even those who pride themselves on being customer-centric?

The truth is that many companies do things right most of the time. They know it makes commercial sense—better to retain profitable customers than to constantly chase new ones.

They invest heavily and often intelligently, empowering everyone from the front line through to the CEO to ensure that customers are treated well. They have the right people, the right technology and the right processes to achieve great things. And with everyone aligned to their “North Star” brand promise to deliver an authentic experience for customers, what could possibly go wrong?

Undoubtedly, part of the trouble is that customers are more demanding. They expect more and they’re increasingly hard to please. They’re more powerful and savvy, less willing to stay loyal in the face of shoddy treatment. And with the rise of social media and, with it, an added confidence to amplify their feelings, many argue that it’s the customer who is now in control rather than the companies they buy from.



KANTAR TNS.

Kantar TNS helps our clients identify, optimise and activate the moments that matter to drive growth for their business.

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Welcome to Generation CX!

They pay less attention but with a sharper and hyper-informed eye. They are constantly connected yet only partially attentive. Opinionated and digitally influential, they're expert messaging filterers, looking for great experiences with mutual rewards. They are savvy cynics who trust their peers more than marketers, who won't pay more for ownership if they can pay less for access. They move fluidly between the digital and physical worlds without making a conscious distinction between them.

While some argue that the expectation level of Generation CX (Customer Experience) has grown unrealistic—given the amount paid for the products or services acquired—it is a necessary evil that cannot be ignored.

Today's customers are more open than ever to give feedback. But, in return, they expect short, snappy, and effective resolution. It's a fast-paced world of instant gratification—customers are quick to make decisions and expect the organizations they

buy from to pivot to their needs quickly. Otherwise they will simply move on.

But for many businesses, it's hard to keep up. The faster they paddle to stay ahead of customer expectations, the more water they take on board. And when leaks appear, they're so busy applying short-term fixes to stay afloat that they miss the broader customer sentiment that demands a more strategic, enduring remedy.

Responding in the moment to resolve sub-optimal customer experiences is non-negotiable. But doing so with the right tone is increasingly important.

A speedy tactical fix to appease a disgruntled customer can still fail to hit the right chord among Generation CX. They're typically more interested in how you made them feel during an interaction than they are in your ability to resolve their query.

Every “touch” matters. Which is why, as anyone involved in delivering great customer experience will attest, CX is an exhausting business. Akin to painting Scotland's Forth Road Bridge—it's a job that's never actually done! And while very few employees go to work intent on delivering a lousy experience for their hard-won customers, delivering near-perfect interactions on a consistent basis, across all channels and customer segments, is far from easy.

Activation is king—the ability of a company to operationalize and institutionalize CX learnings and best practices to drive change. Done well, it generates enhanced customer experiences and ensures ROI for the company.

Exploding brand choice

As if rising expectations weren't enough, brand choice has also exploded. New challenger brands are often the aggressors. Set up to succeed (born out of initial customer angst with existing category players), they've identified an opportunity to compete on CX rather than products or services alone. They're customer obsessed. As such, they're adept at delivering right first time and, in so doing, raising the bar of expectation to new peaks.

Anticipating those peaks of expectation and re-aligning a business to deliver has become table-stakes. As ice hockey legend Wayne Gretzky famously said, “A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be.”

While every customer interaction should matter, the reality is that *some moments matter more than others*—carrying more weight, both in terms of the impact they have on CX, but also the company's likely ROI. When allocating investment and deciding which moments to respond to first, these are the moments to prioritize.

Identifying such moments is no longer about a reliance on ratings or scores. Instead the focus has swung towards unstructured data—unlocking the golden nuggets of insight that reside (often undetected) in verbatim responses to open questions, or in the content provided by customers via unsolicited feedback in emails, social media dialogue, web chat, etc. We need to become more adept at making sense of “dirty” data, be that voice/speech, pictures, video—even emoji!

Alas, too many companies fall into the trap of listening to customer feedback but failing to either learn from it, or act on it. And that's a cardinal sin. Activation is king—the ability of a company to operationalize and institutionalize CX learnings and best practices to drive change. Done well, it generates enhanced customer experiences and ensures ROI for the company.

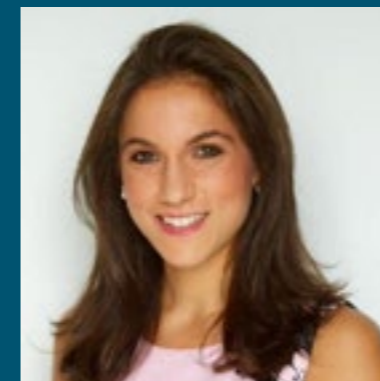
So whether you're part of the C-Suite, the CX Director, Head of Customer Service, Contact Centre boss, Insights lead, Complaints Manager or Social Media response lead, now, more than ever, it's time to identify, optimize and activate the moments that matter most to your customers.

The Consumer Voice

Knowing consumer concerns, challenges, and causes will help elevate marketing prowess

Today's consumers vote their mind with politics, society, and brands

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In a world of proliferating technologies, platforms, automated solutions, artificial intelligence, the Internet of Things, and machine learning, today's brands risk drowning out the voice of the human—the ultimate consumer. If the one thing companies cannot lose if they want to stay economically relevant is consumers, then the one thing brands cannot lose sight of is the voice of those consumers.

Marketing continues to evolve at an exponential pace: new solutions are constantly emerging as technologies develop, brands' responsibilities are expanding as consumers demand a point of view on today's biggest cultural and societal issues, and distinct generations are challenging marketers to meet different needs and expectations for engagement. Yet consumers are feeling the pressure of an evolved

role too. The increasingly wide range of channels and product choices available means today's consumers not only have to more adeptly and efficiently navigate a complex and cluttered environment, but also have an opportunity to "vote with their wallets." Their consumption choices translate to supporting those brands and offers that best meet their needs, align with their points of view on broader issues, and conduct business in a fair, respectable manner.

In the last year alone, we've seen countless examples of populations around the world realizing their voice—and raising it on issues that matter to them. From Brexit to the US presidential election and even humanitarian causes, people are harnessing the power of their voice to express new desires and expectations of the institutions influencing society, and brands are no exception. A portion of consumers will always remain motivated by the more traditional factors (e.g. price), but the 2017 consumer is more discerning than ever on more complex measures.



KANTAR VERMEER

Kantar Vermeer is the only global marketing consultancy focused on unleashing purpose-led growth through the development and embedding of consumer insight-led marketing strategy, structure and capability.

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Understand consumers' concerns

Because this phenomenon is happening across categories and geographies, brands have no choice but to pay attention to this voice. As we're already seeing in many leading companies, this imperative is transforming the role of internal marketing teams and external partners, agencies included. From a business perspective, ROI and effectiveness of decisions stand to benefit significantly from a greater sense of who the customer is, where they spend their time, what they need (or don't need!) and how they want to be engaged and communicated with. From a relevance perspective, this information informs business strategy as companies orient around meeting an actual need. And—perhaps most importantly given the dialogues we've seen in the last year alone—from a cultural perspective, this insight can guide bringing purpose to life. Understanding the causes consumers care about and the concerns complicating their

everyday lives equips brands to take a stand and add value where it matters—socially, culturally, and even politically. Since its onset, “big data” has offered the potential to leverage the myriad sources of information available to not only grasp a better understanding of consumers, but also to better deliver on their needs. From the Internet of Things to artificial intelligence and machine learning, powerful technologies are now eclipsing traditional sources of customer

insight. However, with big data and emerging smart technologies transforming the insight we have on consumers comes an interesting dynamic. While many consumers find their voice through activism, communicating directly with brands digitally, or voting via wallets, other voices are not expressed quite so loudly. This makes these novel solutions and the indirect information they collect especially integral to insights functions.

By remaining in touch with the human side of these increasingly savvy decision-makers, brands gain not only a much clearer sense of where to focus their efforts, but also more confidence in decisions, better execution, and elevated marketing effectiveness.

Listen closely

Yet just as this new universe of data is welcomed by practitioners, consumers are fully aware of the information they're sharing about themselves and consequently have adapted heightened expectations of immediacy and personalization. And, although still in the early stages of delivering all-encompassing information, the immense potential of these technologies to quantify every action an individual takes creates equally immense potential for misstep. Aside from (warranted) concerns around privacy, flawed execution of predictive behaviors or inaccurate attempts at personalization pose significant risk of permanently damaging customer relationships and destroying precious trust.

So, if the voice of the consumer is essential and today's technologies offer only part of the solution, how can brands be successful with truly understanding consumers? By

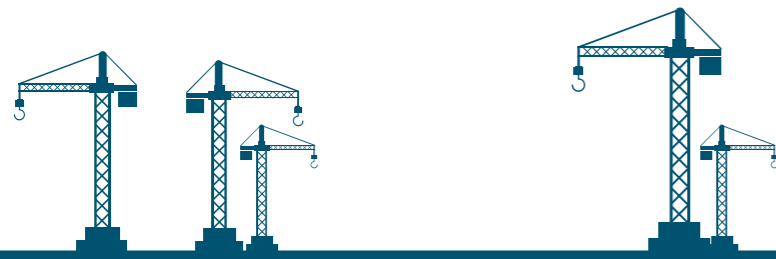
knowing what to listen for and which parts of your business these voices are most likely to affect, you can equip your teams to listen closely—and your technologies to listen smartly—to make magic out of all the madness.

Combine art and science

As emerging technologies become “smarter” and more seamless in the coming years, they will transform marketing and revolutionize the way brands engage with consumers. They are closing gaps in understanding and magnifying consumer data available. However, disputed research results, inaccurate polling, and ineffective advertising have demonstrated that the technologies available to today's marketers are not a fault-proof solution to longstanding challenges. The risks that come with overzealous adoption of any new solution cannot be ignored.

A combination of art and science is essential: when it comes to consumers, more behavioral data is undeniably creating new opportunities for brands and businesses, but the ultimate success of all these solutions lies in their effectiveness with the actual consumer. Brands need to remain focused on the key insights within this sea of information to keep the end consumer and their experience in full view. Understanding the most pivotal parts of the brand-consumer relationship to the consumer not only contextualizes the “what” of this behavioral data with the “why,” but also reveals those “how” areas most sensitive to potential damage from awkward integration of new solutions.

By remaining in touch with the human side of these increasingly savvy decision-makers, brands gain not only a much clearer sense of where to focus their efforts, but also more confidence in decisions, better execution, and elevated marketing effectiveness.



BRAND BUILDING ACTION POINTS

1 Orient your offer

Whether directly related to your business's offer or to the broader space you're playing in, look for where the consumer need really lies. What pain points persist today? How is your offer distinctly meeting a stated need? How are others—both within your category and cross-category—pushing the thinking on delivering meaningful products or services to meet these needs?

2 Evaluate the experience

Assess the audience's reaction to the consumer experience you deliver—especially where formerly human interactions have been replaced with tech-forward alternatives—to diagnose disconnects and opportunities for refinement. How can the decision journey and overall experience be simplified? Where are inconsistencies occurring? What can you learn from other players delivering seamless, well-received experiences?

3 Add to the conversation

Pursue a genuine understanding of the consumer and follow ongoing conversations (cultural, social, etc.) to inform more meaningful communications that offer concrete benefits: entertainment, knowledge, or otherwise. How is your content adding value to consumers' lives? Are your communications sales-focused or relationship-focused? What consumer need is your content meeting to help ensure that it's not purely transactional, but adding to the conversation in a relevant, constructive way?

5 Keeping it real

The utopian seamlessness and perfect personalization promised by these new solutions does not always translate to the real-life experience for end users. Consumers will surely be assessing your ability to balance the efficiency of new solutions with the authenticity of meaningful interactions and experiences.

4 Listen for dissatisfaction

Consumers are savvy—they know what they want, and they are more willing than ever to exchange your brand for another better able to do the job. Listen for signs of dissatisfaction, opportunities for innovation, and even points of delight with other in- and cross-category players to ensure your offer is delivering on relevant needs.

6 Identify useful content

Content is king of the free market. Numerous channels for engagement, with both brands and users contributing, mean that consumers are inundated with content. For greater relevance, and relationships that are more than purely transactional, determine what content consumers consider useful. As opposed to blatantly pitching a product or prioritizing quantity over quality, offering truly effective content builds long-term brand affinity by delivering tangible value to the consumer, fostering two-way conversation and even a sense of personability and trust.

Oil & Gas

The oil and gas category includes both private International Oil Companies (IOCs) and state-owned National Oil Companies (NOCs).



Geopolitical developments add to category complexity

Brands engineer some profits, despite low oil prices

Even in normal times, oil and gas is the most geopolitically sensitive of all the categories examined in the BrandZ™ Top 100 Most Valuable Global Brands. The brands manage long-term investment risk, technical expertise, international diplomacy, and the tension between commercial and environmental imperatives. In this year's report, the calculus is even more complex.

The year began soon after over 140 countries adopted the Paris Agreement creating a blueprint for addressing climate change, and the Obama administration had rejected both the Keystone and the Dakota Access pipelines to move oil from Canada to ports on the Gulf of Mexico. The year ended with the unexpected election of Donald Trump as US president.

The new president threatened US withdrawal from the Paris Agreement, signed executive orders to permit construction of the two pipelines and ease coal mining rules, considered a border adjustment tax that

would help exports, appointed a climate-change skeptic to head the Environmental Protection Agency, and named ExxonMobil CEO Rex Tillerson secretary of state.

The Tillerson appointment coincided with early speculation that the US would ease sanctions against Russia, potentially making it easier for Western oil and gas companies to partner with their Russian counterparts. Meanwhile, Saudi Arabia, the world's largest oil producer, planned an IPO for 5 percent of Aramco, the national oil company as well as the world's largest commercial enterprise.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value Year-on-Year Change

+5%

Category Brand Value 8-Year Change

-5%

Oil & Gas Top 10 Total Brand Value

\$96.7 billion

OIL & GAS TOP 10				
		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	ExxonMobil	18,727	1	11%
2	Shell	18,346	1	23%
3	Sinopec	12,639	1	-4%
4	BP	11,131	1	5%
5	Petrochina	10,412	1	-16%
6	Chevron	8,414	1	19%
7	Total	4,973	1	4%
8	Rosneft	4,937	1	29%
9	Gazprom	3,857	1	13%
10	Lukoil	3,224	1	N/A

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).



The oil and gas brands moderated their public reaction to the year's geopolitical developments and focused instead on streamlining their businesses to meet immediate needs and develop long-term strategies, which included investment in natural gas. The historically low crude prices forced companies, particularly ExxonMobil, to remove uneconomical oil reserves from their balance sheets.

By adding efficiencies, cutting costs, and digitizing operations, many of the major oil and gas brands operated profitably at a lower oil price threshold. Stock prices rose, and even the Russian brands, limited by sanctions, found ways to develop their businesses. Except for the two Chinese brands, every brand in the BrandZ™ Oil and Gas Top 10 rose in value, and the value of the Top 10 increased 5 percent compared with a 20 percent decline a year ago.

Shifting to gas

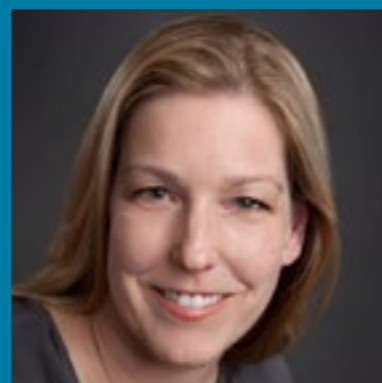
With the growing volume of oil produced by hydraulic fracturing in the US, the congress removed export restrictions imposed in the 1970s, when America was oil dependent and faced shortages. These changed circumstances, along with the lower price of crude oil, contributed to decisions by ExxonMobil and Chevron to invest significantly in refineries and petrochemical facilities located along the Gulf coast.

In a letter to President Trump, ExxonMobil urged the US to stay in the Paris Agreement to help ensure open market competition. Fracking makes the US well positioned as a supplier of natural gas, which emits less carbon than oil. Having built its reputation on complicated and risky deepwater drilling with long-term returns, ExxonMobil announced plans to invest significantly in US fracking operations that can potentially produce profits faster and at a lower price threshold. Shell, Chevron, and Total also adjusted their businesses to move more nimbly and accelerate profitability.

And companies shifted attention to liquid natural gas (LNG), which, because it can be shipped long distances, changes gas from a local to a global market. Shell's assimilation of BG Group, acquired early in 2016, strengthened its position in LNG. Reflecting the company's shift to LNG and deepwater exploration, the company also raised its stake in Brazilian offshore operations and sold its interest in Canadian tar sands,

Seven years after the Deepwater Horizon disaster in the Gulf of Mexico, BP collaborated with GE to develop a diagnostic system of sensors that monitor offshore platform performance and safety, making all the data instantly available on a dashboard, and signaling any need for replacement or repair. This technology, a fitness tracker for offshore rigs, enables preventative maintenance to improve safety, reduce downtime, and avoid disasters.

INSIGHT



Brands have a chance to influence the changing energy conversation

In many ways, this is a great time for energy brands that have been investing in new technology and rebalancing their businesses to be profitable at lower crude prices, and who have been developing gas and other energy alternatives. Rising demand and the transition to a new administration in Washington have rekindled a global conversation about energy, and those brands that hold true to their vision and values have an opportunity to be on the forefront of these discussions and help advance new energy solutions.

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Reframing the conversation

Oil and gas brands remained cautious, despite the initial Trump administration signals about relaxing environmental controls and Russian sanctions. Although such changes might drive business and lift stock prices, at least for the short term, they also could animate NGOs and consumers concerned with climate change. Brands balanced pressure to produce strong quarterly results for stockholders with the need for longer-term strategies to sustain brand equity and shift away from fossil fuels.

Because of these concerns, and the rising influence of the public, in part because of social media, brands reexamined communications strategies to reach a wider audience beyond academics, analysts, journalists, legislators, and other influencers and decision makers. Brands attempted to reach millennials, who are inclined to select brands aligned with their values.

The brands reframed the climate-change conversation and centered the disagreement on timing, asserting that the move to new energy sources is inevitable but will take decades. An ExxonMobil ad explained that the company's investment in Gulf Coast natural gas facilities will help both produce jobs and reduce emissions.

Public opinion could accelerate the introduction of new metrics, other than annual production and reserves, for valuing oil and gas companies. Such metrics might include a company's investments in low- or zero-carbon fuels or other activities that advance the transition to new energy sources.



State-owned initiatives

Even Saudi Arabia acknowledged the need to shift away from oil. The planned Aramco IPO, which could create the world's largest publicly traded oil and gas company, will provide access to capital markets and funding as the country attempts to transition its economy and society away from oil dependence.

Despite sanctions imposed by the West on Russia after its invasion of Ukraine in 2014, the Russian state-owned brands Rosneft and Gazprom increased in value, and another Russian brand, Lukoil, joined the BrandZ™ Oil and Gas Top 10. Rosneft sold just under 20 percent of the company to Glencore, a Swiss commodities trader, and expanded its presence in the Middle East, signing agreements with Iraq, Libya, and other countries.

In addition, Russia and Turkey agreed to cooperate on construction of pipelines under the Black Sea. Operated by Gazprom, the pipelines would supply gas to Turkey and parts of Europe while circumventing existing routes through Ukraine. Lukoil profits improved and its stock price increased with the rise in oil prices and a weak ruble that favored exports.

Primarily because of China's slower economic growth and the low global price for crude oil, the valuations of Sinopec and PetroChina declined. Because of China's slowing economy, the state oil companies pursued overseas growth opportunities, including Sinopec's purchase of Chevron's South African refinery and retail businesses.

INSIGHT



Brands must engage with new consumers about transition plans

The energy transition continues apace. Yes, hydrocarbons will continue to have a crucial role for the global economy for decades to come, but oil and gas companies make decisions about their investments over a 20-to-30 year horizon, and they are having to consider what investments they will make now to see them survive through that transition. The brand challenge is that many of these brands have either no relevance to consumers, because they have no fuel retail business, or they are synonymous with oil and gas. As replacement technologies grow and develop new brands, the oil and gas companies need to consider how their business will respond and their brands are going to need to develop a relevance to new generations of consumers. The competition for mind space will be with Google and Tesla, so brands are going to have to take on new talent and new thinking, and boards are going to have to consider investment in brand in a way that they haven't had to before.

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INSIGHTS



Brands are helping millennials appreciate the span of energy transition

Oil and gas companies have begun to focus on the millennial generation much more cleverly and rigorously. They are learning about the millennial voice and appreciating it will only get stronger as millennials get older. These brands are communicating with millennials now so that in 15 to 20 years' time they will be acknowledged as having played their part in the energy transition. The issue is that millennials want change more quickly—in fact, they want it today. But to their dismay, more carbon-free technologies like solar do not yet have the scale and capacity to deliver the immediate change required. Oil and gas brands urgently need to persuade millennials that they are changing in a responsible and swift way. The fact is that many of these brands are changing, and changing quickly. It's just that quick change is still seen as glacial change by the millennial generation—and therein lies the rub.

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Digital investments position brands for price rebound

The smartest oil and gas companies made effective use of the period of price decline to examine things that they did not address during the go-go days of \$100-a-barrel oil. As prices began to rebound, these oil and gas brands were the first to reach a level where production became profitable. They'd cut costs and looked at innovations that enabled them to compete at a much lower price threshold and get the last drop of value up and down the supply chain. These improvements included digitization of the oil fields, better predictive maintenance, better imaging of the subsurface, and better technologies for getting the most out of reservoirs. The way top operators function now is a step change better in the use of technology than it was before the downturn. These are no longer wildcatters; they're the cheetahs of the oil field.

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BRANDZ ANALYSIS

Multinationals drive value, but nationals inspire Love

The oil and gas brands score well on all five aspects of BrandZ™ Vital Signs, especially Love, with a score of 111. A score of 100 is average. Who would have thought? The high Love score reflects the division of the category into two groups: the multinational oil companies, which live in the tension between supplying the earth's energy needs and justifying the resulting impact on the earth, and the national oil companies, which are state-owned and loved as country brands that drive local wealth.

The multinationals produce just over three-quarters of the BrandZ™ Oil and Gas Top 10 value, a proportion that rose slightly since 2010 because of the scale of these companies, their technical expertise, and their diplomatic prowess in being able to partner with national companies that often have access to oil reservoirs. They score only average in Brand Purpose, Love, and Meaningful Difference compared to the national companies. The scores do not fluctuate much over time.

BRAND IMPLICATIONS

Until now, most multinationals focused on burnishing brand reputation with heads of state, legislators, analysts, journalists, and other influencers and decision makers who could help secure government contracts and shape key legislation. The multinationals paid less attention to the consumer-facing brand, but that may change now that consumers have loudly asserted their voice with Brexit, populism across Europe, and the election of Donald Trump.

NATIONAL OIL COMPANIES ARE LOVED...

The national oil companies are state-owned and loved as country brands that drive local economies.

OIL & GAS CATEGORY PERFORMANCE

	Multinationals	Nationals
Brand Purpose	101	115
Love	102	121
Meaningful Difference	100	124
8-year value change*	-8%	-1%
Year brand founded	1960	1994

*Oil & Gas first valued in 2010
Source: BrandZ™ / Kantar Millward Brown

... BUT MULTINATIONALS DRIVE VALUE

The multinationals produce just over three-quarters of the BrandZ™ Oil and Gas Top 10 value, a proportion that rose slightly since 2010.

PROPORTION OF VALUE

	Multinationals	Nationals
2010	71%	29%
2017	77%	23%

Source: BrandZ™ / Kantar Millward Brown





BRAND BUILDING ACTION POINTS

1

Stay the course

For the major brands that have shifted their long-term strategies to lower carbon impact, it would be a mistake to read the potential rollback of regulations in the US as a free pass to pollute, although it may result in some relief from the level of paperwork required for compliance. Being responsible will deliver greater shareholder value.

2

Speak up

It became obvious that a wide gap separates elite opinion shapers and decision makers from less well-connected people who nevertheless have strong opinions and can effect change. Oil and gas brands historically have directed their messages mostly to the legislators, lobbyists, journalists, and others who influence regulations and contracts and help shape corporate reputation. Today, it is important to reach a wider audience.

3

Shape the story

Double down on communications about the progress in new technologies and innovations that are good for the environment. The relaxation of regulations by the Trump administration may animate the segment of environmental activists that wants to portray the industry as inherently bad for the health of people and the planet. Brands need to advance the counternarrative, that people cannot live without the products of this industry.

MUMBAI - INDIA

Value of all Indian brands
in Global Top 100

\$17.1 Billion



Photograph by Paul Reiffer

City-Centric Marketing

Key audiences share common beliefs, trends across cities

Countries seem like a broad, outdated marketing lens

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Within the apparel sector, and where the ambition remains on securing the attention of the millennial mass or the increasingly powerful Gen Z, it has never been more important to have a city-focused business strategy.

As a comms agency, we continue to receive briefs that cite the US, Germany, France, and China as focus markets, lumping together people that could be residing up to 3,000 miles apart. We are asked to provide a local rollout, and consider how to adapt the global creative and story for the UK, Brazil, or Russia. However, to consider key markets through the lens of countries feels increasingly outdated. Instead we need to relocate our outlook to critical cities.

Back in 2015, Adidas declared a key city focus as part of its 2020 business plan, citing “the fate of global brands is decided in global cities. If we want to be successful in the future, we need to win in key cities.” They said: “Across these cities, the adidas Group will disproportionately invest in

marketing and retail experiences with the goal of maximizing brand experiences.” And it’s been a decision that so far has proven a good one. The year 2016 became an exceptional year for the company financially, with it reporting a significant increase in revenues and a record net income. Adidas led the BrandZ™ Global Top 100 in annual rate of brand value increase with its 58 percent gain.

There are a number of reasons why a critical-city focus makes strategic sense. First, the disproportionate influence larger or capital cities have over global trends; second, the increasing disconnect between these cities and the rest of their countries, as proven repeatedly through the recent political agenda; and third, that members of this younger audience view themselves as global, not national, citizens. They care about a better world, not a better country, and they live in an international society online. A laser focus on the city can quickly become globally relevant and drive global success, thanks to the power and connectivity of this cross-national urban audience.



For example, someone from New York is likely to have far more in common with someone from Shanghai than with someone from Idaho, both in outlook and motivation, as well as clothes lusted after. There are tribes in Brooklyn connecting with crews in Botafogo, together creating the new trends that will hit high streets across the globe.

Authentic to the city

As part of a city-centered business and marketing strategy, brands need to increasingly consider how they can become a part of the fabric of these cities and an authentic part of their habitants' daily lives. This audience is seeking long-term (and hence valuable) relationships with brands, but only with those brands that share their belief systems and that meet their increasingly high expectations. They are demanding both transparency from companies, and for companies to add notable value to their communities and lives. The pressure is on to be a "civic brand."

There are many roles a brand can play within a community. An increasingly powerful option is "educator," helping quench this ever-ambitious audience's thirst for information and self-improvement. Apple was probably the champion of this, with its in-store lectures in purpose-built mini-auditoriums, but we've since seen other brands adopt this role in their quest to build loyal relationships with customers and future employees. Levi's developed a series of educational programs in the UK and US to support the brand's association with music. It offered courses in sound engineering, song writing, and audio-visual production.

Another valuable role a city brand can take is "connector," helping build communities and uniting people with similar mindsets or ambitions. Earlier this year, Adidas launched its women's studio in Brick Lane, London, a space dedicated to fitness and well-being that people could be a part of for free. The studio has quickly become a hub and

community for runners, yogis, and fitness fans. It connects them to both experts and each other, giving them company and encouragement for their weekly training.

As well as adding value to a community, transparency and openness are important for building a connection with the urban audience. Consequently, brands are looking at ways they can invite people in and collaborate with the city.

City collaboration

One way to achieve this is through a more open, flexible retail environment, letting the city curate its own experience or products. Levi's and Gap are both brands that have encouraged customers to tailor their products in-store, adding their personal flair and identity to otherwise standard silhouettes. Topshop handed the reigns over to city influencers, inviting them to curate sections of the store in a way they believed was fit for their urban neighbors.

H&M-owned & Other Stories has committed to three city design hubs—its "ateliers"—in Paris, Stockholm, and Los Angeles. Every season, stores will include collections by each atelier, all inspired by that city and its residents. At the recent launch of the Los Angeles Atelier, the brand's MD commented: "That's why we're living in the city we are designing for. We're not trying to design for Europe. We're designing for LA". The designs for LA quickly then flew off shelves around the world. City-driven, globally relevant.

Brands are also increasingly collaborating with the city's freshest creative talent to help tell their stories. They are looking for ways to invite these influential voices in and bring their relevance to the brand. Adidas partners with a diverse collection of city creators to deliver an authentic local edge to the global brand. Whether it's London's sneaker-obsessed graphic designer KickPosters creating Snapchat geo-filters for new store openings, French

As well as adding value to a community, transparency and openness are important for building a connection with the urban audience. Consequently, brands are looking at ways they can invite people in and collaborate with the city.

hip-hop artists Kaaris and Kalash Criminel bringing their own sound to the brand's Paris street football tournament, or fitness coach Robin NYC creating content to showcase the new collection, each partner helps bring the global brand further into the fabric of the city.

As I write this I'm hugely aware that I am sitting in my central London office before heading back to my Zone 2 flat, and we often wonder if in agency-land we're in a "city bubble." In

addition, I'm also mindful that for other sectors and audiences the value of the more rural audience is extremely important, and in fact the opportunity from connecting with them and their values is arguably greater than ever. However, as proven by this report, and indeed stock markets, for global brands looking to attract a younger audience, a city strategy is needed: to rethink marketing teams, approach, and creative through the lens of cities, and to consider how to collaborate with the city.

Technology

The technology category includes business-to-consumer and business-to-business providers of hardware, software, portals, consultation and social media platforms. The diversity of the technology category reflects the convergence occurring as brands develop integrated systems of products and services.



Consumer

Ad revenue, incremental changes drive value rise

B2C and B2B brands collaborate to deliver the future

A 13 percent rise in value made technology the second-fastest growing category, after retail, in the BrandZ™ Top 100 Most Valuable Global Brands 2017. No single brand or product breakthrough drove this increase. Business-to-consumer (B2C) brands improved how they monetized their content.

And both B2C and business-to-business (B2B) brands made incremental progress in preparing for a future of artificial intelligence (AI), virtual reality (VR) augmented reality (AR), the Internet of Things (IoT), voice recognition, and autonomous vehicles.

Of the 20 brands included in the ranking, only one brand declined in value, and several were among the fastest value risers in the BrandZ™ Top 100 Most Valuable Global Brands 2017, including Netflix, which rose 30 percent in value, and Facebook and Tencent, which each increased 27 percent. Both Salesforce and Samsung rose 23 percent.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value
Year-on-Year Change

+13%

Category Brand Value
12-Year Change (Top 10)

+292%

Technology Top 20
Total Brand Value

\$1,244.8 billion

TECHNOLOGY TOP 20

		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	Google	245,581	4	7%
2	Apple	234,671	4	3%
3	Microsoft	143,222	4	18%
4	Facebook	129,800	4	27%
5	Tencent	108,292	5	27%
6	IBM	102,088	4	18%
7	SAP	45,194	3	16%
8	Accenture	27,243	3	19%
9	Samsung	24,007	4	23%
10	Baidu	23,559	5	-19%
11	Intel	21,919	2	18%
12	Oracle	21,359	2	10%
13	Huawei	20,388	3	9%
14	YouTube	16,785	4	N/A
15	Cisco	16,725	2	15%
16	HPE	14,018	3	N/A
17	LinkedIn	13,594	4	10%
18	Salesforce	12,234	2	23%
19	Netflix	12,057	2	30%
20	Snapchat	12,026	4	N/A

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).

INSIGHT



Disruptors bring affordable tech, while leaders humanize their communications

Ease of use has been a strong competitive advantage for Apple that is now challenged by disruptor brands that offer strong functionality and design, but at a much lower price. These disruptors, like Huawei, may not come with an Apple-like ecosystem, but that is less of an issue for younger tech-savvy consumers who select devices on their individual merits, regardless of operating system and switch between them seamlessly. At the same time, leading brands have got better at simpler, more human communication. Leading brands talk less about features, but instead focus on user benefits in a more human way. Apple just shows beautiful photographs taken with an iPhone; it doesn't talk about megapixels or autofocus. Similarly, Samsung used a more human tone in its Olympics and Paralympics sponsorship. And when it encountered problems with the Galaxy Note 7 phone, it apologized in an open, humble, and human way.

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In addition, Microsoft, IBM, and Intel each appreciated 18 percent. Three brands entered the BrandZ™ Technology Top 20 for the first time: YouTube, HPE (formerly part of Hewlett-Packard), and Snapchat. Google and Apple retained category leadership with modest value growth. (Amazon, listed in the retail category of this BrandZ™ Global Top 100 report, rose 41 percent.)

The sharp value rises for the B2B brands indicated that years of investment to transform legacy brands into contemporary cloud-based operations began to pay off. The even distribution of value growth between the B2C and B2B brands reflected in part how brands increasingly compete and collaborate across the consumer-business boundary.

In fact, few brands stayed in their lane. Even Facebook, a primarily consumer-facing brand, noted that 65 million businesses use its Facebook Pages, and many also use Instagram Business profiles and Workplace, a business collaboration tool. With its expanding influence, Facebook was one of several brands examining its responsibility to monitor content and protect the privacy of users.

Because of its vital role as data custodian and its centrality in connectivity and digital communications, the technology category was drawn into the whirlwind of geopolitical drama. Social media brands especially were at the center of the public debate when postings inflamed opinions about decency and free speech.

Maintaining the lead

Google and Apple retained the BrandZ™ technology ranking leadership with brand values of almost a quarter trillion dollars. Google's search business and related advertising placement continued to drive revenue and fund long-term ventures, like autonomous cars, included in the finances of Alphabet (the holding company established in 2015).

Google accelerated its use of machine learning to improve core products, such as Google Search, Google Maps, and Google Translation. The brand introduced Google Home, a voice-controlled, home automation assistant capable of playing music and executing certain tasks, such as providing calendar reminders, news and weather updates, controlling lighting, and adjusting Nest thermostats.

Google also advanced work on its cloud capability and grew its G Suite, which it developed as a collaboration tool, especially for enterprise clients. Google revenues, including YouTube, grew 20 percent to \$89.5 billion, providing virtually all the \$90.3 billion reported by Alphabet.

The year's geopolitical turmoil threatened Google financially when advertisers complained that programmatic technology, intended to align ads with relevant content, sometimes placed ads near controversial, even objectionable, material. The problem affected other technology brands, including YouTube and Facebook. To address the problem, YouTube modified its advertising policy and accepted ads only for sites with audiences of over 10,000 viewers.

Apple stock appreciated based on anticipation of the 10th anniversary edition of its iPhone, expected in autumn of 2017, and recent device introductions, including the next generation MacBook Pro laptop and cordless earbuds. Both products reinforced compatibility within the Apple ecosystem. To make the MacBook Pro thinner than earlier editions, Apple substituted a smaller USB port. To encourage use of the cordless earbuds, recent iPhone models lacked a headphone port.



In a development related to defining the Apple brand, the latest prototype of its physical store, located in San Francisco, is no longer called the Apple Store. Instead, it is called Apple Union Square, as these locations now will take the name of their surrounding communities. The stores are intended to be local gathering places, and at least some will include conference rooms for meetings.

Brand importance

The strength of the Apple brand helped sustain Apple as it faced competitors producing quality, well-designed devices, but at lower prices. Facing a similar challenge, Samsung stumbled with the introduction of its Note 7 smartphone, which it quickly recalled because of problems with exploding batteries.

The Samsung brand proved resilient, and its next smartphone iteration, Galaxy S8, received positive initial reviews for its design, especially the large curved screen. And Samsung's finances remained strong, primarily because of strong performances in other parts of its diverse product portfolio.

Challenges to Apple and Samsung came from Google, which makes the Android operating system that runs Samsung phones, and which introduced its own smartphone, named Pixel. In addition, Chinese smartphone brands, especially Huawei, found enthusiastic customers outside of China. Primarily a B2B technology leader in telecom infrastructure, Huawei made smartphones that sold well in many parts of the world, including Europe, although consumer trust lagged relative to Apple and Samsung, according to BrandZ™ research.

Microsoft, another company primarily focused on B2B business, also challenged Apple, Samsung, and other device makers with the versatility of its Surface devices, which can be used as tablets or laptops. Designed for business users, Surface devices also appealed to consumers. Their flexibility seemed an apt metaphor for Microsoft, as it moved through its third year of new leadership and evolving culture, attempting to develop products with greater customer-centricity while still enjoying an annuity from legacy products like Microsoft Office.

Social media and content

The technology brands involved in social media or entertainment increased significantly in value last year; these included Facebook, Tencent, YouTube, and Netflix. And Snapchat joined the BrandZ™ Global Top 100. The reasons for the value increases varied by brand, but overall the phenomenon indicated growing industry sophistication in understanding audiences and being able to provide—and monetize—relevant content.

Celebrating its fifth year as a public company, Facebook continued to grow its influence, ending 2016 with over 1.2 billion daily active users (DAUs). Monthly active users (MAUs) surpassed 1.8 billion, and most daily or monthly users accessed Facebook on their mobile devices. The company articulated three priorities: monetizing video, adding advertisers, and making ads more relevant.

Facebook focused on making it easier for people to load and access video and on developing its own video content. The brand gained \$26.9 billion in advertising revenue in 2016, and by early 2017 it announced that it had reached a total of 5 million active advertisers, mostly small and medium-sized businesses.



INSIGHT



Retro countertrend balances movement to Internet of Things

In the past year, as we've heard a lot about the Internet of Things, I've also noticed a retro movement. I did a project for a client about vinyl records, and people still really love vinyl. My birthday present from my parents 10 years ago was an iPod, but this year it was a record player. One influence is a younger generation pushing back against the older generation, but the trend also reveals an attitude of people saying they don't want their houses saturated with technology.

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INSIGHT



Internet of Things may draw brands into collaboration

We hear a lot of talk about the Internet of Things, but consumers don't really understand it—how it's going to benefit them or how it can help them in their everyday lives. But IoT is so much bigger than just consumers. It's a global infrastructure—from autonomous driving to city planning, from health to day-to-day living. Until now IoT devices have tended to work separately—across lots of incompatible platforms. From a consumer perspective, they should work together—giving real human benefits. This year it's likely we'll see an unprecedented collaboration between the major brands to work cooperatively or perhaps to allow more interoperability between devices.

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Recognizing that how people interact on Facebook depends on their age and other demographic factors, the brand continued to add improvements to Instagram, Messenger, and What's App—in effect, developing sub-communities within Facebook. It also increased its use of VR and AI. And it introduced new functions, like Marketplace, that facilitated buying and selling items on Facebook. Tencent, China's leading internet portal, remained China's most valuable brand, based on the strength of its social media apps, including QQ (aimed at younger users), and WeChat (Weixin in Chinese). The social media apps combined reached almost 890 million MAUs, a year-on-year increase of 27.6 percent. These platforms helped drive advertising revenue with options including WeChat Moments, which connected ad content with relevant users and occasions.

The payment functions of these platforms increased in popularity. The number of MAUs of Tencent mobile payments exceeded 600 million, demonstrating the strength of the brand's ecosystem. Starbucks announced plans to accept Weixin Pay in its 2,500 China stores as part of a partnership with Tencent based around social gifting. Although the insular nature of China's internet limited Tencent's global expansion as a communication platform, the brand successfully exported its games worldwide.

YouTube expanded its original content and the advertising options. It expanded TrueView ads, videos of varying length with content designed to attract targeted audiences. YouTube also introduced the possibility of scrolling through related product offerings while watching the video on a mobile device.

Soon after Snap Inc. completed its IPO, it signed an agreement with NBC Universal to have the Snapchat photo-messaging app carry content from the 2018 Winter Olympics. It also began to redefine itself as a camera company, introducing a product called Spectacles, eyeglasses with a camera. Netflix grew revenue as it expanded the number of global viewers interested in on-demand movies or TV, and introduced more original content.

INSIGHT



Social media must address new ethics and credibility risks

Because of the rising risk of fake news, derogatory comments, unregulated access to personal data and unscrupulous or even illegal content, social networks need a greater degree of self-governance. There's so much digital conversation taking place, social networks face a challenge mediating it. This issue is not simply about the risk to privacy as brands push for greater personalization, it's also about what's being said in a public forum and what content is shown alongside or before paid ads. Facebook, Twitter, and Google/YouTube are starting to get a sense of the danger that exists, but they must get a handle on it quickly. Because of the scale of the threat there's understandable eagerness to use automated solutions, but at least in the short term, there will be a limit about how much AI will be able to address these problems.

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Business

Cloud transition progresses and brand values increase

Acquisition and collaboration pools expertise

Business-to-Business (B2B) brands contended for leadership in the cloud, artificial intelligence (AI), and the Internet of Things. Making iterative advances, they competed (and increasingly collaborated) with business-to-consumer (B2C) technology brands. Lessons learned from these encounters with consumer-driven brands may have helped B2B brands sharpen their marketing agility.

Although the B2B technology brands have not completed their transformation to cloud-based operations, and the large legacy brands continue to be challenged by nimble, narrowly focused startups, years of strategic redirection and major investment began to pay off. In contrast to last year, every B2B brand ranked in the BrandZ™ Technology Top 20 increased in value, some of them substantially.

HPE (Hewlett Packard Enterprise) appears in the ranking for the first time, having completed its first year as a corporate entity created when Hewlett-Packard split the company into two parts, with HP Inc. set up to handle the legacy businesses of PCs and printers, while HPE was spun off to focus more narrowly on servers, storage, networking, and consultation.

The change positions HPE to better confront the disruptive changes in information technology.

Brands attempted to expand their reach or expertise through acquisition and collaboration. In the largest acquisition in its 42-year history, Microsoft bought LinkedIn, the business networking brand. Its acquisition of LinkedIn strengthens both brands in B2B, enabling Microsoft to include LinkedIn social network features in some of its products, such as Microsoft Outlook and Office.

Under its new management, Microsoft has improved its technology with a versatile group of devices like its Surface Pro, a laptop with a touchscreen that detaches to become a freestanding tablet. The device includes a stylus for taking notes or sketching.



Acquisitions and collaborations

In an example of collaboration, IBM and Salesforce planned to share their AI technologies, increasing the effectiveness of both companies by joining the learning abilities of IBM's Watson with the cloud customer-management tools of Salesforce.

IBM also formed a partnership with Cisco to create workplace tools that combine the cognitive computing of Watson with Cisco's cloud-based workplace tools like WebEx. Cisco, the brand best known for supplying all the routers and switches that make the internet work, is investing heavily on the Internet of Things, purchasing Jasper Technologies, a company that creates software for managing connected devices.

Although Intel still depended on its traditional chip business for much of its revenue, the brand also focused attention on four other growth areas: 5G, AI, driverless cars, and VR, specifically in sports and entertainment. Intel bet heavily on driverless cars with the purchase of Mobileye, an Israeli maker of sensors and cameras used for navigating driverless cars. Intel also has a relationship with BMW.





Intel's focus on IoT is helping create a connected and secure environment for consumers and businesses across many segments including Transportation, Medical, Energy, Industrial and Retail. Intel's Retail Solutions division launched its new Responsive Retail Platform bringing together hardware, software API's and sensors in a standardized way. It is investing some \$100 million in this underlining that technology will continue to redefine the consumer shopping experience.

Having been dominant in PCs, Intel raised its voice in other technology sectors, for example by providing the technical wizardry behind a memorable Super Bowl halftime performance. In that instance, Intel demonstrated its drone technology with a glittering image of an American flag hovering in the sky as Lady Gaga arrived on stage.

With the acquisition of NetSuite, Oracle, a leader in financial databases, strengthened its cloud computing offer. NetSuite primarily focuses on small business and is expected to provide Oracle with greater access to that market, where it faces rival Salesforce. NetSuite should benefit from Oracle's scale.

SAP aligned with Microsoft. The arrangement enables the SAP HANA databases to run on Microsoft's Azure cloud and SAP software to incorporate Microsoft Office 365. The SAP HANA databases use in-memory computing that enables users to access data more quickly than on relational databases.

INSIGHTS



As innovation slows, service becomes key brand differentiator

A lot of the new products we're seeing are not driven by innovation, but rather by brands looking for the next dollar. Providers like Facebook and Google have grown very rapidly. But the pace of growth is slowing. New consumers aren't coming in. And Moore's Law is history now; we no longer have the regular doubling of computing power against price. In its place, we have a lot of large companies with high growth expectations and, in some cases, impatient shareholders. We think there are parallels with the history of the aviation business with where the smartphone is at the moment. In the late '60s, when Boeing developed the 747, the team that built it was actually the second team. The A team was working on supersonic planes to compete on speed. But the airlines we fly on today are not much different than the 747s built in the '70s. The airline business has stopped competing on technology and speed. Instead, they're competing on service. And I think we're at that point with the smartphone business. Even Apple, which is most likely to innovate in this space, seems to be moving into service.

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BRANDZ ANALYSIS

Technology leads every category in Vital Signs

The BrandZ™ Vital Signs results should settle any argument about the relative health of the technology category, at least until now. The BrandZ™ Technology Top 20 achieves a phenomenal average score of 116 across all five Vital Signs, scoring highest in Brand Purpose and Innovation. (An average score is 100.)

Business-to-consumer (B2C) brands like Google, which increased 556 percent in brand value over the past 12 years, reshaped the category. In 2006, the BrandZ™ Technology Top 20 was evenly split between B2C and Business-to-business (B2B) brands. Today, the split is two-thirds B2C and one-third B2B. The average B2C brand value increased 408 percent in the past 12 years, while B2B brands increased an average of 84 percent.

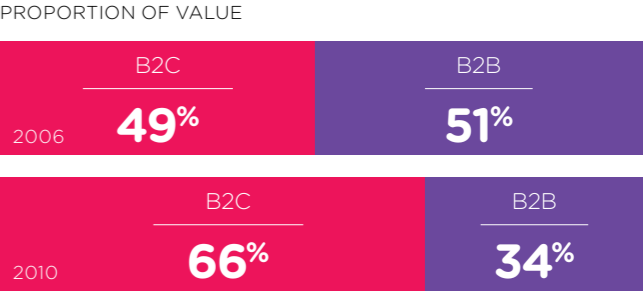
Although the B2B brands score above average on key BrandZ™ metrics, they are no match for the B2C brands with these average scores: Meaningful Difference, 140; Innovation, 119; Brand Experience, 118; and Love, 120. With some fluctuations, Apple, Google, and Microsoft have sustained their Meaningful Difference over the past 12 years.

There is also this metric— “Excited by what they might do next”—where B2C scores 122 compared with 108 for B2B. All these numbers measure past performance, and

the future may unfold differently, because the next phase of technology, including the Internet of Things (IoT), autonomous cars, smart homes and smart cities, will require more collaboration between B2B and B2C brands.

B2C BRANDS RESHAPE CATEGORY...

In 2006, the BrandZ™ Top Technology Top 20 was evenly split between B2C and B2B brands. Today, the split is two-thirds B2C and one-third B2B.



Source: BrandZ™ / Kantar Millward Brown

... AND OUTSCORE B2B IN KEY METRICS

The B2B brands score above average on key BrandZ™ metrics, but they are no match for the B2C brands.

TECHNOLOGY CATEGORY PERFORMANCE

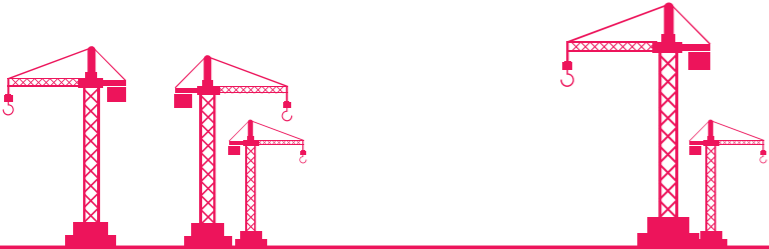
	B2C	B2B
Meaningful Difference	140	106
Innovation	119	108
Brand Experience	118	105
Love	120	103
Excited by what they might do next	122	108
12-year value change	+408%	+84%

Source: BrandZ™ / Kantar Millward Brown



BRAND IMPLICATIONS

The BrandZ™ metrics for the technology category are strong, especially for B2C brands. But the data measures history. It is possible that technology, the category that has disrupted every other category, will itself be disrupted as brands work separately and in collaboration on the IoT and other society-altering projects. As technology companies move into new areas, with the B2B players developing cloud businesses, for example, brands need to keep the Vital Signs strong. They especially need to maintain clear Brand Purpose and link it to Innovation.



BRAND BUILDING ACTION POINTS

1 Make it simpler

Progress means that each generation of a device or software needs to be simpler to use than the earlier version.

2 Sound human

Consumers expect technology brands to communicate in the language of engineers. That professional tone may build confidence, but it also confuses. Surprise people. Sound human. Talk less about the technology and more about the benefits. That is what Apple has done and what consumers now expect.

3 Own the conversation

Many brands are competing in the development of the Internet of Things (IoT), but none has assumed the role of “category captain”—that is, setting the standards of IoT and being its public face. It is a large opportunity.

4 Make media immersive

TV advertising is changing because people are watching TV in different ways. Move beyond feature-driven advertising. Be more immersive. Virtual reality will help.

5 Take a stand

Consumers are politicized today, and technology brands, in particular, are often part of the conversation. It is risky for brands to insert themselves into the public debate. But sometimes, when brand core values are threatened, silence can be deafening.

VENICE - ITALY

Value of all Italian brands
in Global Top 100

\$13.5 Billion

Telecom Providers

The telecom providers category includes brands that provide mobile or fixed line telephone or internet services as stand-alone or bundled packages (along with other services, like television).



Major acquisitions speed transition to entertainment



Challenger brands shift the conversation to price

It was a year of action. With mergers and acquisitions, major brands took steps to build consumer-facing entertainment businesses and position themselves for leadership in the Internet of Things, while challenger brands attempted to disrupt the category, usually with price. The BrandZ™ Telecom Provider Top 10 increased 6 percent in value, following a 9 percent increase a year ago.

These dynamics were especially evident in the US. Verizon negotiated to acquire Yahoo!, having purchased AOL a year ago, and AT&T agreed to buy media giant Time Warner, following its earlier acquisition of Direct TV. These acquisitions transform Verizon and AT&T into entertainment providers, and fortify them against the over-the-top (OTT) options favored by millennials.

Verizon also acquired technology companies, particularly in telematics, to prepare itself for leadership in the Internet of Things (IoT). AT&T actions to expand in IoT included a partnership with IBM. Spain's Telefónica, which owns Movistar, also sought partnerships with technology

companies to establish IoT leadership, with an emphasis on security.

And in a legislative move that endorsed the changing status of telecoms as content providers rather than voice and data conduits, the US congress rescinded the Obama administration's privacy restrictions. This enabled telecom providers to collect and share customer data, treating the telecoms more like Google or Facebook than like utilities. Similarly, US regulators considered changing Obama-era net neutrality rules that require treating all internet traffic equally.



BrandZ™ Top 100 Most Valuable Global Brands 2017

Category Brand Value Year-on-Year Change

+6%

Category Brand Value 12-Year Change

+173%

Telecom Providers Top 10 Total Brand Value

\$448.2 billion

TELECOM PROVIDERS TOP 10				
		Brand Value 2017 \$ Million	Brand Contribution	Brand Value % Change 2017 vs. 2016
1	AT&T	115,112	3	7%
2	Verizon	89,279	3	-4%
3	China Mobile	56,535	4	1%
4	Xfinity	41,808	3	N/A
5	Deutsche Telekom	38,493	3	2%
6	Vodafone	31,602	3	-14%
7	Movistar	22,002	3	0%
8	NTT	20,197	2	3%
9	Orange	17,180	3	-7%
10	BT	16,026	3	-14%

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 (lowest) to 5 (highest).



INSIGHT



IoT represents a major opportunity for many brands

Telcos are talking about “digital life style.” They are all working in this space and believe they’ve got the differentiator, but it is clear that their offers aren’t differentiated enough. Telefónica is trying to be more specific. It operates with three commercial brands: Movistar in Spain and parts of Latin America; Vivo in Brazil; and O2 in Germany and the UK. Telefónica has a focus on the Internet of Things. As a telco, Telefónica can connect everybody. It’s looking at partnerships with technology companies. One of Telefónica’s strongest areas of focus is security, a critical IoT issue. Having gone from full pelt around content and entertainment and owning the home, Telefónica has moved on to managing and owning the space of IoT.

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UK-based Vodafone, which sold its stake in Verizon several years ago, announced plans to merge its India operation with Idea Cellular. Combining India’s second- and third-largest telecom providers would create a brand surpassing Bharti Airtel as the country’s leading telecom provider, with around 400 million wireless subscribers.

Even in China, where the category is dominated by three state-owned enterprises, brands were not immune from competitive pressures. China Telecom and China Unicom, the nation’s Nos. 2 and 3 carriers, agreed to share resources to match the 4G capability of China Mobile, the category leader, which served 849 million customers, including 535 million on 4G, at the end of 2016.

In addition, the Chinese government issued a new telecommunications license to the China Broadcasting Network (CBN). The new challenger could accelerate the expansion of “triple play” service, including phone, internet, and TV. And, as in all markets, the Chinese telecom providers faced fierce competition from the OTT entities that provide free voice and data communication over the internet.

More challengers

The AT&T and Verizon transactions potentially add new revenue streams and increase brand differentiation. They also expand the competitive set to include media and entertainment businesses like Netflix, or even Amazon. With its ownership of AOL, and potentially Yahoo!, Verizon gains expertise in managing consumer data and creating targeted advertising. Meanwhile, challengers Sprint and

INSIGHT



Middle Eastern brands attempt to strengthen margins with innovation

Ten years ago the world was a simpler place. There was lots of copper. And telco brands provided a connection. Then suddenly the world got smart and all these content and app providers appeared. In the Middle East, until recently, the category was about a race to the bottom, giving data away. This year, as margins decline, there’s been a realization that that’s not a sustainable business model. Suddenly, lifestyle groups are appearing within the major telcos, wondering what they can invest in. It’s almost like a venture capital play, hoping that something is going to work. They are looking at being leaders in smart cities and the Internet of Things. Once they define who they are and where they want to go, customers are going to need confidence in the brand to join them on the journey. No one knows the destination. Now it’s jump on the bus and join the “Magical Mystery Tour.”

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T-mobile, owned by Deutsche Telecom, aggressively attacked on price, offering contract-free options that appealed to the practical, value-conscious, nomadic spirit of millennials. Sprint ads humorously mocked Verizon’s coverage claims. Because the coverage of all networks has greatly improved since Verizon first claimed network superiority, a Sprint ad advised, “Don’t let a 1 percent difference cost you twice as much.”

The Verizon brand also faced challengers to its fixed-line business that in certain markets includes FiOS (fiber optic wiring). While the wireless business includes only three other national players, the fixed-line business is organized regionally and includes cable providers and competitors such as Xfinity, which joined the BrandZ™ Telecom Providers Top 10. Xfinity recently introduced mobile service.

In India, a new telecom challenger called Jio entered the market with a promotion offering limited data at a low price. It was not clear how loyal the customers will be when the introductory pricing ends, since Indian mobile users often switch their SIM cards, depending on which telecom—Airtel, Vodafone, or Idea—has the best deal.

Similarly, a challenger, Tele2, entered the Russian market, pressuring the three majors—MTS, Beeline, and MegaFon. Compounding the pressure, a recent national security law changed the rules about customer data retention and government access to data, which increased expenses and squeezed profits.

Global branding

Vodafone, which operates in 26 countries, more than any other telecom provider, completed its Project Spring initiative, investing in infrastructure with the proceeds from the 2014 sale of its stake in Verizon. The brand also focused on building consumer relationships, strengthening loyalty, and expanding ease of access.

Vodafone focused on four key performance indicators: strengthening connectivity, helping customers manage their budgets, building loyalty, and providing ease of access. In several markets, including the UK and Italy, Vodafone promoted this orientation with an offering that allowed dissatisfied customers to drop their contract after 30 days.

Movistar’s positioning and offering varied somewhat by country. The brand is a quad-play provider in Spain, offering fixed line, wireless, broadband, and TV services. The mix varies in Latin America, where the brand may be a leader or a challenger, depending on the country. Movistar is owned by Telefónica, which is branded Movistar in Spain and many other markets, but also operates as Vivo in Brazil, and O2 in Germany and the UK.

In the UK, BT incorporated a recent acquisition, along with an earlier one, into a portfolio of three brands—BT, EE, and PlusNet. BT focused on creating clear and complementary brand positions, and coordinating the lines of business, which include fixed line, broadband, sports, and other content.

Major Middle Eastern telecom providers also attempted to move beyond the low-margin voice and data business. They investigated diverse possibilities under the broad rubric of digital lifestyle, and invested in startups to assert leadership in smart cities infrastructure and IoT.

INSIGHT



US brands invest heavily in media to fight pricing wars

In the US, telecom marketing tactics change quickly, consumer communication spending is higher than most categories, and the tone is combative. Even as brands try to elevate their messages and become more emotional in their communication, they are still playing the price game. And that’s what consumers hear. It’s a fast-moving category for a slow-moving service. Promotions of new contracts or plans can happen within a week. For example, only about four days after Verizon introduced an unlimited data plan, AT&T followed by expanding its unlimited plan. There is probably more brand loyalty than in FMCG categories, not out of emotional connection, but because switching can be difficult.

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INSIGHTS



Category searches for ways to use its rich data troves

The telco category is massively in search of meaning. This has been the case for a long time. They continue to try to redefine the business that they're in. Most brands are exploring banking and entertainment, with modest success, but strong, focused brands already occupy those spaces with great credibility. Further industry consolidation is inevitable as margins get squeezed. Most of the players have a lot of customer and other data but find it difficult to organize, curate, and use. They tend to focus on customer acquisition rather than retention. There is an obvious opportunity for brands to develop greater customer-centricity as this is mostly lacking. The brands need to seriously reconsider their value propositions to consumers and decide where they can be unique. This will also ensure a stronger customer focus. With this as base, there are opportunities for expanded ecosystems (including other brands, products, and services) that offer the consumer a wider and more integrated brand experience and that enables telco's better commercializing opportunities for their customers and their data. This relies upon having the consumer at the center, enabled through connected data and technology.

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Brands need to talk about consumer needs beyond functionality

Telecom providers have had a tendency to focus on communicating their functional claims, whether it's core claims like network coverage/speed or add-on services like money transfer. But it's a technological treadmill with all providers competing on the same functional territories and consequently not a source of lasting differentiation, and as brands aim to take a lead in a world of connected devices, there is potential for this focus on functionality to increase even further and grow more complex. Few communication brands succeed in accessing the emotional consumer benefit, beyond pure functionality, to create a brand experience that truly connects with consumers. As the world of technology becomes ever more sophisticated, there is growing space for brands to resolve how new functionalities deliver benefits for consumers. But keep it simple; focus on one angle that holds real consumer meaning. Once you have the consumer's attention, you can expand the conversation and reveal more.

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BRANDZ ANALYSIS

Size matters in transition from pipe to content brand

Size matters in the telecom provider category. AT&T, the No. 1 brand in the BrandZ™ telecom providers ranking, increased 1,623 percent in value over 12 years, compared with a 173 percent rise for the Telecom Providers Top 10. Both AT&T and the Top 10 declined in being viewed as Meaningful (meeting needs in relevant ways) during that period, when gaining scale required building infrastructure to expand networks and promoting multi-year contracts to gain customers.

The Telecom Providers Top 5 comprise around three-quarters of the Top 10 brand value, much the same as 12 years ago. And because of their scale, the larger telecom providers have the resources to invest in transforming from voice-and-data conduits to entertainment and content providers. The Top 5 telecom providers exceed the Bottom 5 in the key BrandZ™ metrics of Brand Purpose, Brand Experience, and Meaningful Difference.

But the focus on building functionality had other consequences. Although consumers see the three most valuable Telecom Providers—AT&T, Verizon, and China Mobile—as Meaningfully Different, they declined in that metric over the past 12 years, probably because of increased competition, including challenger brands that appealed to young consumers using price-driven, pay-as-you-go options and more edgy communications.

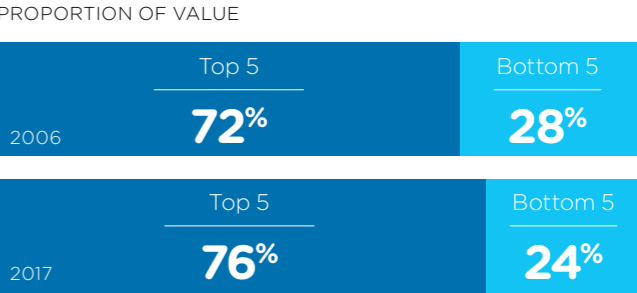
BRAND IMPLICATIONS

The major telecom providers have made significant acquisitions to transition into content and entertainment. This transition widens the competitive set. The consumer is being asked to make a more complicated choice that requires more than deciding which carrier has the most reliable network for the best price. Being Meaningfully Different will be especially important, because the consumer also is considering Amazon, Netflix, and other entertainment and content providers.

The decline in being viewed as Meaningfully Different has leveled, however, suggesting that the strategic shift of telecom providers from voice-and-data pipes to entertainment and content brands may be gaining traction.

TOP 5 COMPRISE TWO-THIRDS OF VALUE...

The Telecom Providers Top 5 comprise around two-thirds of the Top 10 brand value, much the same as 12 years ago.



Source: BrandZ™ / Kantar Millward Brown

... AND TOP 5 LEAD IN KEY METRICS

The Top 5 telecom providers exceed the Bottom 5 in the key BrandZ™ metrics of Brand Purpose, Brand Experience and Meaningful Difference.

TELECOM PROVIDERS CATEGORY PERFORMANCE

	Top 5	Bottom 5
Brand Purpose	109	103
Brand Experience	111	104
Meaningful Difference	125	101
12-year value change	+190%	+129%

Source: BrandZ™ / Kantar Millward Brown



BRAND BUILDING ACTION POINTS

1 Reposition for the future

The mismatch between the term “telecom” and actual telecom brand offerings crystalizes the category challenge. Define the business based on how it is likely to evolve over the next 5 or 10 years, and organize strategies around that future.

2 Articulate the benefit

Every telecom provider wants to be different. Many would say that their shift—from pipe transmitting data to digital lifestyle provider—makes them different. But what does that mean, and how is it differentiating? Give customers a reason why they should be with you. Articulate the benefit. It probably is not technical.

3 Protect data

Make the security of the customer’s data a priority. That requires a cultural commitment to implementing all the technology innovations needed to secure data, and communicating, in a straightforward and honest way, to make the promise believable.

4 Simplify

Telecommunications is a complicated business at a time when consumers seek simplicity. Create propositions that are easily understood, not confusing.

CHICAGO - US

Value of all US brands
in Global Top 100

\$2.6 Trillion



Building Brand Value

Leverage digital to accelerate growth of brand equity and value

Getting it right requires integrated strategy, research, and measurement

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Kantar Millward Brown is a leading global research agency specialising in advertising effectiveness, strategic communication, media and digital, and brand equity research.

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Brand is the most powerful intangible asset. Understanding a brand's worth to the business in financial terms is therefore an essential part of managing, protecting and measuring it. Identifying exactly how the brand contributes to revenues means it can be strengthened and improved to keep the business relevant and competitive. Kantar Millward Brown research shows that more than 30 percent of shareholder value is driven by brands.

A valuable brand helps a business command a price premium, survive a crisis, and grow faster than its competitors. A measurement of the strongest brands from the BrandZ™ Global Top 100 as a "stock portfolio" over the last 12 years shows their share price has risen over three and one-half times more than the Modern Index Strategy Indexes (MSCI) World Index, and two-thirds more than the S&P 500.

Some 60 percent of the financial value of a brand is made up of its equity—in other words, the consumer's predisposition to select it. Strong earnings and financial management by the parent company are key, of course, but the opinions of the people who buy the brand are the most important driver of value.

New and emerging digital technologies, channels, and formats offer opportunities to boost equity. Digital channels have a huge role to play in

strengthening engagement by making a brand more present and active in consumers' lives. Fully leveraged, digital channels can be used to develop and amplify brand attributes through a consistent, relevant, and compelling 360-degree customer experience. This will create the associations and perceptions in consumers' minds that predispose them to choose a brand. The opportunity is enormous, but it must be pursued correctly.

Integrate all strategies

Multiple digital touchpoints and interactions offer opportunities to capture data on how consumers interact with and perceive the brand. This allows marketing activities to be optimized at exactly the right points in the customer journey to build relationships in the short term, and loyalty for the long term. Immediate feedback can be used to personalize the customer experience and communications.



Consumers expect a seamless experience across all channels, and every interaction should reflect the brand's values and work towards a collective purpose. First, the digital strategy needs to be aligned across all channels. This may sound obvious, but nearly one-third of marketers aren't setting integrated digital strategies across desktops, laptops, mobile devices, and social platforms (Kantar Millward Brown's *Getting Digital Right*, 2016).

Digital channels must also be aligned with traditional channels, so that brand experiences can be connected. Most importantly, everything must be linked to the brand proposition. The brand, marketing, and digital strategies also need to interlock with the overall business strategy, so all activities feed a core set of objectives and serve the overarching vision. Data from multiple sources can be combined to reveal rich insights into consumers' behavior and preferences.

Another challenge created by the proliferation of digital channels is building a brand experience that is completely consistent across all touchpoints. If data is not joined up, or one part of the experience "jars" with the rest—for instance, great advertising drives customers to the website, but the items appearing in the ad are not in stock—this can have a negative impact on perceptions and, therefore, brand value.

Improve research and measurement

There's a growing need for quality insight to inform strategic brand management decisions—both around the role each digital channel plays in achieving objectives, and on consumer behavior, which is constantly shifting. Only 45 percent of marketers feel confident their organization understands the consumer journey (*Getting Digital Right*), indicating that more than half of businesses are not reaching and influencing people at the right time, in the right way, with the right content.

According to *Getting Digital Right*, 59 percent of marketers are still not confident in their use of big data. All the information a brand needs to grow its value is already available; it is the marketing and brand departments' responsibility to challenge their agency and media partners to help them derive actionable insights.

Measuring the ROI of digital marketing and branding activities along the customer journey against KPIs is also essential, as is evaluation of the effectiveness of advertising, to link brand activity directly to sales.

Don't treat digital like a "free ride"

There is a general misperception that digital channels are "free"—and some businesses have cut their marketing and branding budgets accordingly. Investment is still necessary to establish brand equity in the digital space.

A brand proposition that consumers see as distinctive and unique has the potential to drive value, but this proposition needs to be amplified with advertising and marketing. Those brands in the BrandZ™ Global Top 100 that have both a strong proposition and excellent advertising—which include IBM, FedEx, Ikea, Nike, BMW, Colgate, Google, Samsung, Chanel, McDonald's, and Coca-Cola—have grown their value three times faster in the last decade than those with a strong proposition but weaker advertising.

Brands are valuable, and they drive revenues. Business should be unafraid to embrace digital formats to build their brands' presence and engage consumers. By being the first to try something new, and investing to keep up with dramatic developments in technology, companies can increase the contribution the brand makes to the bottom line. Most of all, the digital strategy should not be considered simply as a roadmap for leveraging digital formats. Digital is a way of life for consumers, and it should be the same for the businesses that serve them.

Integrate security with digital strategy

It's also imperative that the security strategy is integrated with the digital strategy. For the sake of effective data protection and information management, security controls need to evolve as the business adopts new technologies and ways of working, and as customer journeys develop. As a business becomes more customer-centric, data should be sufficiently protected at every point it is collected, shared, used, and stored. Silos are being broken down, systems and databases are

being linked up, and data is flowing through cloud-based applications and mobile devices. Loss of confidential customer details at any weak point in a business's infrastructure or processes can damage a brand's reputation overnight to an extent that may never be completely repaired. The transparency of digital business makes it easy for a customer to see if a brand has misused its data or has not followed the rules. There is no hiding place.



Resources

Methodology

BrandZ™ Brand Valuation Methodology

INTRODUCTION

The brands that appear in this report are the most valuable in the world. They were selected for inclusion in the BrandZ™ Top 100 Most Valuable Global Brands 2017 based on the unique and objective BrandZ™ brand valuation methodology that combines extensive and ongoing consumer insights with rigorous financial analysis.

The BrandZ™ valuation methodology can be uniquely distinguished from its competitors by the way we obtain consumer viewpoints. We conduct worldwide, ongoing, in-depth quantitative consumer research, and build up a global picture of brands on a category-by-category and market-by-market basis.

Globally, our research covers three million consumers and more than 100,000 different brands in over 50 markets. This intensive, in-market consumer research differentiates the BrandZ™ methodology from

competitors that rely only on a panel of “experts,” or purely on financial and market desktop research.

Before reviewing the details of this methodology, consider these three fundamental questions: why is brand important; why is brand valuation important; and what makes BrandZ™ the definitive brand valuation tool?

Importance of brand

Brands embody a core promise of values and benefits consistently delivered. Brands provide clarity and guidance for choices made by companies, consumers, investors and others stakeholders. Brands provide the signposts we need to navigate the consumer and B2B landscapes. At the heart of a brand’s value is its ability to appeal to relevant customers and potential customers. BrandZ™ uniquely measures this appeal and validates it against actual sales performance. Brands that succeed in creating the greatest attraction power are those that are:

Meaningful

In any category, these brands appeal more, generate greater “love” and meet the individual’s expectations and needs.

Different

These brands are unique in a positive way and “set the trends,” staying ahead of the curve for the benefit of the consumer.

Salient

They come spontaneously to mind as the brand of choice for key needs.

Importance of brand valuation

Brand valuation produces a metric that quantifies the worth of these powerful but intangible corporate assets. It enables brand owners, the investment community and others to evaluate and compare brands and make faster and better-informed decisions.

Brand valuation also enables marketing professionals to quantify their achievements in driving business growth with brands, and to celebrate these achievements in the boardroom.

Distinction of BrandZ™

BrandZ™ is the only brand valuation tool that peels away all of the financial, logistical, and in-market components of brand value and gets to the core—how much brand alone contributes to corporate value. This core, which we call Brand Contribution, differentiates BrandZ™.

The Valuation Process

Step 1: Calculating Financial Value

Part A

We start with the corporation. In some cases, a corporation owns only one brand. All Corporate Earnings come from that brand. In other cases, a corporation owns many brands, and we need to apportion the earnings of the corporation across a portfolio of brands.

To make sure we attribute the correct portion of Corporate Earnings to each brand, we analyze financial information from annual reports and other sources, such as Kantar Retail and Kantar Worldpanel. This analysis yields a metric we call the Attribution Rate.

We multiply Corporate Earnings by the Attribution Rate to arrive at Branded Earnings, the amount of Corporate Earnings attributed to a particular brand. If the Attribution Rate of a brand is 50 percent, for example, then half the Corporate Earnings are identified as coming from that brand.

Part B

What happened in the past—or even what’s happening today—is less important than prospects for future earnings. Predicting future earnings requires adding another component to our BrandZ™ formula. This component assesses future earnings prospects as a multiple of current

earnings. We call this component the Brand Multiple. It’s similar to the calculation used by financial analysts to determine the market value of stocks (Example: 6x earnings or 12x earnings). Information supplied by Bloomberg data helps us calculate a Brand Multiple. We take the Branded Earnings and multiply that number by the Brand Multiple to arrive at what we call Financial Value.

Step 2: Calculating Brand Contribution

So now we have got from the total value of the corporation to the part that is the branded value of the business. But this branded business value is still not quite the core that we are after. To arrive at Brand Value, we need to peel away a few more layers, such as the in-market and logistical factors that influence the value of the branded business, for example: price, availability and distribution.

What we are after is the value of the brand itself—that intangible asset that exists in the minds of consumers. To determine this, we have to assess the ability of brand associations in consumers’ minds to deliver sales by predisposing consumers to choose the brand or pay more for it.

We focus on the three aspects of brands that we know make people buy more and pay more for brands: being Meaningful (a combination of emotional and rational affinity), being Different (or at least seeming that

way to consumers), and being Salient (coming to mind quickly and easily when people are making category purchases).

We identify the purchase volume and any extra price premium delivered by these brand associations. We call this unique role played by brand, the Brand Contribution.

Here’s what makes BrandZ™ so unique and important. BrandZ™ is the only brand valuation methodology that obtains this customer viewpoint by conducting worldwide ongoing, in-depth, and consistent quantitative consumer research, online and face-to-face, building up a global picture of brands on a category-by-category and market-by-market basis. Our research now covers over three million consumers and more than 100,000 different brands in over 50 markets since we first introduced the BrandZ™ ranking in 2006.

Step 3: Calculating Brand Value

Now we take the Financial Value and multiply it by Brand Contribution, which is expressed as a percentage of Financial Value. The result is Brand Value. Brand Value is the dollar amount a brand contributes to the overall value of a corporation. Isolating and measuring this intangible asset reveals an additional source of shareholder value that otherwise would not exist.

Methodology

Why BrandZ™ is the definitive Brand valuation methodology

All brand valuation methodologies are similar—up to a point.

All methodologies use financial research and sophisticated mathematical formulas to calculate current and future earnings that can be attributed directly to a brand rather than to the corporation. This exercise produces an important but incomplete picture.

What's missing? The picture of the brand at this point lacks input from the people whose opinions are most important: consumers. This is where the BrandZ™ methodology and the methodologies of our competitors part company.

How does the competition determine the consumer view?

Interbrand derives the consumer point of view from different sources like primary research and panels of experts who contribute their opinions.

Why is the BrandZ™ methodology superior?

BrandZ™ goes much further and is more relevant and consistent. Once we have the important, but incomplete, financial picture of the brand, we communicate with consumers—people who are actually paying for brands every day, regularly and consistently. Our ongoing, in-depth quantitative research includes three million consumers and more than 100,000 brands in over 50 markets worldwide. We have been using the same framework to evaluate consumer insights since we first introduced the ranking in 2006; this provides us with historical understanding of the change in brand equity.

What's the BrandZ™ benefit?

The BrandZ™ methodology produces important benefits for two broad audiences:

- Members of the financial community, including analysts, shareholders, investors and C-suite, who depend on BrandZ™ for the most reliable and accurate brand value information available.
- Brand owners, who turn to BrandZ™ to more deeply understand the causal links between brand strength, sales, and profits, and to translate those insights into strategies for building brand equity.

We have used this framework to measure these insights for many years, which enables us to make historical and cross-category comparisons.

Reports and Apps powered by BrandZ™

Going Global?

We wrote the book.

BRANDZ™ COUNTRY REPORTS: ESSENTIAL TRAVEL GUIDES FOR GLOBAL BRAND BUILDING

Our BrandZ™ country reports contain unparalleled market knowledge, insights, and thought leadership about the world's most exciting markets.

You'll find, in one place, the wisdom of WPP brand building experts from all regions, plus the unique consumer insights derived from our proprietary BrandZ™ database.

If you're planning to expand internationally, BrandZ™ country reports are as essential as a passport.



BRANDZ™ TOP 20 MOST VALUABLE SAUDI ARABIAN BRANDS 2017

As Saudi Arabia embarks on an ambitious program of transformation, this ranking explores the country's most accomplished brands, analyzes their success, and identifies the key forces that are driving growth in this market.

wppbaz.com/report/saudi-arabia/2017



SPOTLIGHT ON CUBA

Cuba is a market unparalleled both in the Caribbean region and the world. Brand awareness among Cubans is high, but gaining access to them is uniquely challenging. Now is the time to plan your Cuba strategy.

wppbaz.com/article/spotlight-on-cuba



SPOTLIGHT ON MYANMAR

The story of Myanmar is one of huge potential, as a new era of openness signals strong growth opportunities. Now is the time for brands to make an impression in this emergent economy.

wppbaz.com/article/spotlight-on-myanmar-report



BRANDZ™ TOP 100 MOST VALUABLE CHINESE BRANDS 2017

The report profiles Chinese brands, outlines major trends driving brand growth, and includes commentary on the growing influence of Chinese brands at home and abroad.

wppbaz.com/report/china/2017



BRANDZ™ TOP 50 MOST VALUABLE INDONESIAN BRANDS 2016

Now in its second year, this study analyzes the success of Indonesian brands, examining the dynamics shaping this fast-emerging market and offering insights for building valuable brands.

wppbaz.com/report/indonesian/2016



BRANDZ™ TOP 50 MOST VALUABLE INDIAN BRANDS 2016

This in-depth study analyzes the success of powerful and emerging Indian brands, explores the Indian consumer's shopping habits, and offers insights for building valuable brands.

wppbaz.com/report/india/2016



BRANDZ™ TOP 50 MOST VALUABLE LATIN AMERICAN BRANDS 2017

The report profiles the most valuable brands of Argentina, Brazil, Chile, Colombia, Mexico, and Peru and explores the socioeconomic context for brand growth in the region.

wppbaz.com/report/latin-america/2017



SPOTLIGHT ON MONGOLIA

Mongolia's GDP has grown at rates as high as 17 percent in recent years, encouraging a growing number of international brands to gravitate toward this fast-growth market and make a beeline for one of Asia's hidden gems.

wppbaz.com/article/spotlight-on-mongolia-report

Reports and Apps powered by BrandZ™

The BRANDZ™ China Insights Reports

In-depth brand-building intelligence about today's China

THE OPPORTUNITY TO BUILD BRANDS IN CHINA IS GREATER THAN EVER. BUT SO ARE THE CHALLENGES.

The fastest growth is happening deep in the country, in less well-known cities and towns. Consumers are more sophisticated and expect brands to deliver high-quality products and services that show real understanding of local market needs.

WPP has been in China for over 40 years. We know the Chinese market in all its diversity and complexity. This experience has gone into our series of BrandZ™ China reports. They will help you avoid mistakes and benefit from the examples of successful brand builders.



BRANDZ™ TOP 30 CHINESE GLOBAL BRAND BUILDERS 2017

This groundbreaking study aims its radar at the edge of the Chinese brand universe, exploring developed country markets where only a few Chinese brands have dared to go—so far.

wppbaz.com/article/just-launched-brandz--chinese-global-brand-builders-download-the-full-report-now



8 RETAIL TRENDS IN CHINA FOR THE YEAR OF THE ROOSTER

With the continued rebalancing of the Chinese economy, 2017, The Year of the Rooster, could be characterized as another year of change for China. The retail sector is at the intersection of much of this transformation, and with the rapid growth of e-commerce, Chinese retail is changing and adapting fast.

wppbaz.com/article/china-retail-trends-report-2017



UNMASKING THE INDIVIDUAL CHINESE INVESTOR

This exclusive new report provides the first detailed examination of Chinese investors: what they think about risk, reward, and the brands they buy and sell. This will help brand owners worldwide understand market dynamics and help build sustainable value.

wppbaz.com/article/unmasking-the-individual-chinese-investor-report



THE POWER AND POTENTIAL OF THE CHINESE DREAM

The Power and Potential of the Chinese Dream is rich with knowledge and insight, and forms part of a growing library of WPP reports about China. It explores the meaning and significance of the "Chinese Dream" for Chinese consumers, as well as its potential impact on brands.

wppbaz.com/article/chinese-dream-report



THE CHINESE GOLDEN WEEKS IN FAST-GROWTH CITIES

Using research and case studies, the report examines the shopping attitudes and habits of China's rising middle class and explores opportunities for brands in many categories.

wppbaz.com/article/chinese-golden-weeks-report



THE CHINESE NEW YEAR IN NEXT-GROWTH CITIES

The report explores how Chinese families celebrate this ancient festival and describes how the holiday unlocks year-round opportunities for brands and retailers, especially in China's lower-tier cities.

wppbaz.com/article/chinese-new-year-report

BRANDZ™ BRAND BUILDING TOOLS



CHARACTERZ

BRAND PERSONALITY ANALYSIS DEEPENS BRAND UNDERSTANDING

Need an interesting and stimulating way to engage with your clients? Want to impress them with your understanding of their brand? A new and improved CharacterZ can help! It is a fun visual analysis, underpinned by the power of BrandZ™, which allows detailed understanding of your brand's personality.

wppbaz.com/wpp-resources-and-companies



TRUSTR

ENGAGING CONSUMERS IN THE POST-RECESSION WORLD

Trust is no longer enough. Strong brands inspire both Trust (belief in a brand's promise developed over time) and Recommendation (current confirmation of that promise). This combination of Trust and Recommendation results in a new metric called TrustR.

www.wpp.com/wpp/marketing/brandz/trustr



REPZ

MAXIMIZING BRAND AND CORPORATE INTEGRITY

Major brands are especially vulnerable to unforeseen events that can quickly threaten the equity cultivated over a long period of time. But those brands with a better reputation are much more resilient. Four key factors drive Reputation: Success, Fairness, Responsibility and Trust. Find out how your brand performs.

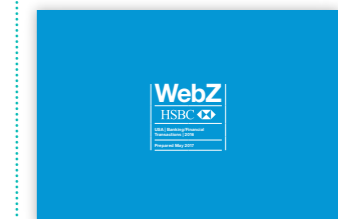


INNOVATIONZ

DISCOVER INNOVATIONZ, A DYNAMIC NEW TOOL FROM BRANDZ™

Discover innovation ideas from around the world, personalized to your client's category.

wppbaz.com/wpp-resources-and-companies



WEBZ

YOUR WEB TRAFFIC STORY FOR YOUR BRAND

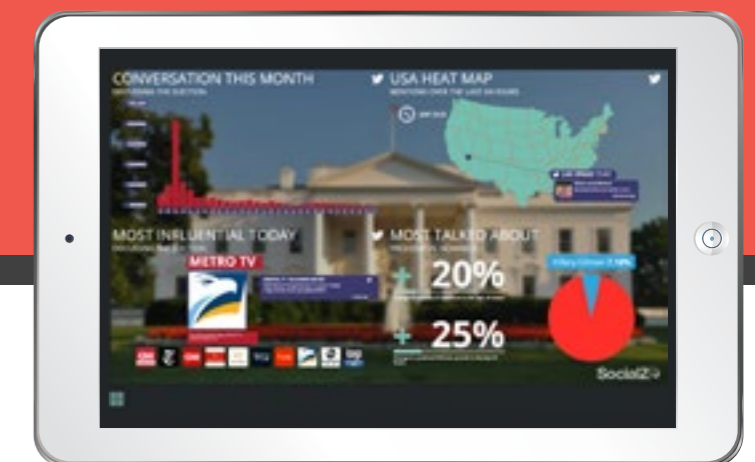
WebZ helps you understand your brand's digital journey! Through analyzing how traffic is driven to your brand's website, it will help you understand your audience demographics and gain insights into viewer trends.

BRANDZ™ SocialZ

REAL-TIME BRAND SOCIAL MEDIA ANALYTICS DASHBOARD

PART OF THE BRANDZ™ SUITE OF TOOLS

SocialZ is the new social media data visualization product from BrandZ™ that enables you to easily track, visualize, and present a real-time view of the social landscape surrounding any brand.



SocialZ is a BrandZ™ real-time, social media data dashboard. Exclusive to WPP, in partnership with BuzzRadar.

POWERED BY
BUZZRADAR

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WPP 2017

WPP Company Contributors

These companies contributed knowledge, expertise, and perspective to the report



ACCELERATION

Acceleration crafts modern marketing capability for global brands and industry leaders. Early on Acceleration understood the radical impact that technology would have on the future of brands. A rare breed of individuals with comprehensive experience in building marketing capability, driving best practice and implementing marketing technology.

Operating at the intersection of technology and strategy, consumer engagement and insights to build the specific programs needed to grow market share and expand global reach. Since our inception we have established a reputation in accelerating value-delivery for brands on the road to digital transformation. Part of Wunderman Data, we employ over 150 strategic marketing technologists.

www.acceleration.biz

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BURSON-MARSTELLER

Burson-Marsteller, established in 1953, is a leading strategic communications and global public relations firm. It provides clients with strategic thinking and program execution across a full range of public relations, public affairs, reputation and crisis management, advertising and digital strategies. The firm's seamless worldwide network consists of 77 offices and 85 affiliate offices, together operating in 110 countries across six continents. Burson-Marsteller is a unit of WPP, the world's leading communications services network.

www.burson-marsteller.com

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COLEY PORTER BELL

Coley Porter Bell creates extraordinary brands, packaging, experiences and communications. Extraordinary because they are intuitive, beautiful and effective.

Too often brands make logical sense but fail to intuitively connect. To address that we combine System 2 strategic rigour with design flair, building in intuitive System 1 thinking to unlock the extraordinary in your brand. We call this Visual Planning. It's agile and collaborative, blending intuitive and projective techniques with visual storytelling, revealing a compelling brand purpose and personality, the foundation for extraordinary design.

The result is visual, verbal and sensory identities, instantly recognisable, highly stimulating; identities which "seduce the subconscious and convince the conscious," and deliver real-world success.

www.coleyporterbell.com

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CONTRACT

Setting a scorching pace since its inception in 1986, Contract Advertising in the last 30 years has built a reputation for igniting the flames of passion that have created trailblazing brands across industries.

A passion for insights, an obsession with out-of-the-box ideas, strategic thinking that breaks the traditional mould, a fanatical pursuit of creativity and a commitment to driving business results; these resolves sum up the Contract difference and have made us India's firebrand agency. Besides mass media advertising, Contract offers truly integrated marketing and communication solutions through its specialist divisions namely iContract (Digital), Designsutra (Design) and Core (Consulting).

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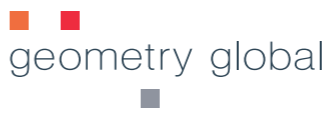
DKSH

DKSH is the leading Market Expansion Services Group with a focus on Asia. We help companies to grow their business in new and existing markets.

For this, we offer a comprehensive package of services that includes organizing and running the entire value chain for any product: from sourcing, market analysis, research and analysis, marketing and sales to distribution and logistics and after-sales services. Headquartered in Zurich, we blend Swiss reliability, professionalism and best practice corporate governance with 150 years of uninterrupted business presence in Asia. We provide our business partners with sound expertise, on-the-ground logistics and tailor-made services based on a comprehensive network of unique size and depth.

www.dksh.com

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GEOMETRY GLOBAL

Geometry Global, the world's largest and most international brand activation agency, drives conversion, action and purchase through award-winning programs that change behavior and inspire people to buy well. With teams in 56 markets, Geometry Global has expertise in shopper, digital, experiential, relationship, promotional and trade marketing. Geometry Global is a WPP company.

www.geometry.com

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GREY

Grey ranks among the world's top advertising and marketing organizations. Grey operates in 96 countries and serves one-fifth of the FORTUNE 500. Its parent company is WPP. Under the banner of "Grey Famously Effective Since 1917," the agency serves a blue-chip client roster of many of the world's best known companies: Procter & Gamble, GlaxoSmithKline, Darden Restaurants, Pfizer, Canon, NFL, Boehringer-Ingelheim, Marriott Hotels & Resorts, Eli Lilly, Walgreens Boots, Ally Financial and Kellogg's. Grey was recently named Adweek's "Global Agency of the Year" and Ad Age's "Agency of the Year."

www.grey.com

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GROUP XP

Group XP is a unique consulting model formed through the partnership between Brand Union, FITCH, SET & SET Live. We believe that great customer experience is the key driver of business growth today. Together, we are over 1000 strategic and creative thinkers located across 40 studios worldwide. By connecting diverse perspectives and skills in our network, we bring a holistic view of experience to create transformative interactions between brands and people.

www.group-xp.com

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GROUPM

GroupM is the leading global media investment management group, serving as the parent to WPP media agencies including Mindshare, MEC, MediaCom, Maxus, Essence, and m/SIX, as well as the programmatic digital media platform Xaxis—each global operations in their own right with leading market positions. GroupM’s primary purpose is to maximize the performance of WPP’s media agencies by operating as leader and collaborator in trading, content creation, sports, digital, finance, and proprietary tool development. GroupM’s focus is to deliver unrivaled marketplace advantage to its clients, stakeholders, and people, and is increasingly working closely for the benefit of clients with WPP’s data investment management group, Kantar. Together GroupM and Kantar account for over 50% of WPP’s group revenues of more than \$20 billion.

www.groupm.com

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GTB

Introducing GTB! You probably remember us as either Team Detroit, Retail First or Blue Hive. But those names are not really representative of who we are. Today, we’re like no other. We combine everything under one global roof to create some of the most memorable and effective advertising anywhere.

We were born different, founded to create an entirely new model of collaboration and give marketers access to the breadth of WPP’s talent, ideas and tools. The result? An agency that truly works at the intersection of business and everything imaginable. Welcome to GTB.

www.gtb.com

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HILL+KNOWLTON STRATEGIES

Hill+Knowlton Strategies, Inc. is an international communications consultancy, providing services to local, multinational and global clients. The firm is headquartered in New York, with 87 offices in 49 countries, as well as an extensive associate network. The agency is part of WPP, one of the world’s largest communications services groups.

www.hkstrategies.com

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JOULE

Joule is WPP’s mobile-first marketing agency. Providing an end to end service that cuts through media and creative silos, Joule works with brands and partner agencies to ensure excellent mobile first connected experiences. With a team consisting of friendly mobile strategists, creatives, designers and media planners, Joule use some of the most sophisticated proprietary tools to deliver campaigns across multiple screens that resonate and perform. Joule is a global agency, and counts some of the world’s most eminent brands amongst our client base, including Unilever’s global mobile strategy across the 15 of their one billion dollar brands.

www.jouleww.com

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J. WALTER THOMPSON

J. Walter Thompson Worldwide, the world’s best-known marketing communications brand, has been pioneering brands that connect people, change culture, and drive commerce for more than 150 years. Headquartered in New York, J. Walter Thompson is a true global network with more than 200 offices in over 90 countries, employing nearly 12,000 marketing professionals. The agency consistently ranks among the top networks in the world and continues a dominant presence in the industry by staying on the leading edge—from hiring the industry’s first female copywriter to developing award-winning branded content. For more information, follow us @JWT_Worldwide.

www.jwt.com

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KANTAR

Kantar is the data investment management arm of WPP and one of the world’s leading data, insight and consultancy companies. Working together across the whole spectrum of research and consulting disciplines, its specialist brands, employing 30,000 people, provide inspirational insights and business strategies for clients in 100 countries. Kantar is part of WPP and its services are employed by over half of the Fortune Top 500 companies.

www.kantar.com

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KANTAR ADDED VALUE

Kantar Added Value is a creative marketing consultancy. We are one of the founding partners of Kantar Consulting, the sales and marketing consultancy at the heart of WPP. We challenge our clients to build brands that shift categories and shape culture because we recognise that at a time when people are way more interested in their lives than in the brands we are charged with marketing, we need to develop brands that deliver experiences and champion issues that people genuinely want to engage with. It’s how we add value. Today we operate globally from 10 locations in 9 countries.

www.added-value.com

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KANTAR FUTURES

As the leading global strategic insights and innovation consultancy, with unparalleled global expertise in foresights, trends and futures, Kantar Futures offers a complete range of subscription services and consulting solutions to help clients “profit from change” by understanding and anticipating change and shaping future strategies accordingly. Kantar Futures was formed through the integration of The Henley Centre, HeadlightVision, Yankelovich and TRU. Kantar Futures is a company within WPP, with offices located in Europe, North America, Latin America and Asia-Pacific.

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KANTAR IMRB

KANTAR IMRB

Kantar IMRB is a pioneer of market research services in Asia. With over 40 years of expertise in emerging markets, Kantar IMRB builds customised solutions to create powerful growth paths for its clients. Kantar IMRB offers unparalleled depth and width of services across sectors and categories. The company also has rich data assets in its large array of syndicated studies and data alliance partnerships. With its multidisciplinary and multi-cultural workforce, Kantar IMRB is at the cutting edge of market research and consulting services. It operates in 49 offices and 67 countries across the world.

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KANTAR MILLWARD BROWN

KANTAR MILLWARD
BROWN

Kantar Millward Brown is a leading global research agency specialising in advertising effectiveness, strategic communication, media and digital, and brand equity research. The company helps clients grow great brands through comprehensive research-based qualitative and quantitative solutions. Kantar Millward Brown operates in more than 55 countries and is part of WPP's Kantar group, one of the world's leading data, insight and consultancy companies.

www.millwardbrown.com

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KANTAR RETAIL

We are the retail and shopper specialists. We are a leading retail and shopper insight, consulting and analytics and technology business, part of Kantar Group, the data investment management division of WPP. We work with leading brand manufacturers and retailers to help them sell more effectively and profitably. At Kantar Retail we track and forecast over 1000 retailers globally and have purchase data on over 200 million shoppers. Amongst our market leading reports are the annual PowerRanking® survey and the Digital Power Study. Kantar Retail works with over 400 clients and has 26 offices in 15 markets around the globe.

www.kantarretail.com

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KANTAR TNS

Kantar TNS is one of the world's largest research agencies with experts in over 90 countries. With expertise in innovation, brand and communication, shopper activation and customer relationships, we help our clients identify, optimise and activate the moments that matter to drive growth for their business. We are part of Kantar, one of the world's leading data, insight and consultancy companies.

www.tnsglobal.com

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KANTAR VERMEER

Kantar Vermeer is the only global marketing consultancy focused on unleashing purpose-led growth through the development and embedding of consumer insight-led marketing strategy, structure and capability. They provide solutions to strategic marketing challenges, rooting their approach in consumer research, stakeholder understanding and financial analysis. Kantar Vermeer's whole-brain thinking brings an intrinsically multi-lens and practical approach to their work.

Beyond their cutting-edge client work, they deliver thought leadership to change the conversation in business: Their Marketing2020 study is the most global and comprehensive CMO research program in the market and was featured as the cover story of Harvard Business Review's 2014 summer issue.

kantarvermeer.com

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KANTAR WORLDpanel

Kantar Worldpanel is the global expert in shoppers' behavior. Through continuous monitoring, advanced analytics and tailored solutions, Kantar Worldpanel inspires successful decisions by brand owners, retailers, market analysts and government organisations globally. With over 60 years' experience, a team of 3,500, and services covering 60 countries directly or through partners, Kantar Worldpanel turns purchase behaviour into competitive advantage in markets as diverse as FMCG, impulse products, fashion, baby, telecommunications and entertainment, among many others.

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LAMBIE-NAIRN

Lambie-Nairn has been creating Dynamic Brands for over 40 years—brands built for a multi-screen, digital world with the ability to coherently evolve in real time and reshape categories. Beginning with our pioneering work in broadcast identity; our unique approach to brand building today extends to industry leading brand management known as Brand Optimisation™. As part of WPP we serve clients across the globe and manage 9 offices in Europe, the Middle East and Latin America.

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LANDOR

A global leader in brand consulting and design, Landor helps clients create agile brands that thrive in today's dynamic, disruptive marketplace. Landor's services include strategy and positioning, identity and design, motion graphics, brand architecture, prototyping, innovation, naming and verbal identity, research and analytics, environments and experiences, engagement and activation, interactive and media design. Landor has 25 offices in 19 countries, working with a broad spectrum of world-famous brands, including Alitalia, Barclays, Bayer, BBC, BMW, BP, FedEx, GE, Kraft Heinz, Huawei Technologies, Marriott International, Nike, Pernod Ricard, Procter & Gamble, S&P Global, Samsung, Sony, and Tai Group.

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These companies contributed knowledge, expertise, and perspective to the report



MAXUS

Maxus Global is a global network of local media agencies that embraces technology and innovation to deliver tangible business benefits for clients. Maxus has a clear vision: to lead clients into change and the brilliant opportunity that change creates. Maxus delivers meaningful business results through a mix of smart organic growth and by strengthening and expanding its specialist services. Clients include NBCU, L'Oréal, Church & Dwight, BT, Huawei and Aldi.

Maxus is part of GroupM, the world's largest media investment management group, responsible for nearly one-third of all media investment worldwide and serving as parent company for all of WPP's media agencies. Founded in 2008, Maxus employs around 3,000 people across 55 countries in 70 offices and has been the world's fastest growing media network for six consecutive years, according to RECMA.

www.maxusglobal.com

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MEC

We unashamedly set out to support our clients Make The Future; bringing together data, creativity and rigour to help the best brands in the world make the futures they want. All of our people, processes and technologies are united through our focus on understanding, improving, accelerating and optimizing marketing purchase journeys; making them more satisfying for consumers and more effective for our clients. With 5,400 experts collaborating globally every day, we connect every ounce of our skill, tech and creativity to ensure clients get the maximum effectiveness from their marketing spend. MEC works with category leading advertisers in 90 countries and we are a founding partner of GroupM.

www.mecglobal.com

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MEDIACOM

MediaCom is 'The Content + Connections Agency'. It works on behalf of its clients to leverage their entire systems of communications across paid, owned and earned channels and deliver a step change in their business outcomes.

MediaCom is one of the world's leading media communications specialists, with billings exceeding US\$33 billion (Source: RECMA June 2016). It employs 7,000 people in 125 offices across 100 countries and works with global brands, including Dell, P&G, Shell and Universal. MediaCom was named Global Agency Network of the Year at the 2017 Festival of Media Global Awards, and Global Agency of the Year at the 2016 M&M Awards.

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MINDSHARE

Mindshare is a global media agency network with billings in excess of US\$34.5 billion (source: RECMA). The network consists of more than 7,000 employees, in 116 offices across 86 countries spread throughout North America, Latin America, Europe, Middle East, Africa and Asia Pacific. Each office is dedicated to forging competitive marketing advantage for businesses and their brands based on the values of speed, teamwork and provocation. Mindshare is part of GroupM, which oversees the media investment management sector for WPP, the world's leading communications services group.

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MIRUM

Mirum is a global digital agency that creates experiences that people want and businesses need. Named a Visionary in the 2016 Gartner Magic Quadrant, Mirum helps guide brands in business transformation, experience development, and commerce and activation. The agency operates in 22 countries, with more than 46 offices and 2,400 professionals. Mirum is part of the J. Walter Thompson Company and WPP Network.

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NEO@OGILVY

Neo@Ogilvy is Ogilvy & Mather's global media agency and performance marketing network. It is our mission to never get distracted from helping our clients leverage the latest digital and performance media techniques to connect with their customers and grow their businesses. Our team consists of more than 1000 employees across 40 worldwide offices working to put innovation and accountability at the heart of every engagement. With a mandate to drive measurable results, Neo applies a data-driven strategic approach and cutting edge technologies across digital disciplines (including paid and organic search, display, video, mobile, social media, affiliate marketing) and traditional channels.

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OGILVY & MATHER

Ogilvy is one of the largest marketing communications companies in the world. It was named the Cannes Lions Network of the Year for five consecutive years, 2012, 2013, 2014, 2015 and 2016; the EFFIEs World's Most Effective Agency Network in 2012, 2013 and 2016; and Adweek's Global Agency of the Year in 2016. The company is comprised of industry leading units in the following disciplines: advertising; public relations and public affairs; branding and identity; shopper and retail marketing; health care communications; direct, digital, promotion and relationship marketing; consulting, research and analytics; branded content and entertainment; and specialist communications.

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OGILVYONE BUSINESS

OgilvyOne Business: B2B Agency of the Year

We are the largest global B2B agency in the UK and 100% dedicated to the B2B sector. Our work spans sectors from technology, to consulting and finance, from manufacturing to property and logistics.

In our experience, B2B marketing challenges nearly always revolve around the business rather than the brand. We therefore start with the client's business problem and then set about creating real Customer Engagement, at both an organisational and an individual level.

We offer a broad range of skills including: Strategy and planning, branding, dynamic content creation, campaign management and marketing automation.

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OGILVYRED

At OgilvyRED we tackle the toughest brand, business and innovation challenges our clients face in a constantly disrupted world. Our consulting solutions help clients navigate complexity with a unique combination of rigor and creativity. Our integration with the larger Ogilvy Group offers clients full implementation capabilities.

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PBN HILL+KNOWLTON STRATEGIES

PBN Hill+Knowlton Strategies is the preeminent strategic communications, public relations and government affairs firm specializing in Russia, Ukraine, Kazakhstan and the CIS. We have had a presence on the ground in the region since 1991. We offer our clients unmatched synergies in experience, wisdom and creativity and are fully integrated with Hill+Knowlton Strategies worldwide. Nearly half of all Fortune 500 global companies have chosen to work with Hill+Knowlton Strategies, which offers senior counsel, insightful research and strategic communications from over 80 offices in 50 countries.

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PLUS

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PSB

PSB, a member of Young & Rubicam Group and the WPP Group, is a global research consultancy that delivers custom, prescriptive strategy for blue-chip corporate, political and entertainment clients. PSB's operations include over 200 consultants and a sophisticated in-house market research infrastructure with global capabilities. PSB is headquartered in Washington D.C., with offices in New York, Seattle, Los Angeles, Denver, London, and Madrid. PSB gets To the Point, backing actionable strategy with scientific-grade data to give you competitive edge, no matter the business problem.

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PRISM

PRISM delivers high quality work in sports marketing, sponsorship, content creation, PR and event activation.

Working with great brands, including Aston Martin, IHG, Ford, JP Morgan Private Bank, Mazda, SUBWAY®, INFINITI and Tata, PRISM is recognised for both its individual delivery and for working collaboratively with WPP agencies and Teams. In 2016, PRISM was awarded top honours in the WPP Worldwide Partnership Awards for its work with Aston Martin.

With our global network, PRISM is committed to building strong, effective relationships by delivering industry-leading sponsorship insight and communications strategies, engaging content, and innovative digital, social media and experiential campaigns.

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ROCKFISH DIGITAL

Rockfish is a full-service Digital Innovation agency - born of Technology, embedded in Start-ups, and fueled by Strategy. At Rockfish, we define "Innovation" as Radical, Ownable, and Meaningful solutions fueled by productive disruption. Key Strengths:

- Marketing & Transformation - Apply a holistic view of the customer & the re-oriented value chain
- Customer Experience - Bringing valuable, relevant, & revenue-driving experiences to market
- Innovation in Digital - Strategically extending brands into new, native digital revenue-streams
- Commerce & Shopper - Growing revenue online via online platforms (Amazon, etc.) & pure plays
- Platforms & Enterprise - Activating technology in support (and enablement) of what's next

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SALMON

Salmon is a global digital commerce consultancy that defines and delivers market-changing ecommerce solutions and customer journeys for the world's leading brands.

Founded in 1989, with operations in London, Amsterdam, New Delhi, Beijing and Melbourne, we have over 700 experts in multichannel commerce, shaping client platforms that drive €7.4 billion in revenue annually across retail, distribution, manufacturing, FMCG and financial services.

Our clients include Argos, Asian Paints, Audi UK, DFS, Halfords, Jumbo, LloydsPharmacy, Premier Farnell, Sainsbury's, Selfridges, Ted Baker and Sligro Food Group.

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SMOLLAN

Founded in 1931, Smollan is a retail solutions company, delivering growth for retailers and brand owners across five continents. We cover every aspect of how brands are managed in retail environments through the creation and execution of leading solutions in field sales, retail execution, activation, information and technology. Internationally recognised for our exceptional human platform of over 60 000 people and our sophisticated systems, we drive sales and create brilliant shopper experiences for some of the world's most loved brands.

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THE INNOVATION GROUP

The Innovation Group is J. Walter Thompson's in-house creative think tank for the future. The practice produces groundbreaking thought leadership, consumer insight and sector innovation content.

It offers a range of consultancy services that help clients not only understand what's happening now and next, but how to action this in the framework of their brand.

The Innovation Group also offers creative innovation labs, ideating and rapid prototyping concepts based on future change with its team of futurists, creative directors, strategists and researchers. For more information, contact us at innovation@jwintelligence.com.

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VALENSTEIN & FATT

Valenstein & Fatt is the creative agency formerly known as Grey London. A small name change, but a big deal. Founded in 1917, in a world of division and discrimination. Our founders unable to put their names above their door. Fast-forward to 2017. Everything has changed, yet nothing has changed. Too much in this world remains ugly. Yet the more diverse we are, the more powerful our ideas become. So we continue to celebrate difference. To break down barriers to opportunity. Because everyone has the right to put their name above their door - whoever you are, wherever you come from.

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WUNDERMAN

Wunderman is Creatively Driven. Data Inspired. A leading global digital agency, Wunderman combines creativity and data into work that inspires people to take action and delivers results for brands. In 2015, industry analysts named Wunderman a leader in marketing database operations as well as a strong performer in customer engagement strategy. Headquartered in New York, the agency brings together 7,000 creatives, data scientists, strategists and technologists in 175 offices in 60 markets. Wunderman is a WPP company (NASDAQ: WPPGY). For more information, please follow us @Wunderman.

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Y&R

Y&R is one of the world's most iconic ad agencies. We operate as a Global Boutique, connecting deep insights from local business needs and consumers with strategies and objectives that travel across borders. United by a global infrastructure and common tools and technology, all our clients have access to people and resources from everywhere in our network.

Y&R has 189 offices in 93 countries around the world, with clients that include Bel Brands, Campbell's Soup Company, Colgate-Palmolive, Danone, Dell, Telefonica and Xerox, among many others. Y&R is part of WPP (NASDAQ: WPPGY).

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WPP is the world's largest communications services group, with billings of US \$74 billion and revenues of US\$19 billion. Through its operating companies, the Group provides a comprehensive range of advertising and marketing services including advertising & media investment management; data investment management; public relations & public affairs; branding & identity; healthcare communications; direct, digital, promotion & relationship marketing and specialist communications. The company employs over 205,000 people (including associates and investments) in over 3,000 offices across 112 countries.

WPP was named Holding Company of the Year at the 2016 Cannes Lions International Festival of Creativity for the sixth year running. WPP was also named, for the fifth consecutive year, the World's Most Effective Holding Company in the 2016 Effie Effectiveness Index, which recognizes the effectiveness of marketing communications. In 2016 WPP was recognised by Warc 100 as the World's Top Holding Company (second year running).

For more information, visit www.wpp.com.

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The brand valuations in the BrandZ™ Top 100 Most Valuable Global Brands 2017 are produced by Kantar Millward Brown using market data from Kantar Retail and Kantar Worldpanel, along with Bloomberg.

The consumer viewpoint is derived from the BrandZ™ database. Established in 1998 and constantly updated, this database of brand analytics and equity is the world's largest, containing over three million consumer interviews about more than 100,000 different brands in over 50 markets.

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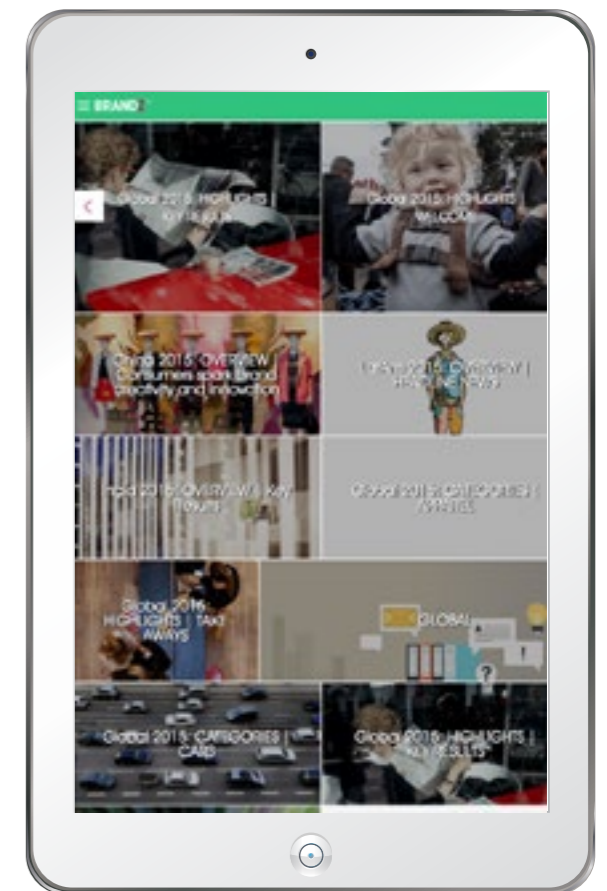
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